

City of Prescott

Arizona

Water and Wastewater Financial Plan and Rate Study

November 27, 2018

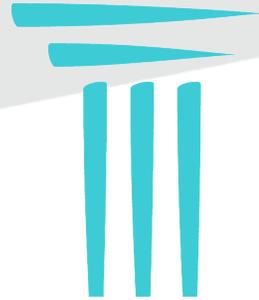
Presented by Andrew Rheem



AGENDA

- Project and financial planning overview
- Water Fund
 - › Objectives
 - › Financial plan and capital projects
 - › Cost of service
 - › Rate Alternatives and Bill Impacts
- Wastewater Fund
 - › Objectives
 - › Financial plan and capital projects
 - › Cost of service
 - › Rate Alternatives and Bill Impacts
- Discussion and next steps





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FINANCIAL PLANNING OVERVIEW

- Separate water and wastewater fund financial plans
- Project each utility annual revenues, expense and financial results
- Propose annual rate revenue adjustments as needed to:
 - › Fund O&M, cash-funded capital, and debt service costs
 - › Meet or exceed debt service coverage (DSC) ratio requirements
 - › Meet or exceed cash reserve targets



Water Fund

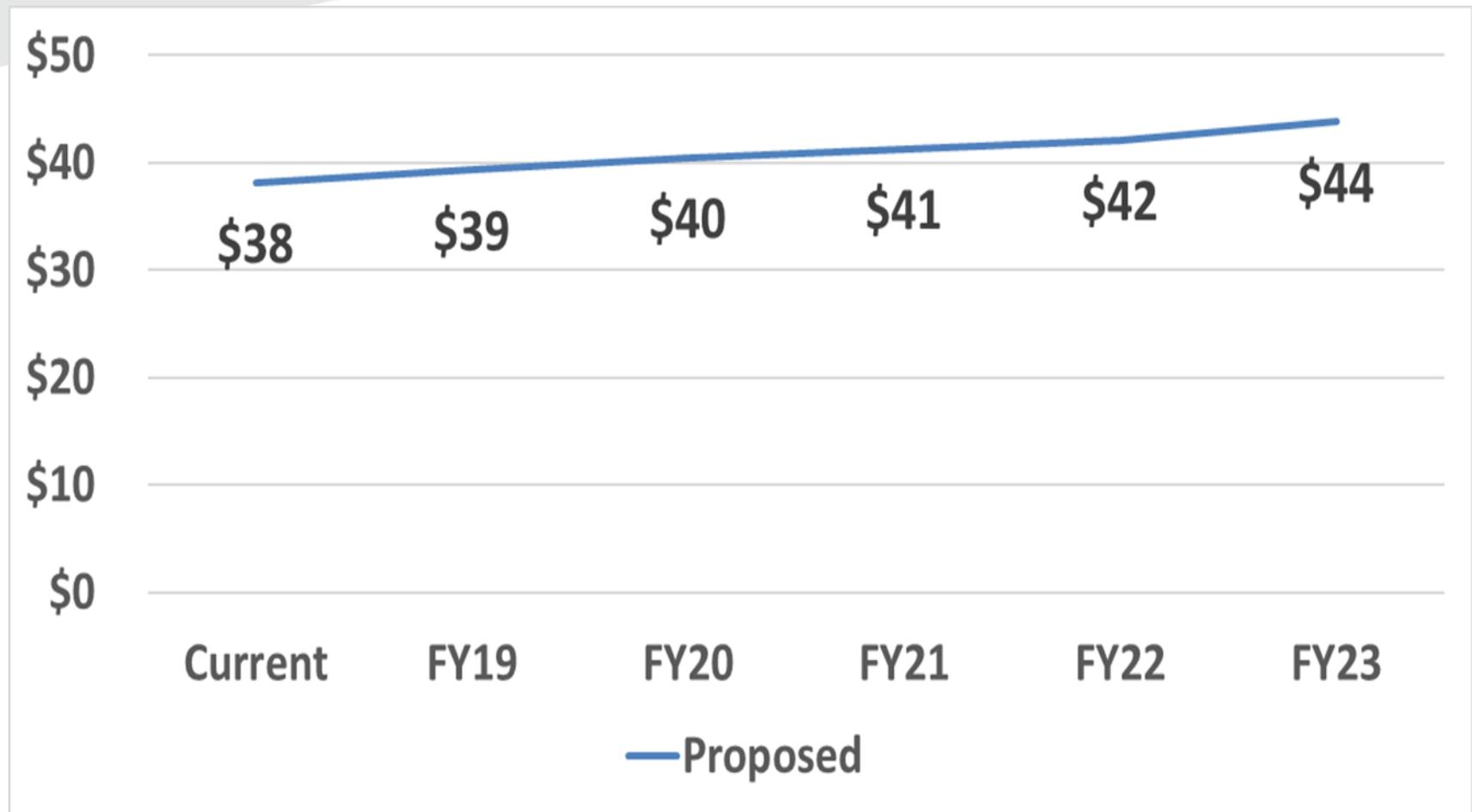


WATER RATE OBJECTIVES

- Leveling of rate adjustments avoiding sharp annual changes
- Continue the present conservation/water-use efficiency oriented pricing structure that has proven to be effective
- Provide a stable source of revenue as the City providing funding for planned water capital projects
- Evaluate Aquifer protection fee, Alt. water surcharge and Outside City rate multiplier
- Maintain customer class cost of service rate recovery



WATER FUND RATE ADJUSTMENTS IMPACT TO TYPICAL RESIDENTIAL MONTHLY BILL (1)



(1) 5/8-inch water meter using 5,000 gallons per month.

MAJOR WATER FUND CAPITAL PROJECTS

- FY19-FY23 total \$90M in capital before inflation
 - › \$94M after inflation
- Intermediate and Chino Booster Pump Stations - \$22.6M in FY19-FY21
