

Municipal Service Fees Amendments

2025 GENERAL SESSION

STATE OF UTAH

Chief Sponsor:

LONG TITLE**General Description:**

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

Highlighted Provisions:

This bill:

▸ defines terms and modifies definitions;

▸ authorizes a municipality to set a fee schedule by ordinance or resolution for services provided by the municipality or a third-party contracted by the municipality;

▸ authorizes a municipality to bill an end user, 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 fees;

▸ authorizes a municipality to include interest and administrative costs in a political subdivision lien; 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

ENACTS:

10-6-161, Utah Code Annotated 1953

10-6-162, Utah Code Annotated 1953

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

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

33 **10-6-106 . Definitions.**

34 As used in this chapter:

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

- 66 (12) "Enterprise fund" means a fund as defined by the Governmental Accounting Standards
67 Board that is used by a municipality to report an activity for which a fee is charged to
68 users for goods or services.
- 69 (13) "Estimated revenue" means the amount of revenue estimated to be received from all
70 sources during the budget period in each fund for which a budget is being prepared.
- 71 (14) "Financial officer" means the mayor in the council-mayor optional form of government
72 or the city official as authorized by Section 10-6-158.
- 73 (15) "Fiscal period" means the annual or biennial period for accounting for fiscal operations
74 in each city.
- 75 (16) "Fund" is as defined by generally accepted accounting principles as reflected in the
76 Uniform Accounting Manual for Utah Cities.
- 77 (17) "Fund balance," "retained earnings," and "deficit" have the meanings commonly
78 accorded such terms under generally accepted accounting principles as reflected in the
79 Uniform Accounting Manual for Utah Cities.
- 80 (18) "General fund" is as defined by the Governmental Accounting Standards Board as
81 reflected in the Uniform Accounting Manual for All Local Governments prepared by the
82 Office of the Utah State Auditor.
- 83 (19) "Governing body" means a city council, or city commission, as the case may be, but
84 the authority to make any appointment to any position created by this chapter is vested
85 in the mayor in the council-mayor optional form of government.
- 86 (20) "Interfund loan" means a loan of cash from one fund to another, subject to future
87 repayment.
- 88 (21) "Last completed fiscal period" means the fiscal period next preceding the current
89 period.
- 90 (22)(a) "Public funds" means any money or payment collected or received by an officer
91 or employee of the city acting in an official capacity and includes money or payment
92 to the officer or employee for services or goods provided by the city, or the officer or
93 employee while acting within the scope of employment or duty.
- 94 (b) "Public funds" does not include money or payments collected or received by an
95 officer or employee of a city for charitable purposes if the mayor or city council has
96 consented to the officer's or employee's participation in soliciting contributions for a
97 charity.
- 98 (23) "Special fund" means any fund other than the city general fund.
- 99 (24) "Utility" means a utility owned by a city, in whole or in part, that provides services

100 such as electricity, gas, water, or sewer, or any combination of [them] electricity, gas,
101 water, or sewer.

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

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

107 **10-6-161 . Establishment of service fees -- Lien for past due service fees.**

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

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

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

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

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

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

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

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

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

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

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

127 (4) A municipality may hold a political subdivision lien on a customer's property for a past
128 due service fee or utility fee by following the procedure in Section 17B-1-902, the same
129 as if the municipality were a special district.

130 (5) A county treasurer has the same duties and obligations regarding a political subdivision
131 lien held by a municipality as a political subdivision lien held by a special district, as
132 described in Section 17B-1-902.

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

134 **10-6-162 . Interest -- Collection of administrative costs.**

- 135 (1)(a) A municipality may charge interest on a past due fee.
- 136 (b) If a municipality charges interest as described in Subsection (1)(a), the municipality
137 shall calculate the interest rate for a calendar year:
- 138 (i) based on the federal short-term rate determined by the secretary of the treasury
139 under Section 6621, Internal Revenue Code, in effect for the preceding fourth
140 calendar quarter; and
- 141 (ii) as simple interest at the rate of eighteen percentage points above the federal
142 short-term rate.
- 143 (c) If a municipality charges interest on a past due fee collected by the municipality,
144 regardless of whether the fee is certified, the municipality may charge the interest
145 monthly but may not compound the interest more frequently than annually.
- 146 (2)(a) In pursuing payment on a past due fee or charge, a municipality may also charge
147 and collect only one of the following:
- 148 (i) a one-time penalty, not to exceed 8% for a past-due fee; or
- 149 (ii) an administrative cost for some or all of the following:
- 150 (A) the collection cost of a past due fee; and
- 151 (B) reasonable attorney fees actually incurred for collection and foreclosure costs,
152 if applicable.
- 153 (b) A municipality may not charge interest on a one-time penalty or an administrative
154 cost.

