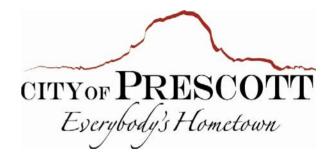


Water and Wastewater Rates October 2010 Update

Public Informational Meetings - October 14/21, 2010



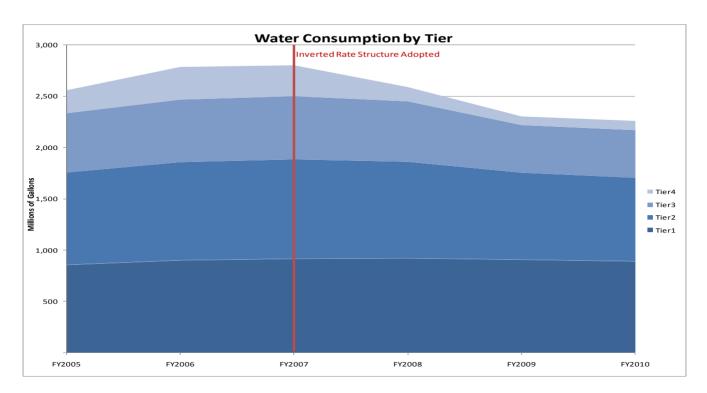
City of Prescott Utilities

- 21,500 water and 17,500 wastewater customers
- Infrastructure (pipes, pump stations, reservoirs) as old as 120 years
- Due primarily to terrain, these are very complex systems
- Ages and deterioration of many components + complexity drive higher capital, operations, and maintenance costs
- Water and wastewater are operated as separate enterprise funds
- The only sources of revenue are water sales and wastewater charges (through rates) and utilities development/impact fees

Water Rates, Sales, and Revenue



- In 2007 an "inverted tier" water rate structure was adopted; the cost per gallon increases in tiers (ranges of gallons used)
- The combination of this rate structure, an active water conservation program, and recessionary economy have reduced water use, sales and revenue over 20%



Water and Wastewater Systems Complexity



Prescott's water and wastewater systems are as or more complex in configuration and operation than any others in Arizona.

Water Infrastructure Comparison

Location	Miles of Distribution System	Number of Surface Water Treatment Plants	Number of Water Quality Plants / Facilities	Number of High Pressure Stations	Number of Water Tanks / Reservoirs	Number of Pressure Zones	Number of Wells	Number of Booster Stations	Number of Water Connections
Prescott	400+	0	5	1	30	85	7	40	22,043
Flagstaff	415+	1	0	1	12	3	13	4	18,792
Cottonwood	150+	0	1	0	19	24	23	22	11,000
Clarkdale	40+	0	1	0	4	4	3	2	1,780
CV	22	0	0	0	2	2	2	2	520
PV	600	0	0	0	13	25	26	3	17,997
Page	75	0	1	0	2	4	0	1	2,932
Payson	177	0	2	0	12	22	42	12	7,725
Kingman	470+	0	2	0	13	15	17	8	18,519
Sedona	100+	0	2	0	7	7	9	9	6,309
Buckeye	166	1					16	7	9,751



Wastewater Infrastructure Comparison

Location	Number of	Miles of Collection	Number of Lift	Reclaimed Water	Number of WW	
Location	WWTP's	System	Stations	System	Connections	
Prescott	2	300+	64	Yes	17,528	
Flagstaff	2	270+	0	Yes	18,669	
Cottonwood	1	48	5	Yes	5,407	
Clarkdale	1	12+	1	Yes	1,081	
CV	1	37	0	No	1170	
PV	1	240	10	Yes	15,223	
Page	1	65	3	Yes	2,610	
Payson	1	173+	13	Yes	9307	
Kingman	2	200+	2	No	8,888	
Sedona	1		16	No	4,800	
Buckeye	4	240	3	Yes	9,434	

Water Rate Structure and Current Rates



Amount of Water Bill = [Base Charge (flat amount)] + [Gals. Used x Rate]

