



# NOTICE OF BUDGET & FINANCE COMMITTEE MEETING January 19, 2022

Covering Policy, Administration and Community  
Relations/Communications

**NOTICE IS HEREBY GIVEN** that the San Lorenzo Valley Water District has called a regular meeting of the Budget & Finance Committee to be held on **Wednesday, January 19, at 2:00 p.m.**, via video/teleconference.

There will not be any physical location for this meeting. Pursuant to AB 361 and San Lorenzo Valley Water District Resolution No. 4 (21-22) this meeting will be conducted by video/teleconference. Any person in need of any reasonable modification or accommodation in order to participate in the meeting may contact the District Secretary's Office at (831) 430-4636 a minimum of 72 hours prior to the scheduled meeting. The meeting access information is as follows:

<https://global.gotomeeting.com/join/225422005>

You can also dial in using your phone.

(For supported devices, tap a one-touch number below to join instantly.)

United States (Toll Free): 1 866 899 4679

- One-touch: <tel:+18668994679,,225422005#>

United States: +1 (571) 317-3116

- One-touch: <tel:+15713173116,,225422005#>

Access Code: 225-422-005

## AGENDA

1. Convene Meeting/Roll Call

2. Oral Communications

*This portion of the agenda is reserved for Oral Communications by the public for items which are not on the Agenda. Please understand that California law (The Brown Act) limits what the Board can do regarding issues raised during Oral Communication. No action or discussion may occur on issues outside of those already listed on today's agenda. Any person may address the Committee at this time, on any subject that lies within the jurisdiction of the District. Normally, presentations must not exceed five (5) minutes in length, and individuals may only speak once during Oral Communications. Any Director may request that the matter be placed on a future agenda or staff may be directed to provide a brief response.*

3. New Business:

*Members of the public will be given the opportunity to address each scheduled item prior to Committee action. The Chairperson of the Committee may establish a time limit for members of the public to address the Committee on agenda items.*

A. INTRODUCTIONS

Each member of the committee will introduce themselves.

B. ELECTION OF COMMITTEE CHAIR FOR 2022

Discussion and possible action by the B & F Committee regarding the election of the Committee Chair.

C. SET DAY AND TIME FOR COMMITTEE 2022 REGULARLY SCHEDULED MEETINGS

Discussion and possible action by the B & F Committee regarding regularly scheduled meeting time and day.

D. PREPARE A MULTI-MONTH CALENDAR

Discussion by the B & F Committee regarding the preparation of a multi-month calendar to look-ahead at least 3 months including an update on current projects previously discussed in committee.

E. STATE WATER RESOURCES CONTROL BOARD WATER ARREARAGES PROGRAM

Review by the B & F Committee of funding assistance by the SWRCB for California Water and Wastewater Arrearages Program.

F. REVENUE RATE STABILIZATION

Discussion by the Committee regarding the possibility of Revenue Rate Stabilization.

4. Unfinished Business: None

*Members of the public will be given the opportunity to address each scheduled item prior to Committee action. The Chairperson of the Committee may establish a time limit for members of the public to address the Committee on agenda items.*

5. Informational Material

Here is a link to previous B & F Committee meeting minutes:

[All Finance Meeting Minutes | San Lorenzo Valley Water District \(slvwd.com\)](https://www.slvwd.com)

6. Adjournment

*Agenda documents, including materials related to an item on this agenda submitted to the Committee after distribution of the agenda packet, are available for public inspection and may be reviewed at the office of the District Secretary, 13060 Highway 9, Boulder Creek, CA 95006 during normal business hours. Such documents may also be available on the District website at [www.slvwd.com](http://www.slvwd.com) subject to staff's ability to post the documents before the meeting.*

**Certification of Posting**

I hereby certify that on January 14, 2022, I posted a copy of the foregoing agenda in the outside display case at the District Office, 13060 Highway 9, Boulder Creek, California, said time being at least 72 hours in advance of the regular meeting of the January 14, 2022 Committee of the San Lorenzo Valley Water District in compliance with California Government Code Section 54956.

Executed at Boulder Creek, California, on January 14, 2022.

\_\_\_\_\_  
Holly B. Hossack, District Secretary

M E M O

TO: Budget & Finance Committee

FROM: Director of Finance & Business Services

SUBJECT: State Water Resources Control Board Water Arrearages Program

DATE: January 19, 2022

RECOMMENDATION:

It is recommended the Committee receive the update on the State Water Resources Control Board Water Arrearages Program.

BACKGROUND:

In September 2021, the District was made aware of funding assistance through the State Water Resources Control Board for the California Water and Wastewater Arrearages Program. The program would cover customer water arrearages accrued between March 4, 2020 and June 15, 2021.

- On October 6, 2021, the District submitted their application to the SWRCB.
  - We applied for a total of 230 accounts for a total of \$170,156.61. We were also able to apply for administrative costs of up to 3% for \$5,104.70. Our total amount requested was \$175,261.31.
  - On January 4, 2022, we received a check for the full requested amount of \$175,261.31.
  - Payments were applied to the customer's accounts on January 5, 2022.
- The SWRCB adopted guidelines that we have to follow for applicants that received funding. Below outlines the requirements and the steps the District took:
  - The District must waive late fees for customers with arrearages and cannot be included in the calculation of the system's total arrearages.
    - The District did not include late fees in the total arrearages we applied for and we have waived late fees accrued during the 03/04/20-06/15/21 time frame.
  - The District must notify customers within 60 days of receiving funds. Water Systems must notify customers in writing of the amount credited and the acknowledgement must state that the credited amount is being provided through the California Water and Wastewater Arrearage Payment Program through funding from the State Water Resources Control Board using federal ARPA funds.

