



# Expiration of EO124 / 142: Now What?

Sharon Edmundson, Deputy State Treasurer  
Shadi Eskaf, Environmental Finance Center  
Kara Millonzi, UNC-CH School of Government



A satellite image of a hurricane over the ocean. A large green speech bubble is overlaid on the left side of the image, containing the text "Perfect Storm".

# Perfect Storm

- EO 124/142 expiring
- Local governments now feeling impact of reduced sales tax, utility, other revenues
- Federal and State benefits for individuals expiring or being reduced
- Eviction moratoriums lifted
- First wave/second wave COVID-19 still going strong
- Major employers/customers limiting operations
- Hurricane season coming
- UNCERTAINTY



# Agenda



Where Do Things  
Stand? Financial Data  
to Date



How to Respond?  
Financial Strategies



Back to “Normal”:  
Billing & Collections  
Post EO124 / 142



Show Me the Money:  
Payment Plans



But Customers Are  
Still Struggling:  
Customer Assistance  
Programs



Where To Go for Help:  
LGC, EFC, and Beyond





Where Do Things Stand?:  
Financial Data to Date



# EO 124/142 Data Reports – Water/Wastewater

- April through June 2020 data (3 months)
- 354 water/wastewater utilities reported at least once
  - Local governments, NCUC-regulated, others
  - 57% of active local government utilities reported at least once
- Missing data
- Analysis below shows the scale across water/wastewater utilities after three months of EO 124/142.

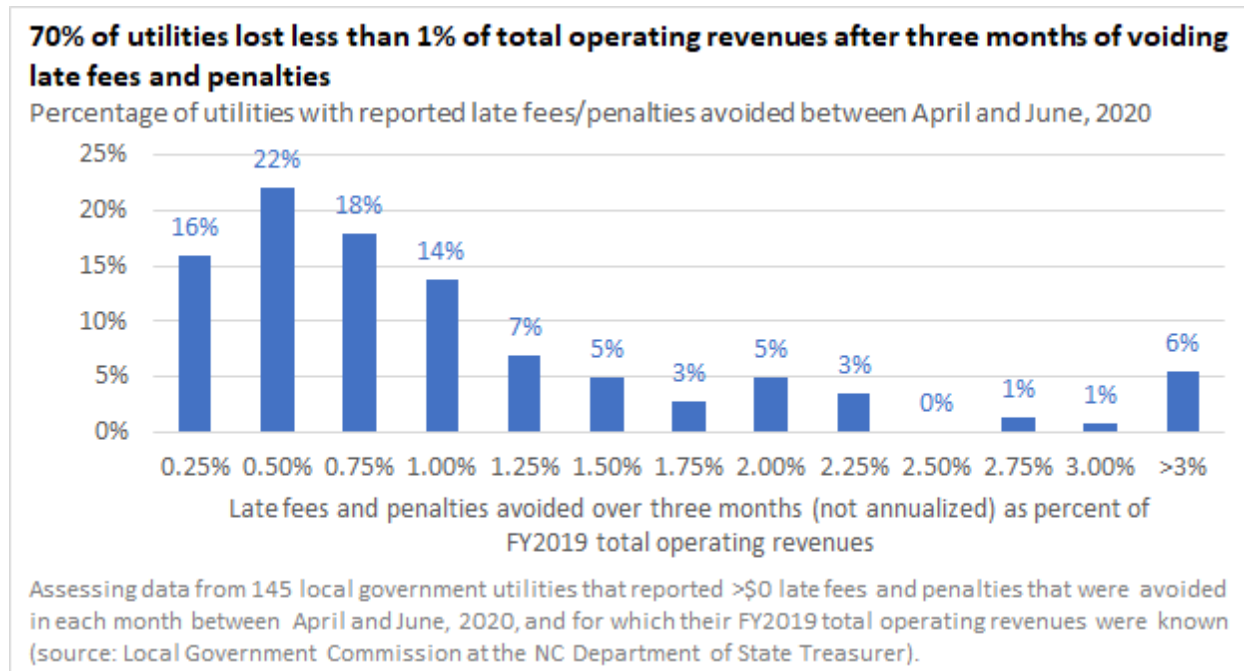
**SNEAK PEEK**

- Report coming soon. Planning to update with July data in August.



