



# Water Affordability Solutions

A REFERENCE GUIDE FOR MICHIGAN POLICYMAKERS

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## EXECUTIVE SUMMARY

# Introduction

Water affordability is not just a problem of the poor. The interconnectivity of water, including our drinking water and sanitary systems, bind us together. Lack of access to affordable water for one is a cause of concern for all. Safe drinking water and reliable sewer services are essential to protect public health but making the cost of services affordable for everyone is the key to improved public health equity.

Across the State of Michigan, approximately 1,500 public water utilities face the challenge of safeguarding public health by maintaining proper investments in aging water and sewer infrastructure systems to ensure delivery of safe and reliable services to their customers. The variance in wealth, resources, and customer bases of each community result in fragmented and inequitable responses to water affordability across the state. Water utilities are financially reliant on their customers as rate payers to provide sufficient revenue to operate and maintain those systems. When utilities have limited customer bases, or customers who are unable to afford the costs of water and sewer services, the health of the whole system is at risk. Entire communities may be impacted through potentially higher rates, delayed system improvements, and service interruptions that threaten public health and safety.

Bold policy changes are needed on every level of government to build an equitable and sustainable financial model to ensure everyone has access to healthy, safe, and affordable drinking water and sanitary sewer services. Legislative changes, appropriation of federal relief funds, and the development of strong partnerships are immediate actions that can start to build a path to water affordability.



**JIM NASH**

Water Resources Commissioner

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## Water Equity Statement

The WRC acknowledges that many water systems are deeply entangled with social, economic, and environmental injustices that have accumulated over decades of purposeful decisions that have deprioritized or ignored the needs of certain communities, particularly communities of color.

We are committed to fully understanding these injustices and learning how they create barriers to water equity in the communities we serve.

With that knowledge, we are continually striving for water equity for all our customers.

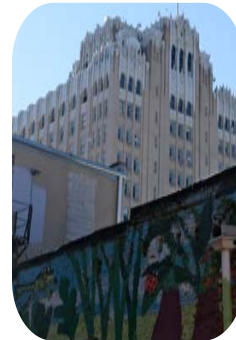
We will focus policy decisions on the people who experience the consequences of our policies and create programs—in partnership with communities—designed to meet their needs.

# Overview

In May 2021, the office of the Oakland County Water Resources Commissioner (WRC) was awarded an Affordability and Planning Grant from the Michigan Department of Environment, Great Lakes, and Energy (EGLE). This grant made it possible to research and evaluate successful affordability programs across the country to create a plan that would improve customer affordability without compromising water quality or safety.

The grant focuses on two municipalities that have water and sewer systems operated by the WRC. They are the City of Pontiac and the Charter Township of Royal Oak. While each community is unique in size demographic makeup, both are classified as significantly overburdened communities under the state's new criteria for state revolving loan funding.

In September 2022, a comprehensive report was delivered to EGLE that detailed the WRC's research and proposed affordability plans for those two municipalities. By design, the grant report also provides extensive resources, legal analysis, and step-by-step guidance to build customized solutions that can be utilized by any water utility across Michigan and beyond. Visit [oakgov.com/affordability](https://oakgov.com/affordability) to view the report or by scanning the QR code on this page.



## City of Pontiac

- 20 square miles
- 61,606 residents
- 315 miles of water main
- **Over 40% of the city's water infrastructure was built before 1930**



## Charter Township of Royal Oak

- 0.55 square miles
- 2,374 residents
- 12 miles of water main
- **Majority of the systems was constructed in the mid-1940s**

Scan to view the  
*Water Affordability  
Solutions report.*



# Affordability vs Assistance

The term "water affordability" has no single accepted definition. It can speak to the costs of utilities that maintain water systems and provide water services to a community, or it can refer to the ability of individuals to pay for those services. Its meaning also varies among individuals who view affordability through a personal lens. It's important to recognize that short-term water assistance measures do not equate to the goal of long-term sustained water affordability. The report distinguishes affordability from assistance as follows.

**Water Affordability:** The cost of essential water and sanitation should be inexpensive enough so that the cost does not prevent access to, or interfere with, the ability to pay for other essentials like food, housing, medication, or insurance. When a customer forgoes these essentials in order to pay their water bill, the water bill is not affordable.

**Water Assistance:** Water assistance is usually delivered in the form of customer financial assistance programs that provide a stopgap for low-income households struggling with water and other affordability needs. Water assistance may include bill discounts, debt forgiveness, or other types of temporary financial assistance provided on a short-term basis. Assistance programs are generally designed for people to graduate from and are not intended as permanent solutions for the economic realities of individuals who are unable to afford the basics of housing, childcare, food, transportation, healthcare or technology. They are sometimes referred to by the United Way acronym "ALICE" which stands for Asset Limited, Income Constrained, Employed. They represent the growing number of families who are unable to afford the basics of housing, childcare, food, transportation, health care and technology or are living below federal poverty levels.



