TOWN OF ORO VALLEY
WATER UTILITY COMMISSION
WATER RATES ANALYSIS REPORT
NOVEMBER 2, 2011

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LIST OF ACRONYMS

LIST OF ACRONYMS USED IN THIS REPORT

AF	Acre Feet
AWRDIF	Alternative Water Resources Development Impact Fee
AWWA	American Water Works Association
CAGRD	Central Arizona Groundwater Replenishment District
CAP	Central Arizona Project
COLA	Cost Of Living Allowance
EDU	Equivalent Dwelling Unit
FY	Fiscal Year
GPF	Groundwater Preservation Fee
LTS	Long Term Storage
O&M	Operating and Maintenance
PWSDIF	Potable Water System Development Impact Fee
WIFA	Water Infrastructure Finance Authority

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EXECUTIVE SUMMARY

The functions and duties of the Oro Valley Water Utility Commission include reviewing and developing recommendations for water revenue requirements, water rates and fee structures. The Commission annually evaluates staff recommendations based on a rates analysis to assure the recommendations meet Town policies and bond covenants. Water rates and charges shall be reviewed annually under Mayor and Town Council Water Policies – II.A.2.b(4).

The Utility has based its financial analysis on the American Water Works Association (AWWA) Cash Needs Approach. The AWWA is the largest national organization that develops water and wastewater policies, specifications and rate setting guidelines accepted by both government-owned and private water and wastewater utilities worldwide.

This Water Rates Analysis Report contains detailed information on the three funds that comprise the Oro Valley Water Utility:

- Enterprise Fund
- Alternative Water Resources Development Impact Fee Fund
- Potable Water System Development Impact Fee Fund

Each fund is individually analyzed with regard to revenue and revenue requirements.

The assumptions used to prepare this report are similar to prior years and include water use trends, vacant homes and/or disconnected meters, growth trends and debt service coverage requirements. All of these will be addressed within this report.

The Water Utility Commission has made a recommendation for a Preferred Financial Scenario. The Preferred Financial Scenario generates the revenue needed to maintain an adequate cash balance of $3.9 million for the Enterprise Fund over the projected five year period. The Preferred Financial Scenario reduces the need for future financing by using available cash for capital projects.

The Preferred Financial Scenario also builds the cash balance of the Alternative Water Resources Development Impact Fee Fund over the five year period while continuing to pay off current debt on the reclaimed water delivery system. Building this cash balance will be important as the Town moves forward with the delivery of Central Arizona Project (CAP) water. More information on the Preferred Financial Scenario may be found on page 15.

The Preferred Financial Scenario includes five year projections for each fund. This allows the Utility to evaluate the impact of future costs and the revenue sources that will be required to meet those costs. Based on the data contained within the Preferred Financial Scenario, the Water Utility Commission has made recommendations on water rates for FY 2011-12. Those recommendations are as follows:

- No increase in the monthly base rates for potable and reclaimed water use.
- No increase in the tiered commodity rates for potable and reclaimed water use.
- No change in the water use contained within the 4 tiers for all meter sizes
- No increase in the potable or reclaimed Groundwater Preservation Fee.
- No increase in potable or reclaimed construction water rates

This report does not contain an alternate financial scenario. Due to sound fiscal and water resource management, it is projected that the Utility will meet revenue requirements with no proposed water rate increases for the base and commodity rates in FY 2011-12. Reduction of the Utility's outstanding debt has significantly improved the debt service coverage ratio which is a key factor in the water rates analysis. This has been a main driver for water rate increases in the past. Additionally, management of water resources as it relates to recovery wells, long term storage credits and groundwater extinguishment credits has reduced the Utility's obligation to the Central Arizona Groundwater Replenishment District. The substantial savings realized from these actions coupled with budget reductions for both operating costs and capital projects have resulted in no proposed increases for the base and commodity for FY 2011-12. It is important to understand that each year the water rates analysis is prepared based on the most up-to-date information available for a 5-year projection period. Operational needs and capital improvement requirements change annually and are carefully evaluated when they are included in the analysis. For example, if the need arises to deliver more than 1500 AF of CAP water before FY 15-16, it is very likely that the capital expenditures and operating costs would increase to a level that rate increases would be needed within the 5-year projection period. It is important that the Utility perform the required water rates analysis every year because any extraordinary operating or capital cost could result in the need for a rate increase.

The Commission presents this Water Rates Analysis Report for the review and consideration of the Mayor and Council. The Commission and Water Utility Staff are available to discuss this report in greater detail at the Council's request.

The Oro Valley Water Utility Commission is proud to serve the Town of Oro Valley, its citizens and the customers of its water utility. The Commission extends their appreciation to the Mayor and Council for their consideration and guidance and looks forward to their continued direction.

TOWN OF ORO VALLEY
WATER UTILITY COMMISSION
WATER RATES ANALYSIS REPORT
NOVEMBER 2, 2011

INTRODUCTION

The Oro Valley Water Utility was established in 1996 as a self-supporting enterprise of the Town. The Utility is comprised of three separate funds that have been established for specific purposes. The Funds are as follows:

- Enterprise Fund
- Alternative Water Resources Development Impact Fee Fund
- Potable Water System Development Impact Fee Fund

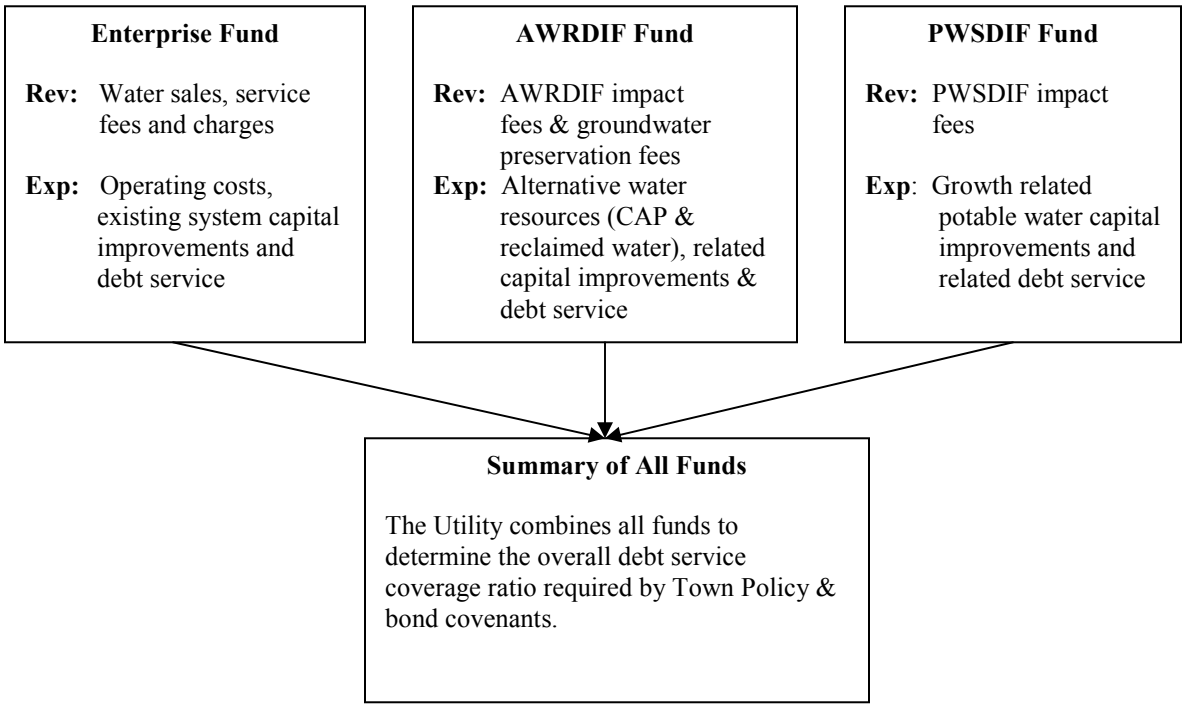
The Enterprise Fund is the operating fund for the Utility. The expenditures managed from this fund include personnel, operations and maintenance for both potable and reclaimed water systems, capital costs for existing potable water system improvements and related debt service. Revenue for this fund includes water sales, service fees and miscellaneous charges and interest income. The Utility does not receive any money from the Town General Fund. The Utility does pay the General Fund for services including finance, human resources, fleet, information technology, legal, insurance and rental of office space.

The Alternative Water Resources Development Impact Fee Fund was established in 1996 to manage capital expenditures related to alternative water resources including reclaimed water and Central Arizona Project (CAP) water. Expenditures include acquisition of water rights required for growth and capital costs, including debt service, to deliver reclaimed water and CAP water to the Town. Revenue for this fund is received from impact fees collected at the time water meters are purchased and from interest income. Additionally, the Groundwater Preservation Fees, which are collected through the Enterprise Fund, are transferred to the Alternative Water Resources Development Impact Fee Fund to pay for capital costs and debt service.

The Potable Water System Development Impact Fee Fund was established in 1996 to manage capital expenditures related to expansion or growth-related potable water capital projects and related debt service. These projects include wells, pump stations, reservoirs and mains for the potable water system. Revenue for this fund is received from impact fees collected at the time water meters are purchased and from interest income.

The revenue and expenditures of all three funds are combined primarily to determine if the Utility meets the debt service coverage requirement established in the Mayor and Town Council Water Policies and the 2003 Bond Covenants. Otherwise, each fund is independent with regard to revenue and expenses. The revenue from the individual impact fee funds may not be consolidated nor used for any purpose other than for which they were originally established. Each fund is addressed in more detail in the report. Figure 1 illustrates the relationship between the three funds.

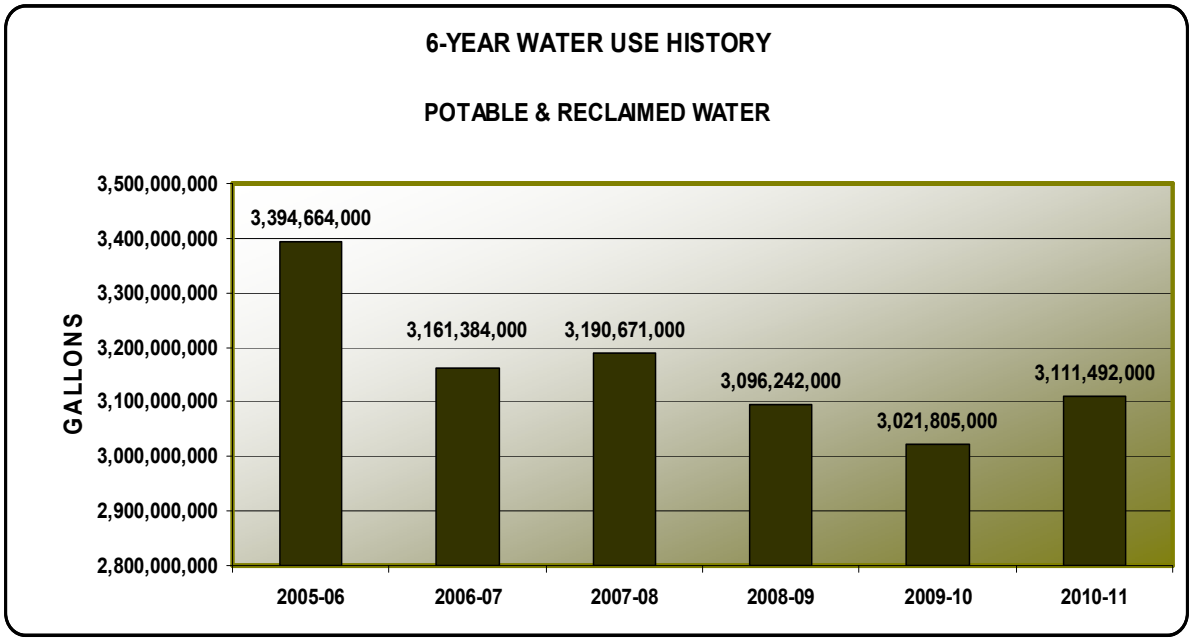
Figure 1



The assumptions used to prepare this report are similar to prior years and include water use trends, vacant homes and/or disconnected meters, growth trends and debt service coverage requirements. All of these are addressed within this report.

