

1 Date: May 12, 2021
 2 To: City Council
 3 From: Corbitt Loch, et. al.
 4 **RE: UTILITY PAYMENT RULES**

5 The City of Lynnwood owns and operates utilities for domestic water, sewer (wastewater), and
 6 stormwater (surface water). Most of the rules for utility charges and payments are codified in Title 13 of
 7 the Lynnwood Municipal Code (LMC). The COVID-19 pandemic has brought several financial and social
 8 aspects of the City’s utility payment rules to light and have prompted a review and update.

9 In general, the work summarized here focuses on the time when Governor Inslee’s emergency
 10 [Proclamation 20-23.15](#) regarding residential utility shutoffs and all penalty late fees are lifted. It is
 11 unknown if the term of those proclamations will be extended beyond July 31, 2021 (or the termination
 12 of the COVID-19 State of Emergency, whichever occurs first).

13 On November 30, 2020, the City Council discussed utility accounts in arrears and potential changes to
 14 the terms of utility payments. The Finance Committee discussed potential changes to utility payment
 15 rules on March 25 and April 22, 2021. This memorandum provides an overview of the issues considered
 16 and recommended by the Finance Committee.

City of Lynnwood Utilities – At A Glance			
Total accounts	9,936	CoL number of dwellings	14,515
Number of residential accounts	7,402	Number of renter-occupied dwellings	6,776)
Number of residential tenant accounts	596 (8%)	Percent renter-occupied dwellings	46%
Number of commercial accounts	2,534	Number of residential accounts more than 120 days past due	504
Number of commercial tenant accounts	40 (1%)	Total residential charges more than 120 days past due*	\$466,121
Total tenant accounts	636 (6%)	Number of commercial accounts more than 120 days past due*	136
Number of billing routes	8	Total commercial account charges more than 120 days past due*	\$338,876
Billing frequency	Every 2 months	Total account charges more than 120 days past due*	\$804,997

17 * See account aging report for additional information.

18 The City bills its utility customers using a combined, bi-monthly statement. As shown above, there are
 19 many residential and commercial accounts with substantial past-due account balances. For this analysis,
 20 the focus is upon payments more than 120 days past due. City-owned utilities have limited options for
 21 compelling payment of utility charges.

City-Owned Utilities – Collection Authority (when Emergency Proclamation is lifted)	
Penalty fee for late payment	10%
Discontinue water service (shutoff)	Limited to 4 months of most-recent water charges.
Property lien for nonpayment of water charges	Limited to 4 months of most-recent charges.
Property lien for nonpayment of sewer charges	Limited to 10 months of most-recent charges
Refer to collection agency	
File suit in small claims court	

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23 The most-effective method of obtaining payment of utility charges is discontinuing water service
 24 (shutoff). Importantly, LMC specifies the following order of assignment of partial payment, “The order
 25 of application of payments received towards outstanding utility bills shall be applied in the following
 26 order: penalties, interest, surface water charges, sewer charges, water charges.” (LMC 13.34.050) This
 27 provision increases the likelihood that unpaid utility charges are subject to the City’s shutoff and lien
 28 authority.

29 The City can utilize various methods to encourage customers to pay utility charges.

Approaches to encourage payment	
Payment plan with incentives	Presently offered. New plan proposed below.
Public education messages on statements and/or envelopes	Planned
Public education messages on utility bill insert	Planned
Public education messages in Inside Lynnwood	Planned
Past-due statements	Utilized
Individualized past-due letters	Planned
Public education messages on utility billing webpage and voice mail greetings	Planned

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31 For rented/leased property, the LMC specifies that property owners are ultimately responsible for
 32 tenant’s utility charges.

33 The table below summarizes the code amendments recommended by the Finance Committee and staff.
 34 The payment plan topic was discussed more than the others.

SUGGESTED AMENDMENT OF LYNNWOOD MUNICIPAL CODE			
Issue/Topic	Citation	Existing Requirement	Proposed Amendment
1. Amount of penalty for late payment	LMC 13.34.030	10%	No change
2. Due date for payment	LMC 13.34.050	14 days after billing	28-30 days after billing
3. Time till penalty for late payment	LMC 13.34.030	35 days after billing	35 days after billing
4. Payment plan	LMC 13.34.070	Payment of 50% of all charges and penalties, then within 14 days, payment of 100% of all charges and penalties.	Payment of current service charges + 10% of past-due balance. 10% payments could be monthly or bi-monthly. No late penalty fee or shutoff.
5. Time till notice of water shut off	LMC 13.34.070	20 days after any amount of outstanding account balance remains delinquent following two full billing cycles (approximately four months + 20 days)	No change
-continued-			

SUGGESTED AMENDMENT OF LYNNWOOD MUNICIPAL CODE			
6. Time till water shut off	LMC 13.34.070	13 days after notice of shut off. Full payment of all charges and penalties is required.	21 days after notice of shutoff. Full payment or payment plan required.
7. Trip charge for water shut off or turn on (each occurrence)	LMC 13.34.070	\$35 during regular business hours and \$85 other times.	Update
8. Amount of penalty for insufficient funds	LMC 13.34.030	\$50	No change
9. Lien processing fee	LMC 13.34.060	\$180	No change
10. Accrual rate for penalty fee		Not specified	Monthly
11. Interest charged on past-due balance		Not specified	Yes, minimal rate

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