# Late Fees/Penalties from April through June

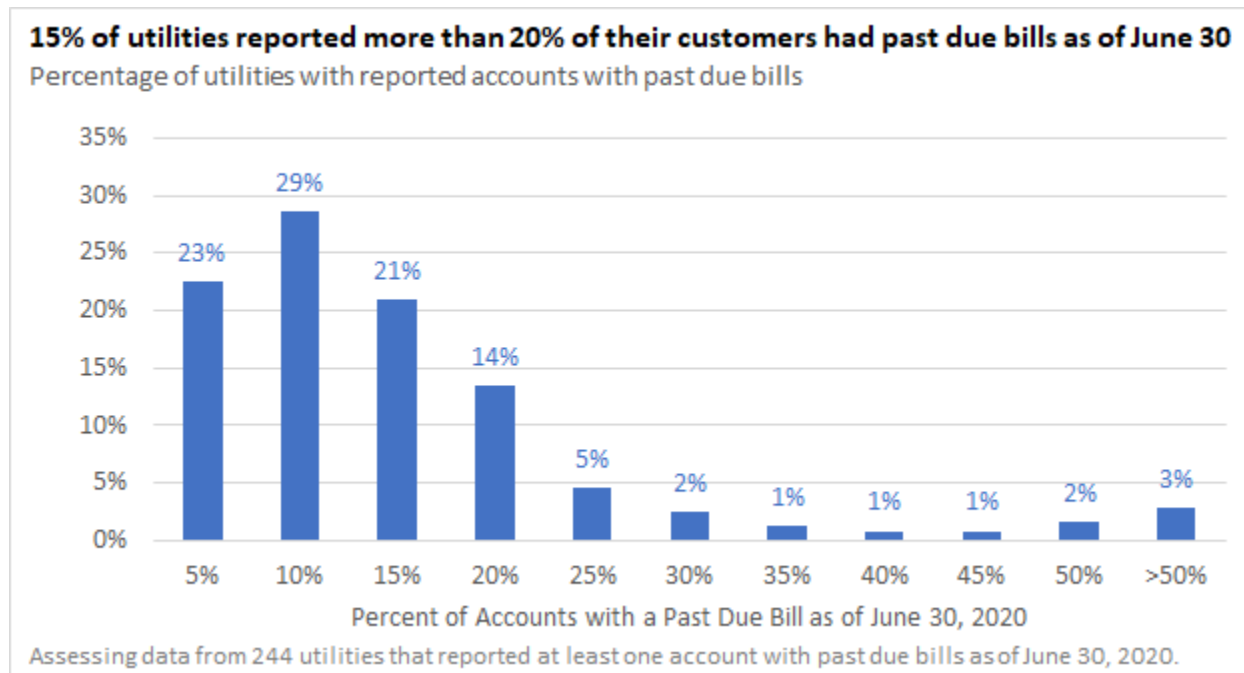
- Reported \$15.5 million. Estimated to be \$17.7 million - \$ 23.1 million statewide.
- Among reporting utilities, median was 0.7% of last year's operating revenues after three months.





