



City of Flagstaff, AZ

Water, Reclaimed Water, & Wastewater Cost-of-Service Study – Introduction to Rate Design

*City Council Work Session
February 13, 2024*

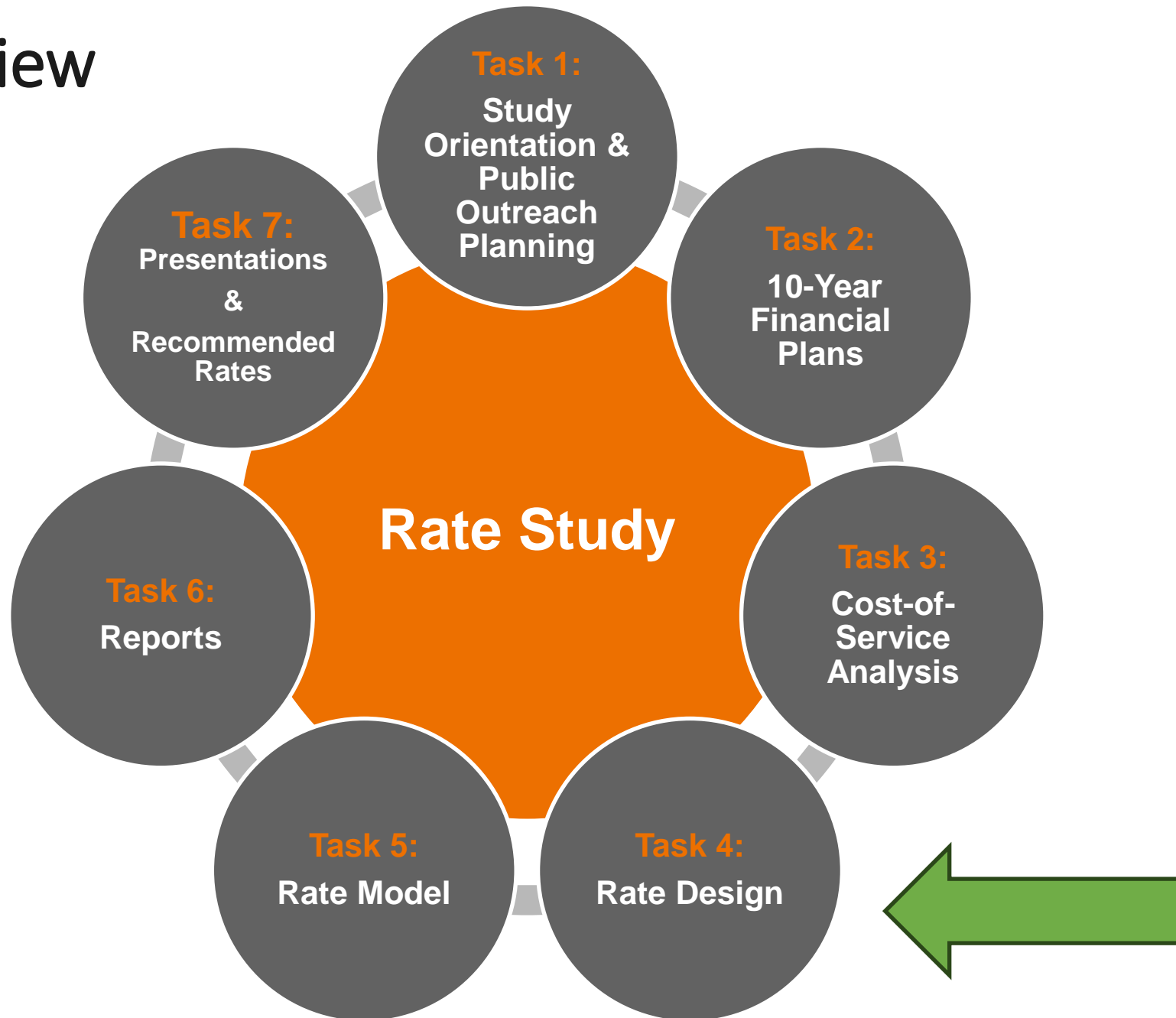


Agenda

1. What is Rate Design?
2. What are Current Rate Structures?
3. Customer Usage Trends
4. Discussion & Guidance – Water Services, Council, & Water Commission Objectives



Scope Overview





What is Rate Design?



Rate Design: Overview

Task 4

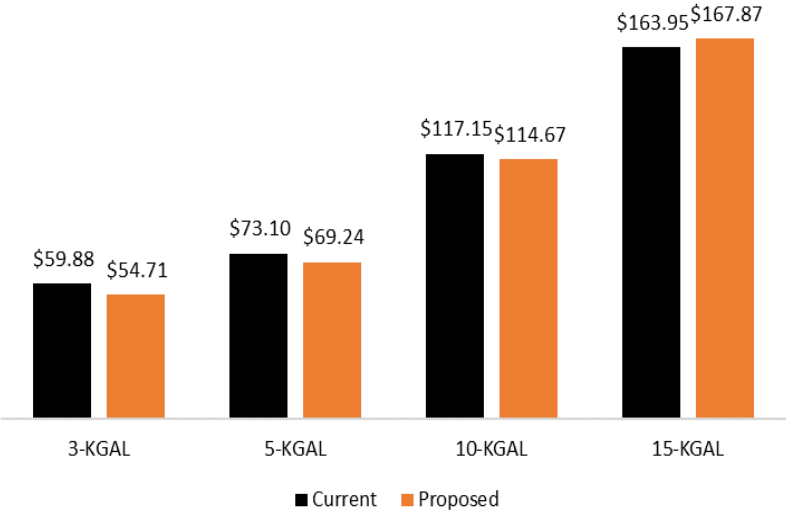
Develop alternatives and recommendations for adjustments to current rate structures.

Approach



Outcomes / Benefits

- Assessment of existing structures & challenges
- Comparison of adjustments with goals of study
- Clear path for future enhancements
- Clarity of customer impacts of all options





The Rate Study Process

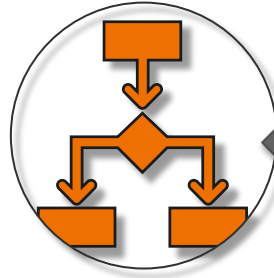
How Much?



Financial Plan

- Operations & Maintenance, debt service, projects
- Financial policies & targets
- Council direction for funding full CIP on October 23, 2023

From Whom?



Cost-of-Service Allocations

- Identifies how costs are incurred
- Determines how customers use the systems
- Council direction on capacity fees February 6, 2024

How to Collect?



Rate Design

- Identifies objectives of the City
- Ties rate structure alternatives to objectives
- Communicates costs of service to customers



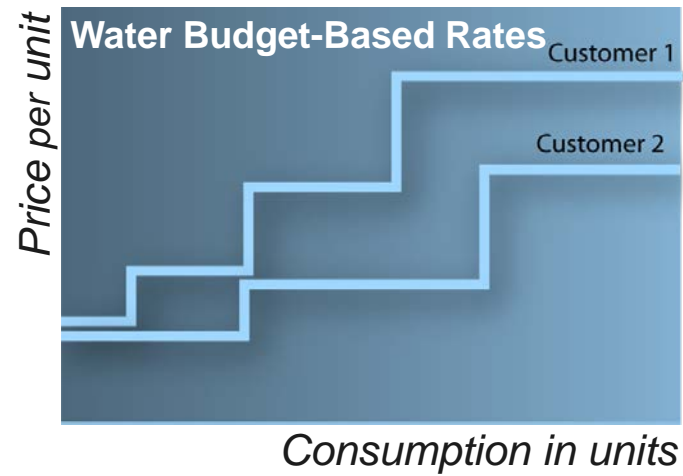
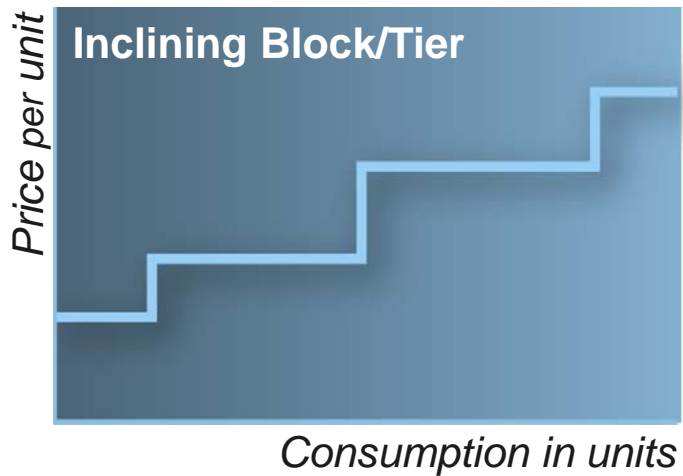
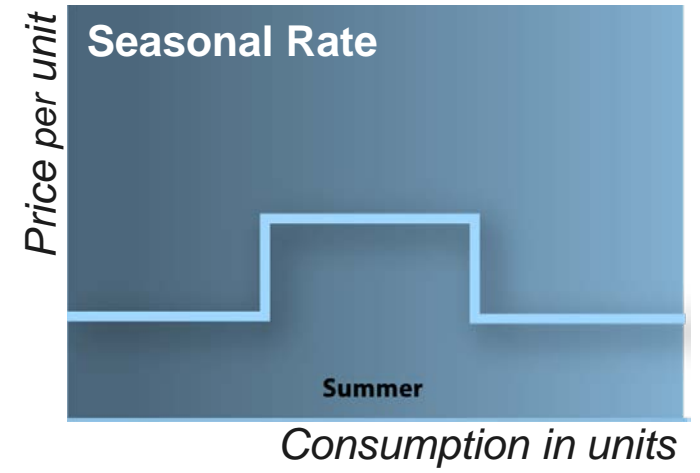
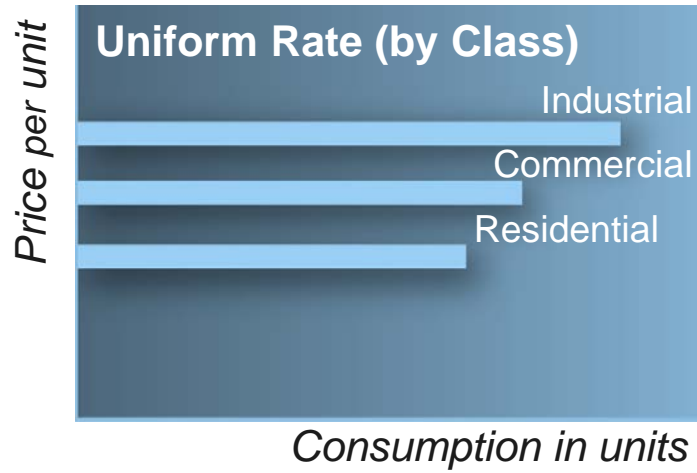
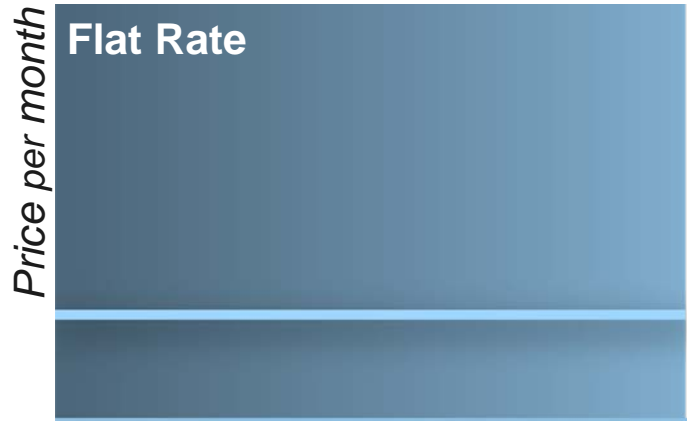
Rate Design Focus

