



Utility Affordability Report

Date	September 22, 2021
To	Executive Committee
From	Financial Strategy & Sustainability
Service Area	Assessment & Property Revenue Services
Item No.	EX21-63

RECOMMENDATION

That Executive Committee recommends that City Council remove item number MN20-6 from the list of outstanding items.

ISSUE

At the June 24, 2020 City Council meeting, Council requested administration to prepare a report for Q3 of 2021 discussing:

- Options to reduce the cost of water and wastewater for low-income residents through means-tested grants, billing options, and fee waivers including an outline of impacts, administrative and funding requirements, as well as restraints of the potential programs.
- A political advocacy strategy aimed at federal and provincial governments to reduce water and wastewater costs for low-income residents.

In addition, Council requested Administration to consider the United Nations Sustainable Development Goals (SGDs) when crafting options. Council subsequently requested information on the impact of shifting the administrative and access fees charged to the Utility to the tax base.

This report is in response to these requests.

IMPACTS

Policy/Strategic Impacts

The City charges utility customers fees for water, wastewater and drainage services on a full cost recovery basis, meaning the utility is self-funded through user fees. This is international best practice for water utilities and aligns with the Benefits Model in *Design Regina: The Official Community Plan Bylaw No. 2013-48 (OCP)*.

The City offers payment plans to customers who are in arrears, allowing customers to spread their payments out over time. However, there are not any programs that reduce utility charges for any group of customers, ensuring customers pay proportionately for water services. This practice is also supported by the Benefits Model in the OCP.

Goals within the OCP, the Water Master Plan (WMP) and the United Nation's Sustainable Development Goals (SDGs) support the use of affordability programs to enhance quality of life for those in disadvantaged positions. While payment plans are commonly used to assist customers in paying for water, they do not address underlying affordability issues. Public engagement results indicate moderate support for affordability programs and suggest residents feel water service costs are high.

There are several corporate initiatives that intersect with utility affordability programs. These initiatives and the timing of the work being delivered should be considered while discussing any water affordability program options.

Council should consider the planned three per cent utility rate increase for maintenance and capital projects and the approved two per cent rate increase for the Lead Service Connection Replacement Program planned for 2022 when making any decisions regarding utility rate increases.

OTHER OPTIONS

Option 1: Provide direction to Administration to develop a water rebate program and a high-efficiency retrofit program for all low-income customers for Council's consideration by Q2 of 2022.

This option would include a two pronged approach to improve affordability for low income customers. The program would include a rebate applied at the time of billing for all low-income customers, including seniors, and first-come-first-serve funding for high-efficiency toilets, faucets and showerheads and installation. This approach maximizes affordability benefits for low-income customers but means customers who do not receive benefits subsidize water consumption of those

who do.

This program would be by application, with eligibility based on the After-Tax Low Income Cut-Off (LICO-AT). The LICO-AT is the income threshold defined by Statistics Canada where households spend 20 per centage points more on food shelter and clothing than the average family. Approximately 8,000 households (8.5 per cent) are expected to be eligible. Program design would require specific consultation with target groups to ensure the program addresses the needs of the community and reflects the voices of those most impacted by the program.

Rebates improve affordability directly by reducing the amount owed. Depending on program design, rebates are expected to cost between \$2 and \$3 million annually and require resources for administration. Rebates would be financed with an additional 1.5 to 2.25 per cent utility rate increase. Utility rates are currently projected to increase by three per cent per year in the utility model with an additional two per cent in 2022 to fund the Lead Service Connection Replacement Program. This means the total rate increase for 2022 would be between 6.5 and 7.25 per cent.

High-efficiency retrofits can improve affordability and sustainability by improving consumption efficiency but the positive affordability effects for smaller households are partially mitigated by the high fixed charges on the water bill. The high-efficiency retrofit program would be capped at \$300,000 funded through a \$0.35 monthly fee added to all customers' monthly bill. A scan of affordability programs in other jurisdictions showed that funding a capped retrofit program through a designated fee creates transparency and increases buy in from utility customers.

