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# Fiscal Year 21-22 Water Rates

Timothy Thomure, PE

Interim Assistant City Manager

# AGENDA

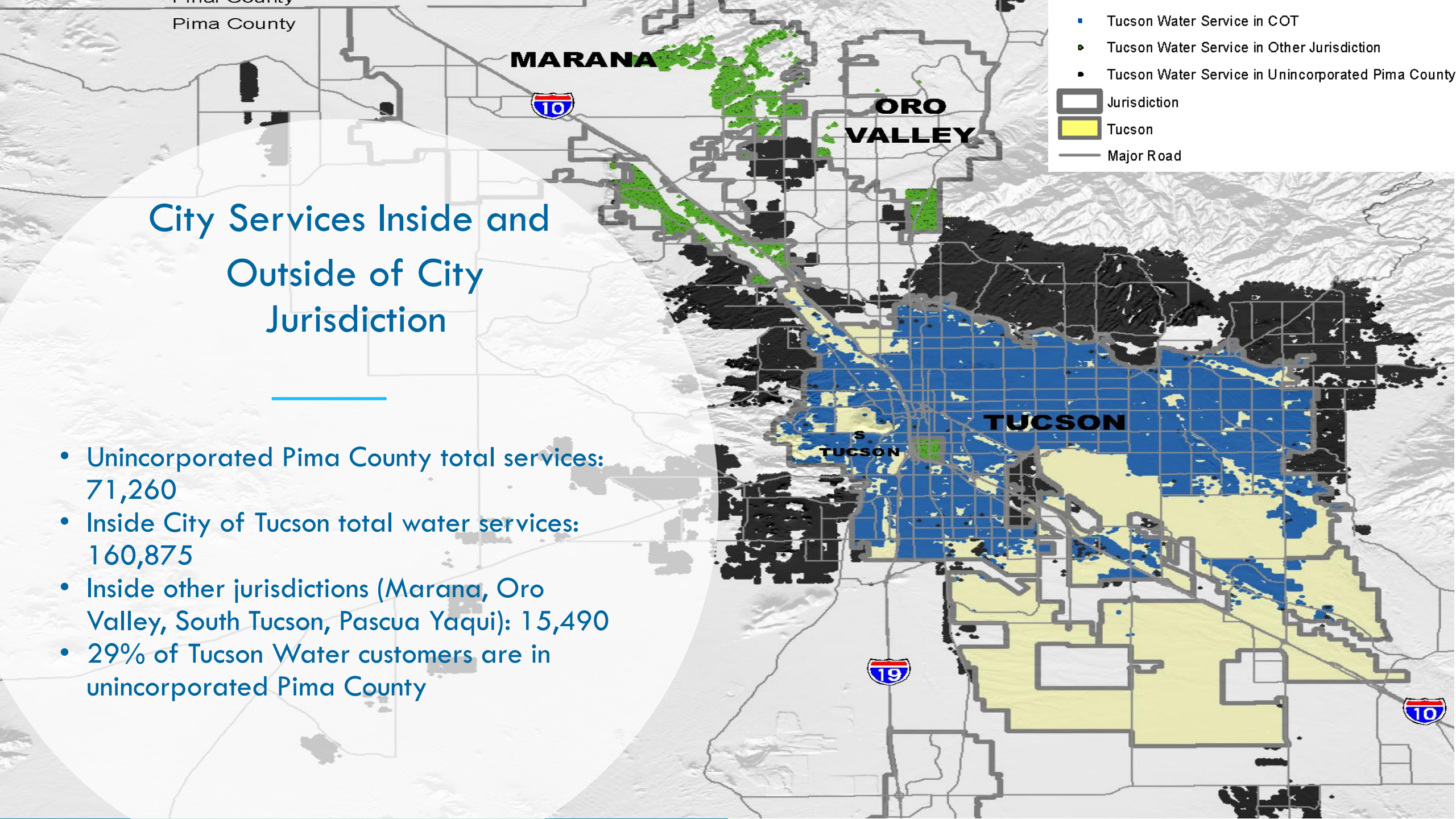
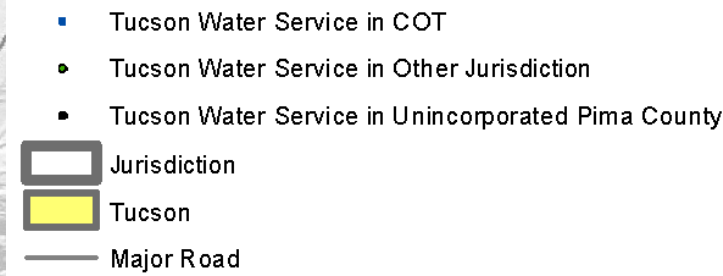
- Overview
- Policy Considerations
  - Infrastructure Differential
  - Water Resources Differential
  - Water Conservation Differential
  - Equity and Precedent
- Stakeholder Comments
- Differential Rate Options
- Bill Impacts
- Q&A