Base Charge

Meter		Meter	
Size	Amount	Size	 mount
5/8	\$ 6.60	3	\$ 19.20
3/4	7.05	4	28.20
1	7.95	6	50.70
1 1/2	10.20	8	77.70
2	12.90		

Consumption Rate

oonsampaon rate								
	Single	Multi-	Non-					
	Family	Family	Residential					
Tier 1	\$ 2.86	\$2.30	\$ 2.61					
Tier 2	4.30	3.46	3.92					
Tier 3	6.45	5.19	5.88					
Tier 4	12.90	10.39	11.76					

Usage by Tier

			Non-Residential in 1,000 of gallons									
			Multi-	5/8"								
		Single	Family	&								
		Family	(per unit)	3/4"	1"	1 1/2"	2"	3"	4"	6"	8"	
Tier1 I	First	3,000	1,700	6	15	30	48	96	150	300	480	
Tier2 I	Next	7,000	3,300	22	55	110	176	352	550	1,100	1,760	
Tier3 I	Next	10,000	5,000	32	80	160	256	512	800	1,600	2,560	
Tier4	Over	20,000	10,000	60	150	300	480	960	1,500	3,000	4,800	

In addition to these rates:

- \$0.65 per 1,000 gallons Alternative Water Charge for all customers
- Surcharges of 39% for customers in unincorporated Yavapai County, 30% for those in the Town of Chino Valley

Wastewater Rate Structure and Current Rates



Amount of Sewer Bill = [Base Charge (flat amount)] + [Volume Charge]

Base Charge

Residential	12.54
Non-Residential	15.18

Volume charge (per 1,000 gals)

<u> </u>	<u> </u>
Residential	2.71
Uniform Non-Residential	3.89
Hotel w/dining Facilities	4.18
Industrial Laundry	5.01
Market w/Disposal	5.84
Mortuaries	5.84
Restaurants	6.28

The volume charge is based on average monthly winter consumption.

Capital Improvement Plan (CIP)

CITY of PRESCOTT Eserybody's Hometown

The CIP is the minimum required to:

- Operate and maintain safe, reliable City water and wastewater systems
- Meet contractual commitments pertaining to certain projects
- Provide additional increments of capacity to remedy existing deficiencies and accommodate some growth in certain strategic areas (e.g., Airport)
- Synch with street improvement projects (replace old lines in the streets)

Needed Capital Projects and Anticipated Debt Issues

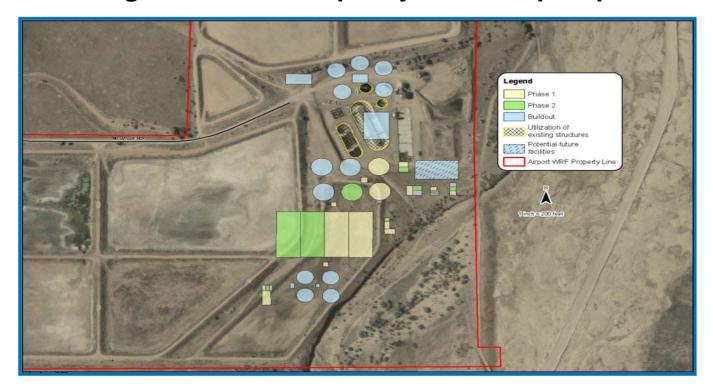
		FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	
Water CIP	\$	30,645,948	\$25,865,750	\$ 8,371,250	\$ 4,176,250	\$10,252,250	\$ 3,050,250	
Wastewater CIP		8,912,961	20,463,000	33,759,000	9,648,000	5,473,000	9,797,000	
Total CIP	\$	39,558,909	\$46,328,750	\$42,130,250	\$13,824,250	\$15,725,250	\$12,847,250	
Water Debt	\$	18,238,668	\$13,712,000	\$ 5,774,000	\$ 1,403,000	\$ 7,092,000	\$ -	
Wastewater Debt		35,200,000	-	21,478,000	8,085,000	3,859,000	8,056,000	
Total Anticipated								
Debt Issues **	\$	53,438,668	\$13,712,000	\$27,252,000	\$ 9,488,000	\$10,951,000	\$ 8,056,000	
Note: ** Debt is issued at the beginning of a project even though the expenditures are shown in the year they are projected.								

