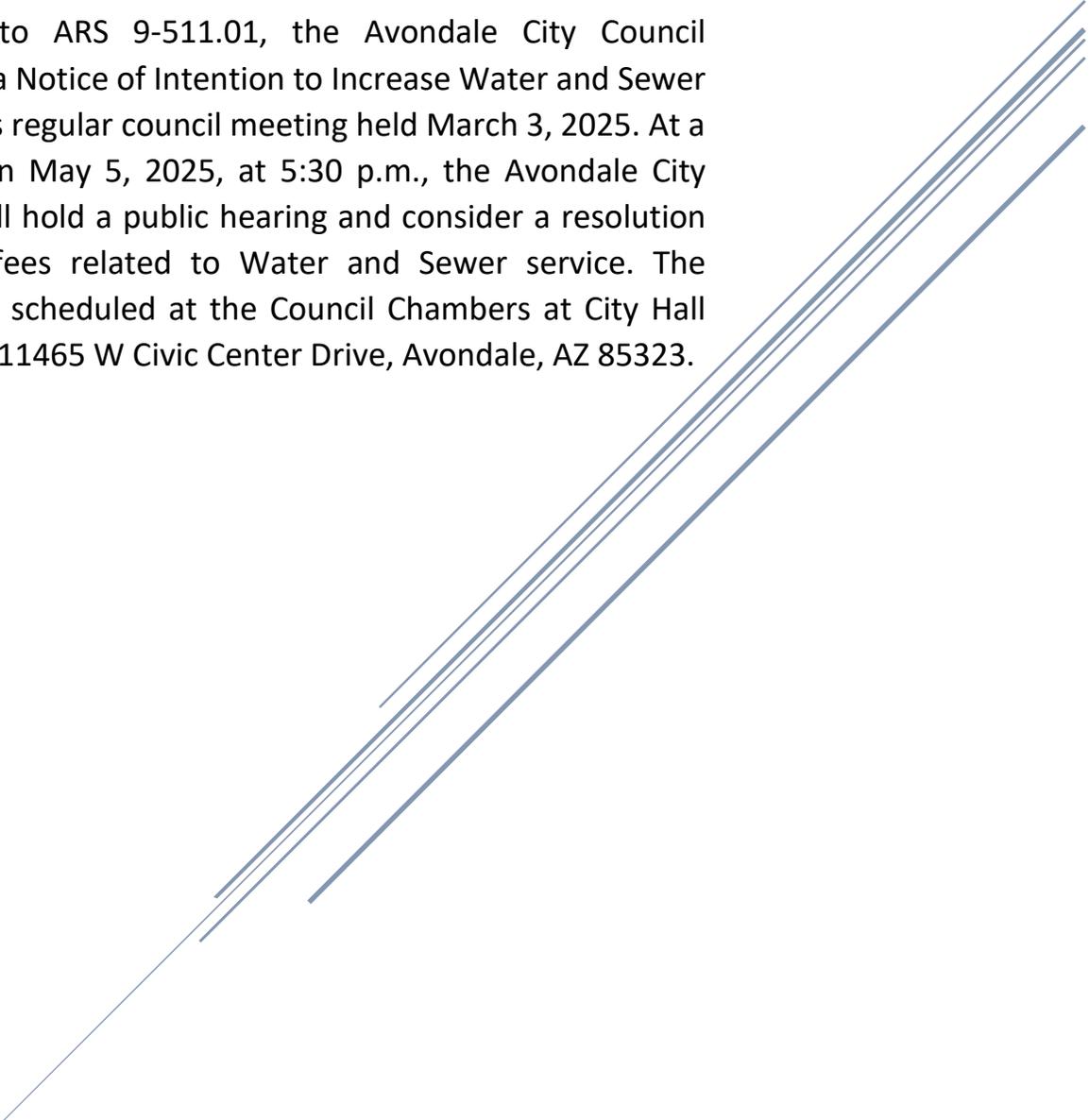


CITY OF AVONDALE WATER RATE RECOMMENDATION

March 3, 2025

City of Avondale

Pursuant to ARS 9-511.01, the Avondale City Council approved a Notice of Intention to Increase Water and Sewer Rates at its regular council meeting held March 3, 2025. At a meeting on May 5, 2025, at 5:30 p.m., the Avondale City Council will hold a public hearing and consider a resolution adopting fees related to Water and Sewer service. The meeting is scheduled at the Council Chambers at City Hall located at 11465 W Civic Center Drive, Avondale, AZ 85323.



