



Santa Clara Valley Water District

File No.: 20-0509

Agenda Date: 6/9/2020

Item No.: *8.2.

BOARD AGENDA MEMORANDUM

SUBJECT:

Discuss Potential Customer Assistance Alternatives During COVID-19 Pandemic.

RECOMMENDATION:

Discuss potential customer assistance alternatives that could be undertaken in response to the COVID-19 Pandemic and provide direction to staff as necessary.

SUMMARY:

At the April 28, 2020 Board meeting, the Board discussed alternative actions and plans related to the Fiscal Year (FY) 2020-21 Budget, Water Charges and Capital Improvement Plan (CIP) that could be undertaken in response to the COVID-19 Pandemic. At that meeting, the Board requested staff to develop more details on several alternatives and to bring back a follow up discussion. Accordingly, staff has prepared a more thorough discussion on the following alternatives:

1. Partner with the Silicon Valley Strong Partnership;
2. Pursue Partnerships with local municipalities to Assist with Water Related Activities; and
3. Targeted assistance to end customers via a loan program to retailers.

In addition, staff would like to discuss a fourth alternative as follows:

4. Opportunities to initiate near term Valley Water work to be carried out by Small Businesses.

Partner with the Silicon Valley Strong Partnership

After preliminary discussions with the Silicon Valley Community Foundation, which operates as the fiscal agent of the Silicon Valley Strong Partnership, it has been determined that they could establish a fund for Valley Water to utilize for a specific purpose such as water bill relief for those impacted economically by the pandemic. However, Valley Water would need to fundraise and/or solicit donations for that specific fund; additional analysis is needed to provide greater operational detail on this option.

Pursue partnerships with local municipalities to assist with water related activities

Staff has identified several partnership opportunities that would allow Valley Water to provide financial or other assistance to local municipalities for water-related activities during the COVID pandemic. Valley Water could offer assistance in areas such as trash cleanup, stormwater drainage

and pollution prevention, municipal water supply projects, and the delivery of technical support in Hydrology, Hydraulics, and Geomorphology. Staff has conducted preliminary consideration of these potential opportunities and asks the Board to give direction on whether to proceed with further analysis and begin earnest conversations with stakeholders.

Trash Cleanup: Valley Water has a Memorandum of Agreement (MOA) with the City of San Jose for encampment cleanups as well as up to five (5) trash cleanups not related to encampments. Under the MOA, the City funds San Jose Police Department (SJPd) protection during the cleanups for staff safety. As a result of budget impacts due to COVID, the current level of City funding may not be available in the coming fiscal year. Valley Water could potentially direct additional funding from the Safe, Clean Water and Natural Flood Protection Program (SCW) toward helping to share the cost of trash cleanups and associated police support.

Specifically, for cleanups funded under SCW Project B1: Impaired Water Bodies Improvement, Valley Water could assist in covering the necessary cost of SJPd staff time for trash accumulation point (trash raft) cleanups. In FY20, five (5) trash rafts in creeks were cleaned by Valley Water crews. The City's outstanding SJPd staff cost for FY20 trash raft cleanups is approximately \$15,000 and the SJPd cost for the up to five (5) planned cleanups in FY21 will be approximately \$20,000. Valley Water staff could investigate how much of the SCW B1 budget could be used to defray some of these costs.

Valley Water could also explore the use of SCW funding through Project B2: Interagency Urban Runoff Program to support trash pickup costs for the next planned Coastal Cleanup Day and National River Cleanup Day-costs that would otherwise fall on the municipalities. Valley Water's estimated expense for this extra staff time and trash pickup services would be approximately \$3,000 - \$5,000.

Through the Safe, Clean Water Grants Program, municipalities are eligible to apply for grant and partnership funds for projects that meet specific criteria. In Fall 2020, \$200,000 will be available for grant projects that meet the criteria under Project B7: Support Volunteer Cleanup Efforts and Education to help prevent contaminants from entering our waterways, groundwater and surface water; provide public education to reduce contaminants in our waterways; and leverage community resources for efficient use of funds.

Additional Valley Water financial assistance for trash cleanup efforts could help to support the following:

1. Trash abatement programs at large homeless encampments to prevent trash from entering the waterways.
2. Supplementary creek cleanups necessitated by the impacts of increasing trash and encampments during the county-mandated shelter-in-place. Creeks that normally would have been cleaned by volunteers will need additional cleanups to remove and prevent trash from entering the waterways once normal operations resume.
3. The purchase of dedicated equipment (e.g. a mini bobcat front-loader) that could help with more efficient cleanup of trash along waterways and creeks.
4. Repair, reinforcement, and installation of barriers or fencing to prevent illegal dumping in

areas bordered by Valley Water property or facilities.

