



MAYOR & COUNCIL COMMUNICATION

February 5, 2008

Subject: **Approval of Notice of Intention to Increase Certain Tucson Water Miscellaneous Fees and to Schedule a Public Hearing (City-Wide and Outside the City)**

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Issue – Initiation of legally required process to update Tucson Water’s Miscellaneous Water Fees.

Recommendation – The Mayor and Council is respectfully requested to review the *2008 Miscellaneous Fee Study: Installation and Service Fees (Study)* (enclosed as Attachment B) and initiate the legal process required to increase fees by:

- (1) Filing the *Study*, which includes the proposed fee schedule, with the City Clerk;
- (2) Adopting the Notice of Intention to increase fees (the Notice is an Exhibit to the attached resolution);
- (3) Establishing March 18, 2008, as the date for a public hearing on the proposed fees; and
- (4) Directing that all fee changes (increases as well as decreases) be scheduled to become effective on the same date, July 1, 2008.

Background – By policy of the Mayor and Council, Tucson Water is a self-supporting enterprise, which means that all costs associated with the Utility are recovered from water revenues. Water revenues are of three basic types: Water Sales Revenues, Impact Fee Revenues, and Other Utility-Related Revenues (which includes miscellaneous fees, the subject of this Communication). Each of these revenue types is briefly explained below:

1. *Water sales revenues* are derived from the water charges on the City’s monthly bills for utility services. (Later in February, the Council is scheduled to receive Tucson Water’s financial plan which will include information on the sufficiency of water sales revenues at existing rates to cover projected costs next Fiscal Year.)
2. *Impact fee revenues* are currently generated by the System Equity Fee and the CAP Water Resource Fee. Each of these fees is collected at the time application is made for a new connection to the *central* potable system.
 - The System Equity Fee is designed to recover the historical cost of potable water system infrastructure that benefits new connections to the system; thereby new connections pay their proportionate share of cost.
 - The CAP Water Resource Fee is designed to recover from future connections to the *central* system an equitable portion of the costs incurred, or estimated to be incurred, for acquisition of CAP water rights which benefit those connections.
 - In addition, Tucson Water serves some areas (‘isolated systems’) not connected to the central potable system; impact fees have been established in those areas (Santa Rita Bel Air and Diamond Bell) that require large water infrastructure additions, and these fees are assessed on each new connection in the respective areas.

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3. *Other Utility-related revenue* consists primarily of:

- Interest earnings.
- Fees for billing services that Tucson Water provides to Pima County Wastewater and to the Environmental Services Department of the City.
- Fees for various *miscellaneous services* (the subject of this Communication).
Over 100 such fees are established in Chapter 27, Article II of the Tucson Code.

Updating Water Miscellaneous Service Fees – The Miscellaneous Fees Study is conducted every two years. Today, the Mayor and Council is asked to begin the process of aligning the fees charged by the Utility for water installations and other miscellaneous services with the underlying estimated costs of those services for FY 2009. The current fees for these services were based on the 2006 Miscellaneous Fees Study; the fees in that Study were originally planned to be in effect at the beginning of FY 2007 (July 2006), but adoption was deferred to January 2007 in order to resolve issues that arose with the 2006 monthly water rate process occurring during the same period. Hence, the fees currently in effect were developed to recover FY 2007 costs and now need to be updated to reflect FY 2009 estimated costs.

Installations consist mainly of metered water service connections and unmetered fire protection connections, the fees for which are typically referred to as connection fees. These fees are set to recover labor, material, equipment, and overhead costs incurred to install the connection. Thus, these fees do not include any recovery of the capital investment necessary to provide water to the new meter (that is the role of the water impact fee revenues discussed above).

Miscellaneous services include billing system account set-up (the *turn-on fee*) and pursuit of delinquent water bill payments (the *delinquent service charge*). Also included are (1) rates related to refunding developers for oversizing their main installations at Tucson Water’s direction and (2) rates related to reimbursing a developer for installing a water main to which other future developments connect.

