



CITY COUNCIL AGENDA

CITY COUNCIL CHAMBERS . 11465 WEST CIVIC CENTER DRIVE . AVONDALE, AZ 85323

WORK SESSION
December 14, 2015
6:00 PM

CALL TO ORDER BY MAYOR

1 ROLL CALL BY THE CITY CLERK

2. WATER AND SEWER RATE ANALYSIS

City Council will receive a report on the FY 2016 water and wastewater enterprise funds rate analysis and associated proposed amendments to City Code Chapter 24 - Water, Sewers and Sewage Disposal. For information, discussion and direction.

3 ADJOURNMENT

Respectfully submitted,

Carmen Martinez
City Clerk

Council Members of the City of Avondale will attend either in person or by telephone conference call.

Los miembros del Concejo de la Ciudad de Avondale participaran ya sea en persona o por medio de llamada telefonica.

Individuals with special accessibility needs, including sight or hearing impaired, large print, or interpreter, should contact the City Clerk at 623-333-1200 or TDD 623-333-0010 at least two business days prior to the Council Meeting.

Personas con necesidades especiales de accesibilidad, incluyendo personas con impedimentos de vista u oido, o con necesidad de impresion grande o interprete, deben comunicarse con la Secretaria de la Ciudad at 623-333-1200 o TDD 623-333-0010 cuando menos dos dias habiles antes de la junta del Concejo.

Notice is hereby given that pursuant to A.R.S. 1-602.A.9, subject to certain specified statutory exceptions, parents have a right to consent before the State or any of its political subdivisions make a video or audio recording of a minor child. Meetings of the City Council may be audio and/or video recorded and, as a result, proceedings in which children are present may be subject to such recording. Parents, in order to exercise their rights may either file written consent with the City Clerk to such recording, or take personal action to ensure that their child or children are not present when a recording may be made. If a child is present at the time a recording is made, the City will assume that the rights afforded parents pursuant to A.R.S. 1-602.A.9 have been waived.

De acuerdo con la ley A.R.S. 1-602.A.9, y sujeto a ciertas excepciones legales, se da aviso que los padres tienen derecho a dar su consentimiento antes de que el Estado o cualquier otra entidad politica haga grabaciones de video o audio de un menor de edad. Las juntas del Concejo de la Ciudad pueden ser grabadas y por consecuencia, existe la posibilidad de que si hay menores de edad presentes estos aparezcan en estos videos o grabaciones de audio. Los padres puedan ejercitar su derecho si presentan su consentimiento por escrito a la Secretaria de la Ciudad, o pueden asegurarse que los ninos no sten presentes durante la grabacion de la junta. Si hay algun menor de edad presente durante la grabacion, la Ciudad dara por entendido que los padres han renunciado sus derechos de acuerdo a la ley contenida A.R.S. 1-602.A.9.



CITY COUNCIL AGENDA

SUBJECT:

Water and Sewer Rate Analysis

MEETING DATE:

12/14/2015

TO: Mayor and Council

FROM: Abbe Yacoben, Finance and Budget Director

THROUGH: David Fitzhugh, City Manager

PURPOSE:

Staff is providing information to Council regarding the rate analysis for the water and wastewater enterprise funds in addition to proposing code changes and the implementation of an enterprise funds net position policy.

BACKGROUND:

The City Council goal for Fiscal Year 2015-16 to ensure the long-term financial stability of the City includes objectives to develop a long-range asset replacement plan for water and wastewater as well as ensuring the City is prepared to deal with future economic conditions that may arise due to outside forces. The City's enterprise funds rely on user charges, and do not receive the benefit of tax revenues to fund operations. As a result, in order to ensure the financial stability of these funds, it is necessary to perform rate studies each year to determine if revenues are adequate to cover expenses.

Due to the recent economic downturn an adjustment to rates has not been presented to Council for the last several years. The following table shows the history of rate adjustments to the water and wastewater enterprises:

| Year | Water | Wastewater |
|------|-------|------------|
| 2015 | 0% | 0% |
| 2014 | 0% | 0% |
| 2013 | 0% | 0% |
| 2012 | 0% | 0% |
| 2011 | 0% | 0% |
| 2010 | 0% | 0% |
| 2009 | 3.8% | 1.76% |
| 2008 | 3.4% | 2.4% |
| 2007 | 5.5% | 0% |
| 2006 | 5.5% | 0% |

DISCUSSION:

Rate Discussion (Please see Appendix A for more information.)

Rate analysis/update results indicate the need to increase revenues. Staff identified the need for increases in future years based on current cost estimates in addition to lower-than-adequate working capital and capital reserves in the water and wastewater funds. The need for the increase in rates is primarily a result of increased regulatory requirements, maintenance, and the costs of treatment related to the expansion of the wastewater treatment plant.

Inflationary costs for items such as, chemicals, electricity, and system components are having a significant impact on the water and wastewater budgets.

Water and Wastewater - Revenue sufficiency analysis

The rate update results indicate that water revenues need to be increased by 7.5% in the first of five years and wastewater revenues need to be increased by 6.0% during FY 2015-2016. The result on the FY 2015-2016 budget is a combined increase of 6.9% for the year.

Table 3 on page 6 of the Appendix A (the Rate Analysis Report) shows the water fund's cash flow needs for the current FY 2015-2016 and five subsequent years. Based on information currently available, the rate model indicates the need for the planned increases in each of the next five years. The water fund's required rate increase is 7.5% in the first year and 6% in each of the following five years; the wastewater fund requires 6% in each of the next six years. However, given the continually changing economy and treatment standards, it is possible that future updates of the rate model may result in varying revenue requirements in future years.

Water - Rate Structure

Table 6 on page 11 of the Rate Analysis Report shows the proposed water rates to be charged under the new rate structure.

The rate structure incorporates a conservation rate element, in that, the higher water consumption users pay a higher usage or volume charge. For example, a residential user with consumption of 2,000 gallons per month would pay \$1.06 per thousand gallons of water for the volume charge. On the other hand, with consumption of 20,000 gallons of water the residential user is paying \$3.88 per thousand gallons for consumption in excess of 13,000 gallons. As a result of the conservation rate structure, the rate increase does not impact all customers the same. Please see the chart on page 14 of the Rate Analysis Report (Appendix A) for illustration.

It is notable that the most common monthly water usage is 5,000 gallons. This user will experience a monthly increase of \$1.23. The larger user of 12,000 will experience an increase of \$3.22 per month. These calculations may be seen in Figures 5-7 on page 15 of 21.

Wastewater Rate Structure

Table 7 on page 12 of the Rate Analysis shows the proposed wastewater rates under the new rate structure.

The Rate Analysis Report (Appendix A) includes a chart of the different impacts to wastewater customers based upon 80% of their winter average of water consumption. The graph indicates, the impact of the rate increase ranges from just under 3% for the lower consumption water users to over 10% for a residential user with consumption of 24,000 gallons per month.

It is notable that the most common user generates 4,000 gallons of wastewater per month. This user will experience a \$1.20 increase in his or her sewer bill each month. The larger user of 10,000 gallons per month will experience an increase of \$2.95 per month.

Code Changes Discussion (Please see Appendix B for more information.)

Staff has identified several sections of the City's code that are antiquated and require updating in order to keep up with current practices and prices in some cases. These are as follows:

1. Amend Section 24.47 Consumption Charges, Meter Size-Base Fees to include:
 - a. 8-inch meter at a charge of \$617.10 per month
 - b. 10-inch meter at a charge of \$887.10 per month

The City is now installing these meters, and should be charging appropriately for this amount of flow.

2. Strike Section 24.51 Special Meter Reading as follows:
 - a. ~~“Any consumer may request and have the City perform a special reading of his water meter upon the payment of a five-dollar deposit. If the special reading indicates that the regular meter reading was incorrect, then such deposit shall be returned to the customer, otherwise, such deposit shall be retained by the City.”~~

The City rereads meters frequently as staff analyzes the exception reports each month for all cycles. However, if a customer feels that their read is not correct, they should request that the City test the meter as rereading the meter frequently is time-consuming and costly for the City.

3. Amend Section 24.52 meter Tests as noted below:
 - a. **“Any consumer may upon written application accompanied by a deposit equal to the actual cost of performing a meter test, as charged by a licensed third party may request a meter test.** ~~of five dollars (\$5.00) have his meter tested for accuracy by the city.~~ **If the meter registers a divergence from accuracy outside of the accepted AWWA standards for the specific meter size greater than three (3) percent, the deposit shall be refunded to the applicant and the indicated adjustment made in the water service charges for a total period not longer than the then current period and the monthly period immediately preceding. If a meter so tested registers within the AWWA standards for the specific meter size three (3) percent of accuracy, the deposit shall be retained by the city. All inaccurate and defective meters shall be replaced by the city when detected. (Code 1971, § 16-6-9)”**

If a customer would like a meter tested, the actual cost of doing this is approximately \$35. If a customer would like a meter test, the City would like to recoup its costs on this service.

Net Position Policy Discussion (Please see Appendix C for the proposed policy.)

Staff is proposing that the City Council adopt a fund balance policy for the enterprise funds which includes a nine-month working capital fund (the current amount would be approximately \$7.6 million in the water fund and \$3.8 million in the sewer fund). Staff also recommends the creation of a capital reserve of five percent of assets excluding depreciation. For example, this figure would be \$15 million in the water fund and \$15.7 million in the sewer fund. Staff also proposes to establish methods of replenishing fund balance in the case that it is needed and partially depleted.

Timeline and process

In order to increase water and wastewater user fees, Arizona Revised Statute 9-511.01 requires that any municipality engaging in a domestic water or wastewater business shall comply with the following:

1. Prepare a written report or supply data supporting the increased rate or rate component, fee or service charge. A copy of the report shall be made available to the public by filing a copy in the office of the clerk of the municipality governing board at least thirty days prior to the public hearing described in paragraph 2 of this subsection (Appendix A).
2. Adopt a notice of intention by motion at a regular council meeting to increase water or wastewater rates or rate components, fee or service charge and set a date for a public hearing on the proposed increase which shall be held not less than thirty days after adoption of the notice of intention. A copy of the notice of intention showing the date, time and place of such hearing shall be published one time in a newspaper of general circulation within the boundaries of the municipality not less than twenty days prior to the public hearing date.

B. After holding the public hearing, the governing body may adopt, by ordinance or resolution, the proposed rate or rate component, fee or service charge increase or any lesser increase.

The notice of intention to increase rates is scheduled to be presented to Council on January 4th, 2016, and the public hearing on the proposed rate increase is scheduled to be held on February 16th, 2016. The written report will be made available at the City Clerk's office upon adoption of the notice of intention.

Public Participation

Staff will hold a town hall meeting December 8th, 2015 to solicit input from the community. The CIP Committee was invited since these increases will impact the City's ability to provide infrastructure. While the meeting has not taken place as of the publication of the Council agenda and packet, staff will be prepared to provide estimates for residents' monthly bills based on proposed rates in addition to discussing the five-year capital improvement program. Finally, the public hearing on February 16th, 2016 will give the community another opportunity to provide feedback on the rate proposals.

BUDGET IMPACT:

As stated above, the FY 2016 proposed increase in water revenue is 7.5% in the first year and 6% in the wastewater fund. The impacts on the funds for this current year will be approximately \$400,000 in the water fund and \$250,000 in the wastewater fund. This is an estimate based upon four months of implementation assuming a March 17th, 2016 effective date for the new rates.

