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3 8 0

January 27, 1986

TO: Members, House of Representatives

FROM: Mike Szymanski

RE: HB 380

HB 380 deals with the concerns AWWU is addressing in the proposed tariff change outlined in this article. However, it establishes the protection in statute and thus will apply throughout the state.

City's water utility proposes solution to PILA controversy

By DAVID POSTMAN
Daily News reporter

The Anchorage Water and Wastewater Utility says it has a solution to a complicated and controversial method of requiring property owners to pay for water lines they may not want.

City officials said their proposal will take the sting out of payments in lieu of assessments, or PILAs.

But a spokesman for a group of homeowners suing the city over the payments said the proposal addresses

only one part of the problem.

Under the PILA system, property owners are charged a portion of the cost of water lines installed past their property to residential developments. Developers pay for the lines, then AWWU bills property owners who could hook up to them.

Residents then have five years from the time they hook up to complete payment, and the money — plus interest — goes back to the developer.

In many cases, property

owners who have not connected to a water line say they did not know the payments were adding up — with substantial interest — until they attempted to sell or refinance their homes.

There are about 3,700 properties in Anchorage affected by PILAs.

According to Brian Crewdson, AWWU's manager of engineering and customer service, the city's proposal would make several major changes, including:

- Doing away with all in-

terest payments, with developers being reimbursed only for the actual cost of installing a line.

- Holding a public hearing at the Anchorage Assembly to determine which property owners want to hook into a line.

- Notifying all affected property owners prior to installation of a new line.

The plan is similar to that now used for sewer lines.

The proposal would have to be approved by the assembly and the Alaska Public Utili-

ties Commission before becoming law. The measure will be submitted to the assembly in March or April.

"The biggest impact is the interest issue," Crewdson said. "The water is available if someone wants it, but there's not this big monster growing out there."

Crewdson said it is also important that homeowners would be notified.

Because of the lawsuit now in Anchorage Superior Court, Crewdson would not discuss possible remedies for people

who have already hooked to a line and made payment.

"They've just looked at a facet of the problem," said Ron Fieger, one of the property owners involved in the suit against the city and spokesman for Citizens Against PILA.

Fieger said the proposal does nothing about one of the major problems with PILAs: that a property owner could be forced to pay for a water line he may never want.

See Page C-3, WAT

Continued from Page C-1

"I think first of all they need to ask people if they want a water line put in. They didn't address that situation whatsoever," Fieger said.

That's the heart of the suit Fieger and other property owners filed in October. They claim the PILA system is illegal because it violates the rights of property owners to take part in the decision to install water and sewer lines. The suit also contends PILAs rob property owners of the value of their on-site water system.

"The Constitution says that

before there are any public improvements, you get to vote on it and 50 percent of the property owners have to improve it before it goes," said property owners' attorney Michael Robbins.

"A public hearing before the assembly? That's a farce."

Crewdson said water lines are installed if a private developer requests one for a new subdivision or if a homeowner asks for city water service. The utility also installs lines to increase fire fighting capabilities and to put in backup lines in case of an earthquake or other disaster.



Official Business

Alaska State Legislature

Senate

Committee on Community and Regional Affairs

Senator Edna DeVries, Chairman

Members:

Senator Ferguson, Vice Chairman

Senator Coghill

Senator Sturgulewski

Senator V. Fischer

Pouch V

Juneau, Alaska 99811

C&RA Committee Meeting -- February 27, 1986

CSHB 380 (C&RA) am

An Act relating to public utility water and sewer service extensions

Work Session -- SB 356

An Act relating to election campaign financing, efd

SB 380 makes provisions for the protection of property owners from:

- 1) payment of charges for utility connections prior to their proper notification
- 2) payment of interest charges accrued prior to connection or before service is available and adequate notice given

Material attached relevent to this legislation:

- a) Muni of Anc AWWU info on definition of Payment in Lieu of Assessment (PILA)
- b) Memo from MOA Mayor on PILA assessments
- c) Memo from MOA AWWU Permit supervisor on status of PILA charges
- d) Memo from MOA Ombudsman on suggested remedy for PILA problems
- e) Memo from MOA AWWU General Manager on Recommendations for Changes to the PILA Process



Alaska State Legislature

Senate

Committee on Community and Regional Affairs

Senator Edna DeVries, Chairman
 Member
 Senator Ferguson, Vice Chairman
 Senator Coghill
 Senator Hargrave
 Senator J. Foster
 Alaska
 1985-1986

Official Business

2/27/86

Edna,

Senator Coghill will not be at today's meeting.

