



# City of Eloy

Water and Wastewater Rate Study

And Long Term Financial Plan

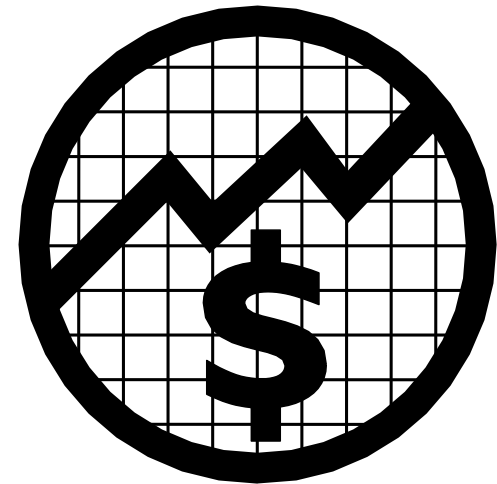
Public Hearing

**November 3 2011**

# Facts about Water and WW Rates in the 21<sup>st</sup> Century



- Average utility has been increasing rates 5-6% per year; trend expected to continue
- 30-40% of utilities have rates in place that do not cover their costs
- Many reasons for rate increases are beyond a City's ability to influence
- General rule: a utility can have low rates or high quality service but NOT both!



# Status of Water and Wastewater Fund



- Fund's financial condition is not good – some subsidies required
- Operating expenses continue to increase
- Water and wastewater system requires \$18 million in capital improvements over next decade
- Rate adjustments are required to ensure that all expenses can be funded

# City of Eloy Current Monthly Rates



## Current Water Rates

### Monthly Service Charge:

|              |         |
|--------------|---------|
| 3/4" Meter   | \$11.68 |
| 1" Meter     | 17.52   |
| 1 1/2" Meter | 35.03   |
| 2" Meter     | 58.39   |
| 3" Meter     | 116.78  |
| 4" Meter     | 233.56  |

### Monthly Rate per 1,000 Gallons:

|                 |        |
|-----------------|--------|
| 0- 10,000       | \$1.87 |
| 10,001 - 20,000 | 2.34   |
| Over 20,001     | 2.92   |

## Current Wastewater Rates

### Residential

|                     |         |
|---------------------|---------|
| Monthly Service Chg | \$26.40 |
|---------------------|---------|

