The Water Utility is an Enterprise Fund

- **Self-supporting** and funded solely from Utility revenues
- **Does not** receive any funds from the Town’s General Fund
- **All** revenue is used for operating costs of the Utility
- Pays administrative service costs to the General Fund for departmental support
- Mayor and Council Water Policies require annual review of the water rates
Water rates shall generate sufficient revenue that:
- Meets revenue and cash reserve requirements
- Meets debt service coverage requirements

Water rates shall:
- Promote water conservation
- Enhance revenue stability and predictability
- Levelize water rates to avoid rate shock
- Be based on cost of service - fair to all user classifications
- Maintain the overall financial health of the Utility
Recommendation on water rates

- Increase potable water base rates only
  - 87% of customers have a 5/8-inch meter and will see a $1.81 per month increase in the water portion of their bill regardless of how much water they use.

- No increase for the following:
  - Potable water commodity rates
  - Groundwater preservation fees
  - Reclaimed water rates
  - Service fees or charges
Comparison of 5/8-inch base rates to other service providers

87% of Oro Valley Water customers use a 5/8-inch meter

<table>
<thead>
<tr>
<th>Year</th>
<th>Oro Valley</th>
<th>Metro</th>
<th>Marana</th>
<th>Tucson</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>18.26</td>
<td>29.50</td>
<td>19.09</td>
<td>16.33</td>
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<tr>
<td>2018</td>
<td>16.45</td>
<td>29.50</td>
<td>19.09</td>
<td>15.00</td>
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<td>2016</td>
<td>14.19</td>
<td>29.50</td>
<td>18.18</td>
<td>12.67</td>
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<td>2015</td>
<td>14.19</td>
<td>27.00</td>
<td>17.31</td>
<td>11.90</td>
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<tr>
<td>2014</td>
<td>14.19</td>
<td>22.00</td>
<td>16.18</td>
<td>11.00</td>
</tr>
<tr>
<td>2013</td>
<td>14.19</td>
<td>20.00</td>
<td>15.12</td>
<td>9.68</td>
</tr>
<tr>
<td>2012</td>
<td>14.19</td>
<td>17.50</td>
<td>15.12</td>
<td>8.27</td>
</tr>
<tr>
<td>2011</td>
<td>14.19</td>
<td>17.50</td>
<td>15.12</td>
<td>7.53</td>
</tr>
</tbody>
</table>
What do the water rates support?

Second largest municipal water provider in Southern AZ

- Last year OVWU:
  - Delivered over 3 billion gallons of water
  - Took 2,755 water quality samples and met all ADEQ requirements
  - Produced and mailed over 238,000 water bills

- OVWU operates and maintains:
  - 4 CAP delivery stations
  - 17 reservoirs
  - 19 wells
  - 20 disinfection stations
  - 23 booster stations
  - 36 Pressure regulating stations
  - Over 381 miles of water mains
  - Over 2,300 fire hydrants
  - Over 20,000 service connections
### Operating Fund Budget

#### Revenues
- Water Sales (includes rate increase) $13,714,000
- Service Charges 3,262,700
- Interest Income 63,000
- Bond Proceeds 2,305,000
  - **Total** 19,344,700

#### Expenses
- Personnel $3,370,579
- O&M 8,226,217
- Capital 4,732,728
- Debt Service 5,730,553
  - **Transfer to Debt Service** 2,472
  - **Total** 22,062,549

#### Ending Fund Balance (cash reserves) $6,349,874

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**Oro Valley Mayor and Council Water Policy:** “The Utility shall maintain a cash reserve in the Operating Fund of not less than 20% of the combined total of the annual budgeted amounts for personnel, operations and maintenance, and debt service. This cash reserve amount specifically excludes budgeted amounts for capital projects, depreciation, amortization and contingency. No cash reserve is required for the water utility impact fee funds.”
Operating Fund Expenses - Personnel

- Authorized positions: 39.48 FTEs
  - No additional staff requested

- Increase of $47,404
  - Merit increases
  - Healthcare cost increases
## Operating Fund Expenses – O&M

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Renewable Water Costs</td>
<td></td>
</tr>
<tr>
<td>CAP wheeling</td>
<td>$1,671,949</td>
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<tr>
<td>CAP water delivery</td>
<td>1,657,350</td>
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<tr>
<td>Reclaimed water delivery</td>
<td>600,000</td>
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<tr>
<td>CAP capital charges</td>
<td>367,766</td>
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<tr>
<td>General Fund Services</td>
<td>994,450</td>
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<tr>
<td>Electric Power Costs</td>
<td>875,000</td>
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<tr>
<td>Groundwater Extinguishment Credits</td>
<td>800,000</td>
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<tr>
<td>Outside Professional Services</td>
<td>364,878</td>
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<tr>
<td>Facilities Repair &amp; Maintenance</td>
<td>260,028</td>
</tr>
<tr>
<td>Fleet Maintenance / Fuel</td>
<td>121,100</td>
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<tr>
<td>All other operating costs</td>
<td>513,696</td>
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<tr>
<td><strong>Total O&amp;M</strong></td>
<td><strong>$8,226,217</strong></td>
</tr>
</tbody>
</table>
Operating Fund Expenses - Capital

- Water Main Replacement Projects: $2,262,462
- Well Replacement & Upgrades: 1,226,000
- Booster Station Upgrades: 517,154
- Equipment / Meters / Vehicles: 427,112
- Reservoir Upgrades: 120,000
- Perimeter Fencing for Facility Sites: 100,000
- Land for NWRRDS Facilities: 80,000
- Total Capital: $4,732,728
Operating Fund Expenses – Debt Service

- Annual debt service $5,730,553
- Total outstanding debt $36,164,121
- The Utility balances the planned use of cash reserves with the issuance of new debt to minimize rate increases
Impact Fee Funds

Alternative Water Resources Development Impact Fee Fund

Revenue - Impact fees, interest $1,316,190
Expenses – CAP water projects (NWRRDS) $2,559,800
Ending Fund Balance $7,636,822

Potable Water System Development Impact Fee Fund

Revenue - Impact fees, interest $ 672,528
Expenses – Debt and growth-related projects $1,135,996
Ending Fund Balance $5,301,638
Questions?