- Letters to all customers who received a bill credit were mailed out on 01/07/22 and followed all program guidelines noted above.
  - The District must offer to enroll any customer with remaining balances after the credits have been applied in a payment plan.
    - The District already offers payment plans to our customers. In the letter we sent out as noted in the item above, we did mention that the customer can call in or email Customer Service to set up a payment plan on the remaining balance.
  - The District may not discontinue water service due to non-payment.
    - Since the District is no longer doing water shut offs, we are already in compliance with this requirement.
  - The District must remit any funds not credited to customers, or used by the water system to apply for funds and comply with Program requirements, back to the State Water Board within six months of receiving payment.
    - We applied a total of \$140,206.22 to 176 customer's accounts. We will need to refund \$29,950.39 back to the State.
- We are in the process of keeping track of all administrative costs it took to implement this program. This will include labor hours, printing costs, etc. Once that has been submitted to the State, any unused funding from the administrative costs will need to be refunded to the State as well.
- The program had \$985 million in federal funding allocated by the State legislature for water and wastewater arrearages. During this first round, they only covered water arrearages. Since there is still funding available as a total of only \$349 million was applied for, the State will be finalizing their guidelines/funding and extend the program to wastewater customers by February 2022.
  - While we have a small amount of wastewater customers, we still plan to apply for this funding.
- Attached is the final adopted program guidelines for reference.

# **CALIFORNIA WATER AND WASTEWATER ARREARAGE PAYMENT PROGRAM GUIDELINES: WATER ARREARAGES**

*Adopted  
September 21, 2021*



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## ***INTRODUCTION***

The purpose of this document is to establish the process and criteria for the allocation and administration of the funds appropriated to the State Water Resources Control Board (State Water Board) in the Fiscal Year 2021-22 Budget for the California Water and Wastewater Arrearage Payment Program: Water Arrearages (Program). The criteria include requirements associated with establishing payment plans for customers, and prohibitions on discontinuation of service for water systems participating in the Program. The funding source for the Program is the American Rescue Plan Act (ARPA) of 2021. Any federal requirements associated with the funding source may be requirements of the Program. The State Water Board will notify water systems' administrative contacts via email if any requirements change during Program implementation and correspondingly post changes to its website.

The Deputy Director of the Division of Financial Assistance (DFA) and the Deputy Director of the Division of Drinking Water (DDW) may make clarifying, non-substantive amendments to these Guidelines. Future changes to these Guidelines may be necessary due to changes in law or in State Water Board policy. If substantive changes are necessary, amendments to the Guidelines will be considered by the State Water Board.

## ***DEFINITIONS***

**Arrearage** – amount of money owed to a water system from nonpayment of residential and commercial accounts that accrued from completed billing periods during the COVID-19 pandemic bill relief period. Arrearage does not include late fees and interest on outstanding balances.

**Community water system** – a system described and regulated under the Safe Drinking Water Act (commencing with section 116270 of the Health and Safety Code): a public water system that serves at least 15 service connections used by permanent residents or regularly serves at least 25 permanent residents of the area served by the system. (Health & Saf. Code, § 116275, subd. (i).)

**Commercial customer** – a water system customer or connection that serves a commercial/institutional customers e.g., hotels, motels, restaurants, office buildings, government and military facilities, gas stations, hospitals, educational institutions, retail establishments, dormitories, nursing homes, churches, jails, prisons, mental health facilities, addiction recovery centers, farmworker housing, and campgrounds. Commercial customer does not include industrial (manufacturing, chemical, refineries, cooling towers, animal & food processing, etc.); agriculture irrigation (crops, aquaculture, etc.); or landscape irrigation (parks, golf courses, etc.).

**COVID-19 pandemic bill relief period** – the period from March 4, 2020, to June 15, 2021, inclusive, and includes any customer billing period that includes these dates.

**Customer notification** – a written notification to residential and commercial water system customers or connections of the amount of debt/arrearage bill credit provided by the Program. Notification must acknowledge the source of funds from the State. Notification language will be provided at a later date.

**Default** – either of the following:

- A customer's failure to comply with an amortization agreement, an alternative payment schedule, or a deferral or reduction in payment plan for delinquent charges for 60 days or more;
- A customer's failure to pay current residential service charges for 60 days or more from its due date, regardless of whether the customer is subject to an amortization agreement, an alternative payment schedule, or a deferral or reduction in payment plan for delinquent charges.

**Disadvantaged Community (DAC)** – a community with an annual median household income that is less than 80 percent of the statewide annual median household income. ([Wat. Code, § 79505.5.](#))

**Large community water system** – a community water system that serves more than 3,300 connections or a yearlong population of more than 10,000 persons.

**Past-due bills** – customer water bills that are 60 days or more past due and includes both active and inactive accounts and accounts that have payment plans or payment arrangements.

**Payment plan** – a plan for deferred or reduced payment including, but not limited to minimum payments, alternate payment schedules, or amortization of unpaid balances. The payment plan should allow 12 or more months for repayment of outstanding balances.

**Residential customer** – water service customers, including groundwater well owners charged for water in managed basins, residing in single-family residences, multifamily residences, mobile homes, including, but not limited to, mobile homes in mobile home parks, or farmworker housing that receive a bill for water service.

