

# City of Flagstaff, AZ

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

*Joint City Council & Water Commission Work Session  
March 25<sup>th</sup>, 2024*



# Agenda

1. Public Outreach Update
2. Overview
3. Cost Recovery for FY 2025
4. Water Rate Options (3)
5. Water Customer Impacts
6. Consideration for Reclaimed Water Rates
7. Wastewater Rate Options
8. Next Steps

# Rate Study Outreach Update – March 25

Erin Young, Water Resources Manager

Sarah Langley, Public Information Officer

Lisa Deem, Water Services Management Analyst

Last Updates to Council February 6 & 13, 2024



# Outreach Update - Individual Meetings

## ➤ Meetings with customers

- Chamber of Commerce
- Historic Brewery
- Snowbowl
- Joy Cone
- Capstone Homes
- Downtown Business Alliance

## ➤ Feedback from customers

- Appreciated staff reaching out to them
- Importance of appropriate investment
- Acknowledge the high level of service from Water Services
- Recognize the value
- Changes are significant but understand the need



# Outreach Update –Emails

## ➤ Emailed Notices to All Interested Parties

- Feb 29 on Wastewater Rates Meeting
- 461 recipients and 65% open rate

## ➤ Emailed Notice to Significant Industrial Users Group

- March 12 sharing information about rate study and invitation to join March 25th
- 19 recipients and 84% open rate

## ➤ Emailed Notice to All Interested Parties

- March 21 invitation to March 25th meeting and timeline for process
- 512 recipients and 41% open rate

## ➤ Emailed Notice to Reclaimed Water Users Group

- March 22 sharing information about rate study and invitation to join March 25th
- 39 recipients and 31% open rate (as of 2 pm)

# Email Communication


CITY OF  
FLAGSTAFF


**NOTICE  
CITY COUNCIL & WATER COMMISSION JOINT  
MEETING ON PROPOSED CHANGES TO WASTEWATER  
RATES & RATE STRUCTURE**

The City of Flagstaff is conducting a rate study to evaluate the rates and fees you pay for potable water, wastewater and reclaimed water services. Our goal is to continue providing clean, safe drinking water and sanitary wastewater services for the community of Flagstaff. 

Flagstaff City Council and the Water Commission are holding a joint work session on Monday March 4<sup>th</sup> at 3 pm, Flagstaff City Hall to discuss **proposed changes to wastewater rates and wastewater rate structure**. We invite you to be a part of this discussion.

**Where:** Flagstaff City Hall  
211 W Aspen Avenue

**When:** March 4 3-5 pm



**How:** In-person or on [TEAMS](#)

This will be followed by a joint meeting scheduled for March 25 on proposed changes to water rates and water rate structure. Council will be asked to adopt draft changes to rates and fees on April 16, 2024 and final changes to rates and fees on June 18, 2024 with new rates effective September 1, 2024.

For more information, go to [cleanwaterflagstaff.com](https://cleanwaterflagstaff.com)

To schedule a meeting to discuss impacts of the rate study, please email [flagwater@flagstaffaz.gov](mailto:flagwater@flagstaffaz.gov), or call (928)213-2400

We look forward to hearing from you!


CITY OF  
FLAGSTAFF


Greetings from Flagstaff Water Services,

We are contacting you as one of our *reclaimed water customers*. The City of Flagstaff is conducting a rates and cost-of-service study to evaluate the rates and fee structure for potable water, wastewater, and reclaimed water services. Our goal is to continue providing clean, safe and reliable water services for the community of Flagstaff.

A topic of specific interest to our *reclaimed water* customers are the water rates and fees analysis. Our rates consultant will present different options and seek final direction for updating water rates and fees on March 25<sup>th</sup> at a **Joint Meeting of the Water Commission and City Council**, at City Hall Council Chambers at 3 pm. Staff are not certain whether the policy on how reclaimed water rates are set (currently assessed as a percentage of the water rate) will be discussed at this meeting, or a future meeting.

A full rates proposal for water, wastewater, and reclaimed water will go to city council on April 16 with a first read scheduled for June 18 and a second read scheduled for July 2. New rates would be effective September 1, 2024.

**You can leave a comment or download meeting materials from the "Meetings and Events" tab, at [cleanwaterflagstaff.com](https://cleanwaterflagstaff.com)**

**Water – Wastewater – Reclaimed Water – Stormwater**

<p><b>Administration Offices</b> 2323 N. Walgreens St., Suite 1 Flagstaff, Arizona 86004</p>	<p><b>City Hall</b> 211 W. Aspen Ave. Flagstaff, Arizona 86001</p>
--	--



# Outreach Update – Press Releases

WATER, RECLAIMED WATER, & WASTEWATER STUDY

## ➤ Press Releases announcing community meetings and events

### Flagstaff to host community meeting on water rate study Dec. 7

ALERT TOP STORY

DAILY SUN STAFF Nov 27, 2023



Flagstaff City Hall  
Allen Marklund Sun Staff Reporter

Listen to this article now  
Powered by Trinity Audio  
00:00 00:26

The City of Flagstaff will be hosting a virtual informational meeting about the current drinking water, wastewater and reclaimed water rate study on Thursday, Dec. 7, from 5:30 to 7 p.m.

The meeting will be accessible both virtually and by phone. Members of the public are invited to attend to learn more about the rate study and to ask questions. The meeting will consist of an informational presentation, followed by a Q&A.

To attend the meeting online, please register at [bit.ly/ratestudy](http://bit.ly/ratestudy). Members of the public may also attend the meeting by phone by calling 888-400-1932 for English or 888-400-9342 for Spanish at the time of the meeting. All attendees, whether attending online or by phone, will have the opportunity to ask questions and make comments. Spanish interpretation will be available at the meeting.

The City of Flagstaff, according to a press release, is conducting this rate study to evaluate the rates and fees community members pay for drinking water, wastewater and reclaimed water services, and to determine whether any

### Flagstaff hosts two information events on proposed changes to water/sewer fees

ALERT TOP STORY

DAILY SUN STAFF Jan 25, 2024



City of Flagstaff stormwater maintenance worker Paul Wolf feeds a pressure washer into a manhole to wash out accumulated sediment nearby blocking the stormwater tunnels under a street in Sunnyside in this 2023 photo.  
Jillie Slocum, Arizona Daily Sun

Listen to this article now  
Powered by Trinity Audio  
00:00 00:23

The City of Flagstaff is hosting two drop-in events on proposed changes to growth-related water and sewer capacity fees.

City officials say Flagstaff-area developers and contractors are invited to attend to learn more about the proposed fee changes, as well as the city's Water, Wastewater, and Reclaimed Water Rate Study. City staff will be available to take feedback and answer questions.

The city will host two events at the Water Services Administrative Building (2525 N. Walgreens Blvd., Suite 1). The first event will be on Jan. 30 from 4 to 6 p.m. A second event will occur on the following day, Wednesday, Jan. 31, from 11 a.m. to 2 p.m.

The City of Flagstaff is conducting a rate study to evaluate the rates and fees paid for potable water, wastewater and reclaimed water services.

One of several aspects of the study is the evaluation of capacity fees. The city's rate consultant will bring forward draft capacity fees for city council direction

Posted on: February 29, 2024

### Council and Water Commission to review proposed changes to water rates during March meetings

The Flagstaff City Council and Water Commission are holding two joint meetings in March to discuss proposed changes to wastewater, water, and reclaimed water rates. The changes discussed will impact all City customers that pay for water, reclaimed water, or sewer services, including single-family residential, commercial, manufacturing, and institutional customers. Members of the public are invited to join the meetings and provide feedback.