Strategy Examples:

- Goals for Water Rate Design
 - Explore percentage of revenue collected from base charges vs volume charges
 - Investigate tiered commercial rates
 - Investigate seasonal rates
 - Simplify non-residential rates by class
- Goals for Wastewater Rate Design
 - Group customer classes by wastewater loadings
 - Consider monthly base charge for wastewater
 - Simplify non-residential rates
- Estimate bill impacts to different customers

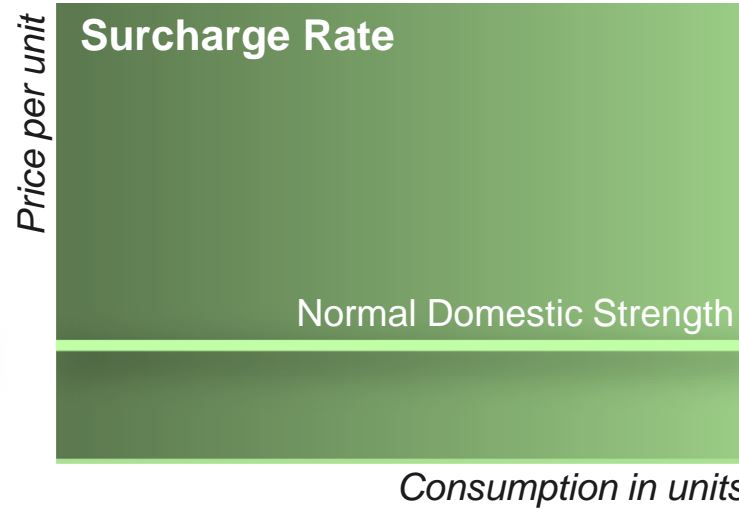


Traditional Water Rate Designs

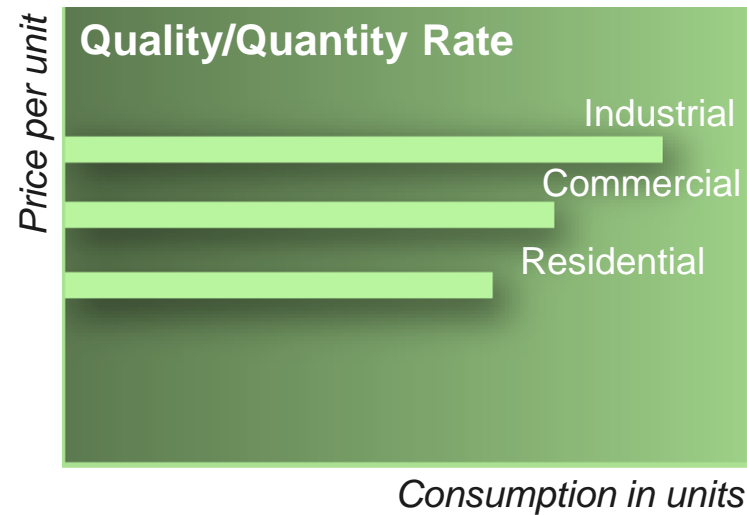




Traditional Wastewater Rate Designs



- > Domestic BOD = surcharge per pound
- > Domestic TSS = surcharge per pound



*BOD = Biochemical Oxygen Demand
**TSS = Total Suspended Solids
mg/L = milligrams per liter



What are Our Current Rate Structures?



CITY OF FLAGSTAFF WATER & SEWER RATES

Effective January 1, 2023 (**Subject to Change**)

MONTHLY FIXED CHARGE

| Meter Size: | Customer Class | Inside City Rate | Outside City Rate |
|-------------|----------------|------------------|-------------------|
| 3/4" | All | \$16.64 | \$18.30 |
| 1" | All | \$19.60 | \$21.56 |
| 1 1/2" | All | \$26.98 | \$29.68 |
| 2" | All | \$35.84 | \$39.42 |
| 3" | All | \$56.52 | \$62.17 |
| 4" | All | \$86.05 | \$94.66 |
| 6" | All | \$159.88 | \$175.87 |
| 8" | All | \$248.47 | \$273.32 |
| 10" | All | \$351.83 | \$387.01 |

WATER RATES

| POTABLE WATER: (per 1,000 gallons) | | Customer Class | Water Rate | Outside City Rate | Water Energy Rate | *WRIP FEE |
|------------------------------------|---------------------------------|----------------|------------|-------------------|-------------------|-----------|
| Single Family | Tier 1 (0 - 3,500 gallons) | R1 or R4 | \$3.44 | \$3.78 | \$1.24 | \$0.53 |
| | Tier 2 (3,501 - 6,200 gallons) | | \$4.45 | \$4.90 | \$1.24 | \$0.53 |
| | Tier 3 (6,201 - 11,500 gallons) | | \$6.86 | \$7.55 | \$1.24 | \$0.53 |
| | Tier 4 (11,501+ gallons) | | \$13.72 | \$15.09 | \$1.24 | \$0.53 |
| Multi-Family Units | | R2 or R3 | \$4.42 | \$4.86 | \$1.24 | \$0.53 |
| Commercial/Schools | | C | \$4.69 | \$5.16 | \$1.24 | \$0.53 |
| Northern Arizona University | | NA | \$4.30 | | \$1.24 | \$0.53 |
| Manufacturing | | MN | \$4.63 | \$5.09 | \$1.24 | \$0.53 |
| Landscaping/Lawn Meters | | LM | \$4.69 | \$5.16 | \$1.24 | \$0.53 |
| Hydrant Meter | | HM | \$7.17 | \$7.89 | \$1.24 | \$0.53 |
| Standpipe** | | SP | \$10.19 | | | |

**Includes sales tax and environmental fee

*Effective 7/1/22

Outside City 10% surcharge



RECLAIMED WATER RATES

| RECLAIMED WATER: (per 1,000 gallons) | | Customer Class | Inside City Rate | Outside City Rate |
|---|---------------------------------|-----------------------|-------------------------|--------------------------|
| Private Residential | Tier 1 (0 - 3,500 gallons) | R1 | \$1.64 | \$ 1.80 |
| | Tier 2 (3,501 - 6,200 gallons) | | \$1.99 | \$ 2.19 |
| | Tier 3 (6,201 - 11,500 gallons) | | \$2.84 | \$ 3.12 |
| | Tier 4 (11,501+ gallons) | | \$5.24 | \$ 5.76 |
| Commercial (no main Ext): | | C | \$2.08 | \$ 2.28 |
| Commercial (w/ main Ext): | | C | \$4.45 | \$ 4.89 |
| Manufacturing (no main Ext): | | MN | \$2.05 | \$ 2.26 |
| Manufacturing (w/ main Ext): | | MN | \$4.40 | \$ 4.84 |
| NAU (No main extension): | | NA | \$1.94 | |
| NAU (with main extension): | | NA | \$4.16 | |
| Hydrant Meter | | WR | \$4.21 | |
| Standpipe** | | RS | \$4.79 | |
| Off Peak/Golf Course: | | WR | \$1.81 | \$ 1.99 |
| **Includes sales tax and environmental fee | | | | |



SEWER RATES

| SEWER: (per 1,000 gallons) | | | | Customer Class | Inside City Rate | Outside City Rate |
|------------------------------|--|--|--|----------------|------------------|-------------------|
| Residential | | | | | | |
| *Single- and Multi-Family | | | | R1 - R4 | \$5.35 | \$5.89 |
| Non-Residential | | | | | | |
| Car Washes | | | | CW | \$5.38 | \$5.92 |
| Laundromats | | | | L | \$5.53 | \$6.08 |
| Commercial | | | | C | \$5.68 | \$6.25 |
| Hotels & Motels | | | | H | \$7.58 | \$8.34 |
| Restaurants | | | | RF | \$9.09 | \$10.00 |
| Industrial Laundries | | | | IL | \$8.36 | \$9.20 |
| Manufacturing | | | | MN | \$6.09 | \$6.70 |
| Pet Food Manufacturers | | | | PF | \$13.34 | \$14.67 |
| Soft Drink Bottling | | | | SD | \$10.57 | \$11.63 |
| Ice Cream Cone Manufacturing | | | | IC | \$16.48 | \$18.13 |
| NAU | | | | NA | \$4.91 | \$5.40 |

