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Title: ***RESOLUTION - Authorizing the Department of Public Utilities to apply for and participate in the California Water and Wastewater Arrearage Payment Program (Subject to Mayor's Veto).

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REPORT TO THE CITY COUNCIL

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SUBJECT

***RESOLUTION - Authorizing the Department of Public Utilities to apply for and participate in the California Water and Wastewater Arrearage Payment Program (Subject to Mayor's Veto).

RECOMMENDATION

Staff recommends that City Council adopt a Resolution authorizing the Department of Public Utilities to apply for and participate in the California Water and Wastewater Arrearage Payment Program (CWWAPP).

EXECUTIVE SUMMARY

The CWWAPP is designed to help community water and wastewater systems address past-due bills accumulated from March 4, 2020 to June 15, 2021, the COVID-19 pandemic bill relief period. The Fiscal Year 2021-22 State Budget Act appropriated \$985 million from the Coronavirus Fiscal Recovery Fund, established by the American Rescue Plan Act of 2021 (ARPA). The State Water Resources Control Board (SWRCB) will administer the program for payments to community water systems to forgive residential and commercial customer arrearages accrued during the COVID-19 pandemic bill relief period. During the summer, the SWRCB surveyed community water systems to

determine total statewide residential and commercial customer arrearages and water enterprise revenue shortfalls. On September 21, 2021, based on the findings from this survey, the SWRCB adopted the program guidelines and the application period opened on October 5, 2021, and will close on December 6, 2021.

The City of Fresno (City) is eligible to receive this funding and staff is requesting approval to apply for a total of approximately \$4.2 million pending final determination of eligible customer accounts. Of this amount, \$4.1 million will be applied directly to past due balances on eligible residential and commercial water customer accounts (estimated at 12,650), thereby reducing accounts receivable and the potential of bad debt incurred by the utility. The City must apply these bill credits within 60 days of receiving funds and notify customers. Also, as the City may expend up to 3 percent of this amount to cover costs incurred with complying with this assistance, an additional \$100,000 is included in the application.

BACKGROUND

On March 4, 2020, Governor Newsom proclaimed a state of emergency due to the COVID-19 pandemic and issued Executive Order N-42-20 prohibiting discontinuation of water service indefinitely, issued Executive Order N-33-20 to require individuals to stay at home except as needed to maintain continuity of critical operations, and issued Executive Order N-60-20 that created a risk-based approach to reopening the economy, among other executive actions. The stay at home order and risk-based reopening framework were rescinded on June 11, 2021, by Executive Order N-07-21 and many provisions of other Executive Orders were phased out by Executive Order N-08-21.

On March 19, 2020, in response to this order and other pandemic related issues, the City Council suspended utility shutoffs due to non-payment and waived all late fees and interest. This moratorium will expire when the City's State of Emergency is lifted. As a result, the accounts receivable amount for the period of 61 to 365 days has increased dramatically from \$1.2 million in FY 2020 to \$4.2 million in FY 2021.

In response to the economic impacts caused by the COVID-19 pandemic and associated public health measures, including leaving many Californians unable to pay their utility bills due to lack of reliable and consistent employment; the State Budget Act of 2021, included \$985 million to the SWRCB to administer the CWWAPP to provide relief to community water and wastewater systems for unpaid bills related to the pandemic from March 4, 2020 and ending June 15, 2021. The funding source for CWWAPP is a portion of the State's share of the Coronavirus State Fiscal Recovery Fund established under ARPA.

On September 21, 2021, based on the results of a survey conducted in August and September, the SWRCB adopted program guidelines establishing the process and criteria for the allocation and administration of funds appropriated for the program, including customer notification and protection requirements. The application period opened on October 5, 2021, with a deadline for submission of December 6, 2021.

The City is eligible to apply to receive approximately \$4.1 million in CWWAPP funding on behalf of as estimated 12,650 eligible residential and commercial water customers' (commercial excludes industrial, agricultural irrigation, or landscape irrigation) bills that are 60 days or more past due during the period starting March 4, 2020 and ending June 15, 2021. This includes both active and inactive accounts, as well as customer accounts that have payment plans or payment arrangements. The

final amount will be determined after all eligible customer account balances have been identified. Within 60 days of receiving CWWAPP funding, the City will allocate payments as bill credits directly to customer accounts to help address past-due billed amounts for water services and will notify customers of the amounts credited to their accounts. In addition, the City is eligible to apply for up to 3 percent or around \$100,000 for the costs incurred in applying for or complying with the use and reporting conditions of the assistance. The total application amount will be approximately \$4.2 million. The final application amount will be determined after all eligible customer account balances have been identified.

Because CWWAPP funding has more pressing deadlines for the application process and then allocating the funds, it is recommended that this source be utilized now to pay off the past due amounts for eligible water bills from March 4, to June 15, 2021. This will free up funding from other assistance programs with more extended deadlines, i.e., the Emergency Rental Assistance Program (ERAP). These funds will then be available to address the additional needs of impacted residents including other City utility charges (which can include those water customers with outstanding balances outside the CWWAPP time period), home energy costs, rental assistance or any other eligible expenditures.

CWWAPP will fund debt related to drinking water systems first, and if funds remain after January 31, 2022, the program will be extended by the SWRCB to address wastewater arrearages. This will require a separate application and approval process.

The Resolution for authorization to apply and participate in the CWWAPP has been approved as to form by the City Attorney's Office. Adoption of this Resolution and identifying an individual authorized to execute agreements is necessary to proceed. As part of its application, the City must provide a completed Authorized Representative Delegation Form and Conditions of Payment form.

ENVIRONMENTAL FINDINGS

Pursuant to the definition in California Environmental Quality Act Guidelines Section 15378, application not and participation in CWWAPP is not a project.

LOCAL PREFERENCE

Local preference was not implemented, as this item does not involve a bid or award of a construction or services contract.

FISCAL IMPACT

Acceptance of the CWWAPP funding will not impact the General Fund. The funds received will be used to reduce or eliminate past due balances on residential and certain commercial water customer accounts. This will reduce accounts receivables and the potential of bad debt incurred by the Water enterprise system. All funds, totaling \$4.2 million will be deposited in the Water Enterprise Fund (40101). The estimated amounts are \$4.1 million for customers' arrearages and \$100,000 for program costs (3% of the arrearage amount).

Attachment:

Resolution - Authorization for Department of Public Utilities to Apply for and Participate in CWWAPP