

TOWN OF JEROME

Water and Wastewater Rate Study and Financial Forecast

Public Hearing

September 2021

Facts about Water and Wastewater Rates in the 21st Century



- Average utility has been increasing rates 5-6% per year; trend expected to continue
- AWWA forecasts that US Water and Wastewater rates will triple in the next 15 years
- Many reasons for rate increases beyond the control of the utility: inflation, replacement of aging infrastructure, etc.
- 30-40% of utilities charge rates that do not cover costs
- Conclusion: water and wastewater costs will increase for everyone in 21st century



Town of Jerome

Water/Wastewater Utility Background



- ◆ Town has very complex water/ww rate structure, and currently rates are too low to cover all costs
 - ❖ Water and wastewater fund requires occasional transfers from General Fund and Utility fund balances
- ◆ Town requires a rate adjustment to cover costs and eliminate drawdown of utility fund balance
- ◆ If Town changes rate structure by implementing a volume-based rate, it is likely to cause substantial changes to many ratepayer monthly bills and may result in backlash from some customers

Current Water and Wastewater Rates



Water Rates

Residential

Single Resident	\$	25.36
Double Resident		33.20
Triple Resident		41.05
Multi Resident		41.05
Artist Studio		25.36
Construction		42.24

Non residential rates are based on size, number of employees, or number and type of fixtures.

