



CITY OF HAMILTON
CORPORATE SERVICES DEPARTMENT
Financial Planning, Administration and Policy Division

TO:	Chair and Members Audit, Finance and Administration Committee
COMMITTEE DATE:	June 12, 2017
SUBJECT/REPORT NO:	City of Hamilton Amended Water and Wastewater / Storm Arrears Policy (FCS17054) (City Wide)
WARD(S) AFFECTED:	City Wide
PREPARED BY:	John Savoia (905) 546-2424 Ext. 7298
SUBMITTED BY:	Brian McMullen Director, Financial Planning, Administration and Policy Corporate Services Department
SIGNATURE:	

RECOMMENDATIONS

- (a) That the amended Water and Wastewater / Storm Arrears Policy as attached in Appendix "A" to Report FCS17054, be approved effective November 1, 2017;
- (b) That the General Manager of Finance and Corporate Services be authorized and directed to execute all necessary documents to amend the Service Agreement between the City of Hamilton and Horizon Utilities Corporation dated January 1, 2015, to implement recommendation (a) of Report FCS17054, in a form satisfactory to the City Solicitor and with content satisfactory to the General Manager of Finance and Corporate Services;
- (c) That the City Solicitor be authorized and directed to prepare all necessary by-laws to implement the Water and Wastewater / Storm Arrears Policy set out in recommendation (a) of Report FCS17054 which may include necessary amendments to be made to the following City of Hamilton by-laws:
 - (i) Waterworks By-law R84-026; and
 - (ii) Sanitary Surcharge and Wastewater Abatement By-law No. 03-272.

EXECUTIVE SUMMARY

In December 2016, Council approved the change to monthly billing for all customers of City of Hamilton (the “City”) water and wastewater / storm services (refer to Report FCS16092 for details). The transition to monthly billing for all customers is expected to be completed by June 2017. This change in billing frequency has prompted staff to review a number of financial policies related to water and wastewater / storm billing and collection practices.

The proposed amendments to the Water and Wastewater / Storm Arrears Policy (the “Policy”) ensure that account holders and property owners are provided notice of arrears and sufficient time to pay unpaid fees in order to avoid the arrears being placed on the tax roll. In order to maximize the recovery of arrears that remain unpaid, the Policy recognizes the authority provided by the *Municipal Act, 2001* to place unpaid fees and charges for public utilities, which includes water and wastewater / storm arrears, on the tax roll for the property to which the service was supplied.

Staff has conducted a survey of Ontario municipalities and an online literature review of collection practices for water, wastewater and storm receivables in Canada, to identify best practices to recommend some amendments to the Policy.

Timing of Arrears Transfers to Tax Roll

The City through its billing agent, Alectra Utilities (“Alectra”), bills nearly \$200 M annually for water, wastewater and storm services. The majority of accounts are collected without the need for additional collection measures.

Unlike most water utilities, the City does not utilize service disconnection to address non-payment of water and / or wastewater / storm bills. The City relies on its authority under the *Municipal Act, 2001* to place unpaid water and wastewater / storm amounts on the tax roll for the property to secure the City’s water and wastewater / storm revenues.

Prior to 2002, the City billed customers on a quarterly basis, with the exception of large industrial customers who were billed monthly. The quarterly billed customers were subsequently shifted to match the bi-monthly electric billing cycle when Hamilton Hydro assumed water billing services for the City.

Under the former The Regional Municipality of Hamilton-Wentworth (the “Region”), tax roll transfer of unpaid arrears occurred 40 calendar days following the quarterly bill due date as was reflected in the Waterworks By-law R84-026 enacted in 1984. However, at some point prior to 2000, the practice of tax roll transfer was delayed to 90 calendar days beyond the water bill payment due date presumably to align with the then residential quarterly billing period so that customers could address payment of their current bill before receipt of their next bill.

Regardless of billing frequency and / or the option of service disconnection for non-payment, most Ontario municipalities that transfer unpaid arrears to the tax roll do so at 60 or fewer calendar days after the water bill payment due date. With the shift to monthly billing for all water customers, it is recommended to amend the Policy so that tax roll transfers of arrears occur at 60 calendar days after the monthly bill due date. As the City has not utilized service disconnection in many years to recover arrears, transferring arrears to the tax roll secures the City's water and wastewater / storm revenues and provides an incentive for customers to make payment on their outstanding accounts in a timely fashion. Additionally, Alectra charges interest at a rate of 1.5 percent per month (19.56 percent per year) starting six calendar days after the due date compounded daily up to the point of unpaid arrears are transferred to the tax account whereas, the City applies interest on outstanding amounts transferred to the tax roll at a rate of 1.25 percent per month (15 percent per year). An administrative fee is also charged for each tax roll transfer occurrence with the current fee at \$32.95 per tax roll transfer.

