TOWN OF QUEEN CREEK ARIZONA

**AMENDED AGENDA**
**Queen Creek Town Council Regular Session**
**November 18, 2026 | 6:30 PM**
Community Chambers
20727 E Civic Parkway

**Notice of Regular Meeting and Possible Executive Session of the Town Council:** Pursuant to A.R.S. §§ 38-431.02 and 38.431.03, notice is hereby given to the members of the Town Council and the general public that the Town Council will hold a Regular Meeting at the date and time noted above. The Town Council may vote during the meeting to enter into Executive Session, which will not be open to the public, for legal advice and discussion with the Town Attorney(s) regarding any item(s) on the agenda. The Town Council and staff may participate in the meeting in person, telephonically, or electronically. The presiding officer may modify the order of agenda items and/or address items in a sequence deemed appropriate. Physical access to the meeting space will be available one-hour prior to the meeting start time.

**Public Comment:** Residents are welcome to address their comments in-person by submitting a Request to Speak/Comment Card prior to the start of the meeting and handing it to the Clerk. When called upon, you will receive 3-minutes to speak. If unable to attend in-person, you may submit your comment regarding a matter within the Town of Queen Creek's jurisdiction or for any item listed under the consent agenda, public hearing, and/or final action. Only one (1) comment per person, per agenda item will be accepted. Online comments received by 5:00 PM on the day of the meeting will be entered into the meeting's official record. http://www.queencreekaz.gov/WatchMeetings

Members of the public body may not discuss or take action on matters raised during the public comment that are not specifically identified on the agenda. Pursuant to A.R.S. § 38-431.01(H), action taken as a result of public comment will be limited to directing staff to study the matter, responding to any criticism or scheduling the matter for further consideration and decision at a later date.

**Accessibility:** The Town of Queen Creek is committed to making its public meetings accessible to individuals with disabilities. Council Meetings are live-streamed and are accessible through the Town's website. For special accommodation requests, email the Town Clerk's Office at TownClerk@QueenCreekAZ.gov or contact the Arizona Relay Service at 7-1-1 at least 72-hours prior to the meeting.

**1. CALL TO ORDER**

**2. ROLL CALL**

**3. PLEDGE OF ALLEGIANCE**

**4. INVOCATION / MOMENT OF SILENCE**

**5. COMMITTEE REPORTS**

A. Council summary reports on meetings and/or conferences attended. This may include but is not limited to Mesa Gateway Airport; MAG; East Valley Partnership; CAG. The Council will not propose, discuss, deliberate or take legal action on any matter in the summary unless the specific matter is properly noticed for legal action.

B. Committee and outside agency reports (only as scheduled):

1. Transportation Advisory Committee (November 12, 2026)
2. Mayor's Teen Advisory Committee (November 17, 2026)

**6. PUBLIC COMMENT**

**7. CONSENT AGENDA** *(Matters listed under the Consent Agenda are considered to be routine and will be enacted by one motion and one vote. Members of the Town Council and/or staff may comment on any item without removing it from the Consent Agenda or remove any item for separate discussion and consideration.)*

A. Consideration and possible approval of the minutes from the November 4, 2026 Special Meeting and Regular Meeting of the Queen Creek Town Council.

B. Consideration and possible approval of Expenditures over $75,000 and items that are of Public Policy and Interest, pursuant to Town Purchasing Policy and to authorize the purchase from a new awarded vendor/contract based on the expiration of the current contract and authorize the purchase from another approved vendor/contract based on availability and price. (FY26/27 Budget Items)

1. Kimley-Horn - Project Order No. 2 for Post-Design and Utility Coordination Services for Chandler Heights Road Improvements between Sossaman and Hawes: $211,970. (CIP)

C. Consideration and possible approval of a three-year cooperative purchase agreement with SHI International Corp. through NASPO Contract CTR072321 and a Microsoft Business License Agreement in an amount not to exceed $1,173,050.22. (FY 27 Budgeted Item)

D. Consideration and possible approval of an Intergovernmental Agreement (IGA) with the Chandler Unified School District for a School Resource Officer (SRO) at Casteel High School. (FY27 Budgeted Item)

E. Consideration and possible approval of Resolution 1683-26 of the Mayor and Common Council of the Town of Queen Creek, Arizona, declaring a need and necessity and a public purpose; approving, authorizing and directing the Town Manager, Town Attorney and Town Clerk to take any and all action necessary; and to sign any and all documents; and to pay any and all costs or fees in order to acquire interest in real and/or personal property located along the Sundance Drive Alignment, from Sossaman Road to Box Canyon, in Section 6, Township 3 South Range 7 East, from owners and Pinal County Assessor parcels listed on Exhibit A attached hereto, and their successors in interest, through gift or purchase or eminent domain and identifying the real and personal property as necessary for roadway improvements for the Box Canyon Water Improvements: Sundance Drive to Box Canyon Project (CIP Project WA310) and authorizing budget adjustments and funding transfers in an amount not to exceed $10,000 if necessary.

**8. FINAL ACTION**

A. Consideration and possible approval of the Intergovernmental Agreement with Maricopa County regarding court services between the Town of Queen Creek and Maricopa County San Tan Justice Court.

B. Consideration and possible approval of the Intergovernmental Agreement with Maricopa County regarding Detention services between the Town of Queen Creek and Maricopa County Sheriff's Office.

C. Consideration and possible action on a Memorandum of Understanding between the Town of Queen Creek and Epcor Water Arizona Inc. related to regional cooperative planning and water resource management and further authorizing the Mayor/Town Manager and Town Attorney to negotiate, modify and amend the Memorandum of Understanding consistent with its original intent.

**9. PUBLIC HEARINGS**

A. Public Hearing and possible approval of Resolution No. 1691-26 increasing solid waste rates and fees in compliance with State law.

B. Public Hearing and possible approval of Ordinance No. 902-26 increasing wastewater retail rates in compliance with State law.

C. Public Hearing and possible approval of Resolution No. 1688-26, increasing water retail rates and fixed charges in compliance with State law.

D. Public Hearing and possible approval of Ordinance No. 901-26 adopting new development water capacity fees.

E. Public Hearing and possible approval of Ordinance No. 900-26 to establish new Development Water Resource Capacity Fees in compliance with State law and the CAGRD modification and exemption programs.

F. Public Hearing and possible approval of Resolution No. 1689-26 to establish a new Water Resource Fee in compliance with State law and adopting the Planned Community Policy.

