

CSL and IPL Utility Assistance Proposal

Need

There are approximately 5,000 households in Independence that have an income less than \$25,000 per year. Approximately 16% of Independence residents, have incomes less than the poverty line. It is estimated that as many as 5,000 Independence Power and Light (IPL) customers have difficulty paying their utility bills at some time during the year.

Current IPL Utility Assistance

One of the benefits to Independence residents having a city owned utility company is the desire on the part of the city to assist low income residents. IPL has two programs that are operated through Community Services League (CSL) to provide utility assistance to low income families. First is the Independence Rate Assistance Program (IRAP). The main eligibility criteria for IRAP is being at least 60 years old or disabled and having a maximum income of less than 150% of the poverty guideline. Assistance through this program is not provided if there is an overdue unpaid utility balance.

IPL budgets \$145,300 for IRAP. \$11,500 is provided to CSL for administrative costs with a \$300 per year escalator. IRAP pays half the utility bill for IRAP participants for as many months as there are available funds. Funds usually run out in 4-6 months. In FY14 IRAP served 413 households and paid an average of \$324 per IRAP participant.

The second IPL utility assistance program is I-Share. IPL matches up to \$37,500 of donations received through CSL for utility assistance. There is a notice on IPL customer bills that the customer can make a donation to I-Share by writing a separate check payable to I-Share. IPL forwards the checks to CSL.

CSL receives approximately 10-20 checks per month through the IPL billing notices. Approximately \$5,000 of donations is received each year through the billings. CSL receives other I-Share donations from churches and individuals. In FY14 the total I-Share donation was \$19,076 which was matched by IPL. IPL has never expended its budget of \$37,500 because there are not enough donations to match the budgeted amount.

CSL gets referrals from schools and social service agencies for utility assistance. These requests receive the highest priority for I-Share assistance. If there are any remaining funds available for the month CSL uses a lottery to determine which families receive utility assistance through I-Share. 226 households received I-Share assistance in FY14. The average assistance was \$188, of which half was provided by IPL.

Many of the I-Share requests come from head of households in the 30-49 age group. These are generally families with children. The average delinquent bill is \$345. CSL generally restricts payment to \$300-400 for high delinquent bills.

Unmet Need

Besides the two IPL utility assistance programs low income families can obtain assistance from the United Services Community Action Agency (USCAA). USCAA administers the Low Income Home Energy Assistance Program (LIHEAP). LIHEAP assists families with high utility bills during the winter. A second program, Emergency Crises Intervention Program (ECIP), provides assistance when heating/cooling service is threatened for disconnection or the family is currently living with no such service. USCAA does not keep data on the number of families they serve in Independence. The electrical services money becomes available in June and typically runs out by mid August.

The two IPL programs are only assisting approximately 12% of the families in need of utility assistance. Approximately 75 families requesting I-Share assistance each week are turned down because there are no available funds.

Some churches and friends pay utility bills along with Salvation Army. In FY13 there were 1,974 households receiving assistance from some source. Some of these households may have received assistance more than once during the year. The I-Share and IRAP programs comprise about 31% of the household assistance being provided by an outside source.

Many families that don't have good family/social contacts to assist them either have their utilities turned off or they obtain pay day loans. Approximately 15% of CSL clients have a pay day or title loan. The interest on the average pay day loan is 445% after the loan is renewed several times. Paying off these loans makes it even more difficult for families to pay their utility bills.

Most low income families do not have a good credit rating. When an IPL customer without a good credit rating moves to a new residence IPL charges the estimated average two month bill as a deposit. This can amount to several hundred dollars. The customer can pay 50% to have the electricity turned on and then must pay the remaining 50% at the time of the first bill. Sometimes this leads families to get ready cash from payday or car title loan companies. When this decision is made the family has difficulties paying their loan and monthly utility bill.

IPL Disconnects

In FY13 there were approximately 14,000 disconnects due to delinquent bills. IPL estimates possibly as many as 90% of the disconnects were reconnected in a day or two. The customer is negligent in paying their bill on time and pays a \$15 disconnect fee and a \$15 reconnect fee. It is uncertain how many of the delinquent disconnects occur routinely to a limited number of customers. The \$15 fee charged by IPL to disconnect and reconnect may not cover the actual IPL cost. In addition IPL is losing one or more days of electricity billings. Finding a solution to this problem could help customers and IPL.

