

**CITY OF LOS ANGELES**  
**INTER-DEPARTMENTAL CORRESPONDENCE**

DATE: February 18, 2021

TO: Councilmember Mitch O'Farrell, Chair  
Councilmember Mark Ridley-Thomas  
Councilmember Paul Koretz  
Councilmember Kevin de Leon  
Councilmember Paul Krekorian  
Energy, Climate Change, Environmental Justice, and River Committee

FROM: Enrique C. Zaldivar, Director and General Manger  
LA Sanitation & Environment



SUBJECT: **RESPONSE TO THE JANUARY 12, 2021 CITY COUNCIL MOTION 20-0499,  
RELATIVE TO THE IMPLEMENTATION OF THE COVID-19 INDUSTRIAL  
WASTE FEE RELIEF PROGRAM**

RECOMMENDATIONS:

1. INSTRUCT the Bureau of Sanitation to evaluate and report on implementing the COVID-19 Industrial Waste Fee Relief Program, which would suspend the delinquency fees for the 1<sup>st</sup> and 2<sup>nd</sup> billing quarters and provides options for installment payments, to assist Industrial Users experiencing financial hardship due to mandatory closures and loss of revenues.

DISCUSSION:

On March 19, 2020, City of Los Angeles, Mayor Eric Garcetti issued a 2-month period "Safer at Home" Order in response to the COVID-19 Pandemic to protect the people of Los Angeles from person-to-person transmission of the COVID-19 Virus. The Order has been extended intermittently since that time as deemed appropriate. The Order has resulted in the temporary closure of most businesses, reduction of the hours of operation, or modified operations. Adherence to the Order has resulted in a loss of revenue, making it difficult for the owner of the businesses to pay rent, employee salaries, vendors, utilities, and other business expenses.

During this COVID-19 Pandemic, Los Angeles Sanitation and Environment/ Industrial Waste Management Division (LASAN/IWMD) has been receiving requests from business owners to remove or relax the payment of Industrial Waste (IW) fees because of the loss of their revenues due to their compliance with the Order.

In May 2020, LASAN/IWMD prepared a proposal to implement a COVID-19 IW Fee Relief Program to assist businesses experiencing financial hardships as a result of partial or permanent facility closures. This program will suspend IW delinquency fees for the 1<sup>st</sup> and 2<sup>nd</sup> billing quarters of the calendar year 2020 and will provide options for payment

installments. LASAN/IWMD aims to help businesses struggling with declining revenues during this challenging time. The delinquency fees are penalty fees for IW fees that are not paid by the delinquent date. The delinquency fees, together with the unpaid principal balance, are added and carried over to the next quarter's invoice.

LASAN/IWMD recommended the inclusion of the COVID-19 IW Fee Relief Proposal as a component of the Economic and Workforce Development Department (EWDD) Report back to the Council File Number: 20-0499 (Council File Title: Coronavirus/Safer at Home/ Food and Beverage Industry Operations/Streamline City Process and Approvals). On December 8, 2020, the Council Committee on Economic Development approved EWDD's Report and included the approved Report for adoption by the Los Angeles City Council in a meeting that was held on January 12, 2020.

IWMD Implementation of COVID-19 IW Fee Relief Program

LASAN/IWMD administers the City's EPA-approved Pretreatment Program in accordance with the City's Industrial Waste Control Ordinance (LAMC 64.30) by regulating, monitoring, and controlling the industrial wastewater discharges. IWMD has approximately 14,500 active IW permits issued to industrial/commercial businesses (Industrial Users – IU's), which allow the discharge of the industrial wastewater to the City's wastewater collection system. The annual revenue associated with the Pretreatment Program services are recovered through the administration of Industrial Waste Fees assessed to the IU. As shown in Table 1, cost recovery has been affected because of a 17% increase in the number of delinquent accounts in FY 19/20 as compared to FY 18/19.

Table 1 – IW Fees Annual Revenue and Delinquent Invoices

Fiscal Year	No. of Invoices	No. of Delinquent Invoices	% Increase of Delinquent Invoices from Previous FY	IW Fees Annual Revenue
19/20	58,480	13,745	17%	\$20,185,379.47
18/19	59,436	11,720	9%	\$18,632,208.13
17/18	58,927	10,764	-1%	\$17,221,000.55
16/17	59,678	10,856	-.5%	\$19,606,641.46

I. Removal of the Delinquency Fees for 1<sup>st</sup> and 2<sup>nd</sup> Billing Quarters of 2020

The COVID-19 IW Fee Relief Program will allow IWMD to waive a total of \$161,339.62 in delinquency fees assessed to 7,657 invoices for 5,444 IW permits for the 1<sup>st</sup> and 2<sup>nd</sup> quarters of the 2020 calendar year.

To date, 9% (509 of the 5,444 permits) of IUs have terminated their permits.

