

2020 Water and Wastewater Rate Study Recommendations

Guadalupe Town Council

October 8, 2020

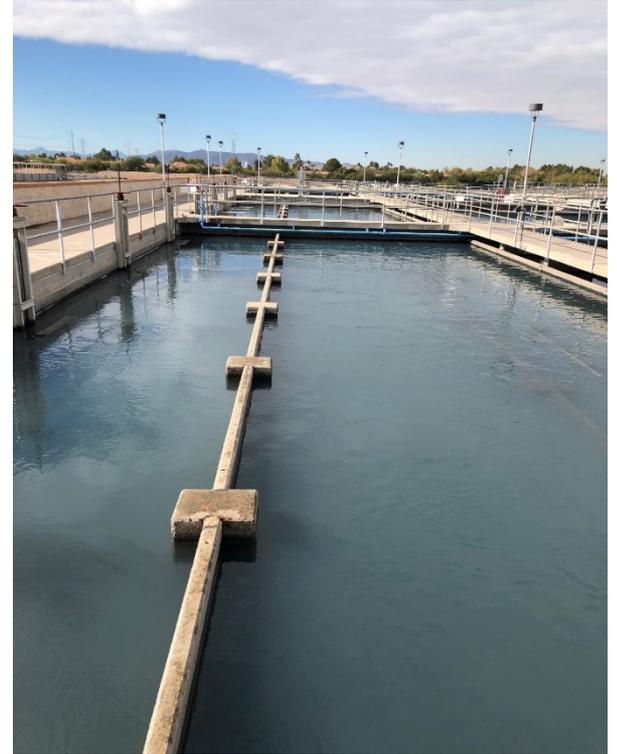


Tempe

Making waves in the desert

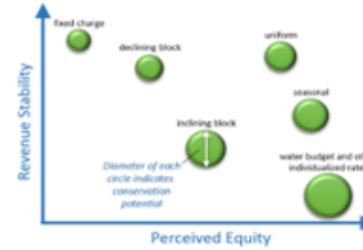
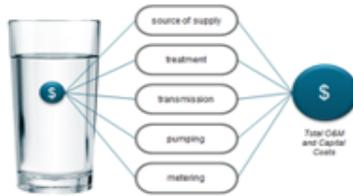
Background and Assumptions

- March 2020 policy guidance
 - Cost-based approach
 - Advanced Metering Infrastructure (AMI)
 - Water conservation and water efficiency
 - Flood irrigation cost recovery





Rate Study Process



Revenue Requirements

- Operating Costs
- Capital Costs
- Financial Policies
 - Debt Coverage
 - Reserves

Cost Allocation

- Evaluate Available Data
- Establish Classes
- Identify Methodology
- Compare Results to Current Revenue