Note: The Water CIP does not include funding for construction of the Big Chino Water Ranch Project

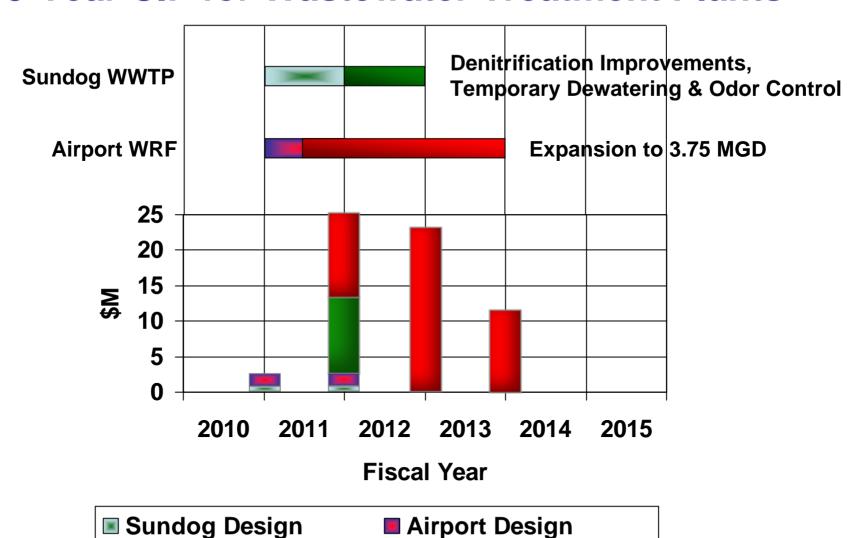
Wastewater System Needs



- Rehabilitation of collection and transmission system
- Replacement of lift stations
- Major rehabilitation of the Sundog and Airport wastewater treatment plants
- Phased augmentation of capacity at the Airport plant



5-Year CIP for Wastewater Treatment Plants



■ Sundog Construction
■ Airport Construction

Capital Water/Alt Water



Project Description	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016
Surface Water Recharge Pipeline	3,247,854					
Airport Zone 12 New Tank Reservoir & Booster Station	3,075,000					
Prescott Canyon 1.25 MG Tank Reservior & Piping	2,285,814					
Airport Zone 12 Tank Reservoir Transmission Piping	2,200,000					
Big Chino Water Ranch (BCWR)	2,808,280	2,855,250	1,810,250	1,035,250	935,250	935,250
Copper Basin Tank Reservoir	1,900,000	930,000				
New Thumb Butte Reservoir	1,680,000					
Water Meter Change-Out Program	1,500,000	200,000				
Airport Zone Production/Recovery Wells	1,330,000	133,000	1,197,000	133,000	1,197,000	
Prescott Resort Pump Station Upgrade	1,300,000					
Small Water Main Replacements	1,100,000	1,000,000	1,167,000	1,061,000	1,239,000	1,126,000
Upper Thumb Butte Tank	1,075,000					
Williamson Valley Road	1,000,000					
Rosser Street Reconstruction & Utility Upgrade	800,000					
Lower Thumb Butte Pump Sta	775,000					
12" Line Thumb Butte Road - Hassayampa Village Rd						
to Lower Thumb Butte PS	700,000					
A/P New Zone 101 Pump Station	600,000	2,687,000				
Intermediate Pump Station and Reservoirs	500,000					
Indian Hill Reservoir	300,000					
Arsenic Treatment Plant	298,000					
Granite Creek and Willow Creek Dam Repairs	250,000	250,000				
Copper Basin Tank Reservoir Piping - Sheriffs Posse						
Trail to New Reservoir	210,500	195,500				
Water Model Update	200,000					232,000
Telemetry (SCADA) System Install/Upgrade Program	193,000					
Irrigation Efficiency Enhancements (Heritage Park & Roughrider Field)	160,000					

