



Smart Management for  
Small Water Systems

## Rates and Finance Workshop for Small Water Systems

09/21/17| St. George, UT

*[www.efcnetwork.org](http://www.efcnetwork.org)*



UNC  
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Association

This program is made possible under a cooperative agreement with the U.S. EPA.



# AFFORDABILITY



# **Making the Case for Considering Affordability**



# Altruistic Reasons

- *Wanting to help folks!*
- Caring about your customers



# Your Bottom Line

When customers have trouble paying their bills, there is a cost to the utility, in the form of:

- Arrearages
- Late payments
- Disconnection notices
- Terminating the service
- Fielding calls from the delinquent customers

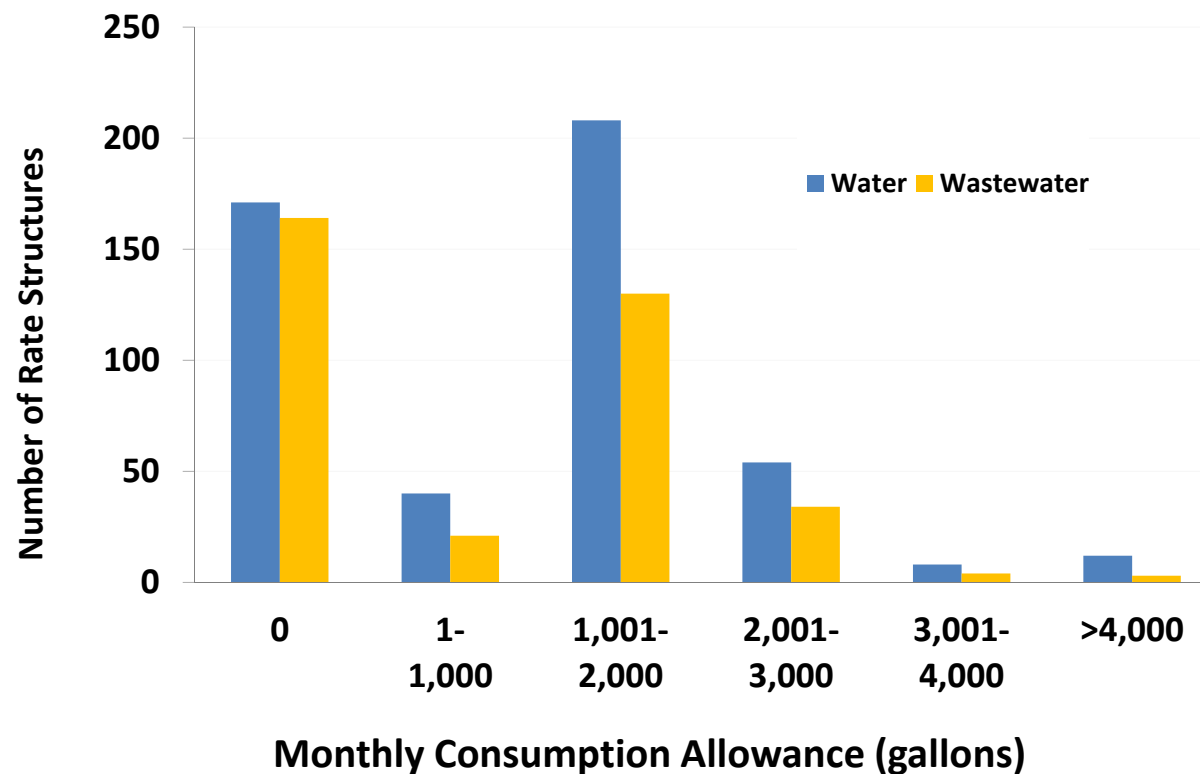


# Concept of Lifeline Rates

- “Providing a minimal amount of water, at a reduced cost to all customers, regardless of income level or ability to pay”
  - Source: AWWA Manual M1
- Often some consumption is included in the base charge



## Consumption included with Base Charge for Residential Customers among 462 Water and 342 Wastewater Rate Structures



Source: Water and Sewer Rates and Rate Structures in Georgia September 2016, by GEFA/EFC

Slide compiled by UNC EFC



# National Affordability *Guidelines*

- Safe Drinking Water Act established special assistance in those communities that have an average residential bill of over 2% of MHI
- USDA has a program to provide funds for water and sewer systems. Loans are made for projects where the residential water bills are 1.5% of MHI.
- National “Water Affordability Programs” report: affordability programs should be based on a measure of 2% of income for poor households, rather than using MHI.





# Types of Affordability Programs

Options facing payment-troubled customers		
	Percent	Number
Payment plan to allow customer to pay amount over time	76%	231
Customer referral to private, nonutility agency	54%	163
Customer referral to a local gov. agency for assistance	49%	149
Education	35%	105
In-home conservation assistance	25%	76
Special billing arrangements	21%	64
Change in the rate customer is charged	8%	24
Other	8%	24
One-time bill credit from utility funds	3%	8

2010, Best Practices in Customer Payment Assistance Programs, Water Research Foundation #4404



# Eligibility Verification – Common Practices

- Partnering with another organization that focuses on low-income
- Proof of eligibility in related programs, such as:
  - LIHEAP (Low Income Home Energy Assistance Program)
  - AFDC (Aid to Families with Dependent Children)
  - SSI (Supplemental Social Security Income)
  - Medicaid
  - Food stamps
  - Local property tax assistance; and
  - Other utilities (electric, natural gas, telephone, offer discount programs based on income)



