



# Water Rates Analysis Report

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March 2026

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**TOWN OF ORO VALLEY  
WATER UTILITY  
WATER RATES ANALYSIS REPORT  
MARCH 2026**

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## **Executive Summary**

An annual review of the revenue requirements and water rates is an integral component in ensuring the long-term financial health of the Water Utility. The Oro Valley Water Utility Commission reviews and makes recommendations for water revenue requirements, water rates and fee structures. The Commission evaluates staff recommendations based on a rates analysis to ensure compliance with Town policies and bond covenants. Water rates and service charges are reviewed annually in accordance with Mayor and Town Council Water Policies – II.A.2.b(4).

The Water Utility has based these financial projections on the American Water Works Associations (AWWA) cash-needs approach. The AWWA is the largest national organization that develops water and wastewater policies, specifications and rate setting guidelines accepted by both government-owned and private water and wastewater utilities worldwide.

This Water Rates Analysis Report contains detailed information on the Operating Fund and the Water Resource and System Development Impact Fee Fund. Funds are analyzed annually to project revenue and revenue requirements. As an enterprise of the Town, the Water Utility generates revenue from rates, fees and service charges and does not receive revenue from taxes or other monies from the General Fund. Additionally, revenue generated by the Water Utility does not fund operating costs of any other Town department.

In accordance with policy, the water rates analysis is prepared annually based on the most up-to-date information available for a five-year period. Although the analysis is for five years, any rate increase considered would be approved only for the first year in the five-year projection period.

The Water Utility Commission has made a recommendation regarding the proposed financial scenario. Under the proposed financial scenario, the Operating Fund is projected to have a cash balance of \$7,681,424 at the end of the five-year projection period. This exceeds the cash reserve requirement. In addition, the debt service coverage ratio of 1.3 is exceeded each year. Operational needs and capital improvements are included in the analysis. The proposed financial scenario demonstrates a planned use of cash reserves to finance capital projects.

The proposed financial scenario evaluates the impact of future costs and the revenue sources that will be required to meet those costs. The proposed water rates in the financial scenario will increase the Utility's fixed and variable cost recovery.

The Water Utility Commission and Water Utility staff have made the following recommendations on water rates in the proposed financial scenario for Fiscal Year 2026/27:

- A. Increase to the potable water base rates

A. Current and proposed monthly base rates for potable water are shown in Table 1 below:

**Table 1**

<b>Meter Size (Inches)</b>	<b>Current Base Rate</b>	<b>Proposed Base Rate</b>	<b>Monthly Increase</b>
5/8	\$23.31	\$25.17	\$1.86
3/4	\$34.93	\$37.72	\$2.79
1	\$58.23	\$62.89	\$4.66
1.5	\$116.47	\$125.79	\$9.32
2	\$186.35	\$201.26	\$14.91
3	\$372.68	\$402.49	\$29.81
4	\$582.33	\$628.92	\$46.59
6	\$1,164.65	\$1,257.82	\$93.17
8	\$1,863.45	\$2,012.53	\$149.08

*Cost per month*

The financial impact of the proposed base and commodity rate increase for a customer with a 5/8-inch meter using 7,000 gallons is \$1.86 per month. Customers with a 5/8-inch meter represent 84 percent of the total customer base and include residential, commercial and irrigation classifications with the vast majority of those being residential.

Water Utility staff presents this water rates analysis in support of the recommended rates contained in the proposed financial scenario. The Oro Valley Water Utility Commission and Water Utility staff respectfully recommend the proposed increase to the potable base rates and increase to the potable commodity rates as detailed in the proposed financial scenario.

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**Introduction**

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

- ▶ Operating Fund
- ▶ Water Resource and Development Impact Fee Fund

The Operating Fund is the primary fund for the Water Utility. Revenues for this fund include water sales, service fees, miscellaneous charges and interest income. The expenses in this fund include personnel, operations and maintenance for both potable and reclaimed water systems, capital costs for existing potable water system improvements and related debt service. The Water Utility pays the General Fund for services received including finance, human resources, fleet services, information technology, legal, insurance and rental of office space; however, it does not receive revenue from taxes or other payments from the General Fund. Additional information is provided on page 11 of this report.

Groundwater Preservation Fee (GPF) revenue and expenses are accounted for within the Operating Fund but are segregated because GPF revenue is restricted for specific uses. This is illustrated in Appendix A, Page A-2.

The Water Resource and Development Impact Fee Fund (WRSDIF) is used to account for development impact fees collected. Funds may be used for all types of water resources, the infrastructure to deliver those resources and any related debt including Central Arizona Project (CAP) capital infrastructure repayment costs. Additional information is provided on page 15 of this report.

The revenue and expenses of the Operating Fund and the WRSDIF Fund are combined to determine if the Water Utility meets the debt service coverage requirement established in the Mayor and Town Council water policies and current bond covenants. Revenues and expenses are accounted for separately in each fund.

Pursuant to ARS 9-463.05 Section B.9., impact fees must be placed in a separate fund and accounted for separately. ARS 9-463.05 Section B.5. states that the impact fees may not be used for operations and maintenance of existing facilities.

## Methodology

### **Step 1: Five-Year Financial Plan**

The first step of the water rates analysis is to develop a five-year financial plan that projects the Water Utility's revenues, expenses, capital project financing, annual debt service, and cash reserve funding. The factors used in determining the projections are growth rates, water use trends, debt service coverage requirements, cash reserve requirements and inflation rates. The financial plan is used to determine the revenue adjustment, which allows the Water Utility to recover adequate revenues to fund expenses and cash reserves.

### **Step 2: Revenue Requirement Determination for Test Year**

After completing the five-year financial plan, the rate-setting process can begin by determining the revenue requirement for the test year, also known as the rate-setting year. The test year for this water rates analysis is Fiscal Year 2024/25 which will be used to capture the rate impacts resulting from a change in rate structure without a revenue adjustment. The revenue requirement should sufficiently fund the Water Utility's operating and maintenance (O&M) costs, annual debt service, capital improvement plan (CIP) costs, and cash reserve funding for the upcoming Fiscal Year 2026/27 budget.

### **Step 3: Water Rates Analysis**

The annual cost of providing water service, or the revenue requirements, is then distributed to customer classes and tiers based on their water usage and demand on the system. Fixed and variable costs are analyzed to determine the impact on customer classes and tiers.

### **Step 4: Rate Design and Calculation**

After allocating the revenue requirements to each customer class and tier, the rate design and calculation process can start. Rates are designed to properly support and optimize the Water Utility's policies and objectives. Rates also act as a public information tool in communicating these policy objectives to customers. This process also includes a rate impact analysis for all proposed water rates and sample customer bill impacts.

### **Step 5: Administrative Record Preparation and Rate Adoption**

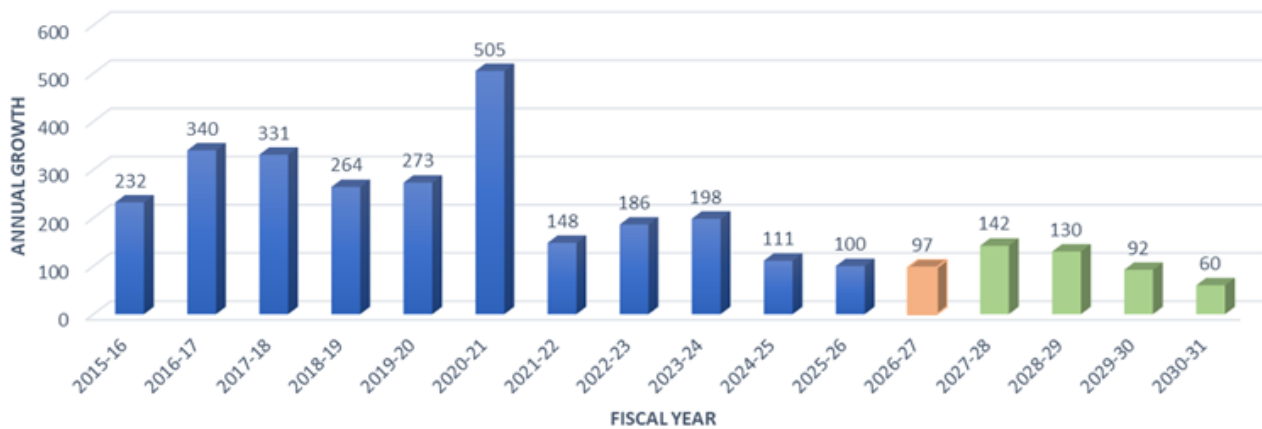
The final step in a water rates analysis is to develop the administrative record in preparation for the rate adoption process. The administrative record, also known as the Water Rates Analysis Report, documents the results of the water rate analysis and presents the methodologies, rationale, justifications, and calculations utilized to determine the proposed water rates.

## Growth Rates

As indicated in the graph below, new metered connections have been declining due to the slowdown in new development within the Town. The Water Utility had a total of 2,588 new metered connections from Fiscal Year 2015/16 through Fiscal Year 2024/25. At the end of Fiscal Year 2024/25, the customer base totaled 21,609 metered connections.

In developing the growth projections, assistance was received from the Town's Community and Economic Development Department for the current housing inventory, along with plans that have been submitted for review, to conservatively estimate future growth. The growth projections used for this report are consistent with the Town's financial forecast.

**Past & Projected Annual New Residential Metered Connections**

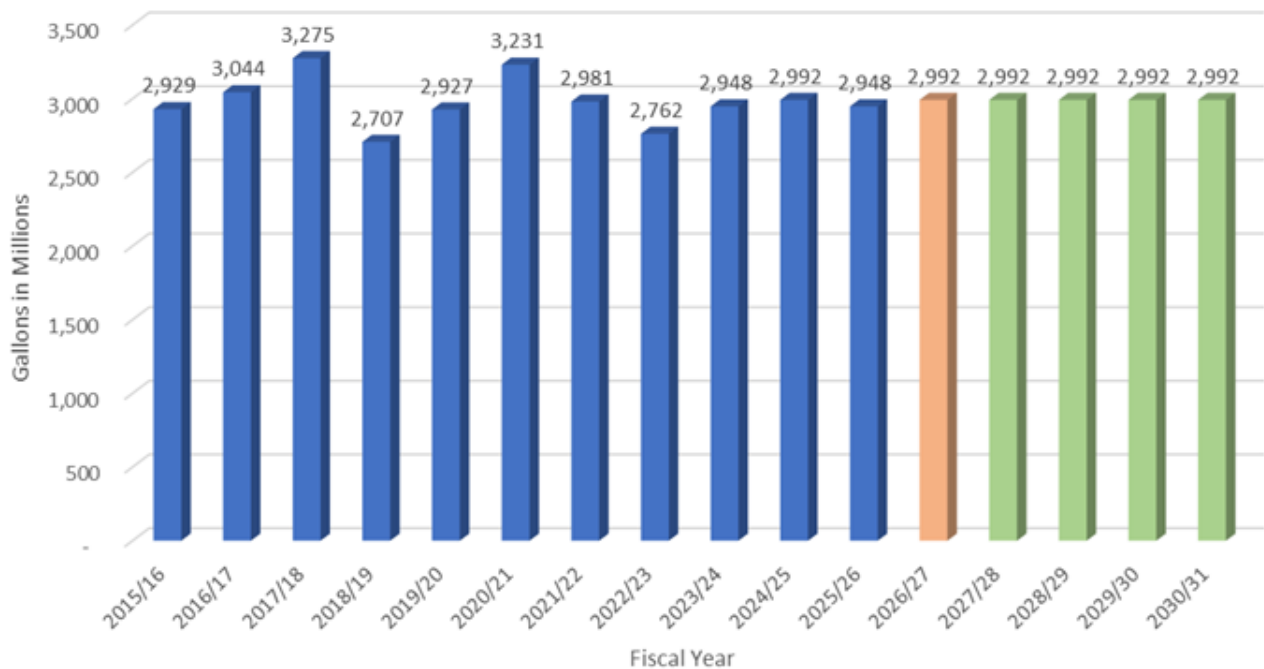


## Water Use Trends

Water use remains consistent even though the number of connections has increased by 2,588 over the last ten years. The graph below indicates actual water usage from Fiscal Year 2015/16 through Fiscal Year 2024/25. As noted below, in Fiscal Year 2015/16 water usage was at 2,929 million gallons and 2,992 million gallons in Fiscal Year 2024/25. An increase of 63 million gallons. The revenue projections in this water rate analysis compiled water data from Fiscal Year 2024/25 when the average water use was 7,000 gallons per month, which is consistent with prior years.

Historically there has been a decline in water use not only on a local level, but also on regional and national levels. This can be largely attributed to water conservation – both intentional and unintentional. Intentional water conservation is the conscious effort to reduce water use by commonly known measures including changing landscape to drought tolerant plants and the removal of lawns. Unintentional water conservation is a result of plumbing code changes and other regulatory changes regarding water efficiency. For example, all new water using appliances and fixtures are required to be low flow. The consumer’s intention may not have been to conserve water when they chose to replace an ageing or broken dishwasher, clothes washer or bathroom faucet.

Past & Projected Annual Potable & Reclaimed Water Deliveries



## Debt Service

The current annual debt service obligations are met with revenue generated from water rates, groundwater preservation fees and impact fees. A summary of the existing debt and the outstanding balances as of June 30, 2025, are shown below in Table 3.

**Table 3**

Repayment	Year	Description of Debt	Purpose	Balance
Water Rates	2014	WIFA Loan	AMI Meter Replacement	\$1,427,504
Water Rates	2015	Excise Tax Bonds-Refinance	Land for MOC	\$148,500
Water Rates	2017	Excise Tax Bonds-Refinance	Existing Potable System	\$3,199,340
Water Rates	2018	Excise Tax Bonds	Existing Potable System	\$4,050,000
Water Rates	2021	Sr. Lien Bonds-Refinance	Existing Potable System	\$1,011,282
GPF	2021	Sr. Lien Bonds-Refinance	Reclaimed Water System	\$1,733,282
WRSDIF	2021	Sr. Lien Bonds-Refinance	Potable System Expansion	\$206,437
GPF	2025	Sr. Lien Revenue Obligations	NWRRDS	\$2,433,820
WRSDIF	2025	Sr. Lien Revenue Obligations	NWRRDS	\$3,650,730
			<b>TOTAL</b>	<b>\$17,860,894</b>

In April 2017, the Town entered into an Intergovernmental Agreement with the Metropolitan Domestic Water Improvement District and the Town of Marana to construct a recharge, recovery and delivery system known as the Northwest Recharge, Recovery, and Delivery System (NWRRDS) project to bring additional Central Arizona Project (CAP) water into the Town.

In FY 2025/26, the water utility will issue approximately \$11 million in new debt for the NWRRDS project. Repayment of this debt will be paid with Groundwater Preservation Fees (GPF) and Water Resource and System Development Impact Fees (WRSDIF).

There is no new debt for existing system capital improvements in this analysis. Capital costs in the five-year capital plan for existing system projects will be cash funded.

## Debt Service Coverage Requirements

The method for calculating the debt service coverage ratio is pursuant to the Town Financial and Budgetary Policies adopted by the Town Council in 2023. Section 1-9 Debt, Policy 9.0 - Pledging of Utility Revenues states the following with respect to debt service coverage ratios: *“When utility revenues are pledged as debt service payments, the Town will strive to maintain a 1.3 times debt service coverage ratio to ensure debt coverage in times of revenue fluctuation. This will be in addition to the required ratio of the bond indenture”*.