RECOMMENDATION:

This item is for discussion only at this time.

ATTACHMENTS:

Description

[Appendix A Water and Sewer Rate Analysis Report](#)

[Appendix B Code Changes](#)

[Appendix C Net Position Policy Enterprise Funds](#)

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I. Introduction/Background

The City currently uses a rate revenue analysis model developed in 2004 by Red Oak Consulting, which at that time was a division of Malcolm Pirnie, Inc. The primary objective of the model is to assess water and wastewater revenue, costs and required rates. City staff regularly completes a study of the water and wastewater enterprises to determine if the current schedule of rates and charges are sufficient to generate the revenue necessary to meet operating and capital needs in an equitable manner while encouraging water conservation. Over the last few years, the Public Works Department has been in the process of developing system master plans to ensure the adequacy of the systems into the future. To avoid developing rates inconsistent with master plans and for the duration of the most recent recession, the City has not updated its water and wastewater rate schedule since 2009.

While this has helped Avondale residents over that time frame and the enterprise funds have remained relatively stable, increasing costs and asset depreciation are starting to have an impact and both water and wastewater funds have had declines in net position (commonly referred to as fund balance). The City Council's goals this fiscal year also include an objective to develop a long-range asset replacement plan for water and wastewater. Staff has been assigned the task of conducting a full rate analysis that incorporates the latest master plan needs and projects, establishment of reserves for asset replacement and debt service requirements while also ensuring the funds do not continue to lose net position.

The Public Works' and Finance & Budget staff has been working jointly to assess the financial impact of the current operations and capital project needs. The methodology used to conduct the analysis is summarized below:

- ▣ Revenue sufficiency analysis
 - Historical trend analysis
 - Baseline projections
- ▣ Cost of service analysis
- ▣ Rate design
 - Local market comparison
 - Customer impact

The historical trends are reviewed over the last ten years while the projected study period includes the current fiscal year and five additional years. The projection years are referred to as the study period.

In summary, staff's analysis has concluded both the water and wastewater enterprises require rate adjustments in order to sustain the current service levels, fund infrastructure improvements, add additional debt service and also establish much needed reserves. The water fund with a healthier net position requires, at minimum, a 7.5% adjustment in the first year, followed by 6% adjustments to revenue each year for the following five years. The wastewater fund requires, at minimum, a 6% adjustment annually over the same six year period. While this recommended plan does not achieve all stated objectives immediately, it puts the City in a position to reach the desired goals over a period of time that softens the impact on customers. This report documents the analysis conducted by staff in updating the rate model.

II. Revenue Sufficiency Analysis

Revenue sufficiency analysis helps determine if the annual rate revenue projected over the study period is sufficient to fund the water and wastewater system financial requirements, including operating expenses, debt service and the capital improvements program. In order to update the model, staff evaluates utility expenses, current budgets, capital projects, debt requirements and the impact on operations from the capital program. These expenses are then updated in the model to keep it current. In evaluating the expenses it is clear that the rising costs of treating and distributing water and maintaining the system components have continued to accelerate at rates that are currently outpacing the normal consumer inflation rates.

Another driving factor in the rates is the need to fund the replacement of system components. As indicated in the City of Avondale's Municipal Code §24-117, the user charge rates for sewer should be revised as needed to pay for the total operations, maintenance and replacement costs for the system. While the Code is not specific on the water system it is prudent to ensure the rates also recover sufficient revenue to ensure the timely replacement of water system components. Due to the aging system in some areas of the City, additional replacement funding is required to ensure the timely replacement of system components.

A. Historical Trend Analysis

Over the last ten years, Avondale population has increased an average of 3% while the number of net new single family water and sewer accounts has increased an average of 2% over the same time frame. Actual billed water volume has increased an average of 4% per year and treated wastewater inflows have also increased 4.2% per year on average. The most recent completed fiscal year, however, indicates a decline in both water & wastewater volumes.

Inflation as measured by the Consumer Price Index (CPI) has averaged 2.16% per year during the ten year period. Costs have increased by approximately 3% each year in water operations while wastewater operations have increased on average by over 6.4% each year since Fiscal Year 2006. The most rapidly increasing costs in wastewater operations are salaries and electricity.

Rate increases have averaged only 1.8% in water and 0.42% in wastewater over the same ten year time frame. There have not been any rate increases in the last six years. The following table shows the revenue adjustment percentages from FY 2006 through FY 2015.

Table 1 - Revenue Adjustment History

| Year | Water | Wastewater |
|------|-------|------------|
| 2015 | 0% | 0% |
| 2014 | 0% | 0% |
| 2013 | 0% | 0% |
| 2012 | 0% | 0% |
| 2011 | 0% | 0% |
| 2010 | 0% | 0% |
| 2009 | 3.8% | 1.76% |
| 2008 | 3.4% | 2.4% |
| 2007 | 5.5% | 0% |
| 2006 | 5.5% | 0% |

B. Baseline Expense Projections

The model was updated to include all new expenses and other revenue needs for a five year study period in addition to the current budget year. Baseline expense projections for the forecast period assumed the following:

- ✓ Based on the historical trend analysis, the majority of operating expenses and transfers out increase by 3% per year with the exception of the following:
 - Salary related expenses – increase by 3% in year one and 2% each year thereafter in the forecast period
 - Employee Benefits – increase of 4% each year in the forecast period
 - Maintenance contracts – increase an average of 2% per year.
- ✓ Annual debt service expenses and debt service coverage requirements were taken from the current outstanding debt information and only projected to increase in years in which additional debt is projected.

Public Works staff identified additional operating needs which have been incorporated in the model. Most notable new costs are the addition of pressure zone maintenance and the purchase of effluent for recharge from the City's water reclamation facility. The additional costs result in an increase in water operating needs of \$5.1 million or 50% of existing operating costs by the last year of the study period. The wastewater operating cost additions total \$315,000 by the end of the study year. These costs are shown in the following table.

Table 2 - Operating Cost Additions

| Water Operating Fund | FY 16-17 | FY 17-18 | FY 18-19 | FY 19-20 | FY 20-21 | FY 21-22 |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Treatment Operator/Mechanic (ongoing) | 75,000 | 150,000 | 150,000 | 150,000 | 150,000 | 225,000 |
| SCADA tech (.5 FTE split water/ww) (ongoing) | 45,000 | 45,000 | 45,000 | 45,000 | 45,000 | 45,000 |
| Operating Costs- Production (ongoing) | 300,000 | 550,000 | 655,000 | 655,000 | 760,000 | 865,000 |
| On-site Chlorine Generation System (ongoing) | 150,000 | 150,000 | 150,000 | 150,000 | 150,000 | 150,000 |
| R&M Bulk Chemical Systems (ongoing) | 30,000 | 30,000 | 30,000 | 30,000 | 30,000 | 30,000 |
| Increased CAP Water Costs assumes no shortage* (ongoing) | | | 12,000 | 140,000 | 250,000 | 250,000 |
| Vehicles & Equipment for treatment operator/mechanic | 40,000 | 40,000 | | | | 40,000 |
| Vehicle & Equipment for SCADA tech | 12,500 | | | | | |
| Valve Machine & Truck | 105,000 | | | | | |
| Hydro Excavation Truck | | 350,000 | | | | |
| Integrated Utility Master Plan (50% split water/ww) | 125,000 | | | | | 125,000 |
| Wetland Liner Study (onetime) | 125,000 | | | | | |
| Ongoing | 600,000 | 925,000 | 1,042,000 | 1,170,000 | 1,385,000 | 1,565,000 |
| Overtime | 407,500 | 390,000 | - | - | - | 165,000 |
| Optional | | | | | | |
| Effluent Purchase - Avondale WRF | 1,213,063 | 1,242,177 | 1,271,989 | 1,302,517 | 1,333,777 | 1,365,788 |
| Pressure Zone Implementation Cost Estimates | | 2,000,000 | 2,000,000 | 2,000,000 | 2,000,000 | 2,000,000 |
| * Increased CAP Water Costs assuming shortage (ongoing) | 44,000 | 88,000 | 132,000 | 252,000 | 372,000 | |
| Water Operating Total Additions | \$ 2,264,563 | \$ 4,645,177 | \$ 4,445,989 | \$ 4,724,517 | \$ 5,090,777 | \$ 5,095,788 |
| Wastewater Operating Fund | FY 16-17 | FY 17-18 | FY 18-19 | FY 19-20 | FY 20-21 | FY 21-22 |
| PM materials/supplies/services (on-going) | \$45,000 | \$45,000 | \$45,000 | \$45,000 | \$45,000 | \$45,000 |
| PM materials/supplies/services (on-going) | \$65,000 | \$65,000 | \$65,000 | \$65,000 | \$65,000 | \$65,000 |
| Security Systems Maintenance & Upgrades (ongoing) | \$10,000 | \$10,000 | \$10,000 | \$10,000 | \$10,000 | \$10,000 |
| SCADA tech (.5 FTE split water/ww) (ongoing) | \$45,000 | \$45,000 | \$45,000 | \$45,000 | \$45,000 | \$45,000 |
| 2-man crew for Collections- dig up & vactor (ongoing) | | | | \$150,000 | \$150,000 | \$150,000 |
| Security System (onetime) | \$50,000 | \$50,000 | | | | |
| Vehicle & Equipment for SCADA tech (onetime) | \$12,500 | | | | | |
| Dig up truck & tractor for collections crew (onetime) | | | | \$320,000 | | |
| Integrated Master Plan (50% split between water/ww) | \$125,000 | | | | | |
| Ongoing | \$165,000 | \$165,000 | \$165,000 | \$315,000 | \$315,000 | \$315,000 |
| Overtime | \$187,500 | \$50,000 | \$0 | \$320,000 | \$0 | \$0 |
| Wastewater Operating Subtotal | \$352,500 | \$215,000 | \$165,000 | \$635,000 | \$315,000 | \$315,000 |

Capital projects included in the baseline projections reflect the current adopted capital improvement plan (CIP) with the following additions/changes:

- ✓ Water reservoir coating and rehabilitation
- ✓ Sewer pipe relining
- ✓ Additional large diameter pipe rehabilitation
- ✓ Lift station rehabilitation

Complete CIP schedules are included in the appendix in exhibit 1. Additional projects have also been included in the years beyond this study period. The projects are subject to change each year based on new development and existing infrastructure conditions.

C. Baseline Revenue Projections

Baseline revenue projections were assumed to exclude additional revenue from rate increases. The following assumptions were used to project annual changes in baseline revenue during the period:

- ✓ Baseline water and wastewater rate revenue, that is, rate revenue increases that are exclusive of programmed rate increases, was projected to increase at 2% annually to reflect projected annual growth in the water and wastewater customer base.
- ✓ FY 2016 Budgeted miscellaneous revenue (turn on/off charges, late fees, etc.) was projected to remain constant during the forecast period.
- ✓ Water and wastewater development fee revenue was projected to remain constant during the forecast period.
- ✓ Planned bond revenue from the City's CIP is included and the model also assumes additional bonds will be issued to match development fee and/or operating transfer shortfalls.
- ✓ Interest income was calculated by the model based on projected fund balances during the period and assumed interest earnings rate of 1.0% per year.

