

# **Providing Safe, Affordable Water to Low Income Households: Options for the San Lorenzo Valley Water District (SLVWD)**

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*“Every human being has the right to safe, clean, affordable, and accessible water adequate for human consumption, cooking, and sanitary purposes.” California State Law (AB 685, 2012)*

## **Introduction**

California now recognizes safe, affordable water as a fundamental human right. Unfortunately, the cost of water delivery is being inexorably driven upward by a wide range of evolving conditions: aging infrastructure, climate change and droughts, population growth, degrading watershed lands, aquifer depletion, revised standards, and escalating staff expenses. According to the California State Water Resources Board, the average cost of water for Californians increased by 45 percent between 2007 and 2015 (from \$37.01/month to \$53.91/month), with costs continuing to rise.<sup>1</sup>

For water districts across the state, including SLVWD, this leads to at least three critical challenges:

- Devising innovative ways to grow revenue for a fixed customer base (so as to minimize rate increases)
- Managing expectations for typical rate-payers (who are understandably resistant to rate increases)
- Mitigating hardship for low-income households (who are hardest hit by any rate increases).

It goes without saying that water districts should spend their money as wisely and efficiently as possible, but this alone will not enable any district to avoid confronting these challenges.

This document focuses principally on the third of these three challenges: mitigating hardship for present and future low-income households. To its credit, the SLVWD Board is well attuned to this challenge as well; it has highlighted both its concern for low-income households and the need to keep the cost of water low to ensure that all SLVWD ratepayers can afford the District’s water service. To date, however, the board has not implemented programs to assist low-income households specifically.

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<sup>1</sup> California State Water Resources Control Board, *Recommendations for Implementation of a Statewide Low-Income Water Rate Assistance Program*. CSWRCB; Sacramento, CA (February 2020). Available at: [https://www.waterboards.ca.gov/water\\_issues/programs/conservation\\_portal/assistance/docs/ab401\\_report.pdf](https://www.waterboards.ca.gov/water_issues/programs/conservation_portal/assistance/docs/ab401_report.pdf)

What new rate-mitigation strategies might SLVWD conceivably implement? A logical first step in confronting any new problem is to determine what responses have been explored by others facing a similar challenge. In this report, we outline two specific options for assisting low-income households that have been used by other water districts across California and appear to be feasible for SLVWD. These options are not mutually exclusive, and can be considered either individually or together. We urge SLVWD to seriously consider both options.

## **Option #1: Low Income Assistance Rate Programs (LIRA)**

### **Description**

As a logical follow-up to its 2012 declaration of water as a fundamental human right, the California legislature enacted the Low-Income Water Rate Assistance Act in 2015.<sup>2</sup> It directed the State Water Resources Control Board (State Water Board) to prepare a plan to implement LIRA programs across the state which it issued in February 2020.<sup>3</sup> It provides a blueprint for the program, but there is neither a timetable for implementation nor a clear path for funding the estimated \$606 million annual cost.

In the meantime, numerous local water districts have implemented their own LIRA programs, tailored to the particular circumstances and needs of their ratepayers. The programs provide discounts to qualifying ratepayers using a variety of application processes and funding mechanisms, all of which avoid the financing constraints imposed by Proposition 218 and subsequent court cases. We have identified ten public districts with active LIRA programs (Table 1).<sup>4</sup>

Table 1 identifies four key components to local LIRA programs:

Amount of Discount: Discounts can be applied as a fixed amount per month or year, through a percentage discount, or based on volume of use. We found fixed rate discounts ranging from \$10-\$20/month; East Bay Municipal Utility District (EBMUD) provides a 50 percent discount.

Eligibility: Most of the ten Districts rely on PG&E's CARE program guidelines (or in the case of Districts in Southern California, guidelines of other relevant energy providers) – if the ratepayer is eligible for low-income discounts from PG&E then they qualify for the LIRA program. CARE gives discounts of up to 20 percent to those whose incomes are up to approximately twice the federal poverty guidelines (reflecting the higher-than-average cost of living in California). Calaveras County Water District limits its program to 200 customers, chosen on a first-come-first-serve basis.

