

September 25, 2020

## MEMORANDUM

**To:** Seattle City Councilmembers  
**From:** Brian Goodnight, Analyst  
**Subject:** Council Bill 119896, Extending the suspension of interest charges on delinquent utility accounts

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On September 29, 2020, the Council will discuss and possibly vote on [Council Bill \(CB\) 119896](#), proposed legislation that would temporarily suspend interest charges on delinquent utility account balances for customers during the COVID-19 emergency. The Council previously approved legislation in March, [Ordinance 126058](#), that suspended interest charges until August 1. The proposed legislation would extend that policy from August 1 until January 1, 2021.

This memorandum provides background information on prior related Council actions and summarizes the impacts of the legislation.

### Background

On March 10, following the proclamation of a civil emergency due to COVID-19<sup>1</sup>, the Mayor issued [Executive Order 2020-03](#) to provide relief to small businesses. Among other provisions, the executive order called for legislation to be transmitted to the Council waiving Seattle City Light's (SCL's) and Seattle Public Utilities' (SPU's) interest charges on past due balances.

On March 19, the Council passed Ordinance 126058 providing the suspension of interest charges for certain customers until August 1, 2020. As passed, the suspension of interest charges applied to residential customers, customers that are non-profit organizations as defined under [Seattle Municipal Code \(SMC\) 5.30.040.C](#), or commercial customers with taxable gross annual receipts of less than \$5 million in 2019.

### Summary of Impacts

The proposed legislation, CB 119896, contains the same interest suspension provisions as the ordinance that the Council passed in March but with a revised period of effectiveness. The new interest charge suspension would be effective from August 1, 2020 until the earlier of: (a) termination of the civil emergency due to COVID-19 proclaimed by the Mayor on March 3, 2020, or (b) January 1, 2021. Although the prior authorization ended on August 1, SCL and SPU have continued the suspension of interest charges uninterrupted. Section 3 of the proposed legislation would provide retroactive approval for the period since August 1 by ratifying and confirming acts that were taken prior to the legislation's effective date.

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<sup>1</sup> The Council modified the Mayor's proclamation of civil emergency by adopting [Resolution 31937](#).

Also consistent with the prior ordinance, the proposed legislation would supersede sections of the SMC that authorize or require the collection of interest on delinquent utility customer consumption and utilization charges. Additional information regarding the applicable sections of the SMC can be found in the [Central Staff memo](#) for the Council’s prior action.

The extension of the interest charge suspension would continue to impact revenue for all four of the enterprise funds operated by SCL and SPU. According to the Executive, the estimated revenue decrease to the utilities between August 1 and January 1, 2021 would total approximately \$2.3 million, with about 60 percent of this decrease accruing to SCL’s Light Fund. Table 1 shows the impact to each of the utilities’ enterprise funds.

*Table 1: Estimated Utility Revenue Impacts*

Department & Fund	Estimated 2020 Revenue Impact		
	Ord 126058 <i>(Passed in March)</i>	CB 119896 <i>(Proposed)</i>	Total
<b>Seattle City Light</b>			
Light Fund	(\$1,600,000)	(\$1,400,000) <sup>2</sup>	(\$3,000,000)
<b>Seattle Public Utilities</b>			
Drainage & Wastewater Fund	(\$125,000)	(\$290,000)	(\$415,000)
Solid Waste Fund	(\$167,000)	(\$389,000)	(\$556,000)
Water Fund	(\$130,000)	(\$261,000)	(\$391,000)
<b>Total:</b>	<b>(\$2,022,000)</b>	<b>(\$2,340,000)</b>	<b>(\$4,362,000)</b>

The revenue reductions would also impact the General Fund because of the utility taxes that are imposed on SCL and SPU revenues. Based on the estimated impacts to the enterprise funds, the General Fund would experience a revenue reduction between August and January of approximately \$198,000 due to reduced utility taxes.

cc: Dan Eder, Interim Director

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<sup>2</sup> SCL’s estimated revenue impact represents the utility’s planned revenues for 2020. Given the increased amount of past due balances in 2020 to-date, it is likely that interest charges would have generated more than this amount between August and January if left in effect.