

City of Prescott

Utility Impact Fee Study

July 9, 2024





Agenda



Legislative requirements and timeline



Infrastructure Improvements



Proposed Utility DIFs

- **Water System**
- **Water Resources**
- **Wastewater System**



Survey and Next Steps



Legislative process

Adoption Process

- Land Use Assumptions (LUA) & Infrastructure Improvements Plan (IIP)
- Development Impact Fees (DIFs)

LUA/IIP Requirements

- Water and Wastewater LUA and IIP dated November 2023
- Project service units
 - Accounts, Volume, and Equivalent Development Units (EDUs)
- Identify existing facilities and level of service
- Project demand and timing of utility expansions and IIP eligible improvements
- Project timing costs based on same level of service

Adoption Process for Arizona Development Fees

Land Use Assumptions and Infrastructure Improvements Plan	
# of Days*	Task
START	Publish documents on website and provide notice of Public Hearing on land use assumptions and infrastructure improvements plan
60	
Public Hearing	
minimum 30	Decision by elected officials
maximum 60	
Development Fees	
# of Days*	Task
	Publish adopted land use assumptions, infrastructure improvements plan, and proposed fees on website and provide notice of Public Hearing on development fees
30	
Public Hearing	
minimum 30	Decision by elected officials
maximum 60	
minimum 75	
FINISH	Fees become effective

* At least 225 days are required from start to the effective date.

** If an advisory committee is established, it shall file written comments at least 5 business days prior to a public hearing.



Schedule

Study Milestone	Timeline
Publish Draft LUA and IIP (utility and non-utilities)	March 26, 2024
Council Workshop LUA and IIP	May 14, 2024
LUA and IIP Public Hearing	May 28, 2024
Council Workshop on DIFs	July 9, 2024
Adopt Final LUA and IIPs	July 9, 2024
Adopt Notice of Intent and Set DIF Public Hearing	July 9, 2024
DIF Public Hearing	August 13, 2024
Council Vote to Adopt Proposed DIFs	October 8, 2024
Effective Date for DIFs	January 1, 2025



Utility DIFs being updated

Water System

- Recovers cost of treated water system serving new development
- Two service areas

Water Resource

- Recovers cost of remaining annual debt service for Big Chino Ranch
- One service area

Wastewater System

- Recovers cost of wastewater system facilities service new development
- One service area



Utility DIF valuation methodologies

Buy-In *Historical*

- Available facility capacity to serve future development
- Unit cost of available capacity for new development

Incremental *Future*

- Future facilities that add capacity for new development
- Unit cost of future capacity for new development

Hybrid *Historical and* *Future*

- Current and future facility capacity
- Weighted average unit cost of existing and future capacity for new development

