

**Utilities & Environmental Protection Report to
SPC on Utilities and Corporate Services
2018 October 10**

**ISC: UNRESTRICTED
UCS2018-1193**

Water Customer Assistance Program Pilot

EXECUTIVE SUMMARY

The City's Water Utility strongly adheres to the mandate of protecting public health through the provision of safe and reliable water, wastewater and stormwater services. In addition to this mandate, it is important that water is accessible and affordable to all Calgarians. The Water Utility's practice of disconnecting essential water services in cases of significant non-payment does not align with this mandate; therefore, a temporary moratorium was placed on this practice in September 2017.

Exploration of alternative solutions for non-paying, low-income customers has been undertaken. Provincial and community social service programs are in place for customers experiencing a financial crisis, assisting with utility bill arrears under certain circumstances; however, these programs do not provide proactive or long-term assistance for water, wastewater, and stormwater bills for low-income citizens. To better understand and address this chronic issue, this report proposes a Water Customer Assistance Program (WCAP) pilot.

The proposed WCAP pilot is an innovative, multi-faceted approach consistent with current practices in the water utility industry. The main objective of this pilot is to test an assistance program for low-income customers targeting those at greatest risk of losing essential water service. This pilot will help the Water Utility learn more about Calgary's low-income population and their bill payment experience, as well as provide options for meaningful assistance. Water utility customers with accounts in arrears over 90 days will be invited to participate in the pilot. To be eligible they must seek appropriate provincial and community social service agency support for arrears payment assistance; meet Fair Entry's residency and low-income criteria; and reside in the home. Through the WCAP pilot, eligible customers will receive assistance to reduce the variable consumption portion of their bill through water efficiency support, followed by a bill adjustment to offset a portion of their fixed water, wastewater and stormwater service charges. These measures combined could reduce the monthly bill by an estimated \$50 to \$86 per month.

The pilot will measure participation, customer benefits and feedback, utility costs and benefits, and overall program performance to inform next steps for Council consideration. Pending Council approval, the WCAP pilot is scheduled to start in Q2 2019 and conclude in early 2021, providing a total estimated cost assistance of up to \$2.8 million, which can be accommodated within the indicative rates previously approved by Council.

**Utilities & Environmental Protection Report to
SPC on Utilities and Corporate Services
2018 October 10**

**ISC: UNRESTRICTED
UCS2018-1193**

Water Customer Assistance Program Pilot

ADMINISTRATION RECOMMENDATION:

That the Standing Policy Committee on Utilities and Corporate Services recommend that Council Direct Administration to:

1. Proceed with a Water Customer Assistance Program pilot as proposed, and report back to Council no later than end of 2020 on results and learnings from the pilot and recommendation for next steps.

**RECOMMENDATION OF THE SPC ON UTILITIES AND CORPORATE SERVICES, DATED
2018 OCTOBER 10:**

Administration's Recommendation was lost in a tie at Committee.

Excerpt from the Minutes of the Regular meeting of the SPC on Utilities and Corporate Services, held on 2018 October 10:

"Moved by Councillor Farrell

That with respect to Report UCS2018-1193, the following be approved:

That the Standing Policy Committee on Utilities and Corporate Services recommends that Council Direct Administration to proceed with a Water Customer Assistance Program pilot as proposed, and report back to Council no later than end of 2020 on results and learnings from the pilot and recommendation for next steps.

ROLL CALL VOTE

For: (3): Councillor Farrell, Councillor Gondek, and Councillor Keating

Against: (3): Councillor Sutherland, Councillor Demong, and Councillor Magliocca

MOTION DEFEATED

Pursuant to Section 134(a) of the Procedure Bylaw 35M2017, Councillor Keating requested that the lost motion be forwarded to Council for information."

PREVIOUS COUNCIL DIRECTION / POLICY

2018 February 26, UCS2018-0091 Council directed Administration to:

"Identify the requirements for an assistance program for low-income customers and bring to Council for consideration in 2018 as part of the Utility's 2019-2022 business planning."

