

AGENDA ITEM # _____
DATE: June 15, 2015
COAC NUMBER: 15-5573ws

**CITY OF GOODYEAR
CITY COUNCIL ACTION FORM**

**SUBJECT: Utility rate study and
Water Planning Committee
recommendations**

STAFF PRESENTER: Bob Beckley,
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COMPANY
CONTACT:

RECOMMENDATION:

Council will receive information on the Integrated Water Master Plan (IWMP) 5-year Capital Improvement Plan (CIP), 5-year water and wastewater rate plan, and discuss the Water Planning Committee recommendations report.

PURPOSE:

Staff, engineering consultants, utility rate study consultants, and the Chair and Vice-Chair of the citizen's Water Planning Committee will present information on the committee's recommendations and the details of the rate plan, including the 5-year CIP.

BACKGROUND AND COMMUNITY BENEFIT:

The IWMP 5-year CIP provides an assessment of the city's immediate needs for its water, wastewater, and reclaimed water systems, identifying capital improvements, rehabilitation projects, and quantifying funding requirements. The Water Planning Committee was formed for the water/wastewater rate-setting process to ensure that the interests of the city's customers were represented. Rate recommendations formulated by the utility rate study consultant, based the 5-year CIP and needs outlined by staff, and discussed by the Water Planning Committee allow for the utilities to be self-sufficient, provide acceptable levels of service, and meet the rising cost of business.

PREVIOUS ACTIONS AND DISCUSSION:

Integrated Water Master Plan 5-year CIP and Condition Assessment

On October 6, 2014, Council approved a purchase order for the IWMP contract with Carollo Engineers, Inc. The IWMP provides the city with a comprehensive master plan that analyzes population, economic development and growth, redevelopment, water supply availability, drought management, changes in water and wastewater treatment technologies, engineering, and new water quality regulations. Previously, the city completed a 2007 IWMP based on information from 2006 and the information and predictions created at that time for water resources, water distribution, wastewater, and reclaimed water.

When complete, the IWMP will have four areas of technical work to include a water resources master plan, water distribution master plan, wastewater system master plan, and a reclaimed water master plan. The 5-year Capital Improvement Plan (CIP) was one of the first tasks of the city's IWMP to be completed for the Water Planning Committee process, with the full IWMP expected to be completed by the end of 2015.

The 5-year CIP provided an assessment of the city's immediate needs for its water, wastewater, and reclaimed water systems, identifying capital improvements, rehabilitation projects, and quantifying funding requirements. A condition assessment study was also completed and provided to the Water Planning Committee to identify additional water and wastewater capital projects needed to maintain the integrity of the city's water and wastewater infrastructure.

The 5-year CIP showed that the city's water system has insufficient water production, pumping, and storage capacity with significant investment needed to increase capacity in these areas and reduce the risk of an interruption to water supply, particularly in the summer months with peak demand times. The wastewater system was evaluated primarily on asset condition and identified a number of improvements to safely convey and treat wastewater, as well as comply with regulations.

Utility Rate Study

Rate studies are conducted in order to develop a plan or framework to obtain the revenues needed to fund operations while at the same time minimizing the impact of any adjustments on ratepayers. A rate study provides information to citizens and the Council regarding impacts of policy choices on ratepayer monthly bills and the utility's financial health.

City of Goodyear Budget policies state that Enterprise Funds should be self-sufficient. The Council has determined that the City's water and wastewater utility services should not be subsidized by the General Fund and that rates should be adequate to cover the costs of the services being provided. Within its Fiscal Years 2013-2016 City of Goodyear Strategic Action Plan, under the Fiscal and Resource Management goal, the Council included an action item to complete a cost of service study for water and wastewater services.

Through a competitive proposal process in late 2013, Economists.com was selected to perform the City's utility rate study for its water and wastewater services. Objectives of the rate study included analyzing and making recommendations for rates, fees, and charges for water, wastewater, and pretreatment services to recover costs for administration, operations, and maintenance of the utilities, capital projects included in the City's Capital Improvement Plan (CIP) that are not directly supported by Development Fees, and the operating, maintenance, and projected financial impacts of these capital projects. The utility rate study was carried out in conjunction with the IWMP 5-year CIP formulation.

The last major modification to the City's utility rate structure was adopted on May 18, 2009. This four-year water and wastewater rate structure became effective on January 4, 2010 with calendar year 2013 being the last year with a rate increase. Rates remained consistent in 2014. On January 1, 2015, the city implemented a 5% rate adjustment to

partially offset forecasted operating cost increases in the upcoming fiscal year. The adjustment helped the enterprise funds meet the rising costs of doing business and also provided customers with a more gradual utility rate increase until a new water and wastewater rate was reviewed by the Water Planning Committee and adopted by the Council.

Water Planning Committee

Council resolution 14-1612 established the Water Planning Committee on April 14, 2014 for the existence of the Goodyear utility rate study project. The committee was formed for the rate-setting process to ensure that the interests of the city's customers were represented. The Water Planning Committee is an ad-hoc committee of volunteer citizens from a variety of neighborhoods, as well as representatives of entities, within the city water and/or wastewater service area. Members went through an application and interview process where they were selected by the Council Boards, Commissions, and Committee Appointment Subcommittee. The Water Planning Committee is comprised of nine members and two alternates.

As outlined in the Water Planning Committee By-Laws, the powers and duties of the WPC include:

- A. Review and make recommendations on various master plans, including but not limited to the City's Integrated Water Master Plan (IWMP) update.
- B. Review future water needs to support growth and development.
- C. Make recommendations on water resources for growth and development.
- D. Review the City's existing utility rate structure.
- E. Review and develop recommended draft utility rates to support operations, maintenance, capital improvements, existing debt service, and future water resource needs.
- F. Recommend a draft of the water needs analysis, utility structure, and rates to be forwarded to the City Council for review.
- G. Any other actions consistent with the provisions of these By-Laws.

The Water Planning Committee met nine times from October 2014 through May 2015 to learn in-depth about the city's water and wastewater systems, challenges faced, key factors impacting future rates, and utility rate setting. The meeting schedule and topics were as follows:

October 14, 2014	Introduction and IWMP, rate study overviews
November 19, 2014	Water and wastewater facility tours
December 9, 2014	Staff presentations, fundamentals of utility finance
January 13, 2015	Staff presentations continued
February 10, 2015	Utility finance and ratemaking
March 10, 2015	Integrated Water Master Plan and 5-year CIP
April 14, 2015	Integrated Water Master Plan and 5-year CIP
May 12, 2015	Utility rate discussion
May 19, 2015	Utility rate discussion

The Water Planning Committee worked with staff, Carollo Engineers, and utility rate study consultants to understand the city's water and wastewater needs and challenges and

ultimately develop the 5-year water and wastewater rate plan included in the Recommendations Report.

FISCAL ANALYSIS:

There is no fiscal impact at this time, as no action will be taken. The Water Planning Committee Recommendations Report contains information on the impacts of the proposed recommendations to the average water and wastewater customers from 2016 through 2020. The 5-year utility rate plan will provide revenue for the enterprise funds to remain self-sufficient and fund projects and services outlined in the Water Planning Committee Recommendations Report that maintain the integrity of the city's water and wastewater infrastructure, fund operations and maintenance, and plan for growth.

ATTACHMENTS:

1. Water Planning Committee Recommendations Report – June 2015
2. Integrated Water Resources, Water, Wastewater, and Reclaimed Water Master Plan 5-Year Capital Improvement Program
3. Water and Wastewater Facilities Condition Assessment Phase 1 Summary Report