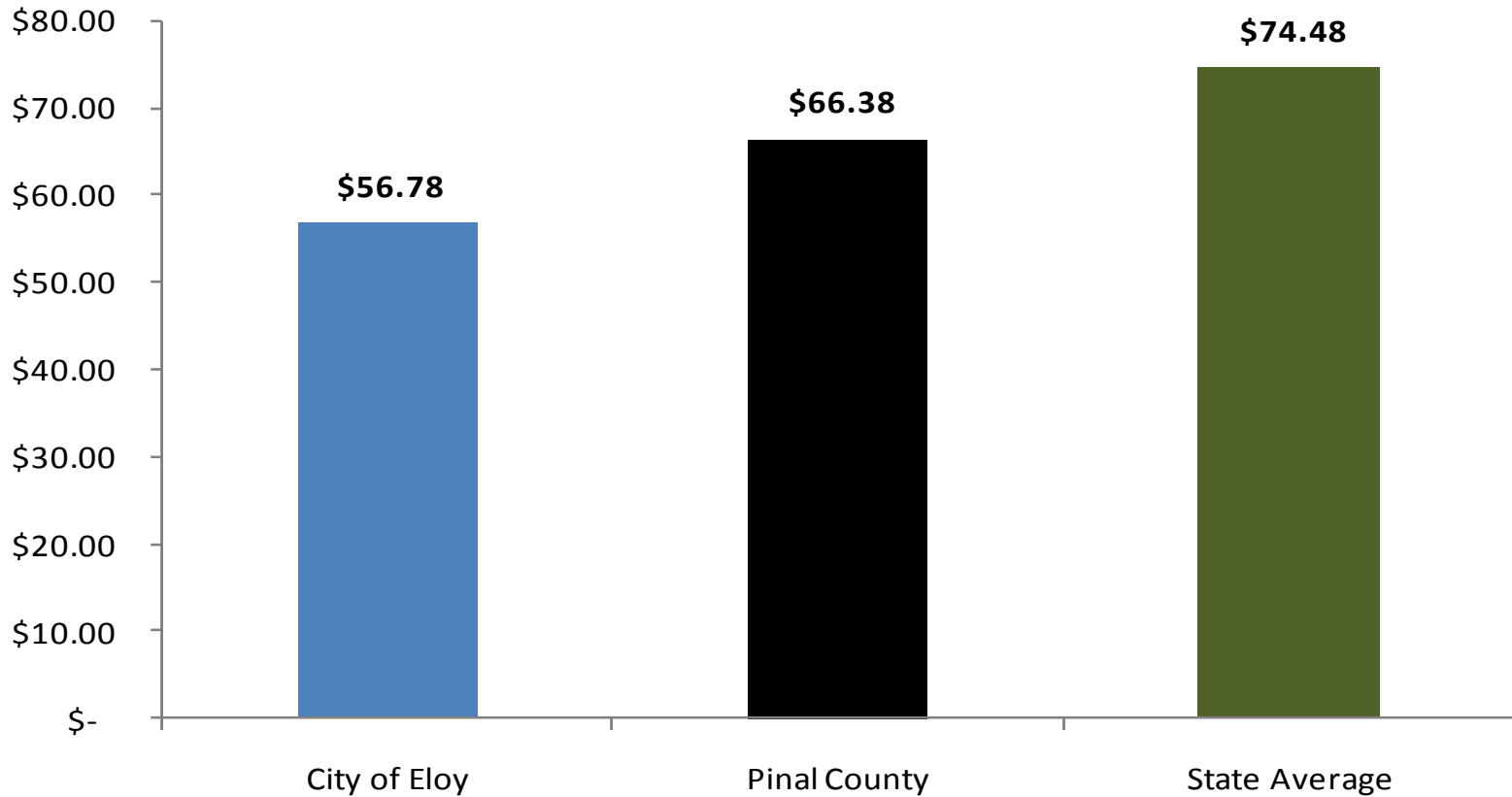
### Commercial

|                     |       |
|---------------------|-------|
| Monthly Service Chg | 27.53 |
|---------------------|-------|

### Per 1,000 Gallons

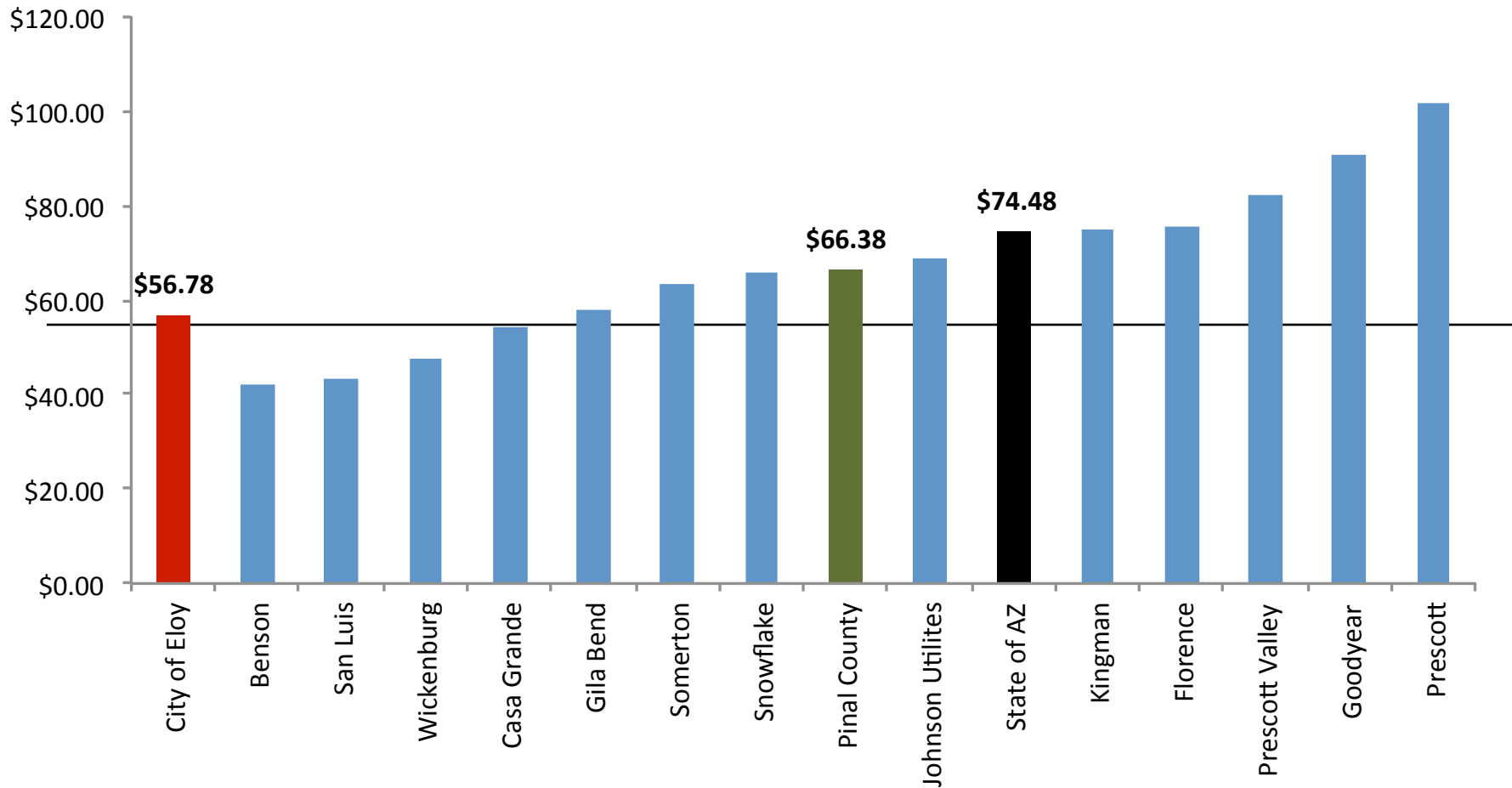
|                 |        |
|-----------------|--------|
| 0- 10,000       | \$2.75 |
| 10,001 - 20,000 | 3.44   |
| Over<br>20,001  | 4.30   |

