

Staff Report

**UPDATE ON DELINQUENT UTILITY ACCOUNTS
RELATED TO COVID-19**

September 8, 2020

BACKGROUND:

At the June 23, 2020 meeting City staff briefed the City Council on the status of the delinquent utility accounts. While not required to do so, the City of Ames mirrored the action required of all privately owned utilities in Iowa to temporarily cease disconnecting any customer as a result of delinquent accounts. Therefore, the City has not issued a disconnect notice since mid-March. This moratorium was lifted on all private utilities as of May 27, 2020.

Therefore, at the June 23rd meeting, staff was seeking direction from the City Council as to whether or not to continue this voluntary moratorium. At that time over 2,700 customers had delinquent accounts totaling approximately \$400,000. Staff highlighted at this meeting the availability of certain programs that could provide financial assistance to help our customers pay off their outstanding utility bills. These programs included:

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. However, MICA's funds have to be distributed across 5 other counties.

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. Initially, the funds could help pay for up to three months' utility bills to prevent a utility disconnection. HUD has recently increased the limit to six months. 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. However, some of these agencies are serving regional areas so Ames thereby Ames customers are competing for these funds.

CURRENT STATUS:

The City staff had emphasized that it was not our desire to shut off any family's utilities, but rather to have them contact the Utility Customer Service Office to make payment arrangements for their outstanding bills or assist them in securing grant monies to bring their accounts current. Therefore, even though the City Council passed a motion at the June 23, 2020 meeting for the staff to resume the issuance of disconnect notice, the City Manager instructed the Finance Department not to reinstitute this process until the Housing Division had a program in place to accept applications for the new CDBG grant program. After hiring two temporary employees to administer this new grant program and training them, the program is being advertised and applications are being processed.

When the staff received news of this funding source it was apparent that no rules had yet been developed for the program. In order to not delay implementation, the staff was advised to move ahead with planning for the program in advance of rulemaking. Unfortunately, the staff was recently informed that a City that operates a municipal utility cannot distribute these funds to customers to be used to pay for utilities operated by the city administering the grant. We believe this is an unfair rule in that the funds can be used to pay a customer's outstanding bill to a privately owned utility. Therefore, we are pursuing a waiver from HUD that would allow the use of these for public utilities.

WHAT TO DO NEXT:

It appears that the amount of delinquent utility bills has grown to approximately \$750,000. There is no way to know how long it will take to hear back from HUD about our waiver. Therefore, it is staff's recommendation that the City Council continue to support the resumption of the disconnect process as approved in the previous motion on June 23, 2020. This action will take effect on September 9, 2020. If the Council delays this action, the LIHEAP rules will allow qualifying customers to delay utility payments until April 2021 thereby further increasing the magnitude of the outstanding bills.

The Housing staff will continue to solicit applications assuming that the CDBG funds will be made available for utility payments to the City of Ames. However, the

staff is recommending that utility disconnections not yet be made for those customers who have been determined to be eligible or applying for the CDBG program. If we lose our appeal to HUD, the City Council will then have to make a decision how to handle this hopefully small group of customers who would still benefit from a reasonable payment schedule.