Application Process: In most cases, applicants fill out a simple form and attach a copy of their PG&E bill showing their enrollment in the CARE program (or the Southern California

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<sup>2</sup> Assembly Bill 401 (2015). California Water Code § 189.5

<sup>3</sup> See note 1, *supra*.

<sup>4</sup> We identified these ten Districts by reviewing the websites of Districts that responded to the State Water Board draft report and by conducting Internet searches. In selected cases, we contacted the Districts and interviewed relevant staff members. We anticipate that there are numerous other Districts that have similar programs.

equivalent energy provider program). In most cases, participants must reapply on an annual basis.

Funding: Districts use a variety of income sources to pay for their LIRA programs, including penalty fees, interest income, property tax revenues, and rental income, among others. No District uses revenue derived from water delivery, thus avoiding Proposition 218 problems. One District also relies on charitable donations.

### **Discussion and Recommendation**

LIRA programs are clearly feasible, and their administration appears to be straightforward, limiting the amount of administrative costs associated with implementation and operation. There are a number of options to consider, as discussed above.

We note that private water companies, including California American and Cal Water also provide low income discounts that are substantially greater than those we found among public districts. Low-income discounts are also routine among other public utilities companies, again with substantial discounts. Given the importance of water as a fundamental human right and the precedent provided by both private and public water and energy organizations, SLVWD would be well justified in joining the public districts that provide such financial relief to customers who are struggling to make ends meet. We recommend that SLVWD initiate steps to implement a LIRA program for the District.

### **Option #2: Assisting Low Income Households Facing Unanticipated Emergencies to Avoid Water Shutoffs**

#### **Description**

This option focuses on a distinct but related problem for low income ratepayers: water shutoffs due to failure to pay water bills. The problem is compounded by the fees charged by SLVWD for posting a warning that the shutoff is imminent (\$25), and then for actually discontinuing service (another \$40). Shutting off a low-income household's water clearly should be a last resort for the District since it denies the residents their human right to safe, accessible, and affordable water. Yet, the District cannot function without ratepayers actually paying their bills.

SLVWD's water shutoff policy is being revised in light of SB 998, the Discontinuation of Water Service Act, enacted in 2018 and in effect February 1, 2020. SB 998 recognizes that Californians have a fundamental right to accessible, affordable, safe water and establishes guidelines and procedures for public water districts to limit the likelihood of water shutoffs and to assist low-income households in avoiding shutoffs. Its provisions were developed primarily to address problems associated with large, urban water districts. SLVWD's revised policy adheres to the SB 998 guidelines, but according to SLVWD staff, the state guidelines create additional problems when applied to small rural districts such as ours. Low-income household shutoffs thus remain a serious problem.

The challenge for the District in providing additional protections beyond those mandated by state law is to distinguish between households facing unusual financial crises that can be alleviated in the short term from those with a chronic financial situation that makes paying water bills over time not feasible. Any attempt to identify those with short-term emergencies is fraught with

administrative and legal challenges that can lead to unintended direct and indirect costs to the District. Privacy issues may also arise.

This option seeks to protect the District from these problems by first, using only private donations to fund the program and second, having it administered by an outside nonprofit agency that includes in its mission assisting low income households facing unanticipated financial crises. Private donations can be encouraged through an annual fundraising drive with publicity on its website, on social media and other media outlets.

### **Discussion and Recommendation**

We have identified one water district – East Bay Municipal Utility District (EBMUD) – that has implemented a program proposed here. Its website states that the District has partnered with two nonprofit organizations – St. Vincent DePaul Society and Catholic Charities – to assist low-income households in a financial emergency that face water shutoffs. EBMUD encourages its ratepayers to make donations to either of these two organizations for its “Water Lifeline Donation Program.” The two organizations determine eligibility and distribution priorities. Both organizations have staff and programs with experience determining housing and financial needs of low-income families.

