



TO: GENERAL COMMITTEE

SUBJECT: TENANT WATER BILLING

WARD: ALL

PREPARED BY AND KEY CONTACT: C. SMITH, SENIOR MANAGER OF ACCOUNTING AND REVENUE, EXT. 5128

SUBMITTED BY: C. MILLAR, DIRECTOR OF FINANCE AND TREASURER

GENERAL MANAGER APPROVAL: D. MCALPINE, GENERAL MANAGER OF COMMUNITY AND CORPORATE SERVICES

CHIEF ADMINISTRATIVE OFFICER APPROVAL: M. PROWSE, CHIEF ADMINISTRATIVE OFFICER

RECOMMENDED MOTION

1. That staff be directed to update the Water and Wastewater Billing By-law 2016-115 to reflect the following:
 - a) the practice of permitting property owners to redirect a property's water and wastewater bill to a residential tenant be discontinued effective November 1, 2022; and
 - b) water accounts directed to residential tenants as of October 31, 2022, be grandfathered such that the bills will continue to be issued to the tenant(s) until the earlier of October 31, 2023, or such time as the existing tenant(s) vacates the property.
2. That staff in the Finance and Access Barrie Departments develop and implement a communication strategy to advise property owners of the changes to third-party utility billing.

PURPOSE & BACKGROUND

Report Overview

3. The purpose of this Staff Report is for General Committee to recommend changes with respect to the City's water billing process as it relates to residential tenant accounts. As at December 31, 2021, residential tenant water/wastewater (water) billing arrears totalled \$323k, while the City incurred a net cost of \$314k (see Appendix "A") to administer the tenant water billing program on behalf of private property owners. As additional fees are not charged to private property owners to manage their tenants' water bills (with the exception of the administration fee associated with balances transferred to the tax roll), the general tax base is subsidizing this program.
4. The City's Business Performance & Environmental Sustainability (Business Performance) group within the Infrastructure and Growth Management Division conducted a Lean Six Sigma review of the residential tenant water billing program in 2021, analyzing the cost of staff resources required and out of pocket expenses directly related to providing a residential tenant water billing and shutoff/collection service to property owners/landlords.
5. From that analysis, it was determined that the estimated net cost of administering this program in 2021 totalled \$314,069 (see Appendix "A"). The residential tenant accounts make up only 12% of

-
- the total number of water accounts. The costs of administering this program reside with the City's Finance, Water Operations and Service Barrie departments without offsetting revenues for the majority of those costs, from the benefiting property owners. As a result, the general tax base is subsidizing the cost of providing this service.
6. Even with this large investment of resources, property owners/landlords are not satisfied with the City's current service level and often complain to City staff when the City does not shut off the water immediately on residential tenant accounts which are in arrears.
 7. Staff in Service Barrie are the first point of contact for tenants and property owners. While an exact breakdown is not available, it is estimated that calls to Service Barrie regarding tenant water billing issues and questions resulted in resourcing costs of approximately \$75k in 2021. Escalated calls are forwarded to Finance to manage.
 8. Staff in Finance receive on average 2 to 3 calls or emails per week from landlords asking that tenants' water supply be shut off and an additional 2 to 3 calls inquiring as to the status of their shut off requests. Staff need to balance available resourcing for tenant water shut off between landlord requests and other significant arrears account balances.
 9. Approximately 15 calls per week are received in Finance from tenants who have received a disconnection letter, to attempt to avoid disconnection, to arrange payment plans which are often not adhered to (in which case the disconnection process begins again), and to request water be turned back on after disconnection has occurred. These are in addition to the general queries fielded by Service Barrie.
 10. The *Municipal Act, 2001* (the Act) recognizes that the primary parties to the water and wastewater services supply transaction are the City, as supplier, and the property benefitted by the utility service availability. Consistent with the concept is that it is the property that receives the benefit of the utility service and not simply the user.
 11. The Act permits unpaid fees and charges for public utilities, including water and wastewater arrears, to be placed on the property tax roll for the property to which the public utility was supplied regardless of the consumer. Such fees and charges have priority lien status as described under the Act.
 12. On March 29, 2010, City Council adopted motion 10-G-119 regarding Water and Wastewater Meter Reading and Billing Services as follows:
 1. "That staff be authorized to proceed with developing the in-house water and wastewater billing program as described in FIN007-10 and the Program Change Form on page 305 of the 2010 Business Plan" and 2. "That an Advanced Metering Infrastructure (AMI) meter reading system be utilized to collect water meter reads."
 13. On March 21, 2011, City Council adopted motion 11-G-063 regarding a Water and Wastewater Billing and Collection Policy. The Water and Wastewater Billing and Collection By-law 2011-104 was enacted effective October 1, 2011. Paragraph 31 of By-law stated that "If water is supplied to only one party in a property, and the owner requests that the occupant be billed directly, the City will do so as a convenience to the owner under the following conditions:
 - i) The owner assumes full responsibility for all charges applied to the account for the provision of water and wastewater services in the event that the occupant fails to pay.

