

Paul A. Cutler proposes the following substitute bill:

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

2026 GENERAL SESSION

STATE OF UTAH

Chief Sponsor: Paul A. Cutler

Senate Sponsor: Wayne A. Harper

2 **LONG TITLE**

3 **General Description:**

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

6 **Highlighted Provisions:**

7 This bill:

8 ▶ defines terms and modifies definitions;
9 ▶ authorizes a municipality that sets a fee schedule by ordinance or resolution for water,
10 sewer, or utility-related services provided by the municipality, to bill a customer
11 receiving the water, sewer, or utility-related services;
12 ▶ authorizes a municipality to place a political subdivision lien on property for certain past
13 due service fees after providing notice of:

14 • the past due fees; and
15 • the municipality's intent to record a political subdivision lien if the past due fees
16 remain unpaid;

17 ▶ authorizes a municipality or special district to:
18 • charge interest on a past due fee; and
19 • charge and collect a one-time penalty on a past due fee as an administrative cost; and
20 ▶ makes technical and conforming changes.

21 **Money Appropriated in this Bill:**

22 None

23 **Other Special Clauses:**

24 None

25 **Utah Code Sections Affected:**

26 **AMENDS:**

27 **10-6-106**, as last amended by Laws of Utah 2019, Chapter 136

29 **10-7-14**, as last amended by Laws of Utah 2019, Chapter 99
30 **10-8-22**, as last amended by Laws of Utah 2025, Chapter 102
31 **17B-1-902.1**, as last amended by Laws of Utah 2023, Chapter 15

32 ENACTS:

33 **10-6-161**, Utah Code Annotated 1953
34 **10-6-162**, Utah Code Annotated 1953

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

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

38 **10-6-106 . Definitions.**

39 As used in this chapter:

40 (1) "Account group" is defined by generally accepted accounting principles as reflected in
41 the Uniform Accounting Manual for Utah Cities.

42 (2) "Appropriation" means an allocation of money by the governing body for a specific
43 purpose.

44 (3)(a) "Budget" means a plan of financial operations for a fiscal period which embodies
45 estimates of proposed expenditures for given purposes and the proposed means of
46 financing them.

47 (b) "Budget" may refer to the budget of a particular fund for which a budget is required
48 by law or it may refer collectively to the budgets for all such funds.

49 (4) "Budget officer" means:

50 (a) the city auditor in a city of the first and second class[;] ;

51 (b) the mayor or some person appointed by the mayor with the approval of the city
52 council in a city of the third, fourth, or fifth class[;] ;

53 (c) the mayor in the council-mayor optional form of government[;] ; or

54 (d) the person designated by the charter in a charter city.

55 (5) "Budget period" means the fiscal period for which a budget is prepared.

56 (6) "Budgetary fund" means a fund for which a budget is required.

57 (7) "Check" means an order in a specific amount drawn upon a depository by an authorized
58 officer of a city.

59 (8) "City general fund" means the general fund used by a city.

60 (9) "Current period" means the fiscal period in which a budget is prepared and adopted, i.e.,
61 the fiscal period next preceding the budget period.

62 (10) "Department" means any functional unit within a fund that carries on a specific

63 activity, such as a fire or police department within a city general fund.

64 (11)(a) "Encumbrance system" means a method of budgetary control in which part of an
65 appropriation is reserved to cover a specific expenditure by charging obligations,
66 such as purchase orders, contracts, or salary commitments to an appropriation
67 account at their time of origin.

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

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

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

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

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

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

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

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

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

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

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

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

96 [22] (23)(a) "Public funds" means any money or payment collected or received by an

97 officer or employee of the city acting in an official capacity and includes money or
98 payment to the officer or employee for services or goods provided by the city, or the
99 officer or employee while acting within the scope of employment or duty.

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

104 [(23)]

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

106 [(24)] (25) "Utility" means a utility owned by a city, in whole or in part, that provides
107 electricity, gas, water, or sewer, or any combination of [them] electricity, gas, water, or
108 sewer.

