

Kalamazoo Area Water System Water Affordability Program Report

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City of Kalamazoo

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1 INTRODUCTION

Water affordability is a growing topic of concern in the United States. Ever increasing portions of our public water systems are in need of replacement due to age. Additionally, emerging environmental contaminants are driving the need for system upgrades and expansions. The direct impact on water rates and therefore water affordability must be proactively addressed to ensure our public water systems are financially stable. Without that stability, our communities cannot thrive and prosper.

In 2020, the State of Michigan initiated the Affordability and Planning Grant Program. City leaders understood the potential impact of this initiative and applied for the funding. In the fall of 2021, the City of Kalamazoo was awarded a grant under this program with the stated goals of:

1. Quantify the rate impacts of needed system improvements
2. Quantify the local need for rate assistance
3. Identify existing and potential funding sources (national, state, and local)
4. Review existing rate programs and develop a program for the Kalamazoo Area Water System.

2 COMMON LANGUAGE

In order to address the concern over water affordability, we must first define certain terms such as water availability, water affordability, and basic needs. What is affordable for one household may not be affordable for another because income and expense levels vary significantly across our community.

2.1 Availability

What does it mean to have adequately available water? Is providing clean water at a neighborhood park or fire station an acceptable option for those that can't pay for water? Should all households be provided with clean water into the house regardless of payment? According to United States Department of Housing and Urban Development (HUD), a dwelling must, at a minimum, have the following:

- a permanently attached kitchen sink with running hot and cold water from the faucet and a properly connected/working drain
- a toilet in an area which will provide for privacy of the user (enclosed area) and is connected to a water supply and a properly connected/working drain

- a permanently attached bathroom wash basin with running hot and cold water from the faucet and a properly connected/working drain
- a tub or shower in an area which will provide for privacy of the user (enclosed area), with running hot and cold water from the faucet, and a properly connected/working drain

This means that in order for water to be “adequately available”, it must be conveyed to each dwelling in the quantity and at a rate to ensure proper operation of the sinks, toilet, and tub/shower.

BASIC NEEDS – nutritional food, safe/energy efficient housing, safe/reliable utilities (water, sewer, electric, gas), clothing, reliable transportation, healthcare.

AFFORDABLE – Costs which do not prevent a household from meeting their basic needs.

Admittedly there are innumerable detailed definitions for each of these items. The purpose of the above definitions is not to provide an exhaustive accounting of everything that may be included in them, but to provide a basis for an affordability program evaluation and metrics.

It is important to recognize that the basic needs of a household cannot be met with a focus on any single component of their basic needs. Even more to the point, increased costs in one or more of a household’s basic needs can dramatically affect a household budget and push it over the breaking point. Once a household budget is broken, the only way to obtain basic need items is with credit/debt. This can come in the form of credit card use or in defaulting on payments for items which are accessible without immediate payment such as emergency care, housing, and utilities.

Once debt is incurred, it can initiate a never-ending cycle of deficit and defaults, especially with low income families. Many current assistance programs help with initially getting out of default but do not address the problem of staying out of default.

A frequently used benchmark for income required to meet basic needs is the Federal Poverty Guideline. The current official poverty measure was initially developed in the mid-1960s by Mollie Orshansky, a staff economist at the Social Security Administration. Poverty thresholds were derived from the cost of a minimum food diet, multiplied by three to account for other family expenses. Poverty guidelines are updated each year based on annual changes in the consumer price index and vary with the number of people in a household along with geographic

considerations. Many programs use multiples of the federal poverty guidelines to determine eligibility. For example, Supplemental Nutrition Assistance Program (SNAP) eligibility guidelines are 130% of the FPG, and the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) caps eligibility at 185% of the FPG. Families with incomes below 200% of the federal poverty threshold are often classified as “low-income.” Families are classified as being in “deep poverty” if their income falls below 50% of the poverty guidelines.

The bare minimum household survival budget does not allow for any savings, which leaves a household vulnerable to unexpected expenses. For a single person household:

- Current Michigan minimum wage is \$9.87/hour. 2080 hour work year = \$20,529.60. Taxes would be approximately: Fed (\$800), State (\$900), FICA (\$1,300), Medicare (\$300). Assuming no local income tax = net income of \$17,230.
- Expenses = Rent (\$850) + Food (\$300) + Utilities (\$200) + Clothing (\$150) + Car (\$300) + Gas (\$200). TOTAL = \$1,700/mo = \$20,400/yr

Table 1: Federal Poverty Level 2021

Persons in Household	100%	150%	250%
1	\$12,880	\$19,320	\$32,200
2	\$17,420	\$26,130	\$43,550
3	\$21,960	\$32,940	\$54,900
4	\$26,500	\$39,750	\$66,250
5	\$31,040	\$46,560	\$77,600
6	\$35,580	\$53,370	\$88,950

ALICE, an acronym for **A**sset **L**imited, **I**ncome **C**onstrained, **E**mployed, is a new way of defining and understanding the struggles of households that earn above the Federal Poverty Level but not enough to afford a bare-bones household budget. The ALICE threshold was originally developed by the United Way of Northern New Jersey and is now utilized throughout much of the United States. The ALICE income threshold is approximately 250% FPL. The 2018 ALICE data for Michigan indicates the following: approximately 4 million households, 14% of them below poverty level, 26% of them between poverty level and ALICE thresholds, and 60% above ALICE thresholds. The majority of the Kalamazoo water system area is within the ALICE income level of 250% FPL.

3 WATER BILL DELINQUENCY

Delinquency in the Kalamazoo water system is considered when any bill is over 45 days late. It may be caused by an emergency situation, failure to budget, or forgetting to pay. Loss of system income due to delinquency must be addressed, as fixed system costs must be recoverable to sustain the system. However, a one-time bailout for individual households is not a solution for long-term affordability.

From **City of Kalamazoo Water and Wastewater Rate Schedules, March 4, 2022:** *Charges for water and sewer are due 21 days after the billing date. After the due date the “gross” amount shown on the bill must be paid, which includes a 5% penalty. Accounts become delinquent 45 days after billing, and service may be discontinued until the bill and \$60 collection fee are paid.*

Adding penalties and fees to delinquent accounts may provide payment incentive for one-time or short-term delinquencies. However, penalties and fees often exacerbate affordability problems if applied to low-income households or chronic delinquencies who have not paid their bills due to shortage of household income.

For this report, Kalamazoo water system delinquency data for 2018 (pre-COVID) and for 2022 were examined. Delinquencies were not consistently tracked from 2019-2021 as water shutoffs were not tracked/performed in that period. Delinquencies greater than 90 days are considered chronic and thought to be a good indicator that assistance may be needed. Figure 1 illustrates the locations of chronic delinquencies in the Kalamazoo water service area based on the 2018 data and Figure 2 utilizes the 2022 data. The 2022 data includes approximately 524 residential customers with 90 days or greater delinquency. These figures also illustrate current census tract data comparing Median Household Income (MHI) to various multiples of the Federal Poverty Level (FPL) for a family of 4. It should be noted that because the Kalamazoo system has a combined billing system for both water and sewer use, there are some customer delinquencies shown in areas without water service because those customers are sewer only services. They are however still considered delinquent system customers.

4 WATER BILL AFFORDABILITY

Critical to determining water affordability is evaluating a customer's ability to pay for service over the long run. Affordability does not affect all households equally, as demonstrated in the concept of "bill burden". This concept is often used in affordability discussions, calculating the water bill as a percentage of total income. An "affordable" bill is not a question of how high the bill is, but rather how great of a financial burden the bill imposes on a customer.