-
- ii) An authorization form be completed and signed by the owner and returned to the City.”
14. The Water and Wastewater Billing and Collection Policy allowed for residential tenant billing provided that the property owner sign an authorization form clearly indicating that the owner be fully responsible for any unpaid charges incurred by their tenants. This approach was recommended to protect the interests of the City by avoiding the administration of using a deposit system and collection agencies in the event that tenants did not pay.
15. At the time of the Policy creation in 2011, 5 of 17 or 29 percent of municipalities surveyed transferred outstanding charges to taxes (as a lien on the land) at the end of a collection cycle, the remainder or 71 percent utilized water shutoff procedures following a series of notices. It was identified at the time that while shut offs would be an effective collection mechanism, they would be administratively burdensome on both the Finance department and the Water Operations department. A water on/off fee was implemented when the water was turned off for any reason including at the request of the owner, for collection or other purposes.
16. On August 27, 2012, Section 12 of the Water and Wastewater Billing By-law 2011-104 was amended by Motion 12-G-207 to include the following related to residential tenant account billing to provide an option for property owners to shut off the water supply to tenants with water wastewater arrears balances in an attempt to expedite the collection of outstanding water wastewater bills and reduce the risk to property owners:
- “12.11 Within 14 days of the final reminder notice being sent to a Tenant for outstanding water wastewater charges, a Property Owner or their Designate has the option to provide written authorization to the City to commence procedures to shut off the supply of water to the tenanted premise:
- a) The Tenant will be advised, via a registered letter from the City, that they have two weeks to pay their outstanding account balance before the water supply to the premise is shut off.
- b) Within 48 hours of the City receiving payment for the arrears, the water supply will be reinstated to the premise.
- c) After 14 days from the water shut off date, any accounts that remain in arrears will be added to the property tax account. A notice will be sent to the Property Owner indicating the amount applied to the property tax account.
- d) The Property Owner will be responsible for any applicable fees, as identified in the Fees By-law, for shutting off and/or reinstating the water supply to an identified premise.
- e) The Tenant will be responsible for any applicable fees, as identified in the Fees By-Law, for the administrative costs to issue the registered letter.”
17. On December 5, 2016, City Council adopted motion 16-G-272 repealing Billing By-law 2011-04 and replaced it with Billing By-law 2016-115 which allowed for a timelier transfer of water wastewater arrears to property taxes and/or turning the water off by eliminating the final arrears notice while also saving postage costs. The revised By-law also clarified that all water wastewater charges and related fees form a lien on the property as per Section 398(2) of the *Municipal Act, 2001*. The property owner is ultimately responsible for all water wastewater fees and related charges, no matter who used the water or incurred the fees.
18. City staff maintain various statistics with respect to the tenant water billing program. The years 2019 to 2021 do not necessarily portray a true picture of a more normal year due to COVID,



however 2021 statistics relating to the number of tenant accounts, shutoffs, and various correspondence is indicated below:

Description	2021 Volume
Active tenant accounts at end of year	5,433
New tenant accounts opened during the year	1,226
Tenant accounts closed during the year	1,264
Tenant shutoffs performed in 2021 (statistic is low due to COVID, normalized is 400)	148
Owner maintenance letters (consent to open tenant account, notification of closing account)	1,177
Tenant letters to flag disconnection (statistic low due to COVID, normalized is 1,200)	1,058
Notices to tenant and owners of impending water shut off (statistic low due to COVID, normalized is 1,200)	720
Tenant arrears letters	46,608

19. Staff costs to administer the tenant water billing program continue to rise with inflation. The weekly staffing costs for the years 2019-2021 are indicated in the chart below. The total number of hours required weekly to administer the program are approximately 164.25, or the equivalent of 4.69 full-time staff.

Weekly Costs	2019	2020	2021	Staff Time (hours)
Finance Weekly Total	\$ 3,369	\$ 3,407	\$ 3,424	47.25
Service Barrie Weekly Total	\$ 1,714	\$ 1,745	\$ 1,763	45.50
Water Operations Weekly Total	\$ 4,336	\$ 4,600	\$ 4,625	71.50
Total weekly	\$ 9,419	\$ 9,752	\$ 9,812	164.25
FTE @ 35 hours per week				4.69

ANALYSIS

20. Ontario legislation does not dictate that the water bill is to be issued to a specific party such as the property owner. As part of the program review in 2021, the Business Performance group conducted an online literature review of 15 other Ontario municipalities' water and wastewater billing practices (see Appendix "B"). In summary, 9 of those 15 surveyed were billing tenants, 8 of the 9 performed shutoffs, 12 responded that they do transfers to tax, 6 indicated they use a 3rd party to bill their ratepayers, and 7 require a deposit dependent on a credit check, good payment history or pre-authorized payment option.
21. Over the past several years, in light of the issues around residential tenant billing as described below, a number of municipalities have been discontinuing the practice of allowing water bills to be in the name of a tenant. For instance, in 2015, Cambridge and Grimsby, and in 2018, Hamilton, joined a growing number of municipalities to discontinue the practice of tenant-held accounts.

Processing Issues with Residential Tenant Held Accounts

22. Active residential tenant water accounts numbered 5,433 at the end of 2021, which was 12% of the total number of 45,000 active water accounts. As at December 31, 2021, the balance of residential tenant water accounts in arrears was \$323k or almost 19% of the total water account arrears balance.
23. The balance of tenant water accounts in arrears was approximately 43% of the total dollar value of all tenant account receivable balances. These percentages are consistent with 2020 but have increased significantly (by almost 50%) from 2019. Costs incurred to maintain the tenant water billing program are not an efficient use of resources.
24. Significant tenant arrears are transferred to the property tax roll when the tenant account is closed. An analysis of water arrears tax roll transfers in 2021 revealed that final tenant-held accounts were

