



# City of Flagstaff, AZ

## Water, Reclaimed Water, & Wastewater Cost-of-Service Study

*Council Directed Scenario*

*City Council Meeting  
June 4, 2024*



# Matrix of Factors for Direction Presented on May 21

Factor	Low	Medium	High	Council Direction
Growth	0.5%	1.0%	1.25%	1%
Escalation	2.4%	3.5%	4.5%	3.5%
Total CIP Funding				
Water	78%	90%	100%	80-95%
Wastewater	81%	90%	100%	80-95%
Debt Financing as % of CIP				
Water	30%	43%	56%	30-56%
Wastewater	21%	30%		21-30%



# Results for Adjusted Model Assumptions

Factor	Low	Medium	High	Council Direction	Results
Growth	0.5%	1.0%	1.25%	1%	1%
Escalation	2.4%	3.5%	4.5%	3.5%	3.5%
Total CIP Funding					
Water	78%	90%	100%	80-95%	86%
Wastewater	81%	90%	100%	80-95%	86%
Debt Financing as % of CIP					
Water	30%	43%	56%	30-56%	44%
Wastewater	21%	30%		21-30%	27%
Combined					38%



# Council Directed Scenario Impact on Rate Projections

86% CIP Execution & 38% Combined Debt			Annual Rate Increase					
	Total CIP (FY 25 – FY 33)	Total CIP Funding from Debt Proceeds (FY 25 – FY 33)	FY 25	FY 26	FY 27	FY 28	FY 29	FY30-33
Previous	\$185.6M	\$54.9M (30%)	15%	15%	15%	15%	15%	5%
Final	\$163.0M	\$72.5M (44%)	10%	10%	10%	10%	10%	5%
Previous	\$112.6M	\$24.0M (21%)	25%	25%	15%	10%	5%	5%
Final	\$96.9M	\$26.4M (27%)	20%	20%	10%	5%	5%	5%
Combined Final	\$260.0M	\$98.9M (38%)	10% / 20%	10% / 20%	10% / 10%	10% / 5%	10% / 5%	5% / 5%

Water Factors

Wastewater Factors



# Projected Bill Impacts



# Water Rate Structure – Council Directed Scenario Rate Projections

- CIP Reduction – average \$2.51M per year
- Rate Projection – 5% reduction
- Total Bill = Fixed Monthly Meter Charge + Volume Charge

<b>WATER RATES - Council Directed Scenario (Fixed Charge)</b>						
		September 1st, 2024 - December 31st, 2025	January 1st, 2026 - December 31st, 2026	January 1st, 2027 - December 31st, 2027	January 1st, 2028 - December 31st, 2028	January 1st, 2029 - December 31st, 2029
<b>Meter Size:</b>		Inside City Limits	Inside City Limits	Inside City Limits	Inside City Limits	Inside City Limits
0.75		\$14.23	\$15.65	\$17.22	\$18.94	\$20.83
1		\$18.58	\$20.44	\$22.48	\$24.73	\$27.20
1.5		\$29.45	\$32.39	\$35.63	\$39.20	\$43.12
2		\$42.49	\$46.74	\$51.42	\$56.56	\$62.21
3		\$83.80	\$92.18	\$101.40	\$111.54	\$122.70
4		\$116.41	\$128.06	\$140.86	\$154.95	\$170.44
6		\$290.35	\$319.38	\$351.32	\$386.45	\$425.10
8		\$355.57	\$391.13	\$430.24	\$473.26	\$520.59
10		\$920.85	\$1,012.93	\$1,114.23	\$1,225.65	\$1,348.21