Stormwater Drainage and Pollution Prevention: South County cities may experience shortfalls to their stormwater programs resulting from COVID-related budget tightening. Valley Water could explore potential funding for planned storm drain projects meant to address flooding issues in Gilroy. Valley Water also might be able to assist with funding the design of stormwater projects in Morgan Hill that implement green stormwater infrastructure and capture trash. Green stormwater infrastructure projects already included in the Stormwater Resource Plan developed by Valley Water could seek grant funding for implementation once design is completed.

The Key Performance Indicator (KPI) for SCW Project B2: Interagency Urban Runoff Program includes conducting pollution prevention projects focused on South County. To assist South County agencies, Valley Water could contribute towards identification and elimination of sources of bacteria pollution in local creeks. Staff will collaborate with South County agencies to develop pollution prevention projects consistent with the KPI and approved budget to address local water quality issues and South County stormwater requirements. Hopefully, such projects could help to ease budget burdens caused by the COVID response.

Water Supply: Valley Water could potentially provide financial assistance for municipal water supply projects. Such funding would produce ratepayer savings which could then be used to help residents and businesses defer water or wastewater bills. Specific water supply projects could be identified if the Board directs staff to further explore this avenue of assistance. But it must be noted that there is no municipal support for Valley Water using enterprise fund dollars for this purpose, as it is understood that this would result in a pump tax increase that ultimately would have to be passed on to retail customers.

Other Technical Support: Valley Water could also provide technical support and expertise in the area of Hydrology, Hydraulics & Geomorphology, as needed. The cost of such support would depend on each specific instance of need, but a rough value estimate of these services might be around \$15,000. Staff could discuss any specific needs with the cities and county if the Board gives direction to do so.

Targeted Assistance to End Customers via a Loan Program to Retailers

This alternative is based on the concept that a loan would be provided to retailers, to temporarily fund unpaid end customer water bills. The Board asked staff to consider a loan that could be “forgiven” due to end customer hardship.

One way to approach this program would be to establish a line of credit (LOC) with each retailer, that could be drawn upon as the Retailers sees fit. The main process steps to carry out this program would be as follows:

1. End customer can't pay retailer water bill
2. Retailer tallies up total unpaid water bills at month end
3. Retailer draws down Line of Credit (LOC) to fund unpaid water bills for that month
4. Retailer draws down LOC each month until pandemic ends or loan maximum is reached

-
5. Retailer pays back loan after pandemic ends
 6. Retailer requests “forgiveness” for portion of loan that represents end customers that didn’t pay due to hardship

Staff has developed the following potential program terms:

- \$5M maximum program allocated to retailer based on proportion of population served (If certain retailers decline to participate, the proportion amongst remaining retailers could be adjusted accordingly)
- Proposed funding source: 1% Ad Valorem Property Taxes from General Fund or Watershed Stream Stewardship Fund (would reduce available funding for flood protection activities and increase overhead rates)
- LOC can be drawn down for 1 year after program inception or until 2 months after Shelter-in-place order is fully lifted, whichever is longer
- Zero percent interest: no prepayment penalty (option to do one-time administrative fee)
- Retailer has 12 months to pay back loan after pandemic ends in lump sum or monthly payments
- Retailer may request loan “forgiveness” for unpaid water bills by providing the following hardship documentation to Valley Water:
 - Proof of Low income household as defined by California Housing and Community Development (HCD) supported by prior year federal tax return (current income limit for 4-person household is \$112,150 per year), and;
 - Proof of unemployment during program timeframe or proof of hardship during pandemic

Staff estimates that the program could cost up to \$100,000 per year in lost interest earnings due to setting aside \$5 million for the program in lieu of investing that money, and depending on the amount of loan forgiveness, could cost the amount set aside for the program or up to \$5 million in this example. In addition, there would be a cost in terms of staff labor required to administer the program, including legal, treasury and accounting support that is difficult to quantify at this time.

Staff has reached out to several retailers to gauge their interest in the program and to ascertain any preferences they would have regarding how to structure the program. Regarding interest level, in general retailers appreciate the program idea, but most are not sure about participating. Responses from retailers include:

- “Interested, administrative streamlining would make it even more attractive”
- “Too early to tell if needed”
- “Not going to rule it out”
- “May not be comfortable with it”
- “Don’t think we’re interested, reserves are healthy and not expecting any cash flow issues”
- “Not interested if it will add administrative burden”

Some retailers have pointed out potential obstacles that would prevent them from taking advantage of a loan program. The most challenging potential obstacle appears to be retailer effort involved in obtaining data on what is causing individual customer hardship. Retailers would need to make a concerted effort to acquire the information necessary to document a hardship. In fact, one retailer

stated that they would not be interested in the program if it added administrative burden. Most retailers that provided feedback on the program mentioned that not increasing the wholesale water rates for at least the first 6 months of FY 21 was the most helpful action from Valley Water during this pandemic.

