

**TOWN OF PRESCOTT VALLEY
REQUEST FOR COUNCIL ACTION
Date: September 22, 2011**

SUBJECT: Revised Town Water Rates, Fees and Service Charges

SUBMITTING DEPARTMENT: Management Services

PREPARED BY: William E. Kauppi, Management Services Director
Cordell Compton, Customer Accounts Division Manager

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

ATTACHMENTS: Resolution No. 1761

SUMMARY/BACKGROUND: The Town has been providing domestic water utility services since 1996, when the Viewpoint first developed a water system for its subdivision and passed it over to the Town for operation. Attempts have been made to keep utility operation costs low by contracting with private companies to operate and maintain the system. Over time, the Town has used such means as close coordination between the Town and the Prescott Valley Water District to obtain administrative efficiencies.

Since 2001, staff has been monitoring utility revenues and has developed multi-year financial projections. It has evaluated whether existing domestic water rates, fees and service charges are covering the cost of services. Factors considered are the need to encourage water conservation, to ensure uninterrupted water services to the increasing number of Town customers and to keep costs competitive with other communities in the region. Based on this analysis, staff has concluded that the Town's water rates, fees and service charges need further adjustment in 2011.

On March 13, 2008, by Resolution No. 1570, the Water Utility System of the District was dissolved and the District was merged into the Town and declared to be a single system. On this same date, the Prescott Valley Water District adopted 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) also at this time adopted Resolution No. 08-01, which authorized the sale of its Refunding Bonds, purchased the system and entered into a Purchase Agreement with the Town. At that time, since the District and Municipal water systems had a disparity in their rate structures, it was anticipated that eventually rates would become more equitable between the two entities, and there would be a blending of rates into one rate structure. With the proposal before Council this evening, revising the volume rates of the former Municipal water system would match the former District water system volume rates, thereby finally actualizing the blending of these rates within the Prescott Valley water system.

A "Report of Proposal to Revise Certain Water and Wastewater Rates and Fees per ARS §9-511.01" was prepared by staff on July 14, 2011. This Report was filed in the office of the Town Clerk in the Civic Center (7501 East Civic Circle) for public review. This began the statutory process of potentially revising those water rates, fees and service charges. Based on ARS §9-511.01, the Town Council publicly expressed its intent to make the revisions and set a public hearing date for September 22, 2011. The Council has now held that public hearing and is in a position to determine whether to adopt the proposed

rates (or any lesser increases) by resolution. Any revisions are proposed to become effective with the first billing cycle after November 1, 2011.

Adoption of the revisions would be by Resolution No. 1761, which revises former Resolution No. 1716. If approved, these revisions will increase the deposit amount for new water accounts. Additionally, a monthly flat rate fee will be initiated for active water customers, based on a yearly assessment imposed by the Arizona Department of Water Resources.

OPTIONS ANALYSIS: Council may approve the proposed revisions (including certain increases) to Town domestic water rates, fees and service charges as set forth in the “Report of Proposal to Revise Certain Water and Wastewater Rates and Fees per ARS §9-511.01” by approving Resolution No. 1761, or Council may defer such action until a later date.

ACTION OPTION: Motion to authorize the Mayor (or, in his absence, the Vice Mayor) to sign Resolution No. 1761, revising domestic water rates, fees and service charges as earlier recommended, **OR** Motion not to approve Resolution No. 1761. **VOTE.**

RECOMMENDATION: Staff recommends approving Resolution No. 1761 revising Town water rates, fees and service charges.

FISCAL ANALYSIS: Considerable study and review have taken place over the past several months regarding the adequacy of Town domestic water rates, fees and service charges. The conclusion is that the water deposit amount needs to be revised to more closely correspond to previous increases in the water volume rates in the past three to five years. Additionally, deposit amounts have not been changed in nearly a decade.

REVIEWED BY:

Management Services Director _____

Town Clerk _____

Town Attorney _____

Town Manager _____

COUNCIL ACTION:

Approved Denied Tabled/Deferred Assigned to _____