- Chino Valley Production Well No. 1 through 5 Rehabilitation - \$10.6M in FY19-FY22
- Zone 16 Virginia Pump Station, Halsley Tank and Haisley Road Piping - \$5.7M in FY19-FY20
- Airport Well No. 5 - \$2.3M in FY19-FY20
- Airport Well No. 6 - \$2.5M in FY20-FY22
- Upsize water mains from Zone 27 tank to Zone 24 tank - \$3.2M in FY19-FY21
- Zone 30 Booster Pump Station at Hidden Valley - \$2.2M in FY21
- Various water main replacements - \$11.6M in FY19-FY23



WATER RATE ALTERNATIVES 1 AND 2

Description	Alt 1	Alt 2
Generate sufficient annual revenues	Yes	Yes
Maintains current Aquifer Protection Fee	Yes	Yes
Maintains current Alternative Water Volume Rate	Yes	Yes
Phases to Customer Class Cost of Service by FY 2022-23	Yes	Yes
Reduces Outside City Multiplier to 1.38 times inside City rates	Yes	Yes
Increases Base Charge Annually	Yes	No
Maintain Current Base Charges	No	Yes
Tiered Pricing Ratios Adjusted for Tiers 2 and 3	No	Yes
Increases Revenue From Volume Rates and Less from Fixed	No	Yes



PROPOSED WATER BASE CHARGE

Meter Size		3/1/2019		1/1/2020		1/1/2021		1/1/2022		1/1/2023	
	Current	Alt 1	Alt 2								
5/8"	\$13.69	\$14.10	\$13.69	\$14.52	\$13.69	\$14.96	\$13.69	\$15.26	\$13.69	\$15.56	\$13.69
1"	16.34	16.83	16.34	17.34	16.34	17.86	16.34	18.22	16.34	18.58	16.34
1 1/2"	20.09	20.69	20.09	21.31	20.09	21.95	20.09	22.39	20.09	22.84	20.09
2"	26.53	27.33	26.53	28.15	26.53	28.99	26.53	29.57	26.53	30.16	26.53
3"	39.47	40.65	39.47	41.87	39.47	43.13	39.47	43.99	39.47	44.87	39.47
4"	57.94	59.68	57.94	61.47	57.94	63.31	57.94	64.58	57.94	65.87	57.94
6"	104.10	107.22	104.10	110.44	104.10	113.75	104.10	116.03	104.10	118.35	104.10
8"	159.61	164.40	159.61	169.33	159.61	174.41	159.61	177.90	159.61	181.46	159.61
Percent Change		3%	0%	3%	0%	3%	0%	2%	0%	2%	0%



