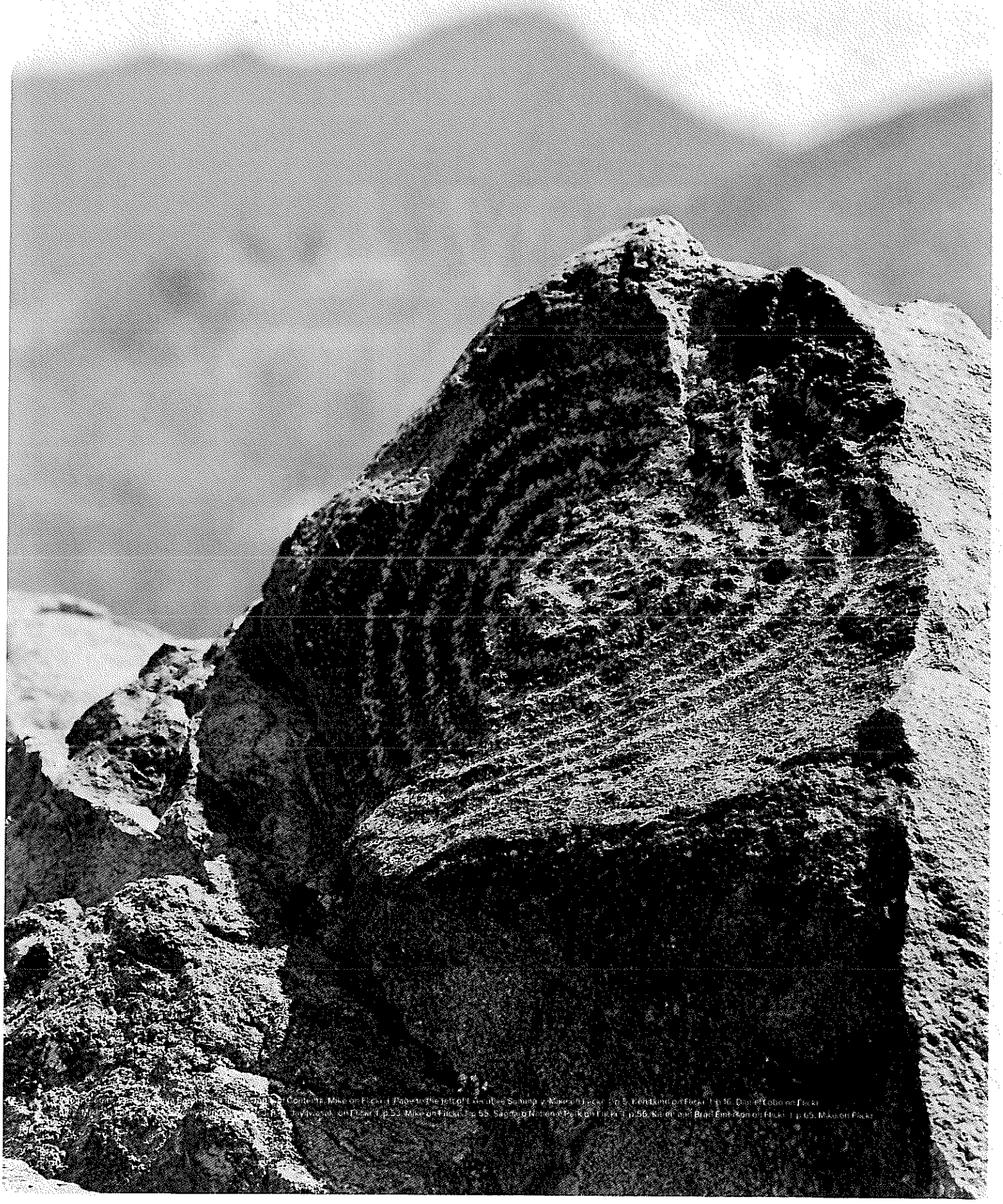
PIMA COUNTY

REGIONAL WASTEWATER RECLAMATION DEPARTMENT

COMPREHENSIVE CUSTOMER SERVICE FEE REVIEW

Draft Report / January 6, 2015

RAFTELIS
FINANCIAL CONSULTANTS, INC.



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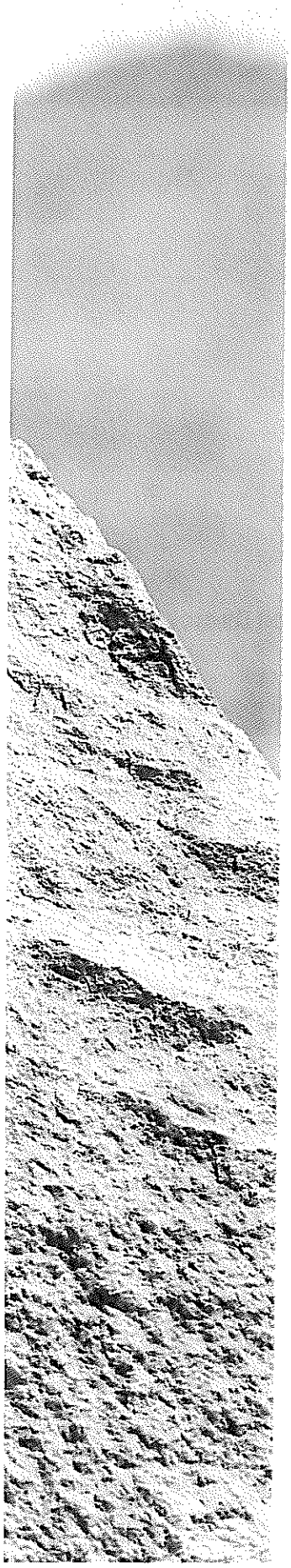