Representative Szymanski's bill -- HB 380 -- is supported by Senator Faiks. The bill relates specifically to the Municipality of Anchorage.

The Municipality of Anchorage has been notified of the bill --- the only testimony I know of on the bill is Representative Szymanski.

Avrum Gross and Susan Burke (if she feels up to it - she has been sick) will be at the committee ~~hearing~~ as of 3:45p for the work session on SB 356.

the additional information that has been supplied to the committee on SB 356 since Tuesday is:

AFL-CIO revised testimony from Dixie Hudish...

Info on which regulations were repealed or deleted by the APOC in Jan '86; and info on the new regulations promulgated in Jan 1986

LTR from Hal Brown



Alaska State Legislature

House of Representatives

Representative Mike Szymanski

Finance Committee

Oil and Gas Committee

11920 Johns Road
Anchorage, Alaska 99515
Phone (907) 349-3373

While in Session:
Pouch A

State Capitol
Juneau, Alaska 99811
(907) 465-4978-4979

February 26, 1986

TO: SENATOR EDNA DeVRIES, CHAIRMAN, SENATE COMMITTEE ON
COMMUNITY AND REGIONAL AFFAIRS

FROM: *Mike Szymanski*
REPRESENTATIVE MIKE SZYMANSKI

RE: CS FOR HB 380(C&RA)am - AN ACT RELATING TO PUBLIC
WATER AND SEWER SERVICE EXTENSIONS

HB 380 establishes protection for property owners from 1) the imposition of charges for utility connections without their knowledge and 2) the accrual of interest before utility connections are made or, when the project has been approved by a majority vote, before the service is available and adequate notice has been given. Current state law does not require utilities to notify property owners of debt incurred when a new line abuts their property, although most utilities do so as a courtesy.

The need for this law has been demonstrated in the Anchorage area, where a small utility failed to notify property owners of their obligations as a result of extension of a water line that benefitted a new development nearby. In this case, individuals' charges (known as PILAs, or Payments in Lieu of Assessment) were very large and interest had been accruing (at a rate of 15.6%) for over two years before property owners were notified. Interest continues to accrue on the outstanding principal. Property owners choosing to connect to the utility line must pay the outstanding charges; even if they do not, existing PILAs have a severe negative effect on the value of their property since banking procedures require that all outstanding liabilities be paid prior to any refinancing or transfer/sale of property.

Section 1 requires that when water or sewer service becomes available as the result of a utility line extension, utilities notify property owners of the charges and interest that will be due when a property owner chooses to obtain the utility service. The bill requires that such notification be according to the procedure set forth in the Alaska Rules of Civil Procedure.

(over)

In addition, Section 1 prohibits the utility from charging any interest on the fee to connect to the water or sewer line before the line is available for service. When a utility line extension has been approved by a majority vote of property owners in the affected area, the utility may start charging interest 30 days after the notice of fee and interest has been sent to the property owners. If the line extension was not the result of a vote (e.g., if it was undertaken by a private developer), the utility can charge interest on the connection fee only after the individual property owner obtains the utility service.

Subsection (g) states that if the utility fails to notify a property owner as required, the utility may not assess charges against the owners for the extension of the line or interest until the date the property is connected to the extension.

Section 2 of the bill specifies that all utilities are subject to the provisions of the bill, i.e., AS 42.05.381 (e) and (f), as well as to AS 42.05.221 - 42.05.281 (sections previously enacted) although they may be exempt from other regulation under Chapter 42.