**Small community water system** – a community water system as defined above that serves no more than 3,300 service connections or a yearlong population of no more than 10,000 persons. (Health and Saf. Code, § 116275, subd. (z).)

**State** – the State of California.

**Wastewater treatment provider** – city, county, special district, or joint powers authority that provides wastewater collection, treatment or disposal services through a publicly owned treatment works. (Health & Saf. Code, § 116773.2 subd. (g).)

**Water enterprise revenue shortfall** – water service revenue decrease accrued as a difference between a water system’s 2019 fiscal or calendar year and its 2020 fiscal or calendar year as a result of the COVID-19 pandemic.

**Water shutoff** – discontinuation of water service for nonpayment.

## **SECTION A: ELIGIBILITY**

The following are eligible for funding:

- Community water systems that accrued residential and commercial customer arrearages during the COVID-19 pandemic bill relief period are eligible for the Program. This includes community water systems that transferred arrearage debt to a third-party such as a county under a Teeter Plan or a debt collection entity.
- Community water systems that collect eligible customer revenue through property tax rolls are also eligible if they are able to identify drinking water arrearages and can directly credit customers' accounts.
- Community water systems that accrued residential and commercial customer arrearages during the COVID-19 pandemic bill relief period and used a customer assistance program for that arrearage.

## **SECTION B: PROGRAM REQUIREMENTS**

Water systems that participate in the Program must:

- Waive customer late fees for any arrearages accrued during the COVID-19 pandemic bill relief period in their entirety;
- Allocate payments as bill credits to customer accounts within 60 days of receiving payment;
- Notify customers of the amount credited, and if splitting the credit between tax years, when the second credit will be applied;
- Offer to enroll customers with remaining debt into a payment plan by direct notification to each customer;
- Allow customers 30 days to enroll in a payment plan;
- Not discontinue water service until the customer defaults on the payment plan or misses the deadline to enroll in the payment plan;
- Not discontinue water service prior to the date established in 116733.4 (e)(2)(A);
- Comply with all terms and conditions of payment; and
- Report on expenditures and customer credits.

More detail on Program requirements is provided below.

Participating water systems that do not comply with Program requirements may be subject to enforcement actions by the Division of Drinking Water and may be required to return moneys to the State Water Board.

## **B.1 REQUIREMENT FOR ALL COMMUNITY WATER SYSTEMS – REGARDLESS OF PARTICIPATION IN THE PROGRAM**

All community water systems, regardless of size or participation in the Program, must offer payment plans to customers with arrearages, pursuant to AB 148. The payment plans and their associated rules must be consistent with the Water Shutoff Protection Act established under Health and Safety Code section 116900 et seq. (Health and Safety Code, § 116773.4, subd. (e).) Associated rules include, but are not limited to, rules and practices relating to the timing and manner of notice and discontinuation of service for payment plan defaults. Community water systems that violate provisions of the Water Shutoff Protection Act may be subject to enforcement action by DDW or the Attorney General.

## ***SECTION C: PROPORTIONAL ALLOCATION OF FUNDS TO COMMUNITY WATER SYSTEMS***

### **C.1 PURPOSE AND OVERVIEW**

Section C of the Guidelines describes the process the State Water Board will use to establish the total statewide need and the allocation methodology. One-time payments will be made to water systems based on the allocation methodology established in this section. Community water systems receiving payments will credit customer bills in accordance with the methodology established in Section E after receiving payment from the State Water Board.

### **C.2 TOTAL STATEWIDE WATER NEED**

The State Water Board surveyed all community water systems from August 11, 2021 through September 10, 2021 to determine accrued residential and commercial arrearages, as well as revenue loss, during the COVID-19 pandemic bill relief period (March 4, 2020 through June 15, 2021). Approximately 87% of community water systems that charge for water submitted the survey. For systems that were not able to disaggregate the arrearages for drinking water from other non-water charges on their bill, State Water Board staff used data from systems that reported all debt information to estimate drinking water arrearages for those systems.

For the 13% of community water systems that charge for water and did not respond to the survey, the State Water Board staff estimated their residential and commercial arrearages based on the average reported arrearages of systems of similar size proportionally by the proportion of reported accounts in arrears. These estimates were added to the total statewide need numbers.

Table 1 shows the data and calculations used to establish the total statewide need.

**Table 1: Drinking Water Arrearage Survey Data Analysis**

	<b>Reported</b>	<b>Estimated</b>	<b>Total</b>
<b>Community Water Systems (2,844)</b>	2,293 (80.6%)	n/a	
<b>Community Water Systems that Charge for Water</b>	1,845 (86.7%)	283 (13.3%)	<b>2,128</b>
<b>Total Arrearages</b>	<b>\$315,400,661</b>	<b>\$8,324,272</b>	<b>\$323,724,934</b>
<b>Residential</b>	\$276,583,036	n/a	
<b>Commercial</b>	\$42,817,626	n/a	
<b>Total Late Fees</b>	<b>\$16,009,161</b>	<b>\$578,291</b>	<b>\$16,587,992</b>
<b>Residential</b>	\$13,008,330	n/a	
<b>Commercial</b>	\$3,001,371	n/a	
<b>3% Administrative Costs*</b>	<b>\$8,031,399</b>	<b>\$267,077</b>	<b>\$8,298,416</b>
<b>TOTAL Estimated Maximum Program Need**:</b>	<b>\$339,441,221</b>	<b>\$9,169,640</b>	<b>\$348,611,342</b>
*Not to exceed \$1 million.			
**This total includes the addition of late fees as they were reported in the survey, but does not mean they will be an eligible amount.			

