



MEMORANDUM

Date: April 15, 2021

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

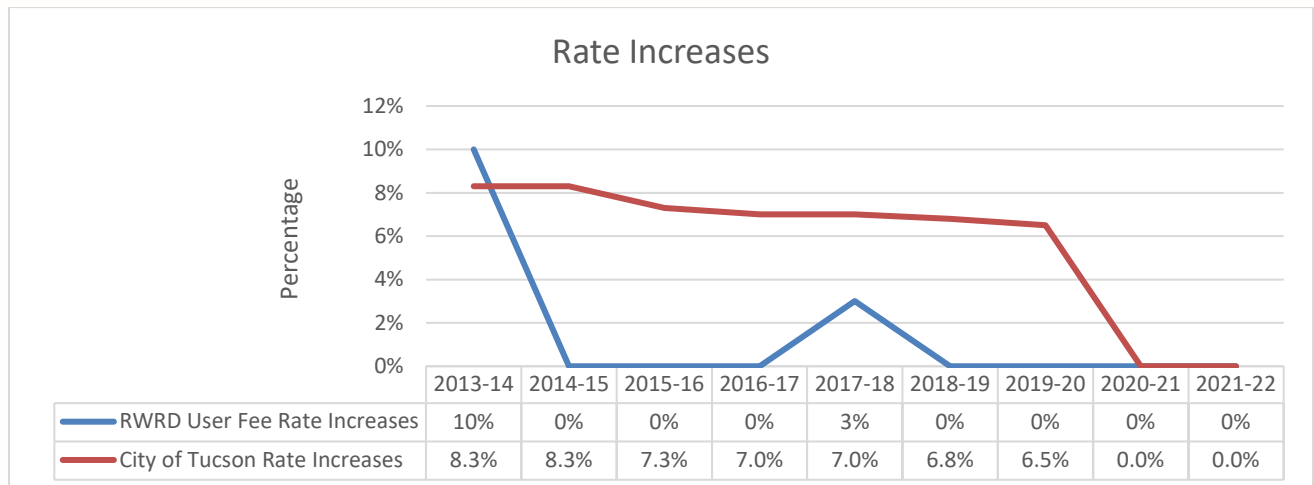
From: C.H. Huckelberry *CHH*
County Administrator

Re: **Stewardship of Pima County Sewer User Rates**

Over the past ten years, the Regional Wastewater Reclamation Department (RWRD) has made a concerted effort along with assistance from the Finance and Risk Management Department (FRMD) to keep our sewer user rates from increasing more than the rate of inflation. Since the completion of the Regional Optimization Master Plan (ROMP) in FY 2013/14, continuous improvement and strategic investments in technology have produced operational efficiencies resulting in significant cost-savings. The County high bond ratings (AA) and very low interest rates for our Capital Improvement Program, resulting in reduced debt service charges. Collectively, these efforts have been tremendously successful in maintaining stable sewer user rates and a strong financial position, despite making the large ROMP investment.

RWRD often benchmarks itself against other similar agencies. Most utilities in AZ regularly increase fees or rates, especially within the water and wastewater sectors. Tucson Water is an excellent benchmark because of our similarities. We are both similarly sized and staffed, although RWRD has been able to reduce staff annually over this eight-year period due to training, technology, consolidations and other organizational efficiencies. The value of Tucson Water and RWRD assets are similar and the utilities serve a similar customer base. However, in the last eight-year period, Tucson Water has instituted rate increases every year whereas during the same period, RWRD has only had one sewer user rate increase following the completion of the regulatory mandated \$600 million ROMP capital program in FY 2013/14 (see Figure 1).

Figure 1
RWRD and Tucson Water Rate Increases



If RWRD sewer rates had been indexed at the same rate as Tucson Water rates over the past eight years, it would have cost ratepayers an additional \$399 million over that period (see Figure 2).