# Monthly Residential Charges 10,000 Gal Water and 7,500 Gal Wastewater



Pinal County based on 7,500 gal – W and WW

# Residential Monthly Charge Comparison 10,000 Gal Water and 10,000 Gal WW



# Water and Wastewater Accounts by Customer Class – TY 2011



|               | <b>WATER</b> | <b>WASTEWATER</b> |
|---------------|--------------|-------------------|
| Residential   | 2,295        | 1,441             |
| Comm/Churches | 165          | 130               |
| Schools       | 33           | 8                 |
| Industrial    | 23           | 6                 |
| Multi-Family  | 82           | 34                |
| Government    | 35           | 12                |
| Construction  | 9            | 1                 |
| <b>Total</b>  | <b>2,642</b> | <b>1,632</b>      |

# Proposed Rate Alternatives



|  | Alternative 1 | Alternative 2 | Alternative 3 |
|--|---------------|---------------|---------------|
| General Fund Subsidy                     | Eliminate     | Eliminate     | Eliminate     |
| Operating Expenses                       | Fully Fund    | Fully Fund    | Fully Fund    |
| Replacement Reserve                      | Fully Fund    | Fully Fund    | Phase In      |
| Capital Improvement Plan<br>Funding Term | 5 Years       | 10 Years      | 10 Years      |
| Residential/Commercial Rates             | Uniform       | Uniform       | Separate      |



