
REPORT TITLE: Financial Support Options for Utility Customers

FROM: Andrea Warren, Interim Commissioner of Public Works

RECOMMENDATION

That the deferral of Late Payment Charges (LPC) for 91 days for all utility bills issued between April 1 to June 30, 2021 inclusive, be approved;

And further, that the Housing Stability and Homelessness Prevention funds be used to provide temporary assistance to residents in paying their utility bills, capped at existing budget levels.

REPORT HIGHLIGHTS

- Council approved a motion on February 4, 2021 directing staff to report back to Council with financial support options to assist customers in paying their Regional utility bill amid the COVID-19 pandemic.
- To support the community in 2020 during the COVID-19 pandemic, Council approved the deferral of Utility Late Payment Charges (LPC) for 91 days and of the annual utility rate increase from April 1 to July 1, 2020.
- Four options have been considered to support the community in 2021. Speed and targeted assistance are the guiding principles used to evaluate each option.
- The 91-day LPC deferral option provides greater flexibility to customers in need with an overall financial impact of \$400K.
- The existing Housing Stability and Homelessness Prevention funds can provide targeted financial support to residents requiring assistance to pay utility bills. The Program ran a \$500K surplus in 2020, so the existing funding is available to provide increased support if needed.
- A financial assistance program targeted specifically to businesses in need on a business by business basis is not permissible under section 106 of the *Municipal Act, 2001*.
- The deferral of the utility rate increase from April 1 to July 1, 2021 for all customers would result in a \$5.6 million revenue loss, with minimal benefit to individual residents and businesses.

DISCUSSION

1. Background

Since March 2020, the COVID-19 pandemic has created financial hardship for households and businesses globally, including those in Peel. The impact to both residential and commercial

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sectors can be attributed to a high number of COVID-19 cases in Peel resulting in on-going lock down measures.

Since the pandemic is continuing to cause hardship in the community, Council directed staff at its meeting held on February 4, 2021 to report back with options to offer financial support to customers facing challenges paying their utility bills due to the COVID-19 pandemic.

In order to support the community in 2020, Council approved financial relief measures in response to the COVID-19 pandemic. Payment terms for utility bills were extended which provided customers an extra 91 days to pay their utility bills without incurring Late Payment Charges (LPC) for invoices issued between April 1 and June 30, 2020. This resulted in a revenue loss of \$500k, due to reduced investment income resulting from receiving payment later than would otherwise have been the case and from reduced LPC revenue. In addition, the annual utility rate increase was deferred from April 1, 2020 to July 1, 2020 resulting in a loss of \$4.6M.

Despite the financial relief measures introduced in 2020, there were no significant changes in payment patterns from residential customers. Although customers were granted an additional 91 days to make payment, the same number of residential customers paid their invoices by the original due date as in prior years. While there is no firm evidence to support why payment behaviours did not change, it is likely that the federal and provincial relief measures such as Canadian Emergency Relief Benefit (CERB) and the pause on residential evictions may have provided financial support for residential customers, allowing them to continue making payments on time.

However, due to the on-going lockdown measures, payment patterns from industrial, commercial and institutional (ICI) customers showed a 12 per cent decline in customers paying their bills on time. In turn, ICI customers did take advantage of extended payment terms when paying their utility bills in 2020.

2. Financial Support Options

Four options have been considered to provide additional financial support to the community during the pandemic. In the evaluation of these financial options, the guiding principles used to evaluate the options have been (i) speed, that is, getting support to those in need as soon as possible, and (ii) targeting, to provide the support to those in need.

a) Defer LPC by 91 days for utility bills issued from April 1, 2021 to June 30, 2021

A large majority of utility customers are billed on a quarterly basis, with the exception of large residential condominiums and industrial units which are billed on a monthly basis. Utility bills are due within 21 days from the date of an invoice, and if the bill is not paid in a timely manner, a one-time 2 per cent late LPC is added to the customer's account.

As was the case in 2020, LPC can be deferred by 91 days through an amendment of the Fees By-law. This would provide all customers a total of 112 days from the invoice date to make payment without incurring LPC. Some large ICI customers that are billed monthly would benefit from payment deferral for three of their invoices falling due within the 91 days deferral period. Customers on Pre-Authorized payment plans would be given the opportunity to have themselves removed from the plan so they can take advantage to this payment deferral.

