

DRAFT MINUTES
TOWN OF CAMP VERDE
WORK SESSION
MAYOR AND COUNCIL
473 S MAIN STREET, SUITE 106
WEDNESDAY, JANUARY 10, 2018 AT 5:30 P.M.

Note: Council member(s) may attend Council Sessions either in person or by telephone, video, or internet conferencing.

1. Call to Order

Mayor German called the meeting to order at 5:30 pm.

- 2. Roll Call.** Council Members Jackie Baker, Dee Jenkins, Brad Gordon, Robin Whatley; and Mayor Charles German were present. Vice-Mayor Jessie Murdock joined the meeting at 5:35 pm. Councilor Buck Buchanan was absent.

Also Present: Town Manager Russ Martin, Town Clerk Judy Morgan and Recording Secretary Marie Moore.

3. Pledge of Allegiance

Mayor German led the Pledge of Allegiance.

- 4. Work Session.** No legal action to be taken.

4.1. Review the results of the Wastewater Rate Study conducted by Willdan, who will present their findings and next steps for discussion. [Staff Resource: Russ Martin]

Town Manager Russ Martin explained to Council that they would be listening to an overview of the Wastewater Rate Study. The complete study will be available and publicized per Arizona State Statute and following a 60-day waiting period, Council will then hold a public hearing on the matter. During the overview process no commitments will be made regarding the information given and rates will not be discussed, but rather he is asking the Council for their review and to make sure everything is being accounted for in the study. Martin also clarified for Council and the public that there would not be a property tax increase, nor will there be one in the foreseeable future in regards to the wastewater department.

Dan Jackson, Vice President of Willdan, provided Council with a PowerPoint presentation, which is attached and a permanent part of the record, overviewing the Rate Study conducted by his company. Willdan has provided rate services for the Town of Camp Verde for the past ten years and has done similar studies for approximately 35 cities in Arizona and numerous other cities throughout the country.

Jackson explained that the average utility has been increasing rates 5% to 6% annually and those increases are necessitated for reasons out of the control of the utility provider. Most increases are due to necessary repair and maintenance needs on a facility, and the unavoidable costs are passed down to the ratepayer in the least amount possible. The last study completed for the Camp Verde Wastewater District was conducted in 2007 and there has not been an increase in rates since then, nor has there been an increase when the Town of Camp Verde

transitioned into ownership. In order for the Town to receive the \$2.5 million WIFA bond that the Town has applied for, WIFA must be ensured that the rates can fund the repayment. Without a rate increase, the revenues for the current year will be in the negative. The current fee structure that the Town follows is semi-unique due to the fact that the Town does not control the water utility. Currently, rates are based on a per fixture/per household fee structure with additional connection, inspection and miscellaneous fees. Jackson explained to Council that it is not always conducive to compare their rates to surrounding municipalities, as they may not be operating and covering all of their costs. At the current time, the Town of Camp Verde is fairly close, but slightly higher than the State average, but is lower than several surrounding towns and cities. Currently there are 957 active residential and 74 active commercial customers utilizing the utility. With a conservative growth forecast, it is estimated there will be 2% growth in 2018, 3% growth in 2019 and 1% growth from 2020-2027. Jackson recommended the Council consider adopting a multi-year rate plan, which would allow future rate plans to be adjusted according to account increase or equipment repair that was not budgeted or considered. In summary, a rate increase will allow the Town of Camp Verde to cover all costs of providing wastewater, ensure financial health of the wastewater utility, and enable the Town of Camp Verde to make a \$2.5 million-dollar investment, all while continuing to maintain rates and monthly charges that are equivalent to the state average over the next decade.

Jackson explained that should the Town decide to move forward, there are laws the State requires municipalities to follow with a rate increase. Council must vote for a Notice of Intent, complete a rate study, make the study available to public for a 60-day viewing period, 60 days after Notice of Intent a public hearing must be held and after the hearing a vote can be taken. The rate increase will be implemented 30 days after the vote takes place. So the Town would potentially see a rate increase by May.

Councilor Brad Gordon questioned if a rate plan would need to be altered to a volume base rate rather than a fixture plan if the Town acquires the water company within the next few years. Dan Jackson confirmed that was correct and explained, because all homes have a water meter, and none has a sewer meter, the volume is based on what is called a "winter average". A winter average is the average usage of 3 months in winter and acts as a cap on wastewater usage billing. Jackson explained that it is not a perfect system, but is the most advantageous when owning a water utility.

Mayer German expressed that he felt it is crucial for the public and customers to understand how exactly their wastewater usage rate is being billed and the concept behind the "winter average". Jackson agreed and indicated that the biggest complaint is that people feel they are being billed sewer water rates for water used when outside the home. The concept of the "winter average" is that during winter, water used is not outside for watering lawns, washing cars, etc. Rather it is going into the home and directly out of the home.

Town Manager Russ Martin explained that because the water company is unwilling to share their meter usage information, the Town has no other alternative than to use the fixture rate plan.

Councilor Baker inquired as to how the number of active accounts in Camp Verde compare to the state average. Jackson explained that the information provided is based on new accounts and a 2% growth rate.

