TOWN OF PRESCOTT VALLEY
REQUEST FOR COUNCIL ACTION
Date: June 20, 2013

SUBJECT: Proposed Revisions to Water and Wastewater Rates, Fees and Charges

SUBMITTING DEPARTMENT: Management Services Department

PREPARED BY: William E. Kauppi, Management Services Director
Tim Henry, Customer Accounts Manager

AGENDA LOCATION: Comments/Communications ☐, Consent ☐, Work/Study☒,
New Business ☐, Public Hearing ☐, Second Reading ☐

ATTACHMENTS: Water & Sewer Rate Study w/o recommendations

SUMMARY BACKGROUND: Staff, as part of its annual review process, reviews the Town's current water and wastewater rates, fees and charges to ensure compliance with bond covenants and Town financial policies.

Here is a brief history of water and wastewater rates, fees and charges:

Wastewater

- Town Council first set rates, fees and charges for the new Town wastewater system by Resolution No. 513 (August 28, 1993), in accordance with Town Code §9-05-040(B). A flat rate of $18.00 per month was applied, with some variation applied to commercial uses based on gallons used.
- Town Council made slight amendments to the wastewater rates, fees and charges by Resolution No. 636 (July 13, 1995) and Resolution No. 898 (July 8, 1999). However, Resolution No. 1033 (August 30, 2001) moved the Town to a rate structure based on gallons of water used. Thereafter, amendments to the rate structure have been made by Resolution No. 1096 (July 11, 2002), Resolution No. 1320 (December 2, 2004), Resolution No. 1394 (December 1, 2005), Resolution No. 1457 (August 31, 2006), Resolution No. 1603 (August 28, 2008), Resolution No. 1666 (September 24, 2009), Resolution No. 1715 (September 23, 2010), Resolution No. 1760 (September 22, 2011) and Resolution No. 1808 (September 13, 2012).

Water

- Town Council first set rates, fees and charges for the new Town water system by Resolution No. 683 (July 11, 1996), in accordance with Town Code §9-05a-050(B). The system was a relatively small one which only served the new Viewpoint subdivision located north of SR 89A. It was built by the developer and turned over to the Town for operation.
- As part of acquiring the private water company, which had provided water service to most of the Town (and certain county areas outside of the Town), the Town Council created the Prescott Valley Water District and the Council served as District Board members. The District purchased the company's stock and changed it to a non-profit corporation with the District as its sole member. For federal tax purposes, the District then operated the company's water system separately from the Town system north of SR 89A. At the time of the purchase, the District Board first set its water rates by District Resolution No. 4 (December 14, 1998), pursuant to ARS §48-716.

- Town Council has since amended water rates, fees and charges for the Town system by Resolution No. 873 (February 25, 1999), Resolution No. 922 (October 14, 1999), Resolution No. 973 (July 20, 2000), Resolution No. 1034 (August 30, 2001), Resolution No. 1095 (July 11, 2002), Resolution No. 1318 (December 2, 2004) Resolution No. 1395 (December 1, 2005), Resolution No. 1456 (August 31, 2006), Resolution No. 1602 (August 28, 2008), Resolution No. 1665 (September 24, 2009), Resolution No. 1716 (September 23, 2010), Resolution No. 1761 (September 22, 2011) and Resolution No. 1807 (September 13, 2012).
- District Board amended water rates, fees and charges for the larger District/Company system by District Resolution No. 7 (January 14, 1999), Resolution No. 10 (February 23, 1999), Resolution No. 13 (July 8, 1999), Resolution No. 19 (July 20, 2000), Resolution No. 28 (August 16, 2001), Resolution No. 35 (July 11, 2002), Resolution No. 41 (July 10, 2003), Resolution No. 54 (September 23, 2004), Resolution No. 60 (September 19, 2005), and Resolution No. 66 (August 31, 2006). Rates are affected by many variables, i.e. number of customers, covenants in the bonds issued to finance the purchase and certain system improvements, all of which staff monitors annually.
- As of March 13, 2008, the Prescott Valley Water District was dissolved and merged into the Town. Resolution No. 1570 (March 13, 2008) declared the two water systems to be a single system. That day, the District Board adopted District Resolution No. 70 approving the refunding of its bonds, sale of the system and liquidation of the District in accordance with Arizona Revised Statutes. The Prescott Valley Municipal Property Corporation Board (MPC) adopted MPC Resolution No. 08-01 to authorize the sale of its Refunding Bonds, purchase of the system and entry into a Purchase Agreement with the Town. Therefore, the Water District is non-existent and the two water systems are no longer separate. However, the rates, fees and charges applicable in the areas that were served by each system continued to be different, and the Town Council embarked on a phased process to eventually make the rates, fees and charges identical. With the approval of Resolution No. 1716 on September 23, 2010, all rates, fees and charges, except for system capacity charges, became identical.

During the preparation of the FY 2013-2014 budget, Management Services staff has been meeting regularly to update a water/wastewater rate model for the Town. Staff would now like to give Council an overview of the results for discussion of possible recommendations.

OPTIONS ANALYSIS: N/A; for discussion only.

ACTION OPTION: N/A; for discussion only.

RECOMMENDATION: N/A; for discussion only.

FISCAL ANALYSIS: Annually, the utility rates must be reviewed and adjusted accordingly to cover costs of operation, account for growth-related capital expenditures and maintain debt service coverage ratios.

REVIEWED BY:

Mgt Svcs Director _____

Town Clerk _____

Town Attorney _____

Town Manager_____

COUNCIL ACTION:

☐ Approved ☐ Denied ☐ Tabled/Deferred ☐ Assigned to _____