

REPORT OF THE CHIEF LEGISLATIVE ANALYST

DATE: April 21, 2022

TO: Honorable Members of the City Council

FROM: Sharon M. Tso 
Chief Legislative Analyst

Council File No. 21-0540
Assignment No. 22-04-0229

Solid Resources Utility Relief

SUMMARY

On September 1, 2021, the Council approved Motion (Martinez - de Leon; C.F. 21-0540), which instructed the Chief Legislative Analyst (CLA), and the City Administrative Officer (CAO) to work with the Department of Water and Power (DWP) to:

- Determine and report on the appropriate amount of funds the City can provide the agency for the purposes of utility debt relief;
- Report on a plan to distribute the funds in an equitable manner and eliminate barriers for low income households and promote affordability, as well as to report in the future on the effectiveness of the allocation;
- Support a \$2 billion allocation in the state budget for unpaid water and power utility bills and call on the state to provide these fund to the City for these purposes;
- Waive all late fees and penalties and extend the shut off moratorium through the end of the year (2021); and,
- Implement long-term affordability strategies, such as bill stabilization programs, streamlined enrollment for discount and energy savings programs, and arrearage management programs.

As part of the funding provided in the federal American Rescue Plan, the State has implemented a series of utility relief programs focused on electricity, drinking water, and wastewater customer arrearages as a result of the economic impacts from the COVID-19 pandemic. As instructed by the City Council, our Office, with the assistance of the CAO, DWP, and the Bureau of Sanitation, reviewed options in which the City could assist residents with outstanding utility arrears.

Currently, there is \$10 million set aside for utility relief in the Fiscal Year (FY) 2021-22 Adopted Budget. This report recommends allocating \$8 million to the Bureau of Sanitation for a solid resources (trash collection) customer arrearages program for registered low income customers. To ensure consistency with recent state utility relief programs, this report recommends that the eligible arrearage period be established as March 4, 2020 to June 15, 2021. Based on DWP data, low income customers with solid resources arrearages are estimated to be approximately \$7.95 million. To provide the City Council with the option of extending utility relief in the following fiscal year, this report includes a recommendation to reappropriate the remaining \$2 million set

aside in the Unappropriated Balance on July 1, 2022. Finally, this report provides a status of state utility financial relief efforts, and a summary of DWP customer service support programs that have been implemented to address the financial impacts of the pandemic.

RECOMMENDATIONS

That the City Council:

1. Transfer appropriations up to \$8 million from the Unappropriated Balance Fund No. 100/58, Account No. 580368, Utility Assistance Debt Relief, to the Solid Waste Resources Revenue Fund No. 508/50, Revenue Source Code TBD, Solid Resources Fund Low Income Customer Arrearage Payment Program for the reimbursement of solid waste fee arrearages for low income customers for the period of March 4, 2020 to June 15, 2021.
2. Instruct the Bureau of Sanitation, in coordination with the Department of Water and Power, to implement the Solid Resources Fund Low Income Customer Arrearage Program as detailed in this report and report to the City Council on the final amount credited to customers at the completion of the program.
3. Instruct the City Administrative Officer to report on the proposed use of any unspent program funds in a future Financial Status Report.
4. Instruct the City Clerk to place on the agenda of the first regular Council meeting on July 1, 2022, or shortly thereafter, the following instruction:
 - a. Reappropriate \$2,000,000 from the Unappropriated Balance included in the Fiscal Year 2021-22 Budget, Fund No. 100/58, Account No. 580368, Utility Assistance Debt Relief, in the same amount and into the same account as exists on June 30, 2022.
5. Authorize the City Administrative Officer, with the assistance of the Bureau of Sanitation, to prepare Controller's instructions and make the necessary technical adjustments consistent with Council's actions, and authorize the Controller to implement these instructions.