Russ Martin expressed to Council that the Rate Study conducted was a requirement of getting the WIFA loan and out of the total Town population; this increase will effect approximately 3300 people with a conservative growth rate on average.

Councilor Baker expressed her concerns regarding the approximate \$12 increase per month by 2019. Russ Martin explained that if the Town had raised its rates 2% each year, which is a normal increase, the ratepayer would already be paying the rate. Martin also explained that prior to any rate increase, the state law mandates a rate study be completed, which costs the Town approximately \$20,000.00.

Vice Mayor Jessie Murdock stated that as a paying user on the wastewater system, she wants it to work efficiently, properly and to the best of its ability. Although she has enjoyed the lack of a rate increase for so long, it also has contributed to the lack of improvements to the facility, which is now a necessity. VM Murdock extended her appreciation for the overview and stated she looked forward to viewing the completed survey.

Mayor German explained that if the Town was to experience failure or leaks in the system, they would be obligated to repair no matter the cost, especially due to the environmental features of the Town. It is imperative that the system be maintained and upgraded when necessary.

Russ Martin explained a breakdown of costs for the Council and public. With the 4 million for CIP improvement costs, there is currently \$500,000.00 draw down in existing WIFA Funds, expectation of a \$1 million dollar principle forgiveness, leaving the new \$2.5 million loan. There are some unknowns at the current time and things may change depending on how WIFA choses to handle the situation in February.

Vice Mayer Jessie Murdock asked for an approximate figure on the arrearage accounts. Russ Martin indicated there was around \$80,0000.00 in owed back fees.

Councilor Brad Gordon asked when the Rate Study would be available. Dan Jackson stated that the draft report would be available Monday. Russ Martin stated that he requested it be available by Wednesday and then it will be available for public review.

5. Adjournment

The meeting adjourned at 6:30 pm.

Mayor Charles German

Attest: Town Clerk Judy Morgan

CERTIFICATION

I hereby certify that the foregoing Minutes are a true and accurate accounting of the actions of the Mayor and Common Council of the Town of Camp Verde during Council Meeting of the Town Council of Camp Verde, Arizona, held on January 10, 2018. I further certify that the meeting was duly called and held, and that a quorum was present.

Dated this _____ day of _____, 2018.

Judy Morgan, Town Clerk



Town of Camp Verde

Wastewater Rate Study/Analysis

And Long Term Financial Plan

Council Presentation

Facts about Water and Wastewater Rates in the 21st Century



- ◆ Average utility has been increasing rates 5-6% every year
- ◆ Many reasons for rate increases beyond a utility's control (inflation, environmental regulations, etc.)
- ◆ Cost of repairing and maintaining systems has increased significantly in recent years
- ◆ Conclusion: while still affordable, wastewater costs are going to be higher in the coming years



Introduction



- ◆ Last comprehensive wastewater rate study and long-term financial forecast was completed in 2007 for CVWD
- ◆ No fee increase since WW system ownership passed onto Town
- ◆ Purpose of 2018 rate plan and long-term financial forecast:
 - ❖ To forecast wastewater rates required to cover operating expenses, capital costs and debt service for a 10 year period
 - ❖ To ensure wastewater rates can fund proposed \$2.5 million WIFA debt service and coverage
 - ❖ To prepare Wastewater Fund financial letter for 2018 Wastewater Fund revenue bond issue

Water and Wastewater Funds General Conclusions



- ◆ Wastewater Utility Fund's financial condition is declining
 - ❖ Net revenues in current year are negative, and future years will not cover costs without rate adjustments
 - ❖ Reserve fund balances are solid and can be preserved with appropriate rate plan
- ◆ Rate plan represents first time in 6 years that rates will be adjusted
- ◆ Need to issue debt to fund new capital projects is driving the rate and fee plan

Town of Camp Verde Wastewater Current Fee Structure



Residential Monthly Charges

Minimum Charge	\$	-
Volume Charge -- Per Fixture		2.25

Commercial Monthly Charges

Minimum Charge	\$	-
Volume Charge -- Per Fixture		3.50

Town of Camp Verde - Wastewater Connection Fee and Other Charges



Connection Fees:

Residential Unit	\$1,750.00 per residential unit/lot
Commercial Units:	
Hotels, hospitals, supervisory care facilities	\$300.00 per room
Rooms equipped with kitchen facilities	\$1,750.00 per room
Retail	\$0.25/sq.ft.; \$1,750 minimum
Office	\$0.50/sq.ft.; \$1,750 minimum
Restaurant, bar	\$30.00 per seat
Warehouse, manufacturing	\$0.25/sq.ft.; \$1,750 minimum

Inspection Fees:

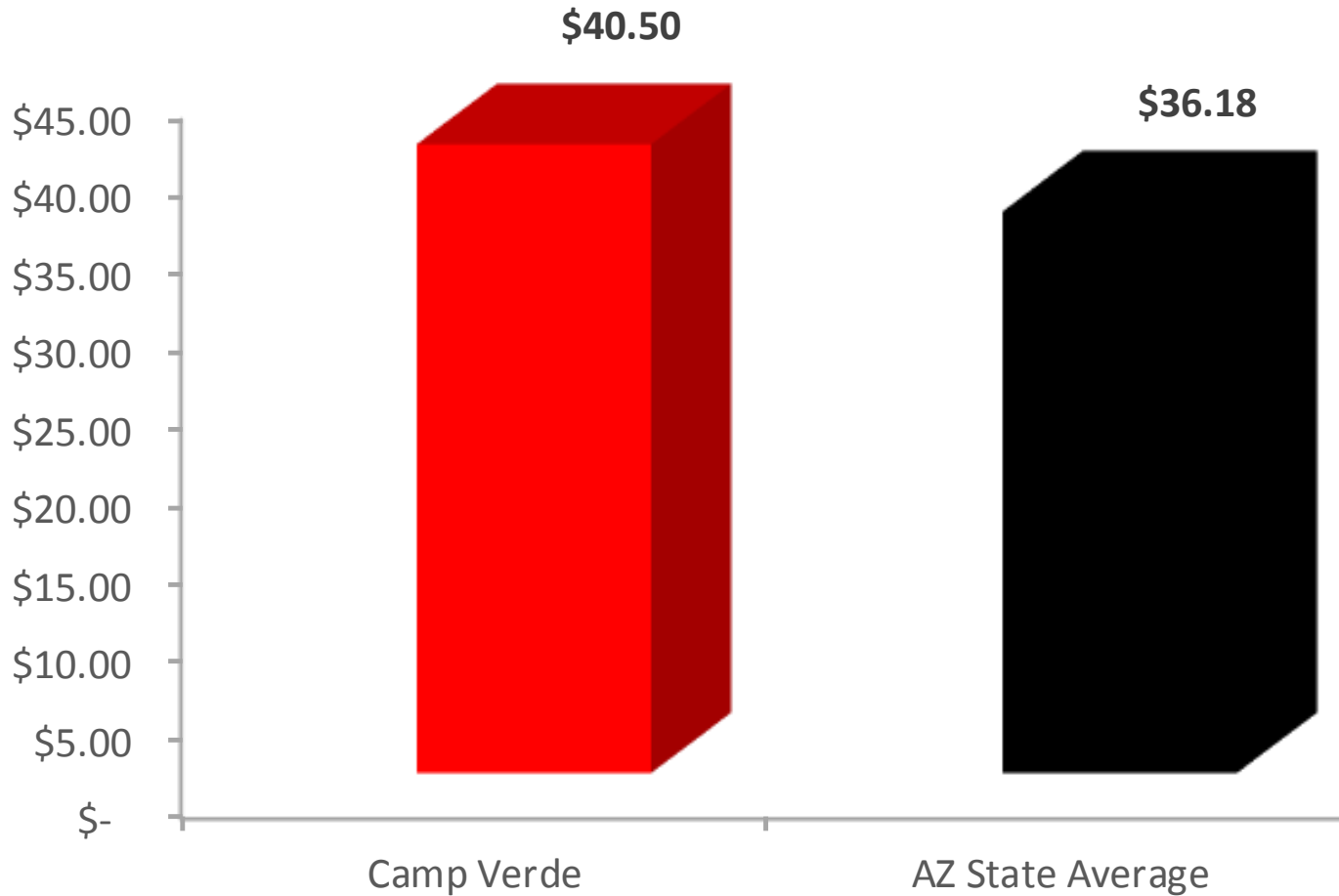
Single family	\$80.00
All other	\$100.00 per hr.; 2 hr. minimum

Other Fees:

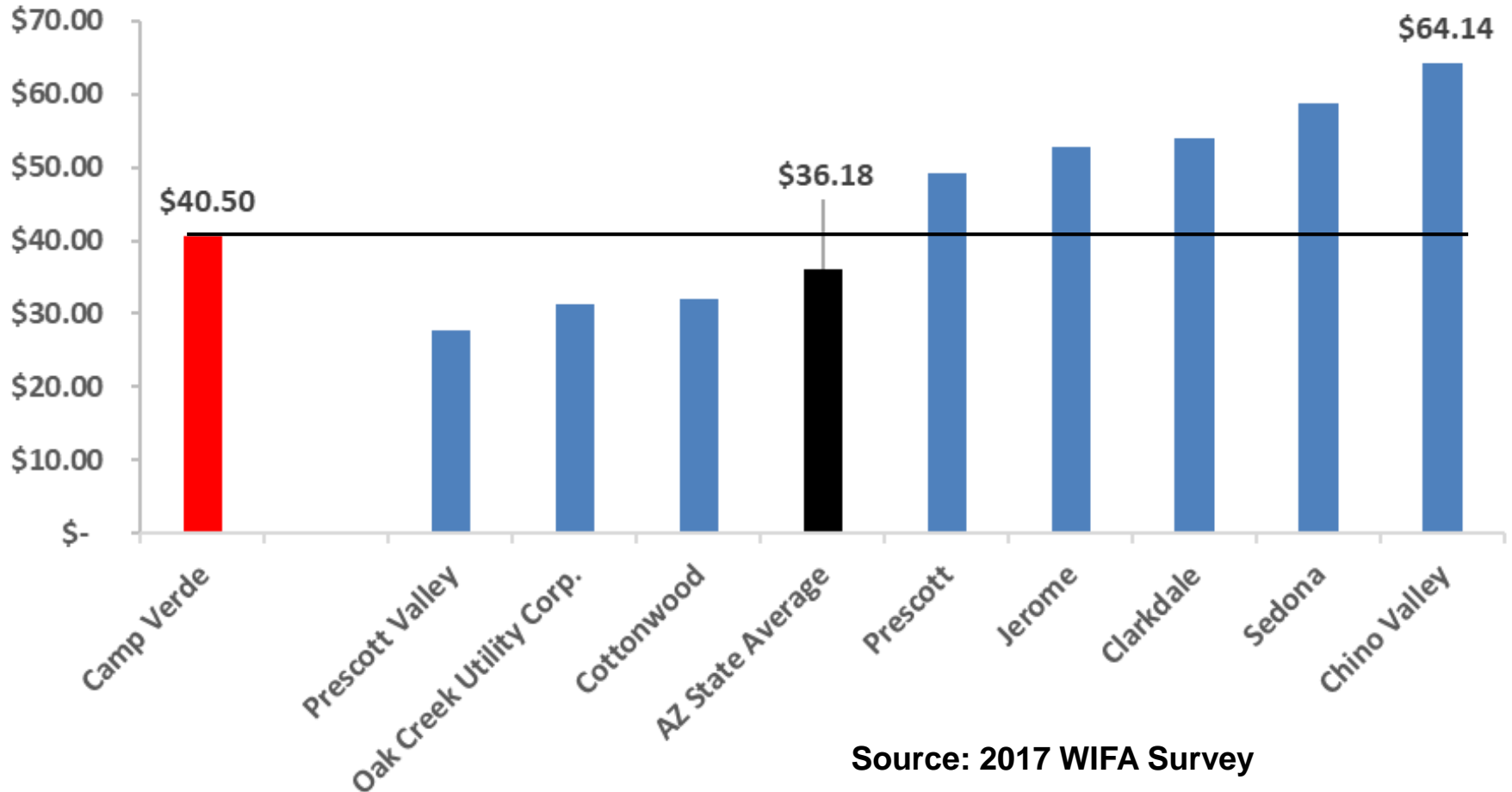
Late Fee	\$5.00 or 1 1/2% of balance
Availability, return check	\$25.00
Reconnection	\$100.00
Septage	\$0.12 per gallon
Septic Tank and Vault contents	\$0.01 per gallon