The main need for utility assistance is families that are disconnected and remain disconnected for several days or weeks until they can pay their past delinquent bill. The amount that has to be paid before electricity can be turned back on may total several hundred dollars. IPL does not know how many families had their electricity turned off for more than two days.

A mother came to the CSL food pantry and with tears in her eyes said she had received a disconnect notice. She had no way to pay her back bills and knew Family Services would take away her children when they learned there was no electricity in the house. CSL was not able to help her because our I-Share allotment for the month had been used up. Another mother mentioned that she did not usually come to the food pantry but this month her electricity had been turned off and she lost all the food in her refrigerator. These are the type of families that are in greatest need for utility assistance.

One of the main problems in helping people work through financial difficulties is that often times social service agencies are not aware of a family's difficulties at the beginning when a solution can be found. Without early intervention, problems escalate and utilities are turned off, evictions occur, homes are lost from not paying real estate taxes, etc. IPL may be one of the first agencies to learn of a family's financial problem. It is not IPL's mission to solve a family's financial situation. However, with a properly coordinated approach IPL can serve in an early warning role and make a referral to CSL so that not only the utility issue but the underlying financial issues can be addressed.

CSL and Holy Rosary Credit Union

In 2014 Holy Rosary Credit Union (HRCU) received approval from the State of Missouri to expand its field of membership to include CSL clients. This has allowed HRCU to make car loans and unsecured loans to CSL clients who usually do not have good credit but are able make payments on a low interest rate loan. The program has only been in full operation since August 2014. HRCU has given out over \$60,000 in loans to nineteen families. Ten of the loans were made to refinance pay day, title or other high interest loans. Some of these families have saved over \$200 a month in loan payments by HRCU refinancing a high interest loan. Three of the loans were made to assist CSL clients pay their rent or utility bill. Three loans were made so clients could purchase a car so they could get a job. Two loans were made to pay back taxes so the family did not lose their house. One loan was a credit builder loan so the family could buy a house.

CSL received donations from the Community of Christ and some individuals and provided the donated funds to HRCU to create a "loan loss pool" to cover any loan defaults. To date there have not been any defaults on the loans made. While the loan program is new we feel part of the reason for this success is the relationship that CSL has with the clients. They are appreciative of the services provided by CSL and take their obligation seriously to make the monthly loan payments. CSL proposes to build on this successful model to assist more families having difficulties paying their utility bills.

Assessment of IRAP and I-Share

The IRAP and I-Share programs have been in existence for many years. They have not been substantially changed since they were first developed. Most likely when they were first developed they met a much larger portion of the community need than is the case today. Part of the reason for the greater need is because IPL has increased their rates substantially over the last several years to stabilize the utility system.

The I-Share program started when most people paid their bills by paper check. Today most people pay their bills electronically. The small number of people that donate money to I-Share when paying their utility bill

shows this is not a good way to solicit donations. IPL is in the process of developing a RFP for a new billing system. Hopefully the new system will allow families to donate money electronically.

The IRAP program is based upon the assumption that there is a need due to the family's level of income. The program only serves people over age 60 or disabled. The program does not assess the relative need of a single parent household or household making minimum wage who may have as much of a need as those who qualify for IRAP. The amount of assistance provided to IRAP participants is on the average 72% more than provided to I-Share participants. IRAP assistance is only based upon the amount of the IRAP participants' bill and it is not based upon their ability to pay the bill. While the program provides significant assistance to program participants it also fosters dependency.

CSL Principles

CSL recommends the following principles be considered for a new approach to assist low income families with their utility bills:

1. Assistance should be based upon actual need
2. Assistance should not lead to dependency
3. Assistance should respect the dignity of the individual
4. Assistance should be provided to all demographic groups
5. Assistance should be transformative and not just transactional

Proposal

Objectives:

1. Increase the number of households receiving utility assistance from CSL from 618 to 1,600.
2. Broaden the resource base for utility assistance
3. Move utility assistance from transactional to transformative
4. Decrease the number of IPL disconnects due to delinquent bills

It is the philosophy of CSL that clients should participate in solving their problems. As Robert Lupton states in his book "Toxic Charity" programs can "diminish the dignity of the poor while increasing their dependency" CSL proposes several ways participants can participate in solving their utility need.