Introduction

The City of Avondale provides water utility services to approximately 28,000 residential, commercial and landscape customers. The service consists of nearly 380 miles of water mains conducting over 4.6 billion gallons of potable water annually.

To be able to provide water services, the city charges customers a monthly rate to cover the entire cost of providing these services. To keep pace with escalating costs while continuing to provide these services, the city must periodically adjust the monthly charge for these services.

Additionally, the city is facing expenditure pressures from the need of additional water treatment related to new drinking water standards for per- and polyfluoroalkyl substances (PFAS) and the need to secure additional water resources due to ongoing drought conditions and uncertainties surrounding Colorado River water. These areas will require significant investment over the new few years. The current rate proposal includes establishing fees dedicated to funding these areas of need.

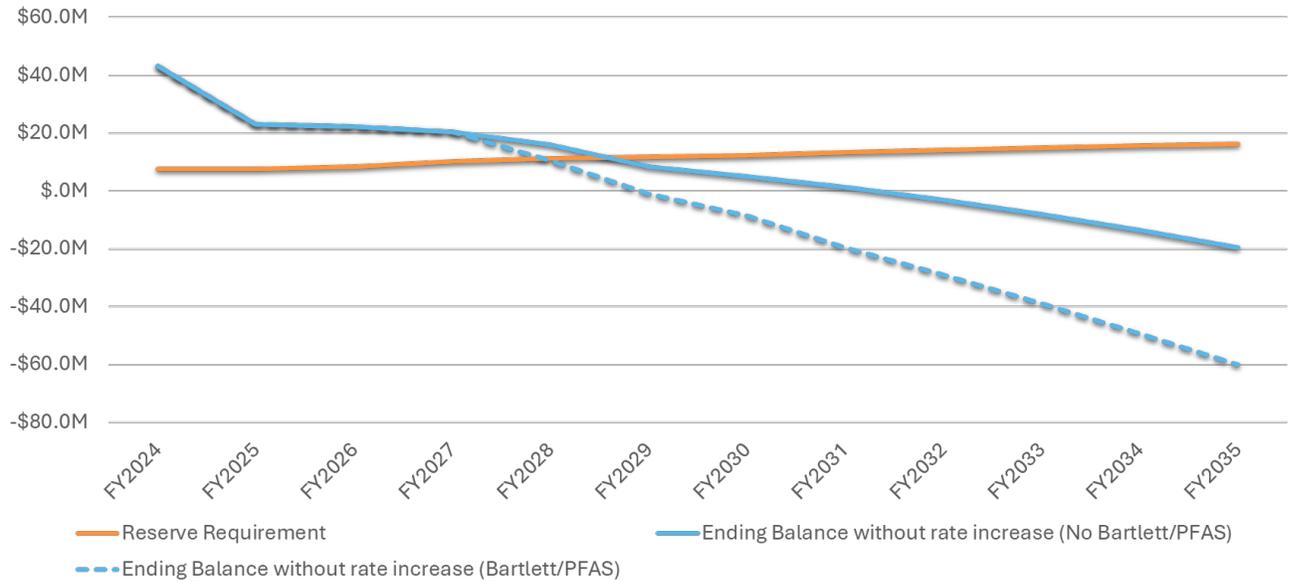
Financial Projection

The City of Avondale has completed a financial plan and rate recommendation for the city's water utility. Staff evaluated a multi-year financial planning period spanning from FY2025 through FY2035.

The water utility has inflationary increases that make providing services to customers more expensive. These increases in the cost of doing business include water purchases (16%), personnel services (16%), electricity (14%), chemicals (20%). Other increasing costs include capital improvement projects and other inflationary pressures.