TABLE OF **CONTENTS**

01 EXECUTIVE SUMMARY

01 1.1 – PROJECT INTRODUCTION

01 1.2 – INTERNAL ANALYSIS

02 1.3 – EXTERNAL ANALYSIS

02 1.4 – PROJECT RESULTS

04 INTRODUCTION

04 2.1 – PROJECT OVERVIEW

04 2.2 – FEES REVIEWED

05 2.3 – INTERNAL ANALYSIS OVERVIEW

07 2.4 – EXTERNAL ANALYSIS OVERVIEW

08 2.5 – IMPLEMENTATION

09 DEVELOPMENT PROCESS FEES

09 3.1 – UTILITY PLAN/PRIVATE IMPROVEMENT AGREEMENTREVIEW

11 3.2 – CONNECTION TO EXISTING SEWER APPROVAL

16 3.3 – SEWER IMPROVEMENT PLAN ACCEPTANCE

20 3.4 – PRELIMINARY SEWER LAYOUT ACCEPTANCE

24 3.5 – FINAL PLAT ACCEPTANCE

29 3.6 – SEWERAGE CAPACITY ALLOCATION

34 3.7 – VARIANCE APPROVAL

37 INSPECTION PROCESS FEES

38 4.1 – PUBLIC SEWER CONSTRUCTION PERMIT

44 4.2 – SMALL CONSTRUCTION ACTIVITY PERMIT

49 4.3 – DETERMINATION OF HCS STUB-OUT LOCATION

51 4.4 – DYE TEST FEE

54 MISCELLANEOUS PROCESS FEES

55 5.1 – CONNECTION AND USER FEE RECOVERY

59 5.2 – SECONDARY WATER METER APPROVAL

61 5.3 – TENANT LANDLORD AGREEMENT

62 5.4 – CONNECTION FEE PAYMENT PLAN AGREEMENT

65 5.5 – CONNECTION FEE REFUND

TABLE OF EXHIBITS

03 Exhibit ES1: Summary of Study Results

06 Exhibit 1: Customer Service Fee Template

10 Exhibit 2: Cost of Service - Private Improvement Agreement

10 Exhibit 3: External Analysis - Private Improvement Agreement

12 Exhibit 4: Cost of Service - Connection to Existing (Simple)

13 Exhibit 5: Cost of Service - Connection to Existing (Moderately Complex)

14 Exhibit 6: Cost of Service - Connection to Existing (Complex)

15 Exhibit 7: Weighted Average Cost Recovery - Connection to Existing

15 Exhibit 8: External Analysis - Connection to Existing

17 Exhibit 9: Recommendation – Connection to Existing

18 Exhibit 10: Cost of Service - Sewer Improvement Plan (Administrative Costs and Direct Labor Costs for Substantive Reviews)

20 Exhibit 11: Cost Recovery - Sewer Improvement Plan

20 Exhibit 12: Weighted Average Cost Recovery - Sewer Improvement Plan

21 Exhibit 13: External Analysis - Sewer Improvement Plan

21 Exhibit 14: Recommendation - Sewer Improvement Plan

24 Exhibit 15: Cost of Service - Preliminary Sewer Layout (Administration and Direct Labor Costs)

26 Exhibit 16: Cost Recovery - Preliminary Sewer Layout

26 Exhibit 17: Weighted Average Cost Recovery – Preliminary Sewer Layout

27 Exhibit 18: External Analysis - Preliminary Sewer Layout

27 Exhibit 19: Recommendation - Preliminary Sewer Layout

28 Exhibit 20: Cost of Service - Final Plat (Administration and Direct Labor Costs)

30 Exhibit 21: Cost Recovery - Final Plat

30 Exhibit 22: Weighted Average Cost Recovery – Final Plat

30 Exhibit 23: Flat Fee Cost Recovery – Final Plat

30 Exhibit 24: Recommendation - Final Plat

32 Exhibit 25: Cost of Service – Sewerage Capacity Allocation (Simple)

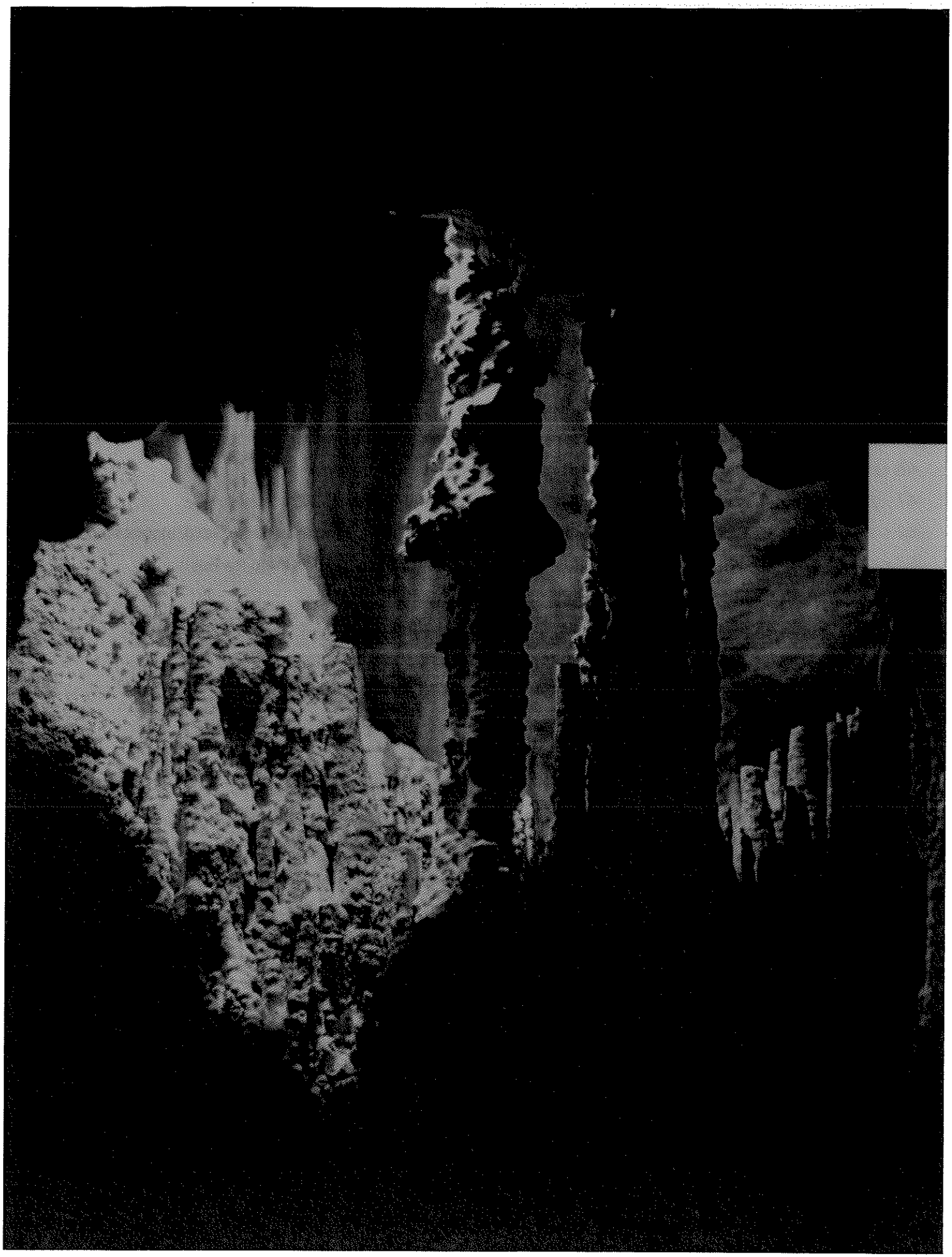
33 Exhibit 26: Cost of Service – Sewerage Capacity Allocation (Moderately Complex)