Water System & Water Resource DIF

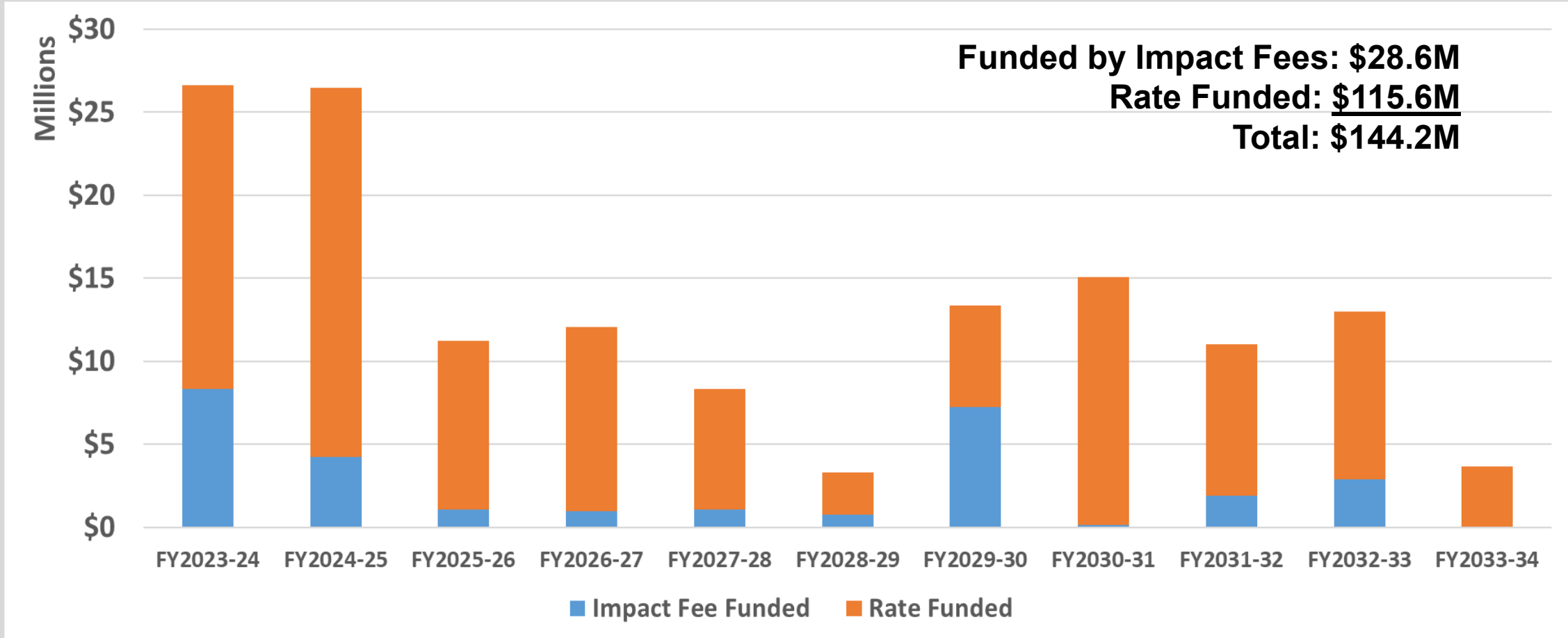


Water IIP eligible projects

Project Description	Total Cost	Growth Related - %	DIF Funded	Rate Funded	Debt Funded?
Water Production and Intermediate Pump Station, Tanks, and Pipeline (WIFA)	\$18.01 M	50%	\$9.01 M	\$9.01 M	Existing loan
Zone 56 Tank and Pipeline and Zone 7 Pump Station	4.26 M	25%	1.06 M	3.19 M	No
Zone 24/27 Water Pipeline Upsizing - Thumb Butte Road to Upper Thumb Butte Tank	1.85 M	30%	0.55 M	1.30 M	No
Zone 52 Water Main Connect to Northwest Regional Tank	2.26 M	35%	0.79 M	1.47 M	No
Deep Well Ranch Water Infrastructure DA	0.25 M	100%	0.25 M	0.00 M	No
Section 32 and 33 Water	1.32 M	100%	1.32 M	0.00 M	No
Deep Well Ranch DA	3.00 M	100%	3.00 M	0.00 M	Yes
Storm Ranch DA	0.60 M	100%	0.60 M	0.00 M	No
North Airport Distribution System Loop	2.10 M	75%	1.58 M	0.53 M	Yes
Zone 110 New Transmission Main	8.23 M	50%	4.12 M	4.12 M	No
Wilkinson/Larry Caldwell Drive Water Main Upsizing	0.31 M	75%	0.23 M	0.10 M	No
Production Well No. 6 AP - New	4.92 M	100%	4.92 M	0.00 M	Yes
SR69 Corridor Water Main	3.82 M	25%	0.96 M	2.87 M	Yes
Impact Fee Ordinance Project	0.25 M	50%	0.12 M	0.12 M	No
Water and Wastewater Models	0.18 M	50%	0.01 M	0.01 M	No
All Other Capital Projects – Funded Fully by Rates	<u>92.86 M</u>	0%	<u>0.00 M</u>	<u>92.86 M</u>	Some
Total	\$144.21 M	20%	\$28.59 M	\$115.62 M	



