



Tonto Hills Community Informational Brief

# TONTO HILLS

**Water**

**District**



# Introductions

## Board of Directors

- Corey Garrison (Chairman)
- Christine Anderson (Treasurer)
- Rick Nelson (Secretary)
- George Drazek
- Mark Laliberte

## District Superintendent

- Jeff Frazey

## District Clerk

- Erica Boyle

# AGENDA



History of water  
rate structure



Where do the  
funds go?



Rate Increase  
Justification



Rate Increase  
Decision



Q& A Time

# Historical Background

- Tonto Hills water system established in the early 1960s
  - Leased and drilled two wells from US Forest Service
  - Treated and distributed water to community
- Tonto Hills Utility Company (THUC) formed in 1987
  - Treated and distributed water from wells or outside source
  - 100-Year Central Arizona Project (CAP) allocation in 2001
- Community formed THDWID in February 2009
- THDWID purchased system from THUC in March 2009
- Authority equal to municipally elected officials
  - Management and operation control
  - Establish rates
- Oversight by Maricopa County Board of Supervisors

# Water Rate Structure Background

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 increased costs and fund long-term capital improvements.

# Where does the \$ go?

- The District water rates fund the costs for providing safe and reliable drinking water service.
- Infrastructure improvements
  - Water storage tank
  - PRVs
  - Valves
  - Meters, Main Supply Lines, Lateral Service Lines
- More than half of our annual operating costs are for the water supply and distribution system.
- Capital improvements are the next largest component, followed by maintenance costs, including wages.
- The District has no debt service costs.



# Rate Increase Justification

## 1. Utility revenues are not keeping pace with increasing costs for operations, maintenance, and replacement of aging infrastructure (pipelines, storage tank, and valves).

- What was the net income in 2022 and 2023?

2022 net income           \$1,955.26

2023 net income           -\$43,708.01

- What is the projected net income for 2024?

2024 projected net income   -\$30,869

## 2. MCDOT Paving Project

- Although the existing pipe is 60 years old with many significant splices and patches, the overall condition is very good. During paving, a number of sections will be replaced. The existing undisturbed sections will need replacement in the future. Based on MCDOT paving estimates, the cost to the District for relocation of service lines is approximately \$44,000.

# Rate Increase Justification (Cont.)

### **3. Infrastructure Improvement**

- Estimated end of life on existing tank is 2028, the THDWID has plans to replace the tank incurring an infrastructure improvement cost estimated at \$150,000.
- Our current infrastructure is over 60 years old and will need to be upgraded at some point, although currently it has been inspected in several locations and its serviceability is very good!
- Maintenance & Infrastructure improvement costs will increase after paving.

### **4. Water delivery and lift costs**

- Water costs have increased more than 20% over the last 8 years.



# Rate Increase Justification (Cont)

- **Increased Water Purchase Costs**
  - **CAP & COS rates continue to increase**
    - **9.5% in 2018 and 6.5% in 2019**
    - **Currently up almost 21% since 2018**
    - **THDWID has never increased rates**
  - **Conservation rates established in 2014 not triggered**
- **Lower Water Sales**
  - **FY 2023 water sales dropped 10%**
  - **FY 2024 projected water sales another 10% drop**
- **Employee Compensation**



## New Rate Details

- A base rate increase to \$50/month and rate increase of 16.1% is necessary to meet increased costs, long-term capital improvement needs, and inflationary pressures affecting our water utility.



# FAQ

**How do Tonto Hills' rates compare to those of neighboring cities?** The Tonto Hills DWID is a unique water district. Our rate structure is higher than many other 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. The District also contracts with the City of Scottsdale to treat and pump water to our tank. This is a 15% cost addition that other districts don't have. The proposed base rate change is comparable to small water systems like Cave Creek and Carefree.

**What is the long-term outlook for rates?** Unfortunately, water rates will steadily increase. As our water system components reach the end of their asset life, they must be replaced. Public funding through low interest loans are available but that means debt. This makes it very likely that the cost of service will continue to climb in the future.

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

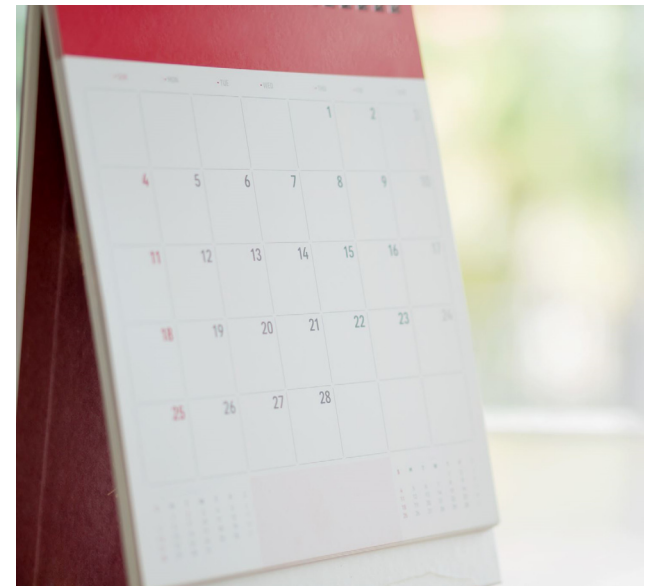
**What would happen if we didn't raise the rates?** We would be forced to reduce our investment in capital improvements, which would lead to more frequent infrastructure failures, water service interruptions, water loss, and street damage. Our operating costs would then increase, further reducing the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

# Timetable For Rate Adoption

**7 February 2024 –  
Public hearing**

**1 March 2024 – Board  
decision on new rate  
structure**

**1 April 2024 – New  
rates in effect**



# FAQ

## **How will the rate increase affect my water bill?**

The **average monthly** bill will increase approximately \$26.73 plus tax

Current structure 5,443 gal/mo or (\$40 base + \$27.20 tier 1 + \$14.72 tier 2 ) = \$81.92 plus tax

Proposed structure 5,443 gal/mo or (\$50 base + \$31.56 tier 1 + \$17.09 tier 2) = \$98.65 plus tax

## **Why such a large increase instead of incremental over time?**

The THDWID is made up of fellow community members/volunteers and we have always prided ourselves in being good stewards of both our water and money.

We have had an unprecedented perfect storm resulting from two primary factors:

1. COVID-19 Pandemic caused prices to raise drastically with minimal reduction post-COVID
2. Public Alarms of water shortages

July

Questions