



# Affordability

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# AGENDA

- Governing Laws
- Modern Enforcement
- Historical Federal Assistance
- Customer Assistance
- Models
  - LIHEAP
  - SNAP
  - SRF
- Summary
- Next Steps

# GOVERNING LAWS

- Water Utilities
  - Title XIV of The Public Health Service Act: Safety of Public Water Systems (1944)
  - Safe Drinking Water Act Water Utilities (1974)
- Wastewater Utilities
  - The Federal Water and Pollution Control Act (1948)
  - Clean Water Act (CWA) (1972)
    - The CWA made it unlawful to discharge any pollutant from a point source into navigable waters, unless a permit was obtained.

# MODERN ENFORCEMENT

- CSO Consent Decrees

- Nationwide there are currently 38 cities under a Federal CSO Consent Decree (Source: EPA, May 1, 2017)
- Financial Capability Assessment (FCA)
  - Sewer Bill at 2% of MHI

- Kansas City

- 25 years – September 27, 2010
- \$2.1 Billion in 2008 dollars (\$4.0-\$4.5 Billion w/inflation)
- The sewer portion of the bill has tripled over the last 10 years
- 27% of households are below \$25k in annual income (Source: American Community Survey for 2015)

# FEDERAL ASSISTANCE

- Historical View
  - Grants
    - In the 1950's, 1960's and 1970's
    - Fazed out in the 1980's
  - Loans and Loan Subsidies
    - State Revolving Funds (SRF)
      - Subsidized interest
      - Subsidized principal

# SRF LOANS

- Not much savings is derived for the ratepayer from using an SRF loan vs. using a conventional tax free municipal bond.

## SRF Loan Example

Loan Amount	\$ 50,000,000
Term (Years)	20
AA+ Tax Exempt Rate	3.5%
AA+ Annual Payment	\$3,518,054
SRF Rate	1.5%
SRF Annual Payment	\$2,912,287

**Annual Savings Using SRF                      \$605,767**

	<u>Residential</u>	<u>Commercial</u>	<u>Wholesale/Industrial</u>	<u>Total</u>
Number of Customers	90,000	10,000	10	100,010
Monthly Bill	\$ 40	\$ 400	\$ 50,000	
Annual Bill	\$ 480	\$ 4,800	\$ 600,000	
Total Revenue	\$ 43,200,000	\$ 48,000,000	\$ 6,000,000	\$ 97,200,000
Share of Revenue	44.4%	49.4%	6.2%	
Savings from SRF	\$ 269,230	\$ 299,144	\$ 37,393	\$ 605,767
Annual Savings per Customer	\$ 2.99	\$ 3.32	\$ 0.42	
<b>Monthly Savings per Customer</b>	<b>\$ 0.25</b>	<b>\$ 0.28</b>	<b>\$ 0.03</b>	

# CUSTOMER ASSISTANCE PROGRAMS

- Nationwide
  - Federally funded programs under consideration:
    - Water Resources Development Act (WRDA)
  - Federal support is appropriate since many of the clean water investments are necessary to meet federal Clean Water Act mandates
  - Only 28% of all water utilities in the U.S. offer customer assistance support to their ratepayers.

<sup>1</sup> Source: U.S. Environmental Protection Agency's "Drinking Water and Wastewater Utility Customer Assistance Programs" report, April 2016: [https://www.epa.gov/sites/production/files/2016-04/documents/dw-ww\\_utilities\\_cap\\_combined\\_508-front2.pdf](https://www.epa.gov/sites/production/files/2016-04/documents/dw-ww_utilities_cap_combined_508-front2.pdf)

# KC Water Customer Assistance Program

- Partnership with the Mid-America Assistance Coalition
- Helps customers who are unable to pay their water bills
- Committed \$2 million in funds since 2009
  - \$400,000 for FY18
- More than 6,300 customers assisted
- Funded by existing customer late fees



*Customer Assistance  
Program Information Line:  
2-1-1 or 816-474-5112*



# KC Customer Assistance Criteria

- Income at or below 185% of the 2017 U.S. Poverty Guidelines for the 48 contiguous states published by the Department of Health & Human Services.
  - Currently \$37,777 for family of 3. <sup>1</sup>
- Must be an active Kansas City, Missouri Water Services Department (KC Water) customer.
- Customer account number must be captured and recorded for the client.
- Resident of Kansas City, Missouri.

