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DIRECTOR

SALT LAKE CITY CORPORATION

DEPARTMENT OF PUBLIC UTILITIES
WATER SUPPLY AND WATERWORKS
WATER RECLAMATION AND STORMWATER

ROSS C. "ROCKY" ANDERSON
MAYOR

TO: Rocky J. Fluhart, Chief Administrative Officer

DATE: November 22, 2004

FROM: LeRoy W. Hooton Jr., Director of Public Utilities

SUBJECT: Request for Public Hearing to obtain permission to make donations to the American Red Cross Project Water Assist Program each year as needed and if funds are available.

STAFF CONTACT: Jim Lewis, Finance Administrator (483-6773)

DOCUMENT TYPE: Request permission to make a \$10,000 donation to the American Red Cross Project Water Assist Program.

RECOMMENDATION: Set date for a Public Hearing to discuss permission to make a donation to the American Red Cross Project Water Assist Program. The Project Water Assist Program assists qualifying low income or disabled customers unable to pay their water, stormwater, and garbage charges.

BUDGET IMPACT:

Water Assist helps on the average 200 households per year. In 2003 and 2004, disbursements exceeded donations by more than \$10,000.

BACKGROUND/DISCUSSION:

The American Red Cross Project Water Assist Program was started in 1987 to resolve problems with customers needing financial assistance for a one or two month period. The program was designed to be totally funded by voluntary contributions. However, due to a drop in contributions last year the department requested and received permission to make a \$10,000 donation last year. The program has been very effective in providing a way for customers to help other customers in need. This program has helped over 3,000 customers since 1987. The City provides a check box on the bill for customer donations and then transfers all funds collected to the Red Cross for disbursement. This program has been self funded from the start in 1987, however with the down turn in the economy, donations have decreased and disbursements have increased. The City Council gave approval last year for a one time \$10,000 donation. The fund however, is still running a

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negative balance and Public Utilities is requesting that it be allowed to donate another \$10,000 this year to continue the program.

The Water Assist program provides our customer service agents another option to assist needy customers, rather than terminating water service for non payment as required by ordinance and bond covenants.

The Public Utilities Advisory Committee (PUAC), on October 28, 2004, ratified their previous support for the Water Assist Program and furthermore concurs with the findings as outlined in the attached study. The PUAC recommends to the Administration to accept this report and its findings, and to forward it to City Council for approval.

A STUDY TO SET FORTH AN ANALYSIS RELATING TO CONTINUING PARTICIPATION IN THE RED CROSS WATER ASSIST PROGRAM AND TO SUPPLEMENT PRIVATE CONTRIBUTIONS TO THE RED CROSS WATER ASSIST PROGRAM BY THE DEPARTMENT OF PUBLIC UTILITIES

ISSUE

Salt Lake City Department of Public Utilities continuing involvement in the Red Cross Water Assist Program

POLICY

The City should allow the appropriation of monies, as defined under Utah Code Section 10-8-2, to be used to provide financial assistance to continue the Water Assist Program. The program provides financial assistance to qualifying low income or disabled customers.

BACKGROUND

Water Assist

Water Assist is the name of the Salt Lake City Department of Public Utilities Assistance Program for low income elderly or disabled customers of the Utility. The program is administered by the Greater Salt Lake Area Chapter of the Red Cross.

The purpose of this assistance program is to provide limited financial assistance and budget counseling to eligible residential customers who are experiencing difficulty paying their water bills. Assistance is not intended to relieve the customer of their obligations or responsibilities, but is meant to assist them while they develop a practical plan to meet their own needs.

Begun in 1987, the Water Assist Program has been a life line for over 3,000 customers and their families, ensuring that those in the greatest need and the least ability have continued access to a reasonable amount of water. This program is supported through customer contributions; Utility customers are given the opportunity each month to make financial contributions to this program. Since 1996, Salt Lake City residents have contributed nearly \$108,000 to assist members of their community through this program. Unfortunately, during that same time, requests for assistance have increased by 50 percent, and the amount is increasing with each year. The fund is currently running a negative balance.

The Red Cross, in conjunction with the Utility, has established eligibility requirements qualifying customers for participation in the program. To be eligible for the program, an individual must be a customer of the Utility, and meet one or more of the following criteria:

- Have a verifiable medical emergency
- Be 60 years of age or older
- Be disabled (either permanently or temporarily)

- Have a past due amount
- Have a household income 150 percent of the federal poverty level

Applicants for the program meet with a Red Cross caseworker and must provide proof of the above qualifications in the form of Social Security card and picture ID; utility bills; income verification through pay check stubs, Food Stamp receipts, SSI, AFDC, and General Assistance printouts; and Social Security verification or a doctor's statement. Identification and income verification information is required from all persons residing within the applicant's household.

