

Water Affordability: A burgeoning crisis in the U.S.

- From 2014-2015: number of city homes sold at tax sale in Baltimore with water-only liens rose by 34%, from 671 to 902 properties
- From 2006-2016: the cost of water services in Baltimore grew 126.7% while the federal poverty level for a family of four grew 2%, from \$20,000 to \$24,300.
 - Families are now paying 3.7% of their income for water services as compared to 2%.
- Newest study estimates that 70% of all census tracts in Baltimore will be unable to afford their water bills by 2020.

Examples from Philadelphia and Detroit

- Before Philadelphia implemented an income-based water rate structure, 40% of customer bills were in arrears, accounting for \$262 million in delinquent bills.
 - 60,000 households qualify for low-income assistance in Philadelphia (earn less than 150 percent of the federal poverty level)
- In Detroit, 17,689 individuals had their water shut off in 2017, a decrease from approximately 28,000 the year before.
 - The average past due water bill amount in Detroit was \$663 in 2017.

Factors Examined

RECONNECTION TERMS; SPECIAL ASSESSMENTS; FIRST- TIME CONNECTIONS	RATE ASSISTANCE
Whether a reconnection fee is charged	Whether payment plans are available
Conditions for reconnecting	Whether fees and charges assessed for nonpayment can be forgiven
Whether a property owner is required to connect to public water/sewer when the connection is made available; associated fees; required maintenance	Whether rate assistance programs are available, terms for qualifying, amount of assistance
Terms for special assessments	

SHUTOFFS FOR NONPAYMENT	FINANCIAL REPERCUSSIONS OF SHUTOFFS
Whether shutoffs are allowed for nonpayment of water and sewer bills	Whether a disconnection fee is charged; the fee amount
Number of days between nonpayment and shutoff	Whether a late charge is assessed for delinquency; the late charge amount
Whether notice of shutoff is required and how many	Number of days between nonpayment and assessment of late charge
Whether water/sewer rates for out-of-city customers are different than rates for in-city customers	Whether interest is charged on unpaid bills and fees; interest rate
Bill period	Number of days between nonpayment and interest accrual
Whether the property owner is responsible for nonpayment	Whether or not unpaid bills can become a lien
	Whether or not a home can be sold based on a lien

