



Memorandum

TO: CITY COUNCIL

FROM: Mayor Sam Liccardo

SUBJECT: MUNICIPAL WATER
BILLING AND CUSTOMER
SERVICE AUDIT REPORT

DATE: November 15, 2021

Approved:

Date: 11/15/21

RECOMMENDATION:

A. Accept the recommendations of the Audit, with particular prioritization of:

1. **Recommendation #1** (providing consistent and timely leak notification to customers), with additional recommendations that:
 - a. After Muni Water completes its pilot of three Advanced Metering Infrastructure (AMI) technologies in Q1 2022, return to Council through the budget process with a recommendation for a plan to integrate funding AMI build-out in the City's five-year capital plan, and to deploy AMI to all 26,000 service connections.
 - b. Until every customer has AMI, prioritize the incorporation of technology-based solutions to ensure that 100% of Muni Water customers with a suspected leak receive a leak notification through email, text message, and/or other low-cost means. Explore with the City's Business Process Automation team how and whether other City or utility databases—such as from San Jose Clean Energy, waste and recycling, 311 service response, and, if lawful, registered voter or property taxpayer files from the County—can feed email and mobile phone numbers to Muni Water's database for low-cost notifications.
 - c. Discuss with San Jose Water Company and Great Oaks Water Company whether the City should mandate that every retailer in the City provide notification to 100% of customers whose meters detect constant flow over a 24 hour (or similar) period.
 - d. Explore with the Mayor's Office of Technology and Innovation the use of low-cost technology tools for leak detection, notification, and field inspection that utilizing a LoRaWAN network currently undergoing citywide build-out.

2. **Recommendation #8** (easing application process for low-income and medically vulnerable residents), with additional recommendation that forms be available in Spanish and Vietnamese
 3. **Recommendation #13** (enabling rapid distribution of federal and state aid for low-income residents with delinquent bills), with the additional recommendation that:
 - a. Staff provide Council and Council staff with the best available information about local, state and federal assistance programs that they can share with their constituents through our outreach and engagement efforts.
 - b. As the State's youth workforce funding becomes available to the City, consider engaging Resilience Corps to conduct multi-lingual outreach, to low-income residents about financial assistance programs
- B. Adopt the recommendations contained in the memorandum from Councilmembers Arenas and Peralez, with the following qualifications:
- a. For any recommendations that can be accomplished with funding from the federal Low Income Household Water Assistance Program (LIHWAP) or state grant programs, expedite implementation to ensure eligibility of City residents for those programs as soon as the dollars become available (and, in particular, before they're exhausted by statewide demand);
 - b. For any recommendations that must be accomplished with funding from rate revenues in San Jose Muni Water's budget, return to Council with recommendations for implementation accompanied by assessments of budgetary trade-offs and rate impact;
 - c. For those recommendations that state law or other regulations require the use of General Fund dollars, return to Council through the budgetary process, with estimates of the cost of enabling Muni Water's customers *and* the more than 90% of San Jose's low-income residents who live outside of Muni Water's service area to benefit from eligibility from the same program.

BACKGROUND:

1. Leak Detection, Notification, and Conservation

Our Muni Water residents and customers grapple with two threats to their well-being: a water shortage, and dramatically higher rates. Rising costs--driven primarily from wholesale water rate increases from the Valley Water District--inflict particular hardship on our low-income residents who still feel the painful economic impacts of the pandemic.

At a time when so many of the forces driving drought and cost increases remain beyond our control, one action can most readily mitigate the impacts of drought and rising water costs on our community: conservation. Leak detection constitutes the least difficult and the most impactful of these strategies, yet our customers typically do not know they have a leak until they see a spike in their bill, perhaps two months after the fact. By then, too much of our water and their money

has gone to waste. Muni Water provided notification of leak alerts to only 29% of customer accounts about which the utility had actionable information to conclude the likely existence of a leak. We can save much water—and needless cost—with a simple text or email notification.

Advanced Metering Infrastructure (AMI) will allow residents and commercial businesses to view water usage data in nearly real-time, increasing potable water usage awareness and leak detection efficiency. San Jose Water Company, which services approximately 80 percent of the city, is also conducting a phased AMI deployment during the next few years. AMI deployment will do more than anything else to enable achievement of our Climate Smart San Jose goal to reduce per capita residential water consumption by 30%. We must integrate its installation into our five-year capital budget.

2. Alleviating our Residents' Hardship

As of June 2021, more than 1,160 Muni Water customers owed a combined total of \$1.1 million in overdue balances. City staff is preparing an application to the California Water and Wastewater Arrearage Payment Program. If approved, the City could use account credits to pass federal funding directly through to customers experiencing financial hardship.

It remains deeply troubling, however, that we have not yet facilitated the registration of a single low-income or medically vulnerable customer in our pre-existing City program. Given the ephemeral and highly demanded nature of federal and state hardship relief funding, and given the immediacy of need of many residents, we must accelerate our efforts to ensure that we can timely deploy those federal and state resources to our residents most-in-need—and that requires identifying them rapidly to ensure they will qualify. A target completion date of December 2022 for Recommendation #13 does not appear likely to satisfy the immediacy of need, so I've urged that we prioritize both Recommendations #8 and #13.

I appreciate the good ideas and recommendations of Councilmembers Arenas and Peralez. I understand that some substantial amount of the cost of such recommendations would be borne by the General Fund, however. More than 90% of our low-income residents whose taxes support the General Fund would not have access to a program administered merely by San Jose Muni, which serves a very small share of our City's low-income residents. Should Council determine that this is an important focus of public resources, we should design a program applicable to all three of our water retailers—particularly San Jose Water Company, which serves the lion-share of our residents and our low-income families. That requires assessing those expenditures against our many competing needs throughs Citywide budget process this Spring.

3. Thanks

We recognize and would like to thank the City Auditor, Department of Environmental Services City Attorney's Office and the City Manager's Budget Office for their participation in the audit process and support of the adoption of the audit's recommendations. This audit and Staff's response represent the best of our City's collaborative striving to continually improve our services for our residents.