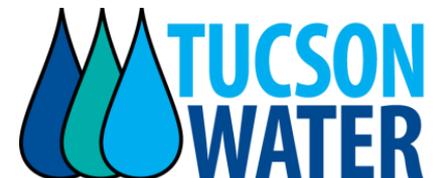




**CITY OF  
TUCSON**

# **Paying for Water Reliability in the Desert**

**May 2014**





# Tucson Water Profile

- An enterprise fund of the City
- Serves 713,000 customers inside (66%) & outside (34%) the city limits
- 228,000 metered accounts
- Drinking water & reclaimed water customers
- The primary water provider for Southern AZ
- \$1B in infrastructure and capital assets





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# Your Water Bill Payment Ensures



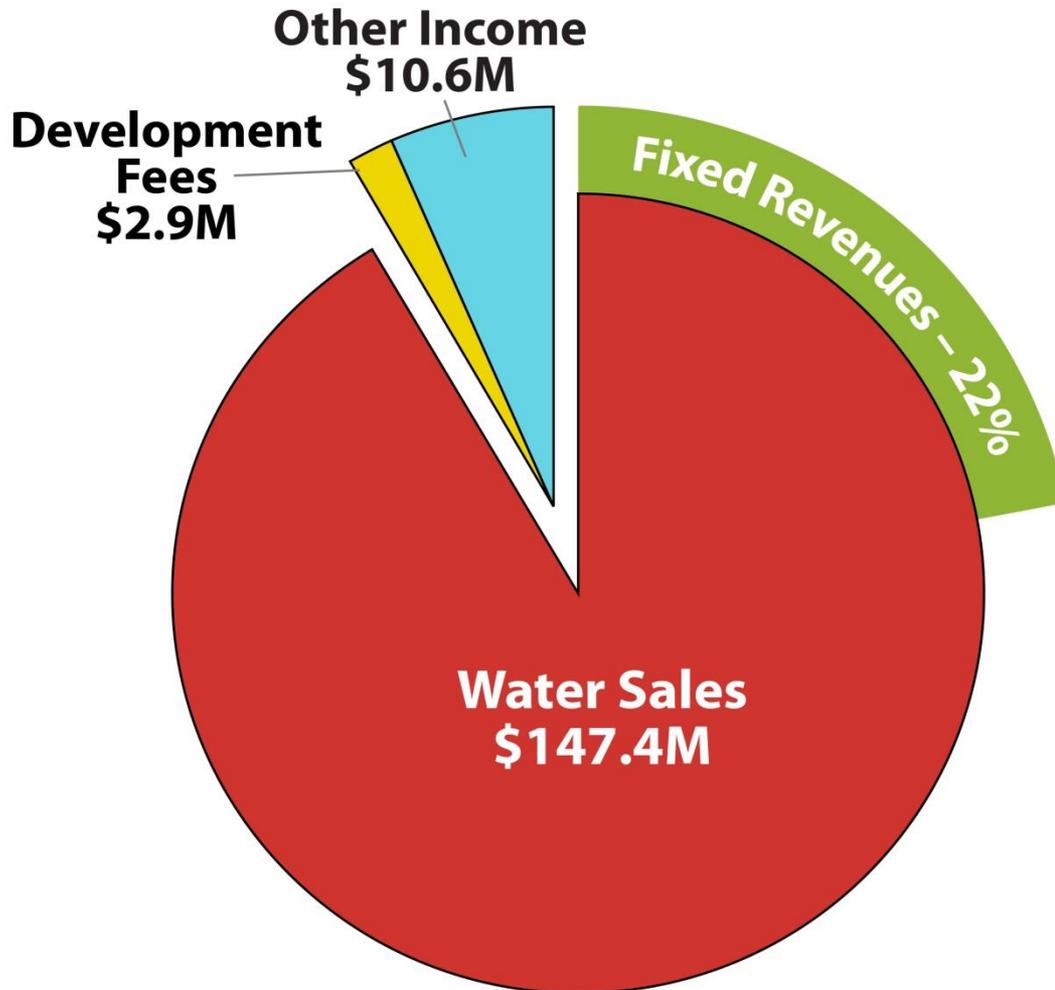
## Water **Reliability**

Projects & programs that ensure our community has a reliable water supply and water system – today and in the future.





