

City of Lathrop

Billing Assistance Program Review

FEBRUARY 8, 2021

ITEM #2.3





Overview

At the January 11, 2021 Council Meeting, Council directed staff to review and provide feedback on the utility billing assistance program.

The current discount program provides a 20% discount for the fixed component (monthly service charge, not on consumption) of the water bill and a 10% discount for the whole sewer bill.

The average monthly discount provides enrollees a monthly savings of about \$12.58 or just over \$150 annually. The billing assistance program costs approximately \$79,000 annually to implement.

There are approximately 523 customers on the billing assistance program.



Who Qualifies?

The City uses enrollment in the PG&E CARE program to establish eligibility for the billing assistance program.

Number of people in household	CARE
1-2	\$34,480 or less
3	\$43,440 or less
4	\$52,400 or less
5	\$61,360 or less
6	\$70,320 or less
7	\$79,280 or less
8	\$88,240 or less
9	\$97,200 or less
10	\$106,160 or less

Qualifying for CARE based on public assistance program participation

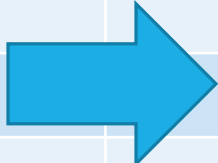
You may qualify for the CARE Program if you or someone in your household takes part in any of the following public assistance programs.

- Low Income Home Energy Assistance Program (LIHEAP)
- Women, Infants, and Children (WIC)
- CalFresh/SNAP (Food Stamps)
- CalWORKs (TANF) or Tribal TANF
- Head Start Income Eligible (Tribal Only)
- Supplemental Security Income (SSI)
- Medi-Cal for Families (Healthy Families A & B)
- National School Lunch Program (NSLP)
- Bureau of Indian Affairs General Assistance
- Medicaid/Medi-Cal (under age 65)
- Medicaid/Medi-Cal (age 65 and over)



Example Bill

Item	East Lathrop Bill	Billing Assistance Program – 20% Flat Water 10% Sewer
5/8" Meter Flat Rate	\$16.30	\$13.04
12 Water Units/\$3.99	\$47.88	\$47.88
SCSWSP Charge	\$9.10	\$7.28
East Lathrop Sewer	\$75.00	\$67.50
Total:	\$148.28	\$135.70
Monthly Discount	\$0	\$12.58



NEED TO KNOW



WATER RATES:
WATER AFFORDABILITY

Consider the conservation signal.

Finally, when designing an affordability program, water utilities can consider encouraging water conservation and efficiency. For example, rather than offering a percentage discount on the total water bill, which increases as more water is used, consider capping the percentage discount based on the average water use for the particular household size. In addition, consider applying discounts to, or waiving completely, the fixed portion of the water bill, which does not vary by customer usage, rather than the variable portion, which reflects customer usage and can be reduced through water conservation and efficiency efforts.



Who pays for it?



- Proposition 218 does not allow rate revenue to be used for these types of rate reduction programs.
- The source of funding for the billing assistance program is revenue collected by the City as late payments and delinquency charges, which are separate fees exempt from the requirements of Proposition 218.
- Unused funds from late payments or shutoffs are accounted for in their own account and tracked by the Finance Department




COVID-19 Impact on Late Fees/ Shutoffs

The Billing Assistance Program is designed to be self-sustaining.

Due to Governor Newsom Executive Order N-42-20 there has been no collection of late fees and shutoff penalties on utility accounts for Fiscal Year 2021.


The funding mechanism currently does not exist due to Executive Order; in its current form the program can be maintained to withstand the funding drought

 San Francisco Chronicle

Water crisis looms as California households struggle to pay bills, suppliers lose revenue

Unpaid water bills are piling up across California as the pandemic continues to rage, leaving water agencies out hundreds of millions of dollars ...



 CALmatters

Unpaid water bills top \$1 billion in California

Bell-Holt lives in the epicenter of California's water debt crisis. While average debt is \$500, at least 155,000 households — mostly in Los ...



Bridge the Funding Gap

In order to fund the billing assistance program for Fiscal Year 2021 (current fiscal year) the funds collected in prior Fiscal Years will be used to sustain the program.

Due to the stipulations of Proposition 218 (California's Right to Vote on Taxes) agencies have concluded that water affordability programs cannot use rate revenue as that would be a subsidy from one customer class to another and, therefore, deemed illegal.

Without the prior years funds to sustain the program a General Fund subsidy would be needed to make the Enterprise Fund whole.

A General Fund subsidy to an Enterprise Fund meant to be self supporting would be inconsistent with sound financial management.

Potential to negatively affect the City's credit ratings by operating a Utility that requires a subsidy and having a General Fund obligation within the Enterprise Funds.





What is an Enterprise Fund?

Enterprise funds account for city operations, which are financed and operated in a manner similar to private enterprise. User charges and impact fees recover costs of providing service to the public.

Enterprise funds are established to account for operations of the self-supporting municipal water and wastewater service. Services are rendered based on a Proposition-218 approved rate structure.

Substantive Requirements of Prop 218:

According to Prop. 218, a property-related fee must meet the following substantive requirements:

- Revenues derived from the fee must not exceed the funds to provide the service;
- Revenues derived from the fee must not be used for any purpose other than that for which the fee is imposed;
- The amount of a fee imposed must not exceed the proportional cost of the service attributable to the parcel;
- The fee may not be imposed for a service unless the service is actually used by, or immediately available to, the owner of the property subject to the fee; and
- No fee or charge may be imposed for general governmental services, such as police, fire, ambulance, or libraries, where the service is available to everyone in the community.