Water System CIP through FY 2033-34



Water System DIF Calculation

Line No	Water System DIF Calculation	Service Area A	Service Area B
	Eligible Improvements		
1	Growth Related IIP: (1)	\$0	\$28,494,898
2	Source of Supply	16,974,288	21,068,689
3	Treatment	11,903,261	47,838,565
4	Transmission and Distribution	1,947,932	94,004,287
5	Storage	7,151,698	51,961,912
6	Non-Growth Related Debt Principal Offset	(64,512)	(35,393,964)
7	Current and Future Debt Interest NPV Cost	2,121	12,237,675
8	Net Water System Costs	\$37,914,788	\$220,212,064
9	Well Capacity (MGD)	14.51	14.51
10	Water System Unit Cost of Capacity (GPD)	\$2.61	\$15.18
11	Peak Day Water Use Per EDU (GPD)	370.85	370.85
12	Water Development Fee Per 5/8 x 3/4-Inch Meter	\$969	\$5,629

(1) Growth Related IIP projects for Service Areas A and B from FY 2023-24 through FY 2033-34.



Draft Water System DIFs

Service Area	Base Meter Size Fee	Assessed Base Meter Size Fee	Service Areas Included
Draft			
A	\$969	\$969	A
B	5,629	6,598	A+B
Current			
A	\$862	\$862	A
B	4,441	5,303	A+B
Change			
A	\$107	\$107	A
B	1,188	1,295	A+B



Water Resource DIF

- Fee recovers the value of 2004 City acquisition of the Big Chino Ranch
 - › City issued debt to fund acquisition
- City portion is 4,365 acre-feet per year or 3.90 MGD
 - › Represents 54% of the 2004 investment
- Fee used to repay outstanding debt service
- Fee elements include
 - › City portion of 2004 acquisition
 - › Less remaining non-growth portion of principal
 - › Plus net present value of future interest payments

Service Area	Current Base Meter Size Fee	Draft Base Meter Size Fee	Change
A	\$1,441	\$1,189	(\$252)



Water Resource DIF Calculation

Line No	Water Resource Fee	Calculation
1	Eligible Improvements	
2	Big Chino Ranch Acquisition (1)	\$12,425,869
3	Non-Growth Related Debt Principal Offset	(1,335,000)
4	Current Debt Interest NPV Cost	1,406,597
5	Net Water Resource Costs	\$12,497,466
6	Big Chino Ranch Capacity (MGD)	3.90
7	Water Resource Unit Cost of Capacity (GPD)	\$3.21
8	Peak Day Water Use Per EDU (GPD)	370.85
9	Water Resource Fee Per 5/8 x 3/4-Inch Meter	\$1,189
	(1) 2004 acquisition debt funded by the City.	

Wastewater System



Wastewater IIP through FY 2033-34

Project Description	Total Cost	Growth Related	Growth-Related Cost Funded by DIFs	Funded by Rates	Debt Funded?
Yavapai Hills #1 Lift Station Rehab	\$4.40 M	60%	\$2.64 M	\$1.76 M	No
Section 32 and 33 Wastewater	5.28 M	100%	5.28 M	0.00 M	Yes
Sundog Trunk Main Phase C - Current Loan	3.17 M	35%	1.11 M	2.06 M	Existing Loan
Sundog Trunk Main Phase C - Future Loan	33.99 M	35%	11.89 M	22.09 M	Yes
Centralization - Effluent Tank. Pipeline	18.45 M	20%	3.69 M	14.76 M	Yes
Willow Creek Gravity Sewer	18.29 M	25%	4.57 M	13.72 M	Yes
Centralization - Airport WRF Solids Handling Facility	13.30 M	20%	2.66 M	10.64 M	Yes
Storm Ranch Wastewater	0.42 M	100%	0.42 M	0.00 M	No
Granite Dells Ranch DA	3.55 M	100%	3.55 M	0.00 M	Yes
Willow Creek Trunk Main Upsize	8.00 M	25%	2.00 M	6.00 M	Yes
Ruger Airport Trunk Main Phase 2	3.93 M	90%	3.53 M	0.39 M	No
Prescott Lakes Parkway Lift Station	1.69 M	100%	1.69 M	0.00 M	No
Centralization - Sundog Equalization Basin and Plant Decommissioning	2.30 M	20%	0.46 M	1.84 M	Yes



