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PUBLIC NOTICE
THE ELOY CITY COUNCIL
Meets
MONDAY, APRIL 28, 2025
5:00 PM
ELOY CITY COUNCIL CHAMBERS
595 NORTH C STREET
ELOY, ARIZONA 85131
For a
WORK SESSION

AGENDA

I. Call to Order

II. Roll Call

III. Pledge of Allegiance

IV. Unscheduled Public Appearances

V. Discussion Items

A. Dan Jackson, Vice President of Willdan, will present the recently completed Utility Rate Study findings for the City's water and wastewater systems. The presentation will outline the current financial status of these systems, projected infrastructure needs, rate structure analysis, and proposed rate increase scenarios for continuing to fund infrastructure projects for the next five (5) years.

VI. Adjournment

POSTED BY 5:00 P.M. THURSDAY, APRIL 24, 2025, AT ELOY CITY HALL, ELOY POST OFFICE, AND CITY WEBSITE: www.eloyaz.gov

THE FACILITY WILL BE OPEN TO THE PUBLIC 30 MINUTES PRIOR TO THE START OF THE MEETING AND SEATING WILL BE AVAILABLE FOR "REASONABLY ANTICIPATED ATTENDANCE."

Celine A. Kidwell

Celine A. Kidwell, CMC, FCRM
City Clerk

INDIVIDUALS WITH SPECIAL ACCESSIBILITY NEEDS MAY CONTACT MICHELLE HALL, ADA COORDINATOR FOR THE CITY OF ELOY AT 520-466-9201 OR 520-466-7455 (TDD). IF POSSIBLE, SUCH

REQUESTS SHOULD BE MADE 72 HOURS IN ADVANCE. ONE OR MORE MEMBERS OF THE COUNCIL AND/OR STAFF MAY PARTICIPATE BY TELEPHONIC OR VIDEO MEANS.

CITY OF ELOY
REQUEST FOR COUNCIL ACTION

Agenda Item: V.A.
Date: 4/28/2025

Date submitted: 04/22/2025 **Date requested:** 4/28/2025	**Action:** Other	**Subject: Dan Jackson, Vice President of Willdan, will present the recently completed Utility Rate Study findings for the City's water and wastewater systems. The presentation will outline the current financial status of these systems, projected infrastructure needs, rate structure analysis, and proposed rate increase scenarios for continuing to fund infrastructure projects for the next five (5) years.**

TO: Mayor and City Council

FROM: Brian Wright, Finance Director

RECOMMENDATION:
Staff recommends that the City Council receive a presentation from Mr. Dan Jackson regarding the Utility Rate Study. The presentation will provide an overview of the current financial status of the City's utility systems, identify projected infrastructure needs, and include a comprehensive analysis of the existing rate structure. In addition, Mr. Jackson will outline proposed rate adjustment scenarios designed to ensure the continued funding of necessary infrastructure improvements over the next five (5) years.

DISCUSSION:
Overview
At the September 23, 2024, City Council meeting, the Council approved a contract with Willdan to update the utility rate study and long-term financial plan for Eloy's Water and Wastewater services.

Background
On April 11, 2022, the City Council adopted a five-year water and wastewater rate plan through Resolutions 22-1528 and 22-1529. The approved rate structure became effective on November 1, 2022, with scheduled annual rate increases through November 1, 2026.

The purpose of the plan was to ensure sufficient funding to support the ongoing operation, maintenance, and sustainability of the City's water and wastewater systems over a five-year period. At the time of adoption, the City Council also directed staff to conduct a mid-cycle review of the rate plan to confirm its continued fairness, effectiveness, and financial viability.

Since the plan's inception, significant increases in operational costs, including labor, materials, and capital expenditures, have altered the financial outlook for both utility systems. These challenges have underscored the importance of reassessing the existing rate structure. Capital improvements remain a high priority for both the City Council and staff, particularly in light of anticipated infrastructure expansion as outlined in the 2024 Water and Wastewater Master Plan. Maintaining and enhancing the City's water and wastewater infrastructure is essential not only for delivering reliable service to existing customers but also for supporting economic development and accommodating future growth within the City of Eloy.

To address this, the City hired Dan Jackson of Willdan to update the rate study and long-term financial strategy.

What Willdan Did
Willdan reviewed the City's current water and wastewater rates and services. Their work included:

- Compare Eloy's rates to neighboring communities.
- Calculated how much revenue is needed to operate and maintain the water and wastewater systems now and in the future.
- Updated the financial model using current budget data, water use trends, outstanding debt, and planned capital improvement projects (CIP).
- Created several rate plan options for the City to consider.
- Summarize key findings in a presentation for staff and prepare a detailed written report.

Key Assumptions and Rate Plan Scenarios
Willdan developed four funding scenarios based on updated financial needs and future projections. All plans account for:

- A 3% yearly increase in operating expenses.
- Annual salary increases of 5%, and 5–7% increases in health benefits.
- Rising costs for essential items like chemicals, utilities, and fuel.
- Decreasing electricity costs thanks to new solar panel installations.
- New staffing and maintenance costs, including:
- $200,000/year for Water utility personnel
- $100,000/year for Wastewater personnel
- 75,000/year for line and meter replacements
- Projected cost increases for CAP and CAGRD water supply programs.
- Each scenario outlines different levels of debt financing and resulting rate adjustments:

Scenario I – No New Debt

- Keep the current debt cap at **$13 million** (set in 2022).
- Fund assumptions (mentioned above)
- Water debt: $7.5 million | Wastewater debt: $5.5 million.

Scenario II – $10 Million in New Debt

- Total debt increases to **$23 million**.
- Fund assumptions (mentioned above)
- Water debt: $13.3 million | Wastewater debt: $9.7 million.

Scenario III – $20 Million in New Debt

- Total debt increases to **$33 million**.
- Fund assumptions (mentioned above)
- Water debt: $19.1 million | Wastewater debt: $13.9 million.

Scenario IV – $50 Million in New Debt

- Total debt increases to **$63 million**.
- Fund assumptions (mentioned above)
- Water debt: $36.5 million | Wastewater debt: $26.5 million.

Each scenario will require a new resolution to support the rate adjustments.

Outcome

The proposed rate plan options would extend rate increases through 2029. These updates aim to ensure the water and wastewater systems can:

- Covers daily operating costs and maintenance.
- Fund future capital improvements
- Operate independently—without needing support from the City's General Fund

This will help maintain high-quality services now and for future generations.

Recommendation

Staff recommends Scenario 2, which would expand the debt obligation by an additional $10 million from the current budgeted $13 million for capital infrastructure, thus allowing only one more year of an 11%-13 % increase to the rate study.