According to the EPA, an affordable water bill burden is 2.5% of the Median Household Income (MHI). The American Water Works Association disagrees with this approach and argues that using the MHI as an indicator of bill burden for an area does not take into account the lowest 20% of household incomes that may actually need assistance with bill payment². A 2020 Report by Fisher, Sheehan, and Colton suggests using a tiered range of bill burden depending on income level³. That suggestion uses a slightly lower percentage than the EPA to define bill burden for households under the Federal Poverty Level (FPL) compared to households up to 200% FPL.

The Michigan Department of Environment, Great Lakes, and Energy (EGLE) is currently working on defining the terms of "overburdened" and "significantly overburdened" communities for evaluation of funding for the State Revolving Loan program. Currently being considered (as of August 2022): overburdened community = water rates greater than 1% of the MHI, significantly overburdened = MHI is less than 125% of the FPL for a family of 4.

Table 2 compares the Kalamazoo water rates (currently planned and potential future) to a tiered water bill burden approach. The data suggests that the current Kalamazoo water rates stay below the problematic bill burden thresholds for the next few years but then may become increasingly burdensome after 2025. Additionally, the more economic inflation outpaces wage increases, the greater the bill burden problem.

The projected and likely increase in delinquencies must be accounted for in any proposed affordability program.

5 EXISTING ASSISTANCE

5.1 Federal Assistance

Federal assistance for water bills was provided through the 2020 CARES act during the COVID-19 pandemic. This temporary program ended in March 2022. In Michigan this money was distributed through CERA (COVID Emergency Rental Assistance), which assisted with rent and utilities for households with income less than 80% Area Median Income. This was a temporary program that was done when funds ran out and stopped taking applications June 30, 2022.

The newly created federal Low-Income Household Water Assistance Program (LIHWAP) is administered by the CAA (Community Action Agency) and provides \$650 per year in delinquency assistance for households below 150% FPL. This is currently a temporary program which is due to end in September 2023. It is possible the program will become permanently funded similar to the federal Low-Income Household Energy Assistance Program (LIHEAP) that has been assisting low-income households with energy bills since the 1980's. This program may be helpful in getting water system customers out of immediate debt but does not address long term water affordability.

5.2 State Assistance

The Michigan State Emergency Relief (SER) Program provides immediate help to individuals and families facing conditions of extreme hardship or for emergencies that threaten health and safety, including assistance with utility bills.

5.3 Local Assistance

Minimal water bill assistance is currently locally available for those in need in the Kalamazoo area. The report research did find several organizations that may provide varying degrees of assistance for water bills and plumbing repair. Tables 3 & 4 list these organizations and the assistance they may provide. Figure 3 is a schematic which shows local, Kalamazoo area agencies where general household bill assistance may be found. Households in need of assistance can start by contacting the City of Kalamazoo, the Community Action Agency of South Central Michigan (CAA), or by calling 211. Assistance from each organization depends on funding, which does not appear to be consistent year to year. In-person meetings are often required to secure assistance, and income eligibility varies between the programs. Most

programs appear to provide applicants with one-time or once a year bill assistance, which is helpful but does not address long term water affordability.

6 REVIEW OF EXISTING AFFORDABILITY PROGRAMS

There are many existing water assistance and water affordability programs in the country. Below we have summarized several different approaches found to address delinquency and/or long-term affordability, including highlighting two innovative programs in Michigan.

6.1 2016 United States Environmental Protection Agency

In 2016, the USEPA commissioned a review of multiple Drinking Water and Wastewater Utility Customer Assistance programs. The EPA report includes a comprehensive discussion of the various program types as well as case studies across the country. The full 195-page EPA report is included in Appendix B. Although the EPA report did not provide any specific recommendations, it did provide information and program options that were significant considerations in the recommendation for the proposed Kalamazoo program.

6.2 Great Lakes Water Authority

Great Lakes Water Authority (GLWA) serves Detroit and the surrounding communities with WRAP (Water Residential Assistance Program). Water customers are eligible for the 2-year program if they have an income at or below 200% FPL. The program provides a \$25 monthly water bill credit and a one-time maximum \$1,200 delinquency payment. The program will also assist with plumbing repairs up to \$2,000 per household. Recently, GLWA evaluated the effectiveness and administrative burden of their program. Their evaluation indicated their organizational size and staffing limitations were causing difficulties in meeting the needs of its program applicants. GLWA has since moved into partnership with the local Community Action Agency to act as program administrator. The CAA already had staff and processes in-place for customer intake and could also link customers with other household assistance programs.

Positives:

- The WRAP program is addressing both bill assistance and water conservation.
- Customers can further reduce their bill by conserving water.

Limitations:

- All households receive the same dollar amount credit. Adjustments are not made based on the number of people within a household.
- Each community served by WRAP may have a different water rate. In some communities a \$25 monthly bill credit is not enough to make water affordable.
- A two-year program limit provides immediate assistance but does not address long-term affordability.

6.3 City of Detroit

In June 2022, the City of Detroit announced their own affordability program for low-income customers. The DWSD Lifeline Plan⁶ sets the monthly water bill at 1.8% of the average monthly household income. Any water usage above 4,500 gallons per month is charged at a higher rate to encourage water conservation. Customers can sign up for an alert when their water usage is nearing the higher rate. The City of Detroit recently announced they will return to shutting off water on January 1, 2023 but if low-income residents are enrolled in their affordability program they will not have risk of water shut-off.

Positives:

- A fixed monthly bill allows customers to budget for water bill payment.
- Increasing water rates after 4,500 gallons of usage encourages water conservation.

Limitations:

- Households with high water use due to many people living in the household may be affected by the higher usage water rate.

6.4 City of Philadelphia

The Tiered Assistance Program (TAP) is a water assistance program provided in the City of Philadelphia. A customer is eligible for the program if their income is below 150% FPL or 151% - 250% FPL with special hardship. Customers pay a monthly bill based on a percentage of their income (ranging from 2%-4%), and bills do not go up due to usage. Past-due amounts are suspended if the customer continues to pay the bill in full and on time.

Positives:

- A fixed monthly bill allows customers to budget for water bill payment.

- Suspending past due amounts prevents customer debt from increasing.

Limitations:

- Unlimited water usage at a fixed bill amount does not encourage water conservation.

6.5 City of Phoenix

Many communities stopped shutting off water service during the COVID-19 pandemic due to public health concerns. Some communities have reported an increase in delinquency when water shut-off has been suspended. In 2020 the City of Phoenix began experimenting with water restrictors in lieu of completely shutting off water for customers that are 60 days late in payment. Water is provided at a 99% reduced flow rate by inserting a stainless-steel water restrictor disc, with a small hole in the center, into the water pipe near the meter. Where typical water flow is 30 gallons per minute (gpm), the restricted water flow is 0.4 gpm. Because of Phoenix's geographic location, meters are typically located outside of homes so there is relatively easy access for inserting a water restrictor. With restricted water, the customer is still able to wash hands, flush toilets, get a drink, and have limited bathing capability.

From the City of Phoenix Water Service website:

Customers, that are delinquent as of Sept. 8, 2021, can apply for the city's Deferred Payment Arrangement (DPA) Recovery Program to pay a portion of customer's outstanding city services bill.

