



## BUSINESS OF THE CITY COUNCIL CITY OF MERCER ISLAND

AB 6657  
April 15, 2025  
Regular Business

### AGENDA BILL INFORMATION

<b>TITLE:</b>	AB 6657: City Code Update regarding Utility Billing Policies (First Reading of Ordinance No. 25C-09)	<input type="checkbox"/> Discussion Only <input checked="" type="checkbox"/> Action Needed: <input type="checkbox"/> Motion <input checked="" type="checkbox"/> Ordinance <input type="checkbox"/> Resolution
<b>RECOMMENDED ACTION:</b>	Conduct first reading of Ordinance No. 25C-09 to update Section 15.12.010 of the Mercer Island City Code related to utility billing, review updated utility billing policies and procedures, and set second reading of Ordinance No. 25C-09 for May 6, 2025.	

<b>DEPARTMENT:</b>	Finance
<b>STAFF:</b>	Matthew Mornick, Finance Director LaJuan Tuttle, Deputy Finance Director
<b>COUNCIL LIAISON:</b>	
<b>EXHIBITS:</b>	1. Utility Billing Manual 2. Ordinance No. 25C-09
<b>CITY COUNCIL PRIORITY:</b>	4. Focus efforts and actions to be an environmentally and fiscally sustainable, connected, and diverse community.

### EXECUTIVE SUMMARY

This agenda bill outlines updates to the City's utility billing policies and procedures for the City Council's consideration as staff completes the remaining phases of the advanced meter infrastructure implementation project.

- In August 2024, the City completed installation of advanced water meters Island wide. The new meters are part of the advanced meter infrastructure (AMI) implementation project. They are standardized, wirelessly read, and will provide daily usage information for the City and utility customers later this year.
- The new AMI system has the potential to bring about significant changes to how the City's water utility operates, including how it bills customers and manages customer billing.
- With the installation of four remaining data collectors and the launch of the new customer service portal scheduled for later this year, staff is seeking to consolidate and update the City's utility billing policies and procedures as outlined in the Utility Billing Manual (Exhibit 1), so they align with other City policies and reflect current industry standards.
- Staff completed a comprehensive review of the City's current policies, identified opportunities to improve regulations, and researched utility billing policies from other local utilities. The research informed Mercer Island City Code revisions as outlined in proposed Ordinance No. 25C-09 (Exhibit 2) that clarify regulations and enforcement measures.

Staff seeks to answer the City Council's questions and will return May 6, 2025 for second reading of Ordinance No. 25C-09 and adoption of the updated Utility Billing Manual.

## BACKGROUND

In 2024, the City contracted with HDR Engineering Inc. (Consultant) to provide a technical review of the City's utility billing policies. Staff worked with the Consultant to review areas in the City's municipal code and internal procedures to identify opportunities to clarify regulations and enforcement measures. Staff also looked to clarify responsibilities between the City and its utility customers based on established best practices within the industry and among other local utilities within the region.

The timing of this policy review and internal procedures update coincided with the advanced meter infrastructure (AMI) system implementation project. With the new meters successfully installed and efforts underway to install four remaining data collectors as well as launching the new customer service portal at the end of this year, staff seeks to reduce ambiguity and bring the City's utility billing policies and procedures into alignment with current industry standards. Finance staff worked with the Consultant to identify common industry approaches and potential policy improvements regarding:

1. Improved enforcement of policies
2. Water leak adjustments
3. Tenant/landlord responsibilities
4. Payment plan/arrangements

Staff identified the City of Kirkland, City of Puyallup, City of Issaquah, City of Bremerton, and Seattle Public Utilities (SPU) as "peer utilities" because of the current and comprehensive nature of the policies (e.g., within the utility's website, in a policy document, or codified) and shared values for excellent customer service standards.

## ISSUE/DISCUSSION

### IMPROVED ENFORCEMENT OF POLICIES

A core component of utility operations is the enforcement of the local and state policy guidelines. Clear and succinct enforcement language equips staff tasked with ensuring policies are equitably enforced for all utility account holders. Furthermore, utility customers benefit from clarity on how the City will manage unforeseen circumstances should they occur. On this basis, the authority to enforce the City's utility policies should be explicitly outlined in the City's municipal code.

#### Current City Policy

The City currently establishes the authority to enforce the code; however, it is in the sewer section of the City's municipal code.

- **City Code Chapter 15.06.180 (SEWER Section).** Failure to comply with any applicable provisions under this chapter shall be deemed a violation. Each day that any violation or failure to comply exists may be construed as a separate offense. Enforcement proceeds under this chapter shall follow the processes and procedures set forth in chapter 6.10 MICC.

#### Recommended Updates

Staff recommends updating the City's municipal code as outlined in Exhibit 2 to clarify customer billing procedures and enforcement measures are outlined in the City's Utility Billing Manual (Exhibit 1), which will

apply to the City's water utility services. The new language clarifies and ensures enforcement for both the City's sewer and water utility operations.

## **WATER LEAK ADJUSTMENT POLICY**

Water leaks are a part of typical water system operations and result from a variety of sources including main breaks and leaks within a customer's property after the water meter. The main difference with leaks within a customer's property is that the customer will be billed for that water usage. New AMI infrastructure will equip the City to identify potential water leaks faster and with more accuracy.

Most local utilities adjust a high bill that is attributable to leakage if the customer had no prior knowledge of the leak and agrees to fix it in a timely manner. The goal of updating the City's water leak policy (outlined in Exhibit 1) is to more clearly define the expectations for the account holder and the City.