<u>What Happens Next?</u>
Should the City Council direct staff to proceed with any funding scenario other than Scenario I, staff will initiate the process by preparing the necessary documentation for Council consideration. This includes adopting a Notice of Intention to adjust water and wastewater rates and scheduling a public hearing on the proposed rate modifications. It is important to note that adopting a *Notice of Intention* does not constitute an approval of rate increases. Rather, it informs the public that rate adjustments are under consideration. Per Arizona Revised Statutes § 9-511.01, the notice must be adopted at least 30 days before the public hearing date.

FISCAL IMPACT:
This is a work session for discussion. No Fiscal Impact

Approved as to Form:

Stephen R. Cooper, City Attorney

CITY OF ELOY, ARIZONA

Water and Wastewater Rate Study
Council Presentation

April 2025

WILLDAN

AGENDA

- Background on Rates
- Customers and Volumes
- Current and Forecast Cost of Service
- Proposed Rate Plan
- Summary and Next Steps

BACKGROUND ON RATES

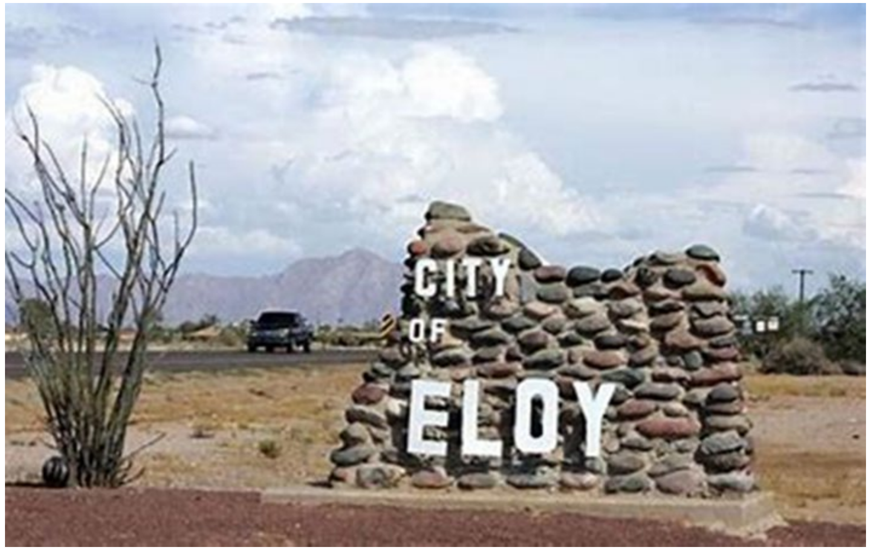
21ST CENTURY WATER & WASTEWATER RATE FACTS

- American Water Works Association (AWWA) forecasts that water and wastewater rates across the U.S. will **triple** over the next 15 years

- Rate adjustments are primarily due to reasons beyond a utility's direct control – inflation, necessary Capital Improvement Plans, wholesale costs, and other indirect expenses

- Average utility has been increasing rates 5-6% per year, a trend that is expected to continue and may accelerate

- Notably, 30-40% of utilities charge rates that **do not cover their costs**



CITY OF ELOY -- WATER AND WASTEWATER RATE BACKGROUND

- In 2022, the City adopted a multi-year rate plan; set to expire in FY 2027

- Operating costs expected to increase 3-5% per year

- City's engineers forecast the need to invest up to **$95.6 million** in water and wastewater capital improvement projects over the next 5 years

- City sells their Central Arizona Water Rights to the City of Surprise; revenue received is highly variable and not guaranteed

- Central Arizona Project (CAP) costs expected to increase

- Combination of above factors results in need to implement a new long-term rate plan

**Photo courtesy of visitarizona.com website*

CURRENT WATER AND WASTEWATER RATE STRUCTURE

WATER RATE STRUCTURE	
Base Charge by Meter Size	**RES and Non-RES**
3/4”	$21.52
1”	32.28
1 1/2”	64.54
2”	107.58
3”	215.19
4”	430.38
6”	901.74
8” (new)**	1803.48

Volume Rate per 1,000 Gal	RES and Non-RES
0 – 10,000	3.44
10,001 – 20,000	4.31
20,001 – Above	5.38

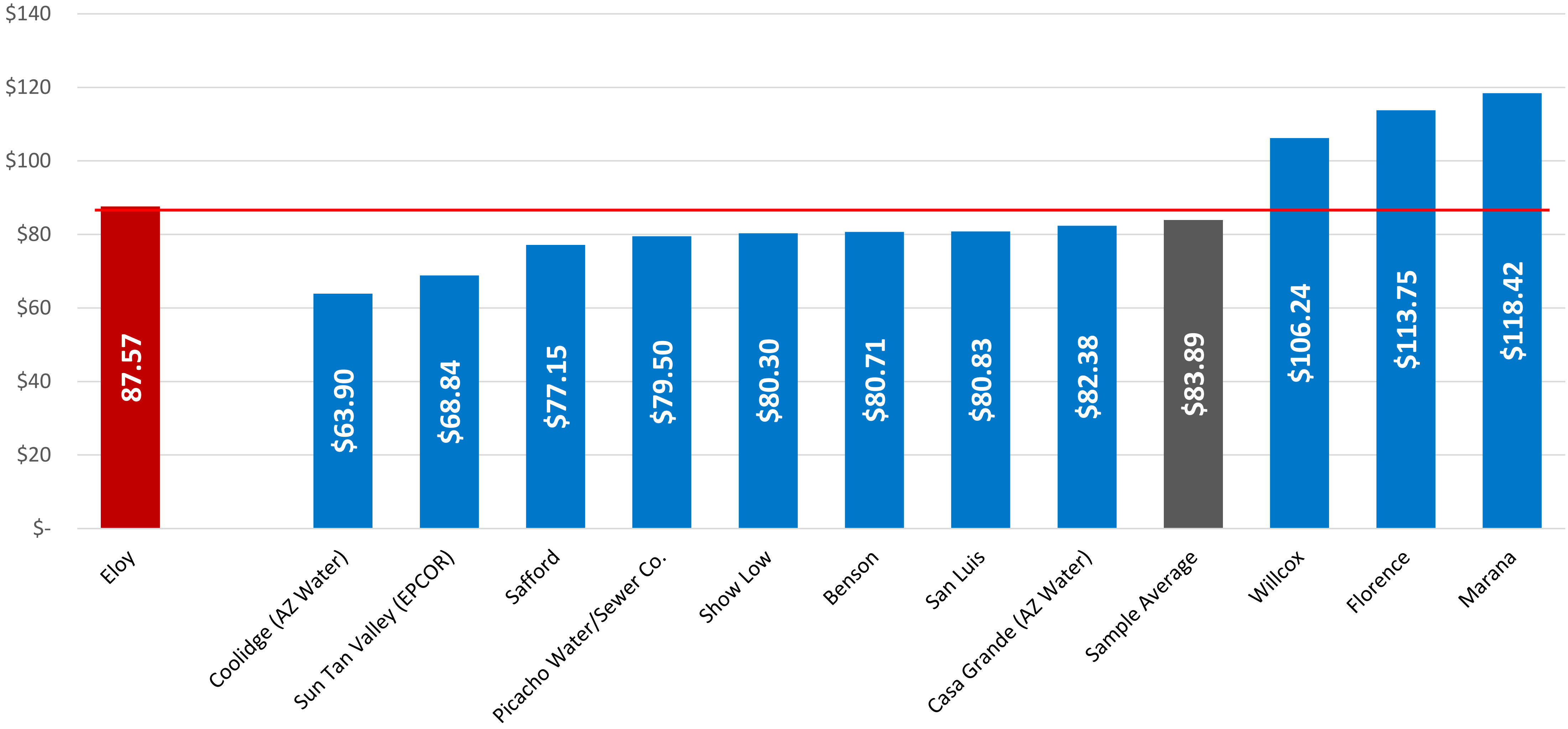
WW RATE STRUCTURE		
Base Charge by Meter Size	**RES***	**Non-RES**
3/4”	$40.23	$40.23
1”		69.12
1 1/2”		139.67
2”		223.57
3”		419.47
4”		838.92
6”		1677.86
8” (new)**		3355.73