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

Surcharge rates for BOD & TSS over residential amount – 7-02-001-0041

- BOD over 300 mg/L = \$0.273/pound
- TSS over 350 mg/L = \$0.1343/pound

Higher surcharge rates – 7-02-001-0041 D

- BOD 400mg/L to 500 mg/L = fee is doubled
- BOD above 501 mg/L = fee is tripled
- TSS 450 mg/L to 550 mg/L = fee is doubled
- TSS 551 mg/L = fee is tripled

*BOD = Biochemical Oxygen Demand
 **TSS = Total Suspended Solids
 mg/L = milligrams per liter



Water Fund Direction from October 23, 2023

| Scenarios | FY24-FY33 CIP Funding Level (\$M) | FY24 | FY25 | FY26 | FY27 | FY28 | FY29 | FY30-FY33 Annual |
|------------------------------------|-----------------------------------|------|-------|-------|-------|-------|-------|------------------|
| Full-CIP Alternative Option | \$208 | 0.0% | 15.0% | 15.0% | 15.0% | 15.0% | 15.0% | 5.0% |

Alternative Option reflects Full Funding Scenario with level plan of annual rate increases

CIP = Capital Improvement Program



| MONTHLY FIXED CHARGE | | Impact of Full CIP on Rates | | | | | | |
|-----------------------------|--|------------------------------------|----------------|----------------|----------------|----------------|----------------|------------------------|
| Meter Size: | | FY 2024 | FY 2025 | FY 2026 | FY 2027 | FY 2028 | FY 2029 | FY 25-29 Change |
| 3/4" | | \$16.64 | \$19.14 | \$22.01 | \$25.31 | \$29.10 | \$33.47 | \$ 14.33 |
| 1" | | \$19.60 | \$22.54 | \$25.92 | \$29.81 | \$34.28 | \$39.42 | \$ 16.88 |
| 1 1/2" | | \$26.98 | \$31.03 | \$35.68 | \$41.03 | \$47.19 | \$54.27 | \$ 23.24 |
| 2" | | \$35.84 | \$41.22 | \$47.40 | \$54.51 | \$62.68 | \$72.09 | \$ 30.87 |
| 3" | | \$56.52 | \$65.00 | \$74.75 | \$85.96 | \$98.85 | \$113.68 | \$ 48.68 |
| 4" | | \$86.05 | \$98.96 | \$113.80 | \$130.87 | \$150.50 | \$173.08 | \$ 74.12 |
| 6" | | \$159.88 | \$183.86 | \$211.44 | \$243.16 | \$279.63 | \$321.58 | \$ 137.71 |
| 8" | | \$248.47 | \$285.74 | \$328.60 | \$377.89 | \$434.58 | \$499.76 | \$ 214.02 |
| 10" | | \$351.83 | \$404.60 | \$465.30 | \$535.09 | \$615.35 | \$707.66 | \$ 303.05 |

| WATER RATES | | Impact of Full CIP on Rates | | | | | | |
|--|---------------------------------|------------------------------------|----------------|----------------|----------------|----------------|----------------|------------------------|
| POTABLE WATER: (per 1,000 gallons) | | FY 2024 | FY 2025 | FY 2026 | FY 2027 | FY 2028 | FY 2029 | FY 25-29 Change |
| Single Family | Tier 1 (0 - 3,500 gallons) | \$3.44 | \$3.96 | \$ 4.55 | \$ 5.23 | \$ 6.02 | \$ 6.92 | \$ 2.96 |
| | Tier 2 (3,501 - 6,200 gallons) | \$4.45 | \$5.12 | \$ 5.89 | \$ 6.77 | \$ 7.78 | \$ 8.95 | \$ 3.83 |
| | Tier 3 (6,201 - 11,500 gallons) | \$6.86 | \$7.89 | \$ 9.07 | \$ 10.43 | \$ 12.00 | \$ 13.80 | \$ 5.91 |
| | Tier 4 (11,501+ gallons) | \$13.72 | \$15.78 | \$ 18.14 | \$ 20.87 | \$ 24.00 | \$ 27.60 | \$ 11.82 |
| Multi-Family Units | | \$4.42 | \$5.08 | \$ 5.85 | \$ 6.72 | \$ 7.73 | \$ 8.89 | \$ 3.81 |
| Commercial/Schools | | \$4.69 | \$5.39 | \$ 6.20 | \$ 7.13 | \$ 8.20 | \$ 9.43 | \$ 4.04 |
| Northern Arizona University | | \$4.30 | \$4.95 | \$ 5.69 | \$ 6.54 | \$ 7.52 | \$ 8.65 | \$ 3.70 |
| Manufacturing | | \$4.63 | \$5.32 | \$ 6.12 | \$ 7.04 | \$ 8.10 | \$ 9.31 | \$ 3.99 |
| Landscaping/Lawn Meters | | \$4.69 | \$5.39 | \$ 6.20 | \$ 7.13 | \$ 8.20 | \$ 9.43 | \$ 4.04 |
| Hydrant Meter | | \$7.17 | \$8.25 | \$ 9.48 | \$ 10.90 | \$ 12.54 | \$ 14.42 | \$ 6.18 |
| Standpipe** | | \$10.19 | \$ 11.72 | \$ 13.48 | \$ 15.50 | \$ 17.82 | \$ 20.50 | \$ 8.78 |
| **Includes sales tax and environmental fee | | | | | | | | |
| *Effective 7/1/22 | | | | | | | | |
| Outside City 10% surcharge | | | | | | | | |



Reclaimed Water Fund Direction from October 23, 2023

| Scenarios | FY24-FY33 CIP Funding Level (\$M) | FY24 | FY25 | FY26 | FY27 | FY28 | FY29 | FY30-FY33 Annual |
|--|---|------|-------|-------|-------|-------|-------|---------------------|
| Full-CIP Alternative Option | \$11 | 0.0% | 15.0% | 15.0% | 15.0% | 15.0% | 15.0% | 5.0% |

Alternative Option reflects current reclaimed water pricing policy keeping rates at specified %'s of potable water rates

CIP = Capital Improvement Program



RECLAIMED WATER RATES

Impact of Full CIP on Rates

| RECLAIMED WATER: (per 1,000 gallons) | | FY 2024 | FY 2025 | FY 2026 | FY 2027 | FY 2028 | FY 2029 | FY 25-29 Change |
|--|---------------------------------|---------|---------|---------|---------|---------|----------|-----------------|
| Private Residential | Tier 1 (0 - 3,500 gallons) | \$1.64 | \$1.88 | \$ 2.17 | \$ 2.49 | \$ 2.86 | \$ 3.29 | \$ 1.41 |
| | Tier 2 (3,501 - 6,200 gallons) | \$1.99 | \$2.29 | \$ 2.63 | \$ 3.03 | \$ 3.48 | \$ 4.01 | \$ 1.72 |
| | Tier 3 (6,201 - 11,500 gallons) | \$2.84 | \$3.26 | \$ 3.75 | \$ 4.31 | \$ 4.96 | \$ 5.70 | \$ 2.44 |
| | Tier 4 (11,501+ gallons) | \$5.24 | \$6.02 | \$ 6.92 | \$ 7.96 | \$ 9.16 | \$ 10.53 | \$ 4.51 |
| Commercial (no main Ext): | | \$2.08 | \$2.39 | \$ 2.74 | \$ 3.16 | \$ 3.63 | \$ 4.17 | \$ 1.79 |
| Commercial (w/ main Ext): | | \$4.45 | \$5.11 | \$ 5.88 | \$ 6.76 | \$ 7.78 | \$ 8.95 | \$ 3.83 |
| Manufacturing (no main Ext): | | \$2.05 | \$2.36 | \$ 2.72 | \$ 3.12 | \$ 3.59 | \$ 4.13 | \$ 1.77 |
| Manufacturing (w/ main Ext): | | \$4.40 | \$5.06 | \$ 5.82 | \$ 6.70 | \$ 7.70 | \$ 8.86 | \$ 3.79 |
| NAU (No main extension): | | \$1.94 | \$2.23 | \$ 2.56 | \$ 2.95 | \$ 3.39 | \$ 3.90 | \$ 1.67 |
| NAU (with main extension): | | \$4.16 | \$4.78 | \$ 5.49 | \$ 6.32 | \$ 7.27 | \$ 8.36 | \$ 3.58 |
| Hydrant Meter | | \$4.21 | \$4.84 | \$ 5.56 | \$ 6.40 | \$ 7.35 | \$ 8.46 | \$ 3.62 |
| Standpipe** | | \$4.79 | \$5.51 | \$ 6.34 | \$ 7.29 | \$ 8.38 | \$ 9.64 | \$ 4.13 |
| Off Peak/Golf Course: | All Tiers | \$1.81 | \$2.08 | \$ 2.39 | \$ 2.75 | \$ 3.16 | \$ 3.63 | \$ 1.56 |
| **Includes sales tax and environmental fee | | | | | | | | |



Wastewater Fund Direction from October 23, 2023

| Scenarios | FY24-FY33 CIP Funding Level (\$M) | FY24 | FY25 | FY26 | FY27 | FY28 | FY29 | FY30-FY33 Annual |
|--|---|------|-------|-------|-------|-------|------|---------------------|
| Full-CIP Alternative Option | \$139 | 0.0% | 25.0% | 25.0% | 15.0% | 10.0% | 5.0% | 5.0% |