# Key Findings

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**The problem of unaffordable water is statewide.**

A recent statewide affordability survey showed that the inability to afford water is present in every geographic and demographic across the state. Despite the widespread nature of the problem, there are no federal or state strategies, policies, or programs designed to provide comprehensive or permanent solutions to the pervasive problem of water affordability.

**Michigan voters support a statewide water affordability program.**

A 2022 statewide poll conducted by the Nature Conservancy found that by a better than 2-1 margin, voters believe in statewide programs to assist local governments with water infrastructure obligation while helping low-income residents pay their water and sewer bill. Half of poll respondents [erroneously] believed that there already is a statewide program that helps people pay for water and sewer bills. Most respondents, 60%, would support a one-to-two-dollar monthly fee to support a water assistance program, 14% did not know if they would support it, and only 22% were opposed.

**Utilities cannot solve the problem alone.**

Lowering rates is not an option. It is uneconomical for water utilities to forego water and sewer system maintenance or improvement projects to keep water rates low. Failing to charge for the true cost of water services compromises a utility's ability to provide safe and reliable water services. Short-term cost saving measurements may keep rates artificially low but will result in more expensive repairs and long-term financial harm.

**Water equity starts with an income-based program.**

An income-based affordability program is necessary to ensure equitable access to water services. However, rate restructuring may not be economically feasible in overburdened communities with a primarily low-income residential customer base. Increasing water rates to employed, but low-income customers, the so-called "working poor," to subsidize customers at or below federal poverty levels would expand the degree of unaffordability to include more households. An outside funding source that is not solely dependent on each system's individual rate payors is required for an income-based program to be equitable and sustainable.

**Collaboration and community partnerships are key.**

Increased community outreach and improved utility-customer relationships are integral to forming partnerships and stakeholder coalitions that can collaborate on measures to successfully select, develop, and implement affordability plans. Customers may look for affordability resources from a variety of places, including friends, family, faith-based and community organizations, nonprofits, government organizations, state agencies, and other utility providers. By developing partnerships with trusted sources, water utilities can provide many paths to help connect customers with accurate information and available resources.

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## What is the Community Water Partnership?

WRC's Community Water Partnership is an initiative comprised of a variety of short-term and long-term water assistance programs and policies designed to balance the amount of funding needed to maintain healthy, safe, and reliable water services, at a cost that all customers can afford.

There is no single solution that will eliminate the problems related to water affordability. Instead, this Community Water Partnership presents several programs, strategies, and policy updates to create a path toward water affordability. The WRC established goals, components that meet those objectives, and measures to guide us along the way. There are also clear actions that can be taken by customers, communities, local leaders, and elected officials to work in partnership toward a sustainable and equitable water future for all.

## What are the program goals?



Improve the level of services provided to all water customers without additional burden to water customers.



Minimize households subject to water service interruption due to non-payment by providing paths for customers to address past-due bills.



Increase the amount of funding each eligible household receives from regional, state, and federal programs to provide immediate relief.



Ensure utility revenue streams are sufficient to cover the full cost of service necessary to deliver water to customers.



Establish partnerships with stakeholders to advance the principles of water equity while working toward shared affordability goals.



### What is the WRC doing now to promote water affordability?

- Voluntary extension of the water shut-off moratorium through 2023 in both focus communities.
- Utilization of community water partnerships to increase enrollment and disbursement of short-term customer assistance programs, including the Water Residential Assistance Program (WRAP), Low-Income Household Water Assistance Program (LIHWAP) and Access H2O.
- Development of a new Hardship Assistance Program, in partnership with the United Way of Southeast Michigan, to provide financial resources for lower water costs to customers experiencing an unexpected temporary hardship who would not otherwise qualify for low-income programs.
- Creation of a new full-time staff position: WRC Water Affordability Coordinator.
- Dedication of a water affordability webpage with up-to-date information and resources.
- Continued application and receipt of awards for local, state, and federal grants to support water affordability efforts and programs.
- Formation of a Water Affordability Coalition with monthly meetings.
- Active capital replacement and maintenance programs.

### What is the proposed affordability plan?

#### Short-Term Customer Assistance Programs

The WRC's existing customer assistance program is WRAP. Currently, WRAP provides up to \$2,400 to pay past due balances and provides a monthly bill credit for up to two years. For new applicants, the amount of the credit will be based on household income and water usage. In addition, WRAP offers a conservation and household plumbing repair program that offers up to \$2,000 for household plumbing repairs. Another existing program, the Low-Income Household Water Assistance Program (LIHWAP), provides up to \$1,500 for arrearage assistance.

