



City of Eloy, Arizona

2021 Water and Wastewater Rate Study and Financial Forecast Council Presentation



December 2021

Updated Dec 22 2021

Presentation Format



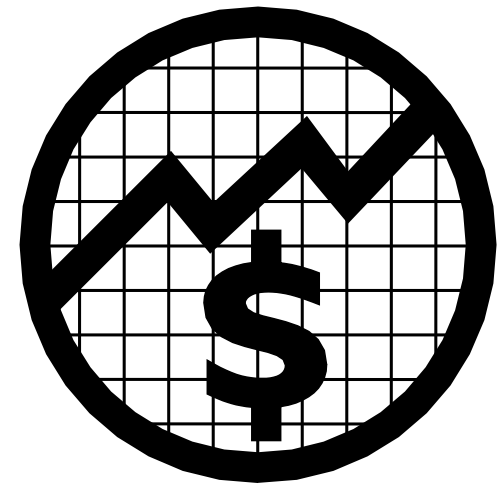
- Background on Rates
- Customers and Volumes
- Current and Forecast Cost of Service
- Rate Plan Scenarios
- Summary and Conclusion



Facts about Water and WW Rates in the 21st Century



- Average utility has been increasing rates 5-6% per year; trend expected to continue
- AWWA forecasts that water and wastewater rates across the U.S. will triple in the next 15 years
- Rate adjustments are primarily due to inflation, system replacement and debt issuances to cover cost of capital improvements
- 30-40% of utilities charge rates that do not cover their costs



City of Eloy Utility Background



- Last Water and Wastewater rate increase was in October 2015
- Over the past 20 years, Eloy Council's have approved only two Rate Plan increases
- City has flat water sales and very little customer growth
- Capital Improvement Plan (CIP) expenditures and debt issuance decisions will drive rate plan



City of Eloy

Current Water/Wastewater Rate Structure



Water Rates

All City Customers

Monthly Service Charges:

3/4"	Res/Comm	\$	19.13
1"	Res/Comm		28.70
1 1/2"	Res/Comm		57.38
2"	Res/Comm		95.64
3"	Commercial		191.30
4"	Commercial		382.61
6"	Commercial		801.65

Volume Rate (per 1,000 Gallons)

0 - 10,000	3.06
10,001 - 20,000	3.83
20,001 - Above	4.78

Wastewater Rates

Residential Wastewater Rates

Sewer Base Charge: \$ 35.76

Commercial

Sewer Base Charge:

3/4"	\$	37.29
1"		61.45
1 1/2"		124.17
2"		198.75
3"		372.91
4"		745.80
6"		1,491.61