Average Monthly WW Charges

Fixtures = 18; Volume Gallons = 5,000

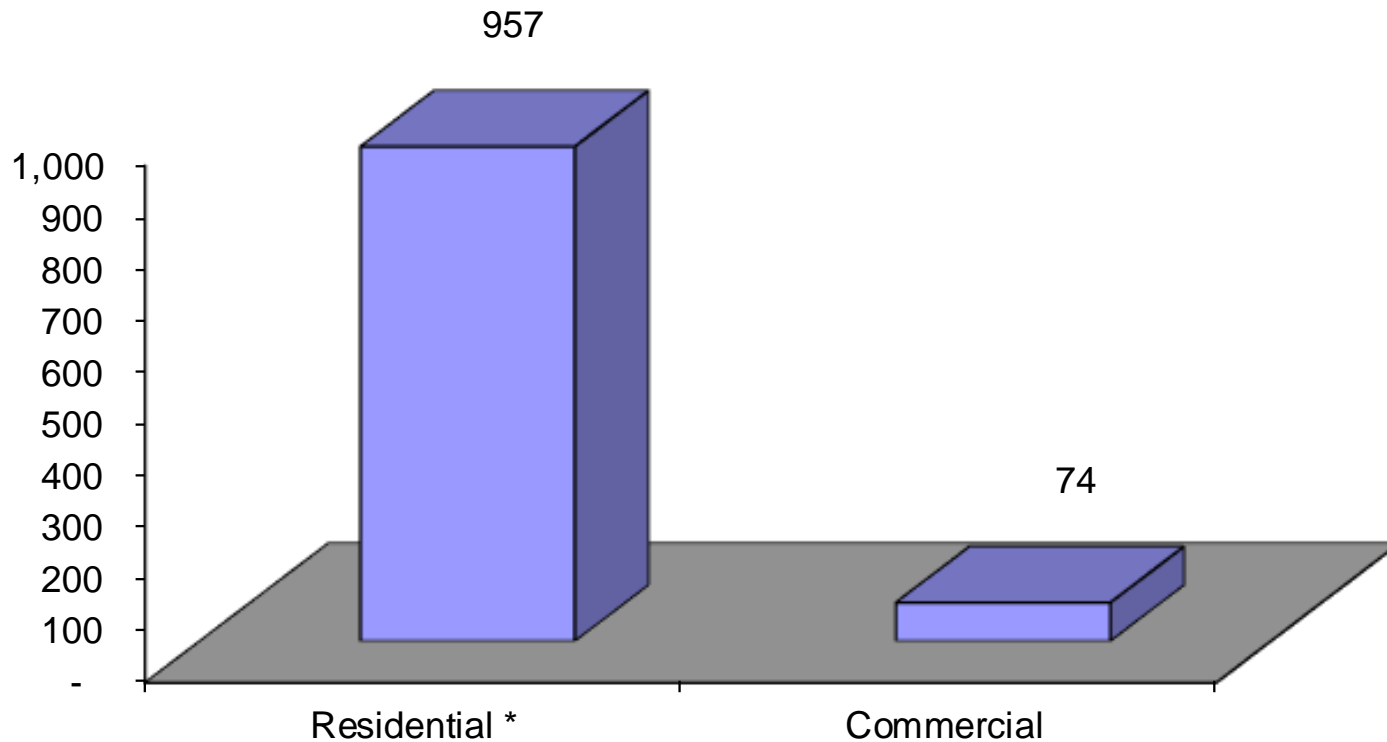


Comparison of Monthly WW Charges Fixtures = 18; Volume Gallons = 5,000



Source: 2017 WIFA Survey

Wastewater Active Accounts TY 2018

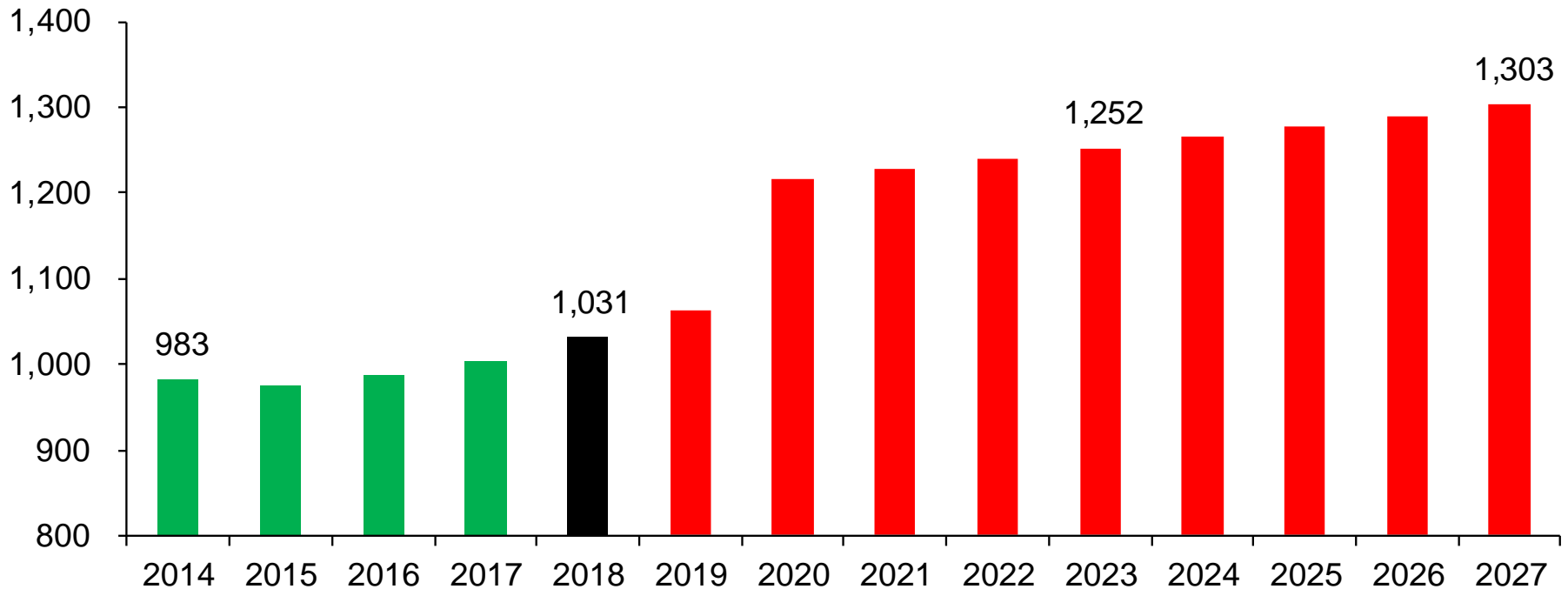


* Includes estimated 2.0% growth

Actual and Forecast Total Wastewater Accounts



2% Growth FY 2018, 3% FY 2019, 1% FY 2020 – FY 2027

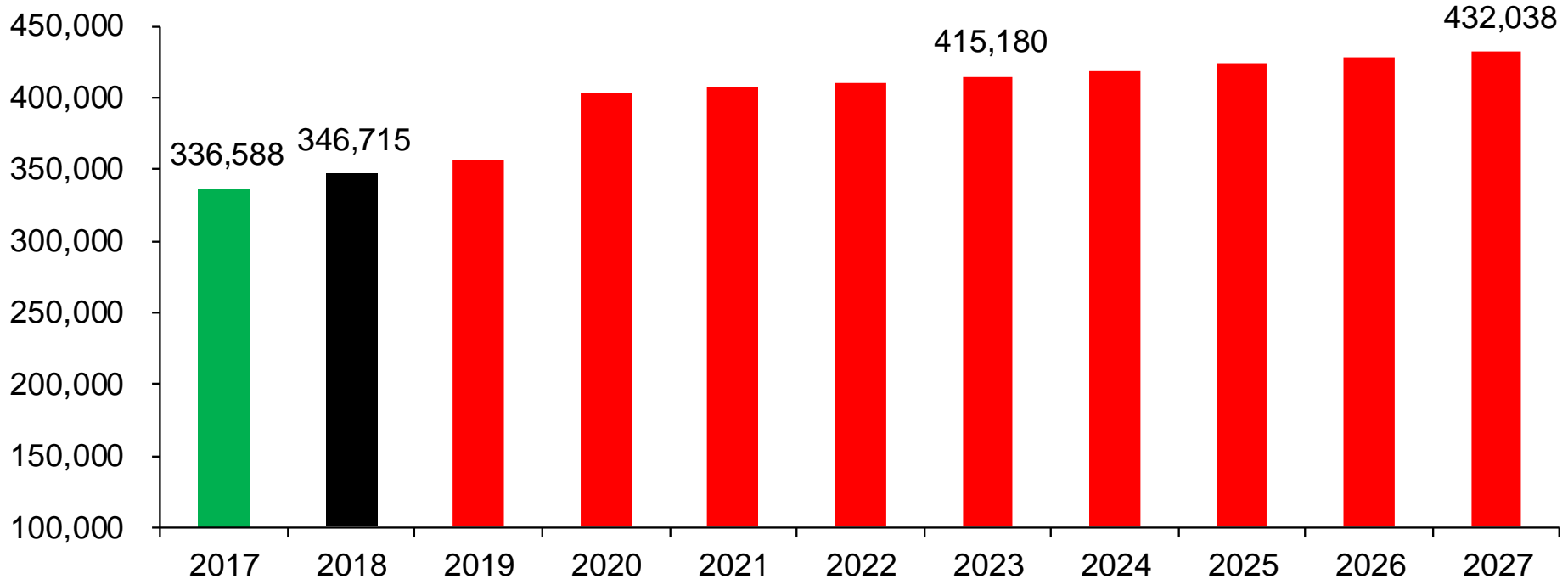


Includes estimated 143 new accounts in FY 2020 for new RV park

Actual and Forecast Fixture Units Billed Annually



2% Growth FY 2018, 3% FY 2019, 1% FY 2020 – FY 2027



Water and Wastewater Utility 10 Year Cost of Service Forecast



- ◆ Most expenses expected to increase 3.0% per year; some expenses increase at higher rates
- ◆ Capital outlays to remain constant - \$15,000 for equipment, escalated by 3% annually
- ◆ Most significant assumption: no additional wastewater long-term debt to fund capital improvements after issuing 2018 WIFA Bond
- ◆ If capital improvement plan is revised or new capital expenditures are required, then rate plan will have to be revised

Wastewater System TY 2018 Revenue Requirement



Operating Expenses	\$ 1,118,230
Capital Outlays	15,000
Equipment Lease	<u>113,120</u>
Total Cost of Service	1,246,350
Less Non-Rate Revenues	
Septage Fees	126,000
W.A.S. Fees	21,600
Connection Fees*	35,385
Port-a-Potty Fees	13,000
Other	<u>24,000</u>
Total	206,985
Revenue Requirement	1,039,365

