

Oak Creek Water District

Serving West Sedona Quality Water Since 1953

January 2025 www.oakcreekwater.org

***** CONSTRUCTION UPDATE *****

Water Main Replacement: The project continues in a portion of Saddlerock Subdivision for the trunk main from SR 89A to the storage tanks. Then the contractor will proceed to Panorama Blvd. and into Northview Subdivision. **Keep Up to Date:** Check the website. Sign up for alerts. Come to monthly meetings. Summit Construction will contact individual streets as they come up in the lineup.



***** PUBLIC MEETING ON THE ANNUAL BUDGET & RATES*****

The District is required to submit a budget to Yavapai County annually. The Board of Directors will be voting on this budget at the February 18, 2025 meeting. See attached. Public comments are accepted in writing or in person prior to the discussion and vote. The budget includes a rate increase following the approval of a revised 5-year plan completed in 2021. See attached details.



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Information

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Receive alerts of potential leaks.
Look for this icon on our website!

4 out of the 16 that have signed up have detected
leaks they didn't know they had. Lets conserve.

2025 PROPOSED RATE INCREASE

Summary:

The proposed rate increase for 2025 follows the proposed 5-year Rate Study completed in December 2024. The District's median ¾-inch Residential customer (50% of the users above, 50% of the users below) uses 3,500 gallons a month. The proposed rate increase will increase their average water bill from \$27.41 to \$ 30.55 a month. An average of \$3.14 increase per month. The District's average ¾-inch Residential customer uses 5,925 gallons a month. The proposed rate increase will increase their water bill from \$36.17 to \$40.06 a month. An average of \$3.89 increase per month. The proposed 5-Year Rate Study determining this rate increase is available for viewing on the District's website. It can also be viewed at our office. This includes a breakdown of the rate increase by base rate and by the three water usage tiers for all residential and commercial user classifications. It should be noted that the above ¾-inch residential customer example above was used since 65% of our customers fall under that category.

Board Action/Dates to Remember:

January 21, 2025, Board Meeting

Discussion on the proposed 2025 Rate Increase, the 5-year plan and the proposed budget.

Written comments can be submitted by mail to the Office or by email through the District website.

February 18, 2025, Board Meeting

After discussing all the comments received by February 17th, the Board will propose and approve:

A 5-Year Rate Plan, a 2025 Rate Increase and a District's 2025-2026 Budget for submittal to Yavapai County

Background:

The District is currently undergoing rehabilitation utilizing \$16.1 million in funds from USDA. This is comprised of \$11.2 Million in grant funds and \$4.9 Million in loan funds. The loans are for 40 years with a 1.325% and 2.250% interest rate. The District was required to utilize all loan funds first and now we are into the grant funds. To date the 5 storage tanks have been inspected and painted, two new arsenic removal systems have been installed and about 25% of the project's 8 miles of water main have been replaced.

The District approved a 5-year rate study in 2021. The rate study was completed by an accountant that has had over 30 years of A.C.C. rate increase studies and has been consulting Oak Creek Water for over 15 years. This study was prior to obtaining the water main bids and the need for additional grant and loan funds to complete the construction. Now with both loans starting to be paid off, a revisit to the 5-year plan was made. The purpose of the 5-year rate study was to determine if rates need to be adjusted to meet the second loan, for building reserves for emergencies along with continuing to build a reserve fund for replacing facilities as they depreciate.

<u>Meter Size</u>	<u>Current Base Rate</u>	<u>Proposed Base Rate</u>	<u>% of System Users</u>
¾-inch	\$19.43	\$21.49	92.5%
1-inch	\$32.39	\$35.82	5.0%
1 ½ -inch	\$64.61	\$71.45	1.5%
2-inch	\$103.43	\$114.38	0.7%
4-inch	\$323.47	\$357.72	0.3%

<u>Meter Size</u>	<u>Usage Tier</u>	<u>Current/1,000 gal</u>	<u>Proposed/1000 gal</u>
¾-inch & 1-inch Res	0-4,000 gallons	\$2.28	\$2.59
¾-inch & 1-inch Res	4,000-10,000 gallons	\$3.96	\$4.27
¾-inch & 1-inch Comm	0-12,000 gallons	\$3.96	\$4.27
¾-inch & 1-inch Comm	Over 12,000 gallons	\$5.05	\$5.36

5-YEAR RATE STUDY

Summary:

The 5-year rate study used FY 2024 revenue and expenses as the test year. It also included analyzing the history over the past 5 years along with the Capital Improvement Plan projections over the next 10 years. The current Operating Margin, Cash Flow and debt service ratio have looked good over the past couple of years and implementing this 5-year plan will continue to keep our District healthy.

Comparing FY 2021 Test Year to current FY 2024 Test Year

In FY 2024 there was 13 million gallons less water sold compared to FY 2021. This reduction in an annual reduction of revenue of about \$50,000. This was due to conservation, weather conditions and revenge tourism (the after effect of Covid). The \$50,000 in revenue loss needs to be made up with the next planned 5-year rates. In other words, we are starting at a point where it is \$50k less than expected. 65% of our customers, ¾-inch residential, average usage dropped from about 7,200 to 5,900 gallons per month. Similar reductions occurred down the line.