- responsible for almost 32% of transfers, yet tenant-held accounts represented less than 12% of all residential accounts. For each tax roll transfer occurrence, an administration fee of \$45.20 was added to the tax roll.
25. Tenant billing involves increased City staff resources in the Finance, Water Operations and Service Barrie departments as well as significant paper, envelope, and postage costs. An analysis of all tasks related to tenant water billing in 2021 indicated an annual estimated financial cost to maintain this process of approximately \$314,000 (see Appendix 'A').
 26. There is a significant emotional strain on City staff who deal with disgruntled landlords and extremely upset tenants, as well as safety concerns surrounding staff who have to attend properties to shut off water at the meter.
 27. Due to staff resourcing, the City is limited in the number of shutoffs that can be performed each week. It is difficult for staff to satisfy the demands from landlords for water shutoffs to be undertaken while also proactively managing the oldest and largest overdue account balances.
 28. Once shut off, water is typically turned back on after payment of a significant portion of the overdue balance along with an agreement to pay the remainder. Often the terms of the payment agreement are not upheld by the tenant and the process of sending arrears letters and flagging for disconnect begins all over again.
 29. Residential tenants pay for water loss related to plumbing issues that are the responsibility of their landlord. This can create a lack of incentive for property owners to ensure plumbing and fixtures are properly maintained and not prone to failure.
 30. There are instances where landlords claim that they are unaware of tenant arrears because the water bill was being sent to the tenant, even though tenant arrears and shutoff letters are being sent to the landlords.
 31. The majority of residential tenants do not currently pay for their own water and wastewater/storm services. This is primarily due to multi-residential properties predominantly being bulk/master metered where typically one water meter services the entire multi-unit building or complex preventing water consumption measurement for each individual unit. Individually metered buildings, such as single-family dwellings, have their own water meter allowing for a separate invoice for each unit. Of the approximately 45,000 active water accounts in the City, 5,400 or 12% per cent of accounts have been redirected to a residential tenant.
 32. The City expends significant resources to reduce the risk of unpaid water bills being added to property taxes. The City's Water and Wastewater Arrears Policy administered by the Finance department, contains provisions whereby Finance endeavours to notify property owners (landlords) of tenants' water arrears. Finance issues arrears letters to outstanding accounts 21 days after a bill is due. In 2021, Finance issued approximately 46,600 arrears letters including nearly 10,600 to owners (landlords) advising of tenant arrears and a further 2,400 flag for disconnect and shut-off advisement letters.

Recommendations

33. Staff are recommending changes to tenant billing practices whereby all residential water accounts established on or after November 1, 2022 will be set up under and sent to the registered owner(s) of the property. The residential accounts directed to the tenant as of October 31, 2022 will be grandfathered resulting in no change to those billings until the earlier of October 31, 2023 or such time as the tenants vacate the property. This will allow landlords adequate time to adjust their

leasing processes. As the grandfathered tenants move out, the accounts will be changed to the owner's name and future invoices will be billed to the owners.

34. The Low-Income Household Water/Wastewater Relief Program was approved by Council in May 2021. This program provides financial assistance to low-income households in the City to help offset water/wastewater bill costs. Currently a condition of the program is that the water/wastewater billing account must be in the applicant's name. Should Council approve the recommendations contained in this report, the process will be updated to allow a tenant to continue to apply for the credit when the property owner signs an affidavit that the named tenant(s) lives at the property for which the application is sought.
35. Staff, in conjunction with Access Barrie, will develop and implement a communication strategy to advise property owners of the changes to residential tenant billing.

Benefits of Eliminating Residential Tenant-Held Accounts

36. The elimination of residential tenant billing is expected to yield the following benefits in addition to resolving the issues identified above:
 - Avoid the residential tenant payment delinquency issue by having the property owner / landlord pay the water bill and collect the water and wastewater costs from their tenant as a condition of the lease agreement;
 - Property owners will save the administrative fee for water balances transferred to the tax roll. The current fee at \$45.60 per water account transfer. The City applies interest on outstanding amounts transferred to the tax roll at a rate of 1.25% per month or 15% per year;
 - There is a charge of \$103.41 for turning water off and another charge in the same amount for turning water back on. These charges are onerous for tenants who may already be experiencing a strained financial position, and transfers to the owner should the tenant not pay for any reason. These charges will be eliminated when the process of shutting off water is no longer carried out;
 - Owners are able to avoid issues with water bill non-payment by including an estimated water charge up front as part of the lease payment and conditions of the lease agreement;
 - A consistent practice will result whereby all residential water invoices will be sent to the owners;
 - With the water bill in the owner's name, potential water leakage will more readily be identified. Leaks result in unexpectedly large water bills which may not be paid by tenants;
 - Water conservation and preservation is enhanced as owners directly receiving the water bill are more apt to ensure the property is properly maintained including repairing / updating fixtures and plumbing;
 - Access for maintenance of water meter reading equipment is greatly improved when the property owner / landlord is the property account holder;

- City staff in Water Operations, Service Barrie, and Finance be able to redirect their focus on other customer service areas and strategic projects, that have a larger benefit for the general tax base, where additional resources would have been required to address these matters.
37. There is no impact to City staffing levels expected with the recommended change to tenant billing; however, the requirement for additional resources to address the strain on Finance and Water Operations is expected to lessen with the elimination of the tenant water billing services.

