



## CITY OF GLENDALE, CALIFORNIA REPORT TO THE CITY COUNCIL

### AGENDA ITEM

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Report: Participation in the California Arrearage Payment Program (CAPP) and California Water and Wastewater Arrearage Payment Program (CWWAPP); Appropriation of Funding for Said Programs.

- 1) Adopt a resolution approving participation in the California Arrearage Payment Program
- 2) Adopt a resolution approving participation in the California Water and Wastewater Arrearage Payment Program
- 3) Resolution appropriating \$5,200,272 received from the State of California for the California Arrearage Payment Program and appropriating \$950,269 received from the State of California Water and Wastewater Arrearage Payment Program

### COUNCIL ACTION

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**Item Type:** Consent Calendar

**Approved for** December 7, 2021 **calendar**

### EXECUTIVE SUMMARY

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The State of California recently approved two programs offering direct financial assistance to water and electric utilities to address customer arrears accrued during the pandemic. These programs are the CWWAPP for water service and CAPP for electric service. The CWWAPP program is intended to prioritize drinking water arrearages. If funding is still available after all past due water bill balances have been covered, it will extend the program to cover wastewater arrearages in 2022. Utility customers do not need to apply individually to receive assistance, and there is no income qualification for either program. GWP will apply assistance directly to customer water and electric bills.

Based on an initial survey of qualified water arrearages accrued during the period March 4, 2020 to June 15, 2021, on September 16, 2021 the Water Board found that GWP was eligible to receive up to \$1,489,637 in CWWAPP funding with the understanding that actual grant amount would be equal to the amount of outstanding arrearages remaining at the time of the grant application. On November 24, 2021, GWP recalculated outstanding arrearages and applied for \$950,269 in CWWAPP funding.

Based on an initial survey of qualified electric arrearages accrued during the period March 4, 2020 to June 15, 2021, GWP requested \$7,963,966 in CAPP funding. Funding for this program was oversubscribed. On November 2, 2021, GWP was notified

it was eligible to receive up to \$5,200,272 with the understanding that actual grant amount would be equal to the amount of outstanding arrearages remaining at the time of the grant application. GWP is in the process of officially applying for up to \$5,200,272 in CAPP funding. The CAPP application is due December 6, 2021. By law, GWP will be required to disperse funds received based on customer priorities set by the State.

## **COUNCIL PRIORITIES**

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Fiscal Responsibility: These grants will reduce City's liability of unpaid utility bills.

Economic Vibrancy: These grants will help our customers to save money and reinvest their earnings back in Glendale.

## **RECOMMENDATION**

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That the City Council authorize the City Manager, or his designee, to accept State funding via California Arrearage Payment Program and California Water and Wastewater Arrearage Payment Program to provide utility bill credit for electric, water, and sewer service customers.

## **BACKGROUND**

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Due to the COVID-19 pandemic, millions of Californians have fallen behind on payment of their electric, water, and wastewater utility bills. In Glendale, total pandemic-related customer arrears of more than 60 days for electric and water, as of June 15, 2021, were over \$9.4 million and affected approximately 1,929 water and 8,608 electric customers. Glendale wastewater (sewer) arrearages will be calculated in 2022 should funding become available.

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 \$985 million to create the California Water and Wastewater Arrearage Payment Program ("CWWAPP") and \$993.5 million from ARPA to establish the California Arrearage Payment Program ("CAPP") for electric service.

The State Water Resources Control Board ("Water Board") is administering the CWWAPP program. The California Department of Community Services and Development ("CSD") is administering the CAPP 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.

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 GWP are encouraged to continue making payments under the terms of the agreement. As part of the program participation requirements, GWP will not impose late fees or penalties and will not be disconnecting service for past due accounts while the programs are being implemented.

The State of California recently approved two programs offering direct financial assistance to water and electric utilities to address customer arrears accrued during the pandemic. These programs are the CWWAPP for water service and CAPP for electric service. The CWWAPP program is intended to prioritize drinking water arrearages. If funding is still available after all past due water bill balances have been covered, it will extend the program to cover wastewater arrearages in 2022. Utility customers do not need to apply individually to receive assistance, and there is no income qualification for either program. GWP will apply assistance directly to customer water and electric bills.

