

# City of Richmond



# COPY

**CHRISTOPHER L. BESCHLER**  
DEPUTY CHIEF ADMINISTRATIVE OFFICER

"SIC ITUR AD ASTRA"  
SUCH IS THE WAY TO THE STARS

November 6, 2013

Ms. Lou B. Ali  
Council Chief of Staff  
Richmond City Council  
City of Richmond  
900 East Broad Street, Suite 305  
Richmond, VA 23219

Ms. Ali,

Pursuant to City Ordinances §2013-58-77 and §2013-61-79, attached as requested is the response from the Department of Public Utilities (DPU). A study was performed by DPU and its consultant Raftelis Financial Consultants to review (1) additional ways to reduce the cost to the consumer of water and wastewater beyond what is set forth in the Department's cost of service study; (2) a review of the effects of payments into the general fund required by section 13.06 of the City Charter; and (3) ways in which the Department can offer financial assistance for low income households including assistance for the purpose of making upgrades that improve efficiency in the use of water.

Sincerely,

A handwritten signature in black ink, appearing to read "Chris Beschler".

Christopher L. Beschler  
Deputy Chief Administrative Officer

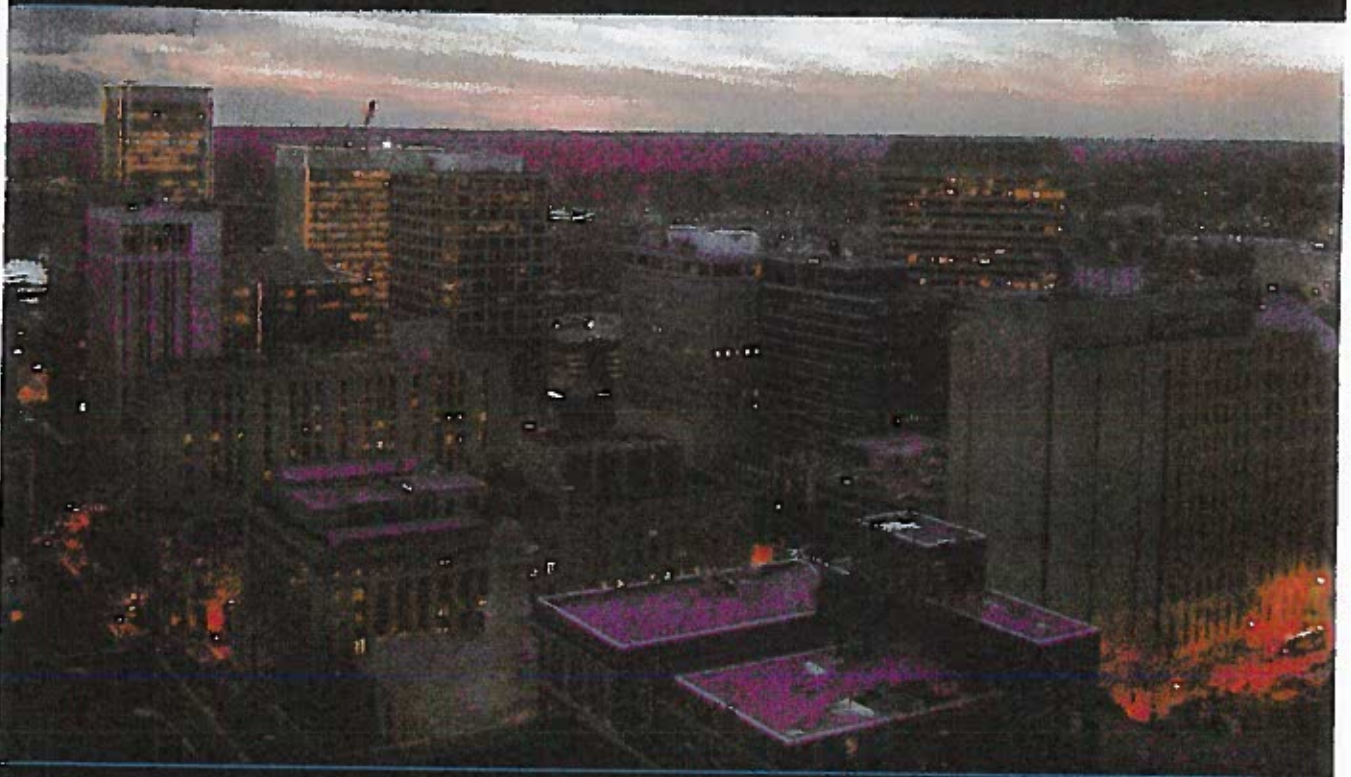
c: Mr. Byron C. Marshall, Chief Administrative Officer



CITY OF  
**RICHMOND**  
DEPARTMENT OF PUBLIC UTILITIES

Report to City Council

September 17<sup>th</sup>, 2013



## EXECUTIVE SUMMARY

This report was prepared to study the following from text amendments to Ordinances 2013-58-77 and 2013-58-79:

- Additional ways to reduce the cost to the consumer of water and wastewater beyond what is set forth in the Department's cost of service study.
- A review of the effects of the payments into the general fund required by section 13.06 of the City Charter.
- Ways in which the Department can offer financial assistance for low income households including assistance for the purpose of making upgrades that improve efficiency in the use of water.