ALTERNATIVE 1 AND 2 – VOLUME RATES

Customer Class	Current	3/1/2019		1/1/2020		1/1/2021		1/1/2022		1/1/2023	
		Alt 1	Alt 2								

Inside City

Single Family

Tier 1	\$3.21	\$3.33	\$3.25	\$3.45	\$3.29	\$3.57	\$3.33	\$3.65	\$3.36	\$3.74	\$3.39
Tier 2	4.83	5.00	5.26	5.18	5.70	5.36	6.15	5.48	6.46	5.61	6.78
Tier 3	7.25	7.51	7.89	7.77	8.55	8.04	9.23	8.23	9.69	8.42	10.17
Tier 4	14.49	15.00	14.66	15.53	14.83	16.08	15.01	16.45	15.13	16.83	15.26

Multi-Family

Tier 1	\$2.58	\$2.81	\$2.70	\$3.04	\$2.82	\$3.28	\$2.95	\$3.44	\$3.03	\$3.61	\$3.12
Tier 2	3.89	4.23	4.41	4.57	4.94	4.93	5.48	5.17	5.86	5.42	6.24
Tier 3	5.83	6.33	6.60	6.85	7.40	7.38	8.22	7.75	8.79	8.12	9.36
Tier 4	11.68	12.68	12.20	13.71	12.73	14.78	13.28	15.51	13.66	16.25	14.04

Non-Residential

Tier 1	\$2.93	\$3.21	\$3.07	\$3.51	\$3.21	\$3.81	\$3.36	\$4.02	\$3.46	\$4.23	\$3.56
Tier 2	4.40	4.83	5.00	5.27	5.61	5.72	6.24	6.03	6.68	6.35	7.12
Tier 3	6.60	7.24	7.49	7.90	8.42	8.58	9.36	9.04	10.02	9.52	10.68
Tier 4	13.21	14.49	13.83	15.80	14.46	17.16	15.11	18.09	15.56	19.04	16.02



RESIDENTIAL CUSTOMER MONTHLY BILL IMPACTS - WATER

Volume (kgal)	Current	3/1/2019		1/1/2023	
		Alt 1	Alt 2	Alt 1	Alt 2
3	\$26.71	\$27.48	\$26.83	\$29.90	\$27.16
5	38.15	39.26	39.13	42.64	41.86
10	66.75	68.71	69.88	74.49	78.61
20	148.15	152.71	157.68	165.69	184.41
30	301.95	311.61	313.18	339.09	344.61