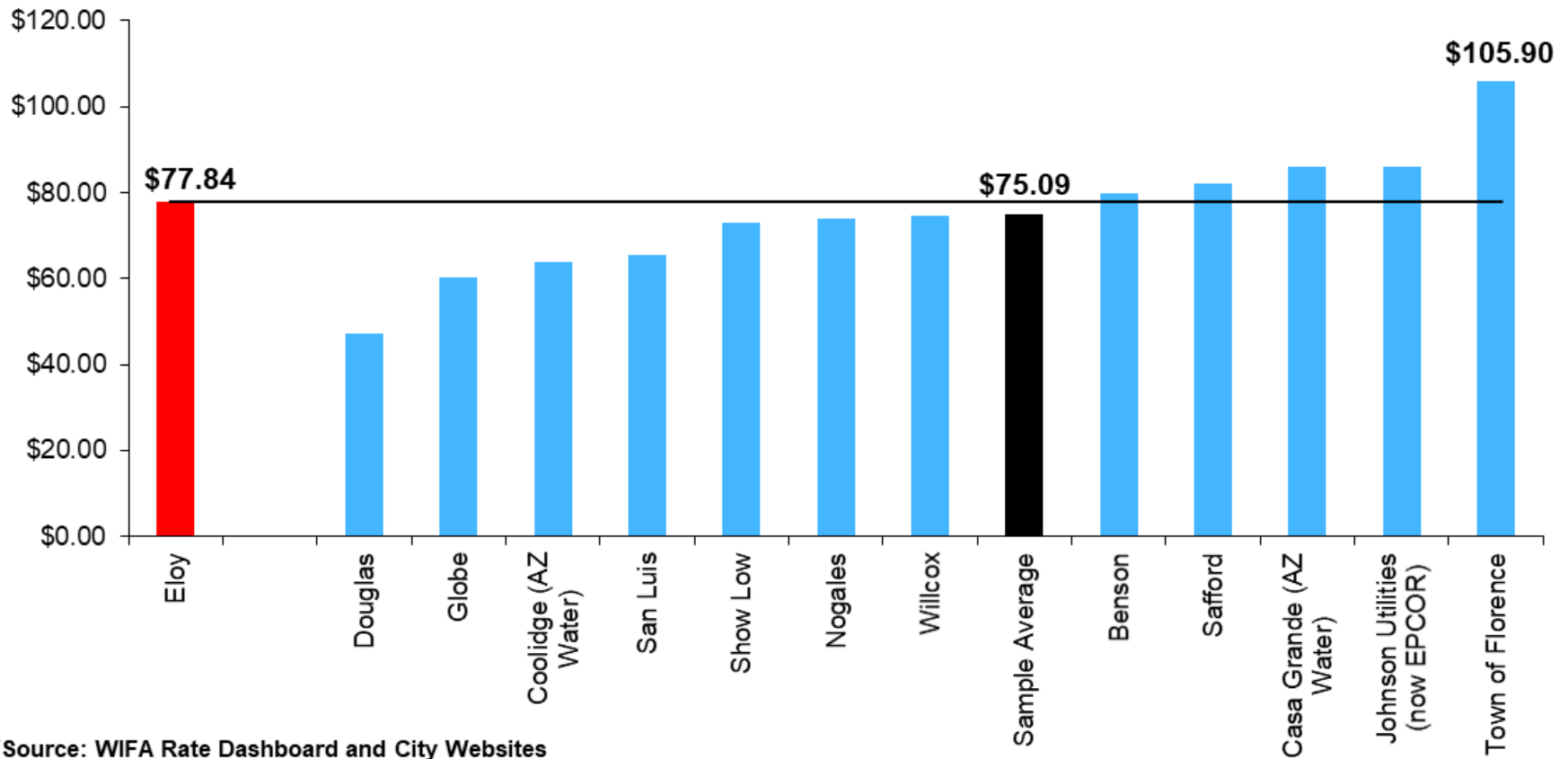
Volume Rate (per 1,000 Gallons)

