

CITY COUNCIL STUDY SESSION

Introduction of a new Emergency Assistance Program to the Utility Rate Relief Program

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Utilities Department

DIRECTION NEEDED FROM COUNCIL**DIRECTION**

Staff is seeking Council direction on recommended changes to the Utility Rate Relief Program.

RECOMMENDATION

Direct staff to return with legislation to implement program recommendations to: 1) offer a new EAP to low-income residents who are not eligible for the current URR Program; 2) modify the existing URR Program to offer a uniform discount level of 70 percent; and 3) make associated changes to City Code.

BACKGROUND & ANALYSIS**Background**

The City currently offers a Utility Rate Relief (URR) Program that is funded by utility rates and administered by the Utilities Department. The URR Program provides rate relief to qualified low-income citizens that are 62 and older or with permanent disabilities. The program was established in 1980, by Ordinance No. 2819, to provide relief from water service charges to certain senior citizens. The program was later expanded to also provide relief to low-income residents with disabilities and to include relief from sewer and stormwater service charges.

The current program provides a 40 percent or 75 percent utility rate reduction, depending on income levels. The program serves about 1,100 residents within Bellevue Utilities' service area at a cost of approximately \$1.0 million annually. Applicants currently qualify for rate relief through an annual application process. Qualified single-family residents receive a discount on their bimonthly water, sewer, and/or stormwater bills. Qualified multi-family residents who do not receive a utility bill directly from the City receive an annual rebate based upon average consumption levels.

In addition to the URR Program, the City offers a Utility Tax Relief Program to qualified low-income residents that is funded by the General Fund, and is authorized under Title 4, Revenue and Finance of the Bellevue City Code. This program is currently administered by the Utilities Department to leverage efficiencies. No changes are proposed to the Utility Tax Relief Program, with exception of the proposed code changes, discussed below, to update and align the income benchmarks used to administer both the URR and Utility Tax Relief programs.

Program Evaluation Process

The current URR Program had not been reviewed for many years and required a comprehensive evaluation to assess the program's efficiency and effectiveness in meeting its intended goals. In

addition, the current program does not provide rate relief to low-income residents who are experiencing temporary financial hardship. The Utilities Department receives requests for rate relief from these residents, but does not currently have a mechanism to meet this need. The URR Program evaluation had the following objectives:

1. Create funding capacity to provide temporary utility rate emergency assistance to low-income residents who are not eligible for the current URR Program.
2. Ensure the current URR Program benefit levels are appropriate and equitable.
3. Ensure administrative efficiency and effectiveness.

The program evaluation included the following three elements:

1. An assessment of the effectiveness of the existing URR Program. This included a review of the benefit levels offered by the current program, eligible customer population, customer equity, and customer access to the program; and benchmarking Bellevue's program with neighboring utility agencies.
2. An assessment of administrative efficiency and effectiveness which focused on process improvement opportunities to enhance customer service delivery and reduce administrative costs.
3. An evaluation of options to create funding capacity to provide temporary utility rate emergency assistance to low-income residents who are not eligible for the current URR Program.

Program Evaluation Findings

The benchmarking findings indicate Bellevue currently offers a very robust and inclusive program, with a high benefit level to qualified customers. The findings also confirmed that the current URR Program has some gaps, such as no mechanism to provide temporary rate assistance to low-income residents who are under 62 years old, are not permanently disabled, and are at risk of utility service interruption.

Additionally, the evaluation found the current application process, which requires annual renewal, is cumbersome for customers and is administratively inefficient.

Program Recommendations

Based on the evaluation findings and benchmarking data, the following program changes are recommended. These recommendations support Council's adopted Affordable Housing Strategy by providing an affordable base level of utility services for qualified residents.

New Emergency Assistance Program: A new Emergency Assistance Program (EAP) is recommended to provide temporary utility rate relief to low-income customers who are experiencing financial crises and are not served by the current URR Program. Specifically, the recommendation is to offer temporary, emergency rate relief, on two bimonthly utility bills or four months of utility services, to qualified residents within Bellevue Utilities' service area once every three years. The proposed EAP program will enable qualified residents to temporarily avoid utility service interruption while resolving their financial crises. The proposed EAP program can be funded without impacting utility rates by

modifying the existing URR Program to extract financial capacity while continuing to offer an appropriate level of rate relief to existing URR recipients.

It is not financially feasible to expand the current URR Program to all low-income residents. The cost to expand the current program to all low-income residents on an on-going basis could cost up to \$10M annually if all potentially eligible customers chose to take advantage of the program. This additional cost would be borne by the general rate base and significant utility rate increases would be required to fund such a program.

Proposed Modifications to Existing URR Program: Modify the existing URR Program to offer a uniform discount level of 70 percent and a cap on the customer benefits to cover a basic, core level of utility service to ensure equity and promote conservation. Based on benchmarking information, this will continue to be a robust benefit level.

Proposed Changes to City Code: Changes are needed to the Bellevue City Code in the following areas to improve administrative efficiency:

1. Update the income benchmark referenced in City Code for both the URR and Utility Tax Relief programs. The current benchmark references are outdated.
2. Align the income review period to determine program eligibility for single-family and multifamily customers for the URR Program for administrative efficiency. Currently, different income review periods are used for single-family versus multifamily customers.

The recommended changes to City Code are needed to improve administrative efficiency regardless of the proposed program changes.

The Environmental Services Commission provided input to inform the program evaluation and reviewed the findings and recommendations over the course of two meetings.

POLICY & FISCAL IMPACTS

RCW 74.38.070 authorizes cities to provide reduced utility rates for low-income senior citizens and other low-income citizens.

Bellevue City Code 24.10.020 grants relief from the City's water, sewer, and storm drainage utility service charges to qualified low-income seniors and disabled persons living within Bellevue Utilities' service area.

The following Comprehensive Plan policies from the Human Services Element are supported by the proposed recommendation:

- HS-3 Identify opportunities and develop strategies that are preventive in their approach to human services needs.
- HS-7 Consider the human services impacts of proposed legislation prior to formal adoption.

Fiscal Impacts:

- The program recommendations will allow the City to provide targeted, temporary assistance to low-income customers during times of financial crises without impacting utility rates and is designed to be expenditure neutral.

OPTIONS

1. Direct staff to return with legislation to implement program recommendations to: 1) offer a new EAP to low-income residents who are not eligible for the current URR Program; 2) modify the existing URR Program to offer a uniform discount level of 70 percent; and 3) make associated changes to City Code.
2. Provide alternative direction to staff.

ATTACHMENTS & AVAILABLE DOCUMENTS

N/A

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N/A