



AGENDA ITEM SUMMARY

City Council

STAFF

Heather Young, Sr. Community Engagement Manager, Utilities
Shannon Ash, Utilities Affordability Program Manager, Utilities
Brian Tholl, Sr. Energy Services Supervisor, Utilities
Randy Reuscher, Lead Rates Analyst, Utilities
Cyril Vidergar, Legal

SUBJECT

Second Reading of Ordinance No. 135, 2022, Amending Chapter 26 of the Code of the City of Fort Collins Related to Water, Wastewater and Electric Rates, Fees, and Charges Applied Under the Income-Qualified Assistance Program.

EXECUTIVE SUMMARY

This Ordinance, unanimously adopted on First Reading on November 1, 2022, adopts the Income-Qualified Assistance Program (IQAP) providing income-qualified Fort Collins Utilities (Utilities) customers reduced rates on select Utilities services was introduced in October 2018 as a pilot program. The IQAP program bill adjustment effectively applies a 23% rate discount on electric, water, and wastewater services, and is due to expire December 31, 2022. In July 2021, Council approved moving the program from an application-based, opt-in program to an auto-enroll, opt-out program, subject to participants' participation in the complementary state Low-income Energy Assistance Program (LEAP). At that time, Council also requested an evaluation of the discounted rate percentage to ensure it was still sufficient to meet program objectives. Since July 2021, participation in IQAP has increased 128%. Staff are seeking a motion from City Council to adopt the program. The Council Finance Committee reviewed this proposal on October 20, 2022 and provided staff direction for presentation to Council.

STAFF RECOMMENDATION

Staff recommends adoption of the Ordinance on Second Reading to establish IQAP as an ongoing program to support Utilities customers and increasing the program discount from 23% to 25% for participating customer bills. Adopting this program on a permanent basis aligns with existing community, City, and Utilities priorities and is an investment in our community.

BACKGROUND / DISCUSSION

Staff is seeking Council action to transition the IQAP program from a pilot program to an ongoing program and are requesting an increase of the bill adjustment from 23% to 25% to ensure that low-income customers spend a similar percentage of household income on utilities as someone who makes 100% of Area Median Income (AMI). Specific questions for Council include:

- Does Council support the continuation and adoption of IQAP as a regular initiative?

- Does Council support increasing the bill adjustment discount from 23% to 25%?

The Income-Qualified Assistance Program was approved as a pilot by Council and launched in October 2018. The program was designed to reduce utility burdens for qualifying low-income participants that opt-in to the program by giving them a 23% discount on specific rate components of electric, water, and wastewater service bills. Utilities partnered with LEAP for income-eligibility verification for IQAP. LEAP eligibility is based on household size and an income threshold of 60% of State Median Income.

When IQAP launched, Utilities customers enrolled in the current or past LEAP season were eligible to complete an application to “opt-in” to participate in IQAP. Utilities sent bulk invites via mail or email to LEAP-enrolled customers annually to encourage them to apply for participation in IQAP. Customers could fill out an application at any time during the year to be enrolled in the program, provided their LEAP enrollment could be verified. Applications were completed online or via a paper form. Once an application was received by Utilities staff, the customer’s LEAP enrollment was verified, and their service bills were adjusted for the applicable services.

In July 2021, Council approved an extension of the pilot program and changed the enrollment structure from application-based, opt-in to auto-enroll, opt-out based on customers’ qualification and participation in LEAP. The intent of the opt-out approach was to increase overall participation while reducing administrative requirements for processing applications. The current pilot and associated discount are set to expire December 31, 2022, pursuant to City Code §26-724.

Utility Burden

One of the main reasons IQAP was implemented was to help offset the utility burden some customers experience. Utility burden is defined as the percentage of a household’s income that is spent on utility services such as electric, water, wastewater, and gas. Low-income households have been found to have disproportionately high utility burdens when compared to non-low-income households. Contributing factors include race, ethnicity, and low-quality housing.

Utility costs also continue to increase faster than income, both locally and nationally. Some customers are on a fixed income, especially seniors. Inflation means people have to spend more of their income on basic needs like utilities, and without access to heating, cooling, and water, unpaid utility bills can lead to dire health impacts. As temperatures increase due to climate change, customers use more energy. The cost of that energy also increases as the City and Platte River Power Authority work towards securing carbon-neutral energy sources.

Current Program

The IQAP pilot bill adjustment was designed as a multi-pronged approach to helping low-income households (at or below 60% AMI) achieve utility burdens that are more similar to those of households with 100% AMI. The IQAP 23% bill discount was designed to be combined with LEAP benefits and in-home conservation efforts to reduce participants’ utility burdens to more average levels (approximately 3.1% of income).

Utilities continues to partner with LEAP for income-eligibility verification to allow for auto-enrollment into IQAP. Utilities staff receives monthly lists of approved customers during the LEAP season. These lists are then verified by staff to confirm the customer is a Utilities account holder and if so, staff submits a billing rate adjustment request to the billing office. The customer is mailed a confirmation letter informing them that they have been enrolled in IQAP for the year, along with conservation education materials and additional program information.

IQAP participants are encouraged to participate in no-cost conservation programs such as Larimer County Conservation Corps (LCCC) retrofits and/or Colorado Affordable Residential Energy Program (CARE) to make their dwellings more efficient and to help reduce utility costs further. They also receive the monthly

Utilities Insights newsletter (fcgov.com/utilities/utilities-insights) that provides low- or no-cost tips and tricks for reducing utility use and costs. These ancillary program communications extend the reach of Utilities conservation and efficiency outreach efforts, delivering this key information to and improving user habits in households that historically are unlikely to participate in these efforts. Educating and creating incentives for conservation and efficiency shifts in these households builds trusted relationships and provides Utilities access to fuller rate payer usage data that in turn allows the City and Utilities to progressively achieve our environmental goals more aggressively.

