

SWEETWATER AUTHORITY

Finance and Administration Committee

April 29, 2024

REVISED



Consideration to Implement a Low-income Customer Assistance Program

RECOMMENDATION

Staff defers to the Governing Board on the decision to implement a low-income assistance program.

OVERVIEW

The Board and staff began discussing the potential for the establishment of a low-income assistance fund with the development of the 2023 Water Rate Study. The final 2023 Water Rate Study and the associated rates approved on December 6, 2023, included allocation of funds to a low-income assistance fund; however, the question of implementing a low-income assistance program remains to be considered by the Board.

A low-income customer assistance program aids eligible low-income households in paying their residential water bills. Implementing a low-income customer assistance program is a significant undertaking for the Authority, carrying both advantages and challenges. Such a funded program fulfills a need to support vulnerable members of our community, providing essential aid to eligible low-income households struggling to pay their residential water bills. However, it's essential to acknowledge the potential drawbacks, such as the strain on financial resources and administrative complexities involved in managing the program effectively. In addition, the State-funded assistance program currently in place, and to expire soon, only received minimal participation from customers, assisting 353 out of approximately 26,000 residential customers over the prior two years. Staff is ready and willing to address a low-income assistance program and requests direction from the Board on the desire to proceed with implementing a program.

The Authority may only fund a low-income customer assistance program using non-rate, unrestricted revenues, such as cellular tower lease/license revenues, certain penalties, and donations. The Authority is prohibited under article XIII D, section 6 of the California Constitution (Prop 218) from using property-related fee revenue, such as water rates, to subsidize discounts for other rate payers. As such, the Authority would need to ensure that assistance is provided only until unrestricted funds allocated for the assistance program are exhausted.

The Authority is now developing its draft FY 2024-25 Budget, and an initial decision on a low-income assistance program is needed to either:

- Direct staff to implement a low-income assistance program or
- Defer implementation to a future year and continue use of the cell tower revenue to offset general operating and capital expenditures

Low-income Customer Assistance Program

Staff has contemplated the framework for a low-income assistant program, considering either an internally administered program or a program administered by a third party. Staff initially reached out to the MAAC-National City program to discuss a third-party administration of a program. While a viable option, Staff feels that an internally administered program could be efficiently accomplished and reduce the need for the payment of an administration fee to a third party.

Staff reached out to four (4) California water agencies currently offering this type of program to customers to assist in the development of an Authority-administered program. The agencies that were found to offer programs were:

Water Agency ⁽¹⁾	Description of Program
Elsinore Valley Municipal Water District Rate Assistance for Residents of Elsinore (RARE)	Eligible customers can receive a monthly credit of \$32.68 on their water bill. Customers must reapply on an annual basis.
California American Water Customer Assistance Program (CAP)	Eligible customers can receive a 20 percent discount on all water related bill charges. Customers must reapply every two (2) years
Coachella Valley Water District Help2Others Customer Assistance Program	Eligible customers can receive a \$150 credit on their water bill once in a twelve (12) month period. Customers must reapply on an annual basis.
Santa Margarita Water District Customer Assistance Pilot Program (CAPP)	Eligible customers can receive a monthly credit of \$25 on their water bill. Customers must reapply on an annual basis
(1) Currently, no San Diego County water agencies offer an assistance program.	

Based on the input from other agencies, staff is proposing a program with a similar structure and amounts to those found in the surveyed agencies. The framework of an Authority-administered program would include:

- Eligible customers can receive an annual maximum credit total of \$120.00.
- The credit will be applied to the applicant's bi-monthly water bill as a \$20.00 credit; this equates to six (6) \$20.00 credits in a twelve-month period;
 - (this option would provide a credit for each of the 6-annual bi-monthly bills).
- Applicants would be required to reapply each year
- Eligibility will be determined by one of the following criteria:
 - Residential Customer must reside at the property where the credit is received
 - Demonstrate that someone in the household is a recipient of one of the following programs:
 - CalWorks
 - CalFresh General Assistance
 - Medi-Cal
 - Supplemental Security Income/State Supplementary Payment Program
 - California Special Supplemental Nutrition Program for Women, Infants and Children
 - California Alternate Rates for Energy (CARE) program
 - Previously approved for LIHWAP
- Funding would be on a first-come first-serve basis while funds are available

- The annual allocation of non-water rate revenue of approximately \$500,000 would assist about 4,000 households
- Any unused funds at the end of the fiscal year would be returned to the operating fund for use to offset operating and capital expenditures for the following fiscal year, or other intended use determined by the Board.
- Multi-family units served by 1 meter would not be eligible.

A low-income assistance program under these parameters could be developed and administered internally if a program is determined to be needed. If a program is implemented, staff would keep the Board updated on the effectiveness of the program.

Defer Implementation

The alternative implementation of a low-income assistance program would be to continue to apply the non-water rate revenue to offset operating and capital expenditures for the FY 2024-25 Budget. Staff would return with the development of the FY 2025-26 Budget for a similar determination.

FISCAL IMPACT

The 2023 Water Rate Study, and subsequently the related adopted water rates, allocated the cellular tower lease/**license** receipts as non-water rate revenue; as such, the Board can direct use of those funds to activities other than supplying water to customers. The following impacts are considered for the two alternatives presented to the Board:

- Implement a low-income assistance program: staff has determined there is no fiscal impact related to the cost of administering an internal low-income assistance program; the only impact would be a reduction to the funds allocated the low-income assistance fund, or
- Defer implementation: the fiscal impact of this direction would allow more funding to be allocated to operation and capital expenditures.

NEXT STEPS

1. Staff defers to the Governing Board on the decision to implement a low-income assistance program.
2. Implement a low-income assistance program.
3. Defer implementation of a low-income assistance program and re-evaluate with the draft FY 2025-26 Budget.
4. Other direction as determined by the Governing Board.

Staff Contact:

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Rich Stevenson, Director of Finance
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SUPPORTING INFORMATION	
Strategic Plan	
<ul style="list-style-type: none">• Objective CS6: Develop programs to facilitate payment of water bills for customers<ul style="list-style-type: none">○ 001.00 Promote the Low-income Household Water Assistance Program (LIHWAP) once program details are received from the California Department of Community Services and Development	
Past Board Actions	
September 27, 2023	The Governing Board approved, received, and filed the 2023 Water Rate Study; directed staff to issue a notice pursuant to Proposition 218; and set a public hearing date on December 6, 2023 to approve changes to the water rates and charges to be effective January 1, 2024, with any updates to the Notice necessary upon completion of the Study.
December 6, 2023	The Governing Board adopted Resolution 23-20, Adopting Water Rates and Charges.