The current review of fees for water installations and miscellaneous services is documented in the attached *Study* conducted by Water staff. The *Study* examined 110 water-related services and proposes a fee for each that incorporates projected FY 2009 direct costs and overhead.

On December 5, 2007, the Citizen’s Water Advisory Committee approved the proposed fee changes in the *Study*. In addition, the *Study* has been discussed with representatives of the Southern Arizona Home Builders Association (SAHBA), who have objected to increases in fees, such as meter installation fees, based on the slow-down in new housing construction and sales. The *Study* has also been provided to the Tucson Utility Contractors’ Association (TUCA) on January 9, 2008.

Proposed Fee Changes – The *Study* reviewed 108 existing fees, of which 94 are proposed to increase, 12 to decrease, and 2 to remain the same. In addition, 2 new fees are proposed. The two new proposed fees are explained on the following page.

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- *A Four Day Compliance Notice fee (\$87)*. When the financially responsible party of a location fails to correct backflow or reclaim compliance issues within the required timeframe and fails to make contact with the utility to correct the problem, Tucson water makes a site visit in an attempt to resolve problems face-to-face with the owner/responsible party at the site. During this visit, a notice to correct within four days is hand delivered. Because no fee is currently charged for this compliance site visit, the Study proposes a new \$87 compliance fee for this visit. If the correction is not made within four days and disconnection is then necessary, the current fee structure provides that a similar fee will be assessed for the site visit to disconnect the service.
- *An Electrical and Control System Design fee (\$3,991)*. For developer-required facilities such as booster stations, Tucson Water may design the electrical and system control components and prepare construction documents. This service helps to assure that electrical and control systems for water production facilities are designed to meet applicable code and Utility standards and are compatible with existing Tucson Water control systems. The design work typically includes 8 full-size plan sheets for the site electrical and control drawings and details, written specifications for the site construction, and 12 full-size plan sheets and written specifications for the station control panel.

Other significant information about the *Study* includes:

- *Fee Calculation*: Except for oversizing rebates related to pipelines and the protected main fee, proposed rates have been determined by rounding each service's total cost to the nearest one dollar (\$1.00), as directed by the Finance Subcommittee of the Citizens' Water Advisory committee (CWAC). Prior studies rounded fees to the nearest five dollars (\$5.00).
- *Major developer-related fees*: Besides meter installation fees, four types of fees in the *Study* affect developers:
 - the **plan review fees** for review of developer master and/or design plans (last changed in the 2004 Study), are proposed to increase;
 - the **construction inspection fees** for developer-installed pipelines (last changed in the 2004 Study) or other water facilities (last changed in the 2002 Study) are proposed to increase;
 - **rebates to developers** for oversizing pipelines at Tucson Water's request are proposed to increase in some cases and decrease in others, based on pipe costs; and
 - **protected main fees**, which Tucson Water collects on behalf of the developer who installed a main to which another developer connects, are proposed to increase.

The last two fees do not produce revenue for the Utility: the oversizing rebates are an expense to the Utility, and the protected main fee receipts are remitted to the developers who installed the mains.

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- *Pavement Replacement:* The cost of pavement replacement has increased significantly from the 2006 Study. For installations requiring pavement replacement, the size (area) of required replacement has been corrected to conform to the specifications in Tucson Water’s Standard Detail Manual, which results in a much larger replacement size than previously (for example, 150 square feet for one meter installation versus 60 square feet in the prior study). In addition, the price of paving has increased to \$4.00 per square foot from \$2.65 per square foot in the 2006 study.

Attachment A lists all fees in the *Study* and indicates if the fee is proposed to increase, decrease, or remain the same.

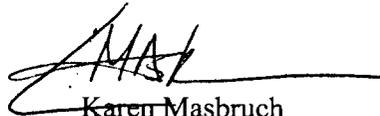
Legal Considerations – The City Attorney’s Office has determined that the attached Notice of Intention to increase fees, as well as the proposed schedule for Mayor and Council consideration of the fee increases (below), comply with requirements in State law for changing water fees.