# Overview of Water Rates for FY 21-22

- **Notice of Intent adopted April 6, 2021**
- **Public Hearing June 8, 2021**
- **No general rate increase (second consecutive year)**
- **No reclaimed rate increase (second consecutive year)**
- **No rate increase to Tucson Water customers located in other jurisdictions (Marana, Oro Valley, South Tucson, Pascua Yaqui)**
- **Proposed rate increase for unincorporated areas (aka Differential Rate)**

## City Services Inside and Outside of City Jurisdiction

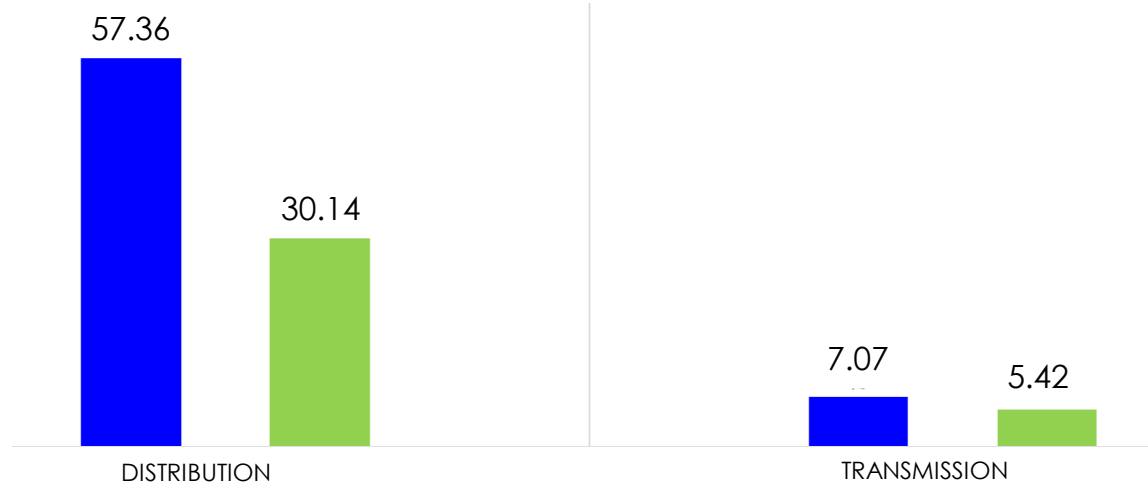
- Unincorporated Pima County total services: 71,260
- Inside City of Tucson total water services: 160,875
- Inside other jurisdictions (Marana, Oro Valley, South Tucson, Pascua Yaqui): 15,490
- 29% of Tucson Water customers are in unincorporated Pima County