Based on an initial survey of qualified water arrearages accrued during the period March 4, 2020 to June 15, 2021, on September 16, 2021 the Water Board found that GWP was eligible to receive for up to \$1,489,637 in CWWAPP funding with the understanding that actual grant amount would be equal to the amount of outstanding arrearages remaining at the time of the grant application. On November 24, 2021, GWP recalculated outstanding arrearages and applied for \$950,269 in CWWAPP funding.

Based on an initial survey of qualified electric arrearages accrued during the period March 4, 2020 to June 15, 2021, GWP requested \$7,963,966 in CAPP funding. Funding for this program was oversubscribed. On November 2, 2021, GWP was notified it was eligible to receive up to \$5,200,272 with the understanding that actual grant amount would be equal to the amount of outstanding arrearages remaining at the time of the grant application. GWP is in the process of officially applying for up to \$5,200,272 in CAPP funding. The CAPP application is due December 6, 2021. By law, GWP will be required to disperse funds received based on customer priorities set by the State.

Payments made by customers subsequent to the date of application may further reduce the amount of assistance credit applied to those customer accounts. These grant funds can only be used to cover past due amounts that remain unpaid at the time a utility receives program funding. 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. GWP will credit eligible customer accounts based on Water Board and CSD guidelines.

The State will review and approve CWWAPP and CAPP applications on a rolling basis. CWWAPP allocations will be distributed to utilities within 2-4 weeks of the application being submitted and approved. CAPP allocations will be distributed to utilities by January 31, 2022. Utilities are required to apply benefits to customer accounts within 60 days of receiving funds. 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.

Water systems must remit any funds not credited to customers, or used by the water system to apply for funds and comply with CWWAPP requirements, back to the State Water Board within six months of receiving payment. Additionally, electric utilities shall return any portion of its unspent CAPP Allocation to CSD within 30 calendar days of the CAPP Benefit Close Date.

It must be noted that grant funds received will cover past due amounts that remain unpaid on customer accounts at the time GWP receives CWWAPP and CAPP funding. Payments made by customers subsequent to the GWP's initial CWWAPP and CAPP requests may reduce the amount of assistance credit applied to individual customer accounts.

## ANALYSIS

### CWWAPP

On November 24, 2021, GWP recalculated outstanding arrearages and applied for \$950,269 in CWWAPP funding. This amount includes \$27,678 for administration. The following table summarizes the current estimate of how CWWAPP benefits would be applied:

CWWAPP Customer Priority		Number of Customers	Total Qualified Arrearages	Total Grant Funding Expected	% Arrearage Benefit per Customer
1	Active residential customers with past due balances who are at risk of disconnection due to nonpayment;	1,048	\$ 626,796	<b>\$ 626,796</b>	100%
2	Active residential customers with past due balances;	0	\$ -	<b>\$ -</b>	0%
3	Inactive residential customers with past due balances; then	250	\$ 111,319	<b>\$ 111,319</b>	100%
4	Commercial customers with past due balances.	211	\$ 184,474	<b>\$ 184,474</b>	100%
<b>Sub-Total</b>		<b>1,509</b>	<b>\$ 922,590</b>	<b>\$ 922,590</b>	100%
3% Administration costs				<b>\$ 27,678</b>	
<b>Total Grant</b>				<b>\$ 950,269</b>	

### CAPP

GWP is in the process of officially applying for \$5,200,272 in CAPP funding. The CAPP application is due December 6, 2021. CAPP does not allow for administration costs. Per direction of the CSD, GWP will be required to disperse funds received based on customer priority set by the State, as described below at the time GWP received the funding.

Government Code Section 16429.5(f)(1) stipulates that if CAPP funding is not sufficient to meet utility applicant requests, utility applicants shall prioritize the issuance of CAPP assistance in the following order:

1. Active residential customers with past due balances who are at risk of disconnection due to nonpayment;
2. Active residential customers with past due balances;
3. Inactive residential customers with past due balances; then
4. Commercial customers with past due balances.

Utility applicants shall apply CAPP benefits to customer accounts using the “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.

