

Date: August 9, 2021

To: Thomas B. Modica, City Manager



From: Robert Dowell, Director, Energy Resources



Christopher J. Garner, General Manager, Long Beach Water Department



Diko Melkonian, Deputy Director, Public Works



John Gross, Interim Director, Financial Management



For: Mayor and Members of the City Council

Subject: **Utility Pandemic Relief Program and Payment Delinquency Moratorium Extension to January 31, 2022**

The City's various utility services (natural gas, water, sewer, refuse) are supported by monthly billing of customers for the services provided. Prior to the COVID-19 pandemic, customers who failed to pay their utility bill in a timely manner were subject to late fees and, ultimately, subject to termination of utility services and possible City-initiated collection efforts if the customer continued to fail to make payment. These actions are considered necessary to ensure payment, keep the utilities financially healthy, and avoid other customers paying higher fees.

With the onset of COVID-19, the City initiated steps to avoid furthering the financial burdens experienced by utility customers impacted by the pandemic. In March 2020, the City suspended charging late fees to utility customers, suspended terminations (shut-offs) of utilities for non-payment, and suspended collection efforts for amounts in arrears. This suspension of late fees, utility service shut-offs, and collection efforts continues to date and the Governor has recently extended the moratorium of utility shut-offs through September 30, 2021.

### **Dramatic Increase Seen In Past Due Balances Owed By Utility Customers**

Because of the moratorium on shut-offs and late payment penalties enacted due to the pandemic, the past due balances owed by our utility customers have sharply increased. The likelihood of collecting past due amounts is much more uncertain than usual. While the moratorium is appropriate as it provides necessary relief for customers experiencing economic hardship during the pandemic, it also puts a strain on utility finances that could result in future rate increases to all customers if the outstanding utility bills are not either paid or offset by other funding sources.

The change in total outstanding receivables from the pre-pandemic totals is a good indicator of the effect on unpaid bills due to the pandemic as well as the related relaxation of collection activities for past due amounts. As shown in the following below, the Long Beach utilities have a net increase of \$5.2 million in receivables aged 60 days or older, and it is reasonable to assume that the eventual collection of a significant portion of this increased receivable is in jeopardy.

**Increase in Customer Balances Owing Due to the Pandemic**  
(in jeopardy of not being collected)

	<b>Over 60 Days Late</b>	<b>Pre-COVID</b>	<b>Current</b>	<b>Increase</b>
Water/Sewer	# of Accounts	1,445	17,983	<b>16,538</b>
	Amount Owing	\$115,385	\$1,673,647	<b>\$1,558,262</b>
Natural Gas	# of Accounts	6,436	38,471	<b>32,035</b>
	Amount Owing	\$300,016	\$2,519,298	<b>\$2,219,282</b>
Refuse	# of Accounts	3,085	26,808	<b>23,723</b>
	Amount Owing	\$75,844	\$1,487,624	<b>\$1,411,780</b>
<b>TOTAL</b>	<b># of Accounts</b>	<b>10,966</b>	<b>83,262</b>	<b>72,296</b>
	<b>Amount Owing</b>	<b>\$491,245</b>	<b>\$5,680,569</b>	<b>\$5,189,324</b>

These amounts are expected to increase until the moratorium concludes and collection efforts are restored. We are optimistic that State and federal financial assistance programs, including the Emergency Rental Assistance Program (ERAP), will resolve a significant portion of the past due amounts owed by our utility customers. However, it is also critical to plan now for the conclusion of the shut-off moratorium to minimize impacts to residents and businesses still recovering from the pandemic, as well as to mitigate the eventual rate impacts the remaining bad debt will have on all the City’s utility customers.

**Actions Proposed**

While there has clearly been a significant increase to payment arrearages over pre-pandemic levels, it is equally clear that the City’s moratorium has provided for the necessary continuity of critical utility services as well as much-needed relief for our utility customers experiencing pandemic-related financial distress. As the needs of our customers continue for the foreseeable future, and for reasons discussed below, staff recommend extending the City’s moratorium on shut-offs and late fees significantly beyond the ending of the State’s moratorium, currently set to conclude on September 30, 2021.

Currently proposed legislation in Sacramento requires that utilities must fully distribute the significant State/federal financial relief to the customers by no later than January 31, 2022. The City’s utilities intend to implement the Updated Utility Pandemic Relief Program, discussed below, during the full length of time anticipated to be available to our customers to access this State/federal assistance. Therefore, the utilities recommend that the City continue with its moratorium until **February 1, 2022**.

Continuing the City’s moratorium beyond the State’s timeframe will provide additional time for utility customers to access significant financial relief currently available and additional relief funding anticipated to become available from the State and federal government. Moreover, the

additional time allows for increased outreach to customers to inform them of the City's extended payment plan options and to encourage using the payment plan mechanism to pay down their past due utility balances without any penalty.

The utilities' proposals are based upon best practices that other California utilities are using to most effectively collect past due amounts, while continuing to recognize the financial strain that so many customers have experienced due to the pandemic. We are also planning to add a few new features of our own to better serve our customers.

### **Updated Utility Pandemic Relief Program**

The updated Utility Pandemic Relief Program includes the following actions:

- Initiate an increased communication campaign to assist customers in a manner sensitive to pandemic impacts
- Provide notifications well in advance of the February 1, 2022 reinstatement of late fees, shut-offs, and collection activities (all which are avoidable provided the customer arranges and abides by a payment plan)
- On behalf of our customers, utilities will pursue financial relief available from federal, State, and local COVID-19 assistance programs that reduce past due amounts owed by Long Beach utility customers
- Provide customers with detailed information and personal assistance to best position themselves to take advantage of such financial assistance programs
- Encourage payment through temporary incentives, which include:
  - Utilization of State/federal financial relief assistance to reduce customers' outstanding balances
  - No late payment fees, utility shut-offs, or collections initiated any earlier than February 1, 2022
  - Offering of extended payment plans of up to 24 months, with the waiving of any late fees/penalties if payments are timely maintained
  - Protection against utility shut-off if customer voluntarily agrees to, and abides by, an extended payment plan
  - One-time waiver of reconnection fee if disconnected customer subsequently agrees to, and abides by, an extended payment plan
- When eventually reinstated, utility shut-offs will initially be focused on those with the highest outstanding balances (who also have not agreed to and maintained an extended payment plan), with shut-offs phased in gradually for those customers with lesser outstanding balances

Should City Council action be required on these items, staff will bring these recommended actions to the City Council as soon as possible. As more definitive information is provided by the State on its financial relief programs and deadlines, there may be changes to what is outlined in this memorandum. Any significant changes will be communicated to the City Council.

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We believe this updated Utility Pandemic Relief Program and accompanying actions not only provide our customers with needed relief, but also put our utilities on a well-defined path to maintain the financial health of our utilities and avoid additional burdens on our overall rate paying base.

If you have any questions, please contact Chris Garner at (562) 570-2318 or Bob Dowell at (562) 570-2001.

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