



City of Santa Clara

1500 Warburton Avenue
Santa Clara, CA 95050
santaclaraca.gov
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Agenda Report

21-1446

Agenda Date: 11/16/2021

REPORT TO COUNCIL

SUBJECT

Action to Authorize the City Manager to Take All Appropriate Actions Required for Participation in the California Arrearage Payment Program and the California Water and Wastewater Arrearage Payment Program

COUNCIL PILLAR

Deliver and Enhance High Quality Efficient Services and Infrastructure

BACKGROUND

Since March 4, 2020, California has been under a State of Emergency declaration as a result of the COVID-19 pandemic. In response to the COVID-19 pandemic, California took steps to limit economic impacts on residents including statewide moratoriums on electric, natural gas, and water utility disconnections to protect households that may have fallen behind on these utility bills. Due to the economic impact of the COVID-19 pandemic many utility customers have accrued significant utility bill debt and face potential service interruptions if delinquent account balances are not resolved. In response to the customer utility debt Californians are facing today, the State Budget Act of 2021 appropriated almost \$2 billion from the American Rescue Plan Act of 2021 (ARPA) to support the establishment of 2 different arrearage payment programs: 1) the California Arrearages Payment Program (CAPP) for electric and natural gas utilities administered by the State Community Services and Development (CSD) Department; and 2) the California Water and Wastewater Arrearage Payment Program (CWWAPP) for water and wastewater utilities administered by the California State Water Resources Control Board (SWRCB).

The two programs are administered by their respective agencies but share the same general process within each agency. Each agency will survey their respective utilities for the total amount of debt accrued for bills at least 60 days past due for usage during the COVID-19 pandemic bill relief period of March 4, 2020 through June 15, 2021. The state will use the survey results to calculate an allocate the available funds and notify each utility of the maximum amount of award for which each utility can apply. Each utility will then submit an application to the respective agency with itemized arrearage amounts and will be required to agree to the terms and conditions of the respective agency (CSD or SWRCB) to receive funds. After the State has reviewed and approved the application, the State will distribute the funds to the utilities. The utilities will use and apply the funds from the State to the eligible arrearage for each account and inform each customer of such action. Each utility will report back to the state on how the funds are disbursed and return any unapplied funds.

DISCUSSION

As of the end of August 2021, the total arrearages accrued during the COVID-19 pandemic bill relief period is approximately \$2,544,000, with approximately \$2,011,000 due to the electric utility, and approximately \$533,000 due to the water and wastewater utilities. The arrearage programs are

funded by the State and are not ratepayer funded. There will be significant staff effort required by the respective utilities departments and the Finance Department to respond to complete the application, apply the funds to the eligible accounts, and report the results of the distribution of funds to the state. The additional staff effort may require overtime payments or delays on other projects and workloads, cost of which may be recoverable through the program.

CAPP

SVP was notified that it would be receiving approximately \$1,313,013 for the CAPP. Given that CAPP funding will not cover SVP's total reported arrearages, SVP will be required to prioritize the issuance of CAPP assistance across the four priority groups below defined by CSD.

- Priority Group 1 - Active Residential accounts who are at risk of disconnection
- Priority Group 2 - Active Residential accounts who are not at risk of disconnection
- Priority Group 3 - Inactive Residential accounts
- Priority Group 4 - Active and inactive commercial accounts.

CSD has issued guidance for distribution of funds using a "Waterfall" method, which will serve customers in order of priority by distributing CAPP funds in a way that provides a meaningful benefit to all customers within a utility company's highest customer priority group before providing a CAPP benefit to subsequent customer priority groups in the same manner; and treat customers equitably by ensuring that all customers within a particular priority group receive the same level (percentage) of arrearage offset.

It is anticipated that every customer in the highest priority group will receive a CAPP benefit equal to 100 percent of the CAPP-eligible arrearages and any allocation left over will be divided by the total arrearages for the next-highest priority group to obtain the percent of allocation-to-arrearages. If the percentage is less than 100 percent, that percentage will be applied as the CAPP benefit across all customer accounts in that group. If the percentage is greater than 100 percent, then each customer in that priority group will receive a CAPP benefit equal to 100 percent of their CAPP-eligible arrearages and this step will be repeated for the next-highest priority group.

CWWAPP

The Santa Clara Water and Sewer Utilities has been notified that there is sufficient funding in the CWWAPP program to cover arrearages associated with drinking water.

Alternatives

The only other option is not to participate in the programs and forgo the opportunity to recover a portion of debt accrued due to the COVID-19 pandemic. Instead, the City will utilize its best efforts to collect the debt and/or write off the bad debt if the debt is not recoverable.

Next Steps and Recommendation

CSD and SWRCB processes are moving quickly with relatively short deadlines even though not all of the program details have been finalized or confirmed as of the end of August. Silicon Valley Power (SVP) and the Water & Sewer Utilities have been working closely with other utilities, joint action agencies, and the CSD and SWRCB respectively on implementation of the program. In an effort to expedite the process, staff is recommending delegation of authority to the City Manager to take all appropriate actions required to access the funds being made available by the CSD and SWRCB on behalf of Santa Clara customers, which may include but is not limited to, the execution of an

agreement on the terms and conditions of receiving program funds and/or attestation as to the accuracy of the information provided.

ENVIRONMENTAL REVIEW

The action being considered does not constitute a “project” within the meaning of the California Environmental Quality Act (“CEQA”) pursuant to CEQA Guidelines Section 15378(a) as it has no potential for resulting in either a direct physical change in the environment, or a reasonably foreseeable indirect physical change in the environment.

FISCAL IMPACT

If the City participates in the program, funds will be used to assist customers with payments in arrearage in accordance with the funding awarded and the terms of the program. If the City does not participate in this program and does not recover funds, the debts due to non-payment may need to be recovered through future rate adjustments.

COORDINATION

This report has been coordinated with the Finance Department, Water & Sewer Utilities, and the City Attorney’s Office.

PUBLIC CONTACT

Public contact was made by posting the Council agenda on the City’s official-notice bulletin board outside City Hall Council Chambers. A complete agenda packet is available on the City’s website and in the City Clerk’s Office at least 72 hours prior to a Regular Meeting and 24 hours prior to a Special Meeting. A hard copy of any agenda report may be requested by contacting the City Clerk’s Office at (408) 615-2220, email clerk@santaclaraca.gov <<mailto:clerk@santaclaraca.gov>> or at the public information desk at any City of Santa Clara public library.

RECOMMENDATION

Authorize the City Manager to take all appropriate actions required for participation in the California Arrearage Payment Program and California Water and Wastewater Arrearage Payment Programs, including but not limited to:

1. Execute agreements with the State Community Services and Development Department and the California State Water Resources Control Board on the terms and conditions of receiving program funds; and/or
2. Attest as to the accuracy of the information.

Reviewed by: Manuel Pineda, Chief Electric Utility Officer

Approved by: Deanna J. Santana, City Manager