

## Customer Assistance Programs for Multi-Family Residential and Other Hard-to-Reach Customers

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### Key Findings

- Hard to Reach (H2R) households constitute a significant percentage of the population served by water utilities.
- H2R households generally have lower incomes than the average household and often face a greater degree of economic and other life challenges.
- Utilities typically do not have channels in place to effectively communicate and engage with the H2R.
- The most effective and efficient ways for utilities to provide support to the H2R involve partnering with existing and well-trusted community-based organizations (CBOs), and piggybacking onto existing programs that have track records of successfully engaging and providing support to the H2R.

## Overview

The affordability of water-related services is becoming an increasing concern in many communities as drinking water, wastewater, and stormwater rates continue to escalate at rates significantly higher than inflation. Many drinking water and wastewater utilities are responding to this by providing bill-paying customers with financial support using a wide range of customer assistance approaches. However, most customer assistance programs (CAPs) do not meet the needs of households in multi-family buildings, single-family renters, and others who do not receive bills directly from their water or wastewater service providers. This research provides drinking water and wastewater utility professionals with insights into the magnitude of the financial assistance needs of households that do not receive drinking water or wastewater bills, and describes assistance strategies and programs that can be used to decrease the financial impact of raising rates on these “hard-to-reach” (H2R) customers. This report also provides utilities with tools they can use to develop a better understanding of the H2R households in their communities, evaluate their options for assisting these households, and effectively implement selected program options.

## Background

In every community, there are customers who have difficulty paying their water bills (EPA 2016). Per the U.S. Census Bureau American Community Survey (ACS), nearly 50 million people in the United States (15.5% of the U.S. population) lived below the federal poverty level in 2014 (ACS 2014). In addition, research shows that many households earning well above poverty-level income also have trouble paying for basic expenses (Gould et al. 2015). Unexpected crises such as job losses, illnesses, or other domestic situations can also affect a household’s ability to pay for water and wastewater services.

To address affordability concerns, many utilities have developed CAPs that use bill discounts, special rate structures, payment plans, and other means as approaches to help financially constrained customers maintain access to drinking water and wastewater services (EPA 2016). These programs provide much needed assistance to households in need. However, they generally focus on customers who receive bills directly from the utilities. Nationally, this covers only about 60% of the low-income population of utility customers. The remaining 40% live in single-family rental units, multi-family buildings, or public housing, and pay for their water as part of their rent or home maintenance fee (PUMS 2014). In general, these residents fall between the cracks of traditional utility assistance, communication, and outreach activities.

Many water utilities wish to find effective ways to assist these H2R customers, who—even if they do not directly receive a water bill—nonetheless indirectly face fiscal hardships because of the rapidly escalating costs of essential water-related services. Water rate hikes necessitated by numerous factors—including infrastructure renewal, new supply development, revenue gaps arising from declining water sales, regulatory requirements, or stormwater-related consent decrees—are typically embodied in higher rents charged by landlords and higher fees charged by homeowner associations (HOAs).

In addition to affordability concerns, utilities may need to reach these households for other reasons. For example, utilities may want to provide price signals to incentivize conservation, but may find a large proportion of their service area never sees a water bill. Likewise, public health and safety considerations necessitate effective means of communicating boil water notices in the event of the possible presence of microbial or chemical contaminants in the water system. H2R community members may also need to receive notice of planned water main repairs and associated service interruptions, parking restrictions, and business disruptions. For these reasons, utilities want and need to identify their H2R customers and find effective avenues for communicating with, and assisting, them.

## Research Objectives

Providing assistance to, and communicating with, those who do not have a direct financial relationship with the utility typically requires a different set of strategies and practices from those currently described in water sector best management practices for CAPs. However, there has been very little research that directly addresses this specific subset of customers. Accordingly, the Water Research Foundation (WRF) initiated this research project to provide water utilities with pragmatic options, evaluation criteria, lessons learned, and guidance for CAPs that target H2R customers. The objective is to help water providers identify and assess their options for assisting and communicating with these customers, and effectively implement H2R assistance strategies.