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The financial impact from this one-time relief is estimated at \$400K, comprised of forgone investment income by receiving the invoice payments later and the loss of LPC revenue. The cumulative impact between 2020 and 2021 of deferring LPC is \$900K.

The 91-day deferral would also apply to stormwater charges for the Cities of Mississauga and Brampton as they are included on the Region's utility bill. Staff recommends deferring LPC as it provides flexibility to all, especially to those who need some extra time in paying their bills. Customers that are able to pay their bills on time can continue to pay on a timely basis as seen in 2020 or pay within the extended time without incurring LPC. Staff recommends this option since this change can be implemented for invoices commencing on April 1, 2021. While this support is not targeted specifically to those in need, 2020 data analysis noted earlier in this report suggests that those customers that leveraged the program in 2020 were actually in need of the financial support.

b) Continue to Leverage the Housing Stability and Homelessness Prevention Funds

The Housing Stability and Homelessness Prevention funds provide temporary financial assistance to Peel residents that are experiencing challenges paying outstanding housing bills, inclusive of Regional utility bills. The program uses a screening process to validate and understand the nature of the financial needs so a support plan can be created to meet a resident's specific need. Upon approval, one-time financial relief is provided, and the payment is made directly to the service provider such as a utility company or a landlord. Residents that are encountering financial difficulty due to the COVID-19 pandemic may be eligible for this financial support.

Currently, the water billing team refers customers to this program if they are experiencing financial hardship paying their Regional utility bills. In 2020, \$82K was provided to 68 residents to support paying utility bills compared to \$44K and 53 residents respectively in 2019. Other tactics to ensure awareness of the funding includes the Region website, twitter, communications to local social service agencies and the housing call center.

This program has an annual budget of \$5.5 million and was underspent in 2020 by \$500K. In the event the demand for financial assistance in 2021 increases, the program can continue to be leveraged and capped at existing budget levels. In parallel, staff will also continue to explore potential federal and provincial assistance opportunities if they become available.

Staff recommends to continue leveraging this existing program as it achieves both objectives of speed and targeted, despite not being available to ICI customers.

c) Targeted Relief to Small Business

Staff investigated the possibility of providing financial support targeted to small businesses significantly impacted by the COVID-19 pandemic. While several small businesses are in financial need, section 106 of the *Municipal Act 2001* prohibits providing grants or discounts to the ICI sector, on a business by business basis, for the purpose of discounting their Regional utility bill. Furthermore, water consumption has likely dropped significantly due to the lockdown measures in place, so in several cases this support may not be the form of assistance required. However, financial relief is available to small businesses through Ontario Small Business Grant program and other federal financial relief measures. If the lockdown measures are relaxed in the coming months, the ICI sector will hopefully begin to rebound and the need for financial support will lessen.

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d) Defer the implementation of the 5.5 per cent utility rate increase from April 1 to July 1, 2021

Council approved a 5.5 per cent utility rate increase as part of the 2021 budget, with a planned implementation of April 1, 2021. The effective date of the rate increase can be deferred from April 1, 2021 to July 1, 2021 for all customers through a Fee By-law amendment, which will result in a \$5.6M revenue loss. However, the benefit to the individual customer is not substantial as the average small business gain is \$37, and \$14 to an average residential customer.

Staff does not recommend this as the cost is substantially high compared to the marginal benefit received by all customers irrespective of their financial needs. Furthermore, as mentioned earlier, the Region has already invested \$4.6 million in 2020 from the 91 days rate deferral in 2020. Other forms of funding, such as the Housing Stability and Homelessness Prevention funds or the Ontario Small Business Grant program may be more suitable programs that offer greater financial assistance targeted specifically to those in need.

FINANCIAL IMPLICATIONS

The cost of the 91-day LPC deferral is \$400K. This is largely due to investment income foregone due to receiving the invoice payments later and to reduced LPC revenue. The Housing Stability and Homelessness Prevention funds would not require additional funding as a result because the current budget has capacity to meet an increase in demand. As mentioned above, the funding will be capped at existing budget levels. Staff will continue to explore different federal and provincial funding sources if they become available.

CONCLUSION

The financial hardship of the COVID-19 pandemic continues to persist in the community today. The Late Payment Charges deferral will provide additional flexibility to all customers in paying their utility bills. Leveraging the Housing Stability and Homelessness funds will also provide temporary financial assistance to residents in need that is tailored to their specific circumstance.

For further information regarding this report, please contact Steven Fantin, Director Operations Support, Ext. 4438, steven.fantin@peelregion.ca.

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