### **C.3 METHODOLOGY TO ESTABLISH ALLOCATION**

Because the funding amount is sufficient to cover the full statewide need plus requested administrative costs, the State Water Board will provide water systems with 100 percent of their requested amounts (arrearages plus administrative costs). Water systems may update the arrearage amounts they reported in the survey as part of the application.

### **SECTION D: APPLICATION REQUIREMENTS**

State Water Board staff sent multiple emails to water systems requesting initial documents (i.e., Payee Data Record (STD. 204)) that systems are required to provide in order to process applications and receive state funds. Technical assistance was provided to water systems that requested help in completing the documents. Systems that have not completed the initial documents **MUST** submit them as part of their application.

State Water Board staff will provide an application package to all eligible community water systems and begin accepting complete applications within 14 days of State Water Board adoption of these Guidelines. The applications will be accepted through the EAR or another online portal. Technical assistance will be available through the Division of Drinking Water staff, and outside providers to assist community water systems that need help completing the application.

The application will consist of the following forms:

- Application/disbursement form - identifying the maximum amount of funding the water system may apply for. The application form must be signed by the community water system's authorized representative or designee.
- Conditions of payment form – details the program requirements with which the authorized representative, on behalf of the system, agrees to comply.

There will be an initial 60-day application period. State Water Board staff will attempt to contact any community water system that does not apply during the initial application period and provide technical assistance with the application. State Water Board staff will also contact community water systems with incomplete applications to assist them.

## **D.1 SMALL COMMUNITY WATER SYSTEMS**

The State Water Board will provide small community water systems with an application that identifies the amount of funding the system is eligible to receive based on the reported or estimated arrearages. Small community water systems may update their reported arrearages as part of the application. Small community water systems must upload the application, signed by the authorized representative or designee for the system, to the application portal or mail the forms to the State Water Board prior to December 6, 2021. The authorized representative, or its designee, must attest that the application is true and accurate based on the community water system's documentation or the methodology used by the State Water Board if the community water system lacks documentation on customer arrearages or revenue shortfalls.

## **D.2 LARGE COMMUNITY WATER SYSTEMS**

### **D.2.1 Application Process**

State Water Board staff will notify large community water systems of the amount of funding the system is eligible to receive based on their reported arrearages. Large water systems may update their reported arrearages as part of the application. Large water systems must provide documentation from accounting or billing systems verifying the reported arrearages as part of the application. Applications must be submitted no later than December 6, 2021. The authorized representative, or its designee, must attest to the accuracy of the application material and the reported arrearages.

### **D.2.2 Application Review Process**

State Water Board staff will verify that the reported arrearages are supported by the community water systems' documentation. Staff may request additional information if the arrearages submitted with the application differ from those reported in the survey, or documentation is inadequate to support the amount. Technical assistance may be available for systems serving disadvantaged communities that lack supporting documentation of arrearages.

### **D.3 COMMUNITY WATER SYSTEMS WITH COMBINED BILLING SYSTEMS**

For systems that combine water with other utilities including but not limited to wastewater, stormwater, refuse, and/or energy, only the water-related portion of the arrearage is eligible for total or partial reimbursement. Community water systems with combined billing may not shut off water due to non-payment of the portion of the bill for other services that accrued during the COVID-19 pandemic relief bill period. This prohibition does not apply to debt accrued before or after the COVID-19 pandemic relief bill period.

For systems that cannot determine the proportion of the arrearage related to water service for each customer account, the water system will use an average customer approach to estimate the proportion of a system's arrearage that is attributable to the water portion of the bill for its residential and commercial customer classes. For each customer class, the water system will first calculate the average annual bill. Next the water system will calculate the average annual water portion of the average annual customer bill. Then the average annual water portion will be determined using the following formula:

*Average Annual Percentage of Water Charge =*

*(Average Annual Water Charges / Total Average Annual Bill) x 100*

The average annual percentage of water charge will be the percentage that is applied to the water system's customer arrearages.

The Deputy Director of DDW is authorized to resolve any disputes regarding the estimation methodology.

### **D.4 LATE APPLICATIONS**

The State Water Board will allow water systems that did not respond to the initial survey to complete an abbreviated survey and apply for funds. The State Water Board will also hold funds allocated to water systems that do not complete the application by December 6, 2021 until January 15, 2022. The State Water Board will contact water systems that are late with applications to assist the systems in applying. Third-party technical assistance providers will also be utilized to assist systems. State Water Board staff will post lists of systems that have not applied during the initial 60-day application period on the Program website. Community water systems that submit late surveys and applications are not guaranteed funding.

## **SECTION E: DISBURSEMENT PROCESS AND PRIORITY**

State Water Board staff will process disbursements as soon as complete applications are received and reviewed. Staff will prioritize the timing of disbursements to small community water systems. State Water Board staff may also prioritize the timing of disbursements to community water systems serving disadvantaged communities. Staff



will begin disbursing funds by November 1, 2021. In order to expedite payments, checks may be sent to either the water system's physical address or the address of the Authorized Representative, if that address is on file with DFA.

Staff will contact systems with incomplete or missing applications to assist systems and expedite payments.

## **SECTION F: WATER SYSTEM ALLOCATION TO CUSTOMERS**

### **F.1 ALLOCATION**

Community water systems may expend up to three percent (3%), or up to \$1 million, whichever is less, for costs the system incurs in applying for assistance or complying with Program requirements. Because there are sufficient funds to cover the statewide arrearage total plus the administrative costs, system may request enough funds to cover both. System costs to apply for funds and comply with Program requirements must be documented and reported to the State Water Board. The State Water Board will provide a template for reporting administrative costs.