<sup>1</sup> Source: Department of Health & Human Services <https://aspe.hhs.gov/poverty-guidelines>

# KC Customer Assistance Criteria, cont.

- Program assistance is for KC Water water, wastewater and stormwater bills.
- Eligible applicant can receive a maximum of \$500.00 in program assistance within a rolling 12 month period.
- Program assistance may be used for a current KC Water bill or a payment under a KC Water settlement.
- Applicant must have made a payment from personal funds on the KC Water bill for which applicant is seeking help within 90 days of the date of application.

# ORGANIZATIONS SUPPORTING CUSTOMER ASSISTANCE PROGRAMS

- NACWA – National Association of Clean Water Agencies
- WEF – Water Environment Federation
- AWWA – American Water Works Association
- WRF – Water Research Foundation
- U.S. Water Alliance

# LIHEAP MODEL – LOW INCOME HEATING & ENERGY ASSISTANCE PROGRAM

- **Key Features:**

- HHS program providing aid for heating and cooling bills.
- Funded through annual appropriations
- Administered by States
- Income guidelines determine eligibility (150% of poverty level is max limit)
- Community Action Agencies can assist in administering

- **Pros:**

- Proven program with a rationale and structure that is adaptable to other types of utilities.

- **Cons:**

- Funding through the appropriations process has faced downward pressure for several years and that is likely to continue.

# SNAP MODEL – SUPPLEMENTAL NUTRITION ASSISTANCE PROGRAM

- **Key Features:**

- USDA program providing assistance to buy food.
- Mandatory (entitlement) spending program that provides payments to eligible recipients.
- Block grant program for the States. Gives States leeway on implementation
- Income eligibility requirements (130% of poverty level)

- **Pros:**

- Provides guaranteed payments to recipients without the uncertainty of an appropriations process.

- **Cons:**

- Creating a SNAP type “entitlement” program would require budget offsets in the form of increased revenues or reduced spending.

# SRF MODEL – STATE REVOLVING FUND

- **Key Features:**

- EPA program that provides low cost (below market) loans to water utilities for the construction of clean water projects.
- Administered by state agencies. In Kansas City, the Missouri Department of Natural Resources reviews SRF applications.

- **Pros:**

- Below market interest rates for low cost financing.
- Can incentivize utilities to make substantial water infrastructure investments

- **Cons:**

- Limited in terms of the kinds of projects that qualify.
- Minimal savings to the ratepayer in the long run.
- Administrative Complexity

# SUMMARY

- Federal unfunded mandates create additional financial pressure on water and wastewater utilities.
- Water and Wastewater rates are increasing at a faster rate than incomes in order to adhere to these requirements on utilities.
- Water Ratepayer Assistance Programs (WRAP) are essential customer assistance programs that are needed nationwide.
  - Provide assistance to the neediest customers
  - Enable water and wastewater utilities to maintain financial stability.
- LIHEAP, SNAP and SRF provide models from which a WRAP program could be developed.
- A WRAP that is similar to the LIHEAP model may be the easiest to implement because it is seen as “assistance” rather than “entitlement”.

# NEXT STEPS

- Develop a WRAP initiative that NACWA, AWWA and similar organizations can use to generate interest from other potential partners.
- Develop a coordinated effort among various interest groups (AWWA, WEF, NACWA, etc) to promote a WRAP model.
- Engage local and state leaders who would support a potential WRAP initiative.
- Utilize our organizations government affairs teams to engage administration and congressional officials to introduce, file and eventually pass legislation that will assist water and wastewater ratepayers.



THANK YOU