The plan below shows the financial forecast for the water utility if the city does not implement increases to water rates.

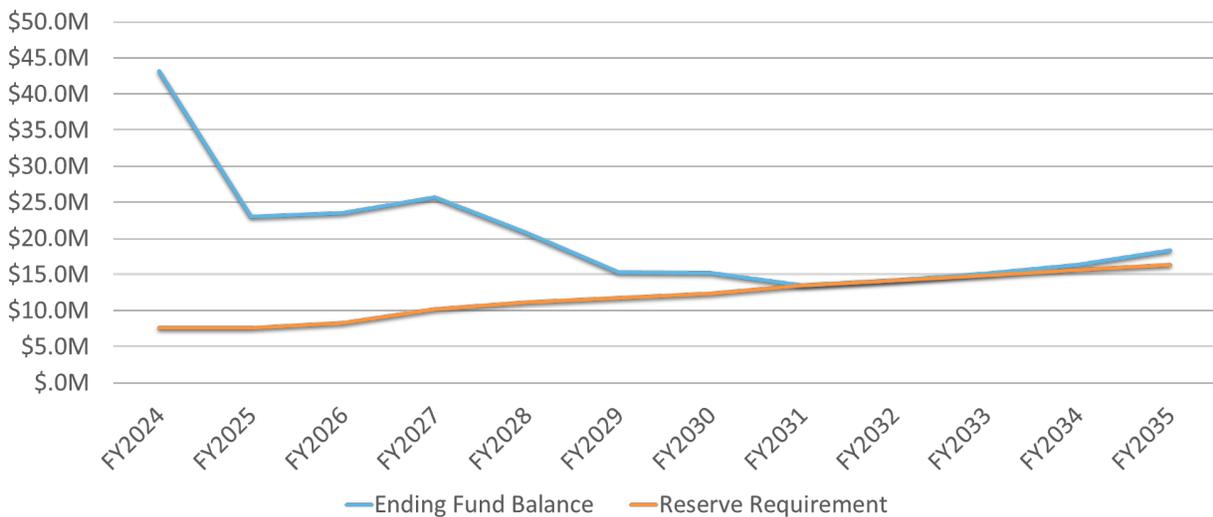
Water Fund – Fund Balance Forecast



The cash flow projections above show current water rates are not sufficient to keep pace with costs and stay above the utility’s minimum reserve requirements. Note the dotted line in the chart above, which includes funding for the Bartlett Dam expansion, which will increase the water resources available to the City and the design and land purchase for additional water treatment facilities necessary to mitigate PFAS.

Staff projects the water utility will be able to stay above the minimum balance requirements with a 6.7% increase to the base and tier rates in January 2026 and a 6.1% increase to the base and tier rates in January 2027. Additionally, to stay above the minimum balance requirements, a 7.5% water treatment fee and a 6.2% water resource fee will be applied to the water utility bills (see graph below).

Water Fund – Fund Balance Forecast



Water Fund Financial Projection

	FY2024 Actuals	FY2025 Projection	FY2026 Projection	FY2027 Projection	FY2028 Projection	FY2029 Projection	FY2030 Projection	FY2031 Projection	FY2032 Projection	FY2033 Projection	FY2034 Projection	FY2035 Projection
Beginning Fund Balance	41,968,148	41,981,131	22,957,278	35,504,198	25,660,032	20,719,924	15,254,324	21,234,234	13,455,755	14,172,206	15,134,956	16,284,860
Total Sources	21,404,446	20,270,161	56,259,265	54,792,130	26,297,859	27,925,125	55,949,266	32,225,289	33,948,815	35,567,898	37,280,277	39,080,710
Total Expenses	20,217,669	39,294,014	43,712,346	49,636,296	31,237,968	33,390,725	36,969,356	40,003,768	33,232,364	34,605,149	36,130,372	37,022,644
Revenue (Loss)	1,186,777	(19,023,853)	12,546,920	(9,844,166)	(4,940,108)	(5,465,600)	5,979,910	(7,778,479)	716,451	962,749	1,149,905	2,058,066
Ending Fund Balance	43,154,925	22,957,278	35,504,198	25,660,032	20,719,924	15,254,324	21,234,234	13,455,755	14,172,206	15,134,956	16,284,860	18,342,926
Reserve Requirement	7,856,150	7,588,950	8,290,750	10,209,733	11,158,159	11,717,243	12,381,837	13,429,822	14,152,731	14,871,089	15,605,258	16,349,601
Remaining Balance	35,298,775	15,368,328	27,213,448	15,450,299	9,561,765	3,537,082	8,852,397	25,933	19,476	263,867	679,602	1,993,325

