



Town of Chino Valley Water and Wastewater Fee Schedule Analysis

February 2025

**This report proposes changes to the wastewater and water deposits, service fees, standpipe rate, wastewater base rate, and wastewater buy-in fees. This report is issued to meet the requirements of ARS §9-511.01.*

Background

The Town last updated its water and wastewater rates on December 12, 2023, through Resolution No. 2023-1235. Since implementing these new rates, several issues have been identified that require correction to ensure fairness, accuracy, and financial sustainability.

Identified Issues

- **Deposit structure:** The current structure imposes higher deposits on tenants than homeowners.
- **Water and sewer service fees:** A standard water and sewer service fee of \$25 needs to be formally codified.
- **Standpipe base rate:** Previous misapplications of the rate structure led to inconsistencies, benefiting some users unfairly.
- **Wastewater base rate:** The rate structure does not clearly define how estimated fixture units should be calculated for RV and mobile park spaces.
- **Water buy-in rate:** Hotels/Motels pay a per room charge where RV and mobile home parks pay commercial meter rates dependent on meter size.
- **Wastewater buy-in rate:** Similar to wastewater base rate, the structure lacks clear guidelines for estimating the fixture units of RV and mobile park spaces.

Financial Impact and Justification

The water and wastewater systems have struggled to fully fund operational and capital needs. Addressing these issues will help ensure that system revenues remain sustainable and that costs are appropriately allocated to water and wastewater customers rather than being absorbed by all Town residents through the general fund.

Regulatory Compliance

To implement these rate adjustments, the Town must comply with the requirements of A.R.S. §9-511.01, including issuing this report and following the prescribed process for modifying utility rates.

Water and Sewer Deposits

To ensure the financial stability of the Town’s water and sewer operations while promoting fair and equitable access to services, staff are proposing revisions to the Town deposit requirements for new customers as follows:

- Water Service Deposit: \$75
- Sewer Service Deposit: \$125
- Total for Combined Service: \$200 (Previously \$250)

Deposit Waiver: May be waived per the requirements of Town Code §51.250(A)(B).

Refund Policy: Deposits are refunded after 12 months of timely payments per the requirements of Town Code §51.250(C).

Justification

Risk Mitigation & Cost Recovery – Deposits protect the Town from unpaid bills, which can otherwise be passed on to other customers. Reducing the deposit from \$250 to \$200 strikes a balance between mitigating financial risk and ensuring affordability for new customers. The deposit amounts equate to about two months of service for each utility.

Equitable and Inclusive Policy – The previous policy differentiated between tenants and other customers, creating a disparity in deposit amounts. The new structure removes this differentiation, ensuring fairness and uniformity in customer treatment.

Proposed Rate

Public Works: Utilities - Water				
Fee Description	Unit of Measure	Amount	Notes	Authorization
Other Administrative Fees				
Deposit	Per Account	75.00	May be waived per the requirements of Town Code §51.250; Refundable after 1 year	TBD

Public Works: Utilities - Wastewater				
Fee Description	Unit of Measure	Amount	Notes	Authorization
Other Administrative Fees				
Deposit	Per Account	125.00	May be waived per the requirements of Town Code §51.250; Refundable after 1 year	TBD

Conclusion

The updated deposit policy reflects a balance between financial prudence and customer affordability. By reducing the required deposit and eliminating tenant-based differentiation, the Town ensures a fair, sustainable, and customer-friendly approach to accessing utility service.

Water and Sewer Service Fees

The Town has established a \$25 fee for water and sewer service-related activities, including service activation, deactivation, and related administrative processes. This fee is necessary to recover the costs associated with these services and ensure the continued efficient operation of the Town’s water and sewer infrastructure. This action is to codify the charge.

Justification

Labor Costs – Municipal staff time is required to process service requests, schedule work, and physically turn water and/or sewer service on or off. This includes administrative staff processing requests and utility workers performing field operations.

Vehicle and Equipment Costs – Utility personnel use Town-owned vehicles and equipment to access service locations, which incurs fuel, maintenance, and depreciation costs.

Administrative Processing – Costs associated with processing service requests, maintaining service records, and billing adjustments contribute to the overall cost of providing these services.

Emergency and After-Hours Service – In cases requiring service outside of regular business hours, additional labor costs apply, which this fee helps offset.

