


Policy Title:		Residential & Non-Residential Collections	
	OFFICE OF CHIEF FINANCIAL OFFICER	Category	Collections
		Policy #	
		Revision #	N/A
		Review Frequency	As Needed – no less frequently than triennially
Division	Collections	Reviewed By	General Counsel, Deputy CFO
Approval		Last Reviewed/Update Date	5/31/2019
Implementation Date			

1. AUTHORITY

- 1.1. Under Michigan Act 178 of 1939, *Municipal Water Liens* (MCL 123.161, *et seq.*) “the Water Lien Act”) and Chapter 56, *Utilities*, of the Detroit City Code (“City Code”), Detroit Water and Sewerage (“DWSD”) provides water and sewerage service to customers and under certain conditions, has a lien that becomes effective immediately upon the distribution of water or provision of water and sewerage system service on the premises or property supplied. Further, water and sewerage service may be discontinued for nonpayment of charges and/or civil collection action may be filed. Under Michigan Act 206 of 1893, *The General Property Tax Act* (MCL 211.1, *et seq.*) (“the Property Tax Act”), DWSD may enforce its lien by transferring the same to the City’s tax roll or pursue foreclosure.
- 1.2. Pursuant to MCL 123.165, DWSD may not place a lien upon a property for nonpayment of water and sewerage bills for which the tenant is responsible where the land owner has executed a lease with the tenant containing a provision that the lessor shall not be liable for payment of water and sewerage bills and has filed an affidavit with respect to the execution of such lease with DWSD. DWSD may not place a lien upon property if tenant has opened a water and sewerage service account in tenant's name.
- 1.3. Under the General Property Tax Act, MCL 211.1, *et seq.* a judgment of tax foreclosure extinguishes all liens and interests related to unpaid utility service charges against the property (MCL 211.78k). A municipality may seek to recover such charges by including the delinquent charges in the cost of the property at the time it is offered for sale under the General Property Tax Act, or by instituting other lawful action against the former property owner. This provision does not apply in instances where the tenant is responsible for payment.

2. OBJECTIVES

- 2.1. To set forth the legally permissible methods for collection of past due balances owed to Detroit Water and Sewerage Department for water and sewerage and/or drainage services rendered to customers.
- 2.2. To ensure compliance with the Municipal Water Lien Act and Detroit City Code in enforcing liens under the General Property Tax Act and the Revenue Bond Act for water and sewerage charges owed in collection efforts.

3. PURPOSE

- 3.1. DWSD has a legal and contractual duty and responsibility to all customers to collect charges for water and sewerage services rendered in order to keep rates fair and affordable for all and to ensure there are sufficient revenues to maintain, repair and replace water and sewer infrastructure.
- 3.2. DWSD's Collections Team has primary responsibility to collect on customer accounts that have delinquent balances.

4. DEFINITIONS

"Account Owner" means the named person on a DWSD account. Account Owners can be verified through the identity verification process.

"CIS" is an acronym for the customer information system, which is the software technology utilized by DWSD for customer billing, field meter services work management, and other customer service related functions.

"Customer" means an Owner, Landlord or Tenant that establishes an account for DWSD services and is responsible for payment of DWSD services.

"Drainage Only Accounts" refers to accounts that do not bill for water and sewerage services and only bill for the amount of impervious acres. Such accounts may be vacant lots or lots with abandoned, vacant buildings that do not have water service.

"Due Date" refers to the date in which customer account payment is due, which is a time-frame of 21 to 30 business days after the bill is issued (Bill Date).

"Landlord" means an Owner that enters into an agreement to rent a specific property to a Tenant or any third party property managers or representatives to whom Owner has delegated the authority to enter into agreements on Owner's behalf with others.

"Owner" means the person that holds legal title to a property.

"PPA" is an acronym short for Payment Plan Agreement, which refers to a formal payment plan option that DWSD offers to customers for paying off past due balances and current charges over a period of several months.

"Person" means an individual, business, partnership or corporate entity, or a governmental agency.

"Premise" refers to the physical location for water or sewer services (e.g., a single family dwelling or a commercial building).

"Property" means a parcel or group of parcels treated as one unit for purposes of obtaining water and sewerage service.

"Sewerage" means a combination of the water-carried wastes from residences, business buildings, institutions, and industrial establishments, together with such ground, surface, and storm waters as may be present.

5. SCOPE

- 5.1. This policy applies to all matters concerning the collection of past due balances for DWSD of water and sewerage services.