Using funding from the Federal American Rescue Plan Act (ARPA), the city will pay two-thirds of the customer's delinquent balance as of Sept. 8, 2021. The customer will be responsible for the remaining one-third of the delinquent balance and would be paid over an agreed-upon time frame.

Accounts that are eligible for the assistance must meet the following criteria:

- *City of Phoenix Single-Family Residential (SFR) customer.*
- *Residential property is located within Phoenix taxable boundaries.*
- *A minimum of 12 months of consecutive service.*
- *Must be enrolled in a DPA by Sept. 30, 2021.*
- *No water theft or tampering on the account.*
- *No fees, such as returned checks or tampering fees.*
- *Experienced financial hardship due to COVID-19.*

Accounts that are ineligible are high water use accounts (average 5,000 cubic feet or greater), multiple SFR accounts, and property management and commercial accounts.

Customers had until Sept. 30, 2021, to enroll in a deferred payment arrangement or make a payment to their account to place the account in good standing. If the account was still outstanding, the customer was placed on a low flow device. The low flow device was installed for no more than three months. Following the installment of the low flow device, customers had three months to make a payment towards their account before service was turned off.

Positives:

- Customers on restricted water are still able to meet basic water needs which reduces the public health concern.
- Water restriction may cause enough inconvenience to encourage customers to make bill payment a priority.

Limitations:

- Michigan water meters are typically in the basement or a meter pit, so access for inserting the restrictor may be problematic. Smart meters could be installed but are costly.
- Restriction may appear to target low-income households.

7 BARRIERS ENCOUNTERED BY WATER CUSTOMERS

7.1 Customer Understanding Usage Data

Review of the current Kalamazoo water/sewer bill revealed some revisions that could be made to help customers understand how much water they are using. Water usage is currently communicated to the customer quarterly and in cubic meters. The City is transitioning to new meters that will record water usage in gallons and provide monthly usage totals. Gallon units rather than cubic meters are easier for a customer to visualize. Monthly billing may help the customer budget for bills and not fall behind. Providing historical usage data on the bill can also help customers understand their household's usage and compare it to the previous year. The City is currently reviewing a revised water bill layout which may provide more water use data to the customers thereby potentially improving their own water management.

7.2 Bill Payment Options

Allowing different payment options that are conducive to low-income households may assist customers in paying bills on time. Removing current fees associated with credit card payment may encourage more customers to use this convenient payment option. No fee cash payment in their neighborhood may also be useful for low-income customers who struggle with transportation. PayNearMe is a no fee cash payment system used by Oakland County Water Resource Commission where customers can pay bills with cash at local businesses such as CVS, Family Dollar, and 7-Eleven.

7.3 Water Conservation

If high water bills are caused by plumbing leaks, a water assistance program may not be fixing the root problem. Education on water conservation and funding to repair plumbing issues is essential to water affordability and program success. Several non-profit organizations in the Kalamazoo area provide home repairs for low-income households.

- The Kalamazoo Water System is currently partnering with Consumers Energy to provide water and energy conservation supplies to customers. Participating customers receive a running toilet repair kit, faucet aerator, and high efficiency shower head to help with water conservation. Energy conservation items are also be provided, including LED light bulbs, water heater pipe wrap, and programable thermostats. The water system has paid \$70,000 to date for program materials and postage.
- Community Homeworks (CH) is currently the only non-profit in Kalamazoo that fully funds plumbing repair for low-income households. Other organizations only provide repair loans. CH also provides help with critical home repairs such as electrical, gas, furnace, water heater, and carpentry. Most of their funding is through HUD, which has income qualifications (below 80% AMI, approx. 200% FPL). Typical 2022 costs for ensuring one working faucet in the kitchen and bathroom, one working shower, and one working toilet are estimated around \$2,000. Conversations with Ms. Kaylen Humes (Deputy Director) and Mr. Zack Hunkins (Program Coordinator) at Community Homeworks indicate they understand the need for water assistance in the area and are interested in discussing a Water Affordability Program partnership with the Kalamazoo system. CH noted that their work is backed up right now due to a shortage of contractors and materials.

7.4 Assistance Accessibility

As is illustrated in Figure 3, which is a schematic indicating agencies where various types of utility assistance may be found, there is currently not a spearpoint of contact for a household seeking assistance. Households are required to contact multiple agencies with varying qualification criteria. Finding the right agency to call (being aware of what agencies there are and what types of assistance they provide) and then getting a hold of the correct contact within that agency is often a time consuming and frustrating task. For resource limited households, these two problems often prevent them from getting the help that may be available to them.

8 KALAMAZOO FINANCIAL NEED AND SUPPORT CAPACITY

As noted earlier in the report, Kalamazoo water system delinquency data sets for 2018 (pre-COVID) and for 2022 were examined. Delinquencies greater than 90 days are considered chronic and thought to be a good indicator that assistance may be needed. Figures 1 and 2 illustrate the locations of chronic delinquencies in the Kalamazoo water service area and the current census tract data comparing Median Household Income (MHI) to various multiples of the Federal Poverty Level (FPL) for a family of 4.

A significant portion of the Kalamazoo Water Service Area has census tracts with MHI lower than 200% of the FPL.

It is important to note that the median income is the point at which 50% of households are either above or below that level. This means that half of the households in a census tract are below the MHI in that tract and at the lower income levels, are at greater risk for financial hardship.

Historically water rates in Michigan have increased faster than the income of water customers⁵. The water system cost trends indicate rates must continue increasing⁶. The current water system Capital Improvement Plan is showing the need for an approximate annual rate increase of 20% per year for 2023 and potentially 15% per year for 2024-2026. Future frequency of water main breaks and main repairs may drive a more aggressive replacement schedule for the water system and therefore higher rate increases.

Based on 2018 delinquency data, the Kalamazoo Area Water System carried approximately \$300,000 in account delinquency. Current 2022 delinquency data for the Kalamazoo Area Water System has

approximately \$170,000 from 525 chronic delinquent accounts, an average of \$324 per account. Theoretically, according to Table 2, the current water bill should be affordable. **The amount of chronic delinquency indicates there are other factors besides the water rates that contribute to water delinquency, such as high bill burden from other basic needs.**

Establishing an institutional Affordability Program is an important part of maintaining a stable public water system. An established program can be supported locally through rate adjustments, voluntary contributions, and/or third-party support (state/federal or private).

For the Kalamazoo water system, the City's attorney has researched legal ways for local funding of an assistance program and provided a summary report that can be found in Appendix C. The primary legal concern being whether the money collected is considered a tax or a regulatory fee.

If considered a tax, the system will need voter approval to fund the program per the Headlee Amendment⁷. This amendment requires voter approval before local governments can levy new taxes or increase existing tax rates. Getting voter approval before starting an affordability program is a challenge the system may want to avoid due to timing and the uncertain outcome.

The report states, to be regulatory in nature, the charge must specifically benefit the person who pays it, though it can have the dual purpose of benefiting the public. Providing water is a valid regulatory service. The report concluded that a Headlee challenge would likely be avoided if the funding came from increased rates, rather than a separate line-item charge on each water bill.

The Kalamazoo Water System is currently operated and maintained by the City of Kalamazoo and works in cooperation with the Utility Policy Committee (UPC). The UPC is a representative committee tasked with providing direct input regarding water financial and rate making activities along with input on the annual OMR&R of the water system.