Wastewater Rates

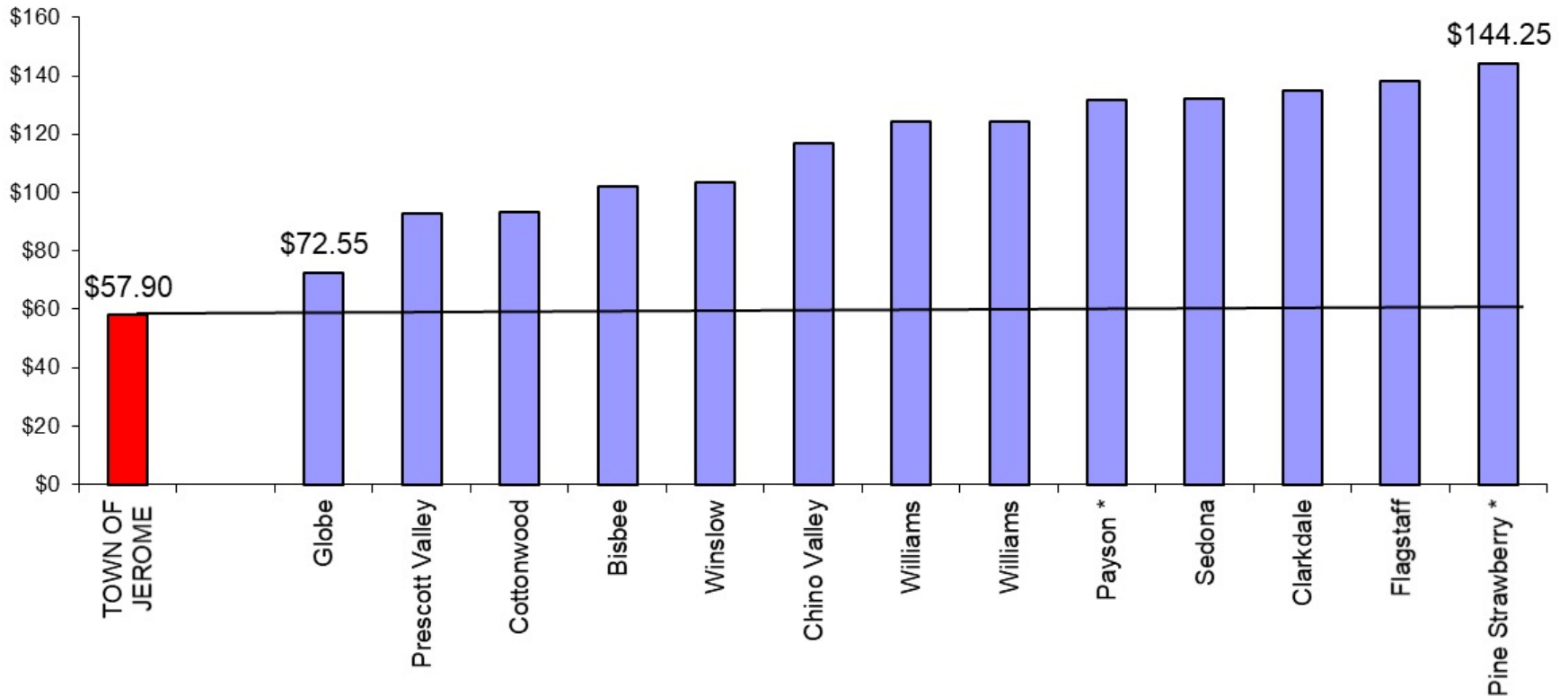
Residential and Non-Residential

Sewer rates are calculated at 128.3% of monthly water service rates

Non-Residential

Small Business (1-5 Employees)	\$	38.99
Small Business (Shared Restroom)		19.49
Medium Business (6-10 Employees)		52.72
Large Business (11 + Employees)		66.39
Bar Only		52.72
Small Restaurant Only (0-39 seats)		66.39
Medium Restaurant Only (40-79 seats)		71.90
Large Restaurant Only (80 + seats)		85.21
Small Restaurant and Bar (0-30 seats)		97.57
Medium Restaurant and Bar (40-79 seats)		100.94
Large Restaurant and Bar (80 + seats)		107.66
Hotels/Rooms/B*B per unit		10.18
Construction		42.24
Small Industry (2-5 employees)		50.70
Medium Industry (6-10 employees)		64.38
Large Industry (11 + employees)		42.24

