

Report amended on March 30, 2021 for a clerical error appearing in the Notes on Exhibit A.



**City of Scottsdale
Water and Sewer Rate Report
Fiscal Year 2021/22**

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March 10, 2021**

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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 2.7 percent for water and 2.4 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:

- Increasing cost for replacing and repairing aging infrastructure,
- Operating cost increases for raw water and treatment chemicals,
- Operating cost increases for contractual services necessary for treating raw water,
- New groundwater treatment operating costs to improve the reliability and water quality of south Scottsdale wells,
- Increasing actions and costs required for drought preparedness,
- Additional staff to support system expansion, capital improvement program development, and water conservation,
- 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 \$2.9 million or 2.7% and effective November 1, 2021.

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

Base Fees (All Customers)		
Size	Current Fee	Proposed Fee
5/8" Meter	\$13.00	<i>\$13.80</i>
3/4" Meter	\$16.80	<i>\$17.80</i>
1" Meter	\$23.80	<i>\$25.25</i>
1.5" Meter	\$39.00	<i>\$41.40</i>
2" Meter	\$52.00	<i>\$55.20</i>
3" Meter	\$104.00	<i>\$110.40</i>
4" Meter	\$162.50	<i>\$172.50</i>
6" Meter	\$325.00	<i>\$345.00</i>
8" Meter	\$455.00	<i>\$483.00</i>

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	\$3.00	5,001	12,000
3	\$3.90	12,001	30,000	<i>\$4.05</i>	12,001	30,000
4	\$5.20	30,001	65,000	<i>\$5.50</i>	30,001	65,000
5	\$6.10	Over	65,000	<i>\$6.40</i>	Over	65,000
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	\$3.00	5,001	12,000
3	\$3.90	12,001	30,000	<i>\$4.05</i>	12,001	30,000
4	\$4.60	Over	30,000	<i>\$4.90</i>	Over	30,000
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:

- Increasing cost for replacing and repairing aging infrastructure,
- Maintenance cost increases to maintain service levels for sewer system cleaning,
- 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 proposed adjustments to volumetric rates reflect the results of a recent cost of service study that evaluates the flows and loadings of customer categories. Several volumetric rates are not changing while others are increasing or even decreasing. 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 \$1.0 million or 2.4% and effective July 1, 2021.

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

Base Fees (All Customers)		
Size	Current Fee	Proposed Fee
5/8" Meter	\$4.50	\$5.00
3/4" Meter	\$4.50	\$5.00
1" Meter	\$4.50	\$5.00
1.5" Meter	\$27.00	\$30.00
2" Meter	\$63.00	\$70.00
3" Meter	\$81.00	\$90.00
4" Meter	\$119.00	\$132.00
6" Meter	\$225.00	\$250.00
8" Meter	\$315.00	\$350.00

Customer Category	Current Rate	Proposed Rate
Single Family Residential	\$2.68	\$2.68
Multi-Family Residential	\$2.68	\$2.68
Commercial Without Dining	\$2.68	\$2.68
Commercial with Dining	\$3.57	\$3.75
Hotels without Dining	\$2.92	\$2.68
Hotels with Dining	\$3.57	\$3.75
Car Washes	\$2.65	\$2.68
Commercial Laundry	\$3.21	\$3.52
Laundromats	\$2.68	\$2.68
Metal Platers	\$2.95	\$3.05
Restaurants/Bakeries	\$4.98	\$5.18
Service Station Auto Repair	\$2.68	\$2.70
Medical Institutions	\$2.68	\$2.68
Schools	\$2.68	\$2.68

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, new Water Hauler and Hydrant Meter volumetric rate is proposed in addition to increases to miscellaneous charges and are proposed effective July 1, 2021 to meet the City's financial policy that charges recover all direct and indirect costs of service. Miscellaneous charges are assessed to specific users of the service so that general rate payers do not bear the burden. The proposed miscellaneous charge increases include:

- Water meters, delivery, and service lines and fire lines (all sizes)
- Move service and/or meter up to 15 feet
- Raise/lower meter
- Construction hydrant meter deposit, 1" meter size
- Construction hydrant meter deposit, 3" meter size
- Residential water hauler volumetric rate
- Commercial water hauler volumetric rate
- Bulk water volumetric rate
- Hydrant meter volumetric rate

Increases to water miscellaneous rates and charges are proposed to maintain cost recovery for specific services and are forecasted to generate an annual revenue increase of approximately \$148,334 and effective July 1, 2021.

There are no miscellaneous changes proposed for wastewater miscellaneous charges.

Changes to the City Code for housekeeping updates, including processes, definitions and titles are proposed to be effective July 1, 2021.