In draft discussions with the UPC, the UPC suggested an initial program funding of the affordability program at \$250,000 per year (approximately 1% of revenue from water and wastewater rate adjustments). Initial discussions revolved around obtaining program revenue from all water and wastewater customers, however subsequent discussion noted that without a revised sewer service agreement between the City and the surrounding communities, the utility system could not include program support from/to the waste water system. Additionally, initial program support will come only from/to residential retail water customers rather than from all classes of water customers. Water

revenue from residential retail customers in 2023 is estimated to be approximately \$14,600,000, so a 1% program funding/rate adjustment would provide approximately \$146,000 of yearly program funding. This will be revisited once the program is underway and again once a sewer service agreement is finalized.

Once the program is underway and established, more detailed review of user classes, retail/wholesale, and other factors can be considered. Specifics on rate adjustments have not been decided to date. These will need to be approved by both the UPC and City of Kalamazoo City Commission. If an affordability program is established, rate adjustment for program funding could be implemented in the 2024 fiscal year or thereafter.

9 PROGRAM OPTIONS

Through research of many existing water assistance programs, we have compiled the following options to address customer delinquency, long-term affordability, and program administration.

9.1 Delinquency

As noted earlier in this report, delinquency in the system occurs both on a short-term basis and on a chronic, recurring basis. Adding penalties and fees to delinquent accounts may provide payment incentive for one-time or short-term delinquencies. However, penalties and fees often exacerbate affordability problems if applied to low-income households or chronic delinquencies who have not paid their bills due to shortage of household income. Options for managing chronic delinquencies include:

- Freeze delinquency if program participant stays current paying monthly bill in full, no fees accumulated.
- Forgive delinquency if enrolled in the Affordability Program.
- Provide a payment plan for paying off debt over a longer period of time.
- Utilize LIHWAP to pay \$650/year for customers with income up to 150% FPL.
- Customer receives assistance from other organizations that have funds available.
- Water bill delinquency and accumulated fees become a tax lien.

9.2 Long Term Affordability

Long term water affordability seeks to make water bills continuously affordable so customers do not go into default. Options for addressing long term affordability include:

- Help customers budget for water bills.

- Monthly billing instead of quarterly.
- Easy, on-line account access or automatic notifications so customers can see real-time current usage.
- Promote Water Conservation
 - Plumbing repair assistance.
 - Education on the cost of leaks.
 - Provide water conservation equipment such as low-flow shower heads and toilet leak testing.
 - Usage history chart on the bill so customers can compare monthly usage.
 - Increase water rate after a certain usage (tiered water rates).
 - Alert customers when their monthly usage is nearing the higher rate.
- Provide monthly credit to pay for base water usage of low-income households.
- Provide a fixed monthly water charge based on a percentage of income for low-income households.

9.3 Program Administration

In our review of the various existing affordability programs and other household assistance programs, it became apparent that households can get the most assistance when various programs are closely coordinated. The Great Lakes Water Authority realized this same issue when their organization began a partnership with the local Community Action Agency (CAA) to administer the intake/qualification process for their water affordability program. The CAA has a very established client intake/qualification process and assists low-income households with accessing multiple assistance programs.

We have had several meetings with the Community Action Agency of South Central Michigan, who cover 5 counties including Kalamazoo County. They are agreeable to taking on the administration of a future Kalamazoo Area Water Affordability Program as long as the Affordability Program will financially support the staff time required. Our CAA contacts are Michelle Williamson (CEO), Courtney Lobe (Interim CEO), Katherine McNally (Director of Finance), Gaylene Rowland (Assistant Director of Emergency and Support Services) and Laura Jones (Intake Manager).

Program Development Recommendations from CAA include the following:

- For simplified financial management, the City holds the program funds and CAA periodically provides a list of currently eligible applicants for the City to credit the correct accounts.
- Simple eligibility requirements such as using current enrollment in other government programs will make the program more effective.

- A recommended minimum income level to serve is 150% FPL. This matches other current programs and simplified the qualification process.
- Allowing online document submittal will help the intake process move quickly.
- Disqualifying program participants if they are 60 days late in monthly bill payments will create accountability for program participants.
- CAA administration fee to be included in program costs.

With current AP Grant funds, we have worked with a software company to create an intake app that will facilitate the initial customer entrance into the CAA system. The app will reduce the phone time and in-person meetings needed for intake. Applicants will be able to submit initial intake documents online and check on the status of their application without a phone call.

10 RECOMMENDATIONS FOR A CITY OF KALAMAZOO WATER AFFORDABILITY PROGRAM

As City of Kalamazoo and its partners in the Utility Policy Committee (UPC) continue to coordinate on the water assistance program, this report offers the following recommendations for implementing the assistance program.

10.1 Program Structure Narrative

10.1.1 Eligibility

Current state and federal programs do not provide assistance up to the ALICE income level (250% FPL), but those that work with households in poverty recommend providing assistance up to 250% FPL. Census data shows the majority of households in the water service area fall within the ALICE income level. If program funding is not available to cover bill credit for all ALICE households, we recommend starting the program at a lower income eligibility (such as 150% FPL) and increasing eligibility as funding increases.

Ease of applying to an assistance program will help facilitate access for applicants.

Applicants with income up to 150% FPL would be eligible if they are already enrolled in a state or government assistance program, which will save time and paperwork. Applicants not enrolled in current assistance programs will need to provide income paperwork. Participant income eligibility would be reviewed by CAA every 3 months. This frequency of eligibility review is recommended as low-income participants may have frequent income or address

changes. If income eligibility documents are not provided every 3 months, participants will be removed from the program.

10.1.2 Customer Budgeting

If customers are behind in account payments due to poor budgeting, the program can assist in several ways:

- Replacing participants' water meters with smart meters will allow for real-time usage data collection.
- Utilize a mobile app for customers to see current usage.
- Provide monthly billing to facilitate regular budgeting.

If a customer meets the economic qualifications, a monthly bill credit to cover base water use can greatly increase their financial stability which in turn helps the stability of the water system. Based on current utility expenses, approximately \$33/month would provide basic water use for a single family. The UPC is considering providing a lower monthly credit so more people can receive assistance on the same program budget. The UPC is also considering promoting the bill credit as a percentage of bill payment so as water rates increase the bill credit can be easily increased. In the future the credit could be based on the number of people in the household however, for the initial pilot program, we do not recommend introducing this level of detail. Additionally, once agreement is reached on a sanitary sewer service agreement, additional funding through the sewer rates can be obtained and approximately \$54/month would provide basic needs water use/discharge (water and waste water) for a single family.

Reinstating the water shut-off policy for delinquency will encourage regular customer bill payment. However, providing an exception for those enrolled in the program will allow the assistance to be provided without cutting off basic needs water use.

Before the COVID-19 pandemic, City staff performed shutoffs each week which required a significant amount of time not only in the shutoffs but also in a return visit to turn a service back on once a water bill was paid. Additionally, City staff and water customers are frequently subject to emotional stress due to the crisis situation during water shutoffs. To decrease the workload and emotional stress associated with weekly water shut-offs, the City

may consider monthly water shut-offs. In the middle of the month, delinquent account holders can be contacted about a potential shut-off and provided information on signing up for the Affordability Program. Ideally the household would be signed up for the Affordability Program or bill paid in full by the end of the month, **before a shut-off is necessary**. The first week of each month would be communicated as the time when water would be shut off. If a shut-off is necessary, performing shut-offs at the beginning of the first week will allow time for customers to pay the bill and have water turned on before the weekend when City workers are not available.