#### [Joint City Council/ Water Commission meeting on wastewater rates](#)

Date/ time: Monday March 4 at 3 p.m.

Location: In person option - Flagstaff City Hall (211 W Aspen Ave)

Virtual option - to stream the meeting, visit [flagstaff.az.gov/1461](http://flagstaff.az.gov/1461)

To offer online public comment during the meeting, [Click here to join the meeting](#)

#### [Joint City Council/ Water Commission meeting on water and reclaimed water rates](#)

Date/ time: Monday March 25 at 3 p.m.

Location: In person option - Flagstaff City Hall (211 W Aspen Ave)

Virtual option - to stream the meeting, visit [flagstaff.az.gov/1461](http://flagstaff.az.gov/1461)

To offer online public comment during the meeting, [Click here to join the meeting](#)

The City Council will vote on a final draft of changes to water, wastewater, and reclaimed water rates on April 16 with final adoption of changes scheduled for June 18 and July 2. Final changes would be effective Sept. 1, 2024.

The City of Flagstaff is conducting a rate study to evaluate the rates and fees paid for water, wastewater and reclaimed water services. The City's goal is to continue providing clean, safe drinking water and sanitary wastewater services for the community of Flagstaff. For further information or to provide feedback, please visit [cleanwaterflagstaff.com](http://cleanwaterflagstaff.com).

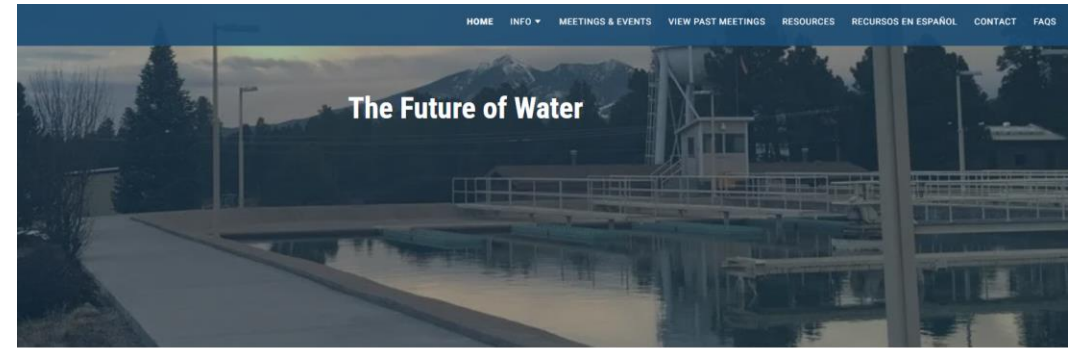
###



# Outreach Update – Website

2,395 site visitors

- Increased visitation
- Watch past meetings
- Upcoming meeting opportunities
- New resources
- Spanish resource section
- Educational videos
- COMING SOON the bill calculator



## City Council/Water Commission meeting on Monday, March 25



Monday, March 25 at 3 p.m.

**In-person option** - Flagstaff City Hall (211 W Aspen Ave)

**Virtual option** - to stream the meeting, visit [flagstaff.az.gov/1461](http://flagstaff.az.gov/1461)

Agenda available - [Link](#)

To offer online public comment during the meeting, [click here](#).

## Rate Study Resources

The Rate Study is an opportunity to evaluate whether all customer classes are paying their proportional share of the cost of providing you with water, sewer, and reclaimed water services. It is also an opportunity to adjust for revenue shortfalls. Check out these resources for more information.

<p>Water Rate Study Fact Sheet (png)</p> <p><a href="#">DOWNLOAD</a></p>	<p>Water Rate Study Rack Card (png)</p> <p><a href="#">DOWNLOAD</a></p>	<p>Rate Study Help Sheet - Charges Being Evaluated on a Residential Bill (pdf)</p> <p><a href="#">DOWNLOAD</a></p>
<p>Understanding your Residential Bill (pdf)</p> <p><a href="#">DOWNLOAD</a></p>	<p>Rate Study Help Sheet - Charges Being Evaluated on a Commercial Bill (pdf)</p> <p><a href="#">DOWNLOAD</a></p>	<p>Understanding your Commercial Bill (pdf)</p> <p><a href="#">DOWNLOAD</a></p>
<p>Stantec Rate Study Scope of Work (pdf)</p> <p><a href="#">DOWNLOAD</a></p>	<p>10-Year Capital Projects List - Water (pdf)</p> <p><a href="#">DOWNLOAD</a></p>	<p>10-Year Capital Project List - Wastewater (pdf)</p> <p><a href="#">DOWNLOAD</a></p>



# Outreach Update – Website Feedback

- **Prominent themes from [cleanwaterflagstaff.com](http://cleanwaterflagstaff.com) website**
  - Other increases on the municipal services bill
  - Most expensive utility bill
  - Costs over inflationary rate and outpaced increases by APS, Unisource and Verizon
  - Opportunities for a “balance budget” similar to gas company
  - Desire for payment assistance
  - Questions about Industry Specific rate classes being eliminated
  - Request for cost-of-service report to be available to the public
  - Impact to low-income families

# Materials & Advertising

- Rack Cards (English & Spanish)
- Social Media Posts
- Digital Ads
- Radio Spots
- Fact Sheets (English & Spanish)
- Posters
- News Releases
- Customer Bill Assistance Information

## Radio Ads



Flagstaff City Government

Learn how Flagstaff is providing high quality water for residents and businesses with our rate study by visiting [www.CleanWaterFlagstaff.com](http://www.CleanWaterFlagstaff.com)

### Future of Water Rate Study

Flagstaff's water rates support providing high quality water for residents and businesses

To learn more, visit [CleanWaterFlagstaff.com](http://CleanWaterFlagstaff.com)

City of Flagstaff  
**Future of Water**

Learn how Flagstaff is investing in efficiency with our rate study!

## RECENT NEWS >>

2014 while walking to a friend's house. Gonzalez's body was found days later in a remote area north of Tucson. Celis' remains were discovered years later in the same general area. Clements was sentenced to natural life in prison in 2022 for kidnapping and killing Gonzalez. Jurors in Clements' retrial weren't told of that conviction or his history of convictions for sex crimes in several states dating back to when he was 16. Celis' mother and brother were both in the courtroom Thursday but left after the verdict was read, according to Tucson TV station KOLD. A call to Kessler seeking comment on the verdict was not immediately returned. Miller told KOLD that

## Recreation record

sources within our 1.25 million acres. Glen Canyon continues to be an economic engine for the region in Utah and Arizona, and is especially important to our gateway communities. The largest increase to visitation was in the Lees Ferry District, which increased from 1,052,978 visits in 2022 to 2,190,250

City of Flagstaff  
**Future of Water**

### Rate Study

*Why is the City evaluating Water Rates?*

Flagstaff regularly evaluates the rates it charges for services such as drinking water, wastewater and reclaimed water to ensure we can provide quality services for our customers into the future.

- Provide high-quality water for customers
- Develop and maintain multiple reliable sources of water
- Maintain and replace aging water infrastructure
- Reclaim water for other uses
- Fulfill regulatory requirements

Flagstaff has seen rising costs due to inflation and cost escalation for materials. These rising costs have been absorbed by delaying critical projects and putting off maintenance, but this is not sustainable in the long run.