Program Update

Since the launch of IQAP, participation has continued to increase and additional intentional outreach into the community is expected to gradually increase enrollment.

| 2021 Participation | 2022 Participation | 2023 Estimated Participation |
|--------------------|--------------------|------------------------------|
| 759 | 1,727 | 1,900* |

**Anticipating a 10% increase from the previous year*

Estimated total reach is 10,000 households using a city-wide poverty rate of ~16%, based on 2021 Census Bureau data combined with controlling for the student population in Fort Collins.

Utilities staff members have begun reaching out to partner agencies to discuss outreach opportunities. The goal is to increase awareness of LEAP and Utilities affordability programs. Utilities staff have identified underserved locations in the community using data from the Equity Office and will focus outreach opportunities in those areas.

According to current survey results, the majority of IQAP customers continue to be satisfied or very satisfied in the auto-enrollment process. The change from an application-based structure to auto-enrollment has increased program participation by approximately 128%.

Energy Use Analysis

At the launch of IQAP, an assumption was made that program participants would use less energy compared to those not in the program because participants were connected with CARE, LCCC, and other efficiency programs. Data analysis has shown that IQAP participants initially use slightly more energy (2.9% on average), but by year three of enrollment, energy use between IQAP and non-IQAP customers was similar. This can be attributed to customers being able to afford to heat and cool their homes at comfortable temperatures because it is more affordable. According to survey results, customers identify increased quality of life as a benefit of IQAP.

Rate Reduction Evaluation

In July 2021, Council requested an evaluation to determine if the 23% rate reduction was still sufficient. Utilities staff conducted an analysis to determine the percentage that it would take for a low-income customer to spend a similar amount on utilities as someone who makes 100% AMI. For this evaluation, staff used the same methodology to estimate the necessary rate reduction amount using updated utility and income data. The analysis took the LEAP benefit and non-City gas bills into consideration and calculated the necessary discount rate to be 25%. Staff expects the increased rate reduction will help offset the high energy burden and energy insecurity that continues to increase in our community and throughout the nation. This difference amounts to ~\$20/year/customer.

Utility Benefits Summary

Staff identifies the following utility purposes and benefits of IQAP for Council to evaluate under the conditions on spending utility enterprise revenues under City Charter Article XII, Section 6:

- IQAP creates parity within the residential rate class as to the percentage of household income committed to utility bills, compensating for income differences between low-income households (60% below AMI) and households that earn 100% of AMI
- The nominal financial impact of not recovering a portion of participants' monthly utility bills is offset by administrative efficiencies, including:
 - timely billing payment, allowing Utilities to avoid incurring the costs of disconnection, collections, or payment plans
 - increased participation in conservation programs that make low-income customer dwellings more efficient and advance regional efforts to reduce utility costs across the residential rate class
 - extended reach and cumulative benefits of Utilities conservation and efficiency education that affects user habits in households that historically do not participate in these efforts.
- As customers continue participation, combined program education and incentives build trusted community relationships and provide fuller customer usage pattern data that in turn allows Utilities to pursue environmental goals more aggressively.

CITY FINANCIAL IMPACTS

Based on current enrollment numbers (1,727 participants), customers receive an average IQAP discount of \$220.50/year with a 23% rate reduction. The total annual cost to Utilities is ~\$392,000. With a 25% rate reduction, customers would receive an average discount of \$240/year. The total annual cost to Utilities would be ~\$415,000, or an annual increase of ~\$23,000. The total cost of this program is nominal relative to the annual operating budget of Utilities and would minimally impact other Utilities customers. Increasing the IQAP bill discount, as proposed, is not anticipated to significantly affect the Utilities costs nor contribute to the need for additional rate increases.

BOARD / COMMISSION / COMMITTEE RECOMMENDATION

As part of outreach for this program, Utilities staff visited or will visit Energy Board, Affordable Housing Board, and Water Commission prior to the Council action on this matter. To date, Energy Board and the Affordable Housing Board are supportive of this program adoption, based on feedback provided at their September/October regular meetings. Staff will include feedback received after the AIS submission deadline from Council Finance Committee and Water Commission as it affects this matter for final adoption.

PUBLIC OUTREACH

Every year, participants in IQAP are offered an opportunity to complete a program survey. Participants are asked questions such as, "What has been the biggest benefit of receiving the IQAP utility bill discount?" and "Is there anything you would like to change about the Income-Qualified Assistance Program?" The overwhelming majority of participants report they are satisfied or very satisfied with the ease of enrollment and the discount they receive. They list increased quality of life, being able to save money for other expenses, decreased stress with paying bills, being educated on ways to conserve energy, and budgeting on a fixed income as some of the benefits because of IQAP. When asked about changes they would like to see to the program, a larger discount was listed repeatedly.

Utilities staff have scheduled outreach opportunities in the community for this upcoming LEAP season to increase awareness of the program and assist with applications. Several partner agencies throughout Fort Collins have agreed to host tabling events, which will allow Utilities staff to reach community members in locations they trust. These locations were selected to ensure accessibility to the community, from the north side to the south side of the city.

ATTACHMENTS

First Reading attachments not included.

1. Ordinance for Consideration