

Department of Legislative Services
Maryland General Assembly
2018 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

House Bill 1560 (Delegate M. Washington, *et al.*)
Environment and Transportation

Rules

Baltimore City Department of Public Works - Water and Sewer Bill Dispute
Process, Billing Program Review, and Report

This bill amends the Baltimore City Charter to require the Baltimore City Department of Public Works to establish a formal administrative review process for customers to file a claim for review of a customer's water and sewer bill. The bill also amends the Baltimore City Charter to require the Department of Public Works to conduct a specified study and report its interim findings to the General Assembly and the members of the Baltimore City Delegation by December 1, 2018, and submit its final report to the Governor, the General Assembly, and the members of the Baltimore City Delegation by July 1, 2019. **The bill takes effect October 1, 2018; the reporting provision of the bill terminates September 30, 2019.**

Fiscal Summary

State Effect: None.

Local Effect: Baltimore City expenditures increase by a significant amount beginning in FY 2019. The potential expenditure increase may range between \$500,000 and \$750,000 annually. Baltimore City revenues may decrease to the extent that more refunds are granted. **This bill imposes a mandate on a unit of local government.**

Small Business Effect: None.

Analysis

Bill Summary: The bill requires the Baltimore City Department of Public Works to establish a formal administrative review process by which a customer may file a claim for review of the customer's water and sewer bill. The department must designate a third party

to review and render a final decision on each claim. The Baltimore City Environmental Control Board may serve as the third party. A petition for judicial review may be filed with the circuit court as provided in Title 7, Chapter 200 of the Maryland Rules within 30 days after the date a final decision is rendered on a claim by the third party.

The department must publish information regarding the administrative review process on the department's website in a readily accessible location. The department must periodically review the department's water and sewer billing program, including (1) the department's billing policies and procedures; (2) the performance of customer support and services personnel; and (3) quality control practices, including the department's review of randomly selected billing dispute cases.

The department must establish a quality assurance and quality control committee composed of experienced professionals in the field of water metering and billing systems, billing account management, and customer service, as part of the review process that is conducted. The quality assurance and quality control committee must make recommendations to the department's director, or the director's designee, for improvements to processes, policies, or customer services that could address recurring customer concerns or disputes.

Water and Sewer Services Study

The Baltimore City Department of Public Works must study and report on the accessibility of publically provided water and sewer services for residents of the city. The study must identify and review:

- the demographics of the customers of the department, including single-family and multifamily residential customers and commercial customers;
- the scale and extent of delinquent water and sewer accounts and service disconnections for nonpayment, including the number of disconnections experienced by owner-occupied households, rental households, and commercial properties, as well as information on households identified as elderly, low-income, or disabled based on the households' enrollment in a Department of Public Works assistance program;
- the policies and procedures that relate to delinquent accounts and service disconnection;
- customer service policies and procedures for addressing (1) customer complaints and resolving disputes relating to billing and service disconnections and (2) water leaks, including the number of properties that the Department of Public Works tests for leaks, the number of properties found by the department to have leaks, and whether the city or property owner was responsible for repairing the leaks; and
- payment assistance programs and associated detailed eligibility qualifications, including programs that offer (1) bill discounts or credits; (2) flexible terms; (3) rate

structuring; (4) temporary and crisis assistance; (5) water efficiency measures and leak repairs that are tested by the department; (6) assistance for senior citizens; and (7) hardship or medical exemptions.

Current Law: The Baltimore City Bureau of Water and Wastewater (within the Department of Public Works) is responsible for the operation of a water distribution system that supplies water to 1.8 million customers in the Baltimore Metropolitan Region. These responsibilities include the operation, maintenance, and security of three watershed systems; three filtration plants; pumping stations; and 4,500 miles of water distribution mains. The operation of the water distribution system is financed through the city’s water utility fund which totals \$202.8 million in fiscal 2018. Of this amount, \$185.6 million, or 91.5%, is funded through metered water charges from customers throughout the Baltimore Metropolitan Region. As shown in **Exhibit 1**, Baltimore City customers account for 55.3% of the water charges in fiscal 2018, with Baltimore County customers accounting for 31.9% of water charges, and Howard County customers accounting for 11.6% of water charges. Customers in Anne Arundel, Carroll, and Harford counties account for 1.2% of water charges.