Volume Rate per 1,000 Gal	Non-Residential
0 – 10,000	4.18
10,001 – 20,000	5.24
20,001 – Above	6.55

*Residential customers pay a flat monthly charge for wastewater service

** Charge for 8” meter is established in FY24-25 Master Fee Schedule

MONTHLY RESIDENTIAL CHARGES | 7,500 GAL WATER AND WASTEWATER



Eloy's average residential use: 7,369 gal. of water/mo. | *Rates as of November 2024

CUSTOMERS & VOLUMES

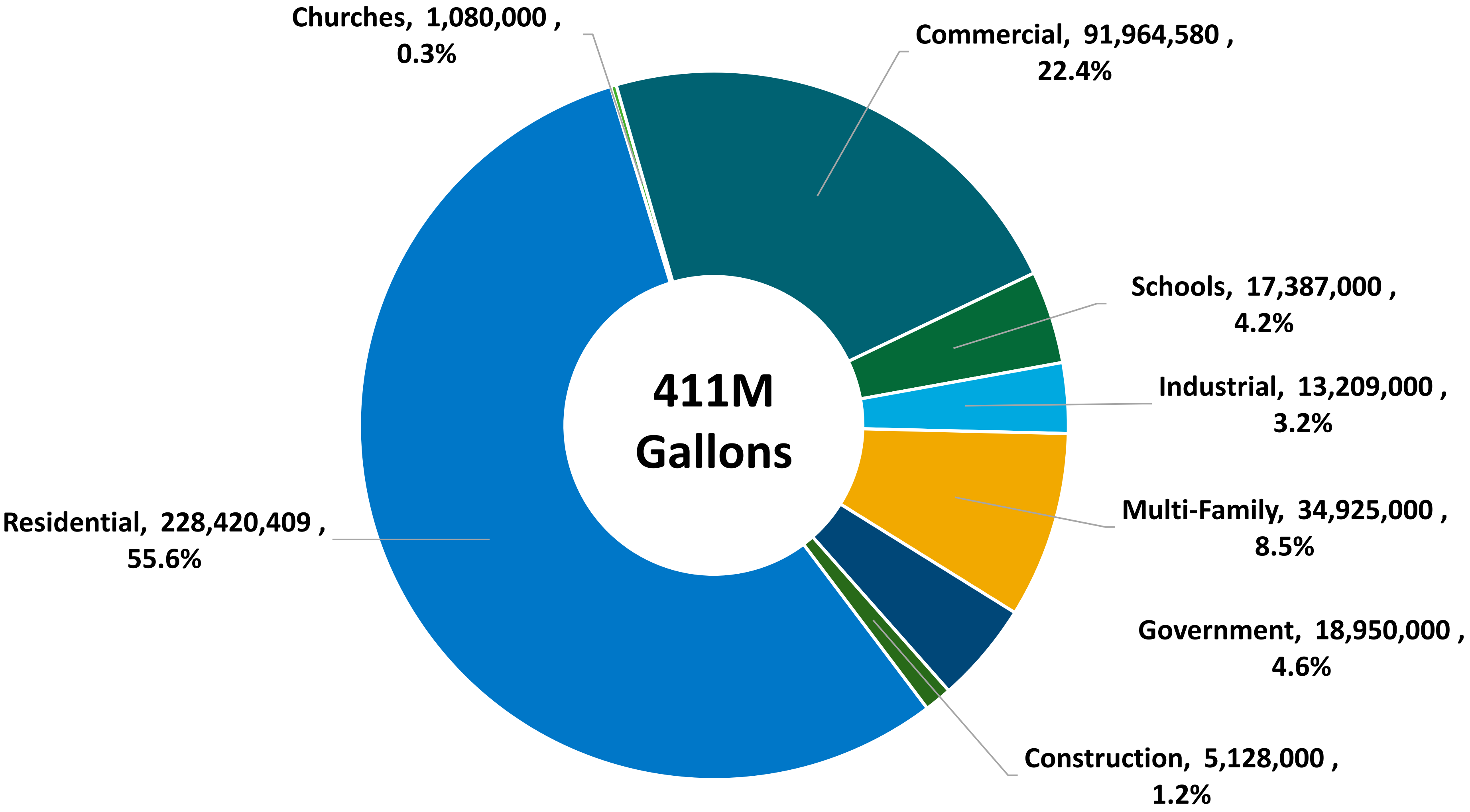
WATER AND WASTEWATER ACCOUNTS | TEST YEAR 2025