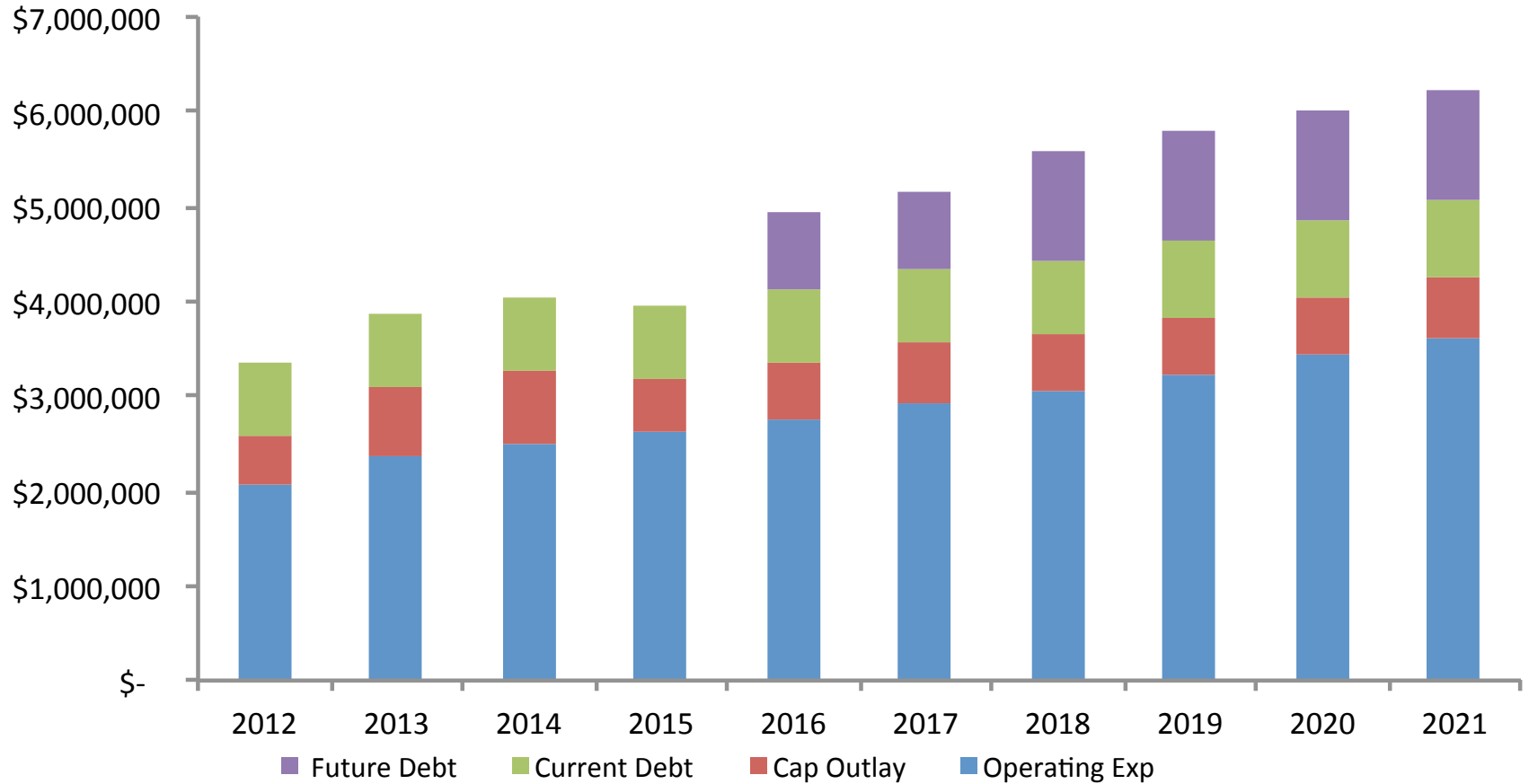
# Capital Improvement Plan

## Primary Projects

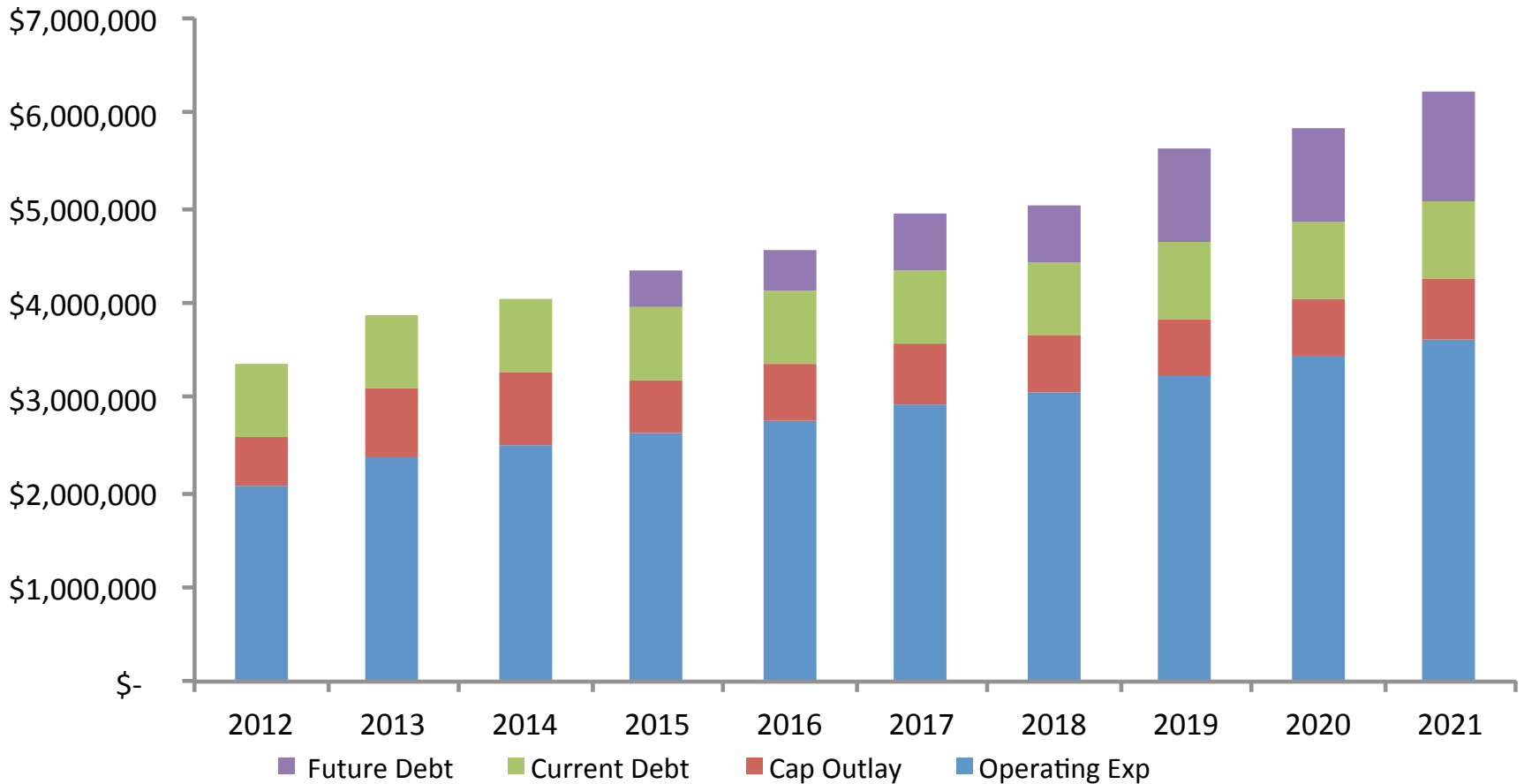


|  | <b>Cost</b>          |
|--|----------------------|
| 11-07 Water System Improvements - Eloy Industrial Park | \$ 5,000,000         |
| 11-08 Water System Improvements - Toltec               | 5,000,000            |
| 11-09 Water System Improvements - Sunland Gin          | 600,000              |
| 03-07 Water Line Replacement Program                   | 2,850,000            |
| 03-08 Water System - Pump House #1                     | 550,000              |
| 11-40 Booster Station Improvements - PS #1             | 1,650,000            |
| 11-39 Battaglia Road Construction-Water Lines          | 750,000              |
