



# City of Sacramento City Council

13

915 I Street, Sacramento, CA, 95814  
[www.CityofSacramento.org](http://www.CityofSacramento.org)

**Meeting Date:** 11/20/2012

**Report Type:** Staff/Discussion

**Title:** Utility Rate Assistance Program

**Report ID:** 2012-00658

**Location:** Citywide

**Recommendation:** Receive and discuss an update on the status of the Utilities Rate Assistance Program for low-income customers.

**Contact:** Dave Brent, Interim Director, (916) 808-1420; Jamille Moens, Business Services Manager, 808-5988 - Department of Utilities

**Presenter:** Dave Brent, Interim Director,(916) 808-1420, Department of Utilities

**Department:** Department Of Utilities

**Division:** Fiscal and Administration Svcs

**Dept ID:** 14001611

## **Attachments:**

---

- 1-Description/Analysis
- 2-Background

---

### **City Attorney Review**

Approved as to Form  
Joe Robinson  
11/14/2012 9:32:21 AM

### **City Treasurer Review**

Reviewed for Impact on Cash and Debt  
Russell Fehr  
11/5/2012 10:37:03 AM

## **Approvals/Acknowledgements**

Department Director or Designee: Dave Brent - 11/9/2012 2:17:15 PM



## Description/Analysis

### Issue:

On May 22, 2012, the City Council directed City staff to proceed with establishing a program that would assist low-income customers in paying their water and wastewater bills, using a portion of the revenue generated by the 11% general tax on utility enterprise revenues to fund the program. The Budget Resolution adopted by the City Council on June 12, 2012, established a multi-year operating project (I14130100) to fund the program. The Department of Utilities (DOU) has developed a utility rate assistance program with the goals of offsetting the water and wastewater rate increases for low-income families, serving as many low-income customers as possible, keeping administrative costs low, and staying within the allocated budget. Commencement of the program is scheduled for January 1, 2013.

**Policy Considerations:** The revenue generated from the 11% general tax on utility enterprise revenues becomes part of the General Fund and can be budgeted for use at the discretion of the City Council. An expenditure budget of \$1,130,700 was established for the current fiscal year. After researching several low-income rate assistance programs and in accordance with the program goals for the City's low-income rate assistance program, DOU recommends the following program criteria:

- Income level at or below 100% of the federal poverty level;
- Property consists of a single-family residential structure, or a condominium or townhome unit;
- Customer resides at the property where the discount is received;
- A tenant has a lease agreement stating the tenant's responsibility for the City utility services and the owner has a Bill Tenant form on file with the City; and
- Eligible services include domestic water and wastewater service only (fire service, irrigation water service, storm drainage and solid waste services are not eligible)

The program would require ongoing funding each fiscal year in order to continue the discounted billing to low-income customers. Defunding the program would result in customers no longer receiving a reduced utility bill effective the fiscal year funding is not allocated.

**Environmental Considerations:** This is not considered a "project" under the California Environmental Quality Act (CEQA) Guidelines Section 15378(b) because it is a funding activity that will not result in significant physical impacts on the environment.

**Sustainability:** None.

**Commission/Committee Action:** The Utility Rate Advisory Commission (URAC) recommended funding a rate assistance program using the increment of General Fund revenue generated by the general tax applicable to water and wastewater service rate increases approved by the City Council on March 27, 2012.

**Rationale for Recommendation:** In the spring of 2012, City Council adopted water and wastewater rate increases to address aging infrastructure and to continue meeting ever increasing regulatory requirements. In May 2012, the City Council directed City staff to proceed with establishing a program that would assist low-income customers in paying their water and wastewater bills. This report provides an update of the program developed by DOU to help mitigate the rate increases to low-income utility customers using funding from the 11% general fund tax generated by the water and wastewater rate increases.

**Financial Considerations:** The program has been budgeted for \$1,130,700 in FY2012/13 through the General Fund, to reimburse the DOU for the water and wastewater discounts applied to the monthly utility bills of eligible customers and associated administrative costs. Based upon the proposed program criteria, a discount of \$3.50 for water and \$2.50 for wastewater can be provided to all eligible households, assuming a 68 percent participation rate of eligible customers. The participation rate is based on the Sacramento Municipal Utility District’s (SMUD’s) level of participation in their low-income rate assistance program.

The chart below shows the proposed monthly discounts relative to the rate increases for the average single-family customer and the anticipated start-up and administrative costs relative to the program budget.

SERVICE	FY13 SINGLE-FAMILY MONTHLY RATE INCREASE	MONTHLY DISCOUNT	PROGRAM BUDGET GENERAL FUND*	ESTIMATED ADMINISTRATIVE COSTS
Water	\$3.44	\$3.50	\$782,870	\$151,467
Wastewater	\$2.36	\$2.50	\$347,820	\$72,086

\* Funding based upon 11% of the general tax increase related to FY 2012/2013 water and wastewater rate increases.

Based upon the funding and estimated participation, it is expected that the program funding will support all of the eligible customers as shown below.

SERVICE	ESTIMATED CUSTOMERS AT POVERTYLEVEL*	ESTIMATED PARTICIPATION **	FUNDING CAPACITY (NUMBER OF PARTICIPANTS)
Water	20,906	14,216	15,510
Wastewater	11,463	7,795	9,191

\* Based on single-family DOU utility customer accounts and a 17.8% poverty level per the 2010 U.S. Census.