Special Circumstances

Occasionally, staff encounters situations where transfer of arrears to the property tax roll is not straight forward due to special circumstances mostly relating to the timing or the type of ownership of the property to which services are supplied. Amending the Policy to outline how the City manages arrears collections under these situations will provide guidance for staff to follow.

Condominium Water Arrears

Condominium properties are comprised of many individually assessed units, each with an assessed owner. In many cases, water supplied to a condominium property is measured and accounted for by a single bulk water meter that records water consumption for the entire property.

It is proposed that where water fees of a condominium corporation remain outstanding 60 days after their due date, authority be provided to transfer those arrears to the tax accounts of that corporation's individual condominium units on a pro-rata basis equal to the proportions, expressed in percentages, allocated to the units, in which the owners are to contribute to the common expenses as set out in the declaration of the condominium corporation. Additionally, if the proposed Policy amendments are accepted, the General Manager of Finance and Corporate Services would be authorized to exempt units, in whole or in part, from their proportionate share of water arrears where such units are directly supplied with metered water.

Interim Ownership Water Arrears

To accommodate the water and wastewater / storm billing for purchasers who have taken possession of a condominium unit during the “Interim Occupancy Period”, Alectra updates the water account to the purchaser’s name(s) (“Interim Owner”) and bills accordingly.

However, since the transfer of title to the property does not occur until the Condominium Corporation is registered, the developer may become liable for any outstanding water and wastewater / sewer charges if the Interim Owner defaults in payment of the arrears and the arrears are transferred to the tax roll. The proposed amended Policy clarifies that to collect outstanding balances, the City may transfer Interim Owner’s unpaid water and wastewater / storm balances to the tax account for the unit (property owner/developer) and collect it in the same manner as property taxes.

Tax Exempt Property Water Arrears

Accounts such as government, hospitals, education and not-for-profit properties may be exempt from payment of municipal taxes. The proposed amended Policy clarifies that overdue amounts for water and wastewater / storm services owed by any tax exempt entities may be transferred to the tax account for the property. It is also being recommended that the use of service disconnection be considered where arrears remain unpaid for services provided to such properties. It should be noted that for any account where service disconnection does occur, the account will be charged the applicable fees for turning the water service off and on when the service is restored following payment.

The adoption of the amended Water and Wastewater / Storm Arrears Policy as recommended is intended to continue the effective and equitable management of the City’s water and wastewater / storm receivables while allowing staff to work with customers to meet their payment obligations in a timely manner.

Alternatives for Consideration – Not Applicable

FINANCIAL – STAFFING – LEGAL IMPLICATIONS

Financial: This Report has no direct financial impact. Approval of the amended Water and Wastewater / Storm Arrears Policy seeks to maximize the successful collection of water and wastewater / storm utility service arrears to the City while allowing the customer to retain active utility service.

Staffing: No impact to current staffing levels.

Legal: The City’s authority under the *Municipal Act, 2001* to place unpaid water and wastewater amounts on the tax roll for the property is not affected by recommendations contained in this Report.

HISTORICAL BACKGROUND

The proposed amendments to the Water and Wastewater / Storm Arrears Policy ensure that account holders and property owners are provided notice of arrears and sufficient time to pay unpaid fees in order to avoid the arrears being placed on the tax roll. In order to maximize the recovery of arrears that remain unpaid, the Policy recognizes the authority provided by the *Municipal Act, 2001* to place unpaid fees and charges for public utilities, which includes water and wastewater / storm arrears, on the tax roll for the property to which the service was supplied.

In December 2016, Council approved the change to monthly billing for all customers of the City water and wastewater / storm services (refer to Report FCS16092 for details) with all customers expected to be on a monthly billing cycle by June 2017. This change in billing frequency has prompted staff to review a number of financial policies related to water and wastewater / storm billing and collection practices.

POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS

This Report proposes some amendments to the City's Water and Wastewater / Storm Arrears Policy for the consideration of Council.

RELEVANT CONSULTATION

Corporate Services – Legal Services Division has been consulted in the preparation of this Report.

Alectra Utilities Corporation has been consulted and advised of implementation requirements that arise from the adoption of this Report's recommendations and have indicated they support the City with these initiatives.

ANALYSIS AND RATIONALE FOR RECOMMENDATION

Staff has conducted a survey of Ontario municipalities and an online literature review of collection practices for water, wastewater and storm receivables in Canada, to identify best practices to recommend some amendments to the Policy.

Timing of Arrears Transfers to Tax Roll

Unlike many water utilities, the City currently does not utilize service disconnection to address non-payment of water and / or wastewater / storm arrears. The City relies on its authority under the *Municipal Act, 2001* to place unpaid water and wastewater / storm arrears on the tax roll for the property to secure the City's water and wastewater / storm revenues.

