

RIVERSIDE PUBLIC UTILITIES

Board Memorandum

BOARD OF PUBLIC UTILITIES

DATE: JANUARY 11, 2021

SUBJECT: PUBLIC HEARING – PROPOSED CHANGES TO ELECTRIC AND WATER RULES 4 (NO RATE INCREASES PROPOSED) FOR THE PURPOSE OF ESTABLISHING A ONE-TIME APPLICATION OF UTILITY CUSTOMER DEPOSITS AS A BILL CREDITS FOR RIVERSIDE PUBLIC UTILITIES SMALL COMMERCIAL CUSTOMERS ADVERSELY IMPACTED BY THE COVID-19 PANDEMIC

ISSUE:

Conduct a public hearing to consider a temporary revision to Electric and Water Rules 4 to allow small commercial customers adversely impacted by COVID-19 restrictions to apply for the immediate application of customer deposit to their account.

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 31, 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.

BACKGROUND:

On March 17, 2020, the Riverside City Council ratified a local emergency declaration by the Emergency Services Director in response to the COVID-19 pandemic. This action was preceded by emergency declarations by the County of Riverside, the State of California and the Federal Government.

In accordance with Municipal Code Section 9.20.260, during a local emergency, the Riverside City Council is empowered to enact ordinances, resolutions or rules to prevent against, mitigate, and prepare for aid in the response or recovery to all foreseeable or unforeseeable emergencies and disasters. The City Council is additionally empowered to promulgate orders and regulations necessary to provide for the protection of life and property. Such orders and regulations and amendments and rescissions thereof shall be in writing and shall be given widespread publicity and notice.

On March 19, 2020, California Governor Gavin Newsom put in place a statewide a “Stay at Home” order, closing all but essential businesses and telling over 40 million Californians to stay at home whenever possible.

In May 2020 as cases and hospitalizations began to stabilize in the late spring, Governor Newsom steadily modified the Stay at Home Order to allow certain sectors of the economy to reopen with health modifications. On May 22, 2020 Governor Newsom approved an attestation application from the County of Riverside to allow specific business sectors, including dine-in restaurants and shopping centers, to move into the later stages of Stage 2 of the Governor’s Resilience Roadmap.

In early July 2020, exponential increases in cases and positivity rates throughout the State and County triggered Governor Newsom to order the closure of bars, wineries, breweries and the indoor operations of restaurants, gyms, fitness centers, personal care services and malls.

On August 28, 2020, Governor Newsom released the “Blueprint for a Safer Economy” made up of a four-tiered, color-coded system that tracks counties by the number of COVID-19 cases recorded each day and the percentage of positive cases out of the total number of tests administered, both averaged over seven days. This went into effect on August 31, 2020 and replaced the previous county monitoring list.

The economic sectors most affected by these closures are mostly made up of local small businesses that normally rely on consistent cash flow and a reliable and dedicated customer base to keep their doors open and pay their employees. In the City of Riverside, there are 3,253 businesses that report to the City’s Tax Division having 50 or less employees, qualifying as small businesses.

With their doors closed by government order, many of these businesses have been forced to pivot and adapt their operations to outdoor settings, in local parks and on city rights-of-way. The City Council passed the Flex Space Permit Program to allow for this to occur in an expeditious and cost-free manner. However, while this provided some relief, it only slowed the bleeding.

In the early stages of the pandemic, understanding the serious nature of the economic impact of small business closures, federal, state and local legislative bodies acted quickly to pass stimulus measures to bring aid and relief to struggling small businesses. From the federal level came the Paycheck Protection Program, SBA Disaster Loans and the monumental CARES Act stimulus package.

At the local level, the City Council acted quickly to pass a ban on utility shut offs for all customers, regardless of delinquency, as well as a comprehensive eviction moratorium for both residential and commercial tenants throughout the City of Riverside. The City Council, the RPU Board and RPU management have worked diligently to find funds to provide stimulus and relief for local small businesses and impacted residents.

On May 5, 2020, the City Council approved the expenditure of \$5 million from RPU’s public benefit funding for the Emergency Recovery Assistance Program (ERAP). This program provided residential electric customers who had lost their jobs or experienced a loss of income with a onetime, \$250 bill credit on the customer’s RPU bill. This program, launched on May 20, 2020, has aided almost 1,700 customers as of July 21, 2020.