34 Exhibit 27: Cost of Service - Connection to Existing (Complex)

35 Exhibit 28: Weighted Average Cost Recovery – Sewerage Capacity Allocation

36 Exhibit 29: External Analysis - Sewerage Capacity Allocation

37 Exhibit 30: Recommendation – Sewerage Capacity Allocation
38 Exhibit 31: Cost of Service - Variance
38 Exhibit 32: Recommendation – Variance
41 Exhibit 33: Cost of Service - Construction Permit Data Sub-Set
43 Exhibit 34: Cost of Service - Construction Permit Data Sub-Set
43 Exhibit 35: External Analysis –Construction Permit
44 Exhibit 36: Recommendation - Construction Permit Sample Data Set
46 Exhibit 37: Recommendation –Construction Permit
47 Exhibit 38: Cost of Service - Small Construction Activity Permit Data Set
50 Exhibit 39: Cost of Service - Small Construction Activity Permit Sample Data Set (Calculated Fee)
50 Exhibit 40: Weighted Average Cost Recovery – Small Construction Activity Permit
51 Exhibit 41: External Analysis - Small Construction Activity Permit
51 Exhibit 42: Recommendation – Small Construction Activity Permit
52 Exhibit 43: Cost of Service - Determination of HCS Stub-out Location
53 Exhibit 44: Recommendation – Determination of HCS Stub-Out Location
54 Exhibit 45: Cost of Service - Dye Test
54 Exhibit 46: Recommendation – Dye Test
58 Exhibit 47: Cost of Service - Connection and User Fee Recovery (Simple)
59 Exhibit 48: Cost of Service - Connection and User Fee Recovery (Moderately Complex)
60 Exhibit 49: Cost of Service - Connection and User Fee Recovery (Complex)
61 Exhibit 50: Weighted Average Cost Recovery - Connection and User Fee Recovery
61 Exhibit 51: Recommendation - Connection and User Fee Recovery
62 Exhibit 52: Cost of Service - Secondary Water Meter Approval
63 Exhibit 53: External Analysis - Secondary Water Meter Approval
63 Exhibit 54: Recommendation - Secondary Water Meter Approval
64 Exhibit 55: External Analysis - Tenant Landlord Agreement
66 Exhibit 56: Cost of Service - Connection Fee Payment Plan Agreement
67 Exhibit 57: Recommendation – Connection Fee Payment Plan Agreement
68 Exhibit 58: Cost of Service - Connection Fee Refund
69 Exhibit 59: External Analysis - Connection Fee Refund
69 Exhibit 60: Recommendation – Connection Fee Refund



EXECUTIVE SUMMARY

1.1 – PROJECT INTRODUCTION

Raftelis Financial Consultants, Inc. ("RFC") was engaged by the Pima County Regional Wastewater Reclamation Department (PCRWRD) to evaluate fees and benchmark processes that reasonably reflect the current costs for providing customer and development related approvals, inspections, and miscellaneous services. Pima County Finance and Risk Management (PCF&RMD) provided audited financial data and was an active partner in the review and recommendations presented in this report.

The primary components of this report consist of the following analyses:

- **Internal Analysis:** All customer and development related service fees were developed based on the bottom-up approach, which includes personnel, time, and materials in the calculation methodology.
- **External Analysis:** Examination of alternative approaches of assessing fees for customer and development related services. This provides another point of comparison to ensure PCRWRD's recommended fee methodologies are reasonable and consistent with industry standards and practices.

1.2 – INTERNAL ANALYSIS

RFC was tasked with reviewing cost of service of the following customer service areas and specific processes:

DEVELOPMENT PROCESS FEES

1. Utility Plan/Private Improvement Agreement Review
2. Connection to Existing Sewer Approval (new fee)
3. Sewer Improvement Plan Acceptance
4. Preliminary Sewer Layout Acceptance
5. Final Plat Acceptance
6. Sewerage Capacity Allocation (new fee)
7. Variances/Special Approvals (new fee)

INSPECTION PROCESS FEES

8. Public Sewer Construction Permit/ Inspection
9. Small Construction Activity Permit/ Inspection
10. Determination of HCS Stub-out Location
11. Dye Test Fee

MISCELLANEOUS PROCESS FEES

12. Recovery of Lost Revenue in Connection and User Fees (new fee)
13. Secondary Meter Approval (new fee)
14. Tenant Landlord Agreement for Collection of User Fees
15. Connection Fee Payment Plan Agreement
16. Connection Fee Refunds

The bottom-up approach to determine cost of service for each fee is based on the utility's level of effort for performing the service. The fee is essentially built up based on the cost of labor, equipment, and materials to arrive at a fee for the respective service. PCRWRD uses the bottom-up approach, and in terms of consistency with cost of service principles, this approach typically provides a more accurate and granular representation of the level of effort associated with providing the service compared to other calculation methodologies.