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

111 [(25)] (27) "Warrant" means an order drawn upon the city treasurer, in the absence of
112 sufficient money in the city's depository, by an authorized officer of a city for the
113 purpose of paying a specified amount out of the city treasury to the person named or to
114 the bearer as money becomes available.

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

116 **10-6-161 . Establishment of service fees -- Political subdivision lien for past due**
117 **service fees.**

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

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

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

126 (i) pay the third-party directly for the contracted service; and
127 (ii) collect the fees for the service from a customer either directly or through a
128 third-party billing program.

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

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

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

134 (b) A municipality or third-party billing service may combine a service billing notice
135 with another billing notice provided directly by the municipality or through a
136 contracted third-party.

137 (4) A municipality may hold a political subdivision lien, as that term is defined in Section
138 11-60-102, on a customer's property for a past due service fee authorized under this
139 section by:

140 (a) notifying the customer of the past due service fee;

141 (b) subject to Subsections (5)(a) and (5)(b)(i), if the past due service fee remains unpaid,
142 no earlier than 60 days after the day on which the customer is notified of the past due
143 service fee, notifying the customer that the municipality intends to file a political
144 subdivision lien on the customer's property to which the utility or utility-related
145 service was provided if the past due service fee continues to remain unpaid; and

146 (c) subject to Subsection (5)(b)(ii), if the past due service fee remains unpaid, no earlier
147 than 10 days after the day on which the customer is notified that the municipality
148 intends to file a political subdivision lien on the customer's property:

149 (i) certifying to the county treasurer of the county in which the customer's property is
150 located the amount of:

151 (A) past due service fees; and

152 (B) if applicable, subject to Section 10-6-162, interest and administrative costs;
153 and

154 (ii) recording the political subdivision lien with the county recorder of the county in
155 which the customer's property is located.

156 (5)(a) Before notifying the customer that the municipality intends to file a political
157 subdivision lien, as described in Subsection (4)(b), the municipality shall make
158 reasonable efforts to determine whether the customer is a different person than the
159 owner of record of the property where the customer receives service.

160 (b) If the municipality determines the customer and owner of record are different, as
161 described in Subsection (5)(a), the municipality shall:

162 (i) provide the same notice to the owner of record as the notice the municipality
163 provides to the customer under Subsection (4)(b) as described in Subsection (5)(c);
164 and

(ii) if the past due service fee remains unpaid, record the political subdivision lien as described in Subsection (4)(c) no earlier than 20 days after the day on which the customer and owner of record is notified that the municipality intends to file a political subdivision lien.

(c) When providing notice to the owner of record under Subsection (5)(b)(i), the municipality shall:

(i) use the current residential or business address of the real property owner;

(ii) if the municipality is not reasonably able to obtain the address described in

Subsection (5)(c)(i), use the last known address of the real property owner that the municipality is able to obtain via a reasonable inquiry into public records; or

(iii) if the municipality is not reasonably able to obtain an address described in

Subsection (5)(c)(i) or (ii), post the notice:

- (A) on the real property; and
- (B) on the municipality's website, if the municipality has a website, for at least 20 consecutive days or until the past due service fee is paid, whichever occurs first

(6) 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.

(7) 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:

199 **10-7-14 . Rules and regulations for use of water.**

200 (1) As used in this section:

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

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

204 (i) who receives culinary water directly from a municipality's waterworks system; and
205 (ii) whom the municipality described in Subsection (1)(b)(i) bills for water service.

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

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

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

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

215 (a) create and maintain a map showing:

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

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

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

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

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

227 (f) adopt, by ordinance or resolution, reasonable water rates for retail customers in the
228 municipality's designated water service area, in accordance with Section 10-8-22.

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

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

232 (b) apply restrictions on water use to all retail customers in times of anticipated or actual

233 water shortages in a manner consistent with principles of equal protection.

