Smart Management for Small Water Systems

Utility Rate Setting & Financial Planning Training

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Macon, GA
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EFCN
environmental finance center network

American Water Works
Association

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

Assessing and Addressing Affordability Concerns

Session Objectives

- Make the case for affordability as an important utility consideration

- Highlight ways to assess the affordability of water services for your customers

- Introduce approaches to help low income customers pay for their water bills

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BACKGROUND

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.

Making the Case for Considering Affordability

- Altruistic Reasons
- The utility's financial 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

THE AFFORDABILITY ASSESSMENT TOOL

On the EFC
Website
Go to
http://efc.sog.unc.edu
and search for
"Affordability
Assessment Tool"

Based on the assessment result …

WHAT IF THERE SEEMS TO BE AN AFFORDABILITY ISSUE?

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 474 Water and 217 Wastewater Rate Structures

93% of water and 69% of sewer rate structures include a minimum consumption amount with the base charge
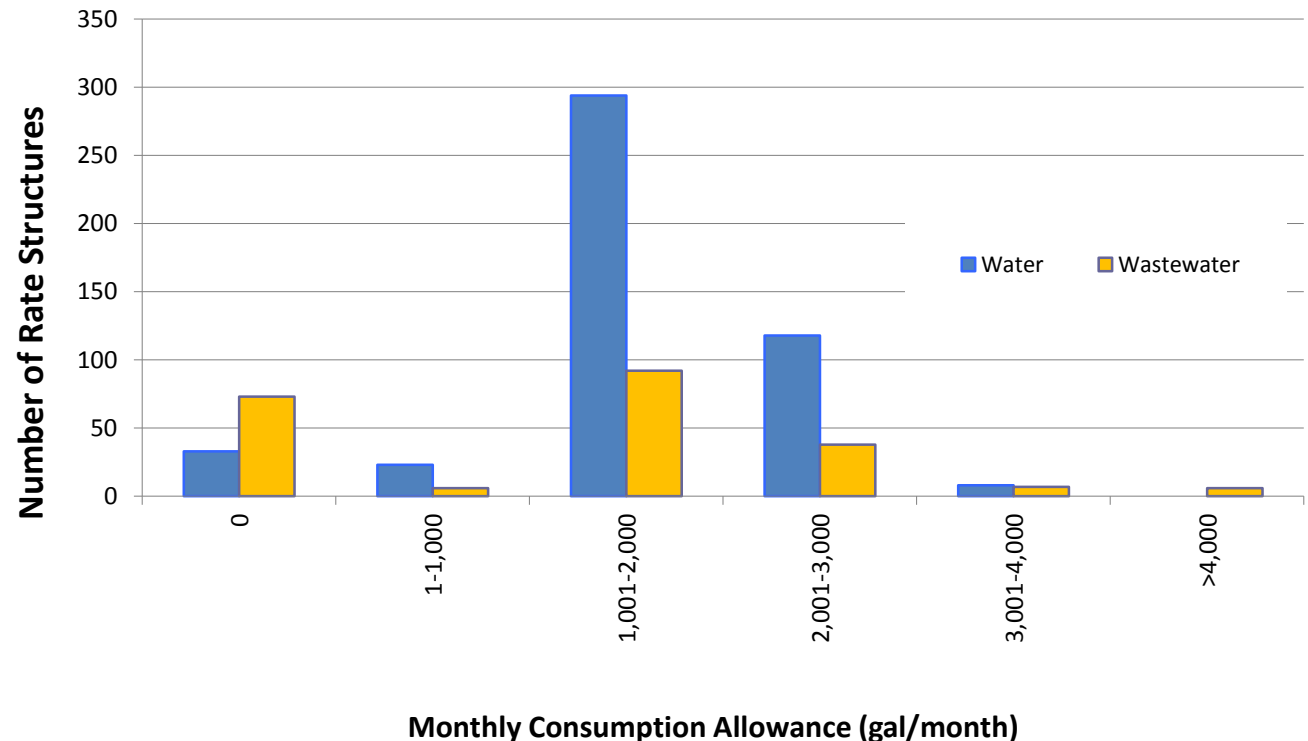
Source: Water and Sewer Rates and Rate Structures in Alabama March 2014, by ADEM/EFC

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Other EFC at UNC Resources on Affordability

- Blog:
  - **[Touching Down with Affordability of Water and Sewer Bills in Alabama](#)**
  - **[The Increasing Need to Address Customer Affordability](#)**
  - **["Percent MHI" Indicator of Affordability of Residential Rates: Using the U.S. Census Bureau's Median Household Income Data](#)**
  - **[Understanding the Financial Position of Households Using the American Community Survey](#)**
- Tool - Water Utility Customer Assistance Program Cost Estimation Tool
- Water Research Foundation report - **[Defining a Resilient Business Model for Water Utilities](#) – Chapter 4**
- Rates dashboard – affordability dial

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Some dashboards have an Affordability Dial