# Customers with Arrears as of June 30, 2020

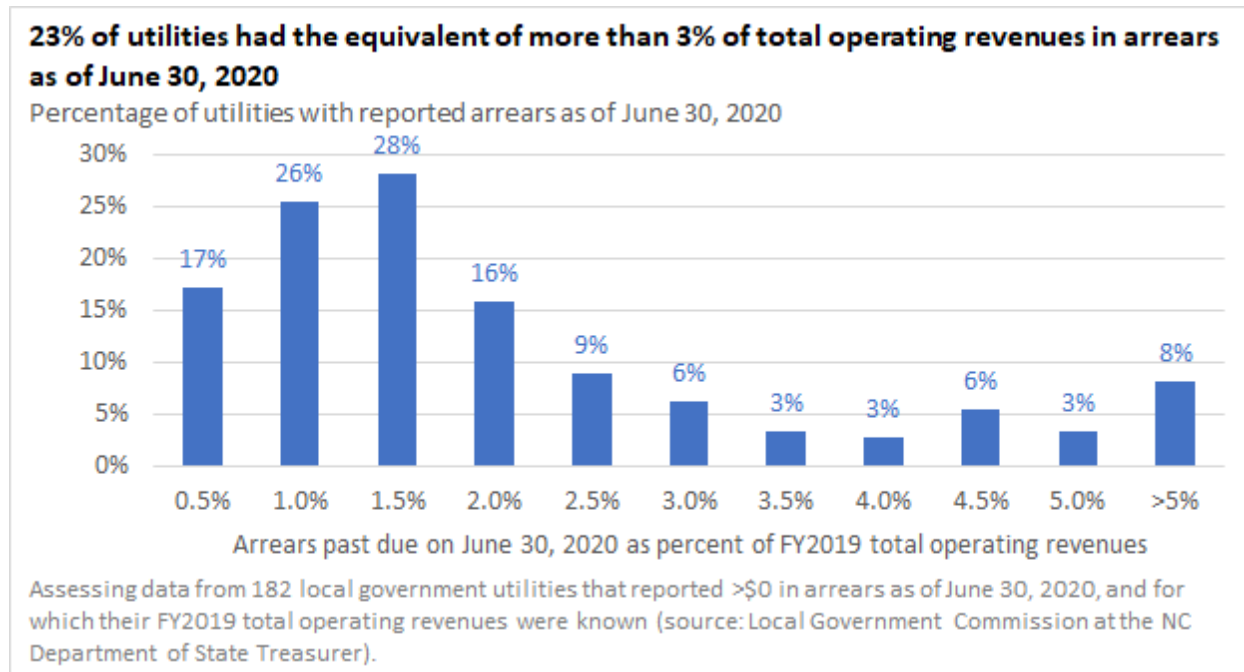
- > 321,200 accounts past due. Not all utilities reported.
- # of accounts approximately 25% higher than same time last year.
- Among reporting utilities, median was 9.5% of accounts with past due bills.





# Amounts of Arrears as of June 30, 2020

- Reported \$57.7 million. Estimated to be \$65.9 million - \$ 85.0 million statewide.
- Among reporting utilities, most had \$86 - \$200 average arrears per past due bill.
- Among reporting utilities, median was 1.3% of last year's operating revenues after three months.





# Customers Eligible for Disconnections in June

- > 213,400 accounts. Not all utilities reported.
- Among reporting utilities, median was 5.7% of accounts eligible for disconnection in June.
- Percentage increased each month, from average of 5.9% in April to 8.7% in June.





# How to Respond?: Financial Strategies







## Financial Strategies for Utility Funds

- OK to use available fund balance in enterprise fund to bridge gap between appropriations and estimated revenues as a one-time fix
  - Best practice to only use for one-time appropriations but...
  - Use carefully – don't want to drain reserves completely
  - How do you calculate?





