

Memo

To: City of Chicago Mayor's Office

From: Elevate Water and Research Teams (Caroline Pakenham, Louise Sharrow, Justin Keller)

Re: Water Affordability and UBR Findings and Recommendations

Date: April 2023

Thanks to an ongoing partnership with the City of Chicago, Elevate has twice had the opportunity to analyze Chicago's residential water billing data. Building on our 2021 analysis¹ which highlighted issues including widespread water debt and high water burden, especially among non-metered residents and households living in majority BIPOC communities, this year we completed a second analysis focused on participants in Chicago's Utility Billing Relief (UBR) program, the impact of the COVID-19 pandemic on water debt, and best practices for tackling water debt from other cities. This memo will highlight the findings of our analysis as well as recommendations for moving forward.

Many Residents Found Relief

As of September 2021 (the latest data we received for this analysis), over 3,000 residents had received water debt forgiveness through the UBR program, accounting for a total of \$3.5 million in combined debt relief. Another 9,000+ residents were in their first year of the program with a collective \$11.6 million in water debt potentially to be forgiven. Collectively, UBR participants lived in both metered and nonmetered 1- and 2-unit buildings and were predominantly located in lower-income and majority BIPOC census tracts – the same communities we found to be facing the heaviest debt and bill burdens. The average debt for UBR participants was \$1,200, equivalent to one month's rent for many families. At the extreme, some participants received relief from debt in the \$10,000, \$20,000, and even \$30,000 dollar range. The fact that there was no clear difference in who qualified to receive permanent forgiveness rather than those who had their debt reinstated from this first round of UBR indicates that the program structure works well for those who are eligible.

Reaching Further

Despite the burden being lifted from UBR participants across the city, water bill struggles are still a daily reality for many Chicago residents. UBR has not yet reached everyone who is eligible, much less those who could use support but are ineligible under the guidelines, and people are still working to recover from COVID-related income loss, healthcare costs, and cost of living increases. Water debt levels increased across all building types in the city and across all community areas in 2020 and 2021

¹ <https://www.elevatenp.org/press/new-chicago-water-affordability-analysis-uses-real-billing-data-to-show-water-affordability-challenges-in-the-city/>

compared to pre-COVID years, and, while no area was exempt, these increases continue to be larger in majority BIPOC census tracts.

Based on our latest round of research, we recommend the following actions to continue to improve the UBR program:

1. **Continue to strive for increased enrollment in UBR.** We estimate that, as of September 2021, UBR was only reaching about 5% of residents who carried water debt – though it is important to note that our analysis encompassed debt connected to properties that are ineligible for UBR, such as vacant properties with outstanding balances. While not all residents are eligible for UBR, and some may not want or need extended support, water debt is a problem with a wide scope that needs to be addressed.
2. **Focus on targeted outreach to expand enrollment to residents with the most extreme debt.** There are a relatively small number of residents carrying very high amounts of debt, so spending time on direct phone and in-person outreach to these folks (and perhaps identifying whether some of the debt is the result of clerical or data errors) could go a long way towards addressing outstanding payments the City is owed while helping those who are most overwhelmed. This outreach staff could also be tasked with doing “exit interviews” of a sort with those who defaulted while on UBR to better understand the reasons it may not work for some participants.
3. **Include 3-unit and 4-unit buildings in UBR.** Small multi-family buildings are a critical source of affordable housing in Chicago², but high water burdens could threaten that by forcing the owners to raise rents or lose their properties. This is compounded by the decrease in revenue these smaller landlords faced due to COVID.³ Our analysis finds that these small multifamily properties struggle just as much with making payments in full or on-time. While there are fewer of them than there are 2-flats, their per-building bills are higher meaning that the per-building potential to start rebuilding those payments to the city is greater. An expansion to include 3-unit and 4-unit buildings in UBR could be piloted in a few community areas with high burden levels but comparatively low UBR enrollment, such as North Lawndale, Englewood, West Englewood, Greater Grand Crossing, or Auburn Gresham.
4. **Increase the income threshold for UBR.** Residents of all income levels were hit hard by the COVID-19 pandemic, and while incomes may be rebounding for some, the legacy of accumulated debts (utility as well as mortgage/rent, medical, etc. plus the loss of rental income for many small properties) during that time will linger.
5. **Continue to keep equity at the forefront.** Our findings from the last analysis are still true here: families living in majority Black census tracts face almost six times the debt of those in majority white tracts and are living with much greater burden.

² <https://preservation-next.enterprisecommunity.org/by-numbers>

³ <https://www.jchs.harvard.edu/blog/how-has-pandemic-affected-landlords>

Community Best Practices

As stated in previous reports, the role public and private water utility personnel play in addressing water affordability should not go unnoticed. Communications, community engagement, and outreach strategies used by water utilities influence a customer’s ability to know what options exist and what actions to take to alleviate their water debt.

In-depth interviews with water utility personnel in Cincinnati, Milwaukee, and Louisville allowed us to understand what tactics other cities have used to bring water debt relief for customers and revenue collection for the city, without the termination of water utility services or liens placed on customers’ homes. As a result of pandemic-era federal funding programs, public water utilities report that their capacity to offer water bill relief has increased. Some utility providers say they have seen the most success in tackling water debt by revising their customer engagement approaches. For customers experiencing financial hardship, utility personnel reported taking actions such as: establishing a threshold for delinquent debt; applying a one-time credit to unpaid balances on water and wastewater bills; restarting or creating forgiveness schemes; establishing income-based rate structures; and automatically enrolling customers in flexible payment plans based on total past due balances. Other cities offered participants individualized financial counseling to create custom action plans to address their complete financial needs.