# Tucson Water Revenues



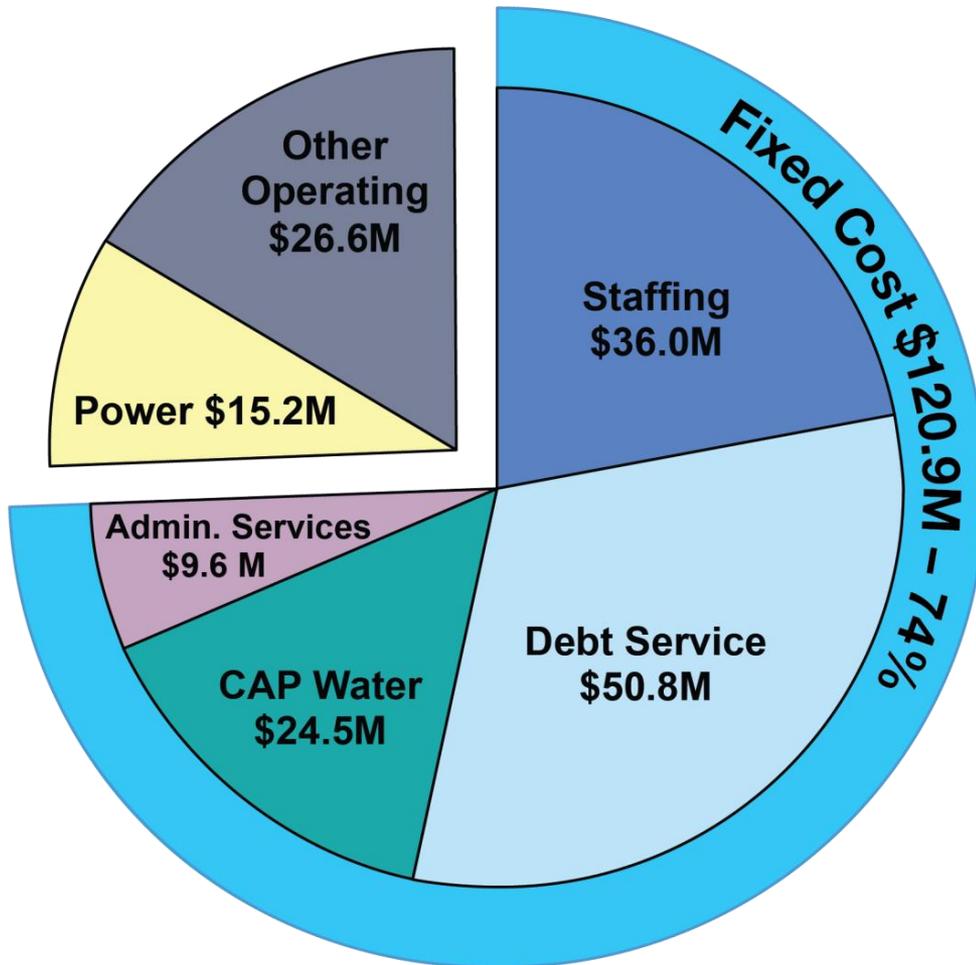
only 22% of revenues are fixed

- Revenue generated from customer billing must cover all expenses with an Enterprise Fund. NO Tucson Water revenue comes from the City's general fund.
- Development fees are linked to changing economic conditions.





## FY 2015 Financial Operating Requirements \$162.70M





## **What Tucson Water is Doing to Hold Down Costs**

- **Stopping water leaks & waste**
- **Not filling staff positions**
- **Maintaining water system valves and pipelines**
- **Storing CAP water for future use**
- **Cutting power expenses**
- **Replacing meters**
- **Improving operating efficiencies**





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# Key Capital Projects



- \$36.5M 25,000 new water meters/year**
- \$29M Water reservoir rehabilitation**
- \$42M Replacing old, worn water mains**
- \$25M Well drilling/equipping**
- \$2.5M Acoustic fiber upgrades**
- \$19M Control System upgrades**