For clarity the following definition is given for Payment-in-Lieu-of Assessment (PILA).

A MONETARY CHARGE COLLECTABLE FROM AFFECTED PROPERTIES AS A "FAIR-SHARE" CONTRIBUTION FOR WATER LINES INSTALLED.

The present PILA program became effective on January 1, 1972 and to date currently includes approximately 3,700 properties. The total amount of PILA charges outstanding to date is approximately \$14,182,000 (includes applicable interest) of which approximately \$8,820,000 (or 62%) represents municipal monies that were used to install water lines. The balance (\$5,362,000) represents developer monies that were used to install water lines.

A PILA is a charge that is not collectable until such time as the affected property owner requests and/or connects to water service. An affected property is one that is served by:

- 1. Developer installed water lines that are not owned by that developer

-- OR --

- 2. Municipal installed lines that are not within a Water Improvement District (W.I.D.)

Should you wish to know if your property is one of the 3,700 PILA properties or have any other questions regarding water/sewer, please feel free to contact the Assessments Section, Anchorage Water & Wastewater Utility, 3000 Arctic Blvd., or call 786-5522, or 786-5551. For your convenience please have available your property description (lot, block, subdivision) and/or your property tax identification number.

Should you wish not to speak (testify) at this public meeting, written comments are welcome. You may bring or send your comments to:



Anchorage Water & Wastewater Utility
 3000 Arctic Boulevard
 Anchorage, Alaska 99503
 ATTN: Skip Edinger, Assessments Supervisor





MUNICIPALITY OF ANCHORAGE

ASSEMBLY MEMORANDUM

No. AIM 141-85

Meeting Date: July 23, 1985

From: Mayor
Subject: RESPONSE TO THERESA HOGAN'S APPEARANCE REQUEST

In response to an appearance by Theresa Hogan before the Assembly regarding a water payment-in-lieu-of-assessment against her lot in Kingsberry Subdivision, the Anchorage Water & Wastewater Utility feels that the financial institution with which Ms. Hogan is dealing is being unreasonable. The Utility cannot support or understand the requirement that her property be connected to the Municipal system when she is presently receiving satisfactory water service from a community water system built to Municipal specifications and approved by the State of Alaska Department of Environmental Conservation.

If Ms. Hogan ultimately connects to the Municipal water system, she will be charged a payment-in-lieu-of-assessment (PILA). A payment-in-lieu-of-assessment (PILA) is her share of the Municipal water main construction costs, including interest at the AWWU bond rate. The Municipality does not require properties to connect to Municipal water systems; therefore, payment of PILA's is not mandatory until connection is desired.

The Municipal water main which benefits Ms. Hogan's property was constructed by a private developer. The Municipality is bound by contract to reimburse the developer if Ms. Hogan's property connects to the subject main.

Currently, there is no notification procedure for the impending construction of facilities by private developers which result in PILA's. The Utility is presently examining the possibility of including a statement in the notices of replat, which must occur in many cases prior to construction, issued by the Planning Department to property owners in the surrounding area. A possible example is:

"The approval of the referenced plat/replat could possibly result in a financial impact upon properties which may be provided with water/wastewater service for which the construction may be required as a condition of this plat/replat."

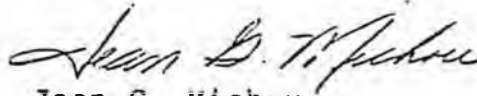
Prior to 1975, there were no notification procedures whatsoever, and property owners were unaware of the PILA charge until they requested water service. At that time, AWWU initiated notification to 2200 affected properties. In addition, AWWU began including specific principal and interest figures in notifications sent to newly affected properties. This process continues to be used. To date there are roughly 1700 properties with outstanding PILA's, for a total estimated outstanding amount, including interest to date, of approximately \$2.7 million.

The issue of interest on private developer generated PILA's has undergone extensive analysis by the Utility, Municipal Ombudsman, and Representative Mike Szymanski. Representative Szymanski has introduced HB 380, which the Utility supports, to legalize statewide generally the procedures AWWU currently uses regarding notification and interest changes.