Recommendation

Staff recommends a 6.7% increase to all rates in January 2026 and a 6.1% increase to all rates in January 2027. Additionally, a 7.5% water treatment fee and a 6.2% water resource fee should be applied to water utility bills. This recommendation is projected to provide the resources necessary to fund ongoing operation and maintenance costs as well as anticipated capital improvement projects and debt services. This will also ensure the city adheres to federal regulations and is committed to ensuring a sustainable water supply.

Proposed Water Rates

January 1, 2025 January 1, 2026 January 1, 2027

Fixed Charges All users	3/4" Meter	10.54	11.17	11.84
	1" Meter	16.23	17.20	18.23
1 1/2" Meter	30.22	32.03	33.95	
2" Meter	47.82	50.69	53.73	
3" Meter	87.51	92.76	98.33	
4" Meter	144.16	152.81	161.98	
6" Meter	284.52	301.59	319.69	
8" Meter	453.16	480.35	509.17	
10" Meter	650.45	689.48	730.85	
Hydrant Meter	144.16	152.81	161.98	

Residential Usage Charge Per 1,000 gallons	0-6,000 gal	2.03	2.15	2.28
	6,000-15,000 gal	3.56	3.77	4.00
	15,000+ gal	5.09	5.40	5.72

Non-Residential Usage Charge Per 1,000 gallons	Non-Residential	3.09	3.27	3.47
	Multi-Family	3.09	3.27	3.47
	Hydrant Usage – all gal	5.09	5.39	5.72
	Landscape	See Table Below		

Water Treatment Fee	7.5% fee applied to total water utility bill
Water Resource Fee	6.2% fee applied to total water utility bill

Proposed Landscape Water Use Rates

Per 1,000 gallons

Meter Size	Current			Proposed January 2026			Proposed January 2027		
	Tier 1	Tier 2	Tier 3	Tier 1	Tier 2	Tier 3	Tier 1	Tier 2	Tier 3
	\$ 2.03	\$ 3.56	\$ 5.09	\$ 2.16	\$ 3.78	\$ 5.39	\$ 2.29	\$ 4.00	\$ 5.72
3/4" Meter	1-8	9-12	13+	1-8	9-12	13+	1-8	9-12	13+
1" Meter	1-20	21-30	31+	1-20	21-30	31+	1-20	21-30	31+
1.5" Meter	1-40	41-60	61+	1-40	41-60	61+	1-40	41-60	61+
2" Meter	1-64	65-96	97+	1-64	65-96	97+	1-64	65-96	97+
3" Meter	1-120	121-180	181+	1-120	121-180	181+	1-120	121-180	181+
4" Meter	1-200	201-300	301+	1-200	201-300	301+	1-200	201-300	301+
6" Meter	1-400	401-600	601+	1-400	401-600	601+	1-400	401-600	601+
8" Meter	1-640	641-960	961+	1-640	641-960	961+	1-640	641-960	961+

Water Utility Overview



CUSTOMERS
28,000



5%



**WATER
MAINS**
380 MILES



17%



**OPERATION
BUDGET**
\$17.8
MILLION



17%



**5-YEAR
CAPITAL**
\$89.8
MILLION



120%



**FY2024 WATER
USAGE**
4.6 BILLION
GAL



2%

FY2023 versus FY2025



Water Utility Expenditure Pressures



16%
Water
Commodity



14%
Electricity



69%
Capital
Costs*



20%
Chemicals



16%
Personnel
Service

FY2023 budget to FY2025 budget

*10 Existing Water CIP Projects that were in the approved FY23 & FY25 budgets



Water Capital Projects Update

BLVD Well
Transmission Main

Well #26
Replacement

Encanto Shared
Well Improvements

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Water Fund: New Expenditure Pressures

