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# CITY OF SACRAMENTO

## DEPARTMENT OF FINANCE

REVENUE DIVISION

June 18, 1986  
RD:861259-ADM:MLM:ldm

Budget and Finance Committee  
Sacramento, California

Honorable Members in Session:

SUBJECT: ANNUAL DELINQUENT UTILITY LIEN PROCEEDING

### SUMMARY

The attached report initiates the annual delinquent utility lien proceeding and recommends additional resources for the water shut-off program.

### DISCUSSION

Utility account delinquencies have increased 117%, from \$776,000 in FY 1984/85 to \$1,683,000 in FY 1985/86. The increase reverses the decline experienced after reimposition of the water shut-off program in April, 1984. Staff recommends an increase in the personnel assigned to the water shut-off program, effective July 1, 1986, in order to curb the increased utility delinquencies.

### RECOMMENDATION

It is recommended that the Budget and Finance Committee review and approve the attached report for consideration by the full Council.

Respectfully submitted,

MICHAEL L. MEDEMA  
Revenue Officer

RECOMMENDATION APPROVED:

  
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SOLON WISHAM, JR.  
Assistant City Manager

Attachment

All Districts  
June 24, 1986



# CITY OF SACRAMENTO

## DEPARTMENT OF FINANCE

REVENUE DIVISION

June 18, 1986

RD:861258-ADM:MLM:ldm

City Council  
Sacramento, California

Honorable Members in Session:

SUBJECT: ANNUAL DELINQUENT UTILITY LIEN PROCEEDING

### SUMMARY

This report (which was presented to the Budget and Finance Committee on June 24, 1986) initiates the annual delinquent utility lien proceeding and recommends additional resources for the water shut-off program.

### BACKGROUND

The Director of Finance, pursuant to Subsections 19.115, 19.420, 36.564, and 47.309 of the Sacramento City Code and the Sacramento County Sanitation District Ordinance No. SRSD-3, initiates annual proceedings to make delinquent City utility charges a special assessment against the parcels of property situated within the City to which utility services were rendered.

The proceeding to establish the delinquent utility charges as special assessment liens involves:

1. The transmittal of a report of the delinquent charges by the Director of Finance to the City Council.
2. The establishment of a time, date, and place for hearing the report and any protests or objections thereto.
3. The mailing of a notice of the hearing to each owner of property with delinquent utility charges, at least ten days prior to the hearing.
4. The hearing of protests or objections at the scheduled hearing.
5. A determination by the City Council, based on evidence provided at the hearing and staff's research, that the amounts owing should become special assessments.

The reversal during FY 1985/86 is not attributable to a decrease in the water shut-off program activities. During FY 1985/86 staff targeted 745 delinquent accounts, totalling \$517,047, for water shut-off. As in FY 1984/85, very few of the delinquent accounts targeted were ordered shut off. Since April 17, 1984 the City has shut off only 77 accounts. The 745 accounts targeted during FY 1985/86 is still less than the 20 per week originally envisioned. It is now apparent that the original estimate of activity is too ambitious to achieve.

The reduced expected level of activity is in part due to the strict procedural process required prior to an actual shut-off. Current state law mandates the availability of a payment plan for delinquent accounts. The procedure followed by the City includes: notice of delinquency; hearing of hardship; possible payment plan; extension for tenants; notice of intent to shut off water; and actual shut-off. Many details are involved in each of these steps. More than one hour is required to process each account. The strict procedural process assures that every reasonable effort to avoid water shut-off is taken and that the City is correct in its position.

The increased delinquent utility bills present a cash flow problem. The City will receive payment on the amounts liened via the property tax collection process. However, that process can extend up to ten years beyond the date of the tax levy. The lost revenue opportunity of the delinquent \$1,683,000 at investment rates for FY 1985/86 is approximately \$58,900.

In addition to the lost opportunity cost, the City experiences an actual revenue loss each year prior to the lien process because of customers who move out of Sacramento and leave no forwarding address. During the past five fiscal years, the City has referred the following amounts to a collection agency for recovery.

