SWEETWATER SPRINGS WATER DISTRICT

TO: Board of Directors **AGENDA NO. V-C**

FROM: Ed Fortner, General Manager

Meeting Date: May 7, 2020

SUBJECT: Economic Impact on District Revenues of Temporarily Suspending Customer Disconnects for Non-Payment

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RECOMMENDED ACTION:
(Discussion item only.)

FISCAL IMPACT:
(Unknown.)

DISCUSSION:

At the April Board meeting, the Board discussed discontinuing customer disconnects during this global COVID-19 pandemic and in light of the Governor's Executive Order N-42-20. Staff was asked to track the economic impact on the District's water revenues from this change in the delinquency process.

Discontinuing customer disconnects is in effect extending a line of credit to our customers - like a water credit card with no minimum payment required. Ideally customers will pay their past due water bills when their stimulus or unemployment checks come in, or when they are able to return to their normal income. In the meantime, however, their water bill will balloon, not just from deferred bill charges but from accrued delinquency fees on unpaid balances. Even with the best of intentions, it's not easy to catch up on unpaid bills.

To help our customers, the District is also giving customers the option of making a "COVID-19 Agreement". The Covid-19 Agreement allows customers to completely defer a bill they can't pay now and instead pay it in six installments added to their future water bills over the next year. They are still responsible for the bill, but it will put off accrual of delinquency fees and make the catch-up process more manageable.

Before discussing the economic impact of these changes to our delinquency process, staff would like to state in no uncertain terms that it has felt very appropriate to offer our customers an option to keep their water on during this time of economic uncertainty for so many.

Now, on to the numbers.

Realistically, some customers will never pay their bill. This has always been the case, but with the financial difficulties many are having due to the COVID-19 pandemic coupled **with the suspension of customer disconnects as a means of getting customers to pay, staff predicts the dollar value of unpaid bills will rise**. Staff will use the number of and growth of unpaid bills as the measure of economic impact on District revenues of temporarily suspending customer disconnects. Specifically, staff will track the dollar value of past due bills at the time the customer's next bill is mailed out. In other words, a customer who still hasn't paid their February bill at the time their April bill is mailed out would have the dollar value of their February bill plus delinquency fees added to the District's total of past due bills.

Below is a brief history of how this dollar value is evolving.

The District bills customers every two months in arrears. This means that if a customer is mailed a bill on April 15, it's for base rate and water use from the prior two months – in this example February 15 - April 15. **Historically**, all customers -- 100% - either paid their bill or were turned off for non-payment before their next bill was mailed. In 2019, out of approximately 21,600 bills mailed, 80 bills resulted in turnoff/disconnect. The large majority of turnoffs pay their bill – including a $50 reconnect fee -- and have their water reconnected shortly after they have been disconnected. Of the remainder, some have moved out of the District and never closed their account. Fewer still are sent to Collections.

Last year, California passed the Water Shutoff Protection Act - SB998. This was discussed at our January and February Board meetings. A big change for the District is that the new law required at least 60 days pass before a customer is disconnected for non-payment. This meant that we could no longer disconnect a customer for non-payment prior to mailing out their next bill. The District began implementation of this new requirement on the January 15 bills. On the March 15 billing, there were 10 customers who had still not paid their January 15 bill. Their past due bills totaled $1,564.72. The turnoff date was set for March 23. Three customers ended up getting turned off, and all three paid their delinquent amounts and have reconnected.

On April 2, 2020, Governor Newsome signed Executive Order N-42-20, effectively banning customer disconnects as part of the response to the COVID-19 pandemic. We implemented this immediately. On the April 15 billing, there were 24 customers who had still not paid their February 15 bill. Their past due bills totaled $4,096.

These figures are summarized in the table below:

Tracking the Economic Impact of Suspending Water Disconnects for Non-payment			
Billing Date	**# of Customers whose prior bill was still unpaid when next bill mailed**	**$ Value of Past Due Amounts**** (including unpaid customer deposits)	**Notes**
2/15/2020	0	$0	Historical disconnect procedure
3/15/2020	10	$1,565	SB-998 extended time before disconnect
4/15/2020	24	$4,096	Executive Order N-42-20 Disconnects completely suspended
***** Customers who sign a COVID-19 Agreement with the District are not included in this amount.***			

Going forward staff will update his table and include it in the General Manager's report.

As this potential lost revenue is tracked, the Board may consider implementing the District's right to lien property on the property owner's tax bill. Board Counsel has given guidance that minor changes in our policy would be required with Board approval to begin the process for uncollected water billings. If the Board desires, the GM can bring language in a resolution for the next Board meeting for consideration.