

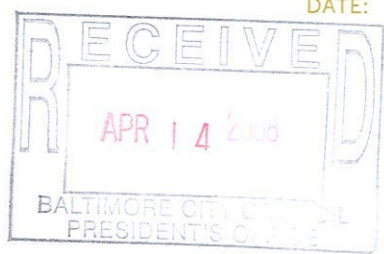


FROM	NAME & TITLE	Edward J. Gallagher, Director		CITY of BALTIMORE MEMO	
	AGENCY NAME & ADDRESS	Department of Finance Room 454 City Hall (410-396-4940)			
	SUBJECT	City Council Bill No. 08-0068 – Water and Sewer Charges – Payment Schedules			

TO

DATE: April 14, 2008

Honorable President and
Members of the City Council
C/O Karen Randle
Room 409, City Hall



City Council Bill 08-0068 proposes to stop the accrual of certain penalties on water/sewer delinquent accounts while payments are being made timely under an agreed-to payment schedule.

Fiscal Impact

The fiscal impact to the Water and Waste Water Utilities from the proposed measure is difficult to estimate because there is no good track record on which to base an estimate. This proposed measure would be one part of a comprehensive effort to reform the way the City manages delinquent water/sewer accounts. The City intends to significantly expand the use of payment agreements, along with other collection tools such as water service turn-off, under this new program. It is difficult to estimate the extent to which the cost associated with the loss of penalty revenue from the proposed measure will be offset by increased and more timely collections associated with the expanded use of payment agreements and service turn-off as collection tools.

Background and Analysis

In spring 2007, Mayor Dixon convened a working group to evaluate the City's current policies and practices related to the use of tax sale as the primary collection method for delinquent water and sewer bills and to recommend changes to help protect City property owners while maintaining the City's ability to collect what is owed, protect the solvency of the utilities, and maintain appropriate rates for all citizens.

After nine months of focused study, significant changes to local law and policies, as well as State law are recommended. The reform package is focused on three main goals:

1. To expand safety net provisions for water/sewer customers;
2. To prevent properties from going into tax sale for an unpaid water/sewer bill; and
3. To better protect property owners who do end up in tax sale.

The work group has endorsed a comprehensive package of 13 different recommendations that will reform how the City handles water billing and collection, water service turn-off and the enforcement of liens.

The recommendations that the City is pursuing include things such as:

- Providing a new discounted rate for low-income senior citizen customers;
- Increasing the amount of the City's Crisis Intervention Grant from \$100 to \$125 and extending the Grant program to tenants who are facing water turn-off;
- Capping the amount of fees and expenses that a tax sale purchaser can charge the property owner upon redemption (House Bill 1211, 2008 General Assembly Session);
- Sending all water and sewer delinquent notices and turn-off notices to both the owner and the tenant for rental properties;
- Reducing the turn-off threshold for water and sewer accounts from \$500 to \$250 in order to intervene sooner before delinquencies become unmanageable and expanding the turn-off program to tenant-occupied properties;
- Expanding the use of payment agreements and implementing a new policy whereby an active payment agreement will keep a water/sewer lien from going to tax sale for up to one year;
- Stopping penalty from accruing on delinquent balances while they are under an active payment agreement (CC Bill 08-0068); and
- Increasing the threshold for inclusion of a property in the tax sale from a minimum lien of \$100 (current State law) to a minimum lien of \$250 (House Bill 1211, 2008 General Assembly Session).

Finance Department Position

As a critical component of the Administration's plan to reform the way the City manages delinquent water and sewer accounts and to prevent homeowners from ending up in tax sale, the Finance Department supports Council Bill 08-0068.

cc: Angela Gibson