This study found:

- The revenue requirements from the cost of service study are correct to provide the services in the service level budget and to support the cost to implement the plans to provide water supply, treatment and distribution along with wastewater combined sewer control, sanitary sewer collection and sewage treatment to maintain assets through 2040. The service levels in these plans support the City of Richmond comprehensive plan.
- A reduction in the service levels to reduce the cost to the consumer will not provide clean or safe water to meet regulatory requirements and city charter.
- Total savings to DPU from the elimination of all PILOT payments would be \$8,154,939 in the Water Utility and \$7,785,233 in the Wastewater Utility. Based upon calculation by the City of Richmond the total reduction in general fund revenue from elimination of all PILOT payments from the Water Utility and Wastewater Utility for FY 2014, \$15,940,172, would require an increase of \$0.08 in the property tax rate (each \$0.01 generates approximately \$2M) to recover revenue from that tax to maintain general fund service levels. Or there would be a corresponding reduction in general fund departmental and non-departmental agency service levels to citizens equal to \$15,940,172.

### PILOT Removal – Water & Wastewater Rates

	Service Charge	Volumetric Charge	Typical Monthly Bill - Residential
<b>FY2014 Water Rates (5/8" Meter)</b>	\$ 11.56	\$ 3.21	\$ 30.82
<b>PILOT Elimination</b>	\$ (0.53)	\$ (0.52)	\$ (3.65)
<b>Rates without PILOT</b>	\$ 11.03	\$ 2.69	\$ 27.17
<b>FY2014 Wastewater Rates (5/8" Meter)</b>	\$ 14.55	\$ 5.82	\$ 49.47
<b>PILOT Elimination</b>	\$ (0.56)	\$ (0.79)	\$ (5.30)
<b>Rates without PILOT</b>	\$ 13.99	\$ 5.03	\$ 44.17

- Total savings to DPU from the elimination of payments in lieu of Income Taxes would be \$3,237,727 in the Water Utility and \$2,204,848 in the Wastewater Utility. Based upon calculation by the City of Richmond the total reduction in general fund revenue from elimination of payments in lieu of Income Taxes from the Water Utility and Wastewater Utility for FY 2014, \$5,442,575, would require an increase of \$0.027 in the property tax rate (each \$0.01 generates approximately \$2M) to recover revenue from that tax to maintain general fund service levels. Or there would

## PURPOSE

---

Ordinances 2013-58-77 and 2013-58-79 state DPU shall study:

- (i) Additional ways to reduce the cost to the consumer of water and wastewater beyond what is set forth in the Department's cost of service study,
    - a. Including but not limited to a review of the effects of the payments into the general fund required by section 13.06 of the City Charter and
  - (ii) Ways in which the Department can offer financial assistance for low income households including
    - a. Assistance for the purpose of making upgrades that improve efficiency in the use of water and
- Shall submit to the Council a written report detailing the findings of this study by no later than September 30 2013
- Provided further that the department shall not implement any such program except with the approval of the City Council.

This general outline of this report is:

- Cost of Service Review
  - a. Revenue sufficiency
  - b. Allocation of Costs
  - c. Service levels, debt service
  - d. Statement on cost reduction
- Review of the effects of the water and wastewater payments into the general fund required by section 13.06 of the City Charter
- Approaches to measure affordability
- Ways in which the Department can offer financial assistance for low income households
  - a. Definition of low income household and review of eligibility criteria
  - b. Current customer assistance programs METROCARE, tax relief for elderly and disabled, senior care
  - c. Customer assistance in making upgrades that improve efficiency in the use of water: audits, rebates, construction in aid
  - d. Legal authorities
  - e. Options

The water supply plan (City of Richmond Virginia, Department of Public Utilities Water Supply Plan, October 30 2008 update as required by State Code 9 VAC 25-780-750, received Virginia Department of Environmental Quality tentative determination of compliance on August 23 2013) for the City of Richmond water utility has been to provide for supply and treatment capacity for the use of our citizens and provide service as agreed in the wholesale water contracts. That water supply plan, while planning for future water conservation for the cost of future infrastructure to meet water demands through 2040, provides water supply and treatment for affordable safe and clean water in the metro area for 132 million gallons per day. The water supply plan also supports the City of Richmond Comprehensive Master Plan. There is a conservation nexus with the lower service charge higher volumetric rate adopted for FY14. The uniform rate adopted is projected to balance the revenue sufficiency we will require for the bond covenants and ratings as well as the enterprise and general fund while giving customers the tools to use water wisely.