Capital Water/Alt Water

CITYOF PRESCOTT

Everybody's Hometown

				Lyei	ryvoaysFl	cometown
Project Description	FY2011	FY2012	FY2013	FY2014 ~	FY2015	FY2016
Storage Tank Maintenance Program	155,000	160,000	165,000	170,000	176,000	182,000
Yavapai Hills Lower Pump Station Upgrade	150,000	800,000				
Capital Contingencies	150,000	155,000	160,000	165,000	170,000	176,000
Water Production/Distribution Warehouse	150,000					
Haisley A (Virginia) Pump Station Rehabilitation	110,000	390,000				
Hassayampa Pump Station - New Zone 19	100,000	919,000				
Booster Station Upgrade	100,000	103,000	106,000	109,000	112,000	115,000
12" Line Virginia St - Virginia St Pump Station to Footh	75,000	550,000				
Fire Hydrants	42,000	44,000	46,000	48,000	50,000	52,000
Production Well Maintenance	40,000	42,000	44,000	46,000	48,000	50,000
PRV Upgrades	37,000	39,000	41,000	43,000	45,000	47,000
Senator Highway	15,000	100,000				
Rates Updates	12,500	15,000		17,000		19,000
Leak Detection Program	11,000	12,000	13,000	14,000	15,000	16,000
Maintenance Management	10,000					
Old North Tank Reservoir Repl		4,599,000				
Park Avenue		1,130,000				
Willow Creek 14" Transmission Main		646,000				
Robinson Drive		526,000				
Haisley New Tank Reservoir		513,000	1,419,000			
SR69 Corridor All Phases Water Infrastructure		510,000	1,650,000			
Mt Club System Cross Conn		500,000				
36" Line Douglas Ave - Willow Creek Road to North Res		462,000				
South Mt Vernon		400,000				
Upper Rancho Vista Pump Station Upgrade			478,000			
12" Line Skyline, Horizon, Lookout - Upper Thumb Butt			75,000	375,000		
Mingus Tank Reservoir Replacement				600,000	3,700,000	
18" Line Smoke Tree Lane - 30" Main at Willow Creek				200,000	1,465,000	
12" Line Meadowbrook, Forest Hills Rd - Thumb Butte I				160,000	1,100,000	
Mingus Pump Station Rehabilitation						100,000
Unidentified Projects Contingency		5,000,000				
	\$30,645,948	\$25,865,750	\$8,371,250	\$4,176,250	\$10,252,250	\$3,050,250

Capital Wastewater



Project Description	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016
Airport Phase 1 (3.2MG)	2,860,000	7,340,000	26,000,000	5,400,000		
Sundog Filter Replacement / Denitrification	1,500,000					
Sewer Mainline Repl/Rehab	1,850,000	1,030,000	103,000	1,061,000	107,000	1,093,000
Cliff Rose Lift Station Upgrade	791,361					
Granite Dells - Centerpointe East Wastewater I	500,000	1,000,000	500,000			
Sundog Collector/ Sundog Ranch Road (Storm	395,000					
Sundog Digester Cleaning	300,000			328,000		
Capital Contingencies	155,000	160,000	165,000	170,000	176,000	182,000
Lift Station Rehabilitation	150,000	150,000	153,000	157,000	111,000	115,000
Rosser Street	139,100					
Williamson Valley Rd	130,000					
Chemical Root Control	105,000	80,000	83,000	115,000	89,000	92,000
South Mount Vernon	15,000	520,000				
Rate Analysis	12,500	15,000		17,000		19,000
Maintenance Management	10,000					
Sundog Solids Dewatering		2,320,000	5,280,000			
Granite St - Granite Creek to Leroux		800,000	1,400,000	1,400,000	1,400,000	
Sundog Trunk Main		750,000		350,000	3,250,000	1,820,000
Park Ave		674,000				
Robinson Drive		349,000				
WW Collection Model Update		200,000				
WWTP SCADA System		75,000	75,000			
Hassayampa				650,000		2,376,000
Sundog Headworks, Septage Receiving and Odo	r Control				340,000	3,400,000
Pleasant Valley						600,000
Brush-Lincoln (See Gurley)						100,000
Unidentified Project Contingency		5,000,000				
	8,912,961	20,463,000	33,759,000	9,648,000	5,473,000	9,797,000

