



STAFF REPORT

TO: Chairman and Board Members
THRU: Mark Foree, General Manager
FROM: Kim Mazeres, Director of Customer Relations
DATE: March 14, 2012
SUBJECT: Report on low-income program research

BACKGROUND

At the December 2011 meeting, Vice Chairman Aiazzi asked for an agenda item regarding the possibility of instituting special rates or subsidies for low income and/or senior customers. At the January 2012 meeting, the Board asked for staff to research such programs and criteria of other entities and utilities.

RESEARCH

The attached report is the result of this research. It includes utilities from throughout Nevada. However, there is also information about California programs, as well as general information concerning water affordability.

This research found less than half the utilities surveyed had some type of economic hardship program. Utilities also reported difficulty in qualifying customers due to the recent discontinuance of the state's STARR program.

RECOMMENDATION

The average TMWA residential water bill is approximately \$37 a month, and for indoor use only the average bill is less than \$25 a month. TMWA currently offers relief to customers who experience leaks and/or broken pipes. In addition, TMWA extends payment arrangements to customers who need additional time to pay their bills, offers a budget billing option, and provides free conservation audits and devices (including showerheads and hose timers). Due to the issues with cross-subsidization, qualifying customers, administering and funding this type of program, staff does not recommend TMWA institute a low-income program at this time.

Memorandum

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TO: Kim Mazeres and Jeff Tissier
FROM : Catherine Hansford
DATE: March 12, 2012
SUBJECT: **Economic Hardship Programs in the State of Nevada**

Background

At the January 12, 2012 Board meeting staff was asked to investigate what economic hardship programs, if any, are provided by water and wastewater utilities for citizens in the State of Nevada. A survey was sent to a selection of Northern and Southern Nevada water and wastewater providers in response to the Board's request. This memorandum provides the results of that survey as well as discussion of what is considered an affordable rate in the industry, and general utility approaches to addressing affordability of service.

Findings

The survey responses led to these findings:

1. None of the agencies serving multiple jurisdictions or communities provide an economic hardship program. These include the Las Vegas Valley Water District and the Clark County Water Reclamation District.
2. Number of service connections and/or revenue of the provider does not influence whether an economic hardship program is provided.
3. Economic hardship programs are utilized by 0% to 3.0% of residential customers. The cities of Henderson and Boulder have the greatest utilization of their program.
4. There is no common mechanism used for reducing total water/ wastewater cost burdens with an economic hardship program. Of the six purveyors with programs open to new participants, two provide rebates, three provide a reduced bill, and one has a separate rate schedule. Two purveyors have senior citizen only programs not open to new participants. Participants that are grandfathered in until their property changes hands benefit from reduced bills.
5. All the economic hardship programs reported in the survey subsidize participants with payments made by other customers, whether by rebate, reduced bill, or separate rate schedule. No surveyed

purveyors have a voluntary contribution program for reducing eligible participant water/wastewater bills.

6. Most of the economic hardship programs are directed toward senior citizens and low income households. Some programs also target disabled persons.
7. With the exception of annual costs provided by the City of Reno, the annual costs to run the included survey economic hardship programs are reported as minimal.
8. The City of Reno and the City of Boulder are the only purveyors with economic hardship programs reported that have an annual funding cap.

Discussion

Thirteen public water / wastewater purveyors and one private purveyor were contacted to complete the economic hardship program survey by telephone and email. Purveyors are listed in Table 1 below. Of these purveyors, twelve responded to the survey between February 10th and March 10th 2012. Six of the twelve respondents have economic hardship programs currently open to new participants. Carson City and the City of North Las Vegas have suspended their senior citizen programs although a number of senior citizens are grandfathered into their programs.

Table 1

Purveyor	Private or Public	Services	Economic Hardship Program
Utilities Inc. of Central Nevada	Private	Water	NO
City of Boulder	Public	Water and Wastewater	YES
City of Henderson	Public	Water and Wastewater	YES
City of Reno	Public	Wastewater	YES
City of Sparks	Public	Wastewater	YES
City of North Las Vegas	Public	Water and Wastewater	NO
City of Las Vegas	Public	Wastewater	YES
City of Elko	Public	Water and Wastewater	NO*
City of Fernley	Public	Water and Wastewater	NO
Washoe County	Public	Water and Wastewater	NO
Lyon County	Public	Water and Wastewater	YES
Carson City	Public	Water and Wastewater	NO
Clark County Reclamation District	Public	Wastewater	NO*
Las Vegas Valley Water District	Public	Water	NO

* No survey response was provided; internet searches found no evidence of an economic hardship program.