The WRC is planning to offer an income-based assistance program that, once established, will provide a fixed monthly bill for eligible customers. Under this program, the amount of the fixed bill is based on the Federal Poverty Level.

However, before the WRC can offer this program, a funding source must be secured. Different options to fund this new program are being pursued, including money distributed to Oakland County through the American Rescue Plan Act (ARPA) of 2021. If Oakland County dedicates ARPA funds to this program, the funds must be used by December 31, 2026.

#### Long-Term Statewide Assistance Program

To demonstrate the need for long-term water affordability programs, existing short-term customer assistance programs must be fully utilized and depleted. Short-term customer assistance programs, like WRAP and LIHWAP, are necessary steppingstones to demonstrate need and develop permanent and sustainable assistance programs.

Based on the success of other low-income programs, the WRC has developed and proposed a legislative framework, modeled after laws forming the Michigan Energy Assistance Program (MEAP). Like MEAP, the WRC's program would create a permanent statewide low-income water assistance program with fixed monthly household bills based on income level. Conservation improvements and assistance to reduce past due amounts also would be included. Opportunities to administer the program along with other state administrated programs, like MEAP or the Supplemental Nutrition Assistance Program, would reduce administrative burdens and streamline services needed to keep every household healthy.

#### Hardship Assistance Program

The WRC is developing a hardship program to address unexcepted, short-term needs caused by unexpected hardships, such as job loss, death of a household member, excessive water leaks, or unanticipated medical expenses. The target population for the program are those with limited assets, are employed in low-paying jobs who are above the federal poverty level but fall below the basic cost of living in their communities. The program benefits may include payments for current bills, water arrearages, and minor household plumbing repairs. Initial funding for the program may come from grants and general funds, but it will be sustained by private donations. United Way of Southeast Michigan will administer the program.

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## AFFORDABILITY SOLUTIONS - QUESTIONS ANSWERED

### Workforce Development Program

The Workforce Development Program maximizes economic benefits to the community by providing education, training, and opportunities for careers in the areas of water sustainability, preservation, and treatment.

### People-First Policies

The WRC identified six internal billing policies that are being reviewed and revised as needed to promote the principles of water equity. The billing policies under review include:

- Service disconnection for nonpayment
- Landlord-requested service disconnection
- Tax certifications where the unpaid amount is added to the tax roll
- Payment arrangements\*
- Late-fee penalties and interest
- Billing disputes for water loss

*\*The WRC will be modifying its current payment arrangement policy to offer options that provide extended, flexible, and customized payment plans designed to meet a customer's individual affordability needs while providing greater customer convenience.*

### Communications and Public Outreach Strategic Plan

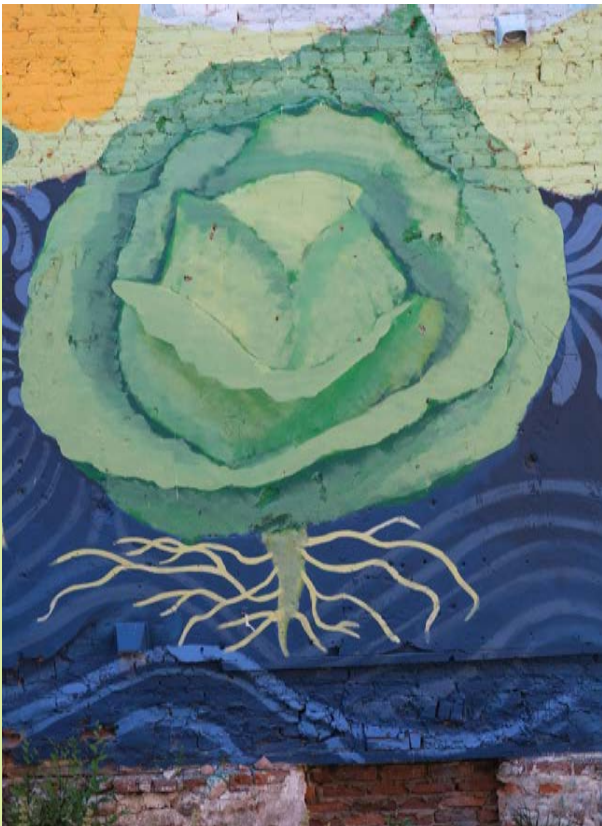
A strategic communications and outreach plan is being developed in collaboration with community partners and stakeholders, to identify and implement best practices to improve customer communications, build community trust, increase enrollment in customer assistance programs, and grow participation in the Workforce Development Program.

