

**Municipal Services Fees and Political Subdivision Lien Amendments**

2025 GENERAL SESSION

STATE OF UTAH

**Chief Sponsor: Paul A. Cutler**

Senate Sponsor: Wayne A. Harper

---

**LONG TITLE****General Description:**

This bill authorizes municipalities to place a political subdivision lien on property for past due service fees.

**Highlighted Provisions:**

This bill:

- defines terms and modifies definitions;
  - authorizes a municipality to set a fee schedule by ordinance or resolution for certain services provided by the municipality or a third-party contracted by the municipality;
  - authorizes a municipality to bill a customer, directly or through a third-party billing service, for services provided by the municipality or a third-party contracted by the municipality;
  - authorizes a municipality to hold a political subdivision lien on a property for past due service fees;
  - modifies the process for a special district to charge interest and costs on a past due fee;
- and
- makes technical and conforming changes.

**Money Appropriated in this Bill:**

None

**Other Special Clauses:**

None

**Utah Code Sections Affected:**

AMENDS:

**10-6-106**, as last amended by Laws of Utah 2019, Chapter 136

**10-8-22**, as last amended by Laws of Utah 2019, Chapter 99

**17B-1-902.1**, as last amended by Laws of Utah 2023, Chapter 15

ENACTS:

**10-6-161**, Utah Code Annotated 1953

31 **10-6-162**, Utah Code Annotated 1953

32

---

33 *Be it enacted by the Legislature of the state of Utah:*

34 Section 1. Section **10-6-106** is amended to read:

35 **10-6-106 . Definitions.**

36 As used in this chapter:

- 37 (1) "Account group" is defined by generally accepted accounting principles as reflected in  
38 the Uniform Accounting Manual for Utah Cities.
- 39 (2) "Appropriation" means an allocation of money by the governing body for a specific  
40 purpose.
- 41 (3)(a) "Budget" means a plan of financial operations for a fiscal period which embodies  
42 estimates of proposed expenditures for given purposes and the proposed means of  
43 financing them.
- 44 (b) "Budget" may refer to the budget of a particular fund for which a budget is required  
45 by law or it may refer collectively to the budgets for all such funds.
- 46 (4) "Budget officer" means:
- 47 (a) the city auditor in a city of the first and second class[<sup>5</sup>] ;
- 48 (b) the mayor or some person appointed by the mayor with the approval of the city  
49 council in a city of the third, fourth, or fifth class[<sup>5</sup>] ;
- 50 (c) the mayor in the council-mayor optional form of government[<sup>5</sup>] ; or
- 51 (d) the person designated by the charter in a charter city.
- 52 (5) "Budget period" means the fiscal period for which a budget is prepared.
- 53 (6) "Budgetary fund" means a fund for which a budget is required.
- 54 (7) "Check" means an order in a specific amount drawn upon a depository by an authorized  
55 officer of a city.
- 56 (8) "City general fund" means the general fund used by a city.
- 57 (9) "Current period" means the fiscal period in which a budget is prepared and adopted, i.e.,  
58 the fiscal period next preceding the budget period.
- 59 (10) "Department" means any functional unit within a fund that carries on a specific  
60 activity, such as a fire or police department within a city general fund.
- 61 (11)(a) "Encumbrance system" means a method of budgetary control in which part of an  
62 appropriation is reserved to cover a specific expenditure by charging obligations,  
63 such as purchase orders, contracts, or salary commitments to an appropriation  
64 account at their time of origin.~~[-Such obligations cease]~~

65       (b) An obligation described in Subsection (11)(a) ceases to be [encumbrances] an  
66       encumbrance when paid or when the actual liability is entered on the city's books of  
67       account.

68 (12) "Enterprise fund" means a fund as defined by the Governmental Accounting Standards  
69       Board that is used by a municipality to report an activity for which a fee is charged to  
70       users for goods or services.

71 (13) "Estimated revenue" means the amount of revenue estimated to be received from all  
72       sources during the budget period in each fund for which a budget is being prepared.