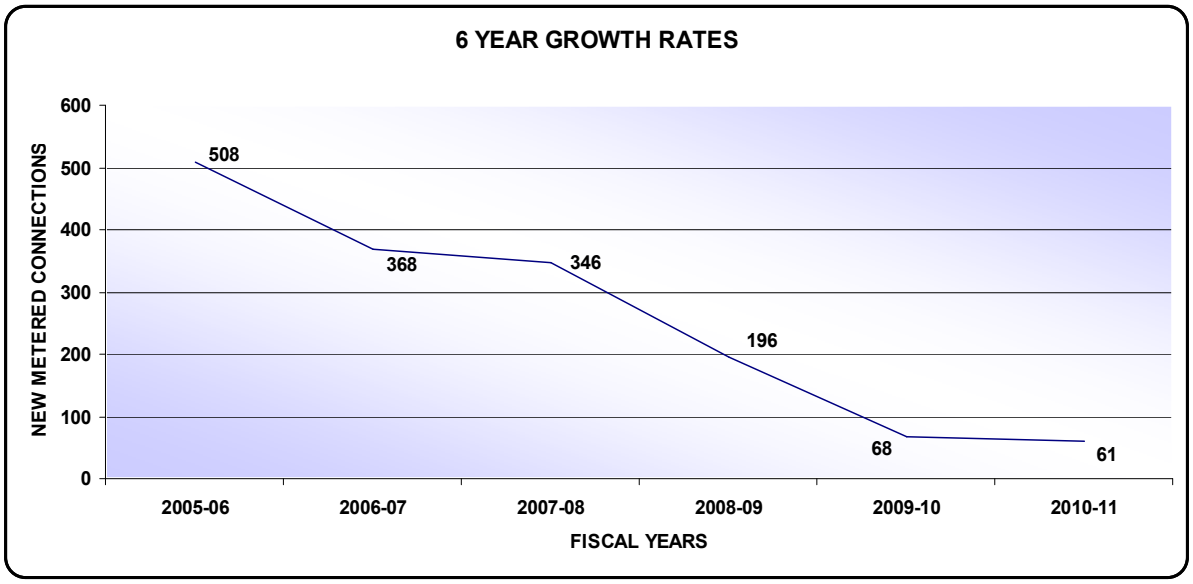
WATER USE TRENDS

The Utility has experienced an overall reduction in water use, both potable and reclaimed, over the last six years. The chart below illustrates an 11% reduction in total water use from fiscal year 2005-06 through 2010-11. The reduction in water use may be a result of a combination of occurrences including conservation, reduction in growth, vacant homes and/or disconnected meters and under registering meters. There was a 3% increase in water use during FY 2010-11 over the previous year. This is likely attributable to less than normal rainfall. The average single family residential customer with a 5/8 x 3/4 inch water meter increased their monthly water use to 8,400 gallons, up from 8,024 gallons last year. For the analysis in this report, the average monthly water use for a single family residential customer with a 5/8 x 3/4 inch water meter will be calculated at 8,000 gallons per month. Revenue projections for this analysis included this reduction in water use.



GROWTH TRENDS

The Utility's growth rates have decreased significantly over the past several years. The growth projections used for this report were provided by the Town's Finance Director and are consistent with the Town's overall financial planning. The chart below illustrates the Utility's growth rate based on new metered connections over the last 6 years. It is projected that growth rates will stabilize at 35 new metered connections annually from FY 2011-12 through FY 2015-16 which is also consistent with the Town's financial planning.



VACANT HOMES AND/OR DISCONNECTED METERS

To better understand declining water use, the Utility's customer base was analyzed. The analysis revealed that 246 meters were disconnected or had the water service turned off and locked as of June 30, 2011. The following is the classification of those meters:

- Residential 131
- Commercial 10
- Irrigation 93
- Construction 12

Each account was categorized by user classification and meter size and then analyzed to project if and when the water service would be restored. It was assumed that 5% of all residential meters would be re-activated annually beginning in FY 2011-12. After review, it was determined that all construction meters were homes that were under construction when the water service was disconnected thus it was assumed that 5% of these meters would also be re-activated annually. Analysis of the commercial accounts revealed that it was highly unlikely that any of these meters would be re-activated. Likewise, the majority of irrigation meters were for common areas which are not likely to be re-activated in the near future.

These meters are not being billed; therefore, there has been a negative impact on water sales revenue. This impact was factored into the 5 year projections as a reduction in water sales and Groundwater Preservation Fees (GPF) revenue. The revenue reduction for FY 2011-12 is projected to be $306,286. As the meters are projected to be re-activated, the reduction in revenue is minimized proportionate to the number of meters, meter size, average water use and projected water rates on an annual basis.

DEBT SERVICE COVERAGE REQUIREMENTS

During this water rates analysis process, staff applied the method for calculating the debt service coverage ratio pursuant to Town Financial and Budgetary Policies adopted by the Town Council in 2008. Section C.1 – Debt Capacity, Issuance & Management states the following with respect to debt service coverage ratios:

"When utility revenues are pledged as debt service payments, the Town will strive to maintain a 1.3 debt service coverage ratio or the required ratio in the bond indenture (whichever is greater) to ensure debt coverage in times of revenue fluctuation."

The Water Utility currently pays debt service on a number of outstanding debt issuances and loans. For the Series 2003 Senior Lien Water Revenue Bonds, the 2007 and 2009 Water Infrastructure Finance Authority (WIFA) Loans, water utility revenues are specifically pledged as the repayment source for these obligations at 1.3 times coverage per the Town's adopted financial policy.

The remaining outstanding debt obligations of the Water Utility are excise tax pledged obligations meaning that the Town's unrestricted sources of sales taxes, fines, permit fees and state shared revenues are pledged as the repayment sources for these bonds in the

bond indentures. Even though the bond indentures pledge these excise taxes as the repayment source, the Water Utility will continue to be responsible for and budget for these debt service payments at a calculated debt service coverage ratio of 1.0 rather than the 1.3 times coverage.

It is important to note that the bond indentures for the excise tax-backed bonds require that the Town's excise tax collections each fiscal year total at least 2.5 times the annual debt service requirements in order to avoid having to fund a debt service reserve fund. These conditions have been met annually in the past and are expected to continue in the future. For FY 2010-11 the debt service coverage ratio was 7.62 and is projected to remain the same for FY 2011-12.

This methodology of segregating the water utility revenue-pledged debt from the excise tax-pledged debt in the rates analysis process is an accepted practice in the industry and has been reviewed by the Town's Finance Director and the Town's financial advisors with Stone and Youngberg.

The debt service coverage ratio is determined by dividing the annual net operating revenue by the annual debt service payments. Using the methodology described above is in accordance with the 2008 policy and reduces the amount of the debt service coverage requirement amount.

ENTERPRISE FUND

REVENUE

The Enterprise Fund had a cash balance of $10 million at the beginning of FY 2011-12. Enterprise funds may be used for operating costs including personnel, operations and maintenance, capital improvements for the existing potable water system and debt service.

The following table provides the Utility's **budgeted** revenue compared to the **actual** revenue for FY 2010-11:

Revenue Source	FY 2010-11 Budgeted	FY 2010-11 Actual	Difference Over (Under)
Water Sales	$ 11,689,300	$ 12,020,514	$ 331,214
Service Fees/Charges	$ 458,700	$ 530,186	$ 71,486
Interest Income	$ 44,000	$ 22,389	($ 21,611)
Total	$ 12,192,000	$ 12,573,089	$ 381,089

The nominal increase in water sales is a result of increased water consumption during FY 2010-11 given the Utility did not have a rate increase during that period. The $71,486 is revenue the Utility received in excess of the service fees budget. The reduction in interest income is a result of lower interest rates experienced with the downturn in the economy.

Revenues projected for FY 2011-12 were based on anticipated annual growth in the customer base of 35 single family residential customers and water consumption patterns similar to FY 2010-11. Analysis of the water use trends for FY 2010-11 indicated the average monthly use for a single family residence with a 5/8 x 3/4 inch water meter increased from 8,024 gallons to 8,400 gallons per month. For this analysis, 8,000 gallons per month was used to project water sales revenue. This increase may be a result of a reduced rainfall during that specific period. The vacant and/or disconnected metered accounts, were taken into consideration when projecting future water sales revenue. The following table indicates the amount of water sales revenue that would be realized with the **existing** rate structure and **no water rate increase**:

FY 2010-11 Actual Water Sales Revenue	FY 2011-12 Projected Water Sales Revenue	Difference Increase (Decrease)
$ 12,020,514	$ 11,946,045	($ 74,469)

The projected revenue decrease is a result of the need to account for vacant and/or disconnect homes. For this analysis, it is projected that only 5% of the residential accounts will have service restored on an annual basis.

REVENUE REQUIREMENTS

The following table is a comparative summary of operating expenses for the Water Utility Enterprise Fund. Actual expenses (excluding depreciation and amortization) for FY 2010-11 are compared to the projected expenses for FY 2011-12 used in the financial analysis:

Utility Expenditures	FY 2010-11 Actual	FY 2011-12 Projected	Difference Increase(Decrease)
Personnel	$ 2,418,118	$ 2,448,308	$ 30,190
O & M	$ 2,967,008	$ 3,437,360	$ 470,352
CAP Recharge	$ 749,280	$ 647,500	($ 101,780)
CAGRD	$ 474,936	$ 251,771	($ 223,165)
Debt Service	$ 2,846,995	$ 2,791,954	($ 55,041)
Subtotal Expenditures	$ 9,456,337	$ 9,576,893	$ 120,556
Capital Outlay	$ 2,359,193	$ 4,162,000	$ 1,802,807
Total Expenditures	$11,815,530	$13,738,893	$ 1,923,363

Projected personnel costs do not include any new personnel and there are no merit increases or Cost of Living Allowances (COLA). The projected increase of $30,190 is due to the increase in retirement and insurance benefits for existing personnel.

The projected operations and maintenance (O&M) costs include the O&M costs for both the potable water system and the reclaimed water system. The projected increase of $470,352 includes the addition of $300,000 to fund Town services received by the Utility; $95,000 for reclaimed water purchases; $23,000 in power costs; $24,000 in professional services and $16,000 in reservoir maintenance.

The timing for CAP deliveries is scheduled on a calendar year basis and occasionally the costs related to the deliveries cross into two different fiscal years. The Utility recharged 4,000 AF in CY 2010 and will recharge 5,000 AF in CY 2011. In CY 2012 the Utility is proposing to recharge 5,000 AF of CAP water.

Although Central Arizona Groundwater Replenishment District (CAGRD) costs are included in the O&M budget for the Enterprise Fund, they are itemized in the table above because of the significant cost of the line item. The Utility is limited in the amount of control it has over these specific costs. The rates are set by the CAGARD and are assessed on the volume of excess groundwater pumped and the minimum payment requirements pursuant to our agreement with CAGRD.

The projected decrease in costs for the CAGRD is a result of the reduction in water use and continued management of water and financial resources. The Utility will use Long Term Storage (LTS) credits to offset a portion of the costs charged by the CAGRD through permitted recovery wells. In addition, the Utility will transfer LTS credits directly to the CAGRD to further reduce the financial obligations.

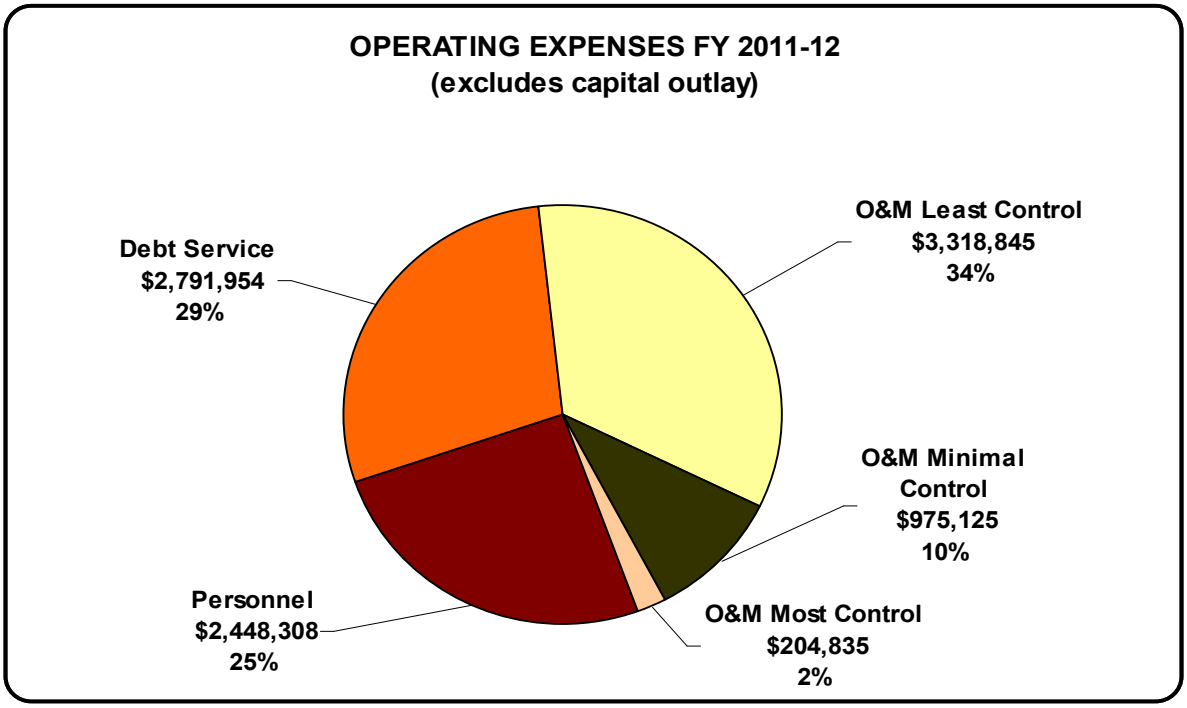
There are a number of other annual O&M expenses that the Utility has the least control over and therefore is unable to reduce anticipated expenditures. In addition to the CAP and CAGRD costs, some of the other expenses that the Utility has the least control over include: electrical power for pumping, water quality testing, chemicals for disinfection, potable and reclaimed water purchased from other providers. These specific costs are determined by the volume of water pumped to meet customer demands. Other costs over which the Utility has least control include software maintenance on existing software, regulatory permits, insurance, office lease, services provided by other Town departments and costs directly related to billing. The billing costs include printing of the billing forms, envelopes, postage, outsource vendor for bill insertion and delivery to post office, lockbox and other bank charges for processing payments. Where applicable, the materials and/or services have been bid or quotes have been received to assure the lowest price.

