

TONTO HILLS DOMESTIC WATER IMPROVEMENT DISTRICT



Notice of Public Hearing Proposed Water Rate Increases

22 February 2024 at 6:30pm

VIA ZOOM and

Christ the Lord Lutheran Church

9205 E Cave Creek Rd

Carefree, AZ

Join Zoom Meeting

<https://us02web.zoom.us/j/83157791410?pwd=Tm1zVFIPdGFZeWlqZk91WVZ1SkJmUT09>

Meeting ID: 831 5779 1410

Passcode: 558419

Notice is hereby given on 12 February 2024 that at the date, time, and place shown above, the Board of Directors of the Tonto Hills Domestic Water Improvement District (THDWID) will, as required by Arizona Revised Statute §48-910, conduct a public hearing to consider adopting rate increases and rate structure revisions for its water services.

The District water rates fund the costs for providing safe and reliable drinking water service, including technical, managerial, financial, and operational costs, along with capital improvements, such as; refurbishing or replacing storage tanks, maintaining and/or replacing water lines and fire hydrants, upgrading and improving leak detection systems, replacing water meters, and continuing to update and modernize system technologies and efficiencies.

The District has an exclusive contract with the City of Scottsdale (COS) for the treatment and delivery of the THDWID's CAP water allocation. The initial 25-year contract established between COS and the Tonto Hills Utility Company (THUC) was continued in 2009 with a new 25-year duration.

Since the establishment of the water district in 2009 no increases in rates have been adopted. The rate tiers were adjusted in 2014 as part of the implementation of the District's Water Conservation plans which is required by Arizona statute. The last rate increase to Tonto Hills water customers was proposed by THUC and approved by the Arizona Corporation Commission in 2005. Since then, COS has increased the rate charged to the THDWID numerous times. The latest were increases in 2018 and 2019 totaling 16.1%. Under consideration by the District is rate and/or base rate increases to offset increase costs and fund long-term capital improvements.

The public hearing will provide an opportunity for Tonto Hills Domestic Water Improvement District members to share their thoughts and comments with District Board members regarding proposed rate changes. The reasons for the rate increases will be discussed during the meeting. The above-referenced statute provides the District the authority to implement rate changes.

THDWID Board of Directors

THDWID Rate Increase Frequently Asked Questions

The rate increases discussed here are under considered by the Tonto Hills Domestic Water Improvement District (THDWID) and when approved by the Board, would become effect on 1 April 2024. Additional revenue is necessary to meet increased costs, long-term capital improvement needs, and inflationary pressures affecting our water system. Proposed increases include a change to the base rate, increases across all rate tiers, an inflation rate adjustment, and establishment of a base rate for unimproved properties.

Why do water rates need to be raised? District revenues are not keeping pace with increased water costs, operations and maintenance costs, and planned replacement of the aging infrastructure (pipelines, storage tank, and valves). Buried underground, our system is out of sight — and, usually, out of mind. It is often only when failures occur that we are reminded of how much we take for granted our access to safe drinking water. Secondly, our City of Scottsdale treatment and delivery charges have increased significantly. The deficit for 2023 will be approximately **\$43,708** and is projected to be **\$7,021** in 2024. Until recently, hook-up fees have offset rising costs. That budget line item will continue to decline as the community approaches build-out. The additional capital improvements are needed on the sixty-year old infrastructure before the County’s paving project, scheduled for 2026, begins. Costs will increase after paving is completed because of specific requirements for paving repairs imposed by the County.

How big an increase do we need? At a minimum, a 20% increase in revenue is needed to meet budget, one-time or other unexpected costs. The increase in base rate and tiers would provide an additional \$22,000 per year income.

What is being proposed? Specifically, the following are proposed;

- Increase the base rate from \$40 to \$50
- Add base rate of \$25/mo on unimproved properties (**TBD**)
- Increase on all tier rates 16.1%
- Add a yearly inflation rate increase of 2.8% starting in 2025

How will the rate increase affect my water bill? The **average monthly** bill will increase approximately \$26.73 plus tax. The current bill, based on the community average use of 5,443 gal/month, is \$81.92. The cost with proposed rates on 5,443 gal/month would be \$98.65 plus tax.