| Other  | 359,000              |
| <b>Sub-Total</b>                                       | <b>\$ 16,759,000</b> |
| <hr/>  |                      |
| 11-47 Battaglia Road-Sewer Lines                       | 750,000              |
| 11-48 New Manhole Installations                        | 25,000               |
| 07-01 Toltec Sewer                                     | 400,000              |
| 08-01 WWTP Upgrades                                    | 160,000              |
| Other  | 90,000               |
| <b>Sub-Total</b>                                       | <b>\$ 1,425,000</b>  |
| <b>Total Water and Wastewater</b>                      | <b>\$ 18,184,000</b> |

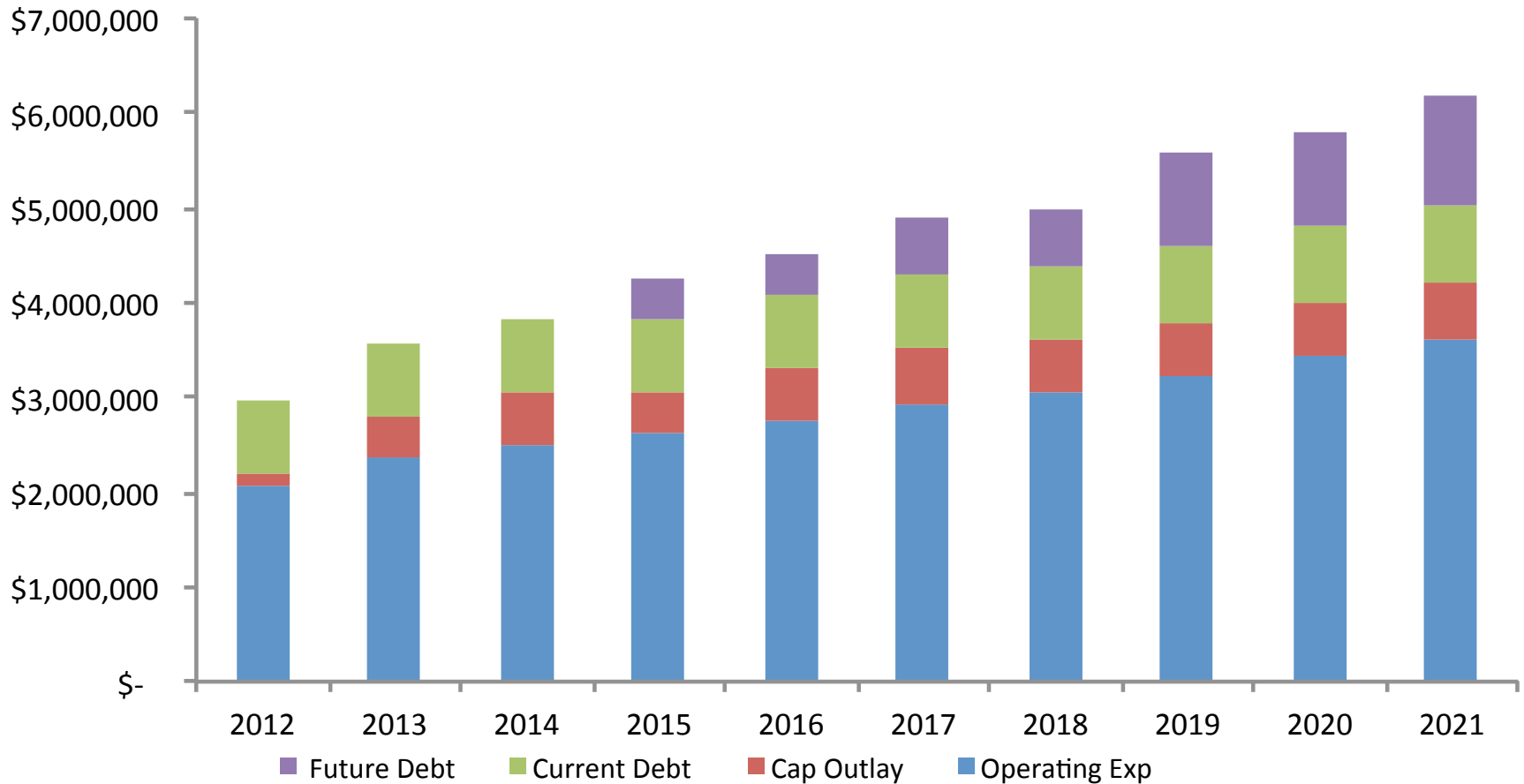
# Alternative 1 -Forecast Revenue Requirement 2012 – 2021