Residential Rate Comparison 10,000 Gallons Water & 10,000 Gallons WW



* No sewer service, Jerome rates applied

2020 Accounts



WATER Customers

Residential	228
Residential Outside	18
Commercial	74
Municipal	4
Total	324

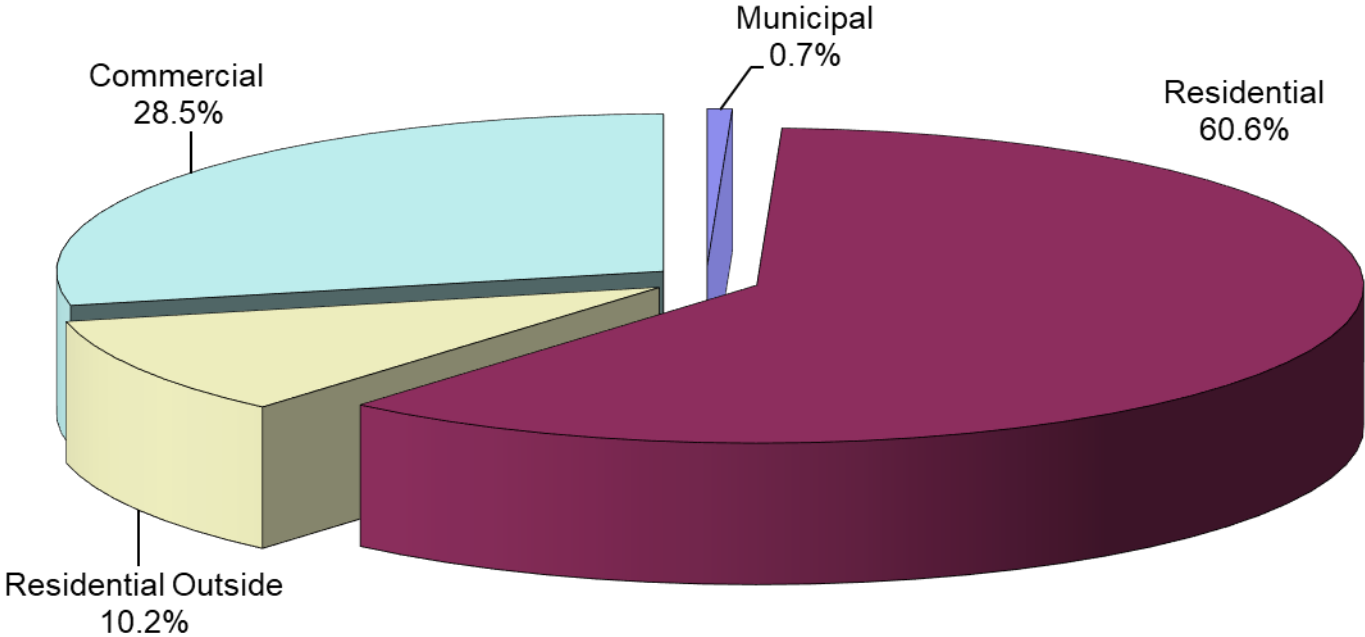
WASTEWATER Customers

Residential	177
Residential Outside	3
Commercial	72
Municipal	4
Total	256

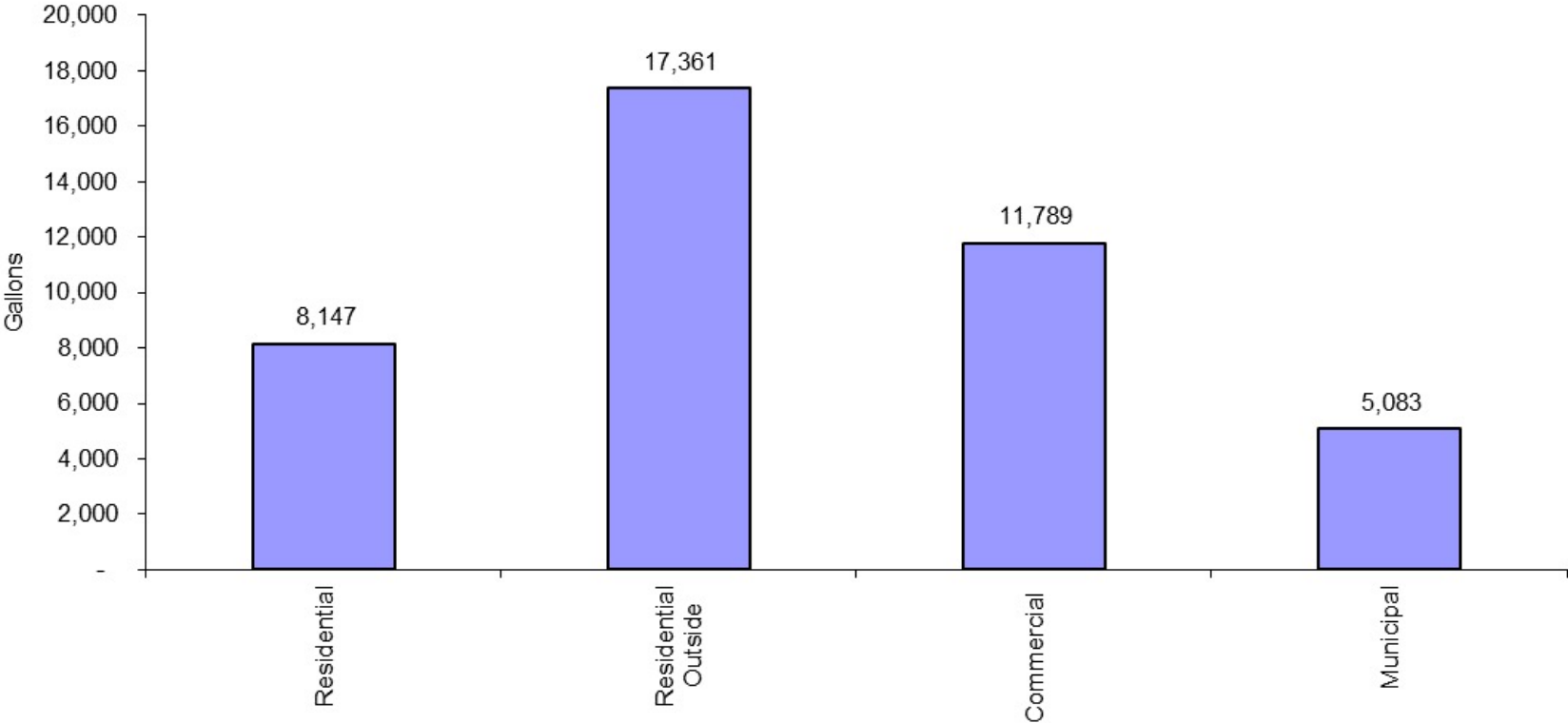
2020 Water Usage by Customer Class



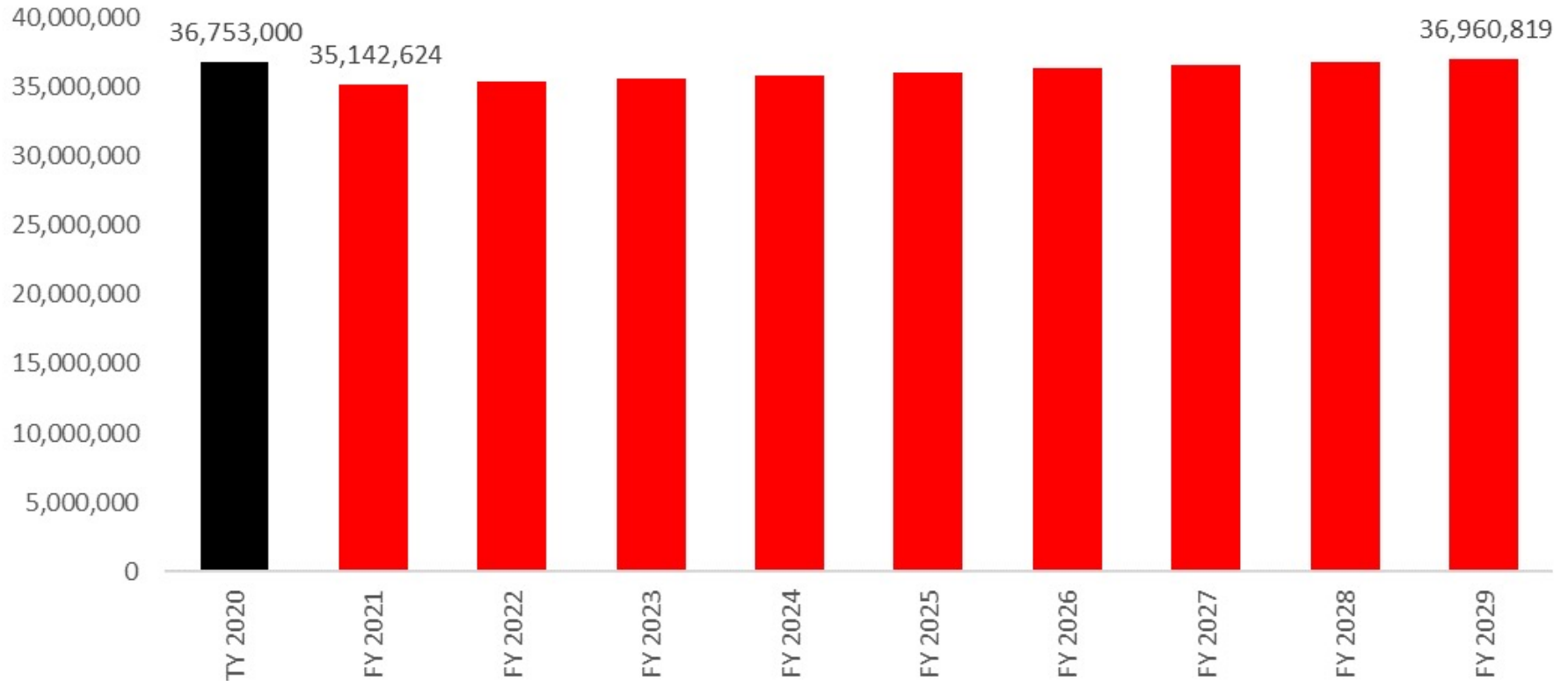
**Total Gallons
36,753,000**



Average Monthly Water Consumption by Rate Class



Actual and Forecast Annual Water Billed Consumption



Water and Wastewater Forecast Cost of Service



	TY 2020	FY 2021	FY 2022	FY 2023	FY 2024
WATER					
Operating	\$ 276,768	\$ 285,530	\$ 296,357	\$ 307,622	\$ 319,343
Capital Outlays	25,000	-	-	25,000	-
Debt Service	-	-	-	-	-
Transfers	48,232	49,197	50,673	52,193	53,758
Total	350,000	334,727	347,030	384,815	373,102
WASTEWATER					
Operating	\$ 215,368	\$ 221,702	\$ 229,799	\$ 238,210	\$ 246,947
Capital Outlays	-	-	-	-	-
Debt Service	19,021	19,021	19,021	19,021	19,021
Transfers	48,232	49,197	50,673	52,193	53,758
Total	282,621	289,920	299,493	309,424	319,726
Water/WW Total	632,621	624,647	646,523	694,238	692,828

