



Town of Chino Valley

MEETING NOTICE TOWN COUNCIL

STUDY SESSION
Thursday, April 3, 2014
6:00 P.M.

Council Chambers
202 N. State Route 89
Chino Valley, Arizona

AGENDA

- 1) CALL TO ORDER; ROLL CALL
- 2) Presentation by Economists.com regarding the results of the Utilities Rate Structure analysis, and review and discussion related to funding options, infrastructure, and bonding.
- 3) ADJOURNMENT

Dated this 1st day of April, 2014.

By: **Jami C. Lewis, Town Clerk**

The Town of Chino Valley endeavors to make all public meetings accessible to persons with disabilities. Please call 636-2646 (voice) or 1-(800) 347-1695 (Arizona Relay Service) 48 hours prior to the meeting to request a reasonable accommodation to participate in this meeting.

Supporting documentation and staff reports furnished to the Council with this agenda are available for review on the Town website at <http://www.chinoaz.net/clerk/townagenda.shtml>, and in the Public Library and Town Clerk's Office.

CERTIFICATION OF POSTING

The undersigned hereby certifies that a copy of this notice was duly posted at Chino Valley South Campus, Chino Valley Post Office, and Chino Valley North Campus in accordance with the statement filed by the Town Council with the Town Clerk.

Date: _____ Time: _____ By: _____
Jami C. Lewis, Town Clerk



TOWN OF CHINO VALLEY COUNCIL AGENDA ITEM STAFF REPORT

Town Council Study Session

Meeting Date: 04/03/2014
Contact Person: Ron Gritman, Town Engineer
 Phone: 928-636-2646 x-1223
Department: Public Works
Item Type: N/A
Estimated length of staff presentation: 60 minutes
Physical location of item: Townwide

Information

AGENDA ITEM TITLE:

Presentation by Economists.com regarding the results of the Utilities Rate Structure analysis, and review and discussion related to funding options, infrastructure, and bonding.

RECOMMENDED ACTION:

None

SITUATION AND ANALYSIS:

On October 8, 2013, the Town executed a professional services contract with Economist.com to perform an update on the valuation of the City of Prescott water system. Once a draft of the valuation of the report was available, staff met with the Economist.com team members and it became obvious that some additional engineering and financial work was necessary in order to bring a complete evaluation of the project to a conclusion.

On February 25 and March 11, 2014, the Council approved two change orders that compensated Coe and Van Loo and Economist.com for the analysis required to determine the impacts of structuring the proposed debt in various fashions. This study session will present the results of these analyses.

In short, Economist.com has shown that by structuring;

- the purchase of the City of Prescott water distribution system,
- the necessary capital to extend the Town's water system to the COP water system,
- the successful negotiations to eliminate Fann Contracting's involvement in the Town's wastewater system and,
- possibly extending water and sewer between Road 3 North and Road 2 North, in specific ways, the existing utilities rate structure can be benefited.

The Town currently has a five year water and sewer utilities rate structure that calls for water and sewer

fees to increase. Currently, we have implemented two of the adopted five rate increases. Economist.com will show that these increases can be reduced or eliminated depending on how the Council chooses to proceed. The attached PowerPoint presentation will be presented at the April 3, 2014 Council Study Session.

Fiscal Impact

Fiscal Impact?: None

If Yes, Budget Code:

Available:

Funding Source:

Attachments

PowerPoint Presentation



Town of Chino Valley

Comprehensive Water/Wastewater Financial Analysis

Summary Presentation

economists.com



April 2014



Introduction

- ◆ Over past 18 months, Town staff and consultants have prepared several water and ww financial analyses:
 - ❖ General long-term water and wastewater rate and financial plan
 - ❖ Evaluation of the Impact of acquiring FANN wastewater treatment plant
 - ❖ Highway 89 expansion and new account hookup
 - ❖ Valuation and potential acquisition of Prescott and Wilhoit Water Accounts
- ◆ Each of these projects influence Town's overall water/ww utility financial and rate plan



Introduction and Purpose

- ◆ Purpose of presentation: to illustrate the combined impact of these analyses on water and wastewater fund and rates
- ◆ Assumptions behind these analyses are critical:
 - ❖ When are projects implemented?
 - ❖ What are total costs and cost savings?
 - ❖ How are projects financed (revenue vs. GO/Tax debt)?