On May 5, 2020, the City Council approved the Small Business Microgrant Stabilization Program, which utilized federal funds from the CDBG-CV allocation with a program amount of \$1,870,896 for the purpose of providing working capital assistance to microenterprises with 5 employees or fewer that are owned and operated by moderate- to low-income individuals. This program was administered in collaboration with the United Way of the Inland Valleys.

On August 4, 2020, the City Council received \$28 million in funding from the Coronavirus Aid, Relief, and Economic Security (CARES) Act from the State of California and approved an expenditure plan that

provided 3.6 million for business assistance, 3.5 million for rental assistance, as well as other community support measures.

On October 6, 2020, the City Council approved of the Restart Utility Bill Repayment Program and standard form Business Restart Payment Agreement for commercial customers and standard form Restart Agreement Letter for residential of Riverside Public Utilities Department in order to provide customers with customized payment plans for any unpaid utility bills.

On November 17, 2020, the City Council received an update from Staff on the CARES Act Expenditure Plan, learning that the business assistance program has been oversubscribed and will require re-allocation from other line items. This clearly shows the urgent need from the business community for further local relief measures, as federal stimulus negotiations remain in a stalemate.

On December 5, 2020, the ICU capacity of the Southern California Mutual Aid Region dipped below 20%, triggering a Regional Stay at Home Order mandating the closure of outdoor dining, reducing capacity for retail operations and encouraging residents to only partake in essential activities. As cases continue to rise exponentially, subsequent economic relief measures are absolutely critical to keep local small businesses afloat during what is expected to be another prolonged shutdown.

DISCUSSION:

The COVID-19 crisis has been the greatest economic shock to the United States and our local economy arguably since the Great Depression – landing hardest on our local small businesses, the heart of our local economy and greater community life. This pandemic has reminded us all the large and often outsized role that small businesses play and continue to play in our economy and lives – employing 47% of the nation's workforce, generating two-thirds of new jobs and serving as a critical path to economic mobility and self-sufficiency.

In March 2020, the City Council adopted a utility shut-off ban, effectively communicating to the local small business community that they should de-prioritize their utility bill and focus on more urgent payments. In response, many small businesses elected to defer their payments, and some have been delinquent on their bills.

Recently, many small businesses have reached out to Riverside Public Utilities to request that their utility deposit, which is often in the range of \$2,500-\$3,000, be applied to their current bill.

Electric Rule 4 and Water Rule 4, both entitled “Deposits and Service Turn-On Charge”, provide rules for deposit required to establish service, and when that deposit will be returned. In general, utilities use customer deposits as security for non-payment of bills to ensure that the cost of a customer's delinquent bills are not subsidized by other customers.

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

1. *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.*
2. *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.*

3. *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.*

Considering the extraordinary circumstances that our local business community are currently encountering, it is recommended that the Board of Public Utilities establish temporary changes to Electric Rule 4 and Water Rule 4 to provide for the Riverside Public Utilities, upon request from the customer, to apply a small commercial customer's deposit to their account at any time until March 31, 2021, if the customer meets the following conditions:

1. 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.
2. 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.
3. The Small Commercial Customer shall not be classified as an "essential critical infrastructure" business under California Governor Newsom's Executive Order N-33-20.
4. Customer must have maintained a good payment history for at least three (3) consecutive months from December of 2019 to March of 2020.

The Utility must treat all its customers in a non-discriminatory manner. In May 2020, the City Council approved of the ERAP program, which provided utility relief for residential customers. This relief measure was extremely important and needed – providing \$250 bill credits to residents impacted by COVID-19 economic losses. However, as the program was made possible through public benefit funding, only residential customers can take advantage of the program.

Small commercial customers, similarly, have been severely impacted by COVID-19 and are extremely sensitive to the extreme decrease in revenues forced by mandated closures. According to a National Survey by the Small Business Majority, 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%.

Larger commercial customers, while still marginally impacted, do not have the same immediate needs for revenue and cashflow that small commercial customers require to keep their business model intact and afloat. Additionally, larger businesses have the infrastructure that have allowed them to take advantage of federal relief programs, such as the Paycheck Protection Program (PPP) and other CARES Act relief programs.

