


FROM	NAME & TITLE	Stephen M. Kraus, Chief and Clerk to the Board of Finance	CITY of BALTIMORE MEMO	
	AGENCY NAME & ADDRESS	Bureau of Treasury Management 200 Holliday Street, Room 7		
	SUBJECT	CB 12-0032R Water Bill Tax Lien Moratorium		

TO

DATE: March 14, 2012

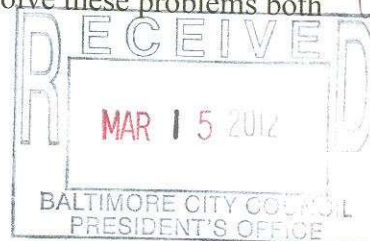
Honorable President and Members of the City Council
Attention: Karen Randle, Executive Secretary
Room 409, City Hall

City Council Resolution Number 12-0032R, Water Bill Tax Lien Moratorium, calls for a moratorium on the inclusion of properties in City tax sales solely based on unpaid water or sewer charges for a period of two years, or until the Department of Public Works and the Department of Finance can demonstrate to the Council that a viable and fair system of billing is in place.

Finance is very concerned this action will have a negative impact on our outstanding water and wastewater revenue bonds. The Council is aware the City issues bonds for water and wastewater capital improvements in large amounts of \$519 million and \$711 million respectively outstanding. These bonds are secured by water and sewer user fees. Legislation such as proposed could be interpreted by the municipal bond market as a threat to the underlying credit securing these bonds. This issue is specifically addressed in Section 5.03(a) of the City's bond covenants which require the City to take or cause to be taken all actions necessary to ensure that rates and charges are assessed and collected to adequately maintain debt service payments. If the City imposes a moratorium, this could be interpreted as a violation of this requirement and could subject the City to legal action by bondholders and impact the secondary market for the City's bonds.

Further negative consequences would result if this moratorium increased delinquencies. The threat of tax sale is a significant enforcement mechanism securing the revenue that pays the bonds. Our fear is that a moratorium will result in a significant increase in delinquencies that may ultimately affect our ability to pay debt service on the water and wastewater bonds. Such an occurrence might result in a credit rating downgrade from Moody's and Standard and Poor's imposing financial harm to current bondholders and significantly increasing our future costs of borrowing. This would be devastating to water and sewer accounts holders considering major EPA enforcement actions in the pipeline.

The Department of Finance is aware of the issues related to the water meter reading and associated billing system highlighted in the recent audit. We support the following efforts the Department of Public Works ("DPW") is taking to resolve these problems both in the short and long term:



1. DPW is planning to immediately replace approximately 16,000 water meters that are believed to be the major source of the customer overbilling.
2. Call center and inspection staffing have been increased to insure responsive customer service and accurate billing.
3. A multi-year multi-million dollar system wide upgrade of the metering and billing systems is moving forward.

It is important to recognize the City has a "safety net" in place for those having difficulty paying or are in danger of water cut off. The Department of Finance offers payment plans to any person having financial difficulties including forgiveness of penalties and removing the property from tax sale for one year. These provisions were adopted by Finance and incorporated in the City Code several years ago. DPW's utility billing section also conducts weekly hearings for customers who believe their water bills are incorrect due to mis-estimated reading or defective meters.

For those encountering serious affordability problems the Department of Housing and Community Development administers a Low Income Water Assistance Program that provides a grant of \$125.00 for qualified City residents that enter into a payment agreement for the balance of the bill with the Department of Finance, Bureau of Revenue Collections.. Senior citizens, age 65 or older, who are receiving a water bill in their own names, are eligible for a 30% discount if their yearly household income is \$25,000 or less and they are a resident of the City of Baltimore. Information about the Low Income Water Assistance Program and the Senior Citizen Water Discount Program is on the City's website.

In order for a property to be placed in tax sale for non-payment of a water or sewer bill the owner has received services/accrued charges of more than \$350, and has failed to Make payment for nearly a year, and made no attempt to contact DPW with billing concerns. Providing enforcement amnesty to property owners who refuse to make any effort to pay long-overdue utility bills is not an appropriate response to fixing billing errors. If a customer has a billing concern, DPW has pledged to investigate and correct the problem account.

Corrective actions taken by the DPW appear to be the best solution, not a moratorium that could expose the City to legal action and/or jeopardize the City water and wastewater credit ratings. The Finance Department does not support passage of this resolution.