



Staff Report for Committee of the Whole Meeting

Date of Meeting: July 5, 2023

Report Number: SRCFS.23.025

Department: Corporate and Financial Services

Division: Financial Services

Subject: **SRCFS.23.025 - Collection of Water Arrears from Multi-Residential Bulk Accounts**

Purpose:

The purpose of this report is to obtain Council's approval to amend By-law No. 94.11, Rules and Regulations Covering the Maintenance, Construction, and Operations of the Waterworks and Wastewater system, Section 29 (5) collection of water arrears, where water is supplied to more than one party through a single meter.

Recommendation(s):

- a) That Staff Report SRCFS.23.025 regarding the Collection of Water Arrears from Multi-residential Bulk Accounts be received;
- b) That By-law No. 94-11 Section 29 (5) be repealed and amended to:
 - (i) If water is supplied to more than one party through a single Meter, the account for the water and wastewater supply shall be paid by the Owner(s) of the property. In the case of non-payment, the water charges may be transferred to the individual property tax roll, based on a pro-rata share for each unit that reflects the unit owner's share of the common elements and expenses, as set out in the condominium declaration. The City Treasurer or designate may exempt units, in whole or in part, from their proportionate share of Water arrears where such units are directly supplied with metered Water.
 - (ii) Prior to transferring, a past due notice at least fourteen (14) days following the due date be issued to property management, condo board, or condo management representatives;
 - (ii) If the charges remain unpaid after thirty-five (35) days subsequent to the due date, the City shall provide a notice to all individual property owners prior to the transfer;

Page 2

- iii) If the charges remain unpaid after fifty-six (56) days subsequent to the due date, the City may transfer the arrears to individual property owners and charge an administration fee on the bulk account as specified in the Tariff of Fees By-Law;
- c) That draft By-law No. 56-23, Appendix A to staff report SRCFS.23.025 be enacted to amend By-Law No. 94-11 Section 29 (5), Appendix B, to adopt the Collection of Water Arrears from Multi-residential accounts.

Contact Person:

Gigi Li, Director, Financial Services and Treasurer, Ext. 6435

Report Approval:

Submitted by: Sherry Adams, Commissioner, Corporate and Financial Services

Approved by: Darlene Joslin, City Manager

All reports are electronically reviewed and/or approved by the Division Director, Treasurer (as required), City Solicitor (as required), Commissioner, and City Manager. Details of the reports approval are attached.

Background:

Current Process for Water Collections

Water and wastewater collections is governed by City By-law No. 94-11 section 29.

Due dates for residential and non-residential customers are set 21 days from the bill date. When a water bill remains unpaid after the due date, a “past due” notice is sent 14 days after the due date. The “past due” notice provides customers with notice that if the water bill continues to be unpaid, the water charge will be transferred to the property tax account in 21 days from the notice. In total, customers are given 35 days after the due date, to pay before the water charges are transferred to the property tax account and charged a transfer to tax administration fee.

Transferring outstanding water receivables to the property tax account has been the City’s policy and is the mechanism used to collect outstanding water charges. This has been an effective method in ensuring the City’s Water accounts receivables are secured.

By adding unpaid water receivables to the property tax account, the receivables are secured against the property and assigned “priority lien status” and can be collected, like property taxes. The effect of these amounts having “priority lien status” means that these charges remain as a debt owing to the City even if the property changes ownership (i.e., the receivables stay with the property and become the responsibility of a subsequent owner). The ability to secure unpaid water charges against a property's

Page 3

title has proven to be a very effective collection mechanism. Normally, any unpaid property taxes or water/utility charges on a property being sold are settled between the seller and a prospective purchaser prior to closing and the City collecting these overdue amounts. If amounts continued to be unpaid, the added amounts to the tax roll can also be collected through the tax sale process.

Multi-Residential Bulk Metered Accounts

Bulk water meters are typically used to measure and account for all water consumption supplied to multi-residential townhouses or condominium properties. These property types include complexes with multiple individually owned units with utilities managed by a property management company or property representatives responsible for administering payments. The use of a bulk meter at the property line is beneficial because all water passing through the meter at the property line is billed regardless of a break within the private property and is also convenient from a billing perspective, as there is a single bill being issued as opposed to many individual bills. Where the bulk meter poses a challenge is when an account is in arrears because there is no single property tax account to transfer the outstanding water charges.

The City currently has approximately 200 bulk meter accounts and anticipate additional townhomes and high-rise condo developments requiring creation of additional bulk meter accounts in the future. The current By-Law 94-11 section 29 (5), authorized the City to transfer the water charges to taxes to the individual property owners equally. However, due to the potential impact to multiple individual unit owners, this authority has rarely been exercised over the last 12 years. The current practice has been to contact property representatives to encourage payment.

