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2/15/2022	1	City Council	received	Pass

CITY COUNCIL AGENDA ITEM

ACTION REQUESTED:

Receive the Water Rate Affordability Report and direct staff to develop a Utility Assistance Program

DEPARTMENT: Finance Department

SUBMITTED BY: Rachel Mayer, Finance Director and Darrell Blenniss, Water Utilities Director

BOARD/COMMISSION REVIEW:

N/A

BACKGROUND:

Aging infrastructure in the Water Utilities requires the need for greater capital investment, resulting in higher costs for customers. When staff established new rates to address these needs, affordability remained an important consideration. Naperville's water and wastewater rates continue to meet the definition of affordable when compared against several metrics (see *Water Affordability in Naperville* below); however, the cost of utilities does present challenges for some customers. Some regional financial assistance programs are already available for those customers (see *Utility Assistance Programs* below).

Last year, the City's Temporary Utility Assistance Program, operated through a partnership with Loaves & Fishes, served as a successful model to supplement other programs. Data gathered from Loaves & Fishes last year showed that financial need is not unique to one group.

Staff recommends that the City continue to offer needs-based utility assistance through a partnership with Loaves & Fishes.

DISCUSSION:

Annually, the City compares its utility rates to those of peer communities, and historically, the cost for

services in Naperville are some of the lowest among those communities. Because Council's request for additional information centered on rising water rates, this report primarily focuses on that portion of City utility rates.

Water Affordability in Naperville

There are several published metrics by which the affordability of water and wastewater service can be measured. Staff analyzed Naperville's rates against several of these metrics and consistently found our rates to be affordable.

US EPA Median Household Income Metric

The most widely applied method of measuring water and sewer affordability in the United States is to calculate the average residential water and sewer bill as a percentage of the Median Household Income (MHI). The standard metric for combined residential water and sewer bills is 4 to 4.5% of MHI. Percentages below this metric are considered affordable. Naperville's combined rate is a very low 0.74% of Naperville MHI.

	2022
Typical Residential Water/Sewer Bill (Annual)	\$1,040.52
Naperville Median Household Income*	\$140,061
Percentage	0.74%
US EPA Metric**	4-4.5%

*2021 <https://data.census.gov/cedsci/profile?q=1600000US1751622>

** Metric for Combined Water/Sewer

Hours of Minimum Wage Metric

This metric, based on an American Water Works Association award-winning academic paper, compares how many hours a minimum wage worker must work to afford their water and sewer bill. The paper surveyed the 25 largest cities in the United States. While there is no hard and fast rule for when the bill becomes "unaffordable," the average of 25 cities surveyed is nine hours. Naperville is currently below that and projected to decrease due to the state-mandated increase in minimum wage. The results are shown below. The survey is from 2017, but because this is a ratio, the comparison should still be relevant.

	2022	2023	2024
Typical Water/Sewer Bill (Monthly)	\$86.71	\$90.79	\$95.03
Minimum Wage	\$12	\$13	\$14
Hours of Minimum Wage	7.2	7.0	6.8

Peer Community Comparison

A comparison of rates among DuPage Water Commission peer communities shows that Naperville's rates are very competitive. Of the communities listed in the table below, Naperville ranks third lowest in combined water and sewer rates. However, cost alone does not provide a comparison of affordability as it does not account for a community's ability to pay. When measuring against the median household income metric above, Naperville tops all peer communities with the lowest

percentage of household income.

City or Village	Combined Water/Sewer Monthly Bill	Monthly Median Household Income	Percentage of MHI
Carol Stream	73.15	6,838.50	1.07%
Lisle	73.34	7,549.00	0.97%
Naperville	86.71	11,671.75	0.74%
Downers Grove	90.35	7,907.75	1.14%
Lombard	93.13	6,871.75	1.36%
Plainfield	94.78	10,884.50	0.87%
Woodridge	98.69	7,174.50	1.38%
Glen Ellyn	98.99	9,223.17	1.07%
Wheaton	110.22	8,614.67	1.28%
Winfield	115.45	9,465.25	1.22%
Elmhurst	119.81	9,884.08	1.21%

Utility Assistance Programs

While the metrics noted above indicate a high level of affordability in Naperville's water rates, it is understood that the cost of utilities presents a greater challenge for some customers when compared to the averages. Regional programs to address these needs already exist.