# Financial Strategies for Utility Funds


- May borrow from other funds
  - Make sure it's budgeted
  - Will need to set a repayment plan and stick to it if possible
  - Pay yourself interest at market or near-market rate
  - Can't borrow externally for operations or working capital
  - Be careful of legal restrictions on certain funds before borrowing such as Electric or Powell Bill funds







# Financial Strategies for Utility Funds

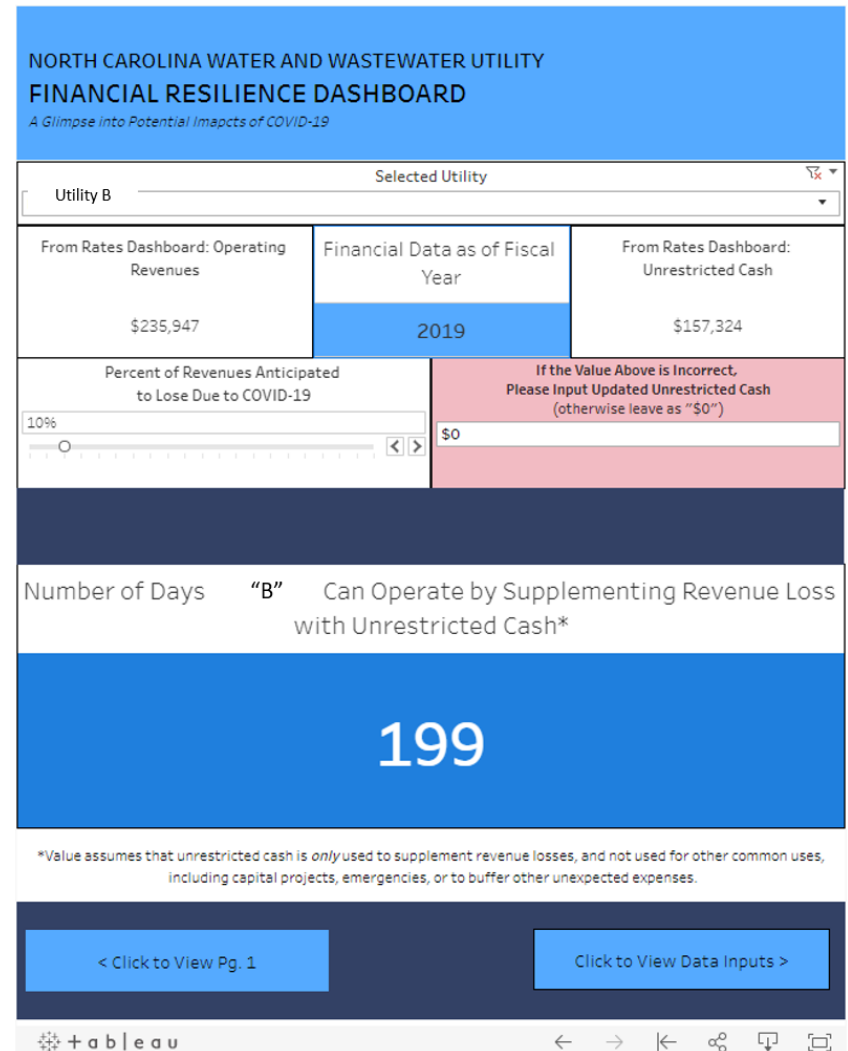
- 
- Review collection policies and update if necessary
  - Identify NFPs and safety net programs in your area to help customers that truly cannot afford to pay
  - Review rate structures to ensure largest users are paying their share of cost