## Results/Conclusions

Based on the material reviewed and developed in this research effort, there are three main findings related to providing water utility-sponsored assistance to the H2R:

- H2R households often constitute a significant percentage of the population served by drinking water and wastewater utilities. Nationally, 22% of all households, and 40% of low income households, served by water sector utilities do not directly pay a water bill or have a direct business relationship with their water service providers. These H2R households largely consist of renters and those residing in multi-family dwellings, and they typically pay for water services indirectly through their rental payments. Close to 80% of H2R customers live in multi-family buildings, and 13% are single-family renters. In some service areas, such as large cities with a large proportion of the population residing in multi-family dwellings, the percentage of H2R households may be significantly greater than the national average.
- H2R households generally have lower incomes than the average household, and often face a greater degree of economic and other life challenges. The median income of H2R households amounted to \$33,339 in 2014, compared to \$53,794 for all United States households. Approximately 23% of H2R households were living in poverty in 2014 (i.e., below the federal poverty guidelines for their household composition), compared to 13% nationally. A significant portion of H2R households is strained by escalating drinking water and wastewater bills, which are typically passed through in elevated rents and escalate the cost of affordable housing. In addition, although many H2R households pay less than other households for water-related services, housing, and other non-discretionary expenditures, they spend the same, if not more, on these items as a percentage of their income. The economic hardship imposed by escalating water sector charges provides a rationale for why some utilities may wish to consider ways of assisting the H2R.
- It is challenging to provide assistance to the H2R, though some viable options exist. The H2R do not benefit from the CAPs many utilities make available to support bill-paying customers, and utilities typically do not have any channels in place to effectively communicate and engage with the H2R. In most cases, the most effective and efficient ways for water utilities to provide support to the H2R involve partnering with existing and well-trusted community-based organizations (CBOs), and piggybacking onto existing programs that have track records of successfully engaging and providing support to the H2R (and other challenged) households in the service area. In Table ES.1, an abbreviated overview and evaluation is provided of the comparative advantages and disadvantages of some of the key strategies that may be considered for a H2R-targeted CAP.

## Strategies for Successful H2R CAP Implementation

A vital aspect of assisting the H2R entails implementing the selected strategy so that it successfully reaches and provides meaningful assistance to the target H2R recipients. There are several important effective implementation lessons learned from assistance programs fielded by water utilities, as well as by organizations in the energy, health care, and other sectors. Key lessons learned from the water sector include:

- There are multiple benefits of partnering with organizations that already understand, and already have strategies in place for reaching, low income H2R customers. These benefits include more effective outreach to

the H2R households and cost savings for the utility, among others. The nature of utilities' partnerships with CBOs varies widely. Some community groups work closely with utilities and manage utilities' assistance program enrollment and administration. Others play a more indirect role in utilities' programs and simply refer eligible customers to utility customer service for program information and enrollment.

- Although some utilities offer assistance to renters in single-family homes, few have worked closely or consistently with landlords to help reach and extend assistance to residents in multi-family units. A common obstacle that utilities cite in working with landlords to extend assistance to renters is an inability to track whether the landlord passes discounts on to renters. However, several utilities have worked with local trade organizations and housing agencies to develop successful programs and/or reach their H2R tenants.
- It is critical to build trust through ongoing, frequent, culturally appropriate connections. For example, reaching non-English speakers requires providing services in their languages and understanding their cultural communication styles, needs, and expectations.
- It is important to be creative and persistent. Providing the short-term financial assistance or debt management service that keeps water services turned on can make a huge difference in people's lives.

Key lessons learned from the energy, health care, education, and other sectors reinforce what has been learned from the water sector experience. These lessons include:

- Identify and aim to understand the specific groups that constitute your H2R populations (e.g., the aged, disabled, language challenged, economically challenged). This is essential so that you can better understand their challenges and identify trusted community organizations to support your efforts.
- Build trust. This is best accomplished by collaborating and drawing upon long-standing, effective, and well-trusted CBOs and local thought leaders to help identify and engage the H2R. Building trust is also achieved through consistent contact, including in-person interactions with trusted messengers.
- Go to the H2R groups in your community (rather than having them come to you), and provide them with actionable steps that they can readily accomplish. For example, partnering with public schools that have large numbers of families who are eligible for school lunch assistance programs is an effective way to distribute information about community assistance services. It is often very helpful to provide hands-on enrollment/application assistance.
- Commit adequate and stable resources to sustain long-term support. Reliable and lasting funding, staffing, and other program resources are essential for developing trust, building enrollments, and providing meaningful assistance over the long haul.