Proposed Schedule to Enact Revised Fees –

- February 5, 2008:** Mayor and Council adopts Notice of Intention to Increase Fees, (today) files *Study* with City Clerk, and sets public hearing for March 18.
- February 22, 2008:** Public hearing advertised in major Tucson newspapers
- March 18, 2008:** Public hearing, after which the Council adopts (or not) the proposed fee schedule
- July 1, 2008:** Fee changes (both increases and decreases) become effective as adopted by the Council on March 18.

Financial Considerations – Adoption of all the proposed miscellaneous fee changes is expected to produce total annual revenues of approximately \$6.4 million, or about \$600,000 (11%) more than under existing fees.

Respectfully submitted,



Karen Masbruch
Assistant City Manager

KM:bb/David Modeer
Director, Tucson Water
mc/2008 misc fees NOI 020508mcc.doc
FEB5-08-61

Attachments: ~~A. Summary of Proposed Fee Changes (Schedules)~~
~~B. 2008 Meter Installation and Miscellaneous Fee Study~~

~~Resolution with Notice of Intention to Increase Fees~~

TUCSON WATER MISCELLANEOUS FEES

Comparison of Existing to Proposed Fee Amounts

	Existing Fee	Proposed Fee	Proposed Minus Existing
<u>METERED INSTALLATIONS:</u>			
New Metered Installation (Meter Only)			
<i>Developer Installed Meter Box and Bricks</i>			
5/8" meter	\$210.00	\$239.00	\$29.00
1" meter	\$255.00	\$295.00	\$40.00
1-1/2" meter	\$405.00	\$452.00	\$47.00
2" meter	\$490.00	\$537.00	\$47.00
New Metered Installation (Meter Only)			
<i>Tucson Water Installed</i>			
5/8" meter	\$265.00	\$299.00	\$34.00
1" meter	\$370.00	\$436.00	\$66.00
1-1/2" meter	\$605.00	\$663.00	\$58.00
2" meter	\$695.00	\$748.00	\$53.00
New Metered Installation (Meter Only)			
(with Automatic Read Device)			
<i>Developer Installed Meter Box and Bricks</i>			
5/8" meter	\$340.00	\$379.00	\$39.00
1" meter	\$375.00	\$421.00	\$46.00
1-1/2" meter	\$560.00	\$604.00	\$44.00
2" meter	\$645.00	\$686.00	\$41.00
New Metered Installation (Meter Only)			
(with Automatic Read Device)			
<i>Tucson Water Installed</i>			
5/8" meter	\$395.00	\$439.00	\$44.00
1" meter	\$495.00	\$562.00	\$67.00
1-1/2" meter	\$760.00	\$815.00	\$55.00
2" meter	\$845.00	\$897.00	\$52.00
New Meter Installation Complete			
<i>With pavement replacement</i>			
5/8" meter	\$1,525.00	\$2,105.00	\$580.00
1" meter	\$1,635.00	\$2,243.00	\$608.00
1-1/2" meter	\$1,985.00	\$2,594.00	\$609.00
2" meter	\$2,195.00	\$2,959.00	\$764.00
New Meter Installation Complete			
<i>Without pavement replacement</i>			
5/8" meter	\$1,305.00	\$1,505.00	\$200.00
1" meter	\$1,415.00	\$1,643.00	\$228.00
1-1/2" meter	\$1,765.00	\$1,994.00	\$229.00
2" meter	\$1,980.00	\$2,359.00	\$379.00
Multiple 1" New Metered Installations			
<i>With pavement replacement</i>			
1" meter	\$2,115.00	\$2,926.00	\$811.00
Multiple 1" New Metered Installations			
<i>Without pavement replacement</i>			
1" meter	\$1,895.00	\$2,326.00	\$431.00

