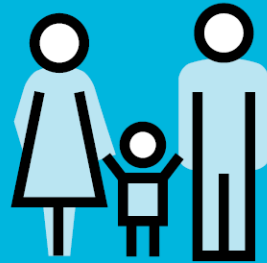


AFFORDABILITY





Affordability Questions

- **How does the City define and measure affordability?**
- **Who is helped by current rate structure – low income or low user?**
- **How well do current programs address affordability?**
- **What metrics should be used for benchmarking?**
- **How does Phoenix compare to similar size cities?**

Commonly Used Metrics

- » **Water and Sewer rates are compared with other cities based on a set amount of water consumption.**
 - Typically not representative of basic needs
- » **EPA metric based on average water consumption and Median Household Income**



Phoenix's Current Water/Sewer Affordability Program

Rate Structure

- **Monthly Minimum Allowance**
 - **10 ccf June – Sept.**
 - **6 ccf rest of months**

Water Assist

- **Bill credits totaling \$500k per year (\$200 avg./customer/year)**
- **Applied to total monthly bill**
- **For customers paying bill directly, and whom are qualified by HSD.**

Water Efficiency

- **Retrofits for limited or fixed income customers**
- **Home built prior to 1994**
- **Plumbing fixtures only**

30% of utilities offer some type of customer assistance program.

Median Household Income (MHI)

- » EPA standard
- » Water/Sewer costs as a percentage of MHI
- » Applied across service area or by Census Tract Level
- » Focuses on median income, not low income
- » Does not capture low income vulnerability
- » Assumes average water use vs. need



Alternative Metrics

AR₂₀ :

- Focuses on individual customers
- Provides for BASIC SERVICE (not average)
- Accounts for essential nonutility costs
- Focus on low-income (not avg/median)
- Focuses on those at 20% percentile that typically don't qualify for public assistance

**Affordability
Ratio - AR₂₀**

Calculation:

[Cost of minimum
per capita
Water/Sewer Service
X Household Size X
100] /
Household income
less essential costs



Alternative Metrics

Hours of Minimum Wage:

- Provides for BASIC SERVICE (not average)
- Accounts for essential nonutility costs
- Focus on low-income (not avg/median)

Hours of Minimum Wage

Calculation:

[Cost of minimum
per capita Water /
Sewer Service X
Household Size X
100] /
Minimum Wage

Affordability Ratio in Ten Major U.S. Cities

Overall City of Phoenix Compares Favorably

City	Monthly Essential Service Cost*	Hours at Minimum Wage	Median Income (AR _m)	20th Percentile Income (AR ₂₀)
Atlanta	\$ 157.00	21.7	6.4%	28.7%
Dallas	59.82	8.3	2.9%	21.0%
New York City	121.12	10.1	4.4%	19.7%
San Diego	108.71	9.5	3.2%	14.3%
Philadelphia	58.54	8.1	2.8%	11.0%
Houston	74.87	10.3	2.8%	10.9%
Los Angeles	73.11	4.9	2.5%	8.1%
Chicago	47.27	4.5	1.8%	7.5%
Miami	52.38	6.5	2.0%	7.2%
Phoenix	37.28	3.7	1.4%	4.2%
<i>Ten-city Avg</i>	<i>79.01</i>	<i>8.7</i>	<i>3.0%</i>	<i>13.3%</i>

Alternative AR20 levels

	Number of Census Tracts	Total SF and MF Households that get their bill directly	% of Households that get their bill directly	# of Customers with >1 Delinquent Bill in FY 2016**	# of Customers that have used Project Assist ***	% of Customers with Delinquent Bills	% of Customers that have used Project Assist Program
AR20 at >10%	50	26,194	41.4%	10,440	2,066	40%	7.9%
AR20 at >12%	30	14,070	41.3%	6,182	1,224	44%	8.7%
AR20 at >15%	23	11,735	48.8%	5,125	1,022	44%	8.7%
AR20 at >18%	10	3,647	55.0%	1,809	290	50%	8.0%

Types of Customer Assistance Programs Offered by Valley Utilities

Type of Assistance Program	Water/Sewer Bill Assistance	Citizens in Need	Referrals
How program is funded	Donations from customers and O&M budget item	Donations from citizens that is then turned over to non-profits to distribute to families in need	No funding of program but instead refer water/sewer customers to resources such as Arizona Community Action Program, Salvation Army, etc.
Who gets assistance	Water/sewer customers that are qualified based on poverty levels and pay water/sewer bill directly	Families in need that may include water/sewer customers that either pay water/sewer bill directly or through rent	Families in need that may include water/sewer customers that either pay water/sewer bill directly or through rent
Type of Assistance	Water/sewer bill credit or discount	Funds to pay utility bill	Funds to pay utility bill
Valley utilities with these programs	Phoenix, Tucson	Mesa, Gilbert	Chandler, Glendale

Comparison of Phoenix and Tucson Water/Sewer Affordability Programs

City	Phoenix	Tucson
Funding of program	Donations from customers and O&M budget item	O&M budget item
Budget for Water/Sewer Affordability Program	\$500,000	\$1,000,000
Number of Single-Family Accounts	370,000	210,000
Who is eligible for program	Water/sewer customers at poverty level; City of Phoenix water customer	Water customers at 150% of poverty levels; Tucson Water customer
Approximate number of customers that receive assistance per year	2,600	5,600
Average assistance per customer in need	\$180	\$175
Monthly essential water/sewer costs (4 person household)	\$37.28	\$75.26
Type of bill assistance	Credit is applied to water, sewer, solid waste monthly bill	Bill discount equal to 50% of monthly water bill and 75% on sewer bill
Water cost per ccf for SF	\$1.63	\$3.99
Water cost per ccf for MF	\$3.57	\$4.43
AR₂₀ (using 20% of income)	4.2%	12.1%

Findings

- » **AR₂₀ is preferred metric**
- » **Phoenix some of lowest rates – water/sewer**
- » **Can maintain affordability with incremental rate increases**
- » **Project Assist funding has not increased since program inception**

Recommendations

- » Use AR_{20} at 10% to measure rate affordability
- » Increase Project Assist Funding from \$350,000 to \$600,000 annually
- » Project Assist should be funded by Water (\$233K), Wastewater (\$173K), Solid Waste (\$194K) proportional to ratio of city by bills by utility