To address Ms. Hogan's suggestion of dedicating a "negative easement", AWWU is soliciting an opinion from the Municipal Attorney's Office. AWWU's initial reaction is that it is not a workable solution. The Utility has no authority to prevent a property owner from crossing an easement line; our authority by virtue of the plumbing code is in preventing a property owner from crossing more than one lot line to obtain service.

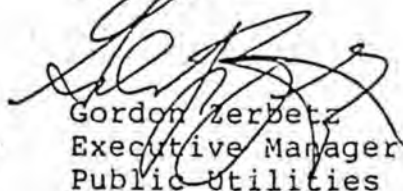
The Utility requested the Planning Department's opinion of a proposal to dedicate a 1-foot or wider strip of land along the lot line fronting the AWWU main as a greenbelt lot. The Planning Department responded that, as long as such a proposal is not for the purpose of restricting right-of-way access, the only obvious obstacles remaining are meeting lot square footage requirements and convincing Property Management to accept the green belt area.

Prepared by:



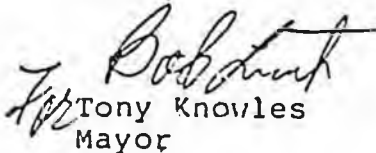
Jean G. Michou
General Manager
Anchorage Water & Wastewater Utility

Concur:



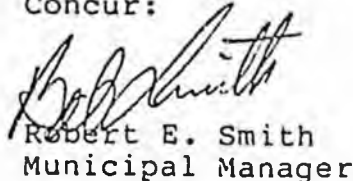
Gordon Zerbetz
Executive Manager
Public Utilities

Respectfully Submitted:



Tony Knowles
Mayor

Concur:



Robert E. Smith
Municipal Manager

MUNICIPALITY OF ANCHORAGE

M E M O R A N D U M

DATE: October 22, 1985
 TO: Manager, Engineering/Customer Service, AWWU
 THRU: Manager, Customer Service, AWWU
 FROM: - Assessment/Permit Supervisor, AWWU
 SUBJECT: Payments-in-lieu-of-Assessments (PILA)

The following is a breakdown of what the Assessment Section found in regards to those water assessments known as Payments-in-lieu-of-Assessments (PILA's). Please keep in mind that because of the lack of time, very little research was done on this project. However, we feel that we are approximately 90 to 95% correct.

1. For those projects/agreements that have turned in their certified costs and as-builts, and for which the "per lot" amounts are known and collectable:

Total properties	=	(3,190)
Total principal	=	\$ 8,415,137.36
Total interest*	=	3,378,826.73
Total	=	<u>\$11,793,964.09</u>

2. For those projects/agreements that have not turned in their certified costs and/or as-builts, we have estimated at an average per square foot rate of \$0.10 to \$0.80 depending on year of construction:

Estimated properties	=	(165)
Estimated principal	=	\$985,427.59
Estimated interest**	=	0
Total	=	<u>\$985,427.59</u>

3. For those projects/agreements that we have just received but the water lines have not been constructed:

Estimated properties	=	(65)
Estimated principal	=	\$130,000.00
Estimated interest**	=	0
Total	=	<u>\$130,000.00</u>

4. For those projects/agreements not yet signed but, are expected to be signed by December 31, 1985:

Estimated properties	=	(50)
Estimated principal	=	\$130,000.00
Estimated interest**	=	0
Total	=	<u>\$130,000.00</u>

5. For those projects known as C.I.P.'s that have not been computed into assessments (PILA's):

Estimated properties	=	(230)
Estimated principal	=	\$1,142,893.68
Estimated interest**	=	0
Total	=	<u>\$1,142,893.68</u>

6. Totals of Items 1 through 5 above:

Estimated properties	=	(3,700)
Estimated principal	=	\$10,803,458.63
Estimated interest	=	<u>3,378,836.73</u>
Total	=	<u>\$14,182,285.36</u>

