

DAILY MINER

Thursday, October 07, 2010

Council seeks to justify rate hikes

City has no choice but to raise rates, members say

[James Chilton](#)

Miner Staff Reporter

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KINGMAN - Defending it as a necessary measure beyond their control, members of the Kingman City Council on Tuesday voted unanimously to issue a notice of intent to raise city water and wastewater rates in the coming weeks, with a vote on the rate hikes themselves likely to occur in November.

Council is currently seeking to raise the average monthly residential water bill by approximately 57 cents to \$29.57, with the average sewer bill set to rise \$8.02 to \$40.09.

Once the new rates are approved, they are positioned to take effect on Jan. 1.



Prior to the vote, several on Council repeatedly emphasized the need for the utility rate hikes to prove the city's ability to pay down loans on various water and sewer infrastructure projects, most notably the expansion and upgrade of the Hilltop and Downtown Wastewater Treatment plants. Those projects, in turn, are required in order for the city to meet new standards set by the Arizona Department of Environmental Quality.

City Manager Jack Kramer said that if the city does not take the appropriate steps to get both plants in compliance with ADEQ, the city would face daily fines of up to \$25,000 as well as a moratorium on all new construction.

He added that the city is likely to receive a consent order on the downtown treatment plant from ADEQ within the next six to eight weeks, at which point the city must provide a schedule of when it expects upgrades to be complete.

Mayor John Salem noted that ADEQ and the Environmental Protection Agency have actually been fairly lenient with the city, in part because of the lengthy loan process the city had to go through with the Water Infrastructure Finance Authority.

"We're very lucky that these fines weren't imposed on us earlier," he said.

City Finance Director Coral Loyd also clarified that, because the projects being funded by the city's WIFA loans are water- and wastewater-oriented, the city is required to pay for them out of its water and wastewater enterprise funds, and cannot legally use the general fund to do so.

"So, just to be clear, even if we had millions of dollars of surplus money in our general fund, we could not use those dollars legally to help pay for these treatment plants?" Vice Mayor Robin Gordon asked.

"That's correct; not without revising the loan covenant or lending the (water and wastewater) systems that money, then paying it back," Loyd replied.

Loyd reiterated the city's original intent to pay 40 percent of the Hilltop Plant's \$26 million cost with hikes in wastewater impact fees, with the remaining 60 percent coming from usage rates. Unfortunately, she said, between the painfully slow growth Kingman has been experiencing over the past year and the state Legislature placing a freeze on impact fee hikes, the city has seen barely a third of what it expected to collect in sewer impact fees, meaning the burden must be increasingly shifted to the regular ratepayers.

Councilman Dick Anderson confronted criticisms that the Council was seeking the rate hikes for some ulterior motive, or to simply stick it to ratepayers. With just 11 new water customers coming online in the past year, Anderson said that, until the city gets more customers, the only way it will be able to pay off its loans is through rate hikes.

Anderson further noted that, despite the rate hikes, the city has actually been going to great lengths to reduce its own water usage. He cited figures showing that the city's water leakage rate has dropped from 7.7 percent in 2007 to just 3.9 percent in 2010, with total acre-feet used for municipal purposes falling another 13 percent over the last five years.

"Many times we rate-setters get accused of setting rates just to cover our costs," Anderson said.

"But that cost that you as a taxpayer have been paying has been going down. This last year, if you look at the fund balances in the sewer fund and the water operations fund, due to the work of cutting costs that the city took, those balances actually went up from what we budgeted."

Councilwoman Janet Watson made a motion to approve the letter of intent, with Anderson seconding.

The motion passed 6-0, with Carole Young excused from the meeting due to illness.

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