



Oro Valley Water Utility

FY 2019-20 Recommended Budget

April 24, 2019

Town of Oro Valley

Oro Valley Water Utility



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





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Water rate setting goals

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



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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





Base rate comparisons

- ▶ Comparison of 5/8-inch base rates to other service providers
 - ▶ 87% of Oro Valley Water customers use a 5/8-inch meter

Year	Oro Valley	Metro	Marana	Tucson
2019	18.26	29.50	19.09	16.33
2018	16.45	29.50	19.09	15.00
2017	14.62	29.50	19.09	14.39
2016	14.19	29.50	18.18	12.67
2015	14.19	27.00	17.31	11.90
2014	14.19	22.00	16.18	11.00
2013	14.19	20.00	15.12	9.68
2012	14.19	17.50	15.12	8.27
2011	14.19	17.50	15.12	7.53



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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





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Operating Fund Budget

▶ Revenues

Water Sales (includes rate increase)	\$13,714,000
Service Charges	3,262,700
Interest Income	63,000
Bond Proceeds	<u>2,305,000</u>
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	<u>2,472</u>
Total	\$22,062,549

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

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."



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Operating Fund Expenses - Personnel

- ▶ Authorized positions: 39.48 FTEs
 - ▶ No additional staff requested
- ▶ Increase of \$47,404
 - ▶ Merit increases
 - ▶ Healthcare cost increases





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Operating Fund Expenses – O&M

▶ Renewable Water Costs	
CAP wheeling	\$1,671,949
CAP water delivery	1,657,350
Reclaimed water delivery	600,000
CAP capital charges	367,766
▶ General Fund Services	994,450
▶ Electric Power Costs	875,000
▶ Groundwater Extinguishment Credits	800,000
▶ Outside Professional Services	364,878
▶ Facilities Repair & Maintenance	260,028
▶ Fleet Maintenance / Fuel	121,100
▶ All other operating costs	<u>513,696</u>
Total O&M	\$8,226,217

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 NWRDRS Facilities	<u>80,000</u>
▶ Total Capital	\$4,732,728





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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





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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



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Questions?