



mayors
innovation
project

INNOVATION SHOWCASE

Mayor Danene Sorace
Lancaster, PA

WINTER
2025

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DRINKING WATER AFFORDABILITY

A CASE STUDY FROM THE CITY OF LANCASTER, PENNSYLVANIA

Like most cities, portions of the City's water, sewer, and stormwater infrastructure have exceeded their useful life and must be replaced. At the same time, investments are needed to meet existing and new regulations. In 2022, the Environmental Protection Agency (EPA) estimated that \$1.2 trillion was needed to meet infrastructure needs across the country over the next 20 years, with \$34 billion needed in Pennsylvania alone. While some new requirements were included in these estimates (such as lead service line replacement,) the costs associated with other new requirements were not.

The cost of rehabilitating infrastructure, combined with the cost to comply with EPA mandates, will make the City's water and sewer rates unaffordable for 43 percent of the City's households (see table.)

These mandates include:

- Combined sewer overflows
- Lead and copper pipe replacement
- PFAS
- Chesapeake Bay total maximum daily load
- Cybersecurity

The law requires that water and sewer rates be established based on cost of service. The financial burden will therefore disproportionately affect the households that are least able to afford it.

Per EPA guidance, a household should not spend more than 4.5% of its area median household income (MHI) on water and sewer (<2% on wastewater and stormwater and <2.5% on drinking water.) The yellow highlighted data shows that lower income households will be disproportionately impacted, with families whose income is below the federal poverty line (\$30,000) spending nearly 10% or more of their household income on water and sewer.

The City's residents are already economically disadvantaged compared to surrounding jurisdictions. As discussed previously, EPA guidance indicates that water and sewer rates that exceed 4.5% of MHI creates



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affordability challenges. As shown below, the City's MHI is 26% lower than the County of Lancaster's MHI and more than 15% lower than the MHI for the state and the United States. The poverty rate is also higher as is the percent of households spending 30% or more of their income on housing.

The United Way has developed an alternative to the federal poverty rate called the ALICE (Asset Limited, Income Constrained, Employed) index. ALICE accounts for the cost of living facing working households. Based on the census and other data, the United Way estimates that 35% of the City's households cannot keep up with the basic costs of living.

Currently, 19% of the households in the City of Lancaster cannot afford the City's water and sewer rates. This is projected to increase to 43%.

Metric	City of Lancaster	County of Lancaster	Penna.	United States
Poverty Rate	17%	9%	12%	12%
ALICE Households	35%	27%	41%	13%
Households spending >30% income on housing	34%	26%	27%	31%
Median Household Income	\$61,000	\$82,700	\$71,800	\$74,800
Number of Households	21,200	209,000	5,294,100	129,870,900

		CURRENT	PROJECTED		TOTAL
		Sewer, Water, and Stormwater	Repair & Rehab	New Req's	Current + Projected
AVERAGE ANNUAL HOUSEHOLD COST		\$1,052	\$700	\$214	\$1,966
Household Income Range	Percent Households	PERCENT OF ANNUAL INCOME			
< \$10,000	4.6%	10.52%	7.00%	2.14%	19.66%
\$10,000 to \$14,999	6%	8.42%	5.60%	1.71%	15.73%
\$15,000 to \$24,999	8.8%	5.26%	3.50%	1.07%	9.83%
\$25,000 to \$34,999	8.7%	3.51%	2.33%	0.71%	6.55%
\$35,000 to \$49,999	14.4%	2.48%	1.65%	0.50%	4.63%
\$50,000 to \$74,999	16.9%	1.68%	1.12%	0.34%	3.15%
\$75,000 to \$99,999	15.3%	1.20%	0.80%	0.24%	2.25%
\$100,000 to \$149,999	16.8%	0.84%	0.56%	0.17%	1.57%
\$150,000 to \$199,999	4.6%	0.60%	0.40%	0.12%	1.12%
> \$200,000	3.8%	0.53%	0.35%	0.11%	0.98%



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The City of Lancaster has developed an interactive worksheet to help other cities see how new ongoing maintenance and EPA regulations could impact the affordability of water and wastewater utilities on their rate payers. *Download the Excel file at cityoflanasterpa.gov/water-affordability.*

