

# PHILADELPHIA WATER RATE SETTING



## PROJECT SUMMARY

Philadelphia, Pennsylvania's Tiered Assistance Program (TAP) offers income-based water bills and a penalty forgiveness policy for low-income water customers.

### WHAT HAPPENED?

#### Problem Statement and Project Goal

Across the nation, water, sewer and stormwater bills are high because of the significant investment required in water and sewer infrastructure and facilities and regulatory compliance with the federal Clean Water Act and Safe Drinking Water Act.

Customers of the Philadelphia Water Department (PWD) are not immune to these high bills. In addition to an old infrastructure system, Philadelphia has one of the highest rates of poverty and homeownership, nationally. Many low-income residents own inherited homes but cannot afford to pay monthly water bills, which are higher than regional average.

PWD has several programs to reduce the water bill burden for its low-income customers: the Homeowners Emergency Loan Program (HELP), the Conservation Assistance Program (CAP), and short-term payment agreements and minor grants based on water usage for billing assistance. HELP provides no-interest repair loans for homeowners in danger of having their water shut off. CAP provides water conservation education and water efficiency retrofits such as low-flow faucets.

Despite the availability of the programs, \$170 million in back payments was owed to PWD in 2016. Detractors have criticized the billing assistance programs for a difficult application process, and for not providing debt forgiveness for past due bills. To address these issues, PWD worked closely with consumer advocates to develop its Tiered Assistance Program (TAP), designed to help low-income and water bill burdened households. Rolled out in 2017, TAP limits water bills to a defined percentage of household income. Benefits include the following:

- Monthly bills are based on household income (HHI), not water consumption.



Photo: Morgan Burke, Flickr/Creative Commons

#### Drivers that spurred on the Project/Program: *What lifted the project off the ground?*

- |  |  |
|--|--|
| <input checked="" type="checkbox"/> Community Demand | <input type="checkbox"/> Policy        |
| <input type="checkbox"/> Politics                    | <input type="checkbox"/> Practitioners |
| <input type="checkbox"/> Financing                   | <input type="checkbox"/> Unclear       |

#### Challenges/Barriers to adopt: *What were the challenges to moving the project forward?*

- |   |  |
|---|--|
| <input type="checkbox"/> Community Demand     | <input checked="" type="checkbox"/> Policy |
| <input checked="" type="checkbox"/> Politics  | <input type="checkbox"/> Practitioners     |
| <input checked="" type="checkbox"/> Financing | <input type="checkbox"/> Unclear           |

#### Proponents: *Was the project supported by government or community members?*

- |  |                                  |
|--|----------------------------------|
| <input checked="" type="checkbox"/> Public | <input type="checkbox"/> Private |
|--|----------------------------------|

**Public:** The existing water rate assistance program was not effective at helping low-income users pay their water bills, which resulted in a high rate of uncollected payments, and contributed to home foreclosure and abandonment.



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HHIs of 50% or less of the Federal Poverty Line (FPL) are billed 2% of their pre-tax monthly income. HHIs between 51% and 100% of the FPL are billed 2.5% of their income. HHIs between 101% and 150% of the FPL are billed 3% of their income. Water bills may be as low as \$12 per month.

- Customers do not have to be delinquent or behind on their bill to enter the program. This allows PWD to be proactive instead of reactive with assistance.
- Households with high water consumption will receive water conservation education, leak detection services, and water efficient fixtures.
- While successfully enrolled in the program, past due amounts are suspended, preventing debt from increasing.
- TAP participants earn forgiveness of prior penalties after 24 months of on-time bill payments.

## HOW DID IT HAPPEN?

### Ingredients for Success: Drivers and Barriers

Public advocates were vocal in their disapproval of PWD's bill assistance programs, due to a perception of unreasonable regulatory hurdles, citing the high amount of past due bills as evidence of the programs' inadequacy. Elected officials responded to community concerns by working with PWD to design and pass legislation for the Tiered Assistance Program. City Councilwoman Maria Quiñones-Sánchez sponsored the TAP legislation, which passed City Council unanimously and was signed by Mayor Michael Nutter in 2015. The independent Water, Sewer and Stormwater Rate Board approved TAP as a component of the PWD's FY17-18 rate case.

