



Recovering  
**Stronger**



# Pricing Water for Public Health and Financial Resilience: An Applied Modeling Pilot Project Description

COVID-19 has upended life across America, disrupting business as usual in every sector and shifting the way we relate to, and work with, one another. In many ways, and across many sectors, the pandemic exposes and reinforces structural challenges and social inequities. In the water sector, this plays out through access to water, the cost of water services, governance structures, and even how we fund and deliver those water services. Local water agencies can use this opportunity to forge significant progress and help communities and the nation to recover stronger.

## **Water and wastewater are social goods, and the COVID-19 pandemic exposes why paying for these public health services with individual customer rates involves risk.**

Affordable water and sanitation access provides benefits and value to entire communities, not just individual customers. Yet, in most places, water and wastewater utilities primarily (if not solely) rely on revenue from economic pricing models, with usage-based rates for residential, commercial, and industrial customers to cover the cost of providing safe, reliable services over time. This system exposes both individuals and communities to public health and economic risk when customers are unable to pay their utility bills and experience consequences like property liens or service disconnections. For example, property liens can lead to vacancy and blight that negatively impact neighborhoods, and at the height of the pandemic, studies revealed how disconnection moratoria reduced the rate of COVID-19 infections community-wide.

Despite its essential nature, the United States has also undervalued and underinvested in water. The result is a cascade of compounding problems. The time is right to innovate and find new ways to price water that work better for public health and system sustainability. The pandemic caused utilities across the country to make financial shifts and to do things, such as disconnection moratoria that seemed far out of reach in 2019—all in the name of public health. Focusing on pricing and funding innovation now can help harness the momentum to make changes that reinforce a renewed understanding of the utility revenue–public health connection and make changes that outlast this current moment of crisis and better serve those most burdened by the current utility rates regime.

We need to reimagine the utility business model and available pricing structures so they reflect water’s fundamental role in societal thriving and the true costs of providing safe, reliable water and wastewater service. These funding structures need to stabilize utility revenue, be more equitable, reduce individual and community risk exposure to the consequences of nonpayment, and be more resilient to economic and demographic changes.

By paying for a portion of utility costs associated with public health (like fire protection and an essential amount of residential use among others) through a property tax or another property-based mechanism, costs can be taken off utility bills and redistributed based on property value. This more progressive allocation benefits low-income customers most by directly reducing their utility bills and lessening the risk of shutoffs and liens, and it does so while maintaining utility revenue levels.

## Overview

In partnership with Stantec, the US Water Alliance is undertaking a project to explore innovative pricing models that make residential water bills more affordable and equitable while preserving utility revenue. We seek to model a local funding scheme that allows for a certain amount of costs and an associated essential level of water service for all residents to be paid for by property taxes or some other similar property-based cost recovery mechanism. This project will use real data from Milwaukee to explore what implications the model might have on people, rates, taxes, and on financial stability for the water service provider while identifying the potential costs and property attributes that could be used.

## Project Components

**Model how an alternative pricing model would impact people, rates, taxes, and system stability using real-world utility and city data.** To do this, Stantec and the US Water Alliance will use data and considerations from Milwaukee, Wisconsin to evaluate the outcomes under different versions of the pricing model. The different versions of the pricing model could be of use in other municipalities across the country. We will evaluate the model and identify features and decision points that could be considered for certain circumstances or objectives.

**Explore pathways to implementation.** The Alliance and Stantec will evaluate and report out on the pricing model and identify what should be considered to successfully implement the model in real life. This discussion will consider the main challenges and obstacles that could arise—from legal to administrative—and potential options for navigating them. We will also identify and explore key practical considerations and focus areas important for implementation, such as stakeholder communication, workflows, inter-agency coordination, accounting, and billing system testing.

Times of upheaval can lead to moments of radical change. As COVID-19 upends life across America, we can take this moment of disruption and turn it into a source of lasting transformation in how we view, value, and manage our nation's water systems. At the US Water Alliance, we are dedicated to forging the pathway needed to recover stronger by seeking to reknit a local, state, and federal partnership for water. On the local side of this partnership, much progress can be forged by local water agencies. This project is one of five pilots to drive innovation at water agencies. To read more about the local, state, and federal components of the US Water Alliance's initiative, *Recovering Stronger*, visit [www.uswateralliance.org](http://www.uswateralliance.org).