73 (14) "Financial officer" means the mayor in the council-mayor optional form of government  
74       or the city official as authorized by Section 10-6-158.

75 (15) "Fiscal period" means the annual or biennial period for accounting for fiscal operations  
76       in each city.

77 (16) "Fund" is as defined by generally accepted accounting principles as reflected in the  
78       Uniform Accounting Manual for Utah Cities.

79 (17) "Fund balance," "retained earnings," and "deficit" have the meanings commonly  
80       accorded such terms under generally accepted accounting principles as reflected in the  
81       Uniform Accounting Manual for Utah Cities.

82 (18) "General fund" is as defined by the Governmental Accounting Standards Board as  
83       reflected in the Uniform Accounting Manual for All Local Governments prepared by the  
84       Office of the Utah State Auditor.

85 (19) "Governing body" means a city council, or city commission, as the case may be, but  
86       the authority to make any appointment to any position created by this chapter is vested  
87       in the mayor in the council-mayor optional form of government.

88 (20) "Interfund loan" means a loan of cash from one fund to another, subject to future  
89       repayment.

90 (21) "Last completed fiscal period" means the fiscal period next preceding the current  
91       period.

92 (22)(a) "Public funds" means any money or payment collected or received by an officer  
93       or employee of the city acting in an official capacity and includes money or payment  
94       to the officer or employee for services or goods provided by the city, or the officer or  
95       employee while acting within the scope of employment or duty.

96 (b) "Public funds" does not include money or payments collected or received by an  
97       officer or employee of a city for charitable purposes if the mayor or city council has  
98       consented to the officer's or employee's participation in soliciting contributions for a

99 charity.

100 (23) "Special fund" means any fund other than the city general fund.

101 (24) "Utility" means a utility owned by a city, in whole or in part, that provides services  
102 such as electricity, gas, water, or sewer, or any combination of [them] electricity, gas,  
103 water, or sewer.

104 (25) "Warrant" means an order drawn upon the city treasurer, in the absence of sufficient  
105 money in the city's depository, by an authorized officer of a city for the purpose of  
106 paying a specified amount out of the city treasury to the person named or to the bearer as  
107 money becomes available.

108 Section 2. Section **10-6-161** is enacted to read:

109 **10-6-161 . Establishment of service fees -- Political subdivision lien for past due**  
110 **service fees.**

111 (1) As used in this section, "service" means a utility, commodity, facility, or other resource  
112 provided by a municipality, either directly or through a contracted third-party, to a  
113 customer in the municipality.

114 (2)(a) A governing body of a municipality may:

115 (i) establish by ordinance or resolution a fee schedule for services; and

116 (ii) charge a fee to a customer according to the fee schedule.

117 (b) If a municipality contracts with a third-party to provide a service, the municipality  
118 may agree to:

119 (i) pay the third-party directly for the contracted service; and

120 (ii) collect the fees for the service from a customer either directly or through a  
121 third-party billing service.

122 (3)(a) A municipality, directly or through a contracted third-party, shall provide billing  
123 notices to a customer detailing:

124 (i) the fees due for a service provided by the municipality or a third-party contracted  
125 by the municipality; and

126 (ii) the due date for payment of the fees described in Subsection (2)(a)(i).

127 (b) A municipality or third-party billing service may combine a service billing notice  
128 with a billing notice for a utility provided directly by the municipality or through a  
129 contracted third-party.

