



COVID-19 SMALL BUSINESS RELIEF VIA RETURN OF RPU SECURITY DEPOSITS

Councilmember Ronaldo Fierro, Ward 3

Board of Public Utilities Meeting
January 11, 2021

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BACKGROUND

- Since early December, the Southern California Mutual Aid Region has been under a modified Stay at Home Order, which mandates the closure of and reduced capacity for non-essential businesses. On December 29, 2020, the 3-week order was extended by Governor Newsom as hospital ICU capacity remains at 0% within the region.
- This effort to curb COVID-19 community spread and protect against the overflow of local hospitals and ICUs is just the latest in a slew of restrictions that have greatly impacted our local small business community since the beginning of the pandemic.



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BACKGROUND

- A Small Business Majority Survey from August found that **44% of small businesses statewide are at high-risk of shutting down permanently**. More than 62% of respondents reported trouble paying commercial rents.
- More than a third of nearly 70,000 small business owners surveyed said they would be **forced to close their business permanently by mid-January at the latest without additional funding**. For businesses owned by people of color, the number was 41%.



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BACKGROUND

- On December 27, 2020, President Donald Trump signed a \$900 billion COVID-19 relief bill with the main vehicle for small business relief being through a second round of the Paycheck Protection Program (PPP). This was the first federal relief bill to be signed by the President since the CARES Act was passed in Congress in Spring of 2020.
- In the previous round of funding from PPP, California small businesses were disproportionately underfunded, **with only 58.5 loans approved for every 1,000 California businesses – the lowest in the Country**.



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BACKGROUND

- Due to gridlock at the federal level, local relief efforts throughout cities countrywide have been essential to the survival of local small businesses.
- The City of Riverside has led the region in relief efforts, passing multiple relief measures including the **CDBG Microenterprise Assistance Program**, the **Emergency Recovery Assistance Program (ERAP)** and multiple **CARES Act funded programs** addressing food insecurity, rent relief as well as small business and non-profit assistance.



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DISCUSSION

- On March 17, 2020, the City Council passed a ban on utility shut-offs for the duration of the Local Emergency in order to provide relief and flexibility for residents and businesses alike facing a dire economic situation.
- In response, many customers elected to defer the payment of their utility bill in order to pay for essential needs. For small businesses, this meant paying employees, paying rent and keeping up with operational costs with greatly reduced revenues.
- According to the Finance Department, The total delinquency currently for all RPU customers is \$20 million as of December 15, 2020. This is \$15 million more than the same time last year. **57% of current commercial accounts are 60 days or more delinquent.**

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CURRENT DEPOSIT COLLECTION POLICY

Section E of the current Electric and Water Rules 4 establishes the following for return of a deposit:

- Upon discontinuance of service, the Utility shall apply the Customer's deposit and accrued interest to the unpaid bills and refund any balances that exceed \$10 by mail. Any refunds with a balance of less than \$10 will be refunded to Customer upon request.
- After the Customer has maintained a good payment record for twelve (12) consecutive months, the Utility shall apply the Customer's deposit, including accrued interest, to the Customer's bill.
- The Utility may apply the deposit to the Customer's account at any time upon request, provided the Customer's credit may otherwise be established in accordance with Rule No. 3, ESTABLISHMENT AND RE-ESTABLISHMENT OF CREDIT.



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RECOMMENDED TEMPORARY REVISIONS

It is recommended that City Council establish temporary changes to Electric Rule 4 and Water Rule to allow customers to receive the **immediate application of security deposit** to their account, if the customer meets the following conditions:

- The Customer must fit the definition of a Small Commercial Customer, which is defined for the purpose of this rule only as a **commercial customer who employs 50 full-time employees or less as of December 31, 2019.**
- The Customer must **self-certify in writing that their business has been adversely impacted by COVID-19 restrictions**, either by loss of revenue, reduced work hours or temporary closure of business.
- The Small Commercial Customer shall **not be classified as an "essential critical infrastructure"** business under California Governor Newsom's Executive Order N-33-20.
- Customer must have maintained a **good payment history for at least three (3) consecutive months from December of 2019 to March of 2020.**



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WHY SMALL BUSINESSES?

- Small business relief is effective because it stimulates the entire local economy. This measure to assist small commercial customers will result in the continued vitality, culture, diversity and connectedness of our community – benefitting all residents. This measure will build upon the extraordinary efforts by the Riverside Community to assist and provide relief during these unprecedented times.
- Small businesses tend not to have strong lending relationships with banks and are largely left out of federally administered bail out measures. Particularly underserved small businesses include those that are in low to moderate income neighborhoods or are owned by individuals that don't have personal wealth.



FISCAL IMPACT

- There is no material fiscal impact of this item as utility deposits are collected for security purposes and are not applied towards any city services. These deposits are held in the General Treasury Fund.
- Currently under Water Rule 4 and Electric Rule 4, Public Utility customers are already entitled to their deposit, after a record of good payment of 12 consecutive months, through re-establishment of credit, or through the termination of their service.
- The City currently holds \$5,839,811.12 in customer deposits. The total delinquency currently for all RPU customers is \$20 million as of December 15, 2020. This is \$15 million more than the same time last year. 57% of the commercial accounts are 60 days or more delinquent.



RECOMMENDATIONS

That the Board of Public Utilities:

1. Conduct a Public Hearing to receive input on the proposed changes to Electric Rule 4 and Water Rule 4 to allow small commercial customers adversely impacted by COVID-19 restrictions to apply for an expedited application of customer deposit to their account, to be effective until March 30, 2021;
2. Adopt a Board resolution establishing the change to Electric Rule 4 and Water Rule 4 for the purpose of providing relief and flexibility for local small businesses affected by COVID-19 restrictions; and
3. Recommend that the City Council adopt the appropriate resolution establishing the changes to Electric Rule 4 and Water Rule 4.

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