
Keeping the Water On: Strategies for addressing high increases in water and sewer rates for Baltimore's most vulnerable customers

By Joan Jacobson

Introduction

Over the next six years, Baltimore City plans to upgrade and improve its deteriorating water and wastewater systems at a cost of more than \$2 billion — and water customers will be footing the bill. The city recently approved a combined water and wastewater rate hike of 33 percent over the next three years. The rate increase follows on the heels of a 126.7 percent rise in rates over the previous 10 years. These increases exceed the rate of inflation by more than seven times.

As one quarter of Baltimore's population lives in poverty, low-income customers and those on fixed incomes are disproportionately burdened by escalating rates as they have limited funds to spend on housing, food, medicine, and other basic needs. Finding ways to make water and sewer service more affordable is a pressing issue for the city. Without an adequate safety net, thousands of households are in jeopardy of losing service as a result of unpaid bills.

Although the city has programs in place to help seniors and low-income customers, these programs are inconsistently promoted and are inadequate to address the depth and breadth of need. In 2016, 15 percent of residential customers (nearly 25,000 households) were delinquent on their bills, leaving the city government with more than \$20 million in uncollected debt.¹

This report will shine a light on a growing dilemma for many major cities: How can they pay for much-needed infrastructure while ensuring that customers who are least able to pay for water do not lose service — or their homes — over an unpaid bill. The report offers a look at the many programs initiated across the country that help the most vulnerable water customers, such as water rates based on affordable percentages of income, reduced rates for basic amounts of water, distribution of free devices to reduce water consumption, and grants to repair leaking plumbing. Baltimore should learn from other cities and move expeditiously to reform its structure of water billing and customer assistance programs, and ensure that low-income residents retain access to a basic service that supports human life: clean water.

Background

In 1978, Baltimore voters approved a City Charter Amendment, which made the city's water and sewer utility self-sustaining and independent of other city government operations and expenditures, with rates controlled by the city's directors of the Public Works and Finance departments, and approved by the Board of Estimates.² In the years that followed, cutbacks in federal aid to cities

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accelerated. As a result, like dozens of other poor urban governments, Baltimore was left without federal aid to repair its aging, faulty water and sewer systems, leaving the utility to charge its customers to foot the bills.

In 2002, the city signed a consent decree with the Environmental Protection Agency, agreeing to rebuild the sewer system, after EPA found Baltimore in violation of the federal Clean Water Act for sending untreated sewage into “Back River, Patapsco River, and the Chesapeake Bay and several smaller water bodies.”³ The city has since spent \$867 million over 14 years to determine the extent of problems in the antiquated, leaky sewer system and to design and implement improvements.⁴ As of late 2015, the city had repaired 164 miles of sewage pipes, with another 256 miles to go. That same year, the city reported 400 overflows of at least 44 million gallons of raw sewage; however, the Environmental Integrity Project found many went unreported to the public.⁵ However, the city maintains that every overflow was reported to the regulators in accordance with the consent decree.⁶

In June 2016, state and federal regulators gave Baltimore an additional five years to comply with the consent decree, and to develop a plan for other repairs estimated to take until 2030 to complete. This modification has been submitted for public review and must be approved by the court. In addition to more than 2,000 citation violations for overflows, which resulted in more than a half million dollars in penalties from the EPA, the

city’s sewer system was also contributing to backups into home basements — many in poor communities.⁷ According to *The Baltimore Sun*, residents have reported more than 7,500 sewage backups into their basements since February 2015.⁸ The city’s 2016 Wastewater Capital Improvement Plan is estimated to cost \$701 million over the next six years and will include upgrades at the Back River Wastewater Treatment Plant.⁹

The Water Capital Improvement Plan over the next six years is estimated to be nearly double the capital budget for wastewater, at \$1.3 billion. This includes rehabilitating and replacing water mains, covering open-water reservoirs, rehabilitating pumping stations, improving the Montebello Water Filtration Plant, and designing and building the new Fullerton Water Filtration Plant.¹⁰

For years there have been about 1,000 breaks annually in the 4,500-mile network of underground pipes that carries water to the city and some of the surrounding counties.¹¹ A majority of the city’s water pipe infrastructure is more than 80 years old, worn out, and needs to be replaced.¹²

In addition to the financial burden of the consent decree repairs, Baltimore has a history of faulty water and sewer bills generated from a 30-year-old billing system. In fact, in 2012, the city faced a predicament when officials discovered they had overbilled 38,000 customers who were then due \$4.2 million in refunds.¹³ Now, in 2016, under its new BaltiMeter program, the city has nearly

Five months without running water: a resident's story

The five months she lived without running water was one of the grimmest times of this 17-year-old girl's life. With a drug-addicted mother and an absent father, she spent much of her childhood homeless, living in a group home or in juvenile detention. But those months of 2016 she spent in a Harlem Park house without water "was like living without food."

She thought constantly about wanting to "be clean, to stay clean, and smell clean," she said.

The girl was living in her boyfriend's childhood home after the city shut off the water due to the landlord's failure to pay the water bill. After the water was turned off, the boy's grandfather moved to a senior citizens' apartment complex, leaving the teenagers to fend for themselves. Power was also cut off from the house, so they could not cook, though neighbors supplied the couple with food, bottled water, and blankets to keep warm on cold days. The city cited the home as being vacant,¹⁰⁹ even though the couple lived there.

"It was horrible. I couldn't wash, I couldn't make noodles, I couldn't cook chicken," she said.

The couple often resorted to visiting the grandfather surreptitiously in his senior apartment to take showers and occasionally sleep there on particularly cold nights.¹¹⁰

Other times they filled gallon jugs of water at a corner store, or sneaked down the alley after dark to take water from hose spigots in the backs of nearby homes. With no working toilet, they relieved themselves in kitchen pots lined with plastic bags, she said.

When they tried to get the water turned back on, they discovered that only the property owner (the landlord in this case) could get the water restored. The unpaid water bill was \$2,109. A lien on the house (mostly from the unpaid water bill) was sold at tax sale in May 2016.¹¹¹

The girl eventually found a room to rent in the Mondawmin neighborhood and left a life without water behind. Though she had spent periods in her childhood homeless, she said, the time she lived without running water, "was my lowest. I was angry, ready to fight anybody."

completed upgrades of this system, replacing old water meters with automated ones. The new system is expected to eliminate the need for on-site meter readings, improve the accuracy of billing, and change billing cycles from quarterly to monthly. Also, a customer portal will provide both daily and hourly usage, which will also allow water officials and customers to detect spikes in water usage that may indicate leaks and cause excessive charges.¹⁴

Major reasons cited for the steeply increasing cost of water and sewer usage for city residential and commercial customers include repair, investment, and upgrade costs. The doubling of the city utility's debt limit in September 2014, from \$2.12 billion to \$4.52 billion, "guaranteed that water bills for city residents will continue to rise."¹⁵

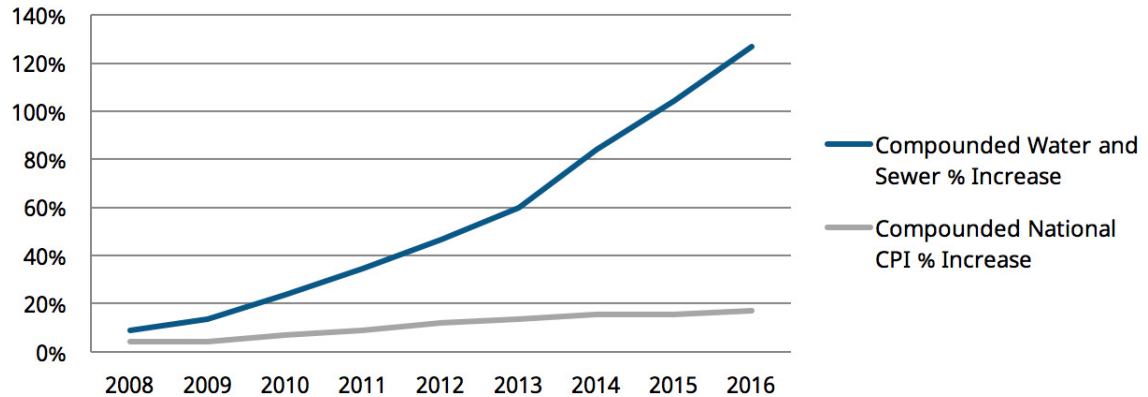
With the mounting costs of renovating aged facilities and investing in upgrades to both the water and sewer systems, the city's Board of Estimates recently approved a water rate hike of 9.9 percent annually for fiscal years 2017 through 2019. Sewer rates will increase 9 percent each

year. The new rate increases have effective dates of October 11, 2016; July 1, 2017; and July 1, 2018.