Alternative Option reflects \$9M deferral & escalation of Unfunded CIP in Full Funding Scenario with more debt financing

CIP = Capital Improvement Program



| SEWER RATES | Impact of Full CIP on Rates | | | | | | |
|---|------------------------------------|----------------|----------------|----------------|----------------|----------------|----------------------------|
| SEWER: (per 1,000 gallons) | FY 2024 | FY 2025 | FY 2026 | FY 2027 | FY 2028 | FY 2029 | FY 25-29 Change |
| Residential | | | | | | | |
| *Single- and Multi-Family | \$5.35 | \$6.69 | \$8.36 | \$9.61 | \$10.57 | \$11.10 | \$5.75 |
| Non-Residential | | | | | | | |
| Car Washes | \$5.38 | \$ 6.73 | \$ 8.41 | \$ 9.67 | \$ 10.63 | \$ 11.17 | \$5.79 |
| Laundromats | \$5.53 | \$ 6.91 | \$ 8.64 | \$ 9.94 | \$ 10.93 | \$ 11.48 | \$5.95 |
| Commercial | \$5.68 | \$ 7.10 | \$ 8.88 | \$ 10.21 | \$ 11.23 | \$ 11.79 | \$6.11 |
| Hotels & Motels | \$7.58 | \$ 9.48 | \$ 11.84 | \$ 13.62 | \$ 14.98 | \$ 15.73 | \$8.15 |
| Restaurants | \$9.09 | \$ 11.36 | \$ 14.20 | \$ 16.33 | \$ 17.97 | \$ 18.87 | \$9.78 |
| Industrial Laundries | \$8.36 | \$ 10.45 | \$ 13.06 | \$ 15.02 | \$ 16.52 | \$ 17.35 | \$8.99 |
| Manufacturing | \$6.09 | \$ 7.61 | \$ 9.52 | \$ 10.94 | \$ 12.04 | \$ 12.64 | \$6.55 |
| Pet Food Manufacturers | \$13.34 | \$ 16.68 | \$ 20.84 | \$ 23.97 | \$ 26.37 | \$ 27.69 | \$14.35 |
| Soft Drink Bottling | \$10.57 | \$ 13.21 | \$ 16.52 | \$ 18.99 | \$ 20.89 | \$ 21.94 | \$11.37 |
| Ice Cream Cone Manufacturing | \$16.48 | \$ 20.60 | \$ 25.75 | \$ 29.61 | \$ 32.57 | \$ 34.20 | \$17.72 |
| NAU | \$4.91 | \$ 6.14 | \$ 7.67 | \$ 8.82 | \$ 9.70 | \$ 10.19 | \$5.28 |
| *Residential usage based on WQA (usage billed in winter months of December, January, February, March) | | | | | | | |



City of Flagstaff - January 2024



Understanding Your Municipal Services Bill Commercial

Below are standard fees and charges for a Commercial customer

| Color Key | Current Activity | Usage (Gallons) | Rate | Amount |
|---|--------------------------------------|-----------------|------|--------|
| ■ Water Services Division flagstaff.az.gov/waterservices | Base Meter Charge | | | 16.64 |
| | Energy Surcharge | 51,750 | 1.24 | 64.17 |
| | Water Protection Fee | 51,750 | 0.53 | 27.43 |
| ■ Wildland Fire Management flagstaff.az.gov/wildlandfire | Water Charge Commercial | 51,750 | 4.69 | 242.71 |
| | Sewer Charge | 51,750 | 5.68 | 293.94 |
| ■ Sustainability Division flagstaff.az.gov/sustainability | Stormwater Fee | | | 37.71 |
| | Solid Waste Charge | | | 157.90 |
| ■ Solid Waste Section flagstaff.az.gov/solidwaste | Recycling Fee | | | 93.81 |
| | Environmental Management Program Fee | | | 28.92 |
| | State and Local Taxes | | | 31.69 |

Water Charges

Base Meter Charge

A fixed fee is charged each month based on the diameter of the water meter. This charge funds the water system operations, maintenance, and capital projects.

Water Charge

For a commercial customer, this charge is based on how much water is used.

This charge funds the water system operations, maintenance, and capital projects.

Energy Surcharge

This fee, calculated annually, captures fluctuations in water production energy costs.

Sewer Charge

This charge is based on how much water is used. The rate is dependent on service class. See Rate Tables for a list of classes.

This charge funds the wastewater system operations, maintenance, and capital projects.

Stormwater Fee

This fee is based on an "Equivalent Rate Unit". An ERU is a measure of the impact a property has to the stormwater system. One ERU is equal to 1,500 square feet of non-porous surface on the property.

Funding provides greater flood mitigation and flood risk reduction.

Water Protection Fee

This fee is a rate that is applied to water usage and supports the Wildland Fire Management Program (WFM).

The WFM Program helps increase and maintain wildfire resilience, protect our valuable water, wastewater, and stormwater resources and infrastructure.

Environmental Management Program Fee

This fee is a rate that is applied to a portion of the total of water, sewer, stormwater, trash, and recycling services.

The fee funds environmental management, waste prevention, recycling, sustainability, climate change, and conservation education programs.

Solid Waste Charge

Cost for commercial trash and recycling services vary based on size and frequency of service

Recycling Fee

Cost for supplemental glass recycling service.

For questions related to your Municipal Bill, please contact Customer Service at solutions@flagstaffaz.gov or 928-213-2231
View our Rate Tables at flagstaff.az.gov/3596

City of Flagstaff - January 2024



Understanding Your Municipal Services Bill Single-Family Residential

Below are standard fees and charges for a single-family residential Municipal Services Bill

| Color Key | Current Activity | Usage | Rate | Amount |
|---|--------------------------------------|-------|------|--------|
| ■ Water Services Division flagstaff.az.gov/waterservices | Base Meter Charge | | | 16.64 |
| | Tier 1 Residential Water | 3,500 | 3.44 | 12.04 |
| | Tier 2 Residential Water | 1,050 | 4.45 | 4.67 |
| ■ Wildland Fire Management flagstaff.az.gov/wildlandfire | Energy Surcharge | 4,550 | 1.24 | 5.64 |
| | Water Protection Fee | 4,550 | 0.53 | 2.41 |
| ■ Sustainability Division flagstaff.az.gov/sustainability | Sewer Charge | 2,080 | 5.35 | 11.18 |
| | Stormwater Fee | | | 12.57 |
| ■ Solid Waste Section flagstaff.az.gov/solidwaste | Solid Waste Charge | | | 25.45 |
| | Recycling Fee | | | 5.09 |
| | Environmental Management Program Fee | | | 2.48 |
| | State and Local Taxes | | | 3.73 |

Water Charges

Base Meter Charge

A fixed fee is charged each month based on the diameter of the water meter. This charge funds the water system operations, maintenance, and capital projects.

Tiered Water Charges

For single-family residential customers, this charge is based on how much water is used within these tiers shown on the Rates Tables:

- Tier 1 (0-3,500 gallons)
- Tier 2 (3,501-6,200 gallons)
- Tier 3 (6,201-11,500 gallons)
- Tier 4 (11,501+ gallons)

This charge funds the water system operations, maintenance, and capital projects.

Energy Surcharge

This fee, calculated annually, captures fluctuations in water production energy costs.

Sewer Charge

This charge is based on your average water consumption billed in December to March, updated as an average consumption rate in June each year.

This charge funds the wastewater system operations, maintenance, and capital projects.

Stormwater

This fee is based on an "Equivalent Rate Unit". An ERU is a measure of the impact a property has to the stormwater system. One ERU is equal to 1,500 square feet of non-porous surface on the property.

Funding provides greater flood mitigation and flood risk reduction.

Water Protection Fee

This fee is a rate that is applied to water usage and supports the Wildland Fire Management Program (WFM).

The WFM Program helps increase and maintain wildfire resilience, protect our valuable water, wastewater, and stormwater resources and infrastructure.

Environmental Management Program Fee

This fee is a rate that is applied to a portion of the total of water, sewer, stormwater, trash, and recycling services.

The fee funds environmental management, waste prevention, recycling, sustainability, climate change, and conservation education programs.

Solid Waste Charge

Cost for monthly residential trash and recycling collection, including bulky waste charge.

Recycling Fee

Cost for supplemental glass recycling service.