1.3 – EXTERNAL ANALYSIS

RFC performed a comparative analysis of PCRWRD's customer service fee structures and approaches. We compared PCRWRD's existing fees and methodologies to those of other regional utilities for similar types of service. If PCRWRD's fee structures differed significantly from those used by other utilities, we noted advantages of alternative methodologies and how PCRWRD may transition their fee structure, if appropriate. As a result of the external analysis, RFC identified several opportunities that merited further examination and consideration by PCRWRD.

The external analysis included information from the following utilities:

- El Paso Water Utilities (EPWU), Utility Engineering Division, TX
- City of Henderson, Department of Utility Services, NV
- City of Peoria, Economic Development Services, AZ
- City of Phoenix, Water Services Department, AZ
- City of San Diego, Development Services Department, CA
- City of Tempe, Public Works, AZ
- City of Tucson, Tucson Water, AZ

1.4 – PROJECT RESULTS

The conclusions and recommendations of this study may lead PCRWRD to recommend adjustments to the existing fee structures of development, inspection, and other customer service fees. These recommendations will be presented to the Regional Wastewater Reclamation Advisory Committee (RWRAC) and several stakeholder groups for their review and recommendations. PCRWRD will then propose revisions to the ordinance based on these recommendations and other factors. RFC's conclusions generally fall into two areas:

1. **Existing Fees:**
   - Determination of a revised fee based on updated cost of service; and
   - Development of a fee based on an alternative fee structure.
2. **New Fees:**
   - Development of a new fee for an uncharged existing service.

It is important to note that PCRWRD will need to carefully evaluate various legal, administrative, and technical implications of the recommendations prior to implementation. For example, PCRWRD is in process of updating and/or replacing numerous systems which may have a meaningful impact on the successful implementation of certain recommendations. It may also be determined that certain fees can be combined or the point of assessment changed based on when service is provided to customers. There was not sufficient information available at the time of this study to fully evaluate all of the issues regarding implementation. PCRWRD will need to examine these and other issues over time as more information becomes available.

Exhibit ES1 categorizes the results of the study for each fee under consideration.

Exhibit ES1:

Summary of Study Results

Customer Service Process	Existing Fee and Structure	New or Revised Fee Recommendation
1. Utility Plan/Private Improvement Agreement Review	No existing fee	Continue not charging for this service
2. Connection to Existing Sewer Approval (new fee)	No existing fee	Flat fee: Residential - $30 Commercial - $60 (Administrative/ Substantive Reviews)
3. Sewer Improvement Plan Acceptance	Flat fee: $166 Per sheet: $50 for 1st and 2nd submittal; $39 for 3rd	Flat fee: $100 (Administrative Review) Per sheet: $75 for all submittals (Substantive Review)
4. Preliminary Sewer Layout Acceptance	Flat fee: $166 Per sheet: $50 for 1st and 2nd submittal; $39 for 3rd	Flat fee: $100 (Administrative Review) Per sheet: $45 for all submittals (Substantive Review)
5. Final Plat Acceptance	Flat fee: $166 Per sheet: $50 for 1st and 2nd submittal; $39 for 3rd	Flat fee: $270 *OR* Flat fee & Per sheet: $100 (Administrative Review) & $45/sheet for all submittals (Substantive Review)
6. Sewerage Capacity Allocation (new fee)	No existing fee	Flat fee: $130 for Residential Subdivision and Commercial/ Industrial (Administrative/ Substantive Reviews). **Consider combining with other fees
7. Variances/Special Approval (new fee)	No existing fee	No fee, further evaluation
8. Public Sewer Construction Permit/Inspection	$25 flat fee & 2.5% of total construction costs	Flat fee: $525 (Administrative Review) $2.30 per linear foot of pipe installed (Substantive Review)
9. Small Construction Activity Permit/Inspection	Schedule of different flat fees by activity	Flat fee: $325 per activity for all activity types
10. Determination of HCS Stub-out Location	Flat fee: $250	Flat fee: $400
11. Dye Test Fee	Flat fee: $80	Flat fee: $200
12. Recovery of Lost Revenue in Connection and User Fees (new fee)	No existing fee	Flat fee: $610
13. Secondary Meter Approval (new fee)	No existing fee	Flat fee: $210
14. Tenant Landlord Agreement for Collection of User Fees	$15 per every account name change	Flat fee only to new tenants: $15
15. Connection Fee Payment Plan Agreement	Flat fee: $500	Flat fee: $175
16. Connection Fee Refund	Flat fee: $125	Flat fee: $75

INTRODUCTION

2.1 – PROJECT OVERVIEW

The Pima County Regional Wastewater Reclamation Department (PCRWRD) provides wastewater service to approximately 265,000 customers within the greater metropolitan area of Tucson, AZ. Outside the standard services covered by monthly user fees, the utility recovers additional revenue through designated fees or charges for miscellaneous customer services for recurring, specialized utility services.

The purpose of assessing separate charges for specialized services is to enhance the level of equity in the pricing structure. These services and the corresponding fees and policies are primarily defined in the Pima County Code (PCC) for Title 13 Division II Sections 13.12 – Preliminary Sewer Layout Requirements, 13.20 – Sanitary Sewer Construction, Connection and Fees (excluding Connection Fees) and 13.24 – Sanitary Sewer User Fees (collectively, the "Ordinance").