CSL recommends revising the IRAP and I-Share programs and adding a new loan program. Attachment A shows the funding of the previous assistance programs and the new IRAP, I-Share and loan program.

IRAP

CSL recommends retaining \$20,000 of IRAP funding in the new IRAP program. IRAP would limit eligibility to persons under 150% of poverty guidelines who are over 60 or disabled and have a health condition that requires keeping the house cool in the summer for medical purposes. A household would not be eligible for IRAP if there are adults living in the household under age 60 who are not on disability. IRAP would pay half the electricity bill only for the three summer months when electricity usage is the highest. We estimate 100 households will participate in the revised IRAP program. This is fewer participants but it broadens the opportunity to serve more households through I-Share.

I-Share

The remaining IPL funds presently budgeted in IRAP would be budgeted for the new I-Share program. This will allow spreading the available funds over a wider demographic range of families in need. The new I-Share program is intended to assist 1,100 households which is nearly five times as many as the 226 households served in the current I-Share program in FY 14.

All I-Share participants will be asked to pay at least 15% of their delinquent bill. This allows the client to be part of the solution instead of just receiving a handout. This requirement can be waived or lowered for special circumstances where there is no income in the family.

Eligibility for direct assistance under I-Share will include:

1. Household income less than 150% of the poverty guidelines
2. Have not received direct utility assistance in the past 12 months.
3. Have not had their electricity turned off more than once in the past 12 months
4. Have a delinquent bill or have had their electricity turned off for more than two days
5. Cannot afford the deposit to get their electricity turned on
6. Must take the CSL How to Live on a Small Income class

CSL will continue to accept donations for I-Share. We have budgeted \$25,000 donations.

HRCU Loan

A HRCU loan will be offered if a client can meet the qualifications for a loan, This allows the client to establish a good credit history which will be beneficial in the long run. Banks and credit unions do not usually provide small loans for individuals with low credit scores. HRCU usually projects up to a 50% default rate on utility loans. The interest received on a small loan does not cover the administrative cost of the loan. Normally the credit union would lose money because of the salary of a loan officer, cost of the credit report, other office costs and projected loan defaults. This proposal budgets a \$15,000 HRCU administrative fee to cover some of the administrative costs. Even with the administrative fee HRCU is cautious whether they can break even on the loans.

HRCU will provide a part time loan officer at the CSL office to determine if a loan can be made. HRCU will provide the computer equipment to connect to the main HRCU office.

Because of the uncertainty of these loans HRCU proposes to make the loan option a pilot project for one year and limit it to no more than 100 households. If the pilot is successful then HRCU may consider expanding the number of participants. However, if during the year the credit union experiences an unacceptable loan loss then HRCU will have to evaluate if they can continue providing loans or if the criteria for a loan needs revision.

During the pilot stage HRCU will use restrictive loan eligibility criteria to determine if a loan is in the best interest of the client and HRCU. Incentives and other assistance, described later in this proposal, will also be provided to clients that receive a loan. Priority will be given to clients that meet one or more of the following criteria:

- 1) Client has a pay day or title loan that they have been making payments on which can be refinanced at a lower interest rate to give them more monthly income to pay off the HRCU loan.
- 2) Client has a new source of income which they did not have when they got behind on their utility bill. They may now have a new job or receive SSI, child support etc.
- 3) Client could not afford the deposit IPL required when moving to a new residence but has income to pay off a loan.
- 4) Client is eligible for the federal Earned Income Tax Credit (EITC) when they file their income tax return.
- 5) Client has had regular source of income for at least 90 days.
- 6) Client is willing to pay 15% of the utility bill up front
- 7) Client agrees to not take out a high interest loan while receiving a HRCU loan.
- 8) Client must take the CSL How to Live on a Small Income class

Many families miss out on tax credits because their income was below the amount requiring them to file a tax return or they had no taxes withheld from their paychecks. If the client was eligible for the EITC then a CSL volunteer will assist the client in filing an amended return(s) up to three past years. A portion of the tax credit received will go to the HRCU to pay off the loan.

If the client is not eligible for a past EITC and if the client participates in the CSL food pantry they will receive additional food over the normal allotment on a monthly basis during the time period of the loan as an incentive to pay off the loan.

