

Discussion regarding Rate and Fee Study for Water, Reclaimed Water, and Wastewater Services

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Why a Rate & Fee Study?

Important Industry Practice

- Evaluates revenues collected across customer base
- Analyzes water use patterns within customer classes
- Revisits the cost of providing services across customer base
- Protects utility with a transparent and data-driven analysis
- Provides path and process for adjusting revenue distributions

City of Flagstaff policy: conduct a formal rate study every three years (2014 Council-Adopted Water Policies - Policy A3.2)



2023 Study Development

Last Rate Study completed June 2016

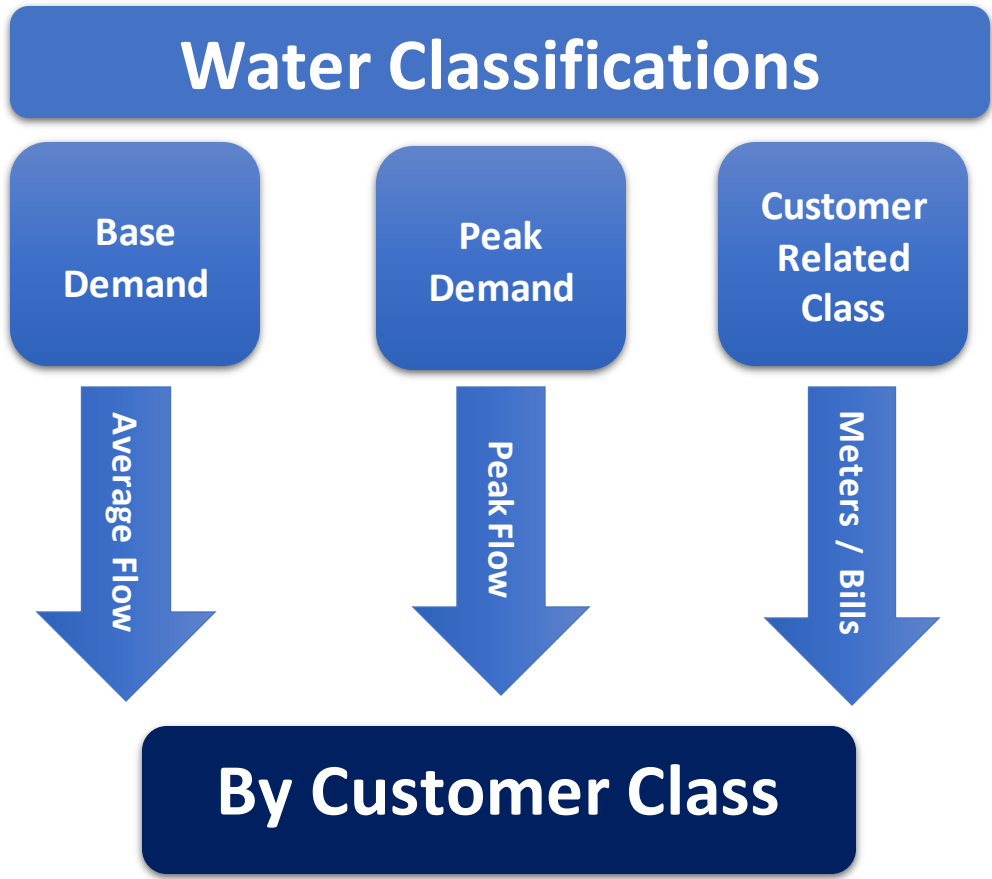
- In 2018, City Council directed Staff to include several policy topics in the next study
 - Conduct a new cost-of-service study
 - Policy discussion and directives (non-inclusive)
 - Revisit tiers for single-family residential and reclaimed water
 - Consider tiers for commercial
 - Revisit cost allocation between reclaimed water and wastewater treatment
 - Discuss seasonal pricing or an outdoor water use rate structure
 - Revisit capacity vs. impact fees
 - Evaluate through social & business equity lens – efficiency vs. volume
- The list was vetted through the Water Commission and incorporated into the Request for Qualifications, in March 2022



