



MEMORANDUM

Date: April 13, 2020

To: The Honorable Chairman and Members
Pima County Board of Supervisors

From: C.H. Huckelberry
County Administrator

A handwritten signature in black ink, appearing to read "CHH", is written over the printed name "C.H. Huckelberry".

Re: **Historical Sewer User and Connection Fee Increases**

Given a number of ongoing utility increases in the area of the public electric utility and publicly owned water companies, it is appropriate to review fee increases that have occurred through our wastewater utility.

The attached March 18, 2020 memorandum from Regional Wastewater Reclamation Director Jackson Jenkins serves as a historical reference. In summary sewer user fees have only increased three percent in the last seven years. Connections fees for a typical single-family residential unit has decreased approximately \$2,000 per connection. Nine years ago, the connection fee for a single-family residence was \$6,350, today it is \$4,188.

Based on continuing financial stability of the wastewater utility, it is likely there will be no increase in typical sewer user and connection fees for some time.

CHH/anc

Attachment

c: Carmine DeBonis, Jr., Deputy County Administrator for Public Works
Yves Khawam, PhD, Assistant County Administrator for Public Works
Jackson Jenkins, Director, Regional Wastewater Reclamation



WASTEWATER RECLAMATION
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JACKSON JENKINS
DIRECTOR

March 18, 2020

TO: C.H. Huckelberry, County Administrator

FROM: Jackson Jenkins, Director, Wastewater Reclamation 

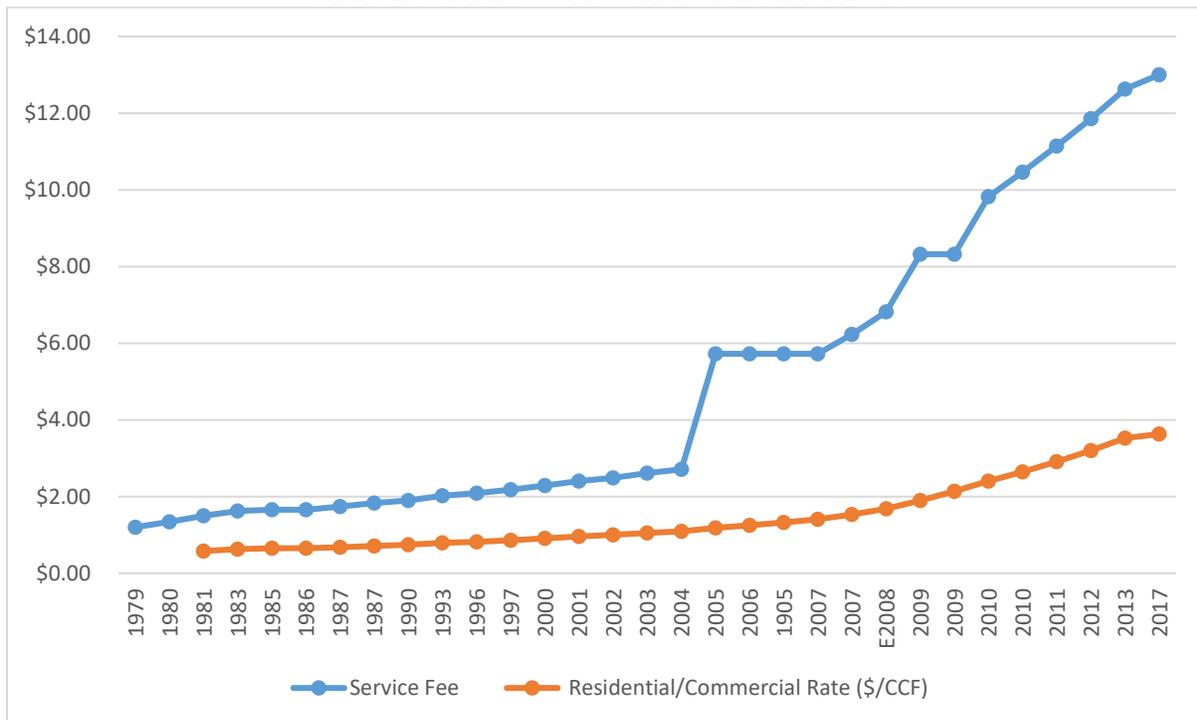
SUBJECT: **Your March 9, 2020, Request for Historical Sewer User and Connection Fee Increases**

The City sewerage system was transferred to the County via Resolution No. 1979-77 on June 19, 1979. Per your request, this memorandum provides the increases to the sewer user fee and connection fee since that time.