Also, of the \$14,182,285.36 total, a break-down was made to determine what portion was developer installed (agreement/reimbursable) and what portion was C.I.P. (AWWU and CAU installed) with the following results:

- A. For those projects known as C.I.P.'s that have been found but not computed into assessments (PILA's). Item 5 above:

Estimated properties	=	(230)
Estimated principal	=	\$1,142,893.68
Estimated interest**	=	0
Total	=	<u>\$1,142,893.68</u>

- B. For that portion of Item 1 above that is considered as C.I.P. for which the per lot amounts are known:

Total properties	=	(2,728)
Total principal	=	\$5,288,728.46
Total interest*	=	<u>2,388,273.04</u>
Total	=	<u>\$7,677,001.50</u>

- C. Totals of Items A and B above:

Estimated properties	=	(2,958)
Estimated principal	=	\$6,431,622.14
Estimated interest	=	<u>2,388,273.04</u>
Total	=	<u>\$8,819,895.18</u>

=====

SYNOPSIS:

Of the total estimated/known PILA charges of \$14,182,285.36, approximately 62% or \$8,819,895.18, is Municipal C.I.P. project money.

Of the total estimated/known properties of 3,700, approximately 80% or 2,958 properties, would be paying C.I.P. charges.

PILA's

Page 3

Of the total estimated/known interest charges of \$3,378,826.73, approximately 71% or \$2,388,273.04, is Municipal C.I.P.

* Interest computed to January 1, 1986.

** No interest computed as date cannot be set until costs are computed and established as PILA's.

For clarity the following definition is given for Payment-in-Lieu-of-Assessment (PILA).

A PILA is a charge that is not levied nor collectable until such time as water service is requested. This includes not only those properties fronting a developer installed water line (and not owned by a developer) but also Municipal installed systems that are not Water Improvement Districts (W.I.D.s).

PILA rates are determined by spreading the certified cost of the project into the total affected area served. Then those properties not owned by the developer/Municipality are subtracted. This causes a pro-rata share of the cost to be spread between the "developer" properties and those properties known as "PILA" properties.

SKIP EDINGER
Assessment/Permits Supervisor
Anchorage Water & Wastewater Utility

SE:kw

Municipality of Anchorage

MEMORANDUM

DATE: December 5, 1985
TO: AWWU Advisory Committee
FROM: Michael Mills, Ombudsman
SUBJECT: Payment-In-Lieu-of-Assessment (PILA)

BACKGROUND

During the fall of 1984, I began receiving complaints about the Payment-In-Lieu-of-Assessment (PILA) process. A review of past cases revealed complaints were also received prior to 1984. Some of the previous complaints about PILA's and their interest charges were resolved by a temporary waiver of the interest fees.

Considerable time has been spent by this office, AWWU, financial institutions, affected citizens, state legislative staff, and a number of Assembly Members researching this issue in hope of identifying ways to improve the current process. Also included when discussing this subject should be the PTE, or Permission-To-Enter. This is the method in which AWWU utilizes to privately finance sewer extensions. Much like the PILA process where a private party may initiate the service extension, PTE's differ primarily in the manner in which actual connection charges are calculated. Rather than an interest charge, PTE's are based on a variable construction cost which will not escalate as do the interest charges.

The investigation by this office has not identified any specific violations of municipal laws or AWWU tariffs pertaining to either PILA or PTE utility extensions.

The Ombudsman's Office is of the opinion, however, that the PILA method of extending service is unreasonable and unfair as it currently exists. Therefore, this office has continued an investigation of the complaints pursuant to the jurisdiction granted by AMC 2.60.110.C.2 in order to promote a higher standard equity in the provision of water and wastewater services.

PRIMARY ISSUE

At the heart of the issue is the question of whether or not property owners should be granted the opportunity to voice their objection or support for a waterline extension for which they may benefit from and will ultimately pay for.

