

**TOWN OF PRESCOTT VALLEY
REQUEST FOR COUNCIL ACTION
Date: March 5, 2015**

SUBJECT: Water and Wastewater Capacity Fee Study

SUBMITTING DEPARTMENT: Utilities

PREPARED BY: Neil Wadsworth, Utilities Director

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

ATTACHMENTS: (a) 2014 Water and Wastewater Capacity Fee Report, Raftelis Financial Consultants, Inc.

SUMMARY BACKGROUND: On December 19, 2013, the Town of Prescott Valley contracted with Raftelis Financial Consultants, Inc. to perform a study of the Town's Water and Wastewater Capacity Fees in order to update the fees. In the process, staff asked Raftelis to finalize the combining of all water fees between the Town and the former Prescott Valley Water District service areas, and to explore the idea of changing the way these fees are administered.

Water and Wastewater Capacity Fees are one-time fees paid by new users when structures are connected to the Town's water and wastewater systems. The Town has collected such fees since 1996. Like Development Impact Fees (administered under different Arizona statutes), Capacity Fee revenues are typically collected over time in order to help build anticipated new system improvements (e.g. water wells, water tanks, water and wastewater main lines, and wastewater treatment plants). However, their development concept is slightly different in that they tend to start by looking backward and charging new customers for that increment of the remaining capacity in existing utility facilities that they are using up. In essence, they are paying their share for facilities which have already been built (usually with bond revenues). DIFs, on the other hand, typically start by looking forward and charging occupants of new developments for their share of facilities which are being (or will be) built to accommodate the impact of those developments. Although those facilities may also be funded with bonds, one time charges are notoriously uncertain as a revenue source. Capacity Fees have the advantage of being adopted under the same statute as monthly user rates and the revenues are typically combined in order to sell bonds to fund expansion of utility systems that provide services to new customers.

The existing Water and Wastewater Capacity Fees were established back in August 2006 when two separate water systems served the area within the Town limits (Town system and PV Water District system). Each maintained separate fees based on historical financing. When the PV Water District was dissolved in 2008 and its system combined into the Town system, the Town embarked on a process of combining the two sets of fees. The Town has previously accomplished that goal with regard to the monthly water rates and one goal of this study was to combine the Water System Capacity Fees. The dividing line between these two entities was Highway 89A.

A summary of the existing and Proposed Fees is provided in Table 1 below using Single Family Residential units as the basis of comparison.

Table 1 -

North of Hwy 89A

South of Hwy 89A

	Current Fees	Proposed Fees	Change		Current Fees	Proposed Fees	Change
Water	\$1,570	\$1,491	<\$79>		\$1,311	\$1,491	+\$180
Wastewater	\$3,162	\$3,014	<\$148>		\$3,162	\$3,014	<\$148>
Total	\$4,732	\$4,505	<\$227>		\$4,473	\$4,505	+\$32

Currently, fees for water and wastewater are administered (calculated) in a number of different ways, and the method varies by customer type as summarized in Table 2 below.

Customer Type	Current Method	Proposed Method
Residential	Flat Fee (fixed)	Meter Size
Multi-Family	Percentage of residential	Meter Size
Duplex, Triplex, Fourplex	85%	
Apartment / Condo	80%	
Hotels / Motels	50%	
Commercial	Fixture Units 25 fixture units = 1 residential unit	Meter Size
Undefined	Meter Size	Meter Size

As part of the study, Raftelis proposes that the Water and Wastewater Capacity fees now be based almost solely on water meter size.

If the Town Council wishes to move forward with implementing the new Water and Wastewater Fees as recommended in the attached study, the steps are as follows:

- staff filing a final version of this Report in the Office of Town Clerk
- the Council adopting a formal motion notifying the public of its intent to adopt these new fees (at the same time the report is filed)
- staff publishing a notice for a public hearing in the Prescott Courier at least 20 days prior to the hearing
- the Council holding the public hearing and then adopting the new fees by resolution or ordinance no sooner than 30 days after the initial Report filing and Council motion. In such case, the new fees would become effective no sooner than 30 days after the adoption
- staff presenting and the Council adopting changes to the Utility Regulations to reflect the changes in how the fees are administered

OPTIONS ANALYSIS: For Discussion Only.

ACTION OPTION: For Discussion Only.

RECOMMENDATION: For Discussion Only.

FISCAL ANALYSIS: For Discussion Only.

REVIEWED BY:

Management Services Director _____

Town Clerk _____

Town Attorney _____

Town Manager _____

COUNCIL ACTION:

Approved Denied Tabled/Deferred Assigned to _____