



Town of Chino Valley Water and Wastewater Rate Increase

March 14, 2017

This report is prepared to meet the requirements of ARS § 9-511.01

Introduction

This report proposes minor changes to the wastewater monthly service fee, eliminating the special rate for Country West Mobile Home Park and providing for an alternate initial rate for Multi-Family Housing where water is provided by the Town of Chino Valley based upon historical water use.

The Town of Chino Valley last reviewed and increased water and wastewater rates on February 12, 2013. Resolution 13-1005 adopted a 5 year rate increase schedule for both water and wastewater rates.

On December 8, 2015 the Town Council approved Resolution No. 15-1071 deferring the effective date of the sewer rate increase scheduled to become effective on January 1, 2016 to July 1, 2016, keeping the rate at \$64.14 until July 1, 2016.

At the time of adoption of the last sewer rates, the Town had few multi-family housing developments. The Town recently began to see interest in multi-family housing projects. The last adopted rate schedule did not adequately document the method used to calculate the user fees and connection fees for multifamily housing, resulting in inconsistent practices when setting rates for such developments.

On January 10, 2017 Council modified the rate schedule to provide additional clarification on how rates are applied to multi-family developments. The rates are based on equivalent dwelling unit/fixture unit calculations, either by estimating the fixture units or by actual count. These are the methods historically used by the Town to determine the rates for all multi-family housing, except Country West. At the time Country West connected to the sewer in 2008, it was the only multi-family sewer user connected to the sewer and provided a rate based on commercial uses. Staff believes this was an error and can provide no justification for the Town to treat Country West differently from all other multi-family users now that the Town has established rates for multi-family residential uses.

Pursuant to Resolution No. 13-1005, the Town Council set Country West's Wastewater Base Charge at \$400 per month. The Utilities department is currently charging Country West \$341.89 per month and has been doing so for some time without explanation.

In order to change the Country West Mobile Home Park wastewater rate, the Town is required to meet the requirements of A.R.S. § 9-511.01 and issue this report.

Water and Wastewater Rates – Monthly User Fees

The water and wastewater monthly user fees remain the same except for the following:

Town of Chino Valley		
Wastewater Monthly Service Fee		
	Current Rate Table January 2017	Proposed Rate Table Revisions
Country West Mobile Home Park Base Charge	\$ 400.00	*Deleted
Multi-Family Housing**		
Rate Per Fixture Unit (\$64.14/20 Fixture Units)	\$ 3.21	\$ 3.21
Rate Per EDU (20 Fixture Units)	\$ 64.14	\$ 64.14
Alternate Initial Rate Based on Actual Water Usage***		\$3.21 per Fixture Unit calculated by using 12.5 gallons per Fixture Unit per day
<p>* The special rate for Country West Mobile Home Park Base Charge will be deleted. Country West Mobile Home Park will be subject to Multi-Family Housing Rates.</p> <p>** Multi-family housing includes apartments, duplexes, mobile home parks, hotels/motels, schools, churches on a master meter.</p> <p>*** Available only for Multi-Family Housing where water is provided by Town of Chino Valley. In establishing the base rate for a multi-family housing development, the Town may base the Fixture Unit count on actual number of units, estimated number of units, or historical water use.</p>		

The proposed change eliminates the Country West Mobile Home Park Base Charge, and requires Country West's monthly wastewater service fee to be based on the Multi-family housing fee schedule.

History of Multi-family Wastewater Monthly Service Fees

The Town currently has 23 Commercial customers. Note that the only customer in the multi-family classification paying by meter size is Country West Mobile Home Park.

Town of Chino Valley						
Sewer Account Analysis - Customer Breakdown						
Customer Type	Customer Type	# of Accounts	Average Rate	Monthly Revenue	Annual Revenue	Billing Method
Commercial Accounts						
Business 1+ Meter	Commerical	6	107.34	\$ 644	\$ 7,728	Meter Size
Business 2 @ \$64.14	Commerical	2	64.14	\$ 128	\$ 1,539	Meter Size
Business 1 1/2" Meter	Commerical	1	213.35	\$ 213	\$ 2,560	Meter Size
Business 2" Meter	Commerical	9	341.89	\$ 3,077	\$ 36,924	Meter Size
Motel 55 Rooms	Multi-family	1	1069.41	\$ 1,069	\$ 12,833	EDU/FU
School	Multi-family	1	1914.58	\$ 1,915	\$ 22,975	EDU/FU
Multi Family Rental 32 Units	Multi-family	1	683.78	\$ 684	\$ 8,205	EDU/FU
Multi Family Rental 18 Units	Multi-family	1	384.84	\$ 385	\$ 4,618	EDU/FU
Country West 204 Units	Multi-family	1	341.89	\$ 342	\$ 4,103	Meter Size
		<u>23</u>		<u>\$ 8,457</u>	<u>\$ 101,486</u>	

Country West Rate

Country West paid Sewer Buy In Fees for 204 units. Country West currently has 196 units connected to the sewer system, 183 multi-family units and 13 RV units. Country West is also connected to the Town's water system. The Town analyzed the historical water usage and allowing for the estimated landscaping water use and the reduced usage for RV Units, staff recommends the initial rates be set at \$18.00 for RV Units and \$26.00 for Multi-family Units. Country West future rates will increase or decrease by the same percentage as adopted from time to time by the Town Council for the multi-family housing rates.