These water/wastewater purveyors serve a range of number of service connections; from approximately 5,000 service connections in Lyon County to 355,000 service connections in the Las Vegas Valley Water District's service territory. Annual revenues are correspondingly varied from about \$1.4 million per year to over \$333.1 million. The purveyors most similar in size to Truckee Meadows Water Authority (TMWA) include the utilities department of the cities of Henderson and North Las Vegas. A summary of purveyor number of service connections and annual revenue is shown in Table 2 on the following page.

A copy of the survey is provided as Exhibit A attached. A matrix summarizing survey responses from those purveyors with economic hardship programs is provided in Exhibit B.

Program Type and Participation

Survey respondents show differing types of programs. The majority of programs target senior citizens and low income households. The percentage of residential customers benefiting from the economic hardship programs is very small, ranging from 0% to under 3.0%. Henderson and Boulder have the highest participation rates.

The purveyors with senior citizen eligibility used to rely on the Senior Tax Assistance/Rent Rebate Program (STARR Program); with this program each county would send a list of qualified persons to the purveyor annually. The STARR program was eliminated in Section 10 of Senate Bill 423 during the 2011 Legislative Session. Since fiscal year 2011 each of the programs have been looking for alternative ways to screen for eligible senior citizen participants. The City of Henderson has partnered with the non-profit agency HopeLink which determines eligible participants using birth certificates, driver's licenses, mortgage paperwork, lease agreements, social security benefit certifications, paystubs, bank statements, utility bills, and other documents. The City of Henderson requires that the senior citizen be a resident of Henderson, be the responsible party on the utility bill, at least 62 years of age and meet minimum qualifications of the Federal Energy Assistance Program as determined by the State of Nevada Division of Welfare and Supportive Services.

Other purveyors including the City of Reno and City of Sparks are looking for new ways to screen for senior citizen eligibility; however, they have not had to suspend their programs. The City of Las Vegas provides relief for senior citizens with low incomes; the wastewater division does not have to screen for eligibility because this is performed by the City's utility tax rebate program staff.

Since the elimination of STARR, Carson City and the City of North Las Vegas have been unable to staff for screening eligibility and have suspended their economic hardship programs, which was only for senior citizens in the past (note Carson City's program was for water and wastewater customers, and North Las Vegas' program was only for water customers). Existing qualified participants have been grandfathered in until the senior citizen owned property changes hands.

Table 2

Nevada Water / Sewer Agency Name	Service Type	No. of Service Connections	Annual Revenue	Economic Hardship Program?
Truckee Meadows Water Authority	Water	90,700	\$71,400,000	NO
1 City of Reno	Wastewater	67,000	\$42,000,000	YES
2 City of Sparks	Wastewater	39,043	\$16,050,000	YES
3 Lyon County	Water	6,208	\$2,896,000	YES
Lyon County	Wastewater	4,779	\$2,778,000	YES
4 Washoe County	Wastewater	20,120	\$10,216,000	NO
Washoe County	Water	19,052	\$16,277,000	NO
5 Carson City	Wastewater	15,400	\$6,200,000	NO *
Carson City	Water	16,800	\$9,200,000	NO *
6 Las Vegas Valley Water District	Water	355,000	\$333,100,000	NO
7 City of North Las Vegas	Water	80,368	\$46,682,000	NO *
City of North Las Vegas [1]	Wastewater	60,461	\$35,328,000	NO
8 City of Henderson	Water	85,963	\$60,477,000	YES
City of Henderson	Wastewater	83,619	\$33,411,000	YES
9 City of Boulder	Water	6,637	\$5,655,000	YES
City of Boulder	Wastewater	6,637	\$1,387,000	YES
10 Clark County Water Reclamation District	Wastewater	<i>No response [2]</i>		NO
11 City of Elko	Water	<i>No response [2]</i>		NO
City of Elko	Wastewater	<i>No response [2]</i>		NO
12 City of Fernley	Water	7,275	\$4,800,000	NO
City of Fernley	Wastewater	6,081	\$1,900,000	NO
13 City of Las Vegas	Wastewater	193,000	\$85,000,000	YES
14 Utilites Inc	Water	<i>Unwilling to share</i>		NO

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*** Programs for senior citizens only. Programs have been suspended but customers that qualified when the program was suspended are grandfathered in until the property changes hands.**

[1] Treatment of wastewater by City of Las Vegas.

