



## Financial Services Audit Committee Communication

**Date:** April 20, 2018

**To:** Great Lakes Water Authority Audit Committee

**From:** Jon Wheatley, Public Finance Manager

**Re:** Water Residential Assistance Program (WRAP) Update and Proposed Program Assistance Allocation Changes

**Background:** The Water Residential Assistance Program (“WRAP”) provides sustainable funding for qualifying low-income residents served by the Great Lakes Water Authority’s (“GLWA”) customers. The program is funded by GLWA at an amount equal to 0.5 percent of budgeted revenues with the initial FY 2016 funding level of \$4.5 million combined for water and sewer services, \$4.7 million in FY 2017 and \$4.9 million for FY 2018.

The scope of funding uses includes a) payment assistance and b) water audit and water conservation measures. Eligible residential customers with a past due bill and/or who are in active shut off can receive assistance with paying down arrears and receive \$25 toward monthly bill payment assistance annually up to \$1,000. High volume water users can receive a one-time home audit and home water conservation services up to \$1,000. Maximum annual assistance per household is \$2,000. To participate in WRAP, an applicant must have household gross incomes at or below 150% of the federal poverty income thresholds. Customers with water usage at or above 120% of the average residential usage are eligible to participate in a water audit and install water conservation measures. WRAP participants are also encouraged to participate in both financial coaching and water conservation workshops as well as other support services. The program is administered by Wayne Metro Community Action Agency (Wayne Metro), a nonprofit agency.

The WRAP began providing assistance to customers of GLWA on March 1, 2016 and has the potential to serve over 100 communities within the GLWA service area. In order to assist qualified households each community must opt into the program and sign a Memorandum of Agreement (MOA) with Wayne Metro. To date, 72 communities have opted into WRAP, with 7 more communities with MOAs in progress. A list of current participating communities is presented in **Table 1**.

**Table 1- WRAP Participating Communities**

<b>Wayne County</b>	<b>Oakland County</b>	<b>Macomb County</b>
Allen Park	Beverly Hills	Centerline
Brownstown Township	Bingham Farms	Chesterfield Township
Canton Township	Birmingham	Clinton Township
Dearborn	Clawson	Eastpointe
Dearborn Heights	Commerce Township	Fraser
Detroit	Farmington	Macomb Township
Ecorse	Farmington Hills	New Haven
Flat Rock	Ferndale	Shelby Township
Garden City	Hazel Park	St. Clair Shores
Gibraltar	Huntington Woods	Sterling Heights
Grosse Pointe Shores	Keego Harbor	Utica
Hamtramck	Lathrup Village	Warren
Harper Woods	Madison Heights	Washington Township
Inkster	Oak Park	
Lincoln Park	Orchard Lake	<b>Lapeer County</b>
Livonia	Orion Township	Almont
Melvindale	Oxford	Lapeer
Northville	Pleasant Ridge	
Plymouth	Pontiac	<b>Washtenaw County</b>
Redford Township	Royal Oak	Pittsfield Township
River Rouge	Royal Oak Township	Superior Township
Romulus	Southfield	Ypsilanti
Southgate	Sylvan Lake	Ypsilanti Township
Taylor	West Bloomfield Township	
Trenton		
Van Buren Township	<b>Monroe County</b>	
Wayne	Ash Township	
Westland		

## **WRAP Cashflow Updates**

### **1. FY 2017 WRAP Cashflow**

**Table 2** shows the WRAP cashflow of budgeted and committed funds in total and for each of the participating counties and the City of Detroit as of June 30, 2017. In total for FY 2017, over \$2.2 million in assistance funds were committed and over \$570,000 of conservation and repair dollars were spent. From March 1, 2016 to June 30, 2017, over \$8.0 million was budgeted for WRAP and almost \$4.3 million was utilized by WRAP participants during that time. As of June 30, 2017, the suburban counties still had uncommitted funds (combined assistance and conservation) of over \$1.9 million

through June 30, 2017. The City of Detroit had uncommitted funds of over \$1.8 million due to the reallocation of the uncommitted FY 2016 suburban assistance funds.

## **2. FY 2018 WRAP Cashflow as of March 31, 2018**

**Table 3** shows the WRAP cashflow of budgeted and committed funds in total and for each of the participating counties and the City of Detroit as of March 31, 2018. From March 1, 2016 to March 31, 2018 over \$12.3 million was budgeted for WRAP (including the FY 2018 allocation) and over \$6.8 million was utilized by WRAP participants during that time.

