

**DISTRICT OF COLUMBIA**

**WATER AND SEWER AUTHORITY**

# Board of Directors

Joint Meeting of the DC Retail Water and Sewer Rates

*and Finance and Budget Committees*

## Tuesday, September 27, 2016

10:00 a.m.

MEETING MINUTES

**Committee Members in Attendance**

Rachna Butani, Acting Chairperson

Timothy Firestine, Chairperson

Mathew Brown, Board Chairman

Howard Gibbs

Reverend Kendrick Curry

Ana Harvey

Ellen Boardman Adam Ortiz

Sarah Motsh

**DC Water Staff**

Mark Kim, Chief Financial Officer

Henderson Brown, General Counsel

Syed Khalil, Director Rates and Revenue

Linda Manley, Board Secretary

**Call to Order**

Acting Chairperson Ms. Butani called the joint meeting of the DC Retail Water and Sewer Rates and Finance and Budget Committees to order at 10:00 a.m.

**CAP Customer Clean Rivers IAC Presentation (Attachment 1)**

Mr. Kim stated that this presentation is in response to a request from the Board during our rates setting process earlier this year to re-double our efforts to look at our affordability programs and in particular to focus on the Clean Rivers Impervious Area Surface Charge (CRIAC), which is the fastest growing part of our monthly bill. Mr. Kim introduced Syed Khalil, Director Rates and Revenue and informed the Committees that Syed led the efforts to do the analysis that supported the recommendation. Mr. Kim also acknowledged the assistance of the Office of the General Counsel (OGC) and in particular Gregory Hope, Principal Counsel, who helped establish the legal basis upon which to expand our affordability program.

Mr. Kim gave an overview of the enabling legislation.

The enabling legislation requires the Board to establish financial assistance programs for low-income residents and authorizes the Board to promulgate regulations:

* + The Authority shall offer financial assistance programs to mitigate the impact of any increases in retail water and sewer rates on low-income residents of the District, including a low-impact design incentive program - (DC Official Code § 34-2202.16 (b-1)(1)).
  + The Authority shall possess the power to make, adopt, and alter by-laws, rules, and regulations for the administration and regulation of its business and affairs - (DC Official Code § 34-2202.03 (3)).

Mr. Kim concluded that the Board has the authority to expand the CAP program and then explained the history of the CAP program and Board actions:

* On April 1, 1999, the Board initiated action to establish the Customer Assistance Program – (Board Resolution #99-32):
  + Directed Board Secretary to publish notice of proposed rulemaking and public hearing to receive comments on proposal to provide eligible customers an exemption of the first four (4) hundred cubic feet per quarter on water service charges
  + Eligibility based on recommendations by the District of Columbia Energy Office based on household annual income
* On June 1, 2000, the Board directed the General Manager to implement the Customer Assistance Program which, at a minimum, contained the following components – (Board Resolution #00-38):
  + Exempts four hundred cubic feet per month from water service charges for eligible participants
  + Eligibility administered by a third-party entity determined by the General Manager based on income limits
  + Participation limited to single-family, owner-occupied primary residential accounts
* On May 6, 2004, the Board expanded CAP to include tenants - (Board Resolution #04-38)
* On January 8, 2009, the Board expanded the CAP to apply to retail sewer service rates - (Board Resolution #09-24)
* On September 2, 2010, the Board expanded the CAP to apply to Payment in Lieu of Taxes (PILOT) and Right of Way (ROW) fees - (Board Resolution #10-86)
* On July 2, 2015, the Board expanded the CAP to include a 100% credit for the Water System Replacement Fee (WSRF) – (Board Resolution #15-67)
* On July 7, 2016, the Board directed the General Manager to evaluate the CAP and make a recommendation to the Retail Rates Committee regarding the expansion of CAP to include CRIAC fees as soon as practicable – (Board Resolution #16-60)

Mr. Kim stated that OGC has determined that the Finance and Budget Committee has jurisdiction over the issue of expanding the CAP program, even though it only impacts District residents and historically has been reported through the DC Retail Water and Sewer Rates Committee. Since this is a financial matter as well as a policy matter, a joint committee meeting was called and any action that this joint committee wishes to pursue will be presented to the Finance and Budget Committee for approval.