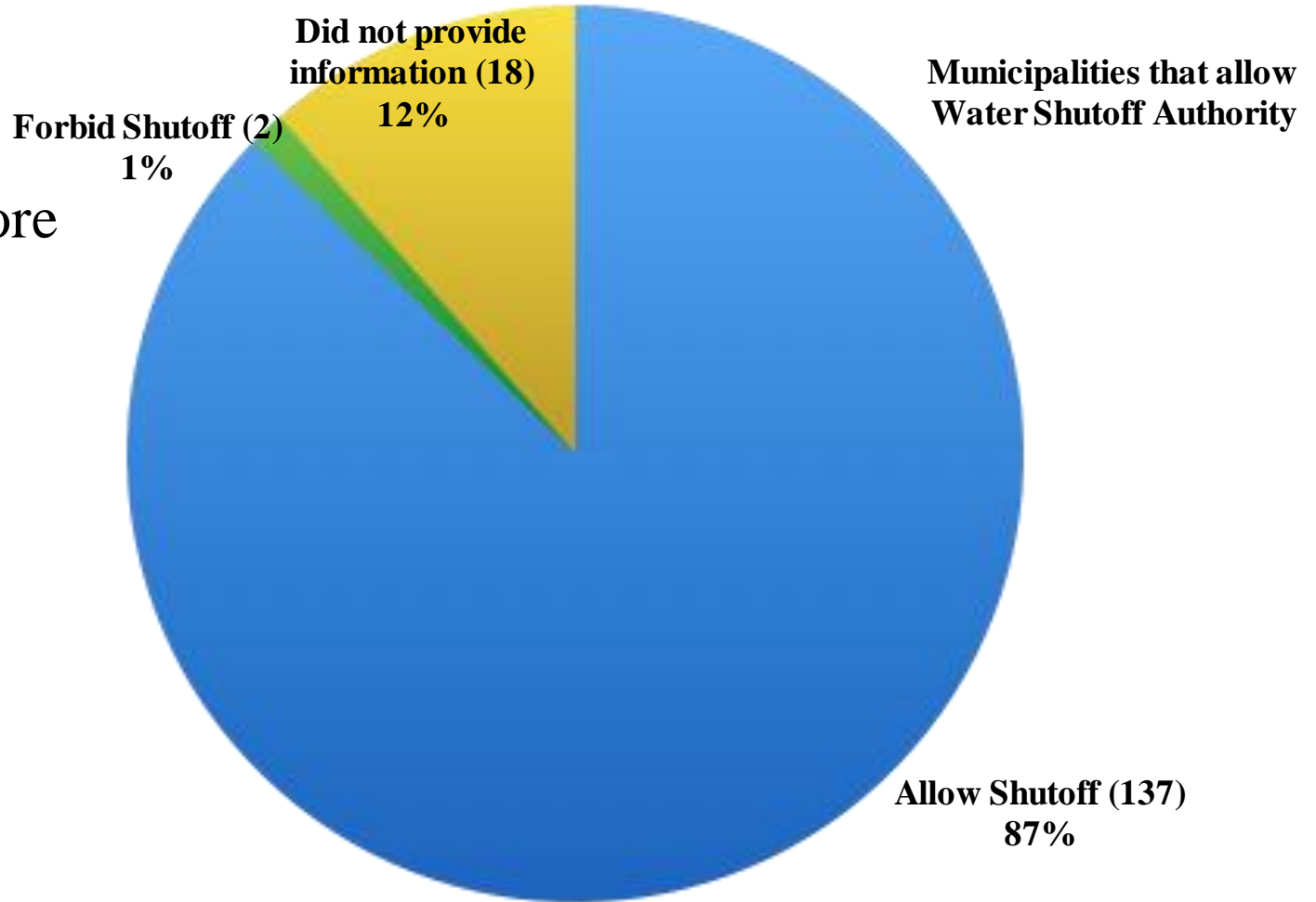
Summary of Findings

1. Where you live determines how affordable your water is.
2. Water shutoffs are a blunt instrument, especially in the absence of LIRA programs.
3. Existing LIRA programs are narrow in scope.
4. Existing laws do not provide a clear understanding of responsibilities in a water utility-consumer relationship.
5. There are no monitoring and reporting requirements for shutoff-related data.