Town of Camp Verde Wastewater CIP



Wastewater Treatment

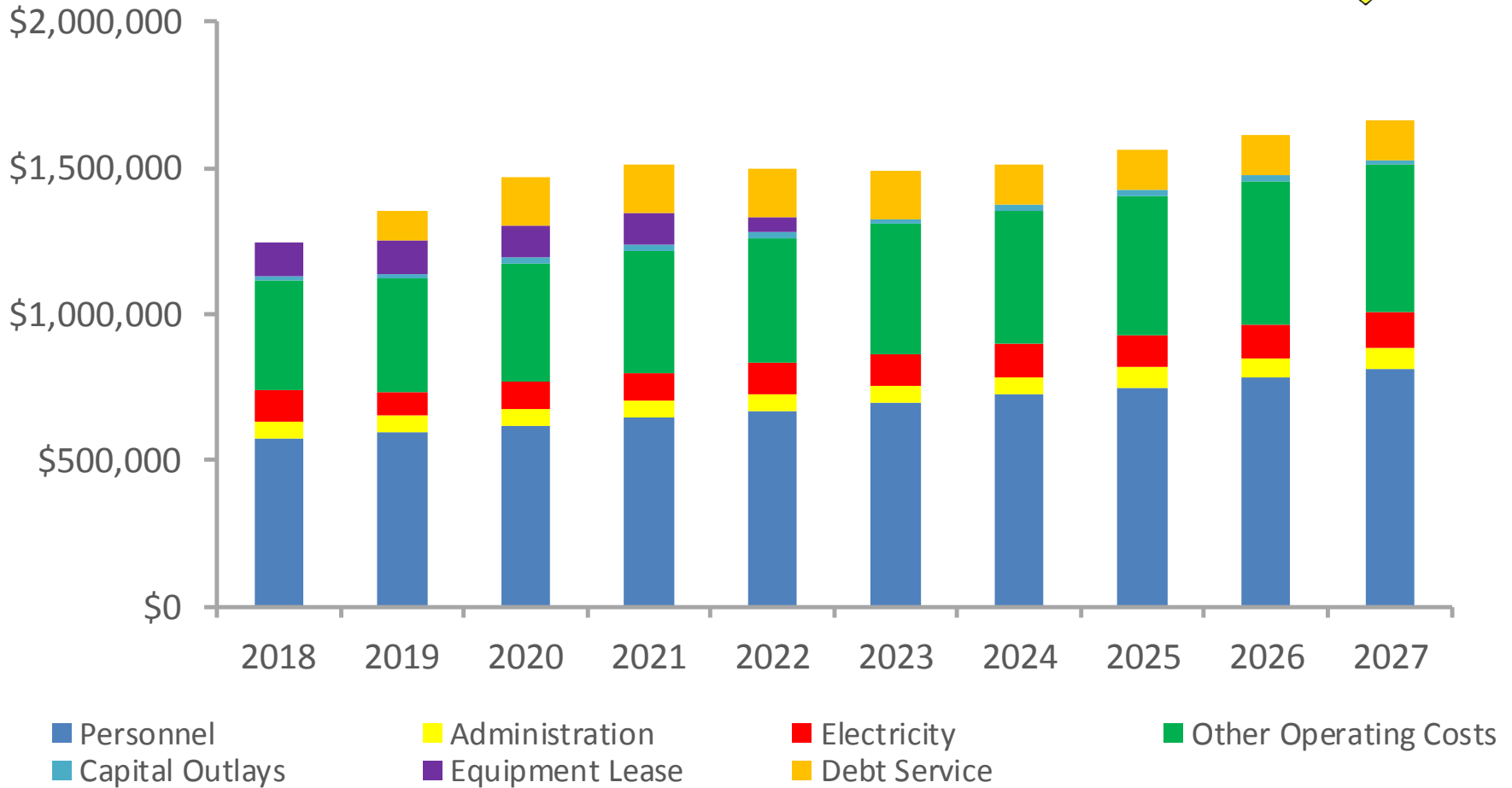
Drying Beds	\$	906,810
Plant Capacity increase		600,000
Solar Installation		500,000
Engineering and Cost of Money		330,000
Add UV Disinfection		320,000
Tertiary Filters		269,000
Miscellaneous Capital Projects		927,150
Total Treatment		3,852,960

Wastewater Collection

Lift Station Pump		80,000
Truck Pump Station Improvements		50,000
Lift Station SCADA		30,000
Lift Station VFD	\$	27,000
Total Collection	\$	187,000

Total CIP = \$4,039,960

Forecast Wastewater Cost of Service FY 2018 – FY 2027



FY 2019 electricity costs decrease by \$30k due to installing photovoltaics at wastewater treatment facilities

Forecast Wastewater Cost of Service FY 2018 – FY 2022



	2018	2019	2020	2021	2022
Wastewater System					
Personnel	\$ 577,580	\$ 599,186	\$ 621,782	\$ 645,425	\$ 670,177
Administration	53,150	54,745	56,387	58,078	59,821
Electricity	110,000	80,000	93,960	97,718	101,627
Maintenance & Operations	377,500	389,700	404,973	417,729	430,910
Capital Outlays	15,000	15,450	15,914	16,391	16,883
Equipment Lease	113,120	113,120	113,120	113,120	56,560
WIFA Bond Debt Service*	<u>-</u>	<u>100,456</u>	<u>163,839</u>	<u>164,006</u>	<u>164,126</u>
Total Cost of Service	\$ 1,246,350	\$ 1,352,656	\$ 1,469,973	\$ 1,512,467	\$ 1,500,104

* Includes \$27k annual Debt Service Reserve contribution for 5 years FY 2019 – FY 2023

Town of Camp Verde Wastewater Long-Term Rate Plan



	Current	Effective Apr-18	Effective Jan-19	Effective Jan-20	Effective Jan-21	Effective Nov-21
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Residential Monthly Charges

Minimum Charge	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Volume Charge -- Per Fixture	2.25	2.52	2.90	3.01	3.07	3.14

Commercial Monthly Charges

Minimum Charge	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Volume Charge -- Per Fixture	3.50	3.92	4.51	4.69	4.78	4.88

Long Term Rate Plan Impact on Monthly Charges



	Current	Effective Apr-18	Effective Jan-19	Effective Jan-20	Effective Jan-21	Effective Nov-21
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Residential Monthly Charges

Avg Bill -- 18 Fixtures	\$ 40.50	\$ 45.36	\$ 52.16	\$ 54.25	\$ 55.34	\$ 56.44
Increase/Decrease		4.86	6.80	2.09	1.09	1.11

Commercial Monthly Charges

Avg Bill -- 70 Fixtures	245.00	274.40	315.56	328.18	334.75	341.44
Increase/Decrease		29.40	41.16	12.62	6.56	6.69

