



Town of Oro Valley Water Utility Water Rates Analysis Report

March 2023

**TOWN OF ORO VALLEY
WATER UTILITY
WATER RATES ANALYSIS REPORT
MARCH 2023**

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TABLE OF CONTENTS

SECTION TITLE	PAGE
Index of Appendix	
Executive Summary	1
Introduction	4
Methodology	5
Growth Rates	6
Water Use Trends	7
Debt Service	8
Debt Service Coverage Requirements	9
Cash Reserve Policy for Operating Fund	10
Operating Fund	
Revenue Forecast	11
Revenue Requirements	13
Water Resource and System Development Impact Fee Fund	15
Proposed Financial Scenario	17
Recommendation on Water Rates	19
Conclusion	21
Appendix	

APPENDIX

- A. Proposed Financial Scenario Pro Forma
 - A-1 Operating Fund
 - A-2 Groundwater Preservation Fee
 - A-3 Water Resource and System Development Impact Fee Fund
 - A-4 Summary of all Funds
- B. Rate Schedules & Tables for Bill Comparisons
 - B-1 Proposed Water Rate Schedule
 - B-2 Tables for Bill Comparisons by Meter Size - Potable
 - B-8 Tables for Bill Comparisons by Meter Size - Reclaimed
- C. 5-Year Capital Improvement Schedules
 - C-1 Operating Fund
 - C-2 Groundwater Preservation Fee
 - C-3 Water Resource and System Development Impact Fee Fund
- D. Assumptions for Proposed Financial Scenario
 - D-1 Operating Fund
 - D-4 Water Resource and System Development Impact Fee Fund
- E. Development Impact Fee Schedule
 - E-1 Water Resource and System Development Impact Fee Schedule

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Executive Summary

An annual review of the revenue requirements and water rates is an integral component in ensuring the long-term financial health of the Water Utility. The Oro Valley Water Utility Commission reviews and makes recommendations for water revenue requirements, water rates and fee structures. The Commission evaluates staff recommendations based on a rates analysis to ensure compliance with Town policies and bond covenants. Water rates and service charges are reviewed annually in accordance with Mayor and Town Council Water Policies – II.A.2.b(4).

The Water Utility has based these financial projections on the American Water Works Associations (AWWA) cash-needs approach. The AWWA is the largest national organization that develops water and wastewater policies, specifications and rate setting guidelines accepted by both government-owned and private water and wastewater utilities worldwide.

This Water Rates Analysis Report contains detailed information on the Operating Fund and the Water Resource and System Development Impact Fee Fund. Funds are analyzed annually to project revenue and revenue requirements. As an enterprise of the Town, the Water Utility generates revenue from rates, fees and service charges and does not receive revenue from taxes or other monies from the General Fund. Additionally, revenue generated by the Water Utility does not fund operating costs of any other Town department.

In accordance with policy, the water rates analysis is prepared annually based on the most up-to-date information available for a five-year period. Although the analysis is for five years, any rate increase considered would be approved only for the first year in the five-year projection period.

The Water Utility Commission has made a recommendation on the proposed financial scenario. Under the proposed financial scenario, the Operating Fund is projected to have a cash balance of \$6,101,037 at the end of the five-year projection period. This exceeds the cash reserve requirement. In addition, the debt service coverage ratio of 1.3 is exceeded each year. Operational needs and capital improvements are included in the analysis. The proposed financial scenario demonstrates a planned use of cash reserves to finance capital projects.

The proposed financial scenario evaluates the impact of future costs and the revenue sources that will be required to meet those costs. The proposed water rates in the financial scenario will increase the Utility's fixed and variable cost recovery.

The Water Utility Commission and Water Utility staff have made the following recommendations on water rates in the proposed financial scenario for Fiscal Year 2023/24:

- A. Increase to the potable water base rates
- B. Increase to the potable water commodity rates
- C. Increase to the reclaimed water commodity rate

A. The current and proposed monthly base rates for potable water are shown in Table 1 below:

Table 1

Meter Size (Inches)	Current Base Rate	Proposed Base Rate	Monthly Increase
5/8	\$19.94	\$21.14	\$1.20
3/4	\$29.90	\$31.69	\$1.79
1	\$49.83	\$52.82	\$2.99
1.5	\$99.66	\$105.64	\$5.98
2	\$159.46	\$169.03	\$9.57
3	\$318.90	\$338.03	\$19.13
4	\$498.29	\$528.19	\$29.90
6	\$996.58	\$1,056.37	\$59.79
8	\$1,594.53	\$1,690.20	\$95.67

Cost per month

B. The current and proposed commodity rates for potable water usage are shown in Table 2 below:

Table 2

Customer Classifications	Current Commodity Rate	Proposed Commodity Rate	Increase
Single Family Residential and Irrigation			
Tier 1	\$2.52	\$2.65	\$0.13
Tier 2	\$3.52	\$3.88	\$0.36
Tier 3	\$5.04	\$6.05	\$1.01
Tier 4	\$7.04	\$8.80	\$1.77
Commercial	\$2.52	\$2.65	\$0.13
Master-Metered Multi-Family	\$2.52	\$2.65	\$0.13

Per 1,000 gallons

The financial impact of the proposed base and commodity rate increase for a customer with a 5/8-inch meter using 7,000 gallons is \$2.11 per month. Customers with a 5/8-inch meter represent 87 percent of the total customer base and include residential, commercial and irrigation classifications with the vast majority of those being residential. The base rate increase would be \$1.20 per month for all customers with this meter size. The proposed commodity rate increase for customers in Tier 1 would be \$0.13 per 1,000 gallons used per month.

- C. The reclaimed commodity rate is proposed to increase from \$2.25 to \$2.35 per 1,000 gallons used per month. An increase of \$0.10 per 1,000 gallons used per month.

The Water Utility presents this water rates analysis in support of the recommended rates contained in the proposed financial scenario. The Oro Valley Water Utility Commission and Water Utility staff respectfully recommend the proposed increase to the potable base rates, increase to the potable commodity rates and increase to the reclaimed water commodity rate as detailed in the proposed financial scenario.

TOWN OF ORO VALLEY WATER UTILITY WATER RATES ANALYSIS REPORT MARCH 2023

Introduction

The Oro Valley Water Utility was established in 1996 as a self-supporting enterprise of the Town. The Water Utility is comprised of two separate funds that have been established for specific purposes. The Funds are as follows:

- ▶ Operating Fund
- ▶ Water Resource and Development Impact Fee Fund

The Operating Fund is the primary fund for the Water Utility. Revenues for this fund include water sales, service fees, miscellaneous charges and interest income. The expenses in this fund include personnel, operations and maintenance for both potable and reclaimed water systems, capital costs for existing potable water system improvements and related debt service. The Water Utility pays the General Fund for services received including finance, human resources, fleet services, information technology, legal, insurance and rental of office space; however, it does not receive revenue from taxes or other payments from the General Fund. Groundwater Preservation Fee (GPF) revenue and expenses are accounted for within the Operating Fund but are segregated because GPF revenue is restricted for specific uses. This is illustrated in Appendix A, Page A-2.

The Water Resource and Development Impact Fee Fund (WRSDIF) is used to account for development impact fees collected. Funds may be used for all types of water resources, the infrastructure to deliver those resources and any related debt including Central Arizona Project (CAP) capital infrastructure repayment costs. Additional information is provided on page 15 of this report.

The revenue and expenses of the Operating Fund and the WRSDIF Fund are combined to determine if the Water Utility meets the debt service coverage requirement established in the Mayor and Town Council water policies and current bond covenants. Revenues and expenses are accounted for separately in each fund. Pursuant to ARS 9-463.05 Section B.9., impact fees must be placed in a separate fund and accounted for separately. ARS 9-463.05 Section B.5. states that the impact fees may not be used for operations and maintenance of existing facilities.

Methodology

Step 1: Five-Year Financial Plan

The first step of the water rates analysis is to develop a five-year financial plan that projects the Water Utility's revenues, expenses, capital project financing, annual debt service, and cash reserve funding. The factors used in determining the projections are growth rates, water use trends, debt service coverage requirements, cash reserve requirements and inflation rates. The financial plan is used to determine the revenue adjustment, which allows the Water Utility to recover adequate revenues to fund expenses and cash reserves.

Step 2: Revenue Requirement Determination for Test Year

After completing the five-year financial plan, the rate making process can begin by determining the revenue requirement for the test year, also known as the rate-setting year. The test year for this water rates analysis is Fiscal Year 2021/22 which will be used to capture the rate impacts resulting from a change in rate structure without a revenue adjustment. The revenue requirement should sufficiently fund the Water Utility's operating and maintenance (O&M) costs, annual debt service, capital improvement plan (CIP) costs, and cash reserve funding for the upcoming Fiscal Year 2023/24 budget.

Step 3: Water Rates Analysis

The annual cost of providing water service, or the revenue requirements, is then distributed to customer classes and tiers based on their water usage and demand on the system. Fixed and variable costs are analyzed to determine the impact on customer classes and tiers.

Step 4: Rate Design and Calculation

After allocating the revenue requirements to each customer class and tier, the rate design and calculation process can start. Rates are designed to properly support and optimize the Water Utility's policies and objectives. Rates also act as a public information tool in communicating these policy objectives to customers. This process also includes a rate impact analysis for all proposed water rates and sample customer bill impacts.

Step 5: Administrative Record Preparation and Rate Adoption

The final step in a water rates analysis is to develop the administrative record in preparation for the rate adoption process. The administrative record, also known as the Water Rates Analysis Report, documents the results of the water rate analysis and presents the methodologies, rationale, justifications, and calculations utilized to determine the proposed water rates.

Growth Rates

As indicated in the graph below, new metered connections continue to remain stable due to continued development within the Town. The Water Utility had a total of 2,627 of new metered connections over the last 10 years. At the end of Fiscal Year 2021/22, the customer base totaled 21,114 metered connections.



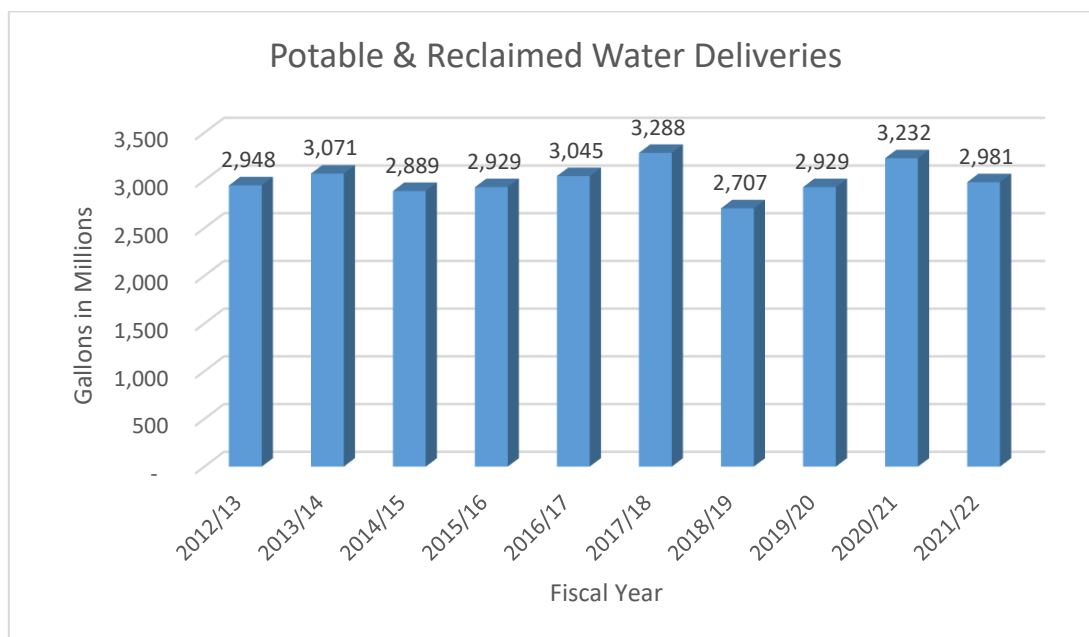
In developing the growth projections, assistance was received from the Town's Community and Economic Development Department for the current housing inventory, along with plans that have been submitted for review, to conservatively estimate future growth. The growth projections used for this report are consistent with the Town's financial forecasting and are shown below in Table 3.

Table 3

New Metered Connections	Fiscal Year 2023/24	Fiscal Year 2024/25	Fiscal Year 2025/26	Fiscal Year 2026/27	Fiscal Year 2027/28
Single Family Residential	119	138	197	210	133
Commercial, Multi-Family, Irrigation	3	3	3	3	3

Water Use Trends

Water use has remains consistent even though the number of connections has increased by 2,627 over the last ten years. The graph below indicates water usage from Fiscal Year 2012/13 through Fiscal Year 2021/22. As noted below, in Fiscal Year 2012/13 water usage was at 2,948 million gallons and 2,981 million gallons in Fiscal Year 2021/22. A slight increase of 33 million gallons even though new connections increased by 2,627 during this time period. The revenue projections in this water rate analysis compiled water data from Fiscal Year 2021/22 when the average water use was 7,000 gallons per month, which is consistent with prior years.



Historically there has been a decline in water use not only on a local level, but also on regional and national levels. This can be largely attributed to water conservation – both intentional and unintentional. Intentional water conservation is the conscious effort to reduce water use by commonly known measures including changing landscape to drought tolerant plants and the removal of lawns. Unintentional water conservation is a result of plumbing code changes and other regulatory changes regarding water efficiency. For example, all new water using appliances and fixtures are required to be low flow. The consumer’s intention may not have been to conserve water when they chose to replace an aging or broken dishwasher, clothes washer or bathroom faucet.

Debt Service

The current annual debt service obligations are met with revenue generated from water rates, groundwater preservation fees and impact fees. A summary of the existing debt and the outstanding balances as of June 30, 2022 are shown below in Table 4.

Table 4

Repayment	Year	Description of Debt	Purpose	Balance
Water Rates	2012	Sr. Lien Bonds-Refinance	Existing Potable System	\$536,174
Water Rates	2014	WIFA Loan	AMI Meter Replacement	\$2,404,214
Water Rates	2015	Excise Tax Bonds-Refinance	Land for MOC	\$579,480
Water Rates	2017	Excise Tax Bonds-Refinance	Existing Potable System	\$7,718,984
Water Rates	2018	Excise Tax Bonds	Existing Potable System	\$5,176,500
Water Rates	2021	Sr. Lien Bonds-Refinance	Existing Potable System	\$1,777,538
GPF	2012	Sr. Lien Bonds-Refinance	Reclaimed Water System	\$977,325
GPF	2021	Sr. Lien Bonds-Refinance	Reclaimed Water System	\$3,046,605
WRSDIF	2012	Sr. Lien Bonds-Refinance	Potable System Expansion	\$301,501
WRSDIF	2021	Sr. Lien Bonds-Refinance	Potable System Expansion	\$362,857
			TOTAL	\$22,881,178

In April 2017, the Town entered into an Intergovernmental Agreement with Metropolitan Domestic Water Improvement District and the Town of Marana to construct a recharge, recovery and delivery system known as the Northwest Recharge, Recovery, and Delivery System (NWRDRS) project to bring additional Central Arizona Project (CAP) water into the Town.

