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**Bill number:** 250889**Introduced by:** Young**Cosponsor(s):** Landau, Brooks, O'Rourke**Assigned committee:** Finance**Date introduced:** 10/16/2025

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## Fiscal Note

### Overview

This bill would exempt penalties and interest for late payment of water and sewer rent charges for all residential customers. The anticipated cost to the City's Water Fund is at least \$36 million over five years.

### Legislative Summary

As written, this bill would exempt all residential customers from paying penalties and interest for late payment of water and sewer rent charges.

### Proposed Effective Date

This legislation would be effective July 1, 2026.

### Fiscal Impact Analysis

#### *Revenue*

The estimated impact to revenue from implementing this legislation is summarized in the following table. The total impact on revenue is estimated to be at least a \$36 million loss in revenue over five years.

Revenue Impact Summary	FY26	FY27	FY28	FY29	FY30	Total
Revenue Increase/(Decrease) Water Fund	-	(\$9 million)	(\$9 million)	(\$9 million)	(\$9 million)	(\$36 million)
<b>Total</b>	<b>\$-</b>	<b>(\$9 million)</b>	<b>(\$9 million)</b>	<b>(\$9 million)</b>	<b>(\$9 million)</b>	<b>(\$36 million)</b>

***Philadelphia Water Department (PWD)***

The Water Fund supports the operations of the PWD. The Water Fund is primarily funded by the collection of revenues from water, sewer, and stormwater charges. PWD does not receive support from the City's General Fund. Penalties, late fees, and liens also serve as a source of revenue for the Water Fund. PWD projects to collect an estimated \$11.9 million from penalties annually, where \$9 million is projected to come from residential accounts. As depicted in the previous table, this legislation would result in an estimated \$9 million annual revenue shortfall for the Water Fund.

The Philadelphia Water, Sewer, and Storm Water Rate Board recently approved rate increases for FY 2026 and FY 2027. Since the Board has approved the rates for FY 2027, the enactment of this legislation would put PWD at risk of a \$9 million deficit in FY 2027, plus an additional planned revenue loss of \$9 million in FY2028, bringing the total deficit to \$18 million. A deficit could impact PWD's ability to pay for operating and maintenance needs and support the ongoing capital improvement program.

Restoring the fund balance would likely require PWD to request a new rate increase. PWD estimates that balancing the \$18 million deficit with a rate increase would amount to about a \$2.00 monthly increase on a typical residential bill.

Combined FY 2027 and FY2028 Loss	FY 2028 Estimated Increase to Typical Residential Monthly Bill	Additional FY 2028 Estimated Revenue Increase
Exempting Residential Customers from Penalties	\$18 million	\$2.00

PWD currently forecasts that by FY 2028, excluding the impact of this legislation, the Department would need to increase its revenues by 8.5 percent to keep on par with increasing costs and regulatory requirements. As depicted in the table below, the enactment of this legislation would add an extra 2.1 percent, leading to a needed 10.6 percent revenue increase in FY 2028.

FY 2028 Forecasted Revenue Increase	Additional FY 2028 Estimated Increase to Replace Penalty Revenue	Total FY 2028 Forecasted Revenue Increase
Residential Accounts 8.5%	2.1%	10.6%

The above revenue loss estimates do not include the potential impact of changes of behavior from residential customers that no longer face penalties for late payments. While difficult to predict, PWD anticipates that the enactment of this legislation would lead to a decrease in on-time payments. The slowing of revenue collection may impact PWD's ability to make timely payments on operating and maintenance expenses and support the ongoing capital improvement program.

***Expenditures***

The estimated cost of implementing this legislation is summarized in the following table.

Expenditure Impact Summary	FY26	FY27	FY28	FY29	FY30	Total
<b>Expenditures Increase/(Decrease)</b>						
Class 200: Purchase of Services	\$40,000	\$40,000	-	-	-	<b>\$80,000</b>
<b>Total</b>	<b>\$40,000</b>	<b>\$40,000</b>	<b>\$-</b>	<b>\$-</b>	<b>\$-</b>	<b>\$80,000</b>

***Department of Revenue******Water Revenue Bureau (WRB)***

The Water Fund supports the operations of the WRB. WRB is responsible for the billing and collection of water bills. The adoption and implementation of this bill would require programming updates to the WRB's legacy billing system. The estimated cost of the implementation is approximately \$40,000. Additionally, the implementation would result in other project delays as WRB is currently in the process of replacing its legacy billing system. The added development work would require a reallocation of resources from previously planned data integrity work and shifts the timeline of new system rollout of up to 8 weeks, leading to an additional \$40,000 in additional expenses expected in FY27.

***Legislative History***

Not applicable.

**Prepared by:** Policy and Fiscal Analyst Unit, Mayor's Office of Legislative Affairs

**Date:** 11/20/2025

This document is a summary of proposed legislation as introduced and is prepared by the Mayor's Office of Legislative Affairs for general information only. It does not represent the official legal position of the City. Estimates are calculated using the best information available. Actual costs and revenue impact incurred may vary from estimates.