



## Staff Report

**File #:** 20-247

**Version:** 1

**Date:** 8/10/2020

**Item #:**

**TO:** Mayor and City Council  
**THROUGH:** Steve Powers, City Manager  
**FROM:** Peter Fernandez, PE, Public Works Director

### **SUBJECT:**

Management of Delinquent Utility Accounts.

Ward(s): All Wards

Councilor(s): All Councilors

Neighborhood(s): All Neighborhoods

Result Area(s): Strong and Diverse Economy; Welcoming and Livable Community.

### **ISSUE:**

Shall Council:

1. Adopt Resolution 2020-40 to extend the Emergency Utility Assistance Program changes through June 30, 2021;
2. Authorize staff to notify delinquent customers that standard account management and enforcement practices will resume October 1, 2020; and,
3. Authorize staff to transfer any outstanding balances from City of Salem Utility Billing to City of Salem Finance to be set up on a 12-month no interest, no penalty payment plan or other program identified in the interim?

### **RECOMMENDATION:**

Staff recommends Council:

1. Adopt Resolution 2020-40 to extend the Emergency Utility Assistance Program changes through June 30, 2021;
2. Authorize staff to notify delinquent customers that standard account management and enforcement practices will resume October 1, 2020; and,
3. Authorize staff to transfer any outstanding balances from City of Salem Utility Billing to City of Salem Finance to be set up on a 12-month no interest, no penalty payment plan or other program identified in the interim.

### **SUMMARY:**

Following is a status report on delinquent accounts as of July 24, 2020, a summary of financial relief provided to customers, a request to extend the Emergency Utility Assistance Program changes (Attachments 1 and 2), a plan for returning to standard utility account management and collection practices, and a method for establishing payment plans for outstanding delinquencies.

## FACTS AND FINDINGS:

- 1. Suspension of Disconnections (Shutoffs).** As a result of the health and economic impacts of COVID-19, the City temporarily stopped disconnecting utility services on March 13, 2020, and restored utility services upon request to accounts that had been disconnected or shut off in the days immediately prior to this change in practice. The purpose of this change in business practice was to ensure uninterrupted access to clean and safe drinking water for handwashing.
- 2. Council Action on Assistance Programs.** On April 27, 2020, Council adopted Resolution 2020-22 (Attachment 3) including actions and assistance designed to help customers experiencing economic hardship as a result of COVID-19. Changes to the Emergency Utility Assistance Program included an increase in program funding to \$500,000, an increase in the maximum annual assistance per account to \$500, and an expansion of criteria to approve eligible recipients based on their qualification for other programs with income limits. The changes were to remain in place until July 31, 2020, unless otherwise amended or extended. Staff is recommending extension of these program changes through June 30, 2021.

The City Manager also adopted an emergency administrative rule to expand use of temporary account suspension to include commercial accounts for businesses closed during the pandemic. This provision is set to expire 180 days after adoption, or the end of October 2020.

- 3. Assistance Provided Through Expanded Program Guidelines.** Although increased assistance has been available to customers for three months, only a limited number of customers have taken advantage of these opportunities. As of July 24, 2020, the Emergency Utility Assistance Program has provided financial relief to 115 families in the amount of \$16,605. Only thirteen **residential** customers have benefitted from the expansion of prequalification standards. A total of ten **commercial** customers have requested account suspension, and three remain suspended.

Staff assumes that the slower than anticipated enrollment in these programs may be the result of lack of enforcement activity (shutting off water) since March 13, 2020. There is nothing prompting delinquent customers to seek assistance or become current on their accounts without the possibility of disconnection or referral to a collection agency. Staff recommends continuing the expanded customer assistance program through June 30, 2021, in conjunction with restarting standard collection practices as described in number 6, below.

- 4. Delinquent Accounts.** A total of 2,238 accounts, approximately 4.0 percent of total accounts, were delinquent as of July 24, 2020, in the amount of \$676,070 (less than 1 percent of total utility rate revenue). Under standard account management processes, these accounts would be eligible for shutoff, or would have already been shut off, for non-payment or referred to a collections agency.
- 5. No Forgiveness of Delinquent Balances.** None of the program changes adopted on April 27, 2020, anticipated debt forgiveness, and the staff report noted all outstanding account balances would be considered due and payable. The staff report also indicated that when standard account management processes were resumed, City Council would receive a report with recommendations that would include options such as no-interest payment plans for delinquent accounts. The City's financial advisors state that any forgiveness of account balances would require a disclosure statement for the 2020 Utility revenue bonds. If state or federal grants become available for this purpose, staff will return to Council with updated information.
- 6. Return to Standard Collection Practices.** On or after August 18, 2020, all accounts with past due balances, including those accounts that would have been shut off as a result of non-payment, will receive a letter (Attachment 4) indicating the City plans to return to standard collection practices in 45 days. Customers will have until September 30, 2020, to pay the balance before it is turned over to the City of Salem Finance Department to be set on a 12-month, no interest, no penalty payment plan.

On October 1, 2020, standard account management practices will resume, and all previously delinquent account balances will be transferred to Finance. All accounts will start fresh in the Utility Billing system with only the current monthly charges showing. This action will prevent prior delinquent accounts from being shut-off due to the actions associated with the pandemic.

If a customer account goes delinquent in the Utility Billing system after October 1, 2020, they will receive standard reminder notices and, if necessary, proceed to shutoff after 39 days. The same process will apply to all customers of all classifications and service types.

- 7. Account Management in Finance Accounts Receivable.** Any delinquent balances that remain unpaid as of September 30, 2020, will be transferred to the City's accounts receivable system in Finance and set up on a 12-month payment plan, without penalties or interest. Based on typical delinquent balances for residential customers, it is estimated monthly payments will be between \$25 and \$40 dollars per month. Staff anticipates first invoices to be issued November 1, 2020, and due November 30, 2020.

Customers who participate in the payment plan through City of Salem Finance will receive two bills from the City of Salem:

- a. a City of Salem utility bill, and
- b. an invoice from City of Salem Finance for monthly payment plan on the outstanding delinquent balance.

If a customer defaults and is unable to stay current on the 12-month payment plan, the account will be referred to Professional Credit Services (the City's collections contractor) following standard notifications, 90 days after the missed payment due date. The first time an account could be past due would be December 31, 2020, with referral to collection as early as March 31, 2021.

**8. Certification to Marion County.** The City of Salem also curtailed enforcement actions on accounts without water service. Salem has an intergovernmental agreement with Marion County, as part of the East Salem Service District, requiring certification of delinquent sewer accounts twice per year. Once certified, Marion County reimburses the City and converts the balance to a property tax lien. Regular certification helps ensure the lien is assigned to the proper debtor prior to any change in property ownership. The next scheduled certification of past due balances to Marion County is at the end of September 2020. To meet this timeline, owners and tenants will receive notice on or after August 21, 2020, of past due balances intended to be certified to Marion County on September 22, 2020.

Alicia Blalock  
Administration Division Manager

Attachments:

1. Resolution 2020-40
2. Exhibit A - Emergency Utility Assistance Program
3. Resolution 2020-22 with Exhibit
4. Proposed Letter to Delinquent Utility Customers