



City of Scottsdale
Water and Sewer Rate Report
Fiscal Year 2023/24

Prepared by:
City of Scottsdale Financial Services
And Water Resources Divisions
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I. Summary

As prescribed by the City of Scottsdale's adopted Comprehensive Financial Policies, the City sets rates for water and sewer customers based on an annually updated five-year financial plan for each enterprise fund. The five-year plans are used to ensure that rate charges generate sufficient revenues to cover costs of serving customers and to maintain adequate reserves in accordance with the City's adopted financial policies; reserve policies provide for contingencies and stabilize rate increases over the five-year planning period. As part of the comprehensive planning effort, the impact on the combined utility bill is carefully considered in determining the appropriate balance between rate increases and debt financing. To accomplish this objective, the City systematically incorporates marginal rate changes in conjunction with debt financing to avoid acute rate escalations at any point in time.

In accordance with its adopted financial policies, the City completed the annual updates to the comprehensive five-year financial plans that incorporate all projected operating and capital revenues and expenses to determine the cash needs of the water and sewer enterprise funds. To meet the cost recovery and revenue requirements identified in the updated plans and to achieve rate stabilization over the five-year planning period, the City is proposing modifications to the water and sewer rates which will increase annual revenues by approximately 4.2 percent for water and 5.8 percent for sewer. The City is also proposing changes to miscellaneous charges to meet cost recovery requirements for services provided to specific customers.

Based on the updated five-year financial plans, a synopsis of cost impacts is explained below:

Water –The water enterprise fund is impacted by multiple cost factors over the five-year planning period including:

- Operating cost increases for raw water to include Tier 2a Drought Contingency Plan (DCP) drought pricing, put in place by Central Arizona Project (CAP),
- Increasing actions and costs required for drought preparedness through enhancement of conservation measures and messaging,
- Additional staff to support Conservation efforts and Compliance,
- Increasing cost for replacing and repairing aging infrastructure,
- New groundwater treatment operating costs to improve the reliability and water quality of south Scottsdale wells,
- Operating cost increases for personnel services and benefits.

Increases to base fees are proposed to better reflect the recovery of fixed operating costs and adjusted to capture the demand availability designed into the system. Increases to commodity rates are proposed to generate sufficient revenues to maintain the water fund as a self-sustaining enterprise, encourage efficient water use and urge conservation.

Overall, the water base fee and commodity rate changes are forecasted to generate an annual revenue increase of approximately \$4.8 million or 4.2% and become effective November 1, 2023.

The current and proposed base fees and commodity rates are as follows:

Base Fees (All Customers)		
Size	Current	Proposed
5/8" Meter	\$14.55	\$15.05
3/4" Meter	\$18.75	\$19.40
1" Meter	\$26.65	\$27.55
1.5" Meter	\$43.65	\$45.15
2" Meter	\$58.20	\$60.20
3" Meter	\$116.40	\$120.40
4" Meter	\$181.92	\$188.20
6" Meter	\$363.75	\$376.25
8" Meter	\$509.25	\$526.75

Residential Commodity Rates and Tiers						
Tier	Current			Proposed		
	Rate	From	To	Rate	From	To
1	\$1.65	0	5,000	\$1.65	0	5,000
2	\$3.00	5,001	12,000	\$3.10	5,001	12,000
3	\$4.05	12,001	25,000	\$4.25	12,001	20,000
4	\$5.50	25,001	40,000	\$5.70	20,001	30,000
5	\$6.75	Over	40,000	\$7.05	Over	30,000
Rates are Per 1,000 Gallons						

Commercial/Landscaping Commodity Rates and Tiers						
Tier	Current			Proposed		
	Rate	From	To	Rate	From	To
1	\$1.65	0	5,000	\$1.65	0	5,000
2	\$3.00	5,001	12,000	\$3.10	5,001	12,000
3	\$4.05	12,001	25,000	\$4.25	12,001	20,000
4	\$5.35	Over	25,000	\$5.70	Over	20,000
Rates are Per 1,000 Gallons						

The proposed water rate schedule is presented as Exhibit A.

Wastewater – The wastewater enterprise fund is impacted by multiple cost factors over the five-year planning period including:

- Operating cost increases related to ongoing supply challenges and systemwide operations,
- Increasing cost for replacing and repairing aging infrastructure,
- Maintenance cost increases of system infrastructure due to increased system demand,
- Operating cost increases for personnel services and benefits.

Increases to base fees are proposed to better reflect the recovery of fixed operating costs and adjusted to capture the demand availability designed into the system. Adjustments to volumetric rates are proposed to generate sufficient revenues to maintain the wastewater fund as a self-sustaining enterprise and reflect the cost of wastewater loadings by customer class. The net impact of these adjustments ensure sufficient revenues are generated and an allocation of proportionate costs to cost drivers.