The 2014 Water Infrastructure Finance Authority (WIFA) loan, Series 2021 senior lien water revenue refunding bond and Series 2025 senior lien water revenue obligations are used in the calculation of the debt service coverage requirement. The Water Utility revenues are specifically pledged as the repayment source for these obligations at 1.3 times coverage per the Town’s adopted financial policy.

The remaining outstanding debt obligations of the Water Utility are excise tax pledged obligations meaning that the Town’s unrestricted sources of sales taxes, fines, permit fees and state shared revenues are pledged as repayment sources for these bonds in the bond indentures. Even though the bond indentures pledge these excise taxes as the repayment source, the Water Utility is responsible for these debt service payments from water sales revenues. However, since excise taxes are pledged as coverage, a calculated debt service coverage ratio of 1.0 is applied to avoid double coverage when calculating the debt service coverage ratio for these excise tax-backed bonds in the water rates analysis.

Bond indentures for the excise tax-backed bonds require that the Town’s excise tax collections each fiscal year total at least 2.5 times the annual debt service requirements to avoid funding a debt service reserve fund. These conditions have been met annually in the past and are expected to continue in the future.

This methodology of segregating the water utility revenue-pledged debt from the excise tax-pledged debt in the rates analysis process is an accepted practice in the industry and has been reviewed by the Town’s Chief Financial Officer and the Town’s financial advisors with Stifel, Nicolaus & Company, Inc.

The debt service coverage ratio is determined by dividing the annual net operating revenue by the annual debt service payments. The methodology described above is in accordance with the 2023 policy and reduces the amount of the required debt service coverage. Applying this methodology has been key in minimizing water rate increases.

Debt service coverage for the Water Utility’s outstanding senior lien debt issuances and loans in the proposed financial scenario is shown in Table 4 below. As shown below, debt service coverage increases as existing debt service is paid off.

**Table 4**

	Fiscal Year 2026/27	Fiscal Year 2027/28	Fiscal Year 2028/29	Fiscal Year 2029/30	Fiscal Year 2030/31
Debt Service Coverage	2.89	2.92	3.23	4.51	4.68

## Cash Reserve Policy

The cash reserve policy may be found in the Town of Oro Valley Mayor and Council Water Policies Section II.A.1.d. The policy states *“The Utility shall maintain a cash reserve in the Operating Fund of not less than 20% of the combined total of the annual budgeted amounts for personnel, operations and maintenance, and debt service. This cash reserve amount specifically excludes budgeted amounts for capital projects, depreciation, amortization and contingency. No cash reserve is required for the water utility impact fee funds”*.

In the proposed financial scenario, the projected cash reserve balance for the Operating Fund for each year in the analysis is listed below in Table 5 showing compliance in all years. The projected cash reserve balances include annual increases as shown in tables 7 and 8.

**Table 5**

Operating Fund	Fiscal Year 2026/27	Fiscal Year 2027/28	Fiscal Year 2028/29	Fiscal Year 2029/30	Fiscal Year 2030/31
Cash Reserve Requirement	\$ 3,766,449	\$ 3,555,644	\$ 3,645,288	\$ 3,672,820	\$ 3,791,244
Cash Reserve Balance	\$ 4,709,476	\$ 5,416,375	\$ 5,954,241	\$ 6,842,013	\$ 7,681,424

Cash reserve balances in the Operating Fund are projected to be stable throughout the analysis. This is a result of strategically balancing the required financing of capital projects with the planned use of cash reserves.

There is no cash reserve requirement for revenue from the GPF because these funds are restricted to pay for renewable water resources, infrastructure and associated debt. Although accounted for in the Operating Fund, the GPF cash is segregated from the Operating Fund cash. It is not fiscally prudent to combine cash that has a restricted use with cash that has unrestricted use when determining compliance with a cash reserve policy. Expenses paid by GPF revenue are segregated from the general operating expenses for the purpose of calculating the cash reserve requirement. In the proposed financial scenario, the projected cash reserve balance for the GPF in each year of the analysis is listed below in Table 6.

**Table 6**

Groundwater Preservation Fee	Fiscal Year 2026/27	Fiscal Year 2027/28	Fiscal Year 2028/29	Fiscal Year 2029/30	Fiscal Year 2030/31
Cash Reserve Balance	\$1,369,500	\$2,596,376	\$3,958,224	\$5,563,524	\$7,253,373

GPF cash reserve balances are projected to remain stable over the five-year projection period. This is a direct result of balancing the use of cash and new debt service to pay for capital projects associated with the delivery of additional CAP water through the NWRDSD project.

## Operating Fund

### Revenue Forecast

The Operating Fund is projected to have a cash balance of \$5,155,412 at the beginning of Fiscal Year 2026-27 and is projected to have a balance of \$7,681,424 at the end of Fiscal Year 2030/31. These funds may be used for operating costs including personnel, operations and maintenance, capital improvements for the existing potable water system and debt service.

Groundwater Preservation Fees are included in the Operating Fund; however, the revenues, expenses and cash balances for the GPF are accounted for separately within the Operating Fund and are not included in the cash balance above. The use of GPF funds is restricted to renewable water resources, infrastructure and associated debt.

The following revenue forecast was based on analysis of the Water Utility's historic water use trends and projected growth in the number of new connections. The revenue forecast includes proposed increases in the potable water base rates as shown below in Table 7.

**Table 7**

<b>Base Rate Potable Water Meter Sizes (inches)</b>	<b>Current Base Rates FY 2025/26</b>	<b>Proposed Base Rates FY 2026/27</b>	<b>Proposed Base Rates FY 2027/28</b>	<b>Proposed Base Rates FY 2028/29</b>	<b>Proposed Base Rates FY 2029/30</b>	<b>Proposed Base Rates FY 2030/31</b>
5/8	\$23.31	\$25.17	\$ 26.75	\$ 28.35	\$ 29.98	\$ 31.63
3/4	\$34.93	\$37.72	\$ 40.08	\$ 42.49	\$ 44.93	\$ 47.40
1	\$58.23	\$62.89	\$ 66.82	\$ 70.83	\$ 74.90	\$ 79.02
1.5	\$116.47	\$125.79	\$ 133.65	\$ 141.67	\$ 149.81	\$ 158.05
2	\$186.35	\$201.26	\$ 213.84	\$ 226.67	\$ 239.70	\$ 252.88
3	\$372.68	\$402.49	\$ 427.65	\$ 453.31	\$ 479.37	\$ 505.74
4	\$582.33	\$628.92	\$ 668.22	\$ 708.32	\$ 749.05	\$ 790.24
6	\$1,164.65	\$1,257.82	\$ 1,336.44	\$ 1,416.62	\$ 1,498.08	\$ 1,580.47
8	\$1,863.45	\$2,012.53	\$ 2,138.31	\$ 2,266.61	\$ 2,396.94	\$ 2,528.77

The revenue forecast proposes no increases in the potable water commodity rates as shown below in Table 8:

**Table 8**

<b>Commodity Rates Potable Water Classifications</b>	<b>Current FY 2025/26</b>	<b>Proposed FY 2026/27</b>	<b>Proposed FY 2027/28</b>	<b>Proposed FY 2028/29</b>	<b>Proposed FY 2029/30</b>	<b>Proposed FY 2030/31</b>
Residential & Irrigation - Tier 1	\$3.02	\$3.02	\$ 3.02	\$ 3.02	\$ 3.02	\$ 3.02
Residential & Irrigation - Tier 2	\$5.02	\$5.02	\$ 5.02	\$ 5.02	\$ 5.02	\$ 5.02
Residential & Irrigation - Tier 3	\$8.17	\$8.17	\$ 8.17	\$ 8.17	\$ 8.17	\$ 8.17
Residential & Irrigation - Tier 4	\$12.32	\$12.32	\$ 12.32	\$ 12.32	\$ 12.32	\$ 12.32
Commercial	\$3.02	\$3.02	\$ 3.02	\$ 3.02	\$ 3.02	\$ 3.02
Master Metered Multi-Family	\$3.02	\$3.02	\$ 3.02	\$ 3.02	\$ 3.02	\$ 3.02

The potable base rates are projected to increase annually, beginning in Fiscal Year 2026/27 and continue with modest increases through Fiscal Year 2030/31. The potable commodity rates are projected to remain the same in Fiscal Year 2026/27 through Fiscal Year 2030/31.

Table 9 below includes the water sales for potable, reclaimed and GPF revenue forecast for the five-year projection period using the proposed base and commodity rates:

**Table 9**

<b>Revenue Source</b>	<b>Fiscal Year 2026/27</b>	<b>Fiscal Year 2027/28</b>	<b>Fiscal Year 2028/29</b>	<b>Fiscal Year 2029/30</b>	<b>Fiscal Year 2030/31</b>
Potable Water	\$18,006,307	\$ 18,525,118	\$19,054,306	\$19,591,872	\$20,135,632
Reclaimed Water	\$ 1,500,000	\$ 1,500,000	\$ 1,500,000	\$ 1,500,000	\$ 1,500,000
<b>Total Water Sales</b>	\$19,506,307	\$ 20,025,118	\$20,554,306	\$21,091,872	\$21,635,632
<b>GPF Revenue</b>	\$ 2,732,000	\$ 2,732,000	\$ 2,732,000	\$ 2,732,000	\$ 2,732,000

Other revenue generated by the Utility consists of service fees and charges. Service fees and charges include funds received from an Intergovernmental Agreement with the Pima County Wastewater Reclamation Department to provide monthly billing services on their behalf. Service fees and charges also include, but are not limited to, new service establishment fees, late fees, reconnection fees, inspection fees and plan review fees. The total of all service fees and charges is projected to generate annual revenue of \$850,000.

Projections for interest income for the Operating Fund are a cumulative total of \$500,000 over the five-year period. Projected interest income for the GPF monies is a cumulative total of \$250,000 over the five-year period.

## Revenue Requirements

Below in Table 10 is a summary of revenue requirements for the Operating Fund that were used in the financial analysis. These revenue requirements exclude expenses to be paid with GPF revenue.

**Table 10**

<b>Operatng Fund Expenses</b>	<b>Fiscal Year 2026/27</b>	<b>Fiscal Year 2027/28</b>	<b>Fiscal Year 2028/29</b>	<b>Fiscal Year 2029/30</b>	<b>Fiscal Year 2030/31</b>
Personnel	\$ 3,900,593	\$ 4,012,978	\$ 4,128,735	\$ 4,247,964	\$ 4,370,770
Operations/Maintenance	\$ 3,797,439	\$ 3,911,362	\$ 4,028,704	\$ 4,149,564	\$ 4,274,051
Power for Pumping	\$ 1,066,050	\$ 1,098,032	\$ 1,130,972	\$ 1,164,902	\$ 1,199,849
NWRRDS Water Delivery Resale	\$ 160,000	\$ 164,800	\$ 169,744	\$ 174,836	\$ 180,081
CAP Wheeling Costs	\$ 2,371,392	\$ 2,501,819	\$ 2,639,419	\$ 2,784,587	\$ 2,937,739
CAP Water Delivery Costs	\$ 3,303,351	\$ 3,437,316	\$ 3,519,756	\$ 3,674,331	\$ 3,818,601
Reclaimed Personnel	\$ 209,621	\$ 215,661	\$ 221,881	\$ 228,289	\$ 234,889
Reclaimed Operations/Maint.	\$ 1,146,413	\$ 1,197,368	\$ 1,250,679	\$ 1,306,460	\$ 1,345,653
Reclaimed Power for Pumping	\$ 72,100	\$ 74,263	\$ 76,491	\$ 78,786	\$ 81,149
<b>Subtotal Expenses</b>	<b>\$16,026,960</b>	<b>\$ 16,613,599</b>	<b>\$17,166,381</b>	<b>\$17,809,718</b>	<b>\$18,442,783</b>
Debt Service	\$ 2,805,283	\$ 1,164,621	\$ 1,060,059	\$ 554,381	\$ 513,438
Capital Outlay	\$ 2,070,000	\$ 2,490,000	\$ 2,740,000	\$ 2,790,000	\$ 2,790,000
<b>Total Operating Fund Expenses</b>	<b>\$20,902,243</b>	<b>\$ 20,268,220</b>	<b>\$20,966,440</b>	<b>\$21,154,099</b>	<b>\$21,746,221</b>

Projected personnel costs include 3 percent annual merit increases, retirement contributions of 12 percent and 3 percent annual increases in health care costs. There are no new employees being added within the five-year projection period. A portion of the personnel costs are allocated to the reclaimed water system based on a weighted average of 5.10 percent annually.

The projected operations and maintenance (O&M) costs for both the potable and reclaimed water systems are based on the Fiscal Year 2025/26 budget and include inflationary increases of 3 percent annually. A cost allocation model is used to allocate various administrative and operational costs to the reclaimed water system. Costs charged by Tucson Water for wheeling reclaimed water are projected to increase 5.50 percent annually.

Central Arizona Project (CAP) wheeling costs are fees charged by Tucson Water to wheel Oro Valley's CAP water through their recharge and recovery system. The Intergovernmental Agreement with Tucson Water was renegotiated in Fiscal Year 2016/17. Costs are projected to increase by 5.50 percent annually. The total annual delivery of 2,850 acre-feet is projected in the five-year projection period.

Central Arizona Project (CAP) water recharge costs represent costs to take annual delivery of the Utility's entire CAP water allotment of 10,305 acre-feet. This water will be recharged and stored in various recharge facilities including the Tucson Water facilities. Costs to take delivery of and store the CAP water are calculated with the rate schedule adopted by the Central Arizona Project. In Fiscal Year 2026/27 the CAP delivery rate will increase by 7.46% as projected by the CAP rate table.

Projected capital outlay for existing system improvements in this analysis includes well rehabilitation, tank replacement, re-lining of reservoirs, booster station modifications, water main replacements, vehicles and water meters. These projects will be cash-funded in the five-year projection period. The schedule for five-year capital improvements may be found in Appendix C.

Potable existing system debt service is declining as debt is paid. GPF and WRSDIF debt service will increase by approximately \$11 million in FY 2025/26 for the NWRRDS project. Repayment of this debt will be paid with GPF and WRSDIF funds.

Expenses paid with GPF funds include the existing customers' portion of CAP water capital costs associated with ownership of the CAP water allotment. These costs increase annually based on projected rates developed by the Central Arizona Project.

Debt service for the reclaimed water system is paid for with GPF funds. Outstanding debt on the reclaimed water system will be paid in full by Fiscal Year 2029/30. Forty percent of NWRRDS debt service will be paid with GPF funds.