Notes on Rate Proposals



- ◆ Both scenarios result in a conversion to a volume-based rate; this is a fundamental shift in billing methodology
- ◆ Recommend 20% premium for outside customers
- ◆ Volume data on which scenarios are based required significant adjustments; future usage must be monitored carefully
- ◆ Customer usage patterns and revenues likely to change significantly as a result of implementation of volume-based rate
- ◆ Therefore **rate plan may require substantial revision in coming years** as Town “settles in” to new rate structure

Proposed Rate Plan Alternatives



- ◆ **Scenario IA – Uniform Rates – No Minimum Volume**

- ❖ implements a volume-based uniform rate per 1,000 gallons with **no monthly minimum volumes**

- ◆ **Scenario IB – Uniform Rates – 8,000/12,000 Gallon Minimum Volumes**

- ❖ implements a volume-based rate per 1,000 gallons for water customers; with **8,000 minimum gallons** in base charge for residential and **12,000 minimum gallons** for commercial

- ◆ Both rate plans are designed to recover equivalent revenues



Scen IA – Uniform Rates – No Min Volume Proposed Rate Plan



	Current	Effective Jan-22	Effective Jan-23	Effective Jan-24	Effective Jan-25	Effective Jan-26
WATER Rates -- Residential						
Monthly Minimum Charge	\$ 12.50	\$ 12.50	\$ 13.75	\$ 15.13	\$ 16.64	\$ 17.47
Volume Rate/1,000 Gal	2.75	2.75	3.03	3.33	3.66	3.84
WATER Rates -- Non-Residential						
Monthly Minimum Charge	20.00	20.00	22.00	24.20	26.62	27.95
Volume Rate/1,000 Gal	3.25	3.25	3.58	3.93	4.33	4.54
WASTEWATER Rates -- Residential						
Monthly Minimum Charge	\$ 13.50	\$ 13.50	\$ 15.53	\$ 17.85	\$ 18.39	\$ 18.94
Volume Rate/1,000 Gal	3.75	3.75	4.31	4.96	5.11	5.26
WASTEWATER Rates -- Non-Residential						
Monthly Minimum Charge	20.00	20.00	23.00	26.45	27.24	28.06
Volume Rate/1,000 Gal	4.50	4.50	5.18	5.95	6.13	6.31

Scen IA – Uniform Rates – No Min Volume Impact on Monthly Charges



Gallons	Current	Effective Jan-22	Effective Jan-23	Effective Jan-24	Effective Jan-25	Effective Jan-26
WATER Monthly Charge						
Residential -- Single	\$ 25.36					
Residential -- Double	33.20					
Residential -- Triple	41.05					
Residential		\$ 20.75	\$ 22.83	\$ 25.11	\$ 27.62	\$ 29.00
3,000		26.25	28.88	31.76	34.94	36.69
5,000		34.50	37.95	41.75	45.92	48.22
8,000		40.00	44.00	48.40	53.24	55.90
10,000		53.75	59.13	65.04	71.54	75.12
15,000		67.50	74.25	81.68	89.84	94.33
20,000		95.00	104.50	114.95	126.45	132.77
30,000						