**Table ES.1: Overview and evaluation of H2R CAP strategies**

H2R CAP strategy	Key advantages	Key disadvantages	Comments
<p>Indirect Assistance: Promoting use of existing state and federal low income assistance programs (e.g., promoting use of the federal Earned Income Tax Credit [EITC], Low-Income Heating and Energy Assistance Program [LIHEAP])</p>	<ul style="list-style-type: none"> <li>• Utility-borne costs limited to promoting enrollments (actual assistance dollars come from federal or state program)</li> <li>• Easy to administer for the utility, especially if partnering with a CBO to promote enrollments</li> </ul>	<ul style="list-style-type: none"> <li>• Amount of assistance ultimately limited, and does not provide additional assistance to those H2R who are already enrolled</li> <li>• May not gain a lot of recognition and appreciation for the utility</li> </ul>	<ul style="list-style-type: none"> <li>• Functions most effectively when partnering with a trusted and established entity, such as a CBO</li> <li>• Used effectively by some utilities to bring significant dollars into their service area's H2R households</li> </ul>
<p>Indirect Assistance: Partnering with CBOs (e.g., supporting a local non-profit charity providing emergency fiscal assistance, or offering budget and debt management training)</p>	<ul style="list-style-type: none"> <li>• Easy to administer for the utility (typically includes outreach to help steer H2R to the CBO, and may include providing financial support to bolster the local CBO's effective programs)</li> <li>• Taps into effective, trusted organizations established in the community, who build on sustained relationships with the low income and other life-challenged H2R households in the service area</li> </ul>	<ul style="list-style-type: none"> <li>• May not gain a lot of recognition and appreciation for the utility (i.e., the utility's role in providing fiscal or other support may not be broadly recognized in the community, unless the utility effectively promotes its involvement and support)</li> <li>• Utility does not have control over how the program operates</li> </ul>	<ul style="list-style-type: none"> <li>• Functions most effectively when partnering with a trusted and established local entity, such as a CBO</li> <li>• Used effectively by some utilities to cost-effectively funnel various forms of support to their service area's H2R households</li> </ul>
<p>Direct Assistance to H2R Households or Their Landlords (e.g., providing vouchers or discounts for tenants and/or discounts to landlords)</p>	<ul style="list-style-type: none"> <li>• Funnels support directly to H2R households (or their landlords)</li> <li>• Assistance directly linked to escalating water service cost</li> <li>• May include leak detection/repair and conservation elements</li> </ul>	<ul style="list-style-type: none"> <li>• Can be more difficult and expensive for utility to set up and administer (e.g., verifying eligibility, updating enrollments, distributing funds)</li> <li>• Landlords may not pass through all discounts to renters.</li> </ul>	<ul style="list-style-type: none"> <li>• Can be challenging and costly for utility to establish and administer its own assistance programs that target low income renters and other H2R households. However, partnering with CBOs or piggybacking onto other utility programs can significantly reduce this burden.</li> </ul>

## A Business Process Framework for H2R CAPs

In 2010, WRF and the U.S. Environmental Protection Agency (EPA) published Best Practices in Customer Assistance Programs (Cromwell et al. 2010), a comprehensive guidance manual describing options and best practices for developing and implementing assistance programs for low-income customers. The guidance also includes detailed strategies for developing assistance programs within a business process framework. Following a “Plan-Do-Check-Act” cycle, the business process framework provides a structured means of designing, implementing, and continually improving utility programs for payment-troubled customers.

Cromwell et al.’s research focused exclusively on programs that provide assistance to single-family residential customers who receive water bills. However, the business process framework also provides a strong foundation for developing CAPs for the H2R. Based on this general model, Figure ES.1 illustrates a business process framework specific to H2R assistance programs, designed by the research team to better meet the needs of this subset of customers. This business process framework serves as the foundation for the guidance and strategies included in Part 2 of this report.