# 1 COST OF SERVICE REVIEW

---

## 1.1 REVENUE SUFFICIENCY

Maintaining revenue sufficiency means a utility must ensure that adequate revenues are generated through user charges to allow the utility to operate on a self-sustaining basis. For example, adequate revenues ensure that: 1) salaries can be established at a level to attract qualified managers, supervisors, and operators; 2) necessary chemicals and supplies are readily available for operational needs; 3) electric and gas bills can be paid in a timely fashion; 4) utility assets are maintained in an appropriate manner to ensure cost-effective and reliable utility service; 5) capital replacements and system expansions can be made in an effective manner; and 6) other capital needs can be addressed appropriately. In particular, when a utility has issued debt to address capital needs, adequate revenues are required to ensure that debt payment requirements, including debt service coverage ratios, are addressed effectively.

In order to ensure revenue sufficiency, as well as maintain the ability to provide safe and reliable services, the cost of service (COS) study took into account an appropriate projection of revenue requirements based on a recommended strategy of recovering enough costs through adequate and appropriate rates and charges. Revenue requirements include all O&M and capital costs incurred by the City of Richmond (City) Department of Public Utilities (DPU) to operate the water and wastewater utilities. Revenue requirements not only represent the minimum cash needs of the utility but also the liquidity and debt service coverage requirements.

For the DPU's water and wastewater utilities, revenue requirements are comprised of four main components: operating expenses, depreciation, payment in-lieu of taxes (PILOT), and a return. Each of these revenue requirements were comprised separately for the water and wastewater utilities. These revenue requirements are inclusive of the costs associated with providing water and wastewater service to not only the DPU's retail customers but also its wholesale customers, Chesterfield, Hanover, Henrico, and Goochland Counties. In order to solely calculate rates for the DPU's retail customers, the costs associated with providing services to the wholesale customer were backed out of the water and wastewater system revenue requirements, consistent with the terms of the wholesale contracts.