The proposal approved by the Board of Estimates also includes a change in the rate structure, from a declining block structure (low-volume users pay more per unit of water than high-volume users) to a flat rate (all customers pay the same per unit of water). This has eliminated the mandatory minimum usage fee that low-volume users were previously charged. Now, in addition to water and sewer usage, all customers pay two fixed monthly fees: an account management fee and an infrastructure charge. Initially, most residential customers will pay \$17.94 per month toward these fees; by fiscal year 2019, these fees will increase to \$21.50 per month.

The Department of Public Works (DPW) explains that because the fixed charges were included in the prior volumetric rates for water and sewer, they do not necessarily represent an increase in cost to every customer. Due to

Comparison of water and sewer rate increases with inflation, 2007-2016



Source: DPW and Department of Labor, Bureau of Labor Statistics <http://www.bls.cpi>

the new flat rate structure, customers who use lower amounts of water may experience a decrease in their bills.¹⁶ However, customers must use an extremely small amount of water — less than 1,000 gallons a month — to actually see a decrease in their bills.¹⁷ These rate increases will be felt the hardest by the lowest-income customers who already struggle to pay a myriad of bills with limited and fixed incomes.

Analysis of water rates, compared to poverty-level income

Nearly one-quarter of Baltimore's population, or 144,890 people, live below the federal poverty level established by the U.S. Department of Health and Human Services.¹⁸ In Baltimore, the poorest customers pay the highest percentage of their income for water and sewer service. During the 10-year period from 2006 to 2016, the cost of water service grew by 126.7 percent.¹⁹ Throughout that same time period, the federal poverty level for a family of four grew by only 21 percent (from \$20,000 to \$24,300).²⁰ Ten years ago, those families were paying only 2 percent of their income for water. Today, they are paying 3.7 percent of their household income, which exceeds the 3 percent maximum

recommended by the United Nations.²¹

The Water Research Foundation, a national research organization that has conducted more than 1,000 studies since its founding in 1966, reports that affordability is an issue when water and sewer bills exceed 2.5 percent of median household income.²²

A national crisis

Baltimore is not alone. Cities across the nation face similar challenges when it comes to rising water — and especially sewer — rates, which are climbing at multiples of the rate of inflation. This leaves poor, minority populations in older cities to face unaffordable drinking water and sewer costs.²³

An annual pricing survey of residential water service of 30 major U.S. cities (including Baltimore) in 2015 showed the price "rose faster than the cost of nearly every other household staple last year," according to Circle of Blue, an organization of journalists and scientists who study international resource crises.²⁴

Data collected by Circle of Blue from the utilities showed that "the average monthly cost of water for a family of four using 100 gallons per person per day climbed 6 percent." With

Annual Water Bill for Households Using 60,000 Gallons a Year, January 2015

	Annual Cost, in Dollars
Pittsburgh	\$ 484.97
District of Columbia	\$ 420.12
Boston	\$ 395.51
Philadelphia	\$ 390.73
Baltimore	\$ 327.41
New York City	\$ 296.77
Louisville	\$ 275.64
Milwaukee	\$ 259.89

Source: Food and Water Watch, Survey of the 500 Largest Community Water Systems

https://www.foodandwaterwatch.org/sites/default/files/water_rate_survey-location_0.pdf

thousands of residents facing water shut-offs in 2015 in cities like Detroit and Baltimore — and with the United Nations General Assembly calling drinking water “a human right” in 2010 — the campaign to make drinking water and sewer fees affordable to poor residents has become “a new civil rights movement.”²⁵

Central to the crisis is the prohibitively expensive cost of repairing aging water and sewer systems in older, poor cities. “Where water infrastructure is crumbling are the places without the ability to absorb the cost increases,” said Stephen Gasteyer, a Michigan State University sociologist who studies water access. “The people who were left in these cities are predominantly minorities. Where you see things falling apart are predominantly minority communities.”²⁶

Circle of Blue counted 40 cities with consent decrees like Baltimore’s, or clean water mandates from the EPA. The organization noted that after decades of federal cutbacks, cities must now find local financing to repair wastewater systems that were initially bankrolled by the federal government following the enactment of the Clean Water Act in 1972.²⁷

How Baltimore’s rates compare nationwide

In surveys of rates nationally, Baltimore’s water and sewer rates currently sit in the middle of the pack. One survey by Food and Water Watch, a national nonprofit campaigning for affordable water, sets Baltimore’s residential household water bills (not counting sewer costs) at 221 out of 500 cities studied. The city’s annual bill in January 2015 for a household using 60,000 gallons of water a year was \$327.41, a rate higher than New York City (with an annual bill of \$296.77), but lower than Philadelphia (with an annual bill of \$390.73).²⁸

Another study, conducted by the engineering firm Black and Veatch, also looked at both water and sewer rates of the 50 largest U.S. cities and ranked Baltimore 14th (1=lowest; 50=highest) for water, and 21st for sewer, in monthly bills for residential customers who use a modest amount of water, such as senior citizens using 3,750 gallons of water a month. For a family of four (7,500 gallons a month), Baltimore ranked 27th in water and 28th in sewer bills.²⁹ The 2012-2013 report noted that

Buying bottled water with food stamps: a homeowner's story

The day the city turned off Lakeisha Howard's water, she was six months pregnant. She had little warning because she was under the mistaken impression that a nonprofit group had paid her delinquent water bill. She quickly sized up the crisis and sent her children (ages, 15, 10, and 5) to live with a relative. With help from a friend, she bought 40 gallon jugs of water, storing several in the refrigerator for drinking water. The rest she used to wash dishes and to heat for bathing. She used the dirty water to flush the toilet.

"Thank god you are able to buy water with food stamps," said Howard, a home health care aid.

It was June 2015, and she spent a good part of the summer looking for help to pay her water bill that had grown to \$1,500, she said, largely due to leaks in the old plumbing.

Having her water shut off wasn't Howard's only worry. The lien on her house for the unpaid bill was sold at tax sale. If she did not come up with money to pay the lien — plus 18 percent interest and court costs — she would face the loss of her Park Heights home that has belonged to her family for more than a half century.

The bill was finally paid — and water restored — with the help of a donation through the Park Heights Renaissance Corporation, she said.

A legal aid lawyer helped her reclaim her house after tax sale, though she said she had to pay \$2,200 in additional interest and fees. She eventually bought plumbing parts and hired friends to fix the leaking plumbing so her future bills wouldn't be so high. The entire experience, she said, "was absolutely hell."

since 2001, the "typical bills for a residential user consuming 7,500 gallons per month... have increased at a rate of over two and a half times the rate of increase in the consumer price index...." The study also found that in 12 years, "the minimum residential bill for water customers...has increased at a rate of 5.6 percent," while sewer bills increased more than 20.1 percent.

Helping Baltimore's most vulnerable customers

In an effort to help customers pay their bills and prevent water shutoffs, the Department of Public Works currently offers a range of programs. According to advocates working with low-income clients, the existing programs offered by the Department of Public Works have not been uniformly advertised on the website nor have they been adequately promoted through outreach. Advocates are concerned that these programs will not, under the new rate and billing system, sufficiently address the affordability of payment to help low-income and vulnerable customers

pay their bills in a timely manner and avoid arrearages. Currently, DPW offers:

Low-Income Water Assistance Program

Baltimore City offers an annual credit toward payment of water and sewer bills that was increased this year from \$179 to \$197. Eligibility for the program is income below 175 percent of the federal poverty level, or an annual income below \$42,438 for a family of four. Only those customers who are delinquent on water bills and have proof of income are eligible. Applicants must apply annually, either in person at one of five Baltimore Community Action Centers in the city, or by mail, fax, or email.