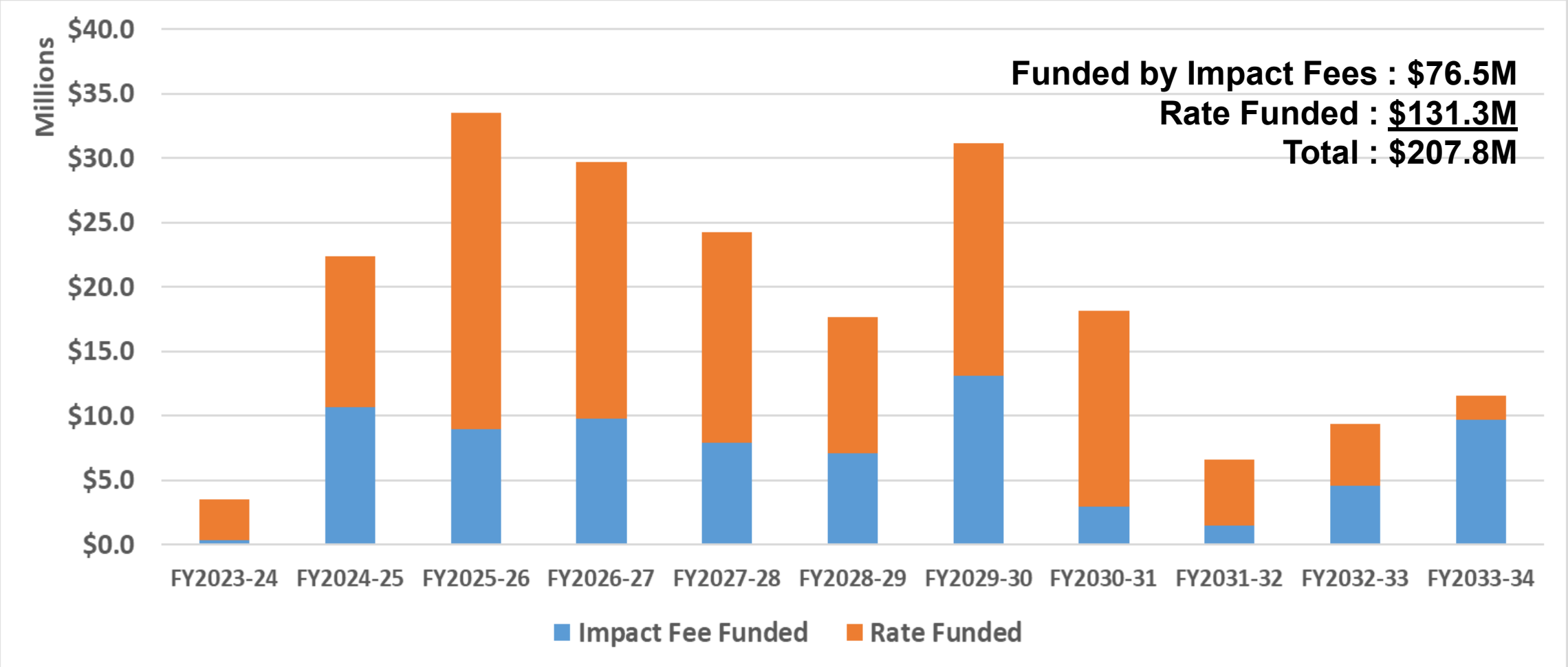
Wastewater IIP through FY 2033-34

Continued

Project Description	Total Cost	Growth Related	Growth-Related Cost Funded by DIFs	Funded by Rates	Debt Funded?
Montezuma Trunk Main Upsizing	\$2.52 M	25%	\$0.63 M	\$1.89 M	No
Yavapai Hills Lift Station Force Main	6.62 M	60%	3.97 M	2.65 M	Yes
Deep Well Ranch Wastewater DA	8.31 M	100%	8.31 M	0.00 M	Yes
Hassayampa Sewer Trunk Main Upsizing	4.73 M	25%	1.18 M	3.54 M	Yes
Ruger Airport Trunk Main Phase 3	3.04 M	90%	2.74 M	0.30 M	Yes
Centralization - WRF Expansion Phase 2	25.00 M	20%	5.00 M	20.00 M	Yes
Prescott Lakes Parkway Sewer Upsizing	0.80 M	25%	0.20 M	0.60 M	No
5th Street, 6th Street, and Hillside Sewer Upsize	2.08 M	10%	0.21 M	1.87 M	Yes
Deep Well Ranch Trunkline and Lift Station	10.50 M	100%	10.50 M	0.00 M	Yes
Impact Fee Ordinance	0.25 M	50%	0.12 M	0.12 M	No
Water and Wastewater Model	0.36 M	50%	0.18 M	0.18 M	No
All Other Capital Projects – Funded Fully by Rates	<u>26.90 M</u>	0%	<u>0.00 M</u>	<u>26.90 M</u>	Some
Total	\$207.84 M	37%	\$76.53 M	\$131.31 M	



Wastewater System CIP





Wastewater System DIF Calculation

Line No Sewer System DIF Service Area A

Line No	Sewer System DIF	Service Area A
	Eligible Improvements	
1	Growth Related IIP (1)	\$76,529,505
2	Sewer Lines	68,396,232
3	Lift Stations	6,101,045
4	Treatment (2)	103,326,023
5	Non-Growth Related Debt Principal Offset	(19,976,159)
6	Current and Future Debt Interest NPV Cost	29,299,619
7	Net Wastewater System Costs	\$263,676,266
8	Treatment Capacity (MGD)	7.50
9	Wastewater System Unit Cost of Capacity (GPD)	\$35.16
10	Peak Day Wastewater Use Per EDU (GPD)	172