The O&M expenses that the Utility has minimal control over include maintenance on production and distribution facilities such as wells, boosters, reservoirs, and water mains. The Utility includes known preventative maintenance costs in the budget as well as contingency funds for unknown repairs and maintenance. The majority of these facilities are underground which allows for unforeseen malfunctions. Additionally, water mains develop leaks that must be repaired immediately. The Utility budgets for these specific items based on historical data; however, it is difficult to predict the exact amount that may be spent in any given year.

The O&M expenses that the Utility has the most control over include office supplies, field supplies, memberships and subscriptions, printing, telecommunications, uniforms, rentals, training, conservation education and outside professional services. The Utility has decreased these costs annually over the last three years.

Projected debt service will decrease for FY 2011-12 as a result of the debt amortization scheduled payments. Debt service payments are established by debt amortization schedules prepared by the Town's Bond Underwriters for all past bond issues. Likewise, WIFA also provides debt amortization schedules that the Utility must adhere to. All debt service payments are pre-defined for any given fiscal year unless funds are available to pay off the debt as the Utility has done in the past.

The chart below illustrates the O&M costs with regard to the level of control the Utility has over these costs.



Projected capital outlay for existing system improvements in FY 2011-12 in the amount of $4,162,000 include the replacement of 2200 water meters and installation of AMI equipment in the Countryside service area; replacement of a booster pump station, water main replacements and the completion of a 3-million gallon reservoir. The reservoir is eighty percent expansion related; therefore, that portion was funded from the Potable Water System Development Impact Fee Fund. Capital outlay also includes the purchase of water meters, solar and security equipment.

Projected expenditures in the Enterprise Fund are proposed to be funded with revenue generated from water rates, fees, charges, cash reserves and a loan from WIFA.

ALTERNATIVE WATER RESOURCES DEVELOPMENT IMPACT FEE FUND

REVENUE

The Alternative Water Resources Development Impact Fee Fund (AWRDIF) had a cash balance of $1.5 million at the beginning of FY 2011-12. AWRDIF funds may be used for capital expenditures related to alternative water resources including reclaimed water and CAP water. The revenue sources for the AWRDIF Fund are from impact fees collected when a water meter is purchased and from interest earned on cash balances. The Groundwater Preservation Fees (GPF) collected through the Enterprise Fund are transferred to the AWRDIF Fund to help repay outstanding debt for the reclaimed water delivery system and for future debt on the CAP water delivery system. The following table provides the **budgeted** revenue for FY 2010-11 compared to the **actual** revenue for FY 2010-11:

Revenue Source	FY 2010-11 Budgeted	FY 2010-11 Actual	Difference Over(Under)
Impact Fees	$ 468,308	$ 400,988	($ 67,320)
GPF	$ 2,298,285	$ 2,077,080	($ 221,205)
Interest Income	$ 8,000	$ 2,320	($ 5,680)
Total Revenue	$ 2,774,593	$ 2,480,388	($ 294,205)

The decrease in impact fee revenue occurred as a result of a decrease in the number of meters that were purchased.

The decrease in GPF revenue was a result of delaying the implementation of the approved increase until October 2011.

Revenues projected for FY 2011-12 were based on anticipated annual growth in the customer base of 35 new connections or 44 Equivalent Dwelling Units (EDUs). An EDU is equivalent to one single family residence with a 5/8 x 3/4 inch meter. For impact fee projections, the Utility converts the estimated new connections to EDUs at a ratio of 1.25 EDUs to 1 new connection based on historical trends. In FY 2010-11 the actual growth rate was 86 EDUs as compared to the projected 94 EDUs.

The following table indicates the amount of impact fee and GPF revenue that would be realized with the current impact fees and **no increase to the GPF**:

Revenue Source	FY 2011-12 Revenue Projection Existing Impact Fees & GPF
Impact Fees	$ 219,208
GPF	$ 2,383,854
Total Revenue	$ 2,603,062

REVENUE REQUIREMENTS

The following table is a comparative summary of expenditures for the AWRDIF Fund. The following table provides the **budgeted** expenditures for FY 2010-11 compared to the **actual** expenditures for FY 2010-11:

Expenditures	FY 2010-11 Budget	FY 2010-11 Actual	Difference Under(Over)
Professional Services	$ 190,000	$ 258,934	($ 68,934)
CAP Capital Costs	$ 123,660	$ 154,575	($ 30,915)
Capital Improvements	$ 0	$ 20,610	($ 20,610)
Debt Service	$ 2,785,918	$ 2,784,286	$ 1,632
Total	$ 3,099,578	$ 3,218,405	($ 118,827)

The professional services are expenses incurred for renewable water studies including the CAP water pilot study for treatment techniques, cost of service study for wheeling CAP water, alternatives analysis and pipeline routing studies for the future delivery of CAP water.

The increase in CAP capital costs is a result of a change in the rates assessed by the Central Arizona Project. When the budget was prepared, the cost was based on CAP's preliminary rate of $12 per acre foot. Their final rate was approved at $15 per acre foot.

The capital improvements in FY 2010-11 represent the completion of construction costs for the second phase of the reclaimed water system.

The debt service includes repayment of the portion of the Series 2003 Bonds used to finance phase 1 of the reclaimed water delivery system and the 2007 WIFA loan used to finance phase 2 of the reclaimed water delivery system. Also included in the debt service for FY 2010-11 was the payoff of the loan for the reallocation of 3,557 AF of CAP water in the amount of $1,017,211. By paying this loan off one year early, the Utility saved $25,777 in interest.

Projected expenditures in the AWRDIF Fund are proposed to be funded with revenue generated from impact fees, groundwater preservation fees and interest income. In the table below, **actual** expenses for FY 2010-11 are compared to the **projected** expenses for FY 2011-12 used in the financial analysis.

Expenditures	FY 2010-11 Actual	FY 2011-12 Projected	Difference Increase(Decrease)
Professional Services	$ 258,934	$ 160,200	($ 98,734)
CAP Capital Costs	$ 154,575	$ 154,575	$ 0
Capital Improvements	$ 20,610	$ 515,000	$ 494,390
Debt Service	$ 2,784,286	$ 1,775,678	($ 1,008,608)
Total	$ 3,218,405	$ 2,605,453	($ 612,952)

The professional services are projected to decrease with the completion of CAP related studies. Although some of the studies will be on-going, both the cost of service study and water quality study have been completed.

The CAP capital costs are projected to remain the same based on established CAP rates.

The $515,000 in capital improvements identified above represent the funds needed to build infrastructure necessary to accomplish the wheeling of 1500 AF of CAP water. Deliveries are expected to begin in January 2012.

The decrease in debt service is a result of the Utility's paying off the remaining debt owed on the reallocation of 3,557 AF of CAP. The final payment was made in December 2010.

POTABLE WATER SYSTEM DEVELOPMENT IMPACT FEE FUND

REVENUE

The Potable Water System Development Impact Fee Fund (PWSDIF) had a cash balance of $7.3 million at the beginning of FY 2011-12. The PWSDIF Fund was allocated a portion of the Series 2003 Bond proceeds to finance construction of growth-related potable water system improvements and the refinancing of the Series 2000 Bond issue. In addition to the remaining bond proceeds, cash reserves were used for projects in FY 2010-11. It is projected that all future growth-related improvements will be paid for with cash.

The revenue sources for the PWSDIF Fund are from impact fees collected when a water meter is purchased and from interest earned on cash balances. The Town Council adopted new impact fees in 2007. These new fees became effective in September 2007. The following table provides the **budgeted** revenue compared to the **actual** revenue for FY 2010-11:

Revenue Source	FY 2010-11 Budgeted	FY 2010-11 Actual	Difference Over(Under)
Impact Fees	$ 249,702	$ 244,376	($ 5,326)
Interest Income	$ 33,500	$ 13,737	($ 19,763)
Total	$ 283,202	$ 258,113	($ 25,089)

Revenues were projected for FY 2011-12 based on anticipated annual growth in the customer base of 35 new connections or 44 EDUs. An EDU is equivalent to one single family residence with a 5/8 x 3/4 inch meter. For impact fee projections, the Utility converts the estimated new connections to EDUs at a ratio of 1.25 EDUs to 1 new connection based on historical trends. The following table indicates the amount of impact fee revenue that is **projected** for FY 2011-12 compared to **actual** revenue received in FY 2010-11:

FY 2010-11 Actual Revenue	FY 2011-12 Projected Revenue	Difference Increase(Decrease)
$ 244,376	$ 112,948	($ 131,428)

The estimated decrease in impact fee revenue is a result of the projection that fewer meters will be sold in FY 2011-12. In FY 2010-11 the actual growth rate was 86 EDUs as compared to the projected 94 EDUs.

REVENUE REQUIREMENTS

Growth-related potable water system improvements are managed through the PWSDIF Fund. These improvements include new potable water reservoirs, pump stations, water mains and wells that are required to meet the demands of new customers. The following table is a comparative summary of expenditures for the PWSDIF Fund and provides the **budgeted** expenditures compared to the **actual** expenditures for FY 2010-11:

Expenditures	FY 2010-11 Budgeted	FY 2010-11 Actual	Difference Under(Over)
Capital Improvements	$ 3,430,000	$ 2,852,000	$ 578,000
Debt Service	$ 639,671	$ 639,920	($ 249)
Total	$ 4,069,671	$ 3,491,920	$ 577,751

The capital improvements budgeted in FY 2010-11 were not completed in the same fiscal year they were budgeted. It is expected that these projects will be completed by December of 2011.

In the table below, **actua**l expenses for FY 2010-11 are compared to the **projected** expenses for FY 2011-12 used in the financial analysis.

Expenditures	FY 2010-11 Actual	FY 2011-12 Projected	Difference Increase(Decrease)
Capital Improvements	$ 2,852,000	$ 740,000	($ 2,112,000)
Debt Service	$ 639,920	$ 634,883	($ 5,037)
Total	$ 3,491,920	$ 1,374,883	($ 2,117,037)

The capital improvements for FY 2011-12 include the completion of a 3-million gallon reservoir and related piping that began in FY 2010-11. This reservoir is eighty percent expansion related; therefore, eighty percent of the cost of the reservoir was funded from the PWSDIF Fund. The remaining twenty percent of the cost was funded from the Enterprise Fund. Projected expenditures in the PWSDIF Fund are proposed to be funded with cash reserves generated from impact fees.

The debt service payments are pursuant to the repayment schedule provided by the bond underwriters.

PREFERRED FINANCIAL SCENARIO

Prior to developing financial forecasts, financial considerations were evaluated relating to proposed future operating costs, significant short and long term capital expenditures, the Utility's existing cash reserves, existing outstanding debt, proposed future debt and the related debt service payments. To arrive at a Preferred Financial Scenario, the goals of the Commission were to ensure that all existing rate setting policies were met, cash reserves were utilized to minimize future debt and if there were to be proposed rate increases, those increases would not result in rate shock. In prior years, a key component in the rate setting process was the calculation of the debt service coverage ratio. A 1.3 debt service coverage ratio was established by Council policy with the adoption of Resolution No. (R)05-09.

The Water Utility Commission has made a recommendation for a Preferred Financial Scenario. The Preferred Financial Scenario generates the revenue needed to maintain an adequate cash balance in all funds over the projected five year period. Additionally, the Preferred Financial Scenario reduces the amount of future financing by using available cash for capital projects. The Preferred Financial Scenario meets the debt service coverage requirements in all five years of the projection period.