Besides the tax credit assistance and food pantry assistance, clients will view a short video that stresses the relationship they are entering into with the credit union. The HRCU wants to assist families but families need to understand their responsibility to the credit union.

The loans benefit IPL by providing more resources to pay delinquent bills. We project HRCU will make approximately 100 loans totaling \$25,500 under this program.

Financing Summary

Currently IPL budgets \$182,800 for IRAP and I-Share. This proposal requests IPL to budget \$382,000 for utility assistance. This reflects the increase in utility costs since the current assistance programs were developed several years ago.

There are three potential ways to fund this proposal:

- IPL projects approximately \$2 million of net profit in FY15.
- The City Finance Director has decided to change the investment philosophy of idle city funds. The city budget projected IPL would start FY 14-15 with a balance of \$44.2 million. With this new investment policy IPL should earn approximately \$1.5 million more than previous years. This does not include the earnings from the water and sewer fund reserves.
- IPL financially supports energy efficiency programs that primarily benefit higher income families and contractors. The programs were developed when there were no federal energy efficiency standards for homes, air conditioners, heat pumps and water heaters. New appliances must meet federal standards so there is less need to provide rebates.

Using a small amount of available IPL funds will increase by nearly 1,000 (from 618 to 1,600) the number of households that can receive utility assistance. Under the new program the average IPL cost per household decreases from \$269 to \$239.

As shown in Attachment A the amount of funding from the four sources is:

<u>Proposed Budget:</u>		<u>Current Budget:</u>
IPL	\$382,000	\$182,800
Customers	\$ 87,500	\$0
HRCU loans	\$ 25,500	\$0
Donations	\$ 25,000	\$21,000
Total	\$520,000	\$203,800

After year one, we propose that IPL fund the annual utility assistance program at an amount no less than 0.3% of the previous years' operating revenue. Revenues increase or decrease based upon weather related electricity usage. This impacts low income families ability to pay their bills.

Additional Services

There are two general categories of households needing assistance. The first is a family that is going through some type of crises which may be loss of employment, divorce, high medical bills, death, civil/legal expenses etc. This is referred to as situational poverty. These situations may occur periodically in a family but they are usually temporary. The second situation is a family that lives on a very small fixed income, what we may refer to as structural poverty. Many CSL clients rely on SSI, Social Security, child support or minimum wage jobs which provide \$800 or less per month.

It is important to design a utility assistance program that responds to both types of family situations. A family that is in situational poverty may just need assistance to help them get on their feet. These are the ones that are more likely to seek a pay day loan to solve their immediate problem. Having a HRCU loan available to them may help them manage their situation. These families are more likely to need employment assistance. These families will be referred to a CSL Work Express Coach if they do not

have a job and are able to work or they need a higher paying job. If they are not receiving food assistance they will be referred to the CSL food pantry.

Families in structural poverty need assistance on how to manage their limited income. To be truly effective, IPL customers must be able to pay their bills on a monthly basis after they receive assistance from CSL. To accomplish this goal CSL proposes two educational programs. First, all clients will receive energy conservation information so they can reduce their energy bills in the future. CSL would like IPL assistance in developing these educational materials.

In addition CSL will provide a new How to Live on a Small Income class to help families meet their financial needs with their limited income. The class will stress the difference between needs and wants. It will also provide approximately 75 suggestions and resources to assist families living on limited incomes. The class will be taught by CSL volunteers. When a client seeks utility assistance they will sign up for a class that will be given within a few days.

CSL and IPL will work together in developing a referral form that IPL can use in making referrals to CSL for utility assistance. The referral form will have delinquency information as well as information needed to determine if a loan or direct assistance is more appropriate. This referral form helps identify families at the early stages of a financial problem so CSL can address their utility and other financial related needs.

Providing educational programs, expecting clients to be a part of the solution, improving credit ratings, providing loans, providing tax preparation assistance and providing work counseling transforms the current assistance programs from transactional handouts to potentially transformative self sustaining experiences.

