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# MEMORANDUM

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Date: March 11, 2010

To: Chairman and Members  
Pima County Bond Advisory Committee

From: C.H. Huckelberry  
County Administrator 

Re: Sewer Obligations versus Sewer Revenue Bonds

The Board of Supervisors, at their meeting of February 2, 2010, asked that the Bond Advisory Committee (BAC) again review the issue of the advisability of issuing sewer obligations versus sewer revenue bonds.

As the BAC will recall, we had scheduled a potential revenue bond election before the voters for November 2010. I indicated that the County is pursuing other financing structures for the Wastewater Capital Improvement Program, particularly related to more contemporary water and wastewater utility capital improvements. These are commonly referred to today as sewer obligations.

I am enclosing information from the County's financial advisor indicating that the financing cost associated with sewer revenue bonds versus sewer obligations is nearly identical in today's market (Attachment 1). In addition, we have begun the process for issuing the first of sewer obligations in the amount of \$165 million. As you know, we have several other obligations to issue in the following years for wastewater treatment facility modifications and rebuilding required to meet federal environmental discharge standards for our regional wastewater treatment facilities.

On March 9, 2010, the Board approved a schedule of rate increases over the next four years that will provide financing for these capital improvements and to repay the sewer obligations that are issued over a 15-year period. The Board also took specific action to restrict the growth of Regional Wastewater Reclamation Department operating and maintenance expenditures and to require excess revenues generated by the utility to be set aside in a special revenue fund for capital debt principal payment or sewer fee downward adjustments, including possibly rebates.

I am enclosing my January 19, 2010 correspondence to the Board regarding the matter, summarizing the issues before them (Attachment 2). The table of rates increases adopted

Chairman and Members  
Pima County Bond Advisory Committee  
**Re: Sewer Obligations versus Sewer Revenue Bonds**  
March 11, 2010  
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by the Board is similar to that contained in the memorandum except that the Board increased the user fees volume only once each year and then at 10 percent. The rest of the discussion and recommendation is straightforward.

I am also including a memorandum I transmitted to the Board on February 9, 2010 wherein I communicated the findings of our financial consultant regarding interest rates of comparable debt instruments.

Finally, I am enclosing a memorandum I transmitted to the Board on February 8, 2010 regarding user fee comparisons.

This information should provide the BAC with sufficient information to discuss the issue of sewer revenue bonds versus sewer obligations at their meeting of March 19, 2010.

CHH/mjk

Attachments

# ATTACHMENT 1



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# MEMORANDUM

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Date: February 4, 2010

To: Chairman and Members  
Pima County Bond Advisory Committee

From: C.H. Huckelberry  
County Administrator 

Re: Additional Information Regarding Financing of Sewer Revenue Obligations

I have enclosed a copy of a letter from RBC Capital Markets, the County's financial consultant, regarding financing our wastewater reclamation capital improvements through either voter-authorized revenue bonds or the instruments now proposed.

As you can see in the letter from RBC, it is likely the cost differential is relatively insignificant given the magnitude of the investment being made. RBC's letter states, "...a far more significant variable on the interest cost that the County will pay for its wastewater system borrowings will be the general level of interest rates in the market, which we expect (and the plan assumes) will increase from the historically lower levels of current rates." The letter further states, "We also believe that, over time, the County may see an increase in its ratings on Sewer Revenue Obligations as a result of implementing the funding plan being considered by the County, due to the more solid funding levels provided under that plan." This is simply the result of the recommended action by staff to the Board that the rate increases proposed for a four-year period are implemented now rather than relying on the year-to-year action.

The Board, at a recent meeting, asked that the Bond Advisory Committee consider the financing methodologies provided by staff vis-à-vis a voter authorized bond issue. We stand ready to provide any additional information for the Bond Advisory Committee's consideration regarding this matter at your request.

CHH/mjk

Attachment

c: John Bernal, Deputy County Administrator for Public Works  
Tom Burke, Director, Finance and Risk Management  
Michael Gritzuk, Director, Regional Wastewater Reclamation



**RBC Capital Markets®**

Municipal Finance Department  
2398 East Camelback Road, Suite 700  
Phoenix, AZ 85016  
Telephone: 602-381-5368  
Fax: 602-381-5380

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February 2, 2010

Mr. Thomas Burke  
Finance and Risk Management Director  
Pima County  
130 West Congress  
10<sup>th</sup> Floor  
Tucson, AZ 85701

Dear Tom:

You recently asked us to summarize the possible issuance of Sewer Revenue Obligations to address the County's wastewater system needs, including the expected interest cost of such an approach as compared to the Sewer Revenue Bonds that the County has issued in the past.

As we have discussed, the proposed Sewer Revenue Obligations are virtually identical from a credit market and repayment structure standpoint to the issuance of Sewer Revenue Bonds. In either case, the Obligations or the Bonds are secured solely by, and payable from, the net revenues of the County's wastewater system (i.e. net of operating costs). In both cases, no lien is placed on any of the facilities or buildings of the wastewater system (and the Sewer Revenue Obligations are not Certificates of Participation). The method for accomplishing the financing is somewhat different for a Sewer Revenue Obligation in that the improvements to be made to the wastewater system are purchased through a County-selected bank trustee pursuant to a purchase agreement. Under the purchase agreement, the County agrees to buy the improvements over time under an instalment sale, with the payments being equal to the principal and interest on the Sewer Revenue Obligations, and the County secures its payments with a pledge of the wastewater system's net revenues. The Obligations are issued through the bank trustee to provide the initial funds for paying for the improvements, and the County is appointed the agent of the bank trustee for purchasing all of the improvements and undertaking the required construction, all of which is done pursuant to the County's normal procurement and bidding process.

Based on this approach, our expectation is that the County's Sewer Revenue Obligations will be rated similarly (the same or one notch lower) to the County's existing Sewer Revenue Bonds, as they are both secured by the same revenue stream. On that basis, we expect that the interest rates paid by the County on the Sewer Revenue Obligations will be largely comparable to those paid on the Sewer Revenue Bonds. As there are existing Sewer Revenue Bonds outstanding, there may be some difference in interest rates on the Sewer Revenue Obligations,

Mr. Thomas Burke  
Pima County  
February 2, 2010  
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which we estimate to be no more than a 10 to 15 basis point differential (0.10% to 0.15% difference). A 15 basis point differential in interest rates on a \$100 million financing that amortizes over 15 years equates to approximately \$97,000 per year. As you know, a far more significant variable on the interest cost that the County will pay for its wastewater system borrowings will be the general level of interest rates in the market, which we expect (and the plan assumes) will increase from the historically low levels of current rates. We also believe that, over time, the County may see an increase in its ratings on Sewer Revenue Obligations as a result of implementing the funding plan being considered by the County, due to the more solid funding levels provided under that plan.

I hope this addresses the issues you had raised. Feel free to contact me if we can be of any additional assistance on this matter.

Sincerely,

A handwritten signature in black ink, appearing to read "Kurt M. Freund". The signature is written in a cursive, flowing style.

Kurt M. Freund  
RBC CAPITAL MARKETS

# ATTACHMENT 2



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# MEMORANDUM

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Date: January 19, 2010

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

From: C.H. Huckelberry  
County Administrator 

Re: Wastewater Reclamation Financial Plan and Capital Implementation of the Regional Optimization Management Plan

I. Background

As the Board knows, there has been extensive study and review of the significant capital requirements that will be required of the County to meet environmental compliance standards imposed by the Arizona Department of Environmental Quality (ADEQ) and the US Environment Protection Agency (EPA) regarding the treatment of sewage and discharge of effluent to waters of the United States. These costs are anticipated to be \$812 million by 2015. Together with other capital improvements necessary to maintain quality standards of service to our customers, an overall capital investment of \$974 million is required by 2017/18. This capital investment requires borrowing through the issuance of debt in the amount of \$797 million as listed below for each fiscal year. This is the most significant wastewater capital investment ever made by the County. This debt will be issued through the sale of sewer revenue obligations subordinate to existing sewer bonds and loans from the Water Infrastructure and Financing Authority of Arizona (WIFA). The obligations will be contractual obligations to repay new debt with system revenues. Although not as strong as bonds, this type of obligation is closely competitive with interest rates expected for bond sales.