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.
 - **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**

State Land Near Legend Trails II – Design and construct transmission main infrastructure identified by the Infrastructure Improvement Plan (IIP). The IIP is a written document per Arizona Revised Statute 9-463.05, identifying growth driven water and wastewater infrastructure needs that are funded with development fees.

Master Plan - Water – Update integrated master plan to determine water system management needs including federal regulatory impacts and capital project needs. Master planning activities include condition assessment analyses of existing pipelines, reservoirs, pump stations and treatment facilities, as well as updating operating manuals and standard operating procedures. Provides for facility planning, land use planning, and project cost estimating. Facilitates updates to the water Infrastructure Improvement Plan (IIP) needed to define water development fees associated with growth.

Water System Security Enhancement Projects – Enact security enhancements at water facilities identified in the Water Resources Vulnerability Assessment. This includes upgrades of existing prevention, detection and response systems as needed.

Well Sites – Design and construct new wells and upgrade existing wells to meet anticipated demands at locations determined consistent with the Master Plan. The City will need to replace existing wells once the well has reached its useful life. Additionally, this category includes the addition of four (4) Aquifer Storage and Recovery (ASR) wells that will enable the City to increase water recharge within Scottsdale as a drought contingency measure.

Advance Water Treatment Plant Membranes Replacement – Replace water treatment membranes at the Water Campus Advanced Water Treatment (AWT) Plant.

- **Major Sewer Capital Projects**

Radio Telemetry Monitoring Automation Citywide - Wastewater – Construct radio telemetry facilities at new and existing wastewater facilities to continue to improve operational efficiency through automation.

Master Plan Water Reclamation – Update master plan for wastewater system management needs including federal regulatory impacts and capital project needs. Master planning activities include condition assessment analyses of existing sewer systems, lift stations, and treatment facilities, as well as updating operating manuals and standard operating procedures. Provides for facility planning, land use planning, and project cost estimating. Facilitates updates to the water reclamation Infrastructure Improvement Plan (IIP) needed to define sewer development fees associated with growth.

Water Reclamation Security Enhancements – Enhance security at wastewater facilities throughout the City by upgrading existing prevention, detection and response systems. This project is the result of recommendations developed through a security survey of all wastewater facilities in the City. Enhancements to existing security measures were identified in the areas of access control, security personnel, surveillance, intrusion detection, site hardening and back-up power.

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 encourage 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; 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 - A key objective of the City’s comprehensive planning effort is 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*
2011/12	0.0%	0.0%	0.0%	4.7%
2012/13	0.0%	0.0%	0.0%	5.7%
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%

* 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	\$ 27.15	\$ 27.32	\$ 54.47
Gilbert	\$ 30.38	\$ 24.73	\$ 55.11
Tempe	\$ 40.20	\$ 25.02	\$ 65.22
COS Adopted	\$ 40.75	\$ 25.94	\$ 66.69
COS Proposed	\$ 41.55	\$ 26.44	\$ 67.99
Peoria	\$ 46.93	\$ 27.29	\$ 74.22
Phoenix	\$ 43.15	\$ 33.35	\$ 76.49
Glendale	\$ 46.28	\$ 46.36	\$ 92.64
Mesa	\$ 63.35	\$ 38.66	\$ 102.01

Although Scottsdale’s water charges are higher than several other 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 expansion and replacement reserve required by bond indenture, 2) the revenue bond reserve required by bond indenture and 3) the operating reserve funded between 60 and 90 days of budgeted expenditures required by the City's financial policy. In addition, the plan considers the capital/rate stabilization balance. The plan considers a voluntary additional reserve for drought planning which will 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.

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 2021/22 through fiscal year 2025/26.

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 ratio of revenue to debt service higher than the minimum bond indenture requirement of 1.2/1 to ensure debt coverage 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 bond indenture requirements;
- To provide an operating reserve funded between 60 and 90 days of budgeted operational expenditures in accordance with the City's financial policy;
- 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 development fees which reflect 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 2021/22 Through FY 2025/26
Amounts in \$Millions
Water and Sewer Enterprise Funds

	Water Fund	Sewer Fund
Sources of Funds		
Beginning Cash	\$153.6	\$102.4
Rate Revenues*	595.4	256.0
Other Revenues*	7.7	4.4
Development Fee Revenues*	11.3	7.5
Total Sources of Funds	<u>767.9</u>	<u>367.3</u>
Uses of Funds		
Operating Expenses	313.8	125.4
Operating Transfers	48.7	18.7
Debt Service	98.6	52.9
Capital Improvements	245.0	114.2
Total Uses of Funds	<u>706.1</u>	<u>311.2</u>
Ending Cash Balance	<u>61.9</u>	<u>56.1</u>
Less Required Reserves		
Operating Reserve	21.6	8.4
Expansion & Replacement Reserve	32.8	16.8
Drought Reserve	3.0	0.0
Capital/Rate Stabilization Balance	<u>\$4.5</u>	<u>\$30.9</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 water treatment, production, pumping, storage, transmission facilities driven by developments, acquiring and leasing new water supplies and for reclamation of the groundwater aquifer driven by development.
- **Wastewater Development Fees** - For the cost of sewer capital expansion for enlargement of the publicly owned treatment works and the wastewater collection system driven by development.