Rate Design

- Evaluate Objectives
- Identify Structures
- Set Parameters
- Customer Impacts

Communication

- Explain Process/Data
- Adjustment Drivers
- National Trends
- Local Practices

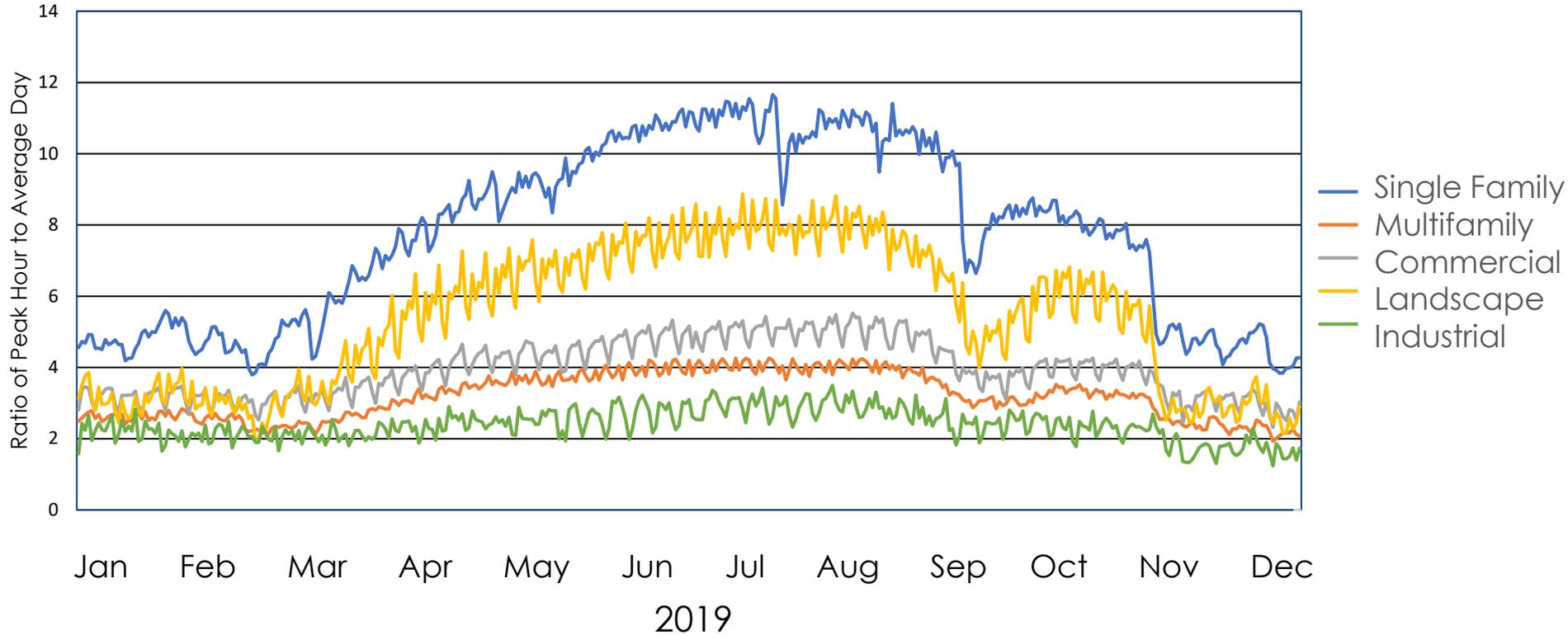
Active Stakeholder Participation

Customer Engagement



- Enhance customer input via community stakeholder group
 - Four working sessions
 - Ten members representing multiple customer classifications
- Live public webinars

Peak Hour Water Demand Analysis



Cost Allocation Adjustments



■ Current Revenue
■ Cost of Service

Overall Adjustment

\$2.86M

5.5%

\$18.6 \$19.6



Single Family

\$1.00M
5.5%

\$7.8 \$7.1



Multi-Family

\$(0.64)M
-8.5%

\$12.8 \$13.7



Commercial

\$0.94M
7.2%

\$3.2 \$3.4



Industrial

\$0.23M
7.2%

\$9.6 \$10.9



Landscaping

\$1.33M
14.1%

Customer
Class
Adjustments

Monthly Service Charge



Meter Size	Current Fixed Monthly Service Charge	Recommended Fixed Monthly Service Charge
5/8"	\$11.50	\$13.15
3/4"	\$15.70	\$14.85
1"	\$23.50	\$22.15
1.5"	\$41.60	\$47.00
2"	\$67.90	\$91.60
3"	\$154.00	\$207.25
4"	\$302.00	\$298.70
6"	\$599.00	\$1,148.55
8"	\$1,400.00	\$2,004.35