Table 11 is a summary of expenses paid with GPF revenue that were used in this financial analysis:

**Table 11**

<b>Groundwater Preservation Fees Expenses</b>	<b>Fiscal Year 2026/27</b>	<b>Fiscal Year 2027/28</b>	<b>Fiscal Year 2028/29</b>	<b>Fiscal Year 2029/30</b>	<b>Fiscal Year 2030/31</b>
CAP Capital Cost of 7,305 AF	\$ 409,080	\$ 423,690	\$ 467,520	\$ 445,605	\$ 430,995
Capital - NWRRDS Project	\$ 800,000	\$ -	\$ -	\$ -	\$ -
Debt Service	\$ 1,066,352	\$ 1,081,434	\$ 902,632	\$ 681,094	\$ 611,156
<b>Total GPF Expenses</b>	<b>\$ 2,275,432</b>	<b>\$ 1,505,124</b>	<b>\$ 1,370,152</b>	<b>\$ 1,126,699</b>	<b>\$ 1,042,151</b>

## Water Resource and System Development Impact Fee Fund

The Water Resource and System Development Impact Fee Fund (WRSDIF) is used to account for development impact fees collected. Revenues are from impact fees collected at the time water meters are purchased and from interest income. Expenses include capital repayment obligation charges for the Town’s CAP allotment, CAP infrastructure and associated debt incurred to deliver CAP water to the Town to meet the demands of future growth. In addition, wells, pump stations, reservoirs and mains for the potable water system required to meet the demands of future growth will also be financed with these impact fees.

The WRSDIF Fund is projected to have a cash balance of \$1,798,497 at the beginning of FY 2026/27 and is projected to have \$842,884 at the end of FY 2030/31. The revenue sources for the WRSDIF Fund are from impact fees collected when a water meter is purchased and from interest earned on cash balances. Projected interest income for the WRSDIF monies is a cumulative total of \$375,000 over the five-year period.

The revenue forecast was based on new service units related to the number of new connections. A service unit is the equivalent of one single family residential (SFR) 5/8-inch water meter. The SFR service units are equal to the number of new connections. Other service units are forecasted based on pending development projects within the Town. Other service units include commercial, multi-family and irrigation uses with the number of service units depending on the estimated meter sizes for each project. In addition, the service units are forecasted based on historic trends and pending development projects within the Town.

The impact fee for a SFR 5/8-inch water meter or one service unit is projected to be \$6,387. It is assumed that the Development Impact Fees will remain constant throughout the five-year projection period. Table 12 below indicates the projected growth in additional metered connections and the revenue associated with that growth. These growth projections are consistent with the Town’s financial planning.

**Table 12**

<b>Water Resource &amp; System Development Impact Fees</b>	<b>Fiscal Year 2026/27</b>	<b>Fiscal Year 2027/28</b>	<b>Fiscal Year 2028/29</b>	<b>Fiscal Year 2029/30</b>	<b>Fiscal Year 2030/31</b>
Residential Connections	97	142	130	92	60
Other Connections	12	6	6	6	6
Projected Revenue	\$ 1,049,427	\$ 1,336,842	\$ 1,260,198	\$ 1,017,492	\$ 813,108

WRSDIF funds may be used for capital expenses related to CAP water. Capital costs assessed by the Central Arizona Project for 3,000-acre feet of the Town’s CAP water allotment are included under operating expenses.

Capital expenses in Fiscal Year 2026/27 include \$1.8 million for the completion of the NWRDRS project which will deliver up to an additional 4,000-acre feet of CAP water to the Town. Completion of this project is expected to be in early 2027. Funds may also be used for capital expenses related to potable water system improvements including wells, booster stations, reservoirs and water mains required to meet the demands of new growth. Capital projects are identified in the five- year capital improvement plan shown in Appendix C.

Debt service for previously constructed growth-related facilities is also paid from impact fee revenue. Sixty percent of impact fee funds will pay debt associated with NWRDRS. The annual expenses and debt service for the WRSDIF Fund are listed in Table 13.

**Table 13**

<b>Water Resource &amp; System Development Expenses</b>	<b>Fiscal Year 2026/27</b>	<b>Fiscal Year 2027/28</b>	<b>Fiscal Year 2028/29</b>	<b>Fiscal Year 2029/30</b>	<b>Fiscal Year 2030/31</b>
CAP Capital Cost of 3,000 AF	\$ 168,000	\$ 174,000	\$ 192,000	\$ 183,000	\$ 177,000
Capital - NWRD Project	\$ 1,200,000	\$ -	\$ -	\$ -	\$ -
Debt Service	\$ 946,145	\$ 973,507	\$ 951,965	\$ 925,327	\$ 916,734
<b>Total WRSDIF Expenses</b>	<b>\$ 2,314,145</b>	<b>\$ 1,147,507</b>	<b>\$ 1,143,965</b>	<b>\$ 1,108,327</b>	<b>\$ 1,093,734</b>

## Proposed Financial Scenario

Prior to developing forecasts, financial considerations were evaluated relating to projected operating costs, capital expenses, the Water Utility's existing cash reserves, existing outstanding debt and debt service payments. When developing a proposed financial scenario, the goal of the Water Utility is to ensure all existing rate setting policies are met, cash reserves are utilized to minimize future debt and proposed rate increases do not result in rate shock. A rate setting policy included in the Mayor and Council Water Policies is for the rate structures to be designed to encourage water conservation.

The development of water conservation pricing, also known as a tiered commodity rate, began in 1999 when a second tier was added to the uniform or flat commodity rate. That structure evolved into four tiers by 2007. The Water Utility has increased the tiered commodity rates to a level that encourages water conservation.

This year, the proposed financial scenario includes an increase to the potable base rates, no increase to the potable commodity rates and no increase to the reclaimed rates.

The chart below illustrates potable and reclaimed water deliveries remaining stable over the last ten years even though the Water Utility experienced growth in the customer base.

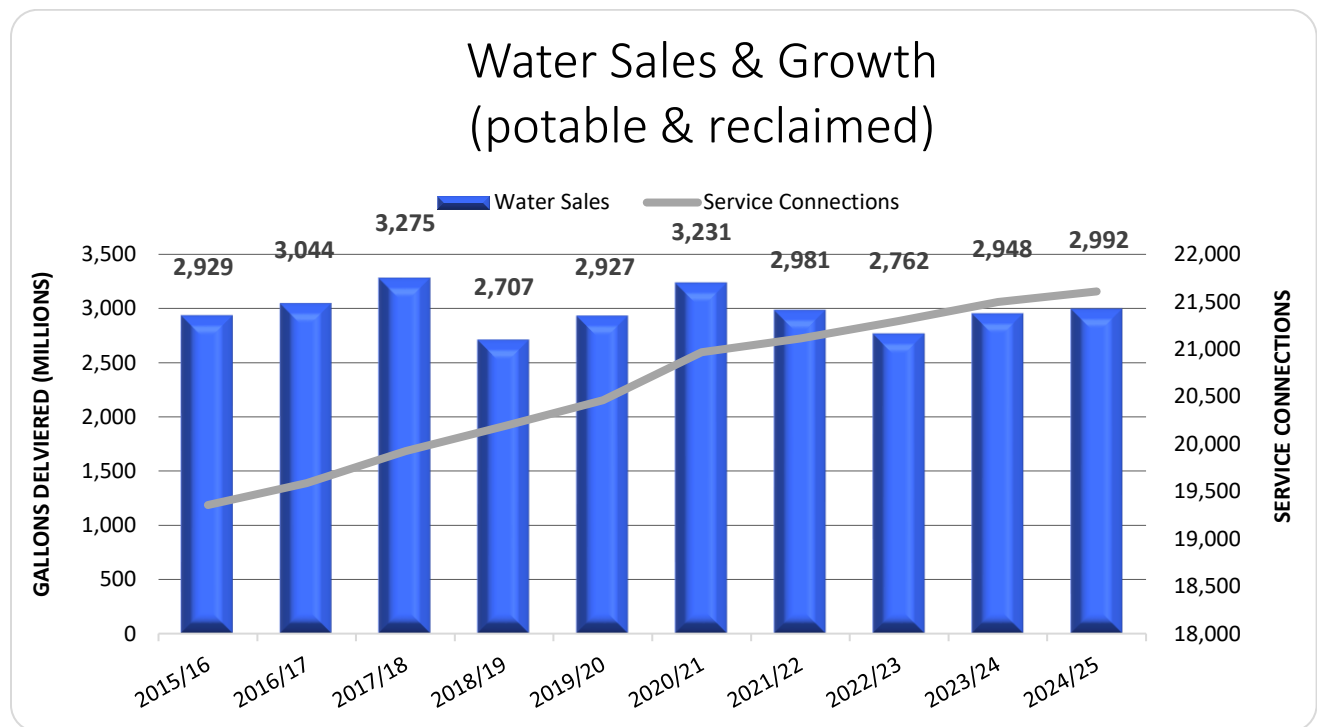


Table 14 below illustrates how regional water providers have increased their base rate for a 5/8-inch meter as compared to the historical and the 2026 proposed rates for Oro Valley.

**Table 14**

Year	Oro Valley	Metro	Marana	Tucson
2026	\$25.17	\$33.05	\$19.31	\$19.22
2025	\$23.31	\$33.05	\$19.31	\$18.81
2024	\$22.20	\$33.05	\$19.31	\$18.81
2023	\$21.14	\$31.35	\$18.75	\$17.52
2022	\$19.94	\$30.45	\$15.96	\$16.33
2021	\$18.99	\$30.45	\$15.96	\$16.33
2020	\$18.26	\$30.45	\$15.96	\$16.33
2019	\$18.26	\$29.50	\$19.09	\$16.33
2018	\$16.45	\$29.50	\$19.09	\$15.00
2017	\$14.62	\$29.50	\$19.09	\$14.39

Table 15 illustrates Oro Valley’s proposed potable base and commodity rates per 1,000 gallons. Water rates of other water providers in the region are included for comparison purposes along with water resource fees that are similar to the Oro Valley Water Utility GPF.

**Table 15**

Water Provider	Monthly Base Rate	Tier 1	Tier 2	Tier 3	Tier 4	Tier 5	GPF or Water Resource Fee
Oro Valley Current	\$23.31	\$3.02	\$5.02	\$8.17	\$12.32	-	\$1.00
Oro Valley Proposed	\$25.17	\$3.02	\$5.02	\$8.17	\$12.32		\$1.00
Metro Water	\$33.05	\$3.25	\$5.10	\$6.60	\$7.65	-	\$2.40
Marana Water	\$19.31	\$3.80	\$5.34	\$6.86	\$8.57	\$12.37	\$1.37
Tucson Water	\$19.22	\$2.32	\$4.25	\$8.56	\$12.87	-	\$1.55

The Water Utility developed a proposed financial scenario that supports key financial and policy goals. The proposed scenario generates the revenue needed to maintain an adequate cash balance in all funds over the projected five-year period therefore meeting the cash reserve requirements in each year.

The financial projections for the Operating Fund and WRSDIF Fund were combined to evaluate the overall debt service coverage at the end of each fiscal year. Analysis indicates that, under the proposed financial scenario, the Utility will meet the debt service coverage requirement established by the Mayor and Council Water Polices and bond covenants for all five years.

The proforma for the proposed financial scenario may be found in Appendix A. The assumptions used to develop the financial projections in the proposed financial scenario may be found in Appendix D.

## Recommendation on Water Rates

After reviewing the analysis of the two funds and their respective revenue requirements contained in the proposed financial scenario, the Water Utility Commission and Water Utility staff recommend the following for Fiscal Year 2026/27:

A. Increase to the potable water monthly base rates

- A. Table 16 below are the proposed potable water base rates for each meter size. Approximately 84 percent of Utility customers have a 5/8-inch water meter and consume an average of 7,000 gallons. These customers will see an increase in their bill of \$1.86 per month.

**Table 16**

Meter Size (Inches)	Current Base Rate	Proposed Base Rate	Monthly Increase
5/8	\$23.31	\$25.17	\$1.86
3/4	\$34.93	\$37.72	\$2.79
1	\$58.23	\$62.89	\$4.66
1.5	\$116.47	\$125.79	\$9.32
2	\$186.35	\$201.26	\$14.91
3	\$372.68	\$402.49	\$29.81
4	\$582.33	\$628.92	\$46.59
6	\$1,164.65	\$1,257.82	\$93.17
8	\$1,863.45	\$2,012.53	\$149.08

*Cost per month*

Direct comparison of specific base rates and commodity rates is not ideal for cost comparisons because of the varying rate structures of each utility. A more effective comparison is to calculate the cost for specific consumption levels for one month. Table 17 below provides a calculation of a monthly bill amount for a single-family residential customer with a 5/8-inch meter for the water utilities surrounding the Oro Valley Water Utility area. Note: Table 17 does not include the surrounding utilities proposed rate increases for next fiscal year.

**Table 17**

Water Provider	Cost for 7,000 Gallons	Cost for 15,000 Gallons	Cost for 25,000 Gallons	Cost for 40,000 Gallons
<b>Oro Valley Current</b>	\$51.45	\$99.61	\$188.61	\$358.91
<b>Oro Valley Proposed</b>	<b>\$53.31</b>	<b>\$101.47</b>	<b>\$190.02</b>	<b>\$360.77</b>
Metro Water	\$57.10	\$105.10	\$179.65	\$307.90
Marana Water	\$55.50	\$104.56	\$179.26	\$319.81
Tucson Water	\$60.00	\$143.77	\$293.68	\$582.94

Proposed rates for all Oro Valley Water Utility meter sizes may be found in Appendix B. In addition, tables that calculate monthly bills under the proposed rates may also be found in Appendix B. Monthly bill amounts are calculated in 1,000-gallon increments for a 5/8-inch meters and a variety of increments for larger meter sizes.

## Conclusion

On an annual basis, the water rates analysis is prepared with the most up-to-date information available. Operational needs and capital improvement requirements change annually and are carefully evaluated when they are included in the analysis. It is important that the Water Utility perform a water rates analysis every year to plan for changes in operating costs, capital costs or debt service.

This Water Rates Analysis Report is presented in support of the water rates contained in the proposed financial scenario. The Oro Valley Water Utility Commission and the Water Utility staff respectfully recommend approval of the water rates detailed in the proposed financial scenario.

The Oro Valley Water Utility staff and Commission are dedicated to serving the Town of Oro Valley and the customers of its water utility and extend their appreciation to the Mayor and Council for consideration of the recommended water rates.