Other Revenue Requirements

In addition to operating expenses, the City has set a management objective to maintain a working capital reserve in an amount equal to at least nine months of operations and maintenance. The City Council has also set an objective to develop a long-range asset replacement plan for water and wastewater. In order to fund such a plan a funding mechanism must be developed that will ensure the rate revenue will be sufficient to fund existing system upgrades and replacement while also funding a reserve for replacement that will be available for future or emergency needs. The current net position in both water and wastewater have declined in recent years so in order to fund replacement needs and reserves, the rate revenue must increase to improve cash flow in both funds. The full funding of these reserves will need to be implemented over a period of a few years to avoid drastic increases. Staff included an initial reserve requirement of 5% of existing asset cost for illustration purposes.

Financial Projections associated with the Revenue Sufficiency Analysis Phase

The results of the revenue sufficiency analysis are presented in Table 3 - Cash Flow Analysis **Error! Reference source not found.** as the pro-forma and cash flow analysis. As indicated on the lines 7 and 31 of Table 3, rate increases are necessary in both funds over the next six years.

Table 3 - Cash Flow Analysis

| City of Avondale, Arizona Revenue Sufficiency Analysis Pro-Forma and Cash Flow Analysis - By Fund | | | | | | | |
|---|---|-------------------|---------------------|--------------------|--------------------|--------------------|--------------------|
| 1 | Water Operating Fund | FY 16 | FY 17 | FY 18 | FY 19 | FY 20 | FY 21 |
| 2 | Beginning Balances | 25,809,542 | 27,002,580 | 25,700,342 | 23,818,185 | 23,224,550 | 23,489,887 |
| 3 | | | | | | | |
| 4 | Water Rate Revenue | 12,383,470 | 13,312,230 | 14,449,627 | 15,684,203 | 17,024,262 | 18,478,815 |
| 5 | Plus: Growth | 0% | 2% | 2% | 2% | 2% | 2% |
| 6 | Water Rate Revenue After Growth | 12,383,470 | 13,631,724 | 14,796,418 | 16,060,624 | 17,432,844 | 18,922,306 |
| 7 | Pct Change in Water Rates | 7.50% | 6.00% | 6.00% | 6.00% | 6.00% | 6.00% |
| 8 | Pct of Year Rate Increase Effective | 50% | 50% | 50% | 50% | 50% | 50% |
| 9 | Water Rate Revenue After Growth and Rate Increase | 12,847,850 | 14,040,675 | 15,240,311 | 16,542,443 | 17,955,829 | 19,489,975 |
| 10 | Other Revenue | 771,220 | 771,220 | 771,220 | 771,220 | 771,220 | 771,220 |
| 11 | Interest Income | 264,031 | 267,183 | 255,035 | 243,015 | 241,679 | 248,714 |
| 12 | Total Revenue | 13,883,101 | 15,079,078 | 16,266,566 | 17,556,678 | 18,968,728 | 20,509,909 |
| 13 | O&M | (10,123,130) | (12,150,073) | (14,685,293) | (15,017,513) | (15,579,843) | (16,237,883) |
| 14 | Debt Service | (36,934) | (1,073,743) | (1,073,430) | (1,132,800) | (1,123,549) | (1,123,470) |
| 15 | Capital Outlay | (530,000) | (407,500) | (390,000) | - | - | - |
| 16 | Transfers Out | (2,000,000) | (2,000,000) | (2,000,000) | (2,000,000) | (2,000,000) | (2,000,000) |
| 17 | Cash Funded Capital | - | (750,000) | - | - | - | - |
| 18 | Net Cash Flow | 1,193,038 | (1,302,238) | (1,882,157) | (593,635) | 265,337 | 1,148,556 |
| 19 | Restricted Reserve for Required New Debt | - | (742,745) | (742,745) | (802,494) | (802,494) | (802,494) |
| 20 | Restricted Reserve for Replacement/Refurbishment | - | (15,046,060) | (15,213,522) | (15,382,847) | (15,554,056) | (15,727,171) |
| 21 | Ending Unrestricted Balances | 27,002,580 | 9,911,536 | 7,861,919 | 7,039,210 | 7,133,338 | 8,108,779 |
| 22 | Working Capital Reserve | 7,592,348 | 9,112,555 | 11,013,970 | 11,263,135 | 11,684,882 | 12,178,412 |
| 23 | Surplus/(Deficit) | 19,410,232 | 798,981 | (3,152,051) | (4,223,925) | (4,551,544) | (4,069,633) |
| 24 | | | | | | | |
| 25 | Sewer Operating Fund | FY 16 | FY 17 | FY 18 | FY 19 | FY 20 | FY 21 |
| 26 | Beginning Balances | 8,558,727 | 10,400,020 | 8,804,982 | 10,826,657 | 13,726,174 | 14,858,540 |
| 27 | | | | | | | |
| 28 | Sewer Rate Revenue | 8,330,190 | 8,830,001 | 9,584,437 | 10,403,331 | 11,292,192 | 12,256,996 |
| 29 | Plus: Growth | 0% | 2% | 2% | 2% | 2% | 2% |
| 30 | Sewer Rate Revenue After Growth | 8,330,190 | 9,041,921 | 9,814,463 | 10,653,011 | 11,563,204 | 12,551,164 |
| 31 | Pct Change in Sewer Rates | 6.00% | 6.00% | 6.00% | 6.00% | 6.00% | 6.00% |
| 32 | Pct of Year Rate Increase Effective | 50% | 50% | 50% | 50% | 50% | 50% |
| 33 | Sewer Rate Revenue After Growth and Rate Increase | 8,580,096 | 9,313,179 | 10,108,897 | 10,972,601 | 11,910,100 | 12,927,699 |
| 34 | Other Revenue | 43,440 | 1,256,503 | 1,285,617 | 1,315,429 | 1,345,957 | 1,377,217 |
| 35 | Interest Income | 184,448 | 203,573 | 227,856 | 269,898 | 316,703 | 368,500 |
| 36 | Total Revenue | 8,807,983 | 10,773,256 | 11,622,369 | 12,557,928 | 13,572,760 | 14,673,416 |
| 37 | O&M | (5,127,804) | (5,367,803) | (5,448,389) | (5,531,906) | (5,821,112) | (5,968,856) |
| 38 | Debt Service | (1,044,886) | (1,869,980) | (2,126,667) | (2,120,345) | (2,038,174) | (3,180,411) |
| 39 | Capital Outlay | (194,000) | (181,875) | (48,500) | - | (310,400) | - |
| 40 | Transfers Out | (600,000) | (2,568,636) | (1,597,139) | (1,626,160) | (3,655,708) | (2,685,793) |
| 41 | Cash Funded Capital | - | (2,380,000) | (380,000) | (380,000) | (615,000) | - |
| 42 | Net Cash Flow | 1,841,293 | (1,595,038) | 2,021,675 | 2,899,517 | 1,132,366 | 2,838,356 |
| 43 | Restricted Reserve for Required New Debt | (410,275) | (410,275) | (674,298) | (674,298) | (721,459) | (721,459) |
| 44 | Restricted Reserve for Replacement/Refurbishment | - | (15,686,362) | (15,971,391) | (16,261,599) | (16,557,081) | (16,857,931) |
| 45 | Ending Unrestricted Balances | 9,989,745 | (7,291,655) | (5,819,032) | (3,209,723) | (2,420,000) | 117,505 |
| 46 | Working Capital Reserve | 3,845,853 | 4,025,852 | 4,086,291 | 4,148,930 | 4,365,834 | 4,476,642 |
| 47 | Surplus/(Deficit) | 6,143,891 | (11,317,508) | (9,905,323) | (7,358,653) | (6,785,834) | (4,359,137) |
| 48 | | | | | | | |
| 49 | Summary Results of Combined Water and Sewer Fund | FY 16 | FY 17 | FY 18 | FY 19 | FY 20 | FY 21 |
| 50 | Debt Service Coverage Calculation | | | | | | |
| 51 | Rate Revenue | 21,427,946 | 23,353,855 | 25,349,208 | 27,515,044 | 29,865,930 | 32,417,675 |
| 52 | Other Revenue | 814,660 | 2,027,723 | 2,056,837 | 2,086,649 | 2,117,177 | 2,148,437 |
| 53 | Interest Income | 448,479 | 470,756 | 482,891 | 512,913 | 558,382 | 617,213 |
| 54 | Total Revenue | 22,691,084 | 25,852,334 | 27,888,936 | 30,114,607 | 32,541,488 | 35,183,325 |
| 55 | O&M | (15,250,934) | (17,517,876) | (20,133,681) | (20,549,420) | (21,400,955) | (22,206,739) |
| 56 | Net Income | 7,440,150 | 8,334,458 | 7,755,254 | 9,565,187 | 11,140,533 | 12,976,586 |
| 57 | Debt Service - Existing | 1,081,820 | 2,943,722 | 3,200,097 | 3,253,145 | 3,161,723 | 4,303,880 |
| 58 | Debt Service Coverage | 6.88 | 2.83 | 2.42 | 2.94 | 3.52 | 3.02 |
| 59 | | | | | | | |
| 60 | Summary of Increase in Rate Revenue (excluding Growth related increases) | | | | | | |
| 61 | Total Full Year Rate Revenue Increase (excluding Growth) | 22,142,232 | 23,470,766 | 25,476,108 | 27,652,786 | 30,015,440 | 32,579,960 |
| 62 | Total Rate Revenue Before Rate Increase | 20,713,660 | 22,142,232 | 24,034,064 | 26,087,534 | 28,316,453 | 30,735,811 |
| 63 | Annual Pct Rate Revenue Increase | 6.90% | 6.00% | 6.00% | 6.00% | 6.00% | 6.00% |
| 64 | Revenue Requirement Water Allocation | 61.1% | 67.9% | 71.2% | 71.4% | 70.7% | 68.8% |
| 65 | Revenue Requirement Sewer Allocation | 38.9% | 32.1% | 28.8% | 28.6% | 29.3% | 31.2% |

III. Cost of Service Analysis

Cost of service analysis helps determine the cost to serve water and wastewater customers and allocate those costs to rate components and customer classes based on a review of line-item operating, debt service and capital costs.

A. Allocation of Costs to Water Cost Components

Customer related costs, such as billing, customer service costs and meter reading for water customers were allocated directly to the water customer charge rate component. Meter related costs, such as meter repair and replacement costs associated with maintaining the utility's readiness to serve customers were allocated to the meter, or readiness to serve, charge. Other costs, such as transmission costs and treatment costs that are associated with flow-related activity, were allocated to the flow charge.

B. Allocation of Costs to Wastewater Cost Components

Customer related costs, such as billing and customer service costs, for wastewater customers were allocated directly to the wastewater customer charge rate component. Costs related to the collection system are allocated to a volume charge and treatment costs are allocated to strength charge both of which are then combine into a single flow charge.

The cost allocation process resulted in the percentage of the rate revenue requirement identified in the revenue sufficiency analysis that is to be recovered through the following rate components for each Utility:

Table 4 - Rate Cost Components

| Water Rate Components | | Wastewater Rate Components | |
|---------------------------|-----|----------------------------|-----|
| Customer charge | 7% | Customer Charge | 19% |
| Readiness to serve charge | 21% | Flow Charge | 41% |
| Flow Charge | 72% | | |

As demonstrated in Table 4, the majority of the costs associated with the water and wastewater systems can be attributed to the level of usage. This helps with rate development that achieves the following objectives:

- ✓ Revenue stability
- ✓ Discouragement of wasteful water use
- ✓ Promotion of fairness and equity among rate-payers
- ✓ Understandability of rates
- ✓ Allocation of costs of wastewater treatment based on estimated contribution to the wastewater system by user class.