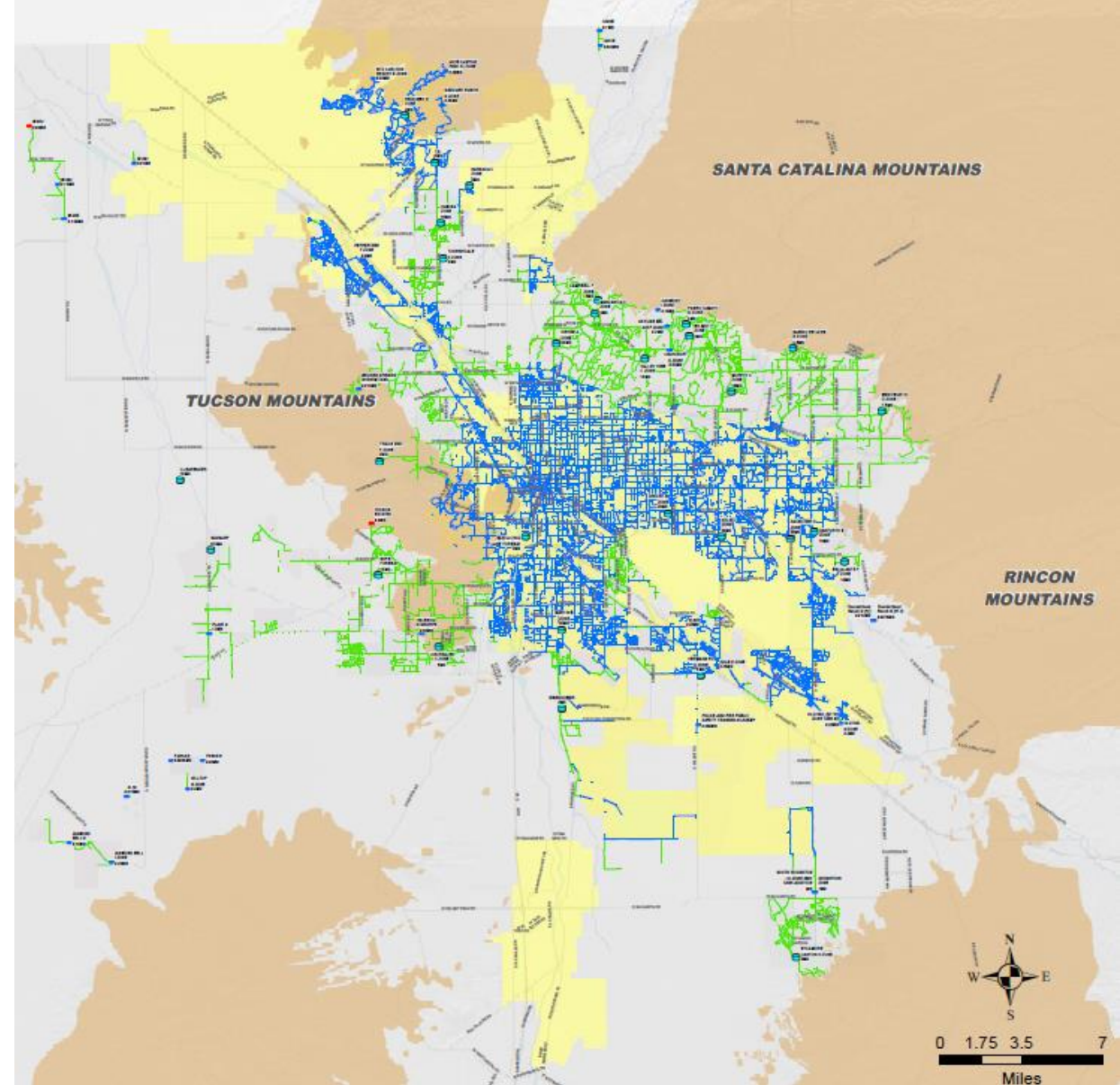
# Differential Infrastructure Use

**29% of Tucson Water customers (County) utilize 36% of the assets\***

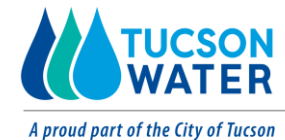
Row Labels	%INCORPORATED	%UNINCORPORATED	%COMBINED
DISTRIBUTION	57.36%	30.14%	87.50%
TRANSMISSION	7.07%	5.42%	12.50%
%COMBINED	64.44%	35.56%	100.00%



\*Measured by pipes, the largest asset. Excludes renewable water assets that serve all customers.



