



WATER INFRASTRUCTURE FINANCE AUTHORITY

Arizona's water and wastewater funding source

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2017 Report on Water Pricing in Arizona

PHOENIX (October 5, 2017) - A report recently released by the Water Infrastructure Finance Authority of Arizona (WIFA) and the Environmental Finance Center at the University of North Carolina at Chapel Hill (EFC) examines current statewide water rates and financial trends. Water pricing is a hot and important topic in Arizona. The [2017 Arizona Water and Wastewater Rates Report](#) details the results of a survey of drinking water and wastewater (sewer) rates and rate structures conducted by WIFA and the EFC. Rates and rate structures were analyzed for utilities throughout the state so anyone can compare water and wastewater rates, learn how much utilities are charging, and begin to understand the complexity of water pricing.

For many years, WIFA has conducted this residential rates survey with two objectives - to provide data and information to assist utilities with their pricing efforts, and to help WIFA, and other financing agencies, assess rates and rate trends statewide. The report was expanded in 2015 to not only include commercial drinking water and wastewater data, but also reclaimed water, and, new this year, stormwater rates. This year's report includes data from **91% of Arizona's water/wastewater utilities** that charge rates.

Highlights from the Report:

Water Pricing in Arizona

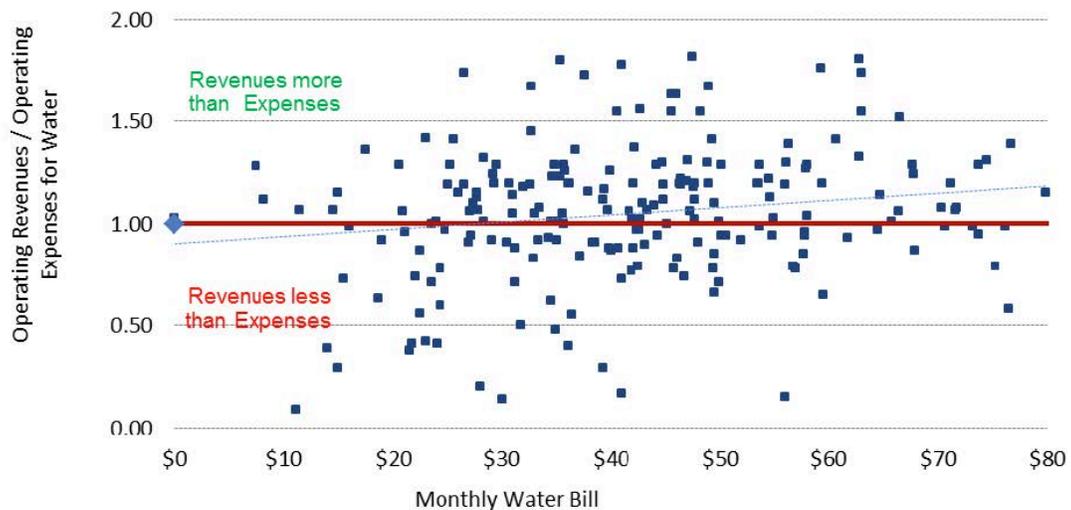
The survey data showed an increase of the average water and wastewater rates. For WIFA's benchmark of water usage at 7,500 gallons per month, the average bill in 2015 was \$43.69. In 2017, the average bill is \$46.09, a \$2.40 or approximately 6% increase over a two-year period. For wastewater (5,000 gallons/month), the average bill increased by \$1.15 or 4%.

The report shows that the price for water across the state of Arizona is relatively low compared to other parts of the country and compared to the price for other less essential consumer goods. At around half a cent per gallon from the tap, it is astoundingly cheaper than, say, a gallon of gas, yet is vastly more important. However, there are still places across the state where the price of water and wastewater service poses a significant financial burden for lower income customers.

Outdated Rate Structures

Pressure to maintain low rates has many utilities running at a deficit and/or deferring necessary operational and capital improvements. Out of 421 rate structures with a known effective date, 46% have not updated their rates in the last five years, and 20% have not updated rates in the last 15 years. Appropriate water rates are essential to support the infrastructure we need to transport, treat and distribute water to ensure safe drinking water and proper wastewater treatment. Utilities must consider all aspects of pricing to determine if their rates are set to truly reflect their costs.

Healthier Water Operating Ratios, on Average, are Correlated with Higher Water Bills



Reclaimed Water

Arizona is one of a few states that makes extensive use of treated wastewater, commonly referred to as reclaimed water. In this survey there were 51 utilities that supply reclaimed water for use in a wide variety of agricultural, landscaping, and commercial applications. Overall, reclaimed water costs are considerably lower, with the median bill coming in at approximately one quarter of potable water costs.

The State, through the Arizona Department of Environmental Quality (ADEQ), is working to take water reuse innovation further. A new rule allowing permits for an “Advanced Reclaimed Water Treatment Facility” where highly treated wastewater would be purified to drinking water standards is expected to become effective January 2018.

Stormwater

New this year, the report includes research on stormwater management programs in Arizona, and how these programs are funded. Stormwater runoff is generated when rain and snowmelt flows over land and does not soak into the ground. Unlike the water from sinks and toilets, stormwater flows untreated into surrounding washes, rivers and lakes. Managing stormwater improves water quality, reduces flooding, reduces infrastructure costs and increases property values.

To conduct this survey, researchers at the EFC analyzed municipalities' Stormwater Management Programs and ordinances. Funding sources were determined for 27 of the 57 municipal separate storm sewer systems in the state. Eleven communities collect some type of fee towards stormwater programs. The four systems with stormwater-specific fees (Scottsdale, Surprise, Oro Valley, Flagstaff) charge between \$1 and \$3 per household monthly. These fees appear on utility bills, or are billed separately by the municipality.

Conservation Pricing Signals

Many different types of pricing structures can be adopted to encourage conservation and to provide customers with a financial incentive to conserve water or invest in water efficiency. One mechanism utilities use to send a strong pricing signal to encourage water conservation is the *rate* that customers pay at higher levels of consumption. Surprisingly, the report analysis shows that some utilities with simpler rate structures (such as uniform rates) send customers stronger conservation price signals than other utilities with increasing block structures.

Water conservation measures in Tucson, Arizona have resulted in rates that were 11.2% lower in 2017 than they would have been without 30 years of conservation. Additionally, as of 2017, customers in Gilbert pay rates and tap fees that are 5.8% and 45% lower, respectively, than they would have been without 20 years of conservation. Not only do utilities benefit from conservation measures, but customers benefit as well.

To supplement and enhance the report, WIFA and the EFC produced comprehensive water and wastewater rate tables, rate sheets of individual utilities, and an interactive, online Rates Dashboard. The dashboard is a user-friendly tool that allows users to compare residential rates among groups of utilities and analyze the affordability of services and the financial sustainability of Arizona's utilities.

Together, these resources help answer some pressing questions: How affordable are water and wastewater services? Are water utilities' pricing signals helping to encourage conservation? Do utilities in Arizona have the means to maintain vital infrastructure?

For more information or to access these resources, please visit WIFA's website at www.azwifa.gov or the EFC's website at www.efc.sog.unc.edu.

WIFA is a state agency dedicated to protecting public health and promoting environmental quality through funding and technical assistance programs. The EFC works to enhance the ability of governments and other organizations to provide environmental programs and services in fair, effective, and financially sustainable ways.

Additional support was provided by the following partners: [Arizona Municipal Water Users Association](#), [University of Arizona Water Resources Research Center](#), [League of Arizona Cities and Towns](#) and the [Northern Arizona Municipal Water Users Association](#).

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