<u>Fiscal Year</u>	<u>Number of Accounts</u>	<u>Amount Referred</u>
1981/82	1,470	\$ 23,775
1982/83	659	51,143
1983/84	1,120	177,500
1984/85	868	190,695
1985/86	801	160,187

The City does receive payment on some of these accounts, but the amounts are not significant.

Currently, the water shut-off program is staffed by a Revenue Representative III and a Water and Sewer Service Worker. The addition of a Revenue Representative I/II to the water shut-off program would enable the Revenue Division to increase water shut-off activity by approximately 75% during FY 1986/87. The 75% factor is due to the time involved in hiring and training the Revenue Representative I/II. The Public Works Department has indicated that this level of increased activity will not require additional staff for the Water and Sewer Division. The following schedule summarizes the cost of the Revenue Representative I/II for FY 1986/87.

Salaries and benefits	\$21,164
Supplies and equipment	<u>1,502</u>
	<u>\$22,666</u>
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6. The transmittal of the special assessment liens to the County for collection by the property tax collection process.

### DISCUSSION

City of Sacramento, Utility Billing System Report No. Z04R4030-B dated June 13, 1986, has been placed on file with the City Clerk. Report No. Z04R4030-B is a detailed listing, by parcel number, of the delinquent accounts recommended for special assessment liens for FY 1985/86.

The following schedule compares the delinquent accounts selected for lien for FY 1981/82 through FY 1985/86.

Comparison of Accounts Selected  
FY 1981/82 through FY 1985/86  
\$ in thousands

<u>Fiscal Year</u>	<u>No. of Accounts</u>	<u>Water</u>	<u>Sewer</u>	<u>Regional Sanitation</u>	<u>Waste Removal</u>	<u>Garden Refuse</u>	<u>Storm Drainage</u>	<u>Total</u>
81/82	5,284	\$264	\$102	\$164	\$361	\$ 97	-0-	\$ 988
82/83	6,883	476	135	310	656	163	\$102	1,842
83/84	5,659	394	97	289	567	117	122	1,586
84/85	3,467	194	46	132	285	56	63	776
85/86	5,651	422	110	262	624	115	150	1,683

The recent trend of decreasing delinquent utility accounts that began with the reimposition of water service shut-off as of April 17, 1984, was dramatically reversed during FY 1985/86. The cause of the reversal is difficult to ascertain. During FY 1985/86 the local economy remained healthy.

The early success of the water shut-off program is partially attributable to the publicity regarding the adoption of the program. The fear of water shut-off caused many delinquent customers to bring their accounts current. Over 400 customers, without the resources to bring their accounts current, sought and were offered a payment plan of up to six months.

The reason for the continued success during FY 1984/85 is less apparent. Staff targeted 477 delinquent accounts with a cumulative balance of \$164,726 for water shut-off. This was less than the 20 per week envisioned when the program was adopted. The inability to meet the original target of 20 per week is attributable to the training time required for the staff involved and the need to monitor the payment plans. Very few of the 477 delinquent accounts targeted were actually shut off. In most cases, the accounts were placed on a payment plan due to the customers' inability to make payment in full.

This cost is fully recoverable from the utility funds. The funds' revenue should increase because of the increased interest earnings due to decreased outstanding delinquency and from the water shut-off fees. Unfortunately, it is difficult to accurately assess the exact break-even point of the water shut-off program because of the intangible collection benefit of the fear of service stoppage for nonpayment.

Additionally, staff has experienced difficulties with delinquent customers removing and/or damaging the lock boxes to restart service. This not only necessitates the drastic action of digging up the service line to stop service but also increases the City's cost of service stoppage. The attached resolution authorizes the imposition of additional fees in the event the customer removes or damages the lock box.