# APPENDIX A

Proposed Financial Scenario Pro Forma

A-1 Operating Fund

A-2 Groundwater Preservation Fee

A-3 Water Resource and System Development Impact Fee Fund

A-4 Summary of All Funds

## Oro Valley Water Utility – Operating Fund

	-					
	Budget					
	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31
<b>REVENUES</b>						
<b>Water Sales</b>						
Potable Water Sales	\$ 17,070,000	\$ 18,006,307	\$ 18,525,118	\$ 19,054,306	\$ 19,591,872	\$ 20,135,632
Reclaimed Water Sales	1,441,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000
<b>Total Water Sales</b>	<b>18,511,000</b>	<b>19,506,307</b>	<b>20,025,118</b>	<b>20,554,306</b>	<b>21,091,872</b>	<b>21,635,632</b>
<b>Other Operating Revenue</b>						
Service Fees & Charges	877,000	850,000	850,000	850,000	850,000	850,000
Interest Income	100,000	100,000	100,000	100,000	100,000	100,000
<b>Total Other Operating Revenue</b>	<b>977,000</b>	<b>950,000</b>	<b>950,000</b>	<b>950,000</b>	<b>950,000</b>	<b>950,000</b>
<b>Total Operating Revenue</b>	<b>\$ 19,488,000</b>	<b>\$ 20,456,307</b>	<b>\$ 20,975,118</b>	<b>\$ 21,504,306</b>	<b>\$ 22,041,872</b>	<b>\$ 22,585,632</b>
<b>OPERATING EXPENSES</b>						
<b>Potable Operating Expenses</b>						
Personnel	3,775,595	3,900,593	4,012,978	4,128,735	4,247,964	4,370,770
Operations & Maintenance	3,686,834	3,797,439	3,911,362	4,028,704	4,149,564	4,274,051
Power for Pumping	1,035,000	1,066,050	1,098,032	1,130,972	1,164,902	1,199,849
NWRRDS Water Delivery Resale	-	160,000	164,800	169,744	174,836	180,081
CAP Water Wheeling Costs	2,224,000	2,371,392	2,501,819	2,639,419	2,784,587	2,937,739
CAP Water Delivery Costs	3,138,450	3,303,351	3,437,316	3,519,756	3,674,331	3,818,601
<b>Total Potable Operating Expenses</b>	<b>\$ 13,859,879</b>	<b>\$ 14,598,825</b>	<b>\$ 15,126,307</b>	<b>\$ 15,617,329</b>	<b>\$ 16,196,184</b>	<b>\$ 16,781,091</b>
<b>Reclaimed Operating Expenses</b>						
Personnel	210,130	209,621	215,661	221,881	228,289	234,889
Operating & Maintenance	988,891	1,146,413	1,197,368	1,250,679	1,306,460	1,345,653
Power for Pumping	70,000	72,100	74,263	76,491	78,786	81,149
<b>Total Reclaimed Operating Expenses</b>	<b>\$ 1,269,021</b>	<b>\$ 1,428,134</b>	<b>\$ 1,487,292</b>	<b>\$ 1,549,051</b>	<b>\$ 1,613,534</b>	<b>\$ 1,661,692</b>
<b>Total Operating Expenses</b>	<b>\$ 15,128,900</b>	<b>\$ 16,026,960</b>	<b>\$ 16,613,599</b>	<b>\$ 17,166,381</b>	<b>\$ 17,809,718</b>	<b>\$ 18,442,783</b>
<b>Net Operating Revenue</b>	<b>\$ 4,359,100</b>	<b>\$ 4,429,347</b>	<b>\$ 4,361,519</b>	<b>\$ 4,337,925</b>	<b>\$ 4,232,154</b>	<b>\$ 4,142,849</b>
<b>DEBT SERVICE - POTABLE</b>						
P&I - 2014 WIFA Loan - Sr. Lien - AMI	376,298	376,178	376,054	375,927	-	-
P&I - 2015 Excise Tax Bonds - Refinance 2005	149,918	-	-	-	-	-
P&I - 2017 Excise Tax Bonds - Refinance 2007	1,638,851	1,638,703	-	-	-	-
P&I - 2018 Excise Tax Bonds - Exist. System CIP- 15 yrs.\$6M	514,546	514,338	514,506	514,289	513,687	513,438
P&I - 2021 Sr. Lien Bonds - Refinance 2007 & 2009 WIFA & 2012	275,489	276,064	274,061	169,843	40,694	-
<b>Total Potable System Debt Service</b>	<b>\$ 2,955,102</b>	<b>\$ 2,805,283</b>	<b>\$ 1,164,621</b>	<b>\$ 1,060,059</b>	<b>\$ 554,381</b>	<b>\$ 513,438</b>
<b>Net Balance From Operations before capital outlay</b>	<b>\$ 1,403,998</b>	<b>\$ 1,624,064</b>	<b>\$ 3,196,898</b>	<b>\$ 3,277,866</b>	<b>\$ 3,677,773</b>	<b>\$ 3,629,411</b>
<b>Capital Outlay</b>						
Meters & Equipment & Vehicles	\$ 725,000	\$ 1,170,000	\$ 1,240,000	\$ 1,240,000	\$ 1,240,000	\$ 1,240,000
Capital Improvements: Existing System	1,602,639	900,000	1,250,000	1,500,000	1,550,000	1,550,000
<b>Total Capital Outlay</b>	<b>\$ 2,327,639</b>	<b>\$ 2,070,000</b>	<b>\$ 2,490,000</b>	<b>\$ 2,740,000</b>	<b>\$ 2,790,000</b>	<b>\$ 2,790,000</b>
<b>Net Balance From Operations including capital outlay</b>	<b>\$ (923,641)</b>	<b>\$ (445,936)</b>	<b>\$ 706,898</b>	<b>\$ 537,866</b>	<b>\$ 887,773</b>	<b>\$ 839,411</b>
<b>Beginning Cash Balance</b>	<b>\$ 6,079,053</b>	<b>\$ 5,155,412</b>	<b>\$ 4,709,476</b>	<b>\$ 5,416,375</b>	<b>\$ 5,954,241</b>	<b>\$ 6,842,013</b>
<b>Net Balance From Operations</b>	<b>(923,641)</b>	<b>(445,936)</b>	<b>706,898</b>	<b>537,866</b>	<b>887,773</b>	<b>839,411</b>
<b>Ending Cash Balance</b>	<b>\$ 5,155,412</b>	<b>\$ 4,709,476</b>	<b>\$ 5,416,375</b>	<b>\$ 5,954,241</b>	<b>\$ 6,842,013</b>	<b>\$ 7,681,424</b>

## Oro Valley Water Utility – Operating Fund

### Groundwater Preservation Fees

	Budget					
	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31
<b>GPF Beginning Balance</b>	\$ 8,742,873	\$ 912,932	\$ 1,369,500	\$ 2,596,376	\$ 3,958,224	\$ 5,563,524
<b>Revenue</b>						
GPF Revenue - Potable	2,341,500	2,400,000	2,400,000	2,400,000	2,400,000	2,400,000
GPF Revenue - Reclaimed	258,500	282,000	282,000	282,000	282,000	282,000
<b>Total GPF Revenue</b>	\$ 2,600,000	\$ 2,682,000	\$ 2,682,000	\$ 2,682,000	\$ 2,682,000	\$ 2,682,000
Interest Income	-	50,000	50,000	50,000	50,000	50,000
<b>Total All Revenue</b>	\$ 2,600,000	\$ 2,732,000	\$ 2,732,000	\$ 2,732,000	\$ 2,732,000	\$ 2,732,000
<b>GPF Expenses</b>						
Capital Cost for CAP Allotment 7305 AF	409,000	409,080	423,690	467,520	445,605	430,995
Capital Costs for NWRDRS Project	9,480,000	800,000	-	-	-	-
P&I - 2021 Sr. Lien Water Revenue Refunding Obligations	472,174	473,158	469,726	291,102	69,748	-
P&I - 2025 Sr. Lien-Water Revenue Obligations-NWRDRS	68,767	280,768	299,282	299,104	298,920	298,730
P&I - 2025 WIFA Loan - Sr. Lien - NWRDRS	-	312,426	312,426	312,426	312,426	312,426
<b>Total GPF Expenses</b>	10,429,941	2,275,432	1,505,124	1,370,152	1,126,699	1,042,151
<b>GPF Ending Balance</b>	\$ 912,932	\$ 1,369,500	\$ 2,596,376	\$ 3,958,224	\$ 5,563,524	\$ 7,253,373

## Water Resource and System Development Impact Fee Fund

	Budget					
	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31
<b>REVENUES</b>						
Impact Fee Revenue- Residential	\$ 728,118	\$ 619,539	\$ 906,954	\$ 830,310	\$ 587,604	\$ 383,220
Impact Fee Revenue- Non-Residential	201,960	429,888	429,888	429,888	429,888	429,888
<b>Subtotal Revenue</b>	<b>\$ 930,078</b>	<b>\$ 1,049,427</b>	<b>\$ 1,336,842</b>	<b>\$ 1,260,198</b>	<b>\$ 1,017,492</b>	<b>\$ 813,108</b>
<b>Other Operating Revenue</b>						
Interest Income	175,000	75,000	75,000	75,000	75,000	75,000
<b>Subtotal Other Operating Revenue</b>	<b>175,000</b>	<b>75,000</b>	<b>75,000</b>	<b>75,000</b>	<b>75,000</b>	<b>75,000</b>
<b>Total Operating Revenue</b>	<b>\$ 1,105,078</b>	<b>\$ 1,124,427</b>	<b>\$ 1,411,842</b>	<b>\$ 1,335,198</b>	<b>\$ 1,092,492</b>	<b>\$ 888,108</b>
<b>OPERATING EXPENSES</b>						
Capital Cost for CAP Allotment 3000 AF	168,000	168,000	174,000	192,000	183,000	177,000
<b>Total Operating Expenses</b>	<b>\$ 168,000</b>	<b>\$ 168,000</b>	<b>\$ 174,000</b>	<b>\$ 192,000</b>	<b>\$ 183,000</b>	<b>\$ 177,000</b>
<b>Net Operating Revenue</b>	<b>\$ 937,078</b>	<b>\$ 956,427</b>	<b>\$ 1,237,842</b>	<b>\$ 1,143,198</b>	<b>\$ 909,492</b>	<b>\$ 711,108</b>
<b>DEBT SERVICE</b>						
P&I - 2021 Sr. Lien Bonds - Refinance 2007 & 2009 WIFA & 2012	56,237	56,354	55,945	34,671	8,307	-
P&I - 2025 Sr. Lien-Water Revenue Obligations-NWRRDS	103,150	421,152	448,923	448,655	448,381	448,095
P&I - 2025 WIFA Loan - Sr. Lien - NWRRDS	-	468,639	468,639	468,639	468,639	468,639
<b>Total Debt Service</b>	<b>\$ 159,387</b>	<b>\$ 946,145</b>	<b>\$ 973,507</b>	<b>\$ 951,965</b>	<b>\$ 925,327</b>	<b>\$ 916,734</b>
<b>CAPITAL OUTLAY</b>						
Capital Improvements:						
Capital Costs for NWRRDS Projects	14,220,000	1,200,000	-	-	-	-
Capital Costs for Other Potable Projects	1,264,494	-	-	-	-	-
<b>Total Capital Outlay</b>	<b>\$ 15,484,494</b>	<b>\$ 1,200,000</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Net Balance From Operations</b>	<b>\$ (14,706,803)</b>	<b>\$ (1,189,718)</b>	<b>\$ 264,335</b>	<b>\$ 191,233</b>	<b>\$ (15,835)</b>	<b>\$ (205,626)</b>
<b>Beginning Cash Balance</b>	<b>\$ 16,505,300</b>	<b>\$ 1,798,497</b>	<b>\$ 608,779</b>	<b>\$ 873,113</b>	<b>\$ 1,064,346</b>	<b>\$ 1,048,511</b>
<b>Net Balance From Operations</b>	<b>\$ (14,706,803)</b>	<b>\$ (1,189,718)</b>	<b>\$ 264,335</b>	<b>\$ 191,233</b>	<b>\$ (15,835)</b>	<b>\$ (205,626)</b>
<b>Ending Cash Balance</b>	<b>\$ 1,798,497</b>	<b>\$ 608,779</b>	<b>\$ 873,113</b>	<b>\$ 1,064,346</b>	<b>\$ 1,048,511</b>	<b>\$ 842,884</b>

## Summary of All Funds

	Budget FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31
<b>REVENUES</b>						
<b>Water Sales</b>						
Potable Water Sales	\$ 17,070,000	\$ 18,006,307	\$ 18,525,118	\$ 19,054,306	\$ 19,591,872	\$ 20,135,632
Reclaimed Water Sales	1,441,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000
<b>Total Water Sales</b>	<b>18,511,000</b>	<b>19,506,307</b>	<b>20,025,118</b>	<b>20,554,306</b>	<b>21,091,872</b>	<b>21,635,632</b>
<b>Other Operating Revenue</b>						
<b>Groundwater Preservation Fees</b>						
Groundwater Preservation Fee - Potable	2,341,500	2,400,000	2,400,000	2,400,000	2,400,000	2,400,000
Groundwater Preservation Fee - Reclaimed	258,500	282,000	282,000	282,000	282,000	282,000
<b>Total Groundwater Preservation Fees</b>	<b>2,600,000</b>	<b>2,682,000</b>	<b>2,682,000</b>	<b>2,682,000</b>	<b>2,682,000</b>	<b>2,682,000</b>
Water Resource & System Development Impact Fees	930,078	1,049,427	1,336,842	1,260,198	1,017,492	813,108
Service Fees & Charges	877,000	850,000	850,000	850,000	850,000	850,000
Interest Income	275,000	225,000	225,000	225,000	225,000	225,000
<b>Total Other Operating Revenue</b>	<b>2,082,078</b>	<b>2,124,427</b>	<b>2,411,842</b>	<b>2,335,198</b>	<b>2,092,492</b>	<b>1,888,108</b>
<b>Total Operating Revenue</b>	<b>\$ 23,193,078</b>	<b>\$ 24,312,734</b>	<b>\$ 25,118,960</b>	<b>\$ 25,571,504</b>	<b>\$ 25,866,364</b>	<b>\$ 26,205,740</b>
<b>OPERATING EXPENSES</b>						
<b>Potable Operating Expenses</b>						
Personnel	3,775,595	3,900,593	4,012,978	4,128,735	4,247,964	4,370,770
Operations & Maintenance	3,686,834	3,797,439	3,911,362	4,028,704	4,149,564	4,274,051
Power for Pumping	1,035,000	1,066,050	1,098,032	1,130,972	1,164,902	1,199,849
NWRRDS Water Delivery Resale	-	160,000	164,800	169,744	174,836	180,081
CAP Water Wheeling Costs	2,224,000	2,371,392	2,501,819	2,639,419	2,784,587	2,937,739
CAP Water Delivery Costs	3,138,450	3,303,351	3,437,316	3,519,756	3,674,331	3,818,601
CAP Capital Costs paid by GPF Revenue	409,000	409,080	423,690	467,520	445,605	430,995
<b>Total Potable Operating Expenses</b>	<b>\$ 14,268,880</b>	<b>\$ 15,007,905</b>	<b>\$ 15,549,997</b>	<b>\$ 16,084,849</b>	<b>\$ 16,641,789</b>	<b>\$ 17,212,086</b>
<b>Reclaimed Operating Expenses</b>						
Personnel	210,130	209,621	215,661	221,881	228,289	234,889
Operating & Maintenance	988,891	1,146,413	1,197,368	1,250,679	1,306,460	1,345,653
Power for Pumping	70,000	72,100	74,263	76,491	78,786	81,149
<b>Total Reclaimed Operating Expenses</b>	<b>\$ 1,269,021</b>	<b>\$ 1,428,134</b>	<b>\$ 1,487,292</b>	<b>\$ 1,549,052</b>	<b>\$ 1,613,535</b>	<b>\$ 1,661,691</b>
<b>WRSDIF Operating Expenses</b>						
CAP Capital Costs	168,000	168,000	174,000	192,000	183,000	177,000
<b>Total WRSDIF Operating Expenses</b>	<b>\$ 168,000</b>	<b>\$ 168,000</b>	<b>\$ 174,000</b>	<b>\$ 192,000</b>	<b>\$ 183,000</b>	<b>\$ 177,000</b>
<b>Total Operating Expenses</b>	<b>\$ 15,705,901</b>	<b>\$ 16,604,040</b>	<b>\$ 17,211,289</b>	<b>\$ 17,825,902</b>	<b>\$ 18,438,324</b>	<b>\$ 19,050,777</b>
<b>Net Operating Revenue</b>	<b>\$ 7,487,177</b>	<b>\$ 7,708,694</b>	<b>\$ 7,907,671</b>	<b>\$ 7,745,602</b>	<b>\$ 7,428,040</b>	<b>\$ 7,154,963</b>