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 these 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 2020/21 through fiscal year 2024/25 begins with forecasted cash balances totaling \$153.8 million for water and \$100.3 million for sewer.

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

	2021/22	2022/23	2023/24	2024/25	2025/26
Water	2.7%	3.0%	3.0%	3.0%	3.0%
Sewer	2.4%	3.0%	3.0%	3.0%	3.0%

Total forecasted rate revenues for the five-year period are \$577.0 million for water and \$266.2 million for sewer.

Forecasted operating expenses and transfers for the five-year period total \$313.8 million for water and \$125.4 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 \$290.6 million for water and sewer. Forecasted capital expenditures are expected to peak in fiscal year 2021/22 with a combined water and sewer total of \$80.8 million.

The following pages provide annual detail for fiscal year 2021/22 through fiscal year 2025/26.

Sources and Uses of Funds
FY 2021/22 Through FY 2025/26
Amounts in \$Millions
Water Enterprise Fund

	<u>2021/22</u>	<u>2022/23</u>	<u>2023/24</u>	<u>2024/25</u>	<u>2025/26</u>	<u>Recap</u>
Sources of Funds						
Beginning Cash	\$153.6	\$134.6	\$91.0	\$60.8	\$56.3	\$153.6
Rate Revenues*	109.3	116.3	119.7	123.2	126.8	595.4
Other Revenues*	1.9	1.5	1.4	1.4	1.6	7.7
Development Fee Revenues*	2.3	2.3	2.3	2.3	2.3	11.3
Total Sources of Funds	267.0	254.7	214.3	187.7	187.0	767.9
Uses of Funds						
Operating Expenses	58.1	59.7	62.2	65.6	68.2	313.8
Operating Transfers	8.8	9.4	9.8	10.2	10.5	48.7
Debt Service	20.6	20.5	20.8	20.9	15.8	98.6
Capital Improvements	45.0	74.0	60.7	34.7	30.6	245.0
Total Uses of Funds	132.4	163.7	153.6	131.3	125.1	706.1
Ending Cash Balance	134.6	91.0	60.8	56.3	61.9	\$61.9
Less Required Reserves						
Operating Reserve	11.3	14.2	16.8	18.7	21.6	
Expansion & Replacement Reserve	29.9	30.8	31.5	32.1	32.8	
Drought Reserve	3.0	3.0	3.0	3.0	3.0	
Capital/Rate Stabilization Balance	\$90.4	\$43.1	\$9.6	\$2.6	\$4.5	
Debt Coverage Ratio (Includes 50% of Development Fees)	2.6%	2.3%	2.3%	2.3%	3.0%	

*Cash flow projections for residential and nonresidential customers

Note: Minor differences due to rounding

Sources and Uses of Funds
FY 2020/21 Through FY 2024/25
Amounts in \$Millions
Sewer Enterprise Fund

	<u>2021/22</u>	<u>2022/23</u>	<u>2023/24</u>	<u>2024/25</u>	<u>2025/26</u>	<u>Recap</u>
Sources of Funds						
Beginning Cash	\$102.4	\$93.1	\$76.5	\$65.1	\$59.1	\$102.4
Rate Revenues*	47.3	49.3	50.7	52.1	53.6	253.0
Other Revenues*	1.4	0.8	0.6	0.7	0.8	4.4
Development Fee Revenues*	1.5	1.5	1.5	1.5	1.5	7.5
Total Sources of Funds	152.7	144.7	129.4	119.4	115.0	367.3
Uses of Funds						
Operating Expenses	23.0	24.4	25.3	26.0	26.7	125.4
Operating Transfers	3.5	3.6	3.7	3.9	4.0	18.7
Debt Service	12.6	12.7	12.4	7.9	7.4	52.9
Capital Improvements	20.5	27.4	22.9	22.7	20.7	114.2
Total Uses of Funds	59.5	68.2	64.2	60.4	58.8	311.2
Ending Cash Balance	93.1	76.5	65.1	59.1	56.1	\$56.1
Less Required Reserves						
Operating Reserve	5.1	5.4	6.8	7.4	8.4	
Expansion & Replacement Reserve	14.6	15.5	15.9	16.4	16.8	
Revenue Bond Reserve	4.6	4.6	4.6	4.6	0.0	
Capital/Rate Stabilization Balance	\$68.9	\$51.1	\$37.9	\$30.7	\$30.9	
Debt Coverage Ratio (Includes 50% of Development Fees)	1.7%	1.7%	1.8%	2.8%	3.1%	

