



TEAM FLAGSTAFF



Reclaimed Water Rates Policy direction

City Council Work Session
October 11, 2016





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Objectives of tonight's discussion

- February 2016, reclaimed water rate discussion was separated out to provide for more specific focus
- Does Council want to *increase reclaimed water revenues* (via increased rates) and/or *change the way we collect revenues* (via a change in rate structure)?
- If yes, what objectives, informational outcomes, financial policies should be included in a Request For Proposals?





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Before Council answers the questions

Provide a Reclaimed Water Enterprise Fund Overview

- Fund separated from Wastewater in FY15 & FY16.
The fund now stands alone with no subsidies
- Revenues & Expenses ~ **\$1.1 million/year**
5-Year average expenses for delivering ~2,100 AF/year (or 680 MG/year)
is \$1.62/1000 gallons (or \$527/AF)
- Current rates support CIP at ~\$689,500 in 5-Year Plan





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If Council says no to any change

Option #1: Reclaimed Rates & Rate Structure
will remain the same

Effect:

Revenues remain stable

Current budgeted 5-Year CIP

Current customer service level remains the same, for
example *summer-time delivery limitations may still occur*





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Table A-1: Existing Reclaimed Water Capital Improvement Program

ID #	Project		Total
1	Buffalo Park Tank Chlorination	\$	150,000
2	Juniper Point 1400 ft. of 12" diameter RW pipeline	\$	210,000
3	Juniper Point Loop 2nd Connection 2000 ft. 12" diameter RW pipeline	\$	310,000
4	Rate Study-Reclaimed Portion	\$	7,000
5	Master Plan-Reclaimed Portion	\$	12,500
Total Reclaimed Projects included in Existing Budget		\$	689,500





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If Council says Yes to a change

Option #2: Council may decide to adopt a 5-year 3% annual rate increase that was recommended by Willdan to keep up with utilities price index

Effect

Revenues increase

Additional CIP could be completed to provide existing customers with more reliable service

Limited expansion of new customers





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Table A-2: Proposed New Reclaimed Water Capital Improvement Projects

ID #	Project		Total
1	Reclaim System Improvement-8" Bottleneck	\$	1,400,000
2	Reclaim Storage	\$	2,300,000
3	Reclaim water Line Loop-Continental Phase 1	\$	1,700,000
Additional New Reclaimed Projects to be included in Rate Study			\$ 5,400,000





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If Council says Yes to a change

Option #3: Council may decide to increase revenues greater than 3% to achieve other goals & objectives:

Effect

Revenues increase

Additional CIP could be completed:

- a. Advanced Treatment of reclaimed water feasibility study
- b. Advanced Treatment pilot project
- c. Creating a looped Distribution System





Advanced Treatment of Reclaimed Water Feasibility Study

- Increase water quality beyond regulatory requirements
- Identify treatment processes to achieve water quality goals that could be approved by regulatory agencies
- Determine feasibility and costs to implement advanced treatment at the Rio and Wildcat WRPs
- Evaluate Indirect Reuse (groundwater augmentation via injection wells or other recharge)
- Evaluate Direct Reuse opportunities





Advanced Treatment Pilot Project

- Outcome of the Feasibility Study
- Select 1 or more of the treatment processes to test
- Set up pilot project of each treatment process to evaluate which would work best in Flagstaff to achieve pre-determined reclaimed water quality goals
- May or may not include injection well or other types of recharge testing





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If Council says Yes to a change

Option #4: Independent or in conjunction with Options 2-3, Council may decide to modify reclaimed rates or rate structure via:

- a. Policy
- b. Cost of Service Study
- c. A portion of wastewater treatment expenses allocated to reclaimed water customers





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Summary

Staff needs direction....Options & Policies to consider:

- Option #1:** No change to rates or rate structure
- Option #2:** 3% increase in rates – increase level of customer service
- Option #3:** Other % increase in rates - to achieve water quality goals beyond regulatory requirements
- Option #4:** Independent or in conjunction with Options 2-3, Council may decide to modify reclaimed rate structure (how we collect revenues from customers)
- Option #5:** Other direction from Council





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Summary

Staff needs direction....Options & Policies to consider:

If Council provides direction on either **Options #2-5**,

Staff will develop an RFP for consulting services (financial & engineering) that will include Council's comments and direction tonight and will bring back at a future meeting for consideration and possible action





