Affordability of Water Rates
A Utility's Perspective

Presentation to
Council of Infrastructure Finance Authorities

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Overview of the Presentation

- Defining "affordability"
- Brief insight into our customers
- Legal authority to address affordability issues
- Key policy decisions for addressing affordability issues

Three Concepts

Reducing the Pie	Reallocating the Pie	Serving the Pie Differently
• Reductions in service levels • Efficiency measures • Economies of scale • Long-term debt • SDCs	• Low-income assistance • Lifeline rates • Fund external organizations like Care-to-Share	• Increase billing frequency • Encourage voluntary contributions to Care-to-Share

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"Affordable" Bills Under Various Measures of Median Household Income

Community	MHI	Range of Affordability		
		1.50%	2.00%	2.50%
Beaverton	$55,115	$68.89	$91.86	$114.82
Aloha	$60,297	$75.37	$100.50	$125.62
Tigard	$62,521	$78.15	$104.20	$130.25
Hillsboro	$64,197	$80.25	$107.00	$133.74
Cedar Hills	$68,793	$85.99	$114.66	$143.32
Cedar Mill	$106,429	$133.04	$177.38	$221.73
Washington County	$63,814	$79.77	$106.36	$132.95

Median Household Income (MHI) based on US Census Quick Facts at http://quickfacts.census.gov/qfd/states/41/41067.html
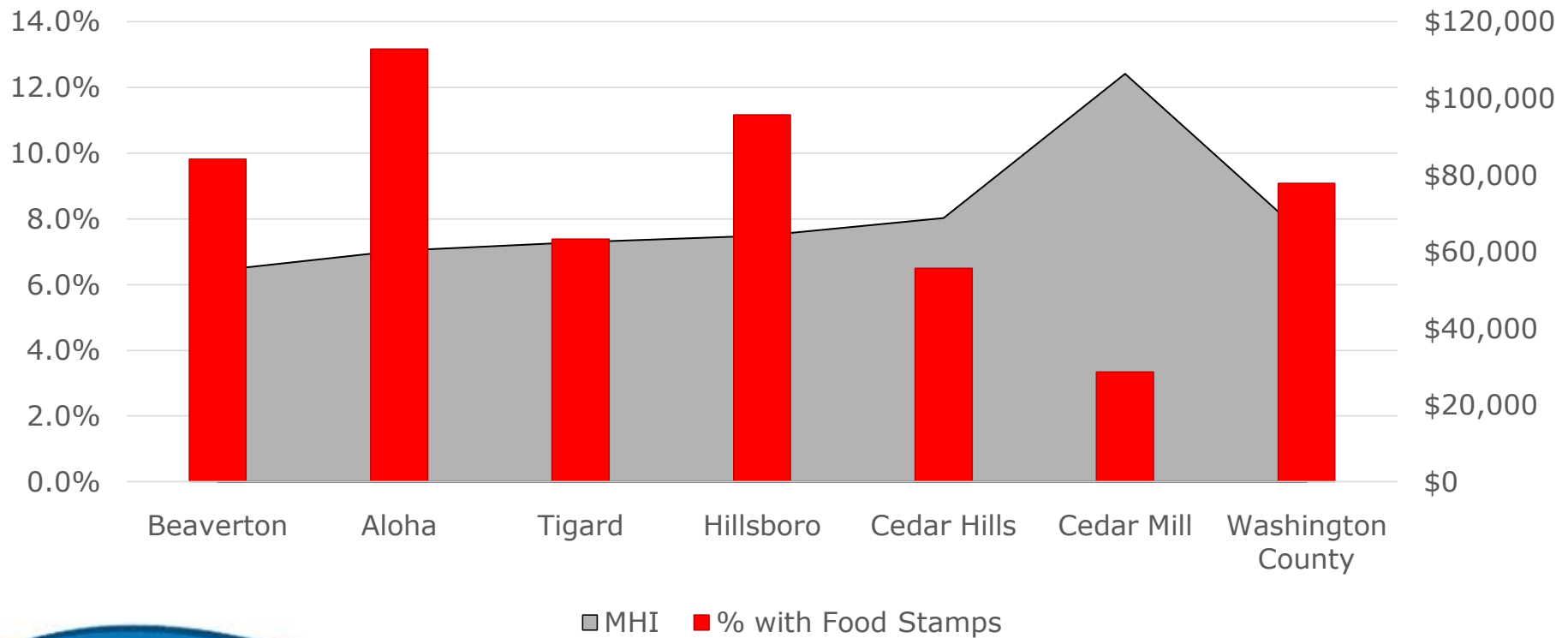
Is it really this simple?

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MHI Distribution Across Households

