



Public Hearing Proposed Increase in Water Rates, Fees & Charges for Oro Valley Water Utility

January 6, 2016

Town of Oro Valley



Town of Oro Valley

Mayor & Council Water Policies

- ▶ Water Utility is self supporting with rate-based revenues
- ▶ Water rates and charges reviewed annually
- ▶ Debt service coverage of 1.30
- ▶ Cash reserve of at least 20% of operating budget
- ▶ Avoid sudden or large scale shifts in rates
 - minimize rate shock
- ▶ Rate structure to encourage water conservation
- ▶ Rate structure to encourage use of reclaimed water
- ▶ Cost of service approach (AWWA methodology)



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Water Rates Analysis

Preferred Financial Scenario

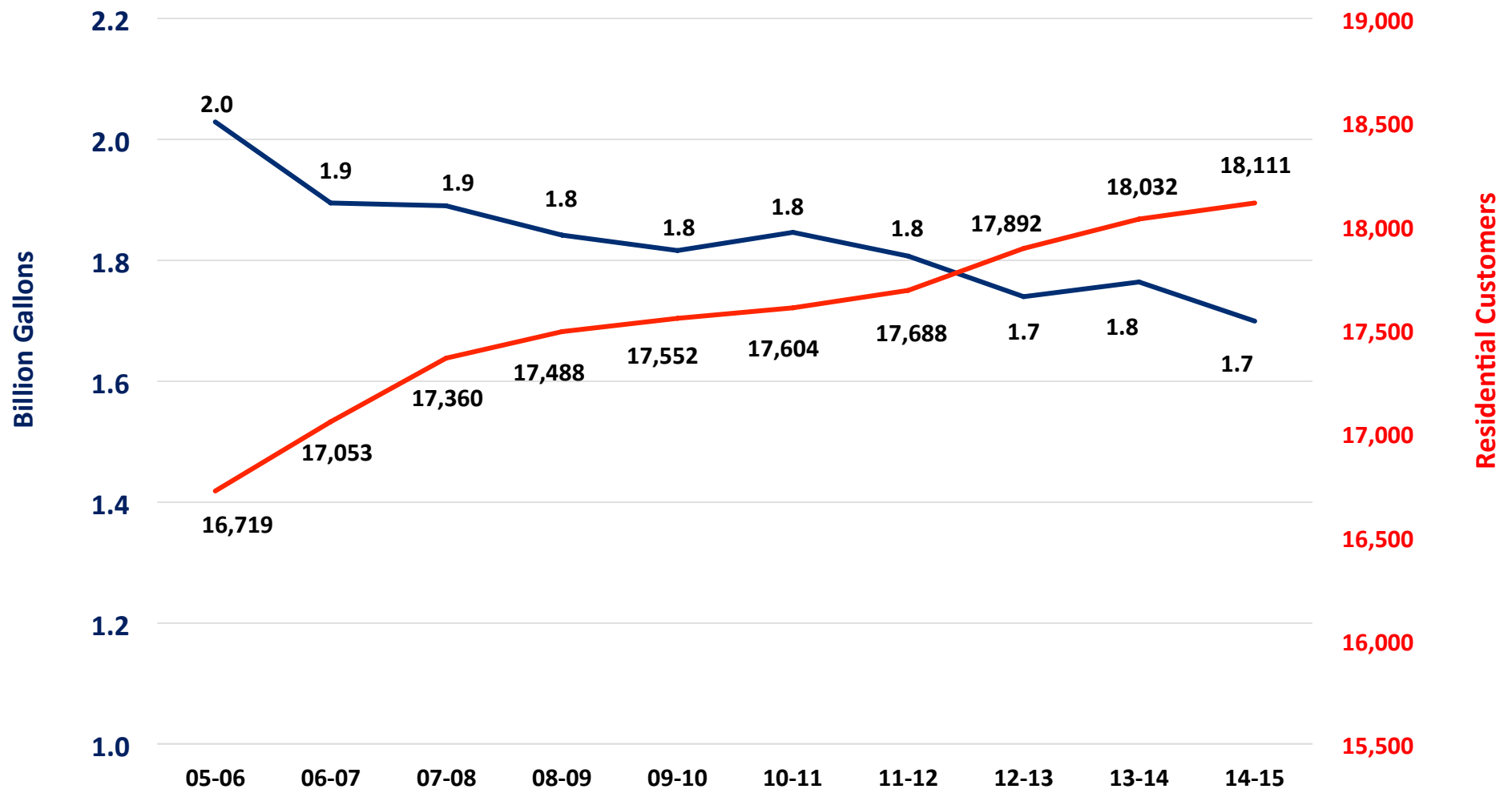
- ▶ Five-year revenue and expenditure projections
 - Begin with actual budget for FY 15-16
- ▶ Analysis of the three funds within the Utility
- ▶ Propose new debt to finance capital in future years
- ▶ Propose small rate increases each year
 - Only approve rate increase for the first year
- ▶ Debt service coverage ratio
- ▶ Cash reserve balance
- ▶ Meets all revenue requirements