Customer growth expectations is another factor that changed between the two test years. The District's two remaining large undeveloped lots were planned for development between 2023 and 2025: Sedona Lofts (behind Walgreens) and the Saddlerock Crossings Hotel (former Biddles property). Both had either legal or community concern delays. Both projects are in motion again but with construction completion delayed by a couple of years. This \$40k delayed proposed revenue had to be accounted for in the revised 5-year study.

Depreciation is one of the bigger issues with the new rate study. Depreciation is a cash flow item. The USDA funded improvement projects increases the annual depreciation expense from the current \$114K to \$400k in two years. Reserves for this need to be built up depending on their life expectancy. The biggest are the arsenic treatment systems at 40 years and water mains at 50 years.

5-Year Rates

Based on our situation and receiving grant funds, a targeted 10% operating margin was used. This is lower than the 20% operating margin used in the 2021 study. The lowering of the operating margin is justified because the current study capture depreciation on grant funded plant. The median ¾-inch bill would increase \$10.50 over the next 5 years. The average ¾-inch bill would increase \$13.00 over the next 5 years. Revenue is predicted to increase from the projected FY2025 revenue of \$620,000 to a projected FY2026 revenue of \$670,000. Collecting on depreciation is estimated at \$1.2 Million over the 5 years, hence 1/10th of the depreciation value in 5 years. As mentioned previously , residents that xeriscape experience bills below \$30. Conservation of water benefits all.

FYI: As stated, in the Red Rock News on December 13 2024, Arizona Water Company is asking for a residential rate increase of 48.73% and commercial rate increase of 47.22%. Their current ¾-inch base rate would increase from \$32.70 to \$49.20. OCWD current base rate is currently at \$19.43. The 5-year rate study would increase the ¾-inch residential base rate to \$21.49 in 2025 and to \$26.30 by the FY2030.

Changes in the Median Average Bill over the 5-Year Plan

	<u>Median Usage</u>	<u>Current</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>	<u>2029</u>
¾-inch Res	3,500 gallons	\$27.41	\$30.55	\$33.17	\$34.74	\$36.31	\$37.88
1-inch Res	4,500 gallons	\$43.49	\$48.31	\$52.33	\$54.74	\$57.15	\$59.56
¾-inch Comm	3,500 gallons	\$33.29	\$36.43	\$39.05	\$40.62	\$42.19	\$43.76
1-inch Comm	22,500 gallons	\$129.67	\$140.05	\$148.70	\$153.89	\$159.08	\$164.27

The full proposed 5-year plan is on the website, and we hope every customer spends some time reviewing it. Over the years it has been stated in previous newsletter: "an education user is the best user". Hopefully more users will start coming to meeting and get involved. Questions? Contact the office. We will be glad to discuss this will you.

**OAK CREEK WATER DISTRICT
PROPOSED 2025-2026 BUDGET**

Operations		\$ 133,300.00
Repairs to Plant - Contractor - Mains	\$ 15,000.00	
Repairs to Plant - Contractor - Electrical/Pumps	\$ 12,500.00	
Repairs to Plant - Contractor - Wells	\$ 10,000.00	
Operations: Materials and Supplies	\$ 19,950.00	
Operations: Tools and Shop	\$ 2,000.00	
Power Purchased	\$ 55,000.00	
Aid to Construction	\$ 250.00	
Insurance - Property and Liability	\$ 10,000.00	
Transportation Expenses	\$ 8,600.00	
Office		\$ 111,400.00
Az Sales and City Taxes	\$ 65,000.00	
Advertising - Mailings, Website	\$ 2,750.00	
Billing Expenses	\$ 23,000.00	
Telecommunications	\$ 13,000.00	
Office Utilities	\$ 3,800.00	
Office Supplies/Equipment	\$ 1,450.00	
Officers Insurance	\$ 2,400.00	
Contractual Services		\$ 29,900.00
Contractual Accounting/Auditing	\$ 10,000.00	
Contractual Legal	\$ 10,000.00	
Contractual Lab Testing	\$ 3,700.00	
Contractual Monitoring & Security	\$ 4,200.00	
Contractual Management	\$ 2,000.00	
Personnel		\$ 194,500.00
Salaries and Wages	\$ 166,500.00	
Employer Taxes 8.35% & Unemployment	\$ 15,000.00	
Benefits and IRA	\$ 10,000.00	
Insurance Works Comp	\$ 3,000.00	
Reserves & Debt		\$ 245,900.00
Short/Long Term Reserves USDA Requirement	\$ 71,456.00	
USDA Loans (40 years at 1.325%/2.250% Interest)	\$ 174,444.00	
Total Expenses		\$ 715,000.00
Operations Revenue		\$ 715,000.00

<p>Public Hearing at 4:30pm on February 18, 2025: Proposed Budget Public Comments Prior to Board Voting Comments can be sent prior to the meeting at info@oakcreekwater.com</p>
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