City of Flagstaff  
**Future of Water**

### Tarifas de Agua

*¿Por qué se están evaluando las tarifas de agua?*

El municipio de Flagstaff evalúa con frecuencia las tarifas que cobra por servicios como agua potable, aguas residuales y agua recuperada para garantizar que pueda prestar servicios de calidad para nuestros clientes en el futuro.

- Suministrar agua de alta calidad para los clientes
- Desarrollar y mantener múltiples fuentes fiables de agua
- Mantener y reemplazar la infraestructura antigua
- Recuperar agua para otros usos
- Cumplir con los requisitos reglamentarios

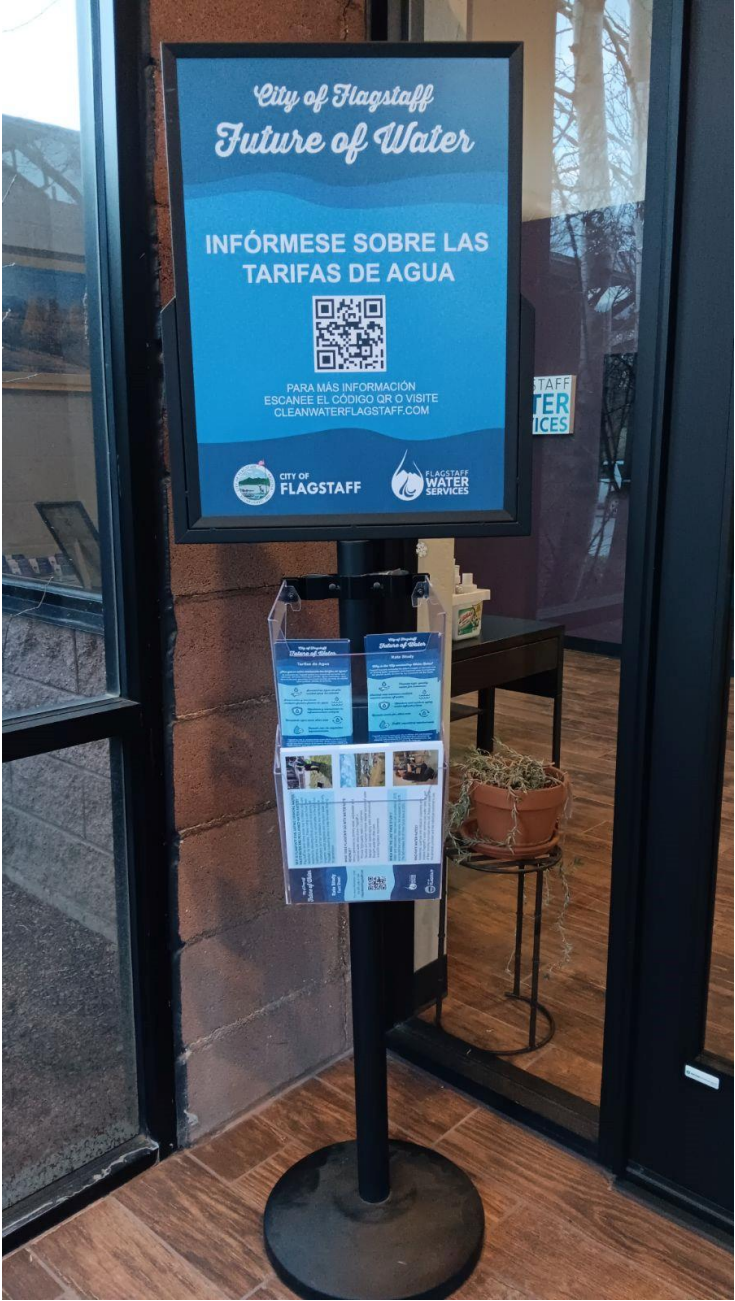
Flagstaff ha visto un aumento de los costos debido a la inflación y el incremento de precios para los materiales. Estos costos crecientes se han absorbido a través de la demora de proyectos críticos y el mantenimiento, pero esta práctica no es sostenible a largo plazo.

Para más información, escanee el código QR o visite [CleanWaterFlagstaff.com](http://CleanWaterFlagstaff.com)



# Kiosks & Banners

- Aqua Plex
- City Hall
- Downtown Library
- East Side Library
- Hal Jensen
- Jay Lively Activity Center





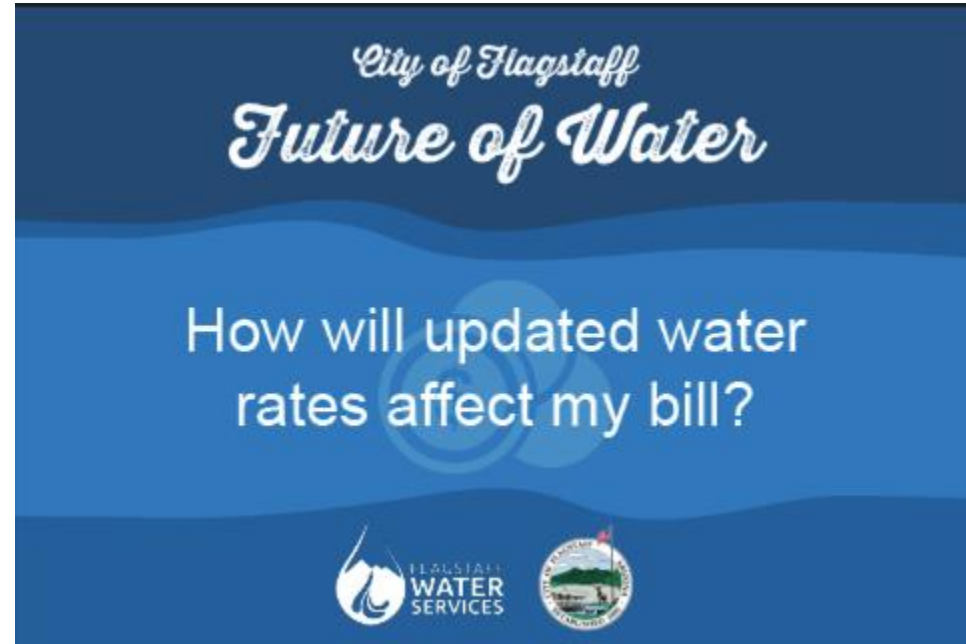
# Upcoming Outreach – April & May

## Community Meeting

- Monday, April 8, 5:30pm,  
East Side Library  
Community Room

## Advertising the rate calculator

- Digital Ads Social media
- Printed water bill inserts
- Print ads
- Postcard to  
Sunnyside, Southside and  
La Plaza Vieja
- Radio interviews