FISCAL IMPACT

A total of \$10 million is set aside in the Unappropriated Balance for utility relief in the Fiscal Year 2021-22 Adopted Budget. This report recommends transferring \$8 million of these funds to the Bureau of Sanitation to implement a solid resources financial assistance program for registered low income customers for the period of March 4, 2020 to June 15, 2021. To provide the City Council with the option of extending utility relief during Fiscal Year 2022-23, this report includes a recommendation to reappropriate the remaining \$2 million on July 1, 2022.

BACKGROUND

On July 13, 2021, Governor Newsom signed the State's FY 2021-22 budget, which included financial relief programs to address pandemic related utility arrears. These funds were made available through the adoption of the federal American Rescue Plan Act to address Californian's energy debts. The State Department of Community Services and Development (CSD) received \$993 million for the California Arrearage Payment Program (CAPP) to address electricity and natural gas arrears, and the State Water Board received \$985 million for a California Water and Wastewater Arrearage Payment Program (CWAPP). The amounts appropriated are to forgive residential and commercial customer arrearages that occurred during the period of March 4, 2020 to June 15, 2021 as a result of the COVID-19 pandemic.

On February 22, 2022, DWP provided a report to the Ad Hoc Committee on COVID-19 Recovery and Neighborhood Investment on receiving state financial relief for electricity and drinking water arrearages, and a status report on the wastewater relief program. DWP also reported on a series of customer support initiatives, and their efforts to connect customers with other federal and state programs to assist households with the financial impact of the COVID-19 pandemic. DWP's collection moratorium expired on March 31, 2022.

Solid Resources Utility Relief

As instructed by the City Council, our Office, with the assistance of the CAO, DWP, and the Bureau of Sanitation, reviewed options in which the City could assist residents with outstanding utility arrears. Staff have been working closely with DWP as they implemented the electricity and drinking water utility relief programs. As DWP serves as the billing agent for the Bureau of Sanitation, additional coordination was required to apply for the state's wastewater relief program, which is currently in progress and addressed in further detail below. While reviewing available state and federal utility assistance efforts, including the Housing is Key program, which provides both rental and utility assistance, and the federal Low Income Home Energy Assistance Program, staff determined that limited financial assistance was available for those customers with solid resources related debt.

To develop a financial assistance program that is consistent with the state's recent efforts, this report recommends establishing an eligible relief period of March 4, 2020 through June 15, 2021. This will allow DWP and the Bureau of Sanitation to provide uniform information to the public with regard to the City's utility relief efforts. Based on data from DWP, there are 23,101 accounts listed as active residential low income customers with a total of \$7.95 million in solid resources arrears. Similar to the state's utility programs, customers will not need to apply for financial assistance. Low income customers will automatically receive a credit on their bill. However, DWP is currently implementing the state's wastewater relief program as the state recently approved the Bureau of Sanitation's application for funds. DWP recommends that the solid resources credit occur subsequent to the wastewater relief program. Therefore, the solid resources credit is estimated to be implemented in late June / early July 2022.

A total of \$10 million is set aside in the Unappropriated Balance for utility relief in the Fiscal Year 2021-22 Adopted Budget. This report recommends transferring \$8 million of these funds to the Bureau of Sanitation to implement a solid resources financial assistance program for

registered low income customers. To provide the City Council with the option of extending utility relief in the following fiscal year, this report includes a recommendation to reappropriate the remaining \$2 million in the Unappropriated Balance on July 1, 2022.

Our Office further recommends that the City Council instruct the Bureau of Sanitation, in coordination with DWP, to implement the Solid Resources Fund Low Income Customer Arrearage Program as detailed above and report to the City Council on the final payment amount credited to customers at the completion of the program.

