



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Julia H. Cooper
Kerrie Romanow

SUBJECT: SEE BELOW

DATE: April 2, 2020

Approved

Date

4/3/2020

**SUBJECT: SUSPENSION OF LATE PAYMENT CHARGES FOR MUNICIPAL
WATER SERVICE AND MULTI-FAMILY DWELLING SOLID WASTE
BILLINGS**

RECOMMENDATION

Approve an ordinance retroactively suspending late payment charges for City provided water service billed on a bi-monthly basis and multi-family dwelling solid waste collection service billed on a monthly basis, with due dates ranging from March 17, 2020 through June 30, 2020.

OUTCOME

The proposed ordinance would suspend late payment charges for City provided water service billed on a bi-monthly basis and multi-family dwelling solid waste collection service billed on a monthly basis, for unpaid account balances with due dates ranging from March 17, 2020 through June 30, 2020.

BACKGROUND

On March 16, 2020, the County of Santa Clara ("County"), and six of the most populous Bay Area counties, announced a shelter-in-place order, in light of the increased number of cases of COVID-19 confirmed in the region and in particular in Santa Clara County. Additionally, the Governor of the State of California issued an order directing that individuals shelter at their place of residence. On March 31, 2020, the County, announced an extension of the order to remain in effect through May 3, 2020, unless amended or extended, to reduce the spread of COVID-19. In response, the City elevated to Stage 5 (Extremely High Response) of its Pandemic Management Plan. Stage 5 calls for the suspension of all non-essential City programs and services, the closure of City facilities, and full activation of the City's Emergency Operations Center (EOC). Ensuring the safety and well-being of City employees, residents, and businesses is of the utmost importance in the City's Pandemic Management Plan.

As such, the City Council directed the City Manager to explore the possibility of deferring payment of utility bills on the March 17, 2020 Council meeting.

ANALYSIS

Staff is not recommending a deferral of the payment of utility bills due to the potential for cash flow issues associated with the municipal water and solid waste enterprise funds. As an alternative, the recommendation is to suspend late payment charges for municipal water and multi-family dwelling solid waste billings.

The proposed ordinance would suspend late payment charges for City provided water service billed on a bi-monthly basis and multi-family dwelling solid waste collection service billed on a monthly basis, with due dates ranging from March 17, 2020 through June 30, 2020. This action will provide financial relief for individuals and businesses impacted by COVID-19. By suspending late payment charges through June 30, 2020, individuals and businesses can make a late payment of the amount owed in full or enter a payment plan to pay past due amounts over time without late charges applied.

Currently, the Municipal Code provides that a bill for municipal water service not paid by the due date specified in the bill is deemed delinquent. When a bill becomes delinquent, a late payment charge in an amount set forth in the Schedule of Fees and Charges established by resolution of the City Council is added to the bill. Currently, the late payment charge is \$10.00 or 10% of the bill, whichever is greater.

Pursuant to the Municipal Code, the Director of Finance may cancel the late payment charge if the customer can show that the bill was never received or the late payment charge was added in error, or where the late payment charge does not exceed \$500 and the customer subject to the late payment charge has not requested cancellation within the past 24 months.

Similar provisions exist under the Municipal Code for cancellation of late payment charges for multi-family solid waste collection services. Late payment charges are not applicable to single family solid waste collection services because the service charges are collected annually through the Santa Clara County property tax bill.

Under the proposed ordinance, the Director of Finance would be authorized to suspend late penalty charges through June 30, 2020.

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CONCLUSION

Approval of the proposed ordinance would suspend late payment charges for City provided water service billed on a bi-monthly basis and multi-family dwelling solid waste collection service billed on a monthly basis, with due dates ranging from March 17, 2020 through June 30, 2020. By suspending late payment charges through June 30, 2020, individuals and businesses can make a late payment of the amount owed in full or enter a payment plan to pay past due amounts over time without additional fees applied.

EVALUATION AND FOLLOW-UP

The Administration will continue to monitor the emergency response and bring back further actions related to this recommendation, as necessary. Staff will return to Council with an analysis of the impact on future rates or the General Fund as the result of any revenue shortfall in the utility funds.

CLIMATE SMART SAN JOSE

The recommendation in this memo has no effect on Climate Smart San José energy, water, or mobility goals.

PUBLIC OUTREACH

This memorandum will be posted to the City's website for the April 7, 2020 Council meeting. Additionally, information regarding the proposed suspension of late payment charges will be posted on the Finance Department's website.

COORDINATION

This memorandum was coordinated with the City Manager's Budget Office, Environmental Services Department, and Office of the City Attorney.

COMMISSION RECOMMENDATION/INPUT

No commission recommendation or input is associated with this action.

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COST SUMMARY/IMPLICATIONS

If suspension of late payment charges is approved, it is anticipated the loss of revenue to the General Fund related to the Water Utility Fund would total approximately \$115,000 and loss of revenue in the Integrated Waste Management Fund associated with multi-family dwelling solid waste billings would total approximately \$85,000. The late fees related to water service are transferred to the General Fund and any shortage of revenue will impact the General Fund Ending Fund Balance. Late fees for the solid waste service will be absorbed by the fund as it supports special programs.

It is important to note that this memorandum recommends suspending late payment charges. However, it does not waive the service charges themselves.

CEQA

Not a Project, File No. PP17-004, Government Funding Mechanism, or Fiscal Activity with no commitment to a specific project which may result in a potentially significant physical impact on the environment.

/s/

JULIA H. COOPER
Director of Finance

/s/

KERRIE ROMANOW
Director of Environmental Services Department

For questions, please contact Rick Bruneau, Deputy Director of Finance, at (408) 535-8310.