**10. ADJOURNMENT**

# Council Committee Reports

11/06 – Queen Creek Fire and Medical Department Badge Pinning Ceremony (Benning)
11/06 – League of Arizona Cities & Towns Executive Committee Meeting (Wheatley)
11/07 – Queen Creek Pancake Breakfast (Benning, Martineau, Oliphant)
11/07 – Dream Builders Children's Business Fair (Benning, Martineau, Oliphant)
11/08 – Queen Creek Community Gratitude Gathering (Wheatley, McClure)
11/09 – Creekside Commons Groundbreaking (McClure)
11/09 – Pinal Regional Transportation Authority Board Meeting (Benning)
11/09 – Meeting with Arizona State Transportation Board Member Doug Coleman (Wheatley)
11/10 – American Leadership Academy Queen Creek Veterans Day Assembly (Wheatley)
11/10 – Queen Creek Chamber of Commerce Network QC Luncheon (McClure)
11/10 – Barnes & Noble Preview Day (McClure)
11/11 – Veterans Day Celebration (McClure, Oliphant, Padilla)
11/11 – Barnes & Noble Ribbon Cutting (Wheatley, McClure, Padilla)
11/11 – Indigo – The Indian Restaurant Grand Opening (McClure)
11/11 – Postino Soft Opening (McClure, Martineau)
11/12 – Greater Phoenix Economic Council Mayors & Supervisors Council Meeting (Wheatley)
11/12 – Meeting with San Tan Valley Mayor Schnepf (Wheatley)
11/12 – Meting with ADOT (Wheatley, Benning)
11/12 – Transportation Advisory Committee Meeting (Benning)
11/13 – American Leadership Academy Queen Creek Guest Speaker (Wheatley)
11/13 – Tempe State of the City (Oliphant)
11/14 – Postino Grand Opening (Wheatley, Benning)
11/16 – Maricopa Association of Governments Regional Council Executive Committee Meeting (Wheatley)
11/16 – Honor Health Ribbon Cutting (McClure)
11/16 – ALA Applied Technologies Grand Re-Opening Event (Wheatley)
11/17 – Switchyard Ribbon Cutting (Wheatley, Martineau, Padilla)
11/17 – Mayor's Teen Advisory Committee Meeting (Oliphant)
11/18 – Light the World Giving Machine Launch (Wheatley, Benning, Brown, Martineau, Oliphant)
11/18 – Queen Creek Senior Program Thanksgiving Luncheon (Wheatley, Benning, Brown, Martineau, Oliphant)
11/18 – Maricopa Association of Governments Transportation Policy Committee Meeting (Wheatley)
11/18 – For our Town Planning Committee Meeting (McClure)

7.A

TOWN OF QUEEN CREEK ARIZONA

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|---|---|
| **TO:** | **HONORABLE MAYOR AND TOWN COUNCIL** |
| **THROUGH:** | **BRUCE GARDNER, TOWN MANAGER** |
| **FROM:** | **MARIA GONZALEZ, MMC, TOWN CLERK** |
| **RE:** | **CONSIDERATION AND POSSIBLE APPROVAL OF THE MINUTES FROM THE NOVEMBER 4, 2026 SPECIAL MEETING AND REGULAR MEETING OF THE QUEEN CREEK TOWN COUNCIL.** |
| **DATE:** | **November 18, 2026** |

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**Suggested Action:**

Approve the minutes as presented.

**Alternatives:**

Council can request revisions to be made to the draft minutes and approve with revisions or continue to a future meeting.

**Attachment(s):**

1. SPCL Minutes 11-04-26.pdf
2. RS Minutes 11-04-26.pdf

TOWN OF QUEEN CREEK ARIZONA

**MINUTES**
**Queen Creek Town Council**
Community Chambers
20727 E Civic Parkway

**Special Meeting and Possible Executive Session – November 4, 2026| 5:30 p.m.**

## 1. CALL TO ORDER

The meeting was called to order by Mayor Wheatley at 5:30 p.m.

## 2. ROLL CALL

| PRESENT | ABSENT |
|---|---|
| Julia Wheatley, Mayor<br>Bryan McClure, Vice Mayor (Remote by 5:34 p.m.)<br>Robin Benning, Council Member (Remote)<br>Jeff Brown, Council Member<br>Leah Martineau, Council Member<br>Dawn Oliphant, Council Member | Travis Padilla, Council Member |

## 3. REQUEST FOR EXECUTIVE SESSION FOR THE PURPOSE OF DISCUSSING THE FOLLOWING:

Ironwood Conference Room | Community Chambers

A. Discussion and consultation with the Town's attorneys for legal advice and with the Town's attorneys and Town's representatives regarding the Town's Harquahala Valley groundwater acquisition, delivery and infrastructure strategies and obligations including long-term financing strategies and contractual obligations, capital cost recovery, debt service agreements, and related legal and contractual parameters of associated utility rates, fees and charges. A.R.S. § 38-431.03(A)(3), (4) & (7)

B. Discussion and consultation with the Town's attorneys for legal advice and with the Town's attorneys and Town's representatives regarding the Town's irrigation water service obligations, delivery and infrastructure strategies including long-term financing strategies and contractual obligations, capital cost recovery, debt service agreements, and related legal and contractual parameters of associated utility rates and fees. A.R.S. § 38-431.03(A)(3), (4) & (7)

C. Discussion and consultation with the Town's attorneys for legal advice and with the Town's attorneys and Town's representatives regarding fire and medical facilities and operations. A.R.S. § 38-431.03(A)(3), (4) & (7)

D. Discussion and consultation with the Town's attorneys for legal advice and with the Town's attorneys and Town's representatives regarding real property matters in the Town Center and potential agreements, applications, regulatory proceedings and related negotiations. A.R.S. § 38-431.03(A)(3), (4) & (7)

E. Discussion and consultation with the Town's attorneys for legal advice and with the Town's attorneys and Town's representatives regarding Sentry Storage LLC v. Town of Queen Creek, CV2026-006413. A.R.S. § 38-431.03(A)(3) & (A)(4).

F. Discussion and consultation with the Town's attorney for legal advice and with the Town's attorney and Town's representatives regarding the Intergovernmental Agreement for court services between the Town of Queen Creek and Maricopa County San Tan Justice Court. A.R.S. § 38-431.03(A)(3) & (4)

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|---|---|
| **MOTION:** | **To adjourn to executive session** |
| **RESULT:** | **Approved unanimously (6-0)** |
| **MOVER:** | **Jeff Brown** |
| **SECONDER:** | **Leah Martineau** |
| **AYES:** | Julia Wheatley, Robin Benning, Jeff Brown, Leah Martineau, Bryan McClure, Dawn Oliphant |
| **ABSENT:** | Travis Padilla |

**4. ADJOURNMENT**

The meeting was adjourned by Mayor Wheatley at 5:33 p.m.

**TOWN OF QUEEN CREEK**

_____

Julia Wheatley, Mayor

**ATTEST:**

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Maria E. Gonzalez, Town Clerk

I, Maria E. Gonzalez, do hereby certify that to the best of my knowledge and belief, the foregoing Minutes are a true and correct copy of the Minutes of the November 4, 2026 Special Meeting and Possible Executive Session of the Queen Creek Town Council. I further certify that the meeting was duly called and that a quorum was present.

**PASSED AND APPROVED ON:** _____

**1) CALL TO ORDER**

The meeting was called to order by Mayor Wheatley at 6:30 p.m.

**2) ROLL CALL**

**PRESENT:**
Julia Wheatley, Mayor
Bryan McClure, Vice Mayor
Robin Benning, Council Member
Jeff Brown, Council Member
Leah Martineau, Council Member
Dawn Oliphant, Council Member

**ABSENT:**
Travis Padilla, Council Member

Vice Mayor McClure and Council Member Benning attended electronically.