Sustainability

At the November Public Utility Advisory Board (PUAB) meeting a question was raised regarding what would be the most beneficial program to assist low income residents with their utility bills. The IPL response was a program that provided long term sustainability. This proposal is the first step towards that goal by providing financial and energy efficiency education. However, more needs to be done. Many low income families rent apartments and houses that are energy inefficient because of drafts around doors and windows, dirty furnace filters, poor insulation, inefficient furnace and air conditioner units etc. In these instances regardless of what measures families take to conserve energy and manage their money they are limited by physical conditions over which they have no control. Their only option is to move, which may not be a good option.

The federal government has a weatherization program. However, it is limited to low income home owners. Owners of units that are rented to low income families do not qualify for the federal program. There is little incentive for an owner to expend money to make their low income property more energy efficient.

It is recommended that the PUAB and IPL study the low income rental weatherization issue. Admittedly a rental weatherization program has many problems which may be difficult to overcome. A first step to assist low income families with energy efficiency is to increase IPL staff time to perform in-home energy audits upon request of a low income renter. The energy audits may identify drafts around doors and windows, dirty furnace filters, dirty A/C units, blocked vents, etc. These problems can be fixed at little cost. The cost could be included in a Utility Purchase Efficiency Program as recommended by Burns and McDonald.

Conclusion

The City of Independence has been very progressive and responsive to the needs of low income families by supporting the I-Share and IRAP programs for many years. These programs have been very helpful in assisting some families. In addition IPL has been lenient in working with families that cannot pay their utility bills on time. However, the need exceeds the current available resources. The CSL programs need to be reconstituted based upon the current environment.

The CSL mission is to “assist communities in reaching their potential by providing immediate relief to people in need, assessing their situations, and providing solutions that lead to economic stability.” This proposal is framed around that mission.

Each family’s situation will be assessed to determine the most appropriate response to the need. Immediate relief can be provided to families that are in crises. For some families a credit union loan may be the best approach. The long term desire is to provide economic security. This can be accomplished by reducing the number of pay day and title loans in the community, providing educational materials and weatherization. Where appropriate, families without jobs will be referred to the CSL Work Express program and others may receive assistance in filing amended tax returns.

CSL is proposing a unique partnership with the City of Independence, HRCU, CSL clients, CSL volunteers and citizen donations to significantly expand the number households receiving utility assistance. This partnership can decrease the number of electricity disconnects and help lead to economic stability for many families.

Attachment A IPL Utility Assistance Budget

	FY 14 IRAP Program	FY 14 I-Share Program	Combined FY 14 I-Share IRAP Programs	Proposed Revised IRAP Program	Proposed Revised I-Share Program	Proposed HRCU Loan Program	Combined Proposal
Total Program--All Funding Sources	\$279,100	\$42,398	\$321,498	\$43,000	\$432,000	\$45,000	\$520,000
Total Household Assistance (Excl Adm & Customer Share)	\$133,800	\$42,398	\$176,198	\$20,000	\$357,000	\$25,500	\$402,500
IPL Dollars for Household Assistance	\$133,800	\$21,199	\$154,999	\$20,000	\$332,000	\$0	\$352,000
IPL Dollars (including CSL & HRCU Adm Costs)	\$145,300	\$21,199	\$166,499	\$23,000	\$344,000	\$15,000	\$382,000
Customer Share	\$133,800	0	\$133,800	\$20,000	\$63,000	\$4,500	\$87,500
Donated Dollars	0	\$21,199	\$21,199	\$0	\$25,000	\$0	\$25,000
HRCU Loans	0	0	0	0	0	\$25,500	\$25,500
CSL Administrative Cost from IPL	\$11,500	0	\$11,500	\$3,000	\$12,000	\$0	\$15,000
HRCU Administrative Cost from IPL					\$0	\$15,000	\$15,000
Number of Households	413	226	618	100	1400	100	1,600
Average Assistance Per Household	\$324	\$188	\$285	\$200	\$255	\$255	\$252
Average IPL Cost Per Household	\$352	\$94	\$269	\$230	\$246	\$150	\$239

Notes on Combined

Proposal:

Total Household Assistance = Household assistance paid from IPL, donated funds and HRCU loans

IPL Dollars for Household Assistance = Total household assistance minus non IPL revenue sources

IPL Dollars is based upon IPL budget

Customer Dollars Required = Each Customer is expected to pay 15% of bill (average bill of \$300)

HRCU Loans = Average of \$255 x 100 Households

HRCU Loan Administrative Cost = Loan Loss, staff and administrative cost