### *Current City Practice*

The City allows for a credit adjustment on a customer's utility bill due to a leak for which the homeowner is responsible. In the current policy, billing credit for a leak is authorized when all the following conditions are met:

- The leak must be repaired, and the repairs must be permanent.
- The leak adjustment request must be made by the property owner within 30 days of leak discovery or notice received from the City. The policy explains "no such adjustment shall be made for leakage occurring more than four months prior to the date of application."
- A leak adjustment request form must be completed and submitted to the City.
- The customer submits a copy of any repair invoices and receipts for replacement parts, and/or a letter on company letterhead stating what type of leak was discovered, that repairs have been made, and date(s) repairs were completed.

### *Recommended Updates*

Staff recommends updating the City water leak adjustment procedures as outlined in Exhibit 1. Compared to the current policy, the update incorporates more detailed information regarding:

- **Leak Identification.** With AMI implementation, the City and water utility customers will have access to more granular water usage data. The leak adjustment policy clarifies the shared responsibility for identifying a potential water leak for customers to notify the City, and vice versa.
- **Notification of Leak.** Electronic submittals are the swiftest means for customers to notify the City of a potential leak, although some customers prefer to mail or deliver leak adjustment documents in-person. The updated policy clarifies the acceptable forms of submittals, which include notification electronically, via mail, and in-person.
- **Frequency of Adjustments.** Staff recommends limiting the frequency a leak adjustment can be requested to encourage shared responsibility with water customers to track water usage and limit the administrative burden. Staff recommends allowing one leak adjustment every five years with the opportunity to revisit frequency of adjustments after full implementation of the AMI system.

## **TENANT/ LANDLORD RESPONSIBILITIES**

A common point of confusion for utility accounts tied to rental properties is the fiscal responsibility and liability for water, sewer, and stormwater services. Utility services will be paid either by the landlord who recovers the cost through monthly rent charged to a tenant, or by a tenant registered as a utility account customer with the City. No matter the arrangement, the landlord is liable for unpaid balances for utility

services received ([RCW 35.21.217\(b\)](#)). All charges for utility service are tied to the property. Collection of outstanding charges for vacated tenants is the property owner's responsibility. Failure to pay may result in disconnecting service and/or a lien on the property.

#### Current City Practice

The City's current practice allows invoicing for utility services in the name of a tenant for the convenience of the property owner. Property owners or property managers must authorize all billing information or name changes with the City. While this does not relieve the property owner of the responsibility for payment should the tenant fail to pay the bill, it often creates an expectation that the tenant is solely responsible.

Property owners often request assistance in calculating mid-cycle billing amounts on utility accounts when the timing of a tenant change does not match the bi-monthly billing cycle. Owners are also known to request City assistance in pursuing collections from former tenants. These types of requests frequently result in an administrative burden on City staff caught between facilitating disputes between tenants and landlords over past due bills, while also enforcing local and state laws.

Practice among utility providers varies within the region. However, the emerging best practice is to keep all utility accounts solely in the name of the property owner for which service was installed. At the property owner's request, duplicate bills are sent to a tenant for informational purposes.

#### Recommended Updates

Exhibit 2 includes new information regarding new account setup, grandfathered accounts in good standing, and tenant/ landlord responsibilities. In summary, the new policy clarifies the City will:

- Explicitly note the sole utility bill responsibility resides with the property owner.
- Permit utility accounts in good standing that are currently in a tenant's name to remain as such. These 'grandfathered' accounts will specify on all invoices the account number, tenant name, the property owner, and associated property address. Once there is a change in tenants, the property owner will default as the point of contact on the utility account.
- Notify the landlord **and** tenant of grandfathered accounts and the City's updated practice.
- Explain the process of applying to send duplicate billing to tenants (for informational purposes only) and the acceptable forms of submission (e.g., in-person, mail, and email).

### **PAYMENT PLAN OR ARRANGEMENTS**

The City of Mercer Island's utility systems have experienced inflationary pressures tied to materials and supplies, labor, insurance, and other costs at a time when the City is also completing significant capital reinvestments to maintain the integrity of these critical systems. Collectively, these factors have incrementally increased utilities rates necessary to fund ongoing operations and capital reinvestments.

#### Current City Policy

The City does not currently have a written policy regarding the application of a payment plan or arrangement for customers. However, current internal policies permit allowing payment plans for past due utility accounts on a case-by-case basis.

#### Recommended Updates

It is common practice among utility providers within the region to offer payment arrangements for qualified customers with clear guidelines in place. The City currently offers payment arrangements to utility customers

on a case-by-case basis. Although this is well-intentioned and attempts to convey a level of compassion and understanding, it can also be construed as vague, arbitrary, and inequitable.

Exhibit 2 includes updated information with specific guidelines and eligibility requirements for the formation of a payment arrangement, including:

- An initial minimum payment of \$100 or 10% of balance due, whichever is more.
- Limited duration of a payment arrangement to 3 months.
- No additional payment arrangements may be setup until the account is in good standing and current on prior billings.
- Acceptable forms to submit payment arrangements via email, in-person, and mail.

## **NEXT STEPS**

Staff seeks to answer the City Council's questions and receive consensus feedback regarding efforts to consolidate and update the City's utility billing policies and procedures as outlined in the Utility Billing Manual (Exhibit 1) and a minor revision to Chapter 15.12 of the City's municipal code (Exhibit 2).

Staff will incorporate Council's feedback and return on May 6, 2025 for second reading and adoption of Ordinance No. 25C-09 as well as adoption of the City's Utility Billing Policies and Procedures.

## **RECOMMENDED ACTION**

Schedule Ordinance No. 25C-09 updating Section 15.12.010 of the Mercer Island City Code related to utility billing, and the updated Utility Billing Manual for second reading and adoption on May 6, 2025.