Overall, the base fee and volumetric rate changes are forecasted to generate an annual revenue increase of approximately \$2.7 million or 5.8% and effective July 1, 2023.

The current and proposed base fees and volumetric rates are as follows:

Base Fees (All Customers)		
Size	Current	Proposed
5/8" Meter	\$5.80	\$6.50
3/4" Meter	\$5.80	\$6.50
1" Meter	\$5.80	\$6.50
1.5" Meter	\$34.80	\$39.00
2" Meter	\$81.20	\$91.00
3" Meter	\$104.40	\$117.00
4" Meter	\$153.00	\$171.50
6" Meter	\$290.00	\$325.00
8" Meter	\$406.00	\$455.00

Customer Category	Current	Proposed
Single Family Residential	\$2.71	\$2.82
Multi-Family Residential	\$2.71	\$2.82
Commercial Without Dining	\$2.71	\$2.82
Commercial with Dining	\$4.32	\$4.50
Hotels without Dining	\$2.71	\$2.82
Hotels with Dining	\$4.32	\$4.50
Car Washes	\$2.71	\$2.82
Commercial Laundry	\$3.56	\$3.70
Laundromats	\$2.71	\$2.82
Metal Platers	\$3.09	\$3.22
Restaurants/Bakeries	\$5.83	\$6.07
Service Station Auto Repair	\$2.73	\$2.84
Medical Institutions	\$2.71	\$2.82
Schools	\$2.71	\$2.82
Rates are Per 1,000 Gallons		

The proposed sewer rate schedule is presented as Exhibit B.

Water and Wastewater Miscellaneous Charges - To address cost recovery, Water Hauler, Hydrant Meter, and Bulk water volumetric rates are proposed in addition to increases to miscellaneous charges to meet the City's financial policy that charges recover all direct and indirect costs of service. These miscellaneous

rates and charges are assessed to specific users of the service so that general rate payers do not bear the burden. The proposed miscellaneous rates and charge changes include:

- Residential water hauler volumetric rate*
- Commercial water hauler volumetric rate*
- Hydrant meter volumetric rate
- Bulk water volumetric rate
- Water meters, delivery, and service lines and fire lines (all sizes)
- Move service and/or meter up to 15 feet
- Raise/lower meter
- Same day service charge
- Meter shop test
- Turn offs
- Turn on/off within 24 hour period
- Check for leaks
- Water Main Shutdown
- Hydrants Installation, Removal, Relocation or Construction Meters
- Meter Removal
- Trip charge

*Service is no longer provided

The effective increases to water miscellaneous rates and charges are forecasted to increase total revenues by \$86,557. Additionally, volumetric rate changes will become effective on November 1, 2023 while other charges will become effective July 1, 2023.

There are no changes proposed for wastewater miscellaneous rates or charges.

Changes to the City Code for housekeeping updates, including processes, definitions and titles are proposed to be effective July 1, 2023.

II. Background

The City of Scottsdale Water Resources Division's mission is *"Provide simply better sustainable water services for a world class community."*

To accomplish this mission, the City incurs costs related to the operation, maintenance and construction of its water and sewer systems. Following are some of the primary factors affecting the water and sewer costs of operation and capital program:

- **Compliance with the Groundwater Management Act** – With the passage of the Arizona Groundwater Management Act (GMA) in 1980, the Phoenix Active Management Area was created to reduce groundwater withdrawals to a point where "safe-yield" is achieved by year 2025. "Safe-yield" is achieved when the groundwater withdrawals equal the amount of groundwater that is naturally or artificially recharged (i.e., zero groundwater mining). The GMA also requires the City to demonstrate

a 100-year Assured Water Supply for existing committed and future demand. These requirements impact cost in three ways:

- **Source of supply** – additional water supplies were obtained and include surface water purchases/leases and/or groundwater recharge in compliance with the GMA;
 - **Treatment** – surface and reclaimed water require more treatment than groundwater;
 - **Distribution** – an increased distribution system is required when treatment is from a central facility rather than from local wells.
- **Compliance with Federal and State Water Quality Standards** – The Safe Drinking Water Act and the Clean Water Act set the standards for water treatment/delivery and sewer treatment/collection, respectively. As the level of these standards has become more stringent, the City's compliance costs have also increased. Most recently, the Stage 2 Disinfectants and Disinfection Byproducts (DBP) Rule has caused a major escalation of costs for both capital improvements and operating costs. The City currently meets the EPA Stage 2 DBP Rule which requires a compliance limit of 80 parts per billion at individual locations. Also, the Lead and Copper revisions finalized in 2021 require water systems to perform a full materials inventory of both public and private water service lines and make the results public by October 2024. In addition, sampling at all primary schools and daycares is required along with sampling of 100 residents based on the outcome of the inventory. The EPA announced its intention to regulate a new group of chemicals, PFAS (perfluoralkyl substances), in drinking water, stormwater and reclaimed water in early 2023. This new rule will add a significant increase to monitoring for these substances.
 - **Geography and Dispersed Population** - The City's population is distributed over 185 square miles. The water system includes 18 service zones due to mountainous terrain. Elevations increase over 2,300 feet, rising generally from the south to the north and east, greatly affecting electricity, maintenance, water distribution and sewer collection costs.
 - **Major Water Capital Projects**