BACKGROUND

Challenges paying for water utility services can be the result of many factors including job loss, change in family status, and a limited fixed income. Participation in Provincial and community social service agency programs indicate that some Calgarians are struggling to pay for their water services. In 2015, there were 139,540 Calgarians living under the Low Income Cut Off Before Tax (LICO-BT). From April 2017 to March 2018 in the Calgary region, Alberta Works-Income Support issued utility arrears payment assistance 133 times per month on average. The

**Utilities & Environmental Protection Report to
SPC on Utilities and Corporate Services
2018 October 10**

**ISC: UNRESTRICTED
UCS2018-1193**

Water Customer Assistance Program Pilot

United Way Basic Needs Fund provides financial support to households through several social service agencies. In 2017 there were approximately 2,000 requests for the fund, of which 422 (20%) were for utilities. While these programs provide emergency arrears payment support, they do not address chronic issues that low-income customers face in paying for essential services like water.

The Water Utility delivers quality water, wastewater and stormwater services to customers every day. In providing this service, the Water Utility must also balance financial sustainability, water conservation and equitable customer service. It is the customer's responsibility to pay for the water services they receive. Water service disconnection is a tool used to encourage bill payment in many municipalities across North America; however, disconnecting low-income Calgarians challenges The City's mandate to protect public health. To minimize potential health and safety risks, the Water Utility implemented a temporary moratorium on water disconnections due to non-payment in 2017 pending further research and recommendations on a Water Customer Assistance Program.

Approximately 2,300 City of Calgary residential water customers (less than 1% of total residential customer accounts) currently have unpaid arrears over 90 days and would be at risk of water service disconnection if the temporary moratorium was not in place. While it is common to have a portion of customer accounts behind on their bills, the total has increased by approximately 14% from end of 2015 to August 30, 2018. Billing information does not provide insight into the exact reasons a customer may be in arrears.

INVESTIGATION: ALTERNATIVES AND ANALYSIS

In 2016, the United States Environmental Protection Agency published a summary of customer assistance programs commonly used by municipalities in North America. The most common program type is a bill adjustment, followed by flexible terms, temporary assistance, water efficiency support and a lifeline or adjusted rate. Based on this research and discussions with North American municipalities who have experience implementing assistance programs, the most successful programs include a combination of program types. This is the approach The City recommends taking for the pilot program.

The proposed WCAP pilot is guided by the principle of a shared responsibility between the customer, the Province, community social service agencies and The City. The pilot will provide assistance in two key areas: water efficiency support to reduce consumption and cost; and bill adjustments to partially offset basic service charges.

The City has had water efficiency programming in place since the Water Efficiency Plan was implemented in 2003; however, many low-income customers may still be using inefficient, high flow fixtures that further contribute to higher water use and cost. One of the key programs that made a significant contribution to water efficiency was the Toilet Rebate Program. This program provided \$5 million in rebates to customers over a 14-year period to incentivise installation of low flow toilets (\$50 per toilet), resulting in an estimated 14.7 billion litres of water saved since 2003. It is acknowledged that this type of program would have been difficult to access for low-income customers if they were unable to cover the remainder of the cost of the new toilet.