### Project Scale and Cost

TAP is limited to income-qualified households who apply for the program. Approximately 26% of the city's population of 1.5 million are at or below the Federal Poverty Line.

Since enrollment is not automatic, the scale of the program is dependent on outreach efforts. PWD and the Water Revenue Bureau, which manages TAP, sent applications and program enrollment information to all customers that had received billing assistance dating back to 2014. PWD also launched a public information and engagement campaign that includes paid print and radio ads, bus shelter, bus and subway ads, social media, point of sale displays, and worked with a network of NGO partners that work with low-income customers on a daily basis.

TAP is funded by water rate increases for non-TAP customers. At its inception, TAP had an \$18 million program budget which included the creation of the databases, business process, and hiring of 22 staff to administer TAP. PWD's most recent water rate revisions, which began in September 2018, will raise rates by 1.3% over the next two years.

### Decision-Making Timeframe

**2008:** Councilwoman Quiñones Sánchez begins investigating a water affordability program for low-income households

**2013:** City Council creates an independent water rate review board authorized to set income percentage-based rates

**2015:** Negotiations begin with PWD to design and approve income-based water bills

**2015:** Councilwoman Quiñones-Sánchez sponsors TAP legislation

**2015:** City Council unanimously passes legislation

**2015:** Mayor Michael Nutter signs legislation

**2016:** Water, Sewer and Stormwater Rate Board approves TAP

**2017:** TAP applicant period opens. TAP water rates take effect

## Beneficiary

TAP benefits low-income customers of the Philadelphia Water Department, who are guaranteed a reasonable monthly water bill and an option to earn debt suspension through timely monthly payments.

Earned debt suspension also benefits the PWD by offering the potential to recover more revenue than it would under the previous payment agreement system.

## DID IT WORK?

### Maintenance and Monitoring (On-Going Management)

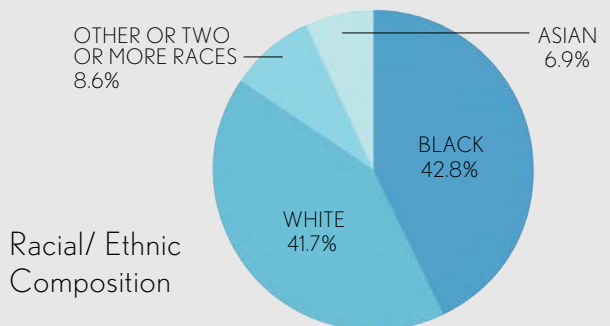
TAP is in the first year of its program. As of October 2018, approximately 8,000 customers were enrolled in TAP. PWD hopes to enroll an additional 20,000 to 30,000 residents, though Councilwoman Sanchez estimates that around 60,000 residents are eligible for the program. Community advocates are asking that the program be expanded to include households at 300% above the poverty line. This expansion would necessitate another rate process. In an effort to track how TAP participation is impacting its rates, PWD has included a "TAP" rider in its FY19-20 rates.

## Outcomes/Lessons Learned

Conventional utility assistance programs may be insufficient for cities with a high population of low-income households. In some cases, there can be unforeseen consequences of aggressive utility debt collection policies, such as the foreclosures prevalent in Philadelphia. Water utilities should consider whether other, less punitive, options may provide a more sustainable revenue stream. Income-based water rates provide low-income customers with an affordable and predictable monthly bill, which they may be more likely to pay.

# COMMUNITY FACTS

## PHILADELPHIA, PENNSYLVANIA



Population 2016	1,559,938
Population change since 2010	+29,066
Median Age	33.9 years
High School graduate or higher	82%
Total housing units	671,125
Median Household Income	\$39,770
Individuals below poverty level	26.4%

By incentivizing timely payment with a debt suspension and penalty forgiveness policy, the water utility may collect a greater percentage of both new revenue and arrears. However, changing the culture of rate setting and debt collection may be a lengthy process, and may require establishing an independent rate setting authority. In Philadelphia, collaboration was key to establishing TAP. The PWD, Councilwoman Sánchez, and Community Legal Services of Philadelphia worked on the development of the program for many years before introducing legislation.

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