Water Distribution System Improvements – Systemwide improvements due to aging system and increased demand, including downtown revitalization. The project includes replacing mains, pressure regulating valves, meters, and design and construction of new mains located throughout the system to improve service and reduce operating costs. The project also includes inspections, design, repair and replacement of water storage reservoirs and pump stations, and replacement of existing small mains to meet fire flow requirements as set forth by City ordinance.

Deep Well Recharge/Recovery Projects – Design and construct deep well recharge and recovery facilities to ensure long term sustainability of the city's drinking water aquifer. The city uses this aquifer for both the long-term and short-term storage of water and needs improved capacity to store more water to meet 'Safe Yield' and enhance drought preparedness. This program will determine the best areas for this to occur and design and construct wells to best meet the city's needs.

Water Treatment Facility Improvements – Improve the water treatment facilities due to aging components. This project will include design, maintenance, and construction modifications to various water treatment plant infrastructure. In addition, the design and replacement of pump stations and storage tanks will be conducted as identified in the Asset Management Program.

Booster Station Upgrades – Rehabilitate multiple potable water booster stations and associated equipment that have reached their useful lives. Many of the facilities were constructed by developers, are more than 25 years old and no longer meet current accepted design standards.

- **Major Sewer Capital Projects**

Wastewater System Improvements – Design and construct sewer lines, complete treatment plant work and rehabilitate sewer manholes in the aging sewer system. Certain existing sewer infrastructure has been in use for over 30 years and is in need of rehabilitation. Sewer lines will be videotaped to review condition, design will be initiated to correct identified problems, and projects initiated where necessary. Additionally, undersized sewer lines will be replaced with new infrastructure supporting redevelopment associated with downtown revitalization.

Wastewater Treatment Facility Expansion and Improvements – Design and construct treatment plant expansion and modifications at the Scottsdale Water Campus Reclamation Plant. This includes rehabilitation and replacement of wastewater headworks, piping, clarifiers, pumps, filters, electrical and control systems, heating, ventilation, and air conditioning (HVAC) equipment, odor control infrastructure, disinfection, and other chemical systems. This also provides for other miscellaneous site work such as access drives, shade canopies, grading improvements and site lighting.

New Pumpback – Design and construct a new pumpback facility which will reside geographically further south than the existing pumpback framework. This facility will capture additional sewer flows which can be pushed north to the Wastewater Reclamation Facility and processed, enhancing the city’s existing effluent and reuse programs.

Infrastructure Asset Management and Condition Assessment - Perform Asset Management Program (AMP) assessment which consists of 40% of one professional position. Additionally, fund engineering support for the asset management program and the associated regular condition assessments of water infrastructure.

Sanitary Sewer Lateral Rehabilitation – Rehabilitate or replace failing sewer service laterals located within the public right-of-way.

- **Water and Sewer Rate Structures**

Water Rate Structure - Water rate structures play an essential role in communicating the value of water to customers, thus promoting long-term efficient use. Increasing block rate structures most effectively communicate this message and encourages efficient water use when compared to other types of rate structures. Through this increasing block rate design, the unit price for water increases as the volume consumed increases, with prices being set for each “block” of water use. Customers who use low volumes of water are charged a modest unit price and rewards conservation efforts; those using higher volumes pay higher unit prices.

The City’s water rate structure consists of a monthly base service charge, which is based on the size of the water meter, and a monthly volume/commodity charge. The base service charge represents the cost of having water available for use 24 hours a day, seven days a week all year long. The larger the meter, the larger the volume of water capacity is reserved for that customer. A five-tier increasing block rate structure is used to determine the water volume charge for single family residential

accounts. A four-tier increasing block rate structure is used for multi-family residential, commercial/industrial, and non-residential landscape/irrigation customers.

The tiers are intended to provide a pricing incentive to differentiate between responsible water use and excessive use primarily associated with high levels of outdoor watering of turf areas with treated drinking water.

Sewer Rate Structure – The City’s sewer rate structure consists of a monthly base service charge and a monthly volume charge. The base service charge is based on the size of the water meter, and the monthly volume charge is based on water consumption. Similar to water, the base charge represents the capacity of the sewer system to accept, transport and treat wastewater 24 hours a day, seven days a week all year long. To determine the volume, sewer customers are billed based on 90% of the average water consumption billed in December, January and February. This volume is applied annually in July and remains unchanged through June. If a customer experiences an unusual amount of indoor and/or outdoor water use during these months, the customer may request an adjustment by completing a “Water Resources Sewer Adjustment Request Form”.