Proposed Water Rates



Monthly Fixed Charge

Meter Size	Meters	Current	3/1/2011	1/1/2012	1/1/2013	1/1/2014	1/1/2015	1/1/2016
5/8" WATER	19,104	6.60	10.60	11.70	12.90	13.50	14.20	14.90
3/4" WATER	17	7.05	11.30	12.40	13.60	14.30	15.00	15.80
1" WATER	1,591	7.95	12.70	14.00	15.40	16.20	17.00	17.90
1 1/2" WATER	283	10.20	16.30	17.90	19.70	20.70	21.70	22.80
2" WATER	442	12.90	20.60	22.70	25.00	26.30	27.60	29.00
3" WATER	49	19.20	30.70	33.80	37.20	39.10	41.10	43.20
4" WATER	28	28.20	45.10	49.60	54.60	57.30	60.20	63.20
6" WATER	13	50.70	81.10	89.20	98.10	103.00	108.20	113.60
8" WATER	3	77.70	124.30	136.70	150.40	157.90	165.80	174.10
TOTAL	21,530							

Alt-Water Consumption Charge (per 1,000 gallons)

	Current	3/1/2011	1/1/2012	1/1/2013	1/1/2014	1/1/2015	1/1/2016
All Tiers	0.65	0.70	0.80	0.85	0.90	0.95	1.00

Proposed Water Rates



Water Consumption Charge (per 1,000 gallons) Residential Single Family

	C	urrent	3/1/2011	1/1/2012	1/1/2013	1/1/2014	1/1/2015	1/1/2016
INCREASE			0%	7%	5%	5%	5%	5%
Tier1	\$	2.86	2.86	3.06	3.21	3.37	3.54	3.72
Tier2		4.30	4.30	4.60	4.83	5.07	5.32	5.59
Tier3		6.45	6.45	6.90	7.25	7.61	7.99	8.39
Tier4		12.90	12.90	13.80	14.49	15.21	15.97	16.77
Residential Multi-Family								
Tier1	\$	2.30	2.30	2.46	2.58	2.71	2.85	2.99
Tier2		3.46	3.46	3.70	3.89	4.08	4.28	4.49
Tier3		5.19	5.19	5.55	5.83	6.12	6.43	6.75
Tier4		10.39	10.39	11.12	11.68	12.26	12.87	13.51
Non-Residential								
Tier1	\$	2.61	2.61	2.79	2.93	3.08	3.23	3.39
Tier2		3.92	3.92	4.19	4.40	4.62	4.85	5.09
Tier3		5.88	5.88	6.29	6.60	6.93	7.28	7.64
Tier4		11.76	11.76	12.58	13.21	13.87	14.56	15.29