ENVIRONMENTAL AND CLIMATE CHANGE IMPACT MATTERS

38. There are no direct environmental and climate change impact matters related to the recommendation. Indirectly, staff expect that property owners will maintain and/or repair fixtures and plumbing that contribute to wasted water.

ALTERNATIVES

39. The following alternatives are available for consideration by General Committee:

Alternative #1

General Committee could maintain the existing policy/procedure by-law with respect to the residential tenant water billing and collection processes (i.e. status quo).

This alternative is not recommended as the financial costs associated with the process, in addition to the other issues identified above, total over \$314,000 annually. Owners are frustrated when a tenant leaves and there is a balance outstanding which is transferred to the tax roll. The City becomes involved in owner/tenant disputes.

Alternative #2

General Committee could alter the proposed recommendation by eliminating water shutoffs on tenant water accounts.

This alternative, while it does save time and costs related to disconnection letters and alleviates the concerns surrounding staff involvement in landlord/tenant disputes as well as the safety of Operations staff who attend the property to shut off water, is not recommended as it does not eliminate the administrative burden to staff of managing tenant accounts.

Alternative #3

General Committee could alter the proposed recommendation by implementing a fee to be charged to property owners to cover the costs of administering the tenant held water accounts. Using 2021 costs and 5,433 tenant accounts at the end of the year, a simple calculation would necessitate a fee of approximately \$60 per account to cover costs.

This alternative is not recommended. There are no full-time staff in Finance, Service Barrie, or Water Operations who are dedicated to the tenant water billing program. It is estimated that during the year, a total of 4.69 full-time equivalent staff time is being used for this program. This is a significant amount of resources required to collect a small portion of outstanding water receivables. While an additional charge of \$60 applied to 5,000 tenant water accounts would generate \$300k to help offset existing costs, more resources are required to manage this program.

Alternative #4

General Committee could alter the proposed recommendation by requiring deposits on tenant accounts.

This alternative is not recommended as it is an administrative burden funded by the tax base and not necessary when any outstanding balance can be added to the tax roll.

FINANCIAL

40. Cost savings to the Corporation resulting from the proposed recommendation, both staff resources and out of pocket costs, are approximately \$314,000.

LINKAGE TO 2018–2022 STRATEGIC PLAN

41. The recommendation(s) included in this Staff Report are not specifically related to the goals identified in the 2018-2022 Strategic Plan.



APPENDIX "A"

Tenant Water Billing Annual Net Costs Summary

Task/Activity	Approximate Annual Volume	Annual Cost \$
Costs:		
Weekly run of arrears letters (one to tenant, one to landlord) including stationery, postage, printer usage, mail room time	46,600	\$ 45,800
Review owner requests to shut off water	150	\$ 1,650
Review overdue accounts to determine which to flag/begin shut-off process with	1,000	\$ 3,850
Send "Flag for Disconnect" warning letters to tenants monthly	2,400	\$ 4,972
Review flagged accounts, remove any who have since paid	N/A	\$ 5,499
Send official "Notice of Shut-off" to remaining unpaid flagged accounts	600	\$ 6,699
Review accounts to see if any payments were received after official notice, send list of remaining flagged properties to Water Operations and create shut-off service orders	400	\$ 2,542
Water Operations schedules and performs shut-offs, two staff attend properties for safety reasons	400	\$ 46,192
Curb box broken - requires additional repair	40	\$ 80,000
Curb box blocked - two staff returning to the property multiple times to attempt shut-off	8	\$ 5,082
Communication between Service Barrie, Finance, & tenants regarding balance, notices rec'd, payment plans (prior to and/or following shut-offs)	N/A	\$ 12,397
Escalation to Supervisor and/or Manager on difficult accounts and/or customer request	N/A	\$ 22,339
Finance reviews, approves payment plan, notes account and creates water turn-on service order	400	\$ 8,460
Water Operations schedules turn-on service with tenant (tenant must be present), and performs service (two staff attend)	400	\$ 56,027
Fees for shut-off and turn-on are added to account	800	\$ 4,461
Forms received and saved/stored (until the appropriate time to make the account changes. Owner Tenant Agreement forms, and New Account/Cancellation forms	5200+	\$ 6,826
Service orders to set-up and close tenant accounts throughout the year (multiple forms received can equate to one service order, ie. Owner Tenant Agreement and New Account forms)	4000+	\$ 25,560
Transfer delinquent accounts to property tax roll when tenant leaves with unpaid balance, Service Barrie and Finance staff time spent on questions and escalations to Supervisor and/or Manager	200	\$ 2,374
Letters to property owners informing them of delinquent account balance transfer to the tax roll, including stationery, postage, printer usage, mail room time	200	\$ 924
Service Barrie talking to customers, answering billing questions, providing/receiving forms & instructions	N/A	\$ 75,543
Total Costs		\$ 417,197
Revenues:		
Tenant shut off and turn on fees	800	\$ 82,728
Interest revenue on overdue accounts		\$ 20,400
Total Revenues		\$ 103,128
Net Program Cost		\$ 314,069