**Utilities & Environmental Protection Report to
SPC on Utilities and Corporate Services
2018 October 10**

**ISC: UNRESTRICTED
UCS2018-1193**

Water Customer Assistance Program Pilot

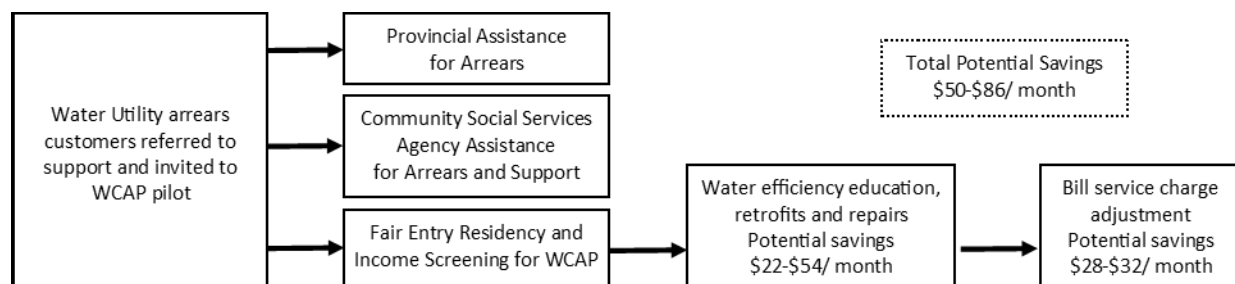
The City will invite customers with arrears greater than 90 days to participate in the pilot. Those who choose to apply will undergo the low income and residency screening provided by Fair Entry. The City's Fair Entry program is a one-point application process for low-income Calgarians applying for all subsidized City programs. Utilizing Fair Entry's established intake system provides an efficient and simple one window entry point for pilot participants and ensures alignment with other City of Calgary assistance programs.

Eligibility for assistance through the WCAP pilot is dependent on three key factors:

- Customers seek appropriate Provincial and community social service agency supports to address the arrears on their account. Customers will be referred to these resources prior to The City providing assistance.
- Participants meet Fair Entry's residency and LICO-BT criteria.
- Participants can be a home owner or a renter, but must reside in the home and pay a water utility bill directly.

Upon satisfaction of the above criteria, The City will begin by providing water efficiency education, as well as detecting and repairing leaks, and replacing water wasting fixtures in the bathroom. This service will be delivered through a third-party service provider or partner. These improvements will target a reduction in volumetric water and wastewater charges on the bill. Such measures have proven to reduce the water use of a typical household with water wasting fixtures by an average of 46%, with an estimated range of 7-17 m³ of water savings per month. This corresponds to \$22 to \$54 bill savings per month (based on 2018 water and wastewater rates), depending on water use prior to participation and number of people in the household.

Once a customer is participating in the water efficiency portion of the program, they will be eligible for a monthly bill adjustment to reduce the fixed water service charges on their utility bill. For this pilot, each household will receive a monthly bill adjustment for a total of six months. It is estimated that this could range from \$28-\$32 per month. The figure below depicts the general participant journey through the pilot program.



There is no industry standard for a water affordability threshold for low-income customers, and municipalities in North America define income eligibility, affordability thresholds and bill adjustment amounts in a variety of ways. Based on knowledge of water use in inefficient homes, Calgarians living under the LICO-BT pay on average 3.85% of their income toward water, wastewater and stormwater services. For the purposes of this pilot, a 2% of income target for

**Utilities & Environmental Protection Report to
SPC on Utilities and Corporate Services
2018 October 10**

**ISC: UNRESTRICTED
UCS2018-1193**

Water Customer Assistance Program Pilot

water services has been applied, as guided by research, to the LICO- BT income thresholds. To achieve this target, a combination of bill savings from water efficiency and the bill adjustment is required and will result in an approximate \$50-\$86 reduction to the monthly utility bill. This represents a 50% reduction, on average, to the total monthly water utility bill for low-income customers.

It is estimated that the WCAP pilot will assist up to 2,500 customers with active water arrears accounts. Participation numbers are estimated based on current customers in arrears greater than 90 days, along with anticipated new arrears over the duration of the pilot. An estimated \$2.35 million investment in this pilot will go towards water efficiency education, fixture retrofits and leak repair services with approximately \$450,000 to cover the adjustments to the fixed basic service charge portion of the customers' bills. City administrative costs to design and administer the program will be accommodated within existing resourcing.

The WCAP pilot will allow key unknowns (e.g. customer demand and level of participation) to be determined, and assumptions and program processes to be tested enabling the design, cost and benefits, as well as need for a full program to be accurately determined.

Stakeholder Engagement, Research and Communication

Development of this WCAP pilot was supported by a literature review and investigation of other North American water utilities with customer assistance programs. This research confirmed that low-income customers across North America are struggling to meet bill payments as rates rise. This has become a leading issue in the industry. However, it is widely accepted that customer assistance programs must be customized to meet the needs of the diverse requirements of each municipality and the demographics of their customers.