IV. Rate Analysis and Design

To ensure fair and equitable rates utilizing the current rate model, the rate revenue requirement for each rate component is apportioned by customer class based on the allocation of the cost components.

A. Allocation of Costs to Water Customers

- ✓ Customer charge – The number of customers, by customer class, was compiled from the most recent fiscal year’s utility billing data to determine the number of customers and number of bills issued per year. The total costs were allocated on a per bill basis to develop the monthly charge.
- ✓ Readiness to serve charge – In order to properly apportion the rate revenue requirement for the readiness to serve charge among customer classes, equivalent units for each customer class were calculated in the following manner:
 - Equivalent Residential Units (ERUs) - The number of equivalent units for all customers, except multi-unit customers, was determined by calculating the equivalent residential units by meter size by class. Equivalent residential units for each class were calculated by multiplying the number of meters times the meter equivalency factor for each meter size. The meter equivalency factors used are established by the American Water Works Association (AWWA). The number of equivalent units was calculated by multiplying the number of units for multi-unit customers by the ratio of average monthly demand for multi-unit customers (4,700 gallons per month) as compared to single family residential customers (10,000 gallons per month), or 47%.

The rate revenue requirement for the readiness to serve charge is then apportioned based on the pro-rata portion of equivalent residential units for each class based on meter size.

- ✓ Flow rate – The water conservation component of the water rate design includes the development of four (4) blocks of water usage. The volume of water flow, by customer class, was compiled in order to determine the distribution of flow by class and rate block. The rate revenue requirement for the flow rate was then apportioned based on the pro-rata portion of customers for each class. One of the main objectives in the development of the current rate structure was to incorporate a conservation rate structure which alters the apportionment of the rate revenue requirement among customer classes based on their usage patterns.

The calculation of a user's monthly water bill is represented by the following formula:

$$\text{Water Charge} = \text{CC} + (\text{R} \times \text{M} \times \text{U}) + [(\text{B1} \times \text{V1}) + (\text{B2} \times \text{V2}) + (\text{B3} \times \text{V3}) + (\text{B4} \times \text{V4})]$$

Where:

B1= Rate per 1,000 gallons in block one

B2= Rate per 1,000 gallons in block two

B3= Rate per 1,000 gallons in block three

B4= Rate per 1,000 gallons in block four

CC = Customer charge per bill

M=Meter equivalency factor

R=Readiness to serve charge for 0.75" Meter per unit

U=Number of units

V1= Water usage in thousands of gallons in block one

V2= Water usage in thousands of gallons in block two

V3= Water usage in thousands of gallons in block three

V4= Water usage in thousands of gallons in block four

The blocks for water usage are determined using the ¾" meter as the base. Except for hydrant meters and residential customers with a ¾" or 1" meter, all blocks are adjusted by the meter equivalency factor. Hydrant meters have relatively high capacity when compared to the standard meter and are therefore calculated separately.

B. Allocation of Costs to Wastewater Customers

The rate revenue requirement for each rate component for wastewater was apportioned by customer class in the following manner:

- ✓ Customer charge – The number of customers, by customer class, was compiled from the most recent fiscal year's utility billing data to determine the number of customers and number of bills issued per year. The total costs were allocated on a per bill basis to develop the monthly charge.
- ✓ Flow rate – The volume of wastewater flow, adjusted to reflect the assumed return factors by customer was compiled in order to determine the distribution of flow by class. The volume charge was developed using volume data from the last fiscal year's billing data. The costs of the collection system were reduced to a cost per 1,000 gallons based on total billed volumes. The second component is the allocation of treatment costs. Strength of wastewater is measured based on wastewater loadings of Biochemical Oxygen Demand (BOD) and Suspended Solids (SS). The costs of treatment were apportioned between the two categories based on the estimated pounds of BOD and SS removed from wastewater by user class. Except for the residential class, these estimated pounds were calculated based on typical (Industry Standards) user strength characteristics developed by the California State Water Resources Control Board in 1998. The residential strength characteristics are based on the local residential contributions estimated by the Public Works Department staff. These loadings by customer class are presented in Table 5.

Table 5-Typical User Strengths

| Standard Classifications | BOD (mg/l) | SS (mg/l) |
|---------------------------------|-------------------|------------------|
| Residential | 331 | 383 |
| Auto Steam Cleaning | 1,150 | 1,250 |
| Bakery, wholesale | 1,000 | 600 |
| Bars without dining facilities | 200 | 200 |
| Car Wash | 20 | 150 |
| Department and Retail Store | 150 | 150 |
| Hospital and Convalescent | 250 | 100 |
| Hotel with dining facilities | 500 | 600 |
| Hotel/Motel without dining | 310 | 120 |
| Industrial Laundry | 670 | 680 |
| Laundromat | 150 | 110 |
| Laundry, commercial | 450 | 240 |
| Market with garbage grinders | 800 | 800 |
| Mortuary | 800 | 800 |
| Professional Office | 130 | 80 |
| Repair Shop and Service Station | 180 | 280 |
| Restaurant | 1,000 | 600 |
| School and College | 130 | 100 |
| Septage | 5,400 | 12,000 |
| Soft Water Service | 3 | 55 |

The calculation of a user's monthly wastewater bill is represented by the following formula:

$$\text{Wastewater Charge} = CC + Vs[(Bc \times 0.00834 \times Bm) + (Sc \times 0.00834 \times Sm)]$$

Where:

Bc= Cost of treatment per unit of Biochemical Oxygen Demand (BOD)

Bm= Concentration of BOD in milligrams per liter

CC= Customer charge per bill

Sc= Cost of treatment per unit of Suspended Solids (SS)

Sm= Concentration of SS in milligrams per liter

Vs= Volume of wastewater in thousands of gallons

Volumes of wastewater are determined based on 80% of the average winter quarter (December, January and February) water usage for single family residential customers. Multi-family customer wastewater volumes are based on 100% of billed water volume. Laundries and Car Washes wastewater volumes are based on 70% of billed water usage each month. All other customer class wastewater volumes are based on 80% of billed water usage.

C. Water Rates

The current rates for water consumption are compared to the proposed rates in Table 6. Two additional meter sizes have been added to the rate schedule.

Table 6-Water Rates

| Water Rates | Current | Proposed |
|--|----------------|-----------------|
| Customer Charge Per Bill - all users | \$ 2.60 | \$ 3.30 |
| <u>Meter Size-Base Fee all users</u> | | |
| 3/4" Meter | \$ 7.90 | \$ 7.70 |
| 1" Meter | 19.90 | 19.30 |
| 1 1/2" Meter | 31.80 | 38.60 |
| 2" Meter | 50.90 | 61.70 |
| 3" Meter | 95.50 | 115.70 |
| 4" Meter | 159.20 | 192.80 |
| 6" Meter | 318.50 | 385.70 |
| 8" Meter | - | 617.10 |
| 10" Meter | - | 887.10 |
| Hydrant Meter | 318.50 | 887.10 |
| <u>Residential Usage Charge per 1,000 gallons</u> | | |
| 0-4,000 gal | \$ 0.94 | \$ 1.06 |
| 5,000-8,000 gal | 1.44 | 1.69 |
| 9,000-12,000gal | 2.16 | 2.47 |
| 13,000 + gal | 3.30 | 3.88 |
| <u>Non-Residential Usage Charge per 1,000 gallons</u> | | |
| 0-8,000 gal | \$ 1.44 | \$ 1.69 |
| 9,000-12,000gal | 2.16 | 2.47 |
| 13,000 + gal | 3.30 | 3.88 |
| Hydrant Usage – all gal | 3.30 | 3.88 |

Multi-family rates are adjusted by the 47% unit equivalency factor and rate blocks are adjusted by the meter equivalency factor.

D. Sewer Rates

The current rates for wastewater services are compared to the proposed rates in Table 7.

Table 7 - Wastewater Rates

| | Current | Proposed | |
|---|---|---|-----------------------------|
| <u>Customer Charge all users</u> | \$ 6.25 | \$ 6.42 | |
| <u>Customer Class</u> | <u>Volume charge per 1,000 gal</u> | <u>Volume charge per 1,000 gal</u> | <u>Return Factor</u> |
| Residential | \$ 3.17 | \$ 3.52 | 80% |
| Multi-family | 3.17 | 3.52 | 100% |
| Mobile Home Park | 3.17 | 3.52 | 80% |
| Auto Steam Cleaning | 9.37 | 8.58 | 70% |
| Bakery Wholesale | 7.30 | 5.41 | 80% |
| Hospital & Convalescent | 2.90 | 2.74 | 80% |
| Markets with Garbage Disposal | 6.84 | 6.68 | 80% |
| Repair Shop and Service Station | 2.98 | 2.74 | 80% |
| Restaurant | 7.30 | 7.14 | 80% |
| Schools & Colleges | 2.37 | 2.21 | 80% |
| Bars W/O Dining | 2.89 | 2.73 | 80% |
| Laundromat | 2.48 | 2.32 | 70% |
| Commercial Laundry | 4.09 | 3.93 | 70% |
| Car Wash | 1.99 | 1.83 | 70% |
| Professional Office | 2.31 | 2.16 | 80% |
| Department Store & Retail | 2.56 | 2.40 | 80% |
| Hotel w/Dining | 5.08 | 4.92 | 80% |
| Hotel w/o Dining | 3.21 | 3.05 | 80% |
| Mortuaries | 6.84 | 6.68 | 80% |

*Residential charges are calculated using the average water usage for the months of December, January and February, adjusted by the listed return factor.

E. Local Rate Comparisons

The proposed water and wastewater rates are still very competitive with rates around the Phoenix valley area. Water rates for the average usage are still among the lowest in the valley. The comparison values for water assume a 9,000 gallon residential water bill and the wastewater bill assumes average water usage of 8,000 gallons during the winter months. As indicated in the media, various other cities are also considering rate hikes so the rates depicted in Figure 1 and Figure 2 may change within the next year depending on the action taken by the respective City Councils.