RATE MODEL CUSTOMER CLASS

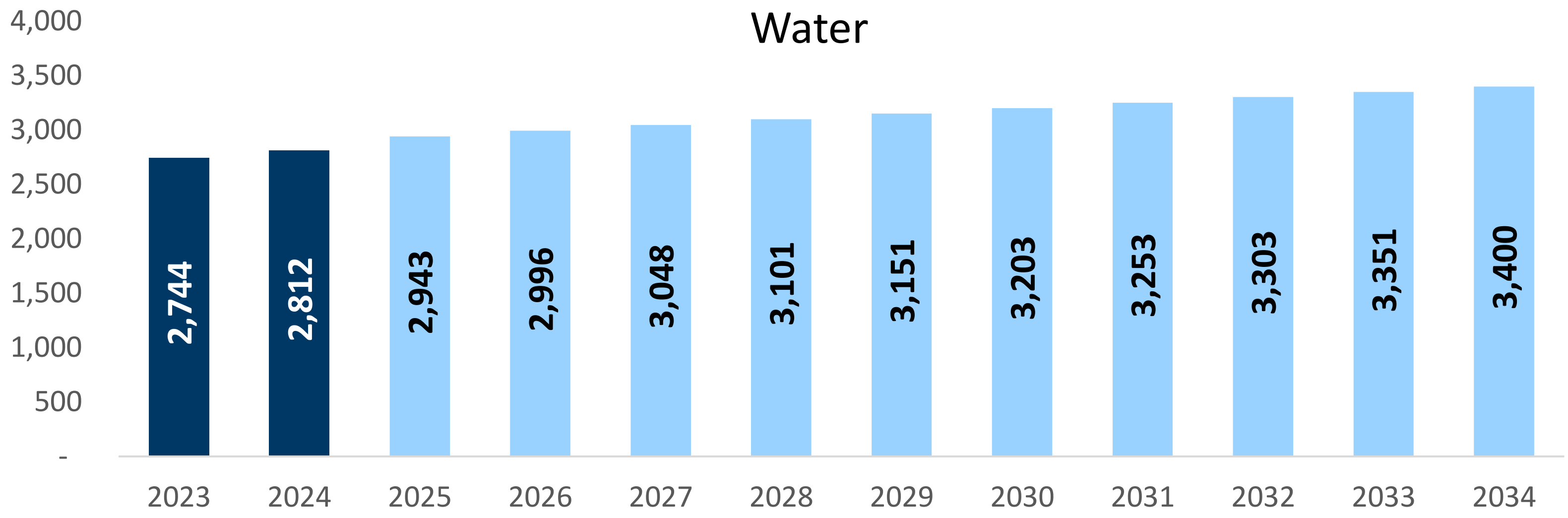
WATER Customer Accounts	
Residential	2,583
Churches	22
Commercial	163
Schools	43
Industrial	20
Multi-Family	70
Government	35
Construction	7
Total Accounts	**2,943**

WASTEWATER Customer Accounts	
Residential	1,695
Churches	17
Commercial	98
Schools	19
Industrial	14
Multi-Family	38
Government	19
Total Accounts	**1,900**

WATER CONSUMPTION BY CUSTOMER CLASS| TEST YEAR 2025



WATER AND WASTEWATER ACCOUNTS FORECAST



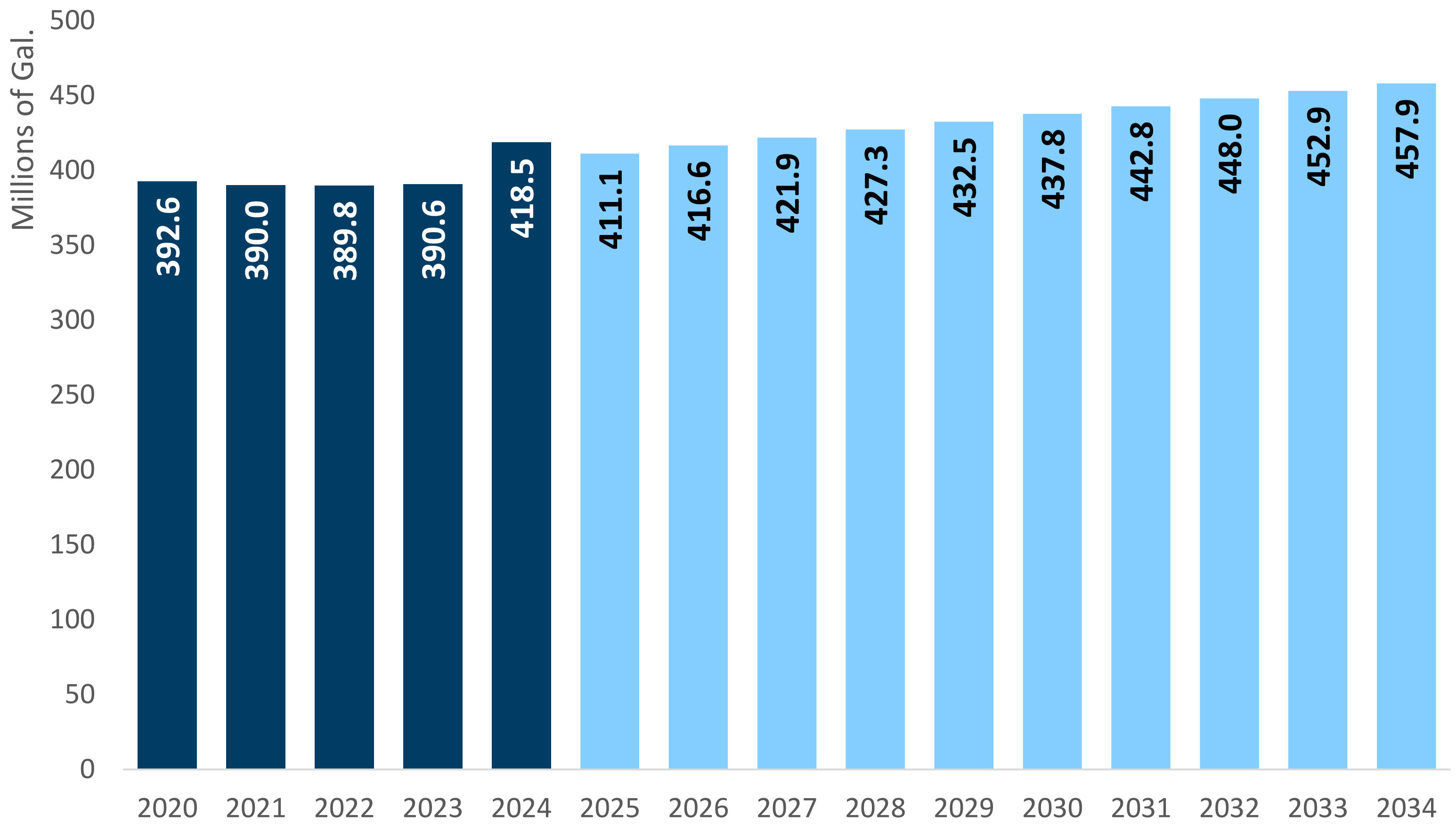
Project team estimates that approximately 50 new water and 20 new wastewater accounts will be added each year to the system over the next decade.

Average annual Water account growth: 1.6%

Average annual WW account growth: 1.0%

The model is based on the overall trend.

