Integrated Planning Workshop

Affordability Issues

U.S. Conference of Mayors
October 2, 2016
Worthington, Ohio
Establishes Federal authority to design and implement enforceable requirements to achieve national clean water goals and the National Pollution Discharge Elimination Program (NPDES) permit system is an effective approach.
Layer Cake Foundation Creates a Workable System for Regulatory Compliance and Debt Financing
Outcome from 40+ Years of CWA Regulation

FAVORABLE TO OUTSTANDING

• Provide Local Wastewater and Sewage Management
• Improved water quality
• Supporting Public Health and the Economy
  ▪ Advanced treatment
• Flood Control
• Wetlands Protection
• Supporting Animal Habitat
• Green Space/Recreational Space/Green Infrastructure
Outcome from 40+ Years of CWA Regulation

CONSUMERS PAID FOR GOOD SERVICE

• Federal Mandates to Achieve Clean Water National Goals

• Annual US Local Government Spending on Sewer

  1993  2016
  $21.7 Billion  $54.3 Billion  150% Increase

• Annual Ohio Local Government Spending on Sewer

  1993  2016
  $1.079 Billion  $2.175 Billion  101% Increase
Substantial Financial Burden

Example: Escondido, CA

• Population, 2013: 148,738
• Poverty Rate, 2012: 18.3%
• Median Household Income (MHI), 2012: $49,787
• EPA Affordability Criteria
  ▪ 2% of MHI: $995.74
  ▪ 4.5% of MHI: $2,240.22
• Current Average Cost per Household
  ▪ Sewer $ 220.00
  ▪ Water $ 1,460.00
  ▪ Flood Control $ 50.00
• Total $ 1,730.00
Substantial Financial Burden
Example: City of Escondido, CA

• 34% of its households spending exceeds 4.5% of actual income:
• Annually, these households spend a combined $12.1 million in excess of 4.5% of their actual income.
• Over a 10-year period the financial burden is $122 million.

Eleven of the study area communities have 10-year period financial burdens above $10 million borne by the lowest income households.
• Paramount 39.4%
• La Verne 35.3%
• Escondido 34.4%
• Lomita 29.6%
• Santa Barbara 27.9%
• South Gate 26.4%
• Sacramento 24.3%
• Arcadia 23.8%
• Alhambra 22.1%
• Claremont 21.1%

Widespread Impact

California Cost Per Household Report
Ten cities report combined water, sewer and flood control costs greater than 20% of households spend in excess of 4.5% of annual income.
Substantial Economic Burdens on Below Median Households

• How to define Substantial Economic Burden, CWA 2% MHI
• Arbitrariness - purposely planned to raise rates to meet investment and O&M needs
• Abstract concepts of Poverty (FPL)
• Lack of accuracy in measuring affordability
• Absolute versus Relative considerations

Widespread Economic Burdens on Households

• What percent of the city’s population defines widespread?
## Income Based Billing

### City of?

<table>
<thead>
<tr>
<th>Household Income Distribution</th>
<th>Household Income</th>
<th>Number of Households</th>
<th>Percent of Households</th>
<th>$585.24/yr</th>
<th>1.50%</th>
<th>Total Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Uniform Rate Combined</td>
<td>Income Based Combined</td>
<td>%</td>
</tr>
<tr>
<td>Less than $10,000</td>
<td>10,000</td>
<td>2,459</td>
<td>16.90%</td>
<td>1,439,105</td>
<td>150</td>
<td>368,850</td>
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<td>$10,000 to $14,999</td>
<td>12,500</td>
<td>1,398</td>
<td>9.60%</td>
<td>818,166</td>
<td>188</td>
<td>262,125</td>
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<td>$15,000 to $24,999</td>
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<td>18.40%</td>
<td>1,569,614</td>
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<td>804,600</td>
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<td>$25,000 to $34,999</td>
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<td>1,953</td>
<td>13.40%</td>
<td>1,142,974</td>
<td>450</td>
<td>878,850</td>
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<td>$35,000 to $49,999</td>
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<td>1,120,735</td>
<td>638</td>
<td>1,220,813</td>
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<tr>
<td>$50,000 to $74,999</td>
<td>62,500</td>
<td>2,363</td>
<td>16.30%</td>
<td>1,382,922</td>
<td>938</td>
<td>2,215,313</td>
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<td>$75,000 to $99,999</td>
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<td>937</td>
<td>6.40%</td>
<td>548,370</td>
<td>1,313</td>
<td>1,229,813</td>
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<td>$100,000 to $149,999</td>
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<td>686</td>
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<td>401,475</td>
<td>1,875</td>
<td>1,286,250</td>
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<td>$150,000 to $199,999</td>
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<td>71,985</td>
<td>2,625</td>
<td>322,875</td>
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<td>$200,000 or more</td>
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<td>21</td>
<td>0.10%</td>
<td>12,290</td>
<td>3,000</td>
<td>63,000</td>
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</tbody>
</table>

Total: 8,507,634

Total Revenue: 8,652,488
Income Based Versus Uniform Rates

% Of Revenues

Household Income Levels

Uniform Rate
Income Based
• Moving away from MHI to a more sensitive economic measure of financial burden requires a more precise definition of substantial burden.

• The ALICE System and the Center for Neighborhood Technology measurement algorithms provide greater certainty of accuracy because they look at the threshold of what income you need to live in a particular community.

• **Aspiration:** Calculate the added cost of mandates and determine the percent of actual household income across the income spectrum, and schedule local investments to coincide with the ability of households to bear a reasonable amount of increase.

  ✓ Scheduling new investments to comply with federal/state mandates can be adjusted to account for grants, loans and amortization schedules for loans and bond financing