Table 1: Bond Issuance Schedule

Year	Amount (Millions)
2010	\$165
2011	165
2012	200
2013	200
2014	67
<b>Total</b>	<b>\$797</b>

The Honorable Chairman and Members

Pima County Board of Supervisors

Re: **Wastewater Reclamation Financial Plan and Capital Implementation of the Regional Optimization Management Plan**

January 19, 2010

Page 2

II. Capital Investment Deferral Requested of the ADEQ.

In September 2008, forecasting the significant economic downturn that was occurring within the community, I requested that ADEQ defer these capital obligations for a period of five years (see attached letter dated November 4, 2008 to Steve Owens, Director of ADEQ). Subsequently I and staff met with the ADEQ Director and Deputy Director regarding this matter. The Director was convinced that deferring the ADEQ permit requirements would require concurrence from the EPA in a hearing in which oral and written comments would be received and reviewed. Based on these discussions, it was determined that it was highly improbable the County would receive any favorable considerations to defer the required capital investment for environmental compliance requirements due simply to economic hardships that would be imposed through rate increases to system ratepayers.

III. County Revenue Bonds Downgraded by Moody's from A1 to A2.

In April 2009, Moody's downgraded the County's revenue bonds primarily because of the declining debt service coverage, which is the amount of revenue left to pay capital debt service expenses after operating costs have been satisfied. These ratios had been as high as 466 percent in 2005, but because of significant additional operating costs and capital investment, the ratio declined to 151 percent in 2008. Bond covenants require debt service coverage at a minimum of 125 percent. This minimum is not deemed acceptable in the current economic climate to enable the County to finance the required investment. To achieve optimal borrowing interest rates, debt service coverage must be nearer to 200 percent, and preferably 300 percent; hence the need to increase sewer rates to provide debt service coverage and capital to retire bonded indebtedness with an average life of a 15 years, with 62 percent of the principal paid within 10 years of issuance.

IV. Pima County Cannot Rely on Connection Fees to Finance Capital Improvements.

Connection fee collections peaked in Fiscal Year (FY) 2005/06 at \$42.4 million. As we near the end of FY 2009/10, they are projected to be approximately \$20 million. Given the continuing stagnation of the housing market, it is likely that connection fees will not substantially increase for three to four years; hence the capital burden for environmental compliance will fall primarily on the shoulders of sewer user rate payers. A significant rate increase is necessary. In the past, we have asked the Board to approve rate increases for a 12- to 18-month period. Given the desires of the capital financing market to see certainty and predictability, I will be asking the Board to approve rate increases for a four-year period. These projected rate increases are contained in Table 2 below.

The Honorable Chairman and Members  
Pima County Board of Supervisors

Re: **Wastewater Reclamation Financial Plan and Capital Implementation of the Regional  
Optimization Management Plan**

January 19, 2010

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**Table 2. Recommended Rate Increases**

Rate	Effective	2010-11	2011-12	2012-13	2013-14
Standard Service Fee	January 1	6.50%	6.50%	6.50%	6.50%
User Fee Volume	July 1	6.50%	6.50%	6.50%	6.50%
Rate	January 1	6.50%	6.50%	6.50%	6.50%
Connection Fee	January 1	6.50%	6.50%	6.50%	6.50%

These rate increases provide capital financing necessary to:

- finance the accelerated debt issuance to meet environmental compliance requirements;
- provide the financial resources to support an annual increase in operating and maintenance cost of 3.4 percent over the period;
- allow the County to increase the emergency reserve fund from \$10 million to \$20 million.

These rate increases are still being reviewed by the Wastewater Reclamation Advisory Committee. At the end of the capital investment period, given the debt service coverage ratio, the necessary accumulation of cash will have occurred. I will be recommending that this cash accumulation be utilized to pay down the principal of the issued debt.

**V. Need to Control Operating Expense Increases and to Commit Surplus Cash Revenues to Principal Debt Retirement.**

Growth in operating and maintenance expenses for the Regional Wastewater Reclamation Department (RWRD) was significant between 2005 and 2008. This was necessary due to lagging investments in a deteriorating system. Operating and maintenance investments have increased significantly over this period; however, they must now be controlled in order to allow rate increases to provide sufficient cash to make debt service payments in the time periods required. Therefore, I will request that the Board require that operating expenses not grow by more than 3.4 percent annually and that budget approval for the RWRD be controlled by such maximum expense increases. Furthermore, I will ask the Board that after funding of the emergency reserve fund, available surplus cash be applied to reduce principal debt on outstanding bonds. This will accelerate debt repayment and allow reductions in sewer user fees and rates after FY 2015/16.

The Honorable Chairman and Members

Pima County Board of Supervisors

Re: **Wastewater Reclamation Financial Plan and Capital Implementation of the Regional Optimization Management Plan**

January 19, 2010

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VI. Consequences of Taking No Action.

The County is under an ADEQ permit requirement to make significant environmental process changes for the Roger Road and Ina Road Regional Wastewater Treatment Facilities. If these changes do not occur within the timeframe required, the County will be in violation of the Clean Water Act and subject to civil and criminal penalties and ultimately intervention by the EPA. Numerous other communities have been under federal court orders regarding compliance. If the County does not meet the compliance requirements in the timeframe specified by the State, it is likely we will be under a similar federal court order. Historically, communities that have been under a federal court order spend more money than they would have spent if they initially complied, and any actions with regard to operating the system required supervision by the court: a costly and timely experience, and something I would not recommend.

VII. Summary.

The draft regional Wastewater Reclamation Financial Plan for FY 2009/10 contains significant increased capital spending to meet state and federal mandated environmental compliance requirements. To fund these requirements requires significant rate increases over a period of years. I am providing this information in advance of continuing deliberations by the Regional Wastewater Reclamation Advisory Committee with regard to the financial plan and accompanying rate increases.

CHH/mjk

Attachment

c: John Bernal, Deputy County Administrator for Public Works  
Michael Gritzuk, Director, Regional Wastewater Reclamation  
Tom Burke, Director, Finance and Risk Management  
Michelle Campagne, Manager, Financial Management & Audit, Finance and Risk Management



## COUNTY ADMINISTRATOR'S OFFICE

PIMA COUNTY GOVERNMENTAL CENTER  
130 W. CONGRESS, TUCSON, AZ 85701-1317  
(520) 740-8661 FAX (520) 740-8171

**C.H. HUCKELBERRY**  
County Administrator

November 4, 2008

Stephen Owens, Director  
Arizona Department of Environmental Quality  
1110 West Washington Street  
Phoenix, Arizona 85007

**Re: October 21, 2008 Letter from the Pima Association of Governments Regional Council and the Letter Dated October 29, 2008 from the Mayor of Marana Regarding the Pima County Regional Optimization Master Plan Section 208 Amendment**

Dear Mr. Owens:

As you probably know, there is ongoing litigation between Pima County and the Town of Marana regarding sewer service. The County Regional Optimization Master Plan (ROMP) Section 208 Amendment was conditioned upon a resolution of ongoing litigation provided the regulatory compliance deadline imposed by the Arizona Department of Environmental Quality (ADEQ) for both the Roger Road and Ina Road regional wastewater treatment facilities could be extended.

This letter is to request that you extend these compliance deadlines by five years. This will certainly be sufficient time to allow the litigation between Pima County and Marana to be resolved through the legal processes available to each party, including appeals that may be filed by either Pima County or Marana to the Court of Appeals or Supreme Court.

In addition, we would request the extension of time to ease the financial burden of compliance on the sewer ratepayers of Pima County. Our previous compliance plan as identified in the Regional Optimization Master Plan Section 208 Amendment meets your previous regulatory deadlines, however it does so assuming certain going forward economic conditions regarding sewer connection fee revenues. As you know, the nation and State of Arizona are in the worst economic doldrums in modern history. These adverse economic conditions are having devastating effects on local governments and their ability to provide services. This includes Pima County and our ability to deliver cost-effective wastewater services for our ratepayers.