Proposed Rate

Public Works: Utilities - Water				
Fee Description	Unit of Measure	Amount	Notes	Authorization
Other Administrative Fees				
Service Fee	Per Occurrence	25.00	For service on, off, temporary or permanent and all other service calls	TBD

Public Works: Utilities - Wastewater				
Fee Description	Unit of Measure	Amount	Notes	Authorization
Other Administrative Fees				
Service Fee	Per Occurrence	25.00	For service on, off, temporary or permanent and all other service calls	TBD

Conclusion

This service fee is essential to cover the direct and indirect costs associated with water and sewer service activations, deactivations, and other service calls. Without it, these costs would have to be subsidized by all utility customers, rather than being fairly assigned to those requesting the service. The \$25 fee ensures the sustainability and efficiency of the Town’s water and sewer operations for field work performed.

Standpipe Base Rate

The Town is implementing a revised standpipe (fill station) rate structure to align with the original intent of charging appropriate fees for bulk water usage. Over time, the previous implementation did not properly reflect the intended rate structure, leading to inconsistencies in application. To prevent future confusion and ensure fairness among all users, Town staff recommend that the Town combine the applicable base rate with the tiered rate for each 1,000 gallons, creating a simplified and transparent fee structure.

Of the 345 current active customers using the fill station, 290 or 84.3% do not reside in Town limits, 12 or 3.5% are businesses in Town limits, and 42 or 12.2% are individuals who reside in Town limits.

Justification

Alignment with Original Intent – The Town had previously intended to charge for standpipe use in a way that mirrored regular customer billing, but the structure was not implemented in that manner. Instead of applying the base rate plus a tiered rate per 1,000 gallons, the Town divided the base rate by 8, assigned a portion of it per 1,000 gallons, and then added the tiered rate and tax. This adjustment corrects the issue and ensures consistency with the intended rate structure.

Fair and Equitable Cost Distribution – Standpipe users access bulk water, which places different demands on the system than traditional metered accounts. By applying the tiered structure, standpipe users contribute fairly to system costs, just as regular customers do.

Encouraging Efficient Water Use – A tiered rate system incentivizes conservation and discourages excessive use. The additional fee per 1,000 gallons ensures that larger users pay proportionally for their consumption.

Clarity & Transparency – The new structure prevents future misunderstandings about rate application. Customers will clearly understand how charges are determined, improving predictability for budgeting and planning.

Proposed Rate

Public Works: Utilities - Water				
Fee Description	Unit of Measure	Amount	Notes	Authorization
Standpipe Rate (Fill Station)				
Tier 1: 0 to 8,000 gallons	Per 1,000 Gallons	14.21	Increases to 14.64 on 1/1/2026; applies to all standpipe customers; tax is in addition to the specified rate	TBD
Tier 2: 8,000 to 15,000 gallons	Per 1,000 Gallons	16.04	Increases to 16.52 on 1/1/2026; applies to all standpipe customers; tax is in addition to the specified rate	TBD
Tier 3: 15,001 to 20,000 gallons	Per 1,000 Gallons	18.33	Increases to 18.88 on 1/1/2026; applies to all standpipe customers; tax is in addition to the specified rate	TBD
Tier 3: 20,001+ gallons	Per 1,000 Gallons	21.76	Increases to 22.41 on 1/1/2026; applies to all standpipe customers; tax is in addition to the specified rate	TBD

Conclusion

This adjustment ensures that standpipe users pay their fair share while maintaining transparency and consistency with the Town’s overall water rate structure. The tiered approach promotes equity, encourages responsible water use, and provides clarity for both customers and staff moving forward.

Wastewater Base Charges

As the Town does not provide water service to all its wastewater customers, it is difficult—if not impossible—to apply alternative rate-setting methodologies, such as a winter quarter average calculation or a cost-per-gallon approach for wastewater charges. These methods rely on accurate and consistent water usage data, which the Town does not have for all customers since some receive water from other providers or use private wells. Without a uniform source of water consumption data, applying a usage-based wastewater rate would result in inconsistencies and inequities among customers.

Instead, the Town’s flat rate approach ensures a fair and practical rate structure that can be applied consistently across all wastewater customers, regardless of their water provider. In the past, certain estimates had to be made for multi-family residential establishments that had varying fixture unit counts from month to month. This process resulted in fees that were much lower than the cost of providing service. To simplify this process and ensure equitable treatment of all wastewater users, staff are proposing the establishment of separate wastewater base rates for mobile home park spaces and RV park spaces.