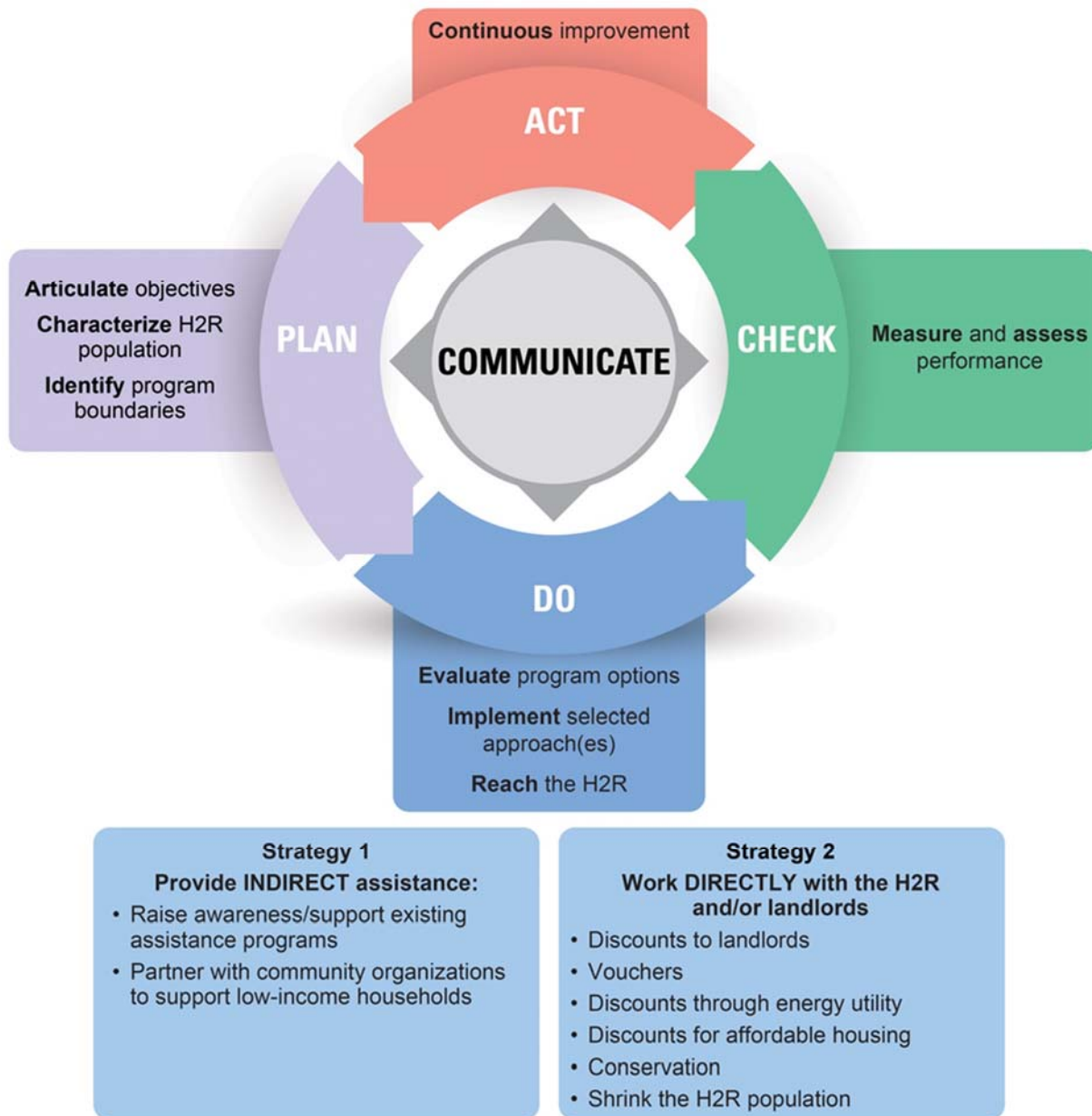


Figure ES.1 CAP business process framework, modified for the H2R



## Report Organization and Reader's Guide

There is a considerable amount of technical information, data, case studies, and implementation guidance compiled within this report. To help readers locate and apply the information of greatest relevance to them, the report is divided into three main components.

### **Part 1: Background and Characterization of the Hard-to-Reach Challenge**

Part 1 (Chapters 1 through 3) provides a research-based national assessment, revealing that hard-to-reach (H2R) customers constitute a significant percentage of households served by many water utilities, and the H2R are an even higher percentage of households in economic need. This empirical examination of the data offers the basis for why utilities may wish to consider providing assistance to these households. Part 1 concludes with a summary of available literature and guidance related to affordability and low-income customer assistance programs (CAPs), highlighting experiences and research directly related to H2R customers. This part of the report is of most relevance to readers interested in a research- and data-based assessment of the extent of the H2R challenge at a national level and a review of what has previously been written on the nature of the problem and its potential solutions.