Figure 1 - Valley-Wide Water Bill Comparison 9,000 gallons

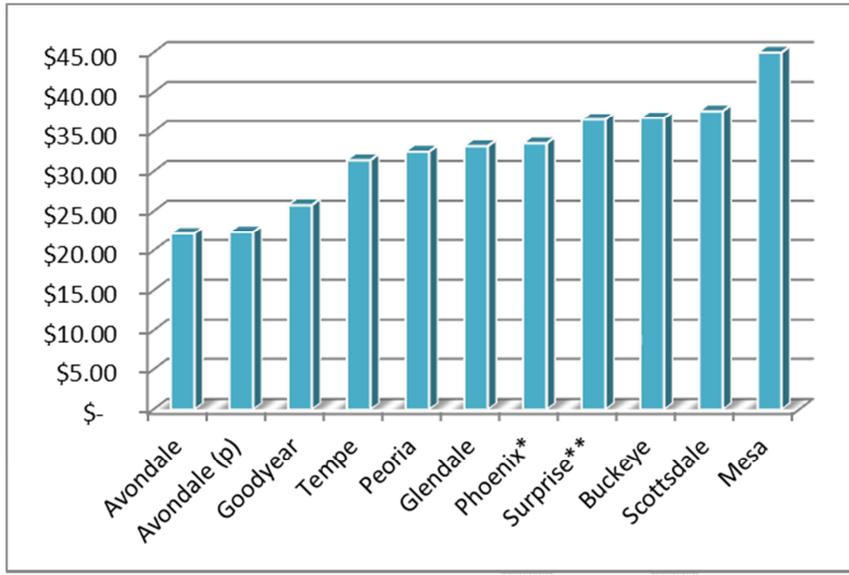
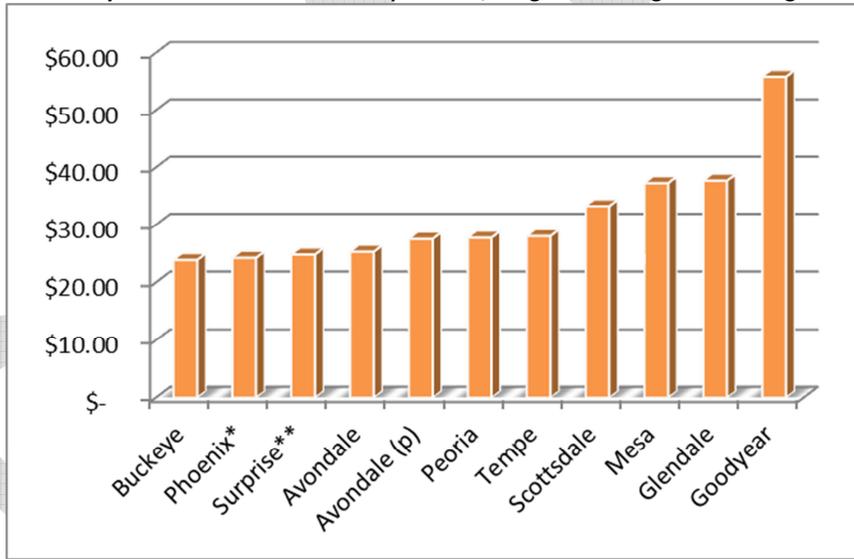


Figure 2 - Valley-Wide Wastewater Bill Comparison 8,000 gallon average winter usage



Avondale water rates remain among the lowest in the valley with the proposed (p) adjustment in the first year. Wastewater rates would also remain at the lower end of the scale, when assessing only the first year of the adjustment.

F. Estimated Impact on Customer Bills

The customer impact of each of this plan is presented in Figure 3 for residential customers with a 3/4" meter. The average billed volume for residential customers is 9,000 gallons per month. Sixty-five percent (65%) of all residential bills issued are between 0 and 9,000 gallons.

Figure 3 - Percent Change in Residential Monthly Water Bill

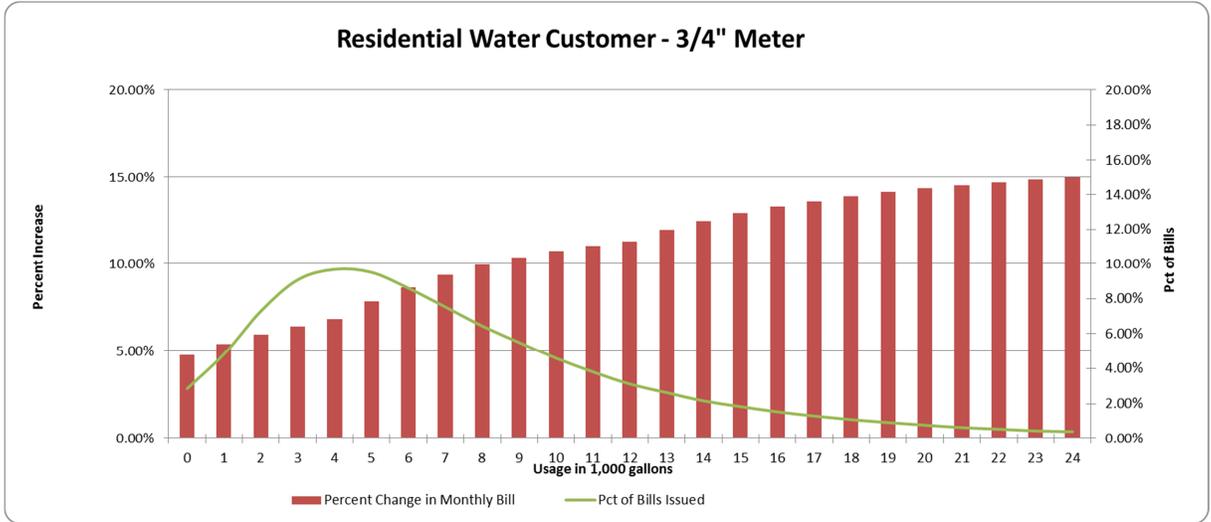
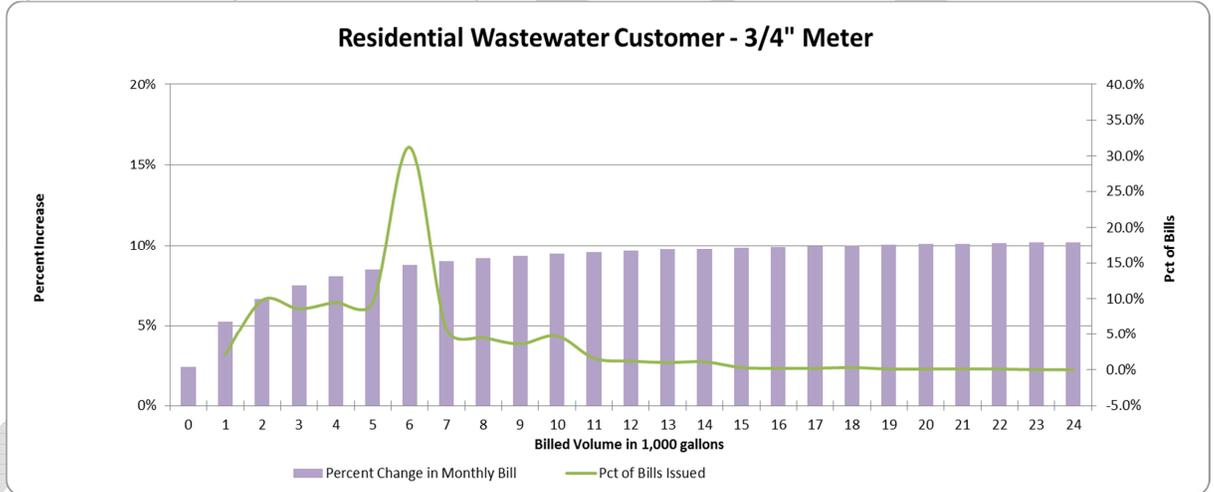


Figure 4 - Percent Change in Residential Monthly Wastewater Bill



The graphs depict the percent increase in monthly bills along with the percentage of bills issues for the billed volume on average. Water usage tends to vary while wastewater bills remain constant once set in July based on 80% of the average water usage during the winter months of December, January and February.

V. Sample Bills

For comparison purposes, examples of monthly bills are presented on the following pages. The figures include a full month utility bill including all water, wastewater and sanitation services. The impact varies from 0.2% to 4.2% for most residential customers with a ¾" or 1" meter.

Figure 5 - 5,000 Gallons Water Usage – Residential ¾" Meter

| Residential | Gallons Billed | Current | Proposed |
|---|----------------|-----------------|-----------------|
| Water | 5 | | |
| Base Fee <input meter"="" type="button" value="3/4"/> | | \$ 10.50 | \$ 11.00 |
| Volume Charge | | 5.20 | 5.93 |
| Sub-Total | | 15.70 | 16.93 |
| Sewer (Winter Average) | 4 | | |
| Base Fee | | \$ 6.25 | \$ 6.40 |
| Volume Charge on 80% | 3 | 9.51 | 10.56 |
| Sub-Total | | 15.76 | 16.96 |
| Sanitation | | 20.00 | 20.00 |
| Environmental Fee | | 1.00 | 1.00 |
| Taxes | | 1.42 | 1.53 |
| Total | | \$ 53.88 | \$ 56.42 |
| Total Bill Change | | | \$ 2.54 |
| % Bill Change | | | 4.7% |

Figure 6 - 12,000 Gallons Water Usage – Residential ¾" Meter

| Residential | Gallons Billed | Current | Proposed |
|---|----------------|-----------------|-----------------|
| Water | 12 | | |
| Base Fee <input meter"="" type="button" value="3/4"/> | | \$ 10.50 | \$ 11.00 |
| Volume Charge | | 18.16 | 20.88 |
| Sub-Total | | 28.66 | 31.88 |
| Sewer (Winter Average) | 10 | | |
| Base Fee | | \$ 6.25 | \$ 6.40 |
| Volume Charge on 80% | 8 | 25.36 | 28.16 |
| Sub-Total | | 31.61 | 34.56 |
| Sanitation | | 20.00 | 20.00 |
| Environmental Fee | | 1.00 | 1.00 |
| Taxes | | 2.64 | 2.95 |
| Total | | \$ 83.91 | \$ 90.39 |
| Total Bill Change | | | \$ 6.47 |
| % Bill Change | | | 7.7% |

Figure 8 - 15,000 Gallons Water Usage – Residential 1" Meter

| Residential | Gallons Billed | Current | Proposed |
|---|----------------|------------------|------------------|
| Water | 15 | | |
| Base Fee <input meter"="" type="button" value="1"/> | | \$ 22.50 | \$ 22.60 |
| Volume Charge | | 28.06 | 32.52 |
| Sub-Total | | 50.56 | 55.12 |
| Sewer (Winter Average) | 10 | | |
| Base Fee | | \$ 6.25 | \$ 6.40 |
| Volume Charge on 80% | 8 | 25.36 | 28.16 |
| Sub-Total | | 31.61 | 34.56 |
| Sanitation | | 20.00 | 20.00 |
| Environmental Fee | | 1.00 | 1.00 |
| Taxes | | 4.64 | 5.07 |
| Total | | \$ 107.81 | \$ 115.75 |
| Total Bill Change | | | \$ 7.94 |
| % Bill Change | | | 7.4% |

Figure 7 - 105,000 Gallons Usage - Non-Residential 3" Meter

| Non-Residential | Gallons Billed | Current | Proposed |
|---|----------------|------------------|------------------|
| <input type="button" value="Hotel w/Dining"/> | | | |
| Water | 105 | | |
| Base Fee <input meter"="" type="button" value="3"/> | | \$98.10 | \$119.00 |
| Volume Charge | | 151.20 | 177.45 |
| Sub-Total | | 249.30 | 296.45 |
| Sewer | 84 | | |
| Base Fee | | \$6.25 | \$ 6.40 |
| Volume Charge | | 426.72 | 413.28 |
| Sub-Total | | 432.97 | 419.68 |
| Environmental Fee | | | 1.00 |
| Taxes | | 18.05 | 20.72 |
| Total | | \$ 700.32 | \$ 737.85 |
| Total Bill Change | | | \$ 37.54 |
| % Bill Change | | | 5.4% |

VI. Recommendations

Based on the findings of the rate analysis, it is recommended that the City implement a rate plan that helps the City continue to fund the water and wastewater operations, contribute to system development and improvement, meet all required debt service requirements for existing and

planned bond issues, maintain working capital reserves at nine months of operations and begin building reserves for future asset replacement. The suggested rate plan includes recommended increases for the next six years.

| | FY 2015-16 | FY 2016-17 | FY 2017-18 | FY 2018-19 | FY 2019-20 | FY 2020-21 |
|------------|------------|------------|------------|------------|------------|------------|
| Water | 7.50% | 6.00% | 6.00% | 6.00% | 6.00% | 6.00% |
| Wastewater | 6.00% | 6.00% | 6.00% | 6.00% | 6.00% | 6.00% |

In conjunction, staff recommends that a fund balance policy be considered that would begin reserving net position in an amount of at least 5% of undepreciated assets along with the working capital reserves

Staff will hold a public meeting on December 8, 2015 to provide information on the system analysis and to solicit customer feedback on the required rate adjustments.