- **Rate History and Benchmarking**

Rate History – During the City’s comprehensive planning efforts, a cost-conscious approach is considered to keep the combined increases to water and sewer rates at or below the change in the Consumer Price Index. The City has been consistently below the CPI for the last ten years as shown in the table below.

SUMMARY OF ANNUAL UTILITY RATE INCREASES

Fiscal Year	Water % Increase	Sewer % Increase	Weighted % Increase	CPI*
2013/14	-1.8%	4.0%	-0.1%	3.6%
2014/15	0.0%	-1.2%	-0.4%	4.6%
2015/16	1.3%	2.6%	1.7%	3.8%
2016/17	0.0%	0.0%	0.0%	3.4%
2017/18	2.9%	2.6%	2.8%	3.2%
2018/19	2.8%	1.5%	2.5%	4.5%
2019/20	3.0%	2.0%	2.7%	2.2%
2020/21	0.0%	1.5%	0.4%	3.6%
2021/22	2.7%	2.4%	2.6%	3.3%
2022/23	3.4%	4.7%	3.8%	4.9%

* This is the percentage change for "Water, sewer and trash collection services" as reported by the US Department of Labor in the Consumer Price Index Report (CPI-U), Table 1. Consumer Price Index for All Urban Consumers (CPI-U): U.S. city average, by expenditure category and commodity and service group.

- **Benchmarking** - The following table presents the proposed monthly utility charges in comparison with other local communities. Comparison is based on use of a 5/8-inch water meter, 11,500 gallons of water consumption, 8,000 gallons of sewer collection.

City or Town	Water Charges	Sewer Charges	Total Bill Excluding Taxes
Chandler	\$ 27.57	\$ 27.65	\$ 55.22
Gilbert	\$ 38.48	\$ 24.73	\$ 63.21
Tempe	\$ 42.71	\$ 25.02	\$ 67.73
COS Adopted	\$ 42.30	\$ 27.48	\$ 69.78
COS Proposed	\$ 43.45	\$ 29.06	\$ 72.51
Peoria	\$ 49.59	\$ 29.05	\$ 78.64
Phoenix	\$ 45.80	\$ 33.35	\$ 79.14
Glendale	\$ 50.97	\$ 49.14	\$ 100.11
Mesa	\$ 67.39	\$ 41.51	\$ 108.90

Although Scottsdale’s water charges are higher than some cities there are system characteristics that significantly impact the costs which include but are not limited to:

- A heavier reliance on the more expensive Central Arizona Project surface water supplies versus the significantly less expensive Salt River Project (SRP) water supplies;
- Larger impacts of arsenic regulations on Scottsdale’s groundwater supplies and
- Significant elevation changes in the distribution system which require increased electrical power costs to deliver water.

III. Financial Planning Process

In conjunction with the budget process and based on the most current Water Resources Master Plans, the City develops and maintains a comprehensive multi-year Water Resources Financial Plan, which is updated annually. The plan consists of projections of operating and capital costs of the water and sewer systems, as well as projections of funding from user rates, development fees, bond issuances, interest earnings, inter-fund loans, and existing cash balances of the funds. The plan also considers projected changes to three required reserves:

- 1) the Operating Reserves funded at 25% of operating uses, excluding transfers out and debt service as required by the City's adopted Comprehensive Financial Policies,
- 2) the Water and Wastewater Asset Replacement Reserve funded at 2 percent of the undepreciated book value of the tangible fixed assets, as required by the City's adopted Comprehensive Financial Policies;
- 3) the Revenue Bond Debt Service Reserve funded at the highest remaining annual debt service installment, as required by bond indenture.

The plan considers two voluntary additional reserves, the first for drought planning which can be used upon the formal declaration of a Lower Basin Drought Contingency Plan Tier 1 or greater reduction in the Arizona CAP supplies and drought pricing for surface water. The second, reserves for operating contingency in both the water and sewer funds, \$3M and \$2M, respectively for unforeseen requirements which occur outside of the annual budget planning process. In addition to the above reserves, the plan considers the capital/rate stabilization balance.

Consistent with American Water Works Association (AWWA) [Principles of Water Rates, Fees and Charges](#), the City bases its water and sewer rate increases on the cash need projections shown in the financial plan for the prospective five-year period, currently fiscal year 2023/24 through fiscal year 2027/28.