HISTORICAL AND FORECAST WATER CONSUMPTION



Water consumption forecast to increase on average at the rate of 1.2% per year.

Actual water use may vary considerably with weather patterns.

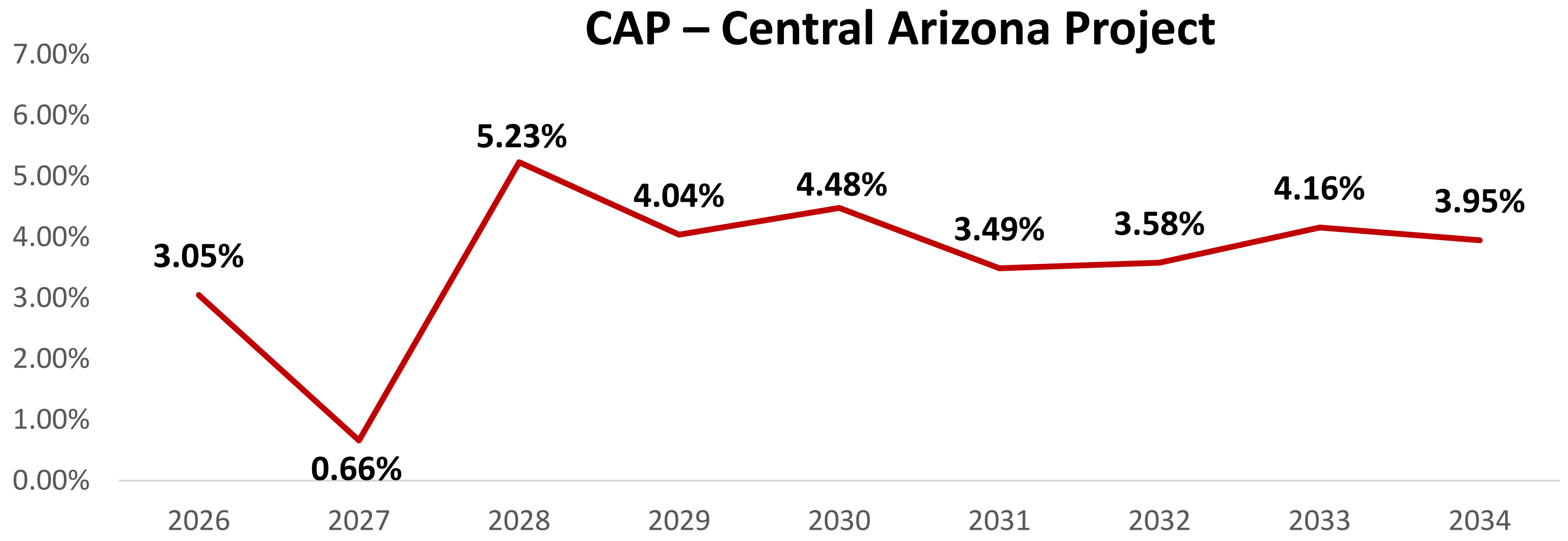
The model is based on the overall trend.

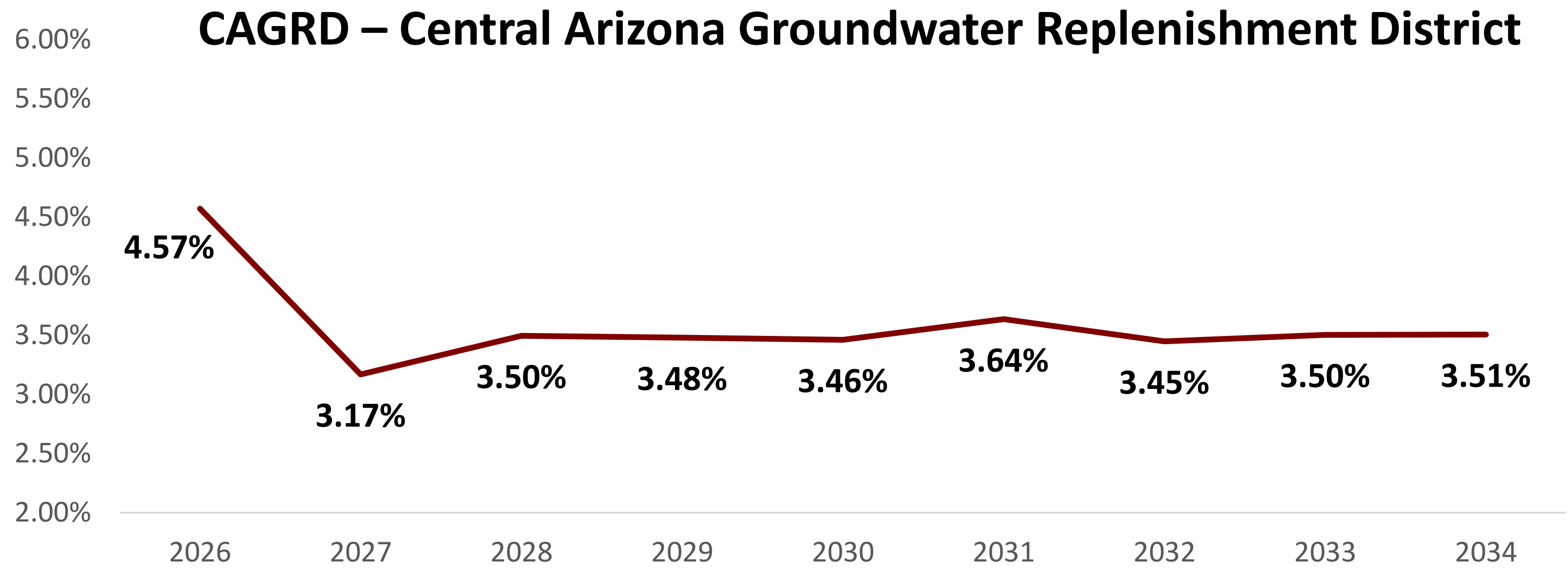
WATER & WASTEWATER
CURRENT AND FORECAST COST OF SERVICE

RATE STUDY KEY ASSUMPTIONS

- Most operating expenses increase at 3% per year
- Salaries increase 5.0% annually; Health Benefits increase 5-7% annually
- Certain expenses increase at rates higher than inflation (chemicals, utilities, gas & oil, etc.)
- Electricity costs are decreasing due to installation of solar panels
- Additional personnel expense of $200k/year for Water utility and $100k/year for Wastewater utility; $75k/year for line and meter replacement
- CAP (“Central Arizona Project”) and CAGRD (“Central Arizona Groundwater Replenishment District”) costs are set to increase at rates forecast by the CAWCD and CAGRD rate schedules