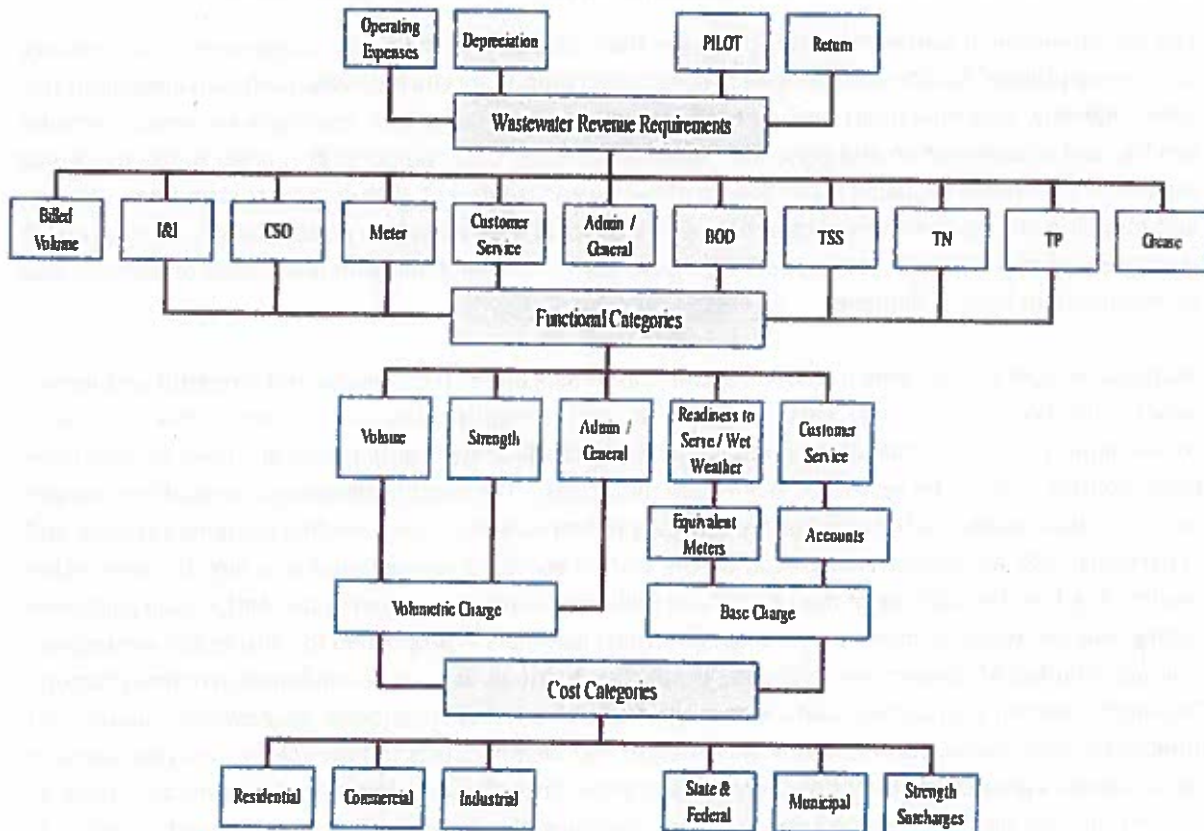
## 1.2 COST ALLOCATIONS

### 1.2.1 Overview

The basic principle in the establishment of cost of service rates is to achieve general fairness in the recovery of costs from various classes of customers. The approach used in this Study is based on the principles endorsed by the American Water Works Association (AWWA) and the Water Environment Federation (WEF); which allows the DPU to demonstrate rates have not been set in an arbitrary or capricious manner and one class of customer is not subsidizing another to an unjustifiable extent, or in a manner that is not approved and supported by the DPU. Costs have been allocated between customer classes based on their estimated demand requirements and recognizing the different costs associated with serving different customer classes.

Exhibit 1.2.1.1 and 1.2.1.2 outline the general steps taken to complete the water and wastewater cost of service studies, respectively.

Exhibit 1.2.1.2 – Wastewater Cost of Service Analysis



FY 2014 budgeting was not yet complete, the revenue requirements used were escalated based on either FY 2012 actual or FY 2013 budgeted costs with projected adjustments, to formulate a COS test year of FY 2014. This test year incorporated assumptions to account for the effects of inflation, decreased demand, increased operating costs, and anticipated capital costs. Since FY 2014 budgeting is now complete, this section of the report shall be used to document the variation in costs between what was forecasted for the COS study and what was actually budgeted. It should be noted, that the expenses discussed in this section are net costs pertaining to the DPU's wholesale customers.

1.3.1 Operating Expenses

The DPU's water and wastewater operating expenses were incorporated into a Cost of Service Model (Model), developed as part of the study, based on information taken from the DPU's FY 2013 operating budget. For the purpose of estimating FY 2014 operating costs, an across the board increase of 3 percent was assumed to be reasonable. Utilizing these escalation criteria, water and wastewater O&M costs of \$24,025,025 and \$34,936,737 were projected, respectively, for the test year. After the FY 2014 budgeting process was complete, water and wastewater operating expenses totaled \$24,002,900 and \$35,022,923, respectively. In the aggregate, the FY 2014 COS estimated operating costs were about \$64,000 less than FY 2014 budgeted amounts. Generally, these differences were made up by lower FY 2013 actuals, which were used as a budgeting benchmark, as well as the addition of new personnel, more specifically, department heads in several cost centers.

Please see Exhibits 1.3.1.1 and 1.3.1.2 for a comparison of FY 2014 estimated and budgeted costs for water and wastewater, respectively.

**Exhibit 1.3.1.1 – Water FY 2014 O&M Cost Reconciliation**

	<i>COS</i>	<i>Water FY14 Budget</i>	<i>Difference</i>
<b>Total: Operating Expenses</b>	\$ 24,025,026	\$ 24,002,900	\$ 22,127

**Exhibit 1.3.1.2 – Wastewater FY 2014 O&M Cost Reconciliation**

	<i>COS</i>	<i>Wastewater FY14 Budget</i>	<i>Difference</i>
<b>Total: Operating Expenses</b>	\$ 34,936,736	\$ 35,022,923	\$ (86,186)

1.3.2 Depreciation

During the COS analysis, an independent review of the DPU's FY 2012 fixed asset and current depreciation records for water and wastewater was completed. The FY 2012 fixed assets were adjusted based on a projection of gross plant in service for the test year, FY 2014, assuming that all water and wastewater projects that are projected to be completed by the end of FY 2014 would be depreciated and included in the rate base for revenue requirements. Upon completion of this analysis, water and wastewater depreciation costs of \$6,784,748 and \$12,973,565 were projected, respectively, for the test year. After the FY 2014 budgeting process was complete, water and wastewater depreciation totaled \$6,931,775 and \$14,847,972, respectively. Due to the fact that during the COS study, as a result of timing constraints, it was necessary to estimate which projects would be completed by the end of FY 2014, some discrepancy

actual results, with the federal income tax component, in particularly, predicated on the DPU's before tax income.