**3) PLEDGE OF ALLEGIANCE**

The Pledge of Allegiance was led by Commander Craig Barnes, American Legion 129.

**4) INVOCATION / MOMENT OF SILENCE**

The invocation was given by Pastor Curt McReynolds, Christ's Church of the Valley Queen Creek.

**5) COMMITTEE REPORTS**

5.A) Council summary reports on meetings and/or conferences attended. This may include but is not limited to Mesa Gateway Airport; MAG; East Valley Partnership; CAG. The Council will not propose, discuss, deliberate or take legal action on any matter in the summary unless the specific matter is properly noticed for legal action.

5A - Committee Reports 11-04-2026.pptx

There were no comments.

5.B) Committee and outside agency reports (only as scheduled):

Economic Development Commission (October 28)

Council Member Brown said the Economic Development Commission met on Wednesday October 28. The Commission reappointed the Chair and Vice Chair and recommended approval of the FY 2027 work plan. Staff gave presentations on the General Plan update, water sufficiency strategy, tourism initiatives, and development projects in the pipeline. The next meeting would be held in January.

**6) PUBLIC COMMENT**

Noah James Markham, Tempe Resident, congratulated the Council Members who were reelected. Mr. Markham spoke about the political party changes in state positions due to the recent elections. Mr. Markham spoke about public transportation in Queen Creek and housing for those with disabilities. Mr. Markham requested a virtual sign language interpreter on the live stream videos.

**7) CONSENT AGENDA**

7.A) Consideration and possible approval of the minutes from the October 21, 2026 Special Meeting and Regular Meeting of the Queen Creek Town Council.

**Department:** Town Clerk's Office

Staff Report

Special Meeting Minutes 10-21-26.pdf

Regular Meeting Minutes 10-21-26.pdf

7.B) Consideration and possible approval of Expenditures over $75,000 and items that are of Public Policy and Interest, pursuant to Town Purchasing Policy and to authorize the purchase from a new awarded vendor/contract based on the expiration of the current contract and authorize the purchase from another approved vendor/contract based on availability and price. (FY26/27 Budget Items)

**Department:** Finance

Staff Report

Expenditures Over $75,000.pdf

7.C) Consideration and possible approval of FY25-26 funding transfers and related budget adjustments related to the LG Energy Solution Development Agreement as applied to the project Invested Sinking Fund; Also establishing funding sources to finance the infrastructure expenses and pay off the interim loan.

**Department:** Finance

Staff Report

7.D) Consideration and possible approval of a Fiber Access Agreement with the City of Mesa

**Department:** Information Technology

Staff Report

7.E) Consideration and possible approval of an Intergovernmental Agreement with the Arizona Board of Regents, University of Arizona for the Queen Creek Arizona Water Festival in an amount not to exceed $14,700

**Department:** Utilities

Staff Report

IGA - U of A Services Agreement

Water Festival Cost Breakdown

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|---|---|
| **MOTION:** | **To approve the Consent Agenda.** |
| **RESULT:** | **Approved unanimously (6-0)** |
| **MOVER:** | Leah Martineau, Council Member |
| **SECONDER:** | Jeff Brown, Council Member |
| **AYES:** | Julia Wheatley, Bryan McClure, Robin Benning, Jeff Brown, Leah Martineau, Dawn Oliphant |
| **ABSENT:** | Travis Padilla |

**8) PUBLIC HEARING CONSENT AGENDA**

8.A) Consideration and possible recommendation of approval on a new Series 12 Restaurant Liquor License application submitted by Brian Charles Glass on behalf of Jinya Ramen Bar, 21144 S Ellsworth Loop Road #101, Queen Creek.

**Department:** Town Clerk's Office

Staff Report

Rule R19-1-702 - Arizona Department of Liquor Licenses and Control.pdf

LGB Report 414567_Redacted.pdf

QCPD Report 414567.pdf

8.B) Public Hearing and possible action on the Circle K fuel station and car wash Conditional Use Permit (Case P25-0159) and Site Plan (Case P25-0160), a request by Brennan Ray of Ray Law Firm for Conditional Use Permit and Site Plan approval of a fuel service station, convenience store, and car wash located at the southwest corner of Germann and Meridian roads.

**Department:** Development Services

Staff Report

Aerial Exhibit.pdf

Zoning Exhibit.pdf

General Plan_Exhibit.pdf

Proposed Professional Plaza Site Plan.pdf

Circle K & Car Wash Site Plan.pdf

Landscape Plan.pdf

Landscape Rendering.pdf

Elevations.pdf

Narrative.pdf

Circle K Car Wash Noise Study.pdf

Staff Presentation.pptx

8.C) A CONTINUANCE TO THE DECEMBER 2, 2026, TOWN COUNCIL MEETING HAS BEEN REQUESTED. Public hearing and possible action on Ordinance 899-26, The Union PAD Rezone (P25-0095), a request by Jagger Everett (Creation) for a PAD Rezone from Mixed-Use (MU) Planned Area Development (PAD) to MU PAD for an approximate 25-acre mixed-use development consisting of commercial retail, office, hotel, and multi-family residential, located at the southwest corner of Queen Creek and Ellsworth roads.

**Department:** Development Services

Staff Report

Union_Aerial.pdf

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|---|---|
| **MOTION:** | **To approve the Public Hearing Consent Agenda.** |
| **RESULT:** | **Approved unanimously (6-0)** |
| **MOVER:** | Jeff Brown, Council Member |
| **SECONDER:** | Dawn Oliphant, Council Member |
| **AYES:** | Julia Wheatley, Bryan McClure, Robin Benning, Jeff Brown, Leah Martineau, Dawn Oliphant |
| **ABSENT:** | Travis Padilla |

## 9) ITEMS FOR DISCUSSION

9.A) Proposed Water Resource Fee - An Update on Implementation

**Department:** Finance

Staff Report

Water Resource Fee Outreach Update

Water Resource Fee Policy Issues

Constance Halonen-Wilson, Communications and Marketing Director, introduced the item and reviewed the water self-sufficiency goals, water resource fee, and year one of the rate. Ms. Halonen-Wilson reviewed the outreach that has been done.

Mayor Wheatley thanked staff for their extensive outreach efforts.

Marc Skocypec, Utilities Director, said they have continued to learn about different customer scenarios. Mr. Skocypec said Queen Creek services both tract homes and large lot subdivisions and about 12 subdivisions are legacy subdivisions with historic grandfathered water rights. Those with historic water rights continue to have that right to pump groundwater on their properties. Staff has identified about 600 to 700 parcels and staff is recommending the establishment of a program to split the domestic water usage, but the details are still being evaluated.

Mayor Wheatley thanked staff for being prompt at responding to specific situations and to make it equitable for everyone.

Scott McCarty, Deputy Town Manager and Chief Financial Officer, spoke about the recommendation to remove the $40 monthly fee for 64 septic accounts. Mr.

McCarty spoke about the wastewater credit.