ALTERNATIVES/ANALYSIS

Under Utah Code 10-8.2 Appropriations Paragraph 1 (e) requires that, "a study be performed before notice of a public hearing is given and shall be made available at the municipality for review by interested parties at least fourteen (14) days immediately prior to the public hearing, setting forth an analysis and demonstrating the purpose for the appropriation." In making the study, the following factors shall be considered:

- 1) what identified benefit the municipality will receive in return for any money or resources appropriated;
- 2) the municipality's purpose for the appropriation, including an analysis of the way the appropriation will be used to enhance the safety, health, prosperity, moral well-being, peace, order, comfort, or convenience of the inhabitants of the municipality; and
- 3) Whether the appropriation is necessary and appropriate to accomplish the reasonable goals and objectives of the municipality in the area of economic development, job creation, affordable housing, blight elimination, job preservation, the preservation of historic structures and property, and any other public purpose.

Accordingly, Public Utilities identified and evaluated the following three alternatives utilizing the above factors.

One alternative is to continue involvement in the program, but offer no funding assistance except for those monies currently being raised through private contributor. According to Greg Winegar, Greater Salt Lake Chapter of the American Red Cross, current funding for all programs is at a critical level and donations for this program are not covering the costs of program payouts. Though no one has yet been denied assistance due to lack of funding, that could change in the future, and the costs associated with termination of service due to failure to make payment may exceed the costs of assistance.

Bond covenants that govern the Utility mandate that service be terminated for non-payment. When service is terminated, Salt Lake Valley Health is notified, as is required, and proceedings begin towards condemning of the residence for vacancy. In cases where there are children present, the Department of Children and Family Services is notified and in some instances, children may be removed from families. Families evicted from condemned buildings are forced to turn to other public assistance programs, including already over-burdened shelters. Greg Winegar, Greater Salt Lake Chapter of the

American Red Cross, states that the Water Assist program helps to prevent homelessness. When water is turned off, families are forced to find alternatives to meet the everyday needs of providing meals, bathing, and laundry. Restaurant meals replace home-cooked meals and bottled water replaces tap water, placing additional financial strain on a household already struggling financially. Another consequence of eviction based on the condemning of a residence for vacancy is the negative impact to a neighborhood while a residence is vacant. There is little or no perceived benefit to the municipality with this option, and the potential negative impact due to the temporary displacement of families, the opportunity for increased homelessness, and the possibility of the removal of children from families poses a greater cost to the municipality.

A second option is to end City involvement by not renewing the existing contracts for these programs, leaving funding to existing non-profit organizations, such as the Red Cross. However, the downturn in the economy has led to a general decline in contributions over the last several years, coupled with increases in requests for assistance, finds most non-profit charities already in the position of having to stretch fewer contributions to provide more assistance. There currently exist no organizations or funds positioned to step into the void that would be left were the Utility to withdraw from this program. This option would result in the continued assistance to some families, but based on the continuing increase for requests for assistance coupled with the current decline in contributions, some families would probably face the same financial and emotional hardships as described in the first option.

A third alternative is to allow the Utility to continue involvement with the Water Assist program and provide interim financial support of the Water Assist program during those times when the requests for assistance exceed funds raised through voluntary contributions.

Since 1987, Water Assist has provided over 3,000 households with assistance paying their water bill. According to the Greater Salt Lake Chapter of the American Red Cross, 41 percent of those households have children under the age of five (please see attached chart).

Besides providing aid to families, Water Assist also involves the community. In 2003, over 4,800 Utility customers contributed donations to the program. In addition, ten volunteers work as case workers, not only providing assistance in the application process, but helping in family budget planning so that recipients might move towards self sufficiency.

Costs associated with displacing households due to service shut-offs far exceed the potential costs involved in sustaining this program. The fund is currently running a negative balance, and should the Utility be allowed to appropriate money to bridge the gap, those monies would represent less than one thousandth of one percent of the annual Utility budget. The average annual disbursement in 2003 was less than \$200 per household. Conversely, the cost associated with sheltering a family is far greater. Non-profit shelters accommodating families or single women with children are at maximum

capacity and do not have adequate resources to meet current need. The burden placed by the displacement of an additional 200 households (the number of recipients in 2002) on an already overwhelmed system might prove impossible to carry.