# Alternative 2 - Forecast Revenue Requirement 2012 -- 2021



# Alternative 3 - Forecast Revenue Requirement 2011 -- 2020



# Alternative 1 –5-Year CIP Recommended Rate Plan



|   | Current  | Effective<br>Oct-11 | Effective<br>Oct-12 | Effective<br>Oct-13 | Effective<br>Oct-14 | Effective<br>Oct-15 |
|---|----------|---------------------|---------------------|---------------------|---------------------|---------------------|
| <b>Water Rates</b>                      |          |                     |                     |                     |                     |                     |
| <b>Minimum Charge</b>                   |          |                     |                     |                     |                     |                     |
| 3/4"                                    | \$ 11.68 | \$ 14.60            | \$ 16.06            | \$ 17.26            | \$ 18.56            | \$ 24.13            |
| 1"                                      | 17.52    | 21.90               | 24.09               | 25.90               | 27.84               | 36.19               |
| 1 1/2"                                  | 35.03    | 43.79               | 48.17               | 51.78               | 55.66               | 72.36               |
| 2"                                      | 58.39    | 72.99               | 80.29               | 86.31               | 92.78               | 120.62              |
| <b>Volume Charge: Per 1,000 Gallons</b> |          |                     |                     |                     |                     |                     |
| - 10,000                                | 1.87     | 2.34                | 2.57                | 2.76                | 2.97                | 3.86                |
| 10,001 20,000                           | 2.34     | 2.93                | 3.22                | 3.46                | 3.72                | 4.83                |
| 20,000 Above                            | 2.92     | 3.65                | 4.02                | 4.32                | 4.64                | 6.03                |
| <b>Wastewater Rates</b>                 |          |                     |                     |                     |                     |                     |
| <b>Residential Mthly Chg</b>            |          |                     |                     |                     |                     |                     |
| 3/4"                                    | 26.40    | 35.64               | 40.99               | 43.04               | 43.04               | 43.04               |
| <b>Commercial Base Chg</b>              |          |                     |                     |                     |                     |                     |
| 3/4"                                    | 27.53    | 37.17               | 42.74               | 44.88               | 44.88               | 44.88               |
| 1"                                      | 45.37    | 61.25               | 70.44               | 73.96               | 73.96               | 73.96               |
| 1 1/2"                                  | 91.67    | 123.75              | 142.32              | 149.43              | 149.43              | 149.43              |
| 2"                                      | 146.73   | 198.09              | 227.80              | 239.19              | 239.19              | 239.19              |
| <b>Volume Charge: Per 1,000 Gallons</b> |          |                     |                     |                     |                     |                     |
| - 10,000                                | 2.75     | 3.71                | 4.27                | 4.48                | 4.48                | 4.48                |
| 10,001 20,000                           | 3.44     | 4.64                | 5.34                | 5.61                | 5.61                | 5.61                |
| 20,000 Above                            | 4.30     | 5.81                | 6.68                | 7.01                | 7.01                | 7.01                |

# Alternative 1

## Impact on Residential Ratepayers



|                                  | Current  | Effective Oct-11 | Effective Oct-12 | Effective Oct-13 | Effective Oct-14 | Effective Oct-15 |
|----------------------------------|----------|------------------|------------------|------------------|------------------|------------------|
| <b>Residential Monthly Bills</b> |          |                  |                  |                  |                  |                  |
| 5,000 Gal                        | \$ 47.43 | \$ 61.93         | \$ 69.90         | \$ 74.12         | \$ 76.45         | \$ 86.48         |
|                                  |          | <b>14.50</b>     | 7.97             | 4.22             | 2.33             | 10.02            |
| 10,000 Gal                       | \$ 56.78 | \$ 73.62         | \$ 82.76         | \$ 87.94         | \$ 91.31         | \$ 105.79        |
|                                  |          | <b>16.84</b>     | 9.14             | 5.18             | 3.37             | 14.48            |
| 30,000 Gal                       | 109.38   | 139.37           | 155.08           | 165.69           | 174.89           | 214.45           |
|                                  |          | <b>29.99</b>     | 15.72            | 10.61            | 9.20             | 39.56            |