In FY 2022/23, \$1.37 million in American Rescue Plan Act of 2021 (ARPA) funds was received from the General Fund for the NWRDRS project. There is no pay back to the General Fund. Project costs identified for the NWRDRS project may be found in the five-year capital plan shown in Appendix C.

In FY 2022/23, \$1 million in ARPA funds was received from the General Fund for existing system capital projects. There is no pay back to the General Fund.

There is no new debt for existing system capital improvements in this analysis. Capital costs in the five-year capital plan for existing system projects will be cash funded.

Debt Service Coverage Requirements

The method for calculating the debt service coverage ratio is pursuant to the Town Financial and Budgetary Policies adopted by the Town Council in 2008. Section C.1 – Debt Capacity, Issuance & Management states the following with respect to debt service coverage ratios: *“When utility revenues are pledged as debt service payments, the Town will strive to maintain a 1.3 debt service coverage ratio or the required ratio in the bond indenture (whichever is greater) to ensure debt coverage in times of revenue fluctuation.”*

The Series 2012 Senior Lien Water revenue bonds, 2014 Water Infrastructure Finance Authority (WIFA) loans and Series 2021 Senior Lien Water revenue refunding bonds are used in the calculation of the debt service coverage requirement. The Water Utility revenues are specifically pledged as the repayment source for these obligations at 1.3 times coverage per the Town’s adopted financial policy.

The remaining outstanding debt obligations of the Water Utility are excise tax pledged obligations meaning that the Town’s unrestricted sources of sales taxes, fines, permit fees and state shared revenues are pledged as the repayment sources for these bonds in the bond indentures. Even though the bond indentures pledge these excise taxes as the repayment source, the Water Utility is responsible to pay for these debt service payments from water sales revenues. However, since excise taxes are pledged as coverage, a calculated debt service coverage ratio of 1.0 is applied to avoid double coverage when calculating the debt service coverage ratio for these excise tax-backed bonds in the water rates analysis.

Bond indentures for the excise tax-backed bonds require that the Town’s excise tax collections each fiscal year total at least 2.5 times the annual debt service requirements to avoid funding a debt service reserve fund. These conditions have been met annually in the past and are expected to continue in the future.

This methodology of segregating the water utility revenue-pledged debt from the excise tax-pledged debt in the rates analysis process is an accepted practice in the industry and has been reviewed by the Town’s Chief Financial Officer and the Town’s financial advisors with Stifel, Nicolaus & Company, Inc.

The debt service coverage ratio is determined by dividing the annual net operating revenue by the annual debt service payments. The methodology described above is in accordance with the 2008 policy and reduces the amount of the required debt service coverage. Applying this methodology has been key in minimizing water rate increases.

Debt service coverage for the Water Utility’s outstanding senior lien debt issuances and loans in the proposed financial scenario is shown in Table 5 below. As shown below, debt service coverage increases as existing debt service is paid off.

Table 5

	Fiscal Year 2023/24	Fiscal Year 2024/25	Fiscal Year 2025/26	Fiscal Year 2026/27	Fiscal Year 2027/28
Debt Service Coverage	4.39	5.83	6.60	7.21	7.35

Cash Reserve Policy

The cash reserve policy may be found in the Town of Oro Valley Mayor and Council Water Policies Section II.A.1.d. The policy states “*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.*”

In the proposed financial scenario, the projected cash reserve balance for the Operating Fund for each year in the analysis is listed below in Table 6 showing compliance in all years. The projected cash reserve balances include annual increases in the monthly base rate and commodity rates.

Table 6

Operating Fund	Fiscal Year 2023/24	Fiscal Year 2024/25	Fiscal Year 2025/26	Fiscal Year 2026/27	Fiscal Year 2027/28
Cash Reserve Requirement	\$ 3,390,340	\$ 3,506,673	\$ 3,662,437	\$ 3,753,006	\$ 3,509,682
Cash Reserve Balance	\$ 5,727,554	\$ 4,661,821	\$ 3,885,730	\$ 3,952,311	\$ 6,101,037

Cash reserve balances in the Operating Fund are projected to be stable throughout the analysis. This is a result of strategically balancing the required financing of capital projects with the planned used of cash reserves.

There is no cash reserve requirement for revenue from the GPF because these funds are restricted to pay for renewable water resources, infrastructure and associated debt. Although accounted for in the Operating Fund, the GPF cash is segregated from the Operating Fund cash. It is not fiscally prudent to combine cash that has a restricted use with cash that has unrestricted use when determining compliance with a cash reserve policy. Expenses paid by GPF revenue are segregated from the general operating expenses for purposes of calculating the cash reserve requirement. In the proposed financial scenario, the projected cash reserve balance for the GPF in each year of the analysis is listed below in Table 7.

Table 7

Groundwater Preservation Fee	Fiscal Year 2023/24	Fiscal Year 2024/25	Fiscal Year 2025/26	Fiscal Year 2026/27	Fiscal Year 2027/28
Cash Reserve Balance	\$4,919,936	\$4,413,279	\$2,623,656	\$1,630,037	\$2,040,267

GPF cash reserve balances are projected to remain stable over the five-year projection period. This is a direct result of balancing the use of cash and ARPA funds to pay for capital projects associated with the delivery of additional CAP water through the NWRDSD project.

Operating Fund

Revenue Forecast

The Operating Fund is projected to have a cash balance of \$7,645,024 at the beginning of Fiscal Year 2023-24 and is projected to have a balance of \$6,101,037 at the end of Fiscal Year 2027/28. These funds may be used for operating costs including personnel, operations and maintenance, capital improvements for the existing potable water system and debt service.

Groundwater Preservation Fees are included in the Operating Fund; however, the revenues, expenses and cash balances for the GPF are accounted for separately within the Operating Fund and are not included in the cash balance above. The use of GPF funds is restricted to renewable water resources, infrastructure and associated debt.

The following revenue forecast was based on analysis of the Water Utility's historic water use trends and projected growth in the number of new connections. The revenue forecast includes proposed increases in the potable water base rates as shown below in Table 8.

Table 8

Base Rate Potable Water Meter Sizes (inches)	Current Base Rate FY 2022/23	Proposed Rates FY 2023/24	Proposed Rates FY 2024/25	Proposed Rates FY 2025/26	Proposed Rates FY 2026/27	Proposed Rates FY 2027/28
5/8	\$19.94	\$21.14	\$ 22.40	\$ 23.75	\$ 24.94	\$ 26.18
3/4	\$29.90	\$31.69	\$ 33.60	\$ 35.61	\$ 37.39	\$ 39.26
1	\$49.83	\$52.82	\$ 55.99	\$ 59.35	\$ 62.32	\$ 65.43
1.5	\$99.66	\$105.64	\$ 111.98	\$ 118.70	\$ 124.63	\$ 130.86
2	\$159.46	\$169.03	\$ 179.17	\$ 189.92	\$ 199.42	\$ 209.39
3	\$318.90	\$338.03	\$ 358.32	\$ 379.82	\$ 398.81	\$ 418.75
4	\$498.29	\$528.19	\$ 559.88	\$ 593.47	\$ 623.14	\$ 654.30
6	\$996.58	\$1,056.37	\$ 1,119.76	\$ 1,186.94	\$ 1,246.29	\$1,308.60
8	\$1,594.53	\$1,690.20	\$ 1,791.61	\$ 1,899.11	\$ 1,994.07	\$2,093.77

The revenue forecast includes proposed increases in the potable water commodity rates as shown below in Table 9:

Table 9

Commodity Rates Potable Water Classifications	Current FY 2022/23	Proposed FY 2023/24	Proposed FY 2024/25	Proposed FY 2025/26	Proposed FY 2026/27	Proposed FY 2027/28
Residential & Irrigation - Tier 1	\$2.52	\$2.65	\$ 2.78	\$ 2.92	\$ 3.07	\$ 3.16
Residential & Irrigation - Tier 2	\$3.52	\$3.88	\$ 4.27	\$ 4.69	\$ 4.93	\$ 5.08
Residential & Irrigation - Tier 3	\$5.04	\$6.05	\$ 7.26	\$ 8.71	\$ 10.02	\$ 10.82
Residential & Irrigation - Tier 4	\$7.04	\$8.80	\$ 11.00	\$ 13.75	\$ 16.50	\$ 18.15
Commercial	\$2.52	\$2.65	\$ 2.78	\$ 2.92	\$ 3.07	\$ 3.16
Master Metered Multi-Family	\$2.52	\$2.65	\$ 2.78	\$ 2.92	\$ 3.07	\$ 3.16

The potable water base and commodity rates are projected to increase annually beginning in Fiscal Year 2023/24. The proposed base rate increase will generate a 56 percent fixed cost recovery. Fixed costs are expenses incurred that do not fluctuate based on the volume of water sold. Examples of fixed costs include, but are not limited to, debt service, personnel, billing costs, fleet maintenance and regulatory costs. The proposed commodity rate increase accounts for the remaining 44 percent of the fixed costs which are recovered with revenue generated from the volume of water sold. The proposed rate increases encourage water conservation with higher commodity rate increases for higher water usage.

The reclaimed base rates are proposed to remain unchanged throughout the projection period; however, the reclaimed commodity rate is proposed to increase from \$2.25 to \$2.35 per 1,000 gallons.

Table 10 below includes the water sales for potable, reclaimed and GPF revenue forecast for the five-year projection period using the proposed base and commodity rates:

Table 10

Revenue Source	Fiscal Year 2023/24	Fiscal Year 2024/25	Fiscal Year 2025/26	Fiscal Year 2026/27	Fiscal Year 2027/28
Potable Water	\$14,807,219	\$ 16,070,028	\$17,494,864	\$18,795,654	\$19,799,803
Reclaimed Water	\$ 1,384,079	\$ 1,384,079	\$ 1,384,079	\$ 1,384,079	\$ 1,384,079
Total Water Sales	\$16,191,298	\$ 17,454,107	\$18,878,943	\$20,179,733	\$21,183,882
GPF Revenue	\$ 2,433,208	\$ 2,447,374	\$ 2,457,027	\$ 2,461,860	\$ 2,466,463

Other revenue generated by the Utility consists of service fees and charges. Service fees and charges include funds received from an Intergovernmental Agreement with the Pima County Wastewater Reclamation Department to provide monthly billing services on their behalf. Service fees and charges also include, but are not limited to, new service establishment fees, late fees, reconnection fees, inspection fees and plan review fees. The total of all service fees and charges are projected to generate annual revenue of \$800,000.

Projections for interest income for the Operating Fund are a cumulative total of \$498,737 over the five-year period. Projected interest income for the GPF monies is a cumulative total of \$330,465 over the five-year period. The interest rate assumed for the projection period is 2 percent annually.

Revenue Requirements

Below in Table 11 is a summary of revenue requirements for the Operating Fund that were used in the financial analysis. These revenue requirements exclude expenses to be paid with GPF revenue.

Table 11

Operating Fund Expenses	Fiscal Year 2023/24	Fiscal Year 2024/25	Fiscal Year 2025/26	Fiscal Year 2026/27	Fiscal Year 2027/28
Personnel	\$ 3,469,581	\$ 3,582,983	\$ 3,700,292	\$ 3,821,649	\$ 3,947,199
Operations/Maintenance	\$ 3,427,564	\$ 3,598,943	\$ 3,706,911	\$ 3,821,686	\$ 3,940,084
Power of Pumping	\$ 960,300	\$ 960,300	\$ 989,109	\$ 989,109	\$ 1,018,782
CAP Wheeling Costs	\$ 2,098,203	\$ 2,198,272	\$ 2,303,193	\$ 2,413,114	\$ 2,413,908
CAP Water Delivery Costs	\$ 2,623,200	\$ 2,860,215	\$ 3,220,890	\$ 3,426,990	\$ 3,499,125
Reclaimed Personnel	\$ 313,216	\$ 323,453	\$ 334,043	\$ 334,998	\$ 356,332
Reclaimed Operations/Maint.	\$ 946,720	\$ 989,440	\$ 1,036,701	\$ 1,086,259	\$ 1,140,442
Reclaimed Power for Pumping	\$ 64,020	\$ 64,020	\$ 65,941	\$ 65,941	\$ 67,919
Subtotal Expenses	\$13,902,804	\$ 14,577,626	\$15,357,080	\$15,959,746	\$16,383,791
Debt Service	\$ 3,048,895	\$ 2,955,739	\$ 2,955,102	\$ 2,805,283	\$ 1,164,621
Capital Outlay	\$ 2,080,000	\$ 1,890,000	\$ 2,230,000	\$ 2,230,000	\$ 2,390,000
Total Operating Fund Expenses	\$19,031,699	\$ 19,423,365	\$20,542,182	\$20,995,029	\$19,938,412

Projected personnel costs include 3 percent annual merit increases, retirement contributions of 12.17 percent and 5 percent annual increases in health care costs. There are no new employees being added within the five-year projection period. A portion of the personnel costs are allocated to the reclaimed water system based on a weighted average of 5.10 percent annually.

The projected operations and maintenance (O&M) costs for both the potable and reclaimed water systems are based on the Fiscal Year 2022/23 budget and include inflationary increases of 5 percent annually. A cost allocation model is used to allocate various administrative and operational costs to the reclaimed water system. Costs charged by Tucson Water for wheeling reclaimed water are projected to increase 5 percent annually.

Central Arizona Project (CAP) wheeling costs are fees charged by Tucson Water to wheel Oro Valley's CAP water through their recharge and recovery system. The Intergovernmental Agreement with Tucson Water was renegotiated in Fiscal Year 2016/17. Costs are projected to increase by 5 percent annually. The total annual delivery of 2,850 acre feet is projected in the five-year projection period.

Central Arizona Project (CAP) water recharge costs represent costs to take annual delivery of the Utility's entire CAP water allotment of 10,305 acre feet. This water will be recharged and stored in various recharge facilities including the Tucson Water facilities. Costs to take delivery of and store the CAP water are based on the rate schedule adopted by the Central Arizona Project. The five-year projection period includes an increase of 12.36 percent in Fiscal Year 2023/24 for a projected Tier 2a shortage. Costs in later fiscal years will increase by an average of 7.5 percent through the remaining five-year projection period.