**Stephen Owens**

**October 21, 2008 Letter from the Pima Association of Governments Regional Council and  
the Letter Dated October 29, 2008 from the Mayor of Marana Regarding the Pima  
County Regional Optimization Master Plan Section 208 Amendment**

**November 4, 2008**

**Page 2**

**If your regulatory deadlines are not extended we will be forced to transfer the burden of financial compliance almost entirely to the existing rate base in an accelerated manner; hence, our request for your reasonable consideration, given the extraordinary economic conditions being experienced in this State, to extend our regulatory compliance deadline by five years, which will allow us to uniformly and gradually pay for these extraordinary costs.**

**I would appreciate your timely and written consideration of our proposal.**

**Sincerely,**



**C.H. Huckelberry  
County Administrator**

**CHH/jj**

- c: The Honorable Chairman and Members, Pima County Board of Supervisors  
Jan Leasher, Chief of Staff, Governor's Office, State of Arizona  
Gary Hayes, Executive Director, Pima Association of Governments  
John Bamal, Deputy County Administrator - Public Works  
Michael Gritzuk, Regional Wastewater Reclamation Director  
Jeff Nichols, Deputy Director, Regional Wastewater Reclamation Department**

# ATTACHMENT 3



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# MEMORANDUM

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Date: February 9, 2010

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

From: C.H. Huckelberry  
County Administrator 

Re: Sewer Revenue Obligations –Interest Rates, Term of Repayment and Total Interest Cost

In recent discussions, particularly with regard to a future bond issue, the Board asked for clarifying information relative to the sewer revenue obligations and the recommendation that the County issue sewer revenue obligation debt in lieu of voter authorized sewer revenue bonds. Two questions have arisen with regard to this financing strategy.

First is whether there is any significant interest difference between the issuance of sewer revenue obligations and voter authorized sewer revenue bonds. Attached is a February 2, 2010 letter from RBC Capital Markets indicating that the maximum difference in interest rates may be 10 to 15 basis points – an insignificant amount. The letter is self-explanatory and confirms the nearly identical interest rate between a sewer revenue obligation and a voter authorized sewer revenue bond.

The Board also asked about term of debt. I am enclosing a memorandum dated February 4, 2010 from Finance and Risk Management Director Burke regarding this issue. Term of debt obviously has a direct impact on total interest payments. These are identified in the February 4 memorandum. For example, if the debt term was 15 years at six percent, interest cost would be approximately \$530 million; if the term was extended to 20 years, the total interest cost would be approximately \$724 million. If the term were extended to 30 years, the interest cost would be \$1.15 billion, or approximately \$620 million in additional interest being paid as compared to a 15-year debt term.

In addition to total interest paid, it is likely that issuing longer term debt will result in higher interest rates. The February 4 memorandum from Director Burke includes the present municipal bond interest rates; as you can see, they range from 1.62 percent for a five-year term to 3.85 percent for a 15-year term to 4.46 percent for a 30-year term. Therefore, the previous interest differentials are likely conservative, since issuing longer term debt (beyond the planned 15-year term) would result in a higher interest rate – as much as 60 basis points higher for a 30 year term as opposed to a 15-year term.

**The Honorable Chairman and Members**

**Pima County Board of Supervisors**

**Re: Sewer Revenue Obligations –Interest Rates, Term of Repayment and Total Interest Cost**

**February 9, 2010**

**Page 2**

**If you have any questions regarding this matter, please feel free to contact me.**

**CHH/mjk**

**Attachments**

- c: Chairman and Members, Pima County Bond Advisory Committee**
- John Bernal, Deputy County Administrator for Public works**
- Tom Burke, Director, Finance and Risk Management**
- Michael Gritzuk, Director, Regional Wastewater Reclamation**



**RBC Capital Markets®**

Municipal Finance Department  
2398 East Camelback Road, Suite 700  
Phoenix, AZ 85016  
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Fax: 602-381-5380

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February 2, 2010

Mr. Thomas Burke  
Finance and Risk Management Director  
Pima County  
130 West Congress  
10<sup>th</sup> Floor  
Tucson, AZ 85701

Dear Tom:

You recently asked us to summarize the possible issuance of Sewer Revenue Obligations to address the County's wastewater system needs, including the expected interest cost of such an approach as compared to the Sewer Revenue Bonds that the County has issued in the past.

As we have discussed, the proposed Sewer Revenue Obligations are virtually identical from a credit market and repayment structure standpoint to the issuance of Sewer Revenue Bonds. In either case, the Obligations or the Bonds are secured solely by, and payable from, the net revenues of the County's wastewater system (i.e. net of operating costs). In both cases, no lien is placed on any of the facilities or buildings of the wastewater system (and the Sewer Revenue Obligations are not Certificates of Participation). The method for accomplishing the financing is somewhat different for a Sewer Revenue Obligation in that the improvements to be made to the wastewater system are purchased through a County-selected bank trustee pursuant to a purchase agreement. Under the purchase agreement, the County agrees to buy the improvements over time under an instalment sale, with the payments being equal to the principal and interest on the Sewer Revenue Obligations, and the County secures its payments with a pledge of the wastewater system's net revenues. The Obligations are issued through the bank trustee to provide the initial funds for paying for the improvements, and the County is appointed the agent of the bank trustee for purchasing all of the improvements and undertaking the required construction, all of which is done pursuant to the County's normal procurement and bidding process.

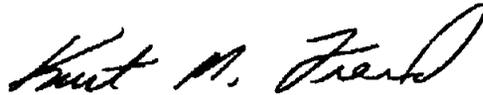
Based on this approach, our expectation is that the County's Sewer Revenue Obligations will be rated similarly (the same or one notch lower) to the County's existing Sewer Revenue Bonds, as they are both secured by the same revenue stream. On that basis, we expect that the interest rates paid by the County on the Sewer Revenue Obligations will be largely comparable to those paid on the Sewer Revenue Bonds. As there are existing Sewer Revenue Bonds outstanding, there may be some difference in interest rates on the Sewer Revenue Obligations,

Mr. Thomas Burke  
Pima County  
February 2, 2010  
Page 2

which we estimate to be no more than a 10 to 15 basis point differential (0.10% to 0.15% difference). A 15 basis point differential in interest rates on a \$100 million financing that amortizes over 15 years equates to approximately \$97,000 per year. As you know, a far more significant variable on the interest cost that the County will pay for its wastewater system borrowings will be the general level of interest rates in the market, which we expect (and the plan assumes) will increase from the historically low levels of current rates. We also believe that, over time, the County may see an increase in its ratings on Sewer Revenue Obligations as a result of implementing the funding plan being considered by the County, due to the more solid funding levels provided under that plan.

I hope this addresses the issues you had raised. Feel free to contact me if we can be of any additional assistance on this matter.

Sincerely,

A handwritten signature in black ink, appearing to read "Kurt M. Freund". The signature is fluid and cursive, with the first name "Kurt" being the most prominent.

Kurt M. Freund  
RBC CAPITAL MARKETS



# MEMORANDUM

## DEPARTMENT OF FINANCE & RISK MANAGEMENT

Date: February 4, 2010

To: C.H. Huckelberry  
County Administrator

From: Tom Burke  
Director

Re: Sewer Revenue Obligations Comparison of 15 Year Term, 20 Year Term  
and 30 Year Term

There has been some discussion that sewer revenue obligations that Pima County will need to issue to fund Wastewater capital projects should be for a term of years longer than the standard 15 years that Pima County issues debt. An analysis of the impact of issuing debt for a 20 year or 30 year term rather than the standard 15 year term indicates that the County would need to pay significantly more interest over the term of the debt.

When debt is issued for longer terms, the interest rates associated with the debt also increases. Below is an excerpt from a table of Municipal Bond interest rates from Bloomberg as of February 3, 2010 for municipal bonds with AAA rating.

NATIONAL MUNICIPAL BOND YIELDS: TRIPLE-A RATED, TAX EXEMPT GENERAL OBLIGATION BONDS	
	CURRENT YIELD
2-YEAR	0.62%
5-YEAR	1.62%
7-YEAR	2.39%
10-YEAR	3.21%
15-YEAR	3.86%
20-YEAR	4.11%
30-YEAR	4.46%

As can be seen in the table, the longer the term of a municipal bond, the higher the interest rate will be. The rates in this table are for bonds with AAA ratings. Pima County sewer revenue bonds were last rated in April 2009 at an A1 rating, considerably lower than an AAA rating. Interest rates for sewer revenue debt would therefore be significantly greater than these rates. In the financial plan, staff has used rates ranging from 5.50% through 6.50% in future years.

To finance the wastewater capital projects, Pima County will need to issue \$812 million of debt in the next three years and an additional \$162 million of debt thereafter, for a total of \$974 million. If that debt is issued with a 15 year term at a 6% interest rate, the anticipated interest cost is approximately \$530 million. If that same debt were issued with a 20 year term, the

C. H. Huckelberry, County Administrator

**Sewer Revenue Obligations Comparison of 15 Year Term, 20 Year Term and 30 Year Term**

February 4, 2010

Page 2

interest expense increases to approximately \$724 million. And if the debt were issued with a 30 year term, the interest would increase to \$1.15 billion, or approximately \$620 million additional interest as compared to debt with a 15 year term.