■ %INCORPORATED  
■ %UNINCORPORATED



# Differential Resource Use

**City's water resources are only "one-time use" in County growth areas**



## **Water resources lost to septic systems**

- 32% of County customers (5% of City customers) are not connected to a sewer system. The water delivered by the City is used only once.

## **Water resources retained by Pima County**

- Unlike for City customers, the reclaimed water for many County customers is not returned to the City as a resource. It is retained by the County, even though the water was provided by the City.
- Corona de Tucson WWTP produces 400 AF/YR and growing.
- Avra Valley WWTP produces over 1,500 AF/YR and growing.



# Differential Conservation Results

**Customers in unincorporated County use 43% more water on average than City customers**

## Average monthly residential water use

- System-wide = 8 CCF\*
- City customer = 7 CCF
- County customer = 10 CCF

\*1 CCF is 100 cubic feet of water or 748 gallons. This is the unit of measurement we use for our water rates and billing.



# Equity and Precedent

**Historically, all Tucson Water customers have paid the same rates, despite these inequities**

**Differential rates for unincorporated area customers address the inequities and acknowledges that:**

- City customers bear the utility's financial risks
- City is extending a City service, with its own resources, to non-City residents with no return-on-investment
- The region loses \$40M - \$50M in State Shared Revenues every year due to high unincorporated area population

**Almost all Arizona cities charge differential rates**

Utility	Serve customers outside jurisdiction	Percentage of customers outside jurisdiction	Charge a differential rate to customers outside jurisdiction	Differential Rate
Chandler	Yes	1.50%	Yes	40%
Flagstaff	Yes	0.66%	Yes	10%
Glendale	Yes	-	Yes	30%
Peoria	Yes	0.06%	No	N/A
Phoenix	Yes	0.50%	Yes	50%
Scottsdale	Yes	16%	Yes	15%
Tempe	Yes	>2%	Yes	30%
Yuma	Yes	-	Yes	33%



# Answers to Stakeholder Comments

Tucson Water is not the regional water provider

- There are multiple local water providers [See Map – Slide 10]
- City has transferred effluent ownership to other water providers since 2001
- Obligations outside City jurisdiction are limited to contracts and infill [See 12-10-2007 Memorandum]

The City's CAP Subcontract does not obligate service to specific areas

- Delineation of a CAP Service Area did not create an obligation to serve; rather, it was intended to limit the City's use of groundwater outside of that area
- City has since transferred CAP allocations to others [See 12-11-2007 Memorandum]