# Who Are Tucson Water Customers?



<b>Class</b>	<b>% of Revenue</b>	<b>% Usage</b>	<b>% of Accounts</b>
<b>Residential</b>	<b>59.8</b>	<b>55.7</b>	<b>89.4</b>
<b>Multi-Family</b>	<b>15.6</b>	<b>19.4</b>	<b>2.4</b>
<b>Commercial</b>	<b>21.0</b>	<b>22.3</b>	<b>6.2</b>
<b>Other</b>	<b>3.6</b>	<b>2.6</b>	<b>1.9</b>

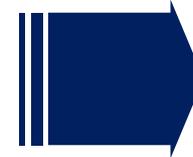
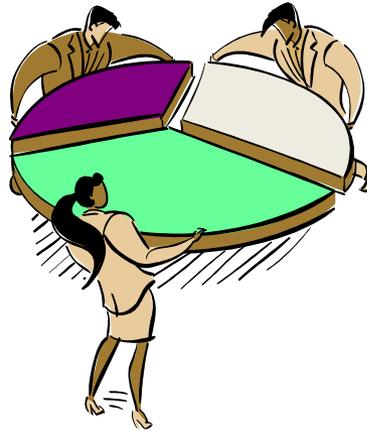


# The Tucson Water Rate Process

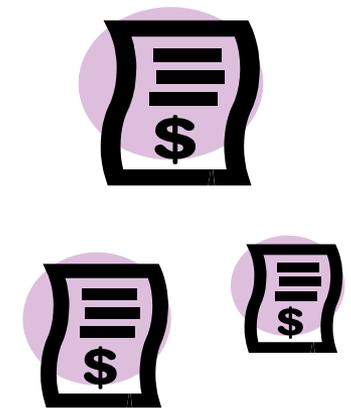
## Financial Plan



## Cost of Service Analysis



## Rate Design





# Goals of Determining Rates

- Create fair rates and charges
- Encourage water conservation
- Avoid “price increase shock”
- Maintain revenue stability





# Two Rate Options Proposed

By the Citizens' Water Advisory Committee (CWAC)

## Typical Household Water Rate Changes

CWAC Proposed Option	Monthly Service	CAP Charge	Volume Rate*	Total Increase per Month
Option A	\$0.82	\$0.72	\$1.44	\$2.98
Option B CWAC preferred	\$1.32	\$0.72	\$0.81	\$2.85

*\*Based on 9 ccf/month or 6,732 gallons of water/month – the typical monthly usage for 68% of Tucson Water customers.*



## Residential Rate Option Comparisons

	<b>Current</b>	<b>Option A</b>	<b>CWAC Preferred Option B</b>
<b>Service Charge 5/8"</b>	<b>\$ 9.68</b>	<b>\$ 10.50</b>	<b>\$ 11.00</b>
<b>Usage Charge (\$/ccf)</b>			
<b>1-10 Ccf</b>	<b>\$ 1.29</b>	<b>\$ 1.45</b>	<b>\$ 1.38</b>
<b>11-15 Ccf</b>	<b>\$ 2.68</b>	<b>\$ 3.02</b>	<b>\$ 3.00</b>
<b>16-30 Ccf</b>	<b>\$ 6.87</b>	<b>\$ 6.96</b>	<b>\$ 7.00</b>
<b>30+ Ccf</b>	<b>\$ 11.04</b>	<b>\$ 11.20</b>	<b>\$ 11.25</b>
<b>CAP (\$/ccf)</b>	<b>\$ 0.48</b>	<b>\$ 0.56</b>	<b>\$ 0.56</b>