While rates have gone up by 126.7 percent in the last decade, the Low-Income Water Assistance Program, which helps delinquent water customers qualify for a payment plan, increased by only 79 percent in the same decade, from \$100 to \$179 a year. Under the new 2016 rates, the city has approved an increase in the amount of the annual credit to \$197 a year.

Senior Citizen Water Discount Program

Baltimore City also offers a 43 percent discount on the water, stormwater, and sewer rates charged. Those qualifying for the Senior Citizen Water Discount Program must be 65 or older; have a household income of \$30,000 or less (the income threshold was raised from \$25,000 in the fall of 2016); and present income tax returns, proof of property ownership, or tenant lease. Applications can be filed at senior community centers or by calling 311 or (410) 396-5398. The discount applies to the volumetric charges, but seniors will still be subject to the two new annual fees.

In 2015, the city allocated a total of \$960,000 (\$568,000 for seniors and \$390,000 for other low-income customers) for discounts and credits for low-income water customers (2,645 seniors and 2,433 other low-income customers).³⁰ By contrast, the state's energy assistance program at the Maryland Department of Human Resources approved energy assistance benefits to more than 25,000 city households in fiscal year 2016, indicating that if the city's water assistance programs were automatically linked to the energy assistance program, more low-income water customers would benefit.³¹

HomeServe

Most basic homeowners' warranty policies do not cover repair or replacement of water and sewer lines, and these can be expensive, often emergency, repairs. Baltimore has partnered with HomeServe to offer warranty plans for purchase that can protect customers from the expense and inconvenience of interior and exterior home plumbing repairs.

For those who cannot afford to repair plumbing leaks — or afford to purchase the warranty the city and HomeServe have established — a \$166,600 fund is available to help low-income people with plumbing repairs. The fund offers up to \$3,000 in emergency repairs, and is available to anyone already eligible for the city's Low-Income Water Assistance Program and the Maryland Energy Assistance Program. However, at the

time this study was released, DPW did not say whether any grants had been issued. The program also was not yet publicly advertised.³²

Payment plans

Customers with large unpaid bills can request a payment plan from DPW. Between June 2015 and June 2016, there were 6,307 customers (mostly residential) on new payment plans that exempt them from having their water shut off, as long as they keep current on their payments to reduce past debt. Until October 2016, all plans required a down payment equal to 50 percent of the amount owed, with the remainder divided into equal payments over 12 months. Housing advocates, however, have complained that the payment plans were difficult for low-income customers to maintain, even though they could use the Low-Income Water Assistance credit to help with the down payment. One missed payment terminated the agreement and made customers eligible for water shut-off. The payment plans are not based on household affordability, and judging from the number of delinquent plans (5,003 from June 2015 to June 2016), this has been a barrier to full collection. With these drawbacks in mind, the Department of Public Works instituted two alternate payment plans in October 2016:

1. A 12-month payment plan with no down payment for low-income water customers already qualified for the hardship exemption for stormwater fees or the senior citizen discount. However, these customers are no longer eligible for the Low-Income Water Assistance credit, which can only be used for the down payment plans; and
2. Zero down payment with six months of equal payments for any customer in arrears.

The original plan of 50 percent down with 12 months of payment continues to be available, with the use of the low-income credit to offset the down payment.³³

The shut-off season, from April to October, has become a grim annual event, threatening not only the health of families, but the stability and sanitation of neighborhoods already overburdened with substandard living conditions.

Hardship exemption from stormwater and Bay restoration fees

Some low-income customers may be exempt for hardship reasons from both stormwater and Bay restoration fees that are charged on water bills, if they meet income criteria and receive public assistance, or veterans' or Social Security disability benefits. The exemption is for one year only and must be applied for each year.³⁴ The single-family stormwater fee ranges from \$40 to \$120 per year, and the Bay restoration fee is currently \$60 per year.

Medical exemption

The city also offers a little-known "medical exemption" that excludes from water shut-off anyone with a medical condition confirmed with a doctor's note. The exemption was one of the water utility's best-kept secrets until October 2016, when it was publicized for the first time on a DPW web page, along with a link to the medical form a doctor must fill out.³⁵ Because of the delay until October 2016 in promoting the exemption, the city had issued only about 200 medical exemptions by May 2016.³⁶

While the medical exemption prevents shut-off, it does not relieve customers' obligation to pay their bills or prevent the city from selling the unpaid bill as a lien through the annual tax sale. Customers having trouble paying their bills still need to look into payment plans, credits, and other exemptions to pay down their balance.

Water bill complaint process

Until October 2016, the Department of Public Works only allowed customers to request payment adjustments for water bills they believed to be too high due to water leaks. Customers could attend informal conferences to bring repair receipts proving a leak was fixed, prompting the city to give them credits or refunds. Tenants could request an informal conference only with written permission from the property owner. This process could take several weeks, even months. Customers with other types of complaints about high bills were largely out of luck.

However, now the customer service department will begin accepting other forms of billing complaints through a new complaint process. For example, a property owner can now complain if city workers mistakenly crossed water pipes linking two properties, resulting in the city billing one property owner for a neighbor's water use.³⁷

Shut-off test for water leaks

Customers who suspect they have a leak but need to determine if it is on their side of the property line can contact DPW to request a "shut-off test." The test can help determine whether a leak is likely on the customer's property (up to and including underground pipes connecting the water meter to inside plumbing) and therefore the customer's responsibility to repair. A leak that is not on the customer's property is the city's responsibility to fix.

Under the new rates, the cost of the meter test will be \$95 if the water leak is found to be on the customer's side. This amount will be refunded if the leak is found on the city side. With the new meters, the city can also determine hourly water usage that can show a suspected leak. This new technology will allow the city to flag properties and notify property owners about continuous high water use after three days, so leaks can be identified before too much water is used.³⁸

Water conservation

Although Baltimore's water utility currently offers no assistance in installing water-saving devices in homes, the city's Office of Sustainability offers free installation of water conservation fixtures in combination with electricity and gas conservation measures. Baltimore Housing's LIGHT program also offers help in repairing leaking plumbing.³⁹ Until recently, DPW's website made no reference to these programs for water customers, either on its "Discounts" page or on its "Water Saving Tips and Tricks" page. Now the LIGHT program is mentioned on a new web page, called "Baltimore City Resource Guide for Households with Water Shut-off Notice."⁴⁰

Customer service

In early 2016, the new DPW customer service director changed the way customer service representatives interact with customers. Previously, representatives were pressured to keep each call to a minimum time, whether or not they solved a customer's problem. Now the representatives are trained to stay on the phone longer with customers and to solve difficult problems in five days. They are also instructed to inform callers that they might be eligible for low-income water discount programs.⁴¹ DPW also redesigned its website to give more information on the discount programs and allow customers to email questions and complaints about water bills. (<http://publicworks.baltimorecity.gov/contact-pw>)

Delinquent accounts and turnoffs

As of May 2016, 15 percent of residential water accounts were behind on their bills, or 24,862 out of a total 162,000 (mostly) residential accounts. The amount owed was \$20.2 million. Of these, 10,198 were eligible for shut-off between April and October.⁴²

In addition to offering the payment plans discussed above, the city relies on two other methods to collect its debt: (1) turning off water to delinquent customers in hopes they will pay their bills to restore water; and (2) selling water liens at a tax sale to investors who, if debts remain unpaid, can foreclose and take title to an owner's home.

Turnoff notices

Baltimore City water customers who have delinquent accounts of \$250 or more over two months of billing may be subject to service termination.⁴³ Turnoff is seen as a last resort effort to recover money owed by customers and is preceded by at least one delinquent notice and one turnoff notice to the customer. The city sends thousands of shut-off notices each year. The shut-off season, from April to October,⁴⁴ has become a grim annual event, threatening not only the health of families, but the stability and sanitation of neighborhoods already overburdened with substandard living conditions. In fact, the number of properties scheduled for shut-off is so high that the Department of Public Works does not have enough employees to physically turn off water to delinquent customers who received turnoff notices.⁴⁵ The agency employs only seven workers to shut off water from April to October.

