



## CUWA Policy Principles

### Water Accessibility and Affordability – March 28, 2017

CUWA's mission is to provide a forum for combining the expertise and resources of its member agencies to advance a reliable, high-quality water supply for the state's current and future urban water needs. CUWA agencies are committed to providing clean and safe drinking water for their customers at all levels of income. CUWA is also focused on exploring workable and timely solutions for restoring accessibility to safe, high-quality water for residents in rural disadvantaged communities (DACs) across California without exacerbating the affordability concerns of urban low-income customers. The following policy principles summarize CUWA views on water accessibility and affordability.

- **CUWA agencies serve many low-income customers and therefore recognize that affordability is a major issue in California that must be considered when setting water rates.** Statewide, 20.8% of all households earn an annual income of less than \$24,999 (*U.S. Census Bureau, 2009-2013 5-Year American Community Survey*). Low-income customers typically use less water, but can spend up to 5% of household income on water bills. A recent assessment indicates that the same portion, or about 21%, of CUWA agencies' collective service area is comprised of low-income households. Of the 27 million people in CUWA agencies' service areas, approximately 5.5 million are likely struggling with water affordability.
- **Too many Californians lack access to affordable, safe drinking water.** CUWA believes it is unacceptable that 530,000<sup>1</sup> or more people in rural areas of California are unable to turn on their tap and access clean, safe drinking water due to impaired community public water systems. These water systems often do not have sufficient technical, managerial, and financial capacity to comply with regulations and reliably produce safe drinking water or identify alternative supplies. CUWA endeavors to make a positive contribution by assessing the problem, informing the dialogue, and exploring potential solutions to California's growing challenge of water accessibility and affordability.
- **CUWA supports access to safe and reliable water for all Californians.** CUWA agencies are committed to providing safe, clean, affordable, and accessible water adequate for human consumption, cooking, and sanitary purposes for all their customers. CUWA agencies are applying a variety of approaches within existing municipal, regulatory, and legislative constraints, to continue making water accessible to low-income households in their service areas. CUWA is also committed to supporting the development of targeted solutions addressing a range of water quality, utility capacity, and financial challenges for rural DAC issues without compounding affordability issues in urban low-income households.

<sup>1</sup>represents CUWA's analysis of population served by small public water systems (15 to 3,300 connections or serving 25 to 10,000 people) and small, non-community public water systems that are schools or day care centers with Maximum Contaminant Level (MCL) violations from January 2011 – March 2016 as accessed from SWRCB's Division of Drinking Water on October 11, 2016. This number does not include State Small Water Systems (<15 connections), individual domestic wells, or singular violations.

- **CUWA agencies must continue to invest in water supply reliability, yet acknowledge that the associated rising cost of water puts even greater pressure on affordability for low-income households.** CUWA agencies expect the cost of water to further increase to address aging infrastructure, fund demand management programs, and provide safe, reliable, and resilient sources of supply. The scale of aging infrastructure needs is significant – with over \$12 billion in collective expenditures projected by CUWA member agencies over the next 10 years (not including additional expenditures by their retail agencies and the state) – highlighting the persistent challenge of affordability. Statewide, a solution to affordability is needed.
- **CUWA agencies comply with Prop 218, yet recognize it can constrain the application of some utility funds to assist low-income households.** Prop 218 requires charging a fee proportionate to the cost of providing water services, and CUWA supports transparency with cost of service as the basis for water rates structures. At the same time, the proportionality requirement of Prop 218 presents challenges for some agencies to fund dedicated affordability programs. A modification that specifically addresses affordability would enable some water agencies to better meet the local needs of low-income households.
- **CUWA recognizes that pricing mechanisms encouraging conservation can impact water affordability for low-income households and must be carefully considered before implementation.** Pricing mechanisms intended to promote conservation can increase water charges for many users as the fixed costs must be covered for a smaller volume of water. Any such fees on low-income households would pose additional challenges for affordability. Once delinquent on water bills, resolving associated debt issues for low income households can be particularly challenging.
- **CUWA believes that potential funding sources for water accessibility and affordability issues should have a nexus to the source of the problem, where possible.** In our Reliable Water Finance Policy Principles, CUWA has promoted the concept of “beneficiary pays” as the best approach for funding essential water-related investments. Though affordability and accessibility is a broader social welfare issue, we also believe there are some viable funding options that have a nexus to the challenges, particularly for DACs. A variety of such funding options have been proposed by others (e.g. a fertilizer tax). Potential options warrant further consideration of the opportunities and challenges for each to find a workable combination and balance of approaches to meet funding needs.
- **CUWA contends that a public goods charge (PGC) is not an effective way to resolve water accessibility and affordability.** Others have proposed a PGC as a way to raise funds to address unmet statewide water issues. As noted in the CUWA/CMUA Joint Reliable Water Financing Policy Principles, a PGC could divert funds that would otherwise provide for local water needs and create new inefficiencies. CUWA supports the use of a general fund solution as a more appropriate way to provide long-term funding because the issue of access to safe and reliable water for all Californians is a larger social welfare issue.
- **CUWA is committed to identifying strategies that could successfully address affordability within our collective service area.** Given the magnitude of the affordability issue within the population served by CUWA, our agencies are focused on developing community assistance solutions within each agency’s service area to the extent legally allowed. Best practices employed to implement or fund these programs include:
  - **Discounted water charges** funded by sources that are unconstrained by Prop 218. Sources include donation programs based on voluntary tax deductible contributions and local non-profit agencies providing community assistance. Such customer assistance programs would make water available at a reduced cost to low-income customers.

- **Base tier rates** offering a minimal amount of water sufficient for human consumption, cooking, and sanitary purposes (i.e., indoor water use) at a lower cost thereby assisting lower water users, many of whom are low-income customers.
- **Customer conservation assistance** to reduce demand and water bills by increasing water efficiency within low-income households. Water Savings Assistance Programs have been funded through Prop 84 grant funds.
- **Partnerships with energy utilities** to provide necessary resources and improve agencies' ability to implement low-income assistance programs, including broadly reaching public education.
- **Education on the safety and value of utility served tap water** as an inexpensive alternative to bottled water. Consumer savings can go towards household water bills.
- **CUWA believes solutions for restoring access to rural DACs are within reach.** CUWA is working with the State and the environmental justice community to better define the problem so that viable solutions can be implemented. CUWA offers ideas and approaches to further advance these efforts as summarized in our fact sheet "Tackling California's Water Accessibility and Affordability Issues."
- **Focusing initially on systems with persistent water quality issues is one way to accelerate progress and target solutions.** Achieving timely progress often requires prioritization of needs. Identifying systems with persistent violations for the same contaminant over multiple years can help bring early focus and results to systems most in need of assistance.