Board Chairman Brown thanked Mr. Kim for all the work the finance team has done and in being responsive to the Board’s desire to address affordability as a top priority.

Mr. Kim updated the joint committee on the residential customers monthly Equivalent Residential Units (ERU) by tiers. He explained the distribution of the residential customers by ERUs. There are approximately 105,000 Residential customers with over 112,000 ERUs. Approximately 300 customers have properties with impervious surface area of 8.6 ERUs or greater.

Mr. Kim presented the CAP customers monthly ERUs by tiers slide and mentioned that the majority of the CAP customers have 1 ERU, which is similar to total Residential customers and what we would expect.

Acting Chairperson Ms. Butani asked if staff did GIS mapping on post 1 ERUs to see if those are retired individuals. Mr. Kim replied in the negative citing the reason that our billing system does not capture that data and added that this is going to be one of the biggest challenges when we undertake a more comprehensive assessment of the CRIAC in order to identify which customers fall into different socio-economic and demographic categories that we do not have access to, such as: 1) retired; 2) small business; 3) non-profit; and 4) charitable organizations. Staff will report back to the DC Retail Water and Sewer Rates Committee in December with respect to the scope of the study.

Mr. Kim showed the Committees slide 7 with the projected monthly CRIAC charges (100% CRIAC credit). The chart reflected the impact on CRIAC for giving 100% CRIAC credit to CAP Customers. If we give a CRIAC credit to CAP customers, the authority will be losing that amount of revenue and would need to make up that revenue by increasing CRIAC for the rest of the customers. In FY 2017 and FY 2018, there is no change as we just adopted the rate proposal which will be implemented on October 1, 2016. However, the Authority will use the projected FY 2016 Surplus to cover the FY 2017 and FY 2018 CAP CRIAC loss of revenue. With a 100% CRIAC credit, the increase in the CRIAC would be $0.22 per ERU per month or $2.64 per year for the average residential customer.

Ms. Boardman asked when we expanded credits for CAP customers over the course of time, did you notice or track any increase in CAP Customers and will these CRIAC credits prompt more people to the program. Mr. Kim replied that staff would follow up with a history of the growth of the CAP program.

Mr. Kim displayed the projected monthly CRIAC charges (50% CRIAC credit) on slide 8. He noted that this slide provides the same analysis but with a 50 percent financial impact.

Mr. Kim then updated the Committees on the typical average CAP customer bill. The average residential customer bill for FY 2017 is projected at $96.35. CAP customers would receive a bill of $51.69, which represents a reduction of 46 percent. With 100% CRIAC credit, the average CAP customer bill goes down to $29.45, a reduction of 69 percent. With 50% CRIAC credit, the average CAP customer bill decreases by 58% to $40.57.

Mr. Kim explained the revenue impact of the two CRIAC credit options. He mentioned that the estimated loss for a 100 and 50 percent credit would occur only in FY 2017 & FY 2018 as the rates have already been set. For FY 2017 and FY 2018, the loss revenue for providing 100% and 50% CRIAC credit is $1.7 million and $0.8 million respectively.

Acting Chairperson Ms. Butani inquired if staff did an assessment to give up to 1 ERU credit instead of a 50 or 100 percent credit. Mr. Kim replied in the affirmative and that three credit options had been explored by staff:

* Fixed dollar credit ($)
* Fixed ERU credit (per account)
* Percent of CRIAC credit (50% or 100%)

In our judgment, the percentage credit was the preferred option: 1) a fixed dollar credit would lose its relative value over time given that the CRIAC will be increasing over time, 2) a fixed ERU credit raised some fairness issues because it is relatively difficult and expensive to change the impervious area on your property so not all CAP customers would benefit proportionally, particularly those with less than or greater than 1.0 ERU. Accordingly, in our judgment, the most uniform, consistent, and fairest way to implement a CRIAC credit would be on a percentage basis whether it is 50 or 100 percent or some other percentage.

Acting Chairperson Ms. Butani stated a preference for giving up to a certain fixed ERU credit and requested information about the CAP customers who have greater than 1.0 ERU. Mr. Kim stated that we this information is not currently available and that it will be addressed in the scoping of the CRIAC assessment.