Water Resources Financial Planning Objectives:

- To maintain a comprehensive financial plan which incorporates all projected operating and capital revenue and expense of the water and sewer funds for the planning period;
- To maintain a minimum debt coverage ratio which targets at least 2.0 times for Water and Wastewater. This aligns with the adopted Comprehensive Financial Policies and seeks to ensure the City maintains a high bond rating in times of revenue fluctuations attributable to weather or other causes, and to ensure a balanced pay-as-you-go Capital Improvement Plan;
- To maintain expansion and replacement reserves equal to 2% of assets in accordance with the City's Adopted Comprehensive Financial Policies;
- To provide an operating reserve funded at 25% of operating uses, excluding transfers out or debt service, of budgeted operational expenditures in accordance with the City's adopted Comprehensive Financial Policies;
- To maintain a capital/rate stabilization balance to fund the capital program and evenly distribute necessary operating rate increases over time to minimize dramatic rate escalations in any one year;
- To maintain and fund the water and sewer funds as separate, self-sustaining enterprise funds;

- To continue to develop a cost-based rate structure encouraging water conservation;
- To maintain a development fee program which reflects current growth projections and capital needs so that growth is paying a proportionate share of these costs.

The City accomplishes these financial planning objectives through the following activities:

- Periodic review of Water Resources Master Plans and the Asset Management Plan to ensure that existing and planned infrastructure and water supplies continue to be adequate to provide reliable service to existing customers and meet growth projections and that the Water Resources Capital Improvement Program incorporates these needs.
- Annual review and update of the financial plan to ensure that the plan reflects enough revenues to fund operating and capital cost projections, including the impact of any new state or federal regulations.
- Periodic review and adjustment of development fees to ensure that new development pays for a “proportionate share” of the capital cost of infrastructure capacity needed for growth.
- Annual review and adjustment of water and sewer rates. The City desires to keep utility bills affordable for its customers and, as part of the comprehensive planning effort, carefully considers the impact on the combined utility bill in determining the appropriate balance between rate increases and debt financing. To accomplish this, the City has a systematic planned approach that incorporates marginal rate changes from year to year in conjunction with debt financing.

The following chart summarizes the forecasted cash flows for the water and sewer enterprise funds for the five-year period. Following this chart are descriptions of the sources and uses of funds. Annual detail is presented in Section IV.

Sources and Uses of Funds
FY 2023/24 Through FY 2027/28
Amounts in \$Millions
Water and Sewer Enterprise Funds

	Water Fund	Sewer Fund
Sources of Funds		
Beginning Cash	\$154.7	\$56.3
Rate Revenues*	670.2	314.7
Other Revenues*	42.7	21.8
Development Fee Revenues*	13.8	8.8
Bond Issue	<u>125.0</u>	<u>125.0</u>
Total Sources of Funds	1,006.3	526.5
Uses of Funds		
Operating Expenses	378.6	135.2
Operating Transfers	54.8	23.4
Debt Service	95.0	54.1
Capital Improvements	<u>305.2</u>	<u>189.9</u>
Total Uses of Funds	833.6	402.5
Ending Cash Balance	<u><u>172.8</u></u>	<u><u>123.9</u></u>
Less Required Reserves		
Operating Reserve	20.6	7.7
Operating Contingency	3.0	2.0
Expansion & Replacement Reserve	34.7	17.5
Revenue Bond Reserve	9.2	9.2
Drought Reserve	<u>5.0</u>	<u>0.0</u>
Capital/Rate Stabilization Balance	<u><u>\$100.2</u></u>	<u><u>\$87.6</u></u>

*Cash flow projections for residential and nonresidential customers
Note: Minor differences due to rounding

Sources of Funds

Beginning Cash - Previously accumulated cash balances will contribute to the total funding sources.

Rate Revenues - Charges for services provided to the customer, such as base and commodity charges in the water fund or base and volume charges in the sewer fund.

Other Revenues - Charges for various services provided, including but not limited to account initiation charges, connection charges, unmetered sales charges, penalties and interest earnings on cash balances.

Development Fee Revenues - Fees to compensate the City for the additional costs of water and sewer infrastructure and water purchases which are driven by development. The City currently charges two types of development fees:

- **Water and Water Resources Development Fees** - For the cost of new or expanded facilities for the supply, transportation, treatment, purification, and distribution of water, and the pumping and storage infrastructure required to serve new growth. Additionally, water supply is an essential part of water services. A portion of the water fee attributable to new growth for water supply pays for acquiring, transporting, treating, and managing recharge to and recovery from underground aquifers, new or renewable water supplies required to serve new growth, while
- **Wastewater Development Fees** - pay for the cost of sewers, lift stations, reclamation plants, wastewater treatment plants and facilities for the collection, interception, treatment, transportation, and disposal of wastewater and any appurtenances for new or expanded facilities required to serve new growth.

Uses of Funds

Operating Expenses - Expenditures incurred to provide services to customers and are recovered through water and sewer rates and charges. These include the expenses of the Water Resources Division as well as expenses of the Treasurer's Office connected with water and sewer billings and collections.

Operating Transfers - Transfers to the City's general fund for use of assets or for services provided, including:

- **Indirect cost allocation** - A general allocation charge for services provided by the general fund for the benefit of the water and sewer funds.
- **Franchise fees** - A reimbursement to the general fund for the utility's use of City streets and rights-of-way. This fee is currently 5.0 percent of the operating revenues of the utility funds.