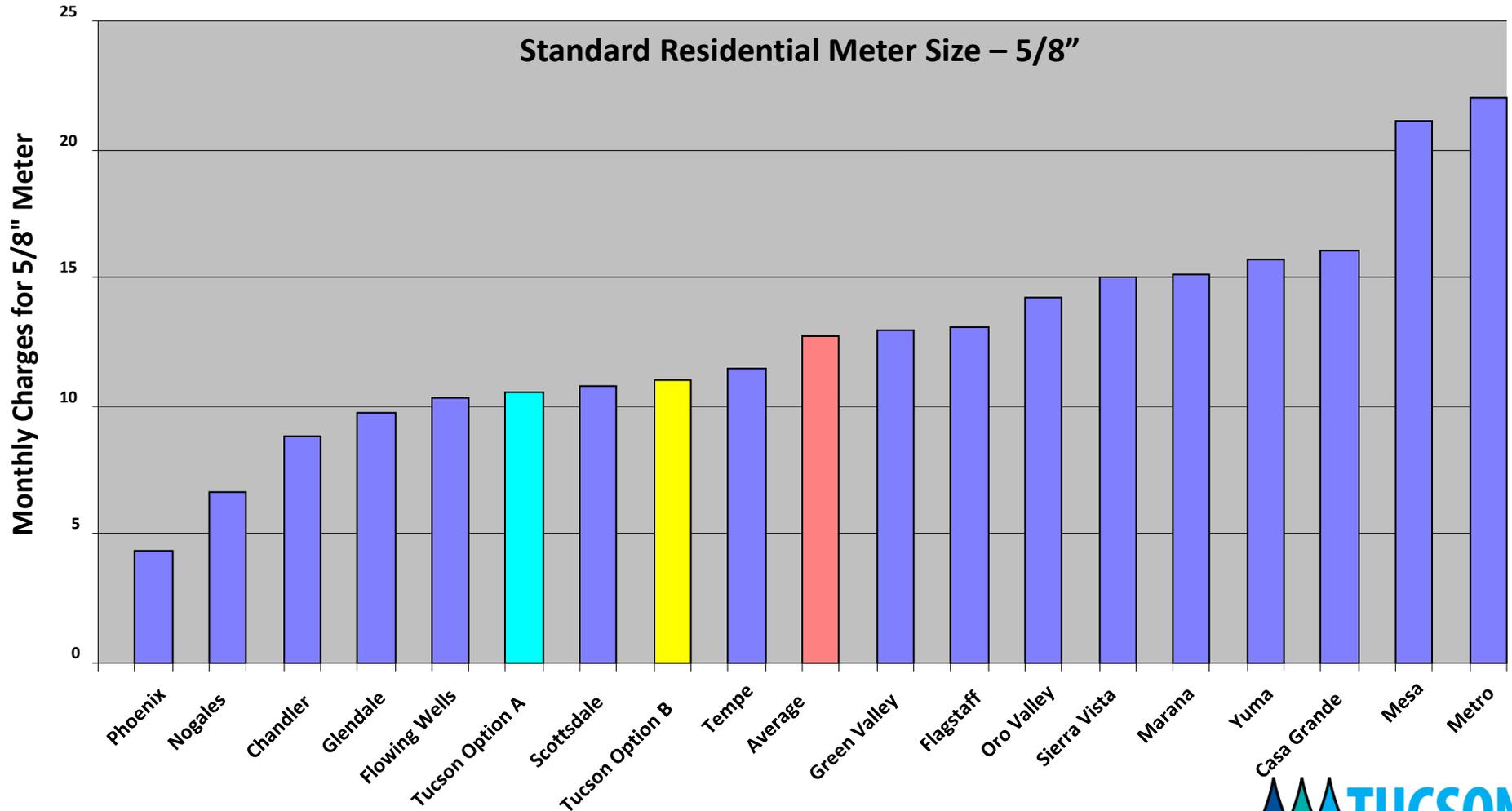
# Residential Monthly Bill Impacts

FY 2015 Options

Ccf Usage	Option A	CWAC Preferred Option B
0	\$ 0.82	\$ 1.32
3	\$ 1.54	\$ 1.83
9	\$ 2.98	\$ 2.85
20	\$ 6.17	\$ 6.07
30	\$ 7.87	\$ 8.17
50	\$ 12.67	\$ 13.97