The Preferred Financial Scenario also builds the cash balance of the Alternative Water Resources Development Impact Fee Fund over the five year period while continuing to pay off the current debt on the reclaimed water delivery system. Building this cash balance will be important as the Town moves forward with increased deliveries of CAP water.

The following are key assumptions used to develop the financial projections contained in the Preferred Financial Scenario. The entire set of assumptions may be found in **Appendix A.**

- Annual growth is estimated at 35 new connections annually which equates to 44 EDUs annually.
- Water use patterns remain constant throughout the 5 year period and are based on actual water use for FY 2010-11.
- Vacant homes and/or disconnected residential meters will be re-activated at 5% per year beginning in FY 2011-12.
- The Utility will use cash reserves and a WIFA loan to fund existing system capital improvements in FY 2011-12. All capital improvements in FY 12-13 through FY 14-15 will be funded with cash.
- Capital improvements in FY 15-16 will be funded with a loan from WIFA.
- All 18-hole golf courses will be delivered reclaimed water throughout the 5 year projection period.
- Projected operating costs in FY 2011-12 are similar to the Utility's budget. Future years include annual inflation factors after one time expenditures have been deducted.
- Delivery of 1500 AF of CAP water proposed to begin in January 2012.
- The Potable Water System Development Impact Fees are not projected to increase within the 5 year projection period.
- The Alternative Water Resources Development Impact Fees are not projected to increase within the 5 year projection period.

Analysis of the Preferred Financial Scenario indicates that the Enterprise Fund can utilize cash reserves to finance a portion of the proposed existing system capital improvements for FY 2011-12 with $700,000 financed from a WIFA loan received in 2009.

The Preferred Financial Scenario proposes using cash to finance existing system capital improvements for the following three years of the projection period. It has been assumed that the Utility finance $2,880,000 through WIFA for capital projects in FY 15-16. These financing assumptions result in a slow decline of the Utility's projected cash balance. The projected ending cash balance of the Enterprise fund at the end of the five year analysis period is $4.8 million.

The O&M portion of the wheeling costs for delivery of CAP water will be paid through water rates; however, the capital component of the wheeling costs will be funded with revenue derived from Groundwater Preservation Fees and Alternative Water Resources Development Impact Fees.

The financial projections detailed in the Preferred Financial Scenario for the AWRDIF Fund include assumptions that construction of the CAP water interim delivery system will be managed through the AWRDIF Fund. As discussed above, the capital component of the wheeling cost will also be paid through this fund.

The financial projections detailed in the Preferred Financial Scenario for the PWSDIF Fund assume no new capital projects in the last four years of the projection period. This will be reviewed annually for changes, but until the growth rate changes, it is unlikely that the Utility will need to construct growth-related facilities. The Potable Water System Development Impact Fees are not projected to increase during the five year period.

The projections for the Enterprise Fund, AWRDIF Fund and the PWSDIF Fund were combined to evaluate the overall debt service coverage at the end of each fiscal year. Analysis indicates that, under the Preferred Financial Scenario, the Utility will meet the debt service coverage requirement established by the Mayor and Council Water Polices and Bond Covenants for all five years. Proformas for the Preferred Financial Scenario may be found in **Appendix B.**

RECOMMENDATION ON WATER RATES, FEES & CHARGES

After reviewing the analysis of the three funds and their respective revenue requirements contained in the Preferred Financial Scenario, the Water Utility Commission is recommending:

- No increase in the monthly base rates for potable or reclaimed water use.
- No increase the commodity rates for potable or reclaimed water use.
- No change in the water use contained within the 4 tiers for all meter sizes.
- No increase in the potable or reclaimed construction water rate.
- No increase in the Groundwater Preservation Fee for potable water use.
- No increase in the Groundwater Preservation Fee for reclaimed water use.

The detailed schedule of the existing water rates may be found in **Appendix C.**

The following table illustrates the proposed water rates for a **single family residential customer with a 5/8 x 3/4 inch water meter.** Approximately 87% of the customers fall into this category. Other water providers in the region are included for comparison. Tucson Water's commodity rates are assessed on the use of 100 cubic feet which is equivalent to

748 gallons. To simplify the comparison, the rates for Tucson Water have been converted to represent the charge for 1,000 gallons.

Water Provider	Monthly Base Rate	Tier 1 Cost Per 1,000 Gals.	Tier 2 Cost Per 1,000 Gals.	Tier 3 Cost Per 1,000 Gals.	Tier 4 Cost Per 1,000 Gals.
Oro Valley **Current**	14.19	2.20	2.99	4.03	5.38
Oro Valley **Proposed**	**14.19**	**2.20**	**2.99**	**4.03**	**5.38**
Metro Water	17.50	2.00	2.70	4.05	5.40
Marana Water	15.12	2.46	3.43	4.46	5.50
Tucson Water	7.53	2.14	8.11	11.62	15.88

A table providing proposed rates for all Oro Valley Water Utility meter sizes may be found in **Appendix C.** Tables that calculate the dollar and the percentage increase that a customer would experience on a monthly bill under the existing rates may also be found in **Appendix C**. Monthly bill amounts are calculated in 1,000 gallon increments for the 5/8 x 3/4 inch meters and a variety of increments for larger meter sizes.

As with Oro Valley Water, the other regional water providers no longer include water usage in their base rates. Oro Valley, Metro and Marana all assess their rates on usage of 1,000 gallons whereas Tucson Water assess their rates on cubic feet. Additionally, the tiered rate structures for all the utilities vary with regard to the number of tiers and the volume of water included in each tier.

For comparison purposes, the following table provides a calculation of a **monthly bill** amount for a **single family residential customer with a 5/8 x 3/4 inch meter** for the water utilities surrounding the Oro Valley Water Utility service area. Direct comparison of raw base rates and commodity rates is less effective because of the varying rate structures of each utility. A better comparison is to calculate the cost for specific consumption levels for one month. Please note that these charges only reflect water use fees and specifically **exclude** taxes, Groundwater Preservation Fees and similar renewable water resource fees charged by other water providers.

Water Utility	Cost for 8,000 Gallons	Cost for 15,000 Gallons	Cost for 25,000 Gallons	Cost for 40,000 Gallons
Oro Valley - **Current**	32.58	53.51	92.77	164.02
Oro Valley - **Proposed**	**32.58**	**53.51**	**92.77**	**164.02**
Metro Water	33.60	60.60	110.55	211.80
Marana Water	34.80	56.87	96.32	173.62
Tucson Water	24.65	62.08	151.93	352.82

This report does not contain an alternate financial scenario. Due to sound fiscal and water resource management, it is projected that the Utility will meet revenue requirements with no proposed water rate increases throughout the five year projection period. Reduction of the Utility's outstanding debt has significantly improved the debt service coverage ratio which is a key factor in the water rates analysis. This has been a main driver for water rate increases in the past. Additionally, management of water resources as it relates to recovery wells, long term storage credits and groundwater extinguishment credits has reduced the Utility's obligation to the CAGRD.

It is important to understand that each year the water rates analysis is prepared based on the most up-to-date information available. Operational needs and capital improvement requirements change annually and are carefully evaluated when they are included in the analysis. For example, if the need arises to deliver more than 1500 AF of CAP water before FY 15-16, it is very likely that the capital expenditures and operating costs could increase to a level that rate increases could be needed within the 5-year projection period. It is important that the Utility perform a water rates analysis every year because any extraordinary operating or capital cost could result in the need for a rate increase.

OTHER SERVICE FEES & CHARGES

The Preferred Financial Scenarios does not include increases in other service fees and charges. These fees and charges are evaluated annually to determine if any adjustments are needed.

CONCLUSION

The Commission presents this Water Rates Analysis Report for the review and consideration of the Mayor and Council. The Commission and Water Utility Staff are available to discuss this report in greater detail at Council's request. Utility Staff will be requesting Council's acceptance of the Water Rates Analysis Report on November 2, 2011.

The Oro Valley Water Utility Commission is proud to serve the Town of Oro Valley, it citizens and the customers of its water utility. The Commission extends their appreciation to the Mayor and Council for their consideration and guidance and looks forward to their continued direction.

APPENDIX A

Assumptions for Preferred Financial Scenario

A-1 Enterprise Fund
A-3 Alternative Water Resources Development Impact Fee Fund
A-4 Potable Water System Development Impact Fee Fund

PREFERRED FINANCIAL SCENARIO

ASSUMPTIONS FOR ENTERPRISE FUND

Growth

35 new metered connections for water rates each year for 5 years
Growth rates provided on 3/02/11 by S. Lemos, Finance Director, Town of Oro Valley

Water Rate Structure

4 Tiers – all usage in each tier to remain the same.

Base Rate

No increase in base rates all 5 years.

Commodity Rate Increases

No increase in commodity rates all 5 years.

Construction Water Rate

No change – the rate remains at $1.00 more than Tier 4 in each year

Potable GPF Rates (cost per 1,000 gallons)

No increase in potable GPF in all 5 years.

Reclaimed GPF Rates (cost per 1,000 gallons)

No increase in reclaimed GPF in all 5 years

Water Use Trends

Used similar water use trends as those in FY 10-11. The average monthly water use for a residential customer with a 5/8 x 3/4 inch water meter increased to 8,400 gallons per month in FY 10-11 from 8,024gallons in FY 09-10. For this analysis 8,000 gallons was used as the average monthly water use.

Vacant Homes and/or Disconnected Meters

There were 246 known vacant home and/or disconnected meters at 6/30/11.
The residential & construction (143) are projected to be re-activated at 5% per year beginning in FY 2011-12. The remaining commercial & irrigation (103) are projected to remain disconnected.

Other Revenue

Based on FY 11-12 proposed budget. Did not project increases as misc. charges fluctuate. (NSF fees, reconnect fees, sewer billing, stormwater billing, plan review)

Beginning Cash Balance

Taken from 6/30/11 Balance Sheet of respective funds (MUNIS reports dated 9/27/11)

Interest Income

Interest projections were provided on 7/08/11 by S. Lemos, Finance Director, Town of Oro Valley. The interest rate is 0.5% for all 5 years.

Personnel Costs

Based on Utility's proposed budget for FY 11-12. No new employees were added over the 5 year projection period. FY 11-12 includes a 1% increase for benefit costs. For all remaining years a 2% increase per year was added to the prior FY. These costs were provided by S. Lemos, Finance Director and is consistent with overall Town planning.

Potable O&M

Based on Utility's proposed budget for FY 11-12 updated with the most recent information; 2.2% inflation annually for all remaining years.

PREFERRED FINANCIAL SCENARIO

ASSUMPTIONS FOR ENTERPRISE FUND

(continued)

Reclaimed O&M

Based on Utility's proposed budget for FY 11-12; 2.2% inflation annually for all remaining years. Additionally, projected a reclaimed water rate increase to $500/AF in FY 12-13 when the existing agreement expires.

CAP Recharge Costs

Based on the rate schedule adopted by CAP 6/02/11. Recharge 5,000 AF in FY 11-12. Assumed recharge of 6,000 AF annually for remaining years.
2,500 AF with Kai Farms and 2,000 AF with Tucson Water and500 – 1,000 AF with CAWCD at $15/AF

CAGRD Costs

Based on S. Seng worksheet and rate schedule adopted by CAP 6/02/11.

CAGRD Savings

Savings for CAGRD costs are based on what costs to CAGRD would be if we were not taking direct delivery of CAP less what the CAGRD costs are when we do take direct delivery.

Power Savings

Savings are based on power costs not incurred directly by the Utility. We will not pump groundwater equal to the volume of CAP water that is delivered. Savings for power costs estimated at $113 per AF.

Debt Service

P&I debt service for 2003 Excise Tax Bonds taken from amortization schedules provided by Stone &Youngberg (S&Y).
P&I debt service for 2003 Sr. Lien Bonds taken from amortization schedules provided by S&Y.
P&I debt service for 2005 Excise Tax Bonds taken from amortization schedules provided by S&Y.
P&I debt savings for 2007 Excise Tax Bonds taken from schedules provided by S&Y.
P&I debt service for 2009 WIFA loan taken from preliminary schedule provided by WIFA using $3,403,000 at 3.171% interest for 20 years
P&I debt service for proposed 2015 WIFA loan was estimated by S. Seng – $2,880,000 at 4.25% interest for 20 years.

Debt Service Coverage

1.30 coverage ratio for 2003 Sr. Lien Bonds & WIFA Loans
1.00 coverage ratio for all Excise Tax Pledged Bonds

Capital Improvements

Projects are identified in 5-Year CIP dated 3/16/11 and *Potable Water System Master Plan.* Cash funding existing system improvements in FY 11-12, FY 12-13, FY 13-14 and FY 14-15.
$700,000 of the existing system improvements in FY 11-12 funded with the 2009 WIFA loan. Assumed WIFA loan to finance existing system improvements in FY 15-16 ($2,880,000).