11	Wastewater Development Fee Per 5/8 x 3/4-Inch Meter	\$6,036

(1) Growth Related CIP projects for FY 2023-24 through FY 2033-34.

(2) Excludes Sundog WWTP assets that will be taken out of service when the centralization project is completed.



Draft Wastewater System DIFs

Description	Base Meter Size Fee
Draft	\$6,036
Current	<u>3,020</u>
Change	3,016



Draft utility DIFs compared – base meter size fee

Description	Water System	Water Resources	Wastewater	Total
Draft	\$6,598	\$1,189	\$6,036	\$13,823
Current	<u>5,303</u>	<u>1,441</u>	<u>3,020</u>	<u>9,764</u>
Change	1,295	(\$252)	3,016	4,059

Single Family Residential DIF Survey



Single family residential utility and non-utility DIFs compared

Description	Prescott Current	Prescott Draft	Prescott Valley	Chino Valley
Water System (1) (2)	\$5,303	\$6,598	\$1,491	\$4,776
Water Resources (1)	1,441	1,189	1,526	0
Wastewater (1)	3,020	6,036	3,014	7,164
Street	1,040	3,568	2,671	0
Park & Rec	0	0	1,469	0
Police (3)	328	761	404	0
Fire (3)	291	1,189	0	0
Library	<u>0</u>	<u>0</u>	<u>1,589</u>	<u>0</u>
Total	\$11,423	\$19,341	12,164	11,940

(1) 5/8-inch water meter and 2,500 square feet, and one dwelling unit and showing only DIFs without any additional fees.

(2) Current and draft Prescott Water System DIFs include both Service Areas A and B.

(3) Prescott Valley has a public safety fee with fire services provided by a fire district.



Next Steps

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Council Workshop on DIFs	July 9, 2024
Adopt Final LUA and IIPs	July 9, 2024
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Thank you!

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