Metered Volume Charges For Other Customer Classifications



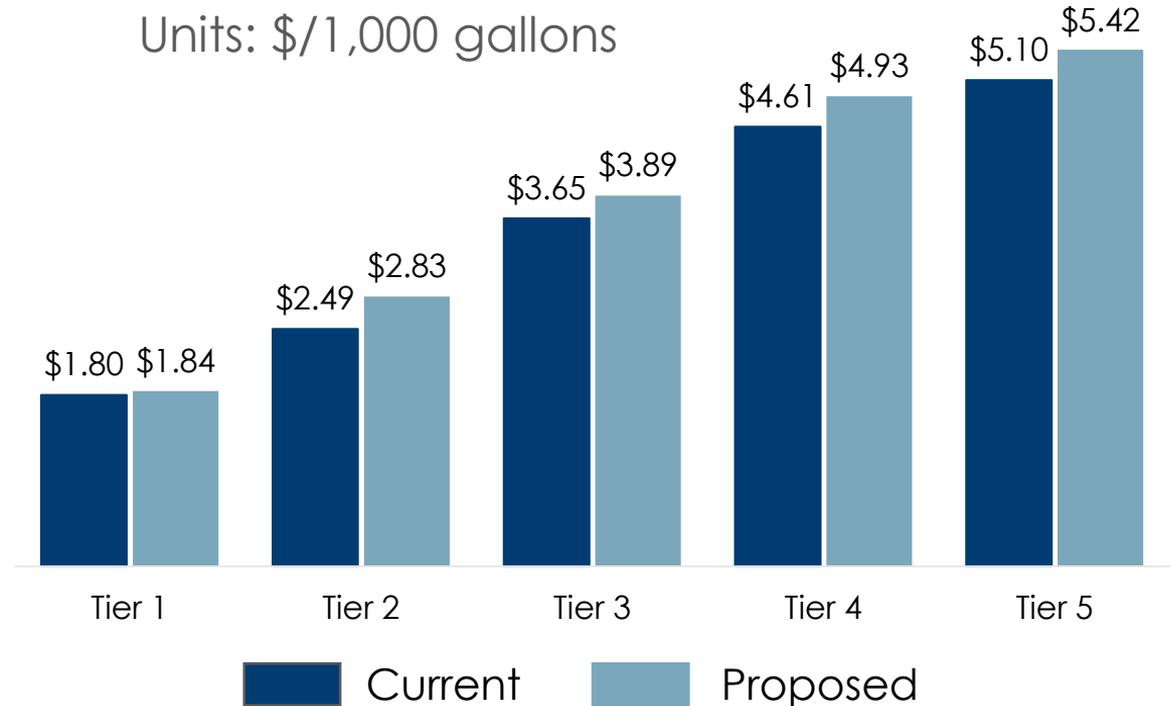
Customer Classification	Current Rate (\$/1,000 gal)	Calculated Rate (\$/1,000 gal)
Multi-Family	\$2.51	\$2.05
Commercial	\$2.59	\$2.65
Industrial	\$2.63	\$2.77
Landscaping	\$3.51	\$3.96
Construction	\$4.07	\$4.07

Single Family Metered Volume Charges



Units: \$/1,000 gallons

	Tier Size (in 1,000 gal)
Tier 1	0-6
Tier 2	7-12
Tier 3	13-20
Tier 4	21-40
Tier 5	40+



Single Family Monthly Bill Impact



5/8" Meter, 10,000 gallons water,
7,000 gallons wastewater

1" Meter, 50,000 gallons water,
20,000 gallons wastewater



% Change: 5.90%
Total Fixed Change: \$1.65
Metered Volume Change: \$1.60
Total Change: \$3.25