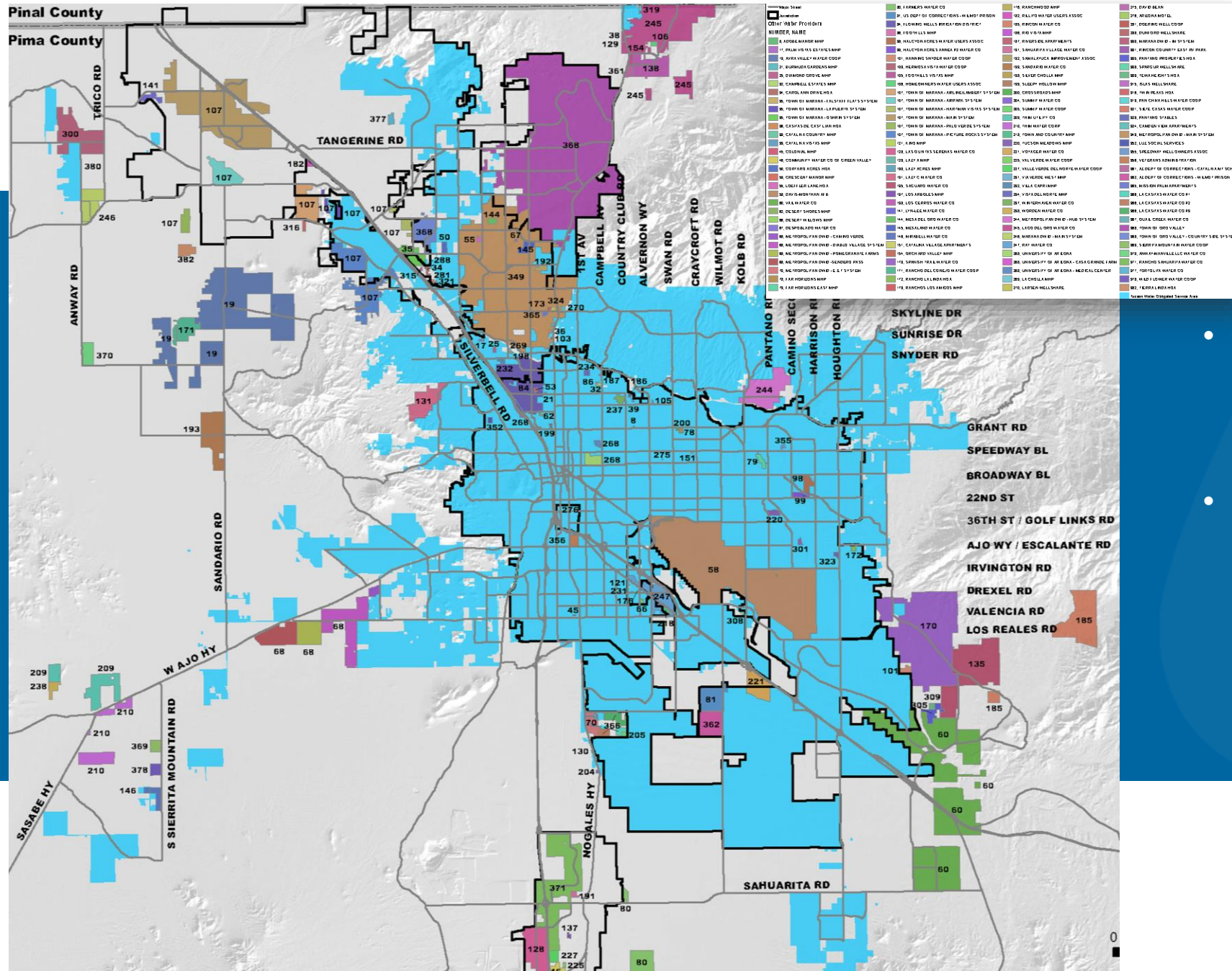
Charging a differential rate does not violate any of the City-County IGAs

- 1979 IGA obligated County Wastewater to serve inside the City, but not the opposite
- County water customers are outside of the City's jurisdiction, whereas City wastewater customers are inside of the County's



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- The 2001 City-County Effluent IGA recognizes the co-equal importance of other regional water providers
- The City is not the "sole regional provider" of potable water service and has transferred effluent to a wide variety of other regional water providers