TUCSON WATER MISCELLANEOUS FEES

Comparison of Existing to Proposed Fee Amounts

	Existing Fee	Proposed Fee	Proposed Minus Existing
Multiple New Metered Installations Complete, Single Location, 5/8" Meters, <i>With pavement replacement</i>			
2 services	\$ 1,795.00	\$ 2,448.00	\$653.00
3 services	\$ 2,155.00	\$ 2,908.00	\$753.00
4 services	\$ 2,405.00	\$ 3,316.00	\$911.00
5 services	\$ 2,995.00	\$ 3,833.00	\$838.00
6 services	\$ 3,185.00	\$ 4,178.00	\$993.00
7 services	\$ 3,545.00	\$ 5,214.00	\$1,669.00
8 services	\$ 3,795.00	\$ 5,622.00	\$1,827.00
9 services	\$ 4,160.00	\$ 6,427.00	\$2,267.00
10 services	\$ 4,410.00	\$ 6,835.00	\$2,425.00
11 services	\$ 4,770.00	\$ 7,631.00	\$2,861.00
12 services	\$ 5,020.00	\$ 8,039.00	\$3,019.00
Multiple New Metered Installations Complete, Single Location, 5/8" Meters, <i>Without pavement replacement</i>			
2 services	\$1,580.00	\$1,848.00	\$268.00
3 services	\$1,935.00	\$2,296.00	\$361.00
4 services	\$2,185.00	\$2,704.00	\$519.00
5 services	\$2,455.00	\$3,053.00	\$598.00
6 services	\$2,650.00	\$3,398.00	\$748.00
7 services	\$3,010.00	\$3,846.00	\$836.00
8 services	\$3,260.00	\$4,254.00	\$994.00
9 services	\$3,625.00	\$4,707.00	\$1,082.00
10 services	\$3,875.00	\$5,115.00	\$1,240.00
11 services	\$4,235.00	\$5,563.00	\$1,328.00
12 services	\$4,485.00	\$5,971.00	\$1,486.00
Meter Installation on Fire Hydrant (Construction Water)	\$110.00	\$120.00	\$10.00
Water Reservice (Reinstallation of Water Meter Previously Removed)	\$35.00	\$38.00	\$3.00
<u>SERVICE FEES:</u>			
Installation of Fire Sprinkler*	\$345.00	\$375.00	\$30.00
Installation of Fire Hydrant*	\$345.00	\$375.00	\$30.00
Main Extension*	\$345.00	\$375.00	\$30.00
Water Meter Installation Expose/Uncover Fee	\$250.00	\$270.00	\$20.00
Water Meter Installation Cancel Fee	\$25.00	\$28.00	\$3.00
Water Turn-on / Initiate Service Fee	\$25.00	\$27.00	\$2.00
Fire Protection Initiate Service Fee	\$10.00	\$9.00	-\$1.00
Delinquent Service Charge: Customer Notice	\$15.00	\$14.00	-\$1.00
Delinquent Service Charge: Meter Lock	\$55.00	\$60.00	\$5.00
Return Check Service Charge **	\$28.00	\$28.00	\$0.00
Backflow Prevention Permit	\$80.00	\$87.00	\$7.00

TUCSON WATER MISCELLANEOUS FEES

Comparison of Existing to Proposed Fee Amounts

	Existing Fee	Proposed Fee	Proposed Minus Existing
Four Day Compliance Notice: Potable and Reclaim Service (new fee)	\$0.00	\$87.00	\$87.00
Compliance Fee: Potable and Reclaim Service	\$80.00	\$87.00	\$7.00
Standard Reclaim Sign	\$10.00	\$22.00	\$12.00
Customer-Requested Ball Valve Installations			
5/8" meter	\$25.00	\$35.00	\$10.00
1" meter	\$40.00	\$57.00	\$17.00
1 1/2" meter	\$65.00	\$101.00	\$36.00
2" meter	\$100.00	\$138.00	\$38.00
Customer Requested Meter Relocation:			
5/8" meter up to 10'	\$600.00	\$670.00	\$70.00
1" meter up to 10'	\$615.00	\$729.00	\$114.00
1-1/2" meter up to 10'	\$680.00	\$790.00	\$110.00
2" meter up to 10'	\$730.00	\$922.00	\$192.00
Customer Requested Meter Relocation:			
5/8" meter 11' to 20'	\$740.00	\$830.00	\$90.00
1" meter 11' to 20'	\$760.00	\$917.00	\$157.00
1-1/2" meter 11' to 20'	\$840.00	\$998.00	\$158.00
2" meter 11' to 20'	\$915.00	\$1,187.00	\$272.00
Meter Test: Customer Requested	\$130.00	\$149.00	\$19.00
Meter Test: Annual Private Meter Test	\$85.00	\$95.00	\$10.00
Deposit: Construction Water Meter Installed on Fire Hydrant	\$1,525.00	\$1,603.00	\$78.00