Exhibit 1
Baltimore City – Water Utility Fund

	FY 2016	FY 2017	FY 2018
	<u>Actual</u>	<u>Budget</u>	<u>Estimate</u>
Metered Water			
Baltimore City	\$88,139,500	\$95,165,000	\$102,636,479
Anne Arundel County	2,691,734	1,135,000	1,135,352
Baltimore County	53,386,132	57,083,000	59,214,815
Carroll County	670,118	703,000	772,978
Harford County	182,414	265,000	265,127
Howard County	18,289,401	19,632,000	21,576,448
Subtotal	\$163,359,299	\$173,983,000	\$185,601,199
Other Charges			
Special Water Supply Service	\$750,245	\$965,000	\$1,060,877
Private Fire Protection Service	812,387	773,000	746,765
Fire Hydrant Permits	146,501	56,000	55,551
Water Charges to City Agencies	17,240,553	7,550,000	9,805,425
Penalties	12,271,033	6,003,000	6,003,449
Subtotal	\$31,220,719	\$15,347,000	\$17,672,067
Other Revenues	\$582,099	\$481,000	\$380,920
Fund Balance	0	-2,590,384	-882,963
Total – Water Utility Fund	\$195,162,117	\$187,220,616	\$202,771,223

Source: Baltimore City Bureau of the Budget and Management Research

Background: Beginning in October 2016, the Baltimore City Department of Public Works implemented a number of changes in the way customer water usage is recorded and billed. A new rate structure was also implemented. The overall goal of these changes was to improve customer service and to provide customers with more detailed water usage information on their water bills. These changes include:

- *Automated Meter Reading* – New water meters have been installed that provide hourly readings of water consumption electronically. The previous meters required a manually reading every three months. The new meters are able to show customers and the city the days and times when water usage may be unusual or if continuous usage may indicate a water leak.
- *New Billing System* – The new billing system is easier to read and displays every charge the customer is being billed for. The new system also provides a comparison of a customers’ historical and current usage on each bill.
- *Monthly Billing* – The new billing system allows the department to issue bills on a monthly basis. The new monthly bills can be accessed online to provide customers a better understanding of their water usage patterns and can alert them to unusual water usage sooner.
- *Rate Structure Change* – The new rate structure is based on a flat rate charged per unit of water used and not a tiered rate as was used previously. The new rate structure eliminates a minimum charge that was previously paid by some seniors and low-income families.

In addition to the changes outlined above, the Department of Public Works instituted a new administrative dispute system to deal with customer billing disputes. Baltimore City reports that this system took two years to develop and was created with input from constituent advocacy groups.

Baltimore City offers several assistance programs that provide significant monetary benefits to eligible water customers. Customers may also enroll in payment plans to the extent necessary. The assistance programs include:

- *Senior Citizen Discount Program* – The program provides a percentage reduction on a senior citizen’s water and sewer bill. The program currently provides customers who are 65 years of age or older and whose household income does not exceed \$30,600 with a 43% discount on their water and sewer rates and stormwater fee. The income threshold increases with changes to the Consumer Price Index. In

2016, there were 2,777 customers enrolled in the program who received \$585,298 in discount benefits.

- *Hardship Exemption Program* – Customers who meet specified household income ranges set by the Office of Home Energy Programs are eligible for assistance. In 2016, there were 3,180 customers who received assistance from this program.
- *Low Income Water Assistance Program* – This program allows a customer with delinquent notices and who has a household income that does not exceed 175% of the federal poverty threshold to receive a \$216 credit toward their delinquent water or sewer amount. In 2016, there were 1,992 customers who participated in this assistance program and who had their delinquent accounts reduced by \$356,256.
- *Payment Plans* – Customers who are behind in their water and sewer payments may participate in one of two payment plans offered by the department. The first plan is a six month payment plan that requires the customer to make no upfront payment. The second plan requires a customer to pay 50% of the balance due, with the remainder to be paid over the next 12 months. If the customer is enrolled in the Senior Citizen Discount Program, a down payment is not required. Customers who cannot afford either payment plan option, are referred to the city’s law department to work out a longer term affordable payment plan.

Baltimore City Environmental Control Board

The Baltimore City Environmental Control Board is authorized to enforce and adjudicate civil citations issued for sanitation, environmental health, safety, and other quality of life provisions of law. Individuals that receive a citation have the opportunity to contest the citation through an adjudication process carried out by the board. Individuals requesting a hearing are subject to a \$15 fee for each hearing. The Baltimore City budget utilizes a portion of these fees to offset the board’s operating costs, which is estimated to total \$1.0 million in fiscal 2018. The board is comprised of 15 members, including 7 ex officio members (department heads or designee) of the following departments: Health, Fire, Police, Housing, Public Works, Transportation, and City Council.

Local Fiscal Effect: Baltimore City expenditures increase by a significant amount beginning in fiscal 2019. The Department of Public Works advises that it will need staff to train third-party dispute reviewers and review committee decisions. To the extent that third-party reviewers receive compensation for their service, city expenditures increase by a further amount. In addition, the Department of Public Works must establish and maintain a quality assurance and quality control committee to make recommendations for improvements to certain customer services provided by the department. The department advises that the expenditures necessary to carry out these provisions may range between

\$500,000 and \$750,000 annually. Baltimore City revenues may decrease to the extent that more refunds are issued to customers.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Baltimore City; Department of Legislative Services

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