

CITY OF REDDING, CALIFORNIA

Economic Response Plan

Redding City Manager Barry Tippin

2020



Table of Contents

Executive Summary.....	2
Plan Elements.....	2
Elements currently implemented	2
Maintain City Services	2
Suspend Return to Owner fees	3
Suspend Late Fees and Interest on City Payments	3
Suspend Utility Shut-Off	4
Suspend Utility Late Fees	4
Distribution of \$50 to REU Account Holders	4
Pending the City Council’s approval	4
Deferral of Transient Occupancy Tax	5
Modify Existing CARES Program Guidelines	5
Modify Utilities Amortization Program Guidelines	5
Refund City of Redding Utilities Deposits	6
Additional Cap and Trade Distribution	6
Utility Grant Program for Small Businesses	6
Local Economic Stimulus Package	7

Executive Summary

The Covid-19 global pandemic is a health catastrophe causing significant disruption in individual, community and societal norms. While the direct human suffering owed to the disease itself is horrific, the damage to the economy due to necessary health precautions is equally devastating. The City of Redding (City), as the local governmental entity, needs to take bold action in line with the State and Federal Government to not only protect the health and welfare of the individual but also that of the local economy. The City of Redding City Council (Council) has directed that a plan be developed to assist the community in economic recovery to coincide with the cessation of the pandemic. This report provides detailed information on the various programs that have been developed to help foster the economy through this economic disaster. Some programs have already been implemented while others still need final approval from the City Council. In brief, the programs are listed below.

Currently implement Plan Element	Value
Suspend Return to Owner fees	\$200
Suspend late fees and interest on City of Redding payments	\$60,000
Suspend City of Redding utility shut-offs	Increased Cash Flow
Suspend City of Redding utility late fees	\$425,000
Distribution of \$50 to REU account holders	\$2,200,000
Plan Element Pending approval	
Deferral of Transient Occupancy Tax	\$250,000 Est. deferred
Modify existing CARES program guidelines	\$1,500,000
Modify existing Utilities amortization program guidelines	Increased Cash Flow
Refund City of Redding utility deposits	\$3,400,000
Additional Cap and Trade distribution	\$9,000,000
Utility grant program for small businesses	\$600,000
Local Economic Stimulus Package	\$20,000,000
Total Value of City Response Plan	Est @ \$37,500,000

Plan Elements

Elements currently implemented

Maintain City Services

City services provided to the community are critical in nature and are unable to cease in functionality. A multitude of projects, already in the works, have to continue processing in spite of the pandemic that has affected the nation. In order to keep projects moving forward, and to

continue to serve the community in this critical capacity, City departments implemented immediate changes to comply with State and Federal directives. Personnel able to work from home were provided resources to do so. Meetings of large groups of staff and/or the public were eliminated, and preparations were made to provide access to public meetings without further endangering the community. As a result of the rapid response of staff, City services continue to function for the bulk of the community. In spite of the closure of City Hall and the diminished personnel in the Avtech and Corp Yard buildings, and the Transfer Station, critical City services such as police, fire, electric, solid waste removal, water and wastewater maintenance, and parks services still operate to the benefit of the community. Each position, whether working from home or in the office, is a critical component of maintaining the support of these services. Department directors monitor work product and load to ensure the City continues to function efficiently. The City is providing increased availability of cleaning supplies and sanitizing materials to offices and meeting spaces to maintain worker health.

To provide additional relief to residents and business owners, several programming decisions were implemented. Taking into consideration the varied economic status of Redding residents and businesses, the following steps were taken to provide some help financially.

Suspend Return to Owner fees

Effective March 23, 2020, Haven Humane Society suspended the charging of return to owner fees for animals impounded for running at large. A small portion of the fee is typically returned to the City to recoup costs of providing animal regulation services for the community. The total cost is expected to be less than \$200 for the City. This allows Haven to reduce the number of animals left in the shelter while it is being operated at minimum capacity, and it is a benefit for community members who are unable to make the payment at this time.

Suspend Late Fees and Interest on City Payments

The City has initiated the suspension of late fees and penalties for payments and all General Accounts Receivable for items like hangar rents and imposed fines. This is made possible through individual review of accounts as payments are submitted and the reporting is analyzed. Both systems are housed in the legacy system so adjustments are applied manually to individual accounts. The \$35 returned check and returned ACH payment fees have been suspended as well. Returned check and ACH fees are charged on an individual basis, and returned items are reported from the City's banking system daily. When applicable, the returned item amount with the additional fee are typically charged back to established accounts. The fee will be eliminated from these charge backs.

The current plan is to suspend penalties and interest for receivables due in March and April 2020, which would include payments due in April and May. Based on last year's activities, it is estimated that the loss of revenue to the general fund from the suspensions will be \$55,000. The suspension of the returned check and ACH fees is estimated to be \$5,000 for the same time period. If extended an additional month through the end of the fiscal year (June 30, 2020), the savings to the community equates to an estimated \$60,000 which will result in an equal amount of lost revenue for the City.