## Summary of All Funds

	Budget FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31
<b>Debt Service</b>						
<b>Debt Service - Potable- Existing System</b>						
P&I - 2014 WIFA Loan - Sr. Lien - AMI	376,298	376,178	376,054	375,927	-	-
P&I - 2015 Excise Tax Bonds - Refinance 2005	149,918	-	-	-	-	-
P&I - 2017 Excise Tax Bonds - Refinance 2007	1,638,851	1,638,703	-	-	-	-
P&I - 2018 Excise Tax Bonds - Exist. System CIP- 15 yrs. \$6M	514,546	514,338	514,506	514,289	513,687	513,438
P&I - 2021 Sr. Lien Bonds - Refinance 2007 & 2009 WIFA & 2012	275,489	276,064	274,061	169,843	40,694	-
<b>Total Potable Existing System Debt Service</b>	<b>\$ 2,955,102</b>	<b>\$ 2,805,283</b>	<b>\$ 1,164,621</b>	<b>\$ 1,060,059</b>	<b>\$ 554,381</b>	<b>\$ 513,438</b>
<b>Debt Service - GPF</b>						
P&I - 2021 Sr. Lien Bonds - Refinance 2007 & 2009 WIFA & 2012	472,174	473,158	469,726	291,102	69,748	-
P&I - 2025 Sr. Lien-Water Revenue Obligations-NWRRDS	68,767	280,768	299,282	299,104	298,920	298,730
P&I - 2025 WIFA Loan - Sr. Lien - NWRRDS	-	312,426	312,426	312,426	312,426	312,426
<b>Total GPF Debt Service</b>	<b>\$ 540,941</b>	<b>\$ 1,066,352</b>	<b>\$ 1,081,434</b>	<b>\$ 902,632</b>	<b>\$ 681,094</b>	<b>\$ 611,156</b>
<b>Debt Service - WRSDIF - Growth Related</b>						
P&I - 2021 Sr. Lien Bonds - Refinance 2007 & 2009 WIFA & 2012	56,237	56,354	55,945	34,671	8,307	-
P&I - 2025 Sr. Lien-Water Revenue Obligations-NWRRDS	103,150	421,152	448,923	448,655	448,381	448,095
P&I - 2025 WIFA Loan - Sr. Lien - NWRRDS	-	468,639	468,639	468,639	468,639	468,639
<b>Total WRSDIF Growth Related Debt Service</b>	<b>\$ 159,387</b>	<b>\$ 946,145</b>	<b>\$ 973,507</b>	<b>\$ 951,965</b>	<b>\$ 925,327</b>	<b>\$ 916,734</b>
<b>Total Water System Debt Service</b>	<b>\$ 3,655,430</b>	<b>\$ 4,817,780</b>	<b>\$ 3,219,562</b>	<b>\$ 2,914,656</b>	<b>\$ 2,160,802</b>	<b>\$ 2,041,328</b>
<b>Capital Outlay</b>						
Meters & Equipment & Vehicles	\$ 725,000	\$ 1,170,000	\$ 1,240,000	\$ 1,240,000	\$ 1,240,000	\$ 1,240,000
Capital Improvements:						
Existing System	1,602,639	900,000	1,250,000	1,500,000	1,550,000	1,550,000
Groundwater Preservation Fees	9,480,000	800,000	-	-	-	-
NWRRDS Projects	14,220,000	1,200,000	-	-	-	-
Other Potable Growth Related Projects	1,264,494	-	-	-	-	-
<b>Total Capital Outlay</b>	<b>\$ 27,292,133</b>	<b>\$ 4,070,000</b>	<b>\$ 2,490,000</b>	<b>\$ 2,740,000</b>	<b>\$ 2,790,000</b>	<b>\$ 2,790,000</b>
<b>Net Balance From Operations</b>	<b>\$ (23,460,386)</b>	<b>\$ (1,179,086)</b>	<b>\$ 2,198,109</b>	<b>\$ 2,090,946</b>	<b>\$ 2,477,237</b>	<b>\$ 2,323,634</b>
Growth - New Metered Connections	100	97	142	130	92	60
Monthly (Avg.) increase to residential customer using 7K gals.	N/A	3.6%	2.9%	2.9%	2.9%	2.8%
Monthly (Avg.) increase to residential customer using 7K gals.	N/A	\$1.86	\$1.55	\$1.58	\$1.61	\$1.63
Monthly increase to reclaimed customer using 10M gals.	N/A	0.0%	0.0%	0.0%	0.0%	0.0%
Monthly increase to reclaimed customer using 10M gals.	N/A	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
<b>Debt Service Coverage Ratio: Sr. Lien &amp; WIFA</b>	<b>5.54</b>	<b>2.89</b>	<b>2.92</b>	<b>3.23</b>	<b>4.51</b>	<b>4.68</b>
Debt Service Coverage Requirement = 1.30						
<b>Required Operating Fund Cash Reserves (20% of personnel, O&amp;M, debt)</b>	<b>\$ 3,616,801</b>	<b>\$ 3,766,449</b>	<b>\$ 3,555,644</b>	<b>\$ 3,645,288</b>	<b>\$ 3,672,820</b>	<b>\$ 3,791,244</b>
(does not include depreciation/amortization)						
Operating Fund Cash Reserves	\$ 5,155,412	\$ 4,709,476	\$ 5,416,375	\$ 5,954,241	\$ 6,842,013	\$ 7,681,424
Groundwater Preservation Fees	912,932	1,369,500	2,596,376	3,958,224	5,563,524	7,253,373
WRSD Impact Fee Fund	1,798,497	608,779	873,113	1,064,346	1,048,511	842,884
<b>Total Ending Cash Balance</b>	<b>\$ 7,866,841</b>	<b>\$ 6,687,755</b>	<b>\$ 8,885,864</b>	<b>\$ 10,976,810</b>	<b>\$ 13,454,049</b>	<b>\$ 15,777,682</b>

# APPENDIX B

Rate Schedules & Tables for Bill Comparisons

B-1 Proposed Water Rate Schedule

B-2 Tables for Bill Comparisons by Meter Size – Potable

B-8 Tables for Bill Comparisons by Meter Size – Reclaimed

**Town of Oro Valley Water Utility**  
**Water Rates and Groundwater Preservation Fee Schedule**  
**Proposed Rates Effective July 4, 2026**

The monthly water rate for the various user classifications is comprised of a *monthly base rate*, that varies with the meter size, **plus** the corresponding monthly *usage rate* per 1,000 gallons **plus** the groundwater preservation fee per 1,000 gallons for both potable and reclaimed water plus applicable sales taxes.

<b>Potable Water</b>					
<b>Residential &amp; Irrigation uses</b>					
Meter Size	Base Rate	Tier 1 - \$3.02		Tier 3 - \$8.17	
		Usage Rate: Per 1,000 gallons		Usage Rate: Per 1,000 gallons	
5/8 Inch	\$ 25.17	0 - 7,000		16,001 - 32,000	
3/4 Inch	\$ 37.72	0 - 10,000		24,001 - 48,000	
1 inch	\$ 62.89	0 - 17,000		40,001 - 80,000	
1.5 inch	\$ 125.79	0 - 35,000		80,001 - 160,000	
2 inch	\$ 201.26	0 - 56,000		128,001 - 256,000	
3 inch	\$ 402.49	0 - 112,000		256,001 - 512,000	
4 inch	\$ 628.92	0 - 175,000		400,001 - 800,000	
6 inch	\$ 1,257.82	0 - 860,000		2,000,001 - 3,500,000	
8 inch	\$ 2,012.53	0 - 860,000		2,000,001 - 3,500,000	

<b>Potable Water</b>					
<b>Commercial (Buildings, Tenant Improvements) &amp; Multi-Family uses (Apartments, Duplex, Triplex, Fourplex, Assisted Living)</b>					
Meter Size	Base Rate	<del>\$3.02</del>			
		<del>Usage Rate: Per 1,000 gallons</del>			
5/8 Inch	\$ 25.17	<del>Fixed usage rate</del>			
3/4 Inch	\$ 37.72	<del>Fixed usage rate</del>			
1 inch	\$ 62.89	<del>Fixed usage rate</del>			
1.5 inch	\$ 125.79	<del>Fixed usage rate</del>			
2 inch	\$ 201.26	<del>Fixed usage rate</del>			
3 inch	\$ 402.49	<del>Fixed usage rate</del>			
4 inch	\$ 628.92	<del>Fixed usage rate</del>			
6 inch	\$ 1,257.82	<del>Fixed usage rate</del>			
8 inch	\$ 2,012.53	<del>Fixed usage rate</del>			

<b>Potable Water</b>					
<b>Construction Water uses</b>					
Meter Size	Base Rate	<del>\$7.65</del>			
		<del>Usage Rate: Per 1,000 gallons</del>			
5/8 Inch	\$ 25.17	<del>Fixed usage rate</del>			
3/4 Inch	\$ 37.72	<del>Fixed usage rate</del>			
1 inch	\$ 62.89	<del>Fixed usage rate</del>			
1.5 inch	\$ 125.79	<del>Fixed usage rate</del>			
2 inch	\$ 201.26	<del>Fixed usage rate</del>			
3 inch	\$ 402.49	<del>Fixed usage rate</del>			
4 inch	\$ 628.92	<del>Fixed usage rate</del>			
6 inch	\$ 1,257.82	<del>Fixed usage rate</del>			
8 inch	\$ 2,012.53	<del>Fixed usage rate</del>			

<b>Reclaimed Water (Turf only)</b>					
<b>All Uses</b>					
Meter Size	Base Rate	<del>\$2.35</del>			
		<del>Usage Rate: Per 1,000 gallons</del>			
5/8 Inch	\$ 14.62	<del>Fixed usage rate</del>			
3/4 Inch	\$ 21.93	<del>Fixed usage rate</del>			
1 inch	\$ 36.54	<del>Fixed usage rate</del>			
1.5 inch	\$ 73.08	<del>Fixed usage rate</del>			
2 inch	\$ 116.94	<del>Fixed usage rate</del>			
3 inch	\$ 233.86	<del>Fixed usage rate</del>			
4 inch	\$ 365.41	<del>Fixed usage rate</del>			
6 inch	\$ 730.83	<del>Fixed usage rate</del>			
8 inch	\$ 1,169.32	<del>Fixed usage rate</del>			

<b>Fees</b>					
<b>Groundwater Preservation Fees for all uses</b>					
Potable Water		<del>\$1.00</del>			
		<del>Fee Per 1,000 gallons</del>			
Reclaimed Water		<del>\$0.47</del>			
		<del>Fee: Per 1,000 gallons</del>			

TABLE FOR MONTHLY CHARGES & PERCENT INCREASE COMPARISON  
**RESIDENTIAL & IRRIGATION CUSTOMERS WITH A 5/8-INCH METER**

Tier Levels

GALLONS USED	CURRENT WATER	CURRENT GPF	CURRENT MONTHLY BILL	PROPOSED WATER	PROPOSED GPF	PROPOSED MONTHLY BILL	TOTAL MONTHLY INCREASE	PERCENT INCREASED
0	23.31	-	23.31	25.17	-	25.17	<b>1.86</b>	8.0%
1,000	26.33	1.00	27.33	28.19	1.00	29.19	<b>1.86</b>	6.8%
2,000	29.35	2.00	31.35	31.21	2.00	33.21	<b>1.86</b>	5.9%
3,000	32.37	3.00	35.37	34.23	3.00	37.23	<b>1.86</b>	5.3%
4,000	35.39	4.00	39.39	37.25	4.00	41.25	<b>1.86</b>	4.7%
5,000	38.41	5.00	43.41	40.27	5.00	45.27	<b>1.86</b>	4.3%
6,000	41.43	6.00	47.43	43.29	6.00	49.29	<b>1.86</b>	3.9%
7,000	44.45	7.00	51.45	46.31	7.00	53.31	<b>1.86</b>	3.6%
8,000	49.47	8.00	57.47	51.33	8.00	59.33	<b>1.86</b>	3.2%
9,000	54.49	9.00	63.49	56.35	9.00	65.35	<b>1.86</b>	2.9%
10,000	59.51	10.00	69.51	61.37	10.00	71.37	<b>1.86</b>	2.7%
11,000	64.53	11.00	75.53	66.39	11.00	77.39	<b>1.86</b>	2.5%
12,000	69.55	12.00	81.55	71.41	12.00	83.41	<b>1.86</b>	2.3%
13,000	74.57	13.00	87.57	76.43	13.00	89.43	<b>1.86</b>	2.1%
14,000	79.59	14.00	93.59	81.45	14.00	95.45	<b>1.86</b>	2.0%
15,000	84.61	15.00	99.61	86.47	15.00	101.47	<b>1.86</b>	1.9%
16,000	89.63	16.00	105.63	91.49	16.00	107.49	<b>1.86</b>	1.8%
17,000	97.80	17.00	114.80	99.66	17.00	116.66	<b>1.86</b>	1.6%
18,000	105.97	18.00	123.97	107.83	18.00	125.83	<b>1.86</b>	1.5%
19,000	114.14	19.00	133.14	116.00	19.00	135.00	<b>1.86</b>	1.4%
20,000	122.31	20.00	142.31	124.17	20.00	144.17	<b>1.86</b>	1.3%
21,000	130.48	21.00	151.48	132.34	21.00	153.34	<b>1.86</b>	1.2%
22,000	138.65	22.00	160.65	140.51	22.00	162.51	<b>1.86</b>	1.2%
23,000	146.82	23.00	169.82	148.68	23.00	171.68	<b>1.86</b>	1.1%
24,000	154.99	24.00	178.99	156.85	24.00	180.85	<b>1.86</b>	1.0%
25,000	163.16	25.00	188.16	165.02	25.00	190.02	<b>1.86</b>	1.0%
26,000	171.33	26.00	197.33	173.19	26.00	199.19	<b>1.86</b>	0.9%
27,000	179.50	27.00	206.50	181.36	27.00	208.36	<b>1.86</b>	0.9%
28,000	187.67	28.00	215.67	189.53	28.00	217.53	<b>1.86</b>	0.9%
29,000	195.84	29.00	224.84	197.70	29.00	226.70	<b>1.86</b>	0.8%
30,000	204.01	30.00	234.01	205.87	30.00	235.87	<b>1.86</b>	0.8%
31,000	212.18	31.00	243.18	214.04	31.00	245.04	<b>1.86</b>	0.8%
32,000	220.35	32.00	252.35	222.21	32.00	254.21	<b>1.86</b>	0.7%
33,000	232.67	33.00	265.67	234.53	33.00	267.53	<b>1.86</b>	0.7%
34,000	244.99	34.00	278.99	246.85	34.00	280.85	<b>1.86</b>	0.7%
35,000	257.31	35.00	292.31	259.17	35.00	294.17	<b>1.86</b>	0.6%
36,000	269.63	36.00	305.63	271.49	36.00	307.49	<b>1.86</b>	0.6%
37,000	281.95	37.00	318.95	283.81	37.00	320.81	<b>1.86</b>	0.6%
38,000	294.27	38.00	332.27	296.13	38.00	334.13	<b>1.86</b>	0.6%
39,000	306.59	39.00	345.59	308.45	39.00	347.45	<b>1.86</b>	0.5%
40,000	318.91	40.00	358.91	320.77	40.00	360.77	<b>1.86</b>	0.5%
41,000	331.23	41.00	372.23	333.09	41.00	374.09	<b>1.86</b>	0.5%
42,000	343.55	42.00	385.55	345.41	42.00	387.41	<b>1.86</b>	0.5%
43,000	355.87	43.00	398.87	357.73	43.00	400.73	<b>1.86</b>	0.5%
44,000	368.19	44.00	412.19	370.05	44.00	414.05	<b>1.86</b>	0.5%
45,000	380.51	45.00	425.51	382.37	45.00	427.37	<b>1.86</b>	0.4%
46,000	392.83	46.00	438.83	394.69	46.00	440.69	<b>1.86</b>	0.4%
47,000	405.15	47.00	452.15	407.01	47.00	454.01	<b>1.86</b>	0.4%
48,000	417.47	48.00	465.47	419.33	48.00	467.33	<b>1.86</b>	0.4%
49,000	429.79	49.00	478.79	431.65	49.00	480.65	<b>1.86</b>	0.4%
50,000	442.11	50.00	492.11	443.97	50.00	493.97	<b>1.86</b>	0.4%