### **Part 2: The Hard-to-Reach Business Process Framework**

The thirteen chapters in Part 2 (Chapters 4 through 16) follow the Plan-Do-Check-Act steps of a business process framework for H2R assistance programs. The first chapter contains an overview of the framework, providing water utilities with a broad understanding of how to engage in the business process. The remaining chapters offer detailed guidance associated with each step in the framework, including (as appropriate) background information, insights into why this portion of the business process is important, descriptions of CAP strategies that may be considered to assist the H2R, and examples of programs currently being run by water utilities and entities in other sectors. This part of the report is of greatest relevance to readers interested in establishing a systematic business process for addressing the H2R challenge in their communities, learning about the range of options available, and gleaned insights and lessons learned from case study illustrations from the water and other sectors. Figure ES.2 presents the various aspects of the business process framework covered in Part 2, by report chapter.

### **Part 3: The Hard-to-Reach Business Process Framework: Implementation Strategies and Tools**

The materials provided in Part 3 (Chapters 17 through 22) provide utility practitioners with practical guidance, and a set of worksheet tools and techniques, to help them work through a screening process to assess the need, and appropriate approach, for reaching the H2R in their communities. Figure ES.3 presents the H2R Toolkit Dashboard and provides quick links to each tool. This part of the report is of greatest relevance to utility practitioners responsible for examining the local H2R issue, guiding their utility's efforts to understand the extent of the challenge, and communicating the options their agency may consider for addressing it.

## Multimedia

A PowerPoint presentation that utility practitioners can use as a quick tutorial, and can adapt and customize to help brief utility colleagues and managers, public officials, community thought leaders, and others on the nature of the H2R challenge and the options available to address it, is provided on the #4557 project page of the WRF Website, under Presentations.

