



WATER BUREAU POLICY AND PROCEDURES

NUMBER:	WB-009	
SUBJECT:	ANNUAL PUBLIC WATER SYSTEM FEE COLLECTION	
EFFECTIVE DATE:	JUNE 1, 2007	PAGE: 1 OF 7
REVISION DATE:	(5-YEAR REVIEW FREQUENCY)	

ISSUE:

The Department of Environmental Quality (DEQ), Water Bureau (WB) bills and collects fees annually from approximately 12,000 public water systems for deposit in the Water Supply Fund. The policy and procedures contained in this document shall be used by the DEQ, WB, to collect annual fees, manage delinquent accounts, refer debts to the Department of Treasury and enforce against public water system owners that fail to pay.

This guidance is intended to clarify certain provisions of the Michigan Safe Drinking Water Act, 1976 PA 399, as amended (Act 399), and provide information to encourage consistent administration of these provisions by the WB staff. It is not intended to modify the provisions of Act 399, and should there be any apparent inconsistencies between this guidance and statutory or administrative rule requirements, the language in the statute and rules should guide staff decisions.

AUTHORITY:

Act 399 authorizes the collection of annual fees from community public water systems (CWS) and noncommunity public water systems (NCWS). Fee schedules and annual fee adjustments are contained in MCL 325.1011(a) and (b).

Annual fees for CWS are based on the number of residents served. Annual fees for NCWS are based upon the system type: transient NCWS or nontransient NCWS. NCWS in the amount of five or more under the same ownership on contiguous properties are billed for 75 percent of the calculated fee. A NCWS that has completed construction of a new well or replacement well in compliance with a construction permit issued by a local health department is exempt from paying the first annual fee until after final approval of the well is received.

Fees are adjusted annually by the Detroit Consumer Price Index (CPI). Fees are due by November 30 each year. A credit adjustment to the fee is required if there is an unexpended balance in the Water Supply Fund at the close of the previous fiscal year. Penalties are assessed on the unpaid CWS fee at the rate of 9 percent per annum (0.75 percent per month). Penalties are assessed on the unpaid NCWS fee at the rate of \$25 per month or portion of a month.

DEFINITIONS:

Accounting Automation Toolkit -- the secure interface between the Navision accounts receivable system and the source data systems containing public water system inventory information.

CWS -- Community Public Water System.

NCWS -- Noncommunity Public Water System.

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Navision -- the DEQ Accounts Receivable system.

Water Track -- the WB data system used to retain NCWS data as entered by local health departments.

SDWIS-State -- the federal data system used to retain CWS data as entered by WB staff.

Water Supply Fund -- the fund created by MCL 325.1011d for deposit of fees collected from public water systems.

POLICY:

Fee Calculations:

As per statutory requirement, fees are adjusted annually based on two factors: the CPI and a credit calculation based on the balance in the Water Supply Fund. The DEQ is notified of the CPI by the Department of Treasury, and this adjustment is used in the subsequent fee calculation.

Prior to October 1 of each year, the fee credit calculation is performed by the Water Bureau Administration Section according to the following procedure:

1. Apply the CPI to adjust each "full fee" (i.e. fee that would be charged before any credits) from the previous year.
2. Determine the number of active CWS in each fee category as of October 1 by contacting the Community Drinking Water Unit who will obtain the information from SDWIS-State.
3. Determine the number of active NCWS in each fee category as of October 1 by contacting the Noncommunity Drinking Water Unit who will obtain the information from Water Track.
4. Using current inventory numbers from steps 2 and 3, and "full fees" from step 1, compute the total anticipated revenue for both NCWS and CWS as if no credit were applied in the new billing.
5. Project the balance in the Water Supply Fund for the fiscal year just ending. The projected ending balance in the fund may be adjusted by an allowance for uncollectible accounts, as determined by DEQ Financial and Business Services Division (FBSD). Multiply the projected balance by 75 percent.
6. Divide the amount from step 5 by the amount from step 4. This will represent the credit that should be applied.
7. Apply credit derived in step 6 to reduce the fee amount calculated in step 1.
8. Notify the FBSD of new fees that should be loaded into Navision for CWS and NCWS invoicing.

Invoice Production:

The FBSD and WB Administration Section staff will jointly develop a schedule to assign target dates for Navision test and production data as it is moved through the Accounting Automation Toolkit from the source systems, SDWIS-State and Water Track.