6. RESPONSIBILITIES

- 6.1. The Chief Financial Officer and Collections Division are responsible for managing the collection efforts of past due customer accounts.
- 6.2. Regarding specific collections-related activities, Collection Analysts are responsible for:
 - 6.2.1. Contacting customers who have accounts with past due balances;
 - 6.2.2. Initiating water service interruptions for accounts with delinquent balances pursuant to established thresholds; and/or
 - 6.2.3. Providing DWSD's Office of General Counsel and/or outside legal counsel a list of delinquent accounts that have not responded to Collections Division activities and for which legal action may be required.
- 6.3. DWSD's Office of General Counsel shall initiate legal action against customers with delinquent balances based upon established thresholds.
- 6.4. Owner/Landlords are responsible for notifying DWSD if a Tenant is responsible for payment of water and sewerage services on a property.

7. POLICY

7.1. Residential Accounts

- 7.1.1. Accounts 30 and 60 days overdue shall receive billing statements in bold red text indicating the past due balance amount, notifying customer their service may be interrupted if payment is not made or customer does not enter into a payment plan and notifying customer of DWSD's website for further information about payment assistance.
- 7.1.2. DWSD may also mail to each customer with a delinquent balance a postcard containing information regarding payment assistance resources from state and local social service agencies.
- 7.1.3. **Notice of Service Interruption.** If customer's account remains delinquent past 60 days, and based upon established thresholds, Collections Division may provide a door tag notice entitled "Avoiding Water Service Interruption" at the service address notifying customer of impending service interruption. The Notice will contain:
 - 7.1.3.1. A clear and concise statement of the reasons for the proposed service interruption.
 - 7.1.3.2. A statement informing the customer payment assistance options are available, including the opportunity to enter into a Payment Plan Agreement with DWSD or the Water Residential Assistance Plan (WRAP) if customer meets eligibility requirements.
 - 7.1.3.3. DWSD's telephone number and address.

- 7.1.4. **Interruption of Water and Sewerage Services.** If customer does not contact DWSD within time frame on Final Notice of Service Interruption door hanger, Collections Division may initiate work order to interrupt/disconnect customer's water service. Customer's service will not be restored until customer pays account in full or enters into a Payment Plan Agreement.
- 7.1.5. **Unauthorized Usage of Services.** If after interruption of water services customer continues to utilize the water service in an unauthorized manner, such as connection of a pipe to bypass the water meter and/or restoring water service without DWSD performing the restoration, customer's water services may be disconnected from the main water line.
 - 7.1.5.1. Customer may be fined for unauthorized usage.
 - 7.1.5.2. Customer's water services may remain disconnected until past due balances and fines are paid in full or DWSD allows customer to enter into a Payment Plan Agreement.

7.2. Non-Residential Accounts

- 7.2.1. Accounts 30 and 60 days overdue shall receive billing statements in bold red text indicating the past due balance amount, notifying customer their service may be interrupted if payment is not made or customer does not enter into a payment plan and notifying customer of DWSD's website for further information about payment assistance.
- 7.2.2. **Demand Letter.** If account remains unpaid after 60 days, Collections Division may issue a "Demand Letter" that identifies (1) the amount past due, (2) options for payment, and (3) number of days before DWSD may pursue legal action.
- 7.2.3. **Referral for Legal Action.** If account remains unpaid after date indicated on Demand Letter, Collections Division may provide account information to DWSD's Office of General Counsel to take appropriate legal action or may refer account to outside legal collections counsel for action.
- 7.2.4. **Interruption of Water and Sewerage Services.** Service interruptions will be initiated on non-residential accounts. Customer's service will not be restored until customer pays account in full or enters into a Payment Plan Agreement.
- 7.2.5. **Unauthorized Usage of Services.** If after interruption of water services customer continues to utilize the water service in an unauthorized manner, such as connection of a pipe to bypass the water meter and/or restoring water service without DWSD performing the restoration, customer's water services may be disconnected from the main water line.
 - 7.2.5.1. Customer may be fined for unauthorized usage.
 - 7.2.5.2. Customer's water services may remain disconnected until past due balances and fines are paid in full.
- 7.2.6. **Transferring Delinquent Balance to City of Detroit Property Tax Roll**
 - 7.2.6.1. In addition to all other collection actions, DWSD may elect to transfer delinquent balances to the City of Detroit Property Winter Tax Roll to enforce DWSD's lien.
 - 7.2.6.2. Delinquent balances for no more than the preceding twelve (12) months at established thresholds as of October 1 may be transferred to the tax roll.

- 7.2.6.3. Only delinquent balances incurred by Owner (or Owner/Landlord) may be transferred to tax roll. Delinquent balances incurred by Tenants may not be transferred to tax roll.
- 7.2.6.4. If Owner/Landlord has not provided DWSD with a copy of lease or Affidavit of Lessee Responsibility and DWSD has no other information to verify whether a Tenant was responsible for payment for DWSD services, Collections Division may transfer delinquent balances to the tax roll.