SERVICES RELATED TO DEVELOPER PROJECTS**PLAN REVIEW:***Master Plan Only:*

First Submittal

First Sheet	\$250.00	\$277.00	\$27.00
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Each Subsequent Sheet	\$120.00	\$140.00	\$20.00
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Each Re-submittal of Plan	\$130.00	\$157.00	\$27.00
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Design Review Only:

First Submittal

First Sheet	\$365.00	\$417.00	\$52.00
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Each Subsequent Sheet	\$120.00	\$140.00	\$20.00
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First Re-submittal of Design:

First Sheet	\$130.00	\$157.00	\$27.00
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Each Subsequent Sheet	\$60.00	\$70.00	\$10.00
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Each Subsequent Re-submittal of Design	\$150.00	\$157.00	\$7.00
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Plan Revision:

	\$140.00	\$140.00	\$0.00
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Design:

Electrical and Control System Design (Developer-proposed Facilities) (new fee)	\$0.00	\$3,991.00	\$3,991.00
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TUCSON WATER MISCELLANEOUS FEES

Comparison of Existing to Proposed Fee Amounts

	Existing Fee	Proposed Fee	Proposed Minus Existing
<u>CONSTRUCTION INSPECTION:</u>			
Water Facilities (Non-Pipeline) Inspection (Per Project)	\$4,005.00	\$4,405.00	\$400.00
Pipeline Inspection Service (Per Ft.)	\$5.00	\$6.00	\$1.00
Main Isolation Service	\$285.00	\$309.00	\$24.00
<u>PROTECTED MAINS/FACILITIES:</u>			
Protected Main Fee (Per Lin. Ft.)			
6" main	\$10.50	\$21.86	\$11.36
8" main	\$14.22	\$27.38	\$13.16
12" main	\$26.54	\$32.98	\$6.44
16" main	\$34.60	\$43.10	\$8.50
Protected Main Service Fee	\$70.00	\$76.00	\$6.00
Protected Facility Service Fee	\$70.00	\$76.00	\$6.00
<u>OVERSIZED PIPELINES:</u>			
Oversizing Pipeline Rebates (Per Lin. Ft.)			
6" 8"	\$7.50	\$11.05	\$3.55
6" 12"	\$32.25	\$22.25	-\$10.00
6" 16"	\$48.25	\$42.48	-\$5.77
8" 12"	\$24.75	\$11.20	-\$13.55
8" 16"	\$40.75	\$31.43	-\$9.32
12" 16"	\$16.25	\$20.22	\$3.97
Oversizing Valves (Per Valve)			
6" 8"	\$520.00	\$295.83	-\$224.17
6" 12"	\$1,615.00	\$1,273.33	-\$341.67
6" 16"	\$6,350.00	\$1,959.52	-\$4,390.48
8" 12"	\$1,100.00	\$977.50	-\$122.50
8" 16"	\$5,835.00	\$1,663.69	-\$4,171.31
12" 16"	\$4,735.00	\$686.19	-\$4,048.81

TOTAL NUMBER OF FEES **110**

* The fee indicated recovers installation inspection and administrative costs of Tucson Water. In addition to this fee, the customer is charged for the cost of the installation, based on the posted contract fee(s) for the installation.

** Charge is determined by City's Finance Department.