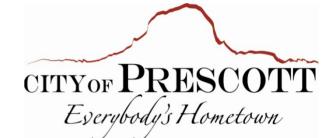
Proposed Wastewater Rates



Residential

	Current	3/1/2011	1/1/2012	1/1/2013	1/1/2014	1/1/2015	1/1/2016
INCREASE		15%	15%	15%	10%	5%	5%
Monthly Base	\$ 12.54	\$ 14.42	\$ 16.58	\$ 19.07	\$ 20.98	\$ 22.03	\$ 23.13
Volume Charge	2.71	3.12	3.59	4.13	4.54	4.77	5.01
Non-Residential							
	Current	3/1/2011	1/1/2012	1/1/2013	1/1/2014	1/1/2015	1/1/2016
INCREASE		10%	10%	10%	10%	5%	5%
Monthly Base	\$ 15.18	\$ 16.70	\$ 18.37	\$ 20.21	\$ 22.23	\$ 23.34	\$ 24.51
Volume Charge							
Uniform Non-Residential	3.89	4.28	4.71	5.18	5.70	5.99	6.29
Bar w/o Dining Facilities	3.89	4.28	4.71	5.18	5.70	5.99	6.29
Car Wash	3.89	4.28	4.71	5.18	5.70	5.99	6.29
Dept/Retail Stores	3.89	4.28	4.71	5.18	5.70	5.99	6.29
Hospital/Convalescent	3.89	4.28	4.71	5.18	5.70	5.99	6.29
Hotel w/Dining Facilities	4.18	4.28	4.71	5.18	5.70	5.99	6.29
Hotel w/o Dining Facilities	3.89	4.28	4.71	5.18	5.70	5.99	6.29
Laundromat	3.89	4.28	4.71	5.18	5.70	5.99	6.29
Markets w/Garbage Disposal	5.84	5.84	5.84	5.84	5.84	5.99	6.29
Mortuaries	5.84	5.84	5.84	5.84	5.84	5.99	6.29
Professional Offices	3.89	4.28	4.71	5.18	5.70	5.99	6.29
Repair shops/Service Stat	3.89	4.28	4.71	5.18	5.70	5.99	6.29
Restaurants	6.28	6.28	6.28	6.28	6.28	6.28	6.29
Schools and Colleges	3.89	4.28	4.71	5.18	5.70	5.99	6.29