Table 1: Impact of Option 1 on an Average House summarizes the estimated financial impact of rebates and high-efficiency retrofits for low-income customers on an average house.

Table 1: Impact of Option 1 on an Average House

	2021 Monthly Charges	Scheduled Increase for 2022	Lead Service Connection Replacement Program	Rebates	High-efficiency Retrofits	Change from 2021
Utility Rate Increase	-	3%	2%	1.5% to 2.25%	-	6.5% to 7.25%
Impact on Average House (%Change)	-	2.8%	1.9%	1.4% to 2.1%	0.2%	6.3% to 7.0%
Impact on Average House (\$/Month)	\$141.79	\$4.02	\$2.68	\$2.01 to \$3.02	\$0.35	\$9.06 to \$10.07

When asked level of support for affordability programs in the public engagement survey, 70 per cent of respondents showed either support or some support for affordability programs in general. Rebates were ranked highest among the program options by those who support affordability programs.

Option 2: Provide direction to Administration to develop a water rebate program for low-income seniors for Council’s consideration by Q2 of 2022.

This option includes a rebate applied at the time of billing for low-income seniors. This program would be application based, with eligibility based on the After-Tax Low Income Cut-Off (LICO-AT). Approximately 1,500 households are expected to be eligible. Program design would require specific consultation with target groups to ensure the program addresses the needs of the community and reflects the voices of those most impacted by the program.

Rebates improve affordability directly by reducing the amount owed. This option would improve affordability for seniors who often live on fixed incomes and have few opportunities to increase income. Depending on program design, this option is expected to cost \$300,000 and \$500,000 annually and require resources for administration. This option would be financed with a one-time 0.2 to 0.5 per cent utility rate increase. Utility rates are currently projected to increase by three per cent per year in the utility model with an additional two per cent in 2022 to fund the Lead Service Connection Replacement Program. This means the total rate increase for 2022 would be between 5.2 and 5.5 per cent.

Table 2: Impact of Option 2 on an Average House summarizes the estimated financial impact of rebates for low-income seniors on an average house.

Table 2: Impact of Option 2 on an Average House

	2021 Monthly Charges	Scheduled Increase for 2022	Lead Service Connection Replacement Program	Rebates	Change from 2021
Utility Rate Increase	-	3%	2%	0.2% to 0.5%	5.2% to 5.5%
Impact on Average House (%Change)	-	2.8%	1.9%	0.2% to 0.5%	4.9% to 5.2%
Impact on Average House (\$/Month)	\$141.79	\$4.02	\$2.68	\$0.27 to \$0.67	\$6.97 to \$7.37

When asked level of support for affordability programs in the public engagement survey, 70 per cent of respondents showed either support or some support for affordability programs in general. Affordability programs for low-income seniors received the most support from those that thought affordability programs should be provided to a target group. Rebates were ranked highest among the program options by those who support affordability programs.

COMMUNICATIONS

A survey of residents was conducted through the City's online public engagement tool *Be Heard Regina*. The purpose of the survey was to gauge the level of community support for potential high-level policy options regarding tax policy and tax and utility affordability. Participants self selected into the survey. The full results of the survey are included in Appendix E and will be posted publicly on Open Data and Be Heard Regina.

Should Council wish to establish specific programs or policy, it is recommended that target groups be consulted to ensure they address the needs of the community and reflect the voices of those most impacted.

DISCUSSION

There are many complexities involved in the work as requested by Council. In order to address the request, Administration looked to:

- Determine how to define water utility affordability.
- Analyze how shifting access fee or other fixed costs to the tax base impacts affordability.
- Explore what other jurisdictions have for utility affordability programs.
- Identify options to improve water affordability in our community.
- Assess the level of community support for water affordability programs and moving utility charges to the tax base.
- Determine how the City can advocate to reduce water and wastewater costs for low-income residents.
- Identify and consider existing City initiatives that may intersect with this work.

The analysis and results of these questions is set out in the body of this report.

Defining Water Affordability

A challenge in identifying options for addressing affordability, is defining water affordability.