DRAFT

DRAFT

Appendix B-Proposed Code Changes

Staff has identified several sections of the City's code that are antiquated and require updating in order to keep up with current practices and prices in some cases. These are as follows:

1. Amend Section 24.47 Consumption Charges, Meter Size-Base Fees to include:
 - a. 8-inch meter at a charge of \$617.10 per month
 - b. 10-inch meter at a charge of \$887.10 per month

The City is now installing these meters, and should be charging appropriately for this amount of flow.

2. Strike Section 24.51 Special Meter Reading as follows:

- a. ~~“Any consumer may request and have the City perform a special reading of his water meter upon the payment of a five dollar deposit. If the special reading indicates that the regular meter reading was incorrect, then such deposit shall be returned to the customer, otherwise, such deposit shall be retained by the City.”~~

The City rereads meters frequently as staff analyzes the exception reports each month for all cycles. However, if a customer feels that their read is not correct, they should request that the City test the meter as rereading the meter frequently is time-consuming and costly for the City.

3. Amend Section 24.52 meter Tests as noted below:

- a. ~~“Any consumer may upon written application accompanied by a deposit of five dollars (\$5.00) have his meter tested for accuracy by the city. If the meter registers a divergence from accuracy greater than three (3) percent, the deposit shall be refunded to the applicant and the indicated adjustment made in the water service charges for a total period not longer than the then current period and the monthly period immediately preceding. If a meter so tested registers within three (3) percent of accuracy, the deposit shall be retained by the city. All inaccurate and defective meters shall be replaced by the city when detected. (Code 1971, § 16-6-9)”~~
“Any consumer may upon written application accompanied by a deposit equal to the actual cost of performing a meter test, as charged by a licensed third party may request a meter test. If the meter registers a divergence from accuracy outside of the accepted AWWA standards for the specific meter size greater than three (3) percent, the deposit shall be refunded to the applicant and the indicated adjustment made in the water service charges for a total period not longer than the then current period and the monthly period immediately preceding. If a meter so tested registers within the AWWA standards for the specific meter size three (3) percent of accuracy, the deposit shall be retained by the city. All inaccurate and defective meters shall be replaced by the city when detected. (Code 1971, § 16-6-9)”

If a customer would like a meter tested, the actual cost of doing this is approximately \$35. If a customer would like a meter test, the City would like to recoup its costs on this service.

City of Avondale
Net Position Policy-Enterprise Funds

PURPOSE

To outline net position policies recommended to the City Council (Council) for (1) ensuring that the City's enterprise funds (specifically, the water, sewer, and sanitation funds) have the proper amount of working capital and capital reserve to continue current service levels in the case of an emergency impacting cash flows or capital assets, and (2) establishing minimum net position targets as recommended by the Government Finance Officers Association Best Practices and Advisories guidelines, *Determining the Appropriate Levels of Working Capital in Enterprise Funds*.

BACKGROUND

Government entities should maintain a prudent level of financial resources to protect against reducing service levels, incurring debt, or raising taxes and fees because of unexpected revenue shortfalls, unanticipated expenditures, and similar circumstances. To this end, an important component of good fiscal practice for any organization is to establish, monitor, and enforce net position policies regarding the amount of reserves to be maintained, the purposes for which their use is allowed, and the manner in which reserves are restored after use. These policies are needed to adequately provide for cash flow needs, economic and legislative uncertainties, unanticipated expenditures or revenue shortfalls, and contingencies, as well as to maintain the City's creditworthiness.

Enterprise fund net position consists of three basic classifications for governmental accounting purposes; (1) net investment in capital assets, (2) restricted and (3) unrestricted. Net investment in capital assets consists of enterprise fund capital assets, exclusive of accumulated depreciation, reduced by outstanding balances of bonds and other borrowings that are attributable to the acquisition, construction, or improvement of those assets. This portion of net position is nonspendable. Restricted net position represents resources with constraints placed on their use externally either by creditors, grantors, contributors, laws and regulations of other governments, or imposed by law through constitutional provisions or enabling legislation. This portion of net position is not available for general appropriation. Unrestricted net position consists of resources not included in the other two categories and may be used to meet the City's ongoing obligations to its citizens and creditors as Council deems necessary

NET POSITION POLICY

The Policy is intended to provide guidelines during the preparation and execution of the annual capital improvement program and subsequent budget to ensure that sufficient reserves are maintained for capital infrastructure needs, cash flow needs, economic and legislative uncertainties, unanticipated expenditures or revenue shortfalls, and contingencies. It also is intended to preserve flexibility throughout the fiscal year to make adjustments in funding for programs approved in connection with the annual budget. The Policy should be established based upon a long-term perspective recognizing that stated thresholds are considered minimum balances.

Capital Replacement Reserve

The City will maintain a capital replacement reserve of no less than five percent of the assets listed in the current financial statements, exclusive of accumulated depreciation.

City of Avondale
Net Position Policy-Enterprise Funds

Working Cash Reserve

The City will maintain a working cash reserve of no less than nine months of operating expenses.

Replenishment of Partially Depleted Reserves

The City recognizes that from time-to-time utilization of net position will be needed and reserves will drop below policy minimums. In the case of working capital reserves, the City will first analyze whether the applicable fund is being sufficiently supported by rates. In the case that the fund is structurally balanced and rates are supporting operations, reserves will be replenished through the budgetary cycle by budgeting transfers to reserves. In the case that rates are no longer sufficient to support ongoing operations, the City will complete a rate study and increase rates to bring the fund back into structural balance.

It is more likely that capital reserves will drop to levels lower than five percent of asset values, exclusive of accumulated depreciation, as the City develops and constructs large infrastructure and the minimum requirement increases. In this case, accommodating the larger net position will be done through the budgetary process by budgeting transfers to reserves.

The City's goal is to replenish net position in five-year periods wherever possible. It is understood that it will take a ten-year period to establish both working capital and capital net position levels.



CITY COUNCIL AGENDA

CITY COUNCIL CHAMBERS . 11465 WEST CIVIC CENTER DRIVE . AVONDALE, AZ 85323

**REGULAR MEETING
December 14, 2015
7:00 PM**

**CALL TO ORDER BY MAYOR
PLEDGE OF ALLEGIANCE
MOMENT OF REFLECTION**

1 ROLL CALL AND STATEMENT OF PARTICIPATION BY THE CITY CLERK

2 UNSCHEDULED PUBLIC APPEARANCES

(Limit three minutes per person. Please state your name.)

3 CONSENT AGENDA

Items on the consent agenda are of a routine nature or have been previously studied by the City Council at a work session. They are intended to be acted upon in one motion. Council members may pull items from consent if they would like them considered separately.

a. SIXTH AMENDMENT TO THE FINANCIAL ASSISTANCE AGREEMENT- CARE1ST HEALTH PLAN OF ARIZONA, INC

City Council will consider a request to approve the sixth amendment to the Financial Assistance Agreement with Care1st Health Plan of Arizona, Inc. to receive continuing funds for operation of the Care1st Avondale Resource and Housing Center and authorize the Mayor or City Manager and City Clerk to execute the necessary documents. The Council will take appropriate action.

4 CITY STRATEGIC PLAN

The Mayor and City Council will review strategic initiatives and key outcomes from the strategic planning process executed by Council and staff during 2015. Input received will shape the finalization of the City Strategic Plan by the City Manager and set priorities for the FY2016-2017 budget process as the first step in executing the plan.

5 ADJOURNMENT

Respectfully submitted,

Carmen Martinez
City Clerk

Council Members of the City of Avondale will attend either in person or by telephone conference call.

Los miembros del Concejo de la Ciudad de Avondale participaran ya sea en persona o por medio de llamada telefonica.

Individuals with special accessibility needs, including sight or hearing impaired, large print, or interpreter, should contact the City Clerk at 623-333-1200 or TDD 623-333-0010 at least two business days prior to the Council Meeting.

Personas con necesidades especiales de accesibilidad, incluyendo personas con impedimentos de vista u oído, o con necesidad de impresión grande o intérprete, deben comunicarse con la Secretaria de la Ciudad at 623-333-1200 o TDD 623-333-0010 cuando menos dos días hábiles antes de la junta del Concejo.

Notice is hereby given that pursuant to A.R.S. 1-602.A.9, subject to certain specified statutory exceptions, parents have a right to consent before the State or any of its political subdivisions make a video or audio recording of a minor child. Meetings of the City Council may be audio and/or video recorded and, as a result, proceedings in which children are present may be subject to such recording. Parents, in order to exercise their rights may either file written consent with the City Clerk to such recording, or take personal action to ensure that their child or children are not present when a recording may be made. If a child is present at the time a recording is made, the City will assume that the rights afforded parents pursuant to A.R.S. 1-602.A.9 have been waived.

De acuerdo con la ley A.R.S. 1-602.A.9, y sujeto a ciertas excepciones legales, se da aviso que los padres tienen derecho a dar su consentimiento antes de que el Estado o cualquier otra entidad política haga grabaciones de video o audio de un menor de edad. Las juntas del Concejo de la Ciudad pueden ser grabadas y por consecuencia, existe la posibilidad de que si hay menores de edad presentes estos aparezcan en estos videos o grabaciones de audio. Los padres puedan ejercitar su derecho si presentan su consentimiento por escrito a la Secretaria de la Ciudad, o pueden asegurarse que los niños no estén presentes durante la grabación de la junta. Si hay algún menor de edad presente durante la grabación, la Ciudad dará por entendido que los padres han renunciado sus derechos de acuerdo a la ley contenida A.R.S. 1-602.A.9.



CITY COUNCIL AGENDA

SUBJECT:

Sixth Amendment to the Financial Assistance Agreement- Care1st Health Plan of Arizona, Inc

MEETING DATE:

12/14/2015

TO: Mayor and Council**FROM:** Stephanie J. Small, Neighborhood and Family Services Director - 623-333-2711**THROUGH:** David Fitzhugh, City Manager**PURPOSE:**

Staff is requesting that the City Council approve the sixth amendment to the Financial Assistance Agreement with Care1st Health Plan of Arizona, Inc. (Care1st) to receive continuing funds for operation of the Care1st Avondale Resource and Housing Center in the amount of \$135,806 and authorize the Mayor or City Manager and City Clerk to execute the necessary documents.

BACKGROUND:

In 2008, the City entered into an agreement with Care1st Health Plan Arizona to operate a resource center under its financial sponsorship. The former Old Town Library building was available and with relatively minor renovations was converted into a resource and housing center.