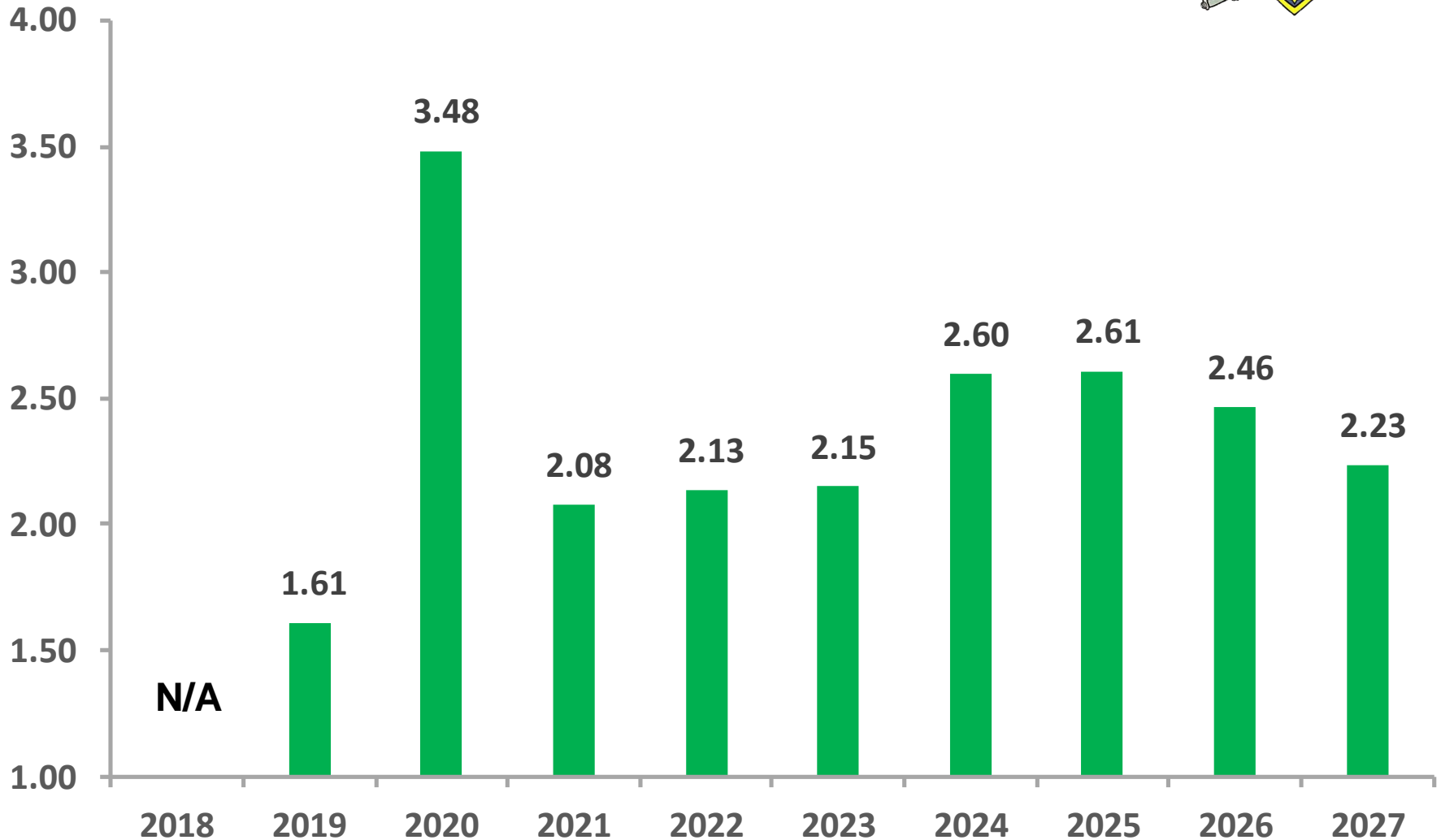
Forecast Wastewater Revenues FY 2018 - 2022



	2018	2019	2020	2021	2022
WW Rate Revenues	\$ 876,729	\$ 1,053,536	\$ 1,295,469	\$ 1,349,607	\$ 1,397,260
Account Transfer Fees	1,200	1,236	1,273	1,311	1,351
Septage Fees	126,000	129,780	133,673	137,684	141,814
W.A.S. Fees	21,600	22,248	22,915	23,603	24,311
Port-a-Potty Fees	13,000	13,390	13,792	14,205	14,632
Connection Fees	35,385	54,139	268,588	21,274	21,486
Other	<u>9,800</u>	<u>11,084</u>	<u>11,495</u>	<u>11,722</u>	<u>11,953</u>
Total Revenues	\$ 1,083,714	\$ 1,285,413	\$ 1,747,206	\$ 1,559,406	\$ 1,612,806

Note: FY 2020 Connection fee revenue high - new RV park.

Forecast WIFA Debt Service Coverage



Presentation Summary

How Will Rate Plan Benefit Town



- ◆ Will enable Town to cover all costs of providing wastewater service
- ◆ Will ensure financial health of wastewater utility
- ◆ Will enable Town to make \$2.5 million investment in the future of the Town of Camp Verde
- ◆ Will continue to maintain rates and monthly charges that are equivalent to state average over the next decade



APPENDIX