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The invoice formats and any documents that will accompany the invoices are reviewed by the chiefs of the WB Administration Section and the WB Drinking Water and Environmental Health Section (DWEHS). The FBSD controls and releases all Navision invoice templates.

The systems to be billed are loaded through the Accounting Automation toolkit into Navision from SDWIS-State for CWS and Water Track for NCWS. The DWEHS Chief will approve the list of systems to be billed and authorize the transfer of data from the systems to Navision. Once the inventory information is released for billing, it is mass-loaded into Navision through the Accounting Automation Toolkit by FBSD.

The Administration Section prints invoices for all CWS and NCWS using the Navision system. Invoices are mailed by the Administration Section after October 1, but at least 30 days prior to the statutory due date of November 30. Invoices to other state agencies are printed by the Administration Section and provided to FBSD for distribution to the other agencies.

Payments are received in the DEQ Central Mailroom and recorded by the DEQ Central Cashiers Office in the Navision system where the payment is recorded against the appropriate invoice.

Delinquent invoices:

Penalty amounts are applied by the FBSD to any unpaid accounts on the last day of the month, beginning with November 30.

A statement of delinquent account will be mailed by the Administration Section to each CWS and NCWS with an unpaid balance before the end of February of each year. The format of the statement is determined by the FBSD with input from the WB Administration Section.

In April, a final notice of delinquent accounts will be mailed by the Administration Section to each CWS and NCWS with an unpaid balance. Final notices for interagency accounts are provided to the FBSD for distribution. Final notices shall be accompanied by a cover letter which will provide the account holder the opportunity for an administrative review if they contest the debt. Delinquent account holders will be advised that continued delinquency may result in referral to the Department of Treasury or further compliance/enforcement action.

Administrative Review:

If a CWS or NCWS requests an opportunity to contest the fee, they will be advised by staff of the DWEHS of the date, time and place of the review. An impartial DEQ official will conduct the review. The CWS or NCWS will be provided an opportunity to examine DEQ records and present evidence. A written record of the review will be provided to the account holder affirming, modifying or reversing the DEQ action. The account holder has the right to pay the amount due under protest and sue for a refund in the Court of Claims.

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Invoices Returned with no Payment:

Invoices returned from the post office and marked undeliverable shall be handled by the Administration Section as follows:

- Expiration of forwarding address with new address available: Prepare invoice with new address and resend; process a credit memo against the returned invoice.
- New billing address is available by looking in Water Track or SDWIS-State: Prepare invoice with new address and resend; process a credit memo against the returned invoice.
- For NCWS, all invoices returned as "undeliverable" with no current address available: Process credit memo against the returned invoice, and notify the local health department via Water Track.
- For CWS, all invoices returned as "undeliverable" and with no current address available shall be referred to the Water Bureau Community Drinking Water Unit for a recommendation as to status of the account. Recommendations shall be retained in a file to document the reason for account adjustment.

Invoices returned from the facility with an acceptable notice of nonpayment (i.e. closed, new owner, do not meet definition, etc.) shall be handled by the Administration Section as follows:

- For NCWS, credit memo shall be prepared against the returned invoice and notice provided to the local health department through Water Track noting the reason for adjustment. Acceptable reasons: City water, closed or seasonal (less than 60 days/year), new owner, transient moving to nontransient, nontransient moving to transient, or undeliverable.
- For CWS, invoice shall be referred to the Community Drinking Water Unit for a recommendation as to status of the account. Recommendations shall be retained in the file to document the reason for account adjustment.

Other Adjustment Reasons:

In addition to the reasons indicated above, adjustments to accounts are authorized to be made by the Administration Section under the following situations:

- Facility has provided evidence of a well permit fee paid to a local health department. Review of the previous year annual fee invoices should be done so that the same permit is not used more than once.
- Facility has become inactive (status in Water Track). A report of inactive systems should be run at least monthly from Water Track and before sending any notice of nonpayment.
- If a facility has paid the principal, but late fee amounts continue to accrue, the late fee amounts may be adjusted.

On a case-by-case basis, if a facility has outstanding invoice(s) (owe principal and late fee amounts) the late fee amounts may be adjusted in part or in whole for cause and with documentation.