Scen IA – Uniform Rates – No Min Volume Impact on Monthly Charges



Gallons	Current	Effective Jan-22	Effective Jan-23	Effective Jan-24	Effective Jan-25	Effective Jan-26
WATER Monthly Charge						
Small Business (Shared Restroom)	\$ 19.49					
Small Business (1-5 Employees)	38.99					
Construction	42.24					
Medium Business (6-10 Employees)	52.72					
Bar Only	52.72					
Large Business (11 + Employees)	66.39					
Small Restaurant Only (0-39 seats)	66.39					
Medium Restaurant Only (40-79 seats)	71.90					
Large Restaurant Only (80 + seats)	85.21					
Small Restaurant and Bar (0-30 seats)	97.57					
Medium Restaurant and Bar (40-79 seats)	100.94					
Large Restaurant and Bar (80 + seats)	107.66					
Non-Residential	3,000	29.75	32.73	36.00	39.60	41.58
	5,000	35.25	38.78	42.65	46.92	49.26
	10,000	49.00	53.90	59.29	65.22	68.48
	12,000	55.50	61.05	67.16	73.87	77.56
	15,000	62.75	69.03	75.93	83.52	87.70
	20,000	76.50	84.15	92.57	101.82	106.91
	30,000	104.00	114.40	125.84	138.42	145.35
	50,000	159.00	174.90	192.39	211.63	222.21

Scen IA – Uniform Rates – No Min Volume Impact on Monthly Charges



	Gallons	Current	Effective Jan-22	Effective Jan-23	Effective Jan-24	Effective Jan-25	Effective Jan-26
WASTEWATER Monthly Charge							
Residential -- Single		\$ 32.54					
Residential -- Double		42.60					
Residential -- Triple		52.67					
Residential	3,000		\$ 24.75	\$ 28.46	\$ 32.73	\$ 33.71	\$ 34.73
	5,000		32.25	37.09	42.65	43.93	45.25
	8,000		43.50	50.03	57.53	59.25	61.03
	10,000		51.00	58.65	67.45	69.47	71.56
	15,000		69.75	80.21	92.24	95.01	97.86
	20,000		88.50	101.78	117.04	120.55	124.17
	30,000		126.00	144.90	166.64	171.63	176.78

Scen IA – Uniform Rates – No Min Volume Impact on Monthly Charges



	Gallons	Current	Effective Jan-22	Effective Jan-23	Effective Jan-24	Effective Jan-25	Effective Jan-26
WASTEWATER Monthly Charge							
Small Business (Shared Restroom)		\$ 25.01					
Small Business (1-5 Employees)		50.02					
Construction		54.19					
Medium Business (6-10 Employees)		67.64					
Bar Only		67.64					
Large Business (11 + Employees)		85.18					
Small Restaurant Only (0-39 seats)		85.18					
Medium Restaurant Only (40-79 seats)		92.25					
Large Restaurant Only (80 + seats)		109.32					
Small Restaurant and Bar (0-30 seats)		125.18					
Medium Restaurant and Bar (40-79 seats)		129.51					
Large Restaurant and Bar (80 + seats)		138.13					
Non-Residential	3,000		33.50	38.53	44.30	45.63	47.00
	5,000		42.50	48.88	56.21	57.89	59.63
	10,000		65.00	74.75	85.96	88.54	91.20
	12,000		74.00	85.10	97.87	100.80	103.82
	15,000		87.50	100.63	115.72	119.19	122.77
	20,000		110.00	126.50	145.48	149.84	154.33
	30,000		155.00	178.25	204.99	211.14	217.47
	50,000		245.00	281.75	324.01	333.73	343.74