[2] Although no response was provided, internet searches found no evidence of an economic hardship program.

Low income household eligibility is less problematic. Generally evidence of assistance with energy bills, bank statements or government assistance letters will suffice. Five of the six purveyors with programs open to new participants provide assistance to low income households. In addition, the City of Henderson provides assistance to permanently disabled customers, evidence of which may include a doctor's statement or social security letter.

Program Administration

Program administration is performed primarily by the department responsible for billing which may be the finance department or utility department. Support from other departments or a non-profit partner is often entailed in determining participant eligibility. Having support from other departments defrays the cost of running the program that is borne by the utility enterprise fund for a city or county. Both Carson City and the City of North Las Vegas do not have the appetite at this time to raise rates to support staffing needs of economic hardship programs within their utility enterprise funds.

The cost of the economic hardship programs varies by purveyor from none (the cost is absorbed by existing staff) to up to \$374,000 per year. Most purveyors stated little manpower was needed; however, some purveyors allocated a full time equivalent to administration of the program.

Program Funding

Of the survey respondents, only the City of Reno and City of Boulder reported a cap on annual funding of their program. The City of Boulder reported a maximum funding amount for electric, water, sewer and garbage combined but no cap for one specific utility. Most of the respondents were unable to state how much was provided in relief to customers through their economic hardship programs in 2011. With the largest number of beneficiaries, Henderson's subsidy to water customers likely represents the highest range in annual subsidy of about \$305,000 in 2011.

The purveyors use different methods of providing the utility bill relief including rebates, reduced bills and a separate rate class.

- Reno and Sparks wastewater divisions provide rebates, the amounts of which vary from year to year.
- Lyon County has a separate lower rate schedule for low income households consisting of a lower rate for the monthly base charge for both water and wastewater. The water consumption rate per 1,000 gallons is not reduced for low income households.
- The cities of Henderson, Boulder and Las Vegas reduce participant bills either by percentage discount (Boulder – 35% and Las Vegas – 20%), or waiver of basic service charges (Henderson).
- Grandfathered participants in the City of North Las Vegas benefit from charges that are half of the basic service charge (water only, no wastewater discount) plus a calculated consumption rate per 1,000 gallons that is the cost per 1,000 gallons of water that the City purchased in the preceding year. All other customers pay consumption charges based on a 4-tier rate schedule.
- Grandfathered participants in Carson City pay bills reduced by between 10% and 90% depending on income level of the head of household.

Whether the mechanism is rebate, reduced bill or separate, lower rate schedule, all of these mechanisms require cross-subsidization of customer groups.

Cross-subsidization is legally permissible in Nevada but is often frowned upon in the industry. In California, per Article XIID of the Constitution (otherwise known as Proposition 218), rates must be proportional to service received. It is illegal for one group of customers to subsidize another. California water / wastewater utilities have the following options if an economic hardship program is desired:

1. Customers can vote to impose a special tax upon themselves specifically for the program (the vote requires a two-thirds majority to carry),
2. Customers can voluntarily donate to a separately maintained fund which is used to reduce qualified beneficiary accounts,
3. Late fees and penalties can be applied toward lowering of qualified beneficiary accounts, or
4. Use a separate, unrelated funding source, such as the General Fund of a city.

In addition to qualified customer discounts, water providers can utilize other tools such as these to address affordability issues:

1. Cost containment.
2. Rate design.
3. Customer assistance and education (payment plans, leak-repair assistance, free conservation devices).

Affordability of Rates

The industry standard for affordability is generally per EPA guidelines. Each State may adopt its own definitions of an affordable or a reasonable rate for State low-interest loan programs partially funded by the EPA, and other grant programs. The EPA considers rates less than 1.0% of median household income as a low cost burden, rates between 1% and 2% a mid-range cost burden, and rates greater than 2% of median household income as a high burden.

