



Lake Havasu City

Lake Havasu City
Council Chambers
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Title: Presentation for Status of Wastewater Fund, Rates and General Information (Jill Olsen)

Sponsors:

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Date	Ver.	Action By	Action	Result
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COUNCIL COMMUNICATION

TO: Honorable Mayor and Council

FROM: Jill Olsen, Administrative Services Director

SUBJECT:
Presentation for Status of Wastewater Fund, Rates and General Information (*Jill Olsen*)

FUNDING SOURCE:
Wastewater Utility Fund

PURPOSE:
Information on current and historical wastewater rates and general information, including debt service for the Wastewater Fund.

BACKGROUND:
Currently, wastewater service is provided to approximately 27,762 accounts through the Wastewater System (System). The System collects, transmits, treats, and disposes of sanitary sewage. The City periodically evaluates the financial needs for both the operational and capital construction programs and recommends to the City Council user charges (monthly fixed charges and volume rates for service) for the various uses and/or customer classes of the System. On a monthly basis, the City prepares bills for wastewater services that result in revenues from user charges being collected by the System throughout the year.

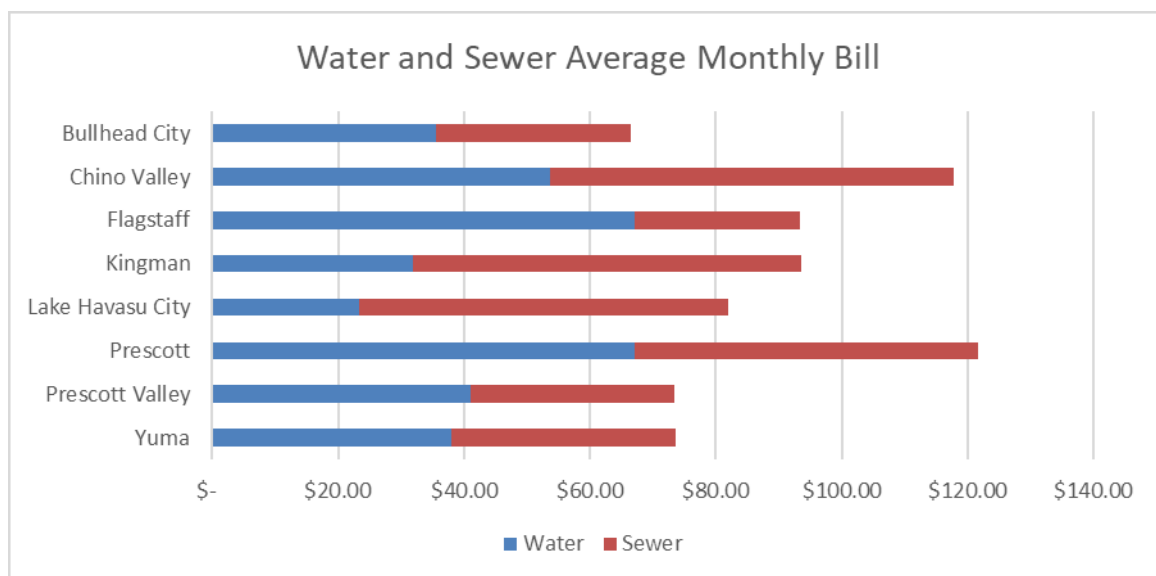
Wastewater collection and treatment are achieved through approximately 350 miles of gravity sewer, 25 miles of force main, 49 City-owned wastewater pump stations, 10 pump stations owned by others, 17 personal pump stations, and three City-owned wastewater treatment plants with 8.2 million gallons per day capacity. Current demand is approximately 50% of capacity.

The City received authorization in 2001, as a result of an election, to enter into debt obligations to finance expansion of the System. This expansion (Project) was generally defined as a \$463 million capital expenditure program to install a wastewater collection system and associated treatment capacity for an estimated 25,092 already-developed properties with septic systems, as well as properties expected to be developed over the following eleven years.

The Project was completed in Fiscal Year 2011-12 at a cost of approximately \$348 million and connected over 21,000 properties. The debt used to fund the Project was issued by the Water Infrastructure Finance Authority (WIFA) and the Greater Arizona Development Authority (GADA). The bond issuances of 2002 and 2004 were paid in full and the remaining bonds were refinanced in 2015 and mature in 2045. Total debt outstanding for the Wastewater Fund at June 30, 2018 was approximately \$220 million (unaudited). The interest rates on the bond issues range from 2.368% to 5%.

The wastewater rates assessed to users of the system have fluctuated since first charged. In the past ten years, the residential rate had increased approximately 24%. However, the rates have remained flat since 2010. In addition, winter averaging is applied to more fairly charge customers for the water being used and flowing to the wastewater system. Since water for irrigation purposes does not go to the wastewater treatment plant, customers are provided with a formula that makes an allowance for the irrigation use, reducing the amount charged for wastewater.

For comparison purposes, the following graph illustrates the rates for water and wastewater for comparable cities.



Lake Havasu City ranks in the middle of comparable entities.

The expenditure limitation, combined with no rate increases, has also limited the funding spent on continued

maintenance and improvement to the wastewater system. This limitation and its effects on the City's ability to manage the wastewater system will need to be considered in the future.

Overall, the bond issuances have created proceeds that have allowed for the expansion of the wastewater system. This includes additional sewer lines, as well as plant capacity improvements for the most efficient treatment. When the wastewater master plan was prepared, 16% of the land within the City limits and 12% of the planning area was served by a central wastewater system. The remainder utilized onsite septic systems to treat and dispose of the waste generated from each property. The Comprehensive Wastewater Master Plan was completed in 1998 and recommended the elimination of septic systems and the construction of a community wastewater system.

There are many benefits to having a safe and reliable wastewater system, most of which are environmental. The creation of effluent has also been a benefit in a more affordable irrigation and watering system for golf courses and parks.

COMMUNITY IMPACT:

Community receives the benefit of cost-effective wastewater collection and treatment services.

FISCAL IMPACT:

N/A - informational only.

ATTACHMENTS:

N/A

SUGGESTED MOTION:

N/A