



• **Equity, Inclusion, and Affordability Committee**

4/23/2024 Committee Meeting

6a

Subject

Report on Water Affordability Panels and Recommended Actions

Executive Summary

Based on a request from Metropolitan Water District of Southern California's (Metropolitan) Equity, Inclusion, and Affordability (EIA) Board Committee, four panels on affordability were conducted during EIA Board Committee meetings. Recognizing that increasing affordability at the household level enables Metropolitan's Member Agencies to make necessary investments in reliability through local and Metropolitan supplies, EIA Board Members sought recommendations to address affordability to strengthen regional resilience throughout Metropolitan's service area. These affordability discussions were designed to inform the Board's Climate Adaptation Master Plan for Water (CAMP4W) process and expand on initial CAMP4W thematic statements on affordability and equity, which serve as guideposts in the development of the Climate Decision-Making Framework and evaluative criteria that will help guide future Metropolitan investments. Each panel was comprised of representatives from different sectors, including but not limited to non-governmental organizations, member agencies, utilities, and researchers. Based on discussions during the four water affordability panels and ongoing discussions at the CAMP4W Task Force, staff is seeking input from the EIA Committee on the next steps to develop affordability goals and measures in the CAMP4W process.

Proposed next steps include policy and legislation initiatives, program development, and identifying key performance indicators, which are separated by near-term (2024) and mid-term (2025+) actions.

Fiscal Impact

Unknown at this time.

Applicable Policy

Metropolitan Water District Administrative Code Section 11104: Delegation of Responsibilities;

Metropolitan Water District Board adopted Legislative Priorities and Principles for 2024

Related Board Action(s)/Future Action(s)

The summary and recommendations are based on discussions from four water affordability panels in previous EIA Board Committee meetings and ongoing discussions at the CAMP4W Task Force.

California Environmental Quality Act (CEQA)

The proposed action is not defined as a project under CEQA because it involves policy proposals that do not involve any commitment to any specific project which may result in a potentially significant physical impact on the environment (Public Resources Code Section 21065 and Section 15378(b)(1) of the State CEQA Guidelines). The proposed action is also not defined as a project under CEQA because it involves continuing administrative activities, such as general policy and procedure making (Section 15378(b)(2) of the State CEQA Guidelines). In addition, where it can be seen with certainty that there is no possibility that the proposed action in question may

have a significant effect on the environment, the proposed action is not subject to CEQA (Section 15061(b)(3) of the State CEQA Guidelines).

Details and Background

Background

The Metropolitan Water District of Southern California's (Metropolitan) role as a wholesale water provider naturally focuses its affordability strategies on the rates charged to its member agencies, not to retail customers. However, Metropolitan efforts to provide tools, direct programs, and support funding mechanisms can directly affect member agencies and the customers they serve.

State and federal water assistance funding lags behind other basic services, including food, energy, and telecommunications (Figure 1). The only federal assistance program for water was a temporary program created during the COVID-19 pandemic. The Low-Income Household Water Assistance Program (LIHWAP) provided one-time emergency assistance to reduce arrearages, reconnect services and cover late fees, or reduce payments for households with income less than 60% of state median income for U.S. or qualified citizens. The LIHWAP ended in March 2024, and it is now up to Congress to reauthorize the program and provide funding. The 2024 LIHWAP Water Utility Affordability Survey [Report](#) found households at 75% of the federal poverty level spent up to 40% of their monthly income on water and sewer bills. Metropolitan is motivated to promote policies and programs that address household water affordability as they can beneficially influence the financial health of its member agencies and thus increase water supply reliability across Metropolitan's six-county service area.

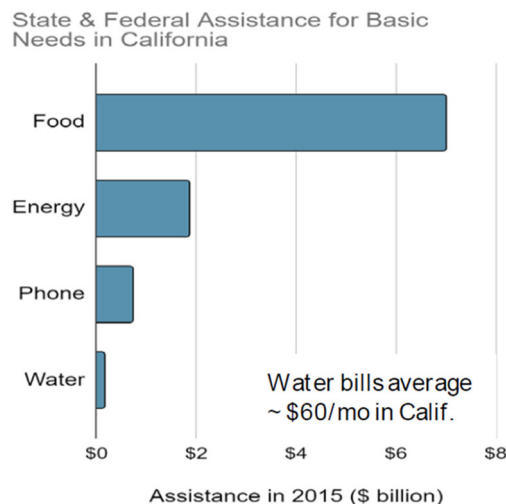


Figure 1. Water assistance funding generally lags behind other basic services, Pierce et al., *Utilities Policy*, (2020)

Metropolitan and its member agencies are also informed by California's Human Right to Water (HR2W) Policy, AB 685 (2012), which states that "...every human being has the right to safe, clean, affordable, and accessible water adequate for human consumption, cooking, and sanitary purposes." Although not applicable to Metropolitan or other local agencies, this policy broadly applies to state agencies when revising, adopting, or establishing policies, regulations, or criteria. Currently domestic minimum indoor water use during curtailment is recognized as 55 gal./person/day (GPCD), pursuant to Cal. Code Regs. Tit. 23, § 878.1, which may serve as a guide for HR2W policies.

