

Municipal Services Fees and Political Subdivision Lien Amendments

2026 GENERAL SESSION

STATE OF UTAH

Chief Sponsor: Paul A. Cutler

Senate Sponsor:

LONG TITLE**Committee Note:**

The Political Subdivisions Interim Committee recommended this bill.

Legislative Vote: 13 voting for 0 voting against 2 absent

General Description:

This bill authorizes municipalities to place a political subdivision lien on property for certain past due services and makes related amendments.

Highlighted Provisions:

This bill:

- defines terms and modifies definitions;
- authorizes a municipality that sets a fee schedule by ordinance or resolution for water, sewer, or utility-related services provided by the municipality, to bill a customer receiving the water, sewer, or utility-related services;
- authorizes a municipality or special district to:
 - charge interest on a past due fee; and
 - charge and collect a one-time penalty on a past due fee as an administrative cost; 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**10-7-14**, as last amended by Laws of Utah 2019, Chapter 99**10-8-22**, as last amended by Laws of Utah 2025, Chapter 102**17B-1-902.1**, as last amended by Laws of Utah 2023, Chapter 15

ENACTS:

31 **10-6-161**, Utah Code Annotated 1953

32 **10-6-162**, Utah Code Annotated 1953

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

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

36 **10-6-106 . Definitions.**

37 As used in this chapter:

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

account at their time of origin.

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

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

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

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

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

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

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

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

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

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

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

(22) "Municipality" means a city or a town.

~~[(22)]~~ (23)(a) "Public funds" means any money or payment collected or received by an officer or employee of the city acting in an official capacity and includes money or payment to the officer or employee for services or goods provided by the city, or the officer or employee while acting within the scope of employment or duty.

(b) "Public funds" does not include money or payments collected or received by an

officer or employee of a city for charitable purposes if the mayor or city council has consented to the officer's or employee's participation in soliciting contributions for a charity.

~~[(23)]~~

~~(24)~~ "Special fund" means any fund other than the city general fund.

~~[(24)]~~ ~~(25)~~ "Utility" means a utility owned by a city, in whole or in part, that provides electricity, gas, water, or sewer, or any combination of ~~[them]~~ electricity, gas, water, or sewer.

~~(26)~~ "Utility-adjacent service" means the maintenance, construction, and improvement of storm water infrastructure.

~~[(25)]~~ ~~(27)~~ "Warrant" means an order drawn upon the city treasurer, in the absence of sufficient money in the city's depository, by an authorized officer of a city for the purpose of paying a specified amount out of the city treasury to the person named or to the bearer as money becomes available.

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

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

(1) As used in this section, "service" means a water utility service, sewer utility service, or a utility-adjacent service provided by a municipality, either directly or through a contracted third-party, to a customer in the municipality.

(2)(a) If a governing body of a municipality establishes by ordinance or resolution a fee schedule for a service, the municipality may charge a fee to a customer according to the fee schedule.

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

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

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

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

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

(ii) the due date for payment of the fees.

(b) A municipality or third-party billing service may combine a service billing notice

with another billing notice provided directly by the municipality or through a contracted third-party.

- (4) A municipality may hold a political subdivision lien, as that term is defined in Section 11-60-102, on a customer's property for a past due service fee authorized under this section by:
- (a) notifying the customer of the past due service fee;
 - (b) if the past due service fee remains unpaid, no earlier than 60 days after the day on which the customer is notified of the past due service fee, notifying the customer that the municipality intends to file a political subdivision lien on the customer's property to which the utility or utility-related service was provided; and
 - (c) if the past due service fee remains unpaid, no earlier than 10 days after the day on which the customer is notified that the municipality intends to file a political subdivision lien on the customer's property:
 - (i) certifying to the county treasurer of the county in which the customer's property is located the amount of:
 - (A) past due service fees; and
 - (B) if applicable, subject to Section 10-6-162, interest and administrative costs; and
 - (ii) recording the political subdivision lien with the county recorder of the county in which the customer's property is located.
- (5) Upon certification and recording under Subsection (4)(c), the past due service fees, and interest and administrative costs if applicable, become a political subdivision lien on the customer's property, in accordance with Title 11, Chapter 60, Political Subdivision Lien Authority.
- (6) Upon payment of the full amount owed under a political subdivision lien authorized by this section, the municipality shall file a release of the lien with the county recorder's office.
- Section 3. Section **10-6-162** is enacted to read:
- 10-6-162 . Interest -- Collection of administrative costs.**
- (1)(a) A municipality may charge interest on a past due service fee authorized under Section 10-6-161.
- (b) If a municipality charges interest as described in Subsection (1)(a), the municipality shall calculate the interest rate in the same manner as a property tax lien described in Section 59-2-1331.