APPENDIX "B"

Municipal Survey of Billing Practices

#	Municipality	Bills Tenants	Does Shutoffs	Transfers to Tax	3 rd Party Billing	Deposits	Other
1	Muskoka	Y	Y	Y	N	Y	5% penalty on late payments All new customers must get an approval of financial credit background Customers unable to demonstrate a good payment history must pay a deposit
2	Guelph	Y	Y	Y	Y	Y*	*pay deposit or supply of credit report To open account, also need to provide "Employment information if applicable - name of employer, address and work phone number" and 1 piece of government ID Billed by Guelph Hydro/ Alectra Utilities Stormwater credit program for owners only
3	Ramara	U	Y	U	N	N	No information on website about billing tenants. Many residents on private wells. Billed quarterly
4	Innisfil	Y	U	Y	Y	Y	Billed by InnPower Need to clear outstanding balances before opening a new account Website - "InnPower will not get involved in tenant/landlord disputes." Mentions disconnections but may only apply to electricity service, water-specific repercussions mentioned include informing owner and transferring to tax roll
5	Orillia	Y	Y	Y	N	N	
6	Kitchener	Y	Y	U	Y*	Y	**"Kitchener Utilities is a division of the City of Kitchener... a community-owned utility" \$50 deposit for new tenant accts unless they go on PAP or can provide confirmation of "good payment history" from another Ontario utility for last 12 months
7	London	U	Y	Y	Y	Y	Billed by London Hydro
8	Ottawa	Y	Y	Y	N	N	
9	Kingston	Y	Y	Y	Y	Y	Billed by Utilities Kingston Deposit unless you demonstrate continuous good payment history (12 months) with Utilities Kingston or enroll in PAP Website mentions interest paid on deposits Flat rate deposit is \$250 when consumption history not available Deposit can be paid to Utilities Kingston over 6 months (6 equal payments) or less from activating account
10	Hamilton	N	N	Y	Y	N	Billed by Alectra
11	Cambridge	N	Y	Y	N	N	Bill in landlord's name but City will redirect bills to a non-owner upon the owner's request
12	Grimsby	N	N	Y	N	N	
13	Thunder Bay	N	Y	Y	N	N	Will bill to "Care of Occupant" and send to property address for a tenant, but still stresses it is owner's responsibility to pay if unpaid by tenant, owner gets arrears notices. Low-income rebate available, only owner can apply
14	Newmarket	Y	Y	U	Y	N	Billed by Newmarket-Tay Power Allows tenants to apply for low-income rebate
15	Niagara Falls	Y	Y	Y	N	Y	Deposit \$230 1.25% penalty monthly SR and ODSP water credits available to owners only

Y = Yes N = No U = Unknown