Water utilities have varied practices in terms of billing frequency and at the point in time, unpaid arrears are transferred to the property tax roll. Among Ontario water utilities there is essentially an even split in residential water billing frequency between monthly, bi-monthly and quarterly. There has been a shift towards monthly water billing in light of the Ontario Energy Board mandate for monthly electric billing and the common engagement of local electric utilities by municipalities to provide water billing services (Hamilton, Guelph, London, Kingston and Sudbury). Prior to 2001, the City billed customers on a quarterly basis, with the exception of large industrial customers who were billed monthly. The quarterly billed customers were subsequently shifted to match the bi-monthly electric billing cycle when Hamilton Hydro assumed water billing services for the City.

Under the former Region, tax roll transfer of unpaid arrears occurred 40 calendar days following the quarterly bill due date as was reflected in the Waterworks By-law R84-026 enacted in 1984. However, at some point prior to 2000, the practice of tax roll transfer was delayed to 90 calendar days after the water bill payment due date presumably to align with the then residential quarterly billing period so that customers could address payment of their current bill before receipt of their next bill.

Regardless of billing frequency and / or the option of service disconnection for non-payment, most Ontario municipalities that transfer unpaid arrears to the tax roll do so at 60 or fewer calendar days after the water bill payment due date. With the shift to monthly billing for all water customers, it is recommended to amend the Policy so that tax roll transfers of arrears occur at 60 calendar days after the monthly bill due date. As the City has not utilized service disconnection in many years to recover arrears, transferring arrears to the tax roll secures the City's water and wastewater / storm revenues and provides an incentive for customers to make payment on their outstanding accounts in a timely fashion. Additionally, Alectra charges interest at a rate of 1.5 percent per month (19.56 percent per year) starting six calendar days after the due date compounded daily up to the point of unpaid arrears being transferred to the tax account whereas, the City applies interest on outstanding amounts transferred to the tax roll at a rate of 1.25 percent per month (15 percent per year). An administrative fee is also charged for each tax roll transfer occurrence with the current fee at \$32.95 per tax roll transfer. Under the current Policy, Alectra endeavours to notify property owners of arrears at 30 and 60 calendar days beyond the due date. If the account remains unpaid, the water / wastewater / storm arrears are added to the property tax roll when the account remains unpaid 90 calendar days after the due date.

SUBJECT: City of Hamilton Amended Water and Wastewater / Storm Arrears Policy (FCS17054) (City Wide) - Page 7 of 9

The following Table reflects that water and wastewater / storm revenues invoiced by Alectra have increased from 2014 to 2016 by over 15%. However, the amount of arrears transferred to property tax rolls has remained at less than a fraction of one per cent of invoiced revenues (\$1.4 M annually) representing a fraction of one percent of overall invoiced revenues. To put Hamilton's arrears transfer activity into perspective, in 2016 the City of Toronto transferred nearly 3% of invoiced revenues (\$28.8 M). This comparison demonstrates that Hamilton's Policy effectively maximizes the successful collection of water and wastewater / storm utility service arrears to the City while allowing the customer to retain active utility service.

	2014	2015	2016
Number of Invoices Issued	951,062	982,208	963,699
Revenue	\$169.2 M	\$182.3 M	\$195.4 M
30 day/60 day Notifications	34,482	36,023	40,402
Accounts Transferred to Tax Roll	5,747	5,795	6,221
Arrears Value	\$1.44 M	\$1.44 M	\$1.48 M
Combined Rate Increase	4.0%	4.2%	4.7%

Analysing 2016 in further detail reflects that property owners respond well to pay unpaid charges in order to avoid the arrears being placed on the tax roll.

- 23,319 arrears notices issued regarding outstanding arrears at 30 calendar days beyond the due date
- 17,083 arrears notices issued regarding outstanding arrears at 60 calendar days beyond the due date
- 6,221 tax roll transfers (note that there are numerous instances of the same account being transferred multiple times through the year)
- \$1.48 M transferred to tax roll comprised of approximately \$925 K for residential and \$555 K for industrial / commercial / institutional / multi-residential

Special Circumstances

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ALTERNATIVES FOR CONSIDERATION

N/A

ALIGNMENT TO THE 2016 – 2025 STRATEGIC PLAN

Community Engagement & Participation

Hamilton has an open, transparent and accessible approach to City government that engages with and empowers all citizens to be involved in their community.

Economic Prosperity and Growth

Hamilton has a prosperous and diverse local economy where people have opportunities to grow and develop.

Our People and Performance

Hamiltonians have a high level of trust and confidence in their City government.

APPENDICES AND SCHEDULES ATTACHED

Appendix “A” – City of Hamilton Water and Wastewater / Storm Arrears Policy

JS/dt