# ATTACHMENT 4



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# MEMORANDUM

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Date: February 8, 2010

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 typed name "C.H. Huckelberry".

Re: Sewer User Fee Comparisons

Given the increase in sewer user fees and rates that will be necessary to finance the capital replacement of the Roger Road Wastewater Treatment Facility and to assure environmental compliance in our discharges of effluent to waters of the United States, I am enclosing for your review a user fee comparison among other utilities and agencies – both in Arizona and in the other parts of the country.

The information is instructive in that even after the rate increases that are necessary to finance the Regional Optimization Management Plan (ROMP), our rates will be less than other utilities in Arizona. Our projected average monthly sewer bill at the end of the four-year rate increase in 2014 would be approximately \$40.81. Today, the average monthly sewer fee for San Manuel is \$46.50; for Lake Havasu City, it is \$52.24.

In addition, other utilities that have been through US Environmental Protection Agency sanctions with regard to Clean Water Act (CWA) compliance are now paying substantially more. A City of San Diego typical residential customer pays 55.54. The City of Atlanta, Georgia has been under a federal court order for CWA violations; today, they are funding improvements to their system through a one percent sales tax and sewer system charges of nearly \$86.00 per month.

This information will be available to the public as the County, through the Wastewater Reclamation Advisory Committee, holds a public hearing on February 9, 2010 regarding the proposed rate increases.

CHH/mjk

Attachment

c: John Bernal, Deputy County Administrator for Public Works  
Michael Gritzuk, Director, Regional Wastewater Reclamation  
Tom Burke, Director, Finance and Risk Management

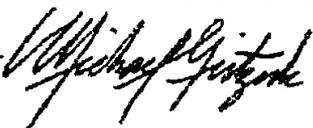


**PIMA COUNTY**  
**REGIONAL WASTEWATER RECLAMATION DEPARTMENT**  
201 NORTH STONE AVENUE  
TUCSON, ARIZONA 85701-1207

**MICHAEL GRITZUK, P.E.**  
DIRECTOR

PH: (520) 740-6500  
FAX: (520) 620-0135

February 2, 2010

**TO:** John M. Bernal, P.E., Deputy Director – Public Works  
**FROM:** Michael Gritzuk, P.E., Director   
**SUBJECT:** **User Fee Comparisons**

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As Regional Wastewater Reclamation Department (RWRD) continues with the implementation of the Regional Optimization Master Plan (ROMP) and other essential improvements necessary to ensure the continued protection of the public health and safety, every effort is made to do so in the most cost effective manner possible.

Each year the RWRD gathers user fee data from other wastewater utilities for comparison purposes. This year RWRD has collected information related to base service fees from other utilities (water, gas, electric) for comparison purposes as well as volume fees from sewer utilities. Attachment No. 1 contains the data related to service and volume fees we have collected for the various utilities. Note that at \$9.82 per month the service fee paid by a wastewater customer in Pima County is in the lower one-third of all utilities presented. Also, Pima County's monthly average, monthly sewer fee of \$29.08 is only 3.2% higher than the mean for those utilities included in Attachment No. 1. In addition, assuming the increases recommended by the staff over the next four fiscal years become effective, the monthly service fee for Pima County wastewater customers will be \$12.63 which is still in the lower one-half of Base Fees for utilities presented in this comparison.

Also note that there are three sewer utilities that have a "minimum" monthly charge ranging from \$14.29 to \$46.50. For comparative purposes the "minimum" monthly charge for Pima County would be equal to the service fee of \$9.82, considerably lower (46%) than the next lowest "minimum" rate of \$14.29. The municipality of San Manuel, Arizona has the highest "minimum" monthly charge at \$46.50. Customers of the utility that provides sewer services to San Manuel first paid a "minimum" monthly fee of \$27.00 in Phase I as shown in Attachment No. 2. The "minimum" monthly fee was increased by 37% in Phase

John M. Bernal, P.E., Deputy County Administrator – PW

**SUBJECT: User Fee Comparisons**

February 2, 2010

Page 2 of 2

II, to \$37.00 per month, and then again by 26% in Phase III to \$46.50, which was implemented within one year of Phase II adjustments and which is the current "minimum" monthly charge.

Another governmental utility that was required to respond to increased environmental regulations was Lake Havasu City, Arizona. As shown in Attachment No. 3 the "Typical Residential Monthly Bill" is currently \$58.70 and is projected to increase to \$80.19 (37%) by FY 2014/15. Note that the typical single family residential monthly usage is projected to be 8.99 CCF for purposes of calculating the typical residential monthly bill by Lake Havasu City, as compared to 8 CCF for Pima County.

As shown in Attachment No. 4, there are other governmental utilities in the State of Arizona that are predicting substantial increases over the same planning horizon that Pima County is. The City of Glendale Arizona's consultant, Redoak Consulting, is projecting wastewater rate increases over the next four fiscal years of 11%, 9%, 9% and 9%.

Increased fees related to regulatory compliance are not restricted to Arizona utilities. As shown in Attachment No. 5, the City of San Diego residential wastewater customers pay a base service fee of \$28.64 and would pay a monthly wastewater fee of \$55.54 based on 8 CCF of water usage. Another city at the national level that has had to respond to federal/state mandates is the City of Atlanta, Georgia. Rate comparisons against the City of Atlanta need to take into account that as shown on the first page of Attachment No. 6, one-third of the funding of the Department of Watershed Management is funded through a one-percent sales tax. In spite of this funding a wastewater customer that contributes 8 CCF's of flow to the sewer system is currently charged \$85.79 per month or nearly three times the amount a Pima County Wastewater customer would pay based on the same use.

The RWRD remains committed to implementation of the regulated ROMP improvements and the additional capital improvements necessary to protect the public health and safety of the community in the most cost effective manner possible.

MG:mo

Attachments (6)

Pima County Regional Wastewater Reclamation Department  
Base Rate Comparison

Utility	Base Fee	Sewer Volume Fee	Monthly Sewer Charge per 8 CCF
San Manuel (Coronado Utilities)	46.50	N/A	46.50
Lake Havasu City (1)	36.50	6.53 per CCF	52.24
City of Chandler (2)	19.97 - 31.96	N/A	19.97
Town of Gilbert-Sewer	15.90	1.24 per 1,000	23.32
Marana (5/8" meter)	15.12	N/A	
Metropolitan Water (5/8" meter)	15.03	N/A	
TRICO Electric	15.00	N/A	
City of Scottsdale-Sewer (3)	14.29	2.23	27.63
Oro Valley (5/8" meter)	13.91	N/A	
Qwest	13.18	N/A	
Southwest Gas	10.70	N/A	
City of Mesa (4)	10.49	1.14 - 2.07	18.23
Pima County (5)	9.82	2.407	29.08
City of Glendale (6)	8.40	3.14	27.19
Tucson Electric	7.00	N/A	
City of Phoenix (7)	4.64 - 6.96	2.36 - 2.81 - 3.53	27.84
Tucson Water (5/8" meter)	5.62	N/A	

- (1) Minimum residential charge is \$36.50 per month.
- (2) Residential fee is a set charge. First is for inside city, second is for outside city.
- (3) Minimum residential charge is \$14.29 per month. Volume charger per 1,000 gallons.
- (4) Volume fee \$1.14 per 1,000 for first 5,000 gallons, then \$2.07 per thousand.
- (5) Volume fee is per CCF (748 gallons).
- (6) Volume fee is per 1,000 gallons.
- (7) Volume charge is based on low use, medium use and high use months and per CCF.

1 FENNEMORE CRAIG, P.C.  
 A Professional Corporation  
 2 Jay L. Shapiro (No. 014650)  
 Patrick J. Black (No. 017141)  
 3 3003 N. Central Ave., Suite 2600  
 Phoenix, Arizona 85012  
 4 Telephone (602) 916-5000  
 Attorneys for Coronado Utilities, Inc.

BEFORE THE ARIZONA CORPORATION COMMISSION

7 IN THE MATTER OF THE  
 APPLICATION OF CORONADO  
 8 UTILITIES, INC. FOR A CERTIFICATE  
 OF CONVENIENCE AND NECESSITY  
 9 TO PROVIDE WASTEWATER SERVICE  
 IN PINAL COUNTY, ARIZONA.