The first of its kind in the Southwest Valley, this multifaceted hub for human services was established in 2009 through an innovative public and private partnership between Care1st Health Plan Arizona, the City of Avondale and First Things First. Approximately 20 agencies provide an array of services to include, health insurance enrollment, nutrition services, financial and emergency assistance, rental/ mortgage assistance, utility assistance, parenting and early childhood development classes. The Center has experience a significant increase in utilization of services in the past three years. In FY 2013 44,226 individuals utilized the resources provided at the Center. That number increased to 58,201 in FY14. In FY 15 the Center served more than 31,560 individuals. In an average month, the Care1st Avondale Resource Center serves approximately 4,400 customers, enrolls 300 individuals in AHCCCS, and processes 100 food stamp applications. It should be noted that 56% if the residents were new to the Center in FY14.

With continued funding from Care1st, Avondale staff will continue to identify needed human services and recruit agencies which provide the services needed in the community. The creation of the resource center has complemented the revitalization efforts in Historic Avondale and has attracted other human services funding, specifically from First Things First.

In 2012, Care1st Health Plan Arizona provided funding to replace the aging air conditioning system. In 2013, funding was allocated for approximately half the costs of the roof replacement and the cost of security enhancements for the facility. In 2014, no major renovations were implemented at the Center. Care1st has allocated funding for new flooring for the children's play area and the large annex for 2015.

DISCUSSION:

The resource center is managed by staff of the Neighborhood and Family Services Department. The following information listed below is the division of responsibilities for the resource center that are detailed in the agreement.

The City of Avondale will provide the following:

- Use of the building at 328 W. Western Avenue;
- Use of the furniture currently in the building;
- Identification and recruitment of human services and providers to be located in the resource center;
- Management of the resource center facility, operations, and staff;
- Daily oversight of Care1st support staff who are assigned to the resource center;
- Fiscal oversight of the resource center.

Funding from Care1st will:

- Support the salary of the Resource Center Coordinator who is a City employee and is responsible for the day to day center operation;
- Janitorial services and supplies;
- Facility and grounds maintenance including upkeep of the interior garden;
- General office supplies, meeting supplies, postage, printing, risk management, repair and maintenance of equipment, IT replacement charges, and utilities.

Care1st will provide:

- Annual operating funding for the resource center for the period of January 2016 through December 2016;
- Two support staff members (one full time and one part-time), who will be Care1st employees, who will serve in a reception/clerical capacity and who will be supervised by the Resource Center Coordinator.

Joint City of Avondale and Care1st Responsibilities:

- Work together to provide a comprehensive marketing plan to create awareness by residents in the Southwest Valley of the services provided in the resource center;
- Work together to provide an evaluation plan which will provide both Care1st and the City with accurate, timely, and comprehensive evaluation data.

BUDGET IMPACT:

There is no matching requirement or General Fund required. Care1st will provide a total of \$135,806 (Fund 209-7510) for calendar year 2016.

RECOMMENDATION:

Staff recommends that the City Council approve the sixth amendment to the Financial Assistance Agreement with Care1st Health Plan of Arizona, Inc. to receive continuing funds for operation of the Care1st Avondale Resource and Housing Center in the amount of \$135,806 and authorize the Mayor or City Manager and City Clerk to execute the necessary documents.

ATTACHMENTS:

Description

[Sixth Amendment](#)

**SIXTH AMENDMENT
TO
FINANCIAL ASSISTANCE AGREEMENT
BETWEEN
THE CITY OF AVONDALE
AND
CARE 1ST HEALTH PLAN ARIZONA, INC.**

THIS SIXTH AMENDMENT TO FINANCIAL ASSISTANCE AGREEMENT (this “Sixth Amendment”) is made as of December 14, 2015, between the City of Avondale, an Arizona municipal corporation (the “City”), and Care 1st Health Plan Arizona, Inc., an Arizona corporation (the “Provider”). The City and Provider are also referred to herein individually as a “Party” or collectively as the “Parties”.

RECITALS

A. The City and Provider entered into a Financial Assistance Agreement dated November 3, 2008, as amended by that certain First Amendment dated December 13, 2010, that certain Second Amendment dated January 9, 2012, that certain Third Amendment dated January 22, 2013, that certain Fourth Amendment dated February 3, 2014, and that certain Fifth Amendment dated March 2, 2015 (collectively, the “Agreement”), to establish the Resource Center at the Facility to provide the Services to residents of the southwestern valley region. Capitalized terms herein shall have the same meaning as set forth in the Agreement unless otherwise defined herein.

B. The City has determined that additional financial assistance is necessary to continue the Services, operate the Resource Center, and improve and maintain the Facility for an additional year (the “Continued Services”).

C. The City and the Provider desire to enter into this Sixth Amendment to renew the Agreement for an additional year and to provide for additional funding for the Continued Services.

AGREEMENT

NOW, THEREFORE, in consideration of the foregoing recitals, which are incorporated herein by reference, the following mutual covenants and conditions, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the City and the Provider hereby agree as follows:

1. Term of Agreement. The term of the Agreement is hereby extended through December 31, 2016 (the “Renewal Term”). The Parties may renew this Sixth Amendment and the Agreement for successive additional time periods at any time prior to the expiration of the Renewal Term by written amendment.

2. Compensation. The Provider shall provide additional funding to the City in the amount of \$135,806.00 to enable the City to provide the Continued Services (the “Additional Funding”). Provider shall pay one half of the Additional Funding to the City on or before April 20, 2016. Provider shall pay the remaining half of the Additional Funding to the City on July 31, 2016.

3. Effect of Amendment. In all other respects, the Agreement is affirmed and ratified and, except as expressly modified herein, all terms and conditions of the Agreement shall remain in full force and effect.

4. Non-Default. By executing this Sixth Amendment, each Party affirmatively asserts that the other Party is not currently in default, nor has been in default at any time prior to this Sixth Amendment, under any of the terms or conditions of the Agreement. Additionally, the Provider affirmatively asserts that any and all claims, known or unknown, related to the Agreement and existing on or before the date of this Sixth Amendment are forever waived.

5. Conflict of Interest. This Sixth Amendment and the Agreement may be cancelled pursuant to ARIZ. REV. STAT. § 38-511.

[SIGNATURES ON FOLLOWING PAGES]

IN WITNESS WHEREOF, the parties hereto have executed this instrument as of the date and year first set forth above.

“City”

CITY OF AVONDALE,
an Arizona municipal corporation

David W. Fitzhugh, City Manager

ATTEST:

Carmen Martinez, City Clerk

(ACKNOWLEDGMENT)

STATE OF ARIZONA)
) ss.
COUNTY OF MARICOPA)

On _____, 2015, before me personally appeared David W. Fitzhugh, the City Manager of the CITY OF AVONDALE, an Arizona municipal corporation, whose identity was proven to me on the basis of satisfactory evidence to be the person who he claims to be, and acknowledged that he signed the above document, on behalf of the City of Avondale.

Notary Public in and for the State of Arizona

(Affix notary seal here)



CITY COUNCIL AGENDA

SUBJECT:
City Strategic Plan

MEETING DATE:
12/14/2015

TO: Mayor and Council
FROM: Kevin Artz, Assistant City Manager
THROUGH: David Fitzhugh, City Manager

PURPOSE:

The Mayor and City Council will review strategic initiatives, goals and key outcomes from the City strategic planning process that will help guide staff in developing the FY 2016-17 annual budget.

BACKGROUND:

In mid-2015, City staff presented an item requesting City Council support for a project to create a new City Strategic Plan. The City of Avondale had experienced significant changes in a short timeframe, including exiting the Great Recession, a new Mayor, several new Councilmembers, a new City Manager and Assistant City Managers, and turnover of a number of directors and assistant directors.

In addition, the City had recent feedback from residents regarding their vision of the City, which culminated in the completion of the City's successful Branding Initiative.

As a result, the City Manager proposed an effort to set the City of Avondale's long-term vision and priorities, in order to better guide department goals, objectives, and resources in the coming years. City Council expressed support for the development of the 2016-2019 City Strategic Plan.

On August 15th and 17th, 2015, City staff and consultants conducted City Council Leadership Advance and Strategic Visioning sessions. From the Strategic Visioning sessions, Council identified "a family friendly community" as a vision or theme for the Strategic Plan. Council also, identified the five following strategic initiatives, as drafted by the consultant (see Attachment A for the draft report from Municipal Solutions):

- **Business attraction** and retention that supports family friendly and continually strengthens the financial health of the city.
- **Recreation and entertainment** opportunities to serve the community residents, be attractive for business consideration, makers, and contribute to the continual improvement of Avondale's brand and regional image.
- **Education Collaboration** at all levels of academic experience will contribute positively to business attraction and residential growth. Mutually supportive interaction with education leaders will be an important element as Avondale grows and matures.
- **Encourage Creativity** in development, design, reuse and policy formation to help create a vibrant, unique community and illustrates Avondale's willingness to be a leader.
- **Engage the Citizens** in bold new ways to support the Family Friendly initiative and foster community pride and ownership. The more pride and ownership residents are willing to

express, the more the story of Avondale as a place to live, work and play will resonate inside and outside the city.

Working with the consultants and the co-project managers (Stephanie Small, Neighborhood and Family Services Director and Rob Lloyd, CIO) a committee of five staff members each led one of the draft strategic initiatives and working with all City Departments, fine-tuned each initiative and drafted goals and objectives. The Committee consisted of:

- Darryn Jones, Economic Development Specialist - Initiative 1
- Christina Underhill, Assistant Director PRLD - Initiative 2
- Dan Davis, Economic Development Director - Initiative 3
- Keisha Cyriaano, Revitalization Project Manager - Initiative 4
- Abbe Yacoben, Finance and Budget Director - Initiative 5

DISCUSSION:

Staff will present the draft Strategic Initiatives defined by City Council and the high-level goals the Committee defined as action areas to achieve Council's vision. The aim at this point in the strategic planning process is to obtain feedback on how effectively the goals capture the Council's intent. The following are the Committee's recommended initiative and goals, based on the feedback received from Council and City Departments:

- *Initiative 1 - Foster Sustainable Community Development*

Avondale is a community with significant opportunities for business and residential development. We will encourage development of businesses in healthcare, technology, and advanced manufacturing. As a family-oriented community, with population growth expected to increase, we will support the development of diverse housing options and quality of life amenities that will make Avondale a great place to live, work, play, and invest. The City of Avondale places a strong emphasis on investments in transportation, infrastructure, housing and human services— all of which support robust and sustainable economic development throughout the city. We will continue to focus on quality job growth and make strategic investments in retaining and growing our existing businesses, training workers, funding innovation and developing transformative projects (goal statements follow below).

1. Encourage Development of Businesses in Healthcare, Technology, and Advanced Manufacturing.
2. Maintain and Expand Quality Infrastructure and Improve Connectivity to City Amenities
3. Ensure City has Financial Capacities to Support Development
4. Maintain Community Safety for Businesses and Residents
5. Encourage Build-Out in Residential Housing Opportunities that Support Diverse Housing Options

- *Initiative 2 - Create & Support Diverse Recreation & Entertainment Opportunities*

Avondale offers top notch, unique, and safe amenities to attract new businesses, tourism, tournaments, recreational opportunities, as well as new residents that call Avondale home. Fostering collaborations with businesses, schools, sports organizations, and internal departments expands the multigenerational programming opportunities Avondale offers. The City of Avondale provides residents with the ability to connect with amenities, businesses and their community, enhancing the opportunity to live, work and enjoy a healthy lifestyle.

