

MARANA WATER

Miscellaneous Fee Study

Final Report / November 1, 2019



November 1, 2019

Scott Schladweiler
Director
Marana Water
Marana Operations Center
Tucson, AZ 85743

Subject: Miscellaneous Fee Study

Dear Mr. Schladweiler,

Raftelis is pleased to provide this Miscellaneous Fee Study Report (Report) for Marana Water.

The major objectives of the study include the following:

- Examine current miscellaneous fee structure and make adjustments to revenues recovered from fees with costs incurred.
- Examine services provided by Marana Water to determine if any new fees or fee policies are appropriate

The Report summarizes the key findings and recommendations related to the study.

It has been a pleasure working with you, and we thank you and Marana Water staff for the support provided throughout the course of this study.

Sincerely,

A handwritten signature in black ink that reads 'Todd Cristiano'.

Todd Cristiano
Senior Manager

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Miscellaneous Fee Rationale

Marana Water incurs both operating and capital costs to ensure the provision of safe and reliable water and water reclamation service to the approximately 8,200 water customers and 4,300 water reclamation customers in its service area. As an enterprise fund of the Town of Marana, Marana Water must generally recover these costs via charges to Marana Water customers.

The majority of this revenue is recovered in the form of water and water reclamation *user rates* which are applied either monthly or on a per 1,000 gallon basis. User rates are designed to recover the cost of water and water reclamation service in proportion to the demands each user places on the utility systems. While every customer's usage is unique, it is not practical to determine the cost to serve each individual customer. Accordingly, customer classes are used, and rates are developed around the average usage characteristics for each class. The intent of the user rates is to recover the cost of making water and water reclamation service available to all customers.

Miscellaneous fees by contrast, recover the cost of performing a specific service for customers at the time the service is rendered. Whereas the services whose costs are recovered by user rates are generally continuous, miscellaneous fee related services are often one-time or periodic. In addition, there may be some customers who never make use of the specific services recovered by miscellaneous fees. Accordingly, it is appropriate to recover the costs of providing these services from the specific customers making use of them, rather than from all customers.

The American Water Works Association (AWWA) has established seven criteria for establishing miscellaneous fees:

No.	Miscellaneous Fee Criteria
1	Beneficiaries of service should pay for that service.
2	Services provided for the benefit of a specific individual, group, or business should not be paid from general utility revenues.
3	Services provided to persons or entities that are not customers of the utility should not be paid for from general utility revenues.
4	Services are generally voluntary
5	Charges may be used to discourage certain behaviors
6	Level of charges should be related to the cost of providing the service
7	The cost of administering the charge should not exceed the revenues generated

Miscellaneous Fee Approach

Raftelis worked with Marana Water to evaluate its current miscellaneous fee structure. There are two primary sources of cost associated with providing the services recovered by miscellaneous fees: labor and materials. Labor costs relate to the time Marana Water staff spend providing the service including time spent driving to and from the location where the service is being provided as well as the time spent onsite providing the service itself. Materials costs relate to vehicles, equipment and materials used in the provision of the service. The process for developing the miscellaneous fees was as follows:

1. **Data gathering.** Marana Water provided information on personnel costs, overhead costs and other ancillary information needed to develop the fees.
2. **Staff Interviews.** Raftelis met onsite with Marana Water staff to review the current miscellaneous fee structure, determine the tasks involved in performing each service, the personnel involved in each task, the amount of time spent, and any equipment or materials involved.
3. **Development of Fee.** Raftelis worked collaboratively with Marana Water staff to develop recommended increases, reductions, elimination or additions to miscellaneous fees.



Recommendations and Impacts

Appendix A indicates the current fee, the recommended new fee and the rationale for any changes. Any fees not addressed in Appendix A are proposed to be maintained at their current levels. The most substantive change is to the **trip charge**. The trip charge represents the baseline cost incurred by Marana Water whenever a customer contacts Marana Water to request service at their location. This includes the time spent by customer service staff during the initial contact, the time spent performing the service (including drive time) and the time spent by supervisory personnel who manage the entire process. The following fees are based on the trip charge, which will be reduced from \$52.50 currently to \$40.00.

Trip Charge	General Service Inspection
Potable Water Disconnect Fee	Non-Potable Disconnect Fee
Potable Water Reconnect Fee	Non-Potable Reconnect Fee

Customer Requested
Meter Re-Read

In addition to the reductions to the trip charge we proposed reducing the **new service establishment fees** (general and “same-day”) reflecting an update to the cost of providing this service. Similar to the trip charge, the new service establishment fees reflect labor costs with Marana Water staff involved in establishing a new Marana Water account, from initial customer service contact, time spent establishing service (including drive time), supervisory time and any follow-up. Marana Water currently charges \$90.00 for new service establishment and \$142.50 for same-day new service establishment. These fees will be reduced to \$60.00 and \$100.00 respectively. In addition, Marana Water would also like to establish a \$10.00 discount to each respective fee, where the customer is an active member of the United States Military (with valid ID) or an existing Marana Water customer, that is establishing service at a new location.