Debt Service - Annual principal and interest expense for repayment of borrowed funds. A portion of the interest will be repaid from development fee revenues for expenditures associated with growth-related projects.

Capital Improvement - Expenditures for expansion, rehabilitation and replacement

of water and sewer infrastructure derived from the most recently updated water and sewer capital improvement plan.

IV. Five Year Financial Plan

The Water and Sewer Five Year Financial Plan for fiscal year 2023/24 through fiscal year 2027/28 begins with forecasted cash balances totaling \$154.7 million for water and \$56.3 million for sewer.

The water and sewer five-year financial plan forecast the following rate increases:

	2023/24	2024/25	2025/26	2026/27	2027/28
Water	4.2%	3.0%	3.0%	3.0%	3.0%
Sewer	5.8%	5.0%	5.0%	5.0%	5.0%

Total forecasted rate revenues for the five-year period are \$670.2 million for water and \$314.7 million for sewer. Additionally, both water and sewer have programmed bond issuances within the next five years to offset the cost of the capital program with water totaling \$125.0 million and sewer totaling \$125.0 million.

Forecasted operating expenses and transfers for the five-year period total \$433.3 million for water and \$158.5 million for sewer; these forecasts include inflationary cost increases and anticipated operating impacts from capital projects that become operational during the planning period. If inflationary costs do not occur, future year rate increases will be reduced.

The most significant area impacting the five-year plan is the forecasted capital improvement plan expenditures that total \$495.1 million for water and sewer. Forecasted capital expenditures are expected to peak in fiscal year 2026/27 with a combined water and sewer total of \$110.0 million.

The following pages provide annual detail for fiscal year 2023/24 through fiscal year 2027/28.

Sources and Uses of Funds
FY 2023/24 Through FY 2027/28
Amounts in \$Millions
Water Enterprise Fund

	<u>2023/24</u>	<u>2024/25</u>	<u>2025/26</u>	<u>2026/27</u>	<u>2027/28</u>	<u>Recap</u>
Sources of Funds						
Beginning Cash	\$154.7	\$130.3	\$166.4	\$146.6	\$123.4	\$154.7
Rate Revenues*	126.4	130.0	133.9	137.9	142.0	670.2
Other Revenues*	8.0	8.9	9.7	8.1	8.0	42.7
Development Fee Revenues*	2.8	2.8	2.8	2.8	2.8	13.8
Bond Issuance	0.0	50.0	0.0	0.0	75.0	125.0
Total Sources of Funds	291.9	321.9	312.7	295.4	351.2	1,006.3
Uses of Funds						
Operating Expenses	71.1	71.9	75.6	78.3	81.7	378.6
Operating Transfers	10.2	10.5	10.9	11.3	11.8	54.8
Debt Service	21.0	16.0	19.7	19.4	18.9	95.0
Capital Improvements	59.3	57.0	59.9	62.9	66.0	305.2
Total Uses of Funds	161.6	155.5	166.1	172.0	178.4	833.6
Ending Cash Balance	130.3	166.4	146.6	123.4	172.8	\$172.8
Less Required Reserves						
Operating Reserve	17.9	18.1	19.1	19.8	20.6	
Operating Contingency	3.0	3.0	3.0	3.0	3.0	
Expansion & Replacement Reserve	30.0	31.2	32.3	33.5	34.7	
Revenue Bond Reserve	0.0	3.7	3.7	3.7	9.2	
Drought Reserve	5.0	5.0	5.0	5.0	5.0	
Capital/Rate Stabilization Balance	\$74.4	\$105.5	\$83.6	\$58.5	\$100.2	
Debt Coverage Ratio	6.4%	8.7%	7.3%	7.5%	7.9%	

*Cash flow projections for residential and nonresidential customers
Note: Minor differences due to rounding

Sources and Uses of Funds
FY 2023/24 Through FY 2027/28
Amounts in \$Millions
Sewer Enterprise Fund