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

156 **10-8-22 . Water rates.**

- 157 (1) As used in this section:
- 158 (a) "Designated water service area" means the area defined by a municipality in
159 accordance with the Utah Constitution, Article XI, Section 6, Subsection (1)(c).
- 160 (b) "Large municipal drinking water system" means a municipally owned and operated
161 drinking water system serving a population of 10,000 or more.
- 162 (c) "Retail customer" means an end user:
- 163 (i) who receives culinary water directly from a municipality's waterworks system; and
- 164 (ii) whom the municipality described in Subsection (1)(c)(i) bills for water service.
- 165 (2) A municipality shall fix the rates to be paid for the use of water furnished by the
166 municipality.
- 167 (3) The setting of municipal water rates is a legislative act.

- 168 (4) Within the municipality's designated water service area, a municipality shall:
- 169 (a) establish, by ordinance or resolution, reasonable rates for the services provided to the
- 170 municipality's retail customers;
- 171 (b) use the same method of providing notice to all retail customers of proposed rate
- 172 changes; and
- 173 (c) allow all retail customers the same opportunity to appear and participate in a public
- 174 meeting addressing water rates.
- 175 (5)(a) A municipality may establish different rates for different classifications of retail
- 176 customers within the municipality's designated water service area, if the rates and
- 177 classifications have a reasonable basis.
- 178 (b) A reasonable basis for charging different rates for different classifications may
- 179 include, among other things, a situation in which:
- 180 (i) there is a difference in the cost of providing service to a particular classification;
- 181 (ii) one classification bears more risk in relation to a system operation or obligation;
- 182 (iii) retail customers in one classification invested or contributed to acquire a water
- 183 source or supply or build or maintain a system differently than retail customers in
- 184 another classification;
- 185 (iv) the needs or conditions of one classification:
- 186 (A) are distinguishable from the needs or conditions of another classification; and
- 187 (B) based on economic, public policy, or other identifiable elements, support a
- 188 different rate; or
- 189 (v) there is a differential between the classifications based on a cost of service
- 190 standard or a generally accepted rate setting method, including a standard or
- 191 method the American Water Works Association establishes.
- 192 (c) An adjustment based solely on the fact that a particular classification of retail
- 193 customers is located either inside or outside of the municipality's corporate boundary
- 194 is not a reasonable basis.
- 195 (6)(a) If more than 10% of the retail customers within a large municipal drinking water
- 196 system's designated water service area are located outside of the municipality's
- 197 corporate boundary, the municipality shall:
- 198 (i) post on the municipality's website the rates assessed to retail customers within the
- 199 designated water service area; and
- 200 (ii) establish an advisory board to make recommendations to the municipal legislative
- 201 body regarding water rates, capital projects, and other water service standards.

- 202 (b) In establishing an advisory board described in Subsection (6)(a)(ii), a municipality
203 shall:
- 204 (i) if more than 10% but no more than 30% of the municipality's retail customers
205 receive service outside the municipality's municipal boundary, ensure that at least
206 20% of the advisory board's members represent the municipality's retail customers
207 receiving service outside the municipality's municipal boundary;
- 208 (ii) if more than 30% of the municipality's retail customers receive service outside of
209 the municipality's municipal boundary, ensure that at least 40% of the advisory
210 board's members represent the municipality's retail customers receiving service
211 outside of the municipality's municipal boundary; and
- 212 (iii) in appointing board members who represent retail customers receiving service
213 outside of the municipality's municipal boundary, as required in Subsections
214 (6)(b)(i) and (ii), solicit recommendations from each municipality and county
215 outside of the municipality's municipal boundary whose residents are retail
216 customers within the municipality's designated water service area.
- 217 (7) A municipality that supplies water outside of the municipality's designated water service
218 area shall supply the water only by contract and shall include in the contract the terms
219 and conditions under which the contract can be terminated.
- 220 (8) A municipality shall:
- 221 (a) notify the director of the Division of Drinking Water of a contract the municipality
222 enters into with a person outside of the municipality's designated water service area,
223 including the name and contact information of the person named in each contract; and
- 224 (b) each year, provide any supplementing or new information regarding a contract
225 described in Subsection (8)(a), including whether there is no new information to
226 provide at that time.

227 **Section 5. Effective Date.**

228 This bill takes effect on May 7, 2025.