In 2015, the city shut off water to 8,100 residential properties, with only a little more than half (4,506) getting water restored after paying the delinquent bills.⁴⁶ In 2016, the city turned off water to 1,385 customers, with about 400 not being restored with water after payment or a payment plan.⁴⁷ Once a customer

pays delinquent bills to get water service restored, the city charges the cost of the shut-off, a fee of \$95 per home, to turn the water back on.⁴⁸

DPW officials say they believe most residential properties they shut off from water are vacant. Director Rudy S. Chow declined to be interviewed for this study, but submitted a brief written statement, in which he defended shut-offs to residential customers by noting, "In most cases we are simply confirming that properties with large overdue bills are vacant, or have already been turned off at the house by a former resident." His statement concluded, "We're trying everything we can to make sure we are not hurting the most vulnerable customers. But we are a regional provider of drinking water, meeting the needs of 1.8 million people every day. We have a fiduciary responsibility to our customers in the city and in the surrounding counties. We must maintain solvency and self-sufficiency, and we must continue making capital investments in the system."

Until 2016, city officials conducted no research to confirm their claims that water was shutoff largely in vacant homes. No city agency took responsibility to follow up on its citizens left without water.⁴⁹ Baltimore's departments of public works, health and housing do not know what became of thousands of residents who did not pay their bills to restore water service. Neither have they determined how long residents live without water or whether infants, small children, pregnant women, or elderly people are living in the shutoff homes. The city does not track properties to determine if they became vacant after the city shut off water, therefore adding to the city's epidemic of vacant properties. DPW officials said the agency emails the city's housing department twice each week with a list of properties that have not had water restored within 48 hours. A spokesperson for Baltimore Housing, however, said her department never received those lists from DPW throughout 2015.⁵⁰

However, in 2016, after this study began, DPW started collecting information from city workers to determine whether shut-off properties appeared vacant. Also, with the new meter system, the city is now able to more accurately determine which properties are vacant because computerized information shows no water usage.⁵¹ Workers are now also allowed to keep the water on if they notice a home with children or disabled residents.

When the Department of Public Works shuts off someone's water, the agency is creating a violation of Baltimore's Property Maintenance Code, which considers a residential property without running water to be an emergency violation that requires the property owner to correct within 72 hours. An assistant housing commissioner who oversees litigation for code enforcement said the city does not cite owner-occupants with such violations, but will cite landlords if tenants call to complain. Housing inspectors will also cite landlords for failing to provide water during rent escrow cases when tenants complain in rent court that their landlord has failed to maintain the property.⁵²

The most vulnerable Baltimore water customers subject to shutoff are tenants. They are often required to pay the water bills as part of their rent, even though water bills are in the names of property owners who are ultimately responsible for paying the city. Tenants usually do not have access to review water bills, so they cannot know when they move into a home if the landlord is holding them responsible for paying water bills from previous tenants. Tenants can nevertheless be evicted for failing to pay landlords for the water bills. Tenants are also helpless when landlords do not repair leaks that cause excessive water use. Even if a tenant has disputed excessive water charges, an eviction case can be open and closed before DPW's resolution process has even begun in earnest. Because tenants' access to water bill history and the complaint process is encumbered, tenants have little chance to dispute an

Medical hardship: a homeowner's story

When the city shut off Amanam Williams' water in her southwest Baltimore home, she was caring for her sick father. Losing running water is a hardship for anyone, but caring for an ailing relative made it especially difficult. "I've been stressed about it because of my dad," she said.

"He has prostate cancer and stage 3 chronic kidney disease." The city turned off her water in August 2015. For the first five months, Williams coped by filling gallon jugs from a nearby 24-hour laundromat, to make sure she and her father always had some water for drinking and bathing. She paid a friend to use his shower. Then she joined a \$20-a-month fitness club so she could shower there. By December, Williams decided to move her father to another sibling's home, but she stayed behind to sort out problems with her unpaid water bill, which had skyrocketed.

Unlike many people with water that's been shut off, Williams says she is not low income and had no problems paying her water bill before it spiked to more than \$1,000 for one quarter. Noticing no leak inside her home, she assumed it was a mistake. It had happened before and the bill was corrected automatically. But this time the bill kept rising, to more than \$9,000. Eventually she sought help from the University of Baltimore Law School's Community

Development Clinic. A student researched her case and a law professor, Renee Hatcher, pursued her case with the Department of Public Works' customer service office.

The city's director of customer service said that the city checked the leak, which she described as "massive" several times, and determined it was somewhere under the homeowner's property and therefore was not the city's responsibility. Williams said she could not afford a plumber to make the repair so she remained without water for more than a year. Her bills escalated, nevertheless, as the city charged her the "mandatory minimum fee" even though she had no access to water.¹¹² The homeowner also faced the stress of losing her home to tax sale for the water lien, though the city pulled the property out of the tax sale at the last minute after her mortgage company paid more than \$8,000 of the water bill (but added the cost to her mortgage).¹¹³

Despite her ordeal, Williams feels relieved that she did not lose her house to tax sale. "I know I'm fortunate and others are not as fortunate. They already lost their homes. I've been paying for my house for 15 years. Why would I forfeit my house for a water bill?" As of late October 2016, she still had no water.

eviction case in court. Worse, even if a tenant has proceeded with a payment plan, the landlord can still pursue eviction based on the existing water bill delinquency. In some cases, you have tenants facing water shut-off and a judicial eviction. Ultimately, tenants can have their water shut off — or lose their homes in the event of a tax sale — if their landlords fail to pay the water bills.⁵³

Additionally, providing notice to tenants of an impending water shut-off is problematic. Notices are posted for tenants in multi-family buildings, but DPW has found these are often taken down by the building management. Recognizing this vulnerability, DPW began a new policy in the summer of 2016 of suing the landlord for nonpayment instead of shutting off the water. City officials have hired a new lawyer to help with the lawsuits. By October 2016, DPW had referred 60 cases of multi-family projects and some commercial customers for litigation.⁵⁴

Tax sale

For more than half a century the city has sold liens to properties with unpaid property taxes and water bills. After a lien is sold, the owner can still redeem a property to avoid losing a home through foreclosure, but only after paying the lien, plus interest and court costs, which can run into the thousands of dollars.⁵⁵ At tax sale prevention clinics held by the Pro Bono Resource Center of Maryland and the Maryland Volunteer Lawyers Service in spring of 2016, volunteer attorneys noted that 78 percent of the 120 clients attending the clinics came due to water bill liens. Between 2014 and 2015, the number of city homes sold at tax sale with water-only liens rose by 34 percent, from 671 to 902 properties.⁵⁶ Customers who have entered into the monthly water payment agreements and have paid all other municipal

bills, and those who prove they repaired a leak, can have their properties withheld from tax sale. Customers who have defaulted on a payment plan are not eligible to be exempted from tax sale.⁵⁷ The city does not track what becomes of the properties when liens are sold, such as whether homeowners are able to keep them by paying the redemption fees or whether they lose them through court-ordered foreclosure.

The practice of selling liens at tax sale has become more problematic as water and sewer rates have risen in double digits each year for several years. Unlike other delinquent bills included in tax sale, a homeowner's water bill is tied to household consumption, similar to a gas and electric bill. Because the city operates the water and sewer systems as a public utility, it has the privilege of first lien rights for delinquent bills over all other creditors. However, as a result of recent legislation, homeowners now have more protections. The threshold for lien sale was raised to \$750, and the interest rate for redemption was lowered for homeowners — but water bills are still treated as municipal liens. Using the tax sale to enforce water bill payment by owner-occupied properties creates an extra obligation on government to ensure that bills are accurate, bill disputes are resolved in a timely manner, and eligible customers are connected to available resources that can offset the bill amounts.

Customer-assistance programs nationwide

Many water utilities around the country have begun to understand that providing citizens with clean, running water is more than a standard business and that there is a public health obligation to provide services to help prevent turnoff to customers who are not able to pay their bills.

