

ORIGINAL



To: Arizona Corporation Commission

Subject: Water Rate Increase and Fire Flow Surcharge

Docket # W41303A-07-0209

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2008 JAN 25 969 AM 04 2008

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I reside at the above address. I originate from Minnesota. My education and career involved Community Development. I was involved in the development and installation of water, sewer, streets and general utilities in the City of Minnetonka. Generally speaking the developers would install the sewer, water, streets, etc. to minimum standards during the development of a given area. If at a later date further development of the utilities were required the City sold Municipal Bonds and there was a Special Assessment placed on the tax rolls on the properties affected and in that particular area.

I am of the opinion that the Rate increase and the fire flow surcharge are two separate issues and should be dealt with separately.

The Rate increase, which has been indicated at both 27% and 29% appears to be a large increase. Mr Walker indicates that the improvements included regular maintenance, and upgrades to systems such as water mains, pipes and meters, well rehabilitation and tools and equipment. I am of the opinion those items are items normally budgeted for and should not be included in the justification for a rate increase. Budget planning should have had those items as budget items and the rate increase should primarily be cost of living related. I feel that the cost of living for the years of 2004, 2005, 2006, and 2007 averages approximately 4% per year. That then is a cost of living increase of 16% and appears to be more reasonable than the 27% increase. Most citizens in Sun City are on a fixed income and the rate increase, as proposed, is very high. Again I feel those items indicated as additional expenses should have been budgeted items.

The Fire Flow Surcharge should be a separate item and a separate project. If the project is needed in a given area, that area should be assessed for the improvements not the entire City. I feel the way the plan is proposed it is fiscally unsound and unacceptable. The entire project appears to be based on estimates only. To have a project go on for a number of years is granting a blank check. There just are too many unknowns in the proposal. According to the paper, the surcharge "could" increase to 7.4 cents per 1000 gallons in 2011, 11.4 in 2012, and 17.4 in 2013. That is a huge could. These are numbers that are estimates only and fiscally not proper. It was stated that no project can figure the cost exactly until it is completed. That is a correct statement. Normally most projects are determined as to what is to be done, they then advertise for bids, then the lowest and best bid gets the project and you then know the cost. Normally the city will then have a assessment hearing and the cost is set up as a Special Assessment on the tax rolls.

If this project is as important as indicated, then it should be done as a special project and assessed to that area. I do not feel that the residents of Sun City should pay for improvements being done in Youngtown or the other way around. I wonder how the Mayor would feel if the City of Youngtown was asked to contribute to a project in Glendale? I feel strongly that if a project is needed it should be done as a project, not an ongoing project over several years. Further that project should be special assessed to that area not the entire city. The mayor indicates the City of Youngtown cannot sell Municipal Bonds to do the project. Then the staff and politicians, should have or now, approach the State for authorization to have Municipal Bonds and ability to have Special Assessments.

The Sun City Fire Hydrant Flow Improvement Project flyer indicates that the average residential customer uses approximately 8,269 gallons per month at a cost of \$13.91 That, then, is approximately \$1.68 per 1000 gallons. With a 29% increase it would then go to \$2.17 per 1000 gallon. An average user of 8,269 then would go to \$18.01 per month. Now with no rate increases from here until 2013, which is unlikely, the cost per 1000 gallon would be \$2.34 per 1000 gallon and a average monthly cost of \$19.42. Also the schedule does not indicate that those increases in year 2010, 2011,2012 and 2013 are not accumulative. If it is accumulative the cost will be \$2.58 per 1000 gallon in 2013.

One thing that was suggested in a flyer, was this project would increase the pressure of water at various sites. If this occurs, then there will be facilities that cannot withstand the increase and may have some failures with the existing water plumbing systems such as faucets, toilets, main water service, and other items that are under pressure.

I am also of the opinion that the 57% of residents indicated in favor of the surcharge project, is primarily because the Sun City residents are not aware of the total impact it has on their property. What percent increase is the 17.4 cents per 1000 gallons? With the proposed 27% or 29% and the undetermined amount for the surcharge what is the actual cost to be???? It appears to be approximately a 40% increase. A project basis is more fiscally sound and the special assessments normally can be deducted on taxes. Additionally, a project such as this , spread over a four year period will only increase the cost of the overall project and increase the unknowns.

In summary I feel that the Rate increase should be limited to cost of living increases and more fiscally sound budgeting in the future. The Fire Flow Surcharge project should be delayed until more firm figures can be provided. The Fire Flow project should be a project on it's own merit and assessed to the area which has the improvements, not on a utility billing process. Once the project has been determined and the bids received, the project can be amended, added to or portions deleted or dropped completely. With proper lobbying, the State should be able to provide the Cities with Authority for the bonding and assessment procedure. I , as others , feel that this type of capital improvement should not be paid for by utility billings.


Kenneth Svec,