Suspend Utility Shut-Off

Effective March 18, 2020, the City of Redding Utilities Customer Service suspended the practice of utility shut-offs due to non-payment. Each month, under normal circumstances, approximately 220 utility accounts are disconnected after failure to pay for utility service received over the previous 60 days. Typically, 75 percent of these customers pay their past due amount and have their utilities reconnected within two weeks. With the Covid-19 pandemic and the anticipated increase in the number of utility customers having difficulty keeping up with all of their monthly expenses, it was decided that loss of utility service should not contribute to the stress and anxiety already experienced. Once the pandemic has passed, the Customer Services division will work with customers using various tools to bring the accounts into good standing. It is known that this effort will result in a temporary increase in accounts receivable and decreased cash flow for all utilities – resulting in an equal amount of temporary financial relief to residents of the City of Redding. This measure may result in an increase in bad debt expense, however, additional proposed measures, listed later in this report, could assist in reducing bad debt expense. Furthermore, bad debt would be sent to a collection agency with a recovery rate of approximately 30 percent.

Suspend Utility Late Fees

Like shut-offs, late fees for utility payments have been suspended. Late fees, historically, amount to \$1.7 million per year. While late fee collections are not always linear, it is a close approximation that the suspension will save customers in excess of \$425,000 due to the high potential that there will be an increase in late payments. Late fees are an administrative penalty, and therefore, are deposited in the General Fund. If it is assumed that there will be no attempt to collect the past-due late fees, the General Fund will miss revenue projections in this category by at least \$425,000.

Distribution of \$50 to REU Account Holders

The City Council approved the distribution of excess reserves to be credited to every Redding Electric Utility customer in December 2019 in the amount of \$50 per account. The funding source for the distribution is the Greenhouse Gas Allowance Auction Proceeds (also referred to as GHG or Cap and Trade), in an amount equal to about \$2.2 million, and will be accomplished via a bill credit.

Pending the City Council's approval

The following programming ideas were developed to provide additional options to provide financial relief to residents and businesses. These plan elements vary in how they target a diverse set of community members. Reaching as much of the community as possible is crucial for Redding to solidify its economic foundation. These proposals require the City Council's approval to proceed. Some of the following items can be implemented immediately, while others will need to be further developed and brought back to the Council for further direction.

Deferral of Transient Occupancy Tax

Defer payment of TOT from hotel and motel business until August 1, 2020 (payment due August 19, 2020). This deferral would be interest free and full payback would be made by November 1, 2020. The TOT deferral program could provide for much need cash flow for the Hotel and Motel industry by allowing an estimated \$250,000 to remain with the business for operating expense. This program would be limited to Hotels/Motels with Business Licenses of 65-40-1 or 65-50-1.

Modify Existing CARES Program Guidelines

Community Assistance for Redding Electric Services (CARES) provides up to \$300 of emergency assistance for the electric portion of bills for City of Redding utility customers. The intent of the CARES program is to help customers who have suffered a temporary financial hardship and to bring their account to a current status. Customers are eligible for CARES assistance once every 12 months. This program is funded out of the Public Benefits charges included in each ratepayers' bill. Staff recommends applying a \$300 CARES credit to all residential customers enrolled in the Residential Energy Discount Program (REU's low income program). This would provide \$1.2 million of immediate utility cost relief to our lowest-income customers with an additional \$600,000 of additional relief available to those who may apply due to becoming eligible due to impacts from covid-19. These funds would be replenished with the new budget year beginning on July 1, 2020. Should the Council choose to do this, staff recommends providing the Electric Utility Director authority to repeat this process, should the Stay at Home order continue through the summer, and also suspend the once-per-year limitation for applicants. This would have no impact on the Electric Utility's financial metrics as defined in Council Policy 1414, as Public Benefit Programs are restricted.

Modify Utilities Amortization Program Guidelines

The City of Redding Utilities Customer Service provides amortization for residential customer bills that are past due. This allows customers to "catch-up" on their bill for up to 12 months by amortizing the past-due balance. Staff recommends temporarily expanding this to commercial customers and temporarily extending the amortization for a period of up to 24 months, which would essentially provide a zero percent loan to customers that are past-due and having trouble paying their bill. In addition, this would allow commercial customers who receive Small Business Administration Loans to focus on other essential costs. This would have a temporary impact on City of Redding Utilities, as cash would not be received for up to two years. The risk to the utilities would be any eventual non-performance of these loans; non-performance would mean not paying the full amortization over the 24-month period. Therefore, staff recommends establishing an "eligibility criteria" that the customer must have not been disconnected for non-payment of utilities in the previous year to be automatically approved for the amortization. Customers not eligible for automatic amortization may still request it and approval will be granted on a case by case basis. Should the Council choose to do this, Staff recommends providing the Electric Utility Director administrative authority to modify program elements as necessary. As this could affect water, wastewater, and solid waste utilities, the Public Works

Director would collaborate in these decisions. This plan element will potentially provide millions of dollars in available cash flow for residents and businesses.