Board Chairman Brown stated that he is concerned about the CRIAC because it is the fastest growing portion of the bill and in particular not only the burden on CAP customers but also those customers who did not qualify for CAP but are also low-income rate payers. Chairman Brown asked why the recommendation was made at a 100 percent credit for CAP customers. Mr. Kim replied the customers who qualify for CAP represent the lowest income segment of our customer base and that the recommendation was based on: 1) the direction we received from the Board to look very hard at affordability and do the very best that we can for our CAP customers; 2) a belief that the 100 percent credit option is financially viable and that the impact on the other residential customers is modest; and 3) the benefit to the CAP customer would be meaningful and significant.

Mr. Kim continued that anecdotally, approximately 15 percent of the District would qualify as low-income under federal guideline. Accordingly, our CAP program is clearly not capturing the full potential population, which raises an entirely different issue for the Authority which is that many of those low-income customers are not actually customers of DC Water. Some of these individuals may be living in public housing and do not pay a water bill or they may be living in other accommodations in which we do not have an account directly with them. These individuals present a legal and operational challenge in terms of how we can help them if they are not customers of DC Water. What we do know and what we have tried to do is to identify the customers that do qualify for the program and to give them the fullest extent of assistance we could afford financially.

Board Chairman Brown stated that he wonders about the impact on those low-income residents who are our customers and who will bear the full costs of the IAC but are not CAP-eligible. Mr. Kim reiterated that we do not have that information in our customer information system and that is part of what we want to assess in the review of the CRIAC. It will require a very extensive outreach and coordination with Federal and District agencies to try to identify the income levels of our customers.

Ms. Boardman stated that she supports Mr. Kim’s recommendation on the CRIAC credit of 100 percent. We have a long tradition of providing relief and credits to CAP customers. We also have the benefit of relying on the established LIHEAP program that establishes the eligibility criteria. Ms. Boardman also raised the concern of administering a new customer assistance program based on income criteria that differ from the federal LIHEAP standards.

Acting Chairperson Ms. Butani stated that she does not believe you can dial back a credit once it is given and recommended less than a 100 percent credit initially. Chairperson Firestine stated that a 100 percent seemed at odds with the rest of the program where less than 100% CCF usage is credited to CAP customers.

Mr. Kim responded that either credit option would have a very significant and positive impact for the CAP customers and that management was supportive of taking the Board’s direction on the final percentage.

Mr. Gibbs stated in light of what has been discussed, a 50 percent discount would be an appropriate starting point.

Ms. Harvey added that she is concerned that the 100 percent credit may cause a spike in the number of CAP customers in the future.

Ms. Motsh inquired about the rationale behind the 4 Ccf discount for water and sewer for CAP customers. Acting Chairperson Ms. Butani replied she believed 6.2 Ccf is the average usage but there are a lot of water savings mechanism to get to 4 Ccf. Mr. Kim added that we want to give a discount to CAP customers but give all customers an incentive to conserve and drive down water consumption.

Mr. Gibbs commented that one of the decisions made was that we were not going to charge the city for the streets and other paved areas that are in the District’s jurisdiction. Everybody who has property in the District should be responsible for a part of the charges that the District is not picking up. If the District picks up the charges then every tax payer in the city would be paying a part of that charge.

Reverend Curry mentioned that he believes something less than 100 percent is a place to start. He said that he was in agreement with the percentage basis for the credit and asked if we considered a tiered structure within the CAP program. Mr. Kim replied that we have not considered a tiered CAP program and it was structured to provide the same benefit for all who qualify.

Board Chairman Brown suggested that the Committees take the matter under advisement and consider management’s recommendation at a later date. The members were in agreement. The Committees decided to postpone the decision until the additional analysis was provided.

**Adjournment**

The meeting was adjourned at 10.53 a.m.

**FOLLOW-UP ITEMS – Joint Meeting of the DC Retail Water and Sewer Rates and Finance and Budget Committees (September 27, 2016)**

1. Provide additional analysis on implementing an expansion of the CAP program to include a CRIAC credit by providing a fixed ERU credit, fixed dollar credit or percent of CRIAC credit (50% or 100%). (Acting Chairperson Ms. Butani) Status: next Committee meeting.
2. Provide history of enrollment in the CAP program. Whenever the CAP program was expanded, was there increase in the enrollment. (Acting Chairperson Ms. Butani, Ms. Boardman & Ms. Harvey) Status: next Committee meeting.