234 (5) Nothing in this section:

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

236 (i) affecting:

237 (A) a localized area; or

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

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

240 (B) based on an emergency situation; or

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

242 (b) expands or diminishes the ability of a municipality to enter into a contract to supply

243 water outside of the municipality's designated water service area; or

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

245 Water Act.

246 (6) A municipality may not sell or convey an interest, in part or in whole, of the

247 municipality's waterworks system, except to a public entity as defined in Section 73-1-4.

248 Section 10-8-22 is amended to read:

249 **10-8-22 . Water rates.**

250 (1) As used in this section:

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

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

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

256 (i) who receives culinary water directly from a municipality's waterworks system; and
257 (ii) whom the municipality described in Subsection (1)(c)(i) bills for water service.

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

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

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

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

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

266 (c) allow all retail customers the same opportunity to appear and participate in a public

267 meeting addressing water rates.

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

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

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

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

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

278 (iv) the needs or conditions of one classification:
279 (A) are distinguishable from the needs or conditions of another classification; and
280 (B) based on economic, public policy, or other identifiable elements, support a
281 different rate;

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

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

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

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

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

295 (ii) establish an advisory board to make recommendations to the municipal legislative
296 body regarding water rates, capital projects, and other water service standards.

297 (b) In establishing an advisory board described in Subsection (6)(a)(ii), a municipality
298 shall:

299 (i) if more than 10% but no more than 30% of the municipality's retail customers
300 receive service outside the municipality's municipal boundary, ensure that at least

301 20% of the advisory board's members represent the municipality's retail customers
302 receiving service outside the municipality's municipal boundary;

303 (ii) if more than 30% of the municipality's retail customers receive service outside of
304 the municipality's municipal boundary, ensure that at least 40% of the advisory
305 board's members represent the municipality's retail customers receiving service
306 outside of the municipality's municipal boundary; and

307 (iii) in appointing board members who represent retail customers receiving service
308 outside of the municipality's municipal boundary, as required in Subsections
309 (6)(b)(i) and (ii), solicit recommendations from each municipality and county
310 outside of the municipality's municipal boundary whose residents are retail
311 customers within the municipality's designated water service area.

312 (7) A municipality that supplies water outside of the municipality's designated water service
313 area shall supply the water only by contract and shall include in the contract the terms
314 and conditions under which the contract can be terminated.

315 (8) A municipality shall:

316 (a) notify the director of the Division of Drinking Water of a contract the municipality
317 enters into with a person outside of the municipality's designated water service area,
318 including the name and contact information of the person named in each contract; and

319 (b) each year, provide to the director of the Division of Drinking Water any
320 supplementing or new information regarding a contract described in Subsection (8)(a),
321 including whether there is no new information to provide at that time.

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

323 **17B-1-902.1 . Interest -- Collection of administrative costs.**

324 (1)(a) A special district may charge interest on a past due fee or past due charge.

325 (b) If a special district charges interest as described in Subsection (1)(b) (1)(a), the
326 special district shall calculate the interest rate [for a calendar year:] in the same
327 manner as a property tax lien described in Section 59-2-1331.

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

331 [(ii) as simple interest at the rate of eighteen percentage points above the federal
332 short-term rate.]

333 [(e) If a special district charges interest on a past due fee collected by the special district,
334 regardless of whether the fee is certified, the special district may charge the interest

335 monthly but may not compound the interest more frequently than annually.]

336 (2)(a) [A] In pursuing payment on a past due fee or a past due charge, in addition to
337 interest authorized under Subsection (1), a special district may also charge and collect [
338 only one of the following:]

339 [(i)] a one-time penalty[-charge] , not to exceed 8% for a [past-due] past due fee[; or]
340 or past due charge, as an administrative cost.

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

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

343 [(B) reasonable attorney fees actually incurred for collection and foreclosure costs,
344 if applicable; and]

345 [(C) any other cost.]

346 (b) A special district may not charge interest on[-an administrative cost.] the
347 administrative cost described in Subsection (2)(a).

348 **Section 7. Effective Date.**

349 This bill takes effect on May 6, 2026.