<b>WATER RATES - Council Directed Scenario (Volume)</b>						
		September 1st, 2024 - December 31st, 2025	January 1st, 2026 - December 31st, 2026	January 1st, 2027 - December 31st, 2027	January 1st, 2028 - December 31st, 2028	January 1st, 2029 - December 31st, 2029
<b>POTABLE WATER: (per 1,000 gallons)</b>		Inside City Limits	Inside City Limits	Inside City Limits	Inside City Limits	Inside City Limits
Single Family	Tier 1 (0 - 3,500 gallons)	\$4.28	\$4.71	\$5.18	\$5.70	\$6.27
	Tier 2 (3,501 - 6,200 gallons)	\$4.60	\$5.06	\$5.57	\$6.12	\$6.73
	Tier 3 (6,201 - 11,500 gallons)	\$9.19	\$10.11	\$11.12	\$12.23	\$13.46
	Tier 4 (11,501+ gallons)	\$18.39	\$20.23	\$22.25	\$24.48	\$26.92
Multi-Family		\$4.75	\$5.23	\$5.75	\$6.32	\$6.95
Commercial/Schools		\$5.67	\$6.24	\$6.86	\$7.55	\$8.30
Institutional		\$5.67	\$6.24	\$6.86	\$7.55	\$8.30
Manufacturing		\$5.33	\$5.86	\$6.45	\$7.09	\$7.80
Landscaping/Lawn Meters		\$10.05	\$11.06	\$12.16	\$13.38	\$14.71
Hydrant Meter		\$7.46	\$8.21	\$9.03	\$9.93	\$10.92
Standpipe**		\$7.41	\$8.15	\$8.97	\$9.86	\$10.85

\*Inside city rates. All rates exclude taxes and energy fee

**DRAFT – FOR DISCUSSION PURPOSES**



# Reclaimed Water Rate Structure – Council Directed Scenario Rate Projections

RECLAIMED WATER RATES - Council Directed Scenario (Fixed Charge)							
		September 1st, 2024 - December 31st, 2025	January 1st, 2026 - December 31st, 2026	January 1st, 2027 - December 31st, 2027	January 1st, 2028 - December 31st, 2028	January 1st, 2029 - December 31st, 2029	
<b>Meter Size:</b>		<b>Inside City Limits</b>	<b>Inside City Limits</b>	<b>Inside City Limits</b>	<b>Inside City Limits</b>	<b>Inside City Limits</b>	
	0.75	\$14.23	\$15.65	\$17.22	\$18.94	\$20.83	
	1	\$18.58	\$20.44	\$22.48	\$24.73	\$27.20	
	1.5	\$29.45	\$32.39	\$35.63	\$39.20	\$43.12	
	2	\$42.49	\$46.74	\$51.42	\$56.56	\$62.21	
	3	\$83.80	\$92.18	\$101.40	\$111.54	\$122.70	
	4	\$116.41	\$128.06	\$140.86	\$154.95	\$170.44	
	6	\$290.35	\$319.38	\$351.32	\$386.45	\$425.10	
	8	\$355.57	\$391.13	\$430.24	\$473.26	\$520.59	
	10	\$920.85	\$1,012.93	\$1,114.23	\$1,225.65	\$1,348.21	
RECLAIMED WATER RATES - Council Directed Scenario (Volume)							
		September 1st, 2024 - December 31st, 2025	January 1st, 2026 - December 31st, 2026	January 1st, 2027 - December 31st, 2027	January 1st, 2028 - December 31st, 2028	January 1st, 2029 - December 31st, 2029	Percent of Potable Water Rate
<b>RECLAIMED WATER: (per 1,000 gallons)</b>		<b>Inside City Limits</b>	<b>Inside City Limits</b>	<b>Inside City Limits</b>	<b>Inside City Limits</b>	<b>Inside City Limits</b>	<b>Inside City Limits</b>
Private Residential	Tier 1 (0 - 3,500 gallons)	\$1.93	\$2.08	\$2.25	\$2.43	\$2.63	35%
	Tier 2 (3,501 - 6,200 gallons)	\$2.04	\$2.21	\$2.38	\$2.58	\$2.79	
	Tier 3 (6,201 - 11,500 gallons)	\$3.65	\$3.97	\$4.33	\$4.72	\$5.14	
	Tier 4 (11,501+ gallons)	\$6.87	\$7.51	\$8.22	\$9.00	\$9.86	
Commercial (no main Ext):		\$2.42	\$2.62	\$2.84	\$3.08	\$3.34	35%
Commercial (w/ main Ext):		\$5.18	\$5.61	\$6.08	\$6.59	\$7.16	75%
Manufacturing (no main Ext):		\$2.30	\$2.49	\$2.69	\$2.92	\$3.17	35%
Manufacturing (w/ main Ext):		\$4.93	\$5.33	\$5.77	\$6.25	\$6.78	75%
NAU (No main extension):		\$2.42	\$2.62	\$2.84	\$3.08	\$3.34	35%
NAU (with main extension):		\$5.18	\$5.61	\$6.08	\$6.59	\$7.16	75%
Hydrant Meter		\$4.35	\$4.72	\$5.13	\$5.58	\$6.08	50%
Standpipe		\$4.33	\$4.70	\$5.10	\$5.55	\$6.04	50%
Off Peak/Golf Course*		\$2.10	\$2.28	\$2.47	\$2.68	\$2.91	87%
*Rate is 87% of the Commercial (no main extension) reclaimed water rate							