The EBMUD program provides a good model for SLVWD to adopt. Legal and administrative issues clearly need to be examined to determine feasibility and costs. There is at least one nonprofit organizations in the San Lorenzo Valley that may be in a position to partner with SLVWD in this effort –Mountain Community Resources (MCR). We recommend that SLVWD investigate the viability of such a program and, if feasible, contact MCR to determine partnership possibilities.

### **Conclusion**

Members of the current SLVWD Board of Directors have repeatedly expressed their deep concern for the plight of SLV rate-payers whose precarious financial status threatens their fundamental access to water. The obvious concomitant to this concern is the question: what immediate options are available for mitigating this threat? In this document, we have outlined two feasible responses, both of which, based on the experiences of other water districts across California, appear to be worthy of immediate serious consideration:

- Numerous other California water districts have implemented Prop-218-compliant LIRA programs.
- At least one California water district has partnered with local charities to assist households facing imminent water shutoff.

These programs are particularly instructive in the examples that they provide of viable funding strategies (including penalty fees, interest income, property tax revenues, rental income, donations) and of strategies for minimizing administrative overhead (including reliance on already-well-established programs and charities in the SLV). The obvious next step would be to carefully examine the implications of these numerous precedents for SLVWD.

**Table 1**  
**Low-Income Rate Assistance (LIRA) Programs**  
**Public Water Districts**

<b>Water District</b>	<b>Discount Amount</b>	<b>Eligibility</b>	<b>Application Process</b>	<b>Payment Source</b>	<b>Notes</b>
Calaveras County Water District	\$20/month	Household income below 200% of federal poverty guidelines; PG&E CARE program as proof	Annual, beginning January 1 of each year. Attach PG&E bill; renters must provide copy of rental agreement	Unclear	This is a separate water district with its own board of directors, independent of the county government.
Calistoga	20% reduction in water volume charges up to 35 water service units; 20% reduction in water service charges	PG&E CARE program criteria	Submit PG&E bill showing enrollment in PG&E CARE program	Unclear	City provides water (not a separate water district)
Chino Hills	\$10/month	CPUC low income guidelines	Annual; submit application w/energy bill that shows CPUC eligibility	Penalty fees	City provides water; not a separate water district

Coachella Valley Water District	\$100 credit once per year	Household income below 200% of federal poverty guidelines	Administered by United Way -- apply with them	Charitable donations, employee donations, sale of scrap metal, lease revenues, sales of CVWD's book on desert-friendly landscaping	Average monthly bill is \$24
Cucamonga Valley	\$10/month	CPUC low income guidelines	Annual; submit application w/energy or gas bill showing CPUC eligibility	Unrestricted rental income (from rental of cellular tower space)	Special District unit of local government
East Bay Municipal Water District	50% discount	Household income below 200% of federal poverty guidelines	Report household income. Valid for 2 years.	Property tax revenue?	Independent of this, EBMUD recently partnered with St. Vincent de Paul Society of Alameda County and Catholic Charities of the East Bay to launch a new program that supports customers facing an emergency and unable to pay their bills.
El Dorado Irrigation District	\$25 credit on each bimonthly bill	Participation in CARE program	Submit PG&E bill showing CARE eligibility. Valid for 2 years.	Unclear	This is a pilot program for up to 1500 customers.

Georgetown Divide Public Utility District	Unspecified	Unspecified	Provide PGE bill showing CARE discount or provide proper income documentation	Unclear	A new program; limits on number of participants
Scotts Valley	Varies by amount of use				Program appears to be in development; details forthcoming
Thousand Oaks	\$20 credit on each bimonthly bill	Participation in CARE program	Submit SCE or SCG bill showing CARE eligibility	Unclear	

