
SALT LAKE CITY COUNCIL STAFF REPORT

DATE: December 30, 2004

SUBJECT: **REQUEST TO MAKE \$10,000 DONATION TO RED CROSS FOR PROJECT WATER ASSIST**

AFFECTED COUNCIL DISTRICTS: Citywide

STAFF REPORT BY: Gary Mumford

ADMINISTRATIVE DEPT. AND CONTACT PERSON: Public Utilities
Jim Lewis

NOTICE REQUIREMENTS: 14-day newspaper notice of public hearing

CC: Rocky Fluhart, LeRoy Hooton, Jeff Niermeyer, Jim Lewis, DJ Baxter

KEY ELEMENTS:

The Department of Public Utilities is requesting that water rate-payers' funds be used to make a contribution to Project Water Assist of up to \$10,000 per year on an on-going basis as needed. The City's Project Water Assist program, which is administered by the American Red Cross, allows qualifying customers to receive assistance of up to \$200 per calendar year. The program has been funded by voluntary contributions from customers, which currently amount to about \$30,000 annually. Contributions received during the first several years of the program exceeded needs, which resulted in an accumulation of a reserve. However, the assistance provided during the last several years exceeded contributions and has drawn down the accumulated surplus. In March 2004, the City Council granted a request by the Department of Public Utilities to make a \$10,000 donation to Project Water Assist to help maintain the program. The Department is requesting continuation of the contribution of up to \$10,000 each year until customer contributions can meet the needs. The Department has the funds in its current budget to make the donation.

MATTERS AT ISSUE AND QUESTIONS FOR THE ADMINISTRATION:

Water fees for renters are usually included in the rent payments. Most residential water customers are property owners. Each year about 200 customers participate in the Water Assist program because of unemployment, health issues, or fixed-income of the elderly. To qualify for assistance, customers must have household income of 150% of the federal poverty level or less and meet one of the following: (1) have a verifiable medical emergency, (2) be 60 years or older, or (3) be temporarily or permanently disabled. The annual maximum assistance for each customer is \$200 under the City's assistance program. Those requesting assistance meet with a Red Cross caseworker to provide supporting documentation and to receive budget counseling. The Department of Public Utilities estimates that 50% of those that receive assistance are repeat participants who receive assistance every year.

Each year the Department of Public Utilities sends an insert with the water bill describing the program and the eligibility requirements. Attached is the most recent insert. The assistance program is also mentioned during meetings with community groups. Customers that call because of difficulty in paying for utilities or customers with past due amounts are informed of the assistance program. A customer with a past due account at the time of a subsequent billing is given 15 days to make payment before a warning letter is sent. The warning letter provides 10 days to make payment before a customer service agent is sent to the home to talk to the customer and leave a written 24 hour notice. If no payment is made within the 24 hour period then water is shut off.

The 2003 Legislature added language to the state code providing that a municipal legislative body may appropriate money for corporate purposes that in the judgment of the municipal legislative body, provide for the safety, health, prosperity, moral well-being, peace, order, comfort, or convenience of the inhabitants of the municipality subject to a study of the value received for any money appropriated and subject to a public hearing. The transmittal from the Department of Public Utilities included a written study as required by state law. The study states that bond covenants mandate that water service be terminated for nonpayment. When service is terminated, the Salt Lake Valley Health Department begins proceedings for condemning of the residence. Families evicted may be forced to turn to shelters or other public assistance programs. Vacant buildings can potentially negatively impact neighborhoods. The study concludes that the costs associated with displacing households due to service shut-offs far exceed the costs involved in sustaining the Water Assist programs.

The City also offers an abatement program of a portion of the utility fees, but this abatement program is not part of the current transmittal or proposed resolution. Those home owners that qualify for the County tax relief are automatically enrolled in the City's utility abatement program. The City's abatement for water is \$4.33 (75% of water service fee) \$1.50 per month for stormwater (50% of total fee), and \$4.88 for garbage (50% of total fee). There are 2,430 customers enrolled in the City's abatement program. The abatements result in reducing annual revenue by \$264,000 in water, stormwater and garbage fees.

These two programs allow the Department of Public Utilities to refer needy customers to the Red Cross or to the County for determination of eligibility rather than having no choice except terminating water service for non payment.

- The Council may wish to discuss whether rate-payers' funds should be used to augment private donations of the Project Water Assist program.
 - Since 2,430 customers qualify for the abatement program but only 200 participate in the Water Assist program, Council Members may wish to ask representatives of the Department of Public Utilities whether they believe that most eligible customers are aware of the Water Assist program. If all eligible customers participated in Water Assist, how much more would the City's contributions need to be?
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- Although the abatement program is not part of the proposed resolution, the Council may wish to discuss the fairness and social issues of setting water rates sufficient to subsidize the cost of water for 2,430 lower-income customers.
- The Council may wish to discuss with representatives of the Department of Public Utilities the shut-off procedures including the amount of time between the date of the notice and the date that water is turned off. The current time limit, which is set by bond agreements and ordinance, may not always give adequate time for customers to arrange for documentation (including doctor statement), meet with a Red Cross counselor, and for the Red Cross to process and mail a payment. The Council may wish to ask whether bond agreements allow the Council the option of modifying or extending the time limits for payment before water is shut off.
- The Council could request that the Administration explore whether the water assist program would be eligible for the Community Development Block Grant program (CDBG). If so, the Council could urge that the needs in future years be addressed through the CDBG application process rather than through the proposed rate-payer approach.

OPTIONS:

1. If the Council generally agrees with the recommendation to provide funding for the Water Assist program, the Council may wish to schedule a hearing as required by State law.
2. The Council may wish to request that the Department of Public Utilities modify the eligibility requirements for Project Water Assist so that contributions will fully support the program. For example the maximum per customer may need to be reduced to \$150 per year.
3. The Council may wish to schedule a future work session to discuss and reconsider the abatement program.

CHRONOLOGY:

- 1987 - The Council implemented the Project Water Assist program to provide assistance to customers needing temporary financial assistance. This provided a way for customers to help other customers in need.
 - 1990 - The Council adopted an abatement program in connection with the new stormwater fee.
 - 1995 - The Council added a fee reduction to the garbage fee as the fee was increased. The Council also added a water fee reduction in connection with rate increases for a five-year water capital improvement program.
 - March 9, 2004 - The Council approved the expenditure of up to \$10,000 from the City's Water Enterprise Fund to fund shortfalls in the Project Water Assist program operated by the American Red Cross.
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