\*Inside city rates. All rates exclude taxes and energy fee

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# Water Projected Average Bill Impacts – Council Directed Scenario

\*Total Bill = Water Fixed Charge + Water Volume Charge

Customer Class	Rep. Meter Size	Avg. Bill Volume (kgals)	Avg. FY 2024 Water Bill	Effective Date 9/1/2024			Effective Date 1/1/2026		Effective Date 1/1/2027		Effective Date 1/1/2028		Effective Date 1/1/2029	
				Total Bill*	\$ Change	% Change	Total Bill*	\$ Change	Total Bill*	\$ Change	Total Bill*	\$ Change	Total Bill*	\$ Change
<b>Previously Proposed Rates</b>							(15% Rate Increase)		(15% Rate Increase)		(15% Rate Increase)		(15% Rate Increase)	
Single Family	¾"	4	\$30.91	\$32.04	\$1.13	3.7%	\$36.84	\$4.81	\$42.37	\$5.53	\$48.72	\$6.36	\$56.03	\$7.31
Commercial/Schools	1"	40	\$207.20	\$255.08	\$47.88	23.1%	\$293.34	\$38.26	\$337.35	\$44.00	\$387.95	\$50.60	\$446.14	\$58.19
<b>Council Directed Scenario</b>							(10% Rate Increase)		(10% Rate Increase)		(10% Rate Increase)		(10% Rate Increase)	
Single Family	¾"	4	\$30.91	\$31.51	\$0.60	1.9%	\$34.66	\$3.15	\$38.13	\$3.47	\$41.94	\$3.81	\$46.13	\$4.19
Commercial/Schools	1"	40	\$207.20	\$245.38	\$38.18	18.4%	\$269.92	\$24.54	\$296.91	\$26.99	\$326.60	\$29.69	\$359.26	\$32.66

Customer Class: Average Bill Increases	Proposed Rates – FY2024 (Current) to FY2029	Council Directed Scenario – FY2024 (Current) to FY2029
Single Family Residential	81%	49%
Commercial/Schools	115%	73%



# Wastewater Rate Structure – Council Directed Scenario Rate Projections

- CIP Reduction – average \$1.74M per year
- Rate Projection – 5% reduction
- Total Bill = Fixed Monthly Meter Charge + Volume Charge

<b>SEWER RATES - Council Directed Scenario (Fixed Charge)</b>					
	September 1st, 2024 - December 31st, 2025	January 1st, 2026 - December 31st, 2026	January 1st, 2027 - December 31st, 2027	January 1st, 2028 - December 31st, 2028	January 1st, 2029 - December 31st, 2029
Meter Charge	Inside City Limits	Inside City Limits	Inside City Limits	Inside City Limits	Inside City Limits
0.75	\$10.03	\$12.04	\$13.24	\$13.90	\$14.60
1	\$16.75	\$20.10	\$22.11	\$23.22	\$24.38
1.5	\$33.40	\$40.08	\$44.09	\$46.29	\$48.60
2	\$53.46	\$64.15	\$70.57	\$74.10	\$77.81
3	\$117.05	\$140.46	\$154.51	\$162.24	\$170.35
4	\$167.20	\$200.64	\$220.70	\$231.74	\$243.33
6	\$334.30	\$401.16	\$441.28	\$463.34	\$486.51
8	\$534.90	\$641.88	\$706.07	\$741.37	\$778.44