Please see Exhibits 1.3.3.1 and 1.3.3.2 for a comparison of FY 2014 estimated and budgeted costs for water and wastewater, respectively.

**Exhibit 1.3.3.1 – Water FY 2014 Taxes Cost Reconciliation**

	<b>Water</b>		
	<i>COS</i>	<i>FY14 Budget</i>	<i>Difference</i>
<b>Total: Taxes</b>	\$ 6,258,625	\$ 7,439,205	\$ (1,180,580)

**Exhibit 1.3.3.2 – Wastewater FY 2014 Taxes Cost Reconciliation**

	<b>Wastewater</b>		
	<i>COS</i>	<i>FY14 Budget</i>	<i>Difference</i>
<b>Total: Taxes</b>	\$ 6,630,506	\$ 7,772,570	\$ (1,142,064)

**1.3.4 Debt Service**

The ability of a utility to issue debt directly affects its financial livelihood. If a utility loses its ability to issue debt as necessary, it would also lose its ability to fund critical capital projects without directly putting immediate financial stress on its customer base through exponentially higher rates. During the COS study, an aggregate debt service amount of \$45,104,581 was estimated for FY 2014. Budgeted FY 2014 debt service amounts total \$45,164,218. This results in a negligible difference in estimated debt service of \$59,637.

Please see Exhibit 1.3.4.1 for a comparison of FY 2014 estimated and budgeted costs for water and wastewater, respectively.

**Exhibit 1.3.4.1 – Water & Wastewater FY 2014 Debt Service Reconciliation**

	<b>Water &amp; Wastewater</b>		
	<i>COS</i>	<i>FY14 Budget</i>	<i>Difference</i>
<b>Total: Debt Service</b>	\$ 45,104,581	\$ 45,164,218	\$ (59,637)

As noted in Section 1.3.2, a key element of the projection of revenue requirements in the COS study was debt service coverage, which was reflected in the return component. The return component allows the DPU to cover its cost of financing, maintain adequate debt service coverage, limit system leverage, and maintain reasonable levels of reserves. The level of return incorporated into the COS study was based on a projected debt service coverage of 1.25 for both the water and wastewater utilities. This is the minimum level presented by the DPU in forecasts to rating agencies in its most recent bond sale in the spring of 2013. Debt service coverage is a critical component of assessing the DPU's credit worthiness. As the DPU transitions to its new water and wastewater rate structure, which is more reliant on volumetric



## 2 PILOT

Payments in lieu of taxes (PILOT) by the Department of Public Utilities (DPU) are required by City Charter in paragraph 13.06 (c). The portion of the paragraph dealing with PILOT states:

“The expense of operating each utility shall include: (1) taxes, if any, lawfully accruing during the fiscal year; and (2) except for the stormwater utility, taxes not actually accruing but which would have accrued had the utility not been municipally owned, and such taxes shall be paid annually into the general fund.”

All DPU customers pay a portion of PILOT expenses. If changes are made to the City Charter to eliminate the requirement for all or part of PILOT payments, utility rates could be reduced. Using the cost of service from which DPU’s FY2014 water and wastewater rates were based, the elimination of the entire PILOT payment would have the following impact on water and wastewater rates presented in Exhibit 1.4.1. A typical monthly bill in Exhibits 1.4.1 and 1.4.2 are for a residential customer using 6 ccf.

*Exhibit 2.1 – PILOT Removal – Water & Wastewater Rates*

	<b>Service Charge</b>	<b>Volumetric Charge</b>	<b>Typical Monthly Bill - Residential</b>
<b>FY2014 Water Rates (5/8" Meter)</b>	\$ 11.56	\$ 3.21	\$ 30.82
<b>PILOT Elimination</b>	\$ (0.53)	\$ (0.52)	\$ (3.65)
<b>Rates without PILOT</b>	\$ 11.03	\$ 2.69	\$ 27.17
<b>FY2014 Wastewater Rates (5/8" Meter)</b>	\$ 14.55	\$ 5.82	\$ 49.47
<b>PILOT Elimination</b>	\$ (0.56)	\$ (0.79)	\$ (5.30)
<b>Rates without PILOT</b>	\$ 13.99	\$ 5.03	\$ 44.17

Total savings to DPU from the elimination of all PILOT payments would be \$8,154,939 in the Water Utility and \$7,785,233 in the Wastewater Utility. Based upon calculation by the City of Richmond the total reduction in general fund revenue from elimination of all PILOT payments from the Water Utility and Wastewater Utility for FY 2014, \$15,940,172, would require an increase of \$0.08 in the property tax rate (each \$0.01 generates approximately \$2M) to recover revenue from that tax to maintain general fund service levels. Or there would be a corresponding reduction in general fund departmental and non-departmental agency service levels to citizens equal to \$15,940,172.

