

AGENDA ITEM #: _____

DATE: January 25, 2021

CAR #: 2021-7161



CITY COUNCIL ACTION REPORT

SUBJECT: Adoption of Five-Year Water, Wastewater and Solid Waste Rates and Fees

STAFF PRESENTER(S): Doug Sandstrom, Finance Director; Javier Setovich, Public Works Director

OTHER PRESENTER(S):

Summary: Consider adoption of water, wastewater and solid waste rates and fees plans (2021-2025).

Recommendation:

ADOPT RESOLUTION 2021-2112 APPROVING THE PROPOSED FIVE-YEAR WATER, WASTEWATER, AND SOLID WASTE RATE STRUCTURES AND PROVIDING FOR EFFECTIVE DATES.

Fiscal Impact: The proposed five-year rate structure will allow the City to fund operations, capital, debt service and all other costs of service associated with providing water, wastewater and solid waste services. The proposed rate and fee changes have not been included in the adopted FY2021 budget.

Background and Previous Actions

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 financial and budget policies state that Enterprise Funds should be self-sufficient and also call for enterprise fund rates to be based on five-year plans. The Council has determined that the City's enterprise funds should not be subsidized by the General Fund and that rates should be adequate to cover the costs of the services being provided.

Willdan Financial Services performed the City's five-year utility rate study for its water, wastewater, solid waste and stormwater services. Objectives of the rate study included analyzing and making recommendations for rate adjustments, fees, and charges for water, wastewater, solid waste, and stormwater utilities to obtain revenues needed to fund operations, maintenance, debt

service, asset replacement and capital projects that are not directly supported by Development Fees.

Citizen Rate Review Committee

Council resolution 2019-2011 established the Citizen Rate Review Committee on December 2, 2019 to ensure that the interests of the City's customers were represented during the rate making process. This ad-hoc committee of volunteers consists of eleven members and two alternates, comprised primarily of residents living within the City's water, wastewater and/or solid waste service areas or business representatives that are impacted by the Goodyear systems. The committee members provided public input to City staff, Mayor, and the Council on matters relating to the proposed water, wastewater, solid waste, and stormwater rate studies.

The committee met seven times from March 2020 through September 2020 to learn in-depth about the utility systems and storm-water challenges including key factors impacting future rates, such as debt service, capital and operational costs. The committee worked with staff and utility rate study consultants to assist with the development of the five-year rate plan.

Council Work Session

The proposed five-year water, wastewater, solid waste and stormwater rate plans, and the impact on typical rate payers within the system, were presented in detail to council during a work session on October 19, 2020 by Willdan and City of Goodyear staff. The rate study proposed rates which, if approved, would be effective February 4 2021, with additional rate increases occurring January 1st of each year through 2025. Rate increases occur in winter months, consistent with previous increases, as there is less of an impact to customers at this time due to typically decreased water usage in the winter.

Customer Notification, Postings and Statutory compliance

A.R.S. §9-511.01 requires that for any proposed increase in water or wastewater rates or rate components, fees, or service charges, the City must adopt a notice of intention and file a written report with data supporting the increase in the Clerk's Office at least thirty days prior to a public hearing. On October 26, 2020 Council adopted a Notice of Intent and set January 04, 2021 as the public hearing date on water and wastewater rates. The adopted Notice of Intent was posted on the home page of the City's website on October 27, 2020 which began the state required public process for the adoption of all proposed rates. On December 12, 2020 the Notice of Intent was printed in the Arizona Republic as required by A.R.S. §9-511.

In addition to the notifications mandated by state law the City also provided for the following:

- A utility rates web page was created (www.goodyearaz.gov/utilityratestudy). This webpage includes all information presented to the Citizens rate committee, the council and all rate reports as well as an email address specifically for citizen comments.
- A postcard was sent to all 38,870 mailing addresses within the City of Goodyear the week of December 7, 2020. This postcard informed residents of the pending rate increase, the utility rate webpage address, the scheduled public hearing and provided an email address for the submittal of comments. All comments received will be summarized for council consideration during the public hearing on January 4, 2021.

