

# Memorandum

## City of Lawrence

### Finance Department

TO: Thomas M. Markus, City Manager  
 FROM: Kristy Webb, Utility Billing Manager  
 CC: Bryan Kidney, Finance Director  
 Casey Toomay, Assistant City Manager  
 DATE: February 20, 2018  
 RE: Lifeline Program Expansion

#### **Background**

The City Code allows qualified elderly residents reduced water, sanitary sewer, and sanitation charges. A low-income elderly person, who meets criteria guidelines, shall pay a monthly charge per dwelling unit of 35% of the regular monthly residential water, sanitary sewer and sanitation charge. As of February 9, 2018, there are 86 active accounts, which are approved for the elderly reduced rates. The Finance Department manages this program.

A low-income elderly person is one who is at least 60 years of age before the 1<sup>st</sup> day of January of the year in which the reduced service charge is applicable. To qualify for these low-income elderly reduced charges:

- The individual shall have an income during the preceding calendar year from all sources of less than \$13,266.00 or
- Any elderly person who qualifies as Head of a Household per IRS filing status criteria, with a family income during the preceding calendar year from all sources of less than \$17,864.00
- Income thresholds are updated annually in accordance with federal poverty guidelines

The Lifeline Program, compared to other Kansas water utilities, is one of the more generous programs in the State of Kansas in that it offers a recurring monthly rate discount for those that qualify. The Finance staff research found that those Kansas utilities that did offer an assistance program only offered temporary assistance for economic hardship (see below chart).

Utility	Population Served*	Program Summary
Johnson County Wastewater/WaterOne	400,000/331,900	Temporary assistance for economic hardship Administered by Johnson County
City of Topeka	128,188	Temporary assistance for economic hardship Funded through voluntary customer donations Administered by a social agency
City of Wichita	384,445	Temporary assistance for economic hardship Funded through voluntary customer donations Administered by a social agency
Kansas City Board of Public Utilities	146,453	Temporary assistance for economic hardship In partnership with United Way of Wyandotte County

At their July 11, 2017 meeting, the City Commission directed the Finance Department to consider expanding the low-income rate program to other low-income individuals, less than 60 years of age, with zero impact to revenue.

**Revenue Impact**

The 2017 revenue impact of the current program enrollment of 86 was \$46,346.94 for Utilities and \$12,229.20 for Solid Waste, which is limited due to only 86 people participating in the program. Preliminary revenue for water and sewer combined in 2017 was \$39,558,432; preliminary revenue for solid waste in 2017 was \$10,091,366.

The Finance Department evaluated the impact of expanding the program to the following populations:

- Age 60+ and low-income
- Has a disability and low-income
- U.S. Veteran and low-income
- Low-income

Based on U.S. Census data for the City of Lawrence, the number of individuals in each population group is as follows:

Population	Population Size	% of Total Population
All of Lawrence	92,611	100%
Lawrence Population at or below federal poverty level	20,652	22.30%
Low-income AND a member of one of the following populations:	5,629	6.08%
age 60+	779	0.84%
has a disability	4,570	4.93%
U.S. Veteran	280	0.30%
Low-income AND not a member of one of the above populations	15,023	16.22%

Additional considerations:

- 9.1% of all families had income below the federal poverty level. (2016 U.S. Census data)
- 43.8% of households below the federal poverty level consist of unrelated individuals. (2016 U.S. Census data)
- The 2016 University of Kansas Lawrence campus student population was 24,892. (from University of Kansas website)

**Typical Utility Bill Charges**

Household Size	Water	Sewer	Storm Water	Solid Waste	Total
2	\$28.15	\$40.19	\$5.30	\$18.80	\$92.44

Above data based on:

- average monthly consumption of 2,000 gallons per person
- 65 gallons trash cart

The low-income households in Lawrence account for approximately 5,000 of the approximately 30,000 residential water accountholders. The Finance Department found that maintaining a \$60,000 revenue impact extending across those 5,000 households would result in a \$12 annual discount for each member of that population, which would not be a meaningful impact to their bills, and would harm the low-income elderly population that currently receives a 65% rate discount.

### **Staff Recommendation**

Finance staff recommends the following program modifications for 2019:

- Maintain a revenue impact of \$60,000 annually, increasing proportionately to revenue increases.
- Continue to offer a discounted rate for the low-income elderly population using the current eligibility criteria; decrease the discounted rate from 65% rate reduction to 35% rate reduction.
  - Modify eligibility criteria to allow a person to sign up immediately on or after their 60<sup>th</sup> birthday, rather than waiting until the following year
  - Finance staff would audit enrolled accounts with consumption of more than 2,500 gallons per household member to ensure all household income sources have been reviewed and the household retains eligibility status as prescribed by program criteria. Account holders will be informed that the discounted rate is only for application to household use and not intended for irrigation.
  - Anticipated annual revenue impact = \$26,800
- Offer a \$5 discount per service period for accountholders who qualify for Low Income Energy Assistance Program (LIEAP) AND either have a disability or are a U.S. Veteran.
  - LIEAP is a federally funded program that pays a portion of home energy costs by providing a one-time per year benefit. The Kansas Department of Children and Families (DCF) determines eligibility for this program by using federal standards. This site further outlines eligibility - <http://www.dcf.ks.gov/services/eas/Pages/Energy/EnergyAssistance.aspx>.
  - This discount tier will be limited to the first 550 applicants, on a first-come, first-serve basis at the beginning of each year.
  - Annual revenue impact = \$33,000

Population	Discount	Population Size	Number of Accounts	Revenue Impact	Comment
Low income AND 60+	35% off water, sewer and sanitation rates	779	86	\$20,000 Utilities \$6,800.00 Solid Waste	86 customers x \$19.38/mo impact x 12 mo
Qualifies for LIEAP AND has a disability OR is a U.S. Veteran	\$5/service period	5,600	550	\$28,000 Utilities \$5,000 Solid Waste	550 customers x \$5 x 12 mo

One impact to this proposed program modification is the current low-income elderly participants in the program would see their utility bill nearly double.

Typical Utility Bill for 60+ population

Discount Level	Water	Sewer	Storm Water	Solid Waste	Total
No Discount	\$22.05	\$33.33	\$5.30	\$18.80	\$79.48
35% Discount	\$14.33	\$21.66	\$6.30	\$12.22	\$54.52
65% Discount	\$7.72	\$11.67	\$5.30	\$6.58	\$31.26

### **Future Program Enhancements**

Finance Staff recommends exploring future program enhancements:

1. A utility bill round up program to assist customers experiencing financial hardship. Customers could contribute to a fund, preferably administered by one of the social agencies in Lawrence. Customers experiencing an unexpected financial hardship could receive one-time assistance from that fund.
2. Offer a small monthly discount (\$.50-\$1.00) for customers who sign up for automatic bank draft and electronic bill delivery, funded through resource savings.
3. The current utility billing system does not have the functionality to allow for either of these enhancements. The Finance department anticipates replacing the current billing system in Quarter 2 of 2019. Required functionality to implement these recommendations is expected in this new billing system.