	<u>2023/24</u>	<u>2024/25</u>	<u>2025/26</u>	<u>2026/27</u>	<u>2027/28</u>	<u>Recap</u>
Sources of Funds						
Beginning Cash	\$56.3	\$56.0	\$117.0	\$97.3	\$76.2	\$56.3
Rate Revenues*	57.5	60.1	62.8	65.6	68.7	314.7
Other Revenues*	4.1	4.4	4.8	4.2	4.2	21.8
Development Fee Revenues*	1.8	1.8	1.8	1.8	1.8	8.8
Bond Issue	0.0	75.0	0.0	0.0	50.0	125.0
Total Sources of Funds	119.7	197.3	186.3	168.9	200.8	526.5
Uses of Funds						
Operating Expenses	25.5	26.1	26.9	27.7	28.9	135.2
Operating Transfers	4.2	4.5	4.7	4.9	5.1	23.4
Debt Service	7.5	7.0	12.6	13.0	13.9	54.1
Capital Improvements	26.4	42.7	44.8	47.1	29.0	189.9
Total Uses of Funds	63.6	80.3	89.0	92.7	76.9	402.5
Ending Cash Balance	56.0	117.0	97.3	76.2	123.9	\$123.9
Less Required Reserves						
Operating Reserve	6.8	7.0	7.2	7.4	7.7	
Operating Contingency	2.0	2.0	2.0	2.0	2.0	
Expansion & Replacement Reserve	14.2	14.8	15.6	16.5	17.5	
Revenue Bond Reserve	0.0	5.5	5.5	5.5	9.2	
Capital/Rate Stabilization Balance	\$33.0	\$87.8	\$67.0	\$44.8	\$87.6	
Debt Coverage Ratio	8.2%	9.2%	5.4%	5.4%	5.3%	

*Cash flow projections for residential and nonresidential customers
Note: Minor differences due to rounding

Capital Project Expenditure – Cash Flow Forecast

FY 2023/24 Through FY 2027/28

Amounts in \$ Millions

Water and Sewer Enterprise Funds

<u>Project Description</u>	<u>2023/24</u>	<u>2024/25</u>	<u>2025/26</u>	<u>2026/27</u>	<u>2027/28</u>	<u>Total</u>
Water Distribution System Improvements	32.9	17.0	21.1	33.0	25.0	128.9
SROG Regional Wastewater Facilities	5.0	5.0	17.1	8.5	11.2	46.7
Reclamation Plant Expansion	-	46.0	-	-	-	46.0
Water Treatment Facility Improvements	10.0	4.0	14.0	5.0	7.1	40.1
New Pumpback	3.0	26.9	-	-	-	29.9
Desert Mountain Redundant Source of Supply	-	-	-	28.4	-	28.4
CAP WTP Pima Road Transmission Main Improvements	-	-	-	18.9	-	18.9
Booster Station Upgrades	2.0	1.3	3.8	4.5	6.5	18.1
Wastewater System Improvements	5.4	1.3	2.5	1.1	2.6	12.9
Rio Verde/128th Street Transmission Mains	12.7	-	-	-	-	12.7
Water Meter Replacement Program	2.0	2.5	2.0	3.0	3.0	12.5
Wastewater Treatment Facility Improvements	4.0	3.8	2.3	-	2.1	12.1
Water Treatment Plant Membranes	1.2	2.3	2.3	2.3	2.8	10.8
ASR Well 53A	9.1	-	-	-	-	9.1
Deep Well Recharge/Recovery Projects	8.3	0.1	0.1	-	-	8.5
State Land - Water System Improvements	-	6.7	-	-	-	6.7
Scottsdale Road/McKellips Road Sewer Improvements	-	6.3	-	-	-	6.3
State Land Near Legend Trails - Water Main	-	-	-	6.2	-	6.2
Radio Telemetry Monitoring Automation Citywide - Water	0.6	1.4	1.1	1.5	1.6	6.1
Frank Lloyd Wright 24-inch Transmission Main & Booster Station 83B Modifications	6.0	-	-	-	-	6.0
Greenway Hayden Loop Sewer Improvements	-	6.0	-	-	-	6.0
Covey Trail Sewer Improvements	5.7	-	-	-	-	5.7
64th Street Sewer Improvements	-	-	-	5.1	-	5.1
Technology Master Plan Identified Water Projects	1.2	0.8	1.1	0.3	1.6	5.0
Miscellaneous & CPI Adjustments	10.2	23.0	8.4	26.5	6.6	74.8
Cash Flow and Inflation Adjustment	119.2	154.3	75.6	144.2	70.1	563.4

Exhibits

The following exhibits include the proposed water and sewer rate schedules.

Exhibit A – Proposed Water Rates Schedule



Water Rates Schedule

Proposed Effective Nov 1, 2023

Source: City of Scottsdale Revised City Code, Section 49-48

BASE FEES	
All Customer Classes	
5/8"	\$15.05
3/4"	\$19.40
1"	\$27.55
1 1/2"	\$45.15
2"	\$60.20
3"	\$120.40
4"	\$188.20
6"	\$376.25
8"	\$526.75

COMMODITY RATES			
Tier #	Rate per 1,000 Gal	Gallons of Use	
Single Family Residential and Landscape/Irrigation by Single Family			
		From	To
1	\$1.65	0	5,000
2	\$3.10	5,001	12,000
3	\$4.25	12,001	20,000
4	\$5.70	20,001	30,000
5	\$7.05	Over 30,000	
Multi-Family Residential/ Commercial/Industrial/ Non-Residential			
		From	To
1	\$1.65	0	5,000
2	\$3.10	5,001	12,000
3	\$4.25	12,001	20,000
4	\$5.70	Over 20,000	
Landscape/Irrigation by Multi-Family Residential/ Commercial/Industrial/ Non-Residential			
		From	To
1	\$1.65	0	5,000
2	\$3.10	5,001	12,000
3	\$4.25	12,001	20,000
4	\$5.70	Over 20,000	

Notes:

In addition to the rates charged in this section: 1) a stormwater account charge of seven dollars and ten cents (\$7.10) and 2) a State of Arizona water quality assurance fee of \$0.0065 per 1,000 gallons will be added to the total of all water charges calculated in accordance with the above rate schedules. Applicable privilege tax and other taxes will be added.