Projected capital outlay for existing system improvements in this analysis includes well rehabilitation, tank replacement, re-lining of reservoirs, booster station modifications, water main replacements, vehicles and water meters. These projects will be cash funded in the five-year projection period. The schedule for five-year capital improvements may be found in Appendix C.

Debt service costs are relatively flat over the projection period. The existing debt service is declining as older debt is paid off.

Expenses paid with GPF funds include the existing customers' portion of CAP water capital costs associated with ownership of the CAP water allotment. These costs increase annually based on projected rates developed by the Central Arizona Project.

Debt service for the reclaimed water system is paid with GPF funds. Outstanding debt on the reclaimed water system will be paid in full by Fiscal Year 2029/30.

Table 12 is a summary of expenses paid with GPF revenue that were used in this financial analysis:

Table 12

Groundwater Preservation Fees Expenses	Fiscal Year 2023/24	Fiscal Year 2024/25	Fiscal Year 2025/26	Fiscal Year 2026/27	Fiscal Year 2027/28
CAP Capital Cost of 7,305 AF	\$ 387,165	\$ 474,825	\$ 452,910	\$ 438,300	\$ 438,300
Capital Cost of NWRDRS Project	\$ 2,000,000	\$ 2,108,000	\$ 3,372,000	\$ 2,580,000	\$ 1,200,000
Debt Service	\$ 629,711	\$ 470,345	\$ 472,174	\$ 473,158	\$ 469,726
Total GPF Expenses	\$ 3,016,876	\$ 3,053,170	\$ 4,297,084	\$ 3,491,458	\$ 2,108,026

Water Resource and System Development Impact Fee Fund

The Water Resource and Development Impact Fee Fund (WRSDIF) is used to account for development impact fees collected. Revenues are from impact fees collected at the time water meters are purchased and from interest income. Expenses include capital repayment obligation charges for the Town's CAP allotment, CAP infrastructure and associated debt incurred to deliver CAP water to the Town to meet the demands of future growth. In addition, wells, pump stations, reservoirs and mains for the potable water system required to meet the demands of future growth will also be financed with these impact fees.

The WRSDIF Fund is projected to have a cash balance of \$16,893,509 at the beginning of FY 2023/24 and is projected to have \$418,165 at the end of FY 2027/28. The revenue sources for the WRSDIF Fund are from impact fees collected when a water meter is purchased and from interest earned on cash balances. Interest income is projected to be a total of \$836,412 for this analysis. The interest rate assumed for the projection period is 2 percent.

The revenue forecast was based on new service units related to the number of new connections. A service unit is the equivalent of one single family residential (SFR) 5/8-inch water meter. The SFR service units are equal to the number of new connections. Other service units are forecast based on pending development projects within the Town. Other service units include commercial, multi-family and irrigation uses with the number of service units depending on the estimated meter sizes for each project. In addition, the service units are forecasted based on historic trends and pending development projects within the Town.

The impact fee for a SFR 5/8-inch water meter or one service unit is projected to be \$6,387. It is assumed that the Development Impact Fees will remain constant throughout the five-year projection period. Table 13 below indicates the projected growth in service units and the revenue associated with that growth. These growth projections are consistent with the Town's financial planning.

Table 13

Water Resource & System Development Impact Fees	Fiscal Year 2023/24	Fiscal Year 2024/25	Fiscal Year 2025/26	Fiscal Year 2026/27	Fiscal Year 2027/28
SFR Service Units	119	138	197	210	133
Other Service Units	7.5	7.5	7.5	7.5	7.5
Projected Revenue	\$ 867,525	\$ 988,878	\$ 1,365,711	\$ 1,448,742	\$ 956,943

WRSDIF funds may be used for capital expenses related to CAP water. Capital costs assessed by the Central Arizona Project for 3,000 acre feet of the Town's CAP water allotment are included under operating expenses.

Capital expenses during this projection period total \$21.7 million and include the design and construction of the NWRD project that will deliver additional CAP water to the Town. Funds may also be used for capital expenses related to potable water system improvements including wells, booster stations, reservoirs and water mains required to meet the demands of new growth. Capital projects are identified in the five- year capital improvement plan shown in Appendix C.

Debt service for previously constructed growth-related facilities is also paid from impact fee revenue.

The annual expenses and debt service for the WRSDIF Fund are listed in Table 14 below. No new debt is proposed during this projection period.

Table 14

Water Resource & System Development Expenses	Fiscal Year 2023/24	Fiscal Year 2024/25	Fiscal Year 2025/26	Fiscal Year 2026/27	Fiscal Year 2027/28
CAP Capital Cost of 3,000 AF	\$ 159,000	\$ 195,000	\$ 186,000	\$ 180,000	\$ 180,000
Capital Cost of NWRDPS Project	\$ 3,000,000	\$ 3,162,000	\$ 5,058,000	\$ 3,870,000	\$ 1,800,000
Capital Cost of Potable Projects	\$ 4,850,000	\$ -	\$ -	\$ -	\$ -
Debt Service	\$ 75,000	\$ 56,019	\$ 56,237	\$ 56,354	\$ 55,945
Total WRSDIF Expenses	\$ 8,084,000	\$ 3,413,019	\$ 5,300,237	\$ 4,106,354	\$ 2,035,945

Proposed Financial Scenario

Prior to developing forecasts, financial considerations were evaluated relating to projected operating costs, capital expenses, the Water Utility's existing cash reserves, existing outstanding debt and debt service payments. When developing a proposed financial scenario, the goal of the Water Utility is to ensure all existing rate setting policies are met, cash reserves are utilized to minimize future debt and proposed rate increases do not result in rate shock. One of the rate setting policies included in the Mayor and Council Water Policies is for rate structures to be designed to encourage water conservation.

The development of water conservation pricing, also known as a tiered commodity rate, began in 1999 when a second tier was added to the uniform or flat commodity rate. That structure evolved into four tiers by 2007. The Water Utility has increased the tiered commodity rates to a level that encourages water conservation.

This year, the proposed financial scenario includes increases to both the potable base and commodity rates and an increase to the reclaimed commodity rate.

The chart below illustrates an overall decline in potable and reclaimed water deliveries over the past four years even though the Water Utility experienced growth in the customer base.

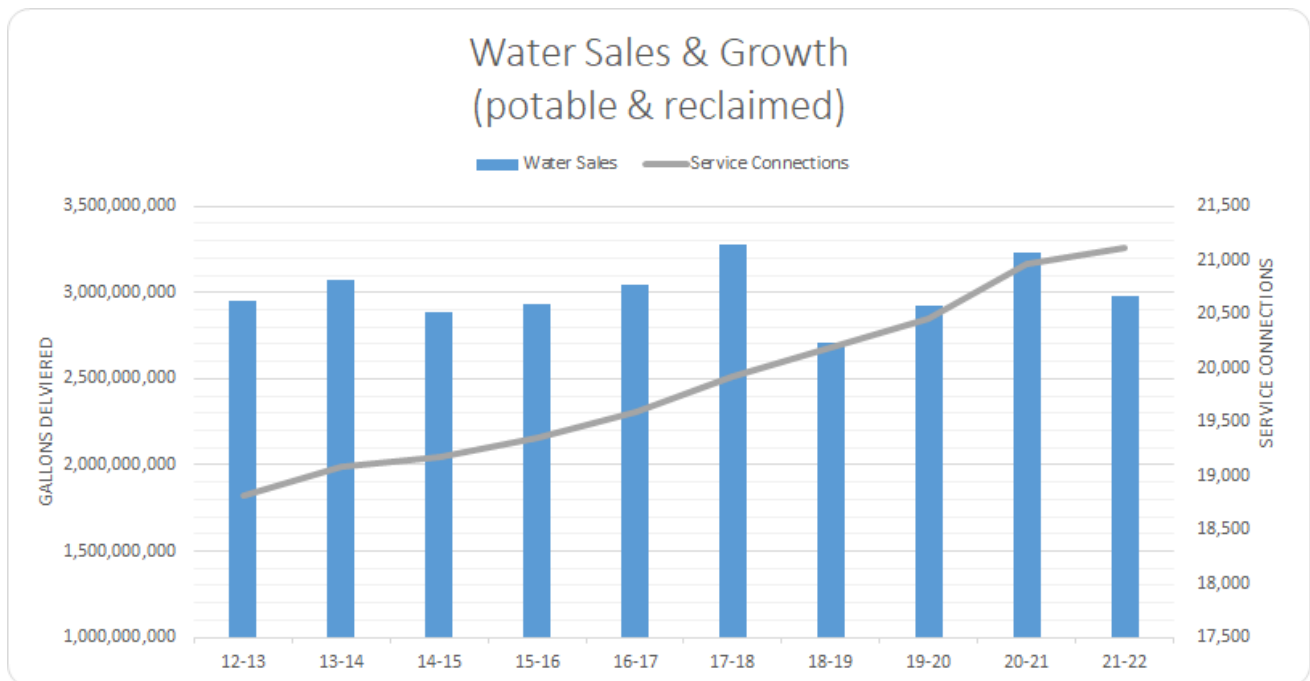


Table 15 below illustrates how regional water providers have increased their base rates to compensate for the declines in water consumption as compared to the historical and the 2023 proposed rates for Oro Valley.

Table 15

Year	Oro Valley	Metro	Marana	Tucson
2023	\$21.14	\$31.35	\$18.75	\$17.52
2022	\$19.94	\$30.45	\$15.96	\$16.33
2021	\$18.99	\$30.45	\$15.96	\$16.33
2020	\$18.26	\$30.45	\$15.96	\$16.33
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

Table 16 illustrates Oro Valley's proposed potable base and commodity rates per 1,000 gallons. Water rates of other water providers in the region are included for comparison purposes along with water resource fees that are similar to the Oro Valley Water Utility GPF.

Table 16

Water Provider	Monthly Base Rate	Tier 1	Tier 2	Tier 3	Tier 4	Tier 5	GPF or Water Resource Fee
Oro Valley Current	\$19.94	\$2.52	\$3.52	\$5.04	\$7.04	-	\$0.90
Oro Valley Proposed	\$21.14	\$2.65	\$3.88	\$6.05	\$8.80	-	\$0.90
Metro Water	\$31.35	\$3.05	\$4.80	\$6.35	\$7.40	-	\$0.60
Marana Water	\$18.75	\$3.69	\$5.18	\$6.66	\$8.32	\$12.01	\$1.33
Tucson Water	\$17.52	\$2.18	\$4.02	\$8.50	\$13.10	-	\$1.10

The Water Utility developed a proposed financial scenario that supports key financial and policy goals. The proposed scenario generates the revenue needed to maintain an adequate cash balance in all funds over the projected five-year period therefore meeting the cash reserve requirements in each year.

The financial projections for the Operating Fund and WRSDIF Fund were combined to evaluate the overall debt service coverage at the end of each fiscal year. Analysis indicates that, under the proposed financial scenario, the Utility will meet the debt service coverage requirement established by the Mayor and Council Water Policies and bond covenants for all five years.

The pro forma for the proposed financial scenario may be found in Appendix A. The assumptions used to develop the financial projections in the proposed financial scenario may be found in Appendix D.

Recommendation on Water Rates

After reviewing the analysis of the two funds and their respective revenue requirements contained in the proposed financial scenario, the Water Utility Commission and Water Utility staff recommend the following for Fiscal Year 2023/24:

- A. Increase to the potable water monthly base rates
- B. Increase to the potable water commodity rates
- C. Increase to the reclaimed water commodity rate

- A. Tables 17 & 18 shown below are the proposed potable water base rates and commodity rates for each meter size. Approximately 87 percent of the Utility's customers have a 5/8-inch water meter and consume an average of 7,000 gallons. These customers will see an increase in their bill of \$2.11 per month.

Table 17

Meter Size (Inches)	Current Base Rate	Proposed Base Rate	Monthly Increase
5/8	\$19.94	\$21.14	\$1.20
3/4	\$29.90	\$31.69	\$1.79
1	\$49.83	\$52.82	\$2.99
1.5	\$99.66	\$105.64	\$5.98
2	\$159.46	\$169.03	\$9.57
3	\$318.90	\$338.03	\$19.13
4	\$498.29	\$528.19	\$29.90
6	\$996.58	\$1,056.37	\$59.79
8	\$1,594.53	\$1,690.20	\$95.67

Cost per month

- B.

Table 18

Customer Classifications	Current Commodity Rate	Proposed Commodity Rate	Increase
Single Family Residential and Irrigation			
Tier 1	\$2.52	\$2.65	\$0.13
Tier 2	\$3.52	\$3.88	\$0.36
Tier 3	\$5.04	\$6.05	\$1.01
Tier 4	\$7.04	\$8.80	\$1.77
Commercial	\$2.52	\$2.65	\$0.13
Master-Metered Multi-Family	\$2.52	\$2.65	\$0.13

Per 1,000 gallons

- C. The reclaimed base rates will remain unchanged while the commodity rate is proposed to increase to \$2.35 per 1,000 gallons from \$2.25 per 1,000 gallons. This proposed rate increase is used for the five-year projection period. The average 18-hole golf course consumes 10,000,000 gallons per month and will see an increase in their bill of \$1,000 per month.

Direct comparison of specific base rates and commodity rates is not ideal for cost comparisons because of the varying rate structures of each utility. A more effective comparison is to calculate the cost for specific consumption levels for one month. Table 19 below provides a calculation of a monthly bill amount for a single-family residential customer with a 5/8-inch meter for the water utilities surrounding the Oro Valley Water Utility service area.

Table 19

Water Provider	Cost for 7,000 Gallons	Cost for 15,000 Gallons	Cost for 25,000 Gallons	Cost for 40,000 Gallons
Oro Valley Current	\$43.88	\$79.24	\$137.12	\$242.22
Oro Valley Proposed	\$45.99	\$84.23	\$151.56	\$277.81
Metro Water	\$47.75	\$89.20	\$158.20	\$278.20
Marana Water	\$53.89	\$101.50	\$174.00	\$310.45
Tucson Water	\$52.56	\$129.92	\$274.00	\$558.86

Proposed rates for all Oro Valley Water Utility meter sizes may be found in Appendix B. Tables that calculate monthly bills under the proposed rates may also be found in Appendix B. Monthly bill amounts are calculated in 1,000 gallon increments for the 5/8-inch meters and a variety of increments for larger meter sizes.

Conclusion

On an annual basis, the water rates analysis is prepared with the most up-to-date information available. Operational needs and capital improvement requirements change annually and are carefully evaluated when they are included in the analysis. It is important that the Water Utility perform a water rates analysis every year to plan for changes in operating costs, capital costs or debt service.