Sewer User Fee

Since July 1979, the sewer user fee formula has included a fixed monthly fee and a volumetric rate per centum cubic-feet (CCF) of water used. Chart 1 below shows the increases to the service fee and volumetric rate since 1979. As you can see, rate increases were quite stable until 2004, at which time regulatory requirements and declining revenues due to conservation efforts necessitated frequent and greater rate increases. These higher increases were primarily to the fixed monthly service fee in an effort to generate revenue stability for the utility.

Chart 1. Sewer User Fee Increases since 1979



Subject: Your March 9, 2020, Request for Historical Sewer User and Connection Fee Increases

March 18, 2020

Page 2 of 7

Table 1 below outlines increases to the fixed fee and volumetric rate through 2004, which were quite stable at five percent each, on average.

Table 1. Increases to the Sewer User Fee, 1979 through 2004

Date	Pima County Ordinance No	Service Fee	Dollar Increase	Percent Increase	Residential/Commercial Volumetric Rate (\$/CCF)	Dollar Increase	Percent Increase
July 1979	1979-94	\$1.20			Unable to locate.		
July 1980	1980-105	\$1.34	\$0.14	12%	Unable to locate.		
December 1981	1981-243	\$1.50	\$0.16	12%	\$0.58		
July 1983	1983-08	\$1.62	\$0.12	8%	\$0.63	\$0.05	9%
July 1985	1985-18	\$1.66	\$0.04	2%	\$0.65	\$0.02	3%
August 1986	1986-165	\$1.66	\$0.00	0%	\$0.65	\$0.00	0%
February 1987	1987-22	\$1.74	\$0.08	5%	\$0.68	\$0.03	5%
December 1987	1987-22	\$1.83	\$0.09	5%	\$0.71	\$0.03	4%
September 1990	1990-95	\$1.90	\$0.07	4%	\$0.74	\$0.03	4%
July 1993	1993-93	\$2.02	\$0.12	6%	\$0.79	\$0.05	7%
March 1996	1996-23	\$2.09	\$0.07	3%	\$0.82	\$0.03	4%
December 1997	1997-96	\$2.18	\$0.09	4%	\$0.86	\$0.04	5%
January 2000	2000-07	\$2.29	\$0.11	5%	\$0.91	\$0.05	6%
February 2001	2001-21	\$2.40	\$0.11	5%	\$0.96	\$0.05	5%
March 2002	2002-25	\$2.49	\$0.09	4%	\$1.00	\$0.04	4%
March 2003	2003-30	\$2.61	\$0.12	5%	\$1.05	\$0.05	5%
May 2004	2004-11	\$2.71	\$0.10	4%	\$1.09	\$0.04	4%

In June 2005, a rate study performed by Black and Veatch determined the sewer user fee revenue was neither adequately recovering the cost of service nor appropriately funding the repair and replacement of system assets. In a three to two vote, the Board of Supervisors approved the largest percent increase to date – a 111 percent increase to the fixed monthly fee and an eight percent increase to the volumetric rate.

Table 2. Increases to the Sewer User Fee, 2005 through 2007

Date	Pima County Ordinance No	Service Fee	Dollar Increase	Percent Increase	Residential/Commercial Volumetric Rate (\$/CCF)	Dollar Increase	Percent Increase
June 2005	2005-62	\$5.72	\$3.01	111%	\$1.18	\$0.09	8%
August 2006	2006-52	\$5.72	\$0.00	0%	\$1.251	\$0.07	6%
January 2007	2006-52	\$5.72	\$0.00	0%	\$1.326	\$0.08	6%
May 2007	2007-39	\$5.72	\$0.00	0%	\$1.406	\$0.08	6%

Subject: Your March 9, 2020, Request for Historical Sewer User and Connection Fee Increases

March 18, 2020

Page 3 of 7

In December 2007, a rate study performed by Raftelis Financial Consultants developed a series of recommendations based on new regulatory requirements and new effluent standards which resulted in the Regional Optimization Master Plan and a significant increase in debt service. Additionally, due to the Great Recession, connection fee revenue was dropping significantly. As a result, the Board of Supervisors approved nine separate increases - averaging 10 percent each - to the sewer user fee over the following six years.