Using the cost of service from which DPU’s FY2014 water and wastewater rates were based, the elimination of the income tax portion of the PILOT payment would have the following impact on water and wastewater rates presented in Exhibit 1.4.2.

### 3 APPROACHES TO MEASURE AFFORDABILITY

---

During a rate analysis, a common consideration is customer affordability. The FY14 wastewater utility budget earmarks \$550,000 for customer assistance and the water utility budget earmarks \$450,000 for the same purpose. City Council directed that the department shall not implement any financial assistance program except with the approval of the City Council in a FY14 budget text amendment. There are a range of best practices for customer assistance and there is considerable debate surrounding the determination of affordability in the water and wastewater industry. City council has directed this report discuss ways in which the Department can offer financial assistance for low income households including assistance for the purpose of making upgrades that improve efficiency in the use of water. To support the recommendation of this report it is very important to review the issues surrounding how customers who use water and wastewater can afford this cost for public health sanitation.

While there are various methods used to determine what is affordable for customers, and utility and stakeholder perspectives may differ on the subject, in our experience, as a general rule, one of the most commonly cited reference is guidance provided by the Environmental Protection Agency's (EPA) in its 1997 publication, "Combined Sewer Overflows – Guidance for Financial Capability Assessment and Schedule Development."<sup>1</sup> The goal of the guidance document was to recognize the importance of both environmental and financial issues when developing and implementing Combined Sewer Overflow Long Term Control Plans (CSO LTCP). The guidance document sought to provide a planning tool to evaluate the financial resources a community had to fund a CSO LTCP, then, use that evaluation to develop a reasonable schedule for plan implementation. Although this guidance document was created to address the narrow issue of financing for CSO programs, it has more broadly become the basis for industry financial capability measurement across water and wastewater utilities. There are two indicators proposed in the EPA guidance document that have become central in evaluating water and/or wastewater system financial capability. The first indicator focuses on the financial strength and economic well-being of the community as a whole, whereas the second indicator, which is more relevant to this discussion, focuses on the rate burden for the residential customer class and is meant to be a representative measure of the utility cost per household.

The utility cost per household measures the financial impact of current and proposed utility system costs on residential users. Costs are expressed on an annual cost per household (CPH) basis. CPH is then related to annual median household income (MHI). Although the use of MHI has been a central component of EPA affordability assessments, it has been met with objections from utilities and industry associations. The National Association of Clean Water Agencies ("NACWA") recently published a white paper declaring "the federal government's use of an area-wide MHI cannot accurately assess the impacts on this sensitive community population" and "use of a median value by definition mutes consideration of important diversities across a permittee."<sup>2</sup>

A white paper prepared by The United States Conference of Mayors, in conjunction with the American Water Works Association (AWWA) and the Water Environment Federation (WEF), outlines a multitude of issues with using the EPA's affordability guidance, some of which are a continuation of the aforementioned issues, while at the same time providing alternative measures for approaching

---

<sup>1</sup> *Combined Sewer Overflows – Guidance for Financial Capability Assessment and Schedule Development*, US EPA, February 1997, EPA 832-B-97-004

<sup>2</sup> *Financial and Capability and Affordability in Wet Weather Negotiations*, NACWA, CH2Hill, October 2005.

### 3.1 LIVING & POVERTY WAGE APPROACH

Based on the aforementioned reasons for the EPA's guidance not being a one size fits all approach to affordability, this report took into consideration a different approach using a living wage and poverty wage threshold. Using a living wage calculator designed and developed at the Massachusetts Institute of Technology (MIT), a comparison can be made between the typical residential bill calculated earlier and an estimate of both a living wage and poverty wage for the City of Richmond. It should be noted that the wage information from MIT is also used by the City of Richmond Department of Social Services.

To illustrate the effects of water and wastewater rates on the DPU's customer base, 4 different households were focused on: a 1 adult household, a 2 adult household, and both a 1 and 2 adult household, each with a child. The DPU estimates that an average household uses approximately 6 ccf of water per month. According to the most recent U.S. Census, the City of Richmond has a person per household of 2.31. Using these two values, it can be assumed that per capita monthly water usage is approximately 2.6 ccf. This usage amount is multiplied by the number of people in a household and then by 12 to calculate annual water usage. Applying water and wastewater rates to annual water usage calculates an annual water and wastewater bill, which is what is compared to living and poverty annual incomes.

Exhibit 3.1.1 presents the aforementioned household examples and their corresponding affordability metrics for living and poverty wages.