Mayor Wheatley asked for clarification on the higher credit for multifamily and commercial.

Mr. McCarty said the different account types have different credits. Single family homes have one meter into the house and the amount that goes down the drain they determined to be 40%. For multifamily use, about 80% is going down the drain because they have very little outdoor landscaping. The same methodology is applied to the other account types. Mr. McCarty continued the presentation and spoke about the septic accounts for larger lot water users and the septic credit.

Mayor Wheatley said they have received a lot of questions on irrigation and septic accounts and thanked staff for the detailed response.

Mr. McCarty continued the presentation and spoke about the CAGRD reimbursement and noted the water resource fee replaces CAGRD. Once they become a designated provider the CAGRD bill goes away so there would be no need for the reimbursement process. Mr. McCarty spoke about the water demand for HOAs, the phasing program for the HOAs, and the limits for annual HOA dues increases. Mr. McCarty spoke about the five-year phasing for the fee.

Council Member Brown said these rates are calculated at the same consumption used today with no conservation efforts or water savings.

Mr. McCarty said that was correct.

Mayor Wheatley asked if this included the CAGRD payment. Mr. McCarty said no, it was just the new fee. He continued the presentation and reviewed impacts to accounts with the new fee.

Mayor Wheatley noted there were some public comments submitted and called upon the following to make their statements. Woodell, 24950 S. 195th St., said the financial resource fee remains an issue of financial equity in the Town. Mr. Woodell said he supported having drought proof water resources but asked for the Council to adopt a unified flat fee per 1,000 gallons across all accounts. This would provide the Town with the same revenue and the long-term water rights is something that should be shared equally. The proposed fee structure penalizes large lot rural properties that define Queen Creek's heritage and would negatively impact their value.

Veronica Allen, 1956 Country Meadows, said she was concerned about the fee's projected growth rate and how that determines what they pay for their water. Ms. Allen asked if the projections were less if their rate would also be less. Ms. Allen asked for additional transparency on the water usage for multifamily and exactly what type of infrastructure is being funded. This would destroy the rural aspect of the Town and it is important to not have an overdeveloped community.

Mayor Wheatley reiterated that the presentation was for discussion only. She expressed the Council’s commitment to listen and review all options, while also recognizing that they are doing something no other community has done. Mayor Wheatley spoke about the importance of water conservation and noted this is an

annual process and future fee changes will have to go through the same process. Staff continues to work with the community to save water and lessen the impacts to their bills. Mayor Wheatley noted the fee is based on usage and they have always had a strong stance that growth pays for growth.

**10) FINAL ACTION**

10.A) Consideration and possible approval of Resolution No. 1692-26 eliminating the temporary septic tank program and the associated $40 monthly program charge.

**Department:** Finance

Staff Report

Resolution No. 1692-26

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|---|---|
| **MOTION:** | **To approve Resolution No. 1692-26 eliminating the temporary septic tank program and the associated $40 monthly program charge.** |
| **RESULT:** | **Approved unanimously (6-0)** |
| **MOVER:** | Leah Martineau, Council Member |
| **SECONDER:** | Dawn Oliphant, Council Member |
| **AYES:** | Julia Wheatley, Bryan McClure, Robin Benning, Jeff Brown, Leah Martineau, Dawn Oliphant |
| **ABSENT:** | Travis Padilla |

10.B) Consideration and possible approval of a partnership with the Duane Ellsworth Post 129 Sons of the American Legion for a Street-Pole Banner Program to honor local military service members.

**Department:** Communications & Marketing

Staff Report

Military Banner Program 2026.pptx

Ms. Halonen-Wilson introduced the item and provided information on the Town's existing three banner programs. Ms. Halonen-Wilson reviewed the proposed partnership to honor military service members and the program logistics.

Council Member Brown spoke about the American Legion and the request from the community to honor their veterans.

Council Member Oliphant agreed this is a frequent request from the community and was supportive of the partnership to honor the veterans.

Council Member Martineau said it was a simple but powerful addition to the community.

Mayor Wheatley thanked the events that the American Legion does to honor their veterans and this was a great way to honor them in a very public way.

Vice Mayor McClure was supportive of the item. Council Member Benning was supportive of the item.

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| **MOTION:** | **To approve a partnership with the Duane Ellsworth Post 129 Sons of the American Legion for a Street-Pole Banner Program to Honor Local Military Service Members.** |
| **RESULT:** | **Approved unanimously (6-0)** |
| **MOVER:** | Jeff Brown, Council Member |
| **SECONDER:** | Dawn Oliphant, Council Member |
| **AYES:** | Julia Wheatley, Bryan McClure, Robin Benning, Jeff Brown, Leah Martineau, Dawn Oliphant |
| **ABSENT:** | Travis Padilla |

**11) <u>ADJOURNMENT</u>**

The meeting was adjourned by Mayor Wheatley at 8:04 p.m.

TOWN OF QUEEN CREEK

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Julia Wheatley, Mayor

ATTEST:

_____

Maria E. Gonzalez, Town Clerk

I, Maria E. Gonzalez, do hereby certify that to the best of my knowledge and belief, the foregoing Minutes are a true and correct copy of the Town Council Regular Session Minutes of the November 4, 2026 Town Council Regular Session of the Queen Creek Town Council. I further certify that the meeting was duly called and that a quorum was present.

Passed and approved on:_____

TOWN OF QUEEN CREEK ARIZONA

**TO:** HONORABLE MAYOR AND TOWN COUNCIL

**THROUGH:** BRUCE GARDNER, TOWN MANAGER

**FROM:** MELISSA BAUER, PROCUREMENT MANAGER

**RE:** CONSIDERATION AND POSSIBLE APPROVAL OF EXPENDITURES OVER $75,000 AND ITEMS THAT ARE OF PUBLIC POLICY AND INTEREST, PURSUANT TO TOWN PURCHASING POLICY AND TO AUTHORIZE THE PURCHASE FROM A NEW AWARDED VENDOR/CONTRACT BASED ON THE EXPIRATION OF THE CURRENT CONTRACT AND AUTHORIZE THE PURCHASE FROM ANOTHER APPROVED VENDOR/CONTRACT BASED ON AVAILABILITY AND PRICE. (FY26/27 BUDGET ITEMS)

**DATE:** November 18, 2026

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**Suggested Action:**

To approve the Expenditures over $75,000 and items that are of Public Policy and Interest, pursuant to Town Purchasing Policy and to authorize the purchase from a new awarded vendor/contract based on the expiration of the current contract and authorize the purchase from another approved vendor/contract based on availability and price.

**Discussion:**

The following items being requested are budgeted in FY26/27

1. Kimley-Horn - Project Order No. 2 for Post-Design and Utility Coordination Services for Chandler Heights Road Improvements between Sossaman and Hawes: $211,970. (CIP)

**Fiscal Impact:**

The fiscal impact of the requested spending authority for the above expenditures is $211,970. Funds have been identified within the line item budget as approved by Council in the FY26/27 budget or subsuquently approved by Council.