### **GLWA Proposed Changes to Program Requirements**

WRAP has just completed its first 24 months of operations. During that time, GLWA and Wayne Metro have worked together to recommend changes to the program design and funding re-allocation. To date, GLWA management has brought these requests to the GLWA Audit Committee and then to the GLWA Board of Directors. At its meeting on November 4, 2016, the Audit Committee reviewed and recommended the following changes to the Board:

- Allow communities to opt into specific features of the WRAP. For example, a community could choose to opt into the monthly assistance feature, but not the arrearage assistance feature.
- As part of the plumbing and repair feature of the program for those qualified households with over 120% average annual water usage, kitchen and bathroom faucets in the home that pre-date the lead-free plumbing code change will be considered eligible for replacement as part of the one-time \$1,000 per household allotment.

In addition to the program changes above, GLWA management is recommending the following program changes to WRAP.

#### **1. Eligibility Extension:**

In response to the feedback GLWA management has received from participating member communities, GLWA management is recommending changing the 2-year residential customer WRAP participation limit to a 3-year limitation. This will help eligible participants in WRAP to have the best chance at success by allowing an extra 12 months of bill assistance. In addition to the approval by the Board of Directors, we are requesting that each Director officially “opt-in” the representative area they represent.

## **2. Removal of the 120% Usage Requirement for the Lead Fixture Replacement:**

The GLWA Audit Committee previously recommended that as part of the plumbing and repair feature of the program for those qualified households with over 120% average annual water usage, kitchen and bathroom faucets in the home that pre-date the lead-free plumbing code change will be considered eligible for replacement as part of the one-time \$1,000 per household allotment. This proposed program change would remove the 120% usage requirement as a prerequisite to participating in part of the program as it addresses the removal of lead fixtures and is not related to water conservation. As part of Wayne Metro's recommendation in the next section, GLWA would set-aside uncommitted FY 2017 specifically for this purpose.

### **Wayne Metro Funding Recommendations**

Based on the demonstrated usage of the WRAP funds since March 1, 2016 and the usage during FY 2017, Wayne Metro is recommending reallocation of currently uncommitted FY 2017 suburban WRAP funds and a reallocation of budgeted WRAP funds for FY 2019. Attached is Wayne Metro's letter (including referenced documents) dated April 16, 2018 which outlines their recommendations. Below is a summary of the recommendations:

- 1. Reallocation of Uncommitted FY 2017 Assistance Funds:** Similar to the demonstrated WRAP utilization in FY 2016, suburban counties had uncommitted assistance dollars of \$1,034,435, as of June 30, 2017. Wayne Metro is requesting a reallocation of those funds to the City of Detroit in the amount of \$604,720 and \$383,515 (\$307,515 for assistance and \$76,000 for conservation) to the City of Flint. The remaining \$46,200 will remain in the county allocations for Year-3 WRAP assistance to eligible participants. **Table 4** shows the affect of the proposed reallocation of these funds,
- 2. Reallocation of Uncommitted FY 2017 Conservation Funds:** In addition to the uncommitted assistance funds, the suburban counties have underutilized the conservation funds in both FY 2016 and FY 2017. Wayne Metro is recommending that the uncommitted \$202,249 FY 2017 conservation dollars be designated for the replacement of fixtures in the home that pre-date the lead-free plumbing code change.
- 3. Need-Based Allocation of FY 2019 WRAP Funds:** Although WRAP is still a relatively new program and new communities are continuing to join WRAP, the utilization of suburban funding allocations is below those of the City of Detroit. In 2017, the GLWA Board reallocated over \$1.6 million to the City of Detroit and \$117,000 to the City of Flint from uncommitted FY 2016 WRAP allocations. A similar request is being made for a reallocation of uncommitted FY 2017 suburban

funds. In order to address this continued gap in demonstrated utilization, Wayne Metro is requesting an allocation for FY 2019 WRAP funds based on a need-based formula, similar to the Community Development Block Grant (CDBG) program. A table of proposed need-based allocations is attached.

**Budget Impact:** None

**Proposed Action:** The Audit Committee recommends that the Great Lakes Water Authority Board 1) approve the proposed program changes to WRAP to allow participants to remain in the program for 3 years, subject to approval by the representing Director; 2) approve the removal of the 120% usage requirement for the lead fixture replacement and 3) consider the proposed Wayne Metro funding reallocation recommendations.