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CITY COUNCIL AGENDA ITEM

ACTION REQUESTED:

Adopt the resolution approving the establishment of a Temporary Utility Assistance Program in partnership with Loaves & Fishes Community Services and receive the staff report on the viability of additional assistance initiatives

DEPARTMENT: Finance Department

SUBMITTED BY: Rachel Mayer, Finance Director

BOARD/COMMISSION REVIEW:

N/A

BACKGROUND:

Since the onset of the COVID-19 pandemic, many residents and businesses have experienced financial hardship as a result of reduced business activity. The City has closely monitored local economic activity through state and local revenue data analysis. One data point highlighting the pandemic's impacts is a significantly higher number of delinquent electric and water utility accounts.

Beginning in March 2020, several executive orders were enacted by Mayor Steve Chirico to ease some of the pandemic's burdens on the community. On March 25, 2020, Mayor Chirico issued Executive Order 2020-06, which, in part, suspended service disconnections for non-payment of City of Naperville utility bills for both residential and commercial utility customers. Under normal circumstances, the City utilizes service disconnections as a part of its utility billing process. When accounts become delinquent, electric and/or water services are shut-off until payment is made on the account. The executive order also suspended the application of late fees on utility accounts in March, April, and May 2020.

Mayor Chirico terminated the utility disconnection section of Executive Order 2020-06 effective January 1, 2021; however, it is typical for the City to not conduct disconnections during winter months.

As the number of delinquent accounts and their associated balances rose in 2020, it became clear that some account holders would struggle to pay down account balances and avoid future service disconnection without assistance. To help these residents and businesses, the City Council approved \$500,000 in utility assistance funding in the 2021 annual budget. Staff has developed a framework for use of those funds and seeks Council approval to establish a Temporary Utility Assistance Program.

DISCUSSION:

Program Development

When the City suspended service disconnections in 2020, the number of delinquent utility accounts rose sharply. The table below provides a comparison of average daily account delinquencies for December in 2019 and 2020.

Number of Delinquent Accounts			
	Residential	Commercial	Total
December 2019	1,587	156	1,743
December 2020	2,940	267	3,207

The dollar amount of past-due account balances began rising, as the disconnection process would typically prevent an account balance from growing month after month with no payments applied. The following table shows the growth in the amount due to the City. In June 2020, staff began collecting data on the average past-due balance for residential versus commercial customers, which is also noted below.

Average Delinquent Account Value			
	Residential	Commercial	Total Delinquent A
December 2019	-	-	\$366,083
December 2020	\$645	\$3,023	\$2,605,730

The 2019 data shows that delinquent utility accounts occur in Naperville, as is reasonable to expect in any public or private operating utility, and of the approximately 3,200 currently delinquent accounts, not all are a direct result of the pandemic. That said, a conclusion can be drawn that the spike in delinquencies in 2020 is at least largely attributable to the pandemic.

In October, the City began offering an extended payment plan option so that customers with large account balances could more easily manage those balances and avoid disconnection once that program resumes. Currently, 260 accounts totaling \$491,880 are on an active payment plan. The goal of the City's utility assistance program would be to offer direct financial assistance and require

that any remaining past-due balances be managed through a payment plan to avoid disconnection. Staff analyzed both the number of delinquent accounts and the average delinquent balances for residential and commercial accounts to develop grant amounts that would have both a meaningful impact and reach the greatest number of customers in need.

Program Funding

The 2021 annual budget includes \$500,000 for utility assistance. These dollars are budgeted across the utility funds, with \$450,000 budgeted in the Electric Utility Fund and \$50,000 budgeted in the Water & Wastewater Utility Fund. The fund allocations were determined by the proportionate amount of past due balance for electric and water utilities. Funds would remain available through December 31, 2021 or until the funds are exhausted, whichever comes first.

Program Administration

In developing the framework for the utility assistance program, staff considered resources needed to effectively administer the program. Based on current and future programmed workloads in the Finance Department, successful administration of the program would exceed the capacity of existing utility billing staff and require additional resources, especially once utility disconnections resume.

Staff looked at leveraging partnerships with organizations already versed in vetting and providing programmatic assistance to the community to help manage the residential portion, which has a higher number of delinquent accounts. Loaves & Fishes is an established and trusted community partner that is familiar with utility assistance through its Emergency Assistance Program. Loaves & Fishes is a Community Development Block Grant (CDBG) sub-recipient as well as a City of Naperville Social Services Grant awardee.

Loaves & Fishes is well-equipped to manage the residential component of this program; however, they do not deal with commercial clients. Staff is unaware of a community partner that is experienced with commercial assistance. As the number of delinquent commercial accounts is smaller than residential, staff is confident that commercial assistance could be managed internally.

City staff has met several times with Loaves & Fishes representatives and a formal agreement for them to administer the residential component of the City's utility assistance program is currently in development. Loaves & Fishes indicated a need to charge the City a reasonable administrative fee to offset the cost of resources it may need to allocate towards administering the grant program. The amount of the administrative fee would be 10% of grant funds administered.

To provide enough time for customers to apply for assistance, staff recommends that the suspension of utility service disconnections be extended until April 1, 2021.

Residential Assistance

From the program budget, \$300,000 would initially be dedicated to residential assistance. Using these funds, the City would offer a one-time grant of up to \$300 to residential customers, with the initial focus being on customers with existing past-due balances. This amount is consistent with grant assistance provided by ComEd. A \$300 grant represents approximately one-half of the average outstanding balance for residential customers and would allow the City to assist nearly 1,000 residential utility customers. While there would be no strict income eligibility requirements, Loaves & Fishes would use their existing client screening process to ensure that aid would not be granted unless a clear need existed.