"Water utilities must remain mindful that public health is their core business and there is as much health impact at stake in the

manner in which they obtain revenue from low-income households as there is in treating the water to high standards," concluded a comprehensive study of Customer Payment Assistance Programs, co-sponsored by the U.S. Environmental Protection Agency and the Water Research Council, a nonprofit that promotes research enabling water utilities to provide safe, affordable drinking water.⁵⁸

"A final consideration of importance to water utilities," the study states, "is the relationship of payment problems to health issues. Poverty researchers have documented that utility bills compete with other necessities such as food and medical care in the household budgets of low-income families."

"Essentially, the disconnection of water and wastewater service is tantamount to eviction because the property becomes uninhabitable, both legally and practically. Thus, in communities where the penalty for nonpayment is service disconnection, low-income families may be expected to reduce their expenditures on health-related items such as medical care, food, child care, or energy service in order to pay the water and wastewater bill. In other words, there is a compelling logic suggesting that water 'trumps' other health-related expenditures."⁵⁹

Prior studies on customer-assistance programs recommend numerous strategies for reducing debt at water utilities, while still providing water for poor customers.⁶⁰

1. Offer bill discounts and credits. This can include coordinating with low-income energy assistance programs so that customers already receiving aid will automatically obtain water bill assistance without extra administrative burden.
2. Provide flexibility on terms for repayment.
3. Create a lifeline rate.
4. Build customer service programs that identify "payment-troubled customers,"

Some municipalities managing both water and power systems actually combine utility discounts for water and power under the assumption that low-income households having trouble paying one utility bill are also having trouble paying another utility bill.

especially those who are elderly, disabled, or in financial crisis, and actively connect them to aid programs.

5. Shrink bills by offering financial aid or rebates to customers who install water-saving fixtures.
6. Offer financial aid that includes government subsidies, as well as private donations for charity funds.
7. Discount bills based on customers' income. Maryland is considering a model that would cap water utility payments at a percentage of income to ensure affordability, similar to successful models employed by energy utilities.

These studies further identify a number of programs throughout the country that help low-income customers afford bills. Taking a current look at these programs is instructive as many of them are more robust than the programs offered in Baltimore City and reflect partnerships with nonprofit organizations that can reach more deeply into low-income communities.

1. **Bill discounts and credits:** Utilities reduce a customer's bill.

- California's water system, known as Cal Water, gives a 50 percent discount on the fixed monthly service charges in a water bill (not including the amount of water used). The amount of assistance awarded to low-income customers can be up to \$360 per year.⁶¹ Anyone already enrolled

in California's electric utility assistance program, WIC, Medicaid, or other public assistance programs is automatically qualified for the water discount program.⁶²

- In New York City, water customers who already qualify for low-income energy assistance or a low-income property tax benefit for seniors or disabled homeowners exemption are automatically enrolled in a program that gives them a one-time credit of \$115.89 on their water bill. This year New York identified 51,700 homeowners who will automatically receive the credit on their bills. Utilizing the qualification for another program with income limits can be a practical and time-saving method of serving a broad number of customers, and can create greater certainty for the low-income customers receiving the discount.⁶³ The 2016 credits have not been issued yet pending an appeal to a legal challenge to the program.⁶⁴
- In Portland, Oregon, low-income customers are eligible to receive \$50.70 on the water portion of their bill and \$91.34 on their sewer/stormwater management charges, for a total of \$142.04 on a 90-day bill.⁶⁵
- Some municipalities managing both water and power systems actually combine utility discounts for water and power under the assumption that

A crisis of water bill delinquencies in Detroit

In addition to looking to other cities for best practices in customer assistance programs, it would be an oversight to overlook a city that is struggling with water bill delinquencies on a colossal scale, such as Detroit. In a city where 40 percent of residents live in poverty, a nonprofit water watchdog group, We The People of Detroit, estimated that water was shut off to between 33,000 and 45,000 customers in the summer of 2016.¹⁰¹ In the previous year, the city disconnected water to 26,500 homes, with only 20,800 getting water restored. Using data from the city, the *Detroit News* reported in February 2016 that, 18 months after the city began massive water shut-offs, nearly a quarter of Detroit homes were still behind on their bills.

In a city where one out of three homes faced foreclosure in the last decade and the city's median home sale price in 2015 was just \$17,500,¹⁰² the city reported using the shutoffs to get residential customers on payment plans to pay off their debt. However, the newspaper reported that of the 44,000 customers on repayment plans (out of a total of 175,000 residential accounts), 9,000 of them were 60 days overdue on payments and were therefore again eligible for shut-off.¹⁰³ Recently, Monica Lewis-Patrick, president and CEO of We The People of Detroit, said that a study in progress has shown that payment plans do not appear to deter shut-offs because a very small number of residential customers are able to keep current on their payments. Her organization manages a water hotline to help those who have lost water, as well as "water stations" designated around the city where people can pick up supplies of drinking water.

Like Baltimore, Detroit faces increased water and sewer fees. In March 2015, the city of Detroit raised water rates by 3.4 percent and sewer rates by 16.7 percent.¹⁰⁴ Aid to some residential customers has come from the nonprofit Water Access Volunteer Effort (WAVE), which reports spending \$2 million since 2003 to help more than 9,200 households pay off their water bills.¹⁰⁵ Another group, Human Utility, formerly known as the Detroit Water Project, also collects donations to help residents pay water bills.¹⁰⁶ The City of Detroit Department of Human Services offers emergency assistance to low-income residents, though applications can only be made in person at one of five centers in the large city. The department's website does not state how much money an eligible applicant can get, though it does state that funds are limited.¹⁰⁷

In March 2016, the City of Detroit announced a regional assistance program, known as the Water Residential Assistance Program (WRAP), which offers assistance to water customers with income at or below 150 percent of the poverty threshold. (A household of four can earn no more than \$36,450.) The assistance includes home water audits for households using more than 120 percent of average water use, up to \$1,000 per household each year toward the water bill (includes \$25 per month, plus another \$700 to pay off previous debt if payments stay current for the year), up to \$1,000 per household for plumbing repairs, water-saving kits, and consumer training classes. Participants must allow the installation of a new water meter, show proof of residency and income, and must stay current on monthly bills to continue receiving aid. Tenants must show proof that they are responsible for paying the water bill.¹⁰⁸

low-income households having trouble paying one utility bill are also having trouble paying another utility bill. Seattle offers a water bill discount of 50 percent for households with incomes that are at or below 70 percent of the state median household income, along with a corresponding discount of 60 percent on a Seattle City Light electricity bill. In addition, an emergency assistance program can pay up to 50 percent of an unpaid utility bill in arrears of up to \$371

annually for single-family residences, and up to twice a year for families with children.⁶⁶

- The Washington Suburban Sanitary Commission (WSSC) is among the largest water and wastewater utilities in the country, serving 1.8 million water and sewer customers in Prince George's and Montgomery counties in Maryland. It serves low-income customers through a community assistance program

approved by the Maryland legislature that took effect July 1, 2015. It credits an average of \$88 a year for eligible customers toward their “Ready to Serve Charge,” a fixed annual maintenance and infrastructure fee. The WSSC’s program is conveniently linked to the Maryland Department of Human Resources’ energy assistance programs that offer financial help for gas, heating oil, and electric bills. Any WSSC customer already approved by the state agency for energy assistance is automatically qualified for the WSSC program. (The Maryland energy assistance programs are available to households that make no more than 175 percent of the federal poverty level, or \$42,438 for a family of four, for example.)⁶⁷ Similar to Cal Water, the program offers automatic eligibility to those already qualified for energy assistance programs.⁶⁸ WSSC customers who already qualify for the energy assistance programs also automatically qualify for exemption from the Bay restoration fee.

- 2. Flexible terms:** Utilities help delinquent customers by moving from quarterly to monthly billing cycles, managing past debt through payment plans, or converting to predictable “levelized” monthly payments based on average use.

Like Washington, D.C., Boston, Detroit and Philadelphia before it, Baltimore is converting from quarterly to monthly bills. Monthly billing has been shown to be an advantage to customers by providing more up-to-date consumption information at more frequent intervals.⁶⁹ Customers will also be able to track consumption online.