Sample Utilities Bill Calculations

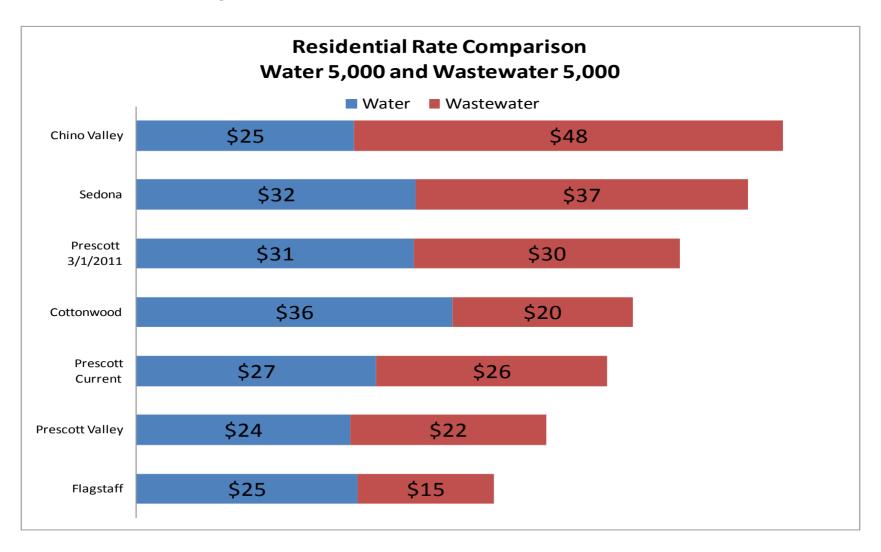


	Usage	Current	3/1/2011	1/1/2012	1/1/2013	1/1/2014	1/1/2015	1/1/2016
Residential								
Water	5,000	27.03	31.28	34.08	36.44	38.25	40.21	42.24
Wastewater	5,000	26.09	30.02	34.53	39.72	43.68	45.88	48.18
Total	· -	53.12	61.30	68.61	76.16	81.93	86.09	90.42
% Inc.	_		15.4%	11.9%	11.0%	7.6%	5.1%	5.0%
Water	25,000	190.53	195.78	211.08	222.54	233.75	245.56	257.94
Wastewater	15,000	53.19	61.22	70.43	81.02	89.08	93.58	98.28
Total	_	243.72	257.00	281.51	303.56	322.83	339.14	356.22
% Inc.	_		5.4%	9.5%	7.8%	6.3%	5.1%	5.0%
Non-Reside	ential							
Restaurant 1	1/2" Meter							
Water	130,000	565.00	577.60	624.60	658.10	692.10	727.10	763.50
Wastewater	120,000	768.78	770.30	771.97	773.81	775.83	776.94	779.31
Total	_	1,333.78	1,347.90	1,396.57	1,431.91	1,467.93	1,504.04	1,542.81
% Inc.	_		1.1%	3.6%	2.5%	2.5%	2.5%	2.6%
School/Colleg	ge 4" Meter	•						
Water	450,000	1,888.20	1,927.60	2,085.10	2,196.60	2,310.30	2,427.20	2,548.70
Wastewater	124,000	497.54	547.42	602.41	662.53	729.03	766.10	804.47
Total	_	2,385.74	2,475.02	2,687.51	2,859.13	3,039.33	3,193.30	3,353.17
% Inc.	_		3.7%	8.6%	6.4%	6.3%	5.1%	5.0%

Comparison with Other Municipalities

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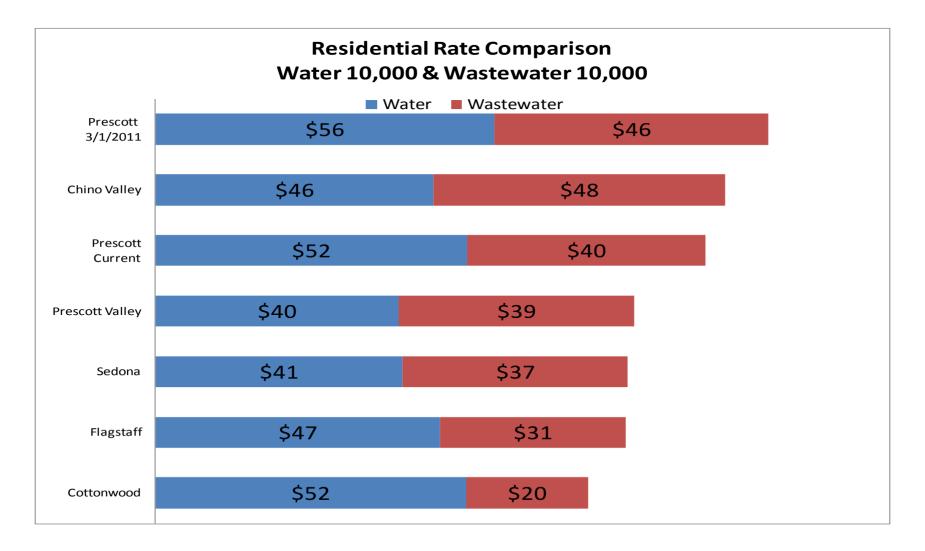
Example No. 1