Under the current system these property owners receive no notification that these utility extensions are being planned and will be constructed at their expense. The property owners receive their first notification after the line is constructed and they are notified of what their cost

for the service will be. Homeowners are subjected to the PILA and hook-up charges which can reach into the ten to twenty thousand dollar range, despite the fact that they have already undertaken the expense of installing municipally approved on-site systems. Such an expense can easily cause a homeowner to lose all equity in their home, make it financially prohibitive to sell, or force one into foreclosure in order to move.

The Utility relies on the APUC approved tariffs, and their own interpretation of the tariffs, for the continuation of the PILA and PTE methods of extending service. These methods have been a valuable means of extending such services without the use of bonds or other public monies. Services provided under PILA's and PTE's have unquestionably improved the health and well-being of the general community. What is in question is not the value of these services but rather the process by which they are accomplished.

Improvement Districts and Special Assessment Districts also provide a means by which service can be extended. Both of the processes set forth specific notification procedures and districts are formed only with the consent of the majority of those being assessed. There is quite an inconsistency between the consent process and the PILA method which requires no consent or notification for the improvement. This occurred as a result of the code authorizing allocation of costs according to tariffs. I have been unable to find any similar improvement methods in municipal code which authorize similar improvements at the cost of the property owners without their notification and/or consent.

PILA COMMITTEE

As a result of complaints filed with this office and several appearance requests before the Assembly, a committee was formed to review the issue and prepare recommendations to the Assembly. At the Utility's request, the PILA committee disbanded to make way for the AWWU Advisory Commission to hold meetings and obtain public input. The PILA Committee had identified most of the issues but had been waiting for AWWU to obtain answers from the Legal Department to the most difficult questions regarding the options available to those under existing PILA's. This question has since been brought before the courts.

I encourage the Advisory Commission to pick-up where the PILA Committee left off. That is, to gather the remaining answers to questions related to the PILA and the PTE processes, gather public input, and present options and/or recommendations for amending the tariffs to the Assembly for their action.

RELATED ISSUES/ARGUMENTS

The utility will point out that the municipality does not require these property owners to connect to the service. I believe this argument to be mute. The financial institutions, who for practical purposes are considered an essential part of owning a home, are unable to ignore charges pending for connection to water or sewer service. Since the municipality (Health and Human Services) may at any time require connection to the service and subsequent payment of the charges or "assessment", the financial institutions are obligated to include these expenses in their transaction and require connection. To further demonstrate that the connection requirement is largely in the hands of the municipality, please note the ordinance planned to come before the Assembly early in 1986 that may require connection to available public sewer.

During discussions at the PILA committee meetings several people mentioned the platting process as a means to notify property owners of a potential PILA. Complaints focused on short plats where no notification is required yet PILA's resulted.

I do not believe the platting process is the forum that citizens should be afforded the opportunity to preclude the construction of a utility service. First off, the plat notification boundary would not coincide with the 500 foot plat notification boundary. Secondly, the Platting Authority is empowered to determine what conditions are necessary to permit a subdivision rather than debate and decide what method of financing should be used to construct a particular service. One could question the Platting Authority's power to deny a developer the option of utilizing a method of financing a utility service which is in accordance with an APUC approved tariff. Finally, the developer would not be restricted from constructing the service under the PILA method regardless of a denial of the subdivision by the Platting Authority.

SUMMARY - RECOMMENDATION

The AWWU Advisory Commission can serve an important function by providing the Municipal Assembly a consolidated summary of public input and recommendations for revising the current PILA (and if necessary, PTE) method(s) of extending AWWU's services.

After considering a wide variety of possible amendments to the PILA process; the Ombudsman's Office makes the following two recommendations:

1. Amend the AWWU tariff to be consistent with the draft language of HB 380 submitted by Representative Mike Szymanski. This amendment would postpone interest charges from accruing on a PILA until such time as the homeowner actually connects to the service. This would significantly lessen the PILA burden particularly for those who are planning to live in their homes for a longer period and are not in immediate need of public water.

