



**CITY OF**

---

---

# **NEWPORT BEACH**

## **City Council Staff Report**

July 26, 2022  
Agenda Item No. 13

**TO:** HONORABLE MAYOR AND MEMBERS OF THE CITY COUNCIL

**FROM:** Scott Catlett, Finance Director/City Treasurer - 949-644-3123,  
scatlett@newportbeachca.gov

**PREPARED BY:** Michael Gomez, Deputy Finance Director,  
mgomez@newportbeachca.gov

**PHONE:** 949-644-3124

**TITLE:** Resolution Nos. 2022-49 and 2022-50: Collection of Certain Sewer  
and Recycling Fees and Charges Through the Property Tax Roll

---

**ABSTRACT:**

There are approximately 5,300 accounts that are sewer and/or recycling only customers that do not receive a City of Newport Beach (City) utility bill. Section 5470 et seq., of the California Health and Safety code, allows local agencies to collect certain annual fees and charges, including for sewer and recycling services, through the property tax roll. Enrolling these types of charges on the property tax roll is a common practice in California local agencies, particularly in instances where a customer is not receiving electric and/or water service from the billing agency. Because these customers do not receive a utility service from the City that can be disconnected for nonpayment, the delinquency rate can be significantly decreased through utilizing the property tax billing process. Such charges are billed as part of the normal property tax billing process as an add-on charge similar to a school bond debt service charge or an annual assessment district levy.

**RECOMMENDATION:**

- a) Conduct a public hearing;
- b) Determine this action is exempt from the California Environmental Quality Act (CEQA) pursuant to Sections 15060(c)(2) and 15060(c)(3) of the CEQA Guidelines because this action will not result in a physical change to the environment, directly or indirectly;
- c) Adopt Resolution No. 2022-49, *A Resolution of the City Council of the City of Newport Beach, California Confirming the Sewer Service Fee Report for Fiscal Year 2022-23 and Authorizing Collection of the Fee Through the Orange County Tax Roll*; and
- d) Adopt Resolution No. 2022-50, *A Resolution of the City Council of the City of Newport Beach, California Confirming the Recycling Fee Report for Fiscal Year 2022-23 and Authorizing Collection of the Fee Through the Orange County Tax Roll*.

## **DISCUSSION:**

The City provides services including water, sewer and recycling to residents and businesses that are billed via the City's utility billing process. While most of the City's residents and businesses are served by the City for all of these services, certain areas of the City are provided one or more of these services by other surrounding cities or special districts. The City also provides services to a limited number of customers that are located outside of, but immediately adjacent to, the City boundary. Currently, the charges related to each customer account are billed via a single bill that is sent to the customer. There are approximately 5,300 accounts that are sewer and/or recycling-only customers, which can be broken down to 4,693 recycling-only and 598 sewer-only accounts. This is a small percentage of the City's approximately 23,000 total sewer accounts and approximately 22,500 total recycling accounts. To ensure the City receives timely payment for services rendered, staff proposes placing these bills on the County of Orange property tax bill.

Health and Safety Code Section 5470 et seq. authorizes the collection of sanitation and sewer system solid waste rates on the tax rolls, in the same manner and at the same time as its general taxes by causing a written report to be prepared each year and filed with the City Clerk that identifies the parcels and the amount of the charge to each parcel for the year (Report). The Report that is attached as an exhibit to each resolution will result in the placement of sewer fees and recycling fees on the tax rolls for each parcel. Since this is the first time the City would collect these fees in this manner, the City is required to publish and mail notice of the Report to the property owners at the address shown on said assessment roll. In this case, the City published notice of this hearing on July 9, 2022, and mailed notice to the property owners on July 8, 2022.

At the hearing, the City Council is required to hear and consider all objections and protests, if any, to the Report. If the City Council does not find that protests are made by a majority of the separate parcels of property described in the Report, the City Council may adopt the Report based upon a supermajority vote. If adopted, the Report must be submitted to the Orange County Assessor's Office no later than August 10 in order for the sewer and recycling fees for Fiscal Year 2022-23 to be placed on the tax rolls.

While it is difficult to quantify the savings that will result from this effort, considerable staff time is expended on collection efforts related to these bills. The frequency of issues has increased significantly since Newport Coast property owners began to be assessed the recycling fee in the previous fiscal year. Because the bills are small and infrequent, and because the bills are sent to the property address when the property owner(s) may reside elsewhere as their primary residence, collection rates have been significantly lower than for customers who are also billed for other City services. Transitioning these fees and charges to the property tax bill will also reduce the burden on these customers by eliminating an additional bill that must be paid on a semi-annual or bi-monthly basis.

On April 14, 2022, the Finance Committee reviewed and discussed this issue. The Committee recommends that the City Council transition these sewer-only and recycling-only customers from utility billing to property tax billing as outlined in this report.

**FISCAL IMPACT:**

The revenue from these customers is included in the City's budget. It is anticipated that as a result of implementing property tax billing for these accounts, the rate of collection will increase along with the corresponding revenue to the General Fund for recycling fees and the Sewer Fund for sewer service charges. The City will also receive a share of penalties and interest related to delinquent property tax bills when paid, while currently the delinquent bills are referred to a collection agency when internal collection efforts are exhausted, with 18% of the amount that may be collected in the future being retained by the collection agency.

**ENVIRONMENTAL REVIEW:**

Staff recommends the City Council find this action is not subject to the California Environmental Quality Act (CEQA) pursuant to Sections 15060(c)(2) (the activity will not result in a direct or reasonably foreseeable indirect physical change in the environment) and 15060(c)(3) (the activity is not a project as defined in Section 15378) of the CEQA Guidelines, California Code of Regulations, Title 14, Chapter 3, because it has no potential for resulting in physical change to the environment, directly or indirectly. The sewer and recycling fees are already established. This action would simply allow for the collection of the fees through the tax rolls.

**NOTICING:**

Notice of this hearing was provided to the impacted property owners 14 days prior to today's hearing via mail and newspaper publishing. Additionally, this agenda item has been noticed according to the Brown Act (72 hours in advance of the meeting at which the City Council considers the item).

**ATTACHMENTS:**

Attachment A – Resolution No. 2022-49

Attachment B – Resolution No. 2022-50