State Utility Relief Programs

On May 4, 2021, the City Council adopted Resolution (O'Farrell - Krekorian) to support state legislation or administrative action to allocate \$1 billion for utility debt relief for arrearages associated with COVID-19 (Council File 21-0002-S11). The State's FY 2021-22 Budget provided \$993 million for the CAPP to address electricity and natural gas arrears, and \$985 million for the CWAPP to address drinking water and wastewater arrears. Below is a summary of the state's utility relief efforts, which is being implemented by DWP and the Bureau of Sanitation:

- Electricity Arrears

CSD conducted a survey among public and private utilities to establish the amount of arrears eligible for funding. CSD also established a prioritized method for funding as follows: 1) Active residential arrears that are at-risk of disconnection; 2) Active residential arrears; 3) Inactive residential arrears; and, 4) Commercial arrears.

In November 2021, CSD allocated approximately \$201 million to DWP, which was used to address active and inactive residential customer electricity arrears. The credit provided financial relief to approximately 235,000 residential customers. There was no need for customers to apply for the credit. Eligible customers automatically received a credit on their bills in January 2022.

DWP reports that there remains approximately \$108.9 million in commercial electricity arrears accrued during the pandemic, which was not addressed by the CAPP allocation due to a lack of sufficient funds. In response, on December 7, 2021, the City Council adopted Resolution (O'Farrell - Price) to support state legislation or administrative action to fully address the remaining financial gap in customer arrears under the CAAP (Council File 21-0002-S188). The California Municipal Utilities Association, in partnership with Investor-Owned Utilities, are also advocating for additional utility relief and that the state expand its programs to include an additional six (6) months of eligibility, which would cover the time period of June 16, 2021 to December 31, 2021 in recognition of the financial impacts related to the Omicron variant surge. Our Office, in coordination with DWP, will continue to monitor whether the state provides additional funding for utility relief.

- Drinking Water Arrears

The State Water Board conducted a survey of community water systems to establish the amount of arrears eligible for drinking water. Based on the responses to the Drinking Water Arrearage Survey, the State Water Board reported that there are sufficient funds available to meet 100 percent of the reported drinking water arrearages.

In January 2022, the State Water Board allocated approximately \$74 million to DWP, which was used to address both residential and commercial drinking water arrears. The credit impacted 58,000 residential and 4,600 commercial customers, respectively. There was no need for customers to apply for the credit. Eligible customers automatically received a credit on their bills in January 2022.

- Wastewater Arrears

On April 11, 2022, the State Water Board informed the Bureau of Sanitation that their application to address wastewater arrearages was approved in the amount of \$59.7 million. The credit will provide financial relief for 74,729 residential and 5,220 commercial customers, respectively. DWP and the Bureau of Sanitation are currently preparing to implement this utility relief program.

Customer Support Initiatives

On February 22, 2022, DWP provided a report to the Ad Hoc Committee on COVID-19 Recovery and Neighborhood Investment on a series of customer support initiatives, and their efforts to connect customers with other federal and state programs to assist households with the financial impact of the COVID-19 pandemic. Please note that DWP's collections moratorium ended on March 31, 2022. DWP's customer support programs are summarized below:

- Streamlined Enrollment for the EZ Save (Low Income) Discount Program

DWP has made the process of enrollment easier and more accessible by no longer requiring proof of income documents. DWP will instead implement a new audit process to ensure integrity of the program. DWP has also increased its targeted outreach efforts.

- Extended Payment Arrangements

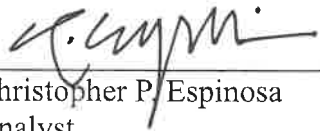
DWP has implemented greater flexibility by allowing 48 months of extended payment arrangements for discount customers, which is double the length of previous terms. The department is also allowing 36 months of extended payment arrangements for all other customer categories, which is triple the length of previous terms. In addition, no down payment is required to enter into an extended payment arrangement.

- Level Pay

In July 2022, DWP will launch the Level Pay program to allow fixed monthly payments to make bills more predictable and easier to manage. The fixed monthly payment will be based on past usage, which will smooth the cost fluctuations in utility bills.

- Additional Efforts

DWP reports that they have increased customer language support; conducted extensive and on-going outreach to community based organizations; and, integrated utility relief payments with the State's Housing is Key program.



Christopher P. Espinosa
Analyst