130 (4) A municipality may hold a political subdivision lien, as that term is defined in Section  
131 11-60-102, on a customer's property for a past due fee by:

132 (a) notifying the customer of the past due fee;

- 133        (b) if the past due fee remains unpaid, no earlier than 30 days after the day on which the  
 134        customer is notified of the past due fee, notifying the customer that the municipality  
 135        intends to file a political subdivision lien on the customer's property to which the  
 136        utility, commodity, facility, or other resource was provided; and
- 137        (c) if the past due fee remains unpaid, no earlier than 10 days after the day on which the  
 138        customer is notified that the municipality intends to file a political subdivision lien on  
 139        the customer's property:
- 140            (i) certifying to the county treasurer of the county in which the customer's property is  
 141            located the amount of past due fees, including, subject to Section 10-6-162,  
 142            applicable interest and administrative costs; and
- 143            (ii) recording the lien with the county recorder of the county in which the customer's  
 144            property is located.
- 145        (5) Upon certification and recording under Subsection (4)(c), the past due fees, and interest  
 146        and administrative costs if applicable, become a political subdivision lien on the  
 147        customer's property, in accordance with Title 11, Chapter 60, Political Subdivision Lien  
 148        Authority.
- 149        (6) Upon payment of the full amount owed under a political subdivision lien authorized by  
 150        this section, the municipality shall file a release of the lien with the county recorder's  
 151        office.

152        Section 3. Section **10-6-162** is enacted to read:

153        **10-6-162 . Interest -- Collection of administrative costs.**

- 154        (1)(a) A municipality may charge interest on a past due fee.
- 155            (b) If a municipality charges interest as described in Subsection (1)(a), the municipality  
 156            shall calculate the interest rate in the same manner as a property tax lien, described in  
 157            Section 59-2-1302.
- 158        (2)(a) In pursuing payment on a past due fee or charge, a municipality may also charge  
 159        and collect only one of the following:
- 160            (i) a one-time penalty, not to exceed 8% for a past-due fee; or  
 161            (ii) an administrative cost for some or all of the following:
- 162                    (A) the collection cost of a past due fee; and  
 163                    (B) reasonable attorney fees actually incurred for collection and foreclosure costs,  
 164                    if applicable.
- 165        (b) A municipality may not charge interest on a one-time penalty or an administrative  
 166        cost.

167 Section 4. Section **10-8-22** is amended to read:

168 **10-8-22 . Water rates.**

169 (1) As used in this section:

170 (a) "Designated water service area" means the area defined by a municipality in  
171 accordance with the Utah Constitution, Article XI, Section 6, Subsection (1)(c).

172 (b) "Large municipal drinking water system" means a municipally owned and operated  
173 drinking water system serving a population of 10,000 or more.

174 (c) "Retail customer" means an end user:

175 (i) who receives culinary water directly from a municipality's waterworks system; and

176 (ii) whom the municipality described in Subsection (1)(c)(i) bills for water service.

177 (2) A municipality shall fix the rates to be paid for the use of water furnished by the  
178 municipality.

179 (3) The setting of municipal water rates is a legislative act.

180 (4) Within the municipality's designated water service area, a municipality shall:

181 (a) establish, by ordinance or resolution, reasonable rates for the services provided to the  
182 municipality's retail customers;

183 (b) use the same method of providing notice to all retail customers of proposed rate  
184 changes; and

185 (c) allow all retail customers the same opportunity to appear and participate in a public  
186 meeting addressing water rates.

187 (5)(a) A municipality may establish different rates for different classifications of retail  
188 customers within the municipality's designated water service area, if the rates and  
189 classifications have a reasonable basis.

190 (b) A reasonable basis for charging different rates for different classifications may  
191 include, among other things, a situation in which:

192 (i) there is a difference in the cost of providing service to a particular classification;

193 (ii) one classification bears more risk in relation to a system operation or obligation;

194 (iii) retail customers in one classification invested or contributed to acquire a water  
195 source or supply or build or maintain a system differently than retail customers in  
196 another classification;

197 (iv) the needs or conditions of one classification:

198 (A) are distinguishable from the needs or conditions of another classification; and

199 (B) based on economic, public policy, or other identifiable elements, support a  
200 different rate; or