This Water Rates Analysis Report is presented in support of the water rates contained in the proposed financial scenario. The Oro Valley Water Utility Commission and the Water Utility staff respectfully recommend approval of the water rates detailed in the proposed financial scenario.

The Oro Valley Water Utility staff and Commission are dedicated to serving the Town of Oro Valley and the customers of its water utility and extend their appreciation to the Mayor and Council for consideration of the recommended water rates.

APPENDIX A

Proposed Financial Scenario Pro Forma

A-1 Operating Fund

A-2 Groundwater Preservation Fee

A-3 Water Resource and System Development Impact Fee Fund

A-4 Summary of All Funds

Oro Valley Water Utility – Operating Fund

	Budget					
	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28
REVENUES						
Water Sales						
Potable Water Sales (excluding golf courses)	\$ 14,009,000	\$ 14,663,309	\$ 15,846,912	\$ 17,168,612	\$ 18,338,817	\$ 19,224,615
Potable Water Sales from Growth - Res. & Com.	-	32,441	106,010	203,224	327,657	441,983
Potable Water Sales - Golf Course	-	111,469	117,106	123,028	129,180	133,205
Total Potable Water Sales	14,009,000	14,807,219	16,070,028	17,494,864	18,795,654	19,799,803
Reclaimed Water Sales	1,374,000	1,384,079	1,384,079	1,384,079	1,384,079	1,384,079
Total Water Sales	15,383,000	16,191,298	17,454,107	18,878,943	20,179,733	21,183,882
Other Operating Revenue						
Service Fees & Charges	824,000	800,000	800,000	800,000	800,000	800,000
Interest Income	100,000	122,931	103,525	87,148	81,877	103,256
Total Other Operating Revenue	924,000	922,931	903,525	887,148	881,877	903,256
Total Operating Revenue	\$ 16,307,000	\$ 17,114,229	\$ 18,357,632	\$ 19,766,091	\$ 21,061,610	\$ 22,087,138
OPERATING EXPENSES						
Potable Operating Expenses						
Personnel	3,350,590	3,469,581	3,582,983	3,700,292	3,821,649	3,947,199
Operations & Maintenance	3,266,787	3,427,564	3,598,943	3,706,911	3,821,686	3,940,084
Power for Pumping	900,000	960,300	960,300	989,109	989,109	1,018,782
CAP Wheeling Costs	1,949,000	2,098,203	2,198,272	2,303,193	2,413,114	2,413,908
CAP Water Delivery Costs	2,160,000	2,623,200	2,860,215	3,220,890	3,426,990	3,499,125
Total Potable Operating Expenses	\$ 11,626,377	\$ 12,578,848	\$ 13,200,713	\$ 13,920,395	\$ 14,472,548	\$ 14,819,098
Reclaimed Operating Expenses						
Personnel	302,474	313,216	323,453	334,043	334,998	356,332
Operating & Maintenance	942,834	946,720	989,440	1,036,701	1,086,259	1,140,442
Power for Pumping	60,000	64,020	64,020	65,941	65,941	67,919
Total Reclaimed Operating Expenses	\$ 1,305,308	\$ 1,323,956	\$ 1,376,913	\$ 1,436,685	\$ 1,487,198	\$ 1,564,693
Total Operating Expenses	\$ 12,931,685	\$ 13,902,804	\$ 14,577,626	\$ 15,357,080	\$ 15,959,746	\$ 16,383,791
Net Operating Revenue	\$ 3,375,315	\$ 3,211,425	\$ 3,780,006	\$ 4,409,011	\$ 5,101,864	\$ 5,703,347
DEBT SERVICE - POTABLE						
P&I - 2012 Sr. Lien Bonds - Exist. System-Refi 2003	573,666	-	-	-	-	-
P&I - 2014 WIFA Loan - Sr. Lien - AMI	376,642	376,530	376,416	376,298	376,178	376,054
P&I - 2015 Excise Tax Bonds - Refinance 2005	149,979	151,222	150,756	149,918		
P&I - 2017 Excise Tax Bonds - Refinance 2007	1,640,294	1,639,079	1,638,991	1,638,851	1,638,703	
P&I - 2018 Excise Tax Bonds - Exist. System CIP- 15 yrs.\$6M	515,326	514,660	515,154	514,546	514,338	514,506
P&I - 2021 Sr. Lien Bonds - Refinance 2007 & 2009 WIFA & 2012	176,375	367,404	274,422	275,489	276,064	274,061
Total Potable System Debt Service	\$ 3,432,282	\$ 3,048,895	\$ 2,955,739	\$ 2,955,102	\$ 2,805,283	\$ 1,164,621
Net Balance From Operations before capital outlay	\$ (56,967)	\$ 162,530	\$ 824,267	\$ 1,453,909	\$ 2,296,581	\$ 4,538,726
Capital Outlay						
Meters & Equipment & Vehicles	\$ 924,290	\$ 430,000	\$ 390,000	\$ 730,000	\$ 730,000	\$ 890,000
Capital Improvements: Existing System	1,150,000	1,650,000	1,500,000	1,500,000	1,500,000	1,500,000
Total Capital Outlay	\$ 2,074,290	\$ 2,080,000	\$ 1,890,000	\$ 2,230,000	\$ 2,230,000	\$ 2,390,000
Net Balance From Operations including capital outlay	\$ (2,131,257)	\$ (1,917,470)	\$ (1,065,733)	\$ (776,091)	\$ 66,581	\$ 2,148,726
Beginning Cash Balance	\$ 8,776,281	\$ 7,645,024	\$ 5,727,554	\$ 4,661,821	\$ 3,885,730	\$ 3,952,311
ARPA Funds	1,000,000	-	-	-	-	-
Net Balance From Operations	(2,131,257)	(1,917,470)	(1,065,733)	(776,091)	66,581	2,148,726
Ending Cash Balance	\$ 7,645,024	\$ 5,727,554	\$ 4,661,821	\$ 3,885,730	\$ 3,952,311	\$ 6,101,037

Oro Valley Water Utility – Operating Fund

Groundwater Preservation Fees

	Budget FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28
GPF Beginning Balance	\$ 4,045,186	\$ 5,401,484	\$ 4,919,936	\$ 4,413,279	\$ 2,623,656	\$ 1,630,037
ARPA Funds	1,373,337	-	-			
Revenue						
GPF Revenue - Potable	2,141,500	2,165,400	2,165,400	2,165,400	2,165,400	2,165,400
GPF Revenue - Reclaimed	258,500	258,500	258,500	258,500	258,500	258,500
GPF Revenue - Growth	-	9,308	23,474	33,127	37,960	42,563
Total GPF Revenue	<u>\$ 3,773,337</u>	<u>\$ 2,433,208</u>	<u>\$ 2,447,374</u>	<u>\$ 2,457,027</u>	<u>\$ 2,461,860</u>	<u>\$ 2,466,463</u>
Interest Income	-	102,120	99,139	50,434	35,979	51,793
Total All Revenue	<u>\$ 3,773,337</u>	<u>\$ 2,535,328</u>	<u>\$ 2,546,513</u>	<u>\$ 2,507,461</u>	<u>\$ 2,497,839</u>	<u>\$ 2,518,256</u>
GPF Expenses						
Capital Cost for CAP Allotment 7305 AF	409,080	387,165	474,825	452,910	438,300	438,300
Capital Costs for NWRDSD Project	660,000	2,000,000	2,108,000	3,372,000	2,580,000	1,200,000
P&I - 2012 Sr. Lien Bonds - Reclaimed Ph.1	1,045,662	-	-	-	-	-
P&I - 2021 Sr. Lien Water Revenue Refunding Obligations	302,297	629,711	470,345	472,174	473,158	469,726
Total GPF Expenses	<u>2,417,039</u>	<u>3,016,876</u>	<u>3,053,170</u>	<u>4,297,084</u>	<u>3,491,458</u>	<u>2,108,026</u>
GPF Ending Balance	<u>\$ 5,401,484</u>	<u>\$ 4,919,936</u>	<u>\$ 4,413,279</u>	<u>\$ 2,623,656</u>	<u>\$ 1,630,037</u>	<u>\$ 2,040,267</u>

Water Resource and System Development Impact Fee Fund

	Budget						
	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	
REVENUES							
Impact Fee Revenue- Residential	\$ 958,050	\$ 760,053	\$ 881,406	\$ 1,258,239	\$ 1,341,270	\$ 849,471	
Impact Fee Revenue- Non-Residential	143,296	107,472	107,472	107,472	107,472	107,472	
Subtotal Revenue	\$ 1,101,346	\$ 867,525	\$ 988,878	\$ 1,365,711	\$ 1,448,742	\$ 956,943	
Other Operating Revenue							
Interest Income	150,000	295,410	221,221	140,820	95,519	83,442	
Subtotal Other Operating Revenue	150,000	295,410	221,221	140,820	95,519	83,442	
Total Operating Revenue	\$ 1,251,346	\$ 1,162,935	\$ 1,210,099	\$ 1,506,531	\$ 1,544,261	\$ 1,040,385	
OPERATING EXPENSES							
Capital Cost for CAP Allotment 3000 AF	168,000	159,000	195,000	186,000	180,000	180,000	
Total Operating Expenses	\$ 168,000	\$ 159,000	\$ 195,000	\$ 186,000	\$ 180,000	\$ 180,000	
Net Operating Revenue	\$ 1,083,346	\$ 1,003,935	\$ 1,015,099	\$ 1,320,531	\$ 1,364,261	\$ 860,385	
DEBT SERVICE							
P&I - Sr. Lien Bonds - Expansion Related (2012)	\$ 322,578		\$ -	\$ -	\$ -	\$ -	
P&I - 2021 Sr. Lien Bonds - Refinance 2007 & 2009 WIFA & 2012	36,004	75,000	56,019	56,237	56,354	55,945	
Total Debt Service	\$ 358,582	\$ 75,000	\$ 56,019	\$ 56,237	\$ 56,354	\$ 55,945	
CAPITAL OUTLAY							
Capital Improvements:							
Capital Costs for NWRDSD Projects	990,000	3,000,000	3,162,000	5,058,000	3,870,000	1,800,000	
Capital Costs for Other Potable Projects	1,085,688	4,850,000				-	
Total Capital Outlay	\$ 2,075,688	\$ 7,850,000	\$ 3,162,000	\$ 5,058,000	\$ 3,870,000	\$ 1,800,000	
Net Balance From Operations	\$ (1,350,924)	\$ (6,921,065)	\$ (2,202,920)	\$ (3,793,706)	\$ (2,562,093)	\$ (995,560)	
Beginning Cash Balance	\$ 18,244,433	\$ 16,893,509	\$ 9,972,444	\$ 7,769,524	\$ 3,975,818	\$ 1,413,725	
Net Balance From Operations	\$ (1,350,924)	\$ (6,921,065)	\$ (2,202,920)	\$ (3,793,706)	\$ (2,562,093)	\$ (995,560)	
Ending Cash Balance	\$ 16,893,509	\$ 9,972,444	\$ 7,769,524	\$ 3,975,818	\$ 1,413,725	\$ 418,165	

Summary of All Funds

	Budget FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28
REVENUES						
Water Sales						
Potable Water Sales (exclude golf courses)	\$ 14,009,000	\$ 14,663,309	\$ 15,846,912	\$ 17,168,612	\$ 18,338,817	\$ 19,224,615
Potable Water Sales from Growth	-	32,441	106,010	203,224	327,657	441,983
Potable Water Sales - Golf Course	-	111,469	117,106	123,028	129,180	133,205
Total Potable Water Sales	14,009,000	14,807,219	16,070,028	17,494,864	18,795,654	19,799,803
Reclaimed Water Sales	1,374,000	1,384,079	1,384,079	1,384,079	1,384,079	1,384,079
Total Water Sales	15,383,000	16,191,298	17,454,107	18,878,943	20,179,733	21,183,882
Other Operating Revenue						
Groundwater Preservation Fees						
Groundwater Preservation Fee - Potable	2,141,500	2,165,400	2,165,400	2,165,400	2,165,400	2,165,400
Groundwater Preservation Fee - Reclaimed	258,500	258,500	258,500	258,500	258,500	258,500
Groundwater Preservation Fee - Growth	-	9,308	23,474	33,127	37,960	42,563
Total Groundwater Preservation Fees	2,400,000	2,433,208	2,447,374	2,457,027	2,461,860	2,466,463
Water Resource & System Development Impact Fees	1,101,346	867,525	988,878	1,365,711	1,448,742	956,943
Service Fees & Charges	824,000	800,000	800,000	800,000	800,000	800,000
Interest Income	250,000	520,461	423,885	278,402	213,375	238,491
Total Other Operating Revenue	4,575,346	4,621,194	4,660,137	4,901,140	4,923,977	4,461,897
Total Operating Revenue	\$ 19,958,346	\$ 20,812,492	\$ 22,114,244	\$ 23,780,083	\$ 25,103,710	\$ 25,645,779
OPERATING EXPENSES						
Potable Operating Expenses						
Personnel	3,350,590	3,469,581	3,582,983	3,700,292	3,821,649	3,947,199
Operations & Maintenance	3,266,787	3,427,564	3,598,943	3,706,911	3,821,686	3,940,084
Power for Pumping	900,000	960,300	960,300	989,109	989,109	1,018,782
CAP Wheeling Costs	1,949,000	2,098,203	2,198,272	2,303,193	2,413,114	2,413,908
CAP Delivery Costs	2,160,000	2,623,200	2,860,215	3,220,890	3,426,990	3,499,125
CAP Capital Costs paid by GPF Revenue	409,080	387,165	474,825	452,910	438,300	438,300
Total Potable Operating Expenses	\$ 12,035,458	\$ 12,966,014	\$ 13,675,538	\$ 14,373,305	\$ 14,910,848	\$ 15,257,398
Reclaimed Operating Expenses						
Personnel	302,474	313,216	323,453	334,043	334,998	356,332
Operating & Maintenance	942,834	946,720	989,440	1,036,701	1,086,259	1,140,442
Power for Pumping	60,000	64,020	64,020	65,941	65,941	67,919
Total Reclaimed Operating Expenses	\$ 1,305,308	\$ 1,323,956	\$ 1,376,913	\$ 1,436,686	\$ 1,487,199	\$ 1,564,692
WRSDIF Operating Expenses						
CAP Capital Costs	168,000	159,000	195,000	186,000	180,000	180,000
Total WRSDIF Operating Expenses	\$ 168,000	\$ 159,000	\$ 195,000	\$ 186,000	\$ 180,000	\$ 180,000
Total Operating Expenses	\$ 13,508,766	\$ 14,448,970	\$ 15,247,451	\$ 15,995,991	\$ 16,578,047	\$ 17,002,090
Net Operating Revenue	\$ 6,449,580	\$ 6,363,522	\$ 6,866,793	\$ 7,784,092	\$ 8,525,663	\$ 8,643,689