We are recommending that both the **hydrant meter refundable deposit** and the **water hydraulic modeling review fee** be increased. The increase to the hydrant meter deposit reflects an increase in the cost of materials against which the deposit will be applied if they are lost or stolen (i.e., backflow prevention device, stand and chain) as well as the labor involved in setting up the hydrant meter account. The deposit will increase from \$1,300 currently to \$1,880. The increase to the water hydraulic modeling review fee reflects increased costs from the consultant Marana Water retains to perform the reviews, which are passed through to the users of this service. This fee would increase from \$1,500 to \$1,800. Similar to the current fee, the fee charged may vary and would be the greater of \$1,800 or a full pass-through of consultant costs. This fee has not been adjusted since 2009.

Finally, we recommend adding a fee for the **annual testing of backflow prevention devices** and removing fees associated **with acquiring and reviewing CCTV video of customer water reclamation connections**. The backflow prevention device testing fee (\$30) will be applied annually and will recover the labor costs associated with time meeting state requirements for backflow testing as well as the cost of software employed to perform the service. The CCTV acquisition and review services are not currently being used and, accordingly, can be removed from the fee schedule.

The proposed changes are estimated to reduce miscellaneous fee revenues by approximately \$50,000, which represents less than 1% of Marana Water’s total operating revenues.

APPENDIX A:

Miscellaneous Fee Recommendations

Fee Description	Current Unit of Measure	Proposed Unit of Measure	Current Amount	Proposed Amount	Notes	Basis for Change
Annual Backflow Tester Fee	-	per backflow tester	-	\$ 30.00	Applies to vendors wishing to test backflow prevention devices in the Marana Water service area. Assessed annually.	To recover the administrative costs for the management of the software, annual database management, and staff time to meet state requirements for backflow testing.
Trip Charge	per operator trip to customer location	per operator trip to customer location	\$ 52.50	\$ 40.00		After cost of service review, it was determined the fee could be reduced recover the cost of service
Potable Water Disconnect Fee	per disconnect	per disconnect	\$ 52.50	\$ 40.00	Applied to customers who fail to keep account current within specific time frames.	Updated to reflect the new cost of service associated with a Trip Charge
Potable Water Reconnect Fee	per reconnect	per reconnect	\$ 52.50	\$ 40.00	For customers who desire to have potable water turned back on after a disconnection of service. Same conditions apply as with New Service Establishment Fee but no discounts will be applied.	Updated to reflect the new cost of service associated with a Trip Charge
Customer Requested Meter Re-Read	per re-read	per re-read	\$ 35.00	\$ 40.00	Fee is refundable if meter is found to be inaccurate, defined as an error of greater than 3%	Updated to reflect the new cost of service associated with a Trip Charge
General Service Inspection	per hour	per operator trip to customer location	\$ 35.00	\$ 40.00	For miscellaneous inspection services and related work	Updated to reflect the new cost of service associated with a Trip Charge
Non-potable Disconnect Fee	per disconnect	per disconnect	\$ 52.50	\$ 40.00	Applied to customers who fail to keep compliance with the backflow prevention requirements	Updated to reflect the new cost of service associated with a Trip Charge
Non-potable reconnect fee	per reconnect	per reconnect	\$ 52.50	\$ 40.00	For customers who desire to have potable water turned back on after disconnection for backflow non-compliance. Customer must have scheduled test. Same conditions apply as with New Service Establishment Fee but no discounts will be applied.	Updated to reflect the new cost of service associated with a Trip Charge
New Service Establishment Fee	per customer	per customer	\$ 90.00	\$ 60.00	Applies to new accounts established between the hours of 9:00AM and 4:00PM, Monday through Friday, with 24 hours notice. Does not apply to holidays. \$10.00 discount provided where customer is an existing Marana Water customer; \$10.00 discount provided where customer is an active member of the military. Customer must show valid military ID at the time of application.	Updated to reflect cost of service associated with New Service Establishment
Same Day New Service Establishment fee	per customer	per customer	\$ 142.50	\$ 100.00	For customers who want water service transferred on the same day they contact Marana Water. \$10.00 discount provided where customer is an existing Marana Water customer; \$10.00 discount provided where customer is an active member of the military. Customer must show valid military ID at the time of application.	Updated to reflect revised fees for New Service Establishment Fee and Trip Charge
Hydrant Meter Refundable Deposit	per hydrant	per hydrant	\$ 1,300.00	\$ 1,880.00	Fee is refundable if equipment is not damaged or stolen	Updated to include new equipment and services provided to the applicant (backflow prevention device, backflow test, stand, chain, etc.) in order to be sure we recover the costs if the meter is damaged or stolen.
Water Hydraulic Modeling Review	per submittal	per submittal	\$ 1,500.00	\$ 1,800.00	Fees may be higher depending on the size of the development and time needed to review. Fee is the greater of \$1800 or the pass through of consultant costs	Updated to reflect the increases the department is seeing from our consultant in order to eliminate going back to the applicant multiple times during one project. Will still remain a pass through for the full cost
Review of existing CCTV video for sewer connection locations	per review	-	\$ 88.00	-		Removal due to no use
Acquire CCTV video for connection location	per review	-	\$ 404.00	-		Removal due to no use