



TOWN OF QUARTZSITE

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NOTICE OF PROPOSED WATER RATE CHANGE

The Town Council will hold a public hearing on a proposed water rate change on Tuesday, July 22, 2014 at 7:00 p.m. in the Council Chambers of Town Hall located at 465 N. Plymouth Avenue, Quartzsite. The Town Council may vote to approve the proposed water rates at that time.

The proposed rate structure establishes a five-year planning cycle. The following chart provides a summary of the proposed water rates for the next five years. The proposed rate change will take effect on September 1, 2014.

PROPOSED WATER RATES					
Base Rates	FY 14	FY 15	FY 16	FY 17	FY 18
¾" Meter	31.51	32.05	32.56	32.91	33.46
1" Meter	52.51	53.41	54.27	54.86	55.77
1.5 Meter	105.02	106.83	108.53	109.72	111.54
2" Meter	168.03	170.92	173.65	175.54	178.46
3" Meter	315.05	320.48	325.59	329.15	334.61
4" Meter	525.09	534.14	542.66	548.58	557.68
6" Meter	1050.18	1068.28	1085.31	1097.15	1115.37
8" Meter	1680.29	1709.24	1736.50	1755.44	1784.59
Commodity Rate (Per 1000 Gallons)	FY 14	FY 15	FY 16	FY 17	FY 18
Residential	3.90	4.56	5.36	5.58	5.81
Commercial	3.90	4.56	5.36	5.58	5.81
RV Parks	3.90	4.56	5.36	5.58	5.81
Bulk Water Hauler	7.79	9.12	10.72	11.16	11.62

The Town of Quartzsite provides potable water to its citizens and many seasonal occupants and visitors who stay primarily in recreational vehicle (RV) parks. A public municipal water system supplied from the underground aquifer was constructed shortly after the Town's incorporation in 1989. Prior to that time residents obtained water from several hundred individual wells, many of which still remain in operation. Groundwater for the municipal system is pumped and stored at two water production facilities located within the Town: the Quail Trail Facility and the Kofa Avenue Facility. The production wells draw from the Lower Aquifer of the Parker Basin and the groundwater requires no treatment other than chlorination prior to distribution to the Town's customers.

While the majority of the Town's water meters are for single family residences the largest user class is 3,200 RV/Mobile Home hookups because the Town of Quartzsite has a high tourist population. The RV/Mobile home parks are serviced by 68 large master meters. The Town also includes a residential development known as Q Mountain, which is supplied water through a single large 6" water meter and served by a private water distribution system. Table 1 summarizes the existing water meters serving the Town's customers.

Table 1 Existing Town Water Customers

User Class	# of Water Meters
Residential	734
Commercial	156
Multi-Family	7
RV Parks & Swap Meets	68
Q Mountain	1
Total	966

Not all Town customers have abandoned their wells even though there is Town water available to them. Thus, included in the Town's current rate structure is a monthly fixed service charge to recover the fixed costs associated with the Town providing the availability of water service and therefore capacity in the system for these customers should their wells fail. The Town's current water rate structure is as follows:

The first component of the rate structure is a fixed monthly service charge as shown in Table 2. The service charge currently varies by customer class and meter size. This particular structure is one of the key findings of this study. Industry standards as prescribed by the American Water Works Association (AWWA) only recognizes the size of the meter for allocating fixed costs and does not differentiate between user classes. It is unknown how this structure was created or why and thus this study collapses the three user classes into one based on AWWA standards.

Table 2 Current Monthly Fixed Charges

Meter Size	No. of Meters	Current		
		Current SF	Current Commercial	Current MH/RV
5/8"	0			
3/4"	884	\$ 27.04	\$ 42.25	\$ 32.50
1"	11	\$ 33.25	\$ 67.55	\$ 43.23
1 1/2"	2	\$ 41.47	\$ 84.25	\$ 53.91
2"	62	\$ 83.07	\$ 168.75	\$ 107.99
3"	0	\$ 124.54	\$ 252.99	\$ 161.90
4"	3	\$ 166.01	\$ 337.24	\$ 215.82
6"	3		\$ 843.23	\$ 539.62
8"	1			
10"	0			
12"	0			
Total	966			

The second component of the Town's water rate structure is the commodity rate per 1000 gallons of water consumed by the customer. The current commodity rate structure for single family has two billing tiers as shown in Table 3. If a customer uses from 0 to 15,000 gallons, they are charged \$2.37 per 1000 gallons. All consumption over 15,000 gallons is charged at \$2.87. All other customers (commercial and RV/Mobile homes are charged a flat rate of \$2.37 per 1000 gallons consumed.