CAP AND CAGRD ANNUAL COST INCREASES



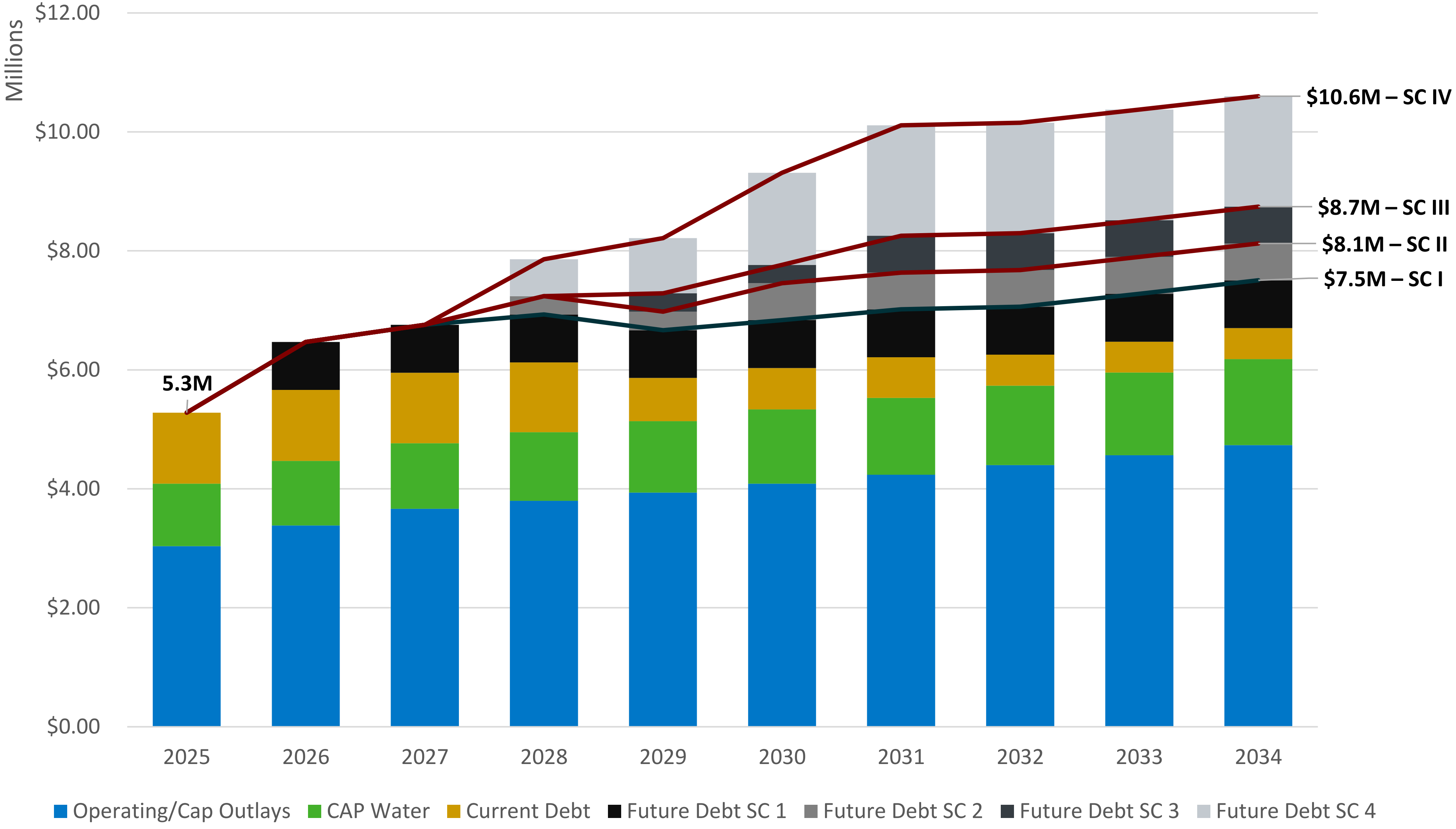


CAP and CARRD cost forecasts are based on the Board Approved CAWCD and CAGRD 2025-2030 Rate Schedules.

RATE PLAN SCENARIOS

- Four scenarios based on amount of debt to be issued in 2025–2030 to fund CIP
  - Scenario I – Total CIP Debt **$13M** (BASE SCN)
  - Scenario II – Total CIP Debt **$23M**
  - Scenario III – Total CIP Debt **$33M**
  - Scenario IV – Total CIP Debt **$63M**

FORECAST COST OF SERVICE



WATER & WASTEWATER RATE PLAN SCENARIOS

NOTES ON RATE PLAN SCENARIOS

- Rate increases of **11%** for Nov 2026 and Nov 2027 were already adopted by the Council in 2022
- Scenario I does not change the existing water/wastewater ordinances
- Scenarios II through IV would require amending existing water ordinance
- All scenarios provide 5-year rate plans with adjustments effective **November 1st** of each year
- Uniform percentage adjustments for base and volume charges
- Generally higher increases for water, lesser increases for wastewater
- **<u>Total debt issued to fund CIP is the driving factor in each rate scenario</u>**

SCENARIO 1 | 13M DEBT| RATE PLAN

		Current			Effective		
		Nov-24	Nov-25	Nov-26	Nov-27	Nov-28	Nov-29
WATER							
Monthly Minimum Charge			adopted	adopted			
3/4"		**$ 21.52**	$ 23.88	$ 26.51	$ 28.90	$ 29.76	$ 30.66
1"		**32.28**	35.83	39.77	43.35	44.65	45.99
1 1/2"		**64.54**	71.64	79.52	86.68	89.28	91.96
2"		**107.58**	119.41	132.55	144.48	148.81	153.27
3"		**215.19**	238.86	265.13	288.99	297.66	306.59
4"		**430.38**	477.73	530.28	578.00	595.34	613.20
6"		**901.74**	1,000.93	1,111.04	1,211.03	1,247.36	1,284.78
8"		**1,803.48**	2,001.87	2,222.07	2,422.06	2,494.72	2,569.56
Volume Rate Per 1,000 Gal							
-	10,000	**3.44**	3.82	4.24	4.62	4.76	4.90
10,001	20,000	**4.31**	4.78	5.30	5.78	5.96	6.13
20,001	Above	**5.38**	5.97	6.62	7.22	7.44	7.66
Rate Adjustment (%)			**11.0%**	**11.0%**	**9.0%**	**3.0%**	**3.0%**
WASTEWATER							
Residential							
Monthly Flat Charge			adopted	adopted			
All Accounts		**$ 40.23**	$ 44.66	$ 49.57	$ 52.05	$ 53.61	$ 55.22
Commercial							
Monthly Minimum Charge							
3/4"		**40.23**	44.66	49.57	52.05	53.61	55.22
1"		**69.12**	76.72	85.16	89.42	92.10	94.86
1 1/2"		**139.67**	155.04	172.09	180.69	186.12	191.70
2"		**223.57**	248.16	275.46	289.23	297.91	306.85
3"		**419.47**	465.62	516.83	542.68	558.96	575.72
4"		**838.93**	931.21	1,033.64	1,085.32	1,117.88	1,151.42
6"		**1,677.86**	1,862.43	2,067.30	2,170.66	2,235.78	2,302.85
8"		**3,355.73**	3,724.86	4,134.59	4,341.32	4,471.56	4,605.71
Volume Rate Per 1,000 Gal							
-	10,000	**4.18**	4.64	5.15	5.41	5.57	5.74
10,001	20,000	**5.24**	5.82	6.46	6.78	6.98	7.19
20,001	Above	**6.55**	7.27	8.07	8.47	8.72	8.99
Rate Adjustment (%)			**11.0%**	**11.0%**	**5.0%**	**3.0%**	**3.0%**