PREFERRED FINANCIAL SCENARIO

ASSUMPTIONS FOR AWRDIF FUND

Growth

35 new connections for water rates for all years, 44 EDUs for impact fees (35 x 1.25 = 44) Growth rates provided on 3/02/11 by S. Lemos, Finance Director, Town of Oro Valley

AWRD Impact Fees

Increased to $4,982 per EDU, Ordinance No. (O) 08-14, effective 12/2/08 and are not projected to increase in the five year projection period.

Revenue

Revenue for all years derived from 44 EDUs at $4,982

Potable GPF Rates (cost per 1,000 gallons)

No increase in the Potable GPF for the 5 year period.

Reclaimed GPF Rates (cost per 1,000 gallons)

No increase in the Reclaimed GPF for the 5 year period.

Beginning Cash Balance

Taken from 6/30/11 Balance Sheet of respective funds (MUNIS reports dated 9/27/11).

Interest Income

Interest projections were provided on 7/08/11 by S. Lemos, Finance Director, Town of Oro Valley. The interest rate is 0.5% for all 5 years.

CAP Capital Costs

Based on 10,305 AF at rate schedule adopted by CAP 6/02/11.

Debt Service

P&I debt service for 2003 Sr. Lien Bonds (reclaimed phase 1) taken from amortization schedules provided by Stone & Youngberg.

P&I debt service for 2007 WIFA Loan (reclaimed phase 2) provided by WIFA.

Debt Service Coverage

1.30 coverage ratio for 2003 Sr. Lien Bonds & WIFA Loans

Capital Improvements

Capital improvements include infrastructure required for the wheeling of CAP water in FY 11-12 and expansion of the reclaimed water system main in FY 12-13. No other capital improvement projects have been included in the remaining 3 years.

PREFERRED FINANCIAL SCENARIO

ASSUMPTIONS FOR PWSDIF FUND

Growth

35 new connections for water rates for all years, 44 EDUs for impact fees (35 x 1.25 = 44)

Growth rates provided on 3/02/11 by S. Lemos, Finance Director, Town of Oro Valley

PWSD Impact Fees

Increased impact fees to $2,567 per EDU effective 10/01/07, Ordinance No. (O) 07-31 and are not projected to increase in the five year projection period.

Revenue

Revenue derived from 44 EDUs at $2,567 all years.

Beginning Cash Balance

Taken from 6/30/11 Balance Sheet of respective funds.
(MUNIS reports dated 9/27/11).

Interest Income

Interest projections were provided on 7/08/11 by S. Lemos, Finance Director, Town of Oro Valley. The interest rate is 0.5% for all 5 years.

Debt Service

P&I debt service for 2003 Sr. Lien Bonds (expansion related projects) taken from amortization schedules provided by Stone & Youngberg.
No further financing is projected.

Debt Service Coverage

1.30 coverage ratio for 2003 Sr. Lien Bonds

Capital Improvements

Capital projects (growth related) are identified in the *Potable Water System Master Plan* and the 5-Year CIP dated 3/16/11.

APPENDIX B

Preferred Financial Scenario

B-1 Enterprise Fund
B-3 Alternative Water Resources Development Impact Fee Fund
B-4 Potable Water System Development Impact Fee Fund
B-5 Summary of All Funds

Oro Valley Water Utility
Potable & Reclaimed Water Systems
Prepared: August 22, 2011
Revised: September 28, 2011

PREFERRED FINANCIAL SCENARIO

Enterprise Fund

	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16
REVENUES					
Water Service					
Potable Water Sales (exclude golf courses)	$ 10,521,869	$ 10,521,869	$ 10,521,869	$ 10,521,869	$ 10,521,869
Potable Water Sales **from Growth**	6,716	19,144	31,571	43,999	56,427
Potable Water Sales **reduction from vacancies**	(246,106)	(241,466)	(237,181)	(232,949)	(230,202)
Potable Water Sales - Golf Courses	126,434	126,434	126,434	126,434	126,434
Total Potable Water Sales	**10,408,913**	**10,425,981**	**10,442,693**	**10,459,353**	**10,474,528**
Reclaimed Water Sales	1,537,132	1,537,132	1,537,132	1,537,132	1,537,132
Total Water Service	**11,946,045**	**11,963,113**	**11,979,825**	**11,996,485**	**12,011,660**
Other Operating Revenue					
Groundwater Preservation Fee - Potable	2,099,774	2,258,248	2,258,248	2,258,248	2,258,248
Groundwater Preservation Fee - Reclaimed	342,810	367,297	367,297	367,297	367,297
Groundwater Preservation Fee - Growth	1,450	2,899	4,349	5,799	7,249
GPF - **reduction from vacancies** - Potable	(60,180)	(60,180)	(57,295)	(54,410)	(52,699)
Reimbursement from AWRDIF	100,000	100,000	100,000	100,000	200,000
Other Revenue	455,200	455,200	455,200	455,200	455,200
Interest Income	45,158	43,825	38,836	29,666	21,036
Total Other Operating Revenue	**2,984,212**	**3,167,289**	**3,166,635**	**3,161,800**	**3,256,331**
Total Operating Revenue	**$ 14,930,257**	**$ 15,130,402**	**$ 15,146,460**	**$ 15,158,285**	**$ 15,267,991**
OPERATING EXPENSES					
Potable Operating Expenses					
Personnel	2,448,308	2,472,791	2,522,247	2,572,692	2,624,146
Operations & Maintenance	2,603,683	2,666,964	2,728,637	2,788,667	2,850,018
Water Resource Management Costs	-	300,000	300,000	300,000	300,000
CAP Wheeling Costs (includes TW + CAP water costs)	419,912	840,445	840,445	852,445	858,445
CAP Water Recharge Costs	647,500	778,500	796,500	844,500	868,500
CAGRD Costs	251,771	336,166	423,410	526,051	656,015
Interim Wheeling Savings (power & CAGRD)	(84,750)	(169,500)	(416,250)	(467,249)	(528,575)
Contributions to AWRD Fund - GPF	2,383,854	2,568,264	2,572,599	2,576,934	2,580,095
Total Potable Operating Expenses	**$ 8,670,278**	**$ 9,793,630**	**$ 9,767,588**	**$ 9,994,040**	**$ 10,208,643**
Reclaimed Operating Expenses					
Operating & Maintenance	833,677	1,277,018	1,305,112	1,333,825	1,363,169
Total Reclaimed Operating Expenses	**$ 833,677**	**$ 1,277,018**	**$ 1,305,112**	**$ 1,333,825**	**$ 1,363,169**
Total Operating Expenses	**$ 9,503,955**	**$ 11,070,648**	**$ 11,072,700**	**$ 11,327,865**	**$ 11,571,812**
Net Operating Revenue	**$ 5,426,302**	**$ 4,059,754**	**$ 4,073,760**	**$ 3,830,420**	**$ 3,696,179**

Oro Valley Water Utility
Potable & Reclaimed Water Systems
Prepared: August 22, 2011
Revised: September 28, 2011

PREFERRED FINANCIAL SCENARIO

Enterprise Fund

	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16
DEBT SERVICE - POTABLE					
P&I - Sr. Lien Bonds - Existing System (2003)	483,610	484,405	480,450	479,625	482,000
P&I - Tax Excise Bonds - Refunding (2003)	1,138,896	1,216,652	1,219,496	1,538,626	1,538,626
P&I - Excise Tax Bonds - Land for MOC (2005)	150,272	150,022	149,430	150,890	150,721
P&I - Excise Tax Bonds - Refinance 1996 (2007)	788,846	788,852	788,662	788,275	1,243,409
P&I - WIFA Loan - Exist. System CIP (2009)	230,331	230,266	230,200	230,131	230,060
P&I - WIFA Loan - Exist. System CIP (2015)	-	-	-	-	215,204
Total Potable System Debt Service	**$ 2,791,954**	**$ 2,870,197**	**$ 2,868,237**	**$ 3,187,547**	**$ 3,860,020**
Other Obligations					
Water Meters	$ 135,000	$ 137,970	$ 141,005	$ 144,107	$ 147,278
Machinery & Equipment	62,000	100,000	125,000	40,000	40,000
Vehicles	-	60,000	90,000	75,000	95,000
Capital Improvements: Existing System	3,205,000	1,880,000	1,860,000	3,200,000	-
Total Other Obligations	**$ 3,402,000**	**$ 2,177,970**	**$ 2,216,005**	**$ 3,459,107**	**$ 282,278**
Net Balance From Operations	**$ (767,652)**	**$ (988,413)**	**$ (1,010,483)**	**$ (2,816,234)**	**$ (446,120)**
Percent Efficiency(Defficiency) of Oper. Revenue	-5.1%	-6.5%	-6.7%	-18.6%	-2.9%
Cumulative Revenue	$ 14,930,257	$ 30,060,659	$ 45,207,119	$ 60,365,404	$ 75,633,395
Cumulative Net Balance	$ (767,652)	$ (1,756,065)	$ (2,766,548)	$ (5,582,782)	$ (6,028,902)
Cumulative Net Efficiency (Deficiency)	-5.1%	-5.8%	-6.1%	-9.2%	-8.0%
Beginning Cash Balance	$ 10,004,161	$ 9,236,509	$ 8,248,096	$ 7,237,613	$ 4,421,379
Net Balance From Operations	(767,652)	(988,413)	(1,010,483)	(2,816,234)	(446,120)
Ending Cash Balance	$ 9,236,509	$ 8,248,096	$ 7,237,613	$ 4,421,379	$ 3,975,259

Oro Valley Water Utility
Prepared: August 22, 2011
Revised: September 28, 2011

PREFERRED FINANCIAL SCENARIO

Alternative Water Resources Development Impact Fee Fund

	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16
REVENUES					
AWRD Impact Fee Revenue	$ 219,208	$ 219,208	$ 219,208	$ 219,208	$ 219,208
Subtotal Revenue	**219,208**	**219,208**	**219,208**	**219,208**	**219,208**
Other Operating Revenue					
Contributions from Enterprise Fund - GPF	2,383,854	2,568,264	2,572,599	2,576,934	2,580,095
Interest Income	7,540	8,069	11,378	17,413	23,540
Subtotal Other Operating Revenue	**2,391,394**	**2,576,333**	**2,583,977**	**2,594,347**	**2,603,635**
Total Operating Revenue	**$ 2,610,602**	**$ 2,795,541**	**$ 2,803,185**	**$ 2,813,555**	**$ 2,822,843**
OPERATING EXPENSES					
O&M Related to capital improvement projects	60,200	65,000	65,000	65,000	65,000
Capital Charge related to TW Wheeling Costs	-	53,385	106,770	106,770	106,770
CAP Capital Charges 10,305 acre feet	154,575	154,575	103,050	51,525	-
Repayment of Contributions from Enterprise Fund	100,000	100,000	100,000	100,000	200,000
Total Operating Expenses	**$ 314,775**	**$ 372,960**	**$ 374,820**	**$ 323,295**	**$ 371,770**
Net Operating Revenue	**$ 2,295,827**	**$ 2,422,581**	**$ 2,428,365**	**$ 2,490,260**	**$ 2,451,073**
DEBT SERVICE					
P&I - Reclaimed Ph.1,Series 2003	880,336	875,193	878,628	877,350	872,625
P&I - Sr. Lien Bonds - Tucson Refinance (2003)	525,994	521,475	-	-	-
P&I - Reclaimed Ph.2,WIFA Loan 2007	369,348	369,202	369,050	368,892	368,730
P&I - CAP Water Delivery System	-	-	-	-	-
Total Debt Service	**$ 1,775,678**	**$ 1,765,870**	**$ 1,247,678**	**$ 1,246,242**	**$ 1,241,355**
OTHER OBLIGATIONS					
Capital Improvements:					
Design & Construct Reclaimed Main Extension	-	431,400			
Design & Construct CAP Distribution Plant	515,000	-	-	-	-
Total Other Obligations	**$ 515,000**	**$ 431,400**	**$ -**	**$ -**	**$ -**
Net Balance From Operations	**$ 5,149**	**$ 225,311**	**$ 1,180,687**	**$ 1,244,018**	**$ 1,209,718**
Percent Efficiency (Defficiency) of Oper. Rev.	0.2%	8.1%	42.1%	44.2%	42.9%
Cumulative Revenue	$ 2,610,602	$ 5,406,143	$ 8,209,328	$ 11,022,883	$ 13,845,726
Cumulative Net Balance	$ 5,149	$ 230,460	$ 1,411,148	$ 2,655,165	$ 3,864,884
Cumulative Net Efficiency (Deficiency)	0.2%	4.3%	17.2%	24.1%	27.9%
Beginning Cash Balance	$ 1,509,165	$ 1,514,314	$ 1,739,625	$ 2,920,313	$ 4,164,330
Net Balance From Operations	$ 5,149	$ 225,311	$ 1,180,687	$ 1,244,018	$ 1,209,718
Ending Cash Balance	$ 1,514,314	$ 1,739,625	$ 2,920,313	$ 4,164,330	$ 5,374,049