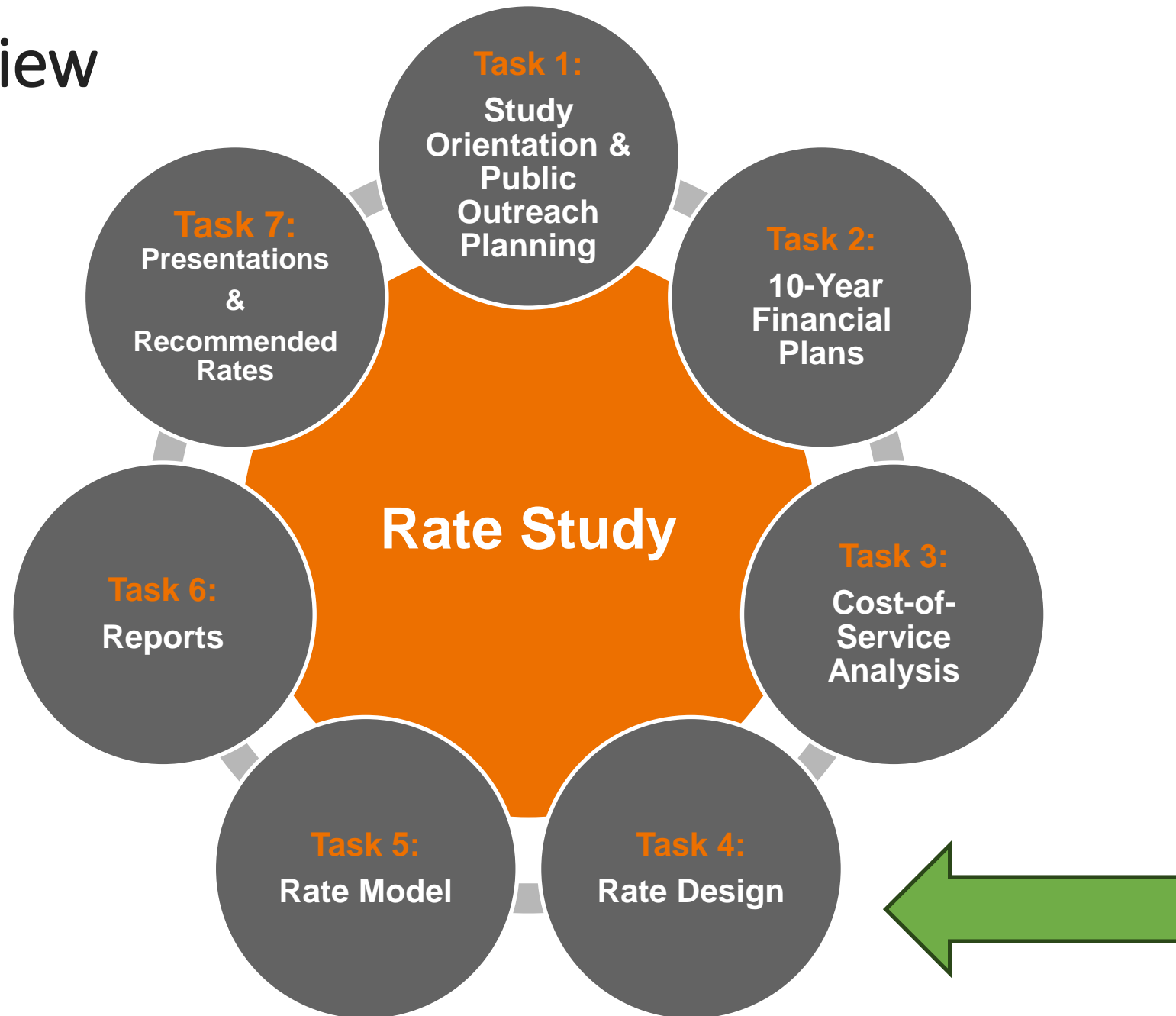
# Join Us & Spread the Word

- April 1<sup>st</sup> – Downtown Library
- April 3<sup>rd</sup> – Jay Lively Public Skate
- April 6<sup>th</sup> – Willow Bend Science Saturday
- April 8<sup>th</sup> – East Flagstaff Library Community Meeting
- April 10<sup>th</sup> – Joe Montoya Recreation Center
- April 17<sup>th</sup> – Hal Jensen Recreation Center





# Scope Overview





# The Rate Study Process

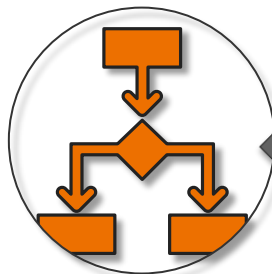
## How Much?



### 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



# How Much: Revenue Requirements FY 2024 vs. FY 2025

Water Fund	FY 2024 (millions)	FY 2025 (millions)
<b>Operations &amp; Maintenance</b>	\$11.8	\$15.6
<b>Debt Service</b>	\$1.8	\$1.8
<b>Capital</b>	\$9.6	\$7.2
<b>Total Expenditures</b>	<b>\$23.2</b>	<b>\$24.6</b>
<i>Use of Reserves</i>	(\$5.3)	(\$5.0)
<i>Non-Rate Revenue</i>	(\$2.7)	(\$2.6)
<b>Rate Revenue</b>	<b>\$15.2</b>	<b>\$17.0</b>

**Change in rate revenue needed – 12%**



# Revenue Requirements FY 2024 – FY 2025

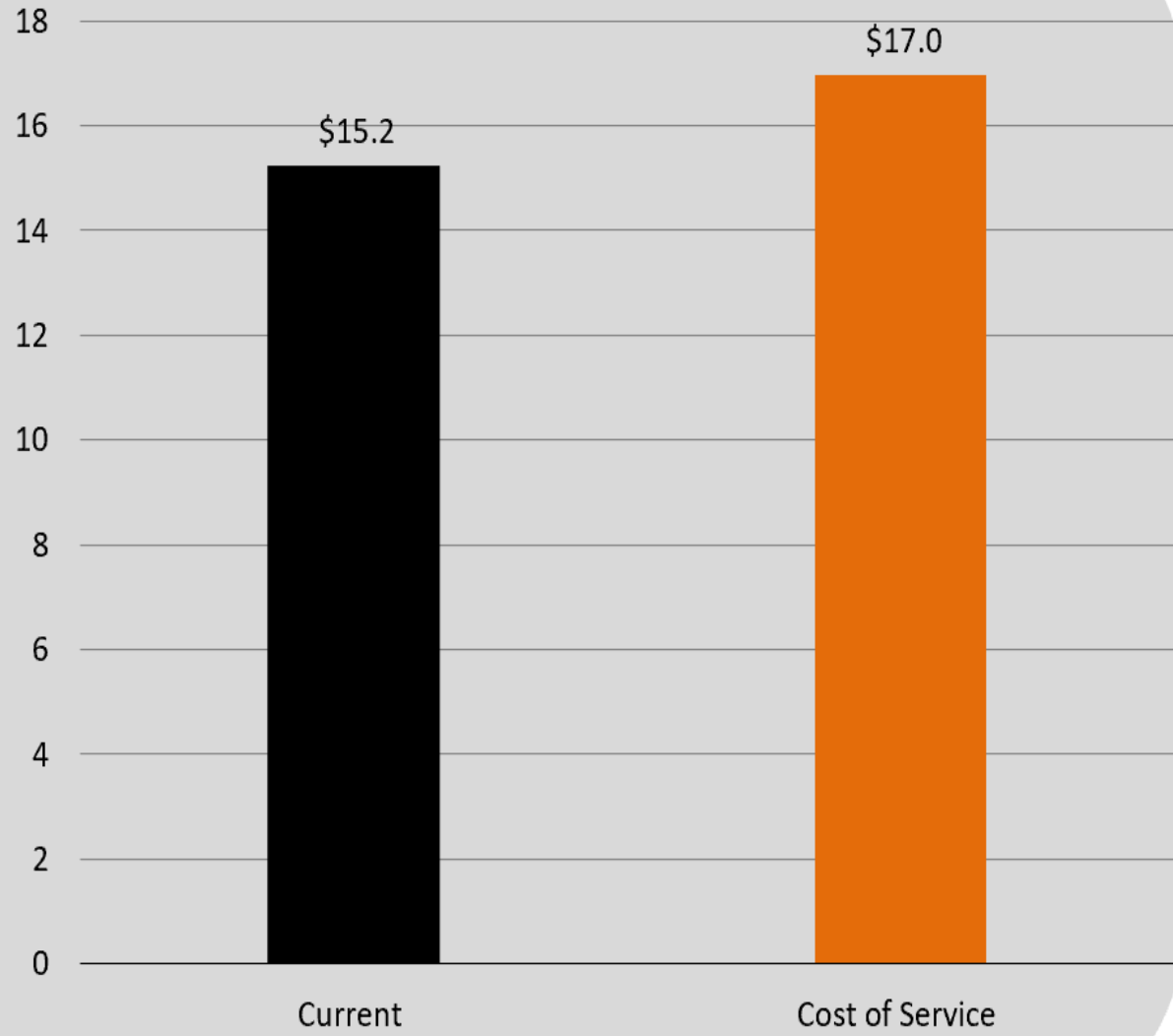
Change (\$M)

