

Date: September 20, 2024

To: Thomas B. Modica, City Manager



From: Kevin Riper, Director of Financial Management



For: Mayor and Members of the City Council

Subject: **Resumption of Utility Services Late Fees and Collection Efforts**

Many local residents and businesses were heavily impacted by the COVID-19 pandemic. To aid residents and businesses during this difficult time, the City of Long Beach (City) suspended late fees, collection efforts, and service disconnections for utility services in March 2020. In alignment with other City operations, the Department of Financial Management, Commercial Services Bureau (CSB) has developed a strategy to continue to support customers while moving toward resumption of late fees and collection efforts in close collaboration with the Long Beach Utilities Department (LBU), Public Works (PW), and the Technology and Innovation Department (TID).

Background

Since March 2020, CSB, PW, and LBU have worked together to provide significant relief to residential and commercial utility customers. Through several one-time relief programs, as well as ongoing programs, the City continues to financially aid Long Beach Utility customers:

One-Time Programs

- LBU secured over \$4.2 million in funding from State and Federal programs over the past four years.
 - Utility accounts were not subject to any adverse action (e.g., shut-offs) during the application and disbursement of relief funding.
- LBU approved a \$7.5 million relief fund in February 2023 to distribute one-time credits of \$45 to \$200 for qualifying utility customers.

Ongoing Programs

- Flexible Payment Plans
- Level Payment Plan
- Low-Income Discount Programs
- Medical Heating Allowance Program
- Low-Income Home Energy Assistance Program

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Account (Delinquency) Update as of August 31, 2024

- Shut-offs for Water accounts resumed in August 2023 for residential accounts with a delinquent balance over 60 days in arrears. The threshold for shut-offs was initially \$3,000, subsequently reduced to \$1,200, and is currently \$800.
 - The pre-pandemic delinquent account balance threshold for shut-offs was \$50.
- Shut-offs for residential Gas accounts is targeted for resumption on September 29, 2024. It is currently in user acceptance testing. The threshold for shut-offs will remain at \$800.
 - The pre-pandemic delinquent account balance threshold for shut-offs was \$50.
- Shut-offs for commercial Gas and Water accounts resumed in March 2024 with a threshold of \$200 over 60 days in arrears.
 - The pre-pandemic delinquent account balance threshold for shut-offs was \$50.

The table below indicates utility services arrearages as of August 31, 2024, for commercial and residential accounts with a delinquent balance over 120 days.

Utility Services Accounts Receivable							
Service Type	Account Type	A/R Amount 121-180 Days	A/R Amount 181-365 Days	A/R Amount 1 to 2 Years	A/R Amount 2 to 3 Years	A/R Amount Over 3 Years	Total
Gas	Commercial	\$38,577	\$60,139	\$93,880	\$53,243	\$126,492	\$372,330
	Residential	\$1,144,460	\$1,662,400	\$2,605,748	\$857,838	\$148,932	\$6,419,378
	Total	\$1,183,037	\$1,722,539	\$2,699,628	\$911,080	\$275,424	\$6,791,708
Water	Commercial	\$26,997	\$61,364	\$38,941	\$23,390	\$73,987	\$224,679
	Residential	\$229,616	\$368,590	\$235,178	\$7,000	\$37,599	\$877,984
	Total	\$256,613	\$429,954	\$274,120	\$30,391	\$111,586	\$1,102,664
Refuse	Commercial	\$15,383	\$24,561	\$34,985	\$40,176	\$36,576	\$151,680
	Residential	\$803,253	\$1,381,486	\$1,604,176	\$865,342	\$704,222	\$5,358,480
	Total	\$818,635	\$1,406,047	\$1,639,161	\$905,518	\$740,798	\$5,510,160
Sewer	Commercial	\$3,677	\$6,476	\$3,635	\$13,062	\$1,693	\$28,542
	Residential	\$34,489	\$55,743	\$38,276	\$658	\$5,103	\$134,268
	Total	\$38,165	\$62,219	\$41,911	\$13,719	\$6,796	\$162,810
Grand Total		\$2,296,451	\$3,620,758	\$4,654,820	\$1,860,709	\$1,134,604	\$13,567,342

While \$13.6 million of total utility services accounts receivable is a large number in absolute terms, it represents just 3.7 percent of annual charges for services (fee revenue) from the four utilities combined (\$368.9 million last fiscal year).