Comparison with Other Municipalities

Example No. 2

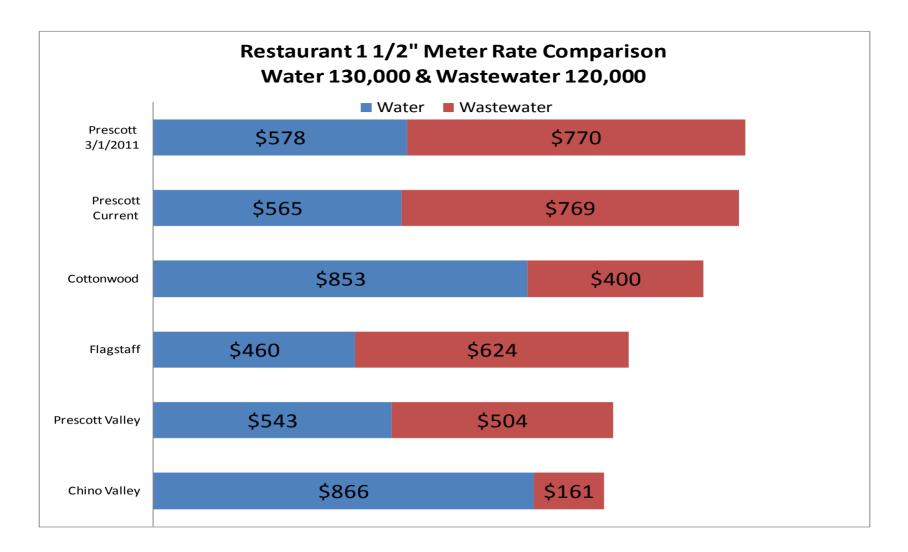




Comparison with Other Municipalities

Example No. 3

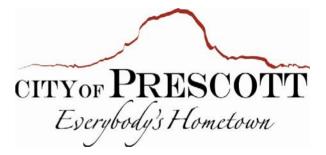




Summary



- The inverted tier water rate structure has done what it was designed to do reduce consumption in the upper tiers and overall
- The water and wastewater enterprise funds require funding adequate for ongoing operations & maintenance, repair and rehabilitation, contractual commitments, and providing limited new capacity in specific areas
- The increases identified in this rates update were anticipated in previous rate studies, and are still needed
- The effect of the City's very complex water and wastewater systems on rates cannot be overemphasized it is simply a fact of life that utilities services in Prescott will be higher than in many other cities
- The ages and conditions of the City's utilities infrastructure, added to and compounded by this complexity, are directly driving funding requirements
- The cost of treated effluent made available for direct use will be reviewed with formulation of the Long Term Water Management Policy. No change is proposed at this time.



The Rate Setting Process

8/17/10 Completed	Council Workshop	Discussion of rate increases necessary to fund the FY 11-16 Water and Wastewater CIP.
9/7/10 Completed	Council Workshop	Discussion of the priority projects and discussion of schedule for rate setting public process.
10/4/10- 10/8/10	Meetings with Customers	Meetings with large water users to discuss proposed rates.
10/14/10 6:00 PM	Public Meeting	Public Meeting #1 to present proposed rates and receive comments.
10/21/10 6:00 PM	Public Meeting	Public Meeting #2 to present proposed rates and receive comments.
11/2/10	Council Workshop	Presentation and discussion of public comments received; direction to proceed with rate setting process and /or other direction.
11/9/10	Council Agenda Item	Adoption of Notice of Intention declares the intent to adjust/raise rates; sets a public hearing; and releases the public report.
12/14/10	Council Public Hearing	Public hearing on the proposed rates not less than 30 days following adoption of the Notice of Intention
1/11/11	Council Action Agenda Item	Following the public hearing, Council could adopt an ordinance setting adjusted water and wastewater rates.
3/1/11	New Rates in Effect	Ordinance setting new rates effective not less than 30 days after adoption.





Water and Wastewater Rates - October 2010 Update Public Report

- •The full report can be viewed on the City of Prescott website
- www.prescott-az.gov then click on the link, "Water and Sewer Rates view the rate report and process schedule"

Questions on 2010 Rates Update and How the Rates Were Calculated

Call the Finance Department at (928) 777-1222

Questions on the Capital Improvement Program (CIP)

Call the Public Works Department at (928) 777-1130

City Council Meetings and Workshops on the Rates

- The current schedule for the rate setting process can be viewed on the City of Prescott website (www.prescott-az.gov → "Water and Sewer Rates")
- The schedule of City Council meetings and workshops can also be viewed on the City of Prescott website (www.prescott-az.gov → "City Meetings")