Scen IB – Uniform Rates – 8,000/12,000 Min Volume -- Proposed Rate Plan



	Current	Effective Jan-22	Effective Jan-23	Effective Jan-24	Effective Jan-25	Effective Jan-26
WATER Rates -- Residential						
Monthly Minimum Charge -- 8,000 Gal	\$ 34.50	\$ 34.50	\$ 37.61	\$ 40.99	\$ 44.27	\$ 46.04
Volume Rate/1,000 Gal	2.75	2.75	3.00	3.27	3.53	3.67
WATER Rates -- Non-Residential						
Monthly Minimum Charge -- 12,000 Gal	58.00	58.00	63.22	68.91	74.42	77.40
Volume Rate/1,000 Gal	3.25	3.25	3.54	3.86	4.17	4.34
WASTEWATER Rates -- Residential						
Monthly Minimum Charge -- 8,000 Gal	\$ 43.50	\$ 43.50	\$ 48.29	\$ 53.60	\$ 55.20	\$ 56.86
Volume Rate/1,000 Gal	3.75	3.75	4.16	4.62	4.76	4.90
WASTEWATER Rates -- Non-Residential						
Monthly Minimum Charge -- 12,000 Gal	72.00	72.00	79.92	88.71	91.37	94.11
Volume Rate/1,000 Gal	4.50	4.50	5.00	5.54	5.71	5.88

Scen IB – Uniform Rates – Residential Impact on Monthly Charges



Gallons	Current	Effective Jan-22	Effective Jan-23	Effective Jan-24	Effective Jan-25	Effective Jan-26
WATER Monthly Charge						
8,000 Gal Volume Credit in Monthly Charge						
Residential – Single	\$ 25.36					
Residential – Double	33.20					
Residential – Triple	41.05					
Residential	3,000	\$ 34.50	\$ 37.61	\$ 40.99	\$ 44.27	\$ 46.04
	5,000	34.50	37.61	40.99	44.27	46.04
	8,000	34.50	37.61	40.99	44.27	46.04
	10,000	40.00	43.60	47.52	51.33	53.38
	15,000	53.75	58.59	63.86	68.97	71.73
	20,000	67.50	73.58	80.20	86.61	90.08
	30,000	95.00	103.55	112.87	121.90	126.78

Scenario IA – No Volume Credit in Monthly Charge

Residential	3,000	\$ 20.75	\$ 22.83	\$ 25.11	\$ 27.62	\$ 29.00
	5,000	26.25	28.88	31.76	34.94	36.69
	8,000	34.50	37.95	41.75	45.92	48.22
	10,000	40.00	44.00	48.40	53.24	55.90
	15,000	53.75	59.13	65.04	71.54	75.12
	20,000	67.50	74.25	81.68	89.84	94.33
	30,000	95.00	104.50	114.95	126.45	132.77

Scen IB – Uniform Rates – Commercial Impact on Monthly Charges



	Gallons	Current	Effective Jan-22	Effective Jan-23	Effective Jan-24	Effective Jan-25	Effective Jan-26
WATER Monthly Charge							
Small Business (Shared Restroom)		\$ 19.49					
Small Business (1-5 Employees)		38.99					
Construction		42.24					
Medium Business (6-10 Employees)		52.72					
Bar Only		52.72					
Large Business (11 + Employees)		66.39					
Small Restaurant Only (0-39 seats)		66.39					
Medium Restaurant Only (40-79 seats)		71.90					
Large Restaurant Only (80 + seats)		85.21					
Small Restaurant and Bar (0-30 seats)		97.57					
Medium Restaurant and Bar (40-79 seats)		100.94					
Large Restaurant and Bar (80 + seats)		107.66					
Non-Residential	3,000		58.00	63.22	68.91	74.42	77.40
	5,000		58.00	63.22	68.91	74.42	77.40
	10,000		58.00	63.22	68.91	74.42	77.40
	12,000		58.00	63.22	68.91	74.42	77.40
	15,000		67.75	73.85	80.49	86.93	90.41
	20,000		84.00	91.56	99.80	107.78	112.10
	30,000		116.50	126.99	138.41	149.49	155.47
	50,000		181.50	197.84	215.64	232.89	242.21

