

# Agenda Report

October 4, 2021

**TO:** Honorable Mayor and City Council  
**THROUGH:** Municipal Services Committee (September 28, 2021)  
**FROM:** Water and Power Department  
**SUBJECT:** **ADOPT A RESOLUTION APPROVING PARTICIPATION IN THE CALIFORNIA ARREARAGE PAYMENT PROGRAM AND A RESOLUTION APPROVING PARTICIPATION IN THE CALIFORNIA WATER AND WASTEWATER ARREARAGE PAYMENT PROGRAM**

## **RECOMMENDATIONS:**

It is recommended that the City Council:

1. Find that the proposed action is exempt from the California Environmental Quality Act ("CEQA") pursuant to State CEQA Guidelines Section 15061 (b)(3) (Common Sense Exemption);
2. Adopt a resolution approving participation in the California Arrearage Payment Program; and,
3. Adopt a resolution approving participation in the California Water and Wastewater Arrearage Payment Program.

## **EXECUTIVE SUMMARY:**

To further support customers impacted by the COVID-19 pandemic, the Water and Power Department ("PWP") recommends participating in two new utility assistance programs that provide support to customers with delinquent energy and water bills. The approved federal funds will be administered through state agencies to help residential and commercial utility customers who have fallen into delinquent status on their utility bills for services provided from March 4, 2020 through June 15, 2021.

The programs are structured to require utilities to apply for participation while individual customers do not need to apply to receive bill assistance. If a customer account is determined to be eligible for assistance according to the requirements of the programs, a credit will be applied directly to the customer's electric, water and sewer services on the utility bills to the extent funding is available. The City will not issue checks or payments directly to utility customers.

In compliance with the legislation, PWP will not impose late fees or penalties and will not be disconnecting service for past due accounts while the programs are being implemented. The amount of funding that PWP will receive is unknown and the timeline for implementing these programs has not been finalized.

PWP's participation in the programs will help provide customers with much-needed relief from past due utility bills, and will reduce uncollected accounts receivable to improve the financial position of the City's utilities.

### **BACKGROUND:**

Due to the COVID-19 pandemic, millions of Californians have fallen behind on payment of their electric, water and wastewater utility bills. In Pasadena, total pandemic-related customer arrears of more than 60 days for electric, water and sewer accounts as of June 30, 2021 are over \$8.2 million and affects approximately 10,500 customers.

The State of California, using funds provided by the federal American Rescue Plan Act of 2021 ("ARPA"), recently approved two programs offering direct financial assistance to electric and water utilities in order to address customer arrears accrued during the pandemic. The State Budget Act of 2021 appropriated \$993.5 million from ARPA to establish the California Arrearage Payment Program ("CAPP") for electric service and \$985 million to create the California Water and Wastewater Arrearage Payment Program ("CWWAPP").

The California Department of Community Services and Development ("CSD") is administering the CAPP program while the State Water Resources Control Board ("Water Board") is administering the CWWAPP program. Both programs are designed to provide utility financial assistance for active and inactive, residential and commercial customer accounts with unpaid balances that are at least 60-days past due for services provided from March 4, 2020 through June 15, 2021. The relief period dates are consistent with the Governor's Executive Orders N-33-20 and N-07-21 which established the beginning and end of the statewide stay-at-home order, respectively.

Utility customers do not need to apply individually to receive assistance under the CAPP or CWWAPP program and there is no income qualification for either program. Disadvantaged communities may be identified in the state programs as a priority, although this has not been confirmed.

PWP will be required to apply directly to CSD and the Water Board on behalf of its customers and each agency will allocate funding directly to eligible utilities that apply. The State is in the process of finalizing the requirements and application processes for both programs. As such, it is not known how much funding PWP would receive from either program at this time. It should be noted that PWP is unlikely to receive funding sufficient to provide credit for the full amount of past due balances for all affected customers. The State is in the process of determining how partial funding would be applied for eligible customers. At this time, both programs have identified residential customers as the first priority if total funds are not adequate to cover all outstanding amounts.

The programs cover past due amounts that remain unpaid at the time a utility receives program funding. Utilities will then credit eligible customer accounts based on CSD and Water Board guidelines, which are currently under development. Payments made by customers subsequent to the end of the eligibility period may reduce the amount of assistance credit applied to those customer accounts.

The City expects to submit all eligible outstanding bill amounts in December 2021. Once the State receives all submissions from utility providers, the funding allocations are expected to be made in the first half of calendar year 2022. If the bill credit does not cover the customer's full arrears amount, they will be offered the opportunity to enroll in a payment plan for the balance owed.

The CWWAPP program is intended to initially prioritize drinking water arrearages. If the program has available funding after all past due water bill balances have been covered, it will extend to wastewater arrearages in 2022.

The assistance programs are directed toward utility customers who are unable to pay their bills due to the impacts of COVID-19. Customers who are able to pay some or all of their bills, whether current or past due, are encouraged to do so. Additionally, customers who are currently enrolled in payment plans with PWP are encouraged to continue making payments under the terms of the agreement. As part of the program participation requirements, PWP will not impose late fees or penalties and will not be disconnecting service for past due accounts while the programs are being implemented.

Along with this federal funding, PWP also offers a number of bill assistance support for low-income customers. Eligible customers are also encouraged to apply for other federal and state programs available for rental assistance and utility bills through the Housing Is Key program and the Low Income Home Energy Assistance Program ("LIHEAP"). To learn more visit <https://PWPweb.com/CovidFederalFunds>.

### **COUNCIL POLICY CONSIDERATION:**

This action supports the City Council's strategic goal to maintain fiscal responsibility and stability.

### **ENVIRONMENTAL ANALYSIS:**

The proposed actions have been determined to be exempt from CEQA pursuant to State CEQA Guidelines Section 15061 (b)(3), the common sense exemption (formerly the "general rule") that CEQA only applies to projects that may have an effect on the environment. Where it can be determined with certainty that there is no possibility that the activity in question may have a significant effect on the environment, the activity is not subject to CEQA. The proposed programs are financial assistance programs and do not propose any physical changes to the environment and, thus, have no possibility to result in a significant effect on the environment. Therefore, these programs are exempt from CEQA per Section 15061(b)(3).

**FISCAL IMPACT:**

The maximum fiscal impact of the recommended action would reduce outstanding past due utility bills by more than \$8.2 million. Eligible utility customers would directly benefit by the credits applied to their account balances for electric, water and sewer services with funds provided by the State when the process is fully implemented. The bill credits provided by the CAPP and CWWAPP programs may be considered a taxable benefit to the recipients. If so, the City of Pasadena would be responsible for issuing a Form 1099 to each customer to whom a bill credit greater than \$599 was applied. The tax status of the past due utility bill assistance has not been determined at this time.

The actual amount of assistance funds for PWP customers is not known at this time. Funds received from the assistance programs will also reduce unpaid accounts receivable and increase cash balances for the Light and Power, Water and Sewer funds.

Respectfully submitted,



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Prepared by:



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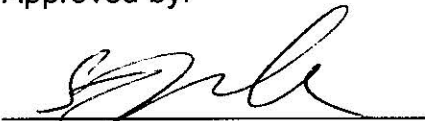
Concurred by:



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