



# Town of Mammoth

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October 21, 2019

In July 2019, the Town Council Meeting Agenda and Meeting Minutes began to notify the public of the Town's intention to increase water and sewer rates and fees for the Town of Mammoth.

At the end of Fiscal Year 2019 (ending June 30, 2019), the Water Fund deficit was **(-\$653,891)** and the Sewer Fund Deficit was **(-\$26,695)**. Without an increase in both water and sewer rates and fees, the deficits will continue to grow and the Town will not have enough money to operate and maintain the water and sewer systems.

Per Arizona Revised Statute (ARS) 9-511.01, the increased rates and charges for water and sewer service are just and reasonable. The expenses needed to effectively operate and maintain the water and wastewater systems are significantly higher than the current billed revenue. Data supporting and detailing the necessary rate increases is given on the following pages of this report and is available at the Town Hall and on the website ([townofmammoth.us](http://townofmammoth.us)).

A Public Hearing is scheduled for November 11, 2019 at 7:00 pm at the Town Hall. The Public is invited to learn more about the Town of Mammoth proposed water and wastewater rate increases at this meeting. In addition, written comments can be submitted to Town Hall any time before the Public Hearing.

A comparison of surrounding towns shows that the Town of Mammoth has the lowest water and sewer rates.

**TABLE 1: Comparison of Water and Sewer Rates in Surrounding Communities**

Surrounding Communities	Typical Monthly Water Bill (Assumes 7,500 gallons)	Typical Monthly Sewer Bill
Town of Mammoth	\$ 27.53	\$ 15.63
Kearny	\$ 35.95	\$ 27.60
Hayden	\$ 51.68	\$ 46.73
Oracle	\$ 59.39	\$ 27.00
San Manuel	\$ 53.54	\$ 54.27
Saddlebrooke	\$ 59.39	\$ 39.30

## Water Rate and Fee Increases

In July 2019, the Town Council adopted the Fiscal Year 2020 Budget. TABLE 2, below, shows the actual water system revenue and expenses for the past five years, and the adopted budget for the current year:

**TABLE 2: Town of Mammoth Water System Revenue and Expenses**

<b>Water Enterprise Fund - Fiscal Year</b>	<b>Budget Report Expenses \$</b>	<b>Budget Report Revenue \$</b>	<b>Revenue - Expenses Difference \$</b>
FY 2014-2015	\$ 160,799	\$ 190,309	\$ 29,510
FY 2015-2016	\$ 153,846	\$ 153,847	\$ 1
FY 2016-2017	\$ 179,619	\$ 160,369	\$ (19,250)
FY 2017-2018	\$ 237,520	\$ 170,759	\$ (66,761)
FY 2018-2019	\$ 286,610	\$ 131,058	\$ (155,552)
5-Yr Average	\$ 203,679	\$ 161,268	\$ (42,410)
FY 2019 - 2020	\$ 438,509	\$ 438,509	\$ -

In order to balance the budget (water revenues equal water expenses) in Fiscal Year 2020, water revenues from rates and fees must total \$438,509. This is \$307,451 more than last year's water revenue.

Increased expenses to operate and maintain the water system are caused by numerous factors, including:

- Increasing Consumer Price Index
- Increasing Labor and Employee Costs
- Increasing Equipment and Materials Costs
- Increasing Energy Costs

To meet the adopted Fiscal Year 2020 Budget, water rates must be increased by 2.7 times the current rate or, alternatively, can be increased in a tier structure that increases the water rates as water use increases, and also charges commercial customers more than residential customers. In the tier structure, the charge for every 1000 gallons of water use increases by 10%.

TABLE 3, below, shows how both options increase the water rates and gives some examples of typical water bills at different monthly use amounts.