- Chicago offers payment plans based on 35 percent of the past due and current charges with level payments over six months. Some plans may be eligible for an extension of up to three years if the monthly payment is more than \$100. Customers are warned that failure to make timely payments of the

plan will result in a default and may lead to service termination or a referral to a collection agency.⁷⁰

- In Albuquerque, New Mexico, customers can receive “levelized” bills through a budget payment plan that averages annual bills, flattening out the “peaks and dips” of water usage so that each bill is the same. This may be more critical in western states with outdoor water and irrigation demands that increase consumption in summer months and cause seasonal variability in usage.⁷¹

3. Block rate structure and lifeline rates:

Customers pay different rates depending upon usage: inclining block rate structures reward the lowest-volume users, potentially benefiting low-income customers that have low volume water-usage. Low-income customers pay a subsidized rate for a fixed amount of water, which is expected to cover basic water needs.

- Earlier this year, the Los Angeles Department of Water and Power expanded from a two-tier rate structure to one with four-tiers that encourages conservation. A customer at “tier 1” pays the lowest rate, based on indoor basic water needs. Rates for other tiers increase with the size of properties and volume of usage.⁷² In addition, Los Angeles seniors and disabled customers can get a 31 percent reduced water rate on their first 13,464 gallons of water used every two months.⁷³
- In Norman, Oklahoma, low-income households are offered a lifeline rate less than half the price of water for the first 5,000 gallons.⁷⁴ Households with incomes up to \$32,200 for a family of four are eligible for the discounted rate of \$1.50 per 1,000 gallons.
- Washington D.C. offers a lifeline rate that steeply discounts the first 2,992 gallons

used. Applicants must first be qualified for home heating assistance and must reapply every year. The average annual discount on water is \$37 per month, or \$440 per year.⁷⁵

4. Temporary or crisis assistance: Utilities offer one-time, short-term aid to customers facing emergency hardship to prevent water shut-off or to restore water service.

- In Portland, Oregon, in addition to credits on the bill, customers with emergency needs can enroll in the Low-Income Utility Assistance Program to receive a \$150 crisis voucher every 12 months. The city also offers a safety net program that will delay shut-off, waive delinquency charges, or offer interest-free payment plans and financial assistance to customers facing medical emergencies, loss of jobs, or divorce.⁷⁶
- The Customer Hardship Payment Service Program in Kansas City offers a one-time credit of up to \$500 per year for those facing water turnoffs as a result of emergencies.⁷⁷

5. Water efficiency and leak repairs: Utilities subsidize water efficiency installations (or offer rebates) for leak repairs and installation of certified water-saving fixtures, toilets, and appliances.

- In Portland, Maine, homeowners with annual household incomes at or below 80 percent of area median income may qualify for plumbing repairs, replacement, and installation of water-saving devices administered by a local nonprofit organization, Opportunity Alliance, with funding from the Portland Water District. Eligible items include repair of leaking or broken water pipes, toilets, hot water tanks, kitchen faucets, bathtub faucets, shower heads, outside faucets, toilet dams, and low-flow devices.⁷⁸

- In Northern California, East Bay Municipal Utilities District (EBMUD) customers can get a combined water and energy rebate of \$150 from EBMUD and PG&E when they buy and install a qualifying Energy Star Most Efficiency (ESME) model washing machine.⁷⁹
- Cal Water also pays for materials and labor to replace toilets, faucets, and showerheads through its Bathroom Fixture Replacement Program for any single-family household that already receives the low-income water rate discount.⁸⁰
- In Aurora, Colorado, the Low-Income Water Efficiency Program (LIWEP) replaces aging plumbing fixtures with new water-efficient devices. Households that receive low-income benefits for electricity are automatically qualified. The Mile High Youth Corps partners with the utility to replace up to two toilets, two showerheads, and three faucet aerators in each home.⁸¹
- Saving Water Partnership, a group of local water utilities in Seattle and King County, Washington, offers a \$100 rebate toward a low-flow toilet to replace pre-2004 toilets. Applications must be submitted within 60 days of purchase.⁸²

6. Community and local government-assistance programs

“Based on industry surveys, more than 60 percent of water utilities partner with community organizations or local government agencies... to help low-income water customers.”⁸³ These partnerships allow corporate and individual donations to be combined with water utility contributions, provide the community networks to reach low-income customers, and expand the capacity of programs to address needs.

In November 2015, the Philadelphia City Council made history by enacting the nation’s first law to make water and sewer charges affordable to all low-income customers, called the “Income-Based Water Rate Assistance Program.”⁸⁹

- Since 1994, the Washington Suburban Sanitary Commission (WSSC) has offered aid through its Water Fund, which helps residential customers with financial hardships pay their delinquent bills. It is administered through The Salvation Army in Prince George’s and Montgomery counties, and is funded by private donations from customers, WSSC employees, and the general public.⁸⁴ To expand the fund, since 2010, the utility has offered customers the opportunity to round up their bill to help other customers pay water bills. The fund helps approximately 150 households each year with assistance of up to \$300 each.
- In Washington, D.C., the Washington Urban League offers the SPLASH program, Serving People by Lending A Supporting Hand, which helps low-income customers pay water utility bills. The program is funded by water customers who round up their bills and additional private contributions.⁸⁵
- In Scranton, Pennsylvania, American Water customers with incomes below 150 percent of federal poverty guidelines can qualify for one-time water grants of \$500 and sewer grants of \$500. Customers can also get a discount of 80 percent on their monthly water service fee and a 15 percent discount on total wastewater charges. Customers who qualify may also be eligible to receive a water-saving kit with a low-flow showerhead, faucet aerators, and a toilet tank dams, or water-saving devices. The program, H2O Help to Others, has been operated by the Dollar Energy Fund for nearly two decades through corporate donations and customer and employee donations.⁸⁶ In 2014-2015, the program provided more than \$367,652 in water and wastewater assistance grants to 1,340 households.⁸⁷
- New Jersey American Water funds an assistance program also called H2O Help to Others. The program includes payment assistance of up to \$500 and discounted rates on the monthly fixed service charge for water for qualified applicants with annual incomes at or below 200 percent of the federal poverty guideline. NJ SHARES, a statewide nonprofit organization, administers the program through its agency network.⁸⁸

7. Payment based on affordability

In November 2015, the Philadelphia City Council made history by enacting the nation’s first law to make water and sewer charges affordable to all low-income customers, called the “Income-Based Water Rate Assistance Program.”⁸⁹ Unlike discount and credit programs implemented in Baltimore and elsewhere, Philadelphia’s new law, signed by the mayor in December 2015, mandates that water bills for residential customers living near the poverty level be affordable based on a percentage of household income.

Under this new law, three different rates will be charged based on various incomes

Philadelphia's road to a revolutionary water affordability plan

Like Baltimore, Philadelphia had an antiquated billing system, increasingly expensive water and sewer rates, a high amount of unpaid water bills, and a large number of residential customers who get their water turned off each year for nonpayment. A 2014 audit of the City of Philadelphia Water Department found \$250 million in delinquent water accounts, not counting old debt that had been written off.⁹³ In 2015 Philadelphia had 31,000 water shutoffs.⁹⁴ Like Baltimore, Philadelphia places liens on unpaid water bills, but has no legal threshold of unpaid bills that triggers a lien sale like Baltimore's that threatens to displace homeowners with more than \$750 in unpaid water bills.⁹⁵ (Philadelphia typically only seeks to foreclose upon a residential property for unpaid water bills if the lien exceeds \$5,000.)⁹⁶

The bill to create the "Income-Based Water Rate Assistance Program" was introduced to the city council in fall 2015 by Councilwoman Maria D. Quinones Sanchez, whose 7th councilmanic district in Northeast Philadelphia, one of 10 districts in the city, represented 20 percent of Philadelphia's water liens.⁹⁷ Advocates for the bill drew on the exhaustive work of Community Legal Services of Philadelphia, the city's "Public Advocate." Lawyers and staff at Community Legal Services had spent two decades monitoring and chronicling the water billing system's deterioration and dysfunction, enabling them to build a case that showed the need to overhaul it to make water more affordable to the city's poorest residents.⁹⁸

Key to that case was the work of Roger Colton, a Massachusetts-based lawyer and economist who is a nationally known expert and advisor on low-income affordable gas and electric rates and fuel-assistance programs.⁹⁹ Colton's city council testimony showed evidence that gas and electric utilities with low-income rate systems (similar to the one designed for Philadelphia's water system) bring in more money from customers because they can afford to pay their bills after they are adjusted based on income. He also showed the utilities saved on administrative expenses because they were spending less time trying to collect overdue bills.