DOCKET NO: SW-04305A-05-0086

11 IN THE MATTER OF THE  
 APPLICATION OF CORONADO  
 12 UTILITIES, INC., AN ARIZONA  
 CORPORATION, FOR AUTHORITY TO  
 13 ISSUE SHORT AND LONG-TERM  
 DEBT INSTRUMENTS IN  
 14 CONNECTION WITH FINANCING  
 THE ACQUISITION OF THE  
 15 WASTEWATER UTILITY PLANT OF  
 BHP COPPER, INC. AND  
 16 CONSTRUCTING IMPROVEMENTS  
 THERETO.

DOCKET NO. SW-04305A-05-0087

(Consolidated)

NOTICE OF ERRATA

18 On April 20, 2006, Coronado Utilities, Inc. ("Coronado Utilities") filed a Notice of  
 19 Filing Tariff pursuant to Decision No. 68608 (March 23, 2006). Attached hereto as  
 20 Exhibit 1 is Coronado Utilities' tariff with revised contact information for Mr. Jason  
 21 Williamson, which replaces Exhibit 1 of this original Notice of Filing Tariff.

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DATED this 24<sup>th</sup> day of April, 2006.

FENNEMORE CRAIG, P.C.

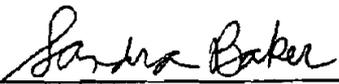
By   
Jay L. Shapiro  
Patrick J. Black  
Attorneys for Coronado Utilities, Inc.

ORIGINAL and 15 copies of the foregoing  
filed this 24<sup>th</sup> day of April, 2006 with:

Arizona Corporation Commission  
Docket Control  
1200 West Washington Street  
Phoenix, Arizona 85007

COPIES of the foregoing hand-delivered  
this 24<sup>th</sup> day of April, 2006 to:

Lori Miller, Tariffs  
Arizona Corporation Commission  
Utilities Division  
1200 West Washington Street  
Phoenix, AZ 85007

By 

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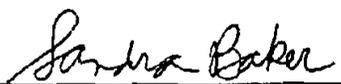
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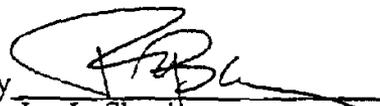
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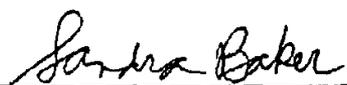
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Phoenix, AZ 85007

By 

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# **EXHIBIT**

**1**

		Revised	SHEET NO.	
Coronado Utilities, Inc.		Revised	SHEET NO	

TABLE OF CONTENTS

	<u>Sheet No.</u>
I. RATES AND CHARGES .....	1.0
A. Phase I.....	1.0
B. Phase II.....	1.1
C. Phase III .....	1.2
II. TAXES AND ASSESMENTS .....	2.0
III. ADDITIONAL CHARGES .....	3.0
IV. RULES AND REGULATIONS .....	4.0

<b>ISSUED:</b>		<b>EFFECTIVE:</b>	
	Month Day Year		Month Day Year
			March 23, 2006
	ISSUED BY: Jason Williamson, President 6825 E. Tennessee Avenue, Suite 547 Denver, Colorado, 80224		
	Decision No. 68608		

		Revised	SHEET NO.	1.0
<u>Coronado Utilities, Inc.</u>		Revised	SHEET NO	

**I. RATES AND CHARGES**

**PHASE 1**

**MONTHLY CUSTOMER CHARGES:**

Residential	\$27.00
Commercial	7.50
Mobile Home Park – Winter Only [A]	7.50
School	7.50

**VOLUMETRIC RATES – Based on Metered Water Usage**

Commercial – per 100 gallons of water usage	\$0.6400
Mobile Home Park – per 100 gallons of water usage (winter only) [A]	0.3700
School – per 100 gallons of water usage	0.2000

**VOLUMETRIC RATES – Based on Number of Units**

Mobile Home Park – monthly rate per occupied space – (summer only) [A]	\$20.71
---	---------

**EFFLUENT SALES**

Per 1,000 Gallons for general irrigation	\$0.15
Per Acre Foot (or 325,851 gallons) of general irrigation	48.88

\* Phase 1 rates are currently in effect.

<b>ISSUED:</b>		<b>EFFECTIVE:</b>	
	Month Day Year		Month Day Year
		ISSUED BY: Jason Williamson, President	March 23, 2006
		6825 E. Tennessee Avenue, Suite 547	
		Denver, Colorado, 80224	
		Decision No. 68608	

		Revised	SHEET NO.	1.1
<u>Coronado Utilities, Inc.</u>		Revised	SHEET NO	

**I. RATES AND CHARGES**

**PHASE 2**

**MONTHLY CUSTOMER CHARGES:**

Residential	\$37.00
Commercial	7.50
Mobile Home park – Winter Only	7.50
School	7.50

**VOLUMETRIC RATES – Based on Metered Water Usage**

Commercial – per 100 gallons of water usage	\$0.8100
Mobile Home Park – per 100 gallons of water usage (winter only)	0.4700
School – per 100 gallons of water usage	0.2561

**VOLUMETRIC RATES – Based on Number of Units**

Mobile Home Park – monthly rate per occupied space – (summer only) [A]	\$31.86
---	---------

\* Phase 2 rates will become effective once: 1) a new wastewater treatment plant and collection system are in service; 2) a copy of the Approval of Construction issued by ADEQ is filed with the Commission; and 3) customers have received notice of the increase at least 30 days before they go into effect. This tariff page shall be amended once Phase 2 rates go into effect.

<b>ISSUED:</b>			<b>EFFECTIVE:</b>	
	Month	Day	Year	Month Day Year
				March 23, 2006
	ISSUED BY: Jason Williamson, President			
	6825 E. Tennessee Avenue, Suite 547			
	Denver, Colorado, 80224			
	Decision No. 68608			

		Revised	SHEET NO.	1.2
Coronado Utilities, Inc.		Revised	SHEET NO	

**I. RATES AND CHARGES**

**PHASE 3**

**MONTHLY CUSTOMER CHARGES:**

Residential	\$46.50
Commercial	7.50
Mobile Home park – Winter Only	7.50
School	7.50

**VOLUMETRIC RATES – Based on Metered Water Usage**

Commercial – per 100 gallons of water usage	\$0.9800
Mobile Home Park – per 100 gallons of water usage (winter only)	0.5700
School – per 100 gallons of water usage	0.3122

**VOLUMETRIC RATES – Based on Number of Units**

Mobile Home Park – monthly rate per occupied space – (summer only) [A]	\$31.86
---	---------

**EFFLUENT SALES**

Per 1,000 Gallons for general irrigation	\$0.15
Per Acre Foot (or 325,851 gallons) of general irrigation	48.88

\* Phase 3 rates shall be effective the sooner of the thirteenth month following the implementation of Phase 2 rates, and after customers have received notice of the increase at least 30 days before the rates are implemented. This tariff page shall be amended once Phase 3 rates go into effect.

<b>ISSUED:</b>		<b>EFFECTIVE:</b>	
	Month Day Year		Month Day Year
		ISSUED BY: Jason Williamson, President	March 23, 2006
		6825 E. Tennessee Avenue, Suite 547	
		Denver, Colorado, 80224	
		Decision No. 68608	

		Revised	SHEET NO.	2.0
<u>Coronado Utilities, Inc.</u>		Revised	SHEET NO	

**II. TAXES AND ASSESSMENTS**

In addition to all other rates and charges authorized herein, the Company shall collect from its customers all applicable sales, transaction, privilege, regulatory or other taxes and assessments as may apply now or in the future, per Rule R14-2-409 (D) (5).

<b>ISSUED:</b>			<b>EFFECTIVE:</b>	
	Month Day Year			Month Day Year
		ISSUED BY: Jason Williamson, President		March 23, 2006
		6825 E. Tennessee Avenue, Suite 547		
		Denver, Colorado, 80224		
		Decision No. 68608		

		Revised	SHEET NO.	3.0
Coronado Utilities, Inc.		Revised	SHEET NO	

### III. ADDITIONAL CHARGES

#### SERVICE INSTALLATION CHARGES

Cost[B]

#### SERVICE CHARGE:

Establishment of Service	\$25.00
Re-establishment of Service	**
Reconnection (Delinquent)	35.00
Minimum Deposit	***
Deposit Interest	*
NSF Check	25.00
Deferred Payment	1.5%
Late Payment Penalty	1.5%
All revenue related taxes will be charged customers	

#### Main Extension and additional facilities agreements

Cost [B]

- \* Per Commission rule A.A.C. R-14-2-403(B).
- \*\* Months off system times, the monthly minimum per Commission rule A.A.C. R14-2-403(D)
- \*\*\* Two times monthly bill

- [A] Summer (April, May, June, July, August, September)  
Winter (January, February, March, October, November, December)

- [B] Cost to include parts, labor, overhead, and all applicable taxes, including income tax.