### Capital Replacement and Maintenance Programs

Existing capital replacement and maintenance programs focus on long-term strategic improvements to water and sewer system infrastructure. The WRC prioritize and plan projects that will provide customers with the most value and look for the best ways to pay for these projects, including grants or low-interest loans. These existing programs will be evaluated on an ongoing basis. New federal and state funding opportunities through the American Rescue Plan Act and Infrastructure and Investment Jobs Act will be aggressively pursued.

### How does the WRC know if the Affordability Plan is working?

The WRC is developing performance metrics to help measure progress and determine if we are meeting our goals. We will establish clear targets for each metric so we can track how well the plan's components are working. For example, we are targeting increased WRAP enrollment levels of at least 15% of eligible households.





# Support Water Affordability Solutions

There are a variety of ways that policymakers can support an equitable and affordable water future for their communities.

## Enact state legislation and update local ordinances.

State legislation, like proposed Senate Bill 0344 (2021) which aimed to create a water rate affordability program, local ordinances will have the most immediate and powerful impact to remove legal barriers, support water affordability efforts, and protect the sustainability of community water suppliers. Legislation or local ordinances that expressly authorizes the use of rate-funded affordability programs would remove legal uncertainty and the potential for challenges under Michigan’s Headlee Tax Limitation Amendment and related case law. Additionally, it would ensure that individual households have access to water which helps protect the health and safety of communities. Providing authorization to charge fees designed to fund affordability programs would provide legal protection and a source of revenue to increase local affordability efforts. To view Senate Bill 0344 (2021), visit <https://bit.ly/3IH9i7t>.

**Create statewide water affordability program as a companion to the Michigan Energy Assistance Program (MEAP).** State agencies and lawmakers can work together to create a robust statewide water affordability program. A legislative framework, funding model, and administrative

network already exist to deliver energy assistance to households across the state through MEAP. There is no need to reinvent the wheel when it comes to the delivery of affordable water services. Building off existing programs like MEAP can reduce administrative burdens and help ensure that every household in the state has its basic needs met. To view the MEAP Policy and Procedure Manual, visit <https://bit.ly/410Lf3C>.

**Attend a virtual WRC Water Affordability Coalition monthly meeting.** Community members, advocates, and other stakeholders, like regional leaders, elected officials, and representatives from governmental and non-governmental organizations have already joined the Oakland County Water Resources Commissioner Jim Nash as participants to form the “WRC Affordability Coalition.” Since the first official meeting in July 2021, Commissioner Nash and his staff have been able to share important updates about the grant work and progress on the development and implementation of proposed water affordability plans and programs. The coalition members offer diverse perspectives and provide candid feedback. Meetings are open to the public. For a schedule of meeting dates, visit: [oakgov.com/affordability](http://oakgov.com/affordability).

**Direct funding to support water infrastructure projects and affordability programs.**

## AMERICAN RESCUE PLAN ACT FUNDING REQUESTS FOR WATER AFFORDABILITY

Request	Purpose	Communities Served	Goal
<i>Disbursement Marketing and Outreach Services</i>	Retain a vendor to provide strategic marketing services, conduct a targeted outreach campaign, and develop a customer relief portal for effective service delivery and disbursement of existing relief funds.	15 WRC Communities <b>Need–Acute</b>	Ensure that existing funds available to help alleviate water debt reach Oakland County residents dealing with negative economic consequences of the pandemic. Timely disbursement to eligible customers is critical to ensure funds are not reallocated to other communities.
<i>Arrearage Management Software Services</i>	Retain a vendor to pilot a payment plan program via an intuitive user-friendly application or platform that allows customers to self-select payment plan options that meet their economic reality without the threat of shutoffs.	City of Pontiac and Charter Township of Royal Oak would serve as the pilot communities. <b>Need–Chronic</b>	Transform utility arrearage management practices to eliminate the need for water shutoffs, or threat of water shutoffs, to drive customer payments. Water shutoff moratoriums helped expose the devastating health impacts of water service shutoffs. Innovative change is needed to replace prior practices, particularly in these significantly overburdened communities that were disproportionately impacted by the pandemic.
<i>WRC Hardship Assistance Program</i>	Initial funding would cover implementation and initial administrative fees to United Way, as well as direct customer utility assistance for arrearages, current payments, and conservation to the two pilot communities. The funding reserve would be available for administrative fees and direct customer utility assistance in the expanded WRC community service area.	City of Pontiac and Charter Township of Royal Oak would serve as the pilot communities <b>Need–Chronic</b>  15 WRC Communities <b>Need–Acute and Chronic</b>	Launch a new, permanent, utility assistance program that will be sustained through donations and available to provide financial assistance to customers dealing with a short-term hardship that would not otherwise receive assistance. Many customers continue to deal with medical costs, layoffs, and loss of loved ones due to COVID and they need short-term help to prevent long-term hardships.

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LET'S GET IN TOUCH



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