Bartlett Dam Project (VRSMP)

- New \$15M in FY26 5-Year Budget
 - FY27: \$3,750,000
 - FY28: \$7,500,000
 - FY29: \$3,750,000
- New Water Resource
- Approximately 4,700 acre-feet annually
- On-Project & Off-Project Water

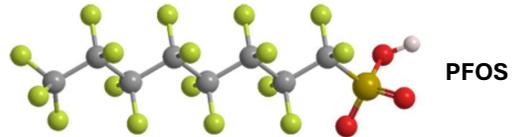
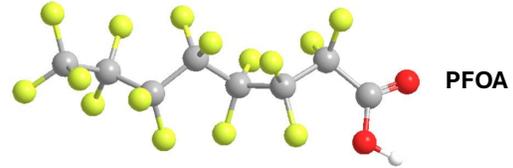
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Water Fund: New Expenditure Pressures



PFAS Contamination Removal

- The National Primary Drinking Water Regulation (NPDWR) was finalized by the U.S. Environmental Protection Agency (EPA) on April 10, 2024
 - Maximum Contaminant Level (MCL) of 4ppt (parts per trillion) for PFOS and PFOA
 - Four other PFAS compounds
- Compliance: Before April 2029
- Estimated Costs:
 - \$120 Million Capital
 - \$4 Million Annual Operating



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Water Rates



Structure

- Base charge based on meter size (3/4 inch meter = \$10.54)
- Tiers for consumption (residential / landscape)
 - Tier 1 - \$2.03 per 1,000 gallons
 - Tier 2 - \$3.56
 - Tier 3 - \$5.09
- Commercial / multi-family
 - \$3.09 per 1,000 gallons

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Example Water Bill - Current



UTILITY BILLING STATEMENT
Customer Service (623) 333-2005
waterbilling@avondalez.gov
www.avondalez.gov/wb
M-TH 7:00 AM - 6:00 PM

ACCOUNT NO			
Typical residential customer using 9,000 gallons a month			
Water Meter Base Fee			10.54
Water	Usage in 1000	Rate per 1000	
Tier 1	6	2.03	12.18
Tier 2	3	3.56	10.68
Water Total			\$ 33.40

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Water Rate Proposal

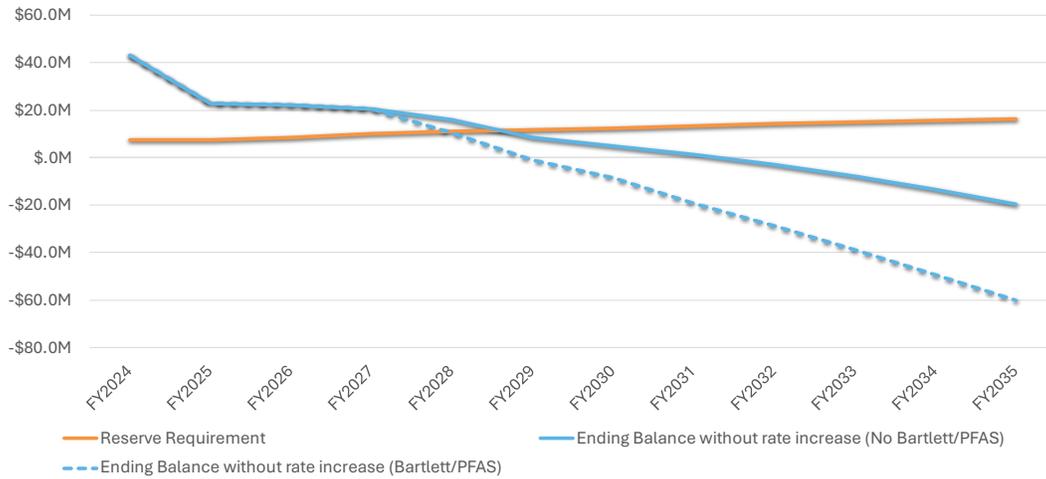


Goals

- Keep pace with inflation and infrastructure needs
- Maintain fiscal sustainability
- Invest in city's water portfolio
- Comply with federal regulations related to Safe Drinking Water Act
- Transparency on purpose of rate increase