\$1.74

Change (%)

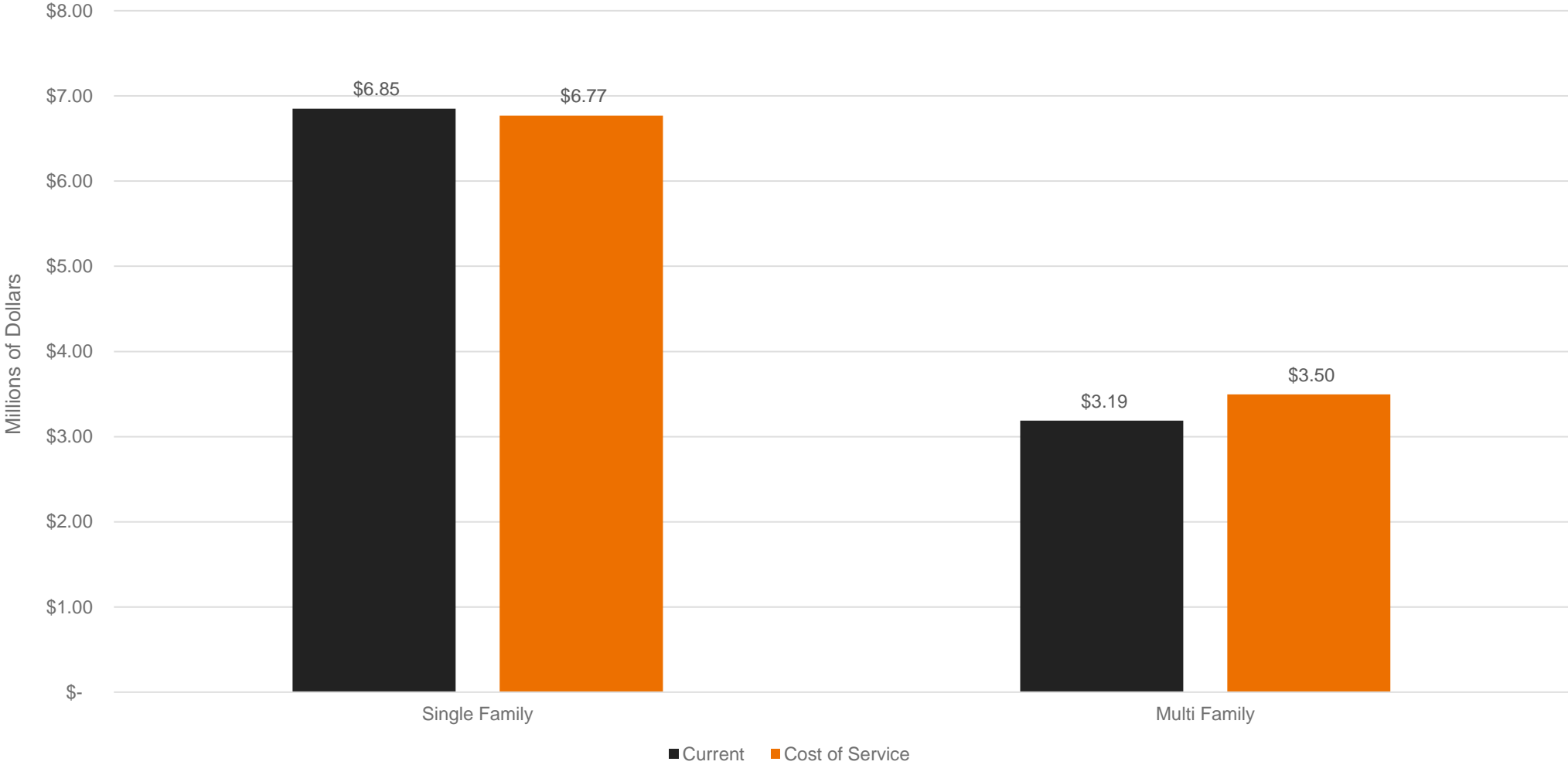
11.4%

Total Revenue/Cost of Service (\$M)





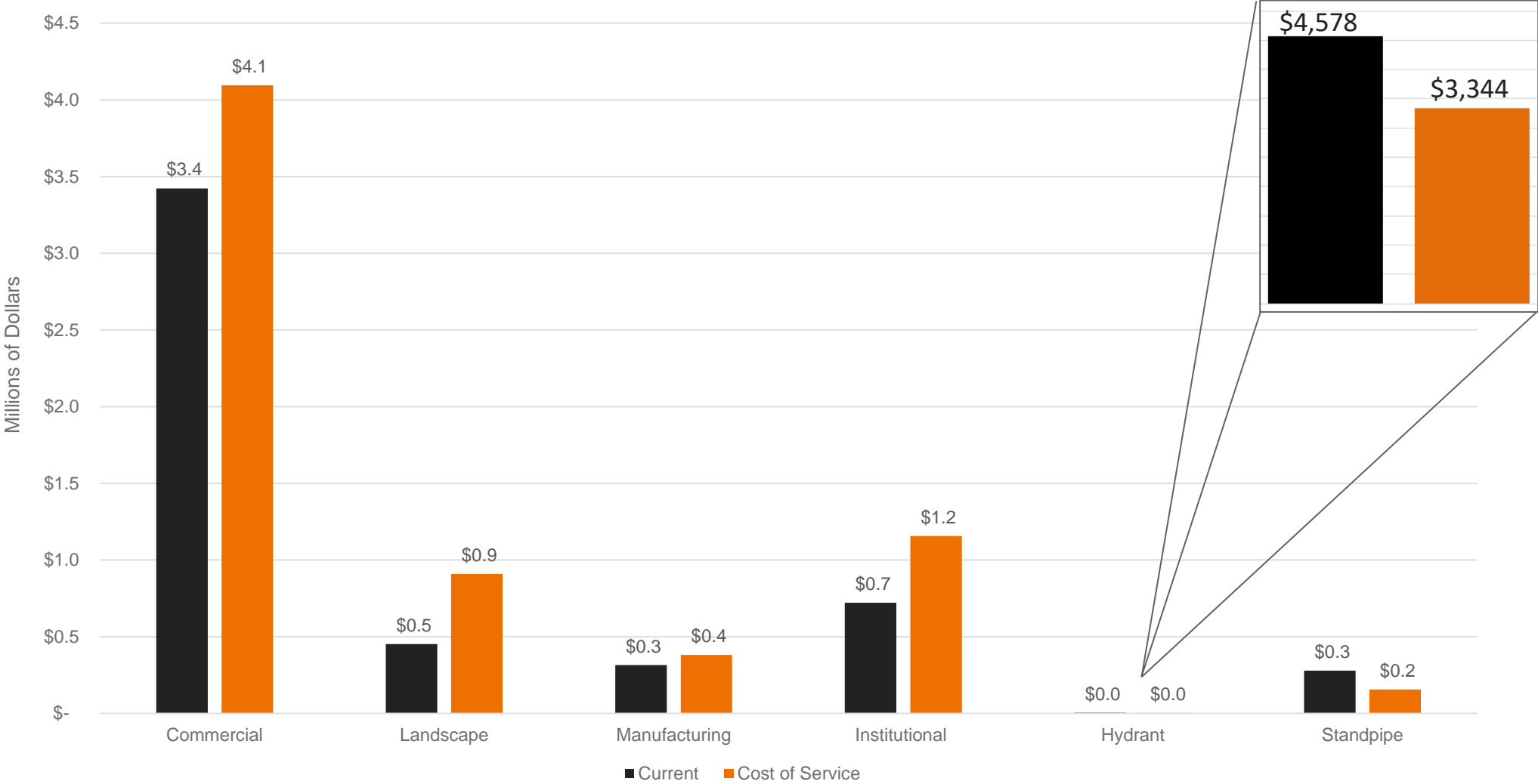
# From Whom: Customer Class Cost Recovery FY 2025 - Residential