Town of Chino Valley								
Country West Water Usage Analysis								
Period Date	Read Date	Meter ID	Begin Read	End Read	Usage	Dec - Feb	Oct - Mar	RV Units
Total Gallons Usage					25,444,720	5,125,000	10,554,480	
Number of Months					34	9	17	
Average Monthly Usage					748,374	569,444	620,852	
Average Monthly Gallons per Unit 196					3,818	2,905	3,168	
Average Gallons Per Day					127	97	106	70
Average Gallons Per day for 12 FU (60% of 250)					150	150	150	150
Discount Percentage (Average Gallons Per day/150 gallons per day)					15.15%	35.44%	29.61%	53.33%
Rate after discount					\$31.99	\$24.34	\$26.54	\$17.59
Fixture Unit based on 12.5 gallon per day					10.18	7.75	8.45	5.60
Monthly Bill per unit at \$3.21 per unit					\$32.68	\$24.87	\$27.11	\$17.98
Proposed Rates							\$26.00	\$18.00

Water and Sewer Cash Flow Projections

ARS 9-511-.01 requires the Town to prepare cash flow projections that indicate the anticipated revenues from the proposed rate increases.

The figures used are from the adopted FY 2016/2017 budget.

“This report does not propose changes to the Town’s water rates. Information is included to meet the requirements of ARS 9-511.01.”

Water Enterprise Fund – As planned the last of five scheduled rate increases went into effect on January 1, 2017. Even with some user account growth, the Town’s General Fund continues to subsidize the Water System by a projected \$75,000 each year.

Town of Chino Valley					
Water Enterprise Fund - Projected Annual Cash Flow - Cash Basis					
Acct	Actual FY 15-16	Budget FY 16-17	Budget FY 17-18	Budget FY 18-19	Budget FY 19-20
REVENUE					
WATER SERVICE FEES	457,222	405,000	437,000	450,000	462,000
WATER SYSTEM BUY-IN FEES	76,000	60,000	60,000	60,000	60,000
WATER METER FEES	6,995	5,000	5,000	5,000	5,000
MISCELLANEOUS REVENUE	62,278	61,000	63,000	63,000	34,000
INTEREST INCOME	100				
TRANSFERS FROM CAPITAL IMPROV	150,000	75,000	75,000	75,000	75,000
TOTAL REVENUE	752,594	606,000	640,000	653,000	636,000
EXPENDITURES					
PERSONNEL	118,930	114,657	116,788	119,144	121,535
BENEFITS	52,594	48,443	49,412	50,400	51,408
SERVICES AND SUPPLIES	376,982	217,000	213,700	207,000	211,302
CAPITAL	17,600	57,400	88,400	88,400	27,900
INTERDEPARTMENTAL	82,823	100,000	100,000	100,000	100,000
DEBT SERVICE	69,712	68,500	71,700	69,800	67,800
TOTAL EXPENDITURES	718,641	606,000	640,000	634,744	579,945
TOTAL REVENUE LESS EXPENDITURES	33,953	-	-	18,256	56,055
Beginning Fund Balance	3,777,322	3,811,275	3,811,275	3,811,275	3,829,531
Revenues	752,594	606,000	640,000	653,000	636,000
Expenditures	718,641	606,000	640,000	634,744	579,945
Ending Fund Balance	3,811,275	3,811,275	3,811,275	3,829,531	3,885,586

Sewer Enterprise Fund - As planned the Sewer Enterprise Fund will have a cash flow loss of \$365,500 in fiscal year 2016/2017 due to completion of the plant rehabilitation that was started in fiscal year 2015/2016. It is projected that starting with fiscal year 2017/2018 the Sewer Enterprise Fund will generate positive cash flow. Current and planned system extensions and additional user growth should ensure the system will remain cash flow positive in future fiscal years.

