

Meeting Date: 2/25/2014

Report Type: Consent

Report ID: 2014-00078

Title: Utility Rate Assistance Program Update

Location: Citywide

Recommendation: Pass a Motion authorizing the City Manager or his designee to 1) make the following changes to the Utility Rate Assistance Program (URAP): a) Raise the qualifying income level to 200% of the federal poverty level, b) increase the water and wastewater monthly discount amounts to \$7.00 and \$5.00, respectively, effective the beginning of FY2014, to offset the FY2014 rate increase, c) allow proof of participation in SMUD low-income programs to qualify for URAP eligibility without separate income documentation, and d) effective the beginning of FY2015, increase the water and wastewater monthly discount amounts to \$11.00 and \$7.50, respectively, subject to the availability of funds in the City Council's approved budget for FY2015, to offset the approved rate increase for FY2015; and 2) make future modifications to the URAP as needed for effective and efficient administration of the URAP, subject to the availability of funds in the City Council's approved budget for the applicable fiscal year(s).

Contact: Jamille Moens, Business Services Manager, (916) 808-5988; Shelle Smallwood, Program Manager, (916) 808-4928, Department of Utilities

Presenter: None

Department: Department Of Utilities

Division: Account Management

Dept ID: 14001631

Attachments:

1-Description/Analysis

2-Background

City Attorney Review

Approved as to Form
Joe Robinson
2/18/2014 1:04:14 PM

City Treasurer Review

Reviewed for Impact on Cash and Debt
Russell Fehr
2/6/2014 10:18:44 AM

Approvals/Acknowledgements

Department Director or Designee: Dave Brent - 2/12/2014 2:31:24 PM

Description/Analysis

Issue: In 2013, the City commenced a utility rate assistance program (URAP) 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. City staff has succeeded in meeting the goals related to administrative costs and the budget. However, participation has been significantly lower than expected, and the majority of applications received within the first 11 months of the program have been denied due to customers not meeting the income threshold established. City staff is proposing changes to make the program more effective and continue to off-set annual utility rate increases.

Policy Considerations: Enrollment in the URAP has been very low as many customers do not meet the income eligibility criteria. To better utilize available funding and increase participation in the program, staff is recommending an increase to the monthly discount allocated for water and wastewater services, and an increase to the income eligibility threshold from 100% of the Federal Poverty level to 200% of the Federal Poverty level. It is also recommended that the program allow proof of participation in the Sacramento Municipal Utilities District's (SMUD) low-income programs to qualify for URAP eligibility without separate income documentation to make the program more efficient and effective.

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.

This report also requests that the City Manager be given authority to make future modifications to the URAP as needed for effective and efficient administration of the URAP, subject to the availability of funds in the City Council's approved budget for the applicable fiscal year(s).

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 to 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. On January 22, 2014, the Department presented the proposed program changes to the URAC as part of the Quarterly Utilities Accountability report.

Rationale for Recommendation: In the spring of 2012, City Council adopted water and wastewater rate increases to address aging infrastructure and to continue meeting 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 with a monthly discount to help off-set the annual rate adjustments. The first year of the program has produced low participation rates, which are primarily due to applicants' incomes being higher than the federal poverty limits established for household incomes. In addition, ample program funding currently exists to absorb more participants and an increased monthly discount to offset rate increases.

Financial Considerations: The Budget Resolution adopted by the City Council on June 12, 2012, established a multi-year operating project (I14130100) to fund the City's utility rate assistance program. An expenditure budget of \$1,130,700 was established for the fiscal year (FY) 2013 and \$2,393,360 was allocated for FY2014. The project funding source is from the General Fund and the budgeted amount is based on revenues received through the voter-approved general tax on the utility enterprise funds.

Consistent with the intent to off-set annual rate increases, the program budget has sufficient funding to provide an increased monthly discount of \$7.00 for water and \$5.00 for wastewater to all eligible households in FY2014, as well as absorb additional participation by increasing the income threshold to 200% of the federal poverty level. In addition, effective July 1, 2014, the water and wastewater monthly discount amounts would increase to \$11.00 and \$7.50, respectively, subject to the availability of funds in the City Council's approved budget for FY2014-15, to offset the approved rate increase for FY2015.

While no available statistics exist to quantify what the exact participation rate will be, staff has estimated participation rates based on the low-income population in the City of Sacramento, according to the 2010 U.S. Census, and participation rates experienced by other low-income programs, including SMUD. The chart below shows the estimated participation and proposed monthly discounts relative to the rate increases incurred since FY2012 for the average single-family customer. The discounts generally equal the amount of the approved rate increases for an average single family resident while allowing the program to be sustainable.