7.3. Customer Dispute of Amount Owed. If customer disputes the accuracy of their bill customer must notify Collections Division of the amount in dispute and reason for dispute and make payments on non-disputed portion of bill while DWSD investigates the disputed amount.

7.3.1.1. **Drainage Charge Disputes.** If the customer believes the impervious acreage is incorrect or DWSD has the wrong parcel ID number, the dispute will be referred to the Stormwater Management Group for resolution.

7.3.1.2. **Water Usage Dispute.** If customer disputes amount of water usage, see DWSD Leak Policy or other relevant policies.

7.4. Reasonable and Necessary Actions

- 7.4.1. Management may take reasonable and necessary actions to accomplish the intent of this policy.

8. PROCEDURE

8.1. Residential Collections Process

- 8.1.1. The Collections Analyst generates a monthly customer aging report in the CIS. The customer aging report provides the Collections Analyst a list of all customer accounts that are delinquent and over the threshold of unpaid balances.
- 8.1.2. The Collections Analyst creates a work order within the CIS to initiate the notice of service interruption door hanger process.
- 8.1.3. On a weekly basis, the Collections Analyst generates a customer balance report within the CIS to verify which customers that were given notice of potential water service interruption have not yet resolved a past due balance.
- 8.1.4. If the customer has resolved their past due balance with DWSD or entered into an appropriate payment plan, the Collections Analyst initiates a work order and update the status of the customer in the CIS.
- 8.1.5. If the past due balance has not been resolved with DWSD, DWSD's hired third party contractor performs the physical interruption of the water services.
- 8.1.6. The customer is given time to resolve a past due balance. The customer may then receive a second notice with several options the customer has in order to have their water services turned back on.
- 8.1.7. After the second door hanger notice, the Collections Analyst runs an illegal usage report through the CIS. The illegal usage report verifies if customers who have had their service interrupted have also used water services unauthorized.

- 8.1.8. If the customer is using the water services in an unauthorized manner, fines for the first and second offense may be issued.
- 8.1.9. The customer's premise may also be disconnected if until their past due account balance has been resolved with DWSD.

8.2. Debt from Unpaid Balance

- 8.2.1. DWSD's Collections Team may continuously track properties that have had little to minimal success for collections and determine whether to transfer the unpaid balance debt to the property tax bill for collection.
- 8.2.2. For commercial or industrial accounts, DWSD can pursue unpaid balances through various methods, including collection activities, transferring the delinquent balance to tax rolls, or taking appropriate legal action (see Policy on Disputes).
- 8.2.3. DWSD may enforce the lien by annually transferring delinquent balances to the City of Detroit Property Tax Division.
- 8.2.4. The City of Detroit Property Tax Division adds the delinquent amount to the property's tax bill.

8.3. City of Detroit Property Tax Division

- 8.3.1. DWSD may identify and track service addresses and parcel identification numbers to notify the City to transfer the delinquent water and sewer balances owed to DWSD to the property tax roll for collection by the City.
- 8.3.2. In March of the following year, the City of Detroit Property Tax Division compiles assessment data for all of Wayne County (including Detroit) and issues its annual equalization report.
- 8.3.3. When DWSD obtains this annual report, it may review the list of affected properties and determine whether their corresponding accounts should then be removed from Collections.

8.4. Non-Residential Collections

- 8.4.1. DWSD's Public Finance Management team generates customer aging reports, which contain customer accounts with past due balances on a monthly basis and sends the report to the Non-Residential Collections team.
- 8.4.2. The Non-Residential Collections Analysts examines the report for past due account balances, customer type, and number of aging days, to identify potential accounts for collection attempts.
- 8.4.3. As a first step to collect, a Collections Analyst attempts to communicate with the customer (phone and email) in an attempt to collect payment the day of. The Collections Analyst may also issue the customer a physical notice, explaining the past due balance, and the options the customer has in order to resolve their balance with DWSD.
- 8.4.4. The customer may potentially enter into a PPA with DWSD as means to pay off the unpaid account balance. Refer to the corresponding policy for further details.

- 8.4.5. If the customer has not agreed to resolve their past due account balance, the Collections Analyst may elect to send a demand letter stating the amount to be collected with options for the customer, including date of action.
- 8.4.6. If there is no resolution to the matter by the date of action indicated on the “demand” letter, the Collections Analyst sends the account to DWSD’s Legal Department, who may attempt to contact the customer and initiate the Legal Settlements process. Refer to the corresponding policy for further details.
- 8.4.7. If the Collections Analyst is not able to collect payment from the customer, and a payment agreement is not reached, the Collections Analyst may notify the customer that their water services will be interrupted.
- 8.4.8. If the customer is using water services in an unauthorized manner, fines for the first and second offense may be issued.
- 8.4.9. The customer’s premise may also be disconnected from the main until their past due account balance has been resolved with DWSD.