SCENARIO 2 | 23M DEBT| RATE PLAN

	Current	Effective				
	Nov-24	Nov-25	Nov-26	Nov-27	Nov-28	Nov-29
WATER						
Monthly Minimum Charge						
3/4"	**$ 21.52**	$ 24.31	$ 27.48	$ 31.05	$ 32.29	$ 33.58
1"	**32.28**	36.48	41.22	46.58	48.44	50.38
1 1/2"	**64.54**	72.93	82.41	93.13	96.85	100.73
2"	**107.58**	121.56	137.37	155.22	161.43	167.89
3"	**215.19**	243.16	274.77	310.49	322.91	335.83
4"	**430.38**	486.33	549.56	621.00	645.84	671.67
6"	**901.74**	1,018.97	1,151.43	1,301.12	1,353.17	1,407.29
8"	**1,803.48**	2,037.94	2,302.87	2,602.24	2,706.33	2,814.59
Volume Rate Per 1,000 Gal						
- 10,000	**3.44**	3.89	4.40	4.97	5.17	5.37
10,001 20,000	**4.31**	4.87	5.50	6.21	6.46	6.72
20,001 Above	**5.38**	6.08	6.87	7.76	8.07	8.39
Rate Adjustment (%)		**13.0%**	**13.0%**	**13.0%**	**4.0%**	**4.0%**
WASTEWATER						
Residential						
Monthly Flat Charge		adopted	adopted			
All Accounts	**$ 40.23**	$ 44.66	$ 49.57	$ 55.02	$ 56.67	$ 58.37
Commercial						
Monthly Minimum Charge						
3/4"	**40.23**	44.66	49.57	55.02	56.67	58.37
1"	**69.12**	76.72	85.16	94.53	97.36	100.29
1 1/2"	**139.67**	155.04	172.09	191.02	196.75	202.65
2"	**223.57**	248.16	275.46	305.76	314.93	324.38
3"	**419.47**	465.62	516.83	573.69	590.90	608.62
4"	**838.93**	931.21	1,033.64	1,147.34	1,181.76	1,217.21
6"	**1,677.86**	1,862.43	2,067.30	2,294.70	2,363.54	2,434.44
8"	**3,355.73**	3,724.86	4,134.59	4,589.40	4,727.08	4,868.89
Volume Rate Per 1,000 Gal						
- 10,000	**4.18**	4.64	5.15	5.72	5.89	6.07
10,001 20,000	**5.24**	5.82	6.46	7.17	7.38	7.61
20,001 Above	**6.55**	7.27	8.07	8.95	9.22	9.50
Rate Adjustment (%)		**11.0%**	**11.0%**	**11.0%**	**3.0%**	**3.0%**

SCENARIO 3 | 33M DEBT| RATE PLAN

	Current	Effective				
	Nov-24	Nov-25	Nov-26	Nov-27	Nov-28	Nov-29
WATER						
Monthly Minimum Charge						
3/4"	**$ 21.52**	$ 24.53	$ 27.96	$ 31.32	$ 34.45	$ 36.52
1"	**32.28**	36.80	41.95	46.99	51.69	54.79
1 1/2"	**64.54**	73.58	83.88	93.94	103.34	109.54
2"	**107.58**	122.64	139.81	156.58	172.24	182.58
3"	**215.19**	245.31	279.66	313.21	344.54	365.21
4"	**430.38**	490.64	559.33	626.45	689.09	730.44
6"	**901.74**	1,027.99	1,171.90	1,312.53	1,443.79	1,530.41
8"	**1,803.48**	2,055.97	2,343.81	2,625.07	2,887.57	3,060.83
Volume Rate Per 1,000 Gal						
- 10,000	**3.44**	3.92	4.47	5.01	5.51	5.84
10,001 20,000	**4.31**	4.91	5.60	6.27	6.89	7.31
20,001 Above	**5.38**	6.13	6.99	7.83	8.61	9.13
Rate Adjustment (%)		**14.0%**	**14.0%**	**12.0%**	**10.0%**	**6.0%**
WASTEWATER						
Residential						
Monthly Flat Charge		adopted	adopted			
All Accounts	**$ 40.23**	$ 44.66	$ 49.57	$ 55.02	$ 56.67	$ 58.37
Commercial						
Monthly Minimum Charge						
3/4"	**40.23**	44.66	49.57	55.02	56.67	58.37
1"	**69.12**	76.72	85.16	94.53	97.36	100.29
1 1/2"	**139.67**	155.04	172.09	191.02	196.75	202.65
2"	**223.57**	248.16	275.46	305.76	314.93	324.38
3"	**419.47**	465.62	516.83	573.69	590.90	608.62
4"	**838.93**	931.21	1,033.64	1,147.34	1,181.76	1,217.21
6"	**1,677.86**	1,862.43	2,067.30	2,294.70	2,363.54	2,434.44
8"	**3,355.73**	3,724.86	4,134.59	4,589.40	4,727.08	4,868.89
Volume Rate Per 1,000 Gal						
- 10,000	**4.18**	4.64	5.15	5.72	5.89	6.07
10,001 20,000	**5.24**	5.82	6.46	7.17	7.38	7.61
20,001 Above	**6.55**	7.27	8.07	8.95	9.22	9.50
Rate Adjustment (%)		**11.0%**	**11.0%**	**11.0%**	**3.0%**	**3.0%**