Figure 2
 RWRD and Tucson Water User Fee Revenues

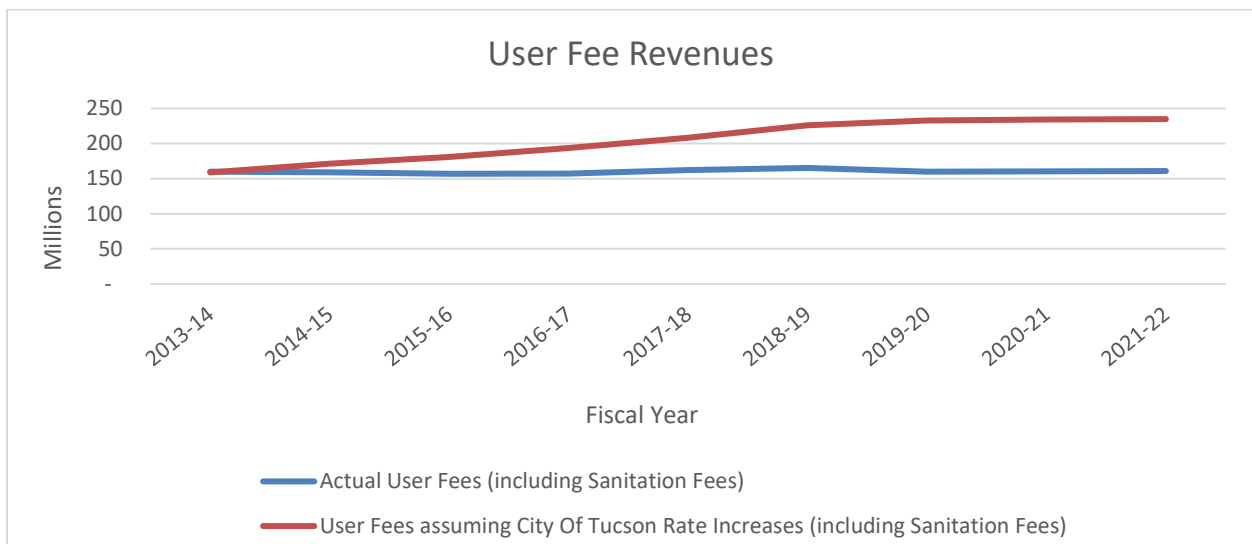


Table 1
 Sewer User Fees Indexed by Tucson Water Increases

Fiscal Year	RWRD User Fees (millions)	User Fees assuming COT Rates (millions)	Difference (millions)
2013-14	\$160	\$159	\$1
2014-15	\$159	\$171	(\$12)
2015-16	\$157	\$181	(\$24)
2016-17	\$157	\$194	(\$37)
2017-18	\$162	\$208	(\$46)
2018-19	\$165	\$226	(\$61)
2019-20	\$160	\$233	(\$73)
2020-21	\$161	\$234	(\$73)
2021-22	\$161	\$235	(\$74)
Total	\$1,442	\$1,841	(\$399)

The Honorable Chairman and Members, Pima County Board of Supervisors

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The current RWRD monthly sewer residential fee based on billed volume is less than \$35. That amount is well below the state and national average for sewer user fees. One exception is the City of Phoenix sewer user fee rate, which is lower than Pima County's. However, Phoenix benefits from economies of scale, significant revenue derived from the sale of all of their effluent and a sales tax imposed on sewer service. In fact, all municipal utilities we have evaluated, including Tucson Water, impose a municipal sales tax on their utility fees, thereby generating additional General Fund revenues.

Counties lack enabling legislation to impose a tax on sewer services and we gift over 90 percent of our effluent to the City of Tucson and the Southern Arizona Water Rights Settlement Act, currently valued at over \$13 million per year. Additionally, if the County were to collect a tax equivalent to the City of Tucson's on our wastewater user fees, it would generate an additional \$4.2 million per year.

The County's stewardship of the regional wastewater utility has resulted in maintaining low rates for customers, despite not collecting an additional \$17.2 million per year from the sale of effluent and taxes.

c: Jan Leshar, Chief Deputy County Administrator
Carmine DeBonis, Jr., Deputy County Administrator for Public Works
Yves Khawam, PhD., Assistant County Administrator for Public Works
Jackson Jenkins, Director, Regional Wastewater Reclamation
Michelle Campagne, Director, Finance & Risk Management