Utilities shall apply the Waterfall as follows:

- If a utility’s allocation only covers a percentage of arrearages that is less than 100% in the highest customer priority group, then that percentage will be the proportion of each customer’s arrearage offset (i.e., CAPP Benefit).
- If a utility’s allocation covers a percentage of the arrearages that is greater than 100% in a utility’s highest priority group, then:
  1. Every customer in the highest priority group will receive a CAPP benefit equal to 100% of the CAPP-eligible arrearages;
  2. 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%, that percentage will be applied as the CAPP benefit across all customer accounts in that group. If the percentage is greater than 100%, then each customer in that priority group will receive a CAPP benefit equal to 100% of their CAPP-eligible arrearages, and this step will be repeated for the next-highest priority group.

The table on the next page summarizes the current estimate of how CAPP benefits would be applied:

<b>CAPP Customer Priority</b>		<b>Number of Customers</b>	<b>Total Qualified Arrearages</b>	<b>Total Grant Funding Expected</b>	<b>% Arrearage Benefit per Customer</b>
1	Active residential customers with past due balances who are at risk of disconnection due to nonpayment;	5,892	\$ 4,015,936	<b>\$ 4,015,936</b>	100%
2	Active residential customers with past due balances;	0	\$ -	<b>\$ -</b>	
3	Inactive residential customers with past due balances; then	1,910	\$ 665,842	<b>\$ 665,842</b>	100%
4	Commercial customers with past due balances.	806	\$ 3,282,188	<b>\$ 518,494</b>	16%
<b>Total Grant</b>		<b>8,608</b>	<b>\$ 7,963,966</b>	<b>\$ 5,200,272</b>	65%

## **STAKEHOLDERS/OUTREACH**

Our customers will be notified via a letter, there will be a line item on their bill, and more information will be available on our website.

## **FISCAL IMPACT**

GWP has applied for a CWWAPP grant in the amount of \$950,269 after confirmation was received from the Grantor on September 16, 2021 that GWP is eligible for up to 100% of the requested funding, plus 3% for administration. GWP has been notified that it is eligible to receive a CAPP grant of \$5,200,272 and will officially apply for this grant on or before December 6, 2021. Both amounts were not included as part of the FY 2021-22 approved budget. Therefore, staff is requesting for an appropriation in the total amount of \$6,150,541 from grant revenue in the amounts as outlined below:

From

Amount: \$5,200,272

Funding Source: Electric Works Revenue Fund

Account String GL & PL Ledger (if applicable):

GL: 31240-5820-GWP-0020-

PL: GWP00756AG-FEDERAL-0000-5820

To

Amount: \$5,200,272

Funding Source: Electric Works Revenue Fund

Account String GL & PL Ledger (if applicable):

GL: 43113-5820-GWP-0020- \$4,681,778

GL: 43114-5820-GWP-0020- \$518,494

PL: GWP00756AG

From  
Amount: \$950,269  
Funding Source: Water Works Revenue Fund  
Account String GL & PL Ledger (if applicable):  
GL: 31240-5920-GWP-0020-  
PL: GWP00757AG-FEDERAL-0000-5920

To  
Amount: \$950,269  
Funding Source: Water Works Revenue Fund  
Account String GL & PL Ledger (if applicable):  
GL: 43113-5920-GWP-0020- \$760,260  
GL: 43114-5920-GWP-0020- \$190,009  
PL: GWP00757AG

### **ENVIRONMENTAL REVIEW**

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This item is exempt from the California Environmental Quality Act (CEQA). It is not a project as defined by CEQA and there is no reasonable likelihood that compliance with AB 361 will result in any significant impacts to the environment.

### **CAMPAIGN DISCLOSURE**

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This item is exempt from campaign disclosure requirements.

### **ALTERNATIVES**

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Alternative 1: Authorize the City Manager, or his designee, to accept and appropriate State funding via CWWAPP and CAPP to provide utility bill credit for electric, water, and sewer service customers, and appropriate funding in the amount of \$950,269 for CWWAPP water bill relief and \$5,200,272 for CAPP electric bill relief.

Alternative 2: Do not approve these resolutions, which will result in not accepting State funding to assist utility customers with delinquent bills.

Alternative 3: Consider any other alternative not proposed by staff.

### **ADMINISTRATIVE ACTION**

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**Approved by:**

Roubik R. Golanian, P.E., City Manager

## EXHIBITS / ATTACHMENTS

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None.