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Referral to Treasury:

For CWS, accounts remaining unpaid after the first year billing cycle (original invoice, statement of delinquent account and final notice of delinquent account) shall be referred to Treasury. For NCWS, accounts remaining unpaid after the second year billing cycle (original invoice, statement of delinquent account and final notice of delinquent account sent in first year, and statement of delinquent account and final notice sent in second year), and any unpaid administrative fines, shall be referred to Treasury.

The WB Administration Section shall prepare a list of delinquent accounts for referral to Treasury in July of each year. The draft list shall be submitted to the WB DWEHS Section Chief for approval. The WB Administration Section Chief shall forward the final referral list to the FBSD on Treasury Debt Referral Form 985. Once FBSD approves the debt referral and forwards to Treasury, the WB Administration Section shall adjust the unpaid amount in Navision to zero, and make notation that the account has been referred to Treasury. The Treasury referral process and subsequent adjustments to Navision shall be completed by September 1 of each year.

Enforcement for Unpaid Fees:

If a system/owner accrues unpaid amounts greater than \$1,000, enforcement to collect the debt should be taken. Any debts referred to Treasury shall be recalled. Enforcement actions available to the department include the following options.

- NCWS annual fees support sanitary survey inspections and various compliance activities performed by local health departments. Sanitary surveys in turn are used to determine sampling frequencies, waivers of sampling requirements, and approval of public water systems. MCL 325.1011b(6) states "The department is not required to perform sanitary surveys or other services to maintain compliance with this act on behalf of a noncommunity supply provider who has not paid the current annual fee or appropriate penalties". Therefore, for unpaid accounts exceeding \$1,000, the public water system may be notified that sanitary survey inspections will be discontinued. Failure to maintain the sampling frequency required when sanitary surveys are not conducted could result in the inability of the licensing state agency to approve the water system. This may affect the status of any license that requires an approved water supply.
- Any construction deficiencies noted during the last sanitary survey inspection, that remain unresolved, shall be ordered in compliance.
- A sampling frequency for coliform bacteria may be assigned at five samples per month as required under Rule 325.10702(2).
- Any reduction in sampling (waivers) currently in effect may be discontinued.
- For a failure to comply with routine and repeat sampling requirements, drinking water standards, public notification, and any other applicable requirement, the system/owner will be subject to all civil and administrative fines as provided in MCL 325.1007. The fines range from \$200 for the first missed sample; \$400 for subsequent samples.
- A request may be made to the Attorney General to seek injunctive relief and fines in accordance with MCL 325.1022.

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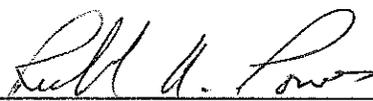
Continued nonpayment of the fee will result in referral of the debt to Treasury.

REFERENCE TO BUREAU PROGRAMS: Program: Public Water System Supervision.
 Functions: Administration, Enforcement.

METHOD OF DISTRIBUTION: Intranet

PROCEDURE:

<u>Responsibility</u>		<u>Action</u>
Administration Section Chief	1	Calculates amount of annual fee based on CPI, prior year fee and credit calculation and transmits new fee to the FBSD for loading into the Navision system.
DWEHS Section Chief	2	Identifies systems to be billed by releasing inventory information from SDWIS-State and Water Track to the Automation Toolkit for loading into the Navision system.
Administration Section Chief and DWEHS Section Chief	3	Approve format/content of fee invoices and request the FBSD to load into Navision. Approve cover letters. Recommend to the FBSD release of billing list from test to production in Navision.
Administration Section	4	Print and mail invoices; for interagency invoices, print and provide to the FBSD for distribution.
FBSD	5	Receipts fee payments and applies payments to open invoices.
	6	Applies penalty amounts to unpaid accounts according to statutory requirements.
Administration Section	7	Prints and mails delinquent statements; for interagencies, provide to the FBSD.
DWEHS staff/Field Operations Staff	8	Pursues compliance/enforcement for delinquent accounts greater than \$1,000.
Administration Section	9	List unpaid accounts on appropriate forms and provide to the FBSD for referral to the Department of Treasury.

APPROVED: 
 Richard A. Powers, Chief
 Water Bureau

DATE: 5/21/07

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LAST REVIEWED BY: _____
Name, Title

DATE: _____