10.1.3 Past Due Assistance

As the water system aims to recover revenue from past due bills, we recommend the use of federal funding (LIHWAP) to assist customers with income up to 150% FPL with past due bills, **while this funding is available**. As LIHWAP is administered by CAA, utilizing this program will not create additional work for the system. For any remaining past due bills, the Affordability Program would also implement a payment plan, administered through the City Billing Department. The system may consider forgiving late fees for program participants.

10.1.4 Water Conservation

We recommend water conservation be encouraged by the Affordability Program. Customer education regarding the cost of water leaks can be shared during the intake process. We also recommend partnering with Community Homeworks to take advantage of their expertise and repair implementation ability. Repairs not fundable through HUD could be funded through the Affordability Program if so desired in the future. For community health, homeowners would be ensured a working faucet in the kitchen and bathroom, one working shower, and one working toilet. Community Homeworks may also run into situations where additional home repairs are needed to complete the necessary plumbing repairs, such as fixing a hole in the bathroom floor so a toilet can be functional. These occasional additional repairs, with limitations, could also be funded by the AP or through a separate funding mechanism. Community Homeworks noted that the average repair costs is around \$2,000 per home to restore basic service.

A continued partnership with Consumers Energy to supply customers with water conservation materials/education would benefit the Affordability Program. If the system

finds the Consumer's Energy program too restrictive or not reaching enough customers, they can supply these conservation materials through the Water Affordability Program.

Water conservation can also be encouraged by making the water bill understandable through usage history charts and usage in gallon units. These items will help customers better visualize how much water they are using.

Another potential for encouraging water conservation is with tiered water rates. Users are charged a set cost/gallon rate for water use up to 4,000 gallons/month and a higher cost/gallon for water use above 4,000 gallons. Water customers could sign up for an alert from the water system when their usage is nearing the higher cost tier.

10.1.5 Program Administration

We recommend the water system partner with the local Community Action Agency (CAA) for Program Administration. CAA has years of experience with administering assistance programs, understands poverty, and is well connected in the non-profit network. Community Action Agency has an office in Kalamazoo and administers several utility assistance programs, rental assistance, food assistance, housing repair, and others.

10.1.6 Annual Review

The program administrators (CAA and City staff) will need to collect annual data to review the effectiveness of the program and assess if changes need to be made. The review would also evaluate the success and shortcomings of the program and adapt to the conditions of the community.

10.1.7 Funding

Program funding through water rate increase appears to be the best option to avoid legal challenges. A plumbing repair portion of the program may not be eligible for funding by rate increase, but other local funding for customers in the water system may be an option. A voluntary "bill round-up" or customer donation to the program could be an added source of funding plumbing repairs and payment supports.

10.1.8 Communication

Program availability will need to be communicated in several different ways for increased public awareness. Current options for communication include water bill inserts, city/township websites, 211 call center, and through neighborhood associations, libraries, and churches. Additionally, water staff having face-to-face conversations with customers will help build trust between residents and the water system. Use of the mobile app will make applying to the program through CAA easier and will help CAA process applications more quickly.

11 PROPOSED KALAMAZOO SYSTEM PROGRAM STRUCTURE OUTLINE

1. Eligibility:
 - a. Assistance eligibility to include residential customers with income within 150% FPL.
 - i. *Future Recommendation:* As funding increases, consider increasing income eligibility to ALICE income bracket, at or below 250% FPL.
 - b. Delinquency is not necessary to be eligible for program.
 - c. Program available for residential accounts where applicant name is on the water bill.
 - d. Simplify eligibility documents by accepting the same qualifications as other, existing assistance programs.
 - e. Review income eligibility every 3 months.
2. Assist customers in budgeting for water bills:
 - a. Replace water meters with remote read meters that can record more accurate usage data.
 - b. Provide monthly billing.
 - c. Remove fees for paying bill with credit card.
 - d. Provide an app where customers can see water usage in real time.
 - e. Provide a monthly credit to water account—
 - i. An estimated \$33 credit per month would cover monthly City water bill, depending on water usage.
 - ii. UPC to consider reducing the monthly credit to allow assistance for more people.

- iii. UPC to consider promoting the credit as a percentage of bill payment so the credit can increase as water rates increase.
 - iv. *Future Recommendation*: Consider providing \$54/month to cover water and sanitary sewer monthly bill.
 - v. *Future Recommendation*: Consider adjusting bill credit based on number of people in household.
- f. Reinstate system-wide water shut-off but defer shut-off for AP participants.
 - i. Water shut-offs performed once a month rather than once a week.
 - ii. Provide postcard and phone call from social specialist (CAA) before shut-off.
 - iii. Allow time to get customer signed up for Affordability Program before shutting off water.
- 3. Assist customers with past due bills and emergency situations:
 - a. Utilize LIHWAP for delinquency up to \$650/year as funding is available.
 - b. Provide payment plan for any remaining delinquency.
- 4. Encourage water conservation:
 - a. Provide education on the cost of water leaks in a house.
 - b. Continue to partner with Consumers Energy to provide water conservation equipment to all customer households, or water system provides materials.
 - c. Refer program applicants to Community Homeworks for plumbing repair assistance.
 - i. *Future Recommendation*: Consider funding this plumbing work as the program grows either through AP program or other funding source.
 - 1. \$2,000 per customer to allow for one working faucet in kitchen and bathroom, one working toilet, one working shower, and consider allowance for private side lead service replacement.
 - 2. Provide additional limited funding to make house ready for necessary plumbing repairs (such as repair floor so it can hold the toilet).
 - d. Provide monthly water use chart on water bill so water use history is clear to customer.


- e. Provide usage on bill in gallons so customers can visualize how much water they have used.
 - f. *Future Recommendation:* Tier water rates to reflect increased cost as water usage increases. Provide customers with a text/email when they are near the tier limit.
5. Program Administration:
- a. Have Community Action Agency (CAA) administer program as they have experience working with those in low-income households and are set up to administer assistance programs.
 - b. CAA will simplify the assistance qualifying process by helping applicants apply to all bill assistance programs that they qualify for.
 - c. Use app and online document submittals to start intake process rather than phone and in-person meetings.
 - d. CAA provides monthly list to City, including eligible customer names, addresses, and account number.
6. Program Review:
- a. CAA data collection requirements to evaluate effectiveness of program:
 - i. Total assistance provided.
 - ii. Number of people applied.
 - iii. Number of applicants not eligible for participation.
 - iv. Number of households assisted.
 - v. See GLWA contract with CAA for more data collection requirements for discussion.
 - b. City data collection to evaluate effectiveness of program:
 - i. Assess bill burden as rates increase.
 - ii. Evaluate need to raise monthly bill credit as rates increase.
 - iii. Evaluate change in amount of delinquency each year.
7. Program Funding:
- a. Increase water and rates to fund program.
 - i. *Future Recommendation:* consider increasing sewer rates for additional program funding.
 - b. Allow for donations to program from customers.
 - c. Consider other local or private funding.

8. Program Communication:

- a. Advertise program in water bill, 211, news, and on community websites.
- b. Advertise through neighborhood associations, churches, community centers, and libraries.
- c. Door knocking at addresses of chronic delinquent accounts.
- d. Provide new CAA intake mobile app for easy customer access to program.