#### **F1.1 Debt Transferred to Third Parties**

Community water systems that have transferred their arrearages that qualify for the Program to a third party are eligible and may still apply to receive funding. Community water systems that no longer hold the arrearage debt may credit qualifying customer accounts by doing any of the following: (1) directly paying the third party to reduce or eliminate the debt; (2) refunding the credited amount to the customer; or (3) creating a positive balance for customers to apply toward future water bills. Community water systems must notify their customers of this credit and must indicate that the relief afforded by this credit should be used to pay down the debt that was transferred to the third party.

#### **F.1.2 Water Systems that Utilized Customer Assistance Funds**

Community water systems that utilized an existing customer assistance program to aid customers with qualifying arrearages may be eligible for the Program and receive payment for those arrearages previously covered by their customer assistance program. Eligibility will be determined after consultation with the State Water Board to determine that all program requirements can be met.

#### **F.1.3 Late Fees**

Water systems must waive late fees for customers with arrearages. Late fees cannot be included in the calculation of the system's total arrearages, or deducted from the amount to credit to customers' bills.

## **F.2 CUSTOMER CREDIT AND NOTIFICATION**

### **F.2.1 Notification of Customer Bill Credits**

Water systems must allocate the funds as bill credits to customers within 60 days of receiving funds. Water systems may apply the credits in two installments within different tax years provided they notify the customer when the second credit will be applied and meet the requirement to remit any moneys not credited to customers within six months of receipt back to the State Water Board. Water systems must notify customers in writing of the amount credited. The acknowledgement must state that the credited amount is being provided through the California Water and Wastewater Arrearage Payment Program through funding from the State Water Resources Control Board using federal ARPA funds.

### **F.2.2 Payment Plans**

Water systems must offer to enroll any residential and commercial customers with remaining balances after the credits have been applied in a payment plan. The notice offering the payment plan must provide the customer with 30 days to enroll in the plan from the date of the notice. All other provisions of Health and Safety Code section 116900 related to payment plans apply to any plans established under this Program, regardless of the size of the community water system.

- Policies and related notices must be in English and any other language spoken by 10% or more of the community water system's customers
- A formal mechanism for a customer to contest or appeal a bill must exist and must be shared with customers.
- The community water system must provide a telephone number to allow a customer to contact a system representative to discuss options for averting water shutoff for nonpayment.

Water systems must also include a referral statement in the payment plan notice that additional assistance may be available through the Low Income Household Water Assistance Program administered by the Department of Community Services and Development (CSD) and other low-income assistance programs, including a contact number for appropriate Local Service Provider(s) or other program hotline to help with enrollment in those programs.

The State Water Board recommends that water systems enter into agreements with CSD and other appropriate agencies and local service providers to share appropriate information to identify and target assistance to customers at risk of being shutoff so that eligible customers receive benefits through those and other assistance programs. The State Water Board further recommends that water systems that offer local customer assistance programs consider entering into data sharing agreements with IOUs participating in the California Alternate Rates for Energy (CARE) program to support ongoing enrollment.

### **F.2.3 Shut Off Prohibition**

A community water system receiving funds from this Program due to non-payment of bills may not discontinue water service before the later of the following dates: (1) the date identified in Health and Safety Code section 116773.4 (i.e., September 30, 2021 or a later date if amended); or (2) for a customer that has been offered a payment plan, the date the customer misses the enrollment deadline for, or defaults on, the payment plan. A community water system may not discontinue water service to a customer that remains current on a payment plan. Community water systems, regardless of size, must comply with Health and Safety Code section 116908 *et seq.* regarding discontinuation of service.

### **F.2.4 Consumer Debt Reporting and Third-Party Collection**

The community water system must agree to not furnish information regarding arrearages for which credits have been provided to customers under this Program to any consumer reporting agency, as that term is defined at 15 U.S.C. section 1681a, subdivision (f). The system must also agree not to assign to a third party any arrearage for which a credit has been provided to a customer under this Program for purposes of collection.

If a water system has furnished information regarding arrearages for which credits have been provided to customers under this Program to a consumer reporting agency, as that term is defined at 15 U.S.C. section 1681a, subdivision (f), the water system agrees to, within thirty days of receiving payment:

Instruct each such consumer reporting agency to delete all information regarding the arrearages for which credits have been provided to customers under this Program; and

Cease further furnishing of information regarding the arrearages for which credits have been provided to customers under this Program to any consumer reporting agency.

If a water system has assigned arrearages for which credits have been provided to customers under this Program for purposes of collection to a third party that is not a tax agency, the water system agrees to recall the debt. If the third party at any time furnished information regarding the debt to one or more consumer reporting agencies, as that term is defined at 15 U.S.C. section 1681a, subdivision (f), the water system agrees to, within thirty days of receiving payment, require the third party to:

Instruct each such consumer reporting agency to delete all information regarding the debt; and

Cease further furnishing of information regarding the debt to any consumer reporting agency.

### **F.2.5 Tax Information**

Water systems should consult with tax professionals regarding potential tax liability and reporting requirements. The State Water Board is not authorized to provide federal or state tax advice to water systems.

The State Water Board has been directed to issue a 1099-G to each community water system that receives funding. A water system's tax liability will depend on various factors, which may include the water system's entity status, if the water system has an offsetting loss, any other relevant factors specific to each water system, and current federal and state tax laws. Water systems should consult their own tax professional for questions about potential tax liability.