Low Income Home Energy Assistance Program (LIHEAP)

LIHEAP assists low-income households by offsetting the rising cost of home energy through direct financial assistance, energy counseling, outreach, and education. The program, managed at the county or township level, maintains strict income eligibility requirements. While the program is specific to electric and heating costs, electricity charges represent a greater percentage of the total utility bill for most Naperville customers.

Low Income Household Water Assistance Program (LIHWAP)

LIHWAP is a one-time water and wastewater payment assistance program to help low-income households that are facing the threat of disconnection, have already been disconnected, or have past due balances over \$250 for their water and wastewater services combined. Customers may apply one time for water and one time for wastewater for the life of the program, which is February 1, 2022 through August 31, 2023. This program is currently offered through DuPage County.

Naperville Temporary Utility Assistance Program

In response to the COVID-19 pandemic, the City established a Temporary Utility Assistance Program in February 2021, which allocated \$500,000 to help customers pay down outstanding utility bill balances. The City offered \$300 to residential customers and \$1,500 to small business customers. The temporary program ended on December 31, 2021.

The City partnered with Loaves & Fishes for the administration of the residential portion of the program. The table below details the outcomes of the program.

Households Served	Total Residents Served	Total Funds Granted
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390	1,036	\$104,186
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In addition to tracking the financial outcomes, Loaves & Fishes tracked various pieces of demographic data from those served by the program. Demographics collected include gender, age, race, and financial status and are summarized below, with detailed information attached.

- Less than 4% of residents served earn the median family income for Naperville residents. Nearly 60% met the threshold of Extremely Low on the median family income scale.
- More than 60% of the total residents served were female.
- Children under the age of 18 accounted for 43% of the total residents served.
- More than 75% of residents served identified as a race other than White, with Black or African American residents accounting for nearly 54% of the population served.

The commercial assistance program received less interest than the residential program. Approximately 50 businesses applied in the first month; after this time, applications slowed considerably. Due to the limited interest from the business community, the City opened that program to small businesses engaged in rental property management later in the year, which helped some landlords address unpaid balances left by tenants during the eviction moratorium.

Businesses Served	Total Funds Granted
86	\$59,597

Future Opportunities

Staff has reviewed several financial assistance models that exist in the public utility space. Programs vary in scope and design and are largely based on the needs that exist within a specific community. Most programs are based on a defined financial need as opposed to a demographic identifier.

Council specifically inquired about senior citizen relief. Offering blanket relief to seniors may prove to be inequitable as that model would offer relief to many customers who have sufficient income while excluding other customers, such as low- and moderate-income families, who may experience greater financial hardship locally based on data from the Temporary Utility Assistance Program. As such, staff recommends that any financial assistance model be based on financial need.

The City looked to Loaves & Fishes when designing the Temporary Utility Assistance Program in 2021 as they had an operational model necessary to successfully administer a program, thus avoiding any need for additional City resources. Loaves & Fishes possesses the experience needed in this area and is an established, trusted partner of the City. Loaves & Fishes found the program to be a valuable resource for our residents and has requested an extension of the program.

Should the Council desire to offer utility assistance, the partnership between the City and Loaves & Fishes serves as a tested model that could be offered on a more permanent basis. The program requires no additional City resources beyond the dollars needed to fund the program and advances an existing community partnership. Staff recommends this as the preferred model.

If Council reaches a consensus to provide ongoing utility assistance, staff will define specific program guidelines for Council's consideration.

FISCAL IMPACT:

N/A