(2)(a) In pursuing payment on a past due service fee, in addition to interest authorized under Subsection (1), a municipality may also charge and collect a one-time penalty, not to exceed 8% for a past due service fee.

(b) A municipality may not charge interest on the penalty described in Subsection (2)(a).

Section 4. Section **10-7-14** is amended to read:

10-7-14 . Rules and regulations for use of water.

(1) As used in this section:

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

(b) "Retail customer" means an end user:

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

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

(c)(i) "Waterworks system" means municipally owned collection, treatment, storage, and distribution facilities for culinary or irrigation water, including any pipe, hydrant, or appurtenance to a pipe or hydrant.

(ii) "Waterworks system" does not include a water right or a source of supply such as a well, spring, stream, or share in a mutual irrigation company.

(2) A municipality may enact ordinances, rules and regulations for the management and conduct of the waterworks system owned or controlled by it.

(3) A municipality that provides water to a retail customer outside of the municipality's boundary shall:

(a) create and maintain a map showing:

(i) the municipality's designated water service area; and

(ii) each area outside the municipality's designated water service area where a retail customer receives water service from the municipality;

(b) transmit a copy of the map described in Subsection (3)(a) to the state engineer;

(c) if the municipality has more than 500 retail customers, post the map described in Subsection (3)(a) on the municipality's website;

(d) define, by ordinance, the area included in the municipality's designated water service area;

(e) adopt, by ordinance, any municipality rule or regulation applicable to the municipality's designated water service area or to a retail customer located outside of the municipality's designated water service area; and

(f) adopt, by ordinance or resolution, reasonable water rates for retail customers in the

municipality's designated water service area, in accordance with Section 10-8-22.

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

(a) provide service to all retail customers in a manner consistent with principles of equal protection; and

(b) apply restrictions on water use to all retail customers in times of anticipated or actual water shortages in a manner consistent with principles of equal protection.

(5) Nothing in this section:

(a) prohibits a municipality from enacting a service restriction or other restriction:

(i) affecting:

(A) a localized area; or

(B) the municipality's entire designated water service area; and

(ii)(A) based on an operational or maintenance need;

(B) based on an emergency situation; or

(C) to address a health, safety, or general welfare need;

(b) expands or diminishes the ability of a municipality to enter into a contract to supply water outside of the municipality's designated water service area; or

(c) alters the authorities or definitions described in Title 19, Chapter 4, Safe Drinking Water Act.

(6) A municipality may not sell or convey an interest, in part or in whole, of the municipality's waterworks system, except to a public entity as defined in Section 73-1-4.

Section 5. Section **10-8-22** is amended to read:

10-8-22 . Water rates.

(1) As used in this section:

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

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

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

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

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

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

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

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

- 235 (a) establish, by ordinance or resolution, reasonable rates for the services provided to the
236 municipality's retail customers;
- 237 (b) use the same method of providing notice to all retail customers of proposed rate
238 changes; and
- 239 (c) allow all retail customers the same opportunity to appear and participate in a public
240 meeting addressing water rates.