## How Tucson Monthly Bill Compares to Other AZ Communities



# Option A

## UTILITY SERVICES STATEMENT

	CURRENT RATE	PROPOSED RATES	DOLLAR DIFFERENCE		
<b>TUCSON WATER SERVICE</b>					
<b>MONTHLY SERVICE CHARGE</b>	<b>\$9.68</b>	<b>\$10.50</b>	<b>\$0.82</b>		
<b>RESIDENTIAL VOL</b>	<b>\$11.61</b>	<b>\$13.05</b>	<b>\$1.44</b>		
<b>CAP</b>	<b>\$4.32</b>	<b>\$5.04</b>	<b>\$0.72</b>		
<b>CONSERVATION FEE</b>	<b>\$0.63</b>	<b>\$0.63</b>	<b>\$0.00</b>		
<b>TOTAL WATER</b>	<b>\$26.24</b>	<b>\$29.22</b>	<b>\$2.98</b>		
<b>PIMA COUNTY SEWER SERVICE</b>					
<b>MONTHLY SERVICE CHARGE</b>	<b>\$12.63</b>	<b>\$12.63</b>	<b>\$0.00</b>		
<b>RESIDENTIAL VOL</b>	<b>\$28.18</b>	<b>\$28.18</b>	<b>\$0.00</b>		
<b>TOTAL SEWER</b>	<b>\$40.81</b>	<b>\$40.81</b>	<b>\$0.00</b>		
<b>TUCSON ENVIRONMENTAL SERVICE</b>					
<b>GROUNDWATER PROT FEE</b>	<b>\$1.06</b>	<b>\$1.06</b>	<b>\$0.00</b>		
<b>95 GAL CURB</b>	<b>\$16.75</b>	<b>\$16.75</b>	<b>\$0.00</b>		
<b>TOTAL ENVIRONMENTAL</b>	<b>\$17.81</b>	<b>\$17.81</b>	<b>\$0.00</b>		
	<b>TOTAL</b>	<b>\$84.86</b>	<b>\$87.84</b>	<b>\$2.98</b>	<b>3.51%</b>

\* Water Service based on average 9.00 Ccfs

\*\*Sewer Service based on average 8.00 Ccfs

# Option B

CWAC Preferred

## UTILITY SERVICES STATEMENT

	CURRENT RATE	PROPOSED RATES	DOLLAR DIFFERENCE		
<b>TUCSON WATER SERVICE</b>					
MONTHLY SERVICE CHARGE	\$9.68	\$11.00	\$1.32		
RESIDENTIAL VOL	\$11.61	\$12.42	\$0.81		
CAP	\$4.32	\$5.04	\$0.72		
CONSERVATION FEE	\$0.63	\$0.63	\$0.00		
<b>TOTAL WATER</b>	<b>\$26.24</b>	<b>\$29.09</b>	<b>\$2.85</b>		
<b>PIMA COUNTY SEWER SERVICE</b>					
MONTHLY SERVICE CHARGE	\$12.63	\$12.63	\$0.00		
RESIDENTIAL VOL	\$28.18	\$28.18	\$0.00		
<b>TOTAL SEWER</b>	<b>\$40.81</b>	<b>\$40.81</b>	<b>\$0.00</b>		
<b>TUCSON ENVIRONMENTAL SERVICE</b>					
GROUNDWATER PROT FEE	\$1.06	\$1.06	\$0.00		
95 GAL CURB	\$16.75	\$16.75	\$0.00		
<b>TOTAL ENVIRONMENTAL</b>	<b>\$17.81</b>	<b>\$17.81</b>	<b>\$0.00</b>		
	<b>TOTAL</b>	<b>\$84.86</b>	<b>\$87.71</b>	<b>\$2.85</b>	<b>3.35%</b>

\* Water Service based on average 9.00 Ccfs

\*\*Sewer Service based on average 8.00 Ccfs



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# Reliable Delivery of Safe, Clean Tap Water is a Good Value

**1 gallon tap water**

**Costs less than a penny**





## **Low Income Program Changes**

- **Increase credit from 40% to 50% on monthly water bill**
- **No bill increase for low income customers**
- **Effective July 1, 2014**
- **Tucson Water works with Pima County Community Action Agency to administer program**
- **Low income program funds allocated within the Utility's budget**



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## **What Happens Next**

**June 3 - Mayor & Council Public  
Hearing on proposed water rates  
and fees**

**July 7 - New water rates & fees  
take effect, if adopted**





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**Thank You**