Utility accounts deemed appropriate for collection efforts are those with no active service that have been notified via a closing bill statement. CSB intends to focus on accounts with the greatest likelihood for collections as outlined below. Accounts with debt over two years in arrears present the lowest potential for collectability (e.g., expired statute of limitations) and are

likely eventually to be submitted for write-off as bad debt. Utility funds will absorb any write-offs through budgetary funds available.

Roadmap to Resumption of Late Fees and Collection Efforts

CSB began regular meetings with stakeholders from LBU in early Spring 2024 to outline a resumption strategy for late fees and collection efforts for commercial and residential utility services accounts. Initially, the plan was to resume late fees prior to collections; however, due to numerous competing priorities and ongoing projects in LBU, CSB has agreed to focus on resuming collections only in the Fall of 2024. CSB will continue to work with LBU on late fee resumption at a time that aligns with their prioritization schedule with TID and staffing availability for testing, implementation, and outreach. LBU's prioritization schedule (as of July 2024) includes several critical and time-sensitive projects that impact the timing of late fee resumption, including but not limited to the utility customer web portal replacement project and organic refuse collection.

Prior to resumption of late fees, CSB will coordinate with TID and LBU to inform businesses and residents of their outstanding balances and provide information and assistance to minimize impacts once late fees resume.

Currently CSB is focused on the extensive account cleanup necessary to resume collection efforts which include accounts being subject to:

- Internal collections
- External collections
- Legal action (i.e., Small Claims Court action or referral to the City Attorney's Office)

Once CSB concludes account clean up in Fall 2024, they will begin a phased approach on collection efforts as outlined below.

Phase I - Account Cleanup

- Review of delinquent accounts over 120 days to determine the likelihood of collectability of delinquent debt.
- Delinquent debt older than 3 (three) years is uncollectible based on Fair Debt Collection Practices and is subject to write off as part of AR 21-2 and Long Beach Municipal Code (LMBC) 3.48.020A and 3.48.020B.
- Address account specific tasks assigned to CSB in the Utility Billing System, CC&B, including but not limited to transfer of delinquent debt to active accounts with the same customer, as applicable.

Phase II - Resumption of Collection Efforts

- Resumption of the 11 percent Collections Charge (minimum of \$11 and a maximum of \$500) for closed utility accounts with no active service and one-time billable charges including damage claims. CSB is not proposing any changes to the current collections charge.
- Development and testing with TID to ensure accuracy of the collections charge and subsequent collections notice.
- Resumption of the printing and mailing of the Final Closing Bill delinquent notice.
- Resumption of internal collections review, including Small Claims Court action, State Franchise Tax Board Interagency Intercept Collections Program (FTB-IIC), and account referral to the City Attorney's Office as applicable.
- Testing and resumption of the external collections process including account referral to the external collection agency.

Phase III - Resumption of Late Fees

- Intent to resume late fees no later than March 2025.
- CSB is not proposing any change to the late fee structure, which remains at 4.5 percent (minimum of \$4.50).
- A survey conducted in August 2023 indicated that 27 of 30 public agencies once again assess late fees and had already resumed normal collection efforts.
- Prior to the resumption of late fees, CSB will work with LBU and TID on system testing and customer outreach which may include creating a bill insert, social media, press release, and webpage update.
- CSB will continue to meet and work with LBU on the resumption of late fees that align with their additional project and system priorities referenced earlier.

If you have any questions, please contact Diana Ambriz, Acting Commercial Services Bureau Manager, at (562) 570-7109 or Diana.Ambriz@longbeach.gov.

CC: DAWN MCINTOSH, CITY ATTORNEY
DOUGLAS P. HAUBERT, CITY PROSECUTOR
LAURA L. DOUD, CITY AUDITOR
APRIL WALKER, ASSISTANT CITY MANAGER
TERESA CHANDLER, DEPUTY CITY MANAGER
MEREDITH REYNOLDS, DEPUTY CITY MANAGER
GRACE YOON, DEPUTY CITY MANAGER
TYLER BONANNO-CURLEY, DEPUTY CITY MANAGER
KEVIN LEE, CHIEF PUBLIC AFFAIRS OFFICER
MONIQUE DE LA GARZA, CITY CLERK
DEPARTMENT HEADS