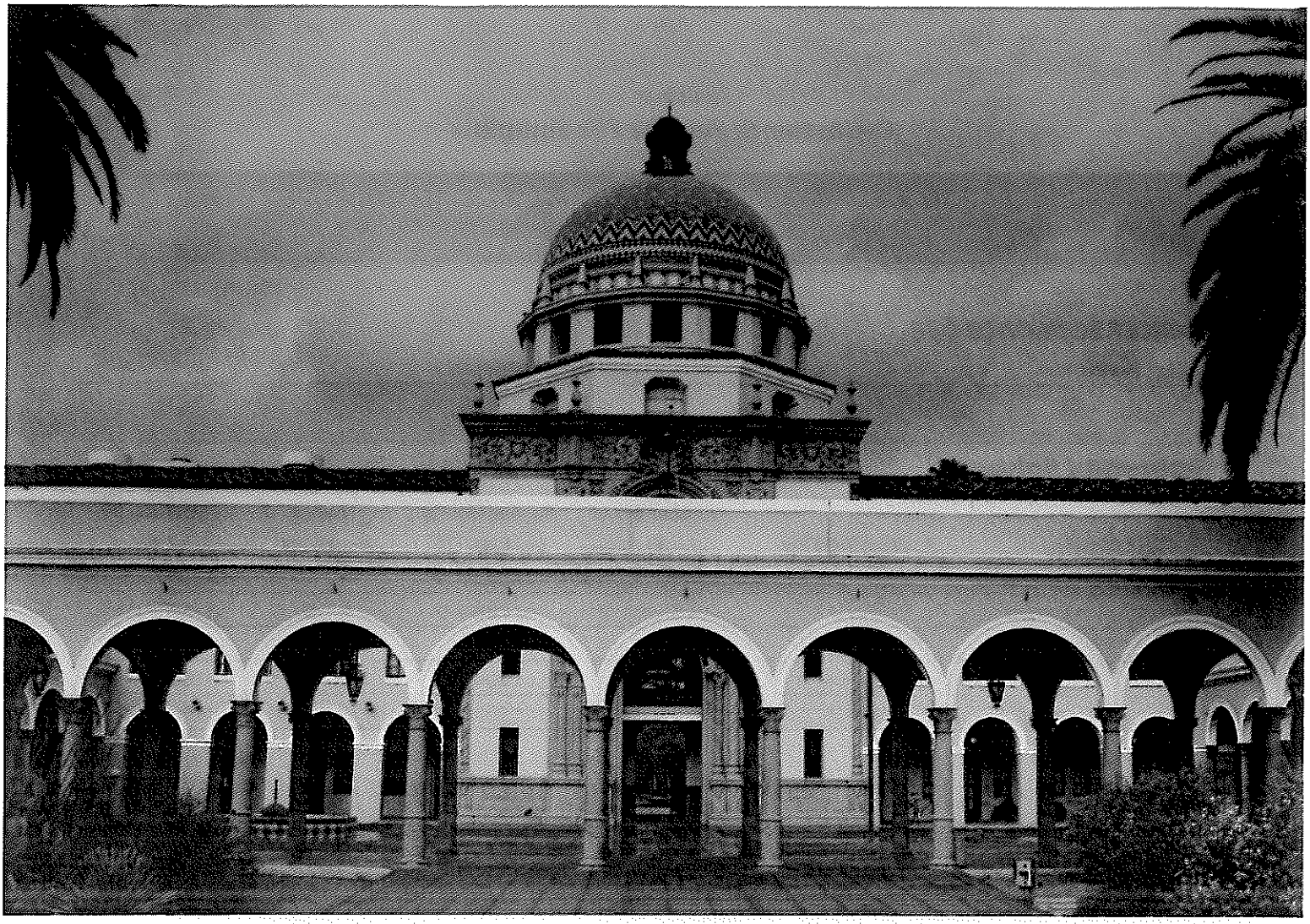
Raftelis Financial Consultants, Inc. (RFC) was engaged by the Pima County Regional Wastewater Reclamation Department (PCRWRD) to evaluate fees and benchmark processes that reasonably reflect the current costs for providing customer and development related approvals, inspections, and miscellaneous services. Technical Memorandum #1 – Special Facilities Agreement and Technical Memorandum #2 - Connection Fee Discounts, Credits and Rebates were generated to present the evaluation of calculations for supplying specialized wastewater service. Pima County Finance and Risk Management (PCF&RMD) provided audited financial data and was an active partner in the review and recommendations presented in this report.

2.2 – FEES REVIEWED

RFC was tasked with looking into 16 specific customer services to determine fees that are synchronized with cost of service. Most of the fees selected for evaluation are already existing fees while five have been added to recover cost of services for staff/customer processes. The customer service areas and specific processes under evaluation included:

DEVELOPMENT PROCESS FEES

1. Utility Plan/Private Improvement Agreement Review
2. Connection to Existing Sewer Approval (new fee)
3. Sewer Improvement Plan Acceptance



4. Preliminary Sewer Layout Acceptance
5. Final Plat Acceptance
6. Sewerage Capacity Allocation (new fee)
7. Variances/Special Approval (new fee)

INSPECTION PROCESS FEES

8. Public Sewer Construction Permit/Inspection
9. Small Construction Activity Permit/Inspection
10. Determination of HCS Stub-out Location
11. Dye Test Fee

MISCELLANEOUS PROCESS FEES

12. Recovery of Lost Revenue in Connection and User Fees (new fee)
13. Secondary Meter Approval (new fee)
14. Tenant Landlord Agreement for Collection of User Fees
15. Connection Fee Payment Plan Agreement
16. Connection Fee Refund

2.3 – INTERNAL ANALYSIS OVERVIEW

PCRWRD has a number of fees associated with services provided by the utility for new or existing customers. RFC was engaged by the County to review the current fee assessment approach and cost for PCRWRD's existing specialized services and develop potential new fees and assessment methodologies that are not currently in existence.

2.3.1 - COST OF SERVICE DETERMINATION

There are two primary approaches within the industry for determining cost of service for customer service related fees: the top-down approach or the bottom-up approach. The top-down approach incorporates a look first at the utility's total revenue requirements to be recovered by the fees. The utility then develops fees for each service using the number of anticipated occurrences. The fees are essentially designed to recover a level of revenue instead of a level of staff effort. This approach

Exhibit 1:

Customer Service Fee Template

Pima County Regional Wastewater Reclamation Department

Customer Service Fee Template

Customer Service Fee

Fee Name	Fee Description

Estimated Labor

Task Description	Position Title	Number of Each	Avg Hourly Rate (1)	Number of Hours	Subtotal By Title
	N/A	0	$0.0000	0	$0.0000
	N/A	0	$0.0000	0	$0.0000
	N/A	0	$0.0000	0	$0.0000
	N/A	0	$0.0000	0	$0.0000
	N/A	0	$0.0000	0	$0.0000

Vehicles

Task Description	Type of Vehicle	Number of Each	Avg Hourly Rate (2)	Number of Hours	Subtotal By Title
N/A	N/A	0	$0.0000	0	$0.0000
N/A	N/A	0	$0.0000	0	$0.0000
N/A	N/A	0	$0.0000	0	$0.0000

Materials/Other Equipment

Task Description	Materials/Equipment	Description	Subtotal
N/A	N/A	N/A	$0.0000
N/A	N/A	N/A	$0.0000

Other

Task Description	Other Cost to be Included	Description	Subtotal
N/A	N/A	N/A	$0.0000
N/A	N/A	N/A	$0.0000

Fee Calculation	Fee Name	$0.0000

ensures that the utility covers their total cost of service, but is less accurate for cost of service per service.