Outside of City customers are charged a surcharge up to fifteen percent (15%) applied to the base fee and commodity rates described above.

Effective July 1, 2021: In addition to the base fees above, residential and commercial water haulers are assessed a commodity rate equal to the Single Family Residential and Landscape/Irrigation by Single Family fifth tier rate.

Treasury Department – Utility Billing Office

7447 E Indian School Road, Suite 110, Scottsdale, AZ 85251 • Phone: 480-312-2461 • Fax: 480-312-4803

Exhibit B - Proposed Wastewater Rates Schedule

	<h1 style="color: red;">Wastewater/Sewer Rates Schedule</h1> <h2 style="color: red;">Proposed Effective July 1, 2023</h2>																																																																					
	Source: City of Scottsdale Revised City Code, Section 49-141																																																																					
<table border="1"> <thead> <tr> <th rowspan="2">User Category</th> <th colspan="3">Charge Per 1,000 Gallons⁽¹⁾</th> </tr> <tr> <th>O & M</th> <th>Capital</th> <th>Total</th> </tr> </thead> <tbody> <tr><td>Single-family Residential</td><td>\$1.27</td><td>\$1.55</td><td>\$2.82</td></tr> <tr><td>Multi-family Residential</td><td>\$1.27</td><td>\$1.55</td><td>\$2.82</td></tr> <tr><td>Commercial without dining</td><td>\$1.27</td><td>\$1.55</td><td>\$2.82</td></tr> <tr><td>Commercial with dining</td><td>\$2.02</td><td>\$2.48</td><td>\$4.50</td></tr> <tr><td>Hotels, motels without dining</td><td>\$1.27</td><td>\$1.55</td><td>\$2.82</td></tr> <tr><td>Hotels, motels with dining</td><td>\$2.02</td><td>\$2.48</td><td>\$4.50</td></tr> <tr><td>Carwashes</td><td>\$1.27</td><td>\$1.55</td><td>\$2.82</td></tr> <tr><td>Commercial Laundry</td><td>\$1.66</td><td>\$2.04</td><td>\$3.70</td></tr> <tr><td>Laundromats</td><td>\$1.27</td><td>\$1.55</td><td>\$2.82</td></tr> <tr><td>Metal Platers</td><td>\$1.45</td><td>\$1.77</td><td>\$3.22</td></tr> <tr><td>Restaurants; bakeries</td><td>\$2.73</td><td>\$3.34</td><td>\$6.07</td></tr> <tr><td>Service station auto repair</td><td>\$1.28</td><td>\$1.56</td><td>\$2.84</td></tr> <tr><td>Medical Institutes</td><td>\$1.27</td><td>\$1.55</td><td>\$2.82</td></tr> <tr><td>Schools</td><td>\$1.27</td><td>\$1.55</td><td>\$2.82</td></tr> <tr><td>Non-compliant</td><td>See below</td><td>See below</td><td>See below</td></tr> </tbody> </table>				User Category	Charge Per 1,000 Gallons ⁽¹⁾			O & M	Capital	Total	Single-family Residential	\$1.27	\$1.55	\$2.82	Multi-family Residential	\$1.27	\$1.55	\$2.82	Commercial without dining	\$1.27	\$1.55	\$2.82	Commercial with dining	\$2.02	\$2.48	\$4.50	Hotels, motels without dining	\$1.27	\$1.55	\$2.82	Hotels, motels with dining	\$2.02	\$2.48	\$4.50	Carwashes	\$1.27	\$1.55	\$2.82	Commercial Laundry	\$1.66	\$2.04	\$3.70	Laundromats	\$1.27	\$1.55	\$2.82	Metal Platers	\$1.45	\$1.77	\$3.22	Restaurants; bakeries	\$2.73	\$3.34	\$6.07	Service station auto repair	\$1.28	\$1.56	\$2.84	Medical Institutes	\$1.27	\$1.55	\$2.82	Schools	\$1.27	\$1.55	\$2.82	Non-compliant	See below	See below	See below
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<p>Notes: The monthly wastewater service charge is calculated by multiplying 90% of the customer's average winter consumption for the prior December, January and February by the rates shown above. In addition to the O & M and Capital charges, all wastewater users shall pay a base fee for all customer classes as follows:</p>																																																																						
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