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Water Utility Financial Forecast



Water Rate Proposal



Proposal

- Base and tier increase
 - January 1, 2026 – 6.7% increase
 - January 1, 2027 – 6.1% increase
- Water Treatment Fee – design and land purchase of treatment facilities
 - January 1, 2026 – 7.5% on total water bill
- Water Resource Fee – additional water supply
 - January 1, 2026 – 6.2% on total water bill

Recommended Rate Increase Water Utility



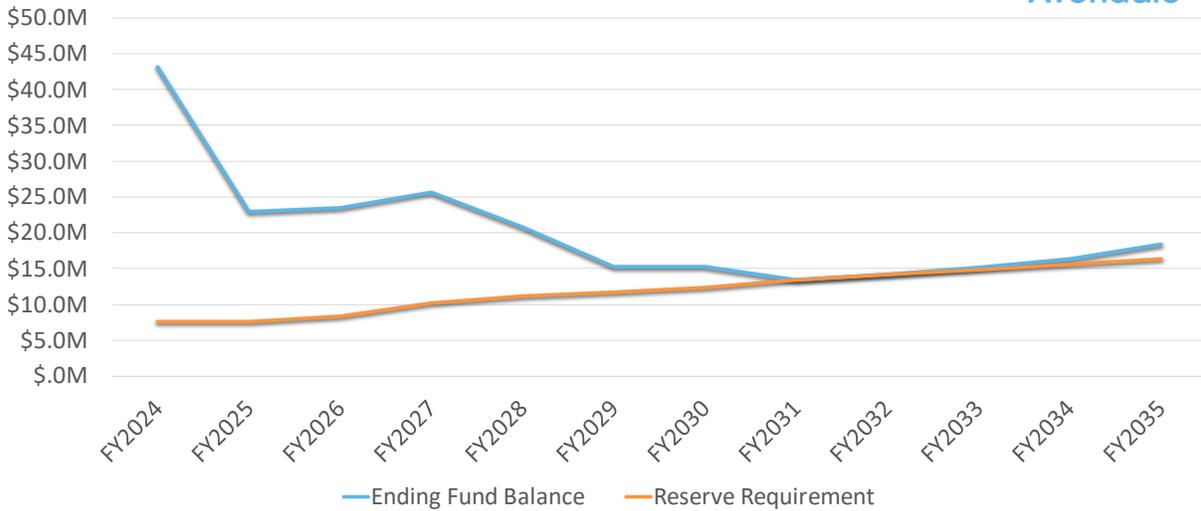
UTILITY BILLING STATEMENT
 Customer Service (623) 333-2005
 waterbilling@avondaleaz.gov
 www.avondaleaz.gov/wb
 M-TH 7:00 AM - 6:00 PM

ACCOUNT NO
 Typical residential customer using 9,000 gallons a month

	Current	Jan-26	Jan-27
Water Base Fee	\$ 10.54	\$ 11.17	\$ 11.84
Water Tier 1	\$ 12.18	\$ 12.90	\$ 13.68
Water Tier 2	\$ 10.68	\$ 11.31	\$ 12.00
Water Treatment Fee (7.5%)		\$ 2.65	\$ 2.81
Water Resource Fee (6.2%)		\$ 2.19	\$ 2.33
Total	\$ 33.40	\$ 40.22	\$ 42.66
\$ Change		\$ 6.82	\$ 2.44
% Change		20.4%	6.1%

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Water Utility Financial Forecast with rate increases



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Exhibit B: Price Comparison of Water Rate to Valley Cities