The bottom-up approach determines cost of service for each fee based on the utility's level of effort for performing the service. The fee is essentially built up based on the cost of labor, equipment, and materials to arrive at a fee for the respective service. The estimated level of revenue recovered can then be determined by incorporating the number of anticipated occurrences. PCRWRD uses the bottom-up approach, and in terms of cost of service, this approach typically provides a more accurate and granular representation of the cost of service or level of effort associated with providing the service.

2.3.2 - CUSTOMER SERVICE FEE TEMPLATE

As noted above, one of the most common approaches to determine customer charges for specialized services, and the approach used by PCRWRD, is to build up costs based on direct and indirect labor and other costs associated with providing the services. In general, these types of charges are determined by applying the direct hourly rates for the appropriate labor classification performing the service to the estimated amount of time required to complete the service task. For PCRWRD, direct hourly labor rates were provided for Fiscal Year (FY) FY 2012/2013, which is the most recent data available from audited results. However, in order to reflect current costs, direct labor hourly rates were increased by 3.0% for approved salary increases in FY 2013/2014 and increased again by $0.50 per hour for approved salary increases in FY 2014/2015. Once FY 2014/2015 direct labor hourly rates were determined, these rates were adjusted to account for Employee Related Expenses (ERE) including benefits (33.9%) and overhead (80.5%). The benefits and overhead multipliers were provided by PCF&RMD staff to reflect a fully loaded rate for all direct and indirect costs incurred. Additionally, other costs, such as vehicle and/or equipment, were included where appropriate. In most cases, vehicle and equipment costs were converted to an hourly rate based on PCRWRD's current expense rate per mile, budgeted miles per year, and an estimated number of hours used per year.

RFC developed a template to facilitate the update and calculation of the customer service fees, which is shown in Exhibit 1. This approach was replicated for the majority of the fees included in this study. However, the template, or calculation approach, was modified where appropriate for fees, such as the fee associated with Public Sewer Construction Permits, which required additional or alternative analysis. The individual fee calculations and methodologies are described in more detail in the succeeding sections.

2.3.3 - SOURCE DATA

Determining fees according to cost of service principles for the several different types of customer services required a significant amount of data and background information. Specifically, PCRWRD and PCF&RMD provided:

- Salary data by personnel type;
- Employee related expense (ERE) rate;
- Overhead labor rate;
- Salary increases;
- Customer service process;
- Number and type of personnel per service;
- Number of hours per personnel per service;
- Vehicles, equipment, or any other items that result in PCRWRD expense;
- Historical number of services per year, such as plan reviews or permits issued, where applicable;
- Historical costs and revenue where relevant;
- Existing fee methodologies; and
- Preferred fee methodologies.

All data and information used in the fee methodologies and the resulting calculations were reviewed by PCRWRD and PCF&RMD staff for accuracy and reasonableness.

2.4 – EXTERNAL ANALYSIS OVERVIEW

As part of the scope listed above, RFC conducted an external analysis by comparing 13 of PCRWRD's fees against other local and regional utilities to explore alternative fee methodologies used by other utilities for similar services. This comparative analysis provided PCRWRD with the opportunity to evaluate if their existing or preferred assessment methods were aligned with other regional approaches.

2.4.1 - CITIES AND UTILITIES

RFC worked with PCRWRD staff to determine appropriate utilities to survey. Unfortunately, due to various constraints on utility staff time, not all propositioned

utilities were able to participate. The results of the external analysis, which is documented individually by fee in later sections, include responses from the following utilities:

- El Paso Water Utilities (EPWU), Utility Engineering Division, TX
- City of Henderson, Department of Utility Services, NV
- City of Peoria, Economic Development Services, AZ
- City of Phoenix, Water Services Department, AZ
- City of San Diego, Development Services Department, CA
- City of Tempe, Public Works, AZ
- City of Tucson, Tucson Water, AZ

2.4.2 - EXTERNAL ANALYSIS QUESTIONNAIRE

For the convenience of peer utilities, a questionnaire was developed and provided to the points of contact. This helped to facilitate the discussion, provided background on the 13 customer service areas surveyed, and served as a guideline for the responses. This questionnaire is provided in Appendix A.

2.4.3 - CONCEPTUAL SUMMARY OF EXTERNAL ANALYSIS

Benchmarking studies that are not incorporated with national survey efforts come with their own set of challenges, namely level of participation from propositioned utilities. Utilities are doing more with less staff than ever before, and there is a demand on staff time that may not afford time for completion of a survey request. It is also difficult to incentivize the utilities as a demonstration of appreciation for survey participation. In this case, several utilities declined to participate for a number of reasons, and the final benchmarking sample included seven utilities. This is quite common, but it is important to note that this sample size does not discredit the purpose or results of the benchmarking analysis.

Benchmarking, such as the one conducted for this study, provides important, supplemental information for utilities undergoing cost of service analyses. The benchmarking results should not be used to dictate the level of fees implemented by a utility. Instead, the results are meant to inform the utility as to what other methods are used in the industry.

Understanding the methods used by the benchmarking sample provided insight into other approaches for fees such as, for example, how to handle tenant-landlord agreements. Largely, however, this benchmarking analysis identified a fairly limited amount of alternative fee methodologies, which is consistent with our experience conducting similar studies across the country. In many cases, miscellaneous fees for specialized customer services are relatively simplistic in nature to foster ease of implementation and customer understanding and acceptance.

The benchmarking results will be discussed in greater detail under the respective fees, but it is helpful for the County to recognize that under most situations, the County's approach either aligns with the benchmarking standards or at the very least does not conflict with the benchmarking standards.