Town of Chino Valley					
Sewer Enterprise Fund - Projected Annual Cash Flow - Cash Basis					
Acct	Actual FY 15-16	Budget FY 16-17	Budget FY 17-18	Budget FY 18-19	Budget FY 19-20
REVENUE					
SEWER SERVICE FEES - RESIDENTIAL	1,310,914	1,348,000	1,370,000	1,397,000	1,425,000
SEWER SERVICE FEES - NON RESIDENTIAL	98,671	101,000	103,000	105,000	107,000
SEWER SYSTEM BUY-IN FEES	81,938	120,000	124,000	126,000	129,000
MISCELLANEOUS REVENUE	48,297	50,000	51,000	52,000	53,000
INTEREST INCOME	1,671	500	500	500	500
BOND PROCEEDS - WIFA	-	500,000			
TOTAL REVENUE	1,541,491	2,119,500	1,648,500	1,680,500	1,714,500
EXPENDITURES					
PERSONNEL	146,497	169,184	172,598	176,055	179,604
BENEFITS	59,970	67,816	69,172	70,555	71,967
SERVICES AND SUPPLIES	493,166	239,100	237,200	235,400	235,500
CAPITAL	-	947,400	46,400	46,400	36,900
INTERDEPARTMENTAL	173,823	190,000	190,000	190,000	190,000
DEBT SERVICE	861,412	871,500	867,450	866,950	866,400
TOTAL EXPENDITURES	1,734,868	2,485,000	1,582,820	1,585,360	1,580,371
TOTAL REVENUE LESS EXPENDITURES	(193,376)	(365,500)	65,680	95,140	134,129
Beginning Fund Balance	8,310,334	8,116,958	7,751,458	7,817,138	7,912,278
Revenues	1,541,491	2,119,500	1,648,500	1,680,500	1,714,500
Expenditures	1,734,868	2,485,000	1,582,820	1,585,360	1,580,371
Ending Fund Balance	8,116,958	7,751,458	7,817,138	7,912,278	8,046,407

It is projected that on June 30, 2017 the Sewer Enterprise Fund will owe the General Fund \$736,000.

Sewer Enterprise Fund – Cash Flow with Country West

The proposed rate increase will have the following cash flow effect over the next three fiscal years.

Town of Chino Valley			
Country West Cash Flow Effect			
	Budget FY 17-18	Budget FY 18-19	Budget FY 19-20
Rate Change Date	July 1, 2017	July 1, 2018	July 1, 2019
# of Units Multi Family	183	187	191
Rate Per Unit	\$26	\$26	\$26
Multi-family Units	\$57,096	\$58,344	\$59,592
# of Units RV	13	13	13
Rate Per Unit	\$18	\$18	\$18
RV Units	\$2,808	\$2,808	\$2,808
Total Estimated Cash Flow	\$59,904	\$61,152	\$62,400

The table below summarizes the effect with the additional cash flow from Country West Mobile Home Park.

Town of Chino Valley					
Sewer Enterprise Fund - Projected Annual Cash Flow with Country West - Cash Basis					
Acct	Actual FY 15-16	Budget FY 16-17	Budget FY 17-18	Budget FY 18-19	Budget FY 19-20
REVENUE					
SEWER SERVICE FEES - RESIDENTIAL	1,310,914	1,348,000	1,370,000	1,397,000	1,425,000
SEWER SERVICE FEES - NON RESIDENTIAL	98,671	101,000	103,000	105,000	107,000
COUNTRY WEST SEWER			59,904	61,152	62,400
SEWER SYSTEM BUY-IN FEES	81,938	120,000	124,000	126,000	129,000
MISCELLANEOUS REVENUE	48,297	50,000	51,000	52,000	53,000
INTEREST INCOME	1,671	500	500	500	500
BOND PROCEEDS - WIFA	-	500,000			
TOTAL REVENUE	1,541,491	2,119,500	1,708,404	1,741,652	1,776,900
EXPENDITURES					
PERSONNEL	146,497	169,184	172,598	176,055	179,604
BENEFITS	59,970	67,816	69,172	70,555	71,967
SERVICES AND SUPPLIES	493,166	239,100	237,200	235,400	235,500
CAPITAL	-	947,400	46,400	46,400	36,900
INTERDEPARTMENTAL	173,823	190,000	190,000	190,000	190,000
DEBT SERVICE	861,412	871,500	867,450	866,950	866,400
TOTAL EXPENDITURES	1,734,868	2,485,000	1,582,820	1,585,360	1,580,371
TOTAL REVENUE LESS EXPENDITURES	(193,376)	(365,500)	125,584	156,292	196,529
Beginning Fund Balance	8,310,334	8,116,958	7,751,458	7,877,042	8,033,334
Revenues	1,541,491	2,119,500	1,708,404	1,741,652	1,776,900
Expenditures	1,734,868	2,485,000	1,582,820	1,585,360	1,580,371
Ending Fund Balance	8,116,958	7,751,458	7,877,042	8,033,334	8,229,863

Rate Change Calendar

Town of Chino Valley		
Wastewater Rate Change Calendar		
Date	Item	Requirement
3/14/2017	Finance Department presents written report to Council	
3/14/2017	Council Adopts Notice of intention to increase rates and hold a public hearing	At least 60 days prior to public hearing
4/21/2017	File copy of report with Clerk and post on website	Posted on the website 30 days prior to public hearing
4/6/2017	Publish notice of intention to hold public hearing	Not less than 20 days before public hearing
5/23/2017	Hold Public Hearing / Adopt Resolution	At least 60 days after notice of intent
7/1/2017	New rate becomes effective	30 days after adoption