**Attachment(s):**

1. Expenditures Over $75,000.pdf

**Attachment: Expenditures $75,000 and Over**
**Budgeted in Fiscal Year 26/27**
**November 18, 2026**

| Item # | Vendor(s) | Description | Purpose | Requesting Dept(s) | Fiscal Impact $ | Procurement Method | Alternative |
|---|---|---|---|---|---|---|---|
| 1 | Kimley-Horn | Project Order No. 2 for Post-Design and Utility Coordination Services for Chandler Heights Road Improvements between Sossaman and Hawes | Project Order No. 2 for Post-Design and Utility Coordination Services for Chandler Heights Road Improvements between Sossaman and Hawes | CIP | $211,969.40. | Town Contract 2022-027 | Council may choose not to approve the expenditure at this time which will prevent completion of design and may delay the project. |

TOWN OF QUEEN CREEK ARIZONA

**TO:** **HONORABLE MAYOR AND TOWN COUNCIL**

**THROUGH:** **BRUCE GARDNER, TOWN MANAGER**

**FROM:** **MIKE BLACK, INFORMATION TECHNOLOGY DIRECTOR**

**RE:** **CONSIDERATION AND POSSIBLE APPROVAL OF A THREE-YEAR COOPERATIVE PURCHASE AGREEMENT WITH SHI INTERNATIONAL CORP. THROUGH NASPO CONTRACT CTR072321 AND A MICROSOFT BUSINESS LICENSE AGREEMENT IN AN AMOUNT NOT TO EXCEED $1,173,050.22 (FY 27 BUDGETED ITEM)**

**DATE:** **November 18, 2026**

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**Suggested Action:**

Consideration and possible approval of a three-year cooperative purchase agreement with SHI International Corp. through NASPO Contract CTR072321 and a Microsoft Business License Agreement in an amount not to exceed $1,173,050.22 for Microsoft Licensing (Year 1 $391,016.74, Year 2 $391,016.74 Year 3 $391,016.74, FY 27 budgeted item)

**Relevant Council Goal(s):**

- Effective Government
- Superior Infrastructure

**Discussion:**

The Town relies on Microsoft technologies to support employee productivity, communication, collaboration, cybersecurity, data management, and core business operations across all departments. The proposed renewal with SHI International Corp. includes Microsoft 365 Government Community Cloud (GCC) licenses, Microsoft Teams calling services, SQL Server and Windows Server licensing, Remote Desktop Services licenses, Visio, Project, Power BI, Power Apps, Power Automate, and Software Assurance benefits.

Renewal of the agreement will ensure continued access to the software and cloud services staff use daily, maintain compliance with Microsoft licensing requirements, provide ongoing security updates and support, and allow the Town to continue leveraging modern collaboration and business application tools in a secure government cloud environment.

On June 3, 2026, Town Council authorized $355,000 for the purchase of Microsoft Volume Licensing through SHI International Corp. Microsoft, through SHI, now requires the Town to execute a formal license agreement to proceed with the purchase. This Agreement represents the first year of a three-year term and is budgeted in the FY 27 Information Technology budget.

The total amount of the three-year agreement shall not exceed $1,173,050.22. Funding for subsequent years will be requested through the Town's annual budget process based on the actual amounts quoted by the vendor for each respective year.

**Fiscal Impact:**

The anticipated total fiscal amount impact is $1,173,050.22 with $391,016.74 budgeted in FY 27. The

amount of $391,016.74 reflects the first year of a three-year contract agreement and has been budgeted in the FY 27 Information Technology budget. The total three-year agreement is not to exceed a total amount of $1,173,050.22. Subsequent years will be budgeted during the annual budget process according to the fee schedule in the Microsoft Business Licensing Agreement.

**Alternatives:**

Without approval from the Town council of the Microsoft agreement, the municipality faces immediate compliance penalties, potential cyber vulnerabilities from unpatched systems, and the loss of critical services like Microsoft O365 applications, server operating system infrastructure, and Power BI reporting. To mitigate a total operational halt, the recommendation is to approve the Microsoft agreement before the expiration date. Non approval would necessitate the export of all data from the Microsoft cloud, and initiate an emergency migration to alternative ecosystems like Google Workspace, Linux servers, and alternative analytics tools.

TOWN OF QUEEN CREEK ARIZONA

**TO:** **HONORABLE MAYOR AND TOWN COUNCIL**

**THROUGH:** **BRUCE GARDNER, TOWN MANAGER**

**FROM:** **RANDY BRICE, CHIEF OF POLICE**

**RE:** **CONSIDERATION AND POSSIBLE APPROVAL OF AN INTERGOVERNMENTAL AGREEMENT (IGA) WITH THE CHANDLER UNIFIED SCHOOL DISTRICT FOR A SCHOOL RESOURCE OFFICER (SRO) AT CASTEEL HIGH SCHOOL (THIS IS AN FY26-27 BUDGETED FTE).**

**DATE:** **November 18, 2026**

---

**Suggested Action:**

Staff recommends approval of the Intergovernmental Agreement (IGA) with the Chandler Unified School District for a School Resource Officer (SRO) at Casteel High School.

**Relevant Council Goal(s):**

1. Safe Community (Public Safety)
2. Effective Government (Intergovernmental Relations)

**Discussion:**

The Town of Queen Creek has established a mutually beneficial relationship with the Chandler Unified School District (CUSD) to place a school resource officer (SRO) on school grounds to help maintain a safe school environment conducive to teaching and learning. Through comprehensive prevention and intervention approaches, school resource officers maintain a visible presence on campus, deter delinquent and violent behaviors, serve as a resource to the school community, and provide students and staff with Law-Related Education instruction and training.

The Town has maintained an Intergovernmental Agreement (IGA) with CUSD for the Casteel High School campus for many years. CUSD has been awarded a School Safety Program grant through the Arizona Department of Education to cover the SRO's base salary and employee-related expenses (ERE). Because the grant requires the IGA to include specific language referencing the grant, the Town and CUSD must enter into a new IGA for this campus annually.

Under Town policy established by Resolution 1519-23, school districts must reimburse the Town for 50 percent of the operational costs and 75 percent of new capital or one-time costs associated with school resource officers assigned to their campuses. Currently, one school resource officer is assigned to the Casteel High School campus. Capital expenses for the vehicle and related equipment were covered under a previous IGA, and no new capital equipment is needed at this time. CUSD has elected to pay 100 percent of the officer's salary and ERE rather than the required minimum of 50 percent.

**Fiscal Impact:**

The school resource officer position is included in the approved FY 2026-27 budget. Approval of the IGA will allow the Town to invoice CUSD for 100 percent of the operational costs associated with the school resource officer.

For FY 2026-27, operational costs for the assigned SRO total $153,000, including base salary and benefits. CUSD plans to pay 100 percent of these costs, bringing the school district's total contribution to $153,000.

If the IGA is approved, CUSD will be invoiced for $153,000.

**Alternatives:**

1. The Council could choose not to approve the agreement and redirect the budgeted FTE to another assignment.
2. The Council could choose not to approve the agreement and direct staff to maintain the FTE at the school site without any reimbursement or funding from the CUSD.