2.5 - IMPLEMENTATION

The following sections will identify each of the fees reviewed and describe both the internal and external analyses. A recommended fee and structure of assessment is also provided. However, it is important to note that PCRWRD will need to carefully evaluate various legal, administrative, and technical implications of the recommendations prior to implementation. For example, PCRWRD is in process of updating and/or replacing numerous systems which may have a meaningful impact on the successful implementation of certain recommendations. It may also be determined that certain fees can be combined or the point of assessment changed based on when service is provided to customers. There was not sufficient information available at the time of this study to fully evaluate all of the issues regarding implementation. PCRWRD will need to examine these and other issues over time as more information becomes available.

DEVELOPMENT PROCESS FEES

The "Development Processes" include services found in PCC Chapters 13.12 and 13.20 that regulate the process fees associated with connection to the sewerage system. Specifically, the customer service processes and fees evaluated were:

1. Utility Plan/Private Improvement Agreement Review
2. Connection to Existing Sewer Approval (new fee)
3. Sewer Improvement Plan Acceptance
4. Preliminary Sewer Layout Acceptance
5. Sewerage Capacity Allocation (new fee)
6. Variances/Special Approvals (new fee)
7. Final Plat Acceptance

These fees are explained in more detail below, including the current and recommended approaches, process of peer utilities, and determination of new or updated fees.

3.1 – UTILITY PLAN/PRIVATE IMPROVEMENT AGREEMENTREVIEW

3.1.1 - FEE DEFINITION

Fee to recover PCRWRD's cost for reviewing another utility's infrastructure improvement plans/ developer related roadway improvements under Private Improvement Agreements (PIA) for conflicts with the sewer utility system.

3.1.2 - ORDINANCE

Section 13.20.030.B1

3.1.3 - EXISTING FEE STRUCTURE

The Ordinance includes a Utility Plan Review Fee Schedule and a per sheet basis for granting permission to modify existing public sanitary sewers. However, PCWRD does not currently have a process to collect fees for reviewing PIAs for conflicts with the sewer system.

3.1.4 - INTERNAL ANALYSIS

Section 13.20.020B of the Ordinance provides a mechanism for PCRWRD to charge a fee for utility's relocation and improvement plan reviews. A significant portion of the plan reviews are submitted by other utilities and jurisdictions, which may result in utility conflict identification and relocation of sewer infrastructure.

Exhibit 2:

Cost of Service - Private Improvement Agreement

Pima County Regional Wastewater Reclamation Department

Customer Service Fee Template

Customer Service Fee

Fee Name	Fee Description
Private Improvement Agreement	Private developer project with required infrastructure improvements (e.g. access, roadways). County must review plans for utility conflicts.

Estimated Labor

Task Description	Position Title	Number of Each	Avg Hourly Rate (1)	Number of Hours	Subtotal By Title
Plan Review	CIVIL ENGINEER	1	$76.9205	3	$230.76
Intake and letter processing	CIVIL ENG ASST	1	$57.1624	1	$57.16

Fee Calculation (2)	Private Improvement Agreement	$288.00

(1) Average hourly rate is calculated based on the number of existing positions and their respective salaries. Includes adjustment for salary increases, fringe benefits, and overhead.

(2) Rounded up to the nearest dollar.

Exhibit 3:

External Analysis - Private Improvement Agreement

	Charge for Service?		Methodology (if Yes)
	Yes	No	
PCRWRD		X	
EPWU		X	
Henderson	X		% of project or captured in Franchise Fee payments (private)
Peoria		X	
Phoenix	X		Public Utility - no charge; Private pays per sheet for review
San Diego (City of)	X		Case-by-case basis
Tempe	X		Per sheet charge (same review process as other services)
Tucson Water		X	

Similarly, PCRWRD also submits its infrastructure improvement plans to other utilities for review, and is not currently charged by other utilities for this service. As such, and based on discussion with PCRWRD staff, it was determined that it was appropriate to continue providing utility plan review services to other utilities at no charge.

PCRWRD also provides a utility conflict review of roadway improvement plan for private developers required to construct roadway improvements for their private developments. Costs associated with reviewing these PIAs are based on estimated time spent by relevant PCRWRD staff to support this process. Based on input from PCRWRD staff, a typical review requires 1 hour by a Civil Engineering Assistant for administrative intake and letter processing and 3 hours by a Civil Engineer for plan review. Since these services are provided to a private developer, it may be appropriate to charge a fee for these services.

Exhibit 2 presents the calculated cost of service for a Private Improvement Agreement.

3.1.5 - EXTERNAL ANALYSIS

Exhibit 3 presents the results of the external analysis regarding a plan review fee for a PIA. The results of the external analysis show no trend or preferred approach among the responses. The wastewater utilities in Phoenix and Tempe approach this service as they do for other review services. Phoenix, in particular, has more of a one-size fits all methodology based on a uniform charge per sheet of review, which is used for most of their review services. The City of San Diego reserves the right to negotiate a fee for this service on a case by case basis. However, given these examples, the chart also shows that half of the utilities do not charge for this service.

3.1.6 - RECOMMENDATION

It is recommended that PCRWRD continue to not charge a specific fee for this service while gathering data to further evaluate the level of effort to development and manage a process compared to the potential revenue. Currently, there are approximately 16 submittals per year.

3.2 – CONNECTION TO EXISTING SEWER APPROVAL

3.2.1 - FEE DEFINITION

Fee to recover PCRWRD's cost of administration and review of site plans and meter size validation required for connection to the existing sewer system.

3.2.2 - ORDINANCE

13.20.040.A

3.2.3 - EXISTING FEE STRUCTURE

No existing fee.

3.2.4 - INTERNAL ANALYSIS

PCRWRD is responsible for an Administrative and Substantive Review that includes the intake, review and approval/denial of site plans submitted for Connection to Existing Approval. The cost associated with this process includes direct labor hours for intake, review, research, and input with varying levels of effort depending on the complexity of the site plan. Since there is a direct labor cost associated with this process, and through discussions with PCRWRD staff, it was determined that the amount of labor hours should be differentiated between representative examples of a simple, moderately complex, and complex site plan reviews for Connection to Existing Approval. Specifically, PCRWRD staff indicated that a simple site plan review requires 0.5 hours for a Civil Engineering Assistant for intake, review, and input. A moderately complex site plan review requires 1 hour for a Civil Engineering Assistant for intake, review, and input; and 1 hour for a Civil Engineer to provide input and oversight. A complex site plan review requires 4 hours for a Civil Engineering Assistant for intake, review, research, and input; 3 hours for a Civil Engineer to provide input and oversight; and 2 hours of a Civil Engineering Manager to provide supplemental input and oversight.