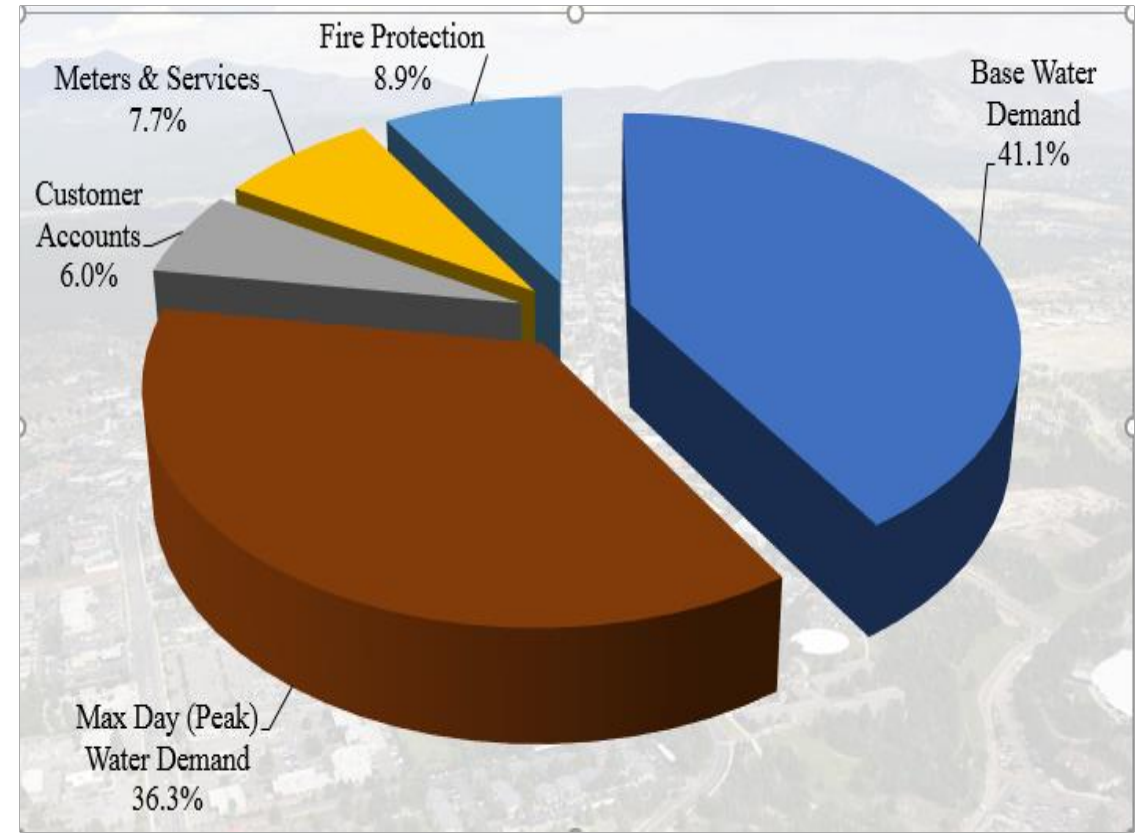
Cost of Service Example



Water Cost of Service Process



Allocation of Required Water Rate Revenue (Example Only)