Note No. 1: Usage rates for mobile home park customers during summer months will be based on previous winter use averages. Winter rates will be based on monthly actual water usage.

Note No. 2: For any customer being billed volumetrically, water meters that can be shown to be "irrigation only" will be excluded from the tariff calculations.

ISSUED:		EFFECTIVE:	
	Month Day Year		Month Day Year
		ISSUED BY: Jason Williamson, President	March 23, 2006
		6825 E. Tennessee Avenue, Suite 547	
		Denver, Colorado, 80224	
		Decision No. 68608	



*Summary of  
Significant Assumptions*

revenues were being collected from 14,866 accounts, and for FY 2007-08; the City generated \$13.0 million in user charge revenue.

Schedule A is a cash flow statement for the Wastewater System for FY 2002-03 through FY 2014-15. As noted on Schedule A, user charge revenues are \$13.0 million for FY 2007-08 and are projected to increase by 13% in FY 2008-09 to \$14.7 million and to \$31.2 million by the end of the study period. These increases are driven by the additional number of connections made to the Wastewater System (see Table 1). These increases also reflect rate adjustments that

<u>Fiscal Year</u>	<u>Rate Per CCF (1)</u>	<u>Rate Increase</u>	<u>Monthly Bill</u>	<u>Bill Increase</u>
2004-05 (2)	\$3.22	-	\$30.98	-
2005-06 (2)	\$4.25	32.0%	\$38.21 (4)	23.3%
2006-07 (2)	\$5.53	30.1%	\$49.71	30.1%
2007-08 (2)	\$5.93	7.2%	\$53.31	7.2%
2008-09 (3)	\$5.93	0.0%	\$53.31	0.0%
2009-10	\$6.53	10.6%	\$58.70	10.1%
2010-11	\$7.30	11.3%	\$65.63	11.8%
2011-12	\$8.13	11.4%	\$73.09	11.4%
2012-13	\$8.17	0.5%	\$73.45	0.5%
2013-14	\$8.17	0.0%	\$73.45	0.0%
2014-15	\$8.92	9.2%	\$80.19	9.2%

(1) Rate per hundred cubic feet (CCF).  
 (2) Actual.  
 (3) Effective April 1 of each year and shown in the subsequent fiscal year projected through FY 2014-15.  
 (4) The projected typical single-family residential monthly usage per account for FY 2005-06 through FY 2014-15 is projected to be 8.99 ccf for purposes of calculating the typical residential monthly bill.

began in FY 2005-06 (see Table 3) and are projected to continue through FY 2014-15. Starting with the adopted FY 2009-10 increase, rate adjustments and resulting revenue are assumed to be effective April 1 of the prior fiscal year (e.g., FY 2009-10 increase was effective on April 1, 2009 or the final three months of FY 2008-09).

User charge revenue is expected to increase rapidly as the capital improvement program is undertaken and existing homes are connected to the Wastewater System. In November of 2008, City Council adopted a three-year rate schedule by customer classification for FY 2009-10 through FY 2011-12<sup>13</sup>. Table 4 summarizes the adopted rates and minimum bill amounts by customer classification for FY 2009-10 which were effective April 1, 2009. The FY 2010-11 rates by customer

classification are included in Appendix A. In general, user charge revenues are projected based on a detailed analysis of rates for service, the number of accounts by classification, and estimated billable wastewater flows by classification.

The FY 2009-10 monthly wastewater bill for a typical residential customer in the City was estimated at \$58.70<sup>14</sup>. Starting in FY 2005-06, increases were projected to be needed in order to meet the cash reserve and debt service coverage requirements established for the Wastewater System. These increases and the typical residential monthly bill are shown in Table 3. The City Council has adopted a series of rate adjustments for the fiscal years 2009-10, 2010-11 and 2011-

<sup>13</sup> Resolution No. 08-2340.

<sup>14</sup> Based on a projected 8.99 CCF at a rate of \$6.53 per CCF; based on rates per Resolution No. 02-1665.



City of Glendale

# Draft Executive Summary Report Water and Wastewater Rates

March 2009

Report Prepared By:



0756157

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# 1. Executive Summary

---

## 1.1. Introduction

The City of Glendale, Arizona (City) provides water and wastewater service to about 61,200 customer accounts. The City's water and wastewater utilities are funded primarily from water and wastewater rates.

The City authorized Red Oak Consulting (Red Oak) to review the utilities financial status and to recommend rate adjustments, as necessary, to assure their continuing financial viability. This study includes:

- Development of water and wastewater financial plans for the 10-year study period, fiscal years 2009 through 2018;
- Analysis of customer class cost of service for fiscal year 2010; and
- Design of water and wastewater rates for fiscal year 2010.

## 1.2. Definitions

References made to a year or fiscal year mean the year ending June 30. Residential and commercial water and wastewater rates in effect beginning October 1, 2008, are designated as existing rates.

## 1.3. Study Assumptions

This rate study is based on numerous assumptions. Changes in these assumptions could have a material effect on study findings. Red Oak incorporated the following key assumptions into the study:

- Based on recent historical trends, the number of accounts will increase 0.2% in 2009, 0.3% in 2010, and 0.4% per year thereafter during the study period.
- Utilities will strive to maintain the following reserve levels:
  - ◆ Ninety days of water O&M and 60 days of wastewater O&M as working capital reserve in operating funds.
  - ◆ Six months of main replacement expense in water and wastewater non-growth capital funds.
  - ◆ One year of development impact fee revenue in water and wastewater growth capital funds.

### 1.4. Water Rates

Principal findings of the water rate study are as follows:

- Utility staff has developed a \$299.4 million water capital improvement program for the 10-year study period comprised of \$214.6 million of growth related projects and \$84.8 million of non-growth related projects.
- Water sales revenue under existing rates is inadequate to meet projected O&M and capital costs during the study period. The financial plan indicates that rate adjustments are needed during the study period to increase annual water sales revenue as follows:

<u>Fiscal Year</u>	<u>Water Sales Revenue Increase (%)</u>	<u>Fiscal Year</u>	<u>Water Sales Revenue Increase (%)</u>
2010	11.0%	2015	7.0%
2011	9.0%	2016	7.0%
2012	9.0%	2017	7.0%
2013	9.0%	2018	0.0%
2014	8.0%		

- Red Oak recommends the water utility's ten-year financial plan be updated annually to reflect current estimates of revenue, operating expenses, capital improvement needs, and capital financing requirements.
- Red Oak conducted a comprehensive water utility cost of service analysis in accordance with standard methods supported by the American Water Works Association. We performed our analysis for the 2010 test year and determined the cost of providing water service to residential and commercial customers. Table 1-1 summarizes the findings of the cost of service analysis.

Table 1-1.  
**Comparison of Water Cost of Service to  
 Revenue Under Existing Rates**  
*Test Year 2010*

Line No.	Customer Class	Cost of Service	Revenue under Existing Rates	Indicated Revenue Adjustment
	<b>Inside City:</b>			
1	Single Family Residential	\$ 26,661,177	\$ 23,805,997	12.0%
2	Multifamily Residential	657,715	565,961	16.2%
3	Commercial	<u>17,942,001</u>	<u>16,407,640</u>	9.4%
4	<b>Total Inside City</b>	<b>45,260,893</b>	<b>40,779,598</b>	<b>11.0%</b>
	<b>Outside City:</b>			
5	Residential	\$ 524,548	\$ 465,941	12.6%
6	Multifamily Residential	2,705	2,439	10.9%
7	Commercial	<u>282,214</u>	<u>256,850</u>	9.9%
8	<b>Total Outside City</b>	<b>809,467</b>	<b>725,230</b>	<b>11.6%</b>
9	<b>Total Cost of Service</b>	<b>\$ 46,070,360</b>	<b>\$ 41,504,828</b>	<b>11.0%</b>

- Existing water rates have been in effect since October 2008 and include monthly base charges and volume charges. Existing water rates have the following structure:
  - ◆ Base charges vary by meter size and do not include a volume allowance.
  - ◆ Volume charges for residential customers use a 4-block increasing rate structure.
  - ◆ Volume charges for commercial customers use a 2-block increasing rate structure. The first block rate is applicable to all water use during November through April (winter period) and to average winter monthly water use during May through October. The second block rate is applicable to water use in excess of average winter monthly use during May through October.
- Red Oak developed the proposed 2010 rates using the existing rate structure. The proposed rates will increase annual water sales revenue by 11%.