Wastewater Fund

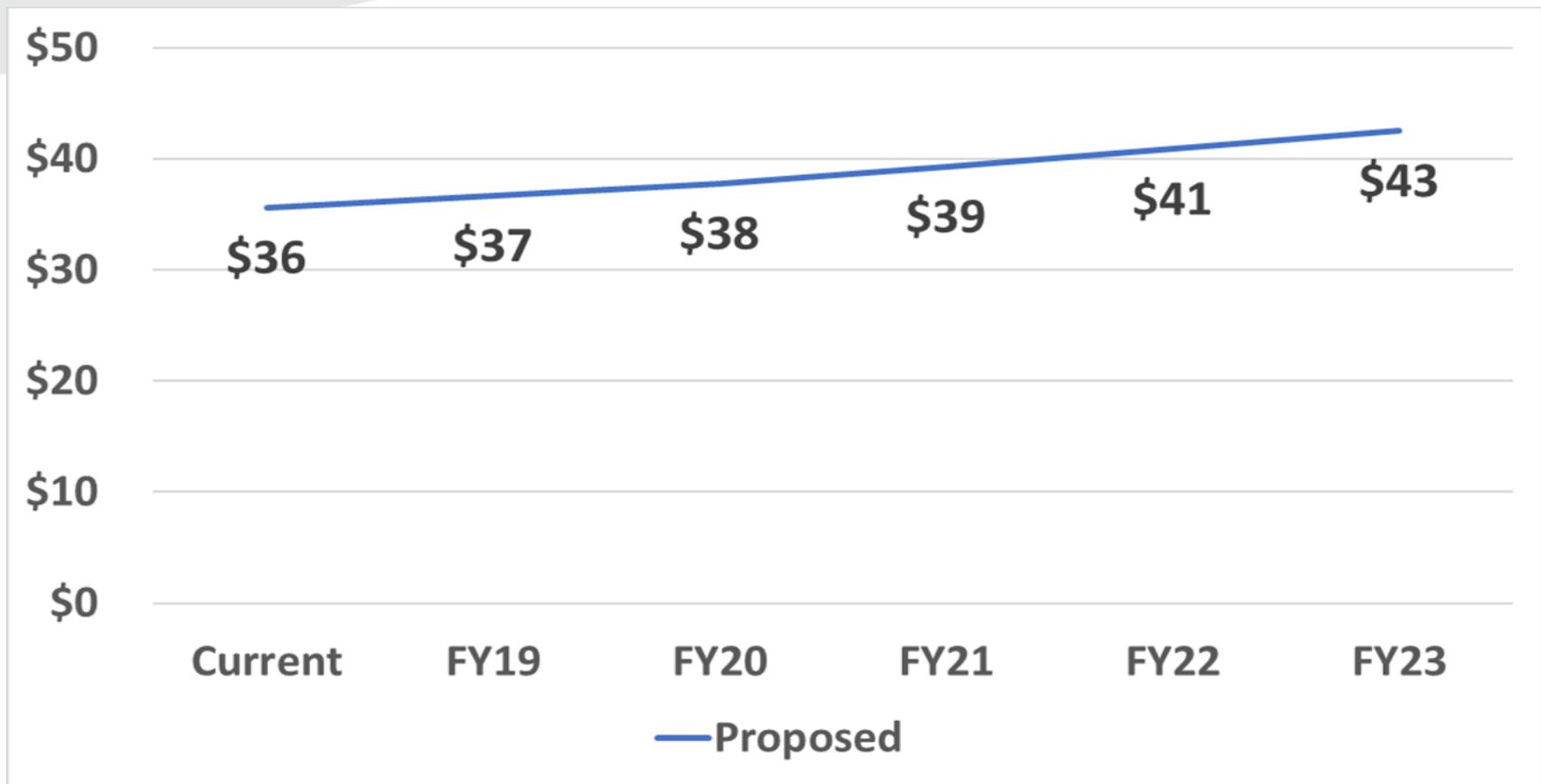


WASTEWATER RATE OBJECTIVES

- Leveling of rate adjustments avoiding sharp annual changes
- Provide a stable source of revenue as the City providing funding for planned wastewater capital projects and debt service
- Maintain customer class cost of service rate recovery



WASTEWATER FUND RATE REVENUE ADJUSTMENTS IMPACT TO TYPICAL RESIDENTIAL MONTHLY BILL (1)



(1) 5/8-inch water meter using 3,000 gallons per month.

MAJOR WASTEWATER FUND CAPITAL PROJECTS

- FY19-FY23 total \$63M in capital before inflation
 - › \$67M after inflation
- Sundog Trunk Main Phase B and C - \$9.7M in FY19-FY21
- Airport Trunk Main - \$9.9M in FY19-FY20
- Willow Creek Trunk - \$3.2M in FY21-FY22
- Hassayampa Trunk Main - \$3.1M in FY22
- Airport WRF Phase II - \$18.8M in FY23
- Various Main Replacements - \$4.2M in FY19-FY23



PROPOSED WASTEWATER MSC AND VOLUME RATES

Description	Current	3/1/2019	1/1/2020	1/1/2021	1/1/2022	1/1/2023
Annual % Increase in Revenue-Rates		3%	3%	4%	4%	4%
Monthly Service Charge						
Residential	\$21.47	\$21.47	\$21.47	\$21.47	\$21.47	\$21.47
Nonresidential (General)	21.47	21.47	21.47	21.47	21.47	21.47
Volume Rates per 1,000 gallons						
Residential	\$5.52	\$5.86	\$6.22	\$6.70	\$7.21	\$7.73
Nonresidential (General)	6.17	6.35	6.54	6.81	7.08	7.36
Septage Hauler	100.00	100.19	100.39	100.67	100.95	101.25