Example: Georgia Rates Dashboard

On the EFC Website

Go to http://efc.sog.unc.edu and search for "Georgia Water and Wastewater Rates Dashboard"
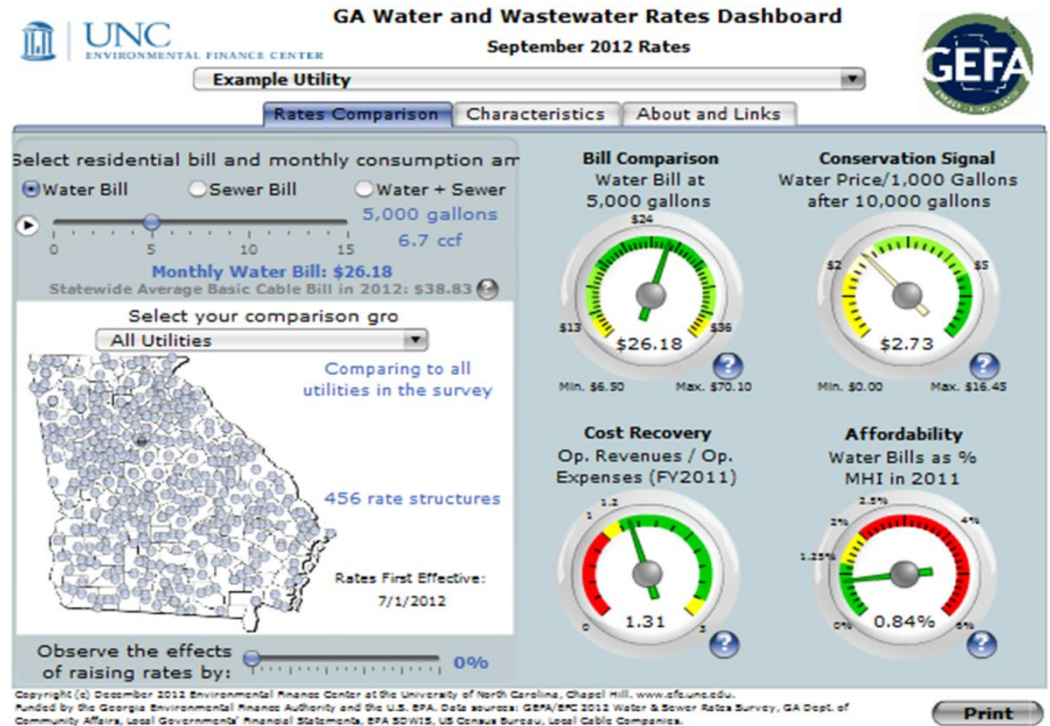
Rates Dashboards

- Created for AL, AZ, CO, GA, NC, TX, VA and OH.

- Free, online, open to the public

- Compares rates against multiple characteristics:
  Utility finances; System characteristics; Customer base socioeconomic conditions; Geography; History

- Compare to similar utilities (large samples):
  - All utilities; similar service population; similar water source; using same rate structure; similar customer income; same type of utility; within 50 miles distance

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
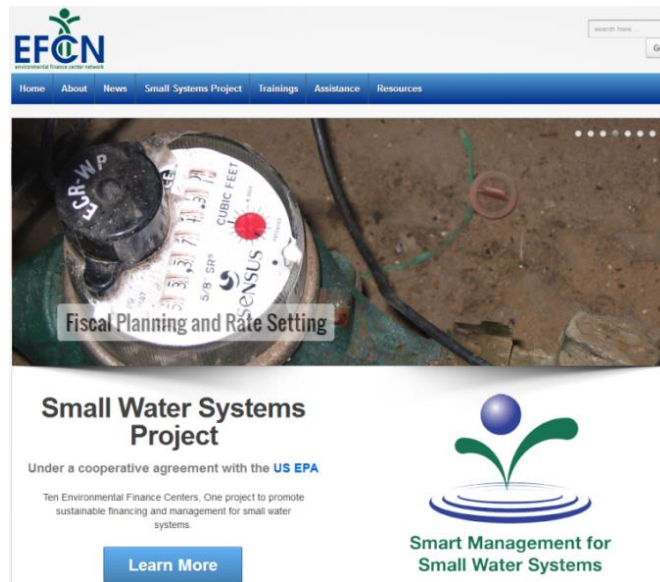
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Innovative Funding Sources

- For example, rent out your water tower for cellphone receivers

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Resources

Tools, trainings, assistance and resources for small water systems from the EFCN
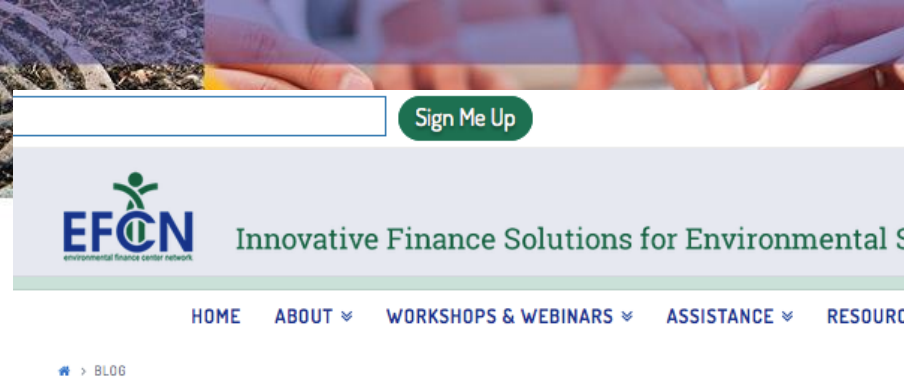
www.efcnetwork.org

Small Systems Blog

Learn more about water finance and management through our Small Systems Blog! Blog posts feature lessons learned from our training and technical assistance, descriptions of available tools, and small systems "success stories."

Common Blog Topic Areas

- Asset Management
- Energy Management
- Enhancing Regulatory Compliance
- Fiscal Planning & Rate Setting
- Funding Coordination
- Managerial & Financial Leadership
- Water Loss Reduction
- Water System Collaboration

efcnetwork.org/small_systems_blog/

Questions?

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A Favor & A Reminder

- Please fill out an evaluation form before you leave

- Contact us anytime for direct technical assistance on any finance and management topic of our project

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