The current By-law to transfer equally may have been appropriate where traditional bulk meter accounts included units of similar sizes and types. However, where more condominium corporations are being setup with different sizes and type dividing arrears equally is no longer appropriate. The proposal is to amend the By-Law from the current methodology of dividing the outstanding receivables equally, to a pro-rata based on the proportions allocated for common expenses set out in the condo corporation's declaration on common expense. This is to align with similar practices in neighboring municipalities as well as use the mechanism condo corporations use to raise funds for common expenses. The proposed amendment also sets out prescribed notice requirements to individual property owners of the pending transfer giving similar notification, currently provided to single metered accounts. This will ensure the City provides notice to individual owners prior to transferring to the tax account.

Authority to Transfer Arrears to Tax Roll

Pursuant to section 398(2) of the Municipal Act, 2001, the municipality may add unpaid public utility fees and charges, which include water and / or wastewater / stormwater arrears, to the tax roll for the property to which the public utility was supplied. Once transferred, the outstanding amounts:

Page 4

- a) may be collected in the same manner as taxes on the property;
- b) may be recovered with costs as a debt due to the municipality from the assessed owner of the property at the time the fee was added to the tax account and from any subsequent owner of the property or any part of it;
- c) are a special lien on the property in the same manner as taxes under subsection 349(3) *Act*, and
- d) may be included in the cancellation price under Part XI of the *Act*, in the same manner as are taxes on the property, in the event

Furthermore the City’s By-Law 94-11, section 29 (5) provides the authority to transfer.

Collection for Multi-Residential Meter Condo Properties

Given the City’s authority to transfer as outlined above. It is proposed that property owners within a condo townhouse or high rise be given the same amount of notice prior to transferring to taxes by adding an additional notice to individual property owners. This changes the total amount from 35 days to 56 days after the due date, before the arrears are transferred to the individual property owners’ tax accounts. This is a necessary step as individual property owners may not be aware of the non-payment from the property management responsible for managing the utility bills.

Below is a table of expected timelines before water arrears for bulk accounts are transferred.

Table 1
Collection Process for Condominium Water Charges

| Step | Circumstance | Response | Result |
|------|-----------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------|
| 1 | Account outstanding for 14 calendar days beyond due date. | PAST DUE NOTICE mailed to Condominium Corporation, Board and Management Designate, advising that individual property owners will be notified of arrears, 21 days from this notice. | Payment of Amount Due, or amount remains outstanding |
| 2 | Account outstanding 35 days beyond bill due date | TRANSFER TO TAX notice to individual property owners notice mailed to individual property owners. If payment is not received within 21 days, the arrears will be transferred to the individual property owners’ tax accounts. | Payment of Amount Due, or amount remains outstanding |
| 3 | Account outstanding 56 days beyond bill due date | ARREARS ON TAX ACCOUNT of Individual Property Owners and a TRANSFER TO TAX ADMINISTRATION FEE charged to the bulk meter account | City receivables secured |

Page 5

Financial/Staffing/Other Implications:

By-Law No. 94-11 sets out the policy of administering the policy of collections of water collections. The amendment better aligns the City's policy to neighboring municipalities and clarifies the City's collection policy relating to bulk meters supplying water to more than one individual property owner.

Relationship to Council's Strategic Priorities 2020-2022:

The discussion in this staff report directly supports Council Strategic Priorities (2020-2022) of Fiscal Responsibility. Ensuring a process is in place to collect water arrears in a timely manner ensures the City remains in a strong financial position continuing into the future.

Climate Change Considerations:

Climate change considerations are not applicable to this staff report.

Conclusion:

The purpose of the report is to update the mechanism used to collect water arrears on condominiums and to provide additional days of notification to individual property owners prior to the transfer. As more bulk accounts are created, through development it is prudent to have a collection mechanism in place for proactively addressing arrears as they arise.

Attachments:

The following attached documents may include scanned images of appendixes, maps and photographs. All attachments have been reviewed and made accessible. If you require an alternative format please call the contact person listed in this document.

- Appendix A – By-Law 56-23, Bylaw to repeal By-Law 94-11 Section 29 (5)
- Appendix B – By-Law 94-11, Rules and Regulations Covering the Maintenance, Construction, and Operations of the Waterworks and Wastewater system

Page 6

Report Approval Details

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|----------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Document Title: | SRCFS.23.025 Collection of Water Arrears from Multi-Residential Bulk Accounts.docx |
| Attachments: | - SRCFS.23.025 Appendix A - By-law 56-23 By-law to repeal By-law 94-11 Secion 29 (5).docx - SRCFS.23.025 Appendix B - By-law 94-11 Rules and Regulations.pdf |
| Final Approval Date: | Jun 17, 2023 |

This report and all of its attachments were approved and signed as outlined below:

Gigi Li - Jun 16, 2023 - 4:39 PM

Sherry Adams - Jun 16, 2023 - 4:49 PM

Darlene Joslin - Jun 17, 2023 - 2:44 PM