# How Long Will Our Reserves Last Us if We Lose \_\_\_\_% of Revenues?

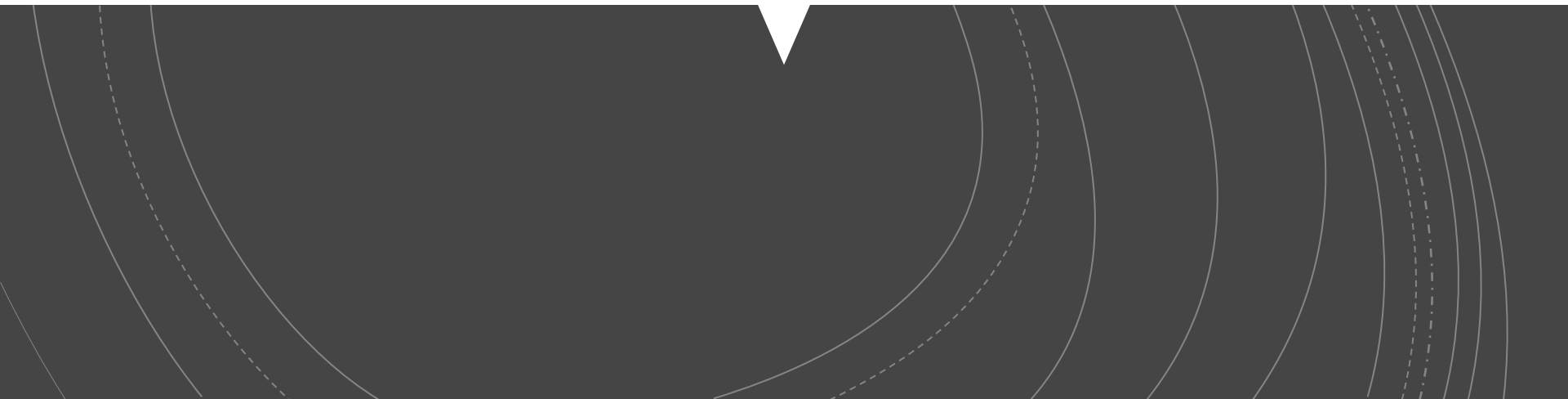
- North Carolina Financial Resilience Dashboard.
- Free, available for [NC utilities at this link](#) on the EFC website.
- Pre-populated with FY2019 data. Adjust for current info.
- Run scenarios of revenue losses.
  - Estimates number of days your unrestricted cash can supplement revenue losses.

At 10% revenue loss, ~16% of local government utilities would not be able to supplement for a full year.





# Back to “Normal”: Billing & Collections Post EO 124/142







EO 124 / 142  
Mandates from  
March 31 through  
July 29, 2020

- Applies to all end-user, residential Water, Wastewater, Electric, Natural Gas Utilities in NC
- Prohibits Disconnections of residential accounts for nonpayment for delinquencies incurred from March 31 through July 29
- Prohibits Late Penalties on residential accounts for delinquencies incurred from March 31 through ?
- Mandates Reasonable 6-month payment plans for residential customers who incurred delinquency from March 31 through July 29, with 6-month period starting on July 30
- Requires Monthly Reporting to NC Utilities Commission
- Requires Notice of EO provisions to utility customers



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# Disconnections

July 2020						
S	M	T	W	T	F	S
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30	31	