TABLE FOR MONTHLY CHARGES AND PERCENT INCREASE COMPARISON

**FOR SF & MF RESIDENTIAL & IRRIGATION CUSTOMERS WITH A 3/4-INCH METER**

BASE RATE \$ 37.72

COMMODITY RATE: TIER 1 = \$ 3.02 FOR 0 - 10,000 GALLONS  
 TIER 2 = \$ 5.02 FOR 10,001 - 24,000 GALLONS  
 TIER 3 = \$ 8.17 FOR 24,001 - 48,000 GALLONS  
 TIER 4 = \$ 12.32 FOR ALL USAGE OVER 48,000 GALLONS

GALLONS USED IN 1 MONTH	CURRENT WATER	CURRENT GPF	CURRENT MONTHLY BILL	PROPOSED WATER	PROPOSED GPF	PROPOSED MONTHLY BILL	TOTAL MONTHLY INCREASE	PERCENT INCREASED
0	34.93	-	34.93	37.72	-	37.72	2.79	8.0%
7,000	56.07	7.00	63.07	58.86	7.00	65.86	2.79	4.4%
11,000	70.15	11.00	81.15	72.94	11.00	83.94	2.79	3.4%
28,000	168.09	28.00	196.09	170.88	28.00	198.88	2.79	1.4%
50,000	356.13	50.00	406.13	358.92	50.00	408.92	2.79	0.7%

TABLE FOR MONTHLY CHARGES AND PERCENT INCREASE COMPARISON

**FOR COMMERCIAL CUSTOMERS WITH A 3/4-INCH METER**

BASE RATE \$ 37.72

COMMODITY RATE: TIER 1 = \$ 3.02 FOR ALL WATER USAGE  
 TIER 2 = N/A  
 TIER 3 = N/A  
 TIER 4 = N/A

GALLONS USED IN 1 MONTH	CURRENT WATER	CURRENT GPF	CURRENT MONTHLY BILL	PROPOSED WATER	PROPOSED GPF	PROPOSED MONTHLY BILL	TOTAL MONTHLY INCREASE	PERCENT INCREASED
0	34.93	-	34.93	37.72	-	37.72	2.79	8.0%
7,000	56.07	7.00	63.07	58.86	7.00	65.86	2.79	4.4%
11,000	68.15	11.00	79.15	70.94	11.00	81.94	2.79	3.5%
28,000	119.49	28.00	147.49	122.28	28.00	150.28	2.79	1.9%
50,000	185.93	50.00	235.93	188.72	50.00	238.72	2.79	1.2%

TABLE FOR MONTHLY CHARGES AND PERCENT INCREASE COMPARISON

**FOR SF & MF RESIDENTIAL & IRRIGATION CUSTOMERS WITH A 1-INCH METER**

BASE RATE \$ 62.89

COMMODITY RATE: TIER 1 = \$ 3.02 FOR 0 - 17,000 GALLONS  
 TIER 2 = \$ 5.02 FOR 17,001 - 40,000 GALLONS  
 TIER 3 = \$ 8.17 FOR 40,001 - 80,000 GALLONS  
 TIER 4 = \$ 12.32 FOR ALL USAGE OVER 80,000 GALLONS

GALLONS USED IN 1 MONTH	CURRENT WATER	CURRENT GPF	CURRENT MONTHLY BILL	PROPOSED WATER	PROPOSED GPF	PROPOSED MONTHLY BILL	TOTAL MONTHLY INCREASE	PERCENT INCREASED
0	58.23	-	58.23	62.89	-	62.89	4.66	8.0%
17,000	109.57	17.00	126.57	114.23	17.00	131.23	4.66	3.7%
27,000	159.77	27.00	186.77	164.43	27.00	191.43	4.66	2.5%
38,000	214.99	38.00	252.99	219.65	38.00	257.65	4.66	1.8%
50,000	306.73	50.00	356.73	311.39	50.00	361.39	4.66	1.3%

TABLE FOR MONTHLY CHARGES AND PERCENT INCREASE COMPARISON

**FOR COMMERCIAL CUSTOMERS WITH A 1-INCH METER**

BASE RATE \$ 62.89

COMMODITY RATE: TIER 1 = \$ 3.02 FOR ALL WATER USAGE  
 TIER 2 = N/A  
 TIER 3 = N/A  
 TIER 4 = N/A

GALLONS USED IN 1 MONTH	CURRENT WATER	CURRENT GPF	CURRENT MONTHLY BILL	PROPOSED WATER	PROPOSED GPF	PROPOSED MONTHLY BILL	TOTAL MONTHLY INCREASE	PERCENT INCREASED
0	58.23	-	58.23	62.89	-	62.89	4.66	8.0%
15,000	103.53	15.00	118.53	108.19	15.00	123.19	4.66	3.9%
27,000	139.77	27.00	166.77	144.43	27.00	171.43	4.66	2.8%
38,000	172.99	38.00	210.99	177.65	38.00	215.65	4.66	2.2%
50,000	209.23	50.00	259.23	213.89	50.00	263.89	4.66	1.8%

TABLE FOR MONTHLY CHARGES AND PERCENT INCREASE COMPARISON

**FOR IRRIGATION CUSTOMERS WITH A 1.5-INCH METER**

BASE RATE \$ 125.79

COMMODITY RATE: TIER 1 = \$ 3.02 FOR 0 - 35,000 GALLONS  
 TIER 2 = \$ 5.02 FOR 35,001 - 80,000 GALLONS  
 TIER 3 = \$ 8.17 FOR 80,001 - 160,000 GALLONS  
 TIER 4 = \$ 12.32 FOR ALL USAGE OVER 160,000 GALLONS

GALLONS USED IN 1 MONTH	CURRENT WATER	CURRENT GPF	CURRENT MONTHLY BILL	PROPOSED WATER	PROPOSED GPF	PROPOSED MONTHLY BILL	TOTAL MONTHLY INCREASE	PERCENT INCREASED
0	116.47	-	116.47	125.79	-	125.79	9.32	8.0%
38,000	237.23	38.00	275.23	246.55	38.00	284.55	9.32	3.4%
64,000	367.75	64.00	431.75	377.07	64.00	441.07	9.32	2.2%
90,000	529.77	90.00	619.77	539.09	90.00	629.09	9.32	1.5%
125,000	815.72	125.00	940.72	825.04	125.00	950.04	9.32	1.0%

TABLE FOR MONTHLY CHARGES AND PERCENT INCREASE COMPARISON

**FOR COMMERCIAL & MULTIFAMILY CUSTOMERS WITH A 1.5-INCH METER**

BASE RATE \$ 125.79

COMMODITY RATE: TIER 1 = \$ 3.02 FOR ALL WATER USAGE  
 TIER 2 = N/A  
 TIER 3 = N/A  
 TIER 4 = N/A

GALLONS USED IN 1 MONTH	CURRENT WATER	CURRENT GPF	CURRENT MONTHLY BILL	PROPOSED WATER	PROPOSED GPF	PROPOSED MONTHLY BILL	TOTAL MONTHLY INCREASE	PERCENT INCREASED
0	116.47	-	116.47	125.79	-	125.79	9.32	8.0%
30,000	207.07	30.00	237.07	216.39	30.00	246.39	9.32	3.9%
64,000	309.75	64.00	373.75	319.07	64.00	383.07	9.32	2.5%
90,000	388.27	90.00	478.27	397.59	90.00	487.59	9.32	1.9%
125,000	493.97	125.00	618.97	503.29	125.00	628.29	9.32	1.5%

TABLE FOR MONTHLY CHARGES AND PERCENT INCREASE COMPARISON

**FOR IRRIGATION CUSTOMERS WITH A 2-INCH METER**

BASE RATE \$ 201.26

COMMODITY RATE: TIER 1 = \$ 3.02 FOR 0 - 56,000 GALLONS  
 TIER 2 = \$ 5.02 FOR 56,001 - 128,000 GALLONS  
 TIER 3 = \$ 8.17 FOR 128,001 - 256,000 GALLONS  
 TIER 4 = \$ 12.32 FOR ALL USAGE OVER 256,000 GALLONS

GALLONS USED IN 1 MONTH	CURRENT WATER	CURRENT GPF	CURRENT MONTHLY BILL	PROPOSED WATER	PROPOSED GPF	PROPOSED MONTHLY BILL	TOTAL MONTHLY INCREASE	PERCENT INCREASED
0	186.35	-	186.35	201.26	-	201.26	14.91	8.0%
57,000	360.49	57.00	417.49	375.40	57.00	432.40	14.91	3.6%
130,000	733.25	130.00	863.25	748.16	130.00	878.16	14.91	1.7%
250,000	1,713.65	250.00	1,963.65	1,728.56	250.00	1,978.56	14.91	0.8%
325,000	2,612.75	325.00	2,937.75	2,627.66	325.00	2,952.66	14.91	0.5%

TABLE FOR MONTHLY CHARGES AND PERCENT INCREASE COMPARISON

**FOR COMMERCIAL & MULTIFAMILY CUSTOMERS WITH A 2-INCH METER**

BASE RATE \$ 201.26

COMMODITY RATE: TIER 1 = \$ 3.02 FOR ALL WATER USAGE  
 TIER 2 = N/A  
 TIER 3 = N/A  
 TIER 4 = N/A

GALLONS USED IN 1 MONTH	CURRENT WATER	CURRENT GPF	CURRENT MONTHLY BILL	PROPOSED WATER	PROPOSED GPF	PROPOSED MONTHLY BILL	TOTAL MONTHLY INCREASE	PERCENT INCREASED
0	186.35	-	186.35	201.26	-	201.26	14.91	8.0%
57,000	358.49	57.00	415.49	373.40	57.00	430.40	14.91	3.6%
128,000	572.91	128.00	700.91	587.82	128.00	715.82	14.91	2.1%
250,000	941.35	250.00	1,191.35	956.26	250.00	1,206.26	14.91	1.3%
325,000	1,167.85	325.00	1,492.85	1,182.76	325.00	1,507.76	14.91	1.0%

TABLE FOR MONTHLY CHARGES AND PERCENT INCREASE COMPARISON

**FOR IRRIGATION CUSTOMERS WITH A 3-INCH METER**

BASE RATE \$ 402.49

COMMODITY RATE: TIER 1 = \$ 3.02 FOR 0 - 112,000 GALLONS  
 TIER 2 = \$ 5.02 FOR 112,001 - 256,000 GALLONS  
 TIER 3 = \$ 8.17 FOR 256,001 - 512,000 GALLONS  
 TIER 4 = \$ 12.32 FOR ALL USAGE OVER 512,000 GALLONS

GALLONS USED IN 1 MONTH	CURRENT WATER	CURRENT GPF	CURRENT MONTHLY BILL	PROPOSED WATER	PROPOSED GPF	PROPOSED MONTHLY BILL	TOTAL MONTHLY INCREASE	PERCENT INCREASED
0	372.68	-	372.68	402.49	-	402.49	29.81	8.0%
50,000	523.68	50.00	573.68	553.49	50.00	603.49	29.81	5.2%
150,000	901.68	150.00	1,051.68	931.49	150.00	1,081.49	29.81	2.8%
300,000	1,793.28	300.00	2,093.28	1,823.09	300.00	2,123.09	29.81	1.4%
500,000	3,427.28	500.00	3,927.28	3,457.09	500.00	3,957.09	29.81	0.8%

TABLE FOR MONTHLY CHARGES AND PERCENT INCREASE COMPARISON  
**FOR COMMERCIAL & MULTIFAMILY CUSTOMERS WITH A 3-INCH METER**

BASE RATE \$ 402.49

COMMODITY RATE: TIER 1 = \$ 3.02 FOR ALL WATER USAGE  
 TIER 2 = N/A  
 TIER 3 = N/A  
 TIER 4 = N/A

GALLONS USED IN 1 MONTH	CURRENT WATER	CURRENT GPF	CURRENT MONTHLY BILL	PROPOSED WATER	PROPOSED GPF	PROPOSED MONTHLY BILL	TOTAL MONTHLY INCREASE	PERCENT INCREASED
0	372.68	-	372.68	402.49	-	402.49	29.81	8.0%
50,000	523.68	50.00	573.68	553.49	50.00	603.49	29.81	5.2%
150,000	825.68	150.00	975.68	855.49	150.00	1,005.49	29.81	3.1%
300,000	1,278.68	300.00	1,578.68	1,308.49	300.00	1,608.49	29.81	1.9%
500,000	1,882.68	500.00	2,382.68	1,912.49	500.00	2,412.49	29.81	1.3%

TABLE FOR MONTHLY CHARGES AND PERCENT INCREASE COMPARISON  
**FOR IRRIGATION CUSTOMERS WITH A 4-INCH METER**

BASE RATE \$ 628.92

COMMODITY RATE: TIER 1 = \$ 3.02 FOR 0 - 175,000 GALLONS  
 TIER 2 = \$ 5.02 FOR 175,001 - 400,000 GALLONS  
 TIER 3 = \$ 8.17 FOR 400,001 - 800,000 GALLONS  
 TIER 4 = \$ 12.32 FOR ALL USAGE OVER 800,000 GALLONS

GALLONS USED IN 1 MONTH	CURRENT WATER	CURRENT GPF	CURRENT MONTHLY BILL	PROPOSED WATER	PROPOSED GPF	PROPOSED MONTHLY BILL	TOTAL MONTHLY INCREASE	PERCENT INCREASED
0	582.33	-	582.33	628.92	-	628.92	46.59	8.0%
300,000	1,738.33	300.00	2,038.33	1,784.92	300.00	2,084.92	46.59	2.3%
550,000	3,465.83	550.00	4,015.83	3,512.42	550.00	4,062.42	46.59	1.2%
700,000	4,691.33	700.00	5,391.33	4,737.92	700.00	5,437.92	46.59	0.9%
850,000	6,124.33	850.00	6,974.33	6,170.92	850.00	7,020.92	46.59	0.7%

