

Requesting Departments:

Finance



TO: HONORABLE MAYOR AND TOWN COUNCIL

THROUGH: BRUCE GARDNER, TOWN MANAGER

FROM: SCOTT MCCARTY, FINANCE DIRECTOR

RE: Discussion and possible approval of 60-day Notice of Intention setting the time (6:30 P.M.) and the date (April 17, 2024) for the public hearing to amend the existing water meter installation fees.

DATE: February 7, 2024

Relevant Council Goal(s):



Effective Government: KRA Financial Stability

Proposed Motion:

Move to approve the 60-day Notice of Intention setting the time (6:30 p.m.) and date (April 17, 2024) for the public hearing to amend the existing water meter installation fees.

Discussion:

Town staff has been working on the Utility Rate Study with the consultant and evaluating current fees in the Water Operating Fund. Water services are accounted for in an Enterprise Fund. Enterprise Funds operate similarly to a private business, where the costs of providing the services to the customer are recovered through user charges and fees. In accordance with the Town's Financial Policies, Enterprise fees shall be set to fully recover their respective operating costs. Town Code Section 16-5-13 Schedule of Rates specifies the Town Council, by resolution, may adopt, set or amend the fees, rates, payments, penalties and charges related to Article 16-5, which resolution shall be on file with the Town Clerk.

The fee for the initial cost of water meters was approved on May 21, 2008 through Resolution 735-08 which established the water meter fees for FY 2008-09 through 2010-11. The water meter installation fees have not been adjusted since FY 2010-11. Meter revenue is primarily based on the number of single-family permits issued in a year. In FY 2022-23, the Town collected approximately \$800K in water meter revenue, which includes the charges for the meter, MXU (meter transceiver unit), and parts.

The Town has utilized Dana Kepner Co, Inc. since the inception of water services in 2008. The contract with Dana Kepner Co, Inc. (Town Contract 2019-098) includes water meters, components, parts, and other service purchases. The cost per water meter through Dana Kepner is dependent on a contracted rate.

Through the comprehensive review of water fees as part of the utility rate study, staff has identified that the fee the Town is charging no longer covers the cost of the water meter purchases and other associated fees to deliver and install meters at the service address. As such, Town staff recommends increasing the fee for new water meters to achieve full cost recovery. The water meter measures the volume of water used by residential and commercial customers and has several components which include the MXU and parts. The MXU is a radio signal device which broadcasts the hourly meter readings to Sensus meter data systems. The parts associated with the water meter include reducers and adapters for the transition to the valve thread size. The full cost recovery for the water meter, as shown on the table below, includes the meter, MXU, associated parts, delivery and installation of the meter, and administrative costs.

Meter Type	Water Meter Price	MXU Price	Parts & Installation	Admin Fee	Total Proposed Fee
3/4"	\$202.64	\$156.70	\$90.94	\$49.72	\$500
1"	\$312.14	\$156.70	\$69.74	\$61.42	\$600
1 1/2"	\$1,172.24	\$156.70	\$98.45	\$172.61	\$1,600
2"	\$1,390.46	\$156.70	\$98.63	\$154.21	\$1,800
3"	\$1,732.74	\$156.70	\$184.90	\$225.66	\$2,300
4"	\$3,373.27	\$156.70	\$290.90	\$379.13	\$4,200
6"	\$6,073.01	\$156.70	\$292.66	\$677.63	\$7,200

In order to increase the fees for new water meter purchase and installation, the Town must follow a two-step process as required by ARS § 9-511.01. Step one, provide a written public notice for 60 days regarding the intent to increase the fee and include data that supports the proposed fee. If approved, a copy of the notice will be published in the newspaper not less than twenty days before the public hearing date as required.

Step two, after the 60-day notice period, hold a public hearing to increase the fee. In this case, the date for the public hearing is scheduled for April 17, 2024 (step 2 of 2). The new fee can then be applied 30 days after adoption of the resolution, which would be May 17, 2024.

This process and calendar are shown in the schedule below.

Date	Activity
February 7th	Town Council Discussion and Possible Approval of 60-Day Notice of Intention to Amend the Existing Fee for Water Meter Installation
February 8th – April 7th	60-Day Notice Period
April 17th	Town Council Public Hearing and Possible Adoption of a Resolution Amending the

	Water Meter Installation Fee
May 17th	New Fees for Water Meter Purchase and Installation Becomes Effective (if Approved)

Fiscal Impact:

The annual revenue increase will depend upon the number of water meters purchased, mainly as a result of new, single-family homes constructed. Assuming that number is 1,500 in a fiscal year, with an expectation that 88% of those new meters will be ¾” meters, the annual revenue increase would be \$98,015 as shown in the schedule below.

Fee Increases per Meter

Meter Type	Number of Meters Purchased	Proposed Fee Increase Per Meter	New Revenue
¾”	1325	\$ 37.00	\$ 49,025
1”	120	\$ 46.00	\$ 5,520
1 1/2”	25	\$ 742.00	\$ 18,550
2”	25	\$ 717.00	\$ 17,925
3”	2	\$ 817.00	\$ 1,634
4”	3	\$ 1,787.00	\$ 5,361
6”	0	\$ 1,577.00	
Total	1,500		\$ 98,015

Alternatives:

Water Utilities services are accounted for in an Enterprise Fund. The intent of the Enterprise Fund is to recover all expenses through rates and fees. As such, if these cost increases related to the water meters are not recovered from the water meter fee created to do so, the difference will come from the monthly rates. Using the example above of 1,500 new carts related to new water meter installations, this means a shortfall of \$98,015 would come from rates.

Attachments:

1. Notice of Intention to Increase the Water Meter Installation Fee
2. New Water Meter Cost Analysis