Table 3. Increases to the Sewer User Fee, 2007 through 2013

Date	Pima County Ordinance No	Service Fee	Dollar Increase	Percent Increase	Residential/Commercial Volumetric Rate (\$/CCF)	Dollar Increase	Percent Increase
December 2007	2007-109	\$6.23	\$0.51	9%	\$1.533	\$0.13	9%
July 2008	2007-109	\$6.82	\$0.59	9%	\$1.679	\$0.15	10%
February 2009	2009-14	\$8.32	\$1.50	22%	\$1.893	\$0.21	13%
July 2009	2009-14	\$8.32	\$0.00	0%	\$2.134	\$0.24	13%
March 2010	2010-11	\$9.82	\$1.50	18%	\$2.406	\$0.27	13%
July 2010	2010-11	\$10.46	\$0.64	7%	\$2.647	\$0.24	10%
July 2011	2010-11	\$11.14	\$0.68	7%	\$2.912	\$0.27	10%
July 2012	2010-11	\$11.86	\$0.72	6%	\$3.203	\$0.29	10%
July 2013	2010-11	\$12.63	\$0.77	6%	\$3.523	\$0.32	10%

In March 2015, the Board of Supervisors considered the adoption of three automatic annual rate increases of four percent each occurring July 1, 2015, July 1, 2016, and July 1, 2017, as recommended by Finance and Risk Management in order to maintain a debt-service ratio of 130 percent. The rate increases were denied on August 17, 2015.

In January 2017, the Board of Supervisors considered the adoption of three automatic annual rate increases of four percent each occurring as early as possible in Calendar Year 2017, January 1, 2018, and January 1, 2019, as recommended by Finance and Risk Management due to declining revenues and increases in operations and maintenance costs and debt service. A three percent increase was approved on April 18, 2017.

Table 4. Increases to the Sewer User Fee, 2014 through 2020

Date	Pima County Ordinance No	Service Fee	Dollar Increase	Percent Increase	Residential/Commercial Volumetric Rate (\$/CCF)	Dollar Increase	Percent Increase
June 2017	2017-02	\$13.00	\$0.37	3%	\$3.629	\$0.11	3%

In November 2017, a rate study performed by Raftelis Financial Consultants determined a 16 percent increase to the Commercial billing class high strength factor would ensure equitable cost recovery and ensure all users pay their proportionate share. The high strength factor increase was denied on February 6, 2018.

Subject: Your March 9, 2020, Request for Historical Sewer User and Connection Fee Increases

March 18, 2020

Page 4 of 7

The single three percent increase effective June 2017 - which has been the only increase over the past seven years - is considerably lower than the 10.74 percent cumulative price change and average annual inflation rate of 1.47 percent during this time period.

Tucson Water Rate Increases

The following table shows the recent increases to the average single family residential water rate in comparison to sewer user fee increases.