RECOMMENDATION

It is recommended that the City Council:


1. Adopt the attached resolution which establishes 7:30 p.m., July 15, 1986 in the City Council Chambers as the time, date, and place for hearing any protests or objections to the Director of Finance's proposed utility charge special assessment liens for FY 1985/86.
2. Direct staff to mail notices of the hearing to the affected property owners on or before June 30, 1986.
3. Adopt the attached resolution which adds staff to the water shut-off program for FY 1986/87.
4. Adopt the attached resolution which amends the Fee and Charge Report to include fees for damaged or lost lock boxes.

Respectfully submitted,



MICHAEL L. MEDEMA  
Revenue Officer

RECOMMENDATION APPROVED:

  
WALTER J. SLIPE, City Manager

Attachment

All Districts  
June 24, 1986

# RESOLUTION NO.

ADOPTED BY THE SACRAMENTO CITY COUNCIL ON DATE OF

A RESOLUTION ACCEPTING REPORT OF DELINQUENT UTILITY  
CHARGES AND SETTING DATE OF HEARING

BE IT RESOLVED BY THE COUNCIL OF THE CITY OF SACRAMENTO:

1. That the City Council does hereby receive the report of delinquent unpaid water, sewer, regional sewer, garbage, garden refuse and storm drainage accounts (Utility Billing System Report No. Z04R4030-B dated June 13, 1986), as required by City Code Subsections 19.116, 19.421, 36.565 and 47.310 and Subsection 3.11 of the Sacramento Regional County Sanitation District Ordinance No. SRSD-3;
2. That a hearing shall be held on July 15, 1986 at 7:30 p.m. (or as soon thereafter as the matter may be heard) in the City Council Chambers, City Hall, for the purpose of hearing any protests or objections to said report; and
3. That notice of the hearing on said report shall be mailed by the Director of Finance to the owners of the real property listed in said report in the manner provided by Subsections 19.117, 19.422, 36.563, 36.566, and 47.311 of the Sacramento City Code and Subsection 3.11 of the Sacramento Regional County Sanitation District Ordinance No. SRSD-3.

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MAYOR

ATTEST:

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CITY CLERK

# RESOLUTION NO.

ADOPTED BY THE SACRAMENTO CITY COUNCIL ON DATE OF

A RESOLUTION ADDING STAFF TO THE WATER SHUT-OFF PROGRAM  
AND AMENDING THE FY 1986/87 BUDGET

BE IT RESOLVED BY THE COUNCIL OF THE CITY OF SACRAMENTO:

1. That the following amounts are hereby appropriated from the respective utility service funds to the General Fund.

Water Fund (413)	\$4,410
Sewer Fund (414)	\$6,089
Storm Drainage Fund (425)	\$4,361
Solid Waste Fund (415)	\$7,806

2. That the following amounts are hereby appropriated from the General Fund Administrative Contingency to the Revenue Division, Enforcement & Collections Section.

Employee Services	\$21,164
Other Services and Supplies	<u>1,502</u>
	<u>\$22,666</u>

3. That the Revenue Division, Enforcement and Collections Section, authorized positions are hereby increased from 7.5 FTE to 8.5 FTE by the addition of 1.0 FTE Revenue Representative I/II.

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MAYOR

ATTEST:

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CITY CLERK

# RESOLUTION NO.

ADOPTED BY THE SACRAMENTO CITY COUNCIL ON DATE OF

A RESOLUTION AMENDING THE CITY OF SACRAMENTO FEE AND  
CHARGE REPORT TO INCLUDE FEES FOR LOST OR DAMAGED WATER  
LOCK BOXES

BE IT RESOLVED BY THE COUNCIL OF THE CITY OF SACRAMENTO:

That the following fees are authorized for lost or damaged water lock boxes  
utilized to effect water shut-off by the Public Work Department.

Water lock box removed	\$50.00
Water lock box removed and chain cut	\$75.00
Water lock box removed and lock missing	\$75.00
Water lock box, chain, and lock missing	\$100.00

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MAYOR

ATTEST:

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CITY CLERK