The Water Utility has worked closely with Fair Entry to explore integration of the WCAP. In addition, all City partners of Fair Entry have been informed of the proposed pilot and possible program alignments have been identified. Also, discussions with the Provincial service Alberta Supports, Provincial program Alberta Works- Income Support and community social service agencies, namely CUPS and the Distress Centre, assisted in the needs assessment of the pilot and identified WCAP alignments.

Calgarians have shown support for programs like the proposed WCAP. According to the Citizen Perspectives Survey reported in November 2017, 77 percent of Calgarians support the idea of a customer assistance program that provides financial supports for those who are struggling to pay their water utility bills. Of those who support a WCAP, 53 percent agree that they would pay more for their water to help others struggling with their bills.

Feedback from pilot program participants will be gathered to better understand their experience and impact of the program. Fair Entry will also assist in the estimation of potential participation of an open entry customer assistance program by asking optional questions of Calgarians applying for other Fair Entry programs. This knowledge will be used to inform recommendations for next steps following the pilot.

**Utilities & Environmental Protection Report to
SPC on Utilities and Corporate Services
2018 October 10**

**ISC: UNRESTRICTED
UCS2018-1193**

Water Customer Assistance Program Pilot

Strategic Alignment

The proposed WCAP pilot has direct alignments to One Calgary Council Directives, namely A Prosperous City, A City of Safe and Inspiring Neighbourhoods, A Healthy and Green City and A Well Run City.

Enough for All: Calgary's Poverty Reduction Strategy, jointly led by four partners (The City of Calgary, United Way of Calgary, Vibrant Communities Calgary, and Momentum) expressly identifies a link to utility bills. "Basic needs programs provide direct support to families and individuals in economic emergencies — helping them pay their utility bills, for example, or buy groceries. Programs and initiatives that cultivate community capacity to meet basic needs are key to a sustainable reduction in poverty."

Social, Environmental, Economic (External)

Protecting public health through water and wastewater services is the mandate of Calgary's Water Utility. Providing basic needs services keeps both individuals and communities healthy and clean. Implementing a pilot project will enable The City to fulfill its social responsibility, and provide quality customer focused service to low-income Calgarians at potential risk of future service disconnection.

The water efficiency measures in the pilot will contribute an estimated 322 million liters of water savings during the pilot. It is further anticipated that the water savings will provide long term benefit to both the pilot participants and The City's Water Efficiency Plan, contributing an estimated 4.2 billion liters for the remainder of the Plan (until 2033).

Financial Capacity

Current and Future Operating Budget:

If the pilot is approved by Council, planning costs in 2018 will be accommodated within current budgets. The costs to deliver the WCAP pilot can be accommodated within the Council approved indicative rates for 2019-2022.

Current and Future Capital Budget:

There are no implications to The City's capital budget associated with this report.

Risk Assessment

A WCAP pilot will provide assistance for qualifying low-income Calgarians who pay for water directly through their water utility bill and who have arrears on their account greater than 90 days.

The WCAP pilot should increase the number of water customers able to pay their bill, minimizing the number of customers with accumulating arrears and in disconnection status. This will reduce public health and safety risks, and disconnection costs to the Water Utility. The proposed pilot will improve the Water Utility's ability to accurately understand the low-income population in Calgary and their needs.

Utilities & Environmental Protection Report to
SPC on Utilities and Corporate Services
2018 October 10

ISC: UNRESTRICTED
UCS2018-1193

Water Customer Assistance Program Pilot

The risk of not implementing the WCAP pilot is that the Water Utility returns to disconnecting water services to encourage bill payment without the ability to differentiate and support low-income customers. This may result in negative impacts to health and safety, and reputational harm to The City of Calgary.

REASON(S) FOR RECOMMENDATION(S):

The Water Customer Assistance Program allows the Water Utility to pilot a program that will support the continuity of essential water services for low-income customers in need of assistance through meaningful support and resources.

ATTACHMENT(S)

No Attachments