

## **STAFF REPORT**

**TO:** General Government/Finance Committee

**CHAIR:** Councilor Axel Frandsen

**FROM:** Joanne Sanders, Director of Finance

**DATE:** April 21, 2010

**SUBJECT:** Disconnection of Water Service on Accounts in Arrears

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### **BACKGROUND:**

Section 5 of the Water Rates By-law deals with the collection of unpaid water accounts as follows:

A penalty charge of 5% is applied on the first day after the due date. A reminder notice is sent following the due date, 45 days after the due date a final reminder is sent out stating that after the expiration of an additional fourteen (14) days, in addition to all other remedies, the Township may discontinue the supply of water. Where disconnection of service is not feasible or does not result in the payment of an account, the outstanding balance may be added to taxes under subsection 398(2) of the Municipal Act and shall have a priority lien status.

With amendments made to the Municipal Act(2001), charges for the supply of a public utility may be added to taxes and collected in the same manner as municipal taxes thus surviving tax sale.

### **ANALYSIS**

#### **CURRENT PROCESS**

Currently, the collection cycle includes the disconnection of services 2-3 times per year, (spring, summer and late fall) and the addition to taxes where the service is broken, can not be located, or the account remains unpaid after the disconnection of services. Most accounts which have been added to taxes in the past few years have been paid. Quite often the mortgage company pays the outstanding amount along with current taxes.

The disconnection process involves members of the Treasury Department, Environmental Department and to a lesser degree the By-law Department.

The Treasury Department must analyze all past due accounts, create preliminary disconnect lists, create final disconnect list, update the status of disconnects, take payment arrangements daily, update payment arrangements daily, monitor payment arrangements, request additional disconnects weekly when payment arrangements are not kept, coordinate reconnects, and follow up on disconnect and reconnect charges.

The By-law department reviews the disconnect list and makes recommendations for situations where either two persons should be present or Police should accompany staff.

The Environmental Department creates service connection and locate sheets for services on the preliminary disconnect list. Locate sheets are used to mark curb stops prior to the disconnection. Environmental staff attempt to disconnect water services for each property on the final disconnect list over a 2-3 day period. Services that are broken or not assessable are left to follow up after all other disconnects are completed. Work orders are created for each disconnect and repairs required and updated when reconnected. Work orders are forwarded to Treasury for billing of the disconnect charge.

During the two or three days that the Environmental Department is disconnecting services, payments are monitored and requests for reconnection are made for accounts which are paid. Additional disconnects and processing are required on a weekly basis for payment arrangements not kept.

The disconnect process as it stands consumes a tremendous number of staff hours both in the Treasury and Environmental Departments. The number of disconnects has been increasing and in 2009 averaged between 115 and 120 on the preliminary list to 75 – 90 on the final list. As of today's date disconnect notices will be sent to 471 utility customers with arrears of which 137 are from the December due date.

Staff both in the office and out in the field have been on the receiving end of more verbal abuse and the process has become more stressful for all involved.

The environmental department has found that the service shut-off valves as a result of use have broken causing staff to be diverted to an unscheduled repair.

## **RECOMMENDED CHANGE IN PROCESS**

An alternative method of collection would be to add unpaid utility accounts to taxes rather than disconnect the service. Some residents have requested this be done in the past, but to date unless the service can not be shut off we have not allowed this request. Adding the utility arrears would require changing the reminder notice and processing adjustments to transfer water balances to the tax account. Payment arrangements would no longer be required or tracked and the disconnection of service would not be performed.

A survey of other municipalities resulted in the following:

Penetanguishene	Add utility arrears to tax accounts every 6 months
Essa	Disconnect after no payments for 6 months. Transfer to taxes at time of property sale and first of calendar year for customers who continue to ignore
Springwater	Perform disconnects once in a while, add to taxes at owners request usually during refinancing.
Midland	Disconnect for non payment. Added to taxes on closed account if not paid.
Tiny	Water billed on tax bill.
Innisfil	Disconnect for non payment. Add to taxes for tenant account and when property sells.
Bradford West Gwillimbury	PowerStream Barrie Hydro has been contracted to do billing and collection, so no disconnects have been required.

## **FINANCIAL CONSIDERATIONS**

The 2010 budget for water includes \$7,000 in revenue from disconnect and reconnection of services. Revenue collected is approx. \$3,500 per

disconnect cycle and has been \$11,670, \$6,900 and \$3,870 over the last three years. Revenue is increased by the number of disconnect cycles performed and is dependant on the availability of environmental staff and the co-operation of the weather in the last quarter. The \$3,500 revenue would not come close to covering the amount of staff time spent on this process.

It is proposed that accounts once added to taxes would accrue interest in the same manner as taxes at 1 ¼%. A small increase to interest revenue would result. Penalty and interest revenue is recorded in administration in recognition of the staff time spent in collecting accounts and the fact that the township holds the unpaid balances.

**RECOMMENDATION:**

Staff are continually looking for ways to reduce the workload to accommodate new initiatives that are coming forward such as the PSAB requirements and the new HST rules.

The following is respectfully submitted for council's consideration:

**THAT WHEREAS THE MUNICIPAL ACT ALLOWS OUTSTANDING BALANCES ON UTILITY ACCOUNTS TO BE ADDED TO TAXES AND;**

**THAT WHEREAS WHEN THESE AMOUNTS ARE ADDED TO TAXES THEY WILL HAVE PRIORITY LIEN STATUS;**

**NOW THEREFORE BE IT RESOLVED THAT THE TOWNSHIP OF TAY ADD OUTSTANDING UTILITY ACCOUNTS TO TAXES RATHER THAN THE CURRENT SYSTEM OF DISCONNECTING THE SERVICE;**

**AND THAT THE WATER AND SEWER RATE BY-LAW BE AMENDED ACCORDINGLY**

Respectfully Submitted

Joanne Sanders  
Treasurer