



Staff Report

Agenda Item: NOTICE OF INTENT TO SET SEWER FEE RATE – Discussion and consideration of a Notice of Intent to Set Sewer Fee Rate.

Staff Contact: Wayne Debrosky, Utility Director

Meeting Date: March 10, 2009

Background: Council was advised and presented a timeline at the February 24, 2009, Council meeting regarding the Town's proposed Sewer Fee Rates. On March 2, 2009, the Notice of Intent to Set Sewer Fee Rates and report with the data supporting the increase of sewer fees was submitted to the Town Clerk. Those documents are presented to Council for discussion and consideration.

Recommendation: Approval of the Notice of Intent to Set Sewer Fee Rate.

**NOTICE OF INTENT
TO AMEND SEWER RATE FEES**

The Town Council of the Town of Clarkdale, Arizona will conduct a Public Hearing on the proposed Clarkdale Utility sewer rate fees on April 14, 2009, at 6:00 p.m. in the Clark Memorial Clubhouse Men's Lounge, 19 N. Ninth Street, Clarkdale, Arizona.

The proposed fees to become effective May 15, 2009 are as follows:

PROPOSED AMENDED SEWER RATE FEE

Sewer User Rate Residential	\$28.00 per month
Sewer User Rate Commercial	\$28.00 per month minimum base rate, plus a usage fee of \$2.25 per one thousand gallons of water in excess of 5,000 gallons per month.

Town of Clarkdale Wastewater Rate Increase

Supporting Data

March 2, 2009

The Town of Clarkdale Wastewater Enterprise Funds consists of:

1. Wastewater treatment (O&M and plant & equipment)
2. Line replacement
3. Sludge removal

In order to provide these wastewater enterprise funds with the necessary resources to operate and maintain the wastewater treatment facility, inspect, maintain, and upgrade the wastewater collection system, and provide the capital necessary to dispose of wastewater sludge, it is necessary to increase the current wastewater user rate. Previous rate increases are as follows:

- In 2002 the wastewater user rate went from \$12.00 to \$16.80
- In 2004 the wastewater user rate went from \$16.80 to \$19.80
- In 2005 the wastewater user rate went from \$19.80 to \$20.47

Note: The commercial rate of the base plus \$1.90/1000 gallons has not changed since 2002.

The Town of Clarkdale commissioned two wastewater rate studies, the first in 2004 and the second in 2007, both recommended increasing the wastewater user rate. Since those studies, the costs to operate the wastewater collection and treatment system have increased dramatically, and the increases in revenues that were projected in those studies have not been realized. Personnel costs, which include health insurance and workers compensation insurance, have risen dramatically. The costs for electricity, gasoline, chemicals, laboratory testing, regulatory permitting, and other necessary supplies have increased many times.

Cut backs in personnel salaries have been made, purchases of new equipment have been postponed, or in some cases cancelled, sewer department personnel have assumed new duties and taken over projects or work previously performed under contract by consultants and/or vendors, and work schedules have been adjusted, all in an effort to reduce operating costs and minimize costs to system users.

The projected shortfall for fiscal year 2008/2009 is \$90,542.00. The projected savings from the wastewater department changes that will be implemented by the Town for the fiscal year 2009/2010 will amount to \$90,195.00.

The following wastewater rate increase is proposed to allow the wastewater enterprise O&M fund to recover the fiscal year 2008/2009 operating deficit and break even by the end of the 2009/2010 fiscal year, to increase balances in the wastewater line replacement and sludge disposal funds in order to upgrade aging sections of our wastewater collection system and to budget for sludge removal as necessary.

The wastewater rate increase necessary to accomplish these objectives would be:

Rate Comparison:

	<u>Current Rate(s)</u>	<u>New Rate(s)</u>
Base Rate	\$17.40	\$23.00
Line Replacement	2.05	2.50
Sludge Disposal	<u>1.02</u>	<u>2.50</u>
Total Rate	\$20.47	\$28.00

Increase the Commercial User Rate from \$1.90 per 1000 gallons to \$2.25 per 1000 gallons.