DRAFT – FOR DISCUSSION PURPOSES



# From Whom: Customer Class Cost Recovery FY 2025 – Non-Residential



DRAFT – FOR DISCUSSION PURPOSES



# Current Rate Structure

<b>CITY OF FLAGSTAFF WATER &amp; SEWER RATES</b>				
Effective January 1, 2024 (**Subject to Change**)				
<b>MONTHLY FIXED CHARGE</b>				
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
<b>WATER RATES</b>				
POTABLE WATER: (per 1,000 gallons)		Customer Class	Water Rate	Outside City Rate
Single Family	Tier 1 (0 - 3,500 gallons)	R1 or R4	\$3.44	\$3.78
	Tier 2 (3,501 - 6,200 gallons)		\$4.45	\$4.90
	Tier 3 (6,201 - 11,500 gallons)		\$6.86	\$7.55
	Tier 4 (11,501+ gallons)		\$13.72	\$15.09
Multi-Family Units		R2 or R3	\$4.42	\$4.86
Commercial/Schools		C	\$4.69	\$5.16
Institutional		NA	\$4.30	
Manufacturing		MN	\$4.63	\$5.09
Landscaping/Lawn Meters		LM	\$4.69	\$5.16
Hydrant Meter		HM	\$7.17	\$7.89
Standpipe		SP	\$9.56	

DRAFT – FOR DISCUSSION PURPOSES



# Customer Usage Trends

Customer Type	# of Accounts	FY24 Estimated Annual Use (1000's of Gallons)	Peak Day Factor (Peak Day ÷ Avg Day)	Peak Hour Factor (Peak Hour ÷ Avg Hour)
Single Family	16,225	755,553	2.14	3.21
Multi-family	3,089	558,814	1.23	2.47
Commercial/Schools	1,686	625,420	1.59	2.38
Landscape	332	76,995	3.63	5.44
Manufacturing	38	64,663	1.37	2.06
Institutional	7	164,859	1.83	2.74
Hydrant*	N/A	606	N/A	N/A
Standpipe*	N/A	28,600	N/A	N/A

Peak day and peak hour factors presented are non-coincident and may occur during different periods.

For Hydrant and Standpipe customer classes, peak day and peak hour factors are not relevant.

DRAFT – FOR DISCUSSION PURPOSES



# Cost of Service (COS) Results – For Reference

WATER, RECLAIMED WATER, & WASTEWATER STUDY

Meter Size	Current Rate*	Fixed Charge (29% Cost Recovery)
¾"	\$16.64	\$16.62
1"	\$19.60	\$23.66
1 ½"	\$26.98	\$41.27
2"	\$35.84	\$62.41
3"	\$56.52	\$129.33
4"	\$86.05	\$182.17
6"	\$159.88	\$463.95
8"	\$248.47	\$569.62
10"	\$351.83	\$1,485.41
<b>Annual Cost Recovery (millions)</b>		<b>\$4.98</b>

Customer Class	Tier Price Ratio	Current Rate*	Volume Charge (per 1,000 gallons) (71% Cost Recovery)	
Single Family	Tier One	1.00	\$3.44	\$3.74
	Tier Two	1.30	\$4.45	\$4.86
	Tier Three	2.00	\$6.86	\$7.48
	Tier Four	4.00	\$13.72	\$14.95
Multi-family		\$4.42	\$4.74	
Commercial/Schools		\$4.69	\$5.43	
Landscape		\$4.69	\$10.24	
Manufacturing		\$4.63	\$5.48	
Institutional		\$4.30	\$6.82	
Hydrant		\$7.17	\$7.60	
Standpipe		\$9.56	\$7.55	
<b>Annual Cost Recovery (millions)</b>			<b>\$11.98</b>	

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

**DRAFT – FOR DISCUSSION PURPOSES**



## Rate Design Priorities

Revenue Stability

Conservation/Demand  
Management

Administrative Burden

Proportionality –  
Between & within  
Customer Classes

Affordability



# Revenue Stability through a Fixed Charge

Charge Type	How is it Applied	Rationale	
Fixed Charge	Fixed amount per meter	Many of Utilities' costs are fixed (ex: debt)	Fixed revenues protect the utility from changes in demand
		Bond rating agencies measure fixed cost recovery	Water Services best practice - Minimum 25% our City policy for Water Fund



# 25% Revenue Recovery through Base Charge – Option 1

WATER, RECLAIMED WATER, & WASTEWATER STUDY

Meter Size	Current Rate*	Fixed Charge (25% Cost Recovery)
¾"	\$16.64	\$14.33
1"	\$19.60	\$19.86
1 ½"	\$26.98	\$33.66
2"	\$35.84	\$50.23
3"	\$56.52	\$102.68
4"	\$86.05	\$144.10
6"	\$159.88	\$364.97
8"	\$248.47	\$447.80
10"	\$351.83	\$1,165.64
<i>Annual Cost Recovery (millions) – COS Results</i>		\$4.98
<b>Annual Cost Recovery (millions) – Option 1</b>		<b>\$4.24</b>

Customer Class	Tier Price Ratio	Current Rate*	Volume Charge (per 1,000 gallons) (75% Cost Recovery)	
Single Family	Tier One	1.00	\$3.44	\$4.23
	Tier Two	1.30	\$4.45	\$5.50
	Tier Three	2.00	\$6.86	\$8.47
	Tier Four	4.00	\$13.72	\$16.93
Multi-family		\$4.42	\$4.97	
Commercial/Schools		\$4.69	\$5.62	
Landscape		\$4.69	\$10.51	
Manufacturing		\$4.63	\$5.56	
Institutional		\$4.30	\$6.86	
Hydrant		\$7.17	\$7.60	
Standpipe		\$9.56	\$7.55	
<i>Annual Cost Recovery (millions) – COS Results</i>			\$11.98	
<b>Annual Cost Recovery (millions) – Option 1</b>			<b>\$12.72</b>	