**Attachment(s):**

1. SY27 Casteel HS SRO IGA_2.docx

**INTERGOVERNMENTAL AGREEMENT**
**BETWEEN**
**THE TOWN OF QUEEN CREEK,**
**ARIZONA AND**
**THE CHANDLER UNIFIED SCHOOL DISTRICT**

This Intergovernmental Agreement ("Agreement") made this day ___ of _____, 2026 by and between the Town of Queen Creek, Arizona, a municipal corporation (hereinafter referred to as the "Town"), and the Chandler Unified School District, a political subdivision of the State of Arizona (hereinafter referred to as "CUSD").

1. **STATUTORY AUTHORITY**

The Town is authorized to enter into this Agreement pursuant to A.R.S. § 11-952 and has authorized the undersigned to execute this Agreement on behalf of the Town.

CUSD is authorized to enter into this Agreement pursuant to A.R.S. § 11-952 and has authorized the undersigned to execute this Agreement on behalf of the CUSD.

2. **BACKGROUND AND PURPOSE OF THE AGREEMENT**

The Town and CUSD desire to work in cooperation for the purpose of placing a School Resource Officer ("SRO") at Casteel High School ("Campus") grounds to contribute to safe school environments that are conducive to teaching and learning. Through comprehensive prevention and intervention approaches, SROs maintain a visible presence on campus; deter delinquent and violent behaviors; and serve as an available resource to the school community.

3. **SCHOOL SAFETY PROGRAM GRANT**

The Parties agree and understand that CUSD's participation in this Agreement may be at least partially funded through a School Safety Program Grant ("SSP Grant") administered by the Arizona Department of Education ("ADE"). The Parties understand and acknowledge that SSP Grant Funds are conditioned upon the acceptance of each entity of the roles and responsibilities established by the School Safety Program Guidance Manual ("Manual").

A copy of the Manual is attached here as Exhibit A. The Parties understand and agree that the Manual may be amended from time to time by ADE.

4. **CUSD OBLIGATIONS**

CUSD shall:

4.1. Accept the SSP requirements contained in the Manual (if applicable).

4.2. Not interfere with the duties of the SRO as a sworn law enforcement officer.

4.3. Reimburse Town for annual costs related to the employment of the SRO, including but not limited to base salary and other employee related expenses. Payments may be issued from a combination of the amount allocated through the SSP Grant awarded to CUSD by the Arizona Department of Education and other CUSD budgeted funds. The grant does not provide funding for

overtime.

- Total costs for FY26-27 to CUSD will be $153,000.

4.4. Pay the Town within 30 days of receipt of an invoice from the Town. The requested payment(s) will be for costs (as specified in section 4.3) related to conditions of employment and activities directly related to the school site or students (on and off campus). CUSD shall pay late fees as established between the parties and set forth in this Agreement. Late fees shall not be paid with SSP funds.

4.5. Assist SRO in developing programs and providing consultation regarding safety factors and how to handle volatile situations.

4.6. Provide office space that provides privacy for the SRO to conduct confidential business. The office shall include the necessary equipment for an officer to effectively perform duties (i.e., telephone, desk, chair, filing cabinet, etc.).

4.7. Provide a complete copy of the grant application and award to the Town.

4.8. Establish a School Safety Program Team (“”SPPT”) that meets regularly per requirements set forth in the Manual. Required SSPT members are set forth in the Manual.

4.9. Require the Site Administrator to develop and implement an SSP Continuous Improvement Plan, as set forth in the Manual, in conjunction with the school’s SSPT.

4.10. Require the Site Administrator to provide feedback regarding the SRO’s performance at least twice per year. The school administrator shall share the feedback with the SRO’s supervisor and chain of command.

4.11. Require the school administrator to meet formally with the SRO Supervisor at least once per semester.

4.12. Be responsible for administration of all school discipline.

4.13. Require a teacher to be present in the classroom at all times while the SRO implements or delivers any sort of demonstration, classroom instruction, or Law Related Education (LRE). The teacher and SRO shall work cooperatively in the planning and delivery of any such presentation.

4.14. Allow the SRO to attend any required training or mandatory Town meetings.

4.15. Develop, in conjunction with Town, a written document describing the chain of command for officers, administrators, and law enforcement departments.

4.16. Require District and Site administration to attend annual required training provided by the ADE SSP and to track all individuals required training completion for the District.

4.17. Require the Site Administrator, in conjunction with the agency supervisor, to support, oversee, and review the SSP Officer Log to ensure compliance with the SPP Grant. Activity Log must be maintained in an organized and accessible format and made available upon request by ADE.

4.18. Ensure the SRO receives school-specific orientation and training regarding applicable school policies, rules, procedures, administrative guidelines, student codes of conduct, disciplinary protocols, campus safety practices, reporting requirements, confidentiality obligations, and expectations for interacting with students, staff, parents, and guardians. Such training shall include information necessary to support appropriate student engagement, effective incident response, and clear understanding of the SRO's role within the school setting.

## 5. **Town Obligations**

The Town shall:

5.1. Accept the SSP requirements contained in the Manual (if applicable).

5.2. Assign an SRO to the CUSD campus of Casteel High School. The assigned SRO shall satisfy the SRO Recommended Qualifications and Recommended Job Description as established by the Manual. The SRO is a member of the SSPT.

5.3. Assign a supervisor for the SRO. The SRO supervisor shall work with the school administrator to oversee the SRO's performance, including but not limited to conducting site visits, and meeting with the school administrator at least once per semester. The SRO supervisor will be responsible for the SRO's compliance with his or her duties pursuant to the terms of this Agreement.

5.4. Require the SRO to provide services, on campus and in the community in an emergency, associated with keeping the school safe. When school is in session, an SRO is required to be on campus at minimum 80% of the time. The uniformed SRO shall be assigned on a full-time basis to the school campus in order to assist school administration with safety efforts and to serve as a possible deterrent to criminal activity. However, this provision shall not be interpreted to prohibit training, off-site meetings, vacation, sick time, or other activities. Pursuant to the ADE SSP Grant and Manual, full-time shall mean 40 hours per week.

5.5. Require the SRO to fulfill his or her duties as a sworn law enforcement officer for the State of Arizona, including but not limited to conducting criminal investigations related to the assigned site.

5.6. Require the SRO to provide the prescribed number of LRE hours as designated by ADE, the terms of the SSP Grant, the Manual, and the available staffing conditions (as applicable). The SRO and Teacher assigned by CUSD shall work together in the planning and delivery of the LRE.

5.7. The SRO may assist in developing programs and providing consultation regarding safety factors or how to handle volatile situations. Students will also be allowed to meet with the

SRO(s) to discuss issues in a non-threatening environment.

5.8. Require the SRO to fully complete the SSP Officer Activity Log as prescribed in the Manual and share the Activity Log with the Site Administrator and SRO Supervisor.

5.9. Require the SRO Supervisor, in conjunction with the Site Administrator, to support, oversee, and review the SSP Officer Activity Log to ensure compliance with the SSP Grant. Activity Log must be maintained in an organized and accessible format and made available upon request by ADE.