- Table 1-2 compares existing and proposed 2010 base charges.

Table 1-2.  
Comparison of Existing and Proposed  
Monthly Water Base Charges<sup>(1)</sup>

Meter Size (inch)	Existing (\$/bill)	Proposed (\$/bill)
5/8	8.47	9.10
3/4	10.67	11.50
1	14.99	16.40
1 ½	30.58	33.20
2	54.90	58.70
3	91.51	99.50
4	163.09	178.00
6	323.19	355.00
8	480.06	525.00

(1) Rates shown are for inside City customers. Outside City rates are 1.3 times greater than inside City rates, in accordance with City policy.

- Table 1-3 compares existing and proposed 2010 residential water volume charges.

Table 1-3.  
Comparison of Existing and Proposed  
Residential Water Volume Charges<sup>(1)</sup>

Block (Kgal)	Existing (\$/Kgal)	Proposed (\$/Kgal)
First 6	1.61	1.84
Next 9	2.02	2.30
Next 15	2.83	3.22
Over 30	3.97	4.51

(1) Rates shown are for inside City customers. Outside City rates are 1.3 times greater than inside City rates, in accordance with City policy.

- Table 1-4 compares existing and proposed 2010 commercial water volume charges.

**Table 1-4.  
Comparison of Existing and Proposed  
Commercial Water Volume Charges<sup>(1)</sup>**

Block	Existing (\$/Kgal)	Proposed (\$/Kgal)
Standard <sup>(2)</sup>	1.83	2.01
Summer Excess <sup>(3)</sup>	3.21	3.52

(1) Rates shown are for inside City customers: Outside City rates are 1.3 times greater than inside City rates, in accordance with City policy.  
 (2) Standard rates are applied to all water use during November through April (winter period) and to average winter monthly water use during May through October.  
 (3) Summer excess rates are applied to water use in excess of average winter monthly use during May through October.

- Table 1-5 compares typical monthly single family water bills under existing and proposed 2010 rates. The monthly bill for the median single family customer (9,000 gallons) would increase \$2.85 from \$24.19 under existing rates to \$27.04 under proposed rates. The monthly bill for the single family customer with average monthly usage (12,500 gallons) would increase \$3.83 from \$31.26 under existing rates to \$35.09 under proposed rates.

Table 1-5.  
Monthly Residential Water Bills - 5/8" Meter<sup>(1)</sup>

Monthly Usage (gallons)	Percent of Total Bills	Cumulative Percent	Existing Rates	Proposed Rates	Change
0	3.6%	3.6%	\$8.47	9.10	0.63
1,000	1.8%	5.4%	10.08	10.94	0.86
2,000	3.0%	8.4%	11.69	12.78	1.09
3,000	4.4%	12.8%	13.30	14.62	1.32
4,000	5.4%	18.2%	14.91	16.46	1.55
5,000	6.2%	24.4%	16.52	18.30	1.78
6,000	6.5%	30.9%	18.13	20.14	2.01
7,000	6.3%	37.2%	20.15	22.44	2.29
8,000	6.0%	43.2%	22.17	24.74	2.57
9,000	5.6%	48.8%	24.19	27.04	2.85
10,000	5.2%	54.0%	26.21	29.34	3.13
11,000	4.7%	58.7%	28.23	31.64	3.41
12,000	4.3%	63.0%	30.25	33.94	3.69
12,500	1.9%	64.9%	31.26	35.09	3.83
13,000	1.9%	66.8%	32.27	36.24	3.97
14,000	3.4%	70.2%	34.29	38.54	4.25
15,000	3.1%	73.3%	36.31	40.84	4.53
16,000	2.7%	76.0%	39.14	44.06	4.92
17,000	2.5%	78.5%	41.97	47.28	5.31
18,000	2.3%	80.8%	44.80	50.50	5.70
19,000	1.9%	82.7%	47.63	53.72	6.09
20,000	1.7%	84.4%	50.46	56.94	6.48
21,000	1.6%	86.0%	53.29	60.16	6.87
22,000	1.4%	87.4%	56.12	63.38	7.26
23,000	1.3%	88.7%	58.95	66.60	7.65
24,000	1.1%	89.8%	61.78	69.82	8.04
25,000	1.0%	90.8%	64.61	73.04	8.43

(1) Bills shown are based on inside City rates.

### 1.5. Wastewater Rates

Principal findings of the wastewater rate study are as follows:

- Utility staff has developed a \$266.1 million wastewater capital improvement program for the 10-year study period comprised of \$157.9 million of growth related projects and \$108.2 million of non-growth related projects.
- Wastewater service charge revenue under existing rates is inadequate to meet projected revenue requirements during the study period. The financial plan indicates that rate adjustments are needed during the study period to increase annual wastewater service charge revenue as follows:

<u>Fiscal Year</u>	<u>Wastewater Sales Revenue Increase (%)</u>	<u>Fiscal Year</u>	<u>Wastewater Sales Revenue Increase (%)</u>
2010	11.0%	2015	9.0%
2011	9.0%	2016	9.0%
2012	9.0%	2017	9.0%
2013	9.0%	2018	9.0%
2014	9.0%		

- Red Oak recommends the wastewater utility's ten-year financial plan be updated annually to reflect current estimates of revenue, operating expenses, capital improvement needs, and capital financing requirements.
- Red Oak conducted a comprehensive wastewater utility cost of service analysis in accordance with standard methods supported by the Water Environment Federation. We performed our analysis for the 2010 test year and determined the cost of providing wastewater service to residential and commercial customers. Table 1-6 summarizes the findings of the cost of service analysis.

**Table 1-6.**  
**Comparison of Wastewater Cost of Service to**  
**Revenue under Existing Rates**  
**Test Year 2010**

Line No.	Customer Class	Cost of Service	Revenue Under Existing Rates	Indicated Adjustment
	<b>Inside City:</b>			
1	Residential	\$ 24,660,955	\$ 22,117,000	11.5%
2	Group 2 Commercial	57,228	50,397	13.6%
3	Group 3 Commercial	907,442	803,362	13.0%
4	Group 4 Commercial	426,372	376,488	13.2%
5	Group 5 Commercial	718,093	637,229	12.7%
6	Group 6 Commercial	175,067	156,415	11.9%
7	Group 7 Commercial	31,437	27,990	12.3%
8	Group 8 Commercial	0	0	NA
9	Group 9 Commercial	53,978	48,237	11.9%
10	Group 10 Commercial	404,748	382,652	5.8%
11	Group 11 Commercial	1,971,233	1,892,671	4.2%
12	Group 12 Commercial	0	0	NA
13	<b>Total Inside City</b>	<b>\$ 29,406,554</b>	<b>\$ 26,492,441</b>	<b>11.0%</b>
	<b>Outside City:</b>			
14	Residential	\$ 13,135	\$ 11,783	11.5%
15	<b>Total Cost of Service</b>	<b>\$ 29,419,689</b>	<b>\$ 26,504,224</b>	<b>11.0%</b>

- Existing wastewater rates have been in effect since October 2008 and include a monthly base charge for all customers and volume charges that vary by class.
- Red Oak developed the proposed 2010 rates using the existing rate structure. The proposed rates will increase annual wastewater service charge revenue by 11%. Table 1-7 compares existing and proposed 2010 wastewater base charges.

**Table 1-7.**  
**Comparison of Existing and Proposed**  
**Wastewater Base Charges**

Customer Class	Existing (\$/bill)	Proposed (\$/bill)
Inside City Customers	7.91	8.40
Outside City Customers	10.28	10.90

- Table 1-8 compares existing and proposed 2010 wastewater volume charges.

Table 1-8.  
Comparison of Existing and Proposed  
Wastewater Volume Charges

Customer Class	Existing (\$/Kgal)	Proposed (\$/Kgal)
<b>Inside City:</b>		
Residential	2.77	3.14
Group 2 Commercial	1.91	2.18
Group 3 Commercial	2.26	2.57
Group 4 Commercial	2.40	2.73
Group 5 Commercial	2.34	2.66
Group 6 Commercial	2.62	2.97
Group 7 Commercial	2.89	3.27
Group 8 Commercial	5.21	5.21
Group 9 Commercial	2.85	3.24
Group 10 Commercial	6.01	6.36
Group 11 Commercial	6.14	6.40
Group 12 Commercial	8.47	8.47
<b>Outside City:</b>		
Residential	3.61	4.09

- Table 1-9 compares typical monthly single family wastewater bills under existing and proposed 2010 rates. The monthly bill for the median single family customer (6,000 gallons) would increase \$2.71 from \$24.53 under existing rates to \$27.24 under proposed rates. The monthly bill for the single family customer with average billable monthly usage (7,400 gallons) would increase \$3.23 from \$28.41 under existing rates to \$31.64 under proposed rates.