Justification

Equity Among Customer Types – It is important to note that single family residential customers pay the full base rate even if they have a very small home or mobile home on a privately owned lot. Overall, mobile home parks and RV parks typically use less water than traditional single-family homes, supporting reduced sewer rates based on estimated consumption levels. This lower water usage is partially offset due to their greater impact on the wastewater system caused by the higher concentration of solids and the presence of chemical additives in RV waste. These factors increase treatment demands and associated costs, necessitating a rate structure that fairly accounts for their unique wastewater contributions.

Proposed Rate

It is proposed that mobile home spaces should pay 100% of the regular home rate and RV spaces should pay 100% of the regular home rate.

Public Works: Utilities - Wastewater				
Fee Description	Unit of Measure	Amount	Notes	Authorization
Base Charges				
Multi-Family Residential	Per Fixture Unit/Month	3.08	Includes properties on a master meter, apartments, duplexes, hotels/motels, schools, churches, and similar; One Equivalent Dwelling Unit (EDU) equals 20 Fixture Units (FU); Increases to 3.17 on 1/1/2026;	TBD
RV Park	Per Space/Month	61.53	Increases to 63.38 on 1/1/2026	TBD
Mobile Home Park	Per Space/Month	61.53	Increases to 63.38 on 1/1/2026; Includes properties on a master meter	TBD

Conclusion

This rate structure provides a specific and equitable approach to sewer billing for mobile home and RV park spaces. By charging a flat rate per month per space, the Town ensures other ratepayers do not supplement RV and mobile home park ratepayers.

Water Buy-In Fees

Water buy-in fees for commercial customers are typically determined based on the size of the water meter, with the exception of hotels and motels, which are charged on a per-room basis. Given the similarities in water usage patterns, RV parks and mobile home parks align more closely with hotels and motels than with other commercial users.

To ensure fairness and consistency, staff propose establishing separate water buy-in rates for mobile home park spaces and RV park spaces. This approach ensures that these properties contribute equitably to system costs.

Justification

Equity Among Customer Types – Applying a per-space water buy-in fee for mobile home and RV parks ensures that their residents are charged appropriately relative to standard residential customers. Single-family homeowners, including those in small houses or mobile homes on private lots, pay the full buy-in fee regardless of their actual water consumption. By structuring buy-in fees based on spaces rather than meter size, mobile home parks and RV parks are treated similarly to hotel/motel and absorb their proportionate share of costs that might otherwise be unfairly distributed among other ratepayers.

Proposed Rate

It is proposed that mobile home spaces should pay 100% of the regular home rate and RV spaces should pay 100% of the regular home rate.

Public Works: Utilities - Water				
Fee Description	Unit of Measure	Amount	Notes	Authorization
Buy-In Fees				
RV Park	Per Space	4,464.44	Increases to 4,598.37 on 1/1/2026	TBD
Mobile Home Park	Per Space	4,464.44	Increases to 4,598.37 on 1/1/2026	TBD

Conclusion

These rates establish a clear and equitable approach to buy-in fees for mobile home and RV park spaces. By applying a standardized per-space rate, the Town ensures that costs are fairly distributed, preventing other ratepayers from subsidizing RV and mobile home parks while maintaining consistency in how new developments are assessed.

Wastewater Buy-In Fees

Similar to the issue with base fees, as the Town does not provide water service to all its wastewater customers, it is difficult to apply alternative rate-setting methodologies for buy-in fees. The buy-in fee for commercial and multi-family residential customers is determined by fixture unit.

Switching RV and mobile home parks to a flat rate per space approach ensures a fair and practical structure that can be applied consistently. In the past, certain estimates had to be made for RV and mobile home parks where fees that were much lower than the cost of providing service were applied. Staff are proposing the establishment of separate wastewater buy-in rates for mobile home park spaces and RV park spaces.

Justification

Equity Among Customer Types – It is important to note that single family residential customers pay the full buy-in fee even if they have a very small home or mobile home on a privately owned lot. Overall, mobile home parks and RV parks typically use less water than traditional single-family homes, supporting reduced sewer rates based on estimated consumption levels. This lower water usage is partially offset due to their greater impact on the wastewater system caused by the higher concentration of solids and the presence of chemical additives in RV waste. These factors increase treatment demands and associated costs, necessitating a rate structure that fairly accounts for their unique wastewater contributions.

Proposed Rate

It is proposed that mobile home spaces should pay 100% of the regular home rate and RV spaces should pay 100% of the regular home rate.