Finding #1: Inconsistent laws across Maryland

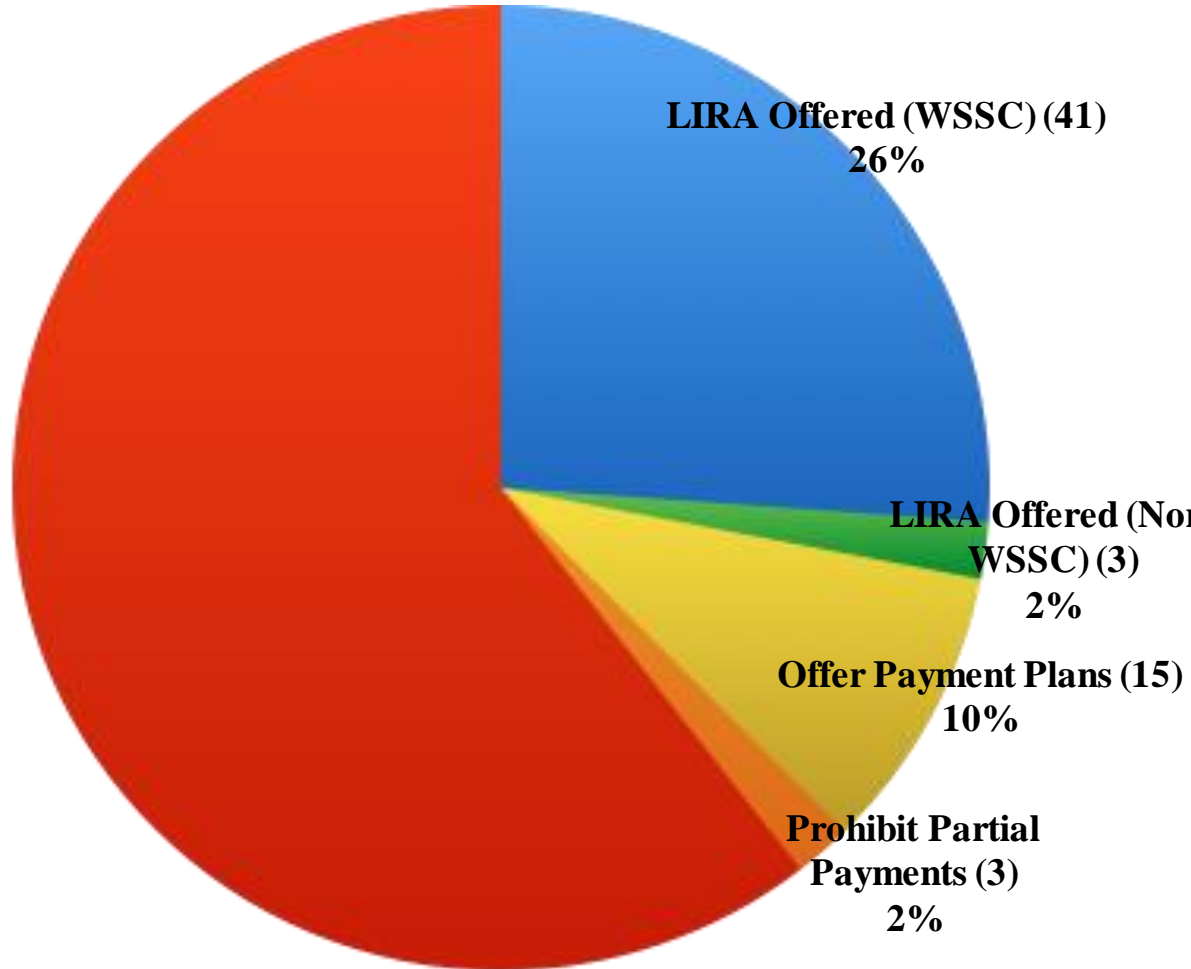
	Middletown	Woodsboro
Original Water Bill	\$100	\$100
Disconnection Fee	-	-
Reconnection Fee	\$50 or \$100 or \$150	\$100
Interest Rate (%/\$)	1.5% (\$1.50/ month)	1.5% (\$1.50/month)
Late Charge (%/\$)	1.5% (\$1.50 one-time fee)	-
Miscellaneous Charges	\$20 for sending termination notice	\$100 (payment in advance of amount equal to last billing cycle to be credited to next cycle)
Total	Ranges from \$173 to \$273	\$301.50
% bill increase	73% - 173% bill increase	Over 300% bill increase
Days before disconnection	90	60
Liens	Y	Y