5.10. Require the SRO and SRO Supervisor to participate in annual training required for continued funding of the SSP Grant (if applicable).

5.11. Invoice CUSD for the costs (as specified in section 4.3) related to conditions of employment and activities directly related to the school site. The Town shall assess a late fee of $15 for invoices that are more than 30 days late.

5.12. Develop, in conjunction with CUSD, a written document describing the chain of command for officers, administrators and law enforcement departments.

## 6. INDEMNIFICATION

Each Party to this Agreement (as "Indemnitor") agrees to defend, indemnify and hold harmless the other Party, and such Party's officers, officials, employees, agents, and directors (collectively, "Indemnitee") from and against any and all claims, demands, losses, liabilities, causes of action and costs (including expert witness fees, attorneys' fees and costs of defense and appellate appeal) ("Claims"), which may be imposed upon, incurred by or asserted against the Indemnitee, attributable (directly or indirectly in whole or in part) to, or arising in any manner by reason of, the negligence, acts, errors, or omissions of any agent, officer, servant, or employee of the Indemnitor, or anyone for whom Indemnitor may be legally liable, in the performance of this Agreement. In the event of a claim by a third party against either party involving the other party in connection with performance under this Agreement, the parties shall expeditiously meet to discuss a common and mutual defense including proportional liability and payment of possible litigation expense, cost and money damages.

The provisions of this Section 6 shall survive the termination of this Agreement.

## 7. TERM

This Agreement shall be effective as of 1st day of July 2026 and shall terminate on the 30th day of June 2027.

## 8. TERMINATION

Either Party may terminate this Agreement for convenience upon thirty (30) days' prior written notice to the other Party. Either Party may terminate this Agreement for cause upon fourteen (14) days' prior written notice (or such shorter notice that the notifying Party determines is necessary to protect the public health and safety) to the other Party that such Party has substantially breached its obligations under this. Although the parties do not anticipate the joint

acquisition of any property, upon termination of the agreement, each party shall retain its property and any property purchased with its funds under this Agreement.

## 9. DISPUTE RESOLUTION

The Parties agree to work in good faith to attempt to resolve any disputes at a level nearest the school as possible. Any dispute should first be addressed at the site level between the SRO and school administration. If a resolution is not reached, the dispute should move through the process established by the SRO's department and CUSD policy, to the extent possible. If the dispute is not resolved through elevation though all levels of those processes, the dispute shall be resolved through litigation.

## 10. GENERAL

10.1. **Amendment.** This Agreement may not be modified, except by written amendment, duly executed by both Parties.

10.2. **Insurance**. The Parties agree to secure and maintain insurance coverage for any and all risks that may arise out of the terms, obligations, operations, and actions as set forth in this Agreement, including but not limited to public entity insurance. The acquisition of insurance or the maintenance and operation of a self-insurance program may fulfill the insurance requirement.

10.3. **Conflict of Interest**. Pursuant to the provisions of A.R.S. § 38-511, either Party may cancel this Agreement, without penalty or obligation, if any person significantly involved in initiating, negotiating, securing, drafting, or creating the Agreement on behalf of that Party at any time while the Agreement or any extension thereof is in effect an employee of any other Party to the Agreement in any capacity to any other Party to the Agreement with respect to the subject matter of the Agreement.

10.4. **Incorporation.** All recitals and appendices contained in this Agreement are hereby incorporated by this reference and made an integral part of it.

10.5. **Governing Law.** This Agreement shall be governed, construed and controlled according the laws of the state of Arizona.

10.6. **Waiver.** It is agreed and understood that any failure to strictly enforce any provision hereof shall not constitute a waiver of the right to demand performance of that or any other provision hereof at any time thereafter.

10.7. **Severability.** The terms and conditions of this Agreement are severable. If for any reason, any court of law or administrative agency should deem any provision hereof invalid or inoperative, the remaining provisions of this Agreement shall remain valid and in full force and effect.

10.8. **Legal Fees, Costs and Expenses.** In the event either Party brings any action for any relief, declaratory or otherwise, arising out of this Agreement, the prevailing Party shall be entitled to reasonable attorneys' fees, costs and expenses, as determined by the court, and which shall be deemed to have accrued on the commencement of such action.

10.9. **Notices.** All notices or demands required to be given, pursuant to the terms of this contract, shall be given to the other Party in writing, delivered in person, sent by facsimile

transmission, deposited in the United States mail, postage prepaid, registered or certified mail, return receipt requested or deposited with any commercial air courier or express service at the addresses set forth below, or to such other address as the Parties may substitute by written notice, given in the manner prescribed in this paragraph.

| If to the Town: | If to the School District: |
|---|---|
| Town of Queen Creek<br>Attn: Chief of Police<br>22350 Ellsworth Rd.<br>Queen Creek, AZ 85142 | Chandler Unified School District<br>Attn: Chief Financial Officer<br>1525 West Frye Rd.<br>Chandler, AZ 85224 |

A notice shall be deemed received on the date delivered if delivered by hand, on the second day after its deposit with any commercial air courier or express services or, if mailed, three (3) working days (exclusive of United States Post Office holidays) after the notice is deposited in the United States mail as above provided, and on the delivery date indicated on receipt, if delivered by certified or registered mail. Any time period stated in a notice shall be computed from the time the notice is deemed received. This requirement for duplicate notice is not intended to change the effective date of the notice sent by facsimile transmission. E-mail is not an acceptable means for meeting the requirements of this section unless otherwise agreed in writing.

10.10. **Entire Agreement.** This writing constitutes the entire Agreement between the Parties.

10.11. **Assignment.** Services covered by this Agreement shall not be assigned or sublet in whole or in part without the prior written consent of the Parties.

10.12. **Force Majeure.** Neither Party shall be responsible for delays or failures in performance resulting from acts beyond their control. Such acts shall include, but not be limited to, acts of God, riots, acts of war, epidemics, governmental regulations imposed after the fact, fire, communication line failures, or power failures.

10.13. **Counterparts.** This Agreement may be executed in one or more counterparts, and each originally executed duplicate counterpart of this Agreement shall be deemed to possess the full force and effect of the original.

10.14. **Captions.** The captions used in this Agreement are solely for the convenience of the Parties, do not constitute a part of this Agreement and are not to be used to construe or interpret this Agreement.

10.15. **Compliance with Immigration Laws.** Pursuant to the provisions of A.R.S. § 41-4401, the Parties warrant that they are in compliance with all Federal Immigration laws and regulations that relate to their employees and with the E-Verify Program under A.R.S. § 23-214(A). Each Party has the right to inspect the papers of the other Party or its subcontractors participating in this Agreement to ensure compliance with this paragraph. A Party's or its subcontractors' breach of the above-mentioned warranty shall be deemed a material breach of the Agreement and may result in the termination of the Agreement by a non-breaching Party under the terms of this Agreement.

The provisions of this Article must be included in any contract either Party enters into with any and all subconsultants or subcontractors who provide services under this Agreement. As used in this Section 10.15, "services" are defined as furnishing labor, time or effort in the State of Arizona

by a contractor or subcontractor.

