

COUNCIL ACTION FORM

**SUBJECT: DELINQUENT UTILITY ACCOUNTS RELATED TO COVID-19**

**BACKGROUND:**

Governor Kim Reynolds signed a new proclamation on April 27, 2020 extending the public health emergency declaration to May 27, 2020. This proclamation included an order by the Iowa Utilities Board (IUB) **restricting the disconnection of utility service to any customer by all electric and natural gas utilities until the public health emergency is lifted by the Governor. Although not governed by IUB, city-operated water and sewer utilities were also strongly encouraged to cease disconnections. Therefore, the City has not issued any utility disconnect notices since mid-March. The IUB restrictions on utility disconnects have been lifted for public utilities and City Staff has developed a plan to resume utility collections including disconnects.**

The City currently has approximately over 2,700 customer accounts that are delinquent to the point that they will be receiving a First Notice of Delinquency. This calculates into about \$400,000, which is twice as much as we experience at this time of year. The number of delinquent accounts is not significantly different than the number of first notices that staff typically send out. As a regular course of business, around 2,500 First Notices of Delinquency are sent out and about half of the customers will pay in response to these warnings. Next, Second Notices of Delinquency go out and the majority of customers will pay leaving approximately 150 customers remaining for payment arrangements or utility service disconnect.

The primary difference now during the pandemic is that many of the customers receiving delinquency notices following the expiration of the COVID-19 utility disconnect moratorium will owe much more than a typical billing cycle since they are many more days past due. The City's Utility Customer Service reports seeing an upward trend for account balances being over 61 days old. These additional days coupled with losses or reductions in household incomes may make it difficult for customers to pay delinquent utility accounts.

**Utility Customer Service has drafted the following plan to resume delinquency processing.**

- Process approximately 25% of delinquencies each week over a four-week period corresponding with our regular billing cycles.

- Mail First Delinquent Notice approximately one week after the customer's most recent bill becomes past due.
  - This First Notice will give the customer 12 days to pay balance in full or make arrangements to pay delinquent balance for at least or a minimum of 12 months.
  - Referrals to MICA, the City's Renters and Homeowner's Relief Programs (new CDBG program), or other sources of assistance will be provided.
- If the customer does not respond to the first notice, Second Delinquent Notices will be delivered (door hangers) to every service location.
  - Second Notice will give the customer 24 hours in which to pay in full or make arrangements to pay delinquent balance as described above.
- If the customer does not respond to the Second Delinquent Notice, Customer Service will attempt to call the customer and inform them of the pending disconnection for nonpayment.
  - If the service address is a rental property, Customer Service will contact the property manager to determine if the customer still resides at the service address.
- If the customer does not respond to the Second Notice, a disconnection for nonpayment service order will be generated two days after the Second Notice was delivered.
- Customers who have broken the terms of a previous payment plan will be allowed to start a new plan.

With exception of accounts being more days overdue than usual and the allowance of establishing a new payment plan when the terms of a previous plan were broken, this is our standard method of processing delinquent accounts. It has been developed over time and is in compliance with utility account regulations.

**FINANCIAL ASSISTANCE PROGRAMS:**

There are several financial assistance programs available in the Ames community to help utility customers with delinquent accounts. Each program has eligibility criteria and parameters that guide the dollar amount of assistance available (i.e., maximum amounts of funds to assist with delinquent accounts). **Every program is set up to directly pay the vendor/utility service provider on behalf of the applicant.**

The following are two of the primary programs that customers can be referred to for assistance:

Low-Income Heating Assistance Program (LIHEAP): Low income customers needing financial assistance with their **home heating bills** can apply for the LIHEAP. This assistance will provide a one-time payment to the **heating utility**. Applications are available through MICA with a deadline of June 30, 2020. MICA reports that they have received additional funds through the CARES Act for utility assistance that allows for an additional benefit of up to \$1,000. Customer Service typically refers customers to the LIHEAP program, as needed.

City of Ames Renters and Homeowners Relief Programs: The City was notified by the U.S. Department of Housing and Urban Development (HUD) that it will receive a special Community Development Block Grant (CDBG) allocation in the amount of \$354,515 to be used to prevent, prepare for, and respond to COVID-19. This allocation was authorized through the CARES Act. These funds will be used in new programs directed at assisting renters and homeowners with rent, mortgages, and utilities. The funds can help cover up to three month's utility payments in order to prevent a utility disconnection. The City's Housing Division will directly administer the program and the Housing Coordinator has developed an application process using HUD income guidelines. .

Other programs that customers may apply for are available through Emergency Residence Project, Good Neighbor, MICA, Salvation Army, Story County Community Services and Veterans Affairs, and various churches throughout the community. Some of these non-profit organizations have also received of federal funds through the CARES Act, therefore, have additional dollars available to address delinquent utility accounts.

### **ALTERNATIVES:**

1. Approve the resumption of utility collections including disconnects with the following changes to our regular policy:
  - a. Withhold sending notice until next regular billing cycle even though a customer is already delinquent to the point of a disconnect notice.
  - b. Allowance for a payment plan in those situations where such a plan had been in place, but terms were broken.
  - c. Offer additional options for financial assistance.
2. Approve the resumption of utility collections including disconnects with no changes to our regular policy.
3. Continue the policy of not disconnecting utilities for delinquent accounts.

### **CITY MANAGER'S RECOMMENDED ACTIONS:**

The Governor's extension of the public health emergency prohibited the disconnection of utilities for nonpayment. The moratorium has since expired on May 28<sup>th</sup> prompting the City to determine the next steps with delinquent utility account notifications.

The delinquency process outlined earlier follows the basic standard process currently in place, but it is anticipated due to the COVID-19 pandemic that there will be City utility customers in need of financial assistance with their utility accounts. Therefore, it is the recommendation of the City Manager that the City Council adopt Alternative No.1, approving the resumption of utility collections including disconnects with changes to the regular policy as described above.

Because we want to help customers keep their utilities in good standing, the City's Electric and Water and Sewer Departments purchased radio advertisements during the month of June encouraging customers who are behind on their utility bills to contact the City and make payment arrangements.