Affordability is not a universally defined term, adding complexity in engagement and analysis. In defining affordability for the context of this report, Administration conducted a literature review of how water affordability is defined by water agencies and governing bodies, reviewed the targets for

the United Nations SDG 6, consulted with colleagues developing strategies and frameworks also touching on affordability issues and counterparts at the University of Regina studying affordability issues. A full discussion on water affordability is found in Appendix A: Water Affordability Options. For this report, affordability is discussed in terms of water utility affordability and not considered in a broader context.

Administration's review suggest that while international consensus suggests water is affordable if households are spending no more than between 2 and 5 per cent of income on water, best practice is for affordability to be defined at a local level to consider the unique circumstance of each community. Given the higher costs associated with providing water services in Regina due to the need to transport water from Buffalo Pound Water Treatment Plant, 56 kilometers away, and the higher cost of treating water and wastewater in the prairies, the 5 per cent threshold was used for analysis. Using this benchmark, analysis estimates 8.2 per cent of households in Regina in 2015 experienced water unaffordability. The estimate is based on the 2016 Census, the most recent year for which data was available.

UN Sustainability Goals

The 17 United Nations Sustainable Development Goals (SDGs) were adopted in 2015. The most relevant goal in relation to water affordability is SDG 6: Ensure access to water and sanitation for all. SDG 6 focuses on the sustainable management of water resources, wastewater, and ecosystems. The SDG targets are not designed to provide specific detail for crafting affordability policies. Rather, these goals are a guide for high-level strategic policy planning. Appendix C: United Nations Sustainable Development Goals contains a full discussion on SDG 6, and which goals in *Design Regina: The Official Community Plan Bylaw No. 2013-48 (OCP)*, the *Water Master Plan (WMP)*, and the *Wastewater Master Plan (WWMP)* align with the targets for this SDG.

Shifting the Access Fee to the Tax Base

Administration reviewed the impacts of shifting the access fee from the utility fund to the tax base. Shifting this cost would change the City's water pricing from a full cost recovery system to one partially subsidized by taxpayers and have an impact on the City's operating budget.

The access fee is a transfer from the water utility fund to the general operating fund to pay for the right to use or access civic assets. The fee is equal to 7.5 per cent of the previous year's budgeted utility revenues from water services and a proportionate share of the Goods and Services Tax (GST) rebate. The access fee for 2021 is budgeted at \$11.1 million.

Moving the access fee to the property tax base would result in a 24.4 per cent initial reduction in the base charges for water and wastewater and a property tax mill rate increase of 4.1 per cent. The net result when taking impacts to both utility and property tax accounts into consideration is insignificant (less than one per cent) for most properties while higher-value properties are likely to experience net

increases of over two percent. While these results are for property owners, similar results are expected for renters as property owners will likely pass on increased property taxes through rent increases. A detailed analysis related to shifting the access fee to the property tax base is included as Appendix B: Shifting the Access Fee to the Tax Base. Overall, the analysis suggests transferring the access fee is not an effective way to improve affordability.

Jurisdictional Scan: Identifying options to address Affordability

To identify program options, a scan of 19 municipal and 28 corporate water, power and energy utility providers was conducted. A full copy of the scan is included as Appendix D: Utility Affordability Programs Scan. The scan identified 12 municipal and 13 corporate utility providers have some sort of affordability program for low-income customers in place.

From the jurisdictional scan four program options were identified: rebates, one-time assistance payments, service fee waivers and high-efficiency retrofits. A full evaluation of these options is included in Appendix A: Water Affordability Options and are summarized in Table 1: Summary of Affordability Programs below.

Community Engagement

Public engagement was conducted through *Be Heard Regina* from May 28 to June 30, 2021. Residents were invited to participate via an insert notice included with tax and utility notices, a news release with media coverage and social media advertising. Special interest committees and community groups were also informed of the survey and asked to encourage participation.