Oro Valley Water Utility
Prepared: August 22, 2011
Revised: September 28, 2011

PREFERRED FINANCIAL SCENARIO

Potable Water System Development Impact Fee Fund

	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16
REVENUES					
Development Impact Fees	$ 112,948	$ 112,948	$ 112,948	$ 112,948	$ 112,948
Subtotal Revenue	**$ 112,948**	**$ 112,948**	**$ 112,948**	**$ 112,948**	**$ 112,948**
Other Operating Revenue					
Interest Income	33,587	29,147	26,690	24,224	21,745
Subtotal Other Operating Revenue	**33,587**	**29,147**	**26,690**	**24,224**	**21,745**
Total Operating Revenue	**$ 146,535**	**$ 142,095**	**$ 139,638**	**$ 137,172**	**$ 134,693**
OPERATING EXPENSES					
N/A	-	-	-	-	-
Total Operating Expenses	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Net Operating Revenue	**$ 146,535**	**$ 142,095**	**$ 139,638**	**$ 137,172**	**$ 134,693**
DEBT SERVICE					
P&I - Expansion Related Series 2003	634,883	632,645	634,248	631,150	635,125
Total Water System Debt Service	**$ 634,883**	**$ 632,645**	**$ 634,248**	**$ 631,150**	**$ 635,125**
OTHER OBLIGATIONS					
Capital Improvements:					
Expansion Related Projects	740,000	-	-	-	-
Total Other Obligations	**$ 740,000**	**$ -**	**$ -**	**$ -**	**$ -**
Net Balance From Operations	**$ (1,228,348)**	**$ (490,550)**	**$ (494,610)**	**$ (493,978)**	**$ (500,432)**
Percent Efficiency (Defficiency) of Oper. Rev.	-838.3%	-345.2%	-354.2%	-360.1%	-371.5%
Cumulative Revenue	$ 146,535	$ 288,630	$ 428,268	$ 565,440	$ 700,133
Cumulative Net Balance	$ (1,228,348)	$ (1,718,898)	$ (2,213,508)	$ (2,707,486)	$ (3,207,918)
Cumulative Net Efficiency (Deficiency)	-838.3%	-595.5%	-516.9%	-478.8%	-458.2%
Beginning Cash Balance	$ 7,295,885	$ 6,067,537	$ 5,576,987	$ 5,082,377	$ 4,588,399
Net Balance From Operations	$ (1,228,348)	$ (490,550)	$ (494,610)	$ (493,978)	$ (500,432)
Ending Cash Balance	$ 6,067,537	$ 5,576,987	$ 5,082,377	$ 4,588,399	$ 4,087,967

Oro Valley Water Utility
Potable & Reclaimed Water Systems
Prepared: August 22, 2011
Revised: September 28, 2011

PREFERRED FINANCIAL SCENARIO
Summary of all Funds

	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16
REVENUES					
Water Service					
Potable Water Sales (exclude golf courses)	$ 10,521,869	$ 10,521,869	$ 10,521,869	$ 10,521,869	$ 10,521,869
Potable Water Sales **from Growth**	6,716	19,144	31,571	43,999	56,427
Potable Water Sales **reduction from vacancies**	(246,106)	(241,466)	(237,181)	(232,949)	(230,202)
Potable Water Sales - Golf Courses	126,434	126,434	126,434	126,434	126,434
Groundwater Preservation Fee	2,382,404	2,565,365	2,568,250	2,571,135	2,572,846
GW Preservation Fee **from Growth**	1,450	2,899	4,349	5,799	7,249
Total Potable Water Sales	**12,792,767**	**12,994,245**	**13,015,292**	**13,036,287**	**13,054,623**
GW Preservation Fee **from Reclaimed Customers**	342,810	367,297	367,297	367,297	367,297
Reclaimed Water Sales	1,537,132	1,537,132	1,537,132	1,537,132	1,537,132
Total Water Service	**14,672,709**	**14,898,674**	**14,919,721**	**14,940,716**	**14,959,052**
Other Operating Revenue					
Potable Water Impact Fees	112,948	112,948	112,948	112,948	112,948
Alternative Water Impact Fees	219,208	219,208	219,208	219,208	219,208
Other Revenue	455,200	455,200	455,200	455,200	455,200
Interest Income	86,285	81,041	76,904	71,303	66,321
Total Other Operating Revenue	**873,641**	**868,397**	**864,260**	**858,659**	**853,677**
Total Operating Revenue	**$ 15,546,350**	**$ 15,767,071**	**$ 15,783,981**	**$ 15,799,375**	**$ 15,812,729**
OPERATING EXPENSES					
Potable Operating Expenses					
Personnel	2,448,308	2,472,791	2,522,247	2,572,692	2,624,146
Operations & Maintenance	2,603,683	2,666,964	2,728,637	2,788,667	2,850,018
Water Resource Management Costs	-	300,000	300,000	300,000	300,000
CAP Wheeling Costs (includes TW + CAP water costs)	419,912	840,445	840,445	852,445	858,445
CAP Capital Costs	154,575	154,575	103,050	51,525	-
CAP Recharge Costs	647,500	778,500	796,500	844,500	868,500
CAGRD Costs	251,771	336,166	423,410	526,051	656,015
Interim Wheeling Savings (power & CAGRD)	(84,750)	(169,500)	(416,250)	(467,249)	(528,575)
Total Potable Operating Expenses	**$ 6,440,999**	**$ 7,379,941**	**$ 7,298,039**	**$ 7,468,631**	**$ 7,628,548**
Reclaimed Operating Expenses					
Operating & Maintenance	833,677	1,277,018	1,305,112	1,333,825	1,363,169
Total Reclaimed Operating Expenses	**$ 833,677**	**$ 1,277,018**	**$ 1,305,112**	**$ 1,333,825**	**$ 1,363,169**
Total Operating Expenses	**$ 7,274,676**	**$ 8,656,959**	**$ 8,603,151**	**$ 8,802,456**	**$ 8,991,717**
Net Operating Revenue	**$ 8,271,674**	**$ 7,110,112**	**$ 7,180,830**	**$ 6,996,919**	**$ 6,821,012**

Oro Valley Water Utility
Potable & Reclaimed Water Systems
Prepared: August 22, 2011
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PREFERRED FINANCIAL SCENARIO
Summary of all Funds

	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16
Debt Service					
Debt Service - **Potable- Existing System**					
P&I - Sr. Lien Bonds - Existing System (2003)	483,610	484,405	480,450	479,625	482,000
P&I - Excise Tax Bonds - Refunding (2003)	1,138,896	1,216,652	1,219,496	1,538,626	1,538,626
P&I - Excise Tax Bonds - Land for MOC (2005)	150,272	150,022	149,430	150,890	150,721
P&I - Excise Tax Bonds - Refinance 1996 (2007)	788,846	788,852	788,662	788,275	1,243,409
P&I - WIFA Loan - Exist. System CIP (2009)	230,331	230,266	230,200	230,131	230,060
P&I - WIFA Loan - Exist. System CIP (2015)	-	-	-	-	215,204
Total Potable Existing System Debt Service	**$ 2,791,954**	**$ 2,870,197**	**$ 2,868,237**	**$ 3,187,547**	**$ 3,860,020**
Debt Service - **Potable - Expansion Related**					
P&I - Expansion Related Series 2003	634,883	632,645	634,248	631,150	635,125
Total Potable Expansion Related Debt Service	**$ 634,883**	**$ 632,645**	**$ 634,248**	**$ 631,150**	**$ 635,125**
Debt Service - **Non-Potable**					
P&I - Reclaimed Ph.1,Series 2003	880,336	875,193	878,628	877,350	872,625
P&I - Sr. Lien Bonds - Tucson Refinance (2003)	525,994	521,475	-	-	-
P&I - Reclaimed Ph.2,WIFA Loan 2007	369,348	369,202	369,050	368,892	368,730
P&I - CAP Water Delivery System	-	-	-	-	-
Total Non-Potable System Debt Service	**$ 1,775,678**	**$ 1,765,870**	**$ 1,247,678**	**$ 1,246,242**	**$ 1,241,355**
Total Water System Debt Service	**$ 5,202,515**	**$ 5,268,712**	**$ 4,750,163**	**$ 5,064,940**	**$ 5,736,500**
Other Obligations					
Water Meters	$ 135,000	$ 137,970	$ 141,005	$ 144,107	$ 147,278
Machinery & Vehicles & Equipment	62,000	100,000	125,000	40,000	40,000
Vehicles	-	60,000	90,000	75,000	95,000
Capital Improvements:					
Existing System	3,205,000	1,880,000	1,860,000	3,200,000	-
Expansion Related	740,000	-	-	-	-
Expansion of Reclaimed Water System	-	431,400	-	-	-
Design & Construct CAP Distribution Plant	515,000	-	-	-	-
Total Other Obligations	**$ 4,657,000**	**$ 2,609,370**	**$ 2,216,005**	**$ 3,459,107**	**$ 282,278**
Net Balance From Operations	**$ (1,587,841)**	**$ (767,969)**	**$ 214,662**	**$ (1,527,128)**	**$ 802,234**
Percent Efficiency (Deficiency) of Oper. Rev.	-10.2%	-4.9%	1.4%	-9.7%	5.1%
Cumulative Revenue	$ 15,546,350	$ 31,313,421	$ 47,097,402	$ 62,896,777	$ 78,709,506
Cumulative Net Balance	$ (1,587,841)	$ (2,355,811)	$ (2,141,149)	$ (3,668,277)	$ (2,866,043)
Cumulative Net Efficiency (Deficiency)	-10.2%	-7.5%	-4.5%	-5.8%	-3.6%

Oro Valley Water Utility
Potable & Reclaimed Water Systems
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PREFERRED FINANCIAL SCENARIO
Summary of all Funds

	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16
Growth - New Connections (EDUs = 1.2 x New Connects)	35	35	35	35	35
Increase from Water Rates	0.0%	0.0%	0.0%	0.0%	0.0%
Increase from Groundwater Preservation Fees	0.0%	0.0%	0.0%	0.0%	0.0%
Total Increase to Residential Customer using 8K gals.	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**
Required Cash Reserves (5% of budget) (does not include depreciation/amortization)	**$ 856,710**	**$ 826,752**	**$ 778,466**	**$ 866,325**	**$ 750,525**
Debt Service Coverage Requirement Amount	**$ 6,139,866**	**$ 6,202,667**	**$ 5,527,935**	**$ 5,841,084**	**$ 6,577,623**
DS Coverage Ratio: Revenue Bonds/WIFA	**1.98**	**1.59**	**1.94**	**1.75**	**1.39**
Beginning Cash Balance	$ 18,809,211	$ 16,818,360	$ 15,564,708	$ 15,240,303	$ 13,174,108
Net Balance From Operations	(1,990,851)	(1,253,651)	(324,405)	(2,066,195)	263,167
Ending Cash Balance	$ 16,818,360	$ 15,564,708	$ 15,240,303	$ 13,174,108	$ 13,437,275
Enterprise Fund	$ 9,236,509	$ 8,248,096	$ 7,237,613	$ 4,421,379	$ 3,975,259
AWRD Impact Fee Fund	1,514,314	1,739,625	2,920,313	4,164,330	5,374,049
PWSD Impact Fee Fund	6,067,537	5,576,987	5,082,377	4,588,399	4,087,967
Total Ending Cash Balance	$ 16,818,360	$ 15,564,708	$ 15,240,303	$ 13,174,108	$ 13,437,275

APPENDIX C

Preferred Financial Scenario
Rate Schedules & Tables for Bill Comparisons

C-1 Potable Water Rates
C-2 Reclaimed Water Rates
C-3 Tables for Bill Comparisons by Meter Size

