

Consultant recommends hikes in San Luis utility rates

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SAN LUIS, Ariz. — A consultant is recommending a sewer rate increase of up to 30 percent and a smaller water rate hike to fund improvements to this city's utility systems and to make the services pay for themselves.

The increases would take effect in July and would be followed by additional hikes through 2016 with the goal of ending the city's practice of subsidizing the utilities with tax and other revenue from the general fund.

Mayor Gerardo Sanchez said the city must do something to make up the revenue it needs to upgrade the water and sewer systems and make the services financially self-sufficient. But at least one city councilman, Joe Harper, says he's already leaning to voting against the recommended hikes when the issue comes before the council in the coming months.

Consultant Dan Jackson of the Texas-based firm Economists.com developed two options for raising fee schedules in stages, beginning with the 2013-14 fiscal year that starts in July.

One alternative would raise sufficient revenue to cover the costs of providing water and sewer service, thus ending the practice of subsidizing the utilities with general fund revenues.

Under that plan, the monthly sewer rate would go from \$24.49 at present to \$30.61 in July, followed by gradual increases that would bring the rate to \$35.67 by 2016. The water rate charged consumers, meanwhile, would go from \$10.49 for the first 2,000 gallons used to \$11.16, followed by annual increases that raise the rate to \$11.84 by 2016.

The second option not only would close the shortfall in the utility fund but raise \$5.5 million for what city officials say are needed upgrades to water and sewer plants and utility lines.

The sewer rate would increase to \$31.84 in July, and then go up annually until reaching \$38.09 in 2016. The water would go up to \$12.03 in July and then increase to \$13.08 over three years.

The proposals were presented to the city council Wednesday in one in a series of meetings leading up to the adoption of a budget for the new fiscal year that starts in July.

Sanchez said previous rate increases have enabled the city to cut its annual subsidy from the general fund for utilities from \$1.6 million to about \$300,000. But he said the city still needs to find more revenue.

"We need funds to make improvements to the service. We've made progress. The water quality is

much better than it's been for years, but there is infrastructure that we have to upgrade, and the revenue we currently have doesn't cover it."

According to Jackson's study, the utility rates charged in San Luis are 30 percent below the average for Arizona cities.

But Harper said he remained unconvinced by Jackson's findings.

"I would like to see more numbers that will justify an increase. I wouldn't vote (for a rate increase) with this information. Many San Luis families are living on unemployment, a little more than \$200 weekly. This would be very difficult for them."

Before voting on any hike, said Sanchez, the council will schedule a public hearing to allow residents to comment on the proposals.

"We know that these are difficult and painful decisions. We're asking the public to come, be informed and give us their opinions. What is clear is we need revenue to provide the services and make the necessary improvements."

Residents can go to the city clerk's office, 1090 E. Union St., to read the study. Beginning Monday, it will be posted on the city's website, www.cityofsanluis.org.