The purpose of the engagement was to gauge the level of public support for potential high-level policy options regarding tax policy and tax and utility affordability. Participants were asked if they support affordability programs, and to prioritize who should be eligible for potential programs, what type of program they felt would be the most beneficial and how potential programs should be funded. The online questionnaire posted to the beheard.regina.ca website was designed to provide Regina residents with a public engagement opportunity to share opinions with the City; it was not a statistically valid survey conducted with a random selection of respondents.

A total of 2,924 residents completed the survey, the majority of which pay residential property taxes and have a utility account in their name. Forty-two percent of respondents support and 28 per cent somewhat support the implementation of affordability programs. Three out of ten (29 per cent) do not support low-income water utility and taxpayer affordability programs. Support is highest among lower income households and those without a water utility account in their name. Those with household incomes >\$40,000 also support affordability programs, although support softens as income increases. Commercial property taxpayer respondents are the least supportive (54 per cent). Six out of ten (60 per cent) respondents think the City should base water utility rates primarily on water use, with water infrastructure and maintenance costs paid partially through property taxes.

These results were consistent across income brackets. A full report with the engagement results is attached as Appendix E: COR Water Utility and Property Tax Affordability Survey Results.

Focus groups were not used for engagement at this time. Should Council wish to establish an affordability program, targeted engagement with groups such as the Age Friendly Committee, Community Well-Being Table, the Accessibility Advisory Committee, and others should be conducted to ensure the program(s) address the needs of the community and reflect the voices of those most impacted.

Additional comments regarding affordability programs were submitted to administration via email, mail and social media. A summary of this feedback is included as Appendix F: Survey Written Feedback. Eleven comments expressed support for affordability programs and 14 comments expressed opposition to affordability programs. The most common reasons for opposition to affordability programs were that high utility rates make them reluctant to pay more and that the City should focus on managing operational inefficiencies as a means or option to address the affordability issue. Twelve respondents did not express support or opposition to affordability programs, but rather provided comments on program administration, survey design and opinions, and ideas related to other City policies, programs, and services.

Water Affordability Program Evaluation

Administration completed an evaluation of utility affordability program options (Appendix A). The analysis evaluated how well programs would improve affordability, water conservation and equity. Community support as reflected through engagement and administrative costs were also considered.

Table 1 summarizes the results of the analysis. Options are graded positively (green) if they improve on the current state, negatively (red) if they will make the current state worse, and neutral (yellow) if there will be no significant change. Areas are marked grey where no data is available and hash marks indicate complexity in the results (refer to Appendix A for more information).

Table 1: Summary of Affordability Programs

Option	Afford.	Conserv.	Equity	Comm. Support	Admin. Cost	Overall
Rebates	Green	Yellow	Green with grid	Green	Orange	Yellow with grid
One-time Assistance Payments	Yellow with grid	Yellow	Brown	Green	Orange	Yellow
Service Fee Waivers	Yellow with grid	Yellow	Brown	Grey	Yellow	Yellow
High-efficiency Retrofits	Yellow with grid	Green	Green	Yellow	Orange	Yellow with grid

Of the four options, rebates and high-efficiency retrofits were identified as most likely to improve affordability. One-time assistance payments and service fee waivers may help customers struggling with overdue payments or plumbing emergencies or who repeatedly incur service fees but are not expected to significantly improve affordability overall.

Political Advocacy Strategy

Affordability is not only dependent on the cost of water services and household incomes but also on the cost of other essential goods and services. The City has limited capacity to influence these factors but can ask the federal and provincial governments – either directly or through the Saskatchewan Urban Municipalities Association (SUMA) or the Federation of Canadian Municipalities (FCM) – to improve water affordability by:

- providing funding for regulatory compliance;
- improving incomes for low-income households; and
- taking action to reduce poverty and provide access to basic needs.

While the City could advocate specifically on these issues in relation to water affordability, a more effective and impactful approach would be to do so as part of a coordinated advocacy strategy addressing other factors impacting water affordability, such as poverty and inequality. Administration is currently working on a Community Safety and Wellbeing Plan, which is a collective approach to address root issues of crime, including poverty and inequality as well as services for those struggling with mental illness, substance use challenges, and homelessness. Given the overlap of underlying issues between water affordability and community safety and wellbeing, the most efficient approach to an advocacy strategy would be to determine any possible advocacy actions coming out of Community Safety and Wellbeing plan and potentially address multiple issues through advocacy rather than a one-off approach specific to water affordability.