- 201 (v) there is a differential between the classifications based on a cost of service  
202 standard or a generally accepted rate setting method, including a standard or  
203 method the American Water Works Association establishes.
- 204 (c) An adjustment based solely on the fact that a particular classification of retail  
205 customers is located either inside or outside of the municipality's corporate boundary  
206 is not a reasonable basis.
- 207 (6)(a) If more than 10% of the retail customers within a large municipal drinking water  
208 system's designated water service area are located outside of the municipality's  
209 corporate boundary, the municipality shall:
- 210 (i) post on the municipality's website the rates assessed to retail customers within the  
211 designated water service area; and
- 212 (ii) establish an advisory board to make recommendations to the municipal legislative  
213 body regarding water rates, capital projects, and other water service standards.
- 214 (b) In establishing an advisory board described in Subsection (6)(a)(ii), a municipality  
215 shall:
- 216 (i) if more than 10% but no more than 30% of the municipality's retail customers  
217 receive service outside the municipality's municipal boundary, ensure that at least  
218 20% of the advisory board's members represent the municipality's retail customers  
219 receiving service outside the municipality's municipal boundary;
- 220 (ii) if more than 30% of the municipality's retail customers receive service outside of  
221 the municipality's municipal boundary, ensure that at least 40% of the advisory  
222 board's members represent the municipality's retail customers receiving service  
223 outside of the municipality's municipal boundary; and
- 224 (iii) in appointing board members who represent retail customers receiving service  
225 outside of the municipality's municipal boundary, as required in Subsections  
226 (6)(b)(i) and (ii), solicit recommendations from each municipality and county  
227 outside of the municipality's municipal boundary whose residents are retail  
228 customers within the municipality's designated water service area.
- 229 (7) A municipality that supplies water outside of the municipality's designated water service  
230 area shall supply the water only by contract and shall include in the contract the terms  
231 and conditions under which the contract can be terminated.
- 232 (8) A municipality shall:
- 233 (a) notify the director of the Division of Drinking Water of a contract the municipality  
234 enters into with a person outside of the municipality's designated water service area,

235 including the name and contact information of the person named in each contract; and  
 236 (b) each year, provide any supplementing or new information regarding a contract  
 237 described in Subsection (8)(a), including whether there is no new information to  
 238 provide at that time.

239 Section 5. Section **17B-1-902.1** is amended to read:

240 **17B-1-902.1 . Interest -- Collection of administrative costs.**

241 (1)~~(a)~~ A special district may charge interest on a past due fee ~~[or past due charge]~~ as  
 242 described in Section 10-6-162, the same as if the special district were a municipality.

243 ~~[(b) If a special district charges interest as described in Subsection (1)(b), the special district~~  
 244 ~~shall calculate the interest rate for a calendar year:]~~

245 ~~[(i) based on the federal short-term rate determined by the secretary of the treasury under~~  
 246 ~~Section 6621, Internal Revenue Code, in effect for the preceding fourth calendar quarter;~~  
 247 ~~and]~~

248 ~~[(ii) as simple interest at the rate of eighteen percentage points above the federal short-term~~  
 249 ~~rate:]~~

250 ~~[(e) If a special district charges interest on a past due fee collected by the special district,~~  
 251 ~~regardless of whether the fee is certified, the special district may charge the interest~~  
 252 ~~monthly but may not compound the interest more frequently than annually.]~~

253 (2)(a) A special district may charge a one-time penalty or an administrative cost, as  
 254 described in Section 10-6-162, the same as if the special district were a municipality.

255 (b) A special district may not charge interest on a one-time penalty or an administrative  
 256 cost.

257 ~~[(2)(a) A special district may charge and collect only one of the following:]~~

258 ~~[(i) a one-time penalty charge not to exceed 8% for a past due fee; or]~~

259 ~~[(ii) an administrative cost for some or all of the following:]~~

260 ~~[(A) the collection cost of a past due fee or charge;]~~

261 ~~[(B) reasonable attorney fees actually incurred for collection and foreclosure costs, if~~  
 262 ~~applicable; and]~~

263 ~~[(C) any other cost.]~~

264 ~~[(b) A special district may not charge interest on an administrative cost.]~~

265 Section 6. **Effective Date.**

266 This bill takes effect on May 7, 2025.