What is the financial justification based on needs and projections? The deficit for 2022 and 2023 were **\$1,955.26** and **\$43,708** respectively. The projected deficit for 2024 is **\$7,021**. Prior to 2022, new resident hook-up fees had offset cost.

Based on the amount of increase, what will be available for improvements in 5 years? \$164,000

How will District revenues be spent over the next 10 years? We have prioritized projects and analyzed costs to address critical needs:

- Capital improvements are the highest priority;
 - └ Tank replacement and refurbishment beginning in 2026 estimated cost is \$200,000
 - └ Continued valve replacement as needed \$28,000
 - └ Costs associated with County paving project estimated to be \$44,000
- Employee cost and additional outside maintenance services
- MCDOT paving impacts

When will we need to replace the tank? The independent assessment during the 2016 inspection and refurbishment was the existing tank’s projected end of life is 2028. The target date for tank replacement is 2026.

What would happen if we did not raise the rates? The District would be forced to reduce investment in capital improvements, which would lead to more frequent infrastructure failures, water service interruptions, water loss, and street damage. Therefore, our operating costs would then increase, further reducing the funds now slated for infrastructure investments.

What are the major costs of operating the water system? More than half of our annual operating costs are for the CAP supplied water from the Colorado River and treatment and distribution conveyed by the City of Scottsdale. Capital improvements are the next largest component, followed by maintenance cost, including wages. 100% of all District water receipts funds all operations costs. The District has no debt service costs. The original loan to purchase the water company is via assessment by property owners.

What have you done to lower operating costs? The District has always focused on ways to increase efficiency and reduce costs. New water hook-up and establishment fees have typically offset the increasing costs. As the District progresses to full build-out, those fees are declining. Through competitive bid, our one full-time employee is half the cost of proposals submitted and similar positions throughout Arizona. Our total employee numbers have not changed since 2010 even though the number of water connections increased by 19%. We also conduct leak-detection surveys to identify and reduce water losses in our distribution system. The District has ‘banked’ a significant number of years worth of water to offset water increases as a result of the continued drought.

What can I do to lower my bill? You can conserve water. Since outdoor watering and pools account for 40–60% of residential use, you can reduce your consumption significantly by improving your irrigation system, adding pool covers, and/or reducing water-needy landscaping.

How are Tonto Hills’ water services funded? Water service is funded completely by customer receipts, with no support from any other agency.

When was the last rate increase? Since THDWID’s formation in 2009, there have been no rate increases. The last increase was by the Tonto Hills Utility Company in 2005.

How do Tonto Hills’ rates compare to those of neighboring cities? The Tonto Hills DWID is a unique water district. Our rate structure is currently higher than many Arizona water systems. Unlike other districts, we rely solely on the Colorado River allocation from CAP. Other districts have slightly lower rates largely because of reliance on wells. Larger water system cities like Scottsdale, Kingman, Prescott, etc. have economy of scale benefits. With our small size we do not have those benefits. The District also contracts with the City of Scottsdale to treat and pump water to our tank. This is an additional cost of 10% and 20% respectively that other districts don’t have. The proposed base rate change is comparable to Cave Creek’s and Carefree’s current base rate.

Do water pipes need to be replaced? Although the existing pipe is 60 years old with numerous splices and patches, the overall condition is very good. A number of sections will be replaced during the County’s paving project. The existing undisturbed section will need replacement in the future. Based on current MCDOT paving estimates, the cost to the District for relocation of service lines is approximately \$44,000.

In summary the new rate structures needed to meet the current and future needs of the Tonto Hills water system.

- Water costs have increased 20% of the last 8 years
- Hook-up and establishment fees on new residences are not keeping pace
- The need for system capital improvements
- After paving, maintenance cost of underground water line will increase