Tables

Table 2: Theoretical Current and Future Bill Burden
Percentage of Income Required to Pay the Average Water Bill for 4 Person Households

 =unaffordable bill burden

Rate Increase: 15% annually

		Water Rate:	\$396	\$455	\$524	\$602	\$693	\$796	\$916	\$1,053	\$1,211	\$1,393
FPL	Income Cap (2021)	Affordable Bill Burden	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
100%	\$26,500	1.75%	1.5%	1.7%	1.9%	2.1%	2.4%	2.7%	3.0%	3.4%	3.8%	4.3%
130%	\$34,450	2.00%	1.1%	1.3%	1.4%	1.6%	1.8%	2.1%	2.3%	2.6%	2.9%	3.3%
150%	\$39,750	2.00%	1.0%	1.1%	1.2%	1.4%	1.6%	1.8%	2.0%	2.3%	2.5%	2.9%
180%	\$47,700	2.25%	0.8%	0.9%	1.0%	1.2%	1.3%	1.5%	1.7%	1.9%	2.1%	2.4%
200%	\$53,000	2.25%	0.7%	0.8%	0.9%	1.0%	1.2%	1.3%	1.5%	1.7%	1.9%	2.2%
250%	\$66,250	2.25%	0.6%	0.7%	0.7%	0.8%	0.9%	1.1%	1.2%	1.4%	1.5%	1.7%

Accelerated Rate Increase: 20% annually

		Water Rate:	\$396	\$475	\$570	\$684	\$821	\$985	\$1,182	\$1,419	\$1,703	\$2,043
FPL	Income Cap (2021)	Affordable Bill Burden	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
100%	\$26,500	1.75%	1.5%	1.7%	2.0%	2.4%	2.8%	3.3%	3.9%	4.6%	5.4%	6.3%
130%	\$34,450	2.00%	1.1%	1.3%	1.6%	1.8%	2.2%	2.5%	3.0%	3.5%	4.1%	4.9%
150%	\$39,750	2.00%	1.0%	1.1%	1.4%	1.6%	1.9%	2.2%	2.6%	3.0%	3.6%	4.2%
180%	\$47,700	2.25%	0.8%	1.0%	1.1%	1.3%	1.6%	1.8%	2.2%	2.5%	3.0%	3.5%
200%	\$53,000	2.25%	0.7%	0.9%	1.0%	1.2%	1.4%	1.7%	1.9%	2.3%	2.7%	3.2%
250%	\$66,250	2.25%	0.6%	0.7%	0.8%	1.0%	1.1%	1.3%	1.6%	1.8%	2.2%	2.5%

2% inflation has been accounted for in the income

Affordable bill burden from "The Affordability of Water and Wastewater Service in Twelve U.S. Cities" by Fisher, Sheehan & Colton Public Finance & Gerneral Economics

Table 3

Existing Water Bill Assistance

Aid Organization	Program Name	Benefit	Assistance Amount/year	Eligibility Requirements	Funding Source(s)
<i>Community Action Agency</i>		Help with water shut-off and past due bills if funding is available	Depends on funds available		United Way
<i>Salvation Army</i>	Emergency Assistance Fund	Help with water shut-off and past due bills if funding is available	Enough to get water turned on if funds are available	Must have applied for SER, income under 200% FPL	Kalamazoo Community Foundation
<i>Local Churches</i>		Help with water shut-off and past due bills	Depends on need and funds available		Donors
<i>Catholic Charities</i>		Help with water shut-off and past due bills	\$300/yr		Donors

Table 4

Existing Plumbing Assistance

Aid Organization	Program Name	Plumbing Benefit	Assistance Amount	Eligibility Requirements	Funding Source(s)
<i>Community Homeworks</i>	Critical Repair Program	<p>Critical plumbing repairs=active leaks, blocked drains, health and safety issues (such as toilet malfunction)</p> <p>Done by licensed professional plumbers contracted by Community Homeworks</p>	Up to \$5000 per year for total house repairs (used for most critical repairs in house)	<p>Must be home owner,</p> <p>Income level=up to 80% AMI</p> <p>~\$62,000 for family of 4, required documentation</p>	Donors, City of Kalamazoo, United Way, Gilmore Foundation, Kalamazoo Community Foundation, Comerica, Harold and Grace Upjohn Foundation, Dorothy U. Dalton Foundation, St. Joseph, Old National Bank Foundation, Stryker Johnston Foundation, Consumers Energy, LISC Kalamazoo
<i>Habitat for Humanity</i>	Critical Home Repair Program	Loans with affordable financing to help with critical repairs in the kitchen & bath that threaten well-being, health & safety		Homeowner, complete 8-40 hours of volunteer work, income within 30%-60% MHI	Donors, volunteers
<i>Kalamazoo Neighborhood Housing Services</i>	KNHS Homeowners Rehabilitation and Micro Loan Program (11/2021-11/2022)	<p>Finance plumbing repairs at an affordable rate. Generally, rates are 4.5%-5.5% depending on credit risk</p> <p>Borrowers choose licensed and insured contractor. Contractors work for owner and are paid by KNHS.</p>		Eligible neighborhoods- Central downtown, Douglas, Eastside, Edison, Northside, Oakwood, Southside, Stuart, Vine, income level up to 120% AMI	
<i>City of Kalamazoo</i>	Home Energy Analysis Program	Toilet leak detection, faucet aerators, high efficiency shower head	Up to \$50 worth of free products that could save up to \$150/year in energy costs	For any Consumers Energy customer who requests a home energy analysis	Water System & Consumers Energy

Figures

City of Kalamazoo
Kalamazoo County, Michigan

Water Distribution System

Water Affordability

FIGURE 1

2010 Census: Median Household Income

Prein&Newhof

July 2022
2210751

LEGEND

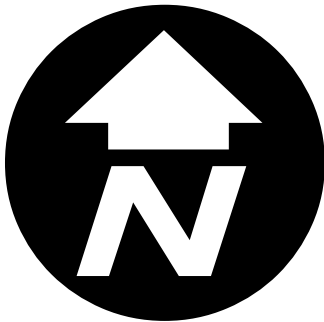
2010 Tracts - (2019 estimated Data)

- 0-100% FPL (2021 family of 4)
- 101-130% FPL
- 131-150% FPL
- 151- 180% FPL
- 181-200% FPL
- 201-250% FPL
- >250% FPL

2018 Delinquent Accounts

- >3 Shutoff Notices, >\$100 balance
- Kalamazoo water main
- Township Boundary
- City of Kalamazoo

Areas are delineated based on census tract information.



1 inch = 3,000 feet

City of Kalamazoo
Kalamazoo County, Michigan

Water Distribution System

Water Affordability

FIGURE 2













2020 Census: Median Household Income

Prein&Newhof

July 2022
2210751

LEGEND

2020 Tracts

-  unknown
-  0-100% FPL (2021 family of 4)
-  101-130% FPL
-  131-150% FPL
-  151-180% FPL
-  181-200% FPL
-  201-250% FPL
-  >250% FPL
-  **2022 Delinquent Accounts (>90 days, >\$100)**
-  City of Kalamazoo water main
-  Township Boundary
-  City of Kalamazoo

Areas are delineated based on census tract information.