The Paycheck Protection Program was the most viable and well-known assistance program included in the CARES Act in early 2020. The program, administered by SBA, was designed to provide low interest forgivable loans to small businesses. Businesses were able to apply for loans for 250% of their monthly payroll with a \$10 million cap. The loans become forgivable if 75% of the funds go towards pay employees.

Two weeks after the program launched, the SBA announced that the \$350 billion fund was depleted and that applications were no longer being accepted. Only 6% of small businesses in the nation received funds with reports from many local restaurants and retailers of radio silence from lenders. The State of California received the fewest number of loans than any state, with 58.5 loans per 1,000 small businesses. This is one sixth as many as the leading state, with 339 loans per 1,000 small businesses.

According to Securities and Exchange filings, 71 publicly traded companies were successfully enrolled in the program, receiving \$300 million in loans, close to 10% of the entire fund. Four major U.S. banks – Bank of America, Wells Fargo, JPMorgan Chase and US Bank – are the target of lawsuits accusing the financial institutions of favoring large businesses in the PPP program.

The SBA released a report on April 13th detailing loan approvals by NAIC Sector:

NAICS Subsector Description	Approved Loans	Approved Dollars	% of Amount
Construction	114,838	\$33,994,993,103	13.73%
Professional, Scientific, and Technical Services	126,372	\$30,347,630,866	12.26%
Manufacturing	72,728	\$30,324,381,642	12.25%
Health Care and Social Assistance	114,236	\$27,907,315,755	11.27%
Accommodation and Food Services	108,179	\$22,729,710,765	9.18%
Retail Trade	105,796	\$21,205,961,588	8.57%
Wholesale Trade	42,280	\$14,340,947,724	5.79%
Other Services (except Public Administration)	93,538	\$12,302,748,049	4.97%
Administrative and Support and Waste Management and Remediation Services	45,492	\$10,620,220,830	4.29%
Real Estate and Rental and Leasing	48,940	\$7,963,204,190	3.22%
Transportation and Warehousing	28,181	\$7,824,422,844	3.16%
Finance and Insurance	36,714	\$5,780,025,663	2.33%
Educational Services	15,213	\$5,664,150,353	2.29%
Information	13,693	\$4,449,853,324	1.80%
Arts, Entertainment, and Recreation	25,785	\$3,690,034,085	1.49%
Mining	8,133	\$3,010,017,134	1.22%
Agriculture, Forestry, Fishing and Hunting	27,428	\$2,973,951,117	1.20%
Management of Companies and Enterprises	2,278	\$887,589,299	0.36%
Public Administration	3,058	\$824,899,859	0.33%
Utilities	2,056	\$701,335,031	0.28%

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. As deadlocked negotiations in Washington D.C. bring little promise of true small business relief, the local role is more impactful and needed in the navigation of a successful, healthy and equitable recovery. Due to these factors, this program will be only targeted towards small commercial customers.

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 Public to assist and provide relief for ratepayers during these unprecedented times

Without an influx of new government stimulus, hundreds of local small businesses will face a bleak winter of government restrictions, dwindling customers and closures an extremely slowed economic recovery.

Local relief efforts across the country have played a critical role in ensuring the survival of the small business community and have been especially vital as federal stimulus remains gridlocked in Washington DC. In order continue to stay afloat and abide by COVID-19 health and safety measures, small businesses must replace their lost income as fast and efficiently as possible. In order to do this, cash injections and flexible resources from government bodies are needed so that they may continue to pay operating costs and cover payroll.

In the past 9 months, our community has weathered this crisis by coming together and organizing relief, from community organizations putting together food drives to the City Council and City team organizing funds for small business stimulus – local action has been integral in keeping residents, families and small businesses afloat.

Because of the urgency of this relief item, this item has been preemptively agendaized for the City Council's consideration at their January 12, 2021 meeting. The item was published on December 31, 2020.

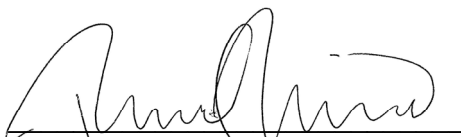
FISCAL IMPACT:

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 under separate utility deposit accounts and are segregated from operating funds of RPU. 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.

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Attachments:

1. Board Resolution
2. Electric Rule 4 (redlined)
3. Water Rule 4 (redlined)
4. Presentation