ORO VALLEY WATER UTILITY

EXISTING RATE SCHEDULE - NO PROPOSED CHANGES
PREFERRED FINANCIAL SCENARIO

POTABLE WATER RATES

MONTHLY BASE RATES & COMMODITY CHARGES

METER SIZE	CURRENT BASE RATE (includes 0 gallons)	PROPOSED BASE RATE (includes 0 gallons)	CURRENT COMMODITY TIER 1 PER 1000 GALS.	PROPOSED COMMODITY TIER 1 PER 1000 GALS.	CURRENT COMMODITY TIER 2 PER 1000 GALS.	PROPOSED COMMODITY TIER 2 PER 1000 GALS.	CURRENT COMMODITY TIER 3 PER 1000 GALS.	PROPOSED COMMODITY TIER 3 PER 1000 GALS.	CURRENT COMMODITY TIER 4 PER 1000 GALS.	PROPOSED COMMODITY TIER 4 PER 1000 GALS.
5/8 x 3/4	14.19	14.19	2.20	2.20	2.99	2.99	4.03	4.03	5.38	5.38
3/4 x 3/4	21.29	21.29	2.20	2.20	2.99	2.99	4.03	4.03	5.38	5.38
1	35.48	35.48	2.20	2.20	2.99	2.99	4.03	4.03	5.38	5.38
1.5	70.95	70.95	2.20	2.20	2.99	2.99	4.03	4.03	5.38	5.38
2	113.53	113.53	2.20	2.20	2.99	2.99	4.03	4.03	5.38	5.38
3	227.05	227.05	2.20	2.20	2.99	2.99	4.03	4.03	5.38	5.38
4	354.77	354.77	2.20	2.20	2.99	2.99	4.03	4.03	5.38	5.38
6	709.54	709.54	2.20	2.20	2.99	2.99	4.03	4.03	5.38	5.38
8	1,135.26	1,135.26	2.20	2.20	2.99	2.99	4.03	4.03	5.38	5.38

USAGE INCLUDED IN TIERS

METER SIZE	GALLONS INCLUDED TIER 1		GALLONS INCLUDED TIER 2		GALLONS INCLUDED TIER 3		GALLONS INCLUDED TIER 4	
	CURRENT	PROPOSED	CURRENT	PROPOSED	CURRENT	PROPOSED	CURRENT	PROPOSED
5/8 x 3/4	0 - 7,000	0 - 7,000	7,001 - 16,000	7,001 - 16,000	16,001 - 32,000	16,001 - 32,000	over 32,000	over 32,000
3/4 x 3/4	0 - 10,000	0 - 10,000	10,001 - 24,000	10,001 - 24,000	24,001 - 48,000	24,001 - 48,000	over 48,000	over 48,000
1	0 - 17,000	0 - 17,000	17,001 - 40,000	17,001 - 40,000	40,001 - 80,000	40,001 - 80,000	over 80,000	over 80,000
1.5	0 - 35,000	0 - 35,000	35,001 - 80,000	35,001 - 80,000	80,001 - 160,000	80,001 - 160,000	over 160,000	over 160,000
2	0 - 56,000	0 - 56,000	56,001 - 128,000	56,001 - 128,000	128,001 - 256,000	128,001 - 256,000	over 256,000	over 256,000
3	0 - 112,000	0 - 112,000	112,001 - 256,000	112,001 - 256,000	256,001 - 512,000	256,001 - 512,000	over 512,000	over 512,000
4	0 - 175,000	0 - 175,000	175,001 - 400,000	175,001 - 400,000	400,001 - 800,000	400,001 - 800,000	over 800,000	over 800,000
6	0 - 860,000	0 - 860,000	860,001 - 2,000,000	860,001 - 2,000,000	2,000,001 - 3,500,000	2,000,001 - 3,500,000	over 3,500,000	over 3,500,000
8	0 - 860,000	0 - 860,000	860,001 - 2,000,000	860,001 - 2,000,000	2,000,001 - 3,500,000	2,000,001 - 3,500,000	over 3,500,000	over 3,500,000

Groundwater Preservation Fee	Current	Proposed
	$0.95 per 1,000 gallons	$0.95 per 1,000 gallons

Construction Water Rate	Current	Proposed
	$6.38 per 1,000 gallons	$6.38 per 1,000 gallons

ORO VALLEY WATER UTILITY

EXISTING RATE SCHEDULE - NO PROPOSED CHANGES
PREFERRED FINANCIAL SCENARIO

RECLAIMED WATER RATES

MONTHLY BASE RATES & COMMODITY CHARGES

METER SIZE	CURRENT BASE RATE (includes 0 gallons)	PROPOSED BASE RATE (includes 0 gallons)	CURRENT COMMODITY PER 1000 GALS.	PROPOSED COMMODITY PER 1000 GALS.
5/8 x 3/4	14.19	**14.19**	2.20	**2.20**
3/4 x 3/4	21.29	**21.29**	2.20	**2.20**
1	35.48	**35.48**	2.20	**2.20**
1.5	70.95	**70.95**	2.20	**2.20**
2	113.53	**113.53**	2.20	**2.20**
3	227.05	**227.05**	2.20	**2.20**
4	354.77	**354.77**	2.20	**2.20**
6	709.54	**709.54**	2.20	**2.20**
8	1,135.26	**1,135.26**	2.20	**2.20**

Groundwater Preservation Fee	Current	Proposed
	$0.50 per 1,000 gallons	**$0.50 per 1,000 gallons**

Construction Water Rate	Current	Proposed
	$2.20 per 1,000 gallons	**$2.20 per 1,000 gallons**

TABLE FOR MONTHLY CHARGES & PERCENT INCREASE COMPARISON

PREFERRED FINANCIAL SCENARIO

CUSTOMERS WITH A 5/8 X 3/4" METER

PROPOSED BASE RATE NO INCREASE IN BASE RATE REMAINS AT $14.19 (**INCLUDES 0 GALS)**

PROPOSED COMMODITY NO INCREASE IN TIER 1 REMAINS AT $2.20 (0 - 7,000 GALS)

NO INCREASE IN TIER 2 REMAINS AT $2.99 (7,001 - 16,000 GALS)

NO INCREASE IN TIER 3 REMAINS AT $4.03 (16,001 - 32,000 GALS)

NO INCREASE IN TIER 4 REMAINS AT $5.38 (OVER 32,000 GALS)

NO INCREASE IN GPF REMAINS AT $0.95 PER 1,000 GALLONS

GALLONS USED	CURRENT WATER RATE	PROPOSED WATER RATE	AMOUNT OF INCREASE Water Rate	PERCENT INCREASED Water Rate	CURRENT GROUNDWATER PRESERVATION FEE	PROPOSED GROUNDWATER PRESERVATION FEE	AMOUNT OF INCREASE GPF	TOTAL MONTHLY INCREASE	TOTAL AMOUNT OF MONTHLY BILL	TOTAL PERCENT INCREASED
0	14.19	14.19	0.00	0.0%	0.00	0.00	0.00	**0.00**	14.19	0.0%
1,000	16.39	16.39	0.00	0.0%	0.95	0.95	0.00	**0.00**	17.34	0.0%
2,000	18.59	18.59	0.00	0.0%	1.90	1.90	0.00	**0.00**	20.49	0.0%
3,000	20.79	20.79	0.00	0.0%	2.85	2.85	0.00	**0.00**	23.64	0.0%
4,000	22.99	22.99	0.00	0.0%	3.80	3.80	0.00	**0.00**	26.79	0.0%
5,000	25.19	25.19	0.00	0.0%	4.75	4.75	0.00	**0.00**	29.94	0.0%
6,000	27.39	27.39	0.00	0.0%	5.70	5.70	0.00	**0.00**	33.09	0.0%
7,000	29.59	29.59	0.00	0.0%	6.65	6.65	0.00	**0.00**	36.24	0.0%
8,000	32.58	32.58	0.00	0.0%	7.60	7.60	0.00	**0.00**	40.18	0.0%
9,000	35.57	35.57	0.00	0.0%	8.55	8.55	0.00	**0.00**	44.12	0.0%
10,000	38.56	38.56	0.00	0.0%	9.50	9.50	0.00	**0.00**	48.06	0.0%
11,000	41.55	41.55	0.00	0.0%	10.45	10.45	0.00	**0.00**	52.00	0.0%
12,000	44.54	44.54	0.00	0.0%	11.40	11.40	0.00	**0.00**	55.94	0.0%
13,000	47.53	47.53	0.00	0.0%	12.35	12.35	0.00	**0.00**	59.88	0.0%
14,000	50.52	50.52	0.00	0.0%	13.30	13.30	0.00	**0.00**	63.82	0.0%
15,000	53.51	53.51	0.00	0.0%	14.25	14.25	0.00	**0.00**	67.76	0.0%
16,000	56.50	56.50	0.00	0.0%	15.20	15.20	0.00	**0.00**	71.70	0.0%
17,000	60.53	60.53	0.00	0.0%	16.15	16.15	0.00	**0.00**	76.68	0.0%
18,000	64.56	64.56	0.00	0.0%	17.10	17.10	0.00	**0.00**	81.66	0.0%
19,000	68.59	68.59	0.00	0.0%	18.05	18.05	0.00	**0.00**	86.64	0.0%
20,000	72.62	72.62	0.00	0.0%	19.00	19.00	0.00	**0.00**	91.62	0.0%
21,000	76.65	76.65	0.00	0.0%	19.95	19.95	0.00	**0.00**	96.60	0.0%
22,000	80.68	80.68	0.00	0.0%	20.90	20.90	0.00	**0.00**	101.58	0.0%
23,000	84.71	84.71	0.00	0.0%	21.85	21.85	0.00	**0.00**	106.56	0.0%
24,000	88.74	88.74	0.00	0.0%	22.80	22.80	0.00	**0.00**	111.54	0.0%
25,000	92.77	92.77	0.00	0.0%	23.75	23.75	0.00	**0.00**	116.52	0.0%
26,000	96.80	96.80	0.00	0.0%	24.70	24.70	0.00	**0.00**	121.50	0.0%
27,000	100.83	100.83	0.00	0.0%	25.65	25.65	0.00	**0.00**	126.48	0.0%
28,000	104.86	104.86	0.00	0.0%	26.60	26.60	0.00	**0.00**	131.46	0.0%
29,000	108.89	108.89	0.00	0.0%	27.55	27.55	0.00	**0.00**	136.44	0.0%
30,000	112.92	112.92	0.00	0.0%	28.50	28.50	0.00	**0.00**	141.42	0.0%
31,000	116.95	116.95	0.00	0.0%	29.45	29.45	0.00	**0.00**	146.40	0.0%
32,000	120.98	120.98	0.00	0.0%	30.40	30.40	0.00	**0.00**	151.38	0.0%
33,000	126.36	126.36	0.00	0.0%	31.35	31.35	0.00	**0.00**	157.71	0.0%

INTERIM WHEELING THRU TUCSON - 1,500 AF

TABLE FOR MONTHLY CHARGES AND PERCENT INCREASE COMPARISON
FOR CUSTOMERS WITH A 3/4" x 3/4" METER
BASE RATE $ 21.29
COMMODITY RATE: TIER 1 = $ 2.20 FOR 0 - 10,000 GALLONS
TIER 2 = $ 2.99 FOR 10,001 - 24,000 GALLONS
TIER 3 = $ 4.03 FOR 24,001 - 48,000 GALLONS
TIER 4 = $ 5.38 FOR ALL USAGE OVER 48,000 GALLONS

GALLONS USED IN 1 MONTH	BILL AT THE CURRENT RATE	BILL AT THE PROPOSED RATE	AMOUNT OF INCREASE Water Rate	PERCENT INCREASED Water Rate	CURRENT GROUNDWATER PRESERVATION FEE	PROPOSED GROUNDWATER PRESERVATION FEE	AMOUNT OF INCREASE GPF	TOTAL MONTHLY INCREASE	TOTAL AMOUNT OF MONTHLY BILL	TOTAL PERCENT INCREASED
0	21.29	21.29	-	0.0%	0.00	0.00	0.00	0.00	21.29	0.0%
7,000	36.69	36.69	-	0.0%	6.65	6.65	0.00	0.00	43.34	0.0%
11,000	46.28	46.28	-	0.0%	10.45	10.45	0.00	0.00	56.73	0.0%
28,000	101.27	101.27	-	0.0%	26.60	26.60	0.00	0.00	127.87	0.0%
50,000	192.63	192.63	-	0.0%	47.50	47.50	0.00	0.00	240.13	0.0%

TABLE FOR MONTHLY CHARGES AND PERCENT INCREASE COMPARISON
FOR CUSTOMERS WITH A 1" METER
BASE RATE $ 35.48
COMMODITY RATE: TIER 1 = $ 2.20 FOR 0 - 17,000 GALLONS
TIER 2 = $ 2.99 FOR 17,001 - 40,000 GALLONS
TIER 3 = $ 4.03 FOR 40,001 - 80,000 GALLONS
TIER 4 = $ 5.38 FOR ALL USAGE OVER 80,000 GALLONS

