

DETROIT NEEDS A WATER AFFORDABILITY PLAN



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The City of Detroit has shut off water service to thousands of customers who are behind on their water bills. Many residents have lost access to running water in their homes because they simply cannot afford to pay the city's ever-increasing water rates. To avoid violating basic human rights and creating a public health crisis, the city must stop residential shutoffs, restore service to disconnected households and implement a broad and accessible affordability program.

Loss of Democratic Control

In March 2013, Governor Rick Snyder sent emergency manager Kevyn Orr to Detroit to run the city,¹ foregoing the process of democracy and citizen participation. An emergency manager serves at the pleasure of the governor, not the voters² — and has the authority to privatize public services,³ regardless of the wishes of elected officials and voters/residents.⁴ A few months later, in July 2013, Detroit declared bankruptcy,⁵ and the threat of privatizing the Detroit Water and Sewerage Department (DWSD) became very real.

Orr first proposed leasing the water and sewer systems to a new regional authority to raise money to pay off some of the city's debt and to fill the city's budget shortfall. For years, Rep. Kurt Heise and other officials from the surrounding suburbs had advocated the creation of such an authority to take over the DWSD, which serves over 4 million people in eight counties,⁶ but county officials recoiled at having to compensate the city for control of the water system.⁷

In March 2014, Orr took a different approach and announced plans to privatize the DWSD, issuing a request for information from interested parties.⁸ After the counties objected, the bankruptcy judge ordered Orr and the counties into confidential mediation.⁹

Ultimately, the regionalization proposal took hold, and, in September 2014, the Detroit City Council and Oakland, Macomb and Wayne County Commissioners approved the creation of the Great Lakes Regional Authority, which will lease Detroit's water and sewer systems,¹⁰ putting full control of water and sewer services into the hands of unelected, appointed officials.¹¹ In February 2015, under the direction of the bankruptcy judge, the counties, the city and the DWSD resumed confidential negotiations about the lease arrangement.¹² As of May 2015, these talks were ongoing.

This regionalization deal, a key part of Detroit's bankruptcy settlement, creates a path to privatization. The Memorandum of Understanding (MOU) — the foundation of the agreement

— provides for the privatization of system operation or management. Instead of elected city council members, appointed, unelected water board members will make this decision. As part of the restructuring, the DWSD hired Veolia North America to review the water and sewer systems to make recommendations “in evaluating operating models.”¹³ Veolia is the largest private operator of municipal water systems in the United States.¹⁴

Water Shutoffs

In March 2014, on the same day that Orr issued the request for information from potential private operators,¹⁵ the DWSD announced that it would begin an aggressive water shutoff campaign, disconnecting service for 1,500 to 3,000 city customers every week for nonpayment.¹⁶ The shutoff program appeared to be an attempt to clean up the department’s books for potential private — or county — investors. Another round of shutoffs was announced to begin in May 2015, targeting 28,000 commercial and residential customers.¹⁷

- From January 1, 2014 through January 31, 2015, more than 35,000 Detroit households — an estimated 96,000 people — lost water service for nonpayment.¹⁸
- Almost 15,000 households — an estimated 41,000 people — remained without water service at the end of January 2015.¹⁹
- About 147,000 residential customers — nearly half of households — were more than 60 days past due on their water and sewer bills and faced losing water service, as of February 4, 2015. They owed an average of \$664.²⁰

Over the last decade, water and sewer bills have more than doubled. Rates continue to increase. On July 1, 2014, the DWSD raised residential water and sewer rates by 8.7 percent, increasing average household bills from \$64.99 to \$70.67 a month.²¹ The department has proposed another 12.8 percent rate increase for city residents beginning July 1, 2015.²²

A significant portion of Detroit’s population simply cannot afford to pay their water and sewer bills. This is a major crisis. When half of the city struggles to pay their water bills, it becomes clear that this is not just a problem with delinquent payment. It’s indicative of broader, systemic issues resulting from decades of policies that put profits before people.

In Detroit, 39.3 percent of residents and more than half of the city’s children are living in poverty.²³ Detroit’s most recently reported unemployment rate from February 2015 is 12.5 percent²⁴ — more than twice the national rate.²⁵

An Affordability Plan Is Necessary

In March 2015, the DWSD’s Board of Water Commissioners voted to increase water and sewer rates for city residents by a combined 12.8 percent, effective July 1 should the City Council seal the deal.²⁶ Rate hikes, however, will simply make water less affordable for the half of Detroit’s households unable to afford their bills. The Great Lakes Regional Authority fails to address the system’s underlying problems and likely would only worsen Detroit’s water woes.



In 2006, the Detroit City Council approved a Water Affordability Plan (WAP), which is supported by Michigan Welfare Rights Organization and the People’s Water Board Coalition. However, the DWSD chose not to implement this plan, and instead created their own program, the Detroit Residential Water Assistance Program (DRWAP).²⁷ The DRWAP, which is directed toward single-family dwelling households at or below 200 percent of the federal poverty level, is *only applicable* to a customer whose water is already shut off or who faces pending shutoffs.²⁸

In August 2014, Mayor Mike Duggan and the DWSD developed a 10-point plan (the “10/30/50 payment plan”) in an attempt to help residents pay their water bills, but it too is available only for people who are already behind on their water bills.²⁹ In summary, it requires at least 10 percent upfront on an outstanding balance and then spreads the rest of the balance over 24 months — not actually reducing the amount owed.³⁰ Assistance is limited to households enrolled in a payment plan, with balances of \$300 to \$2,000, and to household incomes at or below 150 percent of the federal poverty level. Originally the amount of assistance maxed out at 25 percent of a household’s monthly bill, but as of May 2015 the 10-point plan has been adjusted to pay up to 50 percent of a customer’s bill.³¹

In April 2015, an investigative reporter for the ACLU Michigan disclosed that of the 24,743 residential customers enrolled in the 10-point plan, only about 300 were able to keep up with their payments, leaving 24,450 households to default.³²



If the costs of water and assistance plans are unaffordable — leaving people unable to pay — then money is not going to go back into the system, and, in the long run, everyone pays more. But with an income-based affordability plan — like the original WAP — people are able to pay into the system, which generates consistent revenue for the system.

Specifically, under the WAP, a customer can receive help before reaching default, and avoid shutoffs and massive makeup payments altogether. The original plan was directed toward households with incomes at or below 175 percent of the federal poverty level, which is nearly half of the DWSD’s residential customers.³³ This preventative plan uses an income-based approach, and qualification is determined based on the ratio of a household’s utility bill to the household’s income. A customer does not have to already be in payment default.³⁴

With more shutoffs looming, combined with the proposed rate hikes, it is clear that the current assistance programs in place are not effective. Fortunately, there are solutions:

- *Local*. In order to keep utility payments — and water — flowing, the DWSD needs to fully implement the original water affordability plan approved by the city council in 2006. An income-based approach to water billing is the most equitable option.
- *National*. Detroit and communities across the country need a renewed federal commitment to our water and sewer infrastructure. Congress should create a dedicated source of federal funding to the Drinking Water and Clean Water State Revolving Funds and renew the Build America Bonds program.

Endnotes

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Food & Water Watch works to ensure the food, water and fish we consume is safe, accessible and sustainable. So we can all enjoy and trust in what we eat and drink, we help people take charge of where their food comes from, keep clean, affordable, public tap water flowing freely to our homes, protect the environmental quality of oceans, force government to do its job protecting citizens, and educate about the importance of keeping shared resources under public control.