For questions related to your Municipal Bill, please contact Customer Service at solutions@flagstaffaz.gov or 928-213-2231
View our Rate Tables at flagstaff.az.gov/3596



Bill Projections for Current Rate Structure - Residential

| Municipal Services Bill Example for Residential Customer @ 4,550 gallons in one month | Usage (Gallons) | FY 2024 Rate (Dollars) | FY 2024 Amount (Dollars) | Alternative 1 – No Change to Current Rate Structure | |
|---|-----------------|--------------------------|--------------------------|---|-----------------|
| | | | | FY 2025 | FY 2029 |
| Base Meter Charge | | Base Charge ¾ " meter | \$16.64 | \$19.14 | \$33.47 |
| Tier 1 Residential Water | 3,500 | \$3.44 | \$12.04 | \$13.85 | \$15.92 |
| Tier 2 Residential Water | 1,050 | \$4.45 | \$4.67 | \$5.37 | \$6.18 |
| Energy Surcharge | 4,550 | \$1.24 | \$5.64 | \$5.64 | \$5.64 |
| Water Protection Fee | 4,550 | \$0.53 | \$2.41 | \$2.41 | \$2.41 |
| Sewer Charge | 2,090 | \$5.35 | \$11.18 | \$13.98 | \$23.21 |
| Stormwater Fee | | | \$12.57 | \$14.07 | \$22.14 |
| Solid Waste Charge | | | \$25.45 | \$25.45 | \$25.45 |
| Recycling Fee | | | \$5.09 | \$5.09 | \$5.09 |
| Environmental Management Program Fee | | | \$2.48 | \$3.67 | \$4.88 |
| State and Local Taxes | | | \$3.73 | \$4.20 | \$5.80 |
| Total | | | \$101.90 | \$112.87 | \$150.19 |



Bill Projections for Current Rate Structure - Commercial

WATER, RECLAIMED WATER, & WASTEWATER STUDY

| Municipal Services Bill Example for Commercial Customer | Usage (Gallons) | FY 2024 Rate | FY 2024 Amount (Dollars) | Alternative 1 – No Change to Current Rate Structure | |
|---|-----------------|--------------------------|--------------------------|---|-------------------|
| | | | | FY 2025 | FY 2029 |
| Base Meter Charge | | Base Charge ¾ " meter | \$16.64 | \$19.14 | \$33.47 |
| Energy Surcharge | 51,750 | \$1.24 | \$64.17 | \$64.17 | \$64.17 |
| Water Protection Fee | 51,750 | \$0.53 | \$27.43 | \$27.43 | \$27.43 |
| Water Charge Commercial | 51,750 | \$4.69 | \$242.71 | \$279.11 | \$488.17 |
| Sewer Charge | 51,750 | \$5.68 | \$293.94 | \$367.43 | \$610.04 |
| Stormwater Fee | | | \$37.71 | \$42.21 | \$66.42 |
| Solid Waste Charge | | | \$157.90 | \$157.90 | \$157.90 |
| Recycling Fee | | | \$93.81 | \$93.81 | \$93.81 |
| Environmental Management Program Fee | | | \$28.92 | \$36.79 | \$53.95 |
| State and Local Taxes | | | \$31.69 | \$35.50 | \$57.37 |
| Total | | | \$994.92 | \$1,123.49 | \$1,652.63 |

DRAFT – FOR DISCUSSION PURPOSES



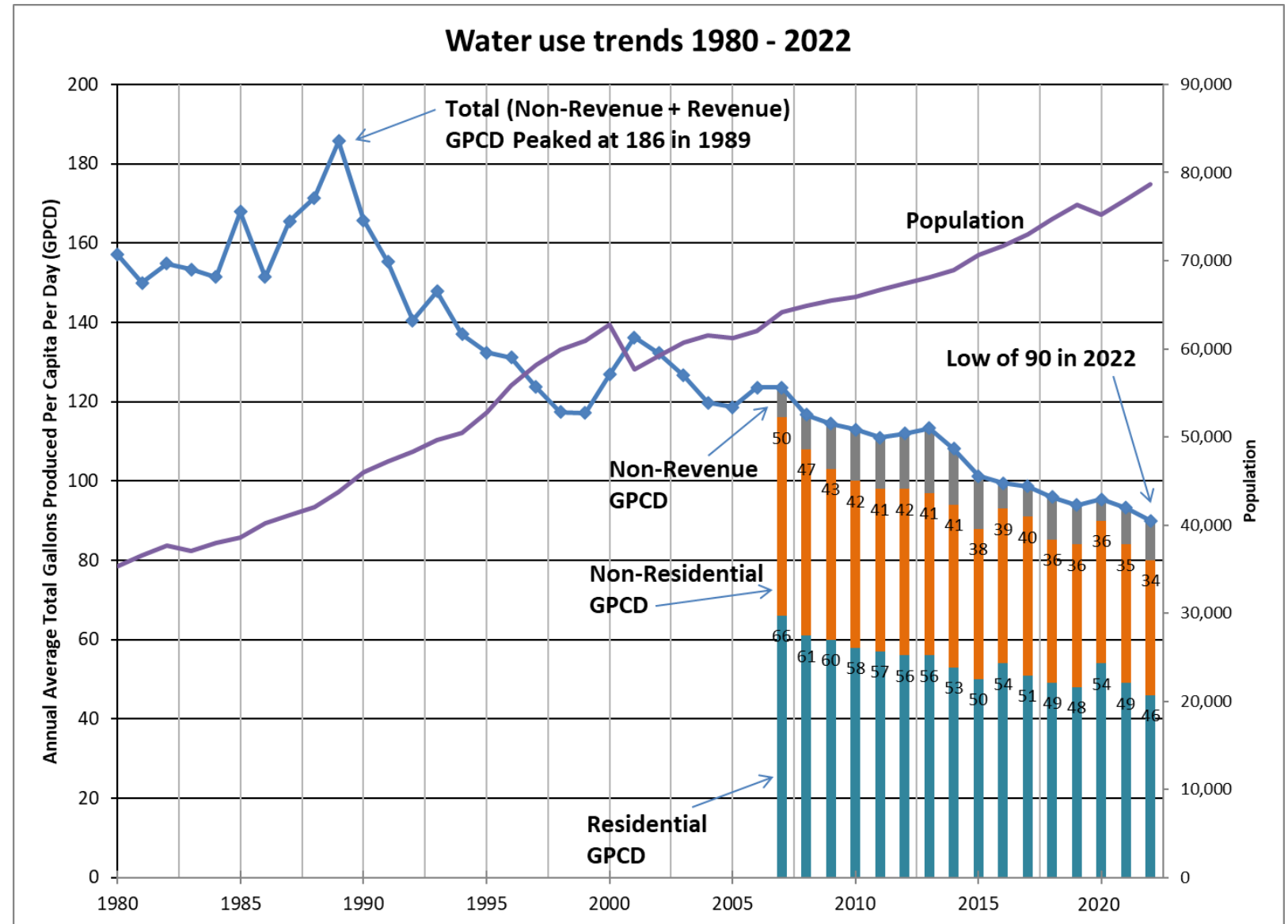
How Have These Rate Structures Affected Customer Usage Trends?



Water Use Trends

- Conservation Ordinance - 1988
Amended in 2003 to establish Water Conservation Program
- Implemented Tiered Rate Structure – 1991
- Toilet Rebate Programs since 1991
- Reclaimed Water Distribution System – 1993

GPCD = gallons per capita per day





Water System Customers

1.4% Increase
in Number of **Accounts** from 2021 - 2023

| # of Accounts (End Year) | | | |
|--------------------------|---------------|---------------|---------------|
| Customer Type | 2021 | 2022 | 2023 |
| Single-Family | 15,955 | 16,123 | 16,225 |
| Multi-Family | 3,085 | 3,087 | 3,089 |
| Commercial | 1,669 | 1,686 | 1,686 |
| Landscape | 332 | 332 | 332 |
| Manufacturing | 39 | 38 | 38 |
| Institutional | 7 | 7 | 7 |
| Hydrant | 0 | 0 | 0 |
| Standpipe | 1 | 1 | 1 |
| Total | 21,089 | 21,274 | 21,378 |

-10.4% Decrease
in Water **Usage** from 2021 - 2023

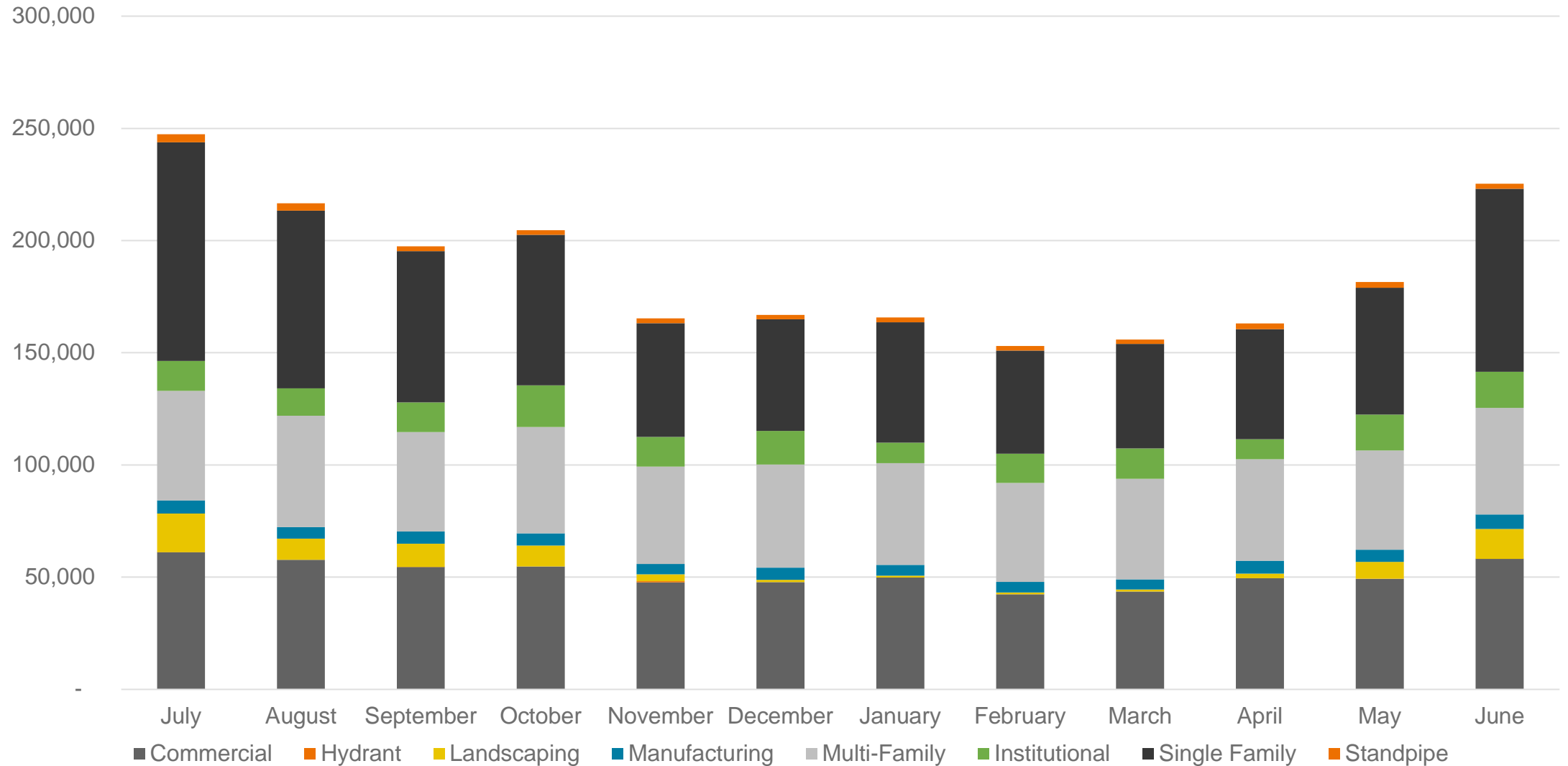
| Water Usage (1,000 gallons) | | | |
|-----------------------------|------------------|------------------|------------------|
| Customer Type | 2021 | 2022 | 2023 |
| Single-Family | 916,498 | 799,522 | 744,542 |
| Multi-Family | 573,118 | 546,850 | 550,670 |
| Commercial | 621,641 | 628,820 | 616,305 |
| Landscape | 121,291 | 92,035 | 75,873 |
| Manufacturing | 70,345 | 60,264 | 63,721 |
| Institutional | 169,265 | 167,317 | 162,456 |
| Hydrant | 78 | 11 | 606 |
| Standpipe | 31,531 | 29,539 | 28,600 |
| Total | 2,503,765 | 2,324,357 | 2,242,773 |