0 - 10,000	3.72
10,001 - 20,000	4.66
20,001 - Above	5.82

Monthly Residential Charge Comparison 7,500 Gal W; 7,500 Gal WW



Average Monthly Residential Usage = 7,700 Gal



*Source: WIFA Rate Dashboard and City Websites

Test Year 2022

Water and Wastewater Accounts



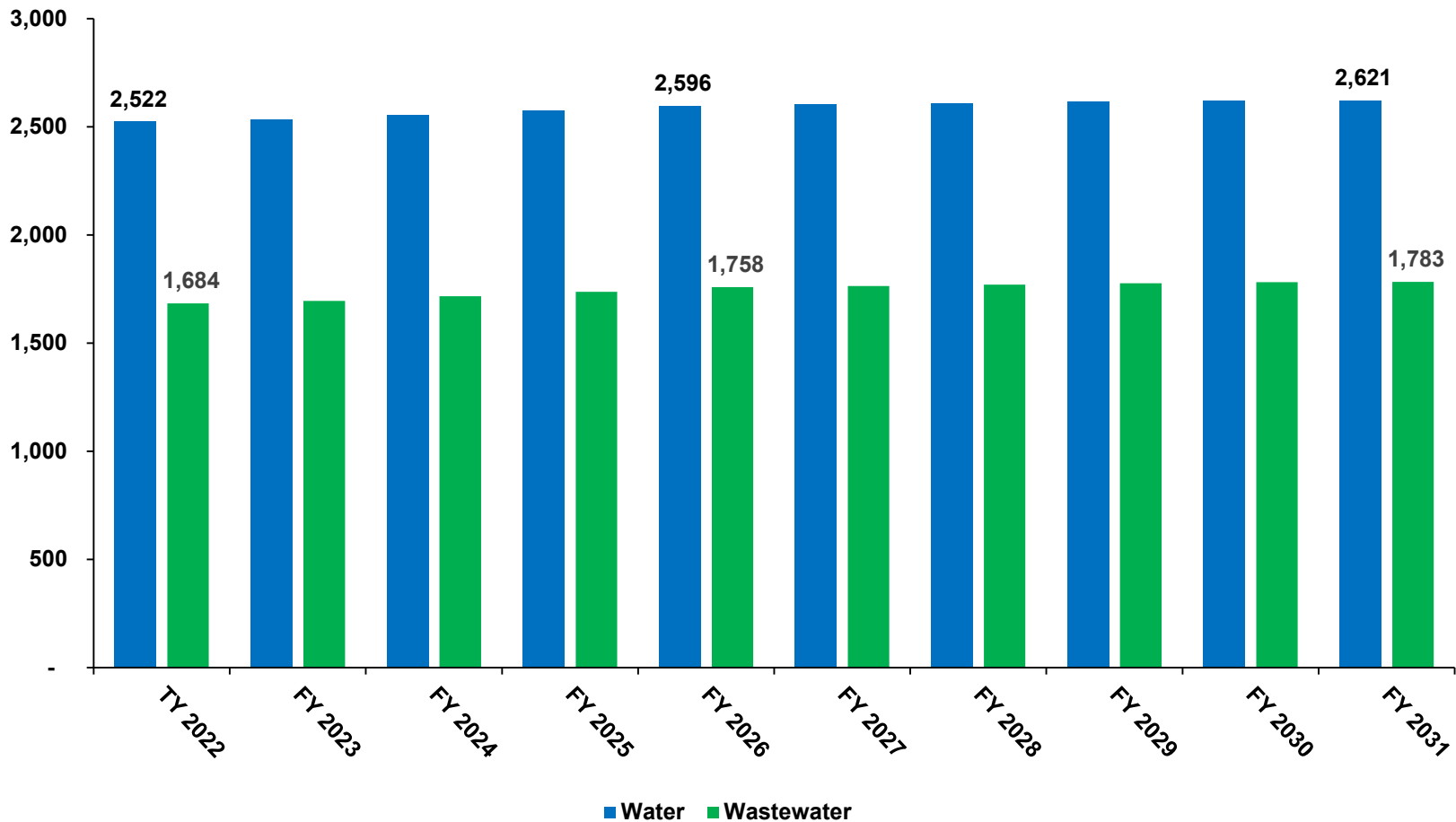
WATER Customer Accounts

Residential	2,174
Comm/Churches	179
Schools	38
Industrial	20
Multi-Family	72
Government	32
Construction	7
Total Accounts	2,522