Summary of All Funds

	Budget FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28
Debt Service						
Debt Service - Potable- Existing System						
P&I - 2012 Sr. Lien Bonds - Existing System-Refinance 2003	573,666	-	-	-	-	-
P&I - 2014 WIFA Loan - Sr. Lien - AMI	376,642	376,530	376,416	376,298	376,178	376,054
P&I - 2015 Excise Tax Bonds - Refinance 2005	149,979	151,222	150,756	149,918	-	-
P&I - 2017 Excise Tax Bonds - Refinance 2007	1,640,294	1,639,079	1,638,991	1,638,851	1,638,703	-
P&I - 2018 Excise Tax Bonds - Exist. System CIP- 15 yrs. \$6M	515,326	514,660	515,154	514,546	514,338	514,506
P&I - 2021 Sr. Lien Bonds - Refinance 2007 & 2009 WIFA & 2012	176,375	367,404	274,422	275,489	276,064	274,061
Total Potable Existing System Debt Service	\$ 3,432,282	\$ 3,048,895	\$ 2,955,739	\$ 2,955,102	\$ 2,805,283	\$ 1,164,621
Debt Service - GPF						
P&I - Sr. Lien Bonds - Reclaimed Ph.1 (2012)	1,045,662	-	-	-	-	-
P&I - 2021 Sr. Lien Bonds - Refinance 2007 & 2009 WIFA & 2012	302,297	629,711	470,345	472,174	473,158	469,726
Total GPF Debt Service	\$ 1,347,959	\$ 629,711	\$ 470,345	\$ 472,174	\$ 473,158	\$ 469,726
Debt Service - WRSDF - Growth Related						
P&I - Sr. Lien Bonds - Growth Related (2012)	322,578	-	-	-	-	-
P&I - 2021 Sr. Lien Bonds - Refinance 2007 & 2009 WIFA & 2012	36,004	75,000	56,019	56,237	56,354	55,945
Total WRSDF Growth Related Debt Service	\$ 358,582	\$ 75,000	\$ 56,019	\$ 56,237	\$ 56,354	\$ 55,945
Total Water System Debt Service	\$ 5,138,823	\$ 3,753,606	\$ 3,482,103	\$ 3,483,513	\$ 3,334,795	\$ 1,690,292
Capital Outlay						
Meters & Equipment & Vehicles	\$ 924,290	\$ 430,000	\$ 390,000	\$ 730,000	\$ 730,000	\$ 890,000
Capital Improvements:						
Existing System	1,150,000	1,650,000	1,500,000	1,500,000	1,500,000	1,500,000
Groundwater Preservation Fees	660,000	2,000,000	2,108,000	3,372,000	2,580,000	1,200,000.0
NWRRDS Projects	990,000	3,000,000	3,162,000	5,058,000	3,870,000	1,800,000.00
Other Potable Growth Related Projects	1,085,688	4,850,000	-	-	-	-
Total Capital Outlay	\$ 4,809,978	\$ 11,930,000	\$ 7,160,000	\$ 10,660,000	\$ 8,680,000	\$ 5,390,000
Net Balance From Operations	\$ (3,499,221)	\$ (9,320,084)	\$ (3,775,310)	\$ (6,359,421)	\$ (3,489,132)	\$ 1,563,397
Growth - New Metered Connections	300	119	138	197	210	133
Monthly (Avg.) increase to residential customer using 7K gals.	N/A	4.8%	4.8%	4.8%	4.4%	3.6%
Monthly (Avg.) increase to residential customer using 7K gals.	N/A	\$2.11	\$2.17	\$2.33	\$2.24	\$1.87
Monthly increase to reclaimed customer using 10M gals.	N/A	3.6%	0.0%	0.0%	0.0%	0.0%
Monthly increase to reclaimed customer using 10M gals.	N/A	\$1,000.00	\$0.00	\$0.00	\$0.00	\$0.00
Debt Service Coverage Ratio: Sr. Lien & WIFA	2.28	4.39	5.83	6.60	7.21	7.35
Debt Service Coverage Requirement = 1.30						
Required Operating Fund Cash Reserves (20% of personnel, O&M, debt)	\$ 3,272,794	\$ 3,390,340	\$ 3,506,673	\$ 3,662,437	\$ 3,753,006	\$ 3,509,682
(does not include depreciation/amortization)						
Operating Fund Cash Reserves	\$ 7,645,024	\$ 5,727,554	\$ 4,661,821	\$ 3,885,730	\$ 3,952,311	\$ 6,101,037
Groundwater Preservation Fees	5,401,484	4,919,936	4,413,279	2,623,656	1,630,037	2,040,267
WRSD Impact Fee Fund	16,893,509	9,972,444	7,769,524	3,975,818	1,413,725	418,165
Total Ending Cash Balance	\$ 29,940,017	\$ 20,619,934	\$ 16,844,624	\$ 10,485,204	\$ 6,996,073	\$ 8,559,469

APPENDIX B

Rate Schedules & Tables for Bill Comparisons

B-1 Proposed Water Rate Schedule

B-2 Tables for Bill Comparisons by Meter Size – Potable

B-8 Tables for Bill Comparisons by Meter Size – Reclaimed

Town of Oro Valley Water Utility
Water Rates and Groundwater Preservation Fee Schedule
Proposed Rates Effective July 8, 2023

The monthly water rate for the various user classifications is comprised of a *monthly base rate*, that varies with the meter size, **plus** the corresponding monthly *usage rate* per 1,000 gallons **plus** the groundwater preservation fee per 1,000 gallons for both potable and reclaimed water plus applicable sales taxes.

Potable Water					
Residential & Irrigation uses					
Meter Size	Base Rate	Tier 1 - \$2.65 Usage Rate: Per 1,000 gallons	Tier 2 - \$3.88 Usage Rate: Per 1,000 gallons	Tier 3 - \$6.05 Usage Rate: Per 1,000 gallons	Tier 4 - \$8.80 Usage Rate: Per 1,000 gallons
5/8 Inch	\$ 21.14	0 - 7,000	7,001 - 16,000	16,001 - 32,000	OVER 32,000
3/4 Inch	\$ 31.69	0 - 10,000	10,001 - 24,000	24,001 - 48,000	OVER 48,000
1 inch	\$ 52.82	0 - 17,000	17,001 - 40,000	40,001 - 80,000	OVER 80,000
1.5 inch	\$ 105.64	0 - 35,000	35,001 - 80,000	80,001 - 160,000	OVER 160,000
2 inch	\$ 169.03	0 - 56,000	56,001 - 128,000	128,001 - 256,000	OVER 256,000
3 inch	\$ 338.03	0 - 112,000	112,001 - 256,000	256,001 - 512,000	OVER 512,000
4 inch	\$ 528.19	0 - 175,000	175,001 - 400,000	400,001 - 800,000	OVER 800,000
6 inch	\$ 1,056.37	0 - 860,000	860,001 - 2,000,000	2,000,001 - 3,500,000	OVER 3,500,000
8 inch	\$ 1,690.20	0 - 860,000	860,001 - 2,000,000	2,000,001 - 3,500,000	OVER 3,500,000

Potable Water					
Commercial (Buildings, Tenant Improvements) & Multi-Family uses (Apartments, Duplex, Triplex, Fourplex, Assisted Living)					
Meter Size	Base Rate	\$2.65 Usage Rate: Per 1,000 gallons			
5/8 Inch	\$ 21.14	Fixed usage rate			
3/4 Inch	\$ 31.69	Fixed usage rate			
1 inch	\$ 52.82	Fixed usage rate			
1.5 inch	\$ 105.64	Fixed usage rate			
2 inch	\$ 169.03	Fixed usage rate			
3 inch	\$ 338.03	Fixed usage rate			
4 inch	\$ 528.19	Fixed usage rate			
6 inch	\$ 1,056.37	Fixed usage rate			
8 inch	\$ 1,690.20	Fixed usage rate			

Potable Water					
Construction Water uses					
Meter Size	Base Rate	\$7.65 Usage Rate: Per 1,000 gallons			
5/8 Inch	\$ 21.14	Fixed usage rate			
3/4 Inch	\$ 31.69	Fixed usage rate			
1 inch	\$ 52.82	Fixed usage rate			
1.5 inch	\$ 105.64	Fixed usage rate			
2 inch	\$ 169.03	Fixed usage rate			
3 inch	\$ 338.03	Fixed usage rate			
4 inch	\$ 528.19	Fixed usage rate			
6 inch	\$ 1,056.37	Fixed usage rate			
8 inch	\$ 1,690.20	Fixed usage rate			

Reclaimed Water (Turf only)					
All Uses					
Meter Size	Base Rate	\$2.35 Usage Rate: Per 1,000 gallons			
5/8 Inch	\$ 14.62	Fixed usage rate			
3/4 Inch	\$ 21.93	Fixed usage rate			
1 inch	\$ 36.54	Fixed usage rate			
1.5 inch	\$ 73.08	Fixed usage rate			
2 inch	\$ 116.94	Fixed usage rate			
3 inch	\$ 233.86	Fixed usage rate			
4 inch	\$ 365.41	Fixed usage rate			
6 inch	\$ 730.83	Fixed usage rate			
8 inch	\$ 1,169.32	Fixed usage rate			

Fees					
Groundwater Preservation Fees for all uses					
Potable Water		\$0.90 Fee Per 1,000 gallons			
Reclaimed Water		\$0.47 Fee: Per 1,000 gallons			

TABLE FOR MONTHLY CHARGES & PERCENT INCREASE COMPARISON
RESIDENTIAL & IRRIGATION CUSTOMERS WITH A 5/8-INCH METER

Tier Levels

GALLONS USED	CURRENT WATER	CURRENT GPF	CURRENT MONTHLY BILL	PROPOSED WATER	PROPOSED GPF	PROPOSED MONTHLY BILL	TOTAL MONTHLY INCREASE	PERCENT INCREASED
0	19.94	-	19.94	21.14	-	21.14	1.20	6.0%
1,000	22.46	0.90	23.36	23.79	0.90	24.69	1.33	5.7%
2,000	24.98	1.80	26.78	26.44	1.80	28.24	1.46	5.5%
3,000	27.50	2.70	30.20	29.09	2.70	31.79	1.59	5.3%
4,000	30.02	3.60	33.62	31.74	3.60	35.34	1.72	5.1%
5,000	32.54	4.50	37.04	34.39	4.50	38.89	1.85	5.0%
6,000	35.06	5.40	40.46	37.04	5.40	42.44	1.98	4.9%
7,000	37.58	6.30	43.88	39.69	6.30	45.99	2.11	4.8%
8,000	41.10	7.20	48.30	43.57	7.20	50.77	2.47	5.1%
9,000	44.62	8.10	52.72	47.45	8.10	55.55	2.83	5.4%
10,000	48.14	9.00	57.14	51.33	9.00	60.33	3.19	5.6%
11,000	51.66	9.90	61.56	55.21	9.90	65.11	3.55	5.8%
12,000	55.18	10.80	65.98	59.09	10.80	69.89	3.91	5.9%
13,000	58.70	11.70	70.40	62.97	11.70	74.67	4.27	6.1%
14,000	62.22	12.60	74.82	66.85	12.60	79.45	4.63	6.2%
15,000	65.74	13.50	79.24	70.73	13.50	84.23	4.99	6.3%
16,000	69.26	14.40	83.66	74.61	14.40	89.01	5.35	6.4%
17,000	74.30	15.30	89.60	80.66	15.30	95.96	6.36	7.1%
18,000	79.34	16.20	95.54	86.71	16.20	102.91	7.37	7.7%
19,000	84.38	17.10	101.48	92.76	17.10	109.86	8.38	8.3%
20,000	89.42	18.00	107.42	98.81	18.00	116.81	9.39	8.7%
21,000	94.46	18.90	113.36	104.86	18.90	123.76	10.40	9.2%
22,000	99.50	19.80	119.30	110.91	19.80	130.71	11.41	9.6%
23,000	104.54	20.70	125.24	116.96	20.70	137.66	12.42	9.9%
24,000	109.58	21.60	131.18	123.01	21.60	144.61	13.43	10.2%
25,000	114.62	22.50	137.12	129.06	22.50	151.56	14.44	10.5%
26,000	119.66	23.40	143.06	135.11	23.40	158.51	15.45	10.8%
27,000	124.70	24.30	149.00	141.16	24.30	165.46	16.46	11.0%
28,000	129.74	25.20	154.94	147.21	25.20	172.41	17.47	11.3%
29,000	134.78	26.10	160.88	153.26	26.10	179.36	18.48	11.5%
30,000	139.82	27.00	166.82	159.31	27.00	186.31	19.49	11.7%
31,000	144.86	27.90	172.76	165.36	27.90	193.26	20.50	11.9%
32,000	149.90	28.80	178.70	171.41	28.80	200.21	21.51	12.0%
33,000	156.94	29.70	186.64	180.21	29.70	209.91	23.27	12.5%
34,000	163.98	30.60	194.58	189.01	30.60	219.61	25.03	12.9%
35,000	171.02	31.50	202.52	197.81	31.50	229.31	26.79	13.2%
36,000	178.06	32.40	210.46	206.61	32.40	239.01	28.55	13.6%
37,000	185.10	33.30	218.40	215.41	33.30	248.71	30.31	13.9%
38,000	192.14	34.20	226.34	224.21	34.20	258.41	32.07	14.2%
39,000	199.18	35.10	234.28	233.01	35.10	268.11	33.83	14.4%
40,000	206.22	36.00	242.22	241.81	36.00	277.81	35.59	14.7%
41,000	213.26	36.90	250.16	250.61	36.90	287.51	37.35	14.9%
42,000	220.30	37.80	258.10	259.41	37.80	297.21	39.11	15.2%
43,000	227.34	38.70	266.04	268.21	38.70	306.91	40.87	15.4%
44,000	234.38	39.60	273.98	277.01	39.60	316.61	42.63	15.6%
45,000	241.42	40.50	281.92	285.81	40.50	326.31	44.39	15.7%
46,000	248.46	41.40	289.86	294.61	41.40	336.01	46.15	15.9%
47,000	255.50	42.30	297.80	303.41	42.30	345.71	47.91	16.1%
48,000	262.54	43.20	305.74	312.21	43.20	355.41	49.67	16.2%
49,000	269.58	44.10	313.68	321.01	44.10	365.11	51.43	16.4%
50,000	276.62	45.00	321.62	329.81	45.00	374.81	53.19	16.5%