GALLONS USED IN 1 MONTH	BILL AT THE CURRENT RATE	BILL AT THE PROPOSED RATE	AMOUNT OF INCREASE Water Rate	PERCENT INCREASED Water Rate	CURRENT GROUNDWATER PRESERVATION FEE	PROPOSED GROUNDWATER PRESERVATION FEE	AMOUNT OF INCREASE GPF	TOTAL MONTHLY INCREASE	TOTAL AMOUNT OF MONTHLY BILL	TOTAL PERCENT INCREASED
0	35.48	35.48	-	0.0%	0.00	0.00	0.00	0.00	35.48	0.0%
16,000	70.68	70.68	-	0.0%	15.20	15.20	0.00	0.00	85.88	0.0%
27,000	102.78	102.78	-	0.0%	25.65	25.65	0.00	0.00	128.43	0.0%
38,000	135.67	135.67	-	0.0%	36.10	36.10	0.00	0.00	171.77	0.0%
50,000	181.95	181.95	-	0.0%	47.50	47.50	0.00	0.00	229.45	0.0%

INTERIM WHEELING THRU TUCSON - 1,500 AF

TABLE FOR MONTHLY CHARGES AND PERCENT INCREASE COMPARISON
FOR CUSTOMERS WITH A 1 1/2" METER
BASE RATE $ 70.95
COMMODITY RATE:

TIER 1 =	$	2.20	FOR 0 - 35,000 GALLONS
TIER 2 =	$	2.99	FOR 35,001 - 80,000 GALLONS
TIER 3 =	$	4.03	FOR 80,001 - 160,000 GALLONS
TIER 4 =	$	5.38	FOR ALL USAGE OVER 160,000 GALLONS

GALLONS USED IN 1 MONTH	BILL AT THE CURRENT RATE	BILL AT THE PROPOSED RATE	AMOUNT OF INCREASE Water Rate	PERCENT INCREASED Water Rate	CURRENT GROUNDWATER PRESERVATION FEE	PROPOSED GROUNDWATER PRESERVATION FEE	AMOUNT OF INCREASE GPF	TOTAL MONTHLY INCREASE	TOTAL AMOUNT OF MONTHLY BILL	TOTAL PERCENT INCREASED
0	70.95	70.95	-	0.0%	0.00	0.00	0.00	0.00	70.95	0.0%
38,000	156.92	156.92	-	0.0%	36.10	36.10	0.00	0.00	193.02	0.0%
64,000	234.66	234.66	-	0.0%	60.80	60.80	0.00	0.00	295.46	0.0%
90,000	322.80	322.80	-	0.0%	85.50	85.50	0.00	0.00	408.30	0.0%
125,000	463.85	463.85	-	0.0%	118.75	118.75	0.00	0.00	582.60	0.0%

TABLE FOR MONTHLY CHARGES AND PERCENT INCREASE COMPARISON
FOR CUSTOMERS WITH A 2" METER
BASE RATE $ 113.53
COMMODITY RATE:

TIER 1 =	$	2.20	FOR 0 - 56,000 GALLONS
TIER 2 =	$	2.99	FOR 56,001 - 128,000 GALLONS
TIER 3 =	$	4.03	FOR 128,001 - 256,000 GALLONS
TIER 4 =	$	5.38	FOR ALL USAGE OVER 256,000 GALLONS

GALLONS USED IN 1 MONTH	BILL AT THE CURRENT RATE	BILL AT THE PROPOSED RATE	AMOUNT OF INCREASE Water Rate	PERCENT INCREASED Water Rate	CURRENT GROUNDWATER PRESERVATION FEE	PROPOSED GROUNDWATER PRESERVATION FEE	AMOUNT OF INCREASE GPF	TOTAL MONTHLY INCREASE	TOTAL AMOUNT OF MONTHLY BILL	TOTAL PERCENT INCREASED
0	113.53	113.53	-	0.0%	0.00	0.00	0.00	0.00	113.53	0.0%
57,000	239.72	239.72	-	0.0%	54.15	54.15	0.00	0.00	293.87	0.0%
128,000	452.01	452.01	-	0.0%	121.60	121.60	0.00	0.00	573.61	0.0%
250,000	943.67	943.67	-	0.0%	237.50	237.50	0.00	0.00	1,181.17	0.0%
325,000	1,339.07	1,339.07	-	0.0%	308.75	308.75	0.00	0.00	1,647.82	0.0%

INTERIM WHEELING THRU TUCSON - 1,500 AF

TABLE FOR MONTHLY CHARGES AND PERCENT INCREASE COMPARISON
FOR CUSTOMERS WITH A 3" METER
BASE RATE $ 227.05
COMMODITY RATE: TIER 1 = $ 2.20 FOR 0 - 112,000 GALLONS
TIER 2 = $ 2.99 FOR 112,001 - 256,000 GALLONS
TIER 3 = $ 4.03 FOR 256,001 - 512,000 GALLONS
TIER 4 = $ 5.38 FOR ALL USAGE OVER 512,000 GALLONS

GALLONS USED IN 1 MONTH	BILL AT THE CURRENT RATE	BILL AT THE PROPOSED RATE	AMOUNT OF INCREASE **Water Rate**	PERCENT INCREASED **Water Rate**	CURRENT **GROUNDWATER PRESERVATION FEE**	PROPOSED **GROUNDWATER PRESERVATION FEE**	AMOUNT OF INCREASE **GPF**	**TOTAL MONTHLY INCREASE**	TOTAL AMOUNT OF MONTHLY BILL	TOTAL PERCENT INCREASED
0	227.05	227.05	-	0.0%	0.00	0.00	0.00	0.00	227.05	0.0%
50,000	337.05	337.05	-	0.0%	47.50	47.50	0.00	0.00	384.55	0.0%
150,000	587.07	587.07	-	0.0%	142.50	142.50	0.00	0.00	729.57	0.0%
300,000	1,081.33	1,081.33	-	0.0%	285.00	285.00	0.00	0.00	1,366.33	0.0%
500,000	1,887.33	1,887.33	-	0.0%	475.00	475.00	0.00	0.00	2,362.33	0.0%

TABLE FOR MONTHLY CHARGES AND PERCENT INCREASE COMPARISON
FOR CUSTOMERS WITH A 4" METER
BASE RATE $ 354.77
COMMODITY RATE: TIER 1 = $ 2.20 FOR 0 - 175,000 GALLONS
TIER 2 = $ 2.99 FOR 175,001 - 400,000 GALLONS
TIER 3 = $ 4.03 FOR 400,001 - 800,000 GALLONS
TIER 4 = $ 5.38 FOR ALL USAGE OVER 800,000 GALLONS

GALLONS USED IN 1 MONTH	BILL AT THE CURRENT RATE	BILL AT THE PROPOSED RATE	AMOUNT OF INCREASE **Water Rate**	PERCENT INCREASED **Water Rate**	CURRENT **GROUNDWATER PRESERVATION FEE**	PROPOSED **GROUNDWATER PRESERVATION FEE**	AMOUNT OF INCREASE **GPF**	**TOTAL MONTHLY INCREASE**	TOTAL AMOUNT OF MONTHLY BILL	TOTAL PERCENT INCREASED
0	354.77	354.77	-	0.0%	0.00	0.00	0.00	0.00	354.77	0.0%
300,000	1,113.52	1,113.52	-	0.0%	285.00	285.00	0.00	0.00	1,398.52	0.0%
550,000	2,017.02	2,017.02	-	0.0%	522.50	522.50	0.00	0.00	2,539.52	0.0%
700,000	2,621.52	2,621.52	-	0.0%	665.00	665.00	0.00	0.00	3,286.52	0.0%
850,000	3,293.52	3,293.52	-	0.0%	807.50	807.50	0.00	0.00	4,101.02	0.0%

INTERIM WHEELING THRU TUCSON - 1,500 AF

TABLE FOR MONTHLY CHARGES AND PERCENT INCREASE COMPARISON
FOR CUSTOMERS WITH A 6" METER
BASE RATE $ 709.54
COMMODITY RATE:

TIER 1 =	$	2.20	FOR 0 - 860,000 GALLONS
TIER 2 =	$	2.99	FOR 860,001 - 2,000,000 GALLONS
TIER 3 =	$	4.03	FOR 2,000,001 - 3,500,000 GALLONS
TIER 4 =	$	5.38	FOR ALL USAGE OVER 3,500,000 GALLONS

GALLONS USED IN 1 MONTH	BILL AT THE CURRENT RATE	BILL AT THE PROPOSED RATE	AMOUNT OF INCREASE Water Rate	PERCENT INCREASED Water Rate	CURRENT GROUNDWATER PRESERVATION FEE	PROPOSED GROUNDWATER PRESERVATION FEE	AMOUNT OF INCREASE GPF	TOTAL MONTHLY INCREASE	TOTAL AMOUNT OF MONTHLY BILL	TOTAL PERCENT INCREASED
0	709.54	709.54	-	0.0%	0.00	0.00	0.00	0.00	709.54	0.0%
425,000	1,644.54	1,644.54	-	0.0%	403.75	403.75	0.00	0.00	2,048.29	0.0%
1,000,000	3,020.14	3,020.14	-	0.0%	950.00	950.00	0.00	0.00	3,970.14	0.0%
1,500,000	4,515.14	4,515.14	-	0.0%	1,425.00	1,425.00	0.00	0.00	5,940.14	0.0%
2,000,000	6,010.14	6,010.14	-	0.0%	1,900.00	1,900.00	0.00	0.00	7,910.14	0.0%

TABLE FOR MONTHLY CHARGES AND PERCENT INCREASE COMPARISON
FOR CUSTOMERS WITH A 8" METER
BASE RATE $ 1,135.26
COMMODITY RATE:

TIER 1 =	$	2.20	FOR 0 - 860,000 GALLONS
TIER 2 =	$	2.99	FOR 860,001 - 2,000,000 GALLONS
TIER 3 =	$	4.03	FOR 2,000,001 - 3,500,000 GALLONS
TIER 4 =	$	5.38	FOR ALL USAGE OVER 3,500,000 GALLONS

GALLONS USED IN 1 MONTH	BILL AT THE CURRENT RATE	BILL AT THE PROPOSED RATE	AMOUNT OF INCREASE Water Rate	PERCENT INCREASED Water Rate	CURRENT GROUNDWATER PRESERVATION FEE	PROPOSED GROUNDWATER PRESERVATION FEE	AMOUNT OF INCREASE GPF	TOTAL MONTHLY INCREASE	TOTAL AMOUNT OF MONTHLY BILL	TOTAL PERCENT INCREASED
0	1,135.26	1,135.26	-	0.0%	0.00	0.00	0.00	0.00	1,135.26	0.0%
425,000	2,070.26	2,070.26	-	0.0%	403.75	403.75	0.00	0.00	2,474.01	0.0%
1,000,000	3,445.86	3,445.86	-	0.0%	950.00	950.00	0.00	0.00	4,395.86	0.0%
1,500,000	4,940.86	4,940.86	-	0.0%	1,425.00	1,425.00	0.00	0.00	6,365.86	0.0%
2,000,000	6,435.86	6,435.86	-	0.0%	1,900.00	1,900.00	0.00	0.00	8,335.86	0.0%

INTERIM WHEELING THRU TUCSON - 1,500 AF

TABLE FOR MONTHLY CHARGES AND PERCENT INCREASE COMPARISON
FOR CUSTOMERS WITH A 6" METER - RECLAIMED WATER USE
BASE RATE $ 709.54
COMMODITY RATE: TIER 1 = $ 2.20 FOR ALL WATER USAGE
TIER 2 = N/A
TIER 3 = N/A
TIER 4 = N/A

GALLONS USED IN 1 MONTH	BILL AT THE CURRENT RATE	BILL AT THE PROPOSED RATE	AMOUNT OF INCREASE **Water Rate**	PERCENT INCREASED **Water Rate**	CURRENT **GROUNDWATER PRESERVATION FEE**	PROPOSED **GROUNDWATER PRESERVATION FEE**	AMOUNT OF INCREASE **GPF**	**TOTAL MONTHLY INCREASE**	TOTAL AMOUNT OF MONTHLY BILL	TOTAL PERCENT INCREASED
0	709.54	709.54	-	0.0%	0.00	0.00	0.00	-	709.54	0.0%
5,000,000	11,709.54	11,709.54	-	0.0%	2,500.00	2,500.00	-	-	14,209.54	0.0%
10,000,000	22,709.54	22,709.54	-	0.0%	5,000.00	5,000.00	-	-	27,709.54	0.0%
15,000,000	33,709.54	33,709.54	-	0.0%	7,500.00	7,500.00	-	-	41,209.54	0.0%
20,000,000	44,709.54	44,709.54	-	0.0%	10,000.00	10,000.00	-	-	54,709.54	0.0%