Refund City of Redding Utilities Deposits

Staff recommends returning all customer deposits held by Utilities Customer Services. This would return approximately \$3.4 million to customers, including approximately \$600,000 to commercial customers. The City holds utility deposits on customer accounts that present a higher credit risk to the utilities. By returning deposits, the City is returning monies to customers most in need. This would have no immediate impact on the Electric Utility's financial metrics as defined in Council Policy 1414 as customer deposits are not included in unrestricted reserves for the purpose of calculating days of cash on hand. The risk to the utilities would be future bad debt accruals of non-payment of utilities by customers who have demonstrated difficulty paying bills. However, this bad debt would be sent to a collection agency with a recovery rate of approximately 30 percent. Should the Council choose to do this, Staff recommends providing the Electric Utility Director authority to modify administrative processes for billing future utility deposits as defined in City Council Policy 1404. The deposit requirement will be reinstated at an unknown time in the future.

Additional Cap and Trade Distribution

Staff recommends a \$200 credit on Electric utility bills to all customers out of Cap and Trade auction proceeds, which is similar to the \$50 refund recently approved by Council. This would provide an additional \$9 million in rebates to electric utility customers, bringing the total rebate amount, including the Council's action on March 26, 2020, to approximately \$11 million. To fund this program, the Council would need to allocate the balance of current year Cap and Trade revenues and cancel two Council-approved programs that have yet to launch: Wildfire Mitigation and Building Electrification. Wildfire Mitigation has yet to start due to the California Air Resources Board not providing a quantification methodology for reduced greenhouse gasses achieved through fuels reduction, thus the Cap and Trade funds are not available for this purpose. Building Electrification has yet to start due to staffing limitations. This would have no impact on the Electric Utility's financial metrics as defined in Council Policy 1414 as Cap and Trade revenues are restricted.

Utility Grant Program for Small Businesses

As an entitlement city for the U.S. Department of Housing and Urban Development (HUD) the City receives an annual allocation of Community Development Block Grant funding which is used for public service and public improvements. Due to the Federal CARES act the City received an additional allocation of \$447,450. This funding, combined with unused funding from past projects, for a total of \$600,000 provides the City an opportunity to provide funding toward eligible small business utility payments for those in the most need or are unable to receive Federal assistance or grants. If approved, staff will present the program and the amount available as part of the required public hearing to approve the use of the funding.

Local Economic Stimulus Package

The Local Economic Stimulus Package is composed of multi-departmental projects intended to result in a combination of benefits to the City. In its infancy, this was a mass project designed to create an energy savings with each completed project. The City, however, has multiple deferred maintenance projects that must be completed to maintain the infrastructure stability of its assets. Staff developed the following plan in a response to a need to merge the energy savings needs of the City with its deferred maintenance needs and infuse much needed capital into the local economy.

The projects in this package were specifically chosen as critical needs either in the realm of energy savings, which qualifies the project to be paid for through GHG auction proceeds, or for its contribution to eliminating the deferred maintenance needs of the City. A combination of GHG funding, utility reserves, municipal bond, and energy cost savings would be used to fund the package with little or no net budgetary impact to the General Fund. The total value of the economic stimulus package is estimated at approximately \$20 million. Approximately \$9.5 million of GHG money could be allocated for the completion of the projects that realize an energy savings for the City. The energy savings over time for the General Fund could be used to fund the deferred maintenance needs.

Several of the anticipated projects such as the work at various fire stations and lighting upgrades would be started immediately and put out to bid as soon as possible. Other projects, such as the replacement of the heating and air conditioning system at the Civic Auditorium will need to be analyzed further. The intent is to move quickly to infuse available GHG funds and provide economic benefit for the community.

The calculated energy savings from the energy savings projects could be used to secure bond funding to accelerate up to another \$10 million in local projects including improvements to the Redding Aquatic Center, park facilities, required building maintenance, and other amenities. Staff will return to the City Council with a full project list and borrowing options should the City Council provide direction to do so.

Completion of projects totaling up to \$20 million is quite a large endeavor. However, the plan would be to bid multiple smaller projects to provide the best opportunity for local contractors to participate in the process, and thereby providing the local economy a direct opportunity to see quick and significant economic benefit in jobs and business activity. According to multipliers provided by the Shasta County Economic Development Corporation, the City of Redding would see a direct benefit equal to 328 jobs and \$30 million of economic impact.