# Alternative 2 – 10-Year CIP Recommended Rate Plan



|   | Current  | Effective<br>Oct-11 | Effective<br>Oct-12 | Effective<br>Oct-13 | Effective<br>Oct-14 | Effective<br>Oct-15 |
|---|----------|---------------------|---------------------|---------------------|---------------------|---------------------|
| <b>Water Rates</b>                      |          |                     |                     |                     |                     |                     |
| <b>Minimum Charge</b>                   |          |                     |                     |                     |                     |                     |
| 3/4"                                    | \$ 11.68 | \$ 14.60            | \$ 16.06            | \$ 17.26            | \$ 18.13            | \$ 21.75            |
| 1"                                      | 17.52    | 21.90               | 24.09               | 25.90               | 27.19               | 32.63               |
| 1 1/2"                                  | 35.03    | 43.79               | 48.17               | 51.78               | 54.37               | 65.24               |
| 2"                                      | 58.39    | 72.99               | 80.29               | 86.31               | 90.62               | 108.75              |
| <b>Volume Charge: Per 1,000 Gallons</b> |          |                     |                     |                     |                     |                     |
| - 10,000                                | 1.87     | 2.34                | 2.57                | 2.76                | 2.90                | 3.48                |
| 10,001 20,000                           | 2.34     | 2.93                | 3.22                | 3.46                | 3.63                | 4.36                |
| 20,000 Above                            | 2.92     | 3.65                | 4.02                | 4.32                | 4.53                | 5.44                |
| <b>Wastewater Rates</b>                 |          |                     |                     |                     |                     |                     |
| <b>Residential Mthly Chg</b>            |          |                     |                     |                     |                     |                     |
| 3/4"                                    | 26.40    | 35.64               | 40.99               | 40.99               | 40.99               | 40.99               |
| <b>Commercial Base Chg</b>              |          |                     |                     |                     |                     |                     |
| 3/4"                                    | 27.53    | 37.17               | 42.74               | 42.74               | 42.74               | 42.74               |
| 1"                                      | 45.37    | 61.25               | 70.44               | 70.44               | 70.44               | 70.44               |
| 1 1/2"                                  | 91.67    | 123.75              | 142.32              | 142.32              | 142.32              | 142.32              |
| 2"                                      | 146.73   | 198.09              | 227.80              | 227.80              | 227.80              | 227.80              |
| <b>Volume Charge: Per 1,000 Gallons</b> |          |                     |                     |                     |                     |                     |
| - 10,000                                | 2.75     | 3.71                | 4.27                | 4.27                | 4.27                | 4.27                |
| 10,001 20,000                           | 3.44     | 4.64                | 5.34                | 5.34                | 5.34                | 5.34                |
| 20,000 Above                            | 4.30     | 5.81                | 6.68                | 6.68                | 6.68                | 6.68                |

# Alternative Comparison



|       | Current           | Effective Oct-11 | Effective Oct-12 | Effective Oct-13 | Effective Oct-14 | Effective Oct-15 |
|-------|-------------------|------------------|------------------|------------------|------------------|------------------|
|       | <b>5,000 Gal</b>  |                  |                  |                  |                  |                  |
| Alt 1 | \$ 47.43          | \$ 61.93         | \$ 69.90         | \$ 74.12         | \$ 76.45         | \$ 86.48         |
| Alt 2 | 47.43             | 61.93            | 69.90            | 72.07            | 73.63            | 80.15            |
| Alt 3 |                   |                  |                  |                  |                  |                  |
|       | <b>10,000 Gal</b> |                  |                  |                  |                  |                  |
| Alt 1 | 56.78             | 73.62            | 82.76            | 87.94            | 91.31            | 105.79           |
| Alt 2 | 56.78             | 73.62            | 82.76            | 85.89            | 88.14            | 97.57            |
| Alt 3 |                   |                  |                  |                  |                  |                  |



