

**Discussion/Direction on utility vacation rates  
and owner account status**

# Memo

**Thru:** Mark Gorman, Municipal Administrator

**To:** City and Borough of Sitka Assembly

**From:** Jay Sweeney, CFAO

**Date:** August 19, 2015

**Re:** Historical Background on Utility Vacation Rates and Owner Account Status

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Mayor McConnell and Assembly Members,

The City and Borough has historically offered vacation rates to customers, and, allowed landlords to place rental structures into owner account status.

Vacation rates for wastewater treatment, water service, and solid waste disposal are set forth in the Sitka General Code in Section 15.04.330 (wastewater treatment), Section 15.05.630 (water service), and Section 15.06.060 (solid waste disposal, respectively). The vacation rate policy in each of the three code sections is the same, and reads as follows:

***“There shall be a vacation rate of one-quarter the normal billing rate applied to qualifying utility accounts. A vacation rate is a Sitka resident’s exemption from payment of residential sewer utility fees while on vacation and/or on absence from residence due to medical reasons or movement to the Pioneers’ Home. Vacation and/or absence period must equal or exceed thirty continuous days and is limited to four months credit. Only one period of vacation rates per customer in any period of twelve consecutive months is allowed. The period of twelve consecutive months starts on the first day vacation rates apply. The residence must not be occupied during this period to which vacation rates apply. The resident must apply in writing prior to vacation and/or absence from residence to receive vacation rates. When the credit is applied at the end of the period, resident’s account will be assessed a ten-dollar fee. Commercial accounts are not eligible for vacation rates. Notwithstanding the twelve-consecutive-month restriction described above, the municipal administrator will have the authority to allow extension of vacation rates on a case-by-case basis for medical absences upon application by the resident. Notwithstanding the requirement of prior application described above, preapplication may be waived by the municipal administrator for emergency medical absences. (Ord. 05-15 § 4(B) (part), 2005.)”***

No vacation rate is offered for electricity service, as per Section 15.01.030 of the Sitka General Code.

### Owner Account Status

Owner account status has been historically offered to landlords for unoccupied rental structures. Owner account status is not, and has never been, codified within the Sitka General Code.

When a rental structure is placed into owner account status, no charge is levied for water service, waste treatment, or solid waste disposal. Electricity is billed for the amount consumed unless electrical service is completely disconnected.

Owner account status is initiated through one of two methods:

- 1) The landlord requests owner account status for a vacant rental. In such a case, the owner is required to complete the attached form.
- 2) A rental structure is being vacated by a tenant moving out, in which case a Finance Department employee contacts the landlord, if the rental structure had previously been placed in owner status, to determine if it is to be placed into owner status.

Once a rental structure is placed in owner status, it remains in owner status until either

- 1) A landlord requests that it be taken out of owner status, or
- 2) A new tenant occupies the structure and requests that utilities be initiated.

Owner status can have ramifications, some of which are legitimate and some of which are problematic. Owner status can also cause unintended consequences. Some of the aspects of owner status are as follows:

- 1) While in owner status, water service and wastewater disposal may be utilized in the process of cleaning the dwelling and preparing it for a new tenant, yet no utility fees are levied other than for electricity consumed.
- 2) If an owner decided to rent a facility and include utilities in the amount of the monthly rent, there is a possibility that a dwelling could be occupied while still in owner status.
- 3) Many rentals in Sitka are duplexes or multi-family dwellings which have one water and sewer service but multiple electric meters. In such cases, since water and wastewater usage is not metered, water and wastewater service to the structure continues and is utilized in the occupied portion. In these cases, an owner account would be appropriate for the unoccupied portion. This would be that the case in circumstances in which a portion of a multi-family dwelling, serviced by a

single water and sewer line, and in which a portion was previously rented, was taken out of rental and re-occupied by the owner (such as in the case of a child returning to live with parents).

- 4) Not all owners understand that guidance to Finance Department personnel to “place a rental back into the owners’ names” results in it being placed into owner status, if the rental was previously in owner status. This may, on occasion, lead to utility fees not being levied when it was not intended to do so.

In fiscal year 2015, the most recent full fiscal year, unbilled revenue attributable to dwellings being in owner account status was as follows:

- Water - \$51,359
- Wastewater Treatment - \$73,834
- Solid waste disposal - \$46,704

It is not possible to determine, with certainty, how many dwellings with owner status were taken out of rental and re-occupied by the owner. The reason is that such statistics have not been gathered.

Using a metric of one year or longer of continuous owner status, however, it is possible to estimate how many owner status dwellings have taken out of active rental status. The tally is 188 units.

Using this estimate of 188 dwellings with owner status one year or longer, it is possible to estimate how much of the annual customer revenue attributable to each utility is lost due to active rentals in owner account status. For water and waste water, the unbilled revenue attributable to owner account status amounts to approximately 1.5% of annual billed revenue.

Stated differently, the utility fee increases for water and wastewater, implemented in Fiscal Year 2015, could have been reduced by approximately 1.33% in the Water Fund, from 10% to 8.67%, and by approximately 1.36%, from 4.9% to 3.54% in the Wastewater Fund.

The subject of owner accounts and their effect on utility rates, and whether owner account status should be continued or modified, is a policy matter for the Assembly to discuss. The position of the Administrative Staff is that, regardless of the policy position taken by the Assembly, all variations from the official schedules of rates and fees for utility services should be authorized by the Sitka General Code and unofficial policies, such as owner accounts, discontinued.