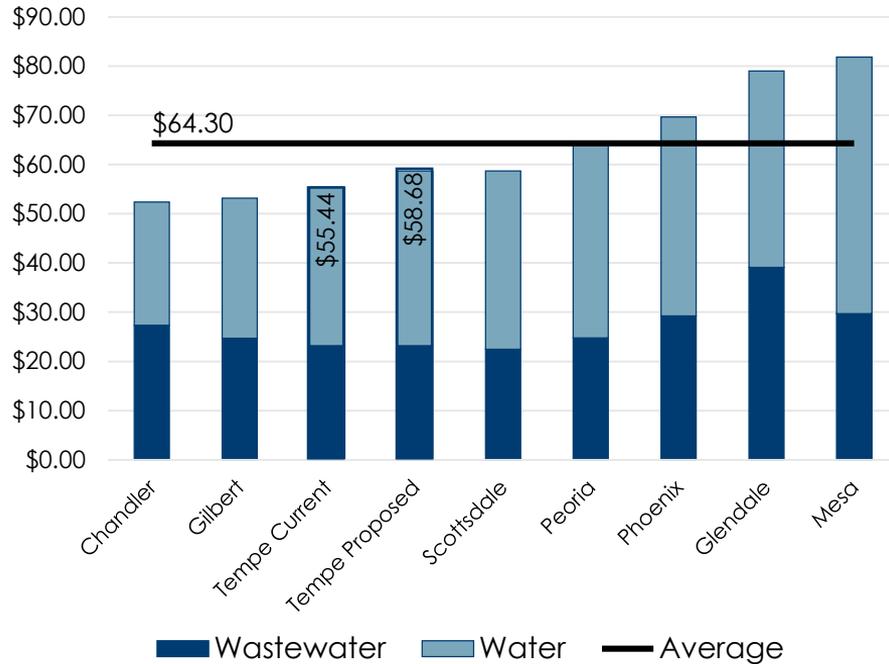


% Change: 4.60%
Total Fixed Change: -\$1.35
Metered Volume Change: \$13.80
Total Change: \$12.45

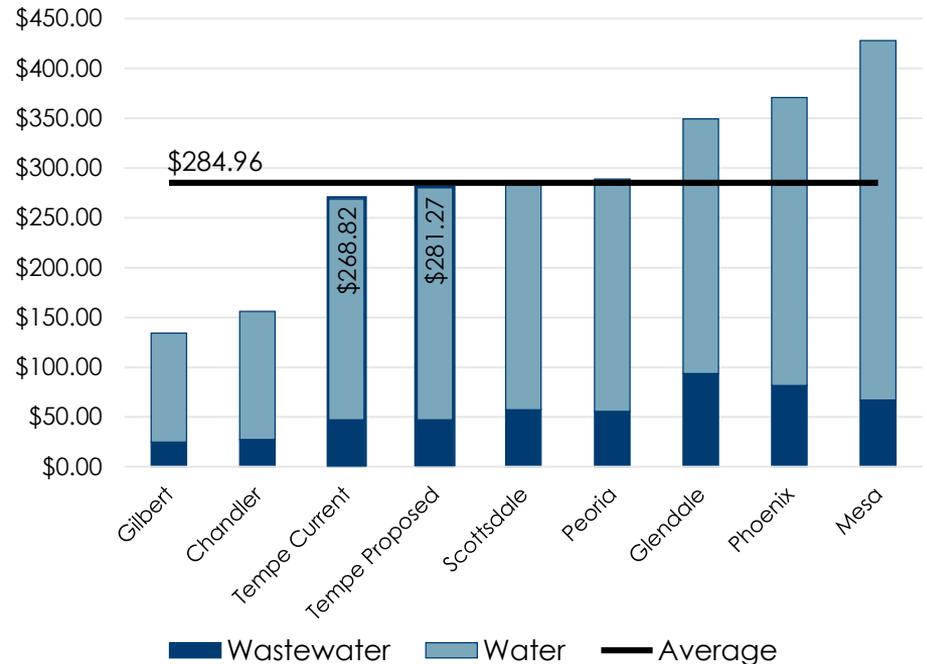
Single Family Monthly Bill Comparison



5/8" Meter, 10,000 gallons water, 7,000 gallons wastewater



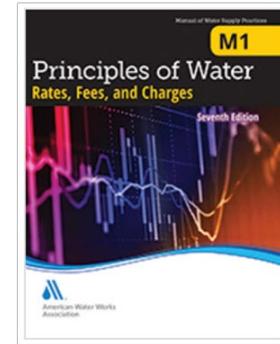
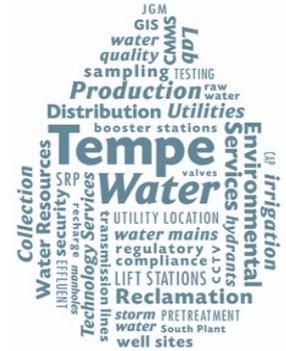
1" Meter, 50,000 gallons water, 20,000 gallons wastewater