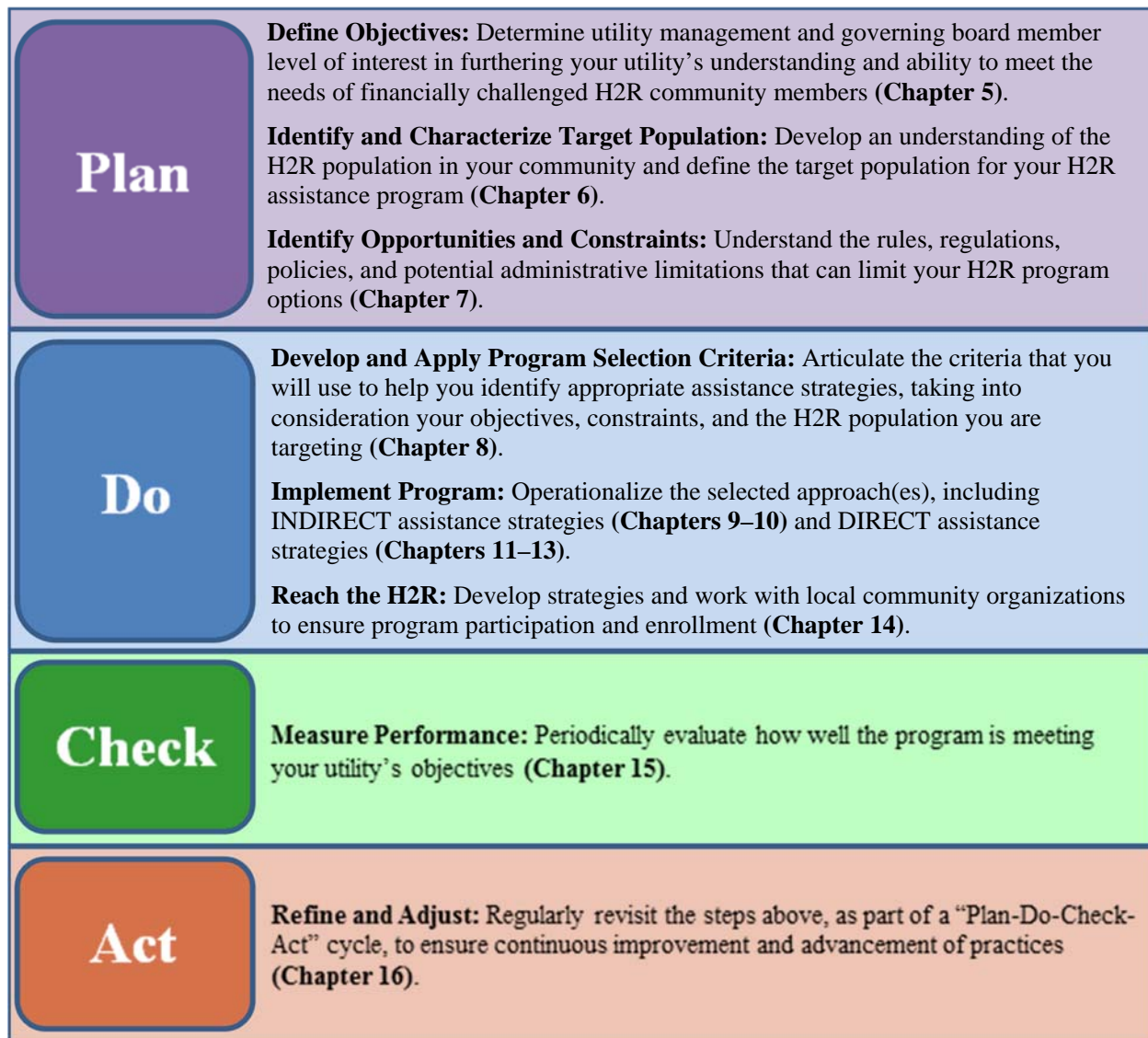


Figure ES.2 Steps for applying the business process flow model, and guide to Part 2



## Hard-to-Reach Toolkit Dashboard

<p>STEP 1</p> <p><b>TOOL 1: IDENTIFY WORKING GROUP CONTRIBUTORS</b></p> <p>Provides a framework for ensuring all important participants are identified and included.</p>	<p>STEP 1</p> <p><b>TOOL 2: IDENTIFY WORKING GROUP MEMBERS' MOTIVATIONS AND DESIRED OUTCOMES</b></p> <p>Helps you develop an understanding of why others are motivating you to engage in this process.</p>	<p>STEP 1</p> <p><b>TOOL 3: EDUCATIONAL TOOLS: WHO ARE THE HARD-TO-REACH? and HOW CAN WE REACH THEM?</b></p> <p>Provides you with educational materials needed to build common understandings.</p>
<p>STEP 2</p> <p><b>TOOL 4: DEVELOP A H2R STRATEGIC ENGAGEMENT PROCESS</b></p> <p>Helps you sort through the myriad informational needs and mindfully develop a process for reaching program development objectives.</p>	<p>STEP 2</p> <p><b>TOOL 5: ARTICULATING OBJECTIVES: EDUCATIONAL PACKET AND WORKSHEETS</b></p> <p>Provides educational materials and worksheets that increase your ability to identify your primary program objectives.</p>	<p>STEP 2</p> <p><b>TOOL 6: A TECHNIQUE FOR DEVELOPING A SCREENING LEVEL CHARACTERIZATION OF H2R</b></p> <p>Increases your ability to develop a screening level analysis of the characteristics of the H2R customers.</p>
<p>STEP 2</p> <p><b>TOOL 7: REGULATORY AND RESOURCE CONSTRAINTS AND OPPORTUNITIES</b></p> <p>Supports your ability to identify regulatory and resource boundaries.</p>	<p>STEP 3</p> <p><b>TOOL 8: DEVELOP AND APPLY PROGRAM SELECTION CRITERIA</b></p> <p>Provides you with strategies and examples of the development and application of program selection criteria.</p>	<p>STEP 4</p> <p><b>TOOL 9: DEVELOP AND APPLY PROGRAM PERFORMANCE METRICS</b></p> <p>Provides strategies for reviewing and refining programs once implemented.</p>

Figure ES.3 H2R Toolkit Dashboard

### Related WRF Research

- Best Practices in Customer Payment Assistance Programs, project # 4004
- Defining a Resilient Business Model for Water Utilities, project # 4366
- Navigating Legal Pathways to Rate-Funded Customer Assistance Programs: A Guide for Water and Wastewater Utilities, project #4671