
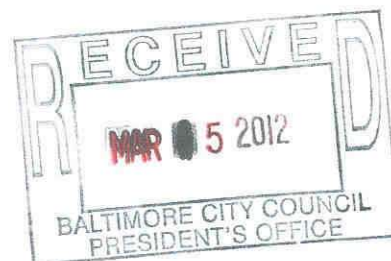


FROM	NAME & TITLE	Alfred H. Foxx, Director	CITY of BALTIMORE <b>MEMO</b>	
	AGENCY NAME & ADDRESS	Department of Public Works 600 Abel Wolman Municipal Building		
	SUBJECT	CITY COUNCIL BILL 12-0032R		

TO

DATE: March 15, 2012

The Honorable President and Members  
of the Baltimore City Council  
c/o Karen Randle  
Room 400 - City Hall



I am herein reporting on City Council Resolution 12-0032R introduced by the Council President and Council Members Stokes, Middleton, Branch, Mosby, Welch, Spector, Scott, Clarke, Reisinger, Kraft, Henry, Cole, and Curran.

The purpose of the Resolution is to call 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 for the Bureau of Water and Wastewater.

State law requires all jurisdictions to conduct yearly tax sales to collect delinquent liens accrued against real property within their respective jurisdictions. The City of Baltimore uses the annual sale of tax liens to enforce the collection of a variety of delinquent taxes and fees for the services it provides. Once a lien is attached to a property, it remains in force and payable until fully reimbursed. The legal transfer of property ownership and deed recordation may not be completed until all liens attached to a property are satisfied. By State law, liens attached to a property may not be included in tax sale if the property owner has filed for bankruptcy.

The City of Baltimore uses the lien process and annual tax sale to collect the following: unpaid real property taxes; special benefits district taxes; water and sewer charges; alley and footway paving charges; charges for cleaning, boarding, and grass cutting; minor privilege fees; demolition costs; multiple family dwelling and residential registration fees; and environmental citations. Delinquent alley paving charges and unpaid environmental citations may not be the sole reason for a property to go into tax sale, but may be part of a tax sale in combination with other liens that may exist for a property. Unpaid water and sewer charges may trigger the tax sale process solely for these owed charges if the delinquent amount is at least \$350 and the account is at least 3 quarters in arrears.

The use of liens and the tax sale to collect delinquent water and sewer charges has received scrutiny from the City Council in the past, as well as from the State legislature. However, liens remain one of the most effective tools for government to recover what it is owed. To respond to the concerns of Council and the General Assembly about the lien process, the City did the following:

*Comments*


- Agreed to increase the dollar amount that would trigger a water and sewer charge-only lien to tax sale (recently increased from \$250 to \$350);
- Increased the number of quarters from two to three, that a water and sewer charge must be in arrears before taking the lien to tax sale;
- Reduced the dollar amount for water turnoff, from \$500 to \$250, in an attempt to intervene with customers before tax sale, and extended the program to include tenant occupied properties; and
- Added a special billing notice to owners of rental properties in arrears for water and sewer bills where payment may be the responsibility of the tenant under a lease agreement.

The Department of Finance offers our customers the ability to establish a payment plan to pay off delinquent account balances. Once in an established payment plan, penalties are not accrued on the delinquent balance owed the City, and the property becomes ineligible for tax sale for up to one year. In addition, the City instituted several safety net programs to assist customers of limited means. The Low-Income Water Assistance Program helps customers avoid turn-offs for nonpayment of water and sewer bills. Under the program, customers who meet certain eligibility requirements will be able to apply for assistance once a year for a one-time \$125 credit toward their account and enrollment in a payment plan. The customer must be subject to the potential for a delinquency turn-off and meet household income eligibility requirements under the Department of Housing and Community Development (DHCD) Community Services' Rental Allowance Program. This program is administered by DHCD's Community Action Centers where income eligibility is verified. A second program provides a discounted rate of 30% to eligible senior citizens who are City residents and receive the water bill directly, are at least 65 years of age, the property owner of record or can provide a copy of their lease showing they are responsible for paying the water and sewer bill, and have a combined gross income of \$25,000 or less.

Placing a two year moratorium on the inclusion of properties in tax sale solely based on unpaid water and sewer bills would have the unintended consequence of providing persons capable of paying these bills a means to avoid payment, cause others to incur even more indebtedness to the City, and place additional pressure on the City's water and sewer rates. The findings of the audit cited in this Resolution were reviewed and responded to by Public Works. The Resolution notes that of the 851 properties included in the 2010 tax sale solely for unpaid water and sewer bills, 57 were based on estimated bills. In reviewing the 57 properties, 15 of those accounts were estimated using the minimum rate, which generated no over or under billing. These 15 accounts would not have been eligible for an adjustment review. The minimum charges were based on the size of the meter at the location. Further review of the remaining 42 properties found that the accounts for 22 of them had delinquency issues; or at some period, they were in delinquent status for non-payment. There were no payments received on some accounts for periods as long as (3) years. Representatives of the Department of Public Works will attend the informational hearing on City Council Resolution 12-0032R to discuss this and other issues of concern to the members of the City Council.

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Alfred H. Foxx  
Director

AHF/MMC:pat