Public Works: Utilities - Wastewater				
Fee Description	Unit of Measure	Amount	Notes	Authorization
Buy-In Fees				
Residential	Per Meter	7,379.24	Increases to 7,600.62 on 1/1/2026	TBD
Commercial and Multi-Family Residential	Per Fixture Unit	368.96	Includes properties on a master meter, apartments, duplexes, hotels/motels, schools, churches, and similar; One Equivalent Dwelling Unit (EDU) equals 20 Fixture Units (FU); Increases to 380.03 1/1/2026	TBD
RV Park	Per Space	7,379.24	Increases to 7,600.62 on 1/1/2026	TBD
Mobile Home Park	Per Space	7,379.24	Increases to 7,600.62 on 1/1/2026	TBD

Conclusion

These rates provide a specific and equitable approach to buy-in fees for mobile home and RV park spaces. By charging a specified rate per space, the Town ensures other ratepayers do not supplement RV and mobile home park ratepayers and that all new RV and mobile home parks are treated the same.

Cash Flow Projections - Water

Below is the projected cash flow table for the water system with the proposed fee changes included. The changes will generate approximately \$174,000 more in revenue for the water system over the next three years, approximately \$99,000 from standpipe fees and \$75,000 from buy-in fees.

	Budget FY24-25	Projected FY25-26	Projected FY26-27	Projected FY27-28
Water Fund				
Revenues				
Water User Rates:				
Residential	407,515	423,938	432,417	441,065
Commercial	372,165	387,163	402,766	418,997
Country West	9,320	9,320	9,320	9,320
Stand Pipe Fill Station	64,000	97,000	99,910	101,908
Water System Buy-In Fees	200,000	150,000	225,000	175,000
Miscellaneous Revenue	10,000	10,200	10,200	10,404
Bond Proceeds	2,000,000	-	-	10,500,000
Total Revenue	3,063,000	1,077,621	1,179,613	11,656,695
Expenditures				
Personnel	349,339	363,313	377,845	392,959
Operating	457,300	473,306	489,871	507,017
Capital	2,554,434	154,434	75,000	10,500,000
Debt Service - Existing & Proposed	33,971	120,452	118,659	119,516
Total Expenditures	3,395,044	1,111,504	1,061,375	11,519,492
Revenues Over (Under) Expenditures	(332,044)	(33,883)	118,237	137,203
Cash at Beginning of Year	712,277	380,233	346,350	464,587
Cash at End of Year	380,233	346,350	464,587	601,790

Cash Flow Projections - Wastewater

Below is the projected cash flow table for the wastewater system with the proposed fee changes included. The changes will generate approximately \$602,000 more in revenue for the wastewater system over the next three years, approximately \$352,000 from mobile home and RV parks and \$250,000 from buy-in fees.

	Budget FY24-25	Projected FY25-26	Projected FY26-27	Projected FY27-28
Wastewater Fund				
Revenues				
Wastewater User Rates:				
Residential	1,715,915	1,785,066	1,893,777	1,950,590
Commercial	89,499	93,106	98,776	101,739
Country West	62,070	131,374	135,315	135,315
Mountain View MHP & RV	26,356	45,858	47,234	47,234
Wastewater System Buy-In Fees	300,000	375,000	325,000	375,000
Miscellaneous Revenue	20,000	20,400	20,400	20,808
Bond Proceeds	-	5,000,000	5,000,000	-
Total Revenue	2,213,840	7,450,804	7,520,502	2,630,686
Expenditures				
Personnel	349,339	363,313	377,845	392,959
Operating	904,900	936,572	969,352	1,003,279
Capital	117,727	5,000,000	5,000,000	100,000
Debt Service - Existing & Proposed	888,401	1,063,923	1,248,898	1,146,386
Total Expenditures	2,260,367	7,363,807	7,596,095	2,642,624
Revenues Over (Under) Expenditures	(46,527)	86,997	(75,593)	(11,937)
Cash at Beginning of Year	(1,606,031)	(1,652,558)	(1,565,561)	(1,641,154)
Cash at End of Year	(1,652,558)	(1,565,561)	(1,641,154)	(1,653,091)

The wastewater system will continue to operate at a deficit, relying heavily on annual buy-in fees and the addition of new customers to sustain operations. The general fund subsidy for the wastewater fund is expected to remain in place for the next few years, with further analysis needed to evaluate and adjust wastewater fees in the future.