A summary of how Cincinnati, Milwaukee, and Louisville are tackling water debt and affordability challenges is included below.

| Municipality | Strategy | Action |
|-----------------------|---|---|
| Cincinnati, OH | Adopting a three-contact customer communication system | Reached out to customers at least three times to assist with financial planning re: water debt |
| | Using creative and proactive communication and awareness-building modalities | Decorated utility trucks with scannable QR codes to connect customers with online resources |
| Milwaukee, WI | Educating utility staff on socioeconomic water disparities | Joined US Water Alliance’s Equity Network Membership |
| | Transitioning away from using water disconnections as the primary tool for encouraging residents to pay their bill | Offered deferred payment agreements to help customers catch up on a past-due account balances |
| Louisville, KY | Limiting barriers to flexible payment plans | Automatically enrolled accounts with a balance of \$250+ into PromisePay, a flexible bill management system for customers |
| | Allocating utility capacity and technological resources to identify customers most in need of relief and assistance | Mapped water shutoffs and cases of extreme debt with GIS software to identify and tailor interventions to most burdened communities |

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|--|---|--|
| | Creating a local charitable donation scheme to provide temporary assistance | Equitability dispersed one-time \$500 credit to all accounts with unpaid water and wastewater balances with tax-deductible donations made by residents |
| | Taking federal funding opportunities to cancel or alleviate water debt (e.g., CARES Act, ARPA, Emergency Rental Assistance) | Collaborated with community-based organizations to develop outreach campaigns and identify customers eligible to receive federal funds |

Moving Forward

Based on these findings and conversations, we have identified several opportunities for action beyond the specific UBR recommendations highlighted above.

1. **Update the current billing system.** A billing system that allows for easy identification of high-debt residents, or residents with patterns of partial payment, could allow for proactive outreach to customers before they fall into debt or before they give up entirely on being able to pay their water bill. Updating the billing system could also make it easier to expand UBR to different customer categories and offer more water affordability support offerings in the future.
2. **Provide support to households ineligible for UBR program.** More support is needed for those residents with extreme water debt that do not qualify for UBR. Through our work in the community, we have encountered many residents who do not qualify for UBR but need assistance with manageable monthly payments and significant levels of water debt. Flexible payment arrangements (amount, frequency, and payment method), financial counseling, connection to other utility and charitable support programs, and dedicated customer support will help residents in these situations.
3. **Embed a community engagement staff person with a trusted community organization.** This person would help build trust with City departments through listening to community concerns and be empowered to bring resident feedback back to the department and make appropriate changes. This person would also be an ambassador for UBR, LIHWAP, metering, and lead line replacement. Even if not embedded in a community organization, supporting UBR with outreach staff who can not only support participants but also learn from them will be vital to continued success.
4. **Consider opt-out rather than opt-in programs, and other types of automated inclusion.** For example – automatically enroll high-debt customers in UBR (perhaps those over the average of \$1,000), eliminating the administrative effort of processing application paperwork and avoiding outreach difficulties. If unknown income is a concern, a tiered approach could be used where the automatic program provides only a small water rate discount or none at all because it is available to all income levels, but still provides the forgiveness for those who make the qualified payments when the weight of accumulated debt and penalties is removed. Customers could then provide income documentation in order to opt-in to the 50% discount tier.

A one-time blanket forgiveness of a certain amount of debt could also be considered (similar to the forgiveness of library fines) to generate press, good will, and potentially allowing customers to

reengage with water bills they may have been avoiding due to inability to pay. Making this a one-time action avoids creating future perverse incentives while putting many households in more secure positions to be able to restart payment.

LIHWAP and other COVID-era programs, particularly emergency rent relief, as well as software such as Promise Pay can also provide models on simpler and more automated enrollment practices that rely on available data on other program participations and allow simpler confirmation such as participant self-attestation. A variety of utility and other programs use geographic eligibility as one form of automated enrollment, a powerful lesson that could be applied here. The premise is that census tracts with high proportions of families below a certain income threshold are designated as “eligible” tracts and therefore buildings in those tracts do not have to go through individual income verification. Additional eligibility paths are still available for buildings outside these designated tracts or block groups. (It is not advised to do this at an area larger than a census tract). ComEd and People’s Gas currently use this approach for their multifamily efficiency programs as do others. The New York State Energy Research and Development Authority (NYSERDA) has a good explanation of this approach on their website.⁴

5. **Continue to invest in and improve communications, community engagement, and outreach.** Ensuring call center support is available in multiple languages, utilizing text message outreach, proactive communications (reaching out before it is a problem), partnering with trusted neighborhood groups, and utilizing alternate media channels (radio, Facebook, etc.) are all paths to explore to ensure residents understand and can engage with water affordability support offerings.
6. **Learn from other communities tackling water debt.** Continue to learn about how other communities are tackling water affordability challenges and take advantage of the experiences and offerings provided through membership in the US Water Alliance’s Equity Network.

Our Next Steps Together

Elevate hopes to continue to work closely with the City to address the wide range of water challenges the city and residents face. A few suggestions of further partnership opportunities include:

1. Continue to work together to ensure residents receive water reconnection support (plumbing repair and water quality testing) and education on billing relief options.
2. Collaborate with community partners to provide water debt workshops in highest need neighborhoods.
3. Investigate the possibilities for a charitable water utility relief fund to support residents who do not qualify for UBR or need support beyond the UBR program.
4. Provide continued data analysis support to ensure continued understanding of water affordability challenges.
5. Continue conversations on ways to expand UBR and improve support offerings (including payment plan options) for those residents who do not qualify for UBR.

⁴ NYSERDA EmPower Geo-Eligibility Tool: <https://www.nyserda.ny.gov/ny/ahp-empower/geo-eligible-income-tool>