Distribution of Median Household Income

Beaverton ■ Cedar Mill

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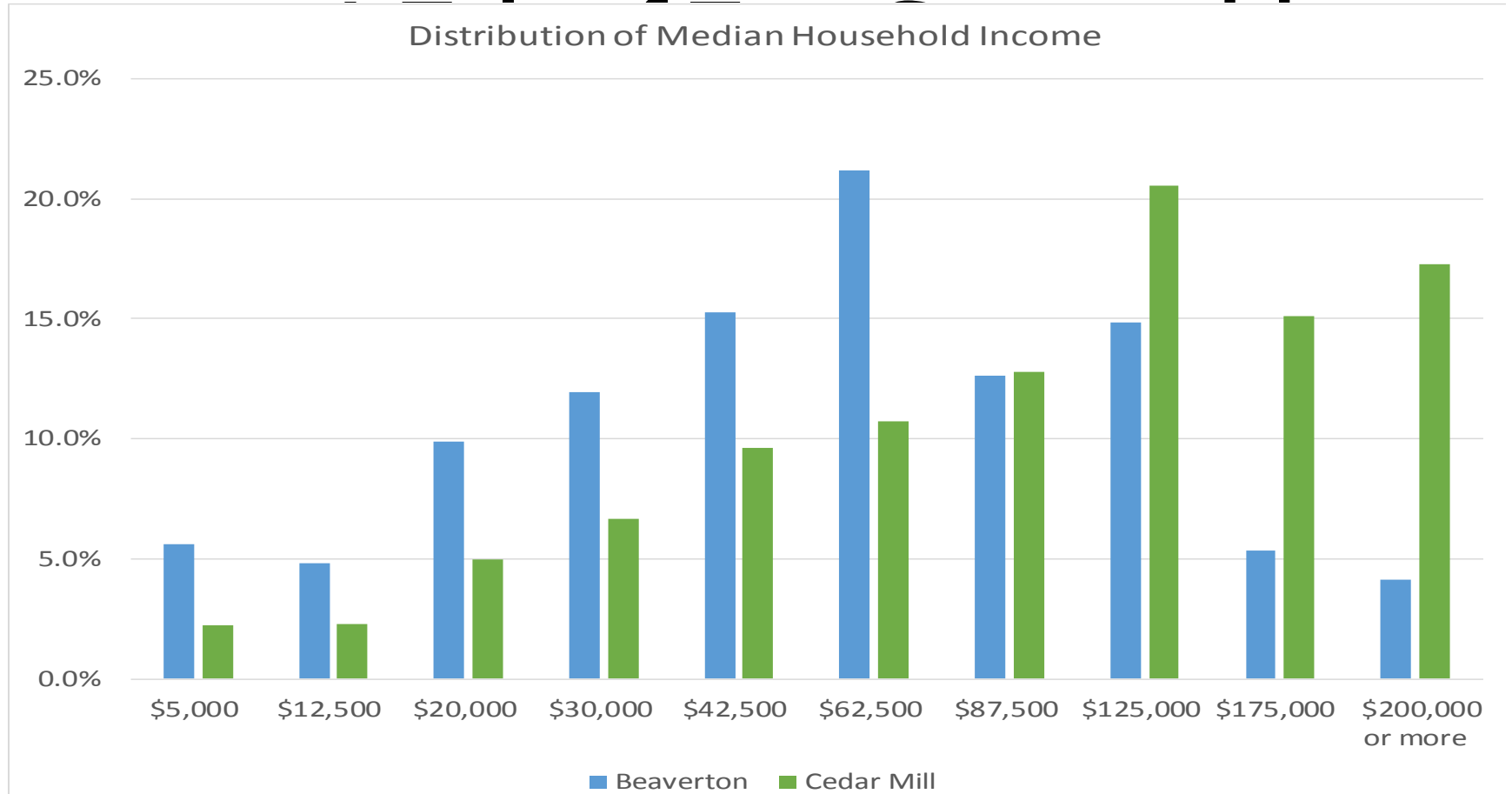
TVWD Serves a Diverse Community

Comparison of Households Receiving Food Stamps and MHI

Legend: ■ MHI ■ % with Food Stamps

Categories: Beaverton, Aloha, Tigard, Hillsboro, Cedar Hills, Cedar Mill, Washington County

Left axis: 0.0%, 2.0%, 4.0%, 6.0%, 8.0%, 10.0%, 12.0%, 14.0%

Right axis: $0, $20,000, $40,000, $60,000, $80,000, $100,000, $120,000

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Legal Considerations
for Reallocating the Pie

Discounted Water Rates and the Law

- Adoption of a discounted water rates is a policy decision for the Board
- No legal requirement to establish a discounted rate or assistance program
- Policy may consider economic and social objectives
- Policy should define who receive discounts

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Policy Considerations

Who Receives a Discount

- Low-income
- Low-income senior citizens
- All senior citizens
- Disabled

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Policy Considerations

Who Pays for the Discount

- Other residential customers
- Business customers
- Both residential and business customers

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Policy Decision 1:
Overall Policy on Low-Income Assistance

Low-income assistance is typically addressed in three different ways

 Don't address the issue at all

 Direct customers to low-income or assistance programs (Care-to-Share)

 Create a program within the District's rate structure to address low-income issue

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Policy Decision 2:
Nature of the Assistance

Lifeline Rate

- All residential customers have the same rate schedule, but the first block of consumption is for "essential needs" and priced below cost
- Advantage: Administrative easy. All customers qualify
- Disadvantage: May not really help target customers

Low-Income Rate Schedule

- Establish a separate rate schedule for targeted customers
- Advantage: Targets and benefits the specific customers
- Disadvantage: Administratively difficult. Need to qualify customers

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Policy Decision 3: Determining Eligibility

Methods to Determine Eligibility

- Percentage of the MHI that the U.S. Department of Housing and Urban Development estimates
- Percentage of U.S. Department of Health and Human Services Poverty Guidelines
- Other standard that the Board determines (e.g., customer qualifies for another low-income program like SNAP, Oregon Health Plan)

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Policy Decision 4: Level of Discount

Which Bills Receive Discount

- Water
- Sanitary sewer
- Stormwater

What's the Level of the Discount?

- Fixed charge
- Volume charges
  - Minimum or maximum discount
  - One or more blocks
- Consideration: Is it important to maintain an incentive for efficient use?

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Policy Decision 5:
Revenue Recovery to Support Program

Where to Recover Lost Revenue

- Other residential customers only
- All utility customers (residential and non-residential)

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Closing Thoughts

- Diversity in customers makes affordability programs difficult to focus
- Legal requirements can vary by state and local charters
- Affordability program may increase in importance as you pass through major investment cycles
- Generally a policy question—not a technical question
- Recommend programs be sustainable from both an operational and funding perspective.

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