Some water systems may be subject to tax reporting requirements, including the issuance of a 1099-C or other tax form to customers who receive debt relief. Water systems must include in the notification to customers of the bill credits a statement that the bill credits may be taxable and that customers should consult with their own tax advisors regarding taxability. Water systems should also repeat this statement in a notice to credited customers in January of the next calendar year after the bill credits were allocated (i.e., the year that taxes on the allocations may be due). Water systems should consult their own tax professional for questions about tax reporting requirements. If the State Water Board receives clarifying information regarding tax information for this Program from the Internal Revenue Service, a notice will be posted on the website and an email will be sent to all participating community water systems.

### **F.3 RETURN OF FUNDS NOT CREDITED TO CUSTOMERS**

Water systems must remit any funds not credited to customers, or used by the water system to apply for funds and comply with Program requirements, back to the State Water Board within six months of receiving payment.

## ***SECTION G: REPORTING REQUIREMENTS***

All community water systems that receive funds must provide certification to the State Water Board that, except for authorized administrative costs, Program funds were applied as credits to customer bills to offset COVID-19 arrearages. Systems must report the total amount credited, the number of accounts credited, the number of customers enrolled in a payment plan and the number of customers that did not enroll in a payment plan. Systems must also report the amount used for administration of the Program. The State Water Board will provide a template or online portal for reporting, including a template for reporting administrative costs. The State Water Board may request the supporting documentation to validate the reported amounts. Water systems accepting funds may be audited and must retain documentation supporting the reported amounts for seven years following final reporting.

## ***SECTION H: WASTEWATER ARREARAGE PROGRAM***

Because the appropriated amount exceeds the Statewide Need for water system arrearages and the total amount requested by water systems, the State Water Board will initiate a program for funding wastewater treatment provider arrearages and revenue shortfalls. The State Water Board will establish the wastewater arrearage program no later than February 1, 2022.

M E M O

TO: Budget & Finance Committee

FROM: Director of Finance & Business Services

SUBJECT: Revenue Stabilization Rate Updates

DATE: January 19, 2022

RECOMMENDATION:

It is recommended the Committee receive the update on the Revenue Stabilization Rates and discuss different options to bring to the Board in February.

BACKGROUND:

In September 2021, the District's consumption decreased substantially, which dropped us below the 10% expected year to date levels, which triggered the revenue stabilization rates. This was brought to Board level at the 12/02/21 Board Meeting, and the Board of Directors voted to stop the revenue stabilization rates from taking effect. It was noted that the District would continue to monitor consumption levels and update as necessary.

The following items will aid in the discussion of the Revenue Stabilization Rates update:

1. Comparing Budget to Actuals – Units
  - a. Budgeted units for FY2122 July – December totaled 379,311
  - b. Actual units for FY2122 July – December totaled 333,185
  - c. Total difference from Actuals to Budget is (46,125) units for a cumulative decrease of 12%
2. Comparing Budget to Actuals – Revenue
  - a. Budgeted revenue for FY2021 June & FY2122 July – December totaled \$5,416,537
  - b. Actual revenue for FY2021 June & FY2122 July – December totaled \$4,840,719
    - i. The reason we included June revenues in the totals is because there was a large accrual that we do every year for the audit the accrues back the June water usage that doesn't get billed until July, so it makes the revenue numbers look a bit askew.
  - c. Total difference from Actuals to Budget is (\$575,818) for a cumulative decrease of %10.
3. Bill Comparison with Revenue Stabilization Rate Increases – The perspective of the Revenue Stabilization Rates is while yes, we are increasing the rates, since the usage has reduced, implementing the rates would bring your bill back to its

normal amount. This would only apply to customers whose usage has decreased because there will be customers whose usage has stayed consistent or in some cases have even increased. But overall, the District as a whole has seen a decrease in consumption. The table shows various different bill examples more in depth.

- a. Scenario if customer's usage has decreased – In general, if a customer has decreased usage, their bill with the Revenue Stabilization Rates implemented would be slightly less than what their bill was before.
  - b. Scenario if customer's usage has stayed the same – In general, if a customer's usage stayed the same and we implemented the Revenue Stabilization Rates, their bill would be slightly higher.
  - c. Scenario if customer's usage has increased – This scenario would have the hardest hit to customers with increased water usage.
4. Items still in process of review & analysis:
    - a. We are in the process of doing a more in depth review of looking at the projections in the 2017 Rate Study and analyzing whether implementing the rates would bring us back to the baseline
    - b. With the above, we are looking in to setting a threshold for when we may need to consider implementing Revenue Stabilization Rates
  5. Possible mid-year budget review & adjustment

## UNITS & REVENUE ANALYSIS

### COMPARING BUGDET TO ACTUALS

UNITS ANALYSIS							
	July	August	September	October	November	December	
BUDGETED FY2122	72,854	74,317	70,478	61,894	53,678	46,089	379,311
ACTUALS FY2122	67,878	69,234	55,672	56,474	44,129	39,798	333,185
DIFF TO BUDGET	(4,976)	(5,083)	(14,806)	(5,420)	(9,549)	(6,291)	<b>(46,125) Total</b>
% DIFF TO BUDGET	-7%	-7%	-21%	-9%	-18%	-14%	<b>-12% Cumulative %</b>

