

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0744-01
Bill No.: HB 521
Subject: Utilities; Water Resources and Water Districts; Cities, Towns and Villages
Type: Original
Date: April 1, 2019

Bill Summary: This proposal prohibits certain charges to customers by public water supply districts and metropolitan water supply districts.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
Total Estimated Net Effect on General Revenue	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 7 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
Total Estimated Net Effect on FTE	0	0	0

☐ Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
Local Government	(Unknown, less than \$100,000)	(Unknown, less than \$100,000)	(Unknown, less than \$100,000)

FISCAL ANALYSIS

ASSUMPTION

Officials at the **Public Water Supply District 6 of Jefferson County (District)** assume the following:

Regarding §§247.200.2 and 247.285.1, the policy of the District requires a security “deposit” from a commercial property owner who seeks water service from the District. Where the commercial property is rented or leased, the tenant is also required to provide a security deposit.

The Districts requirement for the “Owner” to provide a security deposit protects the District from losses when the unit served is vacant, just as the deposit secures the renters account while the unit is occupied.

As with many Utilities, the service is provided to the customer in advance of the customer making payment. Extending “credit” for goods and service and requiring a deposit to secure a water account is very common and necessary. Not to require a deposit would increase the risk of default on accounts and indirectly shift the loss of revenue to the remainder of customer base. This proposed legislation would take away the Districts ability to secure a water account, while the commercial property owner continues to enjoy the benefit of securing their rented units by requiring a security deposit from their tenants.

Regarding §§247.200.3 and 247.285.2, this Legislative language assumes a customer no longer wishes to be charged for a service provided to their property by the District, though as property owners they would continue to enjoy the benefit of the service, such as, increased property value and the immediate availability of a safe and reliable potable water.

Any landowner not having a water service installed on their property are not a customer of the District and are not charged a monthly minimum bill (base charge). In addition, any landowner who has water service installed on their property is a customer and is charged a monthly minimum bill to recover the cost incurred by the District to provide the service.

The District has perpetual costs associated with the maintenance and replacement of the greater water infrastructure system that provides the service to the property. The District also has the responsibility to each customer and the greater community to assure a perpetual water supply and infrastructure that is maintained and readily available to meet the highest demand exerted upon water system.

ASSUMPTION (continued)

The customer's monthly water bill has two components, the first is the monthly minimum charge for the service provided and recovers the Districts fixed costs to maintain the greater water system infrastructure. These costs include but not limited to: funding of Equipment & Replacement schedule, emergency reserves and paying the Debt service for past capital improvement. Revenue generated from the monthly minimum charge assures the District will meet its financial obligations and continue to prepare for the future. The second component of the customer's water bill is for the volume of metered water used by the customer. This is charged as a per 1,000 gallon rate and recovers the operational and maintenance costs incurred by the District.

The Monthly Minimum Charge (base charge) generates ~ \$470,000 in annual revenue and the volume of water sold generates ~ \$970,000 in annual revenue. If the District were to abandon the current water rate methodology and forego the monthly minimum (base charge), the loss of revenue from the base charge would have to be recovered through the volume charge, requiring an estimated increase from the current \$5.42 per 1,000 gallons of water to \$8.03 per 1,000 gallons.

The intent of District water rates is to charge each customer their fair share of the cost to provide the service and maintain the infrastructure. The costs incurred by the District to provide the service must be recovered from the customer who has water service installed on their property, regardless of their use of the service. If the proposed Legislation is passed, it would have a negative financial impact on the District's customers, in that they would be subsidizing those who elect to have their service discontinued.

Oversight notes §§247.200.2 & 247.285.1 would require Districts to not collect a secondary deposit from commercial property owners. Oversight assumes this could cause an increased risk in defaults on water accounts from customers of an unknown amount but Oversight is unclear on the number of districts that charge a secondary deposit and at what amount.

Oversight also assumes per §§247.200.3 & 247.285.2, if water meters are removed from a property or if services to a property is discontinued, there could be a loss in revenues from this action. Oversight notes that a public water supply could come from a water district, city or county. As noted above from the Public Water Supply District #6 in Jefferson County, if the base pay is no longer in effect then the District would raise the rate and collect on that amount. While the revenue collected could be less than with the base pay in effect, this amount would offset some of the costs generated.

ASSUMPTION (continued)

Oversight notes from the Census of Missouri Public Water Systems 2019 report on DNR's website, there are 7 regional offices within the State of Missouri with 2,747 systems that are regulated. Of that, 1,430 systems are community water systems that serve a population of 5,391,133 people within the State of Missouri. Oversight is unclear of the number of these systems that collect the secondary deposit or how many of these systems have had water meters removed or have had a discontinuation of service but would assume the majority of the revenue are from water bills and are paid by customers. Therefore, Oversight will reflect a unknown loss on the action from this proposal should it go into effect that is less than \$100,000 annually.

Officials at the **Department of Natural Resources** assume no fiscal impact from this proposal.

Oversight notes that the Department of Natural Resources has stated the proposal would not have a direct fiscal impact on their organization. Oversight does not have any information to the contrary. Therefore, Oversight will reflect a zero impact on the fiscal note for DNR.

Officials at the **Monroe County Assessor**, the **City of Kansas City** and the **City of Keytesville** each assume no fiscal impact to their respective entities from this proposal.

In response to similar legislation from 2018, HB 2113, officials at **Boone County** assumed no fiscal impact from this proposal.

Oversight only reflects the responses that we have received from state agencies and political subdivisions; however, other cities, counties and water districts were requested to respond to this proposed legislation but did not. For a general listing of political subdivisions included in our database, please refer to www.legislativeoversight.mo.gov.

<u>FISCAL IMPACT - State Government</u>	FY 2020 (10 Mo.)	FY 2021	FY 2022
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Local Government

FY 2020
 (10 Mo.)

FY 2021

FY 2022

LOCAL POLITICAL SUBDIVISIONS

Loss - in revenues from non collection of
 security deposits and water fees from
 discontinuation of services

(Unknown, less
than \$100,000)

(Unknown, less
than \$100,000)

(Unknown, less
than \$100,000)

**ESTIMATED NET EFFECT ON
 LOCAL POLITICAL SUBDIVISIONS**

(Unknown, less
than \$100,000)

(Unknown, less
than \$100,000)

(Unknown, less
than \$100,000)

FISCAL IMPACT - Small Business

There could be a direct fiscal impact to small businesses who serve as public water suppliers as a result of this proposal.

FISCAL DESCRIPTION

This bill prohibits public water supply districts and metropolitan public water supply districts from requiring a secondary deposit from commercial property owners. Both kinds of water supply districts are also barred from charging a customer once a water meter has been removed from the applicable property or if service has been discontinued. Any charges made after service is discontinued or the water meter is removed shall be credited toward the customer's future charges.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Public Water Supply District 6 of Jefferson County
Department of Natural Resources
Monroe County Assessor
City of Kansas City
City of Keytesville
Boone County



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Director
April 1, 2019

Ross Strobe
Assistant Director
April 1, 2019