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

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

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

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

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

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

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

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

255 (v) there is a differential between the classifications based on a cost of service
256 standard or a generally accepted rate setting method, including a standard or
257 method the American Water Works Association establishes; or

258 (vi) water conservation is used as an element in determining the rate charged for a
259 block unit of water as provided in Section 73-10-32.5.

260 (c) An adjustment based solely on the fact that a particular classification of retail
261 customers is located either inside or outside of the municipality's corporate boundary
262 is not a reasonable basis.

263 (6)(a) If more than 10% of the retail customers within a large municipal drinking water
264 system's designated water service area are located outside of the municipality's
265 corporate boundary, the municipality shall:

266 (i) post on the municipality's website the rates assessed to retail customers within the
267 designated water service area; and

268 (ii) establish an advisory board to make recommendations to the municipal legislative

- body regarding water rates, capital projects, and other water service standards.
- (b) In establishing an advisory board described in Subsection (6)(a)(ii), a municipality shall:
- (i) if more than 10% but no more than 30% of the municipality's retail customers receive service outside the municipality's municipal boundary, ensure that at least 20% of the advisory board's members represent the municipality's retail customers receiving service outside the municipality's municipal boundary;
 - (ii) if more than 30% of the municipality's retail customers receive service outside of the municipality's municipal boundary, ensure that at least 40% of the advisory board's members represent the municipality's retail customers receiving service outside of the municipality's municipal boundary; and
 - (iii) in appointing board members who represent retail customers receiving service outside of the municipality's municipal boundary, as required in Subsections (6)(b)(i) and (ii), solicit recommendations from each municipality and county outside of the municipality's municipal boundary whose residents are retail customers within the municipality's designated water service area.
- (7) A municipality that supplies water outside of the municipality's designated water service area shall supply the water only by contract and shall include in the contract the terms and conditions under which the contract can be terminated.
- (8) A municipality shall:
- (a) notify the director of the Division of Drinking Water of a contract the municipality enters into with a person outside of the municipality's designated water service area, including the name and contact information of the person named in each contract; and
 - (b) each year, provide to the director of the Division of Drinking Water any supplementing or new information regarding a contract described in Subsection (8)(a), including whether there is no new information to provide at that time.

Section 6. Section **17B-1-902.1** is amended to read:

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

- (1)(a) A special district may charge interest on a past due fee or past due charge.
- (b) If a special district charges interest as described in Subsection ~~[(1)(b)]~~ (1)(a), the special district shall calculate the interest rate ~~[for a calendar year:]~~ in the same manner as a property tax lien described in Section 59-2-1331.
- ~~[(i) based on the federal short-term rate determined by the secretary of the treasury under Section 6621, Internal Revenue Code, in effect for the preceding fourth~~

303 ~~calendar quarter; and]~~
304 ~~[(ii) as simple interest at the rate of eighteen percentage points above the federal~~
305 ~~short-term rate.]~~
306 ~~[(e) If a special district charges interest on a past due fee collected by the special district,~~
307 ~~regardless of whether the fee is certified, the special district may charge the interest~~
308 ~~monthly but may not compound the interest more frequently than annually.]~~
309 (2)(a) ~~[A-]~~ In pursuing payment on a past due fee or a past due charge, in addition to
310 interest authorized under Subsection (1), a special district may also charge and collect [
311 ~~only one of the following:]~~
312 ~~[(+)]~~ a one-time penalty[-charge] , not to exceed 8% for a [past-due] past due fee[; or]
313 or past due charge, as an administrative cost.
314 ~~[(ii) an administrative cost for some or all of the following:]~~
315 ~~[(A) the collection cost of a past due fee or charge;]~~
316 ~~[(B) reasonable attorney fees actually incurred for collection and foreclosure costs,~~
317 ~~if applicable; and]~~
318 ~~[(C) any other cost.]~~
319 (b) A special district may not charge interest on~~[-an administrative cost.]~~ the
320 administrative cost described in Subsection (2)(a).
321 Section 7. **Effective Date.**
322 This bill takes effect on May 6, 2026.