# Program Outreach and Monitoring

- After getting an affordability program approved and funded, low participation rates can be an anticlimax
- Getting the message to low-income customers is critical
- Common outreach mechanisms are:
  - Bill stuffers
  - Public meetings
  - Community fairs

# Affordability Challenges and Customer Assistance Programs for Multi-family and Other Hard-to-Reach Customers (WRF #4557)

Local Snapshot: Denver, Colorado  
58% of Households Below MHI Do Not  
Pay Water Bill Directly

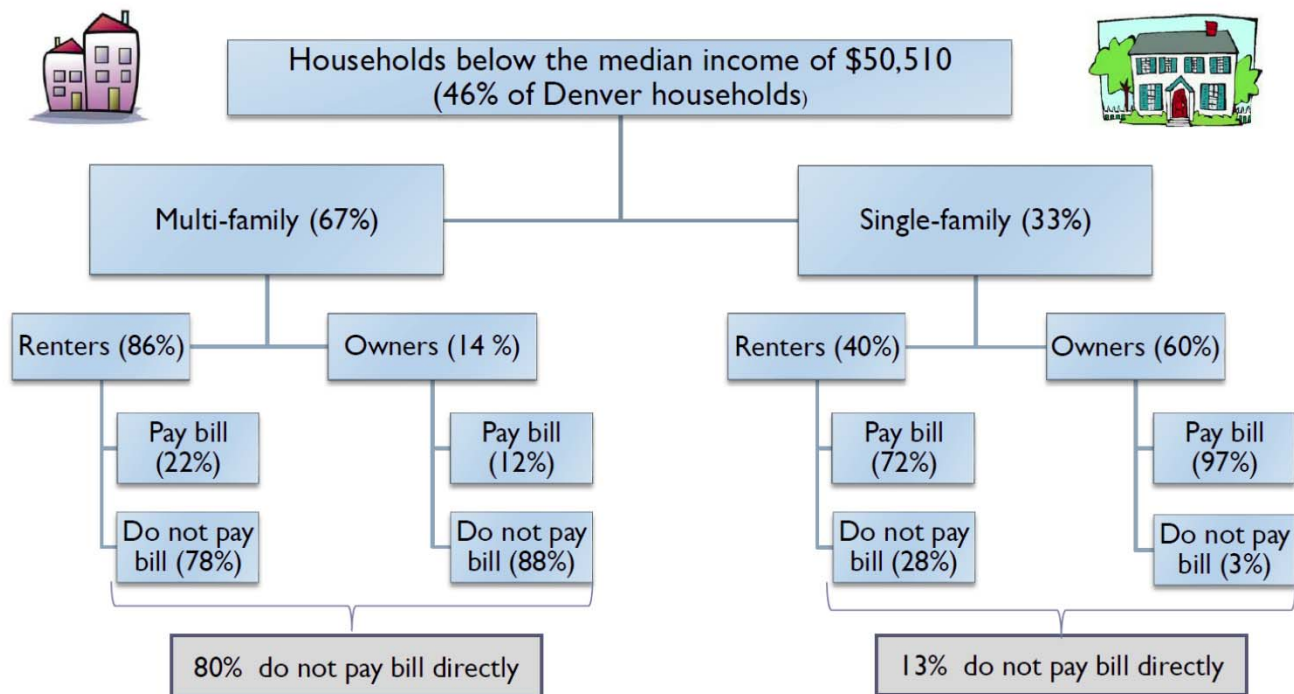


Image Source: Janet Clements, Abt Environmental Research, ACE AWWA, June 2016



# Business Case for Creating Affordability Programs

- When customers have trouble paying utility bills, **costs to the utility include:**
  - increased arrearages
  - late payments
  - disconnection notices, and
  - service terminations
- Buyers of utility bonds also get nervous



# **Funding Sources for Affordability Programs**

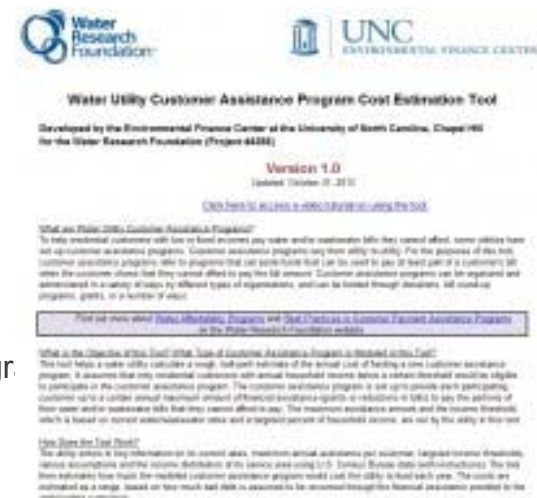
- Revenue generated directly from customer rates (not an option in some states)
- Voluntary contributions (e.g. bill round-up)
- Rental income from cell phone and internet providers that rent use of the water utility's towers/tanks
- Service line protection programs



# Understanding the Cost Impact

- How much does a customer assistance program cost?
  - 1-2 % of total user charge revenues, in some cases
- *Customer Assistance Program Cost Estimation Tool:*
  - to help utilities assess the costs and benefits of a customer affordability program in their service area

<http://www.efc.sog.unc.edu/reslib/item/water-utility-customer-assistance-progr>





# Compendium: Customer Assistance Programs (CAPs)

- Funded by EPA Water Infrastructure and Resiliency Finance Center (WIRFC)
- Developed a compendium with examples of different types of water/wastewater CAPs across the U.S.

