



MEMORANDUM

TO: CITY COUNCIL

FROM: MICHAEL STEVENS, ADMINISTRATIVE SERVICES DIRECTOR

SUBJECT: CONSIDERATION OF A RESOLUTION WAIVING LATE PAYMENT PENALTIES FOR WATER AND SEWER SERVICE AND SUSPENDING THE DISCONTINUANCE OF WATER SERVICE FOR NONPAYMENT FOR BUSINESSES NOT PROTECTED BY EXECUTIVE ORDER N-42-20

DATE: APRIL 14, 2020

SUMMARY OF ACTION:

Authorizing the Administrative Services Director to waive any penalties associated with unpaid water and sewer utility fees for the March and April billing dates and suspend water disconnections for businesses not otherwise protected by Executive Order N-42-20.

IMPACT ON FINANCIAL AND PERSONNEL RESOURCES:

Late penalties of 10% of the outstanding balance are assessed to water and sewer customers if not paid on time. It is estimated that waiving payment penalties would result in lost revenue of \$5,700 per billing cycle. If approved, the March and April billing dates equate to an estimated total of \$11,400 in lost revenue.

RECOMMENDATION:

It is recommended the City Council adopt a Resolution authorizing the City's Administrative Services Director to waive any otherwise applicable late payment penalties on delinquent water and sewer bills for the March and April billing dates and suspend water service disconnections for businesses not otherwise protected by Executive Order N-42-20.

BACKGROUND:

On Tuesday, March 24, 2020, the City Council adopted a Resolution ratifying the existence of a local emergency in response to the health crisis and pandemic brought on by COVID-19 (Coronavirus). In an effort slow the spread of the disease, the County of San Luis Obispo has given the "shelter in home" directive for non-essential services and activities. In addition, the Centers for Disease Control and Prevention is urging all people to follow social distancing measures. For many residents of Arroyo Grande this has caused an undue financial burden. The City recognizes the importance of continued service of water and sewer without the fear of disconnections or late payment penalty

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charges for utility customers during this difficult and continually evolving Coronavirus situation.

On April 2, 2020, Governor Newsom enacted Executive Order N-42-20, which suspends the authority of water systems to discontinue service for nonpayment to residential and critical infrastructure sector small business customers.

ANALYSIS OF ISSUES:

The City recognizes that the pandemic is causing hardship for many residents living in Arroyo Grande, including the reality of unemployment or substantially reduced wages. The Resolution authorizes the Administrative Services Director to suspend the discontinuance of water service for nonpayment for businesses not otherwise protected by Executive Order N-42-20 and waive late payment penalties imposed for the March 4th (East side) and April 3rd (West side) 2020 utility billings. Late penalty enforcement would resume with the May and outgoing utility billings.

Utility bills typically combine both water and sewer services and are billed every other month, split between East and West sides of town. The billing month is determined by the service location address using Highway 101 as the dividing line between East and West sides of the City with the East side being billed in odd months (Jan, Mar, May, Jul, Sep, Nov) and the West side being billed in even months (Feb, Apr, Jun, Aug, Oct, Dec). Utility services were billed for the East side on March 4th and the West side on April 3rd.

A 10% penalty is added to the past due amount on the 4th of the month following the bill due date. Customers have 30 days from the billed date until the bill due date to pay. The fiscal impact from waiving late payment penalties is estimated to be \$5,700 in lost revenue per billing cycle.

ALTERNATIVES:

1. Adopt the Resolution authorizing the Administrative Services Director to waive any otherwise applicable late payment penalties on delinquent water and sewer bills for the March and April billing dates and suspend water service disconnections for businesses not otherwise protected by Executive Order N-42-20;
2. Modify the Resolution to waive late payment penalties for a different time frame;
3. Do not adopt the Resolution; or
4. Provide direction to staff.

ADVANTAGES:

This action will help water and sewer users impacted by the Coronavirus by waiving late payment penalties for the billing periods of March 4th and April 3rd and suspending service discontinuances for nonpayment for businesses that are not protected under Executive Order N-42-20, allowing for uninterrupted utility service for everyone.

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DISADVANTAGES:

Waiving payment penalties for water and sewer delinquency could reduce revenue in the current year by an estimated \$5,700 dollars per billing cycle. Waiving late payment penalties for the March and April billing cycles could result in an estimated total of \$11,400 in lost revenue.

ENVIRONMENTAL REVIEW:

No environmental review is required for this item.

PUBLIC NOTIFICATION AND COMMENTS:

The Agenda was posted at City Hall and on the City's website in accordance with Government Code Section 54954.2.

RESOLUTION NO.

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF ARROYO GRANDE WAIVING LATE PAYMENT PENALTIES FOR WATER AND SEWER SERVICE AND SUSPENDING THE DISCONTINUATION OF WATER SERVICE FOR NONPAYMENT FOR BUSINESSES NOT PROTECTED BY EXECUTIVE ORDER N-42-20

WHEREAS, on March 24, 2020, the City Council adopted a resolution ratifying the existence of a local emergency as a result of the Coronavirus Pandemic; and

WHEREAS, the Centers for Disease Control and Prevention, the California Department of Health, and San Luis Obispo County have all issued shelter in place orders to enforce social distancing, prohibited group events, and taken other precautions to protect public health and prevent transmission of this highly communicable virus; and

WHEREAS, on April 2, 2020, Governor Newsom issued Executive Order N-42-20, which suspended the authority of urban and community water systems to discontinue water service to residential and critical infrastructure sector small business customers for nonpayment until further notice; and

WHEREAS, as a result of the public health emergency and the orders related thereto, many residents and businesses in Arroyo Grande have and will experience sudden and unexpected income loss and some residents have or will become unemployed, which will significantly impact their ability to pay for water and sewer services in a timely manner; and

WHEREAS, the City Council wishes to authorize the Administrative Services Director to waive imposition of late payment penalties for the March and April billing dates and suspend the discontinuation of water service to businesses not otherwise protected by Executive Order N-42-20 for nonpayment.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Arroyo Grande that:

1. The recitals set forth herein are true, correct and incorporated by reference.
2. The Administrative Services Director is hereby authorized to waive late payment penalties for water and sewer service for the March and April billing dates.
3. Discontinuation of water service to businesses not protected under Executive Order N-42-20 for nonpayment is hereby suspended until said Order is terminated.

On motion by Council Member _____, seconded by Council Member _____, and on the following roll call vote, to wit:

AYES:

NOES:

ABSENT:

The foregoing Resolution was passed and adopted this 14th day of April, 2020.

**RESOLUTION NO.
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CAREN RAY RUSSOM, MAYOR

ATTEST:

KELLY WETMORE, CITY CLERK

APPROVED AS TO CONTENT:

JAMES A. BERGMAN, CITY MANAGER

APPROVED AS TO FORM:

TIMOTHY J. CARMEL, CITY ATTORNEY

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