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Rate hikes on water, sewer up for review; average monthly rate could top \$100 by '19

By Cindy Barks
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PRESCOTT - Increases in city water and sewer rates over the past four years have produced more dramatic results than even the consultant who recommended the hikes imagined they would.

After Prescott raised its rates for water in 2006 and 2007, and then for sewer in 2008, local residents responded by reducing the amount of water they used by a whopping 25 percent.

City of Prescott average monthly water use per residential account:

FY 2004	6,927 gallons
FY 2005	6,322 gallons
FY 2006	6,390 gallons
FY 2007	6,087 gallons
FY 2008	5,853 gallons
FY 2009	5,213 gallons
	(25 percent decline from 2004)

SOURCE: ECONOMISTS.COM

In 2004, the average customer in Prescott was using 6,927 gallon of water a year, according to a recent city water and sewer rate study. By 2009, the average usage was down to 5,213 gallons per month.

Consultant Dan Jackson of Economists.com called that an "astounding" response - at a level that he said he had not seen before in his 25 years of doing rate studies around the country.

When he recommended the rate hikes four years ago, Jackson said he expected water use to drop about 10 percent.

While the 25-percent drop is good news for water-conservation efforts in the community, it is not as positive for the city's efforts to cover its costs for necessary improvements.

That - combined with an economy-related reduction in impact fee revenues and newly identified needs at the city's wastewater treatment plants - has the city considering further rate increases for later this year.

"When you have less revenue from impact fees, you have to make it up in rates," Jackson said.

In the latest in a series of biennial rate studies, Jackson made a report to the [Prescott City Council](#) Tuesday that suggested four options for rate increases.

Depending on the scenario the council chooses, water and sewer rates for the average customer could go up by anywhere from \$3.99 per month to \$8.41 per month by 2011.

Jackson's figures show that the average customer in Prescott currently pays \$53.12 per month in water and sewer bills.

Under the least expensive option, the average monthly bill would go to \$57.11 in 2011, and under the most expensive option it would go to \$61.53.

By 2013, the least expensive option would raise the average monthly bill to \$69.71, while the most expensive option would raise it to \$83.03.

Jackson explained that he based his four options on different scenarios for how the city pays for a number of projects, including the Big Chino Water Ranch and improvements to its wastewater treatment plants.

Under the least expensive option, the city would pay for neither Prescott's portion of the Big Chino Water Ranch nor the wastewater treatment plant improvements through its utility rates.

Rather, under that option, a general-obligation bond issue (voter-approved property tax increases) would pay for the wastewater treatment plant improvements, and "private financing" (a public-private partnership) would pay for the Big Chino Water Ranch.

The other options include variations of that, with the most expensive option involving rate increases paying for both the Big Chino Water Ranch and the wastewater treatment plant improvements.

City Manager Steve Norwood recommended that the council take the Big Chino Water Ranch expenses out of the water and sewer rate equation.

"At this point, since there is so much uncertainty about the Big Chino and how it's going to be paid for, I would suggest you remove that option," Norwood said.

Using that scenario, average rates would increase to \$61.03 in 2011, \$68.58 in 2012, and \$80.18 in 2013. By 2019, the average monthly rate would be \$113.12.

Council members maintained that the proposed increases were relatively affordable.

"It's still cheaper than my cable bill," Councilman Steve Blair said of the proposed higher rates.

Councilman John Hanna added: "I was surprised at how little the increase (would be). I thought it would be a lot more."

At their Jan. 19 and 26 study and voting sessions, council members will consider a notice of intention for rate increases. Depending on that decision, a public hearing and final vote could take place on March 2. If the council proceeds with the increases, the new rates could be in effect by April.

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