TABLE FOR MONTHLY CHARGES AND PERCENT INCREASE COMPARISON

FOR SF & MF RESIDENTIAL & IRRIGATION CUSTOMERS WITH A 3/4-INCH METER

BASE RATE \$ 31.69

COMMODITY RATE: TIER 1 = \$ 2.65 FOR 0 - 10,000 GALLONS
TIER 2 = \$ 3.88 FOR 10,001 - 24,000 GALLONS
TIER 3 = \$ 6.05 FOR 24,001 - 48,000 GALLONS
TIER 4 = \$ 8.80 FOR ALL USAGE OVER 48,000 GALLONS

GALLONS USED IN 1 MONTH	CURRENT WATER	CURRENT GPF	CURRENT MONTHLY BILL	PROPOSED WATER	PROPOSED GPF	PROPOSED MONTHLY BILL	TOTAL MONTHLY INCREASE	PERCENT INCREASED
0	29.90	-	29.90	31.69	-	31.69	1.79	6.0%
7,000	47.54	6.30	53.84	50.24	6.30	56.54	2.70	5.0%
11,000	58.62	9.90	68.52	62.07	9.90	71.97	3.45	5.0%
28,000	124.54	25.20	149.74	136.71	25.20	161.91	12.17	8.1%
50,000	239.42	45.00	284.42	275.31	45.00	320.31	35.89	12.6%

TABLE FOR MONTHLY CHARGES AND PERCENT INCREASE COMPARISON

FOR COMMERCIAL CUSTOMERS WITH A 3/4-INCH METER

BASE RATE \$ 31.69

COMMODITY RATE: TIER 1 = \$ 2.65 FOR ALL WATER USAGE
TIER 2 = N/A
TIER 3 = N/A
TIER 4 = N/A

GALLONS USED IN 1 MONTH	CURRENT WATER	CURRENT GPF	CURRENT MONTHLY BILL	PROPOSED WATER	PROPOSED GPF	PROPOSED MONTHLY BILL	TOTAL MONTHLY INCREASE	PERCENT INCREASED
0	29.90	-	29.90	31.69	-	31.69	1.79	6.0%
7,000	47.54	6.30	53.84	50.24	6.30	56.54	2.70	5.0%
11,000	57.62	9.90	67.52	60.84	9.90	70.74	3.22	4.8%
28,000	100.46	25.20	125.66	105.89	25.20	131.09	5.43	4.3%
50,000	155.90	45.00	200.90	164.19	45.00	209.19	8.29	4.1%

TABLE FOR MONTHLY CHARGES AND PERCENT INCREASE COMPARISON

FOR SF & MF RESIDENTIAL & IRRIGATION CUSTOMERS WITH A 1-INCH METER

BASE RATE \$ 52.82

COMMODITY RATE: TIER 1 = \$ 2.65 FOR 0 - 17,000 GALLONS
TIER 2 = \$ 3.88 FOR 17,001 - 40,000 GALLONS
TIER 3 = \$ 6.05 FOR 40,001 - 80,000 GALLONS
TIER 4 = \$ 8.80 FOR ALL USAGE OVER 80,000 GALLONS

GALLONS USED IN 1 MONTH	CURRENT WATER	CURRENT GPF	CURRENT MONTHLY BILL	PROPOSED WATER	PROPOSED GPF	PROPOSED MONTHLY BILL	TOTAL MONTHLY INCREASE	PERCENT INCREASED
0	49.83	-	49.83	52.82	-	52.82	2.99	6.0%
17,000	92.67	15.30	107.97	97.87	15.30	113.17	5.20	4.8%
27,000	127.87	24.30	152.17	136.67	24.30	160.97	8.80	5.8%
38,000	166.59	34.20	200.79	179.35	34.20	213.55	12.76	6.4%
50,000	224.03	45.00	269.03	247.61	45.00	292.61	23.58	8.8%

TABLE FOR MONTHLY CHARGES AND PERCENT INCREASE COMPARISON

FOR COMMERCIAL CUSTOMERS WITH A 1-INCH METER

BASE RATE \$ 52.82

COMMODITY RATE: TIER 1 = \$ 2.65 FOR ALL WATER USAGE
 TIER 2 = N/A
 TIER 3 = N/A
 TIER 4 = N/A

GALLONS USED IN 1 MONTH	CURRENT WATER	CURRENT GPF	CURRENT MONTHLY BILL	PROPOSED WATER	PROPOSED GPF	PROPOSED MONTHLY BILL	TOTAL MONTHLY INCREASE	PERCENT INCREASED
0	49.83	-	49.83	52.82	-	52.82	2.99	6.0%
15,000	87.63	13.50	101.13	92.57	13.50	106.07	4.94	4.9%
27,000	117.87	24.30	142.17	124.37	24.30	148.67	6.50	4.6%
38,000	145.59	34.20	179.79	153.52	34.20	187.72	7.93	4.4%
50,000	175.83	45.00	220.83	185.32	45.00	230.32	9.49	4.3%

TABLE FOR MONTHLY CHARGES AND PERCENT INCREASE COMPARISON

FOR IRRIGATION CUSTOMERS WITH A 1.5-INCH METER

BASE RATE \$ 105.64

COMMODITY RATE: TIER 1 = \$ 2.65 FOR 0 - 35,000 GALLONS
 TIER 2 = \$ 3.88 FOR 35,001 - 80,000 GALLONS
 TIER 3 = \$ 6.05 FOR 80,001 - 160,000 GALLONS
 TIER 4 = \$ 8.80 FOR ALL USAGE OVER 160,000 GALLONS

GALLONS USED IN 1 MONTH	CURRENT WATER	CURRENT GPF	CURRENT MONTHLY BILL	PROPOSED WATER	PROPOSED GPF	PROPOSED MONTHLY BILL	TOTAL MONTHLY INCREASE	PERCENT INCREASED
0	99.66	-	99.66	105.64	-	105.64	5.98	6.0%
38,000	198.42	34.20	232.62	210.03	34.20	244.23	11.61	5.0%
64,000	289.94	57.60	347.54	310.91	57.60	368.51	20.97	6.0%
90,000	396.66	81.00	477.66	433.49	81.00	514.49	36.83	7.7%
125,000	573.06	112.50	685.56	645.24	112.50	757.74	72.18	10.5%

TABLE FOR MONTHLY CHARGES AND PERCENT INCREASE COMPARISON

FOR COMMERCIAL & MULTIFAMILY CUSTOMERS WITH A 1.5-INCH METER

BASE RATE \$ 105.64

COMMODITY RATE: TIER 1 = \$ 2.65 FOR ALL WATER USAGE
 TIER 2 = N/A
 TIER 3 = N/A
 TIER 4 = N/A

GALLONS USED IN 1 MONTH	CURRENT WATER	CURRENT GPF	CURRENT MONTHLY BILL	PROPOSED WATER	PROPOSED GPF	PROPOSED MONTHLY BILL	TOTAL MONTHLY INCREASE	PERCENT INCREASED
0	99.66	-	99.66	105.64	-	105.64	5.98	6.0%
30,000	175.26	27.00	202.26	185.14	27.00	212.14	9.88	4.9%
64,000	260.94	57.60	318.54	275.24	57.60	332.84	14.30	4.5%
90,000	326.46	81.00	407.46	344.14	81.00	425.14	17.68	4.3%
125,000	414.66	112.50	527.16	436.89	112.50	549.39	22.23	4.2%

TABLE FOR MONTHLY CHARGES AND PERCENT INCREASE COMPARISON

FOR IRRIGATION CUSTOMERS WITH A 2-INCH METER

BASE RATE \$ 169.03

COMMODITY RATE: TIER 1 = \$ 2.65 FOR 0 - 56,000 GALLONS
TIER 2 = \$ 3.88 FOR 56,001 - 128,000 GALLONS
TIER 3 = \$ 6.05 FOR 128,001 - 256,000 GALLONS
TIER 4 = \$ 8.80 FOR ALL USAGE OVER 256,000 GALLONS

GALLONS USED IN 1 MONTH	CURRENT WATER	CURRENT GPF	CURRENT MONTHLY BILL	PROPOSED WATER	PROPOSED GPF	PROPOSED MONTHLY BILL	TOTAL MONTHLY INCREASE	PERCENT INCREASED
0	159.46	-	159.46	169.03	-	169.03	9.57	6.0%
57,000	304.10	51.30	355.40	321.31	51.30	372.61	17.21	4.8%
130,000	564.10	117.00	681.10	608.89	117.00	725.89	44.79	6.6%
250,000	1,168.90	225.00	1,393.90	1,334.89	225.00	1,559.89	165.99	11.9%
325,000	1,684.90	292.50	1,977.40	1,978.39	292.50	2,270.89	293.49	14.8%

TABLE FOR MONTHLY CHARGES AND PERCENT INCREASE COMPARISON

FOR COMMERCIAL & MULTIFAMILY CUSTOMERS WITH A 2-INCH METER

BASE RATE \$ 169.03

COMMODITY RATE: TIER 1 = \$ 2.65 FOR ALL WATER USAGE
TIER 2 = N/A
TIER 3 = N/A
TIER 4 = N/A

GALLONS USED IN 1 MONTH	CURRENT WATER	CURRENT GPF	CURRENT MONTHLY BILL	PROPOSED WATER	PROPOSED GPF	PROPOSED MONTHLY BILL	TOTAL MONTHLY INCREASE	PERCENT INCREASED
0	159.46	-	159.46	169.03	-	169.03	9.57	6.0%
57,000	303.10	51.30	354.40	320.08	51.30	371.38	16.98	4.8%
128,000	482.02	115.20	597.22	508.23	115.20	623.43	26.21	4.4%
250,000	789.46	225.00	1,014.46	831.53	225.00	1,056.53	42.07	4.1%
325,000	978.46	292.50	1,270.96	1,030.28	292.50	1,322.78	51.82	4.1%

TABLE FOR MONTHLY CHARGES AND PERCENT INCREASE COMPARISON

FOR IRRIGATION CUSTOMERS WITH A 3-INCH METER

BASE RATE \$ 338.03

COMMODITY RATE: TIER 1 = \$ 2.65 FOR 0 - 112,000 GALLONS
TIER 2 = \$ 3.88 FOR 112,001 - 256,000 GALLONS
TIER 3 = \$ 6.05 FOR 256,001 - 512,000 GALLONS
TIER 4 = \$ 8.80 FOR ALL USAGE OVER 512,000 GALLONS

GALLONS USED IN 1 MONTH	CURRENT WATER	CURRENT GPF	CURRENT MONTHLY BILL	PROPOSED WATER	PROPOSED GPF	PROPOSED MONTHLY BILL	TOTAL MONTHLY INCREASE	PERCENT INCREASED
0	318.90	-	318.90	338.03	-	338.03	19.13	6.0%
50,000	444.90	45.00	489.90	470.53	45.00	515.53	25.63	5.2%
150,000	734.90	135.00	869.90	782.27	135.00	917.27	47.37	5.4%
300,000	1,329.78	270.00	1,599.78	1,459.75	270.00	1,729.75	129.97	8.1%
500,000	2,337.78	450.00	2,787.78	2,669.75	450.00	3,119.75	331.97	11.9%

TABLE FOR MONTHLY CHARGES AND PERCENT INCREASE COMPARISON

FOR COMMERCIAL & MULTIFAMILY CUSTOMERS WITH A 3-INCH METER

BASE RATE \$ 338.03

COMMODITY RATE: TIER 1 = \$ 2.65 FOR ALL WATER USAGE
 TIER 2 = N/A
 TIER 3 = N/A
 TIER 4 = N/A

GALLONS USED IN 1 MONTH	CURRENT WATER	CURRENT GPF	CURRENT MONTHLY BILL	PROPOSED WATER	PROPOSED GPF	PROPOSED MONTHLY BILL	TOTAL MONTHLY INCREASE	PERCENT INCREASED
0	318.90	-	318.90	338.03	-	338.03	19.13	6.0%
50,000	444.90	45.00	489.90	470.53	45.00	515.53	25.63	5.2%
150,000	696.90	135.00	831.90	735.53	135.00	870.53	38.63	4.6%
300,000	1,074.90	270.00	1,344.90	1,133.03	270.00	1,403.03	58.13	4.3%
500,000	1,578.90	450.00	2,028.90	1,663.03	450.00	2,113.03	84.13	4.1%

TABLE FOR MONTHLY CHARGES AND PERCENT INCREASE COMPARISON

FOR IRRIGATION CUSTOMERS WITH A 4-INCH METER

BASE RATE \$ 528.19

COMMODITY RATE: TIER 1 = \$ 2.65 FOR 0 - 175,000 GALLONS
 TIER 2 = \$ 3.88 FOR 175,001 - 400,000 GALLONS
 TIER 3 = \$ 6.05 FOR 400,001 - 800,000 GALLONS
 TIER 4 = \$ 8.80 FOR ALL USAGE OVER 800,000 GALLONS

GALLONS USED IN 1 MONTH	CURRENT WATER	CURRENT GPF	CURRENT MONTHLY BILL	PROPOSED WATER	PROPOSED GPF	PROPOSED MONTHLY BILL	TOTAL MONTHLY INCREASE	PERCENT INCREASED
0	498.29	-	498.29	528.19	-	528.19	29.90	6.0%
300,000	1,379.29	270.00	1,649.29	1,476.94	270.00	1,746.94	97.65	5.9%
550,000	2,487.29	495.00	2,982.29	2,772.44	495.00	3,267.44	285.15	9.6%
700,000	3,243.29	630.00	3,873.29	3,679.94	630.00	4,309.94	436.65	11.3%
850,000	4,099.29	765.00	4,864.29	4,724.94	765.00	5,489.94	625.65	12.9%

TABLE FOR MONTHLY CHARGES AND PERCENT INCREASE COMPARISON

FOR COMMERCIAL & MULTIFAMILY CUSTOMERS WITH A 4-INCH METER

BASE RATE \$ 528.19

COMMODITY RATE: TIER 1 = \$ 2.65 FOR ALL WATER USAGE
 TIER 2 = N/A
 TIER 3 = N/A
 TIER 4 = N/A

GALLONS USED IN 1 MONTH	CURRENT WATER	CURRENT GPF	CURRENT MONTHLY BILL	PROPOSED WATER	PROPOSED GPF	PROPOSED MONTHLY BILL	TOTAL MONTHLY INCREASE	PERCENT INCREASED
0	498.29	-	498.29	528.19	-	528.19	29.90	6.0%
300,000	1,254.29	270.00	1,524.29	1,323.19	270.00	1,593.19	68.90	4.5%
550,000	1,884.29	495.00	2,379.29	1,985.69	495.00	2,480.69	101.40	4.3%
700,000	2,262.29	630.00	2,892.29	2,383.19	630.00	3,013.19	120.90	4.2%
850,000	2,640.29	765.00	3,405.29	2,780.69	765.00	3,545.69	140.40	4.1%