REVENUE ANALYSIS								
	June FY2021	July	August	September	October	November	December	
BUDGETED FY2122	\$ 782,191	\$ 878,621	\$ 896,267	\$ 849,962	\$ 746,445	\$ 679,569	\$ 583,483	\$ 5,416,537
ACTUALS FY2122	\$ 1,225,058	\$ 367,255	\$ 838,454	\$ 659,149	\$ 693,458	\$ 556,863	\$ 500,484	\$ 4,840,719
DIFF TO BUDGET	\$ 442,867	\$ (511,366)	\$ (57,813)	\$ (190,813)	\$ (52,987)	\$ (122,706)	\$ (82,999)	\$ <b>(575,818) Total</b>
% DIFF TO BUDGET	57%	-58%	-6%	-22%	-7%	-18%	-14%	<b>-10% Cumulative %</b>
1ST RATE		\$ 12.06						
2ND RATE		\$ 12.66						

*\*Including June to show usage accrual that was done for the audit.*



**BILL COMPARISONS WITH REVENUE STABILIZATION RATE INCREASES**

The perspective of the Revenue Stabilization Rates is that while yes, we are increasing the rates, since you have reduced usage, implementing the Revenue Stabilization Rates would bring your bill back to its normal amount. This will only apply to customers whose usage has decreased because there will be customers whose usage has stayed consistent or in some cases have even increased, but overall, we have seen a decrease in consumption for the District as a whole.

IF CUSTOMER'S CONSUMPTION IS REDUCED BY 10%, 15%, or 20%														
UNITS				UNITS				UNITS						
AVERAGE UNITS	5.00			AVERAGE UNITS	10.00			AVERAGE UNITS	15.00					
10% REDUCTION	4.50			10% REDUCTION	9.00			10% REDUCTION	13.50					
15% REDUCTION	4.25			15% REDUCTION	8.50			15% REDUCTION	12.75					
20% REDUCTION	4.00			20% REDUCTION	8.00			20% REDUCTION	12.00					
AVERAGE BILL				AVERAGE BILL				AVERAGE BILL						
AVERAGE BILL		10% REDUCTION RATE	15% REDUCTION RATE	20% REDUCTION RATE		10% REDUCTION RATE	15% REDUCTION RATE	20% REDUCTION RATE		10% REDUCTION RATE	15% REDUCTION RATE	20% REDUCTION RATE		
REVENUE STABILIZATION RATE	\$ 12.66	13.92	\$ 14.56	\$ 15.19	REVENUE STABILIZATION RATE	\$ 12.66	13.92	\$ 14.56	\$ 15.19	REVENUE STABILIZATION RATE	\$ 12.66	13.92	\$ 14.56	\$ 15.19
<b>BILL DETAIL</b>				<b>BILL DETAIL</b>				<b>BILL DETAIL</b>						
Basic Charge	\$ 35.34	\$ 35.34	\$ 35.34	\$ 35.34	Basic Charge	\$ 35.34	\$ 35.34	\$ 35.34	\$ 35.34	Basic Charge	\$ 35.34	\$ 35.34	\$ 35.34	\$ 35.34
Fire Surcharge	\$ 9.67	\$ 9.67	\$ 9.67	\$ 9.67	Fire Surcharge	\$ 9.67	\$ 9.67	\$ 9.67	\$ 9.67	Fire Surcharge	\$ 9.67	\$ 9.67	\$ 9.67	\$ 9.67
Usage	\$ 63.30	\$ 62.64	\$ 61.88	\$ 60.76	Usage	\$ 126.60	\$ 125.28	\$ 123.76	\$ 121.52	Usage	\$ 189.90	\$ 187.92	\$ 185.64	\$ 182.28
<b>TOTAL</b>	<b>\$ 108.31</b>	<b>\$ 107.65</b>	<b>\$ 106.89</b>	<b>\$ 105.77</b>	<b>TOTAL</b>	<b>\$ 171.61</b>	<b>\$ 170.29</b>	<b>\$ 168.77</b>	<b>\$ 166.53</b>	<b>TOTAL</b>	<b>\$ 234.91</b>	<b>\$ 232.93</b>	<b>\$ 230.65</b>	<b>\$ 227.29</b>
DIFF TO AVERAGE		\$ (0.66)	\$ (1.42)	\$ (2.54)	DIFF TO AVERAGE		\$ (1.32)	\$ (2.84)	\$ (5.08)	DIFF TO AVERAGE		\$ (1.98)	\$ (4.26)	\$ (7.62)
% DIFF TO AVERAGE		-0.61%	-1.31%	-2.35%	% DIFF TO AVERAGE		-0.77%	-1.65%	-2.96%	% DIFF TO AVERAGE		-0.84%	-1.81%	-3.24%