Background on Metropolitan Water Affordability Panels

Based on a request from Metropolitan's Board, four panels on affordability were conducted during EIA Board Committee meetings in 2023 and early 2024. Metropolitan's panel discussions brought together experts and stakeholders to provide insights and recommendations for specific policies and programs aimed at making water more affordable for communities and water agencies within Metropolitan's service area. Metropolitan's panel

discussions addressing water affordability challenges within the district's service area underscored the complexity of water affordability issues, highlighted the diversity of federal, state, and member agencies' water affordability programs as well and reviewed the variety of metrics used to measure affordability.

Panel One – Monday, August 14, 2023– Discussion of Member Agency Programs

Ismahan Abdullahi, National Executive Director at Muslim American Society: Public Affairs and Civic Engagement; San Diego County Water Authority Board Member
Maura Allaire, Assistant Professor, University California Irvine School of Social Ecology
Jennifer Capitolo, Executive Director, California Water Association
Dan Denham, General Manager, San Diego County Water Authority
Mauricio Guardado, General Manager, United Water Conservation District
Mary Matava, President and Agronomist, Agri Service, Inc.

Panel Two – Tuesday, October 24, 2023– Metropolitan's Role in Household Water Affordability

Jennifer Capitolo, Executive Director, California Water Association
Jennifer Clary, California Director, Clean Water Action/Clean Water Fund
Joe Mouawad, General Manager, Eastern Municipal Water District
George Rofail, Chief Customer Officer, Los Angeles Department of Water and Power

Panel Three – Monday, November 13, 2023 – Regulatory Requirements Impacting Affordability

Danielle Blacet-Hyden, Deputy Executive Director, California Municipal Utilities Association
Wendy Broley, P.E., Executive Director, California Urban Water Agencies
Laurel Firestone, Board Member, State Water Resources Control Board
Erik D. Olson, Senior Strategic Director, Health and Food, People & Communities Program, Natural Resources Defense Council
J. Alan Roberson, P.E., Executive Director, Association of State Drinking Water Administrators
Alex Rojas, General Manager, Central Basin Municipal Water District

Panel Four – Monday, January 8, 2024– Metropolitan's Efforts to Contain and Offset Costs

Janet Clements, President, One Water Econ
Erin Corvinova, Financial Planning Director, San Francisco Public Utilities Commission
Greg Pierce, Director, UCLA Human Right to Water Lab; Water Resources Group

Major Themes of Panel Discussions

Leveraging Non-Rate Revenues: Metropolitan could explore utilizing non-rate revenues to fund affordability programs. This approach could involve leveraging assets, partnerships, and grants to support direct bill assistance and conservation programs targeting disadvantaged communities. As an example, SFPUC uses approximately \$12 million in annual real property lease revenue to fund its low-income assistance program.

Collaboration and Information Sharing: Increased collaboration and information sharing among member agencies on successful affordability and conservation programs would allow agencies to learn from each other and adopt best practices suited to their unique circumstances.

Investment in Education and Outreach: Discussions stressed the need for Metropolitan to invest in educational initiatives to ensure that affordability programs reach and are utilized by those most in need. This could involve targeted outreach efforts and partnerships with community organizations to raise awareness about available assistance programs.

Statewide and Federal Advocacy: There was consensus among many panelists for Metropolitan to take an active role in advocating for statewide and federal policies that support water affordability. This includes supporting legislation for statewide low-income rate assistance programs and seeking federal funding opportunities to offset the costs of essential water infrastructure projects.

Policy and Program Innovation: Metropolitan was encouraged to continue exploring innovative policies and programs that address both system-level and household-level affordability challenges. This might involve working with Member Agencies on exploring new billing structures, subsidies for low-income households, and programs that reduce the water bill impact on vulnerable populations.

Staff Policy Recommendations

A wide variety of recommendations to maintain water affordability and achieve equity more broadly within the context of public utilities were shared throughout the four affordability panels. Not all these recommended approaches can be immediately pursued by Metropolitan due to its status as a special district water wholesaler. Thus, staff distilled these ideas into applicable near-term and mid-term policy recommendations for consideration.