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

**DRAFT – FOR DISCUSSION PURPOSES**



# Distribution of Households from Census Data

Label	Flagstaff city, Arizona	
	Occupied housing units	Percent occupied housing un...
	Estimate	Estimate
▼ Occupied housing units	27,062	27,062
▼ HOUSEHOLD SIZE		
1-person household	7,440	27.5%
2-person household	10,235	37.8%
3-person household	3,998	14.8%
4-or-more-person household	5,389	19.9%



# Option 1 + Change in Residential Tier Ratios – Option 2

Meter Size	Current Rate*	Fixed Charge (25% Cost Recovery)
3/4"	\$16.64	\$14.33
1"	\$19.60	\$19.86
1 1/2"	\$26.98	\$33.66
2"	\$35.84	\$50.23
3"	\$56.52	\$102.68
4"	\$86.05	\$144.10
6"	\$159.88	\$364.97
8"	\$248.47	\$447.80
10"	\$351.83	\$1,165.64
<b>Annual Cost Recovery (millions) – Option 2</b>		<b>\$4.24</b>

Customer Class	Tier Price Ratio	Current Rate*	Volume Charge (per 1,000 gallons) (75% Cost Recovery)	
Single Family	Tier One	0.95	\$3.44	\$4.48
	Tier Two	1.00	\$4.45	\$4.72
	Tier Three	1.80	\$6.86	\$8.50
	Tier Four	4.00	\$13.72	\$18.88
Multi-family		\$4.42	\$4.97	
Commercial/Schools		\$4.69	\$5.62	
Landscape		\$4.69	\$10.51	
Manufacturing		\$4.63	\$5.56	
Institutional		\$4.30	\$6.86	
Hydrant		\$7.17	\$7.60	
Standpipe		\$9.56	\$7.55	
<b>Annual Cost Recovery (millions) – Option 2</b>			<b>\$12.72</b>	

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



# Option 2 + Class Combination – Option 3

Meter Size	Current Rate*	Fixed Charge (25% Cost Recovery)
3/4"	\$16.64	\$14.33
1"	\$19.60	\$19.86
1 1/2"	\$26.98	\$33.66
2"	\$35.84	\$50.23
3"	\$56.52	\$102.68
4"	\$86.05	\$144.10
6"	\$159.88	\$364.97
8"	\$248.47	\$447.80
10"	\$351.83	\$1,165.64
<b>Annual Cost Recovery (millions) – Option 3</b>		<b>\$4.24</b>

Customer Class	Tier Price Ratio	Current Rate*	Volume Charge (per 1,000 gallons) (75% Cost Recovery)	
Single Family	Tier One	0.95	\$3.44	\$4.30
	Tier Two	1.00	\$4.45	\$5.67
	Tier Three	1.80	\$6.86	\$7.13
	Tier Four	4.00	\$13.72	\$17.19
Multi-family		\$4.42	\$4.97	
Commercial/Schools		\$4.69	\$5.88	
Landscape		\$4.69	\$10.51	
Manufacturing		\$4.63	\$5.56	
Institutional		\$4.30	\$5.88	
Hydrant		\$7.17	\$7.60	
Standpipe		\$9.56	\$7.55	
<b>Annual Cost Recovery (millions) – Option 2</b>			<b>\$12.72</b>	

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

DRAFT – FOR DISCUSSION PURPOSES



# Option Comparison – Fixed Charge

Meter Size	Current Rate*	COS Results (29% Cost Recovery)	Options 1-3 (25% Cost Recovery)
¾"	\$16.64	\$16.62	\$14.33
1"	\$19.60	\$23.66	\$19.86
1 ½"	\$26.98	\$41.27	\$33.66
2"	\$35.84	\$62.41	\$50.23
3"	\$56.52	\$129.33	\$102.68
4"	\$86.05	\$182.17	\$144.10
6"	\$159.88	\$463.95	\$364.97
8"	\$248.47	\$569.62	\$447.80
10"	\$351.83	\$1,485.41	\$1,165.64
<b>Annual Fixed Charge Cost Recovery (millions)</b>		<b>\$4.98</b>	<b>\$4.24</b>

\*Inside city



# Option Comparison – Volume Charge (per 1,000 gallons)

Customer Class		Tier Price Ratio	Current Rate*	COS Results (71% Cost Recovery)		Option 1 (75% Cost Recovery)		Option 2 (75% Cost Recovery)		Option 3 (75% Cost Recovery)	
Single Family	Tier One	1.00	\$3.44	1.00	\$3.74	1.00	\$4.23	0.95	\$4.48	0.95	\$4.48
	Tier Two	1.30	\$4.45	1.30	\$4.86	1.30	\$5.50	1.00	\$4.72	1.00	\$4.72
	Tier Three	2.00	\$6.86	2.00	\$7.48	2.00	\$8.47	1.8	\$8.50	1.8	\$8.50
	Tier Four	4.00	\$13.72	4.00	\$14.95	4.00	\$16.93	4.00	\$18.88	4.00	\$18.88
Multi-family			\$4.42	\$4.74	\$4.97	\$4.97	\$4.97	\$4.97	\$4.97	\$4.97	\$4.97
Commercial/Schools			\$4.69	\$5.43	\$5.62	\$5.62	\$5.62	\$5.62	\$5.62	\$5.88	\$5.88
Landscape			\$4.69	\$10.24	\$10.51	\$10.51	\$10.51	\$10.51	\$10.51	\$10.51	\$10.51
Manufacturing			\$4.63	\$5.48	\$5.56	\$5.56	\$5.56	\$5.56	\$5.56	\$5.56	\$5.56
Institutional			\$4.30	\$6.82	\$6.86	\$6.86	\$6.86	\$6.86	\$6.86	\$5.88	\$5.88
Hydrant			\$7.17	\$7.60	\$7.60	\$7.60	\$7.60	\$7.60	\$7.60	\$7.60	\$7.60
Standpipe			\$9.56	\$7.55	\$7.55	\$7.55	\$7.55	\$7.55	\$7.55	\$7.55	\$7.55
<b>Annual Volume Charge Cost Recovery (millions)</b>				<b>\$11.98</b>	<b>\$12.72</b>	<b>\$12.72</b>	<b>\$12.72</b>	<b>\$12.72</b>	<b>\$12.72</b>	<b>\$12.72</b>	<b>\$12.72</b>

\*Inside city

DRAFT – FOR DISCUSSION PURPOSES



# Water COS Average Bill Impacts for Rate Options 1 - 3

Customer Class	Number of Accounts	Average Meter Size	Average Bill Volume (1,000s of Gallons)	Average FY 2023 Water Bill*		
				Fixed Charge	Volume Charge	Total
Single Family	16,225	¾"	4	\$16.64	\$14.27	\$30.91
Multi-family	3,089	1"	9	\$19.60	\$39.78	\$59.38
Commercial/Schools	1,686	1"	40	\$19.60	\$187.60	\$207.20
Landscape	332	1"	24	\$19.60	\$112.56	\$132.16
Manufacturing	38	1.5"	73	\$26.98	\$337.99	\$364.97
Institutional	7	6"	1,934	\$159.88	\$8,316.20	\$8,476.08
Hydrant	N/A	1.5"	121	\$26.98	\$867.57	\$894.55
Standpipe	N/A	2"	2,383	\$35.84	\$22,781.48	\$22,817.32

\*Average bill per customer class billed in FY 23.