2. Amend the AWWU tariff, possibly through an amendment to the Municipal Code, to require approval by the Municipal Assembly of any new PILA water extensions after public notification and hearing. Language for this amendment can be based on State procedures for special assessments (Sec. 29.63.015). This procedure would; require public hearings, provide public notice through publication and mailings, and provide a protest provision requiring three-fourths assembly approval to approve a PILA in which over 50% of those bearing the cost of the improvement have protested. This amendment would allow public input and influence over the decision to construct the water extension, yet would give the Municipal Assembly the ultimate authority to determine whether the service is in the public's best interest.

I have not been able to fully review the PTE process in enough detail to make recommendations at this time. Thank you for the opportunity to comment on this subject.

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MUNICIPALITY OF ANCHORAGE

MEMORANDUM

DATE: January 16, 1986

TO: Mayor

FROM: Jean G. Michou - General Manager, AWWU

SUBJECT: Recommendations for Changing the Payment-In-Lieu of Assessment (PILA) Process

In response to growing concerns about AWWU assessment processes, the Utility reviewed its rules and regulations, Ordinances, and Tariffs. We concur with the attached AWWU Advisory Commission's recommendation and recommend that the payment-in-lieu of assessment (PILA) process for water be changed to match the permission-to-enter assessment (PTE) process for wastewater.

Major process changes will be as follows:

- ° PILA assessments will be submitted to the Assembly for public hearing and approval by Resolution, as is done in PTE, instead of by individual agreements between the AWWU and each affected property owner;
- ° All bordering property owners will be notified, prior to construction, that new water and/or wastewater lines are being installed;
- ° AWWU will meet with the affected property owners to answer questions and to resolve problems before assessment rolls are submitted to the Assembly for approval, as is done in PTE;
- ° Developers will be reimbursed the principal amount only; no interest will accrue to the developer, as is done in PTE;
- ° PILA assessments will not be subject to interest accrual, as is done in PTE; bordering property owners who choose to make time payments, beginning at the time of application for service, will pay a finance charge to cover AWWU's related administration costs;
- ° The time payment period for PILA assessments will be extended from 5 years to 20 years (or at least the length of bond financing of the project), as is done in PTE;
- ° The developer's administrative fee to be paid to AWWU will include AWWU's costs for functioning as a collection agent in their behalf.

Mayor
January 16, 1986
Page 2

These process changes require amendments to Municipal Ordinances and the Water and Wastewater Utility Tariffs. We intend to submit this package to the Assembly for public hearing during April 1986. After Assembly approval, the changes to the Tariffs will be submitted to the APUC for their approval in early May.

Jean G. Michou

JEAN G. MICHOU
General Manager
Anchorage Water & Wastewater Utility

Concur:

Bob Smith

BOB SMITH
Municipal Manager

Approval:

Tony Knowles

TONY KNOWLES
Mayor

Attachments

tse1/lm27

Alaska State Legislature

CO-CHAIRMAN
FINANCE COMMITTEE
907-465-3740



JAN FAIKS
POUCH V
CAPITOL BUILDING
JUNEAU, ALASKA 99811

Senate

February 18, 1986

FEB 19 1986

MEMORANDUM

TO: Senator Edna DeVries, Chairman
Senate Community and Regional Affairs Committee

FROM: Senator Jan Faiks *[Signature]*

SUBJECT: Scheduling of Senate Bill 332 and House Bill 380

Until further notice, please do not schedule for hearing Senate Bill 332, an Act eliminating municipal immunity from liability in certain actions involving private property.

However, I would appreciate your scheduling House Bill 380, an Act relating to public utility water and sewer service extensions. Representative Szymanski and I have worked together on this bill, and it addresses a problem which faces many of my constituents.

Thank you.

