

**TOWN OF PRESCOTT VALLEY
REQUEST FOR COUNCIL ACTION
Date: June 18, 2015**

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

SUBMITTING DEPARTMENT: Management Services Department

PREPARED BY: William E. Kauppi, Management Services Director
Mark Lusson, Customer Accounts Manager

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

ATTACHMENTS: Water & Sewer Rate Study Report

SUMMARY BACKGROUND: Town staff annually reviews water and wastewater rates, fees and charges to account for variables such as the number of customers, covenants in the bonds issued to finance the purchase of the system, and needed system improvements. Staff is also guided by the Town's financial policies.

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

Wastewater

- The Town first set rates, fees and charges for wastewater service as part of constructing the new Town wastewater system. Resolution No. 513 (August 28, 1993) was based on Town Code §9-05-040(B) and set a flat rate of \$18.00 per month (with some variation for commercial uses based on gallons used).
- Slight revisions to wastewater rates, fees and charges were made by Resolution No. 636 (July 13, 1995) and Resolution No. 898 (July 8, 1999). However, Resolution No. 1033 (August 30, 2001) moved the Town from a flat rate to a rate structure based on gallons of water used. Thereafter, amendments to the rate structure were 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

- The Town first set rates, fees and charges for water service as part of acquiring the new Town water system in the ViewPoint development. Resolution No. 683 (July 11, 1996) was based on Town Code §9-05a-050(B).
- In an effort to acquire the private water company which had historically provided water service to the rest of the Town (and certain county areas outside of the Town), in 1998 the Town Council created the Prescott Valley Water District (with Council members serving as District Board members). The District then purchased the private water 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. 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.
- For a number of years, the water rates, fees and charges for the two systems were revised by separate actions of the Town Council and District4 Board. Town system rates, fees and charges

were revised 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), and Resolution No. 1456 (August 31, 2006). District/Company system rates, fees and charges were revised 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).

- Once the federal tax requirements had been met, it was possible to discontinue operating two separate water systems. On March 13, 2008, the Prescott Valley Water District was dissolved and 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. However, the rates, fees and charges applicable in the areas that had been served by the separate systems were now different and it was felt that consolidation of rates, fees and charges should be accomplished in a phased process. Revisions were made by Resolution No. 1602 (August 28, 2008), Resolution No. 1665 (September 24, 2009), and Resolution No. 1716 (September 23, 2010) before all of the rates, fees and charges (except System Capacity Charges) had been consolidated. Subsequent revisions to the consolidated rates, fees and charges have been made by Resolution No. 1761 (September 22, 2011) and Resolution No. 1807 (September 13, 2012). Most recently, the Water System Capacity Charges were consolidated by Resolution No. 1916 (May 14, 2015), effective July 1, 2015.

The most recent review of water and wastewater rates, fees and charges as part of the preparation of the FY 2015-2016 budget is set forth in the attached Water & Sewer Rate Study Report. It includes a water/wastewater rate model with recommendations for future revisions.

OPTIONS ANALYSIS: N/A; for discussion only.

ACTION OPTION: N/A; for discussion only.

RECOMMENDATION: N/A; for discussion only.

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

REVIEWED BY:

Mgt Svcs Director _____

Town Clerk _____

Town Attorney _____

Town Manager _____

COUNCIL ACTION:

Approved Denied Tabled/Deferred Assigned to _____