# Alternative 3 – 10-Year CIP/Phased In Reserve Rqmt Recommended Rate Plan



|   | Current  | Effective<br>Oct-11 | Effective<br>Oct-12 | Effective<br>Oct-13 | Effective<br>Oct-14 | Effective<br>Oct-15 |
|---|----------|---------------------|---------------------|---------------------|---------------------|---------------------|
| <b>Water Rates -- Residential</b>       |          |                     |                     |                     |                     |                     |
| <b>Minimum Charge</b>                   |          |                     |                     |                     |                     |                     |
| 3/4"                                    | \$ 11.68 | \$ 12.85            | \$ 14.78            | \$ 15.88            | \$ 17.47            | \$ 20.97            |
| 1"                                      | 17.52    | 19.27               | 22.16               | 23.83               | 26.21               | 31.45               |
| 1 1/2"                                  | 35.03    | 38.53               | 44.31               | 47.64               | 52.40               | 62.88               |
| 2"                                      | 58.39    | 64.23               | 73.86               | 79.40               | 87.34               | 104.81              |
| <b>Volume Charge: Per 1,000 Gallons</b> |          |                     |                     |                     |                     |                     |
| - 10,000                                | 1.87     | 2.06                | 2.37                | 2.54                | 2.80                | 3.36                |
| 10,001 20,000                           | 2.34     | 2.57                | 2.96                | 3.18                | 3.50                | 4.20                |
| 20,000 Above                            | 2.92     | 3.21                | 3.69                | 3.97                | 4.37                | 5.24                |
| <b>Water Rates -- Commercial</b>        |          |                     |                     |                     |                     |                     |
| <b>Minimum Charge</b>                   |          |                     |                     |                     |                     |                     |
| 3/4"                                    | \$ 11.68 | \$ 13.43            | \$ 16.79            | \$ 18.05            | \$ 19.85            | \$ 23.83            |
| 1"                                      | 17.52    | 20.15               | 25.19               | 27.07               | 29.78               | 35.74               |
| 1 1/2"                                  | 35.03    | 40.28               | 50.36               | 54.13               | 59.55               | 71.45               |
| 2"                                      | 58.39    | 67.15               | 83.94               | 90.23               | 99.25               | 119.10              |
| 3"                                      | 116.78   | 134.30              | 167.87              | 180.46              | 198.51              | 238.21              |
| 4"                                      | 233.56   | 268.59              | 335.74              | 360.92              | 397.02              | 476.42              |
| <b>Volume Charge: Per 1,000 Gallons</b> |          |                     |                     |                     |                     |                     |
| - 10,000                                | 1.87     | 2.15                | 2.69                | 2.89                | 3.18                | 3.81                |
| 10,001 20,000                           | 2.34     | 2.69                | 3.36                | 3.62                | 3.98                | 4.77                |
| 20,000 Above                            | 2.92     | 3.36                | 4.20                | 4.51                | 4.96                | 5.96                |

# Alternative 3 – 10-Year CIP/Phased In Reserve Rqmt Recommended Rate Plan



|   | Current | Effective<br>Oct-11 | Effective<br>Oct-12 | Effective<br>Oct-13 | Effective<br>Oct-14 | Effective<br>Oct-15 |
|---|---------|---------------------|---------------------|---------------------|---------------------|---------------------|
| <b>Wastewater Rates</b>                 |         |                     |                     |                     |                     |                     |
| <b>Residential Mthly Chg</b>            |         |                     |                     |                     |                     |                     |
| 3/4"                                    | 26.40   | <b>30.36</b>        | 34.91               | 36.66               | 36.66               | 36.66               |
| <b>Commercial Base Chg</b>              |         |                     |                     |                     |                     |                     |
| 3/4"                                    | 27.53   | <b>31.66</b>        | 36.41               | 38.23               | 38.23               | 38.23               |
| 1"                                      | 45.37   | <b>52.18</b>        | 60.00               | 63.00               | 63.00               | 63.00               |
| 1 1/2"                                  | 91.67   | <b>105.42</b>       | 121.23              | 127.30              | 127.30              | 127.30              |
| 2"                                      | 146.73  | <b>168.74</b>       | 194.05              | 203.75              | 203.75              | 203.75              |
| <b>Volume Charge: Per 1,000 Gallons</b> |         |                     |                     |                     |                     |                     |
| - 10,000                                | 2.75    | <b>3.16</b>         | <b>3.64</b>         | <b>3.82</b>         | <b>3.82</b>         | <b>3.82</b>         |
| 10,001 20,000                           | 3.44    | <b>3.96</b>         | 4.55                | 4.78                | 4.78                | 4.78                |
| 20,000 Above                            | 4.30    | <b>4.95</b>         | 5.69                | 5.97                | 5.97                | 5.97                |

# Alternative Comparison



|       | Current           | Effective Oct-11 | Effective Oct-12 | Effective Oct-13 | Effective Oct-14 | Effective Oct-15 |
|-------|-------------------|------------------|------------------|------------------|------------------|------------------|
|       | <b>5,000 Gal</b>  |                  |                  |                  |                  |                  |
| Alt 1 | \$ 47.43          | \$ 61.93         | \$ 69.90         | \$ 74.12         | \$ 76.45         | \$ 86.48         |
| Alt 2 | 47.43             | 61.93            | 69.90            | 72.07            | 73.63            | 80.15            |
| Alt 3 | 47.43             | 53.49            | 61.52            | 65.26            | 68.12            | 74.41            |
|       | <b>10,000 Gal</b> |                  |                  |                  |                  |                  |
| Alt 1 | \$ 56.78          | \$ 73.62         | \$ 82.76         | \$ 87.94         | \$ 91.31         | \$ 105.79        |
| Alt 2 | 56.78             | 73.62            | 82.76            | 85.89            | 88.14            | 97.57            |
| Alt 3 | 56.78             | 63.78            | 73.34            | 77.97            | 82.10            | 91.19            |

# Presentation Summary

## Why Does City Require Rate Adjustments?



- ◆ To eliminate the General Fund's support of water and wastewater fund
- ◆ To fund increased operating costs due to inflation and other factors beyond City's control
- ◆ To fund repair and replacement reserve
- ◆ To fund capital improvement plan
- ◆ Despite increases, rate plan will continue to result in rates that are at or below state average