OUT OF SESSION

1024 WEST SIXTH AVENUE, SUITE 302 ANCHORAGE, ALASKA 99501 907-274-6611





Alaska State Legislature

House of Representatives

Representative Mike Szymanski

Finance Committee
Oil and Gas Committee

11920 Johns Road
Anchorage, Alaska 99515
Phone (907) 349-3373

While in Session:
Pouch A

State Capitol
Juneau, Alaska 99811
(907) 465-4978-4979

FEB 14 RECD

February 14, 1986

TO: Senator Ed a DeVries, Chairman, Senate Committee on
Community and Regional Affairs

FROM: *Mike Szymanski*
Representative Mike Szymanski

RE: HB 380 - An Act relating to public utility water and
sewer extensions

HB 380, which requires that a property owner be notified of PILA (payment in lieu of assessment) charges and interest due when a water or sewer line is first extended to his property, has been referred to your committee. I would appreciate your scheduling it for a hearing at the earliest possible opportunity.

Enclosed is a short description of the bill I distributed to members of the House. If I can provide more information on the measure, please feel free to contact me or Chrystal Smith on my staff.

I look forward to hearing from you about when your committee will be considering this bill.

Encl.

MS/css

COMMITTEE REPORT
SENATE

FURTHER: Finance

1/30/86

Date Feb 27 '86

Mr. President

The Committee on C&RA considered CSHB 380 (C&RA) am relating to public utility water and sewer service extensions.

and (a majority of the committee) ~~(the committee)~~ reports it back with the following recommendations:

- do pass
- do pass with attached amendment(s)
- replace with/or adopt CS for _____
- new title
- same title and recommends _____
- and attached a "LETTER OF INTENT" [] NEW FISCAL NOTE
- reports it back without recommendation
- recommends referral to _____ Committee

MEMBERS SIGNING
DO PASS

MEMBERS HAVING
OTHER RECOMMENDATIONS

Ferguson
V. Fisher
Allen Sturgulushi

Edna de Vries
Chairman

Do Pass
Chairman recommendation



Alaska State Legislature

House of Representatives

Representative Mike Szymanski

1920
Anchorage, Alaska 99501
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While in Session
Pouch A
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Juneau, Alaska 99801
(907) 465-4978, 4979

Finance Committee
Oil and Gas Committee

January 27, 1986

TO: MEMBERS, HOUSE OF REPRESENTATIVES
FROM: REPRESENTATIVE MIKE SZYMANSKI
RE: HB 380 - AN ACT RELATING TO PUBLIC WATER AND SEWER SERVICE EXTENSIONS

HB 380 establishes protection for property owners from 1) the imposition of charges for utility connections without their knowledge and 2) the accrual of interest before utility connections are made. Current state law does not require utilities to notify property owners of debt incurred when a new line abuts their property, although most utilities do so as a courtesy.

The need for this law has been demonstrated in the Anchorage area, where a small utility failed to notify property owners of their obligations as a result of extension of a water line that benefitted a new development nearby. In this case, individuals' charges (known as PILAs, or Payments in Lieu of Assessment) were very large and interest had been accruing (at a rate of 15.6%) for over two years before property owners were notified. Interest continues to accrue on the outstanding principal. Property owners choosing to connect to the utility line must pay the outstanding charges; even if they do not, existing PILAs have a severe negative effect on the value of their property since banking procedures require that all outstanding liabilities be paid prior to any refinancing or transfer/sale of property.

Section 1 requires that when water or sewer service becomes available as the result of a utility line extension, utilities notify property owners of the charges and interest that will be due when a property owner chooses to obtain the utility service. The bill requires that such notification shall be by certified mail, return receipt requested.

In addition, Section 1 prohibits the utility from charging any interest on the fee to connect to the water or sewer line before the line is available for service. When a utility line extension has been approved by a majority vote of property (over)

owners in the affected area, the utility may start charging interest 30 days after the notice of fee and interest has been sent to the property owners. If the line extension was not the result of a vote (e.g., if it was undertaken by a private developer), the utility can charge interest on the connection fee only after the individual property owner obtains the utility service.

Section 2 of the bill specifies that all utilities are subject to the provisions of this bill, AS 42.05.381(e) and (f), (as well as to AS 42.05.221 - 42.05.281, sections previously enacted) although they may be exempt from other regulation under Chapter 42.