1 inch = 3,000 feet

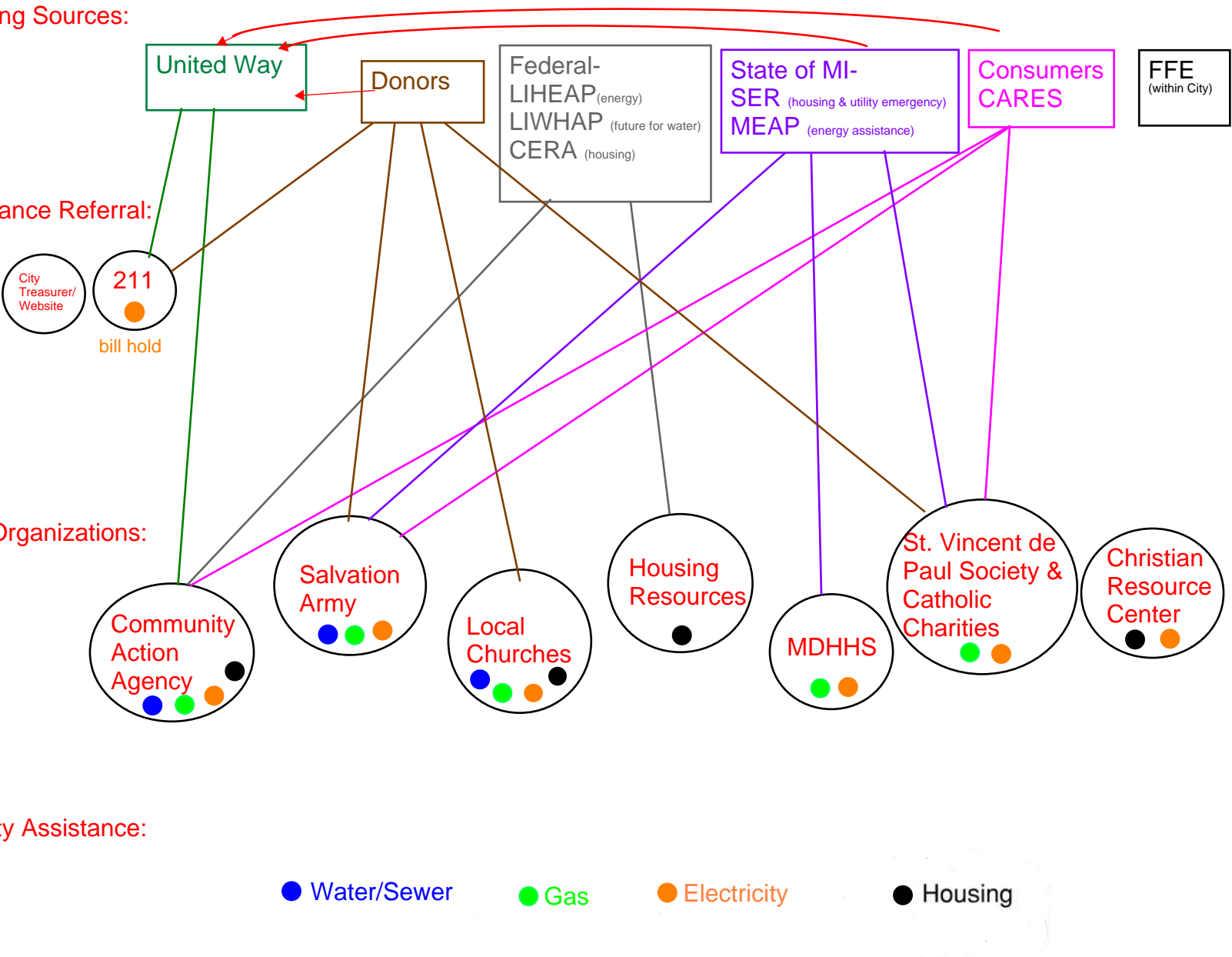
Figure 3: Kalamazoo Area Utility Bill Assistance Schematic

Funding Sources:

Assistance Referral:

Aid Organizations:

Utility Assistance:



Appendix A

References

Appendix A: References

¹2021ALICEReport_MI_FINAL-3-15-21.pdf, United Way, 2021

² Affordability Assessment Tool for Federal Water Mandates, AWWA, 2013,
<https://www.awwa.org/Portals/0/AWWA/ETS/Resources/AffordabilityAssessmentTool.pdf>

³ The Affordability of Water and Wastewater Service in Twelve U.S. Cities, Fisher, Sheehan & Colton
Public Finances & General Economics, 2020

⁴ <https://detroitmi.gov/news/mayor-dwsd-announce-detroits-first-income-based-water-affordability-plan>

⁵ Water Service Affordability in Michigan: A Statewide Assessment, by University of Michigan Graham Sustainability Institute, <https://graham.umich.edu/media/files/MI-statewide-water-affordability-assessment-report.pdf>

⁶ [Kalamazoo water bills have doubled over 5 years. Here's why. - mlive.com](#)

⁷ Mich Const 1963, Art IX, §31

Appendix B

EPA Community Assistance Program Report

The 195-page report for Appendix B is available upon request or at
https://www.epa.gov/sites/default/files/2016-04/documents/dw-ww_utilities_cap_combined_508.pdf.

Appendix C

Attorney Report on Program Funding



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MEMORANDUM

TO Richard O. Cherry **CLIENT** City of Kalamazoo
FROM Alex S. Page **DATE** April 9, 2022
SUBJECT Whether and if possible, how the City may implement and pay for a Water Affordability Program to assist water/sewer customers of the city who are temporarily unable to pay for those services

Question Presented: Whether the City of Kalamazoo (the “City”) may implement and pay for a Water Affordability Program to assist water/sewer customers of the City who are temporarily unable to pay for those services, and if possible, how?

Answer: It is possible to create a water affordability program, but it is likely best done through increased water rates and/or voluntary monthly donations.

Discussion:

I. Whether the City can start a Water Affordability Program

The City can likely start a Water Affordability Program (“Program”) to assist water/sewer customers who are temporarily unable to pay for those services. First, the City must ensure that it abides by its duty to set water/sewer rates at a reasonable level that is not undue or excess.¹

However, the main legal concern is whether the City needs voter approval under the Headlee Amendment.² Under that amendment, municipal actions that are legislative in nature must be passed by ordinance to be enforceable. However, this will depend on the structure of the program, and the relevant question is whether the Program is a tax or a fee on City customers.³ A tax will need voter approval but a fee will not. Therefore, if the Program is more regulatory, the services are cost-proportionate, and participation is voluntary in nature, then it is more likely a fee that will not require inclusion on the ballot.

¹ MCL 486.315.

² Mich Const 1963, Art IX, § 31.

³ Notably, courts construe this analysis liberally in favor of local government entities, rather than their challengers.

Next, I will outline examples of other jurisdictions that have implemented water affordability programs, and finish with suggestions on ways the City can implement and pay for a Program.

II. Examples of How to Implement and Pay for the Program

A. City of Detroit

The City of Detroit's water affordability program prior to 2016 provides helpful insight on how to implement and pay for the Program in Kalamazoo.

In 2016, the Great Lakes Water Authority ("GLWA") signed a 40 year lease for control over the Detroit Water & Sewerage Department ("DWSD") treatment plants, major water transmission mains, sewage interceptors and related facilities.⁴ Now, the water for almost all of Southeast Michigan is controlled by the GLWA and a customer in need of assistance must live in a GLWA community (among other eligibility requirements) to qualify for the programs. The GLWA commits 0.5% of revenue to the City of Detroit's Water Residential Assistance Program ("WRAP") and the City coordinates the WRAP to eligible customers.⁵

1. History of the Program

Prior to 2016, and beginning around 2007, the City began a water affordability program by partnering with MDHHS and creating the Detroit Residential Water Assistance Program ("DRWAP").⁶

Initially, the DRWAP was developed by a Massachusetts consulting firm and was approved by the Detroit City Council and Mayor in 2006. In order to be eligible, the household's income must be at 175% or below the federal poverty level and the household must have a water usage level that exceeds an "affordable burden" cost. The affordable burden cost was approximately 2-3% of the household income.