Council Approved Proposition 218 Rate Study

PROP 218 APPROVED UTILITY RATES

YEAR	East Lathrop Monthly Bill Increase from Previous Year			West of I-5 Monthly Bill Increase from Previous Year		
	Water	Sewer	Total	Water	Sewer	Total
MARCH 2016	\$5	\$3	\$112	\$5	\$6	\$106
JANUARY 2017	\$6	\$4	\$122	\$6	\$6	\$118
JANUARY 2018	\$6	\$4	\$132	\$6	\$7	\$131
JANUARY 2019	\$8	\$4	\$144	\$8	\$5	\$144
JANUARY 2020	\$8	\$4	\$156	\$8	\$3	\$155

COUNCIL APPROVED UTILITY RATES

YEAR	East Lathrop Monthly Bill Increase from Previous Year			West of I-5 Monthly Bill Increase from Previous Year		
	Water	Sewer	Total	Water	Sewer	Total
MARCH 2016 (APPROVED)	\$5	\$3	\$112	\$5	\$6	\$106
JANUARY 2017 (APPROVED)	\$6	\$4	\$122	\$6	\$6	\$118
JANUARY 2018 (APPROVED)	\$6	\$4	\$132	\$6	\$7	\$131
JANUARY 2019 (APPROVED)	\$0	\$4	\$136	\$0	\$5	\$136
JANUARY 2020 (APPROVED)	\$0	\$0	\$136	\$0	\$0	\$136

Rate increases took effect in March 2016 and were schedule to escalate automatically every January starting in 2017 through 2020. The City has followed the approved Water and Sewer Fund rate increase schedule for the first three (3) years for Water and four (4) years for Sewer.



Council Directed Annual Fund Evaluation

Council approved the Proposed Rate Structure with the condition that Staff monitor the performance of the Water and Sewer Funds annually to assess the funds' fiscal health.

Council recognizes the importance of utility rates and the sensitivity of the impacts that increases have on citizens and rate payers. For this reason water rates have not been increased since January 2018.



Month/Year	Water Rate Increase
January 2018	\$6/ Month
January 2019	\$0/ Month
January 2020	\$0/ Month
January 2021	\$0/ Month



What has changed since 2016?

Drought - The study conducted at the peak of the drought took a conservative approach to projecting the City's water consumption since the region had strict drought conservation mandates. Since then, drought conservation mandates have been lifted and water usage has returned to a new normal. Normalization in water consumption equates to the Water Fund meeting revenue requirements without the need for additional rate increases at this time.

Sustainable Groundwater Management Act (SGMA) - Water Fund cost savings emerged in the policy decisions surrounding the City's ability to negotiate its destiny in the Sustainable Groundwater Management Act (SGMA). The City overlies two groundwater subbasins of the San Joaquin Valley Basin designated by the Department of Water Resources (DWR); the Tracy Subbasin, and the Eastern San Joaquin Subbasin (ESJS). The City successfully lobbied for a Basin Boundary Modification Request to Align the Eastern San Joaquin and Tracy Subbasins with the City's Limit. This basin boundary modification allowed the City of Lathrop to disassociate with the overdrawn ESJS and allowed the City to avoid having to do costly capital expenditures that would have been required had the City still been a participating agency in the ESJS.

Water Meter Reads - The decision was made to start upgrading the meter reading system from a labor-intensive manual process to the ability to remotely read meters digitally. This has improved efficiencies and allowed staff to spend time more effectively and efficiently. All new development, will install the new remote read meters, and the City started replacing older meters in the City in 2020.



Beyond Local Control

In the long term, State and Federal regulations, such as unfunded Federal mandates (Ex; AWIA) and hazardous materials disposal and treatment (Ex; arsenic, uranium, PFAS/ PFOA treatment) could increase expenses to the water fund.

America's Water Infrastructure Act of 2018 (AWIA)


Overview

[America's Water Infrastructure Act of 2018 \(AWIA\)](#) improves drinking water and water quality, deepens infrastructure investments, enhances public health and quality of life, increases jobs, and bolsters the economy. The AWIA provisions are the most far-reaching changes to the Safe Drinking Water Act since the 1996 Amendments, with over 30 mandated programs. Learn about EPA's current actions under the new law.





Let's Talk About Debt

	 Clean Water State Revolving Fund	SRF Loan	Pacific Premier (Refinanced 2003 COP)	Compass Bank Loan (Refinanced 2000 COP)
Issued For		Arsenic Treatment	SSJID Surface Water Construction	SSJID Surface Water Engineering/ Design
Original Amount		\$9,528,982	\$11,455,000	\$6,203,000
Interest Rate		2.3086%	2.89%	3.50%
Term		20 Years	15 Years	17 Years
Year Issued		2013	2017	2012
Debt Coverage		1.0x	1.0x	1.1x
Amount Outstanding		\$6,005,297	\$9,555,312	\$3,908,741



On the Horizon

Staff is currently in the data collection phase of the next 5 year rate study.

Next study will incorporate needs of an expanding and aging utility system.



Questions?