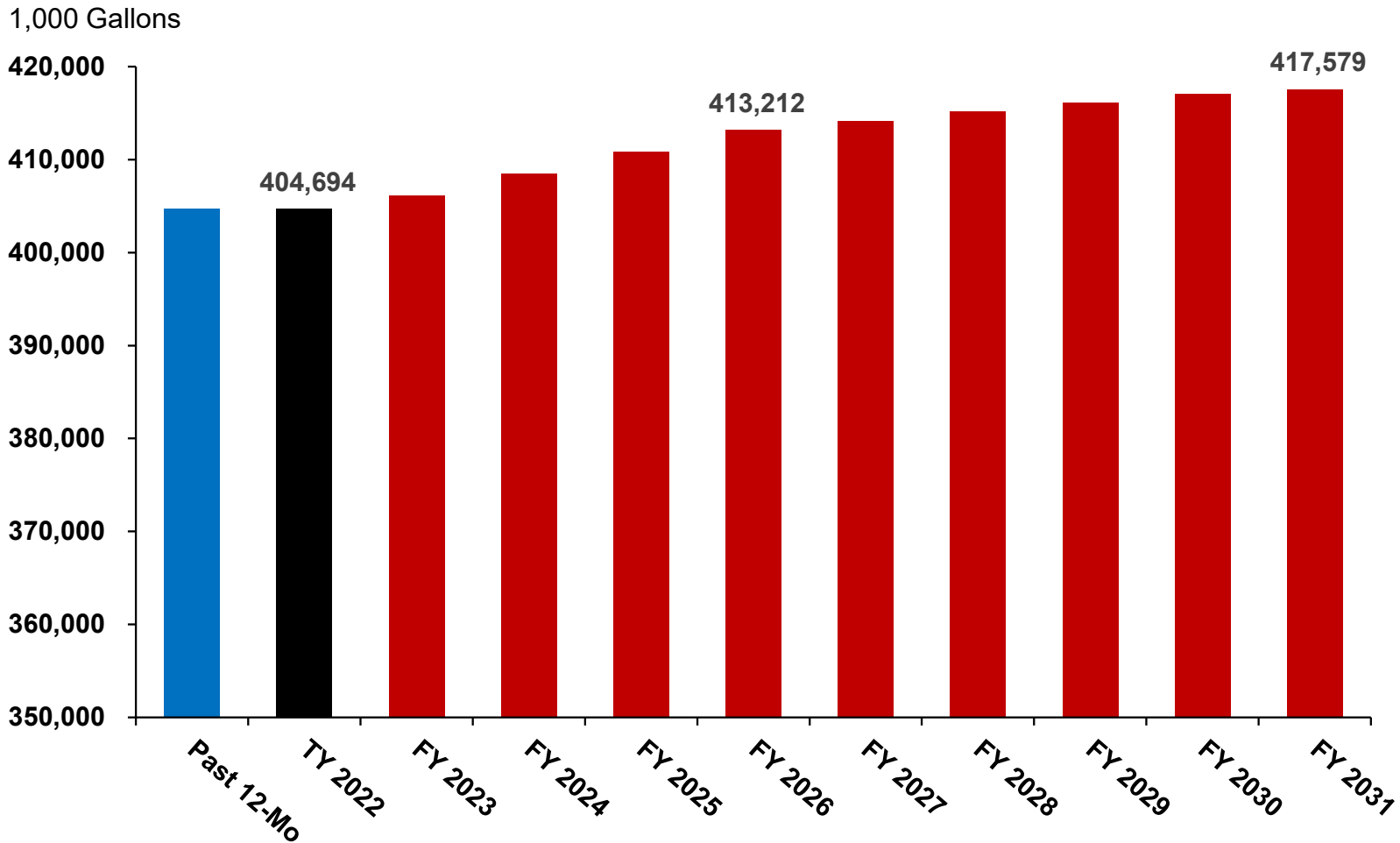
WASTEWATER Customer Accounts

Residential	1,480
Comm/Churches	114
Schools	18
Industrial	15
Multi-Family	41
Government	16
Total Accounts	1,684

Forecast Annual Water and Wastewater Accounts



Actual and Forecast Water Billed Consumption ('000 Gallons)



Key Assumptions Driving Forecast Financial and Rate Plan



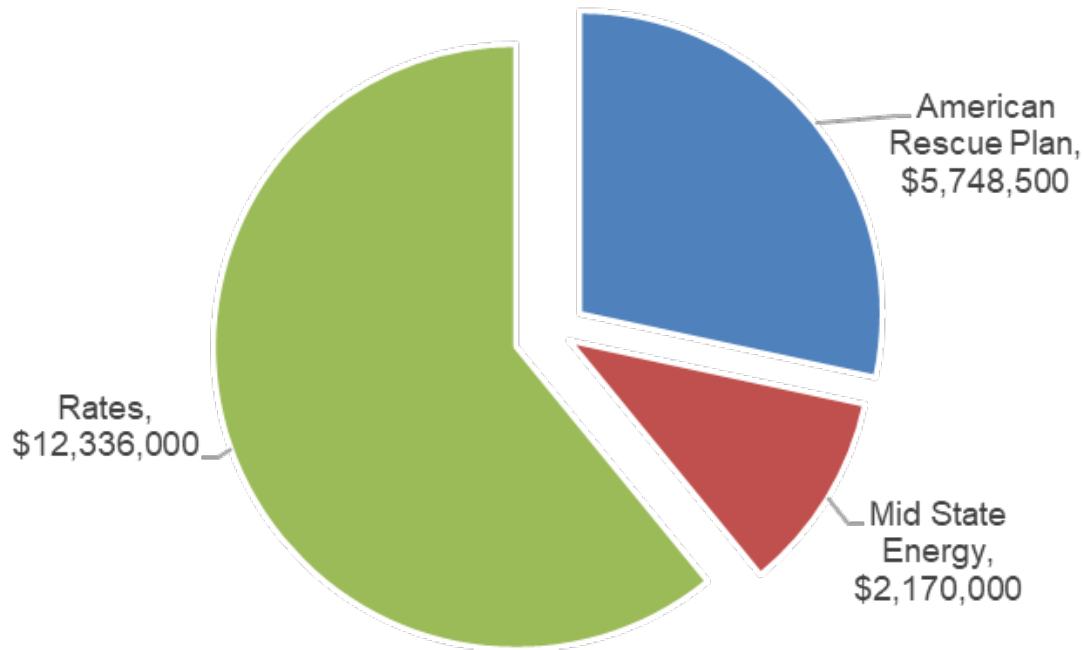
- Most personnel and operating expenses increase 2.5 – 3.0% per year
- Certain expenses increase at higher rates (utilities, insurance, workers comp)
- CAP and CAGR D escalate at rates forecast by Central Arizona Project
- **Biggest financial impact on rate plan: How City's FY 2022-2026 CIP is funded**
 - Total = \$20,254,500
 - To be funded through a combination of:
 - American Rescue Plan
 - Mid State Energy
 - Rates