1. Be Known – Promote Avondale
2. Pursue Private Development of Sports, Entertainment, and Hospitality Amenities
3. Provide Multigenerational Recreation Events and Programs
4. Establish Creative Community Spaces throughout the City

- Initiative 3 - Advocate for and Support Community-Oriented Lifelong Learning Opportunities

Avondale values education and lifelong learning and seeks to positively impact educational experiences and outcomes for residents and their families. Education collaboration at all levels of academic experience contributes positively to business development and residential growth. Avondale supports STEAM initiatives and focuses on workforce development that aligns with targeted business sectors.

1. Strengthen Education and Faith-based Partnerships
2. Expand Employment Opportunities to Residents through Job Training and Placement Program
3. Promote and Support School Readiness for Avondale Children

- Initiative 4 - Encourage & Support Creative Innovation in Development & Service Delivery

Avondale encourages creative policies and programs that support a vibrant and unique community, highlighting our rich history, diverse population, and promising future, making the City a destination of choice. We foster a creative environment and deliver exceptional internal and external services. As an innovator and risk-taker, we lead with confidence, courage, and vitality.

1. Improve External and Internal Customer Service Delivery
2. Expand Financial Toolbox by Leveraging Funding Sources and Incentives
3. Encourage a Flexible Environment Responsive to Market Trends

- Initiative 5 - Create a Connected Community

Avondale is an open, transparent, and inviting city where residents, businesses, and government connect in diverse ways. The City is most effective when citizens and businesses engage and invest in the community.

1. Promote Community Engagement through Civic Education
2. Use Technology to Connect Residents to Business, Government, and Community Opportunities
3. Provide Outlets for Residents and Businesses to Engage in Volunteer Service Opportunities

Once the strategic initiatives and goals are finalized, the City Manager can begin the process of compiling a recommended budget to the City Council that will contain specific objectives that will support the vision, initiatives and goals of the City's strategic plan.

RECOMMENDATION:

For information and discussion.

ATTACHMENTS:

Description

[Attachment A - Draft Report](#)



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Introduction

The City Council and senior staff of the City of Avondale met on Saturday, August 15, 2015 to begin the process of forming a Strategic Plan for the city. They spent much of the 15th identifying the strengths, weaknesses, opportunities and threats that define the context in which they function. The list in each of the four categories was long. The group assembled identified the comments that best summed up the context. This report will reference the top ten in each category. That information was valuable to the discussion on the evening of the 17th when the City Council met in City Hall with several members of the public community in attendance. A rough draft of the Strategic Initiatives was provided to the City Council as a discussion piece for the policy makers' consideration. This report will reference the draft document and further define the initiatives with the input provided by the City Council. The Strategic Initiatives become a Strategic Plan when the City Manager and staff identify the way they intend to address the initiatives through action plans, cost analysis, and prioritization in concert with the City Council.

The SWOT exercise generates a great deal of information in a brainstorming fashion. "Strengths" are those things that we need to employ and amplify in forming the plan. The "weaknesses" are those things we need to identify and minimize lest they create barriers and complicate achievement. "Opportunities" are the external possibilities that are examined against the template of the initiatives and allow for innovation, creativity and ideas not expressed previously. Finally, the "threats" are also external factors that can severely impact our ability to achieve what we identify in the Strategic Plan. They need to be carefully examined and taken into consideration in the formation of the plan to understand whether they can be overcome or should the plan be adjusted so we don't waste time in the face of insurmountable factors.

SWOT

The top ten in each category are as follows:

Strengths

- Budgeting that keeps us fiscally sound
- Broad depth of knowledge and expertise in staff
- Nimble, adaptive capacity to shift quickly if needed
- Respond well in a crisis
- Solid bond ratings AA
- Motivated staff
- Youth programs and family friendly assets
- Positive City Council – staff relationship
- Fast-paced, innovative, not afraid to lead
- Phoenix Children's hospital & medical industry in general

Weaknesses

- Lack of cohesive vision across the board
- Perception of Avondale as a community
- Being lean can also be a weakness
- Big appetite, limited resources
- Aging infrastructure
- Water/sewer rates too low
- Low morale in some areas
- Lack of communication
- Risk averse when we need to be bold
- We don't too our own horn

Opportunities

- Destination city; unique shopping, lodging, regional attractions, historic
- Developable land, business friendly policies
- Regional asset; PIR, family friendly, community bridge
- Housing trust fund
- Rivers and trail system
- Citizens home rule w/ citizen trust & willing to support
- Work force availability
- Young demographics
- EMCC and other educational assets
- Freeway corridor master plan

Threats

- Uncertainty of policy setting by state and federal
- Severe flooding
- Retirement systems (public safety) risk
- Health care costs and expenses
- Lack of class A offices
- Stigma of our location on the "west" side hurts economic development
- Inability to capitalize on our own assets
- Being a good west valley player without reaping the benefits
- Faster rate of growth of neighboring cities (shared revenue impact)

These top SWOT comments helped to guide a conversation between the City Council members only. Staff was not included in this part of the session. The City Council discussion was thorough and resulted in the identification of a number of key initiatives and several strategies that helped to define their collective position. On the following page you will see a draft of the Strategic Initiatives that will provide policy direction for the strategies identified by the City Manager and staff.

Avondale, Arizona

A Family Friendly Community

“We Know Our Business”

As we move forward to form policy and take action to become the family and business center of Maricopa County's west valley, we must establish a strategic plan to guide the budgetary considerations and administrative action plan that will move Avondale boldly in that direction. The follow City Council Initiatives will provide the platform on which we will build the organizational systems and structures to achieve that recognition. While these Strategic Initiatives have a (3,4,5) year horizon they and the administrative plan will be reviewed annually fine tune and consider any other changes that will call for attention.

- **Business attraction** and retention that supports family friendly and continually strengthens the financial health of the city.
- **Recreation and entertainment** opportunities to serve the community residents, be attractive for business consideration, makers, and contribute to the continual improvement of Avondale's brand and regional image.
- **Education Collaboration** at all levels of academic experience will contribute positively to business attraction and residential growth. Mutually supportive interaction with education leaders will be an important element as Avondale grows and matures.
- **Encourage Creativity** in development, design, reuse and policy formation to help create a vibrant, unique community and illustrates Avondale's willingness to be a leader.
- **Engage the Citizens** in bold new ways to support the Family Friendly initiative and foster community pride and ownership. The more pride and ownership residents are willing to express, the more the story of Avondale as a place to live, work and play will resonate inside and outside the city.

Discussion of Each Initiative

The City Council met on Monday evening, August 17th to continue the discussion with the intent to form the policy foundation for the Strategic Plan and provide clarity regarding the desired outcome and some strategies that might be considered by the City Manager for consideration in the final plan. The information below represents the brainstorming input from the City Council members in an effort to provide further guidance to the City Manager regarding the intentions and general

expectations for the outcomes. The lists are not directions for specific action. The City Manager will form a plan of action to address the key initiative. Each of the Initiatives on page three was discussed as follows:

Business attraction and retention that supports family friendly and continually strengthens the financial health of the city.

- Housing and business growth are critical to the long-term well-being and must be encouraged in a manner that continually improves the community attraction
- While different strategies, business and housing are closely linked in successful community development
- In 20 years Avondale will be the center of the regional population density
- Hospitals and the general expansion of the medical and bio-medical opportunities are important to Avondale
- The vision for Avondale Blvd and potential for overlay districts allow for policy formation to encourage desired outcomes
- McDowell Road has much potential
- City Council will form policies that support desired growth

Recreation and entertainment opportunities to serve the community residents, be attractive for business consideration, makers, and contribute to the continual improvement of Avondale's brand and regional image.

- 'Main Event' is a good start... need more
- Need to cover all ages
- Evenings in the park
- Some kind of cooling-off space for summer evenings
- Randall McDaniel sports complex expanded use and offerings
- Come up with new ideas
- There is room for sand volleyball
- Be open to creative ideas
- Many ideas yet limited resources... need to prioritize
- Pursue grant opportunities
- What kind of plan and cost would build out the Randall McDaniel
- Policy decisions are needed to support expansion
- How can the public help fund the amenities
- Put focus on Tres Rios and recreation possibilities
- 3 to 4 miles to connect the large existing trail across several cities
- Connection can help our image and position regionally
- Toot our own horn
- Set up a workshop for exploration of recreation and entertainment possibilities, including staff and stakeholder input
- Youth sports tourism occurs now and can grow
- Avondale Blvd is a key element to link with sports and other
- Be flexible

Education Collaboration at all levels of academic experience will contribute positively to business attraction and residential growth. Mutually supportive interaction with education leaders will be an important element as Avondale grows and matures.

- School system is an important element of economic development and family friendly strategy
- Social services likewise but for different reasons and different stakeholders
- We have six school districts within the city
- There are also many specialty schools and private or charter
- Catholic High School soon
- We are not touting our quality education options for economic development recruitment and marketing
- We need to support giving experiences to youth in STEM/STEAM
- Brag about it
- Texas A&M has a youth program in water systems operation
- We need to connect with the community and development marketplace on our message of successes
- Industry looks for educated potential employees in economic development marketing
- Expand the use of our many assets as part of our imaging and recruiting
- West Mech is a positive factor
- Consider forming partnerships with major universities
- Economic development and education at all levels are clearly linked

Encourage Creativity in development, design, reuse and policy formation to help create a vibrant, unique community and illustrates Avondale's willingness to be a leader.

- We have spoken about creativity and associated risks in previous discussions
- Need to have room for the occasional "pie in the sky" idea
- Be proactive
- Waterford scale
- Housing mix needs creative diversity
- Drive around Avondale to get a sense of where creative ideas may be most valuable
- Promote what we have
- Historic buildings on Western Ave call for creativity
- Several successful small business to use as examples and brag about them
- MC85 opportunities
- Encourage neighborhood responsibility

Engage the Citizens in bold new ways to support the Family Friendly initiative and foster community pride and ownership. The more pride and ownership residents are willing to express, the more the story of Avondale as a place to live, work and play will resonate inside and outside the city.

- Board and Commission appointees to support City Council initiatives
- They need to manage themselves
- Consider Citizen Academy before appointment
- Be a city where residents can live, work, play and invest
- Personal invites from City Council to potential Board and Commission work well
- Staff can assist in getting members also
- Faces of Avondale... all City Council get posted within 30 days
- Engage the social media
- Recognize new business members and military service at public meeting
- Door to door and drive through in neighborhoods to have a presence and connect
- "Beautiful feet" ...visit businesses and ask to see the owner...connect
- Recognize a teacher each month
- Be visible and seek opportunities to speak to gatherings
- Rotary, Kiwanis, all faith gatherings etc.
- Speak at veterans associations

Next Step

A Strategic Plan has multiple layers. The work to date takes into account the several actions noted in the introduction. When the City Council agrees on the key initiatives that must be addressed, the most important element has been completed. The direction of the community's elected officials has pointed to the destination. It is now up to the City Manager and staff to determine the best way to arrive at the destination with reasonable actions within budget capacity. They will set timelines, measures and methodologies. The combination of City Council direction and City Manager action creates the Strategic Plan. The resultant actions ultimately tell the story. When actions are taken and measures examined the plan will be reviewed, adjusted as called for and fine-tuned as it goes forward. This report will be reviewed, changed as needed and adopted by the City Council to be shared with the public. The support and involvement of the entire community will help maintain focus and achieve the desired outcome.