Small Business Assistance

The remaining \$200,000 of the program budget would be dedicated to commercial customer assistance. While fewer accounts are delinquent, the average balance of those accounts is substantially higher. For that reason, a one-time commercial grant would be offered up to \$1,500, which is approximately one-half the average outstanding balance for commercial customers. This would bring assistance to approximately 130 customers. Again, the primary focus would be to assist customers with existing past-due balances; however, that would not exclude a business from eligibility. Staff would establish administrative rules governing the disbursement of funds in line with the Small Business Assistance Grants recently offered through the CDBG.

Staff would monitor demand on the residential and commercial side. If the demand for assistance is less than expected in one area versus another, funds could be reallocated to achieve the greatest impact. Staff will provide regular updates to the Council on program utilization through monthly financial reporting.

Additional Assistance Opportunities

The City continues to seek opportunities to meaningfully contribute to the health and vitality of the local business community. To date, the City has offered local assistance in various forms, including grant funding to provide direct assistance, the waiver of certain fees, and delaying payment due dates, among others. Below is a recap of grant funding provided to date or programmed for funding in the near future.

Naperville Small Business Assistance Grant Program

In November, the City made \$100,000 available through the Naperville Small Business Assistance Grant (SBAG) program. Funds for the grants are provided through the federal CDBG via the Coronavirus Aid, Relief and Economic Security (CARES) Act, which includes \$396,985 in new or reprogrammed CDBG funds to address community needs related to the pandemic.

Through the new program, qualifying businesses will receive \$5,000 for expenses including payroll, rent or mortgage costs, personal protective equipment, and building modifications to comply with public health requirements. To qualify, a business had to be open and operating within incorporated Naperville, hold a valid certificate of occupancy, employ 50 or fewer people with annual revenue of less than \$2 million in 2019, and provide documentation of a negative impact from the pandemic on business income.

The first round of applications generated more than 50 applicants over five days with 20 awards determined through a lottery selection. Grants awards are anticipated to be distributed this month following a review of document submissions. Applications not selected in the lottery have been retained for a potential second round of loans, provided available funds from the federal government and appropriate funding criteria. City staff collaborated with the Naperville Development Partnership and Naperville Area Chamber of Commerce to develop the program and continues to work with both groups in determining the best use of any additional funds received in 2021.

Additional CDBG Funds

Additional CDBG funds totaling more than \$700,000 have been allocated to the City through the CARES Act. Staff will meet with the City's HUD liaison in January to discuss a plan for the use of those funds, with the goal of requesting City Council approval in February. Staff assumes that these funds will extend existing programs established with the first round of CARES Act funding, which

would provide additional assistance for small businesses, rent/mortgage assistance (including utility assistance for gas bills), assistance for homeless housing providers, job placement assistance, and food assistance.

Council-Requested Assistance Initiatives

Throughout the pandemic, the City has committed to making well-informed decisions based on the best available information and the long-term financial health of the organization. The Council has requested more information about the possibility of providing relief through specific assistance initiatives, which are detailed below along with staff recommendations.

Small Business Utility Payment Deferral

At its January 5, 2021 meeting, the City Council requested staff explore the feasibility of allowing small businesses to delay payment of utilities for the first six months of 2021. In discussion with the City's Legal Department, providing this benefit to only one class of ratepayers (i.e. small businesses) could potentially open the City to claims of unequal treatment from other ratepayers, resulting in legal challenges. To avoid these challenges, the City would need to extend this benefit to all ratepayers, which could create immediate cash flow issues for the Electric and Water utilities itself, as purchased electricity and water are funded through continual utility revenues. Utilizing cash balances to pay operating expenses is possible; however, at current cash balances, the Electric Utility could potentially run its cash balance down to the required reserve level (30 days operating cash) in just 21 days. For the Water Utility, that could occur in as little as 10 days. It is difficult to predict at what level customers may choose to defer payment and for how long. This creates an unstable and unpredictable cash balance situation in both utilities. Due to these considerations, staff does not recommend the creation of a deferral program.

Food and Beverage Tax Rebate

Council has also asked staff to explore the idea of rebating or refunding food and beverage taxes as a form of financial assistance. Similar to the unequal treatment concerns discussed above, staff has concerns about the inequity of applying relief.

Rebating food and beverage taxes aids only one highly specific sector of the local business community. In analyzing state and federal economic data, numerous business sectors other than the bar and restaurant industry have been negatively impacted by the pandemic. Locally, this was confirmed by the applications received for the City's small business grant program noted earlier. Applications were received from restaurants, dry cleaners, salons, auto service shops, and health clubs, who all expressed similar needs. Rebating the food and beverage tax would provide relief to restaurants and bars, who absolutely have been impacted by this global event; however, many of the other sectors noted do not collect a similar tax that could be rebated, therefore creating an equity issue within the small business community.

Another consideration is that the food and beverage tax is the sole revenue source funding the Special Events and Cultural Amenities (SECA) Grant Fund program and is a contributing revenue to debt service and pension funding. If this revenue were diverted, Council would need to provide direction on another general revenue source (or sources) to cover those expenses. For these reasons, staff does not recommend the implementation of a rebate or refund of this tax.

While the City will continue seeking opportunities to assist the community in recovering from the pandemic, ensuring that high-quality public services are provided to our residents and businesses continues to be the number one priority of local government. In 2021, staff will continue to identify,

evaluate, and pursue sources of funding, including grants and other government assistance, that can be used to benefit the community.

FISCAL IMPACT:

The 2021 annual budget includes \$500,000 to fund the Utility Assistance Program.