- On December 28, 2020 a virtual public meeting was held to overview the rate study and rate recommendation with all interested customers.

On January 04, 2021 the City Council held a Public Hearing in accordance with the Notice of Intent. At this public hearing council was presented with a summary of the public outreach that had been completed and the comments that were received through this process. Based upon the comments received modifications to the proposed 5-year rate plans were overviewed and discussed by council with an emphasis on no rate increases in 2021 while maintaining financially sustainable and viable self-supporting systems.

Staff Analysis

The last modification to the City's utility rate structure was a five-year plan adopted on October 26, 2015 which included rate increases implemented every January from 2016 through 2020. The current five-year proposed plan is anticipated to be effective upon approval with the final rate modification effective on January 1, 2025.

Following the public input period and based upon comments received throughout this public process, the proposed 5-year plan has been modified. All planned increases for 2021 have been eliminated, as has the proposed stormwater fee, which will continue as a general fund program. Additionally, the rate decrease for solid waste has been modified from \$3.00 to \$4.00. These modifications have been made specifically to address public and council concerns regarding the impact of the COVID pandemic and the economy on our customers. Planned uses of fund balances (savings) combined with the issuance of less debt allow for modified rates for our customers, while still ensuring the long-term viability and sustainability of each enterprise fund as well.

Original Proposal (21% over 5-years)

	Current	2021	2022	2023	2024	2025
water	42.36	44.84	47.00	49.20	51.43	53.70
wastewater	56.33	58.02	59.76	61.55	64.02	66.58
solid waste	22.80	19.80	20.55	21.40	22.25	23.15
stormwater	0.00	1.00	2.00	2.50	2.50	3.50
	121.49	123.66	129.31	134.65	140.20	146.93
		2.17	5.65	5.34	5.54	6.73
		1.8%	4.6%	4.1%	4.1%	4.8%

Revised Proposal (14% over 5-years)

	Current	2021	2022	2023	2024	2025
water	42.36	42.36	44.48	46.63	48.82	51.04
wastewater	56.33	56.33	58.02	59.76	62.15	64.64
solid waste	22.80	18.80	19.80	20.80	21.80	22.80
stormwater	0.00	0.00	0.00	0.00	0.00	0.00
	121.49	117.49	122.30	127.20	132.77	138.48
		(4.00)	4.81	4.89	5.58	5.71
		-3.3%	4.1%	4.0%	4.4%	4.3%

The impact of both the original and the modified proposed rates for the typical residential customer based upon usage of 7,000 gallons of water per month with a winter quarter average of 5,000 gallons for wastewater are shown above. Maintaining water and wastewater rates combined with

a decrease in the solid waste rate in first year leads to a ***\$4.00 per month decrease*** for all residential customers and no change for non-residential customers. The typical Goodyear customer will see a 3.3% decrease per month the first year of this rate plan. In years 2-4 the typical customer will see average annual increases of 4.2% equating to approximately \$5.25 per month.

Solid Waste only customers will see an immediate **17.5% decrease** in their monthly bills with rates dropping by \$4.00 per month. Solid waste rates will then increase annually by \$1.00 per month until 2025 where they will be back at the rate currently charged today.

The modified proposed rate plan presented to Council, supported by the attached reports, provides the revenue sufficient to meet the projected operating, capital and debt service needs of the enterprise funds over the next five years. All recommended rates are less than those presented in the final rate plans prepared by Willdan and included in the Notice of Intent adopted by council on 10/26/2020. All non-rate fees will remain the same with the exception of implementing a \$50.00 deposit for new solid waste only customers.

Attachments

1. Resolution 2021-2112
2. Exhibit A- Fee Schedules
3. 2020 Utility Rate Study Report