FISCAL YEAR	ESTIMATED PARTICIPATION		WATER	WASTEWATER	TOTAL
	WATER	WASTEWATER	DISCOUNT	DISCOUNT	
FY13	428 ¹	228 ¹	\$3.50	\$2.50	\$6.00
FY14	4,223	2,316	\$7.00	\$5.00	\$12.00
FY15	8,531	4,677	\$11.00	\$7.50	\$18.50

¹ Actual participation rates for FY2012-13.

The chart below shows the actual program cost for FY13, and projected program costs for FY14 and FY15 relative to the annual funding.

FISCAL YEAR	ANNUAL ALLOCATION	DISCOUNT EXPENSE	ADMINISTRATIVE EXPENSE	ENDING BALANCE
FY13	\$1,130,700	\$8,556	\$71,672	\$1,050,472
FY14	\$2,393,360	\$493,692	\$120,000	\$1,779,668
FY15	\$3,595,050	\$1,547,022	\$120,000	\$1,928,028

¹ The program participation rate is anticipated to grow over the next couple of years with the projected Discount Expense equal to the Annual Allocation.

The administrative costs are estimated to be approximately 5% of the budget based upon the City staff's calculations, and actual costs incurred in FY2012 and FY2013. Ongoing administrative resources are required for outreach, participant verification, enrollment and recertification, billing system updates and program reporting.

If the program is not funded in future fiscal years, the discount will be removed and customers will pay the full rate for water and wastewater service effective the fiscal year that funding is removed. If funding is continued, the program would be adjusted annually to ensure the maximum credit is provided while remaining within the City Council's approved budget. The unused balance in the program at the end of each fiscal year will be returned to the General Fund balance (Resolution 2013-0198, Section 13.8).

Local Business Enterprise (LBE): Not applicable.

Background

In March 2012, the City Council adopted water and wastewater rate increases to address aging infrastructure and to continue to meet ever increasing regulatory requirements, and directed staff to bring back a proposed Utility Rate Assistance Program (URAP) as part of the budget discussion. On May 22, 2012 the Department of Utilities (DOU) presented a report on a proposed URAP, which consisted of the following program elements that were approved by the City Council:

- 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).
- \$3.50 flat monthly credit for the water bill (\$42 annually) and a \$2.50 monthly credit to the wastewater bill (\$30 annually).

The FY2013 budget approved by the City Council on June 12, 2012, included a Multi-Year Operating Project MYOP (I14130100) for the URAP with an expenditure budget of \$1,130,700. City staff presented the updated program to the City Council on November 20, 2012, and the program commenced in February 2013, with monthly discounts effective January 1, 2013. The FY2103/14 budget approved by the City Council on June 11, 2013, included \$2.3 million budgeted for the URAP.

The 2013 Poverty Guidelines for the 48 contiguous states and the District of Columbia are noted below.

PERSONS IN HOME	2013 POVERTY GUIDELINE	200 PERCENT OF THE 2013 POVERTY GUIDELINE
1	\$11,490	\$22,980
2	\$15,510	\$31,020
3	\$19,530	\$39,060
4	\$23,550	\$47,100
5	\$27,570	\$55,140
6	\$31,590	\$63,180
Additional Members	\$4,020	\$8,040

Source: [Federal Register Vol. 77, No. 17 at http://aspe.hhs.gov/poverty/14poverty.cfm](http://aspe.hhs.gov/poverty/14poverty.cfm)

Enrollment in the program, since it commenced in February, 2013, has been very low as many applicants do not meet the income eligibility criteria. In the first year of the program implementation, 83.5% of property owners and 21% of tenants who applied for the URAP were not eligible based upon their income exceeding the 100% poverty level established for the income guideline. As a result, just over three percent of the estimated eligible participants have qualified to participate in the low-income rate assistance program.

**Water and Wastewater Customer Participation
As of November 2013**

SERVICE	OWNERS	TENANTS	TOTAL
Water	420	20	440
Wastewater	236	12	248
Total	656	32	688

In order to increase customer eligibility and better utilize the annual funding, the DOU is proposing the following changes to the program:

- Increase the income level threshold from 100% of the federal poverty level to 200%, consistent with several other utility agencies;
- Increase the \$3.50 water and \$2.50 wastewater monthly discount to \$7.00 (\$84.00 annually) and \$5.00 (\$60.00 annually), respectively, effective the beginning of FY2014 to offset the FY2014 rate increase;
- Allow proof of program participation in SMUD low-income programs to qualify for the URAP eligibility without submission of income documents;
- Effective the beginning of FY2015, increase the monthly discount for water to \$11.00 (\$132 annually) and wastewater to \$7.50 (\$90 annually) to offset the approved rate increase, subject to the availability of funds in the City Council approved budget for FY2014-15.

If the program is not funded in future fiscal years, the discount will be removed and customers will pay the full rate for water and wastewater services effective the fiscal year that funding is removed. If funding is continued, the program would be adjusted annually to ensure the maximum credit is provided while remaining within the City Council's approved budget.