Finding #2: More than 85% of municipalities allow water shutoffs



Municipalities that offer LIRA Programs or Payment Plans

**No LIRA Offered (95)
61%**

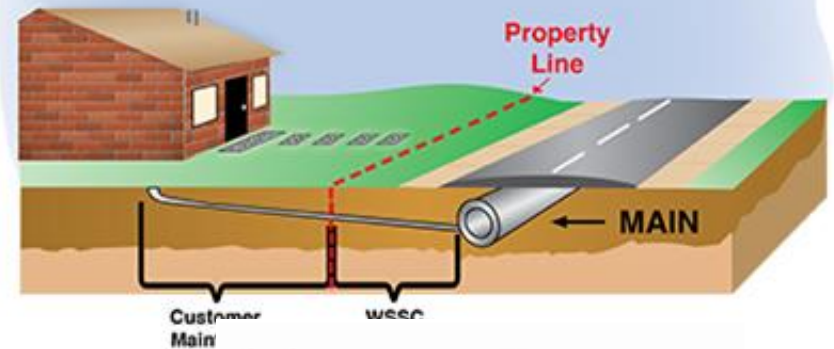


Finding #3: Existing LIRA programs are limited

Eligibility for LIRA for water bills in Baltimore

- The applicant must be a Baltimore City resident, the water utility account holder, and receive their water bill directly from the City.
- The applicant must reside at the property on the account.
- The applicant must have received a delinquent, turn-off, or tax sale notice due to their account being in arrears.
- The applicant must not have an existing payment plan.
- The applicant must provide verification documents.
- The must meet the gross income criteria below:

LIRA for water/sewer system repair within WSSC



Finding #4: Undelineated responsibilities

- How money from water rates can be used
- Utility and customer responsibilities
- Whether rates are mandated to rise

North Beach	"Benefit and user charges as may be established from time to time by the Town shall be as equitable as possible. All charges shall be directly related to construction, operation, and maintenance costs and may be increased or decreased as required." (North Beach Municipal Code, Sec. 112-1(B))
Smithsburg	"The moneys arising from water rents shall be applied, first, to the payment of current expenses of said Water Works and Water Distribution System; secondly, to payment of interest on bonds, and, thirdly, as to any balance to provide a sinking fund for the payment of said bonds" (Smithsburg Town Charter, Notes, No. 7, "794")
Snow Hill	"All such sewage charges collected shall be used solely for the payment of the operating and maintenance expense of the sewage system, including the sewage treatment plant, as the same may be constituted from time to time, and for improvements thereto and for paying the principal and interest on bonds issued for the purpose of providing funds for construction and maintenance of the sewage system and the sewage treatment plant as the same shall be due and payable." (Snow Hill Municipal Code, Sec 193-45)

Finding #5: Lack of Data Collection and Reporting Requirements

Sample survey questions:

1. How many water shutoffs due to unpaid water and/or sewer bills occur each billing cycle?
2. How many water shutoffs due to water wastage occur each billing cycle?
3. What does it cost a utility to shut off water services?
4. What does it cost a utility to reconnect a household to water services?
5. What is the purpose of disconnection fees, reconnection fees, late fees, and interest on unpaid bills?
6. How many households experience more than one shutoff per year?
7. What is the average number of days water is shut off before reconnection?

Sample Survey Questions (continued)

6. Are there plans to increase water/sewer rates?

- Yes
- No
- We do not know if rates will increase

7. If yes, within what timeframe are rates scheduled to rise?

- Within the next year
- Within the next 2 years
- Within the next 3 years
- Within the next 4 years
- Within the next 5 years
- More than 5 years from now

How does this change our understanding?

1. This Report is the first of its kind to examine affordability at the county and municipal levels, where these services are provided.
 - 92% of MD population covered by a locally-governed Community Water System
2. Considers “affordability” broadly to capture the real impacts of these laws: affordability is about more than just monthly water use bills
3. Introduces an analysis of urban vs. rural, large vs. small systems, large v. small ratepayer bases challenges and realities
4. Allows the CWSC and stakeholders to design responsive recommendations and solutions
5. Cross-state data collection and analysis will allow for nationwide comparison and engagement

Next Steps

- Finalize Maryland Report, including collected data from utility surveys
- Conduct research across the United States to provide a clear illustration of the state of affordability in the United States
- Raise questions, engage stakeholders, and innovate solutions with respect to:
 - Model LIRA programs and data/information affordability reporting guidelines
 - Full-cost pricing models, infrastructure financial health, and legal limitations on subsidizing low-income families' water and sewer services
 - Different challenges faced by urban v. rural and large v. small systems and how to overcome/address those challenges