\*\* Based upon SMUD's penetration rate of 68%, for customers at 200% of federal poverty level, and DOU's customer accounts.

The administrative costs include configuration of the billing system to apply the discounts on the utility bills, program outreach, creation and review of applications, account set-up, and ongoing program management costs. If the program continues in future years, the administrative costs are estimated at approximately 15% of the budget based upon the DOU's calculations, as well as its research of other agencies' experience with similar programs. Ongoing administrative costs are incurred as participants enter and exit the program and as existing participants continue to be recertified.

**Emerging Small Business Development (ESBD):** Not applicable.



## **Background**

In the spring of 2012, City Council adopted water and wastewater rate increases to address aging infrastructure and to continue to meet ever increasing regulatory requirements. As part of the FY2012/13 budget, City Council allocated General Fund revenues to fund a utility rate assistance program to help mitigate the impact of the water and wastewater rate increases on low-income ratepayers. The \$1,130,700 budgeted to fund the low-income program for one year reflects the estimated amount of additional General Fund utilities tax revenue that will be generated from the adopted rate increases for water and wastewater services in FY2012/13.

The Department of Utilities (DOU) has developed a rate assistance program with the goals of offsetting the water and wastewater rate increases for low-income residents, serving as many low-income City residents as possible, keeping administrative costs low, and staying within the allocated budget.

The DOU researched the low-income assistance programs of several water, electric and gas utility agencies within the region to assist with development of program criteria and participation rate assumptions. The majority of agencies offered some type of rate assistance program which provided a discount that ranged from five to thirty-five percent of the monthly charges. The electric and gas utility agencies use utility rate revenues to fund their low-income assistance programs, as they are not subject to the limitations of Proposition 218, which prohibits the use of utility rate revenues for such a purpose.

Based upon the available funding, utility billing policies and practices, and a goal to off-set the utility rate increases while serving as many low-income ratepayers as possible, the following Program criteria are being recommended for the Program's eligibility:

- Income level at or below 100% of the federal poverty level;
- Property consists of a single-family residential structure, or a condominium or townhome unit;
- Customer resides at the property where the discount is received;
- A tenant has a lease agreement stating the tenant's responsibility for the City utility services and the owner has a Bill Tenant form on file with the City; and
- Eligible services include domestic water and wastewater service only (fire service, irrigation water service, storm drainage and solid waste services are not eligible).

With this general program criteria, and assuming that 17.8 percent of City residents are at or below the poverty level (according to the 2010 U.S. Census), it is estimated that approximately 14,216 single-family residential water customers and 7,795 single-family wastewater customers will participate in the low-income rate assistance program based on the SMUD's participation rate in a similar program.

The 2012 Poverty Guidelines for the 48 contiguous states and the District of Columbia are noted below.

PERSONS IN HOME	POVERTY GUIDELINE
1	\$11,170
2	\$15,130
3	\$19,090
4	\$23,050
5	\$27,010
6	\$30,970
Additional Members	\$3,960

Source: [Federal Register Vol. 77, No. 17 at http://aspe.hhs.gov/poverty/12fedreg.pdf](http://aspe.hhs.gov/poverty/12fedreg.pdf)

The DOU has approximately twice as many water customers as wastewater customers, as a large portion of the City's wastewater services are provided by the Sacramento Area Sewer District (SASD). The DOU is proposing to provide a \$3.50 flat monthly credit for the water bill (\$42 annually) and a \$2.50 monthly credit to the wastewater bill (\$30 annually). The amount of the discount is based upon available funding and the ability to accommodate the number of eligible customers estimated to participate.

To effectively develop, implement and maintain a utility rate assistance program, a portion of the funding will be dedicated to the associated administrative costs to manage the program and provide monthly discounts on the participants' utility bills. Surveys of other agencies indicated a minimum cost of 15% of their program budget for administration of their low-income programs. In the initial year, the DOU estimates administrative costs of approximately 20%, which includes start-up costs. These costs include configuration of the billing system, outreach, creation and review of applications, account set-up, and ongoing program management costs. Future administrative costs are estimated to be approximately 15% of the program budget.

Surveys of other agencies also found that customers are recertified every two years to confirm their continued eligibility for the program. Should the program continue each year, a significant cost increase would be anticipated, commencing in the third year due to recertification requirements.

The Utilities Rate Assistance Program is scheduled to begin in January 2013. In order to facilitate a successful launch of the program, the DOU is proposing the following approach to public outreach beginning in November 2012.

<b>OUTREACH ACTIVITY</b>	<b>DATE</b>
Partner Communication	November 2012- March 2013
Direct Customer Communication	December 2012 – March 2013
Media Relations	January 2013
Website Updates	January 2013

The DOU will work with partner agencies, such as community organizations and health organizations, to educate them regarding the program and also utilize them to target customers who will meet the criteria of the program prior to implementation in January 2013. The DOU will also conduct outreach activities to ensure direct communication with potential program participants.

Annual funding via the General Fund would be required to continue the program beyond 2013. If the program is not funded beyond year one or any future years, the discount will be removed and customers will pay the full rate in place for water and wastewater effective the fiscal year funding is removed. If funding is continued, the program would be adjusted to ensure the maximum credit is provided while remaining within the approved budget.