Monthly Water Use Characteristics

FY 2023 Water Usage

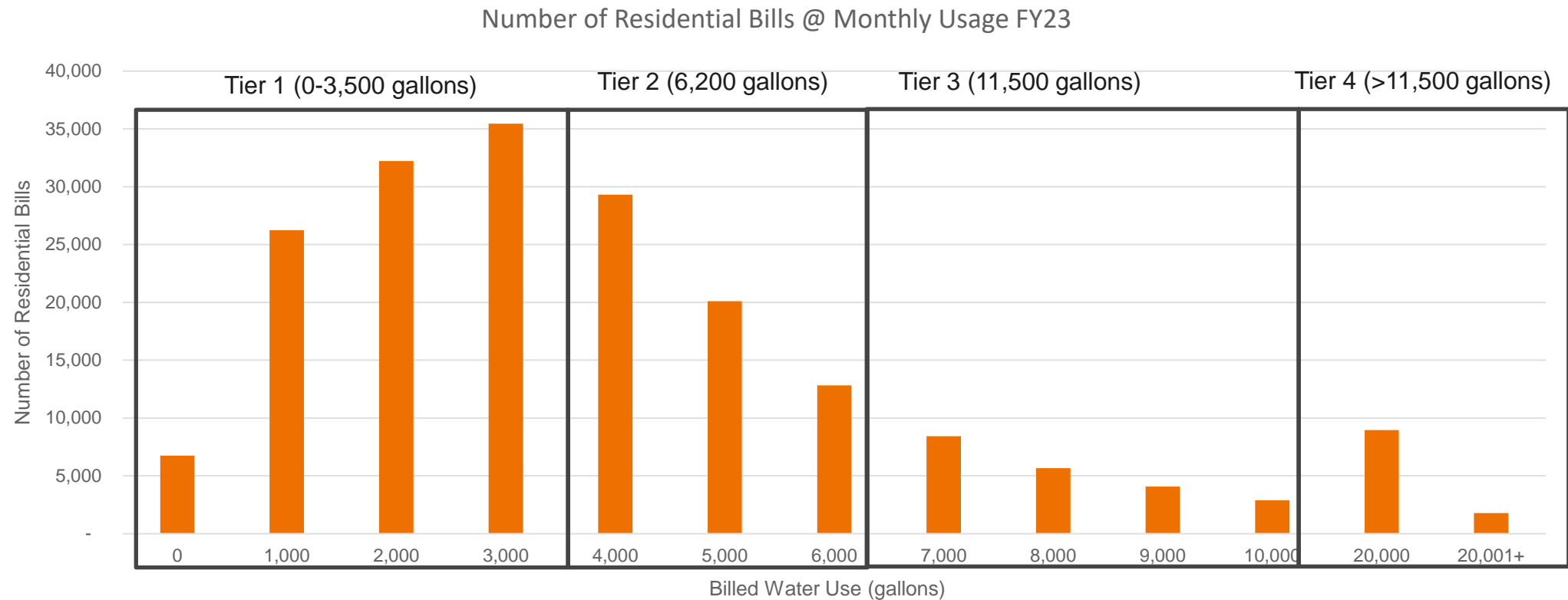
WATER, RECLAIMED WATER, & WASTEWATER STUDY





Residential Water Bills per 1,000 Gallons

| FY | 2020 | 2021 | 2022 | 2023 |
|------------------------------|-------|-------|-------|-------|
| Average usage per bill (gal) | 4,480 | 4,787 | 4,132 | 3,824 |



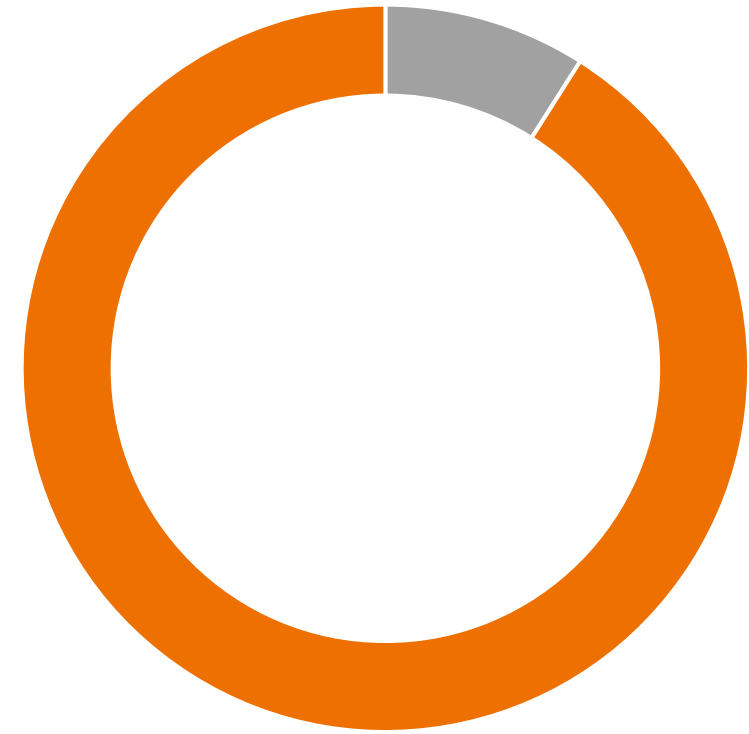
*Majority of bills issued in Tier 1



Reclaimed Water Customers

| Service Class | | Number of Accounts | FY23 Flows (1,000 gallons) |
|-----------------|------------------------------|--------------------|----------------------------|
| Residential | Residential/ Multi-family | 9 | 365 |
| Non-Residential | Commercial | 55 | 127,179 |
| | Municipality | 30 | 41,340 |
| | Institutional | 7 | 60,009 |
| | Off Peak | 2 | 150,539 |
| | Manufacturing | 1 | 4,260 |
| | Standpipe | 1 | 12,879 |
| | Golf Course | 2 | 25,99 |
| Total | | 106 | 422,915 |

2023 Accounts by Type



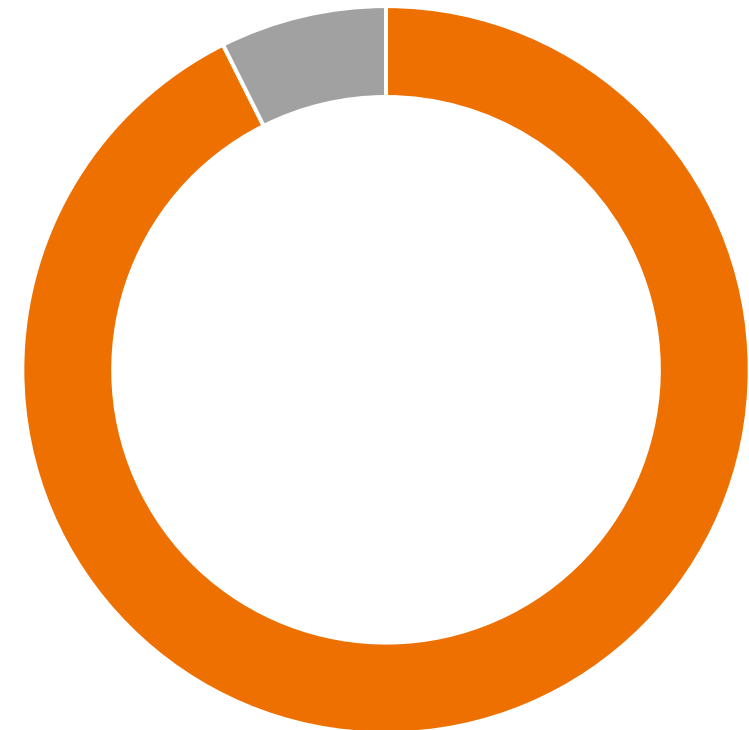
■ Residential ■ Non-Residential



Wastewater System Customers

| Service Class | | Number of Accounts | FY23 Flows (1,000 gallons) |
|-----------------|----------------------|--------------------|----------------------------|
| Residential | Residential | 21,080 | 1,116,143 |
| Non-Residential | Commercial | 1,402 | 277,949 |
| | Restaurants | 132 | 61,531 |
| | Hotels and Motels | 97 | 138,843 |
| | Manufacturing | 27 | 19,262 |
| | Car Washes | 13 | 24,539 |
| | Laundromats | 6 | 7,893 |
| | Industrial Laundries | 1 | 9,342 |
| Total | | 22,758 | 1,655,502 |

2023 Accounts by Type



■ Residential ■ Non-Residential



Assumed Wastewater Strengths by Customer Class

| Customer Class | BOD (mg/L)* | TSS (mg/L)** |
|---------------------------|-------------|--------------|
| Residential & Multifamily | 250 | 250 |
| Car Washes | 20 | 150 |
| Laundromats | 150 | 110 |
| Commercial | 200 | 175 |
| Hotels & Motels | 310 | 120 |
| Restaurants | 1,000 | 600 |
| Industrial Laundries | 670 | 680 |
| Manufacturing 1 | 200 | 175 |
| Manufacturing 2 | 701 | 527 |
| Manufacturing 3 | 20,926 | 393 |
| Institutional | 130 | 100 |

*BOD = Biochemical Oxygen Demand

**TSS = Total Suspended Solids

mg/L = milligrams per liter



What are Our Objectives?