TABLE FOR MONTHLY CHARGES AND PERCENT INCREASE COMPARISON

FOR RESIDENTIAL & IRRIGATION CUSTOMERS WITH A 6-INCH METER

BASE RATE \$ 1,056.37

COMMODITY RATE: TIER 1 = \$ 2.65 FOR 0 - 860,000 GALLONS
TIER 2 = \$ 3.88 FOR 860,001 - 2,000,000 GALLONS
TIER 3 = \$ 6.05 FOR 2,000,001 - 3,500,000 GALLONS
TIER 4 = \$ 8.80 FOR ALL USAGE OVER 3,500,000 GALLONS

GALLONS USED IN 1 MONTH	CURRENT WATER	CURRENT GPF	CURRENT MONTHLY BILL	PROPOSED WATER	PROPOSED GPF	PROPOSED MONTHLY BILL	TOTAL MONTHLY INCREASE	PERCENT INCREASED
0	996.58	-	996.58	1,056.37	-	1,056.37	59.79	6.0%
425,000	2,067.58	382.50	2,450.08	2,182.62	382.50	2,565.12	115.04	4.7%
1,000,000	3,656.58	900.00	4,556.58	3,878.57	900.00	4,778.57	221.99	4.9%
1,500,000	5,416.58	1,350.00	6,766.58	5,818.57	1,350.00	7,168.57	401.99	5.9%
2,000,000	7,176.58	1,800.00	8,976.58	7,758.57	1,800.00	9,558.57	581.99	6.5%

TABLE FOR MONTHLY CHARGES AND PERCENT INCREASE COMPARISON

FOR COMMERCIAL & MULTIFAMILY CUSTOMERS WITH A 6-INCH METER

BASE RATE \$ 1,056.37

COMMODITY RATE: TIER 1 = \$ 2.65 FOR ALL WATER USAGE
TIER 2 = N/A
TIER 3 = N/A
TIER 4 = N/A

GALLONS USED IN 1 MONTH	CURRENT WATER	CURRENT GPF	CURRENT MONTHLY BILL	PROPOSED WATER	PROPOSED GPF	PROPOSED MONTHLY BILL	TOTAL MONTHLY INCREASE	PERCENT INCREASED
0	996.58	-	996.58	1,056.37	-	1,056.37	59.79	6.0%
425,000	2,067.58	382.50	2,450.08	2,182.62	382.50	2,565.12	115.04	4.7%
1,000,000	3,516.58	900.00	4,416.58	3,706.37	900.00	4,606.37	189.79	4.3%
1,500,000	4,776.58	1,350.00	6,126.58	5,031.37	1,350.00	6,381.37	254.79	4.2%
2,000,000	6,036.58	1,800.00	7,836.58	6,356.37	1,800.00	8,156.37	319.79	4.1%

TABLE FOR MONTHLY CHARGES AND PERCENT INCREASE COMPARISON

FOR CUSTOMERS WITH A 8-INCH METER

BASE RATE \$ 1,690.20

COMMODITY RATE: TIER 1 = \$ 2.65 FOR 0 - 860,000 GALLONS
TIER 2 = \$ 3.88 FOR 860,001 - 2,000,000 GALLONS
TIER 3 = \$ 6.05 FOR 2,000,001 - 3,500,000 GALLONS
TIER 4 = \$ 8.80 FOR ALL USAGE OVER 3,500,000 GALLONS

GALLONS USED IN 1 MONTH	CURRENT WATER	CURRENT GPF	CURRENT MONTHLY BILL	PROPOSED WATER	PROPOSED GPF	PROPOSED MONTHLY BILL	TOTAL MONTHLY INCREASE	PERCENT INCREASED
0	1,594.53	-	1,594.53	1,690.20	-	1,690.20	95.67	6.0%
425,000	2,665.53	382.50	3,048.03	2,816.45	382.50	3,198.95	150.92	5.0%
1,000,000	4,254.53	900.00	5,154.53	4,512.40	900.00	5,412.40	257.87	5.0%
1,500,000	6,014.53	1,350.00	7,364.53	6,452.40	1,350.00	7,802.40	437.87	5.9%
2,000,000	7,774.53	1,800.00	9,574.53	8,392.40	1,800.00	10,192.40	617.87	6.5%

(There are no active 8-inch potable meters in the OVWU system)

TABLE FOR MONTHLY CHARGES AND PERCENT INCREASE COMPARISON

FOR COMMERCIAL AND MULTIFAMILY CUSTOMERS WITH A 8-INCH METER

BASE RATE \$ 1,690.20

COMMODITY RATE: TIER 1 = \$ 2.65 FOR ALL WATER USAGE
 TIER 2 = N/A
 TIER 3 = N/A
 TIER 4 = N/A

GALLONS USED IN 1 MONTH	CURRENT WATER	CURRENT GPF	CURRENT MONTHLY BILL	PROPOSED WATER	PROPOSED GPF	PROPOSED MONTHLY BILL	TOTAL MONTHLY INCREASE	PERCENT INCREASED
0	1,594.53	-	1,594.53	1,690.20	-	1,690.20	95.67	6.0%
425,000	2,665.53	382.50	3,048.03	2,816.45	382.50	3,198.95	150.92	5.0%
1,000,000	4,114.53	900.00	5,014.53	4,340.20	900.00	5,240.20	225.67	4.5%
1,500,000	5,374.53	1,350.00	6,724.53	5,665.20	1,350.00	7,015.20	290.67	4.3%
2,000,000	6,634.53	1,800.00	8,434.53	6,990.20	1,800.00	8,790.20	355.67	4.2%

(There are no active 8-inch potable meters in the OVWU system)

TABLE FOR MONTHLY CHARGES AND PERCENT INCREASE COMPARISON

FOR CUSTOMERS WITH A 1.5-INCH METER - RECLAIMED WATER USE

BASE RATE \$ 73.08

COMMODITY RATE: TIER 1 = \$ 2.35 FOR ALL WATER USAGE
 TIER 2 = N/A
 TIER 3 = N/A
 TIER 4 = N/A

GALLONS USED IN 1 MONTH	CURRENT WATER	CURRENT GPF	CURRENT MONTHLY BILL	PROPOSED WATER	PROPOSED GPF	PROPOSED MONTHLY BILL	TOTAL MONTHLY INCREASE	PERCENT INCREASED
0	73.08	-	73.08	73.08	-	73.08	0.00	0.0%
50,000	185.58	23.50	209.08	190.58	23.50	214.08	5.00	2.4%
135,000	376.83	63.45	440.28	390.33	63.45	453.78	13.50	3.1%
200,000	523.08	94.00	617.08	543.08	94.00	637.08	20.00	3.2%
250,000	635.58	117.50	753.08	660.58	117.50	778.08	25.00	3.3%

TABLE FOR MONTHLY CHARGES AND PERCENT INCREASE COMPARISON

FOR CUSTOMERS WITH A 2-INCH METER - RECLAIMED WATER USE

BASE RATE \$ 116.94

COMMODITY RATE: TIER 1 = \$ 2.35 FOR ALL WATER USAGE
 TIER 2 = N/A
 TIER 3 = N/A
 TIER 4 = N/A

GALLONS USED IN 1 MONTH	CURRENT WATER	CURRENT GPF	CURRENT MONTHLY BILL	PROPOSED WATER	PROPOSED GPF	PROPOSED MONTHLY BILL	TOTAL MONTHLY INCREASE	PERCENT INCREASED
0	116.94	-	116.94	116.94	-	116.94	0.00	0.0%
150,000	454.44	70.50	524.94	469.44	70.50	539.94	15.00	2.9%
240,000	656.94	112.80	769.74	680.94	112.80	793.74	24.00	3.1%
450,000	1,129.44	211.50	1,340.94	1,174.44	211.50	1,385.94	45.00	3.4%
600,000	1,466.94	282.00	1,748.94	1,526.94	282.00	1,808.94	60.00	3.4%

TABLE FOR MONTHLY CHARGES AND PERCENT INCREASE COMPARISON

FOR CUSTOMERS WITH A 3-INCH METER - RECLAIMED WATER USE

BASE RATE \$ 233.86

COMMODITY RATE: TIER 1 = \$ 2.35 FOR ALL WATER USAGE
 TIER 2 = N/A
 TIER 3 = N/A
 TIER 4 = N/A

GALLONS USED IN 1 MONTH	CURRENT WATER	CURRENT GPF	CURRENT MONTHLY BILL	PROPOSED WATER	PROPOSED GPF	PROPOSED MONTHLY BILL	TOTAL MONTHLY INCREASE	PERCENT INCREASED
0	233.86	-	233.86	233.86	-	233.86	0.00	0.0%
20,000	278.86	9.40	288.26	280.86	9.40	290.26	2.00	0.7%
80,000	413.86	37.60	451.46	421.86	37.60	459.46	8.00	1.8%
100,000	458.86	47.00	505.86	468.86	47.00	515.86	10.00	2.0%
150,000	571.36	70.50	641.86	586.36	70.50	656.86	15.00	2.3%

TABLE FOR MONTHLY CHARGES AND PERCENT INCREASE COMPARISON

FOR CUSTOMERS WITH A 4-INCH METER - RECLAIMED WATER USE

BASE RATE \$ 365.41

COMMODITY RATE: TIER 1 = \$ 2.35 FOR ALL WATER USAGE
 TIER 2 = N/A
 TIER 3 = N/A
 TIER 4 = N/A

GALLONS USED IN 1 MONTH	CURRENT WATER	CURRENT GPF	CURRENT MONTHLY BILL	PROPOSED WATER	PROPOSED GPF	PROPOSED MONTHLY BILL	TOTAL MONTHLY INCREASE	PERCENT INCREASED
0	365.41	-	365.41	365.41	-	365.41	0.00	0.0%
220,000	860.41	103.40	963.81	882.41	103.40	985.81	22.00	2.3%
300,000	1,040.41	141.00	1,181.41	1,070.41	141.00	1,211.41	30.00	2.5%
450,000	1,377.91	211.50	1,589.41	1,422.91	211.50	1,634.41	45.00	2.8%
600,000	1,715.41	282.00	1,997.41	1,775.41	282.00	2,057.41	60.00	3.0%

TABLE FOR MONTHLY CHARGES AND PERCENT INCREASE COMPARISON

FOR CUSTOMERS WITH A 6-INCH METER - RECLAIMED WATER USE

BASE RATE \$ 730.83

COMMODITY RATE: TIER 1 = \$ 2.35 FOR ALL WATER USAGE
 TIER 2 = N/A
 TIER 3 = N/A
 TIER 4 = N/A

GALLONS USED IN 1 MONTH	CURRENT WATER	CURRENT GPF	CURRENT MONTHLY BILL	PROPOSED WATER	PROPOSED GPF	PROPOSED MONTHLY BILL	TOTAL MONTHLY INCREASE	PERCENT INCREASED
0	730.83	-	730.83	730.83	-	730.83	0.00	0.0%
900,000	2,755.83	423.00	3,178.83	2,845.83	423.00	3,268.83	90.00	2.8%
5,000,000	11,980.83	2,350.00	14,330.83	12,480.83	2,350.00	14,830.83	500.00	3.5%
10,000,000	23,230.83	4,700.00	27,930.83	24,230.83	4,700.00	28,930.83	1,000.00	3.6%
15,000,000	34,480.83	7,050.00	41,530.83	35,980.83	7,050.00	43,030.83	1,500.00	3.6%
20,000,000	45,730.83	9,400.00	55,130.83	47,730.83	9,400.00	57,130.83	2,000.00	3.6%

APPENDIX C

5-Year Capital Improvement Schedules

C-1 Operating Fund

C-2 Groundwater Preservation Fee

C-3 Water Resource and System Development Impact Fee Fund

Oro Valley Water Utility Existing System Capital Projects						
		Colors:	Study/Design/Permit	Construct	Purchases	
Operating Fund Projects						
Project No.	Project Name	2023-24	2024-25	2025-26	2026-27	Totals Years 1-5
Wells						
1	Well Rehabilitaion	150,000	220,000	220,000	220,000	1,030,000
2	HP Tank Replacement	150,000	170,000	170,000	170,000	830,000
3	Well D8 Replacement (Design / Permit / Construct / Equip)			690,000	690,000	1,880,000
	Subtotal	300,000	390,000	1,080,000	1,080,000	3,740,000
Reservoirs						
4	Reservoir Relining	100,000	200,000	200,000	200,000	900,000
	Subtotal	100,000	200,000	200,000	200,000	900,000
Booster Stations						
5	Booster Rehab	200,000	590,000	50,000	50,000	1,130,000
6	HP Tank Replacement	150,000	170,000	170,000	170,000	830,000
	Subtotal	350,000	760,000	220,000	220,000	1,960,000
Mains						
7	Palisades Area Supply Redundancy	250,000				250,000
8	El Con/Cmo Diestro main & valve replacement		150,000			150,000
9	La Canada Main Replacement on Southbound Lanes across from Golf Maint. Yard	250,000				250,000
10	Countryside CAP Wheeling Station Upgrades	300,000				300,000
	Subtotal	800,000	150,000	-	-	950,000
Buildings & Improvement						
11	Big Wash Building Improvements	100,000				100,000
	Subtotal	100,000	-	-	-	100,000
Total Capital Projects		1,650,000	1,500,000	1,500,000	1,500,000	7,650,000
Meters & Equipment						
12	Water Meters - New Connections (Based on 210 meters per year)	150,000	150,000	150,000	150,000	750,000
13	Control Systems	200,000	200,000	500,000	500,000	2,100,000
	Subtotal	350,000	350,000	650,000	650,000	2,850,000
Vehicles						
14	Replacement Vehicles - Meter Operations	40,000			40,000	80,000
15	Replacement Vehicles - Distribution Operations			40,000		40,000
16	Replacement Vehicles - Production Vehicles			40,000		40,000
17	New Vehicle - Water Control System Operations				40,000	40,000
18	Replacement Vehicles - Const Inspectors	40,000				40,000
19	Replacement Vehicles - Water Quality		40,000			80,000
20	ADC Truck / Trailer / Tools					-
	Subtotal	80,000	40,000	80,000	80,000	320,000
Total for all projects		2,080,000	1,890,000	2,230,000	2,230,000	10,820,000

