



City of Glendale
Citizens Utility Advisory Commission Workshop
Oasis Water Campus
7070 W. Northern Avenue
Glendale, Arizona 85303
December 17, 2020
10:00 A.M.
DRAFT MINUTES

1. CALL TO ORDER

Vice Chair Short called the meeting to order at 10:01 a.m.

2. ROLL CALL

Present: Vice Chair Ron Short, Commissioner Larry Flatau, Commissioner Jon Froke, Commissioner Robin Berryhill (arrived during Agenda Item 2), and Commissioner Amber Ford (arrived during Agenda Item 2)

Absent: Commissioner David McGrew

Also Present: Katrina Alberty, Deputy Director, Water Services; Dan Hatch, Financial Administrator, Water Services; Candace Schulte, Management Assistant, Water Services; Kerry Sheward, Water Services Administrator; Megan Sheldon, Environmental Resources-Water Services Deputy Director

3. WORKSHOP SESSION

Mr. Hatch gave an educational presentation on the Financial Planning Process in preparation for the upcoming Rate Study, which included the following information:

Financial Planning Background and Objectives

- Our Mission Statement: The Water Department provides customers with safe, reliable, high quality water, wastewater, and storm water services to ensure the health, vitality, and sustainability of our community.
- Establish financial sustainability to meet long-term operating expenses, debt service and capital expenditures.
- Maintain financial policies regarding fund balance levels and debt service coverage.
- Optimize capital improvement to provide reliable and resilient infrastructure.

Steps to the Financial Planning Process

- Financial Plan: What level of overall rate revenue is needed to meet expenditures, reserves, and bond covenants?
- Cost of Service: Is each customer paying their equitable share of costs?
- Rate Schedule: How should cost recovery be allocated to service charge and volume rates?

Financial Plan: The financial plan is a long-term forecast of cash flows that reflects key inputs from all primary City water utility functions.

- Cash In-flows: Beginning fund balance, rate revenue, other operating revenue, non-operating income
- Cash Out-flows: Operating and Maintenance expenses, capital outlay, debt service

Financial Plan Assumptions

- Financial Targets
 - Fund Balance
 - Days Cash on Hand
 - Debt Service Coverage
- Forecast Assumptions
 - Revenue growth and demand
 - O&M Expense increases
 - New debt terms

Capital Improvement Financial Strategy

- The financing strategy selected to pay for CIP expenditures is a key driver of water utility revenue increases.
- The financial plan must have capabilities to determine the optimal mix of CIP financing:
 - Case generated from water user charges (“Pay-Go” financing)
 - External debt financing (revenue bonds)
 - Development Impact Fees – DIF (customer account growth)

Cost of Service – Water

- Recognizes differing service functions: Total annual usage, peak usage demands, size of meters
- Varies by customer class: Single Family Residential, Multi-Family Residential, Commercial, Sprinkler

2017 Cost of Service Results – Water: Charts shown for the following:

- Customer Demand Characteristics for Each Customer Class
- Number of Accounts and Usage Per Account Characteristic
- Revenue Under Current Rates for Each Customer Class, Indicated Cost of Service and Required Revenue Change

Cost of Service – Wastewater

- Recognizes differing service characteristics: Contributed Volume or Flow, Strength
- Varies by customer class: Domestic (normal) strength, Excessive strength

2017 Cost of Service Results – Wastewater

- Revenue Under Current Rates for Each Customer Class (Residential, Commercial, Outside City Customers), Indicated Cost of Service and Required Revenue Change

Rate Schedule

- Rate Schedule Design allows the utility to recover the revenue requirement from each customer class to achieve specific policy objectives.
- Mr. Hatch shared the sources for rate and class modeling.

Critical Issues Considered

- Understanding of pricing objectives
- Awareness of rate design implications
- Billing system capabilities
- Data needs
- Understanding impact on City’s customer base

Identify Pricing Objectives

- Equity between classes and within a class
- Financial sufficiency
- Simple to understand
- Ease of administration

- Revenue stability
- Water efficiency/conservation
- Affordability to disadvantaged customers
- Minimal customer impacts
- Economic development

Water Rate Structure Alternatives: The rate structures were explained in detail. In order from least to most Equitable/Conservation:

- Flat: Everyone pays the same amount.
- Declining Block: The more used, the less it costs.
- Uniform: Same rate for each class, no matter how much is used.
- Seasonal: All classes pay same rate per unit; however, the rate increases in the summer. The City of Phoenix uses this structure.
- Inclining Block: The City of Glendale uses this structure. Each tier of water usage pays a higher rate. This allows customers to determine how much they want to use and how much they want to pay.
- Budget/Individualized: This method is most complicated for billing. It is based on usage per customer, not per class. The more water used, the higher the rate per unit.

Water User Charges

- Rates based on meter size and water consumption
- Base rate to recover the cost of the meter maintenance, monthly reading, and billing and collection costs.
- Volume rate to recover operational and capital costs: salaries, chemicals, power, water resources, debt service, cash-funded capital projects, equipment maintenance, and more

Current Water Base Rate Schedules: Meter sizes and rates displayed.

Current Water Volume Rate Schedules: Rates based on customer class and usage tiers displayed.

Sewer Rate Structure: Rate structure explained for customer classes, fixed charges and volume rates.

Current Wastewater Rate Schedule: Rate schedule displayed for Residential Single Family, Residential Multi-Family, and Commercial groups

Glendale Water and Sewer Bill: Graph of Water and Sewer charges for each 1,000 gallons

How Does Glendale Compare to Other Cities: Graph of nine valley cities, including Glendale, to compare a total municipal services bill broken out by water, sanitation, sewer, and tax and fees.

Mr. Hatch stated that currently, the City of Glendale does not charge separately for stormwater services at this time, however, the City of Phoenix does charge a separate fee. Mr. Hatch noted that there is a cost for stormwater services, as the drains need to be cleaned to ensure proper flow.

Mr. Hatch provided the current 5-Year Financial Plans for Water and Wastewater for FY2017 through FY2022.

Mr. Hatch displayed the 2021 Financial Planning Calendar timeline.

Commissioner questions were asked and answered during the workshop.

Commission Froke asked if proceeds from the sale of the water campus land to Top Golf went back into the Water Services budget. Mr. Hatch replied in the positive.

Commissioner Flatau noted that the financial results in the presentation were based on 2017 and inquired about the 2019 results. Mr. Hatch stated that an RFP was issued for a consultant to review the Cost of Service, Financial Plans, and Rate Schedules and the consultant was chosen. Mr. Hatch relayed that staff and the consultant will go over all the rate information and financial results, which will be shared with the Commission as well.

Commissioner Froke inquired as to when the last rate increase was done. Mr. Hatch explained that prior to the increase in 2017, the last increase was done in 2007.

4. COMMISSIONER COMMENTS AND SUGGESTIONS

Vice Chair Short thanked staff for an excellent presentation.

Commissioner Flatau stated that the presentation was very informative.

Commissioner Berryhill thanked staff for the presentation and stated that she learned a lot.

5. NEXT MEETING

The next meeting regular meeting of the Citizens Utility Advisory Commission will be held on January 6, 2021.

6. ADJOURNMENT

Motion by Commissioner Flatau, second by Commissioner Froke, to adjourn the meeting at 11:10 a.m. Motion carried 5 – 0.