DRAFT – FOR DISCUSSION PURPOSES



# Water COS Average Bill Impacts for Rate Options 1 - 3

Customer Class	Average FY 2023 Water Bill*			COS – Results			Options 1-3	Options 1-3 Volume Charge			Average Total Bill		
	Fixed Charge	Volume Charge	Total	Fixed Charge	Volume Charge	Total		Fixed Charges	Option 1	Option 2	Option 3	Option 1	Option 2
Single Family	\$16.64	\$14.27	<b>\$30.91</b>	\$16.62	\$15.52	<b>\$32.14</b>	\$14.33	\$17.56	\$18.06	\$18.06	<b>\$31.89</b>	<b>\$32.39</b>	<b>\$32.39</b>
Multi-family	\$19.60	\$39.78	<b>\$59</b>	\$23.66	\$42.66	<b>\$66</b>	\$19.86	\$44.73	\$44.73	\$44.73	<b>\$65</b>	<b>\$65</b>	<b>\$65</b>
Commercial/ Schools	\$19.60	\$187.60	<b>\$207</b>	\$23.66	\$217.20	<b>\$241</b>	\$19.86	\$224.80	\$224.80	\$235.22	<b>\$245</b>	<b>\$245</b>	<b>\$255</b>
Landscape	\$19.60	\$112.56	<b>\$132</b>	\$23.66	\$245.76	<b>\$269</b>	\$19.86	\$252.24	\$252.24	\$252.24	<b>\$272</b>	<b>\$272</b>	<b>\$272</b>
Manufacturing	\$26.98	\$337.99	<b>\$365</b>	\$41.27	\$400.04	<b>\$441</b>	\$33.66	\$405.88	\$405.88	\$405.88	<b>\$440</b>	<b>\$440</b>	<b>\$440</b>
Institutional	\$159.88	\$8,316.20	<b>\$8,476</b>	\$463.95	\$13,189.88	<b>\$13,654</b>	\$364.97	\$13,267.24	\$13,267.24	\$11,373.01	<b>\$13,632</b>	<b>\$13,632</b>	<b>\$11,738</b>
Hydrant	\$0.00	\$867.57	<b>\$868</b>	\$0.00	\$919.60	<b>\$920</b>	\$0.00	\$919.60	\$919.60	\$919.60	<b>\$920</b>	<b>\$920</b>	<b>\$920</b>
Standpipe	\$0.00	\$22,781.48	<b>\$22,781</b>	\$0.00	\$17,991.65	<b>\$17,992</b>	\$0.00	\$17,991.65	\$17,991.65	\$17,991.65	<b>\$17,992</b>	<b>\$17,992</b>	<b>\$17,992</b>

\*Average bill per customer class billed in FY 23.

**DRAFT – FOR DISCUSSION PURPOSES**



# Consideration of Reclaimed Water Rates

<b>RECLAIMED WATER RATES</b>					
<b>RECLAIMED WATER: (per 1,000 gallons)</b>		<b>Customer Class</b>	<b>Inside City Rate</b>	<b>Outside City Rate</b>	<b>% of Potable</b>
Private Residential	Tier 1 (0 - 3,500 gallons)	R1	\$1.63	\$ 1.79	35%
	Tier 2 (3,501 - 6,200 gallons)		\$1.98	\$ 2.18	35%
	Tier 3 (6,201 - 11,500 gallons)		\$2.82	\$ 3.11	35%
	Tier 4 (11,501+ gallons)		\$5.23	\$ 5.75	35%
Commercial (no main Ext):		C	\$2.07	\$ 2.27	35%
Commercial (w/ main Ext):		C	\$4.43	\$ 4.87	75%
Manufacturing (no main Ext):		MN	\$2.04	\$ 2.25	35%
Manufacturing (w/ main Ext):		MN	\$4.38	\$ 4.82	75%
NAU (No main extension):		NA	\$1.93		35%
NAU (with main extension):		NA	\$4.13		75%
Hydrant Meter		WR	\$4.19		50%
Standpipe		RS	\$4.78		
Off Peak/Golf Course:*	All Tiers	WR	\$1.80	\$ 1.98	87%
*Rate is 87% of the Commercial (no maint extension) reclaimed rate					



# Wastewater – Discussion of Options

## ➤ Option 1 Cost of Service (COS) Results

Adjusting the current rate structure such that each of the customer class of revenues targets the cost of service

## ➤ Option 2 Fixed + Individualized

Establishing a monthly base charge for wastewater and charging a volumetric rate to the current set of customer classes

## ➤ Option 3 Fixed + Consolidated

Establishing a monthly base charge for wastewater and charging a volumetric rate to a condensed set of customer classes



# Wastewater - Discussion of Options

## Option 1

Customer Class	Current Rate*	FY 2025 COS Results
Residential	\$5.35	\$7.33
Car Washes	\$5.38	\$5.16
Laundromats	\$5.53	\$5.55
Commercial	\$5.68	\$6.11
Institutional	\$4.91	\$5.41
Manufacturing	\$6.09	\$5.92
Hotels & Motels	\$7.58	\$6.14
Restaurants	\$9.09	\$9.54
Industrial Laundries	\$8.36	\$8.81
Pet Food Manufacturers	\$13.34	\$8.56
Ice Cream Cone Manufacturing	\$16.48	\$39.95

## Option 2

Meter Size	ERU* Factor	Fixed Charge (25% Cost Recovery)
¾"	1.00	\$10.39
1"	1.67	\$17.32
1 ½"	3.33	\$34.63
2"	5.33	\$55.41
3"	11.67	\$121.22
4"	16.67	\$173.17
6"	33.33	\$346.33
8"	53.33	\$554.13



## Option 3

Customer Class	Individualized Volume Charge (per 1,000 gallons) (75% Cost Recovery)
Residential	\$5.50
Car Washes	\$3.87
Laundromats	\$4.16
Commercial	\$4.58
Institutional	\$4.06
Manufacturing	\$4.44
Hotels & Motels	\$4.61
Restaurants	\$7.16
Industrial Laundries	\$6.61
Pet Food Manufacturers	\$6.42
Ice Cream Cone Manufacturing	\$29.96

Customer Class	Individualized Volume Charge (per 1,000 gallons) (75% Cost Recovery)	Consolidated Volume Charge (75% Cost Recovery)
Residential	\$5.50	\$5.50
Car Washes	\$3.87	\$4.45
Laundromats	\$4.16	
Commercial	\$4.58	
Institutional	\$4.06	
Manufacturing	\$4.44	
Hotels & Motels	\$4.61	\$7.05
Restaurants	\$7.16	
Industrial Laundries	\$6.61	
Pet Food Manufacturers	\$6.42	\$29.96
Ice Cream Cone Manufacturing	\$29.96	



# Council Direction

## ➤ Water Options:

- Option 1 Revenue Recovery through Base Charge
- Option 2 Option 1 + Change in Residential Tier Rates
- Option 3 Option 2 + Class Combination

## ➤ Reclaimed Water:

- Maintain current percentages

## ➤ Wastewater Options:

- Option 1 Cost of Service (COS) Results
- Option 2 Fixed + Individualized
- Option 3 Fixed + Consolidated



# Next Steps

- *Future opportunities for direction:*
  - 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*