WATER AFFORDABILITY CASE STUDY

Detroit, MI: Ongoing Challenges from a History of Economic Decline

Detroit, a city in Michigan with a rich industrial history, has faced significant economic challenges over the past decades. Once a hub for the automotive industry, the city experienced severe economic downturn, leading to a decline in population and an increase in poverty rates. Its peak population of 1.8 million in the 1950s shrank to 670,000 by the 2020 Census. The economic crisis peaked in 2013 when the city filed for bankruptcy, becoming the largest municipality in the U.S. to file. Currently, over half of the city's households are considered low-income, with 56% earning less than 200% of the federal poverty guidelines, almost double the level for the U.S. as a whole.

This history of economic decline has profoundly impacted water affordability in the city. Although the Detroit Water and Sewerage Department's (DWSD) standard water rates are generally low in comparison to other water systems, Detroit's high levels of poverty create challenges with balancing the costs of providing safe and clean drinking water and wastewater services while maintaining rates at a level its customers can afford. Some of the key challenges include:

- Suburban Migration – Over the past-half century, the population of the city decreased as residents moved to the surrounding suburbs. New water infrastructure was built to accommodate this suburban growth, rather than reinvest in the city's existing infrastructure. DWSD was left with fewer customers, decreased water revenue, and excess water supply capacity. Residents remaining in Detroit were left to shoulder the expense of maintaining aging water and sewer pipeline infrastructure that was designed to supply a population nearly twice the city's current size.
- Customer Arrearages – As of May 2024, 55% of DWSD's residential accounts are 30 days past due, and 35% of accounts are 60 days past due. It is estimated that approximately 700 shutoff notices are sent out per month, of which approximately 100 will be disconnected each month. This is typical of most water utilities, as customers frequently make arrangements to avoid disconnection following a shutoff notice. Understanding that water shutoffs can exacerbate affordability issues, DWSD focuses on conducting outreach and education on available assistance options.
- Aging Infrastructure – Critical infrastructure upgrades and repairs need to be completed for the 100-year-old water system. Population loss and the resulting limitation on rate increases caused by customer arrearages have had significant impacts on the system's ability to generate sufficient revenue for maintenance projects.

Customer Assistance Programs and the Need for Funding

In March of 2015, the city launched the Water Residential Assistance Program (WRAP), a regional assistance program which provided a $25 discount on monthly water bills for low-income customers. WRAP was funded using 0.5% of the water system revenue. While WRAP helped to return water service to many customers, the cycle of delinquency on water accounts that often led to water service shutoffs continued.

In response to this ongoing need, DWSD launched its Lifeline Plan in 2022. The Lifeline Plan, an income-based water affordability program, erases a customer's past due balances and provides a tiered structure for fixed monthly bill amounts based on income. This benefit provides for up to 1,125 gallons of water usage per household member each month. In addition, the Lifeline Plan provides plumbing assistance of up to $2,000 to fix leaks and improve equipment efficiency based on results from water audits. DWSD currently has about 25,000 customers enrolled in the Lifeline Program and anticipates an additional 3,000 customers will join. The current funding amount is $17.5 million, with a total anticipated need of $26.55 million. Moving forward, additional funding sources will need to be identified.

For additional information on Detroit's Lifeline Program, visit: https://detroitmi.gov/departments/water-and-sewerage-department/dwsd-customer-service/dwsd-here-help-water-assistance-programs/lifeline-plan