# Options for Consideration

		Option 1		Option 2		Option 3		Option 4		Option 5		Option 6		Option 7		Option 8	
	Current Rate FY 21 & FY 22	<i>Flat 10%</i>		<i>Flat 20%</i>		<i>Flat 30%</i>		<i>Flat 40%</i>		<i>Flat 50%</i>		5% Differential Rate on Base plus Escalating Tiers (T1-5%, T2-10%, T3-15%, T4-20%)		10% Differential Rate on Base plus Escalating Tiers (T1-10%, T2-20%, T3-30%, T4-40%)		15% Differential Rate on Base plus Escalating Tiers (T1-15%, T2-30%, T3-40%, T4-50%)	
<b>Single Family Residential</b>																	
Monthly Base Rate (5/8')	\$16.33	10%	\$17.96	20%	\$19.60	30%	\$21.23	40%	\$22.86	50%	\$24.50	5%	\$17.15	10%	\$17.96	15%	\$18.78
1 – 7 Ccf	\$2.07	10%	\$2.28	20%	\$2.48	30%	\$2.69	40%	\$2.90	50%	\$3.11	5%	\$2.17	10%	\$2.28	15%	\$2.38
8 – 15 Ccf	\$3.82	10%	\$4.20	20%	\$4.58	30%	\$4.97	40%	\$5.35	50%	\$5.73	10%	\$4.20	20%	\$4.58	30%	\$4.97
16 – 30 Ccf	\$8.39	10%	\$9.23	20%	\$10.07	30%	\$10.91	40%	\$11.75	50%	\$12.59	15%	\$9.65	30%	\$10.91	40%	\$11.75
Over 30 Ccf	\$12.93	10%	\$14.22	20%	\$15.52	30%	\$16.81	40%	\$18.10	50%	\$19.40	20%	\$15.52	40%	\$18.10	50%	\$19.40
CAP Fee	\$0.70	10%	\$0.77	20%	\$0.84	30%	\$0.91	40%	\$0.98	50%	\$1.05	5%	\$0.74	10%	\$0.77	15%	\$0.81
Conservation Fee	\$0.10	10%	\$0.11	20%	\$0.12	30%	\$0.13	40%	\$0.14	50%	\$0.15	5%	\$0.11	10%	\$0.11	15%	\$0.12

# Revenue Estimates

Option 1	Option 2	Option 3	Option 4	Option 5	Option 6	Option 7	Option 8
<i>Flat 10%</i>	<i>Flat 20%</i>	<i>Flat 30%</i>	<i>Flat 40%</i>	<i>Flat 50%</i>	<i>5% Differential Rate plus Escalating Tiers</i>	<i>10% Differential Rate plus Escalating Tiers</i>	<i>15% Differential Rate plus Escalating Tiers</i>
\$ 6,340,000	\$ 12,690,000	\$ 19,030,000	\$ 26,520,000	\$ 34,010,000	\$ 4,960,000	\$ 9,910,000	\$ 14,030,000

# Residential Bill Examples

			Option 1	Option 2	Option 3	Option 4	Option 5	Option 6	Option 7	Option 8
			<i>Flat 10%</i>	<i>Flat 20%</i>	<i>Flat 30%</i>	<i>Flat 40%</i>	<i>Flat 50%</i>	<i>5% Differential Rate on Base plus Escalating Tiers (T1-5%, T2-10%, T3- 15%, T4-20%)</i>	<i>10% Differential Rate on Base plus Escalating Tiers (T1-10%, T2-20%, T3- 30%, T4-40%)</i>	<i>15% Differential Rate on Base plus Escalating Tiers (T1-15%, T2-30%, T3- 40%, T4-50%)</i>
Water Bill	# Ccfs	Current								
Low	4	\$27.81	\$30.59	\$33.37	\$36.15	\$38.93	\$41.72	\$29.20	\$30.59	\$31.98
Inside City Average	7	\$36.42	\$40.06	\$43.70	\$47.35	\$50.99	\$54.63	\$38.24	\$40.06	\$41.88
Outside City Average	10	\$50.28	\$55.31	\$60.34	\$65.36	\$70.39	\$75.42	\$53.37	\$56.45	\$59.54
High	45	\$417.18	\$458.90	\$500.62	\$542.33	\$584.05	\$625.77	\$481.24	\$545.31	\$583.69

# Potential Uses of Funding

- **Infrastructure resiliency**
- **Water bill assistance programs**
- **Pay down existing debt**
- **Climate resiliency investment**



# QUESTIONS