*Cash flow projections for residential and nonresidential customers

Note: Minor differences due to rounding

Capital Project Expenditure – Cash Flow Forecast

FY 2021/22 Through FY 2025/26

Amounts in \$ Millions

Water and Sewer Enterprise Funds

<u>Project Description</u>	<u>2021/22</u>	<u>2022/23</u>	<u>2023/24</u>	<u>2024/25</u>	<u>2025/26</u>	<u>Total</u>
Water Distribution System Improvements	\$17.9	\$6.3	\$9.3	\$10.9	\$7.8	\$52.2
SROG Regional Wastewater Facilities	4.1	4.6	5.9	9.0	13.4	36.9
Water Treatment Facility Improvements	7.2	4.0	10.7	8.4	6.4	36.8
Wastewater System Improvements	7.2	5.9	4.3	2.0	2.7	22.0
Wastewater Treatment Facility Improvements	4.6	4.1	6.9	3.7	2.2	21.5
Deep Well Recharge/Recovery Projects	7.8	9.3	-	-	-	17.1
Water Meter Replacement Program	4.2	3.9	2.2	2.2	2.2	14.7
Booster Station Upgrades	3.1	1.9	0.6	1.5	5.6	12.7
Chaparral Water Treatment Plant Pretreatment	5.2	1.4	0.3	0.2	-	7.1
Technology Master Plan Identified Water Projects	1.5	3.9	0.1	0.1	0.1	5.7
Water Treatment Plant Membranes	0.8	1.0	1.2	1.2	1.1	5.3
Radio Telemetry Monitoring Automation Citywide - Water	1.2	1.1	0.6	0.6	0.6	4.2
Technology Master Plan Identified Wastewater Projects	1.2	2.3	0.2	0.2	0.2	4.1
Water Reclamation Participation Program	1.0	1.0	0.7	0.7	0.7	4.1
East Dynamite Area Transmission Main Advance Water Treatment Plant Membranes - Wastewater	2.1	1.7	-	-	-	3.8
Capital Asset Replacement and System Upgrades	0.9	0.5	0.8	0.9	0.3	3.3
Capital Asset Replacement and System Upgrades	0.7	0.5	0.5	0.5	0.5	2.8
Capital Asset Replacement and System Upgrades	0.5	0.5	0.5	0.5	0.5	2.7
Water Reclamation Participation Program-City Portion	0.5	0.5	0.5	0.5	0.5	2.5
Water Participation Program-City Portion	0.5	0.5	0.5	0.5	0.5	2.5
Zone 3W Water System Improvements	-	-	-	0.5	2.0	2.5
Frank Lloyd Wright 24-inch Transmission Main & Booster Station 83B Modifications	2.0	-	-	-	-	2.0
Miscellaneous & CPI Adjustments	\$6.7	\$4.6	\$3.2	\$5.1	\$4.6	\$24.0
Cash Flow and Inflation Adjustment	\$80.8	\$59.5	\$49.1	\$49.2	\$52.0	\$290.6

Exhibits

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

Exhibit A – Proposed Water Rates Schedule



Water Rates Schedule

Proposed Effective November 1, 2021

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

BASE FEES		COMMODITY RATES			
All Customer Classes		Tier #	Rate per 1,000 Gal	Gallons of Use	
5/8"	\$13.80	Single Family Residential and Landscape/Irrigation by Single Family			
3/4"	\$17.80				
1"	\$25.25			From	To
1 1/2"	\$41.40	1	\$1.65	0	5,000
2"	\$55.20	2	\$3.00	5,001	12,000
3"	\$110.40	3	\$4.05	12,001	30,000
4"	\$172.50	4	\$5.50	30,001	65,000
6"	\$345.00	5	\$6.40	Over 65,000	
8"	\$483.00	Multi-Family Residential/ Commercial/Industrial/ Non-Residential			
				From	To
		1	\$1.65	0	5,000
		2	\$3.00	5,001	12,000
		3	\$4.05	12,001	30,000
		4	\$4.90	Over 30,000	
		Landscape/Irrigation by Multi-Family Residential/ Commercial/Industrial/ Non-Residential			
				From	To
		1	\$1.65	0	5,000
		2	\$3.00	5,001	12,000
		3	\$4.05	12,001	30,000
		4	\$4.90	Over 30,000	

Notes:

In addition to the rates charged in this section: 1) a stormwater account charge of five dollars and ten cents (\$5.10) 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 of six dollars and forty cents (\$6.40) per 1,000 gallons.

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: black;">Proposed Effective July 1, 2021</h2>																																																																					
	Source: City of Scottsdale Revised City Code, Section 49-141																																																																					
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