Current Rate Plan Principal Assumptions

- ◆ Most operating expenses increase 3-5% per year
- ◆ Nominal growth in new accounts
- ◆ Buy in fees increased in 2014
- ◆ FANN Acquisition:
 - ❖ Total - \$2,000,000, funded through revenue bonds
 - ❖ Reduction of \$175,000 in annual operating expenses



Current Rate Plan Annual Rates

	Effective Jan-14	Effective Jan-15	Effective Jan-16	Effective Jan-17	Effective Jan-18
SCENARIO: 2014 04 03 -- Current Rate Plan					
Water Rates -- Residential					
Min Chg -- 3/4" Meter	\$ 5.13	\$ 5.29	\$ 5.45	\$ 5.61	\$ 5.78
Volume Rate Per 1,000 Gal					
- 8,000	4.18	4.31	4.43	4.57	4.70
8,001 20,000	5.23	5.39	5.55	5.72	5.89
20,001 Above	7.32	7.54	7.77	8.00	8.24
Wastewater Rates -- Residential					
Monthly Charge	58.31	64.14	70.55	79.02	81.39



Current Rate Plan

Impact on Monthly Charges – 7,500 Gal

	Effective Jan-14		Effective Jan-15		Effective Jan-16		Effective Jan-17		Effective Jan-18	
Residential Monthly Water/WWBill -- 7,500 Gal										
Current	\$	94.79	\$	101.72	\$	109.26	\$	118.89	\$	122.45
Increase		6.00		6.93		7.54		9.63		3.57
Scenario 1 Increase										
Scenario 2 Increase										



Scenarios Analyzed

- ◆ **Scenario 1** – Prescott/Wilhoit account acquisition, FANN acquisition, and Highway 89 expansion, all funded by **Revenue Bonds**
- ◆ **Scenario 2** – Prescott/Wilhoit account acquisition, FANN acquisition, and Highway 89 expansion, funded by **GO/Tax Bonds**





Scenario 1

Financing Assumptions

Capital Improvement Plan

Prescott Purchase/Interconnection	\$ 4,100,000
Wilhoit Water System Purchase	100,000
Purchase of WWTP from Fann	2,700,000
Hwy 89 Areas 1A-2 Distribution Lines - Water	3,077,241
Hwy 89 Areas 1A-2 Collection Lines - WW	<u>3,077,241</u>
Total	13,054,482

Funding Sources:

Long-Term Debt -- Revenue Bonds	13,054,482
--	-------------------



Scenario 1

Account Growth Assumptions

		Water	Wastewater
Current Accounts		553	1,674
Annual New Accts:			
Prescott/Wilhoit	2014	5	5
	2015	11	11
	2016	944	11
	2017	75	75
	2018	75	97
	2019	42	64
	2020	31	53
	2021	31	31
	2022	31	31
Total Accounts -- 2022		1,798	2,052



Scenario 1

Forecast Cost of Service

	2014	2015	2016	2017	2018
Water Utility					
Personnel/Operating	\$ 624,177	\$ 642,724	\$ 768,444	\$ 806,175	\$ 872,512
Capital Outlays/Reserves	96,160	96,201	246,242	246,306	246,372
Debt Service	72,458	71,389	70,298	631,176	634,651
Less Carryover	-	-	-	-	-
Less Buy-in/Non Rate Revs	(410,610)	(458,610)	(477,477)	(458,610)	(597,477)
Total	382,185	351,704	607,508	1,225,047	1,156,059
Wastewater Utility					
Personnel/Operating	903,127	916,083	719,787	728,289	752,676
Capital Outlays/Reserves	219,894	219,894	369,894	369,894	369,894
Debt Service	722,814	722,814	722,814	1,284,953	1,284,953
Less Carryover	(450,000)	(300,000)	(150,000)	-	-
Less Buy-in/Non Rate Revs	(234,920)	(270,920)	(274,940)	(772,070)	(866,090)
Total	1,160,916	1,287,872	1,387,556	1,611,066	1,541,433



Scenario 1

Residential Rate Recommendations

Effective
Jan-14Effective
Jan-15Effective
Jan-16Effective
Jan-17Effective
Jan-18

SCENARIO: 2014 04 03 -- Scenario 1

Water Rates -- Residential

Min Chg -- 3/4" Meter	\$	5.13	\$	5.29	\$	5.45	\$	5.61	\$	5.78
Volume Rate Per 1,000 Gal										
- 8,000		4.18		4.31		4.43		4.57		4.70
8,001 20,000		5.23		5.39		5.55		5.72		5.89
20,001 Above		7.32		7.54		7.77		8.00		8.24

Wastewater Rates -- Residential

Monthly Charge	58.31	64.14	69.27	73.43	75.63
----------------	-------	-------	-------	-------	-------