FY 2022 – FY 2026 CIP Funding Sources



Total CIP = \$20,254,500



FY 2022 – FY 2026 CIP Funding Sources



Capital Improvement Plan FY2022 -- FY2026

	Water	Wastewater	Total
Total	\$ 11,838,000	\$ 8,416,500	\$ 20,254,500
Funded By:			
American Rescue Plan	2,510,000	3,238,500	5,748,500
Mid State Energy	795,000	1,375,000	2,170,000
Rates	8,533,000	3,803,000	12,336,000

Proposed Rate Plan CIP Funding Assumptions



- Implement rate adjustments to cover operating cost increases in 2022, 2023 and 2024
- Beyond 2024, two alternative scenarios for funding CIP
 - **Scenario I** – Fund \$13,000,000 bond in 2025 for rate-funded portion of CIP
 - **Scenario II** – Fund \$6,500,000 bond in 2025 for rate-funded portion of CIP



Scenario I

Forecast Cost of Service



Fiscal Year	Operating Expenses	CAP Water	Debt Service	Total Cost of Service	Less Non-Rate Revenues	Net Revenue Requirement
WATER Revenue Requirement						
2022	\$ 1,615,540	\$ 853,155	\$ 451,234	\$ 2,919,929	\$ 498,950	\$ 2,420,979
2023	1,672,770	883,744	426,627	2,983,142	498,950	2,484,192
2024	1,725,117	915,482	426,631	3,067,230	498,950	2,568,280
2025	1,776,455	948,414	426,634	3,151,503	498,950	2,652,553
2026	1,829,903	982,585	426,638	3,239,126	498,950	2,740,176
2027	1,885,571	1,018,045	953,830	3,857,446	498,950	3,358,496
2028	1,943,577	1,054,843	953,835	3,952,255	498,950	3,453,305
2029	2,004,046	1,093,032	953,840	4,050,919	498,950	3,551,969
2030	2,067,112	1,132,667	948,478	4,148,257	498,950	3,649,307
2031	2,132,918	1,173,803	921,021	4,227,741	498,950	3,728,791
WASTEWATER Revenue Requirement						
2022	935,445	-	546,479	1,481,924	15,450	1,466,474
2023	969,453	-	568,394	1,537,848	15,450	1,522,398
2024	1,002,740	-	565,662	1,568,403	15,450	1,552,953
2025	1,034,483	-	570,344	1,604,827	15,450	1,589,377
2026	1,067,446	-	566,068	1,633,514	15,450	1,618,064
2027	1,101,689	-	796,013	1,897,701	15,450	1,882,251
2028	1,137,275	-	791,566	1,928,841	15,450	1,913,391
2029	1,174,273	-	787,031	1,961,304	15,450	1,945,854
2030	1,212,755	-	345,340	1,558,095	15,450	1,542,645
2031	1,252,797	-	345,377	1,598,174	15,450	1,582,724