To help inform the Board's decision on a potential loan program, the Board requested information on low income programs offered by retailers. Staff was able to collect the following information at the time this memo was written:

Great Oaks has a Low-Income Customer Assistance Program (LICAP), which provides qualified customers with a total discount on their monthly bill of slightly under 25% and is funded through rates charged to non-LICAP customers. Customers who participate in PG&E's low-income program (CARE) are automatically added to LICAP.

San Jose Water Company has a Water Rate Assistance Program (WRAP), which provides qualified customers with a 15% discount on the total water bill for eligible low-income customers. The program is based upon the same income qualification guidelines that are used by PG&E's CARE program. CARE program participants are automatically qualified for the WRAP program, which is funded through a surcharge to non-participants.

The City of Santa Clara is considering implementing a 25% discount on the water bill similar to the existing electric bill discount program for qualified Santa Clara residents. In addition, the City has a Small Business Assistance Grant Program, which has awarded 110 grants for a total of \$795,000 to date to aid small businesses in maintaining their business and workforce.

The City of Sunnyvale partners with Sunnyvale Community Services, which is a non-profit emergency assistance agency that provides financial assistance to roughly 6,000 people.

The City of Mountain View recently established a "COVID-19 Utility Bill Assistance Program," in which eligible customers could receive a one-time credit of \$50 to be applied to the next utility bill, until the program funds are depleted.

The City of Gilroy has a senior rate discount available for customers who are PG&E CARE participants.

The City of Morgan Hill provides PG&E CARE participants with an \$11.13 sewer bill discount and a \$5.85 water bill discount per month.

The City of Milpitas has a Milpitas Assistance Program (MAP), in which eligible participants receive a \$5.13 discount per bi-monthly bill for sewer, and a \$6.13 discount per bi-monthly bill for water.

California Water Service Company has a Low Income Residential Assistance (LIRA) program in which eligible customers receive a 50% discount off of the 5/8 x 3/4 inch meter service charge.

The City of Palo Alto has a Low Income Residential Assistance (LIRA) program, which is a donation

funded program that provides one-time utility bill assistance on past due amounts up to \$750.

The City of San Jose offers one late fee waiver in a 12-month period for qualified applicants.

The San Francisco Public Utilities Commission (SFPUC) has implemented a temporary Emergency Customer Assistance Program for eligible residential retail customers a 15% discount on their water bill. The program is temporary, retroactively effective from March 4, 2020 through September 4, 2020, and not meant for long-term support.

Another factor that could influence the Board's decision on whether or not to implement a loan program is the possibility of a Federal utility forgiveness program in the near future. The HEROES Act (H.R. 6800) is a \$3 trillion COVID 19 Relief Package which passed the House of Representatives on May 15, 2020. The bill requires states and utilities that receive federal emergency funds to adopt or maintain policies to prevent shutoffs and continuity of home energy and water services to residential customers during the pandemic. It further requires that all occupied residences are connected to water services throughout the emergency, while prohibiting assessing late fees for nonpayment occurring during the pandemic. The HEROES Act is a House Democratic bill, intended as a starting point for negotiations with the Republican-led Senate. Senate leadership has said, however, that the bill is a non-starter and they will not be considering it. However, there does seem to be some appetite among both parties for these provisions, particularly direct relief to the States and local governments. So, if there is another stimulus package, it could very well contain similar language.

Opportunities to Initiate Valley Water Work for Small Businesses

Valley Water Procurement staff can provide expanded business outreach and support to assist bid opportunities for local small businesses.

Procurement staff can hold additional outreach events from the current annual event, in an effort to reach and engage local businesses as well as expand the small business pool of vendors for ongoing solicitations and vendors who are interested in providing goods or services to Valley Water. This effort would consist of multiple outreach efforts to connect with the business community and inform vendors about Valley Water's processes and business opportunities.

Small and local business owners can have increased opportunities to meet with Valley Water staff to learn about contracting opportunities currently available and future opportunities. Valley Water conducts solicitations for a variety of commodities and services including: computer hardware and software, software maintenance and support, office furniture, furniture installation, building construction and repair services, construction management services, architectural/engineering professional services, advertising, environmental management, electrical services, roofing, janitorial, plumbing and painting services.

Procurement staff will engage with communicating bid opportunities with the various Chambers of Commerce within the County and trade associations to further advance outreach efforts to small and local business on opportunities to conduct business with Valley Water.

Summary

Staff is seeking Board direction on the alternative analysis provided.

FINANCIAL IMPACT:

There is no financial impact associated with this item. However, the direction provided by the Board may result in incremental costs relative to the FY 2019-20 or FY 2020-21 Budget.

CEQA:

The recommended action does not constitute a project under CEQA because it does not have the potential for resulting in direct or reasonably foreseeable indirect physical change in the environment.

ATTACHMENTS:

Attachment 1: PowerPoint

*Handout 8.2-A: SCVWD Support to Cities during COVID-19

UNCLASSIFIED MANAGER:

Darin Taylor, 408-630-3068