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Revenue Projections – Water Use Trends

Single Family Residential Potable Water Use

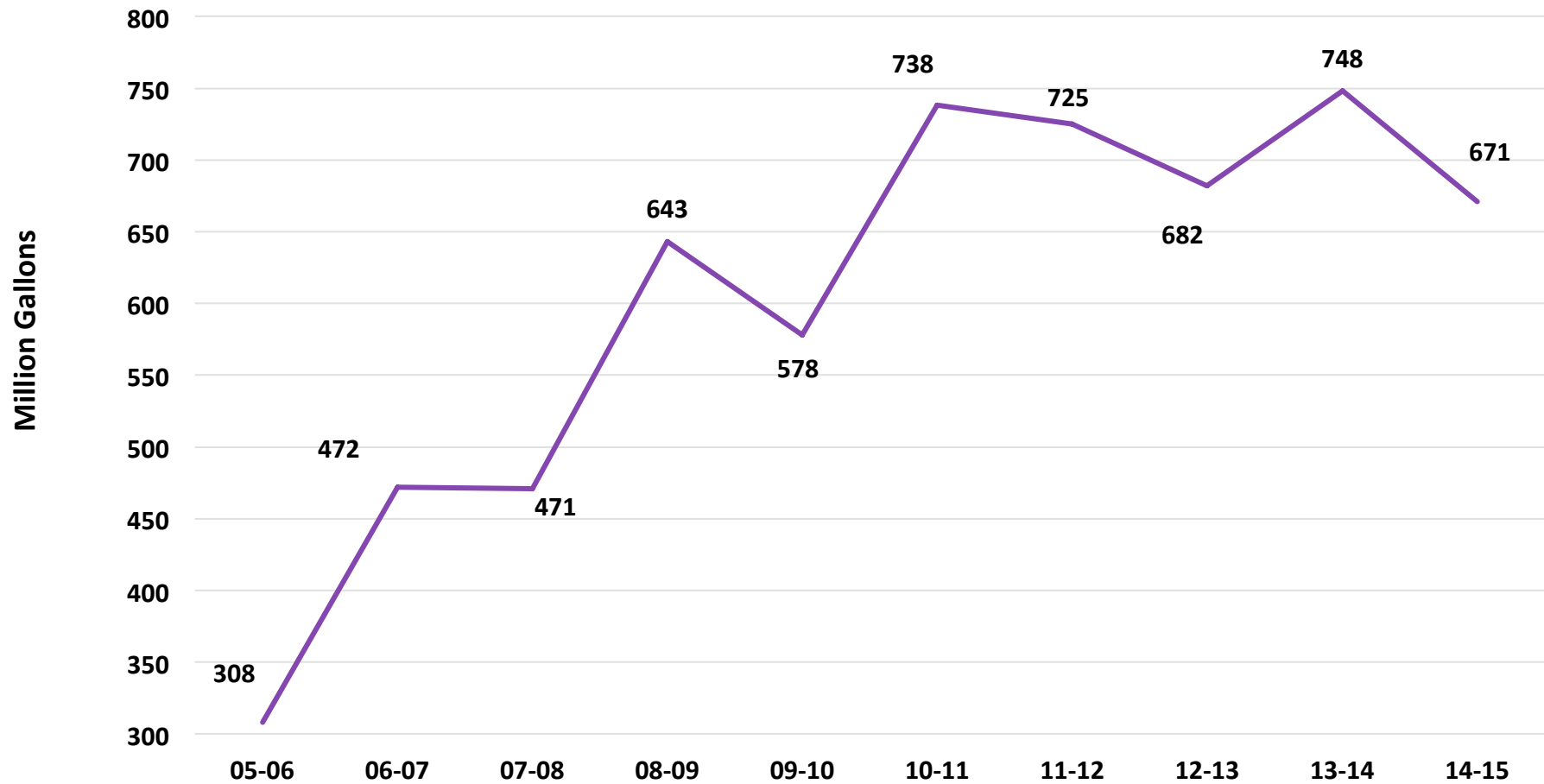




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Revenue Projections - Water Use Trends

Reclaimed Water Use



Cost Increases

- ▶ **Operations & Maintenance**
 - Electric power costs – TEP rate increase
 - Cost to purchase CAP water
- ▶ **Capital**
 - Pipeline relocations due to roadway construction
- ▶ **Debt Service**
 - WIFA loan: AMI project & future existing system improvements



Preferred Financial Scenario

Proposed changes in water rates:

- ▶ Increase in potable and reclaimed water commodity rates
- ▶ Increase in potable and reclaimed construction water rates
- ▶ Increase in construction meter security deposits

The following rates will not be changed:

- ▶ The monthly base rates for potable and reclaimed water
- ▶ The groundwater preservation fees for potable and reclaimed





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Water Rate Comparison

Customer Classifications	Current Rate \$/1,000 gallons	Proposed Rate \$/1,000 gallons	Increase
SF Residential & Irrigation			
Tier 1	2.27	2.32	0.05
Tier 2	3.10	3.19	0.09
Tier 3	4.23	4.40	0.17
Tier 4	5.76	6.05	0.29
MF Residential & Commercial	2.27	2.32	0.05
Turf	2.27	2.32	0.05
Construction	6.76	7.05	0.29
All Reclaimed Classes	2.23	2.27	0.04
GPF – Potable	0.90	0.90	---
GPF - Reclaimed	0.47	0.47	---



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Customer Impacts