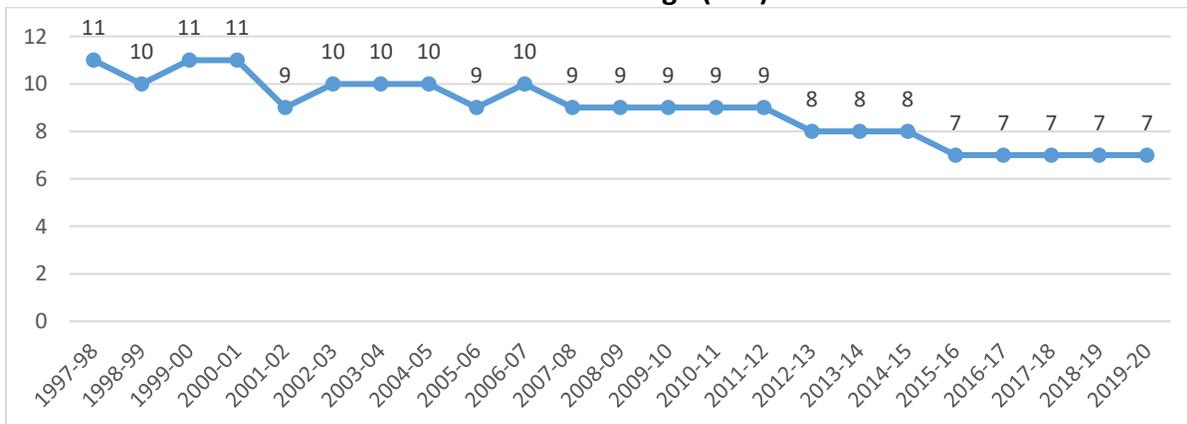
Table 5. Recent Pima County Sewer and City of Tucson Water Rate Increases

Fiscal Year	Pima County Sewer Fee Increases	City of Tucson Water Rate Increases ¹
2015		8.3%
2016		7.3%
2017	3%	8.38%
2018		8.81%
2019		7.87%
2020		8.11%

Average Residential Sewer Bill

It is important to note the decline in water usage over time and the corresponding impact on the average residential sewer bill. As you can see in Chart 2 below, the Residential class average has dropped from a high of 11 CCFs in Fiscal Year 1998 to 7 CCFs in Fiscal Year 2020.

Chart 2. Annual Residential Class Average (CCF) since Fiscal Year 1998



¹ 2015 and 2016 are general increases across all water classes. Remaining years listed are the increases to the average single family residential class. Source: Tucson Water July 30, 2019, and March 17, 2020, emails.

Subject: Your March 9, 2020, Request for Historical Sewer User and Connection Fee Increases

March 18, 2020

Page 5 of 7

As a result, even with some rate increases to the sewer user fee, revenues will decline due to water conservation efforts. For example, despite a four percent increase in March 2002 to both the service fee and the volumetric rate, the average residential sewer bill declined 11 percent from \$12.96 in Fiscal Year 2001 to \$11.49 in Fiscal Year 2002, due to the Residential class average reduction of 2 CCFs.

This occurred again in Fiscal Year 2006 when the average residential bill declined three percent from \$17.52 to \$16.98 despite a six percent increase to the volumetric rate.