**Exhibit 3.1.1 – Living & Poverty Wage Affordability Metrics**

	1 Adult	1 Adult & 1 Child	2 Adults	2 Adults & 1 Child
<b>Living Wage Annual Income</b>	\$ 21,611	\$ 42,078	\$ 32,614	\$ 39,437
<b>Poverty Wage Annual Income</b>	\$ 10,837	\$ 14,560	\$ 14,560	\$ 18,304
<b>Annual Water Usage (ccf)</b>	31.20	62.40	62.40	93.60
<b>Annual Water Bill</b>	\$ 238.87	\$ 339.02	\$ 339.02	\$ 439.18
<b>Annual Sewer Bill</b>	\$ 356.18	\$ 537.77	\$ 537.77	\$ 719.35
<b>Annual Combined Bill</b>	\$ 595.06	\$ 876.79	\$ 876.79	\$ 1,158.53
<b><u>Percent of Living Wage</u></b>				
<b>Annual Water Bill</b>	1.11%	0.81%	1.04%	1.11%
<b>Annual Sewer Bill</b>	1.65%	1.28%	1.65%	1.82%
<b>Annual Combined Bill</b>	2.75%	2.08%	2.69%	2.94%
<b><u>Percent of Poverty Wage</u></b>				
<b>Annual Water Bill</b>	2.20%	2.33%	2.33%	2.40%
<b>Annual Sewer Bill</b>	3.29%	3.69%	3.69%	3.93%
<b>Annual Combined Bill</b>	5.49%	6.02%	6.02%	6.33%

For comparison sake, a similar analysis was performed with household self-sufficiency standards from the Commonwealth of Virginia. Although there are almost 70 household examples provided by the Commonwealth, this report will focus on only 4 of them to demonstrate the percent of self-sufficient

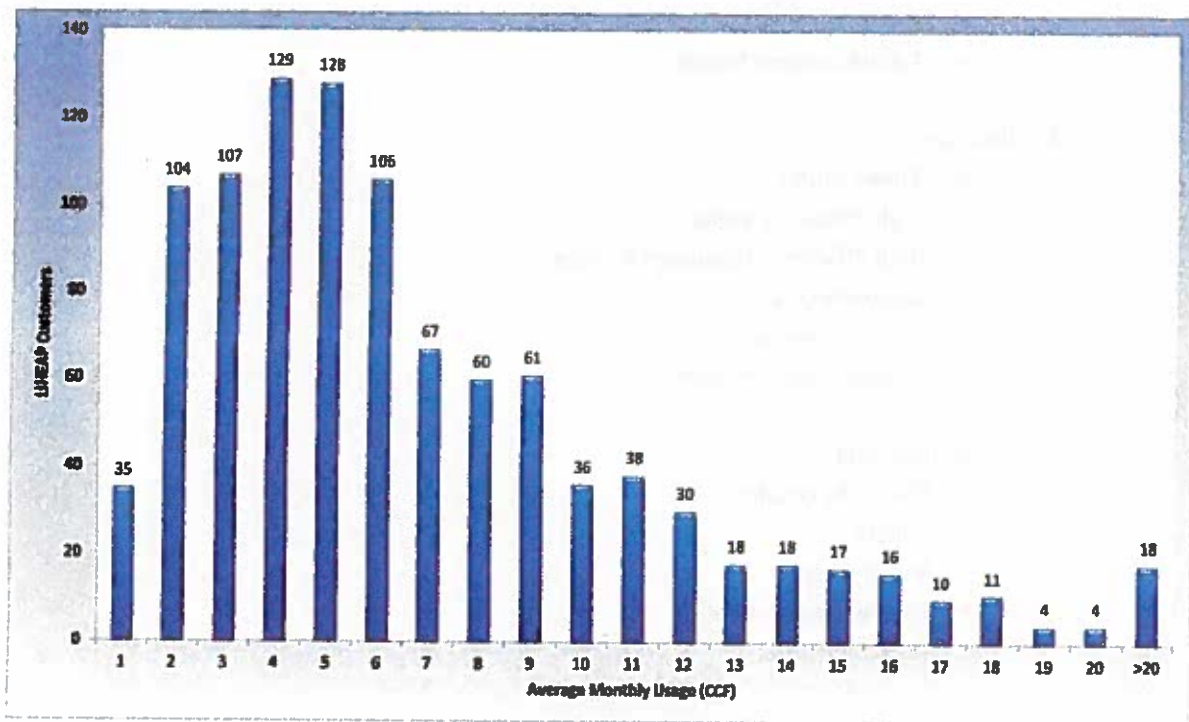
for the City of Richmond and Richmond MSA, respectively. A typical residential bill is approximately 4.1% and 2.7% of the City and MSA of Richmond, respectively.