Scen IB – Uniform Rates – 8,000 Min Volume Impact on Monthly Charges



Gallons	Current	Effective Jan-22	Effective Jan-23	Effective Jan-24	Effective Jan-25	Effective Jan-26
WASTEWATER Monthly Charge						
Residential -- Single	\$ 32.54	8,000 Gal Volume Credit in Monthly Charge				
Residential -- Double	42.60					
Residential -- Triple	52.67					
Residential	3,000	\$ 43.50	\$ 48.29	\$ 53.60	\$ 55.20	\$ 56.86
	5,000	43.50	48.29	53.60	55.20	56.86
	8,000	43.50	48.29	53.60	55.20	56.86
	10,000	51.00	56.61	62.84	64.72	66.66
	15,000	69.75	77.42	85.94	88.52	91.17
	20,000	88.50	98.24	109.04	112.31	115.68
	30,000	126.00	139.86	155.24	159.90	164.70

Scenario IA – No Volume Credit in Monthly Charge

Residential	3,000	\$ 24.75	\$ 28.46	\$ 32.73	\$ 33.71	\$ 34.73
	5,000	32.25	37.09	42.65	43.93	45.25
	8,000	43.50	50.03	57.53	59.25	61.03
	10,000	51.00	58.65	67.45	69.47	71.56
	15,000	69.75	80.21	92.24	95.01	97.86
	20,000	88.50	101.78	117.04	120.55	124.17
	30,000	126.00	144.90	166.64	171.63	176.78

Scen IB – Uniform Rates – Commercial Impact on Monthly Charges



	Gallons	Current	Effective Jan-22	Effective Jan-23	Effective Jan-24	Effective Jan-25	Effective Jan-26
Small Business (Shared Restroom)		\$ 25.01					
Small Business (1-5 Employees)		50.02					
Construction		54.19					
Medium Business (6-10 Employees)		67.64					
Bar Only		67.64					
Large Business (11 + Employees)		85.18					
Small Restaurant Only (0-39 seats)		85.18					
Medium Restaurant Only (40-79 seats)		92.25					
Large Restaurant Only (80 + seats)		109.32					
Small Restaurant and Bar (0-30 seats)		125.18					
Medium Restaurant and Bar (40-79 seats)		129.51					
Large Restaurant and Bar (80 + seats)		138.13					
Non-Residential	3,000		72.00	79.92	88.71	91.37	94.11
	5,000		72.00	79.92	88.71	91.37	94.11
	10,000		72.00	79.92	88.71	91.37	94.11
	12,000		72.00	79.92	88.71	91.37	94.11
	15,000		85.50	94.91	105.34	108.50	111.76
	20,000		108.00	119.88	133.07	137.06	141.17
	30,000		153.00	169.83	188.51	194.17	199.99
	50,000		243.00	269.73	299.40	308.38	317.63

Final Thoughts on Rate Plan



- ◆ Agree with citizen comments that conservation is a goal of both the state of Arizona and USA
- ◆ Regulatory agencies give cities wide latitude to set rates according to local definitions of “fair, just and reasonable”
- ◆ Current rate structure, while uncommon, is still used by cities throughout USA
- ◆ Town has several options regarding rate structure:
 - ❖ Implement 5-year plan, or any combination of years
 - ❖ Limit revisions to commercial customers only

Presentation Summary



- ◆ Conversion to volume-based rate plan likely to be very controversial and will significantly impact certain ratepayers
- ◆ Both rate plans forecast to result in equivalent revenues
- ◆ Up to Council and community to choose the most appropriate plan
- ◆ Implementation may result in significantly altered usage patterns and revenues
- ◆ Recommend rate plan be reviewed every 2 years to see if results are in line with forecast; and adjust as necessary



Questions