Chart 3. Annual Average Residential Sewer Bill since Fiscal Year 1998

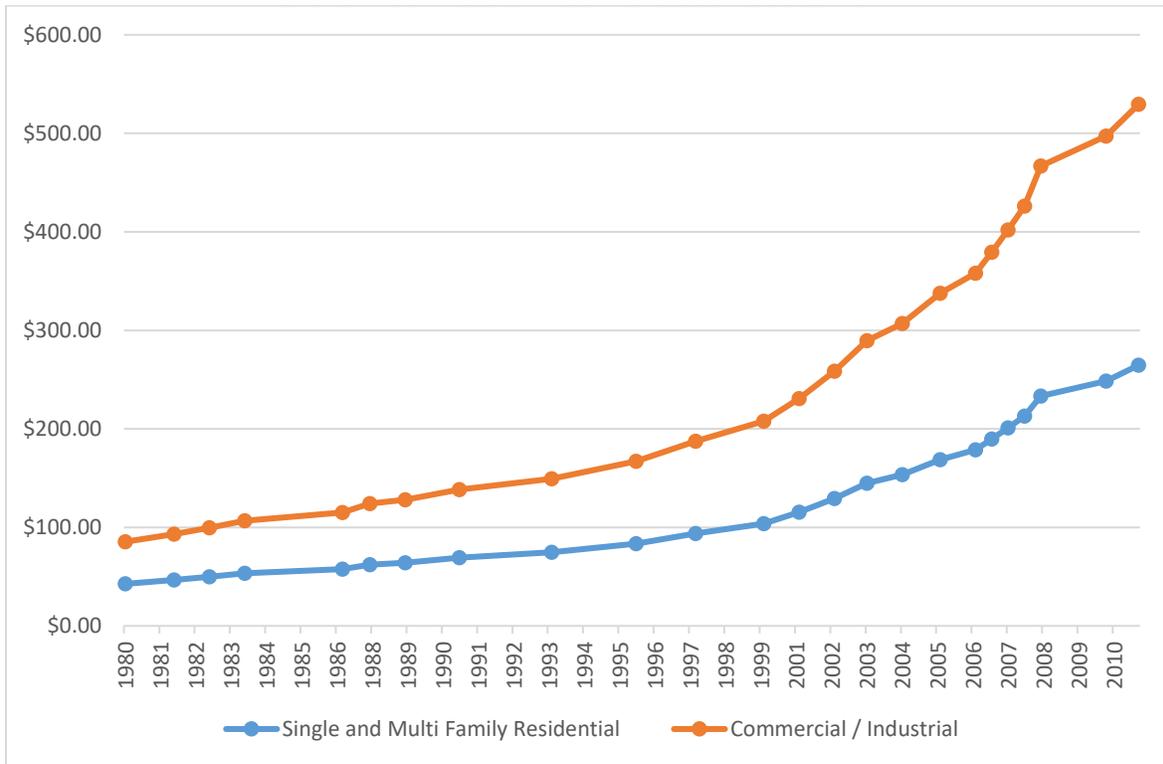


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Connection Fee

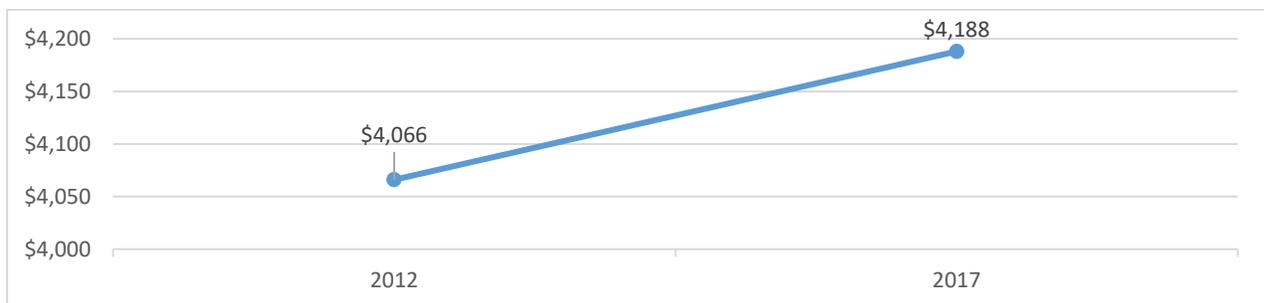
From June 1980 to May 2012, the fee to connect to the sanitary sewer was per fixture unit. For a typical single family residential unit at 24 fixture unit equivalents, the average connection fee was \$6,350.64 in 2011. Chart 4 below shows the increases to the connection fee from 1980 to 2010.

Chart 4. Connection Fee Increases 1980 to 2011



In May 2012, the Board of Supervisors adopted Ordinance No 2012-27, which enacted a new method to calculate wastewater connection fees from a system based on fixture units to one based on water meter size. This new rate structure provided a benefit to the development community with connection fees reduced by approximately 36 percent for most customers. Chart 5 below shows the connection fee in 2012 and the single, three percent increase in 2017.

Chart 5. Single Family Residential, Multi Family, Commercial, Industrial, 5/8" or 3/4" Connection Fee



Subject: Your March 9, 2020, Request for Historical Sewer User and Connection Fee Increases

March 18, 2020

Page 7 of 7

The table below provides all increases to the connection fee since June 1980.