Rate Study Recommendations



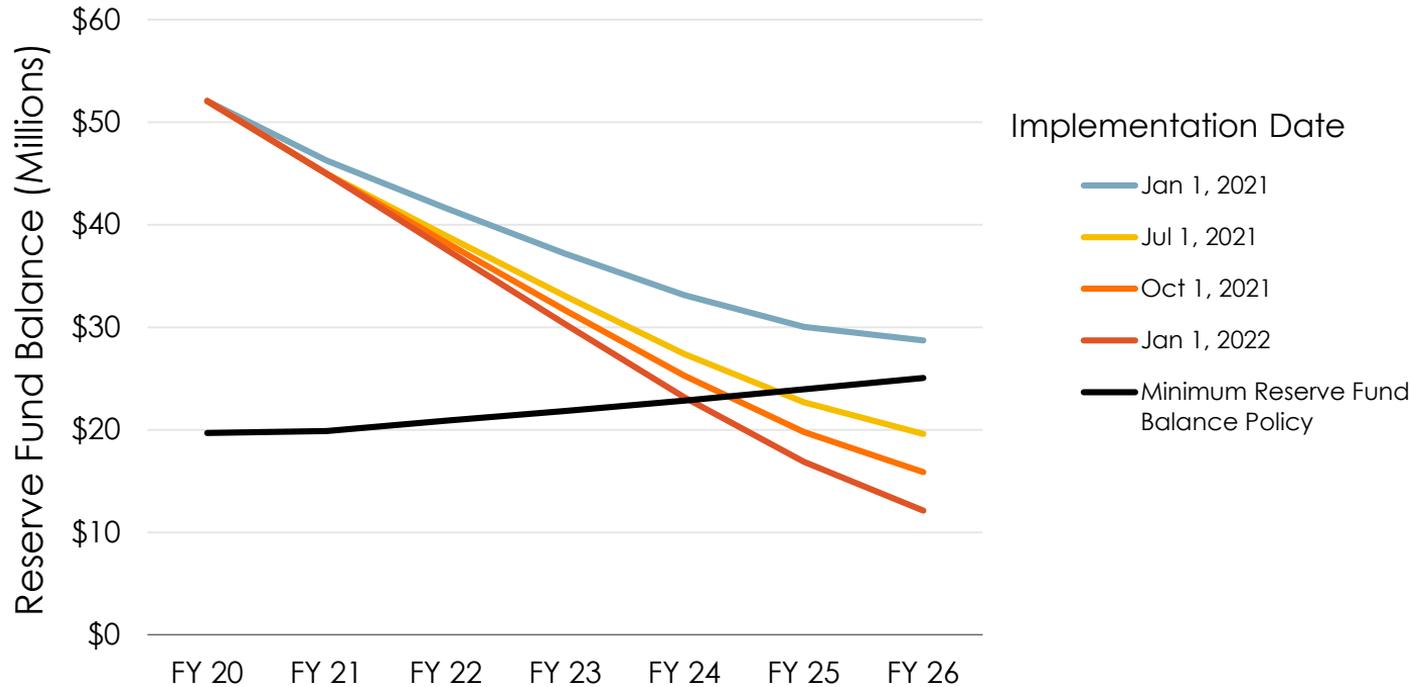
- The water utility requires 5.5 percent revenue increases, annually, over the next 10 years.
 - A single revenue increase will be recommended to Council for adoption.
 - Revenue requirements will be reviewed each year.
- The wastewater utility does not require a revenue increase at this time.
- Adjust proportional cost recovery for each customer classification.
- Adjust monthly service charge to increase fixed cost recovery.
- 9.7 percent flood irrigation revenue increase.
 - Required to maintain 50 percent cost recovery.



