

Affordability Benchmarks & Evaluation for the Combined Sewer Overflow Program

April 17, 2020



Project Objectives

Use current Drainage and Wastewater Line of Business costs to determine Community Affordability and Customer Affordability for implementation of the Combined Sewer Overflow program.

- Assess Community Affordability using Environmental Protection Agency (EPA) Financial Capability Assessment Guidance.
- Assess Customer Affordability using 2018 Affordability Framework recommendations compiled by NACWA/AWWA/WEF
- Use the information for the Combined Sewer Overflow (CSO) Plan Update.

Community Affordability

1997 EPA Financial Capability Assessment (FCA) Matrix for Community Affordability

Uses Median Household Income for the Residential Indicator plus Utility Financial Capability to determine:

Community ability to afford a Combined Sewer Overflow (CSO) Program
and
Length of Schedule for CSO Program

FCA Matrix Showing SPU's Position Based on FCA Model Result

			Residential Indicator (Cost per Household as a % on MHI)		
			Low (Below 1.0%)	Mid-Range (1.0% to 2.0%)	High (Above 2.0%)
			0.0%	1.0%	2.0%
Permittee Financial Capability Indicator	Weak (Below 1.5)	0.0 ↑	Medium Burden	High Burden	High Burden
	Mid-Range (1.5 to 2.5)	1.5 ↑	Low Burden	Medium Burden	High Burden
	Strong (Above 2.5)	2.5 ↑	Low Burden	Low Burden	Medium Burden

2018 Affordability Framework recommendations compiled by NACWA/AWWA/WEF

SPU seeks to take advantage of the wealth of new research for evaluating affordability of drainage and wastewater rates



Measuring Household Affordability
for Water and Sewer Utilities

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The Evolving
Landscape for Financial
Capability Assessment

*Clean Water Act Negotiations
and the Opportunities of
Integrated Planning*

NACWA
A Clear Commitment to America's Waters
www.nacwa.org
May 2013

Important numbers for Customer Affordability Analysis

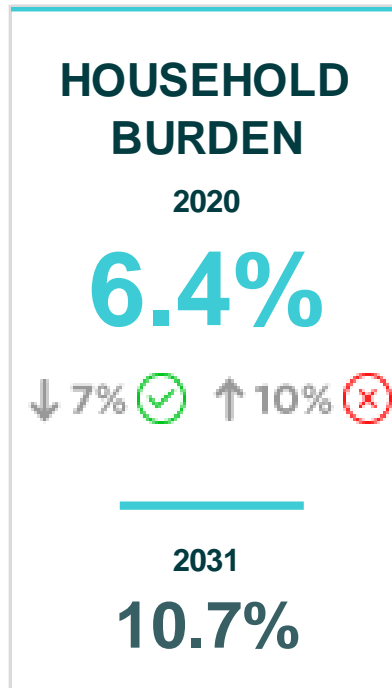
Median Household Income in Seattle = \$93,481

20% Lowest Quintile Household Income = \$31,400

200% of Federal Poverty Level for family of 4 = \$51,500

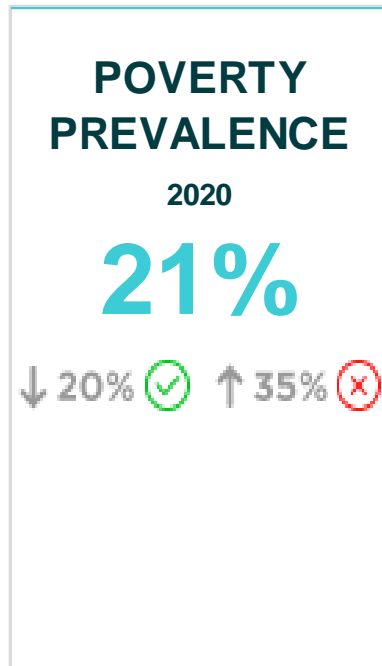
King County Minimum Wage = \$15.00

Customer Affordability - Household Burden



Household Burden - The Household Burden Indicator (HBI) is a metric calculated by dividing the total annual water service costs (water, wastewater and drainage) by the upper limit of the annual income of the 20th percentile (Lowest Quintile) of households in the Seattle.

Customer Affordability - Poverty Prevalence



Poverty Prevalence - The Poverty Prevalence Indicator (PPI) reports the percent of households within the City living at or below 200% of the Federal Poverty Level, as reported in the annual American Community Survey published by the US Census Bureau.

Additional Measures of Customer Affordability



Affordability Ratio (AR)- The AR₂₀ Ratio was developed by Professor Manny Teodoro.

Measures the percent of discretionary income being spent to pay for total annual stormwater, wastewater and water costs for a household at the Lowest Quintile Income level.

Additional Measures of Customer Affordability



Bill in Hours at Minimum Wage - Developed by Professor Manny Teodoro.

Presents the number of hours of work per month at King County minimum wage (\$15/hour) required to pay the typical bi-monthly total wastewater, stormwater and water service costs.

Next Steps

- Finish work
- Run alternative cash flow scenarios to calculate affordability measures.
- Discuss which measures best describe our customers situation