Table 3 Single Family Current Rate Structure

Consumption Block	Consumption	Rate Differential	Current Rates
0 - 15 thousand gallons	31,182	0.0%	\$ 2.37
16+ thousand gallons	8,130	21.0%	\$ 2.87
Total	39,312		

The second major change recommended by this study is that all users, including the single family customers, should be charged a flat rate per 1000 gallons consumed. This is more equitable than the current structures and eliminates interclass subsidies and simplifies the rate structure.

The most significant finding of this rate study is that the Town is significantly under collecting for the costs associated with the operations and maintenance of the water system. In Fiscal Year 2013 only \$765,000 was collected under the current rates. The Town's Fiscal Year 2014 water system budget is \$1,224,296 or 60% higher than the current water rates are generating as revenue to fund the water system. It should be noted that the Town did not increase their water rates from 2001 to 2009 and then only implemented two years of a proposed five-year rate increase program. Rates have not been

increased since 2011. As noted earlier, not keeping up and having annual rate adjustments to fund the budget has put the Town in a significant deficit position and the Town's General Fund has had to subsidize the water rates of residents and visitors. When a subsidy like this exists it translates into lower levels of General Fund services, such as parks, community center programming, recreation programming, community events and law enforcement services.

Thus in addition to updating the rate structure an increase is proposed in the user rates to cover the operating costs of the water system. The following rates are recommended to close this gap and fully fund the water system's operation and maintenance for the next five years. Table 4 summarizes the current fixed monthly service charges and the proposed fixed rates for the next five years. Table 5 summarizes the current flat rate and the proposed flat rate for all users for the next five-years.

Table 4 Current and Projected Fixed Monthly Service Charge

Meter Size	No. of Meters	Current			Proposed				
		Current SF	Commercial	Current MH/RV	FYE 2015	FYE 2016	FYE 2017	FYE 2018	FYE 2019
5/8"	0				\$ 31.51	\$ 32.05	\$ 32.56	\$ 32.91	\$ 33.46
3/4"	884	\$ 27.04	\$ 42.25	\$ 32.50	\$ 31.51	\$ 32.05	\$ 32.56	\$ 32.91	\$ 33.46
1"	11	\$ 33.25	\$ 67.55	\$ 43.23	\$ 52.51	\$ 53.41	\$ 54.27	\$ 54.86	\$ 55.77
1 1/2"	2	\$ 41.47	\$ 84.25	\$ 53.91	\$ 105.02	\$ 106.83	\$ 108.53	\$ 109.72	\$ 111.54
2"	62	\$ 83.07	\$ 168.75	\$ 107.99	\$ 168.03	\$ 170.92	\$ 173.65	\$ 175.54	\$ 178.46
3"	0	\$ 124.54	\$ 252.99	\$ 161.90	\$ 315.05	\$ 320.48	\$ 325.59	\$ 329.15	\$ 334.61
4"	3	\$ 166.01	\$ 337.24	\$ 215.82	\$ 525.09	\$ 534.14	\$ 542.66	\$ 548.58	\$ 557.68
6"	3		\$ 843.23	\$ 539.62	\$ 1,050.18	\$ 1,068.28	\$ 1,085.31	\$ 1,097.15	\$ 1,115.37
8"	1				\$ 1,680.29	\$ 1,709.24	\$ 1,736.50	\$ 1,755.44	\$ 1,784.59
10"	0				\$ 2,415.42	\$ 2,457.03	\$ 2,496.22	\$ 2,523.45	\$ 2,565.35
12"	0				\$ 4,515.78	\$ 4,593.59	\$ 4,666.84	\$ 4,717.76	\$ 4,796.08
Total	966								

Table 5 Current and Projected Flat Rate

Flat Rate Determination	Current	FY15	FY16	FY17	FY18	FY19
Flat Rate per 1,000 gallons	\$ 2.37	\$ 3.90	\$ 4.56	\$ 5.36	\$ 5.58	\$ 5.81