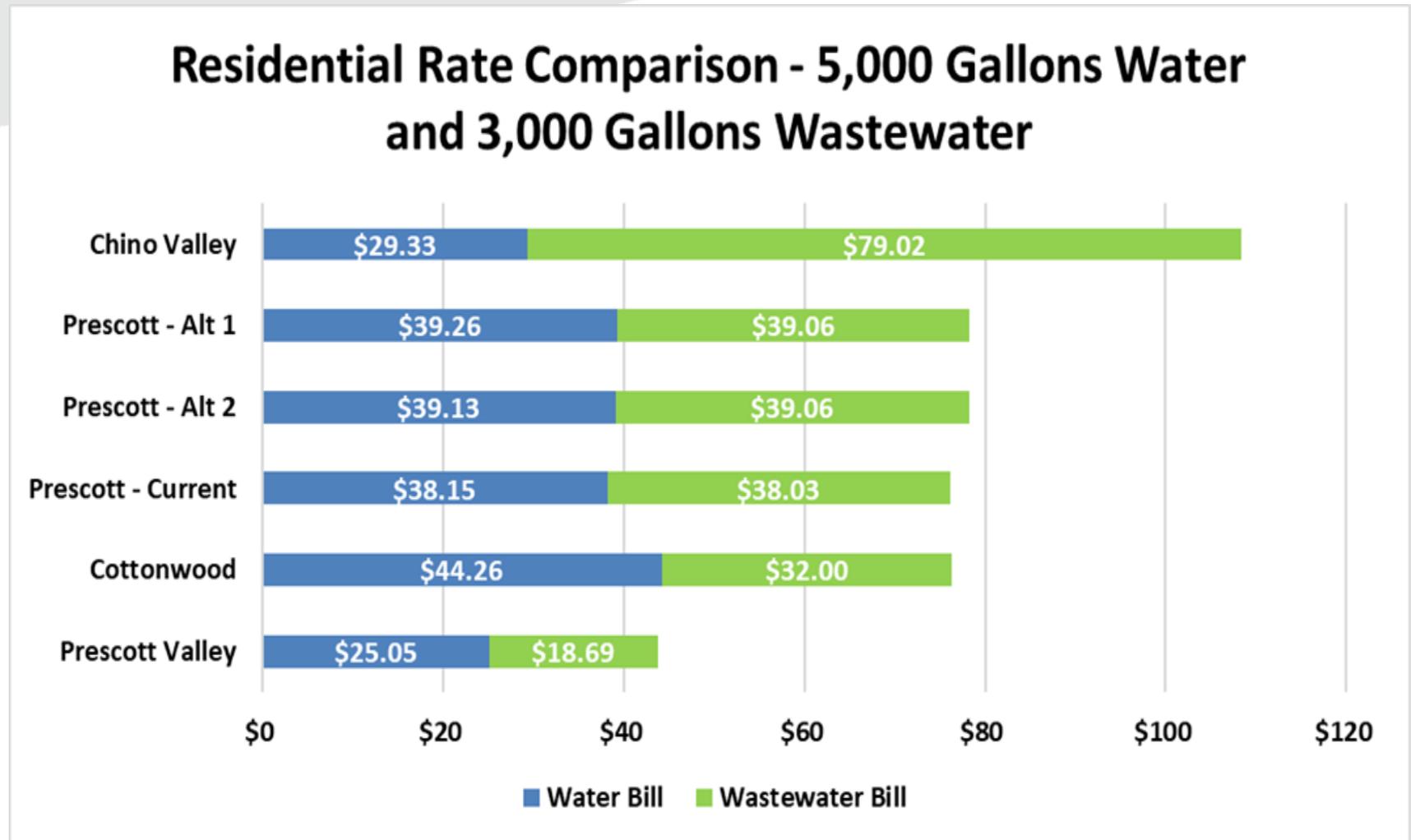


RESIDENTIAL CUSTOMER MONTHLY BILLS - WASTEWATER

Use kgal	Current	Proposed 3/1/2019	Proposed 1/1/2023
3	\$38.03	\$39.06	\$44.66
5	49.07	50.78	60.12
7	60.11	62.51	75.58



RESIDENTIAL WATER AND WASTEWATER BILL COMPARISONS



Discussion



RAFTELIS NEXT STEPS

- Adjust based on feedback today
- Post Rate Study Report at least 30 days before public hearing
- Attend January 22nd Public Hearing on Rates
- Issue Final Rate Study Report
- Rate Ordinance Review and Adoption process





Thank you!

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