Although there are no water utilities with across-the-board low-income payment systems, Colton used gas and electric utilities with similar payments systems in New Jersey, Pennsylvania, and Indiana to make his case.

The New Jersey Universal Service Fund, which targets low-income customers, found that 94 percent to 97 percent of low-income customers paid more than 90 percent of their utility bills.

Customers of Pennsylvania's low-income affordability program for its power utilities paid 86 percent of their bills, while low-income customers who did not participate in an affordability program had greater difficulty making payments. Twenty-two percent of those customers were behind on payments, while 15 percent of them had their power disconnected in 2013. Only 72 percent of them were reconnected.

In Indiana, utility customers on low-income payment plans paid 79 percent of their utility bills, or \$215,897 out of a total \$273,627. Qualifying utility customers who were not enrolled in the low-income plan paid only 64 percent of their bills, or \$194,577 of \$304,072. Colton's study of the program showed that if nonparticipants of the low-income program had been charged the lower rates, the utility would have collected an extra \$46,000.¹⁰⁰ He also showed that the utility company's costs of collection (issuing notices to disconnect service) were 65 percent less for participants in the low-income program than customers who were not in the program.

In an interview, Colton noted that Philadelphia is the first local government in the country to pass an across-the-board, low-income affordability plan for water and sewer customers. Compared to income-based rates for gas and electric utilities proliferating around the country, the water systems are far behind in confronting the inability of many customers to pay for such basic household costs as water and electricity, he said.

"Previously, the Philadelphia water department, as with so many municipalities, has resisted adopting affordable rate systems. One reason the city council became concerned was not simply because of the unaffordability of water," said Colton, "but they were concerned (the current system) was destabilizing neighborhoods. It was placing liens on households (that failed to pay water bills) in the tens of millions of dollars. That was not the way to maintain a stable tax base."

in relation to the federal poverty level: below 50 percent, 50 percent to 100 percent, and 100 percent to 150 percent. Rates are set based on a percentage of income from each rate level, by the newly created Philadelphia Water, Sewer and Storm Water Rate Board. The rate board, for example, is allowed to “establish more, but not fewer, low-income tiers.” The law also allows rates to be set based on historical water usage.

Customers enrolled in the program are not required to pay previous unpaid bills to maintain water and sewer service, but they must agree to use any free conservation measures offered to them. Customers who earn up to 250 percent of the federal poverty level can also apply to be enrolled in a payment plan that includes making affordable back payments. There is also a provision for “earned forgiveness” of arrearages as long as payment plans are kept current. The law requires participants to prove their income no more than once a year, and it requires the city to suspend any enforcement actions against delinquent customers so they can enroll in the new program. The city is required to post information about the program “clearly and conspicuously” online and make information available in Spanish, as well as English.

The outcomes of this groundbreaking legislation remain unknown because the law does not take effect until 2017. And, despite the city council’s unanimous approval of the bill — and the mayor’s signature — the Philadelphia Water Department and the Water Revenue Bureau spent months resisting the new law’s instructions for revamping the system, said consultant Roger Colton and other advocates.⁹⁰ The city also disagreed with advocates on the rates and methodology to be utilized to deliver affordable bills under the new legislation.

On June 7, 2016, the rate board approved the implementation of the IWRAP program, together with an \$89 million general rate

increase for water, sewer, and stormwater rates. It approved setting rates for low-income water customers as a fixed percentage of household income. Subject to a minimum bill of \$12 per month:

- Customers with household income between 0 percent and 50 percent of the federal poverty level will receive monthly bills calculated as 2 percent of monthly income.
- Customers with household income between 50 percent and 100 percent of the federal poverty level will receive monthly bills calculated as 2.5 percent of monthly income.
- Customers with household income between 100 percent and 150 percent of the federal poverty level will receive monthly bills calculated as 3 percent of monthly income.⁹¹

As of the writing of this report, it is not certain what terms and conditions will apply to the earned arrearage forgiveness component of the new low-income program mandated by Philadelphia’s affordability legislation.⁹²

Philadelphia’s new law is a fundamentally different approach to meeting the challenge of affordability in the wake of escalating water bills. It is certainly worth watching.

Recommendations

Low-income customers are already challenged by water and sewer bills that are a larger proportion of their income than higher-income customers. Facing the continued rise in rates, these customers will have increasing difficulty keeping up with bill hikes in the future. Retooling and expanding the city’s customer service and customer assistance programs will be key to timely bill payment, a decrease in arrearages, and reduction in turnoffs that will be of growing concern in

future years. Learning from best practices to optimize an affordability strategy for low-income customers will be critical to sustaining the finances of the utility and achieving the commitment to support public health. The recommendations listed below offer a range of steps and strategies that can be implemented in the near future as well as in the long term.

Eliminate water liens at tax sale.

As described more fully in a 2014 Abell Report on tax liens, [“The Steep Price of Paying to Stay,”](#) all owner-occupied homes should be exempt from tax sale for water liens. Other utilities such as BGE or Comcast are not able to collect past due bills through sale of the debt as a first mortgage lien. The termination of service should become the last resort for collections. The administration and city council should introduce legislation in 2017 to eliminate the sale of water liens for owner-occupied properties at the city’s annual tax sale. The recent raising of the threshold for water-only liens that triggers a tax sale (from \$350 to \$750), while a vast improvement for owner-occupied properties, does not go far enough to protect homeowners from losing their homes (or from paying high-interest fees to reclaim their properties).

Optimize an affordability plan for low-income customers.

This report documents numerous examples from other cities and states that have more robust discount programs, lifeline rates, and rates based on income-affordability that could be explored and considered to augment or replace current city programs.

At a minimum, the city should increase the discounts available to low-income water customers so they reflect the steep increases in water and sewer costs. While rates have gone up by 126.7 percent in the last decade, the Low-Income Water Assistance Program, which helps delinquent water customers qualify for a payment plan, has increased by

only 79 percent in the last decade, from \$100 to \$179 a year.¹¹⁴ Going forward, rates are scheduled to increase 33 percent over the next three years, while the program will only be increased to \$197 a year.

A “lifeline rate” for low-income customers provides a steep discount for the first 5,000 or 10,000 gallons of water they use during a set time period. In Los Angeles, for example, seniors and disabled customers can get a 31 percent reduced water rate on their first 13,464 gallons of water used every two months. In Norman, Oklahoma, low-income households pay less than half the price of water for the first 5,000 gallons.

Philadelphia’s new program offers a model for a city law that makes water affordable to low-income residents by setting water and sewer rates at a small percentage of their income. Other states have created energy utility payment programs based on affordability; Maryland has considered this as well. Housing advocates and city officials could bring Roger Colton, the nationwide expert on setting affordable utility rates for low-income customers, to Baltimore to confer with city officials and testify before the city council about his studies showing that power utilities earn more revenue when customers can afford to pay their bills — and spend less on administrative costs trying to collect unpaid bills.

Link low-income water discounts to other pre-approved programs to increase participation, reduce administrative costs, and eliminate duplicate applications.

DPW should automatically link the city’s two low-income discount water programs to state energy assistance recipients who have been pre-approved for energy assistance by the Mayor’s Office of Human Services’ Community Action Partnership centers. This bureaucratic time saver will automatically enroll eligible water customers to discounts programs, saving customers travel time to annually fill out paperwork in person, and reducing city

More importantly, a link to the energy assistance programs will enable the city to reach thousands of eligible water customers in jeopardy of losing their water service who are not currently receiving water benefits.

administrative costs to process applications. Currently, most applicants for the low-income water discount program must travel each year to one of five Community Action Partnership centers to show proof of income, while those applying annually for the senior citizen discount must apply at one of the city's 13 senior centers and show proof of age and income.