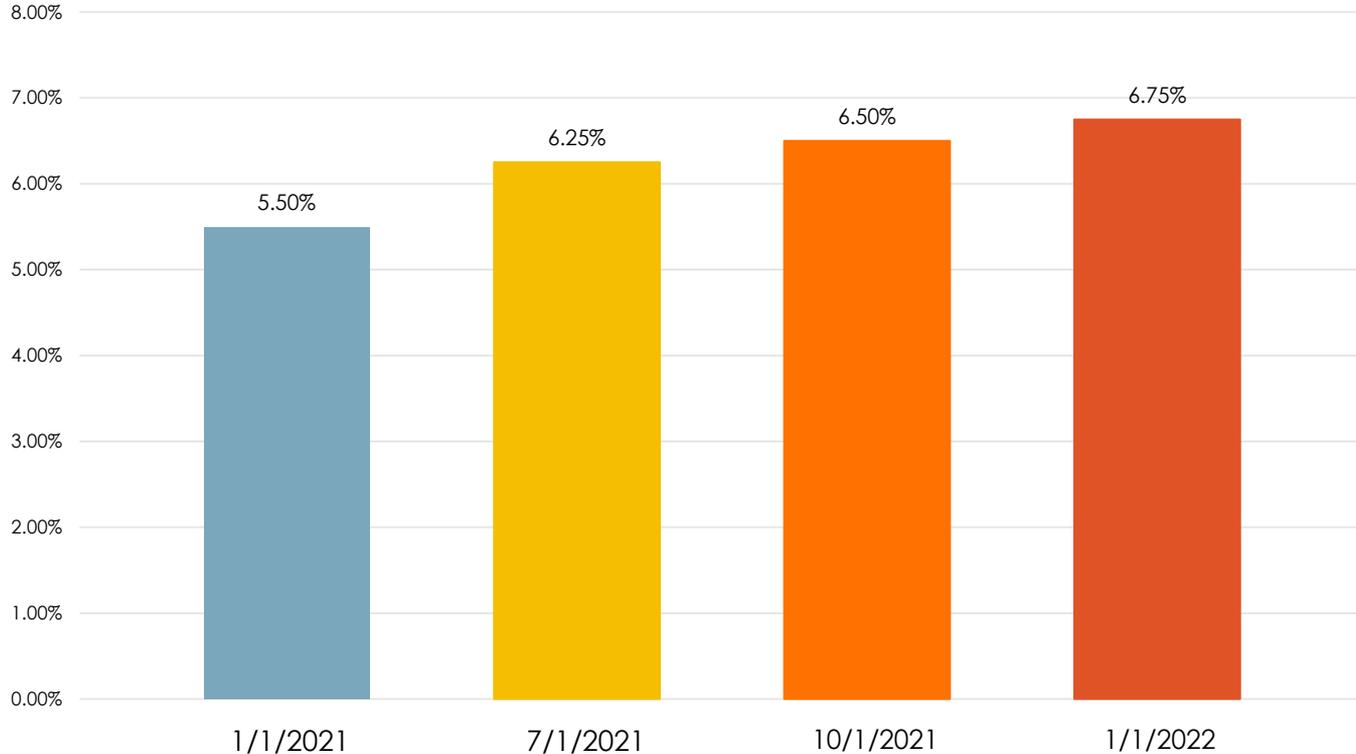
Impact of Delaying Water Revenue Increase on Minimum Reserve Fund Balance



An annual 5.5 percent revenue increase is required, starting in January 2021, to meet forecasted expenses and stay at or above the utility's minimum reserve fund balance



Future Revenue Increases to Maintain Minimum Reserve Fund Balance Policy



Next Steps



- Public outreach
 - www.tempe.gov/utilityratestudy
- December 3, 2020, Regular Council Meeting, to consider rate adoption
- If adopted as recommended, rate changes would become effective January 4, 2021