Scenario I

Proposed Water/WW Rate Plan



			Effective					
			Current	Nov-22	Nov-23	Nov-24	Nov-25	Nov-26
WATER								
<u>Monthly Minimum Charge</u>								
3/4"			\$ 19.13	\$ 19.90	\$ 20.69	\$ 21.52	\$ 23.89	\$ 26.51
1"			28.70	29.85	31.04	32.28	35.83	39.78
1 1/2"			57.38	59.68	62.06	64.54	71.64	79.53
2"			95.64	99.47	103.44	107.58	119.42	132.55
3"			191.30	198.95	206.91	215.19	238.86	265.13
4"			382.61	397.91	413.83	430.38	477.73	530.28
6"			801.65	833.72	867.06	901.75	1,000.94	1,111.04
<u>Volume Rate Per 1,000 Gal</u>								
1	10,000		3.06	3.18	3.31	3.44	3.82	4.24
10,001	20,000		3.83	3.98	4.14	4.31	4.78	5.31
20,001	Above		4.78	4.97	5.17	5.38	5.97	6.62
WASTEWATER								
Residential								
<u>Monthly Minimum Charge</u>								
3/4"			\$ 35.76	\$ 37.19	\$ 38.68	\$ 40.23	\$ 44.66	\$ 49.57
Commercial								
<u>Monthly Minimum Charge</u>								
3/4"			37.29	38.78	40.33	41.94	46.55	51.67
1"			61.45	63.91	66.46	69.12	76.73	85.17
1 1/2"			124.17	129.14	134.30	139.67	155.04	172.09
2"			198.75	206.70	214.97	223.57	248.16	275.46
3"			372.91	387.83	403.34	419.47	465.62	516.83
4"			745.80	775.63	806.66	838.92	931.21	1,033.64
6"			1,491.61	1,551.27	1,613.33	1,677.86	1,862.42	2,067.29
<u>Volume Rate Per 1,000 Gal</u>								
1	10,000		3.72	3.87	4.02	4.18	4.64	5.16
10,001	20,000		4.66	4.85	5.04	5.24	5.82	6.46
20,001	Above		5.82	6.05	6.29	6.55	7.27	8.07

Scenario I

Impact on Monthly Charges –Residential



		Current	Effective			Nov-25	Nov-26
			Nov-22	Nov-23	Nov-24		
Water - Residential Monthly Charges -- 3/4"							
5,000 Water		\$ 34.43	\$ 35.81	\$ 37.24	\$ 38.73	\$ 42.99	\$ 47.72
	Increase -- \$		1.38	1.43	1.49	4.26	4.73
7,500 Water		42.08	43.76	45.51	47.33	52.54	58.32
	Increase -- \$		1.68	1.75	1.82	5.21	5.78
10,000 Water		53.58	55.72	57.95	60.27	66.90	74.26
	Increase -- \$		2.14	2.23	2.32	6.63	7.36
		Current	Effective			Nov-25	Nov-26
			Nov-22	Nov-23	Nov-24		
Wastewater - Residential							
All Wastewater Usage		\$ 35.76	\$ 37.19	\$ 38.68	\$ 40.23	\$ 44.66	\$ 49.57
	Increase -- \$		1.43	1.49	1.55	4.43	4.91

Scenario II

Forecast Cost of Service



Fiscal Year	Operating Expenses	CAP Water	Debt Service	Total Cost of Service	Less Non-Rate Revenues	Net Revenue Requirement
WATER Revenue Requirement						
2022	\$ 1,615,540	\$ 853,155	\$ 451,234	\$ 2,919,929	\$ 498,950	\$ 2,420,979
2023	1,672,770	883,744	426,627	2,983,142	498,950	2,484,192
2024	1,725,117	915,482	426,631	3,067,230	498,950	2,568,280
2025	1,776,455	948,414	426,634	3,151,503	498,950	2,652,553
2026	1,829,903	982,585	426,638	3,239,126	498,950	2,740,176
2027	1,885,571	1,018,045	690,236	3,593,852	498,950	3,094,902
2028	1,943,577	1,054,843	690,241	3,688,661	498,950	3,189,711
2029	2,004,046	1,093,032	690,247	3,787,325	498,950	3,288,375
2030	2,067,112	1,132,667	684,884	3,884,663	498,950	3,385,713
2031	2,132,918	1,173,803	657,427	3,964,147	498,950	3,465,197
WASTEWATER Revenue Requirement						
2022	935,445	-	546,479	1,481,924	15,450	1,466,474
2023	969,453	-	568,394	1,537,848	15,450	1,522,398
2024	1,002,740	-	565,662	1,568,403	15,450	1,552,953
2025	1,034,483	-	570,344	1,604,827	15,450	1,589,377
2026	1,067,446	-	566,068	1,633,514	15,450	1,618,064
2027	1,101,689	-	678,860	1,780,549	15,450	1,765,099
2028	1,137,275	-	674,413	1,811,688	15,450	1,796,238
2029	1,174,273	-	669,878	1,844,151	15,450	1,828,701
2030	1,212,755	-	228,187	1,440,942	15,450	1,425,492
2031	1,252,797	-	228,224	1,481,021	15,450	1,465,571