More importantly, a link to the energy assistance programs will enable the city to reach thousands of eligible water customers in jeopardy of losing their water service who are not currently receiving water benefits. In 2015, the city only helped 2,645 seniors and 2,433 other low-income customers. In comparison, the Maryland Department of Human Resources approved energy assistance benefits to more than 25,000 city households in fiscal year 2016, indicating a large number of qualified Baltimore residents are not being aided with water discounts. This practice would follow in the footsteps of a recent, successful program linking Maryland Energy Assistance customers in Prince George's and Montgomery counties to water discounts through the Washington Suburban Sanitary Commission.¹¹⁵ The city could also link the senior citizens water discount program to the city's newly enacted property tax credit for poor seniors, as well as the homeowners' property tax credit for all low-income homeowners.

Make payment plans affordable.

While this study acknowledges recent changes to the payment plans for customers in arrears, the city should continue to pursue payment plans that further aid low-income customers. For

example, those choosing the new zero percent down payment plan are barred from obtaining the low-income credit. This study recommends the city allow poor customers to use the low-income credit toward monthly payments, especially considering payment plans must be maintained, along with new bills with the recently increased rates for water and sewer.

Create a financial assistance program through customers who "round up the bill."

DPW might consider partnering with a private organization to address the need for water bill assistance — similar to the Salvation Army in Prince George's County, the Urban League in Washington, D.C., or the Dollar Energy Fund in Scranton, Pennsylvania — through customers who volunteer to round up their bills to help another family. These programs are supported by customer donations paid through their regular water bills and matched by private and corporate donations. The Fuel Fund of Maryland might offer an ideal partnership as the organization similarly provides bill assistance and conservation education to address electricity and heating bills.

Implement incentives to save water and lower customer bills through water conservation and efficiency programs.

Despite the water affordability crisis facing so many city residents over the last decade, Baltimore's water utility has offered no incentives to its customers to save water to cut costs. In fact, under the former declining

The city could also link the senior citizens water discount program to the city's newly enacted property tax credit for poor seniors, as well as the homeowners' property tax credit for all low-income homeowners.

block rate structure, large volume (mostly commercial) customers paid a *lower* rate. This rate differential was eliminated under the new rates, but more can be done to encourage conservation. Western states and municipalities have designed programs for water efficiency with drought and water scarcity in mind. These programs are ripe for emulation where water prices are rising quickly, making water efficiency a greater priority for cost savings. Water affordability will be best achieved when any bill pay assistance is coupled with the services to help customers better manage costs through reduction in usage.

The "mandatory minimum fee" has limited thrifty water users from seeing the benefit of lower bills. The elimination of this fee, as part of the new billing system, is a step toward incentivizing residential water customers to economize.

DPW should consider partnering with, expanding, and cross-promoting programs of other city agencies and other nonprofit organizations to expand the range of conservation assistance from water audits to subsidized repairs. The Office of Sustainability's Baltimore Energy Challenge offers free water-saving devices and Baltimore Housing's LIGHT program offers plumbing repair help along with interventions to reduce overall energy usage. Other nonprofit organizations, such as Rebuilding Together Baltimore, work with low-income homeowners to make improvements that can include repair

to leaking water pipes. These programs are only mentioned briefly on DPW's new website, so water customers having trouble paying bills or fixing plumbing leaks might have trouble finding out about them. Programs to help customers repair leaky pipes, reduce water volumes used through new showerheads and aerators, and purchase water-efficient appliances have been implemented from Portland, Maine to Seattle, to enable customers to "shrink" the bills. Conservation programs could be tied to eligibility for extended payment plans to address arrearages and avoid service termination.

The city should also move quickly to publicize an application process to disburse funds recently set aside for low-income water users to repair leaky plumbing from the HomeServe program, which offers warranties for water system repairs. Although DPW officials say the fund is already established, there is no mention of it on DPW's website or in literature passed out to low-income water users.

Help tenants.

Any new law considered by the mayor and city council should include ways to protect tenants from water shut-offs and from losing their homes because their landlords fail to pay water bills or because landlords have saddled them with paying for costly water bills due to leaks in plumbing or unpaid water bills owed prior to their tenancy. Tenants should be given the legal right to review water bills at the property they rent and participate fully in dispute resolution processes. In addition to

turnoff notices sent by DPW, landlords should be required to notify tenants that water is being shut off for nonpayment.

Expand customer service.

Low-income households are burdened by limited income to cover housing, food, energy, medical, and child-care costs. The Department of Public Works cannot by itself resolve the wide array of challenges facing its customers, but it can as a part of its customer service connect customers to other providers, such as Community Action Partnership centers and services such as the Baltimore CASH Campaign assistance with the Earned Income Tax Credit, as well as promote the Homeowners Tax Credit and the Renters' Tax Credit.

In order to take full advantage of programs offered by the Department of Public Works, residents need to know about them. There is room for improvement on program outreach, especially in consideration of households with limited literacy, limited mobility, and limited Internet access. While recent changes to the Department of Public Works website have been positive in directing information seekers to resources of the Department, more could be done especially in light of massive changes to the metering and billing systems and rate structures. Information on all of the current programs available to senior and low-income customers listed in this report should be posted online in reader-friendly format in English and Spanish with contact information clearly posted.

Increase advocacy for low-income customers.

Private water companies are regulated by the Maryland Public Service Commission, and the Commission's Office of the People's Counsel serves to intervene in rate adjustment proceedings as an advocate for ratepayers and provides assistance to low-income customers regarding service termination. As Baltimore's water utility is municipally owned, it is exempt from regulation by the Public Service Commission.¹¹⁶ The Baltimore City Council

approves the debt ceiling for the utility, and the Board of Estimates approves the rate increases. The absence of the function of the Office of the People's Counsel raises the burden for low-income advocacy organizations to use opportunities at these public hearings to raise concerns about rate increases and their effect on low-income and vulnerable customers.

The federal government has long recognized that low-income customers burdened by high energy costs require assistance paying their bills and creating greater home energy efficiency in order to keep people safe and healthy. There is no similar consideration for water bills and water conservation despite the fact that these costs are rising at a much faster pace than residential energy costs. In Maryland, the state has also recognized the high burden of energy and dedicates up to half of the auction proceeds from the Regional Greenhouse Gas Initiative to bill payment assistance for low-income customers.¹¹⁷ There is a need for education and advocacy at the federal and state levels to create a greater understanding of the burdens of water and sewer bills and the threats to health and safety when the bills cannot be paid.

About the Author

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Acknowledgments:

I wish to thank the many people whose expertise and views helped shape this study: Members of the Homeowner's Tax Sale Subcommittee, including Margaret Henn, Pro Bono Resource Center of Maryland; Cathy Semans, Neighborhood Housing Services; Susan Francis, Maryland Volunteer Lawyers Service; Louise Carwell and Kay Harding, Maryland Legal Aid Bureau. Jeffrey Raymond and Maria DeChellis, Baltimore Department of Public Works; Roger Colton, Fisher, Sheehan and Colton; Robert Ballinger and Thu Tran, Philadelphia Community Legal Services; Mary Grant, Food and Water Watch; Renee Hatcher, University of Baltimore School of Law; Ken Strong, Baltimore Housing; Matt Lyons, Maryland Department of Human Services; Don Mohler and Fred Homan, Baltimore County government; Zafar Shah and Matthew Hill, Public Justice Center; Beth Harber, Sarah Manekin and Jonathan Pyo, Abell Foundation. A special thank you to Amanam Williams, Lakeisha Howard and an anonymous teenager who shared their stories of living without water in Baltimore City.

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The
Abell Report
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Published by the Abell Foundation
Volume 29, Number 4

Keeping the Water On: Strategies for
addressing high increases in water
and sewer rates for Baltimore's most
vulnerable customers

By Joan Jacobson
November 2016

About the Abell Foundation

The Abell Foundation is dedicated to the enhancement of the quality of life in Maryland, with a particular focus on Baltimore. The Foundation places a strong emphasis on opening the doors of opportunity to the disenfranchised, believing that no community can thrive if those who live on the margins of it are not included.

Inherent in the working philosophy of the Abell Foundation is the strong belief that a community faced with complicated, seemingly intractable challenges is well-served by thought-provoking, research-based information. To that end, the Foundation publishes background studies of selected issues on the public agenda for the benefit of government officials; leaders in business, industry and academia; and the general public.

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