Table 6. Increases to the Connection Fee 1980 to 2017

Date	Pima County Ordinance No	Single and Multi Family Residential	Typical Single Family Residential at 24 Fixture Units	Dollar Increase	Percent Increase	Commercial / Industrial	Dollar Increase	Percent Increase
June 1980	1980-106	\$42.70	\$1,024.80			\$85.40		
December 1981	1981-242	\$46.54	\$1,116.96	\$3.84	9%	\$93.09	\$7.69	9%
January 1983	1983-9	\$49.80	\$1,195.20	\$3.26	7%	\$99.61	\$6.52	7%
February 1984	1984-13	\$53.29	\$1,278.96	\$3.49	7%	\$106.58	\$6.97	7%
February 1987	1987-21	\$57.55	\$1,381.20	\$4.26	8%	\$115.11	\$8.53	8%
December 1987	1987-221	\$62.15	\$1,491.60	\$4.60	8%	\$124.32	\$9.21	8%
January 1989	1989-13	\$64.01	\$1,536.24	\$1.86	3%	\$128.05	\$3.73	3%
September 1990	1990-96	\$69.13	\$1,659.12	\$5.12	8%	\$138.29	\$10.24	8%
July 1993	1993-94	\$74.66	\$1,791.84	\$5.53	8%	\$149.35	\$11.06	8%
February 1996	1996-18	\$83.62	\$2,006.88	\$8.96	12%	\$167.27	\$17.92	12%
December 1997	1997-97	\$93.65	\$2,247.60	\$10.03	12%	\$187.34	\$20.07	12%
January 2000	2000-6	\$103.95	\$2,494.80	\$10.30	11%	\$207.95	\$20.61	11%
February 2001	2001-20	\$115.38	\$2,769.12	\$11.43	11%	\$230.82	\$22.87	11%
March 2002	2002-26	\$129.23	\$3,101.52	\$13.85	12%	\$258.52	\$27.70	12%
March 2003	2003-29	\$144.74	\$3,473.76	\$15.51	12%	\$289.54	\$31.02	12%
April 2004	2004-10	\$153.42	\$3,682.08	\$8.68	6%	\$306.91	\$17.37	6%
June 2005	2005-61	\$168.76	\$4,050.24	\$15.34	10%	\$337.60	\$30.69	10%
July 2006	2006-51	\$178.89	\$4,293.36	\$10.13	6%	\$357.86	\$20.26	6%
January 2007	2006-51	\$189.62	\$4,550.88	\$10.73	6%	\$379.33	\$21.47	6%
July 2007	2006-51	\$201.00	\$4,824.00	\$11.38	6%	\$402.09	\$22.76	6%
January 2008	2006-51	\$213.06	\$5,113.44	\$12.06	6%	\$426.22	\$24.13	6%
July 2008	2007-110	\$233.30	\$5,599.20	\$20.24	9%	\$466.71	\$40.49	9%
July 2010	2010-11	\$248.46	\$5,963.04	\$15.16	6%	\$497.05	\$30.34	7%
July 2011	2010-11	\$264.61	\$6,350.64	\$16.15	7%	\$529.36	\$32.31	7%
May 2012	2012-27		\$4,066	(\$2,284.64)	(36%)			
June 2017	2017-12		\$4,188	\$122	3%			

Thank you and please let me know if you have further questions.

- c: Carmine DeBonis, Jr., Deputy County Administrator for Public Works
Yves Khawam, PhD, Assistant County Administrator for Public Works
Jennifer C. Coyle, Program Coordinator - Unclassified, Wastewater Reclamation



MEMORANDUM

Date: March 9, 2020

To: Jackson Jenkins, Director
Regional Wastewater Reclamation

From: C.H. Huckelberry
County Administrator

A handwritten signature in black ink, appearing to read "CHH", is written over the printed name "C.H. Huckelberry".

Re: **History Related to Sewer User and Connection Fee Increases**

If possible, please develop a table, chart or graph demonstrating the history related to increases in sewer user fees and connection fees over time, as early as 1980. This information will be helpful in putting into perspective the recent history of no rate increase for the wastewater utility and continuing rate increases from other utility and water providers.

CHH/anc

c: Carmine DeBonis, Jr., Deputy County Administrator for Public Works
Yves Khawam, PhD, Assistant County Administrator for Public Works
Michelle Campagne, Director, Finance and Risk Management