Oro Valley Water Utility								
Projects funded by Groundwater Preservation Fees (GPF)								
NWRRRDS Projects - Existing Customer Related Projects - 40% of Total Costs								
		Colors:	Study/Design/Permit	Construct	Purchases			
NWRRRDS Existing customer portion of projects paid for by Groundwater Preservation Fees								
Project No.	Project Name	Percent of Total	2023-24	2024-25	2025-26	2026-27	2027-28	Totals Years 1-5
NWRRRDS Partnered Projects								
1	Recovery well equipping, TRICO power to sites & associated tasks	40%			480,000	160,000		640,000
2	Pipeline construction (recovered water & transmission)	40%			840,000	420,000	400,000	1,660,000
3	NWRRRDS forebay reservoir construction	40%	1,200,000	800,000				2,000,000
	Subtotal		1,200,000	800,000	1,320,000	580,000	400,000	4,300,000
NWRRRDS Independent Projects								
4	Booster station at NWRRRDS forebay reservoir (2,500 gpm = 4,000 AF/YR)	40%			400,000	400,000		800,000
5	Pipeline from NWRRRDS booster station to La Canada reservoir (Construction)	40%			1,600,000	1,600,000	800,000	4,000,000
6a	Forebay reservoir at Shannon & Naranja (Design/Build - 1 million gallons)	40%	320,000	120,000				440,000
6b	Booster station at Shannon & Naranja (Design/Build - 2,500 gpm = 4,000 AF/YR)	40%	480,000	720,000				1,200,000
	Subtotal		800,000	840,000	2,000,000	2,000,000	800,000	6,440,000
Exisitng System Improvements for blending & distribuion of NWRRRDS water								
7	NWRRRDS E-zone interconnect to Tangerine	40%		324,000	36,000			360,000
8	NWRRRDS E-zone interconnect to Naranja	40%		144,000	16,000			160,000
	Subtotal			468,000	52,000	-	-	520,000
	Total for all projects		2,000,000	2,108,000	3,372,000	2,580,000	1,200,000	11,260,000

Oro Valley Water Utility								
Projects funded by Water Resources and System Development Impact Fee Fund (WRSDIF Impact Fees)								
NWRRRDS Projects - Growth Related Projects - 60% of Total Costs								
Colors:			Study/Design/Permit	Construct	Purchases			
NWRRDS Growth related projects paid for by WRSDIF								
Project No.	Project Name	Percent of Total	2023-24	2024-25	2025-26	2026-27	2027-28	Totals Years 1-5
NWRRDS Partnered Projects								
1	Recovery well equipping, TRICO power to sites & associated tasks	60%			720,000	240,000		960,000
2	Pipeline construction (recovered water & transmission)	60%			1,260,000	630,000	600,000	2,490,000
3	NWRRDS forebay reservoir construction	60%	1,800,000	1,200,000				3,000,000
Subtotal			1,800,000	1,200,000	1,980,000	870,000	600,000	6,450,000
NWRRDS Independent Projects								
4	Booster station at NWRRDS forbay reservoir (2,500 gpm = 4,000 AF/YR)	60%			600,000	600,000		1,200,000
5	Pipeline from NWRRDS booster station to La Canada reservoir (Construction)	60%			2,400,000	2,400,000	1,200,000	6,000,000
6a	Forebay reservoir at Shannon & Naranja (Design/Build - 1 million gallons)	60%	480,000	180,000				660,000
6b	Booster station at Shannon & Naranja (Design/Build - 2,500 gpm = 4,000 AF/YR)	60%	720,000	1,080,000				1,800,000
Subtotal			1,200,000	1,260,000	3,000,000	3,000,000	1,200,000	9,660,000
Exisitng System Improvements for blending & distribuiton of NWRRDS water								
7	NWRRDS E-zone interconnect to Tangerine	60%		486,000	54,000			540,000
8	NWRRDS E-zone interconnect to Naranja	60%		216,000	24,000			240,000
Subtotal				702,000	78,000	-	-	780,000
Total for all projects			3,000,000	3,162,000	5,058,000	3,870,000	1,800,000	16,890,000

Oro Valley Water Utility								
Projects funded by Water Resources and System Development Impact Fee Fund (WRSDIF Impact Fees)								
Miscellaneous Growth Related Projects								
		Colors:		Study/Design/Permit	Construct	Purchases		
Miscellaneous Growth related projects paid for by WRSDIF								
Project No.	Project Name	Percent Growth	2023-24	2024-25	2025-26	2026-27	2027-28	Totals Years 1-5
Wells								
1	Steam Pump D-Zone Well (Design/Permit/Drill/Equip)	100%	550,000					550,000
2	La Posada Well (Design/Permit/Drill/Equip)	100%	600,000					600,000
Subtotal			1,150,000	-	-	-	-	1,150,000
Reservoirs								
3	Storage Expansion for pressure zone G,H & I (Years 10+)	100%						-
4	Storage Expansion for pressure zone G (Years 10+)	100%						-
Subtotal			-	-	-	-	-	-
Booster Stations								
5	La Canada Booster Station Expansion	100%	3,700,000					3,700,000
Subtotal			3,700,000	-	-	-	-	3,700,000
Mains								
6	Moore Rd. F-Zone Interconnect (Years 10+)	100%						-
Subtotal			-	-	-	-	-	-
Total for all projects			4,850,000	-	-	-	-	4,850,000

APPENDIX D

Assumptions for Proposed Financial Scenario

D-1 Operating Fund

D-4 Water Resource and System Development Impact Fee Fund

PROPOSED FINANCIAL SCENARIO

ASSUMPTIONS FOR THE WATER UTILITY'S OPERATING FUND

The Operating Fund is the primary fund for the Water Utility. The sources of revenue are water sales, service related charges and Groundwater Preservation Fees (GPF). Expenses for administration, operations, existing system improvements and debt service are accounted for in this fund.

Beginning Cash Balance

The beginning cash balance is estimated based on budgeted revenues, expenses and known cost over runs for FY 2022/23. Actual cash balances on the 6/30/22 balance sheet are added to budgeted revenues, less budgeted expenses and known unbudgeted expenses.

Cash Reserve Requirement

Mayor and Town Council Water Policies require the Utility to maintain cash reserves in the Operating Fund of not less than 20% of the combined total of the annual budgeted amounts for personnel, O&M and debt service. This specifically excludes expenses for capital projects, depreciation, amortization and contingency.

Growth Projections

New Development growth projections for FY 2023-24 through FY 2027-28 were based on data provided by the Town's New Development Permitting Manager and were updated with information from the Town's Finance Department to be consistent with the Town's financial forecasting.

Connections	FY 23-24	FY 24-24	FY 25-26	FY 26-27	FY 27-28
Single Family Residential	119	138	197	210	133
Irrigation	3	3	3	3	3

Water Sales and Water Use Consumption Trends

The average monthly water consumption for a residential customer with a 5/8-inch water meter in FY 2021-22 was 7,100 gallons per month. To account for the overall average continued decline in water consumption, this analysis assumes 7,000 gallons per month. Projected reclaimed deliveries are based on Water Utility Director estimates.

Service Related Revenues

Service related revenues are based on the proposed FY 2023-24 budget. Service related revenues include billing for sewer fees on behalf of Pima County Wastewater and the Town's Storm Water Department. Additionally, other service related revenues include: late fees, reconnect fees, new service establishment fees, backflow permitting fees, engineering plan review fees and construction inspection fees.

Groundwater Preservation Fees (GPF)

GPF revenues are based on the water consumption for FY 2021-22. The GPF funds are dedicated to pay for water resources other than groundwater as it relates to debt service, capital costs, CAP delivery costs and water wheeling.

PROPOSED FINANCIAL SCENARIO

ASSUMPTIONS FOR THE WATER UTILITY'S OPERATING FUND (continued)

Interest Income

Interest rates are projected at 2% annually over the 5-year pro-forma. The projected interest rate was provided by the Town's Finance Department.

Personnel

No new employees were added during the projection period. Annual merit increases are projected to be 3% annually and health care costs are projected to increase by 5% annually. It is projected that the Arizona State Retirement System (ASRS) contribution is projected to increase 1% annually over the five-year projection period.

Inflation Rates

Inflation rates are projected at 5% annually over the 5-year pro-forma. The projected inflation rate was provided by the Town's Finance Department.

O&M Potable Expenses

These expenses are based on the Water Utility's proposed budget for FY 2022-23 plus 5% inflation.

O&M CAP Wheeling Expenses - Potable

This expense includes the fees charged by Tucson Water to wheel the Town's CAP water through their recharge and recovery system in accordance with an IGA. The increases are projected to be 5% annually over the 5-year pro-forma. It is also assumed that the Utility will wheel 2,850 AF annually.

O&M CAP Recharge Expenses - Potable

This expense is based on the rate schedule adopted by CAP 6/2/22. The figures represent the annual expense to deliver the Utility's entire allotment of CAP water (10,305 AF) for recharge.

O&M Reclaimed Expenses

Pursuant to the existing IGA, the reclaimed water is delivered on a non-interruptible basis at an interruptible rate. Inflationary increases of 5% are included annually.

The Town delivers more reclaimed water than it is entitled to. To cover this shortfall a cost to purchase additional reclaimed water from Tucson Water has been included annually.

Additionally, the O&M expenses include allocations for personnel, administrative costs and fleet service costs. The reclaimed cost allocation model was used to allocate these costs using a variety of methodologies.

O&M CAP Capital Expenses

This expense is paid for from the GPF funds and is based on 7,305 AF per the rate schedule adopted by CAP 6/2/22.

PROPOSED FINANCIAL SCENARIO

ASSUMPTIONS FOR THE WATER UTILITY'S OPERATING FUND (continued)

Capital Improvement Program (CIP) – Existing System Improvements

The capital costs associated with the Existing System Improvements CIP are primarily to ensure continued water systems reliability and efficiency. These costs are determined as part of an annual review of the water system. \$7.7 million in capital costs for existing system improvements are included in the 5 year projection period.

Capital Improvement Program (CIP) – NWRDS

A portion of the capital costs associated with the NWRDS CIP are paid for by **GPF funds**. The NWRDS CAP delivery system will be capable of delivering up to an additional 4,000 acre feet per year of CAP water into Oro Valley's water service area. The 5 year pro-forma is based on Engineering cost estimates.

Debt Service

The following table identifies the existing debt service included in this pro forma:

Bonds	Type	Description	Amortization Schedule By
2014	Sr. Lien	AMI Project	WIFA
2015	Excise Tax	Refunding (2005)	Stifel & Nicolaus & Co.
2017	Excise Tax	Refunding (2007)	Stifel & Nicolaus & Co.
2018	Excise Tax	Existing System CIP	Stifel & Nicolaus & Co.
2021	Sr. Lien	Refunding (WIFA & 2012)	Stifel & Nicolaus & Co.

Minimum Debt Service Coverage Requirement

1.30 debt service coverage ratio for Sr. Lien Bonds & all WIFA Loans

PROPOSED FINANCIAL SCENARIO

ASSUMPTIONS FOR THE WATER UTILITY'S WATER RESOURCE AND SYSTEM DEVELOPMENT IMPACT FEE (WRSDIF) FUND

The **WRSDIF** fund accounts for development impact fees that are collected at the time a new water meter is purchased. This impact fee is intended to fund costs for water resources, the infrastructure to deliver those resources and any related debt including CAP capital infrastructure repayment related to new development.

Beginning Cash Balance

Beginning cash balance is estimated based on budgeted revenues, expenses and known cost over runs for FY 2022-23. Actual cash balances on the 6/30/22 balance sheet is added to budgeted revenues, less budgeted expenses.

Growth Projections

New Development growth projections for FY 2024-25 through FY 2027-28 were based on data provided by the Town's New Development Permitting Manager and were updated with information from the Town's Finance Department to be consistent with the Town's financial forecasting.

Service Units	FY 23-24	FY 24-25	FY 25-26	FY 26-27	FY 27-28
Single Family Residential SU's	119	138	197	210	133
Other SU's	7.5	7.5	7.5	7.5	7.5

Interest Income

Interest rates are projected at 2% annually over the 5-year pro-forma.

O&M CAP Capital Expenses

This expense is based on 3,000 AF per the rate schedule adopted by CAP on 6/2/22.

Capital Improvement Program (CIP) – NWRDRS

A portion of the capital costs associated with the NWRDRS CIP are paid for by the **WRSDIF** Impact fees. The NWRDRS CAP delivery system will be capable of delivering up to an additional 4,000 acre feet per year of CAP water into Oro Valley's water service area. The 5 year pro-forma is based on Engineering cost estimates.

Debt Service

The following table identifies the existing debt service included in this pro forma:

Bonds	Type	Description	Amortization Schedule By
2021	Sr. Lien	Refunding (WIFA & 2012)	Stifel & Nicolaus & Co.

Debt Service Coverage

1.30 debt service coverage ratio for Sr. Lien Bonds

APPENDIX E

Development Impact Fee Schedule

E-1 Water Resource and System Development Impact Fees

**Oro Valley Water Utility
Development Impact Fees**

Residential Meter Size	Capacity Ratio	Demand Adjustment Factor	Development Impact Fee
5/8 "	1.00	1.00	\$ 6,387
3/4"	1.50	1.00	\$ 9,569
1 "	2.50	1.00	\$ 15,934
1.5" standard	5.00	1.00	\$ 31,846
2" compound	8.00	1.00	\$ 50,941
Multi-Family (per unit)	N/A	0.32	\$ 2,044

Nonresidential Meter Size	Capacity Ratio	Demand Adjustment Factor	Development Impact Fee
5/8 "	1.00	1.11	\$ 7,087
3/4"	1.50	1.11	\$ 10,619
1 "	2.50	1.11	\$ 17,684
1.5" standard	5.00	1.11	\$ 35,347
2" compound	8.00	1.11	\$ 56,542
3" compound	16.00	1.11	\$ 113,062
4" compound	25.00	1.11	\$ 176,647
6" compound	50.00	1.11	\$ 353,273
8" compound	80.00	1.11	\$ 565,224

Irrigation Meter Size	Capacity Ratio	Demand Adjustment Factor	Development Impact Fee
5/8 "	1.00	2.25	\$ 14,343
3/4"	1.50	2.25	\$ 21,503
1 "	2.50	2.25	\$ 35,824
1.5" standard	5.00	2.25	\$ 71,627
2" compound	8.00	2.25	\$ 114,590
3" compound	16.00	2.25	\$ 229,158
4" compound	25.00	2.25	\$ 358,047
6" compound	50.00	2.25	\$ 716,072
8" compound	80.00	2.25	\$ 1,145,702