Exhibits 4 through 6 present the calculated cost of service for a simple, moderately complex, and complex review for Connection to Existing Approval, respectively.

Exhibit 4:

Cost of Service - Connection to Existing (Simple)

Pima County Regional Wastewater Reclamation Department

Customer Service Fee Template

Customer Service Fee

Fee Name	Fee Description
Connection to Existing	Recovery of the customer service costs associated with fielding a request to connect to an existing sewer. This includes review of site plans and water meter size validation.
Simple Project Classification	

Estimated Labor

Task Description	Position Title	Number of Each	Avg Hourly Rate (1)	Number of Hours	Subtotal By Title
Intake, Review, Input	CIVIL ENG ASST	1	$57.1624	0.5	$28.58

Fee Calculation (2)	Connection to Existing	$29.00

(1) Average hourly rate is calculated based on the number of existing positions and their respective salaries. Includes adjustment for salary increases, fringe benefits, and overhead.

(2) Rounded up to the nearest dollar.

Exhibit 5:

Cost of Service - Connection to Existing (Moderately Complex)

Pima County Regional Wastewater Reclamation Department

Customer Service Fee Template

Customer Service Fee

Fee Name	Fee Description
Connection to Existing	Recovery of the customer service costs associated with fielding a request to connect to an existing sewer. This includes review of site plans and water meter size validation.
Moderately Complex Project Classification	

Estimated Labor

Task Description	Position Title	Number of Each	Avg Hourly Rate (1)	Number of Hours	Subtotal By Title
Intake, Review, Research, Input	CIVIL ENG ASST	1	$57.1624	1	$57.16
Escalate to Supervisor	CIVIL ENGINEER	1	$76.9205	1	$76.92

Fee Calculation (2)	Connection to Existing	$135.00

(1) Average hourly rate is calculated based on the number of existing positions and their respective salaries. Includes adjustment for salary increases, fringe benefits, and overhead.

(2) Rounded up to the nearest dollar.

Exhibit 6:

Cost of Service - Connection to Existing (Complex)

Pima County Regional Wastewater Reclamation Department

Customer Service Fee Template

Customer Service Fee

Fee Name	Fee Description
Connection to Existing	Recovery of the customer service costs associated with fielding a request to connect to an existing sewer. This includes review of site plans and water meter size validation.
Complex Project Classification	

Estimated Labor

Task Description	Position Title	Number of Each	Avg Hourly Rate (1)	Number of Hours	Subtotal By Title
Intake, Review, Research, Input	CIVIL ENG ASST	1	$57.1624	4	$228.65
Escalate to Supervisor	CIVIL ENGINEER	1	$76.9205	3	$230.76
Escalate to Manager	CIVIL ENG MANAGER	1	$92.6977	2	$185.40

Fee Calculation (2)	Connection to Existing	$645.00

(1) Average hourly rate is calculated based on the number of existing positions and their respective salaries. Includes adjustment for salary increases, fringe benefits, and overhead.

Inasmuch as it is not possible to initially assess the level of complexity required to review elements of a potential connection to the existing sewer system, but yet to provide a reasonable representation of the costs incurred in support of this process, it was determined that a weighted average based on estimated number of simple, moderately complex, and complex projects would provide an appropriate calculation of typical costs incurred. As such, PCRWRD staff provided additional input identifying the frequency of a simple (50%), moderately complex (30%), and complex (20%) review for connection to the existing sewer system in a typical year.

Exhibit 7 presents the calculated weighted average cost of service for Connection to Existing Approval.

3.2.5 - EXTERNAL ANALYSIS

Exhibit 8 presents the results of the external analysis for approval of a customer's connection to the existing infrastructure of the sewer system. According to the results, the predominant fee structure is a flat fee, and thus, PCRWRD's approach of establishing a flat fee for this service is consistent with similar approaches at other utilities. Still, others choose to develop a fee based on percent of construction costs as in Henderson, NV or by a per sheet charge of submittal for this

Exhibit 7:

Weighted Average Cost Recovery - Connection to Existing

	Connection to Existing		
	Cost of Service	Frequency	Fee Calculation
Simple	$ 29.00	50%	$ 14.50
Moderately Complex	$ 135.00	30%	$ 40.50
Complex	$ 645.00	20%	$ 129.00
Total		100%	$ 184.00

Exhibit 8:

External Analysis - Connection to Existing

	Charge for Service?		Methodology (if Yes)
	Yes	No	
PCRWRD		X	
EPWU		X	
Henderson	X		% of construction costs (same approval process as others)
Peoria	X		Flat fee per connection
Phoenix	X		Flat fee per connection
San Diego (City of)	X		Flat fee per connection
Tempe	X		Per sheet for review; Flat Fee for Single Family Dwellings
Tucson Water		X	

service as in Tempe, AZ.

3.2.6 - RECOMMENDATION

Because of the variable complexity of this new fee process, and the low development activity over the past few years, more data on staff level of effort is needed to better establish the customer service cost. Implementing an initial "base" fee at this time allows for both the start of cost recovery for staff labor and the time to accumulate more comprehensive data on the costs to provide this service. This fee will be reviewed again in a few years when more data and better tracking tools will be available through the implementation of the County's Land and Permit Management system. In addition, implementing the new software process and tracking system is anticipated to generate efficiencies in the staff level of effort.

It is recommended that PCRWRD charge a flat fee for this service. The recommended "base" fee for this process is lower than the full cost recovery fee derived for this evaluation. The "base" fee was determined by assuming that 80% of the approvals are either simple or moderately complex in nature. Of this amount, most approvals for residential customers are simple and approvals for commercial customers are blended between simple and moderately complex. Thus, it is reasonable to establish a flat Administrative and Substantive Review charge of $30 for residential connections based on the cost build-up of a simple approval. Approvals for a commercial connection should be based on a weighted average of simple and moderately complex approvals, which are results in an Administrative and Substantive Review charge of $60 (see Exhibit 9).