Pricing Objectives

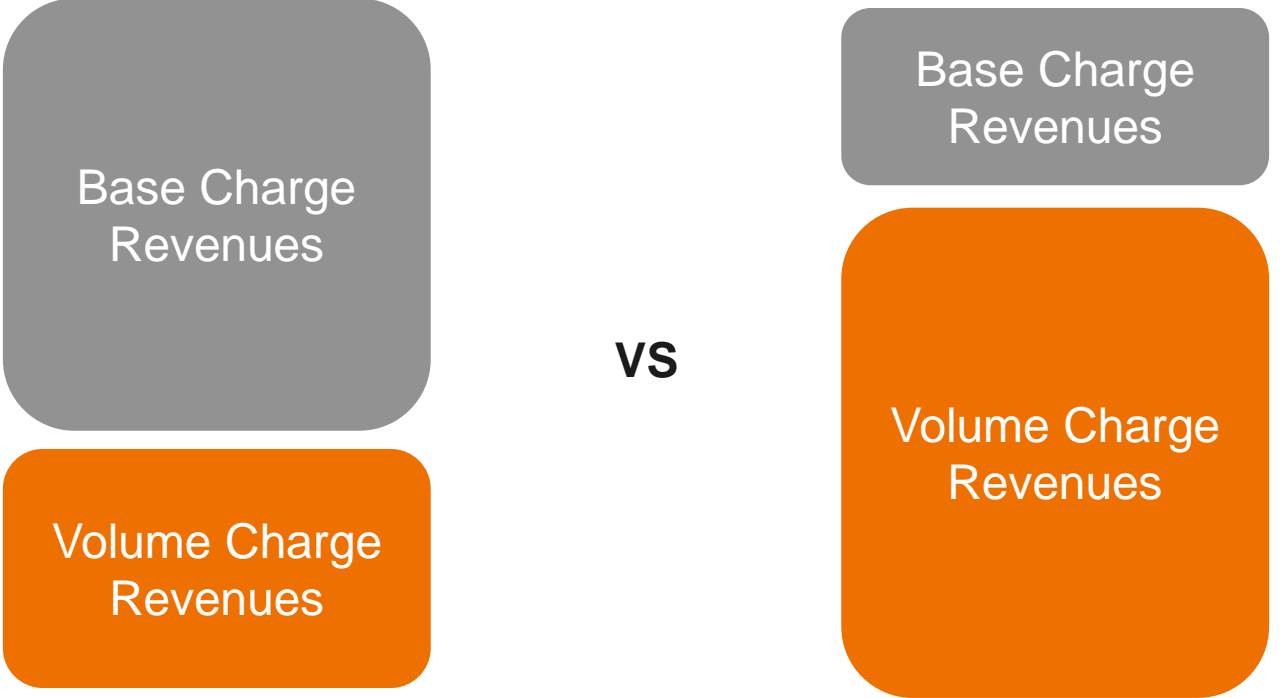
| Category | Pricing Criteria |
|------------------------|---|
| Revenue | Revenue Sufficiency |
| | Revenue Stability |
| Legal | Legal Defensibility |
| Equity | Interclass (between classes) Equity |
| | Intraclass (within class) Equity |
| | Intergenerational (existing vs. new connections) Equity |
| Customer Impact | Affordability |
| | Conservation/ Demand Management |
| | Bill Stability |
| Administration | Administrative Burden |
| | Complexity/Customer Understanding |
| | Public and Political Acceptance |



Pricing Objectives - Revenue


| Pricing Criteria | Definition |
|-----------------------|--|
| ✓ Revenue Sufficiency | Rates recover full cost of service annually |
| Revenue Stability | Rates minimize fluctuations in revenue due to usage, weather, or other factors |

Rate Design Examples






Pricing Objectives - Legal

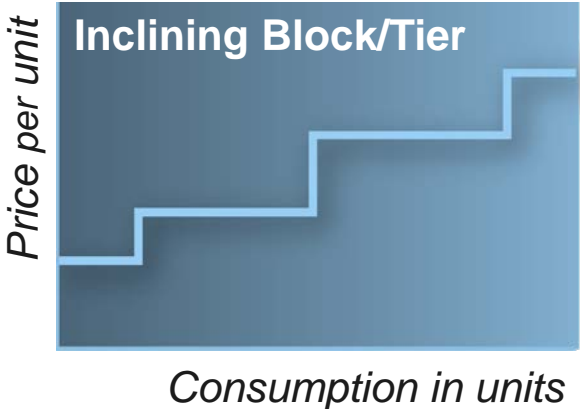
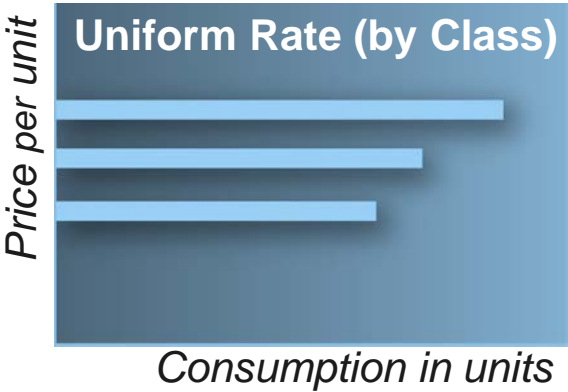
| Pricing Criteria | Definitions |
|---|---|
|  Legal Defensibility | Rate structure complies with state and national laws/guidelines |



Pricing Objectives - Equity

| Pricing Criteria | Definitions |
|---|--|
| Interclass (between classes) Equity | Costs recovered proportionally from each class |
| Intraclass (within class) Equity | Costs recovered proportionally from lower users vs higher users in a class |
|  Intergenerational (existing vs. new connections) Equity | Costs of growth recovered from new connections vs existing users |

Rate Design Examples





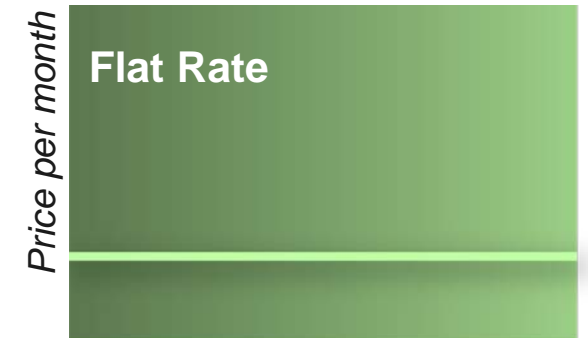
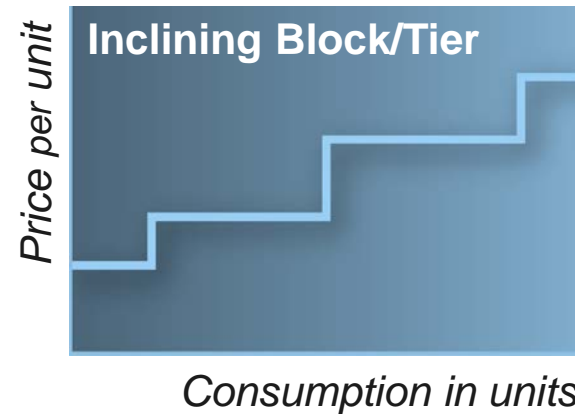
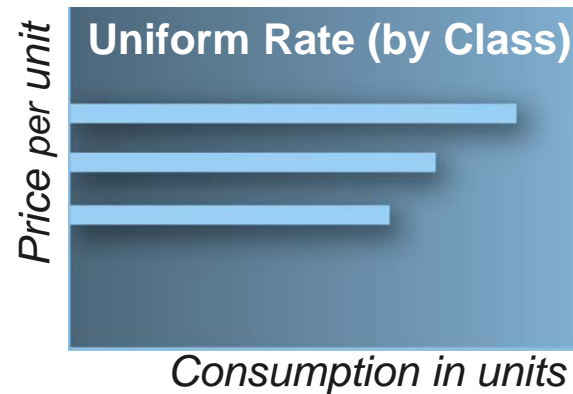
Pricing Objectives – Customer Impact

| Pricing Criteria | Definitions |
|---------------------------------|--|
| Affordability | Ability for customer to influence bill by adjusting water use |
| Conservation/ Demand Management | Rate structure provides price signal/incentive to use less water |
| Bill Stability | Rates minimize monthly fluctuations in bills |