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QUESTIONS?
&
DIRECTION

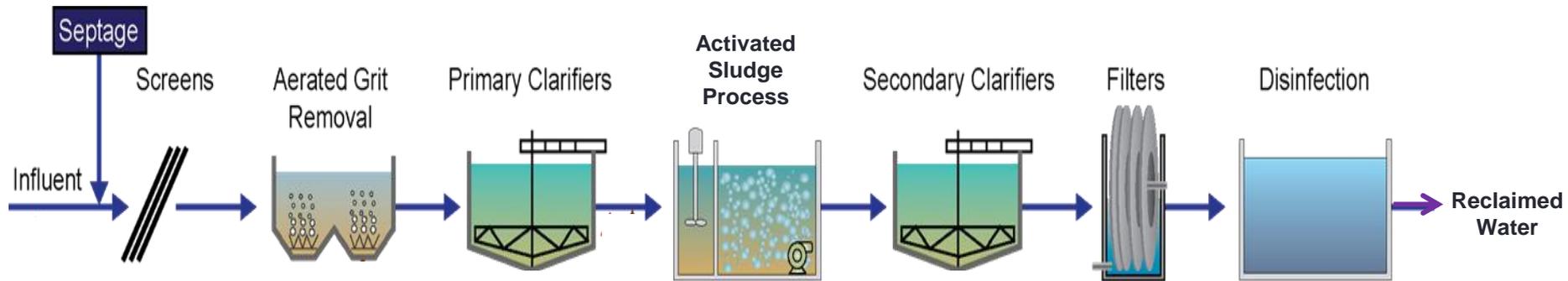




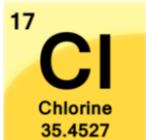
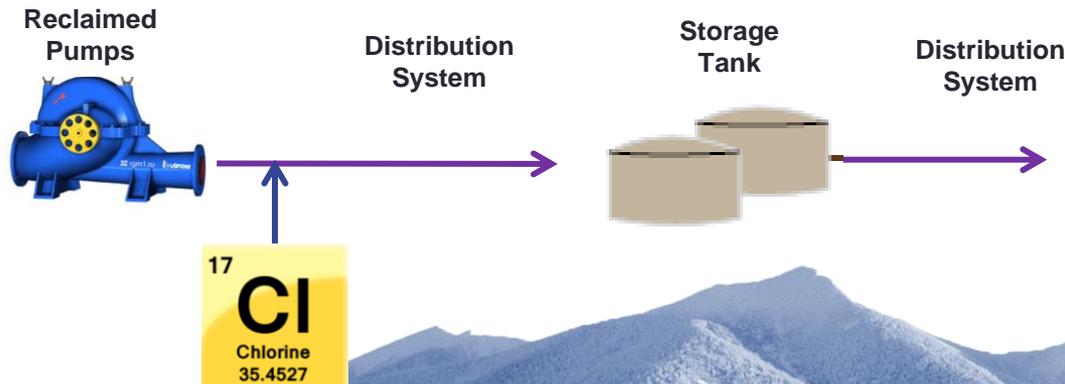
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Rio de Flag or Wildcat Hill WRP Treatment Process



Wastewater Customers
Reclaimed Customers





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CITY OF FLAGSTAFF WATER & SEWER RATES

Effective July 1, 2016 (**Subject to Change**)

RECLAIMED WATER: (per 1,000 gallons)		Customer Class	Inside City Rate	Outside City Rate
Private Residential	Tier 1 (0 - 3,700 gallons)	R1	\$ 1.23	\$ 1.35
	Tier 2 (3,701 - 6,400 gallons)		1.52	1.67
	Tier 3 (6,401 - 11,700 gallons)		2.20	2.42
	Tier 4 (11,701+ gallons)		4.13	4.54
Commercial (no main Ext):	35% of Commercial Rate	C	1.59	1.75
Commercial (w/ main Ext):	75% of Commercial Rate	C	3.40	3.74
Manufacturing (no main Ext):	35% of Commercial Rate	MN	1.57	1.73
Manufacturing (w/ main Ext):	75% of Commercial Rate	MN	3.17	3.49
NAU (Sinclair Wash-Intramural Fields):	35% of NAU Rate	NA	1.48	N/A
NAU (all other):	75% of NAU Rate	NA	3.17	N/A
City Departmental		MU	1.59	N/A
Hydrant Meter		WR	3.55	N/A
Standpipe**		RS	3.87	N/A
Off Peak/Golf Course:	Tier 1 (0 - 150,000,000 gallons)	WR	1.38	1.52
	Tier 2 (150,000,001+ gallons)	WR	1.07	1.18
Untreated Surface Water			1.32	1.45