TABLE FOR MONTHLY CHARGES AND PERCENT INCREASE COMPARISON  
**FOR COMMERCIAL & MULTIFAMILY CUSTOMERS WITH A 4-INCH METER**

BASE RATE \$ 628.92

COMMODITY RATE: TIER 1 = \$ 3.02 FOR ALL WATER USAGE  
 TIER 2 = N/A  
 TIER 3 = N/A  
 TIER 4 = N/A

GALLONS USED IN 1 MONTH	CURRENT WATER	CURRENT GPF	CURRENT MONTHLY BILL	PROPOSED WATER	PROPOSED GPF	PROPOSED MONTHLY BILL	TOTAL MONTHLY INCREASE	PERCENT INCREASED
0	582.33	-	582.33	628.92	-	628.92	46.59	8.0%
300,000	1,488.33	300.00	1,788.33	1,534.92	300.00	1,834.92	46.59	2.6%
550,000	2,243.33	550.00	2,793.33	2,289.92	550.00	2,839.92	46.59	1.7%
700,000	2,696.33	700.00	3,396.33	2,742.92	700.00	3,442.92	46.59	1.4%
850,000	3,149.33	850.00	3,999.33	3,195.92	850.00	4,045.92	46.59	1.2%

TABLE FOR MONTHLY CHARGES AND PERCENT INCREASE COMPARISON

**FOR RESIDENTIAL & IRRIGATION CUSTOMERS WITH A 6-INCH METER**

BASE RATE \$ 1,257.82

COMMODITY RATE: TIER 1 = \$ 3.02 FOR 0 - 860,000 GALLONS  
 TIER 2 = \$ 5.02 FOR 860,001 - 2,000,000 GALLONS  
 TIER 3 = \$ 8.17 FOR 2,000,001 - 3,500,000 GALLONS  
 TIER 4 = \$ 12.32 FOR ALL USAGE OVER 3,500,000 GALLONS

GALLONS USED IN 1 MONTH	CURRENT WATER	CURRENT GPF	CURRENT MONTHLY BILL	PROPOSED WATER	PROPOSED GPF	PROPOSED MONTHLY BILL	TOTAL MONTHLY INCREASE	PERCENT INCREASED
0	1,164.65	-	1,164.65	1,257.82	-	1,257.82	93.17	8.0%
425,000	2,448.15	425.00	2,873.15	2,541.32	425.00	2,966.32	93.17	3.2%
1,000,000	4,464.65	1,000.00	5,464.65	4,557.82	1,000.00	5,557.82	93.17	1.7%
1,500,000	6,974.65	1,500.00	8,474.65	7,067.82	1,500.00	8,567.82	93.17	1.1%
2,000,000	9,484.65	2,000.00	11,484.65	9,577.82	2,000.00	11,577.82	93.17	0.8%

TABLE FOR MONTHLY CHARGES AND PERCENT INCREASE COMPARISON

**FOR COMMERCIAL & MULTIFAMILY CUSTOMERS WITH A 6-INCH METER**

BASE RATE \$ 1,257.82

COMMODITY RATE: TIER 1 = \$ 3.02 FOR ALL WATER USAGE  
 TIER 2 = N/A  
 TIER 3 = N/A  
 TIER 4 = N/A

GALLONS USED IN 1 MONTH	CURRENT WATER	CURRENT GPF	CURRENT MONTHLY BILL	PROPOSED WATER	PROPOSED GPF	PROPOSED MONTHLY BILL	TOTAL MONTHLY INCREASE	PERCENT INCREASED
0	1,164.65	-	1,164.65	1,257.82	-	1,257.82	93.17	8.0%
425,000	2,448.15	425.00	2,873.15	2,541.32	425.00	2,966.32	93.17	3.2%
1,000,000	4,184.65	1,000.00	5,184.65	4,277.82	1,000.00	5,277.82	93.17	1.8%
1,500,000	5,694.65	1,500.00	7,194.65	5,787.82	1,500.00	7,287.82	93.17	1.3%
2,000,000	7,204.65	2,000.00	9,204.65	7,297.82	2,000.00	9,297.82	93.17	1.0%

TABLE FOR MONTHLY CHARGES AND PERCENT INCREASE COMPARISON

**FOR CUSTOMERS WITH A 8-INCH METER**

BASE RATE \$ 2,012.53

COMMODITY RATE: TIER 1 = \$ 3.02 FOR 0 - 860,000 GALLONS  
 TIER 2 = \$ 5.02 FOR 860,001 - 2,000,000 GALLONS  
 TIER 3 = \$ 8.17 FOR 2,000,001 - 3,500,000 GALLONS  
 TIER 4 = \$ 12.32 FOR ALL USAGE OVER 3,500,000 GALLONS

GALLONS USED IN 1 MONTH	CURRENT WATER	CURRENT GPF	CURRENT MONTHLY BILL	PROPOSED WATER	PROPOSED GPF	PROPOSED MONTHLY BILL	TOTAL MONTHLY INCREASE	PERCENT INCREASED
0	1,863.45	-	1,863.45	2,012.53	-	2,012.53	149.08	8.0%
425,000	3,146.95	425.00	3,571.95	3,296.03	425.00	3,721.03	149.08	4.2%
1,000,000	5,163.45	1,000.00	6,163.45	5,312.53	1,000.00	6,312.53	149.08	2.4%
1,500,000	7,673.45	1,500.00	9,173.45	7,822.53	1,500.00	9,322.53	149.08	1.6%
2,000,000	10,183.45	2,000.00	12,183.45	10,332.53	2,000.00	12,332.53	149.08	1.2%

(There are no active 8-inch potable meters in the OVWU system)

TABLE FOR MONTHLY CHARGES AND PERCENT INCREASE COMPARISON  
**FOR COMMERCIAL AND MULTIFAMILY CUSTOMERS WITH A 8-INCH METER**

BASE RATE \$ 2,012.53

COMMODITY RATE: TIER 1 = \$ 3.02 FOR ALL WATER USAGE  
 TIER 2 = N/A  
 TIER 3 = N/A  
 TIER 4 = N/A

GALLONS USED IN 1 MONTH	CURRENT WATER	CURRENT GPF	CURRENT MONTHLY BILL	PROPOSED WATER	PROPOSED GPF	PROPOSED MONTHLY BILL	TOTAL MONTHLY INCREASE	PERCENT INCREASED
0	1,863.45	-	1,863.45	2,012.53	-	2,012.53	149.08	8.0%
425,000	3,146.95	425.00	3,571.95	3,296.03	425.00	3,721.03	149.08	4.2%
1,000,000	4,883.45	1,000.00	5,883.45	5,032.53	1,000.00	6,032.53	149.08	2.5%
1,500,000	6,393.45	1,500.00	7,893.45	6,542.53	1,500.00	8,042.53	149.08	1.9%
2,000,000	7,903.45	2,000.00	9,903.45	8,052.53	2,000.00	10,052.53	149.08	1.5%

(There are no active 8-inch potable meters in the OVWU system)

TABLE FOR MONTHLY CHARGES AND PERCENT INCREASE COMPARISON  
**FOR CUSTOMERS WITH A 1.5-INCH METER - RECLAIMED WATER USE**

BASE RATE \$ 73.08

COMMODITY RATE: TIER 1 = \$ 2.35 FOR ALL WATER USAGE  
 TIER 2 = N/A  
 TIER 3 = N/A  
 TIER 4 = N/A

GALLONS USED IN 1 MONTH	CURRENT WATER	CURRENT GPF	CURRENT MONTHLY BILL	PROPOSED WATER	PROPOSED GPF	PROPOSED MONTHLY BILL	TOTAL MONTHLY INCREASE	PERCENT INCREASED
0	73.08	-	73.08	73.08	-	73.08	0.00	0.0%
50,000	190.58	23.50	214.08	190.58	23.50	214.08	0.00	0.0%
135,000	390.33	63.45	453.78	390.33	63.45	453.78	0.00	0.0%
200,000	543.08	94.00	637.08	543.08	94.00	637.08	0.00	0.0%
250,000	660.58	117.50	778.08	660.58	117.50	778.08	0.00	0.0%

TABLE FOR MONTHLY CHARGES AND PERCENT INCREASE COMPARISON  
**FOR CUSTOMERS WITH A 2-INCH METER - RECLAIMED WATER USE**

BASE RATE \$ 116.94

COMMODITY RATE: TIER 1 = \$ 2.35 FOR ALL WATER USAGE  
 TIER 2 = N/A  
 TIER 3 = N/A  
 TIER 4 = N/A

GALLONS USED IN 1 MONTH	CURRENT WATER	CURRENT GPF	CURRENT MONTHLY BILL	PROPOSED WATER	PROPOSED GPF	PROPOSED MONTHLY BILL	TOTAL MONTHLY INCREASE	PERCENT INCREASED
0	116.94	-	116.94	116.94	-	116.94	0.00	0.0%
150,000	469.44	70.50	539.94	469.44	70.50	539.94	0.00	0.0%
240,000	680.94	112.80	793.74	680.94	112.80	793.74	0.00	0.0%
450,000	1,174.44	211.50	1,385.94	1,174.44	211.50	1,385.94	0.00	0.0%
600,000	1,526.94	282.00	1,808.94	1,526.94	282.00	1,808.94	0.00	0.0%

TABLE FOR MONTHLY CHARGES AND PERCENT INCREASE COMPARISON

**FOR CUSTOMERS WITH A 3-INCH METER - RECLAIMED WATER USE**

BASE RATE \$ 233.86

COMMODITY RATE: TIER 1 = \$ 2.35 FOR ALL WATER USAGE  
 TIER 2 = N/A  
 TIER 3 = N/A  
 TIER 4 = N/A

GALLONS USED IN 1 MONTH	CURRENT WATER	CURRENT GPF	CURRENT MONTHLY BILL	PROPOSED WATER	PROPOSED GPF	PROPOSED MONTHLY BILL	TOTAL MONTHLY INCREASE	PERCENT INCREASED
0	233.86	-	233.86	233.86	-	233.86	0.00	0.0%
20,000	280.86	9.40	290.26	280.86	9.40	290.26	0.00	0.0%
80,000	421.86	37.60	459.46	421.86	37.60	459.46	0.00	0.0%
100,000	468.86	47.00	515.86	468.86	47.00	515.86	0.00	0.0%
150,000	586.36	70.50	656.86	586.36	70.50	656.86	0.00	0.0%

TABLE FOR MONTHLY CHARGES AND PERCENT INCREASE COMPARISON

**FOR CUSTOMERS WITH A 4-INCH METER - RECLAIMED WATER USE**

BASE RATE \$ 365.41

COMMODITY RATE: TIER 1 = \$ 2.35 FOR ALL WATER USAGE  
 TIER 2 = N/A  
 TIER 3 = N/A  
 TIER 4 = N/A

GALLONS USED IN 1 MONTH	CURRENT WATER	CURRENT GPF	CURRENT MONTHLY BILL	PROPOSED WATER	PROPOSED GPF	PROPOSED MONTHLY BILL	TOTAL MONTHLY INCREASE	PERCENT INCREASED
0	365.41	-	365.41	365.41	-	365.41	0.00	0.0%
220,000	882.41	103.40	985.81	882.41	103.40	985.81	0.00	0.0%
300,000	1,070.41	141.00	1,211.41	1,070.41	141.00	1,211.41	0.00	0.0%
450,000	1,422.91	211.50	1,634.41	1,422.91	211.50	1,634.41	0.00	0.0%
600,000	1,775.41	282.00	2,057.41	1,775.41	282.00	2,057.41	0.00	0.0%

TABLE FOR MONTHLY CHARGES AND PERCENT INCREASE COMPARISON

**FOR CUSTOMERS WITH A 6-INCH METER - RECLAIMED WATER USE**

BASE RATE \$ 730.83

COMMODITY RATE: TIER 1 = \$ 2.35 FOR ALL WATER USAGE  
 TIER 2 = N/A  
 TIER 3 = N/A  
 TIER 4 = N/A

GALLONS USED IN 1 MONTH	CURRENT WATER	CURRENT GPF	CURRENT MONTHLY BILL	PROPOSED WATER	PROPOSED GPF	PROPOSED MONTHLY BILL	TOTAL MONTHLY INCREASE	PERCENT INCREASED
0	730.83	-	730.83	730.83	-	730.83	0.00	0.0%
900,000	2,845.83	423.00	3,268.83	2,845.83	423.00	3,268.83	0.00	0.0%
5,000,000	12,480.83	2,350.00	14,830.83	12,480.83	2,350.00	14,830.83	0.00	0.0%
10,000,000	24,230.83	4,700.00	28,930.83	24,230.83	4,700.00	28,930.83	0.00	0.0%
15,000,000	35,980.83	7,050.00	43,030.83	35,980.83	7,050.00	43,030.83	0.00	0.0%
20,000,000	47,730.83	9,400.00	57,130.83	47,730.83	9,400.00	57,130.83	0.00	0.0%

# APPENDIX C

## 5-Year Capital Improvement Schedules

C-1 Operating Fund

C-2 Groundwater Preservation Fee

C-3 Water Resource and System Development Impact Fee Fund

5-Year Oro Valley Water Utility Existing System Capital Projects							
Colors:		Study/Design/Permit	Construct	Purchases			
Operating Fund Projects							
Project No.	Project Name	2026-27	2027-28	2028-29	2029-30	2030-31	Totals Years 1-5
<b>Wells</b>							
1	Well Rehabilitation	250,000	500,000	500,000	500,000	500,000	2,250,000
2	HP Tank Replacement						-
	<b>Subtotal</b>	<b>250,000</b>	<b>500,000</b>	<b>500,000</b>	<b>500,000</b>	<b>500,000</b>	<b>2,250,000</b>
<b>Reservoirs</b>							
3	Reservoir Relining	400,000	400,000	500,000	500,000	500,000	2,300,000
	<b>Subtotal</b>	<b>400,000</b>	<b>400,000</b>	<b>500,000</b>	<b>500,000</b>	<b>500,000</b>	<b>2,300,000</b>
<b>Booster Stations</b>							
4	Booster Rehab	250,000	250,000	500,000	550,000	550,000	2,100,000
5	HP Tank Replacement						-
	<b>Subtotal</b>	<b>250,000</b>	<b>250,000</b>	<b>500,000</b>	<b>550,000</b>	<b>550,000</b>	<b>2,100,000</b>
<b>Mains</b>							
	<b>Subtotal</b>	-	-	-	-	-	-
<b>Buildings &amp; Improvement</b>							
6	Big Wash Storage Building Floor rehabilitation		100,000				
	<b>Subtotal</b>	-	<b>100,000</b>	-	-	-	-
<b>Total Capital Projects</b>		<b>900,000</b>	<b>1,250,000</b>	<b>1,500,000</b>	<b>1,550,000</b>	<b>1,550,000</b>	<b>6,650,000</b>
<b>Meters &amp; Equipment</b>							
7	Water Meters - New Connections (Based on 2,000 meters per year)	700,000	700,000	700,000	700,000	700,000	3,500,000
8	Control Systems	500,000	500,000	500,000	500,000	500,000	2,500,000
	<b>Subtotal</b>	<b>1,200,000</b>	<b>1,200,000</b>	<b>1,200,000</b>	<b>1,200,000</b>	<b>1,200,000</b>	<b>6,000,000</b>
<b>Vehicles</b>							
9	Replacement Vehicles - Meter Operations	70,000		70,000			140,000
10	Replacement Vehicles - Distribution Operations		70,000				70,000
11	Replacement Vehicles - Production Vehicles		70,000				70,000
12	New Vehicle - Water Control System Operations			70,000			70,000
13	Replacement Vehicles - Const Inspectors						-
14	Replacement Vehicles - Water Quality				70,000	70,000	140,000
15	ADC Truck / Trailer / Tools						-
	<b>Subtotal</b>	<b>70,000</b>	<b>140,000</b>	<b>140,000</b>	<b>70,000</b>	<b>70,000</b>	<b>490,000</b>
	<b>Total for all projects</b>	<b>2,170,000</b>	<b>2,590,000</b>	<b>2,840,000</b>	<b>2,820,000</b>	<b>2,820,000</b>	<b>13,140,000</b>