Households that qualify for assistance receive a fixed credit to reduce their water bill down to a proportion of the household income deemed an affordable burden. The fixed credit was to be based on a projection of the household's annual income and water usage. The credit would not change even if the household reduced its water usage so participants had a financial incentive to decrease their water usage and devote a larger portion of income for other uses. Customers with unpaid bills and who met the eligibility requirements could earn credits to extinguish their arrearage over a two year period. The plan also included outreach efforts that encouraged water conservancy, how to identify leaking water pipes, and the distribution of water conversation kits.

When proposed in 2005, DRWAP was to cost ~\$13.5 million annually. All Detroit residents would have to pay \$1 more per month and that \$12 more per year would go to the Program fund. In other words, DRWAP was to be funded by a fixed increase in monthly water bill

⁴ <https://www.glwater.org/about/what-is-glwa/>

⁵ https://www.glwater.org/wp-content/uploads/2018/06/GLWA_DWSD-Roles-and-Responsibilities_FINAL-210331.pdf

⁶ https://detroitmi.gov/sites/detroitmi.localhost/files/2018-05/water_assistance_program_111810.pdf

fees on a per-customer basis, including \$1 increase for residential customers, \$20 increase for commercial customers, \$275 increase for industrial customers, and \$80 increase for municipal, school and large-scale housing customers.

However, once implemented in Detroit, the DRWAP ended up with less than 1/5 of that proposed budget. DHS and DWSD entered into a Memorandum of Understanding in September 2007 with \$2.5 million initial funding for 1 year of the program.⁷ DHS was responsible for intake and qualification of applicants, case management, energy education, tracking and maintaining files, report, and evaluation. DWSD was responsible for reporting the program funding level, providing customer payment and history information, sharing outreach responsibilities, notifying DHS of participants' termination of service, scheduling monthly bill payments, and reconnection of services for customers whose water was disconnected upon enrollment in the program. DRWAP ensured that it was not funded by an interest bearing late fee account, but rather a voluntary contribution program and initial funding in the approved budget.

In the second year of the program, the budget was similar but DWSD began directing all funds received from the voluntary contribution program of Detroit customers to DRWAP. The next year, the funding for DRWAP was cut from the budget.

A lack of administrative oversight and unclear or nonexistent policies and procedures led to DRWAP having little to no impact, despite a widespread need for the program. There was no guidance on how to handle defaults and recertification so participants could default on the program and then continue to re-enroll. In 2010, Auditor General Loren Monroe provided the following suggestions to the City, which may be helpful for the City of Kalamazoo in implementing its own program:

- Draft and update the Memorandum of Understanding between DHS and DWSD each year with the responsibilities of each department clearly outlined;
- Both DHS and DWSD appoint one person to oversee the department's responsibilities and act as a liaison to the other department;
- Require all intake centers and intake workers to use standardized documentation and guidelines when processing applications;
- DWSD should transfer all collected donated funds to the escrow account monthly;
- DWSD should transfer appropriate funds from escrow to the operating account to cover the cost of the program on a monthly basis; and
- Ensure there is an annual evaluation of the program.

⁷ Originally the suggested funding was \$5 million but during hearings on proposed DWSD rate increases, DWSD lowered the funding to \$2.5 million in order to lower the rate increase for Detroit customers from 9.4% to 7.4%.

2. *The Program Today*

Now, Detroit has the WRAP where residential water customers who are at or below 200% of the federal poverty level (for example, a maximum annual household income of \$52,400 for a family of four) are eligible to apply for financial assistance through WRAP.⁸ During a 12-month period, WRAP will:

- Provide a \$25 credit toward the enrollee's monthly bill for 12 months;
- Freeze past due amounts for 12 months upon successful adherence to a payment plan;
- Apply up to a \$350 credit toward the past due amount after the first month of enrollment and an additional \$350 after 12 consecutive months of enrollment;
- Conduct a water conservation audit if the household water usage exceeds 20% of the average household water consumption in the city which may include \$1,500, on average, in water conservation and minor home plumbing repairs; and
- Offer an additional 12 months (no more than 24 months total per household) if the enrollee remain eligible that will include the \$25 monthly bill credit and financial assistance toward arrears up to \$700 (if the enrollee continues to have an outstanding past due balance).

The DWSD also offers a 10/30/50 Plan which does not have income restrictions. The customer in that plan must make a down payment of 10%, 30%, or 50% of the past due balance on their account. The percentage is based upon the number of payment plans the customer entered into in the last 18 months (first time is 10%, second time is 30%, third time for more is 50%). The balance is spread over a 6-24 month period which the customer pays in addition to their normal monthly bill.

B. Washington DC

Washington DC has 7 different programs that can provide guidance to Kalamazoo on how best to implement a water affordability program as well.⁹ Some of the more unique programs are briefly described below.

1. *The Customer Assistance Program ("CAP")*

The CAP Program provides a discount of 4 Ccf per month for single family residential homes that meet income eligibility guidelines.

2. *The SPLASH Program*

The SPLASH Program is administered by the Greater Washington Urban League and it allows the City Water to serve as a conduit for private contributions of short-term assistance to

⁸ <https://www.waynemetrol.org/wrap/>

⁹ Martha F. Davis, *Let Justice Roll Down: A Case Study of the Legal Infrastructure for Water Equality and Affordability*, 23 Geo. J. on Poverty L. & Pol'y 355, 364 (2016); <https://www.dcwater.com/customer-assistance>

families in economic distress. This fund is limited and varies because contributions are solicited from DC water customers. Thus, a single household can only access SPLASH funds once per year.

3. The Lifeline Program

The Lifeline Program provides extremely discounted rates for the first four Ccf (or 3000 gallons) of the household's water use.¹⁰ If the household exceeds that capped level, the charges rise steeply and then charges may exceed average charges for those not in the program. This program's effectiveness is also dependent upon the home's operating system and older homes with leaky pipes would likely not benefit.

III. The Best Solution for Kalamazoo

To be regulatory in nature, the charge must specifically benefit the person who pays it, though it can have the dual purpose of benefiting the public. Providing water is a valid regulatory service. Therefore, a rate increase would be permissible whereas an extra charge separate from the normal water rates and explicitly intended solely for funding the plan would require voter approval.

The City of Kalamazoo is a home rule city (like Detroit) and thus has the authority to promote its residents health, safety, and general welfare. Charges that are relatively small in proportion to the rest of the water bill and not out of proportion to the general water service rendered are likely within the City's authority. A Headlee challenge would likely be avoided if the funding for the Program came from increased volumetric water rates, rather than a separate charge to each customer's water bill. The City could also consider a voluntary donation program as well, based on the needs of the population. A voluntary donation would not require voter approval and could provide additional funding to the Program.

Conclusion: The City can implement a water approval program and should do so through increased rates and voluntary donations.

¹⁰ <https://www.dwater.com/lifeline-rate#:~:text=The%20Lifeline%20Rate%20steeply%20discounts,Ccf%20of%20water%20you%20use.>