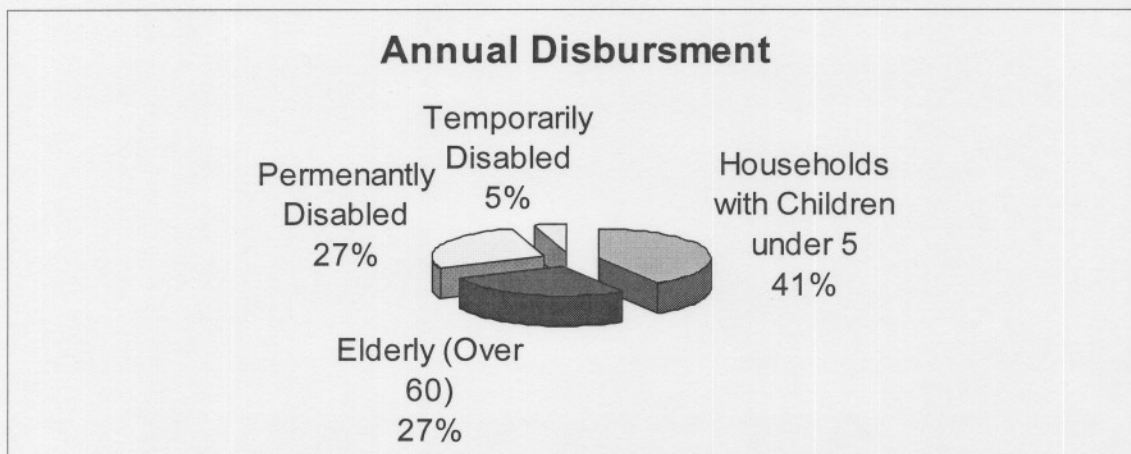
The existing contractual agreement with the Red Cross provides that should donations collected exceed disbursements, Public Utilities is to be paid back for whatever contributions it has made. Costs associated with the Water Assist Program include an administrative fee to Red Cross in the amount of \$3,268 per year, increasing annually by 2 percent, and a mailing promoting the program at an approximate cost of \$4,000.

The Water Assist Programs is an effective tool implemented by Utility customer service agents to assist those customers in the most need, rather than forcing shut-offs for non payment as required by ordinance and bond covenants.

Conclusion

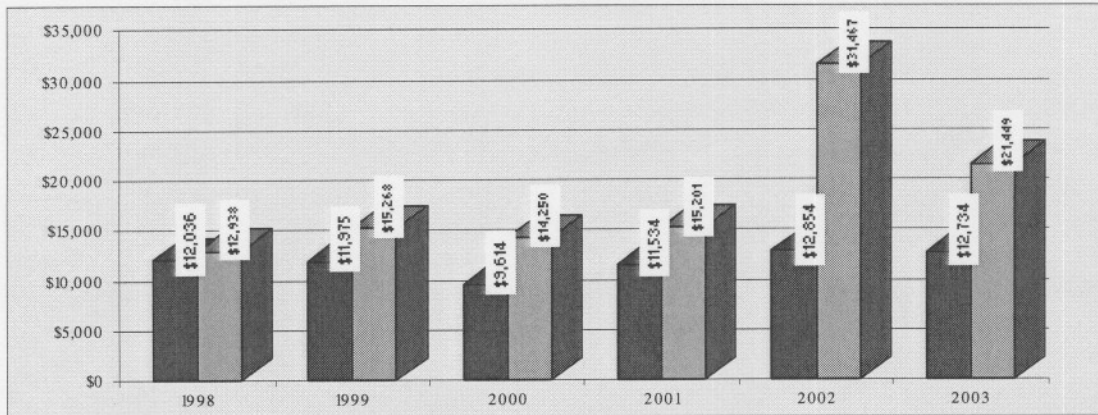
Based on the above analysis and the factors identified in Utah Code 10-8-2 Paragraph 1e, the following conclusions were made:

- 1) the third option offers the most identified benefit to the municipality;
- 2) the third option offers the greatest opportunity for the municipality to enhance the safety and health of the municipality by not increases the likelihood of temporary or permanent displacement of families and children due to the legally binding obligation of condemning a residence for vacancy due to termination of utility services; and
- 3) the third option most accomplishes the reasonable goals and objectives of the municipality by providing affordable housing (by providing affordable basic utilities); by reducing an opportunity for blight due to the removal of residents and families from homes, thus increasing vacancy rates in neighborhoods; and by not inadvertently increasing the burden on area housing and homeless shelters and other public or private assistance agencies.



Disbursement within Water Assist by User Group. Prepared by the Greater Salt Lake Chapter of the American Red Cross.

Comparisons of funds Collected and Disbursed within the Water Assist Program



Comparisons of funds Collected and Disbursed within the Water Assist Program
 NOTE: Blue (left bar) = Collections Green (right bar) = Disbursements

ASSOCIATED ORDINANCES

- Water Ordinance 17.16.670 and 59.2.1106 through 59.2.1108
- Stormwater Ordinance 17.75.070
- Garbage Ordinance 9.08.030

RECOMMENDATION

To conduct a public hearing to allow the Utility to appropriate funds enabling continued involvement in the County Abatement and Water Assist Programs.

IMPLEMENTATION

Request for Public Hearing as defined under Utah Code Section 10.8.2