5-Year Oro Valley Water Utility Projects funded by Groundwater Preservation Fees (GPF) NWRRRDS Projects - Existing Customer Related Projects - 40% of Total Costs								
Colors:		Study/Design/Permit	Construct	Purchases				
NWRRRDS Existing customer portion of projects paid for by Groundwater Preservation Fees								
Project No.	Project Name	Percent of Total	2026-27	2027-28	2028-29	2029-30	2030-31	Totals Years 1-5
<b>NWRRRDS Partnered Projects</b>								
1	NWRRRDS (Partnered) Well Equipping TRICO power to sites and associated tasks	40%	400,000		-	-		400,000
2	NWRRRDS (Partnered) Pipeline construction (Recovered Water & Transmission)	40%	-		-	-	-	-
	<b>Subtotal</b>		<b>400,000</b>	-	-	-	-	<b>400,000</b>
<b>NWRRRDS Independent Projects</b>								
3	NWRRRDS (Independent) Booster Station at Partnered Reservoir	40%	-		-	-		-
4	NWRRRDS (Independent) Pipeline from Partnered Reservoir to Shannon Rd. Reservoir	40%	400,000		-	-	-	400,000
	<b>Subtotal</b>		<b>400,000</b>	-	-	-	-	<b>400,000</b>
<b>Existing System Improvements for blending &amp; distribution of NWRRRDS water</b>								
		40%		-	-			-
		40%		-	-			-
	<b>Subtotal</b>			-	-	-	-	-
	<b>Total for all projects</b>		<b>800,000</b>	-	-	-	-	<b>800,000</b>

5-Year Oro Valley Water Utility Projects funded by Water Resources and System Development Impact Fee Fund (WRSDIF Impact Fees) NWRRRDS Projects - Growth Related Projects - 60% of Total Costs								
Colors:		Study/Design/Permit	Construct	Purchases				
NWRRRDS Growth related projects paid for by WRSDIF								
Project No.	Project Name	Percent of Total	2026-27	2027-28	2028-29	2029-30	2030-31	Totals Years 1-5
<b>NWRRRDS Partnered Projects</b>								
1	NWRRRDS (Partnered) Well Equipping TRICO power to sites and associated tasks	60%	600,000					600,000
2	NWRRRDS (Partnered) Pipeline construction (Recovered Water & Transmission)	60%	-					-
	<b>Subtotal</b>		600,000	-	-	-	-	600,000
<b>NWRRRDS Independent Projects</b>								
3	NWRRRDS (Independent) Booster Station at Partnered Reservoir	60%	-		-	-		-
4	NWRRRDS (Independent) Pipeline from Partnered Reservoir to Shannon Rd. Reservoir	60%	600,000		-	-	-	600,000
	<b>Subtotal</b>		600,000	-	-	-	-	600,000
<b>Existing System Improvements for blending &amp; distribuiton of NWRRRDS water</b>								
		60%		-	-			-
		60%		-	-			-
	<b>Subtotal</b>			-	-	-	-	-
	<b>Total for all projects</b>		1,200,000	-	-	-	-	1,200,000

5-Year Oro Valley Water Utility Projects funded by Water Resources and System Development Impact Fee Fund (WRSDIF Impact Fees) Miscellaneous Growth Related Projects								
Colors:		Study/Design/Permit	Construct	Purchases				
Miscellaneous Growth related projects paid for by WRSDIF								
Project No.	Project Name	Percent Growth	2026-27	2027-28	2028-29	2029-30	2030-31	Totals Years 1-5
<b>Wells</b>								
1	Steam Pump D-Zone Well (Equiping date not yet finalized)	100%						-
2	La Posada Well (Equiping date not yet finalized)	100%						-
	<b>Subtotal</b>		-	-	-	-	-	-
<b>Reservoirs</b>								
	<b>Subtotal</b>		-	-	-	-	-	-
<b>Booster Stations</b>								
	<b>Subtotal</b>		-	-	-	-	-	-
<b>Mains</b>								
	<b>Subtotal</b>		-	-	-	-	-	-
	<b>Total for all projects</b>		-	-	-	-	-	-

# APPENDIX D

## Assumptions for Proposed Financial Scenario

D-1 Operating Fund

D-4 Water Resource and System Development Impact Fee Fund

# PROPOSED FINANCIAL SCENARIO

## ASSUMPTIONS FOR THE WATER UTILITY'S OPERATING FUND

The **Operating Fund** is the primary fund for the Water Utility. The sources of revenue are water sales, service-related charges and Groundwater Preservation Fees (GPF). Expenses for administration, operations, existing system improvements and debt service are accounted for in this fund.

### Beginning Cash Balance

The beginning cash balance is estimated based on budgeted revenues, expenses and known cost over runs for FY 2025/26. Actual cash balances on the 6/30/25 balance sheet is added to budgeted revenues, less budgeted expenses and known unbudgeted expenses.

### Cash Reserve Requirement

Mayor and Town Council Water Policies require the Utility to maintain cash reserves in the Operating Fund of not less than 20% of the combined total of the annual budgeted amounts for personnel, O&M and debt service. This specifically excludes expenses for capital projects, depreciation, amortization, and contingency.

### Growth Projections

New Development growth projections for FY 2025-26 through FY 2029-30 were based on data provided by the Town's New Development Permitting Manager and were updated with information from the Town's Finance Department to be consistent with the Town's financial forecasting.

Connections	FY 26-27	FY 27-28	FY 28-29	FY 29-30	FY 30-31
Single Family Residential	97	142	130	92	60
Other Connections	12	6	6	6	6

### Water Sales and Water Use Consumption Trends

The average monthly water consumption for a residential customer with a 5/8-inch water meter in FY 2024-25 was 7,000 gallons per month. To account for the overall average continued decline in water consumption, this analysis assumes 7,000 gallons per month. Projected reclaimed deliveries are based on Water Utility Director estimates.

### Service-Related Revenues

Service-related revenues are based on the proposed FY 2026-27 budget. Service-related revenues include billing for sewer fees on behalf of Pima County Wastewater and the Town's Storm Water Department. Additionally, other service-related revenues include late fees, reconnect fees, new service establishment fees, backflow permitting fees, engineering plan review fees and construction inspection fees.

### Groundwater Preservation Fees (GPF)

GPF revenues are based on water consumption for FY 2024-25. The GPF funds are dedicated to paying for water resources other than groundwater as it relates to debt service, capital costs, CAP delivery costs and water wheeling.

## **PROPOSED FINANCIAL SCENARIO**

### **ASSUMPTIONS FOR THE WATER UTILITY'S OPERATING FUND (continued)**

#### **Interest Income**

Interest rates are projected at 3% annually over the 5-year pro-forma.

#### **Personnel**

No new employees were added during the projection period. Annual merit increases are projected to be 3% annually and health care costs are projected to increase by 3% annually. It is projected that the Arizona State Retirement System (ASRS) contribution is projected to increase 1% annually over the five-year projection period.

#### **Inflation Rates**

Inflation rates are projected at 3% annually over the 5-year pro-forma.

#### **O&M Potable Expenses**

These expenses are based on the Water Utility's budget for FY 2025-26 plus 3% inflation.

#### **O&M CAP Wheeling Expenses - Potable**

This expense includes the fees charged by Tucson Water to wheel the Town's CAP water through their recharge and recovery system in accordance with an IGA. The increases are projected to be 5.5% annually over the 5-year pro-forma. It is also assumed that the Utility will wheel 2,850 AF annually.

#### **O&M CAP Recharge Expenses - Potable**

This expense is based on the rate schedule adopted by CAP 6/5/25. The figures represent the annual expense to deliver the Utility's entire allotment of CAP water (10,305 AF) for recharge.

#### **O&M Reclaimed Expenses**

Pursuant to the existing IGA, the reclaimed water is delivered on a non-interruptible basis at an interruptible rate. Inflationary increases of 3% are included annually.

The Town delivers more reclaimed water than it is entitled to. To cover this shortfall the cost to purchase additional reclaimed water from Tucson Water has been included annually.

Additionally, the O&M expenses include allocations for personnel, administrative costs and fleet service costs. The reclaimed cost allocation model was used to allocate these costs using a variety of methodologies.

#### **O&M CAP Capital Expenses**

This expense is paid for from the GPF funds and is based on 7,305 AF per the rate schedule adopted by CAP 6/5/25.

## PROPOSED FINANCIAL SCENARIO

### ASSUMPTIONS FOR THE WATER UTILITY'S OPERATING FUND (continued)

#### O&M Administrative Services Fee

This expense is paid to the Town's General Fund for services such as Finance, Legal, Procurement, Information Technology and Human Resources provided to the Water Utility. Inflationary increases of 3% are included annually.

#### Capital Improvement Program (CIP) – Existing System Improvements

The capital costs associated with Existing System Improvements CIP are primarily to ensure continued reliability and efficiency of the Utility's water system. These costs are determined as part of an annual review of the water system. \$12.9 million in capital costs for existing system improvements are included in the 5-year projection period.

#### Capital Improvement Program (CIP) – NWRDSS

A portion of the capital costs associated with the NWRDSS CIP are paid for by **GPF funds**. The NWRDSS CAP delivery system will be capable of delivering up to an additional 4,000 acre-feet per year of CAP water into Oro Valley's water service area. The 5-year pro-forma is based on Engineering cost estimates.

#### Debt Service

The following table identifies the existing debt service included in this pro forma:

Bonds	Type	Description	Amortization Schedule By
2014	Sr. Lien	AMI Project	WIFA
2017	Excise Tax	Refunding (2007)	Stifel & Nicolaus & Co.
2018	Excise Tax	Existing System CIP	Stifel & Nicolaus & Co.
2021	Sr. Lien	Refunding (WIFA & 2012)	Stifel & Nicolaus & Co.
2025	Sr. Lien	NWRDSS	Stifel & Nicolaus & Co.
2025	Sr. Lien	NWRDSS	WIFA

In FY 2025/26, new debt in the amount of \$11 million is for the NWRDSS project. Forty percent of Groundwater Preservation Fees (GPF) will be used for repayment.

#### Minimum Debt Service Coverage Requirement

1.30 debt service coverage ratio for Sr. Lien Bonds & all WIFA Loans

## PROPOSED FINANCIAL SCENARIO

### ASSUMPTIONS FOR THE WATER UTILITY'S WATER RESOURCE AND SYSTEM DEVELOPMENT IMPACT FEE (WRSDIF) FUND

The **WRSDIF** fund accounts for development impact fees that are collected at the time a new water meter is purchased. This impact fee is intended to fund costs for water resources, the infrastructure to deliver those resources and any related debt including CAP capital infrastructure repayment related to new development.

#### Beginning Cash Balance

The beginning cash balance is estimated based on budgeted revenues, expenses and known cost over runs for FY 2025-26. Actual cash balances on the 6/30/25 balance sheet is added to budgeted revenues, less budgeted expenses.

#### Growth Projections

New Development growth projections for FY 2026-27 through FY 2030-31 were based on data provided by the Town's New Development Permitting Manager and were updated with information from the Town's Finance Department to be consistent with the Town's financial forecasting.

Service Units	FY 25-26	FY 26-27	FY 27-28	FY 28-29	FY 29-30
Single Family Residential SU's	97	142	130	92	60
Other Connections	12	6	6	6	6

#### Interest Income

Interest rates are projected at 3% annually over the 5-year pro-forma.

#### O&M CAP Capital Expenses

This expense is based on 3,000 AF per the rate schedule adopted by CAP on 6/5/25.

#### Capital Improvement Program (CIP) – NWRDSD

A portion of the capital costs associated with the NWRDSD CIP are paid for by the **WRSDIF** Impact fees. The NWRDSD CAP delivery system will be capable of delivering up to an additional 4,000 acre-feet per year of CAP water into Oro Valley's water service area.

#### Debt Service

The following table identifies the existing debt service included in this pro forma:

Bonds	Type	Description	Amortization Schedule By
2021	Sr. Lien	Refunding (WIFA & 2012)	Stifel & Nicolaus & Co.
2025	Sr. Lien	NWRDSD	Stifel & Nicolaus & Co.
2025	Sr. Lien	NWRDSD	WIFA

In FY 2025/26, new debt in the amount of \$11 million is for the NWRDSD project. Sixty percent of WRSDIF Impact fees will be used for repayment.

#### Debt Service Coverage

1.30 debt service coverage ratio for Sr. Lien Bonds

# APPENDIX E

Development Impact Fee Schedule

E-1 Water Resource and System Development Impact Fees

**Oro Valley Water Utility  
Development Impact Fees**

Residential Meter Size	Capacity Ratio	Demand Adjustment Factor	Development Impact Fee
5/8 "	1.00	1.00	\$ 6,387
3/4"	1.50	1.00	\$ 9,569
1 "	2.50	1.00	\$ 15,934
1.5" standard	5.00	1.00	\$ 31,846
2" compound	8.00	1.00	\$ 50,941
Multi-Family (per unit)	N/A	0.32	\$ 2,044

Nonresidential Meter Size	Capacity Ratio	Demand Adjustment Factor	Development Impact Fee
5/8 "	1.00	1.11	\$ 7,087
3/4"	1.50	1.11	\$ 10,619
1 "	2.50	1.11	\$ 17,684
1.5" standard	5.00	1.11	\$ 35,347
2" compound	8.00	1.11	\$ 56,542
3" compound	16.00	1.11	\$ 113,062
4" compound	25.00	1.11	\$ 176,647
6" compound	50.00	1.11	\$ 353,273
8" compound	80.00	1.11	\$ 565,224

Irrigation Meter Size	Capacity Ratio	Demand Adjustment Factor	Development Impact Fee
5/8 "	1.00	2.25	\$ 14,343
3/4"	1.50	2.25	\$ 21,503
1 "	2.50	2.25	\$ 35,824
1.5" standard	5.00	2.25	\$ 71,627
2" compound	8.00	2.25	\$ 114,590
3" compound	16.00	2.25	\$ 229,158
4" compound	25.00	2.25	\$ 358,047
6" compound	50.00	2.25	\$ 716,072
8" compound	80.00	2.25	\$ 1,145,702