In Nevada the Board for Financing Water Projects, which is the governing body of the Clean Water State Revolving Fund receiving EPA funding, and the administering body of the Nevada AB98 grant water funding programs, defines water rates as reasonable when:

- A. In communities where median household income is **equal to or greater than** the State's median household income, the average monthly cost for 15,000 gallons is equal to or greater than 2% of the area median household income, and
- B. In communities where median household income is **less than** the State's median household income, the average monthly cost for 15,000 gallons is equal to or greater than 1.5% of the area median household income.

Currently, a metered residential TMWA customer using 15,000 gallons in a month would pay \$55.87 (includes the right of way toll at 5% and the regional water management fee). The cost burden is 1.58% of

the area median household income¹. The regional community's median household income is less than the State's median household income therefore TMWA's rates are reasonable according to the Nevada Board for Financing Water Projects' definition. Using EPA's guideline, TMWA's rates are in the mid-range of affordability.

¹ Area median household income based on the 2000 Census using a weighted average for Reno, Sparks, and the unincorporated county is \$42,400; Nevada's median household income is \$44,581. Census 2010 income figures will not be available until mid-2012.

Exhibit A

How does the beneficiary realize the reduced service bill? *(please circle or describe)*

- Rebate Separate rate class with lower rate schedule
- Reduced bill based on available funds
- Other _____

If your program is VOLUNTARY, how many contributing participants do you have?

Water _____ Wastewater _____

Total Annual Funding for Program: *(please use fiscal year 2010-11)*

Water \$ _____ Wastewater \$ _____

Total Program Beneficiary Subsidy: *(please use fiscal year 2010-11)*

Water \$ _____ Wastewater \$ _____

Does your program have an annual funding cap / limit? *(please circle)* YES NO

If YES, what is the cap? Water \$ _____ Wastewater \$ _____

Does the eligible customer have to be the property owner?

YES NO

Are tenants eligible for the program?

YES NO

Describe what is required as proof of eligibility (such as income tax return, other utility low-income qualification)

Exhibit A

Total Number of Residential Customer Accounts (single family and multi-family)

Water _____ Wastewater _____

Total Number of Economic Hardship Program Beneficiaries

Water _____ Wastewater _____

Who administers the program?

What was the total annual cost of administering the program for the past 3 fiscal years?

FY 2008/09 \$ _____ FY 2009/10 \$ _____ FY 2010/11 \$ _____

How many personnel (full-time equivalents) administer the program? Please state if the personnel administer more than one service (water and wastewater for example)

Additional Description of Program

Please provide any other details of your program(s) not addressed in the survey.

