



THE CITY OF SAN DIEGO

OFFICE OF THE INDEPENDENT BUDGET ANALYST REPORT

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Item Number: 10

Public Utilities – Information on Low Income Customer Assistance Programs

OVERVIEW

At the Environment Committee meeting on July 23, 2014, the Committee requested that the IBA work with the Public Utilities Department to examine approaches taken by other cities and utilities to provide low income and service disconnection assistance to those purchasing water from Public Utilities. Those approaches are summarized in the staff report for this item. Our office has reviewed materials provided by the Public Utilities Department that examine the programs of 21 different agencies throughout the country. We also examined legal restrictions associated with funding low-income-assistance programs that arise from the implementation of Proposition 218.

We agree with Public Utilities' recommendations to move forward with the development of a full proposal for a program that could assist low-income customers while remaining in compliance with Proposition 218 and other applicable state laws.

FISCAL/POLICY DISCUSSION

California law states that all citizens have the right to safe, clean, affordable, and accessible water adequate for human consumption, cooking, and sanitary purposes. To ensure that customers have access to affordable water, many utilities in the state have established low-income assistance programs that subsidize the cost of water for certain customers. The Public Utilities Department has identified programs in several California cities, including Sacramento, Davis, Riverside, Barstow, Los Angeles, Long Beach, San Francisco, and San Jose. Those programs provide discounted water rates for customers who are below a certain income threshold or above a certain age, with an average of 3-4 percent of customers being eligible for those programs.

Proposition 218 does limit the City's ability to use water rate revenue to subsidize discounted water rates for low-income customers, or to pay for the administration of low-income assistance programs. The Proposition requires that rates not exceed the proportional cost of providing service attributable to each customer, and that rates must be levied for services actually available to a customer. While the State's Public Utilities Commission authorizes private utilities to cross-subsidize low-income customers with rate revenues, and some other public utilities do have such discounted rates in place, public agencies that *did not already have* such rates in place prior to passage of Proposition 218 must either fund such programs from non-rate revenue, or have rate-revenue-funded subsidies approved by voters.


Other public agencies faced with Proposition 218 limitations have funded low-income assistance programs with revenue not derived from rates, or with voluntary customer donations. Some programs designed to assist low-income customers, including the National League of Cities' LIFT-UP pilot program, do not provide discounted rates but instead offer financial advice and planning services for customers who are delinquent in paying bills.

Another approach to ensure that an essential amount of water is available at a low cost to all customers is to use a heavily tiered rate structure, though such an approach should ensure that a utility can still pay the fixed costs associated with the delivery of water. Additionally, any adjustment to customer rates requires the preparation of a full cost-of-service study to ensure that customers' rates cover only the costs to provide service.

Several agencies have partnered with third-party entities to help manage low-income assistance programs; the Public Utilities Department has noted that third-party non-profit organizations have administered low-income assistance programs for SDG&E, and have expressed interest in working with the City.

The Public Utilities Department indicates that it can proceed with the development of a detailed proposal for consideration by the Environment Committee at a future meeting; our office will remain available to review that proposal when it comes forward.


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