



CITY OF PACIFIC GROVE
300 Forest Avenue, Pacific Grove, California 93950

AGENDA REPORT

TO: Honorable Mayor and Members of City Council
FROM: Patty Maitland, Finance Director
MEETING DATE: February 17, 2016
SUBJECT: Utility Bill Assistance
CEQA: This Does not Constitute a “Project” under California Environmental Quality Act (CEQA) Guidelines

RECOMMENDATIONS

Provide feedback and direction to Staff on utility bill assistance.

BACKGROUND

On November 30, 2015, the former City Manager provided a schedule for Major Council Issues. At the request of Council Member Lucius, the schedule included a report on assistance with utility bills based on income levels.

The HUD Area Median Family Income (HAMFI) for Monterey County in 2012 was \$63,823. According to Monterey County HUD from 2008-2012 (latest data), there are 1,000 households in Pacific Grove at <50% of the HAMFI, \$31,912.

The California Public Utilities Commission (CPUC) considers eligibility for the CARE (California Alternate Rates for Energy) program for a household size of 1-2 (the 2010 census average for PG was 2) at \$31,860. This is the same figure Cal-Am uses for low income discounts. PG&E does not have CARE enrollment figures by City, however 92% of income eligible households in Monterey County are enrolled in the CARE program. On the basis of these figures, the number of households that would be eligible for low income utilities is approximately 1,000 households, or 14%. These figures are based on reportable income. If the household’s primary income is via capital gains and/or savings, the household’s actual income may exceed the specified threshold, but still be eligible for the reduced rates.

Utility Users Tax

Pursuant to Chapter 6.10, the City currently imposes a Utility User Tax (UUT) on telephone, gas, electricity, gas, water and cable television. The UUT is a consumption tax and is currently charged at a rate of 5% for each of the listed utilities. Section 6.10.020 of the Pacific Grove Municipal Code provides for exemptions from the payment of UUTs if a service user: 1) receives benefits under the Social Security Administration’s Supplemental Security Income Program for the Aged, Blind and Disabled, and 2) the aggregate gross income of all persons who

share the service user's residential living quarters does not exceed \$12,000. The City currently has seven exemptions on file, the last exemption having been granted in 2008.

In Fiscal Year 2015-16, the City collected \$1.4 million in utility users tax. If the exemption income threshold were raised to the 2010 census average of \$31,860 and 14% of the City's household obtained an exemption, the decrease in annual General Fund revenue would be approximately \$196,000 annually.

Solid Waste

The City's solid waste contract does not currently provide for a low income eligible discount. However, the City's contractor Green Waste Recovery has provided the following information and estimates utilizing the same assumptions as provided above.

If only single-family residential accounts are eligible and it were limited to 15% of the residents, it would represent approximately 745 accounts (out of 4,950 total single family residential accounts). It is fairly standard in the industry to limit the garbage volume for discounted rates to a single 35-gallon garbage cart collected curbside. If low-income rates were provided at a 15% discount, those 745 customers would pay \$17.31 for a single 35-gallon garbage cart curbside.

The total revenue shortfall would depend on the existing service levels of the customers moving into the discounted 35-gallon rate structure. It falls somewhere between \$2,275 per year and \$30,108 per year. Accordingly, the subsidy would increase residential rates approximately 0.16% – 2.05%. If the subsidy were spread across the entire rate base, the incremental cost would decrease. If the City did not limit the discounted rates to a single 35-gallon garbage cart curbside, then the subsidy would increase residential rates approximately 0.16% – .44%.

FISCAL IMPACT

Receipt of this report has no impact on the General Fund. Raising the threshold of eligibility for an exemption to Utility Users Tax would impact the General Fund by a reduction in tax collected (estimated at \$196,000 annually). Instituting a low income eligibility discount on solid waste would increase residential and/or commercial rates ranging from 0.16% – 2.05% depending on how the Council structured the subsidy.

RESPECTFULLY SUBMITTED,

Patty Maitland

Patty Maitland
Finance Director