Scenario II Proposed Water/WW Rate Plan



		Effective					
		Current	Nov-22	Nov-23	Nov-24	Nov-25	Nov-26
WATER							
<u>Monthly Minimum Charge</u>							
3/4"		\$ 19.13	\$ 19.90	\$ 20.69	\$ 21.52	\$ 23.24	\$ 25.10
1"		28.70	29.85	31.04	32.28	34.87	37.66
1 1/2"		57.38	59.68	62.06	64.54	69.71	75.28
2"		95.64	99.47	103.44	107.58	116.19	125.48
3"		191.30	198.95	206.91	215.19	232.40	250.99
4"		382.61	397.91	413.83	430.38	464.81	502.00
6"		801.65	833.72	867.06	901.75	973.89	1,051.80
<u>Volume Rate Per 1,000 Gal</u>							
1	10,000	3.06	3.18	3.31	3.44	3.72	4.01
10,001	20,000	3.83	3.98	4.14	4.31	4.65	5.03
20,001	Above	4.78	4.97	5.17	5.38	5.81	6.27
WASTEWATER							
Residential							
<u>Monthly Minimum Charge</u>							
3/4"		\$ 35.76	\$ 37.19	\$ 38.68	\$ 40.23	\$ 43.45	\$ 46.93
Commercial							
<u>Monthly Minimum Charge</u>							
3/4"		37.29	38.78	40.33	41.94	45.30	48.92
1"		61.45	63.91	66.46	69.12	74.65	80.62
1 1/2"		124.17	129.14	134.30	139.67	150.85	162.92
2"		198.75	206.70	214.97	223.57	241.45	260.77
3"		372.91	387.83	403.34	419.47	453.03	489.27
4"		745.80	775.63	806.66	838.92	906.04	978.52
6"		1,491.61	1,551.27	1,613.33	1,677.86	1,812.09	1,957.05
<u>Volume Rate Per 1,000 Gal</u>							
1	10,000	3.72	3.87	4.02	4.18	4.52	4.88
10,001	20,000	4.66	4.85	5.04	5.24	5.66	6.11
20,001	Above	5.82	6.05	6.29	6.55	7.07	7.64

Scenario II

Impact on Monthly Charges –Residential



Water and Wastewater Utility	Current	Effective			Nov-25	Nov-26
		Nov-22	Nov-23	Nov-24		
5,000 Gal W, 5,000 WW						
Scenario 1	\$ 70.19	\$ 73.00	\$ 75.92	\$ 78.96	\$ 87.65	\$ 97.29
Scenario 2	70.19	73.00	75.92	78.96	85.28	92.10
Difference		(0.00)	(0.00)	(0.00)	(2.37)	(5.19)
7,500 Gal W, 7,500 WW						
Scenario 1	\$ 77.84	\$ 80.95	\$ 84.19	\$ 87.56	\$ 97.20	\$ 107.89
Scenario 2	77.84	80.95	84.19	87.56	94.57	102.14
Difference		0.00	0.00	0.00	(2.63)	(5.75)
10,000 Gal W, 10,000 WW						
Scenario 1	\$ 89.34	\$ 92.91	\$ 96.63	\$ 100.50	\$ 111.56	\$ 123.83
Scenario 2	89.34	92.91	96.63	100.50	108.54	117.23
Difference		-	-	-	(3.02)	(6.60)

Presentation Summary

Benefits of Proposed Rate Plans



- Will fund increased operating costs due to inflation and other factors beyond City's control (CAP/CAGR)
- Will enable each utility to operate on a stand-alone basis
- Will result in financially-healthy utility that has ability to fund operations
- Will ensure that ratepayers paying only what it costs to provide water and wastewater service
- Will allow capital investment into system to improve quality of service and provide a well-functioning system for future generations



Questions?