

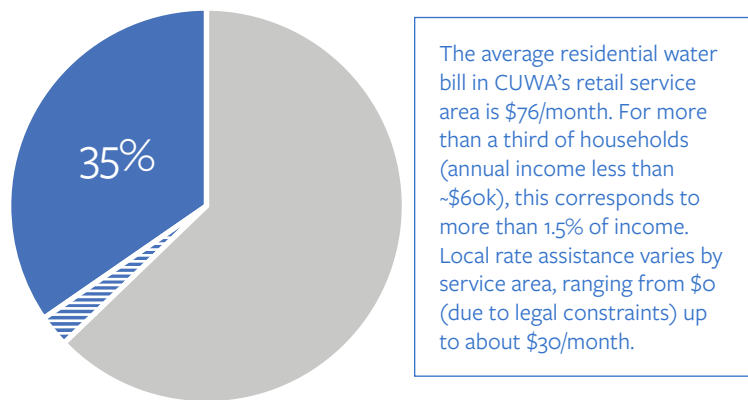
# Making Reliable Water Service Affordable for All

Water plays an essential role in sustaining California’s communities, environment, and economy. However, the cost of delivering safe, reliable water is increasing as water suppliers address critical needs, such as aging infrastructure, a changing climate, emerging contaminants, and new regulations. Though water bills are still affordable for the average urban water user, many Californians feel the pressure of rising water rates, compounded by other cost of living increases.

Traditional benchmarks for water affordability can mask a community’s real needs and don’t capture the significant low-income populations that may struggle to pay their water bills.




## Many Households Struggle to Pay for Water

**More than one third of CUWA agency customers struggle with water affordability.\***



CUWA agencies serve a significant low-income population. Based on average water consumption, CUWA estimates that **more than a third of customers in CUWA’s retail service area spend >1.5% of their household income on water**, and more than a fifth of customers spend >2.5% of income on water. Using state and federal benchmarks that households spending more than 1.5% to 2.5% of their income on water may struggle to pay, a large portion of CUWA agency customers would benefit from a rate assistance program.

\* Based on average residential use, or average single-family residential use if multi-family complexes are not submetered.

-  More than 1.5% of income spent on water (with local rate assistance)
-  More than 1.5% of income spent on water (without local rate assistance)
-  Less than 1.5% of income spent on water

## Addressing Affordability Requires State and Federal Support



State and federal leaders can promote affordability by supporting local water suppliers and their communities.

	Local Agency Efforts	How State and Federal Leaders Can Help
<b>KEEPING COSTS DOWN</b>	<ul style="list-style-type: none"> <li>Optimize operations costs.</li> <li>Seek external infrastructure funding to minimize customer impacts.</li> </ul>	<ul style="list-style-type: none"> <li>Provide ongoing funding for water infrastructure needs.</li> <li>Consider cost implications of new regulations.</li> </ul>
<b>SUPPORTING CUSTOMERS</b>	<ul style="list-style-type: none"> <li>Offer payment plans and low-income rate assistance, to the extent feasible.</li> <li>Explore other ways to improve customers’ ability to pay, such as adjusted billing frequency.</li> </ul>	<ul style="list-style-type: none"> <li>Establish a low-income rate assistance program with sustainable funding and simple enrollment.</li> <li>Apply lessons learned from the California Water and Wastewater Arrearage Payment Program (CWWAPP) and Low-Income Household Water Assistance Program (LIHWAP).</li> </ul>

Note: While not reflected in CUWA’s data, the cost of wastewater and other utility services is also becoming increasingly expensive.

# Understanding Obstacles to Inform Broader Solutions

Water affordability is a complex issue influenced by system-specific variables (e.g., water supply sources, size and age of system) and household and community level factors (e.g., income level, cost of living). Understanding the following challenges is key to developing effective solutions.

## Customer Assistance Programs are Limited by Legal Constraints

Local utilities' ability to support low-income customers through rate assistance or affordable rate structures is limited under state law. California's Proposition 218 requires water rates to be tied to the cost of service and restricts the ability to offer discounted "lifeline" rates. Some CUWA agencies have paused their customer assistance programs due to recent Prop 218 challenges. Others fund programs with non-rate revenues (e.g., from donations or property leases), though these sources are limited. **Expanding customer assistance within current statutory constraints requires an external source of funding, such as from the state or federal government.**

## Measuring Affordability by Median Income Masks True Need

While there are many ways to measure water affordability, a common metric is the average water bill in a service area as a percent of median household income (MHI). For example, the State Water Resources Control Board uses <1.5% MHI as a measure of affordability, while the United States Environmental Protection Agency uses <2.5% MHI. Based on these thresholds, CUWA agencies' water rates are considered affordable, with typical water bills ranging from 0.5% to 1.4% of MHI. **However, applying these percentage thresholds to individual household income (vs. MHI) reveals a greater need.**

### Redefining Affordability in San Francisco

Many agencies are shifting away from the %MHI metric due to its limitations in capturing household-level affordability. For example, the San Francisco Public Utilities Commission recently adopted an affordability policy that considers different targets for "typical" (i.e., 40<sup>th</sup> percentile income) and low-income (20<sup>th</sup> percentile) households. Given local differences in cost of living and other factors, what is "affordable" may vary across communities and a single definition may not be appropriate.



## Costs are Rising to Address Future Requirements

Though water is currently affordable for the average urban household, costs will continue to rise as utilities make investments for future reliability. Over the next 15-20 years, CUWA agencies expect to spend up to **\$45 billion** on new necessary water supply and storage projects, on top of other ongoing investments. Local water agencies continually seek to optimize costs to minimize impact on customers. However, current rate projections do not reflect the cost implications of future regulations and requirements (e.g., Bay-Delta Plan). State and federal funding will be critical to accommodate these costs and support local agencies in maintaining water affordability for all.



# \$45B by 2040

CUWA agencies' planned investments in water supply and storage projects.

## About CUWA

CUWA is a non-profit corporation of 11 major urban water agencies that collectively serve drinking water to two-thirds of California's population. CUWA's mission is to provide a unified voice for urban water solutions that keep our environment and communities thriving. CUWA agencies are committed to providing safe and reliable drinking water for customers at all income levels. For more information, visit [cuwa.org](http://cuwa.org).