Rate Design Examples


Base Charge Revenues

Volume Charge Revenues

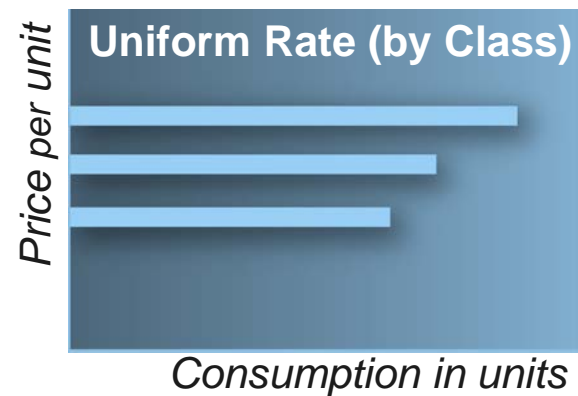




Pricing Objectives - Administration

| Pricing Criteria | Definitions |
|---|---|
| Administrative Burden | Cost, effort to implement & maintain rates |
| Complexity/Customer Understanding | Ability of public to understand rates; ease of explanation of rates |
|  Public and Political Acceptance | Necessary agreement that rate structure meets community values and goals |

Rate Design Examples





Pricing Objectives – Discussing Priorities

| Category | Pricing Criteria | Water Services | Council | Water Commission |
|-----------------|-------------------------------------|----------------|---------|------------------|
| Revenue | Revenue Stability | | | |
| Equity | Interclass (between classes) Equity | | | |
| | Intraclass (within class) Equity | | | |
| Customer Impact | Affordability | | | |
| | Conservation/ Demand Management | | | |
| | Bill Stability | | | |
| Admin | Administrative Burden | | | |
| | Complexity/Customer Understanding | | | |



Rate Design Focus - Recap

Strategy Examples:

- Goals for Water Rate Design
 - Explore percentage of revenue collected from base charges vs volume charges
 - Investigate tiered commercial rates
 - Investigate seasonal rates
 - Simplify non-residential rates by class
- Goals for Wastewater Rate Design
 - Group customer classes by wastewater loadings
 - Consider monthly base charge for wastewater
 - Simplify non-residential rates
- Estimate bill impacts to different customers



Community Outreach Update

Community Groups

- Input from two developers – Jan 30 & 31 Drop-ins @ Water Services
(Notices emailed Jan 24 and Jan 30 - open rate of 62% and 71%)
- Coffee with Downtown Business Alliance business owner on Feb 8th
- Meet with Chamber of Commerce Feb 15th
- Staff reaching out to schedule additional community group meetings
(Notices emailed Jan 16 - open rate of 89%)

Community Events

- March 11 Town Hall 5:30 – 6:30 PM | In-person & Virtual | Presentation on Rate Design Options to Customers



Tabling Events for Water Awareness Month

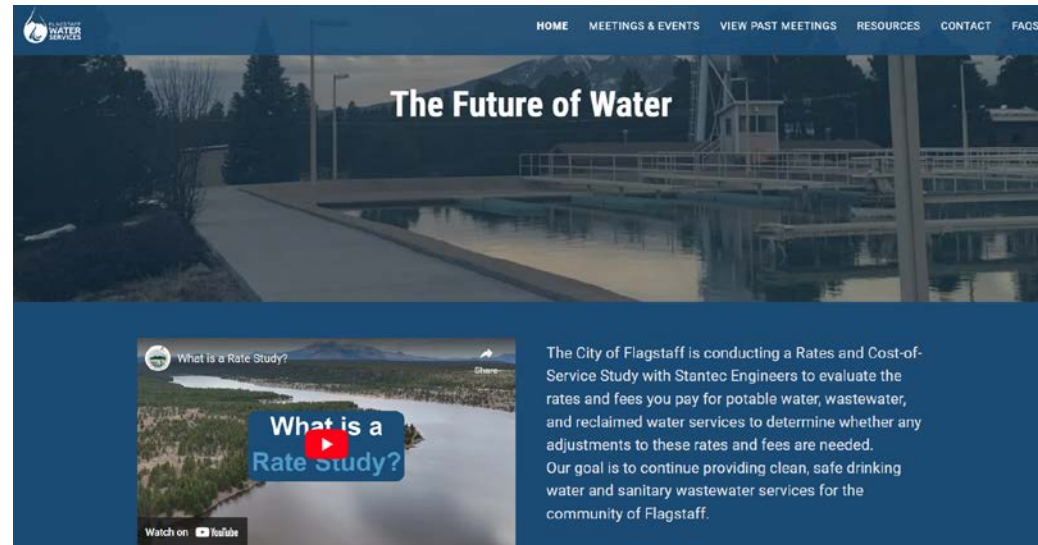
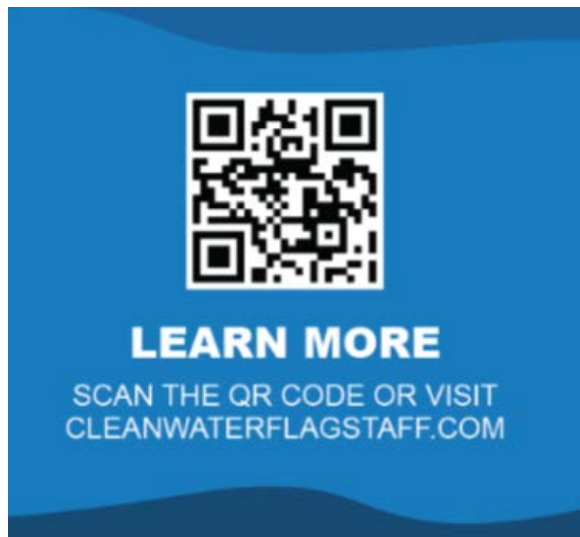
- April 1 | Downtown Library
- April 3 | Jay Lively Ice Arena Public Skate
- April 6 | Science Saturday at Willow Bend
- April 8 | 4th Street Library
- April 10 | Joe Montoya Center
- April 13 | Tentative - Public Tours of Wildcat Hill Water Reclamation Plant
- ****** April 16 | *Notice of Intent to Change Rates & Fees Council Meeting* ******
- April 17 | Hal Jensen
- April 20 | Earth Day
- April 27 | Science, Technology, Engineering and Math (STEM) Celebration at Ft. Tuthill





Additional Website Content

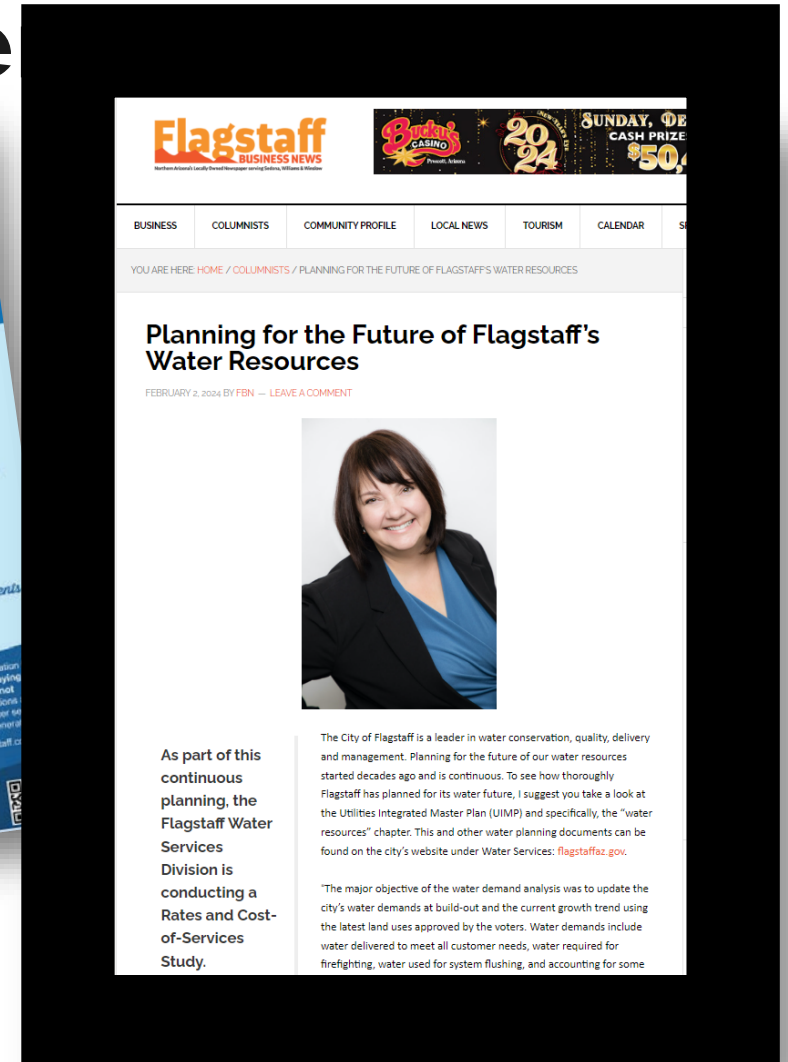
- Recent updates to functionality of website
- Community Resources (in progress)
 - Understanding Your Municipal Services Bill
 - Water & Wastewater Capital Project Lists
 - Criticality of Projects on Capital Project Lists





Outreach Materials Development

- Rack Cards
- Social Media Campaign
- Digital Ads
- Radio Spots
- Fact Sheets
- Posters
- Press Releases





Next Steps

- February 15, 2024 Water Commission – rate design introduction
- March 4, 2024 - Joint City Council & Water Commission Rate Design Direction
- *Future opportunities for direction:*
 - March 25, 2024 - available for Joint City Council & Water Commission, if needed
 - April work sessions for policy topic discussions
- April 16, 2024 – adopt notice of intention (NOI) to change rates and fees
- June 18 and July 2, 2024 - Public hearings on changes in rates and fees
- September 1, 2024 - new rates are effective



Discussion & Guidance

Next Steps/Action Items