**TABLE 3: Town of Mammoth Water System Revenue and Expenses to Meet Fiscal Year 2020 Adopted Budget**

	<b>Current Rates</b>	<b>Option 1: Current Rates X 2.7</b>	<b>Option 2: Tier Rate Structure (10%)</b>
Estimated Water Use (gallons/yr)	45,000,000	45,000,000	45,000,000
Minimum Charge - Residential	\$ 11.41	\$ 30.81	\$ 32.00
Minimum Charge - Commercial	\$ 11.41	\$ 30.81	\$40 - \$100
Per Gallon Charge - Residential	\$ 0.00248	\$ 0.00670	\$0.00248 - \$0.00585
Per Gallon Charge - Commercial	\$ 0.00248	\$ 0.00670	\$0.00496 - \$0.01170
<b>Estimated Annual Expenses</b>	<b>\$ 438,508</b>	<b>\$ 438,508</b>	<b>\$ 438,508</b>
<b>Estimated Annual Revenue</b>	<b>\$ 166,825</b>	<b>\$ 450,426</b>	<b>\$ 443,140</b>
<b>Difference: Revenue - Expenses</b>	<b>\$ (271,683)</b>	<b>\$ 11,918</b>	<b>\$ 4,632</b>
<b>MONTHLY BILLS - EXAMPLES</b>			
<b>RESIDENTIAL (5/8")</b>			
Bill assuming 2000 gals per month	\$ 13.89	\$ 37.50	\$ 34.48
Bill assuming 7500 gals per month	\$ 27.53	\$ 74.33	\$ 60.56
Bill assuming 10,001 gals per month	\$ 33.73	\$ 91.07	\$ 84.63
<b>COMMERCIAL (5/8")</b>			
Bill Assuming 10,000 gals per month	\$ 33.73	\$ 91.07	\$ 135.69
Bill Assuming 15,000 gals per month	\$ 46.13	\$ 124.55	\$ 203.74
Bill Assuming 20,000 gals per month	\$ 58.53	\$ 158.03	\$ 262.21
<b>COMMERCIAL (1")</b>			
Bill Assuming 10,000 gals per month	\$ 33.73	\$ 91.07	\$ 145.69
Bill Assuming 15,000 gals per month	\$ 46.13	\$ 124.55	\$ 213.74
Bill Assuming 20,000 gals per month	\$ 58.53	\$ 158.03	\$ 272.21
<b>COMMERCIAL (2")</b>			
Bill Assuming 10,000 gals per month	\$ 33.73	\$ 91.07	\$ 170.69
Bill Assuming 15,000 gals per month	\$ 46.13	\$ 124.55	\$ 238.74
Bill Assuming 20,000 gals per month	\$ 58.53	\$ 158.03	\$ 297.21

In addition to the water rates, water system fees also need to increase to cover the actual cost of the equipment/materials/labor. The new radio meters that were installed this summer cost more than twice what the original meters cost, plus there is the antennae that is attached to the meter. Water System Fees are shown in TABLE 4, below:

**TABLE 4: Town of Mammoth Water System Fees to Meet Fiscal Year 2020 Adopted Budget**

Deposit	\$200
New Connection Fee	\$200*
New Meter Fee	\$250
New Valve Fee	\$100
New Antennae Fee	\$100
Shut-Off Fee	\$30
Turn-On Fee	\$30
Re-Read Fee	\$20
Meter Data Fee	\$25
Late Fee	\$25
* Plus equipment/materials/labor	

## **Sewer Rate Increases**

In July 2019, the Town Council adopted the Fiscal Year 2020 Budget. TABLE 5, below, shows the actual sewer system revenue and expenses for the past five years, and the adopted budget for the current year:

**TABLE 5: Town of Mammoth Sewer System Revenue and Expenses**

<b>Sewer Enterprise Fund - Fiscal Year</b>	<b>Budget Report Expenses \$</b>	<b>Budget Report Revenue \$</b>	<b>Revenue - Expenses Difference \$</b>
FY 2014-2015	\$ 101,799	\$ 101,973	\$ 174
FY 2015-2016	\$ 102,104	\$ 102,104	\$ -
FY 2016-2017	\$ 109,616	\$ 96,800	\$ (12,816)
FY 2017-2018	\$ 130,376	\$ 104,651	\$ (25,725)
FY 2018-2019	\$ 131,888	\$ 89,578	\$ (42,310)
5-Yr Average	\$ 115,157	\$ 99,021	\$ (16,135)
FY 2019 - 2020	\$ 179,920	\$ 179,920	\$ -

In order to balance the budget (sewer revenues equal sewer expenses) in Fiscal Year 2020, sewer revenues from rates must total \$179,920. This is \$90,342 more than last year's sewer revenue.

To meet the adopted Fiscal Year 2020 Budget, sewer costs must be increased by 75%, as shown in TABLE 6, below.

**TABLE 6: Town of Mammoth Sewer System Revenue and Expenses to Meet Fiscal Year 2020 Adopted Budget**

Rate Increase = 75%	Actual	Budget
	FY2019	FY2020
Residential Rate	\$ 15.63	\$ 27.35
Commercial Rate	\$ 24.31	\$ 42.54
Residential Revenue		\$ 168,710
Commercial Revenue		\$ 14,805
Total Revenue	\$ 89,578	\$ 183,515
Actual Expenses/Budget	\$ 131,888	\$ 179,920
<b>Revenue - Budget Expenses</b>	<b>\$ (42,310)</b>	<b>\$ 3,595</b>

After the Public Hearing on November 21, 2019, the Town Council will adopt by Resolution, the actual water and sewer rate and fee increases. It is the Town's intention to have the new rates in effect starting January 1, 2020.