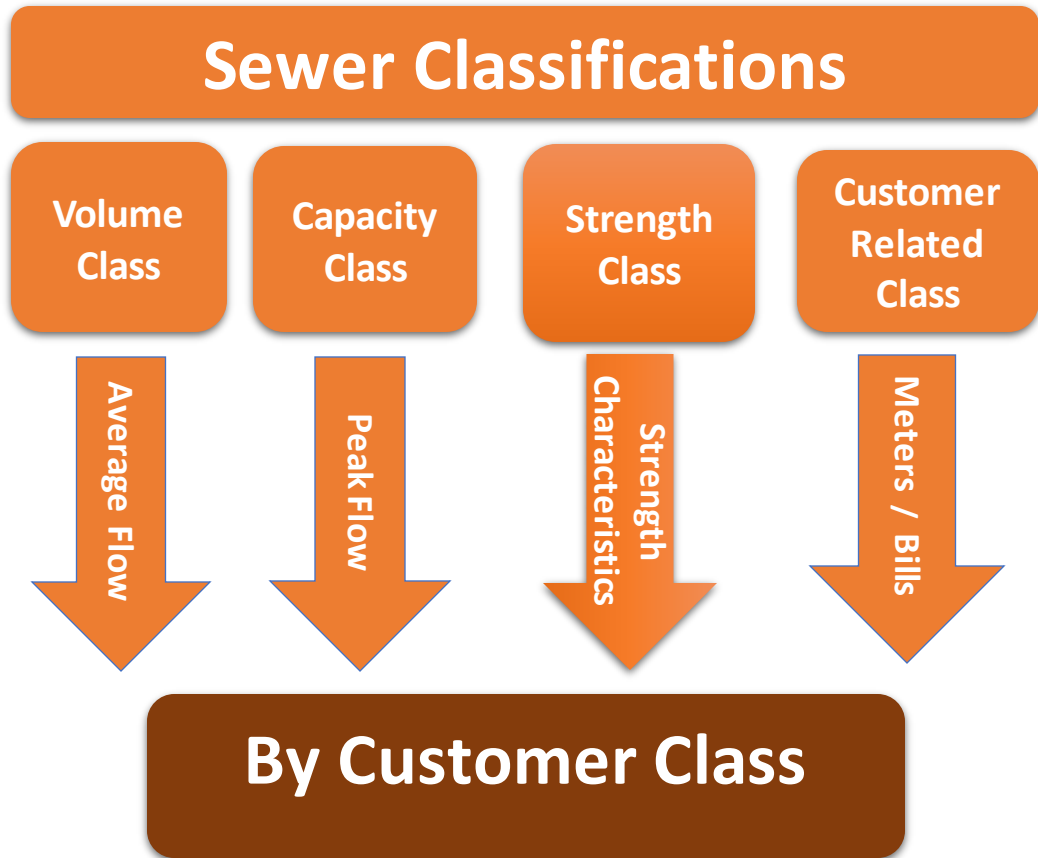


Cost of Service Example

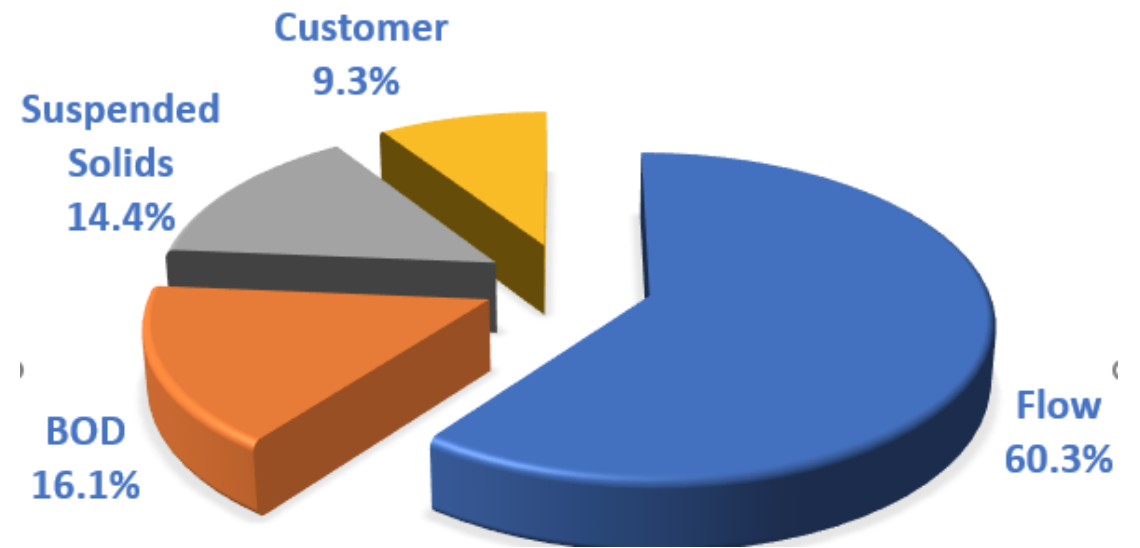


Sewer

Cost of Service Process



Wastewater Cost Allocation (Example Only)



Rate, Fees, Cost of Service Scope



12 to 18 month process

- Evaluate sensitive priorities*
- Fiscal policy review*
- Revenue needs assessment
- Cost of service analysis
- Rate structure design & alternatives*
- Public education and engagement*
- Adoption of any changes to rate structures/rates/fees etc.*

*City Council and Water Commission involvement in process

Thank You



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Questions & Discussion

Next Step

Staff will bring a contract and scope of work to Council for consideration

