

COLLECTING SERVICE CHARGES ON THE PROPERTY TAX BILL



Certain public water agencies may have the ability to collect the fixed portion of their service charges on the property tax bill. Fixed costs generally represent non-volumetric charges, and may be a significant portion of the cost of service. This billing method can benefit both agencies and their ratepayers. Below are factors to consider for placing charges on the property tax bill.

GENERAL APPROACH

Place (all or some) fixed charges on the annual property tax bill

Collect volumetric water consumption charges on a periodic (monthly/bimonthly) bill

ELIGIBILITY

Agencies should consult with legal counsel to confirm and clarify their eligibility to use this method pursuant to Health & Safety Code Section 5470 et seq., or other statutory authority.

POTENTIAL BENEFITS

- This billing mechanism by the county tax collector leads to nearly 100% recovery, minimizing delinquencies.
- Highlights consumption-based charges on periodic bill, creating a stronger price signal to promote water use efficiency.
- Helps lower-income, underserved and disadvantaged populations, who are more likely to be renters rather than property owners, by reducing their periodic water bill.
- Provides a consistent revenue stream from all properties connected to the system, including vacant properties.
- Agency credit ratings may be positively impacted by property tax bill collection method.
- Mirrors a common billing practice for wastewater agencies.

MECHANICS AND STEPS

- Check with a legal counsel to determine eligibility to use this collection method.
- Determine the appropriate (fixed) cost of service through the agency's rate study.
- Consider cash flow implications (fees collected on tax bill are only received 2-3 times per year).
- Conduct formal outreach about the change to customers and property owners.
- After adopting rates and charges, an agency must hold separate, annual public hearings identifying the fixed charges to be placed on the bill of each parcel.
- The voting threshold for placing fixed charges on the property tax bill is two-thirds of a governing body (not a quorum); the voting threshold for placing delinquencies on the property tax bill may be lower (agencies should check with their legal counsel).