**Thursday, Jul 30th 2020**

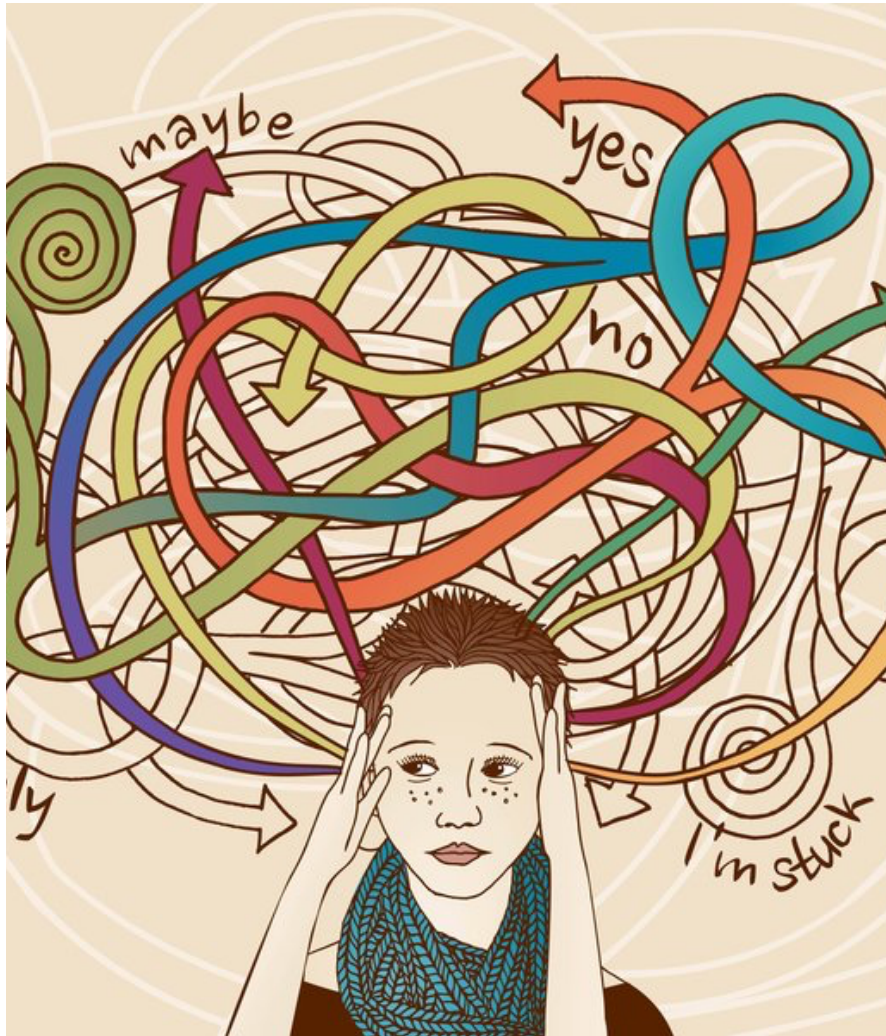
- Group 1: MAY disconnect according to utility's normal policies if residential customer had outstanding balance before March 31.
- Group 2: MAY NOT disconnect for nonpayment according to utility's normal policies, if residential customer incurred delinquency from March 31 through July 29. MAY disconnect for reasons other than nonpayment.
- Group 3: MAY disconnect according to utility's normal policies if residential customer incurs delinquency after July 29







# Late Penalties



- EO 124: prohibited late penalties on residential accounts from March 31 through termination of EO
- EO 142: extends termination of some of EO 124's provisions to July 29
- EO 142: extends Section 1(C) of EO 124, as amended by Section 2(C) of EO 142, to 6 months after July 29
- Section 1(C) of EO 124 applies to both payment plans AND late penalties



**"Late fees and payment arrangements.** A Utility Service Provider shall not bill or collect any fee, charge, penalty, or interest for a late or otherwise untimely payment that becomes due from the date of this Executive Order. Customers shall be provided the opportunity to make reasonable payment arrangements to pay off over at least a six (6) month period any arrearages accumulated during the effective period of this Executive Order, of Section 2 of this Executive Order, and of any other order extending this Executive Order. In the event a utility service provider and customer are unable to agree on the duration of an extended repayment plan, the default repayment period shall be six {6) months. The six (6) month payoff period shall be calculated from the date of termination of this Section of this Executive Order or, if other applicable Executive Orders extend the protections of this Section, from the date of the termination of the last Executive Order that extends such protections; ..... No interest or late fee shall be charged on arrearages. No provision in this Executive Order shall be construed as relieving a customer of their obligation to pay bills for receipt of any service covered by this Executive Order..,



# Options



- Pretend you did not hear this
- Assume that Governor intended that 6-month extension of EO only applies to payment plans
- Ask AG how EO will be enforced / seek modification from AG of Section 8 of EO 142
- Don't charge late penalties on residential accounts for 6 more months (Make use of disconnections to compel payment.)
- **CONSULT YOUR UTILITY'S ATTORNEY!**



# Things you can still charge for...

- System Development fees
- Connection/Tap fees
- New account fees/charges
- Regular monthly/bi-monthly fees
- Special assessments
- Availability fees
- NSF charges
- Other administrative fees
- Disconnection fees
- Reconnection fees
- Penalties for things other than nonpayment
- Late penalties assessed before March 31





**Reasonable payment plans  
required**



**For residential customers**



**Who incurred delinquencies  
from March 31, 2020 through  
July 29, 2020**



**Must give until January 30, 2021  
to pay, as long as customer  
honoring terms of payment plan**

# Payment Plans



# Payment Plan Terms

How will utility allow amount owed be paid off? Equal increments each month? Percentage of total amount on account each month?

How will customer be notified of payment plan option? Does it provide reasonable notice?

Will payment plan apply only to amounts that went delinquent from March 31 through July 29 or will it apply to prior delinquencies?

Does customer have to sign up (opt-in) or will payment plan be automatic? What is the process for signing up? Is it reasonable?

Will payment plan amounts be added to regular bill or billed separately?

How long does customer have to pay off delinquency (6-month minimum period from termination of EO)?

What happens if payment plan payment not paid? Will services be terminated and when? Will late penalties apply? Will payment plan be void such that total remaining amount owed is due immediately?

Must customer also stay current with future bills to be in compliance with payment plan?

Who should customer contact with questions or problems?



# Payment Plan Process

Determine number of customers who qualify for payment plans



Finalize payment plan terms



Governing board amends ordinance to incorporate payment plans



Attorney drafts payment plan contract (if using one)



Notify customers of payment plan option (and process to sign up)



Administer payment plan and monitor for compliance issues













**JUST DON'T DO IT**

Reducing, Waiving, or Extinguishing Amounts Owed  
**NOT Legally Allowed**





## Other Collection Options

If delinquency occurred before March 31 or after July 29, may submit to debt set-off, collection agency, or sue.

If delinquency occurred from March 31 through July 29, must allow customer to make payments according to payment plan at least until January 30, 2021, unless customer violates payment plan terms.





# UTILITY BILL PAY SUPPORT

*we can help*



- MAY allocate general fund monies to establish assistance program for low- or moderate- income customers and/or senior citizen customers (60 +)
- MAY be able to leverage CARES Act funding to support customer assistance programs (that have state law authority)
- MAY encourage customers to donate and/or participate in a round-up program
- MAY contract with an outside entity to manage subsidy program
- MAY NOT set or reduce fees just based on ability (or inability) to pay

# Customer Assistance Programs









# Utility Assistance



# Tracking How Things Change Going Forward

- North Carolina Policy Collaboratory project, next 6 months
  - Seeking to work with utilities to monitor collections, payment plans, delinquencies, disconnections, revenues, water use, customer assistance programs, etc. through December
  - Free advising to participating utilities
  - Report in December
- EPA and DEQ/DWI projects allow us to work 1-on-1 with utilities in addressing financial viability, rates, financial recovery concerns
  - At no cost to the utility
  - Particularly water systems serving <10,000 people
  - Spreadsheet/cashflow model to project financial losses for the next 12-24 months under various scenarios of COVID-19 recovery/adjustments
  - Impact of adjusting rates, review of reserves, financial performance, etc.



The background of the entire image features a collection of hands of various skin tones reaching upwards from the bottom. Interspersed among the hands are several light blue speech bubbles and starburst shapes, some with black outlines. The overall background is a light, textured grey.

**Do you want to learn more  
about assistance from the  
EFC?**

**Type in your contact  
information in the chat  
box now.**







# Contact Us

## LGC Staff

- [SLGFD@nctreasurer.com](mailto:SLGFD@nctreasurer.com)
- 919-814-4300

## Shadi Eskaf, EFC

- [Eskaf@sog.unc.edu](mailto:Eskaf@sog.unc.edu)
- 919-962-2785

## Kara Millonzi, SOG

- [millonzi@sog.unc.edu](mailto:millonzi@sog.unc.edu)