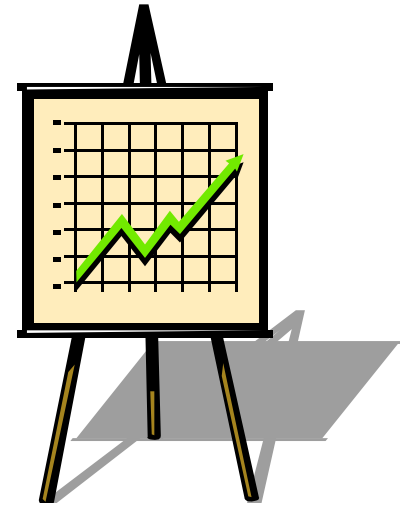
Scenario 1 -- Residential Monthly Water/Wastewater Charges

	Effective Jan-14	Effective Jan-15	Effective Jan-16	Effective Jan-17	Effective Jan-18
Residential Monthly Water/WWBill -- 7,500 Gal					
Current Plan	\$ 94.79	\$ 101.72	\$ 109.26	\$ 118.89	\$ 122.45
Increase	6.00	6.93	7.54	9.63	3.56
 Scenario 1	 94.79	 101.72	 107.98	 113.29	 116.69
Increase	6.00	6.93	6.26	5.32	3.40
 Scenario 2					



Scenario 2 Primary Assumptions

- ◆ Same account growth, acquisition and cost increase assumptions
- ◆ Primary revision: Scenario 2 assumes that all debt is funded through tax-financed General Obligation Bonds
- ◆ This results in hundreds of new customers acquired by system without need for rates to fund associated debt service
- ◆ Because of these benefits, the forecast indicates that there is no need for additional rate adjustments during period 2014-2013





Scenario 2

Forecast Cost of Service

	2014	2015	2016	2017	2018
Water Utility					
Personnel/Operating	\$ 624,177	\$ 642,724	\$ 768,444	\$ 806,175	\$ 872,512
Capital Outlays/Reserves	96,160	96,201	246,242	246,306	246,372
Debt Service	72,458	71,389	70,298	69,038	72,513
Less Carryover	-	-	-	-	-
Less Buy-in/Non Rate Revs	(410,610)	(458,610)	(477,477)	(458,610)	(597,477)
Total	382,185	351,704	607,508	662,908	593,920
Wastewater Utility					
Personnel/Operating	903,127	916,083	719,787	728,289	752,676
Capital Outlays/Reserves	219,894	219,894	369,894	369,894	369,894
Debt Service	722,814	722,814	722,814	722,814	722,814
Less Carryover	(450,000)	(300,000)	(150,000)	-	-
Less Buy-in/Non Rate Revs	(234,920)	(270,920)	(274,940)	(772,070)	(866,090)
Total	1,160,916	1,287,872	1,387,556	1,048,928	979,295



Scenario 2

Residential Rate Recommendations

	Effective Jan-14	Effective Jan-15	Effective Jan-16	Effective Jan-17	Effective Jan-18
SCENARIO: 2014 04 03 -- Scenario 2					
Water Rates -- Residential					
Min Chg -- 3/4" Meter	\$ 5.13	\$ 5.13	\$ 5.13	\$ 5.13	\$ 5.13
Volume Rate Per 1,000 Gal					
- 8,000	4.18	4.18	4.18	4.18	4.18
8,001 20,000	5.23	5.23	5.23	5.23	5.23
20,001 Above	7.32	7.32	7.32	7.32	7.32
Wastewater Rates -- Residential					
Monthly Charge	58.31	58.31	58.31	58.31	58.31



Scenario 2 -- Residential Monthly Water/Wastewater Charges

	Effective Jan-14	Effective Jan-15	Effective Jan-16	Effective Jan-17	Effective Jan-18
Residential Monthly Water/WWBill -- 7,500 Gal					
Current Plan	\$ 94.79	\$ 101.72	\$ 109.26	\$ 118.89	\$ 122.45
Increase	6.00	6.93	7.54	9.63	3.56
Scenario 1	94.79	101.72	107.98	113.29	116.69
Increase	94.79	6.93	6.26	5.31	3.40
Scenario 2	94.79	94.79	94.79	94.79	94.79
Increase	6.00	-	-	-	-



Presentation Summary

- ◆ Addition of Prescott, Wilhoit and Highway 89 accounts are forecast to ease the burden and magnitude of future rate adjustments
- ◆ Use of GO/Tax debt is forecast to enable Town to eliminate rate adjustments for at least 4-5 years
- ◆ Delays in hooking up Highway 89 accounts or acquiring Prescott/Wilhoit accounts will result in the need for additional rate adjustments