The approach to advocacy would remain the same whether advocating specifically on water affordability or on underlying issues impacting water affordability more broadly, including working with SUMA and FCM to advance positions on these issues as well as working through ministries at the provincial and federal level to seek better outcomes on these issues. The benefit of waiting is the ability to make a more impactful case for various supports by tying the issues together and demonstrating the impacts of specific supports on a range of issues.

Other Initiatives

The City has several initiatives currently underway which have implications for discussions on water affordability and should be considered during discussions on water affordability. These initiatives include:

Advanced Metering Infrastructure (AMI) Project

This project aims to replace the City's 76,000 water meters over five years with new metering infrastructure which will allow for real-time collection of water consumption data which in turn will enable advanced analytics, improved water infrastructure maintenance and homeowner awareness of water leaks and usage. This can help reduce the cost of leakages and maintenance which will improve the affordability and sustainability of the water utility.

The AMI project will also provide the data required to conduct a water rate review which will allow the City to evaluate alternative rate structures which may improve affordability and sustainability. For example, the fixed rates in the current structure contribute to water unaffordability as customers are required to pay the fixed charges even if they do not use any water and any consumption creates additional charges. However, the fixed rates help create revenue stability and cover a portion of the utility's fixed costs. There may be an alternative rate structure which can improve affordability while maintaining or improving revenue stability and water conservation. A water rate review must balance the need for financial sustainability with the desire to allow residents to reduce their costs through water conservation. A review would require data on historic and predicted water usage, and input by experts and other water providers.

Energy & Sustainability Framework

The City is developing a strategy to become a 100 per cent renewable city with net-zero carbon emissions by 2050. This will be achieved by reducing energy consumption, improving energy efficiency, and switching to renewable or low-carbon energy sources. Moving water through the system is a source of energy consumption and greenhouse gas emissions. While there would be some reductions in energy consumption and greenhouse gas emissions if less water was consumed through increased water conservation by the end user, the size of reductions is difficult to predict.

DECISION HISTORY

On January 27, 2014, Council approved, *Design Regina: Official Community Plan Bylaw No. 2013-48 (OCP)* which provides a comprehensive policy framework to guide the physical, environmental, economic, social, and cultural development of the City of Regina.

On October 29, 2018, Council approved the Water Master Plan (WMP) which is a comprehensive water service planning document designed to support the OCP Community Priorities and affirms the City's commitment to providing potable water to customers and planning for a sustainable water service and system.

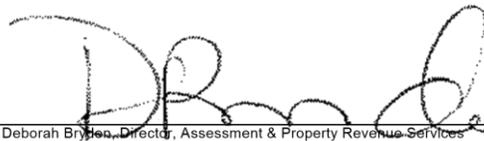
On December 3, 2019, Council approved the Wastewater Master Plan which is a comprehensive wastewater service planning document designed to support the OCP Community Priorities and affirms the City's commitment to providing wastewater service to customers and planning for a sustainable wastewater service and system.

On May 26, 2021, Council approved CR21-90 outlining changes to the Lead Service Connection Management Program, which included a utility rate increase of 2% as part of the 2022 budget process.

The recommendation contained in this report requires City Council approval.

Respectfully Submitted,

Respectfully Submitted,



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9/15/2021



Barry Lacey, Exec. Director, Financial Strategy & Sustainability

9/17/2021

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ATTACHMENTS

- Appendix A - Water Utility Affordability Options
- Appendix B - Shifting the Access Fee to the Tax Base
- Appendix C - United Nations Sustainable Development Goals
- Appendix D - Utility Affordability Programs Jurisdictional Scan
- Appendix E - CoR Water Util-Property Tax Affordability Survey (2021)
- Appendix F - Survey Written Feedback Summary Report