Classification	Meter Size	Water Use	Current Bill	Proposed Bill	Increase
SF Residential	5/8	8,000	\$ 40.38	\$ 40.82	\$ 0.44
SF Residential	5/8	15,000	\$ 68.38	\$ 69.45	\$ 1.07
SF Residential	5/8	25,000	\$ 118.55	\$ 121.24	\$ 2.69
SF Residential	5/8	40,000	\$ 207.74	\$ 213.94	\$ 6.20
Irrigation	1	27,000	\$ 129.37	\$ 131.12	\$ 1.75
Commercial	2	57,000	\$ 294.22	\$ 297.07	\$ 2.85
MF Residential	4	550,000	\$ 2,098.27	\$ 2,125.77	\$ 27.50
Turf – Potable	4	3,000,000	\$ 9,864.77	\$ 10,014.77	\$ 150.00
Turf - Reclaimed	6	10,000,000	\$ 27,709.54	\$ 28,109.54	\$ 400.00

Proposed Changes to Service Fees

Security Deposits for Construction Meters

- ▶ Security deposits reduce the Utility's financial loss if a contractor does not pay their final bill and allows the Utility to recover losses associated with lost or damaged equipment. Security deposits are refunded in full when the meter is returned in good condition and the final bill is paid.
- ▶ Current security deposit \$1,200
- ▶ Proposed security deposit \$2,300



Schedule

- 11/09/15 Commission recommendation
- 12/02/15 Town Council adopted Notice of Intent
- 01/06/16 Public Hearing to adopt new rates
- 02/06/16 New rates become effective
- 03/10/16 Begin billing at new rates



Recommendations

- ▶ Water Utility Commission recommends approval of the water rate increase
- ▶ Water Utility staff recommends approval of the resolution increasing the water rates, fees and charges for the Oro Valley Water Utility