10.16. **Records and Audit Rights.** All accounts, reports, files and other records (hard copy, as well as computer readable data), and any other supporting evidence deemed necessary and relating to this Agreement shall be kept for three (3) years after termination of this Agreement and shall be open to reasonable inspection and audit by the other Party during that period.

10.17. **Authority.** The Parties hereby warrant and represent that each has full power and authority to enter into and perform this Agreement, and that the person signing on behalf of each has been properly authorized and empowered to enter this Agreement. The Parties further acknowledge having read this Agreement and understanding it, and do agree to be bound by it.

10.18. **Non-Discrimination.** The Parties agree that, in fulfilling the obligations set forth in this agreement, they shall not discriminate against any person on the basis of race, color, national origin or ancestry, religion, age, disability, and genetic information. The Parties agree further to comply with Executive Order 2009-09, and all other applicable State and Federal employment laws, rules and regulations, mandating that all persons shall have equal access to employment opportunities.

10.19. **Confidentiality of Student Records.** The Parties agree that the dissemination and disposition of educational records complies at all times with the Family Educational Rights and Privacy Act ("FERPA"). The Parties acknowledge that during the term on this Agreement, the SRO shall be the designated law enforcement unit and shall also be considered as a "school official" who may, at times, have a "legitimate educational interest" in the educational records of a student or students.

10.20. For purposes of workers' compensation, an employee of a party to this Agreement, who works under the jurisdiction or control of, or who works within the jurisdictional boundaries of another party pursuant to this specific intergovernmental agreement, is deemed to be an employee of both the party who is his primary employer and the party under whose jurisdiction or control or within whose jurisdictional boundaries he is then working, as provided in A.R.S. §23-1022(D). The primary employer party of such employee shall be solely liable for payment of workers' compensation benefits for the purposes of this section. Each party herein shall comply with the provisions of A.R.S. §23-1022(E) by posting the public notice required.

[SIGNATURES ON NEXT PAGE]

**IN WITNESS WHEREOF**, the parties have caused this Agreement to be signed by their duly authorized representatives.

## CHANDLER UNIFED SCHOOL DISTRICT

By_____

Board President

Date _____

ATTEST:

_____

Superintendent

Date _____

**APPROVAL OF ATTORNEY FOR THE CHANDLER UNIFED SCHOOL DISTRICT**

The foregoing Intergovernmental Agreement has been reviewed pursuant to A.R.S. § 11-952 by the undersigned counsel who has determined that it is in proper form and is within the powers and authority granted under the laws of the State of Arizona.

_____

School District Attorney

Date _____

## TOWN OF QUEEN CREEK

***Recommended by:***

_____
Bruce Gardner, Town Manager

_____
Date

***Approved and Accepted by:***

_____
Julia Wheatley, Town Mayor

_____
Date

***Attest:***

_____
Maria Gonzalez, Town Clerk

_____
Date

**APPROVAL OF ATTORNEY FOR THE TOWN OF QUEEN CREEK**

The foregoing Intergovernmental Agreement has been reviewed pursuant to A.R.S. § 11-952 by the undersigned counsel who has determined that it is in proper form and is within the powers and authority granted under the laws of the State of Arizona.

_____
Queen Creek Attorney Date

TOWN OF QUEEN CREEK ARIZONA

**TO:** **HONORABLE MAYOR AND TOWN COUNCIL**

**THROUGH:** **BRUCE GARDNER, TOWN MANAGER**

**FROM:** **DAVE LIPINSKI, PE, CIP DEPARTMENT DIRECTOR**

**RE:** **CONSIDERATION AND POSSIBLE APPROVAL OF RESOLUTION 1683-26 OF THE MAYOR AND COMMON COUNCIL OF THE TOWN OF QUEEN CREEK, ARIZONA, DECLARING A NEED AND NECESSITY AND A PUBLIC PURPOSE; APPROVING, AUTHORIZING AND DIRECTING THE TOWN MANAGER, TOWN ATTORNEY AND TOWN CLERK TO TAKE ANY AND ALL ACTION NECESSARY; AND TO SIGN ANY AND ALL DOCUMENTS; AND TO PAY ANY AND ALL COSTS OR FEES IN ORDER TO ACQUIRE INTEREST IN REAL AND/OR PERSONAL PROPERTY LOCATED ALONG THE SUNDANCE DRIVE ALIGNMENT, FROM SOSSAMAN ROAD TO BOX CANYON, IN SECTION 6, TOWNSHIP 3 SOUTH RANGE 7 EAST, FROM OWNERS AND PINAL COUNTY ASSESSOR PARCELS LISTED ON EXHIBIT A ATTACHED HERETO, AND THEIR SUCCESSORS IN INTEREST, THROUGH GIFT OR PURCHASE OR EMINENT DOMAIN AND IDENTIFYING THE REAL AND PERSONAL PROPERTY AS NECESSARY FOR ROADWAY IMPROVEMENTS FOR THE BOX CANYON WATER IMPROVEMENTS: SUNDANCE DRIVE TO BOX CANYON PROJECT (CIP PROJECT WA310) AND AUTHORIZING BUDGET ADJUSTMENTS AND FUNDING TRANSFERS IN AN AMOUNT NOT TO EXCEED $10,000 IF NECESSARY.**

**DATE:** **November 18, 2026**

---

**Suggested Action:**

Move to approve Resolution 1683-26 of the Mayor and Common Council of the Town of Queen Creek, Arizona, declaring a need and necessity and a public purpose; approving, authorizing and directing the Town Manager, Town Attorney and Town Clerk to take any and all action necessary; and to sign any and all documents; and to pay any and all costs or fees in order to acquire interest in real and/or personal property located along the Sundance Drive Alignment, from Sossaman Road to Box Canyon, in Section 6, Township 3 South Range 7 East, from owners and Pinal County Assessor parcels listed on Exhibit A attached hereto, and their successors in interest, through gift or purchase or eminent domain and identifying the real and personal property as necessary for utility improvements for the Box Canyon Water Improvements: Sundance Drive to Box Canyon Project (CIP Project WA310) and authorizing necessary budget adjustments and funding transfers in an amount not to exceed $10,000 if necessary.

**Relevant Council Goal(s):**

Superior Infrastructure – Capital Improvement Program

**Discussion:**

In 2016 the Town of Queen Creek signed a Master Development Agreement (MDA) under Resolution 1113-16 for the Development of the Box Canyon Planned Community. The ownership parties of the proposed development own approximately 2,089 acres of real property located within the jurisdiction of the Town of Queen Creek and located in Pinal County.

That agreement was amended on June 17, 2026. One requirement of the agreement is that the Town bring a potable waterline to the eastern property line of the development generally in the Sundance Road alignment.

The requested resolution approval being sought is for the Authority to Acquire right of way necessary for the installation of water and sewer connections for the project. The property rights being sought are listed in the attached exhibits.

**Fiscal Impact:**

The waterline is being installed within the 40 foot half street roadway dedication to Pinal County, and therefore should not have any fiscal impact on the Town of Queen Creek for the required right