IF CONSUMPTION STAYS THE SAME														
UNITS				UNITS				UNITS						
AVERAGE UNITS	5.00			AVERAGE UNITS	10.00			AVERAGE UNITS	15.00					
10% REDUCTION	4.50			10% REDUCTION	9.00			10% REDUCTION	13.50					
15% REDUCTION	4.25			15% REDUCTION	8.50			15% REDUCTION	12.75					
20% REDUCTION	4.00			20% REDUCTION	8.00			20% REDUCTION	12.00					
AVERAGE BILL				AVERAGE BILL				AVERAGE BILL						
AVERAGE BILL		10% REDUCTION RATE	15% REDUCTION RATE	20% REDUCTION RATE		10% REDUCTION RATE	15% REDUCTION RATE	20% REDUCTION RATE		10% REDUCTION RATE	15% REDUCTION RATE	20% REDUCTION RATE		
REVENUE STABILIZATION RATE	\$ 12.66	13.92	\$ 14.56	\$ 15.19	REVENUE STABILIZATION RATE	\$ 12.66	13.92	\$ 14.56	\$ 15.19	REVENUE STABILIZATION RATE	\$ 12.66	13.92	\$ 14.56	\$ 15.19
<b>BILL DETAIL</b>				<b>BILL DETAIL</b>				<b>BILL DETAIL</b>						
Basic Charge	\$ 35.34	\$ 35.34	\$ 35.34	\$ 35.34	Basic Charge	\$ 35.34	\$ 35.34	\$ 35.34	\$ 35.34	Basic Charge	\$ 35.34	\$ 35.34	\$ 35.34	\$ 35.34
Fire Surcharge	\$ 9.67	\$ 9.67	\$ 9.67	\$ 9.67	Fire Surcharge	\$ 9.67	\$ 9.67	\$ 9.67	\$ 9.67	Fire Surcharge	\$ 9.67	\$ 9.67	\$ 9.67	\$ 9.67
Usage	\$ 63.30	\$ 69.60	\$ 72.80	\$ 75.95	Usage	\$ 126.60	\$ 139.20	\$ 145.60	\$ 151.90	Usage	\$ 189.90	\$ 208.80	\$ 218.40	\$ 227.85
<b>TOTAL</b>	<b>\$ 108.31</b>	<b>\$ 114.61</b>	<b>\$ 117.81</b>	<b>\$ 120.96</b>	<b>TOTAL</b>	<b>\$ 171.61</b>	<b>\$ 184.21</b>	<b>\$ 190.61</b>	<b>\$ 196.91</b>	<b>TOTAL</b>	<b>\$ 234.91</b>	<b>\$ 253.81</b>	<b>\$ 263.41</b>	<b>\$ 272.86</b>
DIFF TO AVERAGE		\$ 6.30	\$ 9.50	\$ 12.65	DIFF TO AVERAGE		\$ 12.60	\$ 19.00	\$ 25.30	DIFF TO AVERAGE		\$ 18.90	\$ 28.50	\$ 37.95
% DIFF TO AVERAGE		5.82%	8.77%	11.68%	% DIFF TO AVERAGE		7.34%	11.07%	14.74%	% DIFF TO AVERAGE		8.05%	12.13%	16.16%

IF CONSUMPTION INCREASES BY 10%, 15%, or 20%														
UNITS				UNITS				UNITS						
AVERAGE UNITS	5.00			AVERAGE UNITS	10.00			AVERAGE UNITS	15.00					
10% INCREASE	5.50			10% INCREASE	11.00			10% INCREASE	16.50					
15% INCREASE	5.75			15% INCREASE	11.50			15% INCREASE	17.25					
20% INCREASE	6.00			20% INCREASE	12.00			20% INCREASE	18.00					
AVERAGE BILL				AVERAGE BILL				AVERAGE BILL						
AVERAGE BILL		10% REDUCTION RATE	15% REDUCTION RATE	20% REDUCTION RATE		10% REDUCTION RATE	15% REDUCTION RATE	20% REDUCTION RATE		10% REDUCTION RATE	15% REDUCTION RATE	20% REDUCTION RATE		
REVENUE STABILIZATION RATE	\$ 12.66	13.92	\$ 14.56	\$ 15.19	REVENUE STABILIZATION RATE	\$ 12.66	13.92	\$ 14.56	\$ 15.19	REVENUE STABILIZATION RATE	\$ 12.66	13.92	\$ 14.56	\$ 15.19
<b>BILL DETAIL</b>				<b>BILL DETAIL</b>				<b>BILL DETAIL</b>						
Basic Charge	\$ 35.34	\$ 35.34	\$ 35.34	\$ 35.34	Basic Charge	\$ 35.34	\$ 35.34	\$ 35.34	\$ 35.34	Basic Charge	\$ 35.34	\$ 35.34	\$ 35.34	\$ 35.34
Fire Surcharge	\$ 9.67	\$ 9.67	\$ 9.67	\$ 9.67	Fire Surcharge	\$ 9.67	\$ 9.67	\$ 9.67	\$ 9.67	Fire Surcharge	\$ 9.67	\$ 9.67	\$ 9.67	\$ 9.67
Usage	\$ 63.30	\$ 76.56	\$ 83.72	\$ 91.14	Usage	\$ 126.60	\$ 153.12	\$ 167.44	\$ 182.28	Usage	\$ 189.90	\$ 229.68	\$ 251.16	\$ 273.42
<b>TOTAL</b>	<b>\$ 108.31</b>	<b>\$ 121.57</b>	<b>\$ 128.73</b>	<b>\$ 136.15</b>	<b>TOTAL</b>	<b>\$ 171.61</b>	<b>\$ 198.13</b>	<b>\$ 212.45</b>	<b>\$ 227.29</b>	<b>TOTAL</b>	<b>\$ 234.91</b>	<b>\$ 274.69</b>	<b>\$ 296.17</b>	<b>\$ 318.43</b>
DIFF TO AVERAGE		\$ 13.26	\$ 20.42	\$ 27.84	DIFF TO AVERAGE		\$ 26.52	\$ 40.84	\$ 55.68	DIFF TO AVERAGE		\$ 39.78	\$ 61.26	\$ 83.52
% DIFF TO AVERAGE		12.24%	18.85%	25.70%	% DIFF TO AVERAGE		15.45%	23.80%	32.45%	% DIFF TO AVERAGE		16.93%	26.08%	35.55%