Table 1-9.  
Monthly Single Family Wastewater Bills<sup>(1)</sup>

Billable Monthly Usage (gallons)	Existing Rates	Proposed Rates	Change
0	\$ 7.91	\$8.40	\$0.49
1,000	10.68	11.54	0.86
2,000	13.45	14.68	1.23
3,000	16.22	17.82	1.60
4,000	18.99	20.96	1.97
5,000	21.76	24.10	2.34
<b>6,000</b>	<b>24.53</b>	<b>27.24</b>	<b>2.71</b>
7,000	27.30	30.38	3.08
<b>7,400</b>	<b>28.41</b>	<b>31.64</b>	<b>3.23</b>
8,000	30.07	33.52	3.45
9,000	32.84	36.66	3.82
10,000	35.61	39.80	4.19
11,000	38.38	42.94	4.56
12,000	41.15	46.08	4.93
13,000	43.92	49.22	5.30
14,000	46.69	52.36	5.67
15,000	49.46	55.50	6.04
16,000	52.23	58.64	6.41
17,000	55.00	61.78	6.78
18,000	57.77	64.92	7.15
19,000	60.54	68.06	7.52
20,000	63.31	71.20	7.89

(1) Bills shown are based on inside City rates.


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# Wastewater Rates

## Bi-Monthly Wastewater Service Charge

Single-Family Residential Customer - Eligible (PDF: 335K)

	5/1/09 Rate
Base Sewer Fee	\$ 28.64
Sewer (rate per HCF*)	\$ 3.3629
Bi-Monthly Shames Settlement Adjustment	\$ (6.50)
<b>New Customer Fee: Base + Sewer **</b>	<b>\$ 82.67</b>
Maximum Fee: Base + Sewer (fee capped at 20 HCF/month)	\$ 156.66

\* One Hundred Cubic Feet (HCF) = 748 Gallons

\*\* The "New Customer Fee" is charged to single-family residential customers that have not established a winter month's water-use history in their current place of residence. It is based on the average single-family residential usage of 9 HCF/month.

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**Water and Sewer Rate Information**

**\*\* Important Notice DWM Late Fee Update \*\***

In June 2008, the City Council approved a four-year rate program of water/sewer rate increases to ensure maintenance of Atlanta's water and wastewater systems and to fund Clean Water Atlanta Program improvements, such as new water and sewer pipes and sewer overflow facilities. That rate package expires June 30, 2012.

\* In February 2008, more than 70 percent of the City's voters voted to reauthorize the Municipal Option Sales Tax (MOST), which provides one-third of the Department's funding. The one-cent sales tax expires in 2012 and can be reauthorized for one more four-year period.

These rate increases help ensure the continued success of Clean Water Atlanta by providing funding that allows the City to meet its legal and environmental clean water obligations. The success of Clean Water Atlanta lays the foundation for our City's continued economic success and helps us protect our water resources for future generations.

**The rate structure has several features:**

1. The 3-ccf minimum-use charge was eliminated
2. The single-meter, multi-family dwelling penalty removed
3. The rates include a \$5.21 base fee for water service and a \$5.21 base fee for sewer service. Multi-family dwelling rate is \$5.21 base fee for water service and a \$5.21 base for sewer service multiplied by the number of units.

The discount for qualifying low-income senior citizens and .15 Homeland Security surcharge remain in effect.

**Water and Sewer Rate Information**

1. Understanding rates
2. Water Bill Explanation
3. FY 2007-08 and Approved FY 2008-09 through FY 2011-12 Water and Sewer Rate
4. DWM Late Fee Update
5. Monthly Irrigation Rates

If you need the assistance of a customer service representative to understand your bill or any of these changes, please call 404-658-6500.



**Shella Pierce**  
Deputy  
Commissioner

**Erica Cockfield**  
Watershed Director,  
Customer Service  
Call Center

**Customer Service**  
(404) 658-6500  
[Watershedhelp](#)

**Projects**  
call: (404) 529-  
9211

City Hall  
Personal Care  
Customer Service  
Center hours are  
Mon-Thur, 8:15am -  
5:30pm and Fri,  
8:15am - 4:00pm





City of Atlanta  
Department of Watershed Management

FY 2007-08 and Approved FY 2008-09 Through FY 2011-12 Water and Sewer Rates  
(FY 2008-09 rates in effect beginning July 1, 2008)

	Approved FY 2007-08		Approved FY 2008-09		Approved FY 2009-10		Approved FY 2010-11		Approved FY 2011-12	
	Rate	Percent Change								
<b>Water Use (CCF)</b>										
Base Charge	\$3.63	27.50%	\$4.63	27.50%	\$5.21	12.50%	\$5.86	12.50%	\$6.56	12.00%
1-3 CCF	\$1.42	27.50%	\$1.81	27.50%	\$2.04	12.50%	\$2.30	12.50%	\$2.59	12.00%
4-6 CCF	\$2.96	27.50%	\$3.77	27.50%	\$4.24	12.50%	\$4.77	12.00%	\$5.34	12.00%
7 & Above CCF	\$3.41	27.50%	\$4.35	27.50%	\$4.89	12.50%	\$5.50	12.00%	\$6.16	12.00%
Security Surcharge	\$0.15	0.00%	\$0.15	0.00%	\$0.15	0.00%	\$0.15	0.00%	\$0.15	0.00%
<b>Metered Water Use (CCF)</b>										
Base Charge	\$3.63	27.50%	\$4.63	27.50%	\$5.21	12.50%	\$5.86	12.50%	\$6.56	12.00%
1-3 CCF	\$5.39	27.50%	\$6.87	27.50%	\$7.73	12.50%	\$8.70	12.00%	\$9.74	12.00%
4-6 CCF	\$7.95	27.50%	\$9.63	27.50%	\$10.83	12.50%	\$12.18	12.00%	\$13.64	12.00%
7 & Above CCF	\$8.68	27.50%	\$11.07	27.50%	\$12.45	12.50%	\$14.01	12.00%	\$15.69	12.00%
Security Surcharge	\$0.80	0.00%	\$0.80	0.00%	\$0.80	0.00%	\$0.80	0.00%	\$0.80	0.00%
<b>Metered Water Use (CCF) - Combined Water</b>										
Base Charge	\$7.26	27.50%	\$9.26	27.50%	\$10.42	12.50%	\$11.72	12.50%	\$13.12	12.00%
1-3 CCF	\$6.81	27.50%	\$8.68	27.50%	\$9.77	12.50%	\$11.00	12.00%	\$12.32	12.00%
4-6 CCF	\$10.51	27.50%	\$13.40	27.50%	\$15.07	12.50%	\$16.95	12.00%	\$18.99	12.00%
7 & Above CCF	\$12.09	27.50%	\$15.42	27.50%	\$17.34	12.50%	\$19.51	12.00%	\$21.85	12.00%
Security Surcharge	\$0.15	0.00%	\$0.15	0.00%	\$0.15	0.00%	\$0.15	0.00%	\$0.15	0.00%
<b>Metered Water Use (CCF) - Outside Water</b>										
Base Charge	\$3.63	27.50%	\$4.63	27.50%	\$5.21	12.50%	\$5.86	12.50%	\$6.56	12.00%
1-3 CCF	\$1.94	27.50%	\$2.47	27.50%	\$2.78	12.50%	\$3.13	12.00%	\$3.51	12.00%
4-6 CCF	\$3.58	27.50%	\$4.58	27.50%	\$5.15	12.50%	\$5.79	12.00%	\$6.48	12.00%
7 & Above CCF	\$4.13	27.50%	\$5.27	27.50%	\$5.93	12.50%	\$6.67	12.00%	\$7.47	12.00%
Security Surcharge	\$0.15	0.00%	\$0.15	0.00%	\$0.15	0.00%	\$0.15	0.00%	\$0.15	0.00%
<b>Metered Water Use (CCF) - Wholesale</b>										
Base Charge	\$3.63	27.50%	\$4.63	27.50%	\$5.21	12.50%	\$5.86	12.50%	\$6.56	12.00%
ALL USAGE	\$2.04	27.50%	\$2.60	27.50%	\$2.93	12.50%	\$3.30	12.50%	\$3.70	12.00%