<b>SEWER RATES - Council Directed Scenario (Volume)</b>					
	September 1st, 2024 - December 31st, 2025	January 1st, 2026 - December 31st, 2026	January 1st, 2027 - December 31st, 2027	January 1st, 2028 - December 31st, 2028	January 1st, 2029 - December 31st, 2029
SEWER: (per 1,000 gallons)	Inside City Rate	Inside City Rate	Inside City Rate	Inside City Rate	Inside City Rate
<u>Residential</u>					
Residential	\$5.28	\$6.34	\$6.97	\$7.32	\$7.68
<u>Non-Residential</u>					
Non-Residential A	\$4.36	\$5.23	\$5.76	\$6.04	\$6.35
Non-Residential B	\$6.79	\$8.15	\$8.96	\$9.41	\$9.88
Non-Residential C	\$28.23	\$33.88	\$37.26	\$39.13	\$41.08

\*Residential usage based on WQA (usage billed in winter months of December, January, February, March)

\*\*Inside city rate. All rates exclude taxes

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# Wastewater Projected Average Bill Impacts – Council Directed Scenario

\*Total Bill = Wastewater Fixed Charge + Wastewater Volume Charge

Customer Class	Rep. Meter Size	Avg. Bill Volume (kgals)	Avg. FY 2024 Wastewater Bill	Effective Date 9/1/2024			Effective Date 1/1/2026		Effective Date 1/1/2027		Effective Date 1/1/2028		Effective Date 1/1/2029	
				Total Bill*	\$ Change	% Change	Total Bill*	\$ Change	Total Bill*	\$ Change	Total Bill*	\$ Change	Total Bill*	\$ Change
<b>Proposed Rates</b>							(25% Rate Increase)		(15% Rate Increase)		(10% Rate Increase)		(5% Rate Increase)	
Residential	¾"	4.88	\$26.13	\$38.37	\$12.24	46.8%	\$47.96	\$9.59	\$55.15	\$7.19	\$60.67	\$5.52	\$63.70	\$3.03
Commercial	1"	17.60	\$99.96	\$102.69	\$2.73	2.7%	\$128.36	\$25.67	\$147.62	\$19.25	\$162.38	\$14.76	\$170.50	\$8.12
<b>Council Directed Scenario</b>							(20% Rate Increase)		(10% Rate Increase)		(5% Rate Increase)		(5% Rate Increase)	
Residential	¾"	4.88	\$26.13	\$35.80	\$9.67	37.0%	\$42.96	\$7.16	\$47.25	\$4.30	\$49.61	\$2.36	\$52.09	\$2.48
Commercial	1"	17.60	\$99.96	\$93.49	(\$6.47)	(6.5%)	\$112.19	\$18.70	\$123.41	\$11.22	\$129.58	\$6.17	\$136.06	\$6.48

Customer Class Avg. Bills	Proposed Rates – FY2024 (Current) to FY2029	Council Directed Scenario – FY2024 (Current) to FY2029
Single Family Residential	144%	99%
Commercial	71%	36%

# Rate Study Council Direction Summary

## Minimizing the Impact to the Rate Payer:

- ✓ Utilized Actual Flow Data versus Design Flow Data to minimize Capacity Fee increase
- ✓ Added Solids Loading component to the Capacity Fee calculation to minimize impact to new developments and align costs to those producing higher solids
- ✓ Reduced revenue recovered from Water Base Fee from 29% to 25% to empower water users to have more control over their bill
- ✓ Assumed a 90% execution rate of operating budget
- ✓ Adjusted Residential Tier Rates to reduce bills for water smart customers in both Tier 1 and Tier 2
- ✓ Consolidated Customer Classes to make the structure simpler and reduced rate increases in some cases
- ✓ Adjusted Other Miscellaneous Fees so those receiving services pay those costs and it is not passed on to the rate payer
- ✓ **Increased debt limit and reduced execution rate of the capital program**



# Council Confirmation

Factor	Low	Medium	High	Council Direction	Results
Growth	0.5%	1.0%	1.25%	1%	1%
Escalation	2.4%	3.5%	4.5%	3.5%	3.5%
Total CIP Funding					
Water	78%	90%	100%	80-95%	86%
Wastewater	81%	90%	100%	80-95%	86%
Debt Financing as % of CIP					
Water	30%	43%	56%	30-56%	44%
Wastewater	21%	30%		21-30%	27%
Combined					38%



# Next Steps

- Communicate updates to community
- Preparing final changes to the ordinance
- Public hearing dates
  - June 18
  - July 2



**Thank you!**