



Notice of Intention to Consider Increase in Water Rates and/or Rate Components and Set Public Hearing Date to Consider Proposed Increase

In accordance with Arizona Revised Statutes, section 9-511.01, request the City Council adopt this notice of intention to consider an increase of up to 6.5 percent over the next two years in water rates and/or rate components and set a date for a public hearing to consider the proposed increase.

Summary

In accordance with Arizona Revised Statutes, section 9-511.01, the City Council announces its intention to consider increases in water rates and/or rate components for future years and set a date for a public hearing to consider the proposed increases.

Rate adjustments are identified in the Water Financial Plan as necessary to generate revenue required to invest in the future of the City of Phoenix by developing infrastructure and water supplies necessary to prepare for declared shortages on the Colorado River; rebuild core infrastructure through repair, rehabilitation, or replacement of aging infrastructure, particularly pipelines; and maintain an adequate fund balance to retain a AAA bond rating. Water rates and/or rate component increases will be considered that may total up to 6.5 percent over the next two years. Three options were articulated by the Transportation, Infrastructure and Innovation Subcommittee for the proposed increases in FY2021 and in FY2022, shown below:

1. A one-time 6.5 percent increase;
2. A 3.0 percent increase followed by a 3.5 percent increase; and
3. A one-time 3.5 percent increase with deferment of Water capital projects.

The first increase in water rates could be applied as early as May 2021 or as late as 2022.

The water rate adjustments will apply to all water service customers served by the City of Phoenix. No adjustment in wastewater rates will be considered at this time.

The City Council sets March 17, 2021, at 2:30 p.m. in the City Council Chambers, 200 W. Jefferson St., as the time and place for the public hearing to receive public comment on the water rate adjustment proposal. The City Council may act to adopt the

proposed adjusted water rates and rate components upon the conclusion of the hearing.

Information detailing the proposed adjustments to the water rates and rate components, Financial Plans, and the Five-Year Water Capital Improvement Program will be available to the public at least 30 days in advance of the public hearing. The information will be available 30 days in advance of the public hearing on the City of Phoenix Water Services Department website: <https://www.phoenix.gov/waterservices>. The information will also be available to the public at least 30 days in advance of the public hearing in person at the City of Phoenix City Clerk Department, located at 200 W. Washington St., 15th floor, during normal business hours. Appointments are recommended during the pandemic and can be made by calling (602)262-3111.

Concurrence/Previous Council Action

On Oct. 20, 2020, the Citizens' Water/Wastewater Rate Advisory Committee recommended:

- A zero percent water revenue increase for FY2021, based upon the five-year financial plan that includes a 6.5 percent increase in revenue for FY2022; and 3.5 percent increases in revenue for each of FYs 2023-25, by a 6-2 vote; and
- A zero percent wastewater revenue increase for FY2021, based upon the five-year financial plan that includes zero percent wastewater revenue increases in each of FYs 2021-25, by a 6-2 vote.

On Dec. 2, 2020 the Transportation, Infrastructure and Innovation Subcommittee:

- Recommended City Council approval of the Notice of Intention, by a 4-0 vote; and
- Heard information on water resources, infrastructure and financial plans, and requested staff provide further information on three options for the proposed increase.

The additional information requested by the Subcommittee included any deferment of Capital Improvement Program projects that would be required, depending on the proposed increase selected. The City Council will hear a report on the infrastructure projects, financial plans and the other information requested by the Subcommittee on a future agenda.

Public Outreach

The Water Services Department plans to conduct public outreach through virtual community meetings, social media, and online outreach in the months of January and February 2021.

Responsible Department

This item is submitted by Deputy City Manager Karen Peters and the Water Services and Finance departments.