Proposed Near-term Actions (2024)

1. Work with legislative sponsors to seek continuous funding for a statewide low-income rate assistance program (LIRA) and support federal legislation to seek continuous funding for the expansion of the existing LIHWAP.

Panel discussions underscored the critical need and widespread support for Metropolitan to engage in legislative efforts to develop a statewide LIRA program. Panelists noted that disparities in affordability programs across different water utilities could be supported by a uniform statewide approach to assist low-income households. The LIHWAP is a federal initiative aimed at supporting low-income households to manage their residential water and wastewater bills. It provides temporary relief for households facing immediate water service disconnection, to restore services that have been disconnected due to non-payment, and to prevent future disconnection. Senator Alex Padilla recently introduced legislation to establish a permanent, nationwide water assistance program.

2. Study the costs, benefits, and legal requirements of addressing water affordability challenges through a refined Business Model that values conservation and efficiency and deters waste.

As the Board explores options for adapting Metropolitan's business model, staff recommends prioritizing measures that also help address the affordability challenges of our Member Agencies and their customers. This could include accounting for the value of conservation and efficiency, cost-sharing and surplus water management, as well as adjustments to rates and charges.

3. Collaborate broadly to develop a time-bound target for community equity based on water affordability research to inform CAMP4W.

The CAMP4W Task Force has expressed interest in developing a time-bound target for community equity that tracks investments in underserved communities and affordability challenges and ensures meaningful community engagement in Metropolitan projects and process as appropriate.

4. Develop and promote water conservation programs, rebates, and incentives informed through research and analysis for low-income and disadvantaged communities (DAC), as defined in Water Code 79505.5, to increase program participation and regional water conservation.

Water conservation programs could include, but are not limited to, support for water-efficient devices and fixtures, leak detection and repair programs, landscape transformation and irrigation efficiency, storm water capture, community-based water conservation projects, and assistance to communities in applying for grants and funding dedicated to water conservation. Expanding participation in these programs by low-income communities would further Metropolitan's expanding participation in conservation programs and could help reduce water bills for those customers.

Proposed Mid-term Actions (2025+)

1. Develop a Metropolitan Water Affordability and Environmental Justice Policy (EJ Policy) as the next step in CAMP4W, consistent with California state and federal Environmental Justice policies to inform community investment associated with Metropolitan projects and programs, workforce development, multiple benefits in infrastructure design, and public engagement.

A (EJ Policy) could inform Metropolitan's approach to addressing inequities identified in the communities and watersheds impacted by Metropolitan's operations and investments. Elements of an EJ Policy could include direction on local workforce and economic development, community engagement, infrastructure design, affordability and community benefits.

- 2. Consider Metropolitan’s role in facilitating technical assistance to Member Agencies and sub-agencies on affordability measures and mechanisms to incentivize conservation and reduce waste.

Increased collaboration and information sharing among member agencies on successful affordability and conservation programs allows agencies to learn from each other and adopt best practices suited to their unique circumstances. Metropolitan can play a facilitation role in bringing technical assistance, panel discussions, and information sharing to assist Member Agencies in developing affordability and conservation-focused programs, including budget-based billing.

- 3. Conduct community equity analyses on Metropolitan infrastructure investments, operations, and conservation programs.

Metropolitan can develop methodologies to identify, assess, and address, as appropriate, disparities in water access, affordability, and environmental impact across different communities in its service area, especially in historically marginalized and underserved populations. Geospatial and socioeconomic analyses can shed light on how water rates, infrastructure investments, and conservation programs benefit groups differently.

- 4. Explore legislative action to amend Propositions 218 and 26 to address the restrictions on water agencies’ ability to fund LIRA programs for qualified ratepayers.

Propositions 218 and 26 amended the California Constitution to limit the mechanisms by which local governments can create or increase taxes, fees, and charges without voter approval. Metropolitan’s Member Agencies are particularly vulnerable to Propositions 218 and 26 and could face legal challenges. Reforming Proposition 218 could allow for more equitable fee structures that enable cross-subsidization or direct assistance, ensuring that all community members have access to essential services regardless of their ability to pay. Reform could facilitate programs aimed at improving water quality and access in underserved communities, thereby enhancing overall public health outcomes.

Conclusion

Staff looks forward to input from the EIA Committee on the Staff Policy Recommendations as well as any reflections from the panel discussions. Next steps will be further discussed through the CAMP4W process.



Elizabeth Crosson *Date*
 Chief Sustainability, Resilience and
 Innovation Officer



Adel Hagekhalil *Date*
 General Manager