



Utility Advisory Committee

Rates and Affordability Metrics

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Title

Rates and Affordability Metrics

Recommended Action

Information only. No action requested.

Report

Issue:

Briefing and discussion affordability metrics, utility rates, and assistance programs.

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Presenters:

Same as above.

Background and Analysis:

Rates are the primary revenue source for all four utilities and fund all operational costs as well as contribute to the capital fund to offset the cost to replace existing aging infrastructure (depreciation). Rates across the four utilities are heavily influenced by many factors such as:

- Community level of service expectations
- Differing and increasing regulatory environments
- Age of infrastructure
- Increasing cost of infrastructure upgrades
- Source of water supply
- Level of rainfall
- Climate impacts and goals
- Growth and development pressures
- Community economic development goals
- Customer base and how proactively system improvements and deferred maintenance are being addressed.

The influence of these varies by community, geographic and utility specific factors, and complicates rate affordability comparisons across local, regional, and national scales.

Affordability can be viewed as the ability of a customer to pay their utility bill in full and on time without impacting their ability to pay for other essential expenses. Financial analyses are conducted during the development of the various utility master plans including rate affordability assessments. These traditionally include looking at the utility bill as a percentage of the community median income. Newer methods were also included in the most recent Water System Plan including the income percentage of a low-income household (20% percentile of the median income) and number of hours worked to cover a monthly bill at minimum wage. Other community metrics can also be used to understand the impacts on the most vulnerable customers, for example poverty prevalence (population below 200% of the Federal poverty level).

Past analyses have been conducted as part of the strategic plans for each Utility independently with the varied cost of service, capital infrastructure needs, and policy considerations, although the combined utility bill is what impacts the customers. Rates are based on context driven expenses and policy decisions, and the impact on ratepayers depends on relative income and other demographic considerations over which the City has no control.

During the meeting, Utility staff will present this information as context for budget conversations later in the year.

Utility Assistance Programs

The City has two utility assistance programs: Lifeline Rates and Helping Neighbors are available for eligible residential customers.

- **Lifeline Rate Program** - Established in 1990 and assists qualified utility customers with a 50% discounted rate. Customers must be low income and disabled or low income and over age 62. This is typically a \$150 savings per month. The City uses the criteria of 50% below the Thurston County median income based on household size to determine eligibility for the Lifeline Rate program. Currently that is \$40,400 gross annual income for a household of two. The program is administered by our City Utility Billing staff. Customers on the program must re-apply annually since the income levels are updated every June/July.

In 2018, the City Council's Finance Committee asked the UAC to review the Lifeline Rate program and asked staff to increase participation in the program by 75 new participants. The UAC staff report from April 2018 is attached. Staff accomplished Finance Committee's goal through targeted outreach, but the goal was not met until 2022. Currently we have 395 participants on the program.

- **Helping Neighbors Program** - Established in July 2021 and came to fruition with the policy guidance from the UAC review in 2018. The program was intended to reach customers that do not meet the Lifeline Rate criteria but are facing financial hardship. The program collects voluntary donations to help low-income customers pay their utility costs. The City has an agreement with the Community Action Council, a local non-profit, that determines customer eligibility and administers program funds. Customers must meet the same income/household criteria as the

Lifeline Rate program and have a past due notice to receive assistance. The program offers a \$75 voucher twice per calendar.

Since its inception, the City has received \$4,811 in donations from customers. The City contributed \$5,000 in start-up money (amount split between the four utilities), \$7,293 is currently available in the fund. Unfortunately, the program has only helped 19 households since 2021. Eleven of those customers received the maximum \$150 assistance.

A link to the City's Utility Assistance Program webpage is included in the staff report attachment area online. At the UAC meeting, staff will answer questions and provide further program data and current outreach efforts.

Climate Analysis:

Utility rates and affordability do not have an immediate impact on greenhouse gas emissions. However, policy decisions to address risk and vulnerability of the utilities does impact rates.

Equity Analysis:

The affordability of rates has impacts on the most vulnerable portions of the Olympia community. The discussion will help provide context on ways to understand and describe how the cost of City provided utility services affects those communities. Utility assistance programs offset these impacts for eligible customers.

Neighborhood/Community Interests (if known):

The affordability of utility rates is of interest to the community, as is the sustainability and adequacy of these rates to support resilient and efficient utility services.

Options:

Briefing only.

Financial Impact:

None. However, affordability assessments and financial analysis helps Olympia make long term utility decisions with planning, staffing, budget, infrastructure and asset management.

Attachments:

City of Olympia's Utility Assistance Program webpage
April 2018 UAC Staff Report - Review of Utility Customer Assistance Program