## 4.2 BEST PRACTICES – WATER CONSERVATION PROGRAMS

It is a common misconception that low income households are also low water users. What is actually more common is that low income households are some of the highest residential water users, due to outdated plumbing fixtures, leaky pipes, and higher than average occupancy rates. As an example, an analysis was completed that reviewed the water usage of participants of the Low Income Home Energy Assistance Program (LIHEAP) within the City of Richmond. The DPU estimates that a typical residential household uses approximately 6 ccf of water per month. Within the population of Richmond LIHEAP customers, approximately 40 percent of those households use greater than 6 ccf of water monthly, with approximately 14 percent using more than double the average.

The entire distribution of usage of LIHEAP customers over the period of FY 2012 is presented in Exhibit 4.2.1.

**Exhibit 4.2.1 – LIHEAP Customer’s Distribution of Usage (FY 2012 Monthly Average)**



A number of water utilities in the United States have developed programs to promote the wise use of water. These programs have proven to reduce customers’ water and sewer bills. Below are some ideas that could be incorporated into the DPU’s program. However, consideration must be given to overall program cost, to ensure assistance provided aligns with available funding sources.

### 1. Water Audits

- a. Home Water Line and Wastewater Line Leaks –
- b. Do it yourself
- c. Expert technician to perform (Fee or free): Water-Wise Evaluations that include: walk through home, garden and recommend fixtures, practices and leaks.
- d. Same as above for multi-family and non-residential site

- **Dallas, TX –Minor Plumbing Repair Program**  
Aims to reduce waste water and high water bills through free assistance with minor plumbing repairs and fixture replacement to low-income customers. Problems include leaking toilets, facets, hose bib leaks, and pipe joint leaks. Eligible residents are customers who live on their property and meet US HUD low-income guidelines.
- **San Francisco, CA – Direct High-Efficiency Toilet Installation for participants in the Community Assistance Program**  
San Francisco residents currently participating in the Community Assistance Program (provides low-income residents with a 15% discount on water and a 35% discount on sewer charges) are eligible to receive a high-efficiency toilet for free, installation included. Eligible residents must be a San Francisco single-family residential water customer.
- **San Antonio, TX (SAWS) – Plumbers to People Program**  
Provides plumbing assistance to low-income residential customers. SAWS customers and homeowner occupants only. Eligible repairs include: leaking faucets, leaking toilets, and/or broken pipes.
- **Portland, ME – Portland Water District Low Income Customer Assistance Program**  
The district is supporting a program to repair, replace, or install plumbing fixtures and water saving devices including: leaking pipes, toilets, hot water tanks, faucets, etc. Qualified participants must own and occupy a year-round residence within the service area and be low-income qualified.

#### 4.4 LEGAL AUTHORITIES

No clear legal authority has been identified that authorizes the DPU to implement affordability-based utility rates for low-income households, or disabled or elderly citizens, or to expend utility enterprise funds for the purpose of implementing any of the programs addressed in this report for the benefit of low income households, or disabled or elderly citizens. Possible options intended to provide authorization to implement affordability-based utility rates, or the types of programs addressed in this report include:

Seek General Assembly action to provide authority for the DPU to implement affordability-based rates, or to expend enterprise funds for the types of programs addressed in this report. Such authority could be provided through amendments to the Virginia Code, or the City Charter.

Consider approaches to implementing programs that provide the equivalent of affordability-based utility rates (such as through payment subsidies), and the types of programs addressed in this report, without relying on enterprise funds. Such approaches might include funding through general fund monies, or through non-City funds, or both. Approaches tagged to the "PILOT" components of the utility rates might be possible. Pursuant to the City Charter, the PILOT component of the utility expenses is dispersed to the general fund, and can be allocated to any programs for which Council otherwise can allocate general funds.

It's important to keep in mind that even with the use of general funds for programs intended to assist low income households, or disabled or elderly citizens, proper legal authority would have to be identified for any given program, and proper legal process followed. One possible avenue to explore would be the ability

- c. Prepare the FY15 water utility and wastewater utility budgets with funding to implement the programs as approved of the City Council in accordance with the FY14 budget text amendments.
- 2. 1<sup>st</sup> and 2<sup>nd</sup> calendar quarters of 2014
  - a. Seek authority from the 2015 General Assembly to offer the programs listed above. Request authority broadly enough to offer additional programs from best practices identified in this report. Seek the approval of the Governor of Virginia on the final legislations.
  - b. Prepare the proper ordinances and resolutions to change city code to implement the programs as approved of the City Council.
- 3. Implement programs in FY15 and re-assess in FY16 for program changes in FY17.