Exhibit B

Water and Sewer Customer Economic Hardship Program Survey

		Program Type and Participation						Administration				Funding			
Nevada Water / Sewer Agency Name	Service Type	Eligibility	Eligibility Requirement	Proof of Eligibility	Are tenants eligible?	Residential Accounts	# of Beneficiaries	Beneficiaries as % of Resid. Customers	Who administers the program?	Administration expense	Administration Staffing	Annual Funding / Revenue	Funding Mechanism	Subsidy (unrealized Revenue)	Annual Funding Cap / Subsidy Limit?
City of Reno *	Wastewater	Senior Citizens and Low Income Households		Proof of disability from Social Security, paperwork from the Veteran's Administration indicating receipt of disability, or acceptance letter from LIHEA that the applicant is receiving assistance with energy bill	Yes	62,654	1,216	1.9%	Reno Finance Department	Varies - approx. \$140,000 / yr to \$374,000 /yr	1 person	Cap of \$251,500	Rebate	\$138,624	Yes
City of Sparks *	Wastewater	Senior Citizens and Low Income Households	Must live in City of Sparks	Enrollment in NV Welfare Division Low Income Home Energy Assistance Program, Federal Supplemental Security Income Program, or equivalent. Must apply annually	Yes	37,334	127	0.3%	Sparks Revenue Division	No Data	No Data	No Limit	Rebate of \$68.58 / year	No Data	No
Lyon County **	Water & Wastewater	Low Income Households		List provided by department of Human Services. Proof of income from all sources for all adults, must apply annually [1], [2]	Yes	Water 5,143; Wastewater 4,653	Water 48; Wastewater 42	Water 0.9%; Wastewater 0.9%	Utilities dept (billing), Human Services determines eligibility	\$1,200	5 hrs/mo	No Limit	Separate rate class; combined sewer & water base charge is \$50.58 compared to \$75.50 all other customers; no break in water consumption charge	Water \$4,400, Wastewater \$8,735	No
City of Henderson *	Water & Wastewater	Senior Citizens and Permanently Disabled Customers	City resident, responsible party for utility bill, 62yrs+	Senior citizen eligibility determined by HopeLink (non-profit partner agency); Disabled eligibility permanent disability letter by Social Security or doctor's statement presented directly to the Utility Dept.	Yes	80,742	Seniors (1,888), and Disability (328), Total 2,216	2.7%	HopeLink staff for eligibility, City Dept of Utility Services customer customer service staff updates account info in billing system	None	Less than 4 hours annually	\$0	Reduced bill - Basic monthly water (\$11.45) and wastewater (\$3.84) charges are waived	Water \$304,500; Wastewater \$102,113	No
City of Boulder	Water & Wastewater	Low Income Households	Income levels by household size per Resolution	30 days income and 12 months of all bank statements. Must apply every 3 months or each year if on fixed income [2], [3]	Yes	6,049	176	2.9%	Utility Billing Supervisor	No Data	1 person	Approx. \$18,000 each utility (electric, water, sewer, garbage)	Reduced Bill - 35% discount	Unknown	No
City of Las Vegas	Wastewater	Senior Citizens with Low Income	City resident, 60yrs+, income less than \$16,500 or \$18,900 married	List provided by the City's utility tax rebate program. Proof of income from all sources for adults [1]. Must apply annually	No	179,000	220	0.1%	Parks and Rec Senior Centers & Sanitation Billing Section	No Data	Undetermined	Unknown	Reduced Bill - Rate of 20% of fees paid in prior billing cycle	Unknown	No
<u>Programs No Longer Exist; Existing Program Beneficiaries are Grandfathered in</u>															
City of North Las Vegas *	Water & Wastewater	Senior Citizens - WATER ONLY [4]	Must live in City, age 62yrs+, head of household	County provides list of seniors meeting the State's Senior Citizen Assistance Rent Rebate Program	No	73,586	577	0.8%	Utilities dept	No Data	With STARR program, required minimal utilities staff time	No Limit	Reduced bill - one half of service charge plus consumption charge = average cost per 1,000 gallons water purchased by the city during the preceding year (other customers pay a 4-tiered rate schedule)	\$83,000	No
Carson City *	Water & Wastewater	Senior Citizens	Must live in City, age 62yrs+, head of household	County provides list of seniors meeting the State's Senior Citizen Assistance Rent Rebate Program	No	No data	Approx. 250	No data	Utilities dept	No Data	With STARR program, required minimal utilities staff time	No Limit	Reduced bill based on income brackets below \$26,714 per year; bill reduced 10% to 90%	Unknown	No

* Prior to Fiscal Year 2011 all of these programs used the State's Senior Citizen Assistance Rent Rebate (STARR) Program for Senior Citizen eligibility. The County supplied the list of qualified persons to each entity each year. Each of these entities, with the exception of Henderson which has found an alternative method for senior citizen qualification, is exploring new ways to verify Senior Citizen eligibility.

** In addition to the utilities department program, the department of human services offers a once per year 'last resort' payment using a Federal grant. The payment is based on need and is the minimum amount necessary to maintain water service.

[1] Examples include pay stubs, government assistance letters, va benefits, bank statements, disability benefits.

[2] Both Lyon County and the City of Boulder utilize the poverty guidelines as provided by the US Department of Health and Human Services. To qualify for the program, income must be below 150% of the income threshold by household size: Household sizes listed up to 8 person household; thereafter an additional amount per person is added. For illustration, following are the annual maximum income thresholds for 1 to 5 person households:

[3] Boulder defines fixed income persons as persons receiving exclusively social security or disability benefits for income, which is determined during an interview process.

[4] The City of North Las Vegas also provides the same reduced water rates to nonprofit or charitable organizations.

1 person househol	\$16,248
2 person househol	\$21,852
3 person househol	\$27,468
4 person househol	\$33,072
5 person househol	\$38,688