SCENARIO 4 | 63M DEBT| RATE PLAN

	Current	Effective				
	Nov-24	Nov-25	Nov-26	Nov-27	Nov-28	Nov-29
WATER						
Monthly Minimum Charge						
3/4"	**$ 21.52**	$ 25.39	$ 29.96	$ 35.35	$ 41.01	$ 46.75
1"	**32.28**	38.09	44.95	53.04	61.53	70.14
1 1/2"	**64.54**	76.16	89.87	106.05	123.01	140.23
2"	**107.58**	126.94	149.79	176.75	205.03	233.74
3"	**215.19**	253.92	299.63	353.56	410.13	467.55
4"	**430.38**	507.85	599.27	707.13	820.27	935.11
6"	**901.74**	1,064.06	1,255.59	1,481.59	1,718.65	1,959.26
8"	**1,803.48**	2,128.11	2,511.17	2,963.18	3,437.29	3,918.51
Volume Rate Per 1,000 Gal						
- 10,000	**3.44**	4.06	4.79	5.66	6.56	7.48
10,001 20,000	**4.31**	5.08	6.00	7.07	8.21	9.35
20,001 Above	**5.38**	6.34	7.49	8.83	10.25	11.68
Rate Adjustment (%)		**18.0%**	**18.0%**	**18.0%**	**16.0%**	**14.0%**
WASTEWATER						
Residential						
Monthly Flat Charge		adopted	adopted			
All Accounts	**$ 40.23**	$ 44.66	$ 49.57	$ 55.02	$ 61.07	$ 67.79
Commercial						
Monthly Minimum Charge						
3/4"	**40.23**	44.66	49.57	55.02	61.07	67.79
1"	**69.12**	76.72	85.16	94.53	104.93	116.47
1 1/2"	**139.67**	155.04	172.09	191.02	212.03	235.36
2"	**223.57**	248.16	275.46	305.76	339.39	376.73
3"	**419.47**	465.62	516.83	573.69	636.79	706.84
4"	**838.93**	931.21	1,033.64	1,147.34	1,273.55	1,413.64
6"	**1,677.86**	1,862.43	2,067.30	2,294.70	2,547.11	2,827.30
8"	**3,355.73**	3,724.86	4,134.59	4,589.40	5,094.23	5,654.59
Volume Rate Per 1,000 Gal						
- 10,000	**4.18**	4.64	5.15	5.72	6.35	7.04
10,001 20,000	**5.24**	5.82	6.46	7.17	7.96	8.83
20,001 Above	**6.55**	7.27	8.07	8.95	9.94	11.03
Rate Adjustment (%)		**11.0%**	**11.0%**	**11.0%**	**11.0%**	**11.0%**

SCENARIO COMPARISON | IMPACT ON MONTHLY CHARGES

Water and Wastewater Utility	Effective					
	Nov-24	Nov-25	Nov-26	Nov-27	Nov-28	Nov-29
5,000 Gal W, 5,000 WW						
SCN I -- $13M Debt	**$ 78.96**	$ 87.65	$ 97.29	$ 104.06	$ 107.18	$ 110.40
Increase -- %		11.0%	11.0%	7.0%	3.0%	3.0%
SCN II - $23M Debt	**78.96**	88.42	99.02	110.90	114.79	118.81
Increase -- %		12.0%	12.0%	12.0%	3.5%	3.5%
SCN III - $33M Debt	**78.96**	88.81	99.90	111.39	118.68	124.10
Increase -- %		12.5%	12.5%	11.5%	6.5%	4.6%
SCN IV - $63M Debt	**78.96**	90.36	103.50	118.65	134.89	151.94
Increase -- %		14.4%	14.5%	14.6%	13.7%	12.6%

SCENARIO COMPARISON | IMPACT ON MONTHLY CHARGES

Water and Wastewater Utility	Effective					
	Nov-24	Nov-25	Nov-26	Nov-27	Nov-28	Nov-29
10,000 Gal W, 10,000 WW						
SCN I -- $13M Debt	**$ 96.17**	$ 106.76	$ 118.50	$ 127.18	$ 130.99	$ 134.92
Increase -- %		11.0%	11.0%	7.3%	3.0%	3.0%
SCN II - $23M Debt	**96.17**	107.87	121.00	135.74	140.62	145.67
Increase -- %		12.2%	12.2%	12.2%	3.6%	3.6%
SCN III - $33M Debt	**96.17**	108.43	122.27	136.45	146.24	153.31
Increase -- %		12.7%	12.8%	11.6%	7.2%	4.8%
SCN IV - $63M Debt	**96.17**	110.67	127.46	146.93	167.69	189.34
Increase -- %		15.1%	15.2%	15.3%	14.1%	12.9%

SUMMARY

SUMMARY AND NEXT STEPS

- Review presentation and rate recommendations
- Determine if additional rate scenarios are required
- Revise recommendations based on Council feedback
- Schedule meetings in accordance with ARS 9-511:
  - Council adoption of Notice of Intent
  - Public Hearing (60 days later)
  - Adoption of rate plan; effective 30 days later

WILLDAN

QUESTIONS & DISCUSSION

Disclosure

Willdan Financial Services ("Willdan") is registered as a "municipal advisor" pursuant to Section 15B of the Securities Exchange Act and rules and regulations adopted by the United States Securities and Exchange Commission ("SEC") and the Municipal Securities Rulemaking Board ("MSRB"). The MSRB has made available on its website (www.msrb.org) a municipal advisory client brochure that describes the protections that may be provided by MSRB rules and how to file a complaint with the appropriate regulatory authority. As part of its SEC registration Willdan is required to disclose to the SEC information regarding criminal actions, regulatory actions, investigations, terminations, judgments, liens, civil judicial actions, customer complaints, arbitrations and civil litigation involving Willdan. Pursuant to MSRB Rule G-42, Willdan is required to disclose any legal or disciplinary event that is material to Client's evaluation of Willdan or the integrity of its management or advisory personnel. Willdan has determined that no such event exists. Copies of Willdan's filings with the United States Securities and Exchange Commission can currently be found by accessing the SEC's EDGAR system Company Search Page which is currently available at: https://www.sec.gov/edgar/searchedgar/companysearch.html and searching for either Willdan Financial Services or for our CIK number which is 0001782739.

For the avoidance of doubt and without limiting the foregoing, in connection with any revenue projections, cash-flow analyses, feasibility studies and/or other analyses Willdan may provide the municipality with respect to financial, economic or other matters relating to a prospective, new or existing issuance of municipal securities of the municipality, (A) any such projections, studies and analyses shall be based upon assumptions, opinions or views (including, without limitation, any assumptions related to revenue growth) established by the municipality, in conjunction with such of its municipal, financial, legal and other advisers as it deems appropriate; and (B) under no circumstances shall Willdan be asked to provide, nor shall it provide, any advice or recommendations or subjective assumptions, opinions or views with respect to the actual or proposed structure, terms, timing, pricing or other similar matters with respect to any municipal financial products or municipal securities issuances, unless formally engaged to provide such information.