Table 2 – Industrial Waste Fee Invoices for 1<sup>st</sup> and 2<sup>nd</sup> Qtrs of Calendar Year 2020

QTR for Cal Year	Regular Invoices			Delinquent Invoices		
	No of Invoices	Total Amount	Previous QTR Unpaid Balance Included in the Total Amount	No of Invoices	Unpaid Balance Assessed Delinquency Fee	Delinquency Fees
1	14,403	\$ 7.4 M	\$ 2.1 M	4,424	\$ 2.8 M	\$85,557.87
2	14,690	\$ 7.2 M	\$ 2.4 M	3,233	\$ 2.9 M	\$75,781.75
<u>TOTALS</u>				7,657	\$ 5.7 M	\$161,339.62

As shown in Table 2, in the 1<sup>st</sup> quarter of the calendar year 2020, 14,403 IW invoices totaling \$7.4M were generated on 3/15/20. The total amount of \$7.4M includes a \$2.1M unpaid balance of 2,498 invoices from the previous 4<sup>th</sup> quarter billing of calendar year 2019. On 5/8/20, 4,424 IW delinquency invoices (\$2.8 M) were generated and of the \$2.8M, \$85,557.87 in delinquency fees were assessed.

In the 2<sup>nd</sup> quarter of 2020, 14,690 IW invoices totaling \$7.2M were generated on 6/15/20. Included in the total invoiced amount of \$7.2M is \$2.4M that is the unpaid balance for the 1st quarter from 3,422 IW invoices. When the delinquent invoices for the 2nd quarter were generated on 8/13/20, 3,233 IW invoices (\$2.9M) were unpaid and assessed a total of \$75,781.75 in delinquency fees.

LASAN/IWMD continues to receive requests from businesses to waive IW delinquency fees. IWMD has a policy in place to grant their requests of waiving the IW delinquency fee for reasonable causes including disruption of business income. Based on the Businesses' good account history of not having been delinquent for the last 8 billing periods (2 years), their request may be granted. As of January 2021, approximately 20% of the IW delinquency fees for the 1<sup>st</sup> and 2<sup>nd</sup> billing quarters in 2020 have been waived, including permits that have been terminated.

## II. Payment Plan Program

The LASAN/IWMD Payment Plan Program that was implemented allows the IU's to pay their outstanding IW fees on a monthly basis without accruing any penalty. During the COVID-19 Pandemic, IWMD is working with IU's that request payment plans based on the IU's needs for lower payments and extending the payment period to 36 months based on the account balance.

Table 3 - Payment Plan Program Collections

Fiscal Year	No of Permits	Amount in Payment Plan	Amount Paid	Balance
20/21 to date	11	\$55,330.17	\$4,735.84	\$50,594.33
19/20	20	\$148,930.06	\$70,026.90	\$78,903.16
18/19	10	\$122,643.80	\$94,941.68	\$27,702.12

Table 3 shows the collection amounts for the IU's that are in the payment plan program. To date, the collection rates for FY 18/19, FY 19/20 and FY 20/21 are 77%, 47%, and 9%, respectively.

Schedule for Implementation

LASAN is reprogramming the billing software to waive the delinquency fees for the 1<sup>st</sup> and 2<sup>nd</sup> quarters of the 2020 calendar year and will be completed by the end of February 2021.

LASAN's Payment Plan Program will be an ongoing program through the duration of the pandemic.

COVID-19 IW FEE RELIEF PROGRAM IMPLEMENTATION

	No. of Days	Estimated Completion Date
Delivery of script to waive the delinquency fees the 1 <sup>st</sup> and 2 <sup>nd</sup> Quarter Billing period for calendar year 2020		Feb 9, 2021
Testing of the PIMS update	9 work days	Feb 10-25, 2021
Update of PIMS in the production environment to create credits for the delinquency fees that have not been waived	1 work day	Feb 26, 2021
LASAN will send notification letters to the IUs whose delinquency fees have been adjusted		Mar 5, 2021
Regular Invoice Generation – account balance should include the credit of delinquency fees waived for the 1 <sup>st</sup> and 2 <sup>nd</sup> quarters of calendar year 2020		Mar 15, 2021
Payment Plan Program	Until the end of the pandemic	

### IMPACTS:

The deferral of payments over a period of 36-months will result in reduced revenues to the Sewer Construction and Maintenance Fund. Depending on the number of businesses that utilize the program, LASAN may need to issue additional revenue debt in order to maintain the projected Capital Improvement Program with reduced revenues.

### SUMMARY:

The LA City Council adopted the EWDD Report that included LASAN/IWMD's COVID-19 IW Fee Relief Program. The Program will be implemented in two phases. In phase one, the IW Delinquency fees for the 1<sup>st</sup> and 2<sup>nd</sup> quarters of the calendar year 2020 will be removed from the IU's account balance. In phase two, IWMD's payment plan program will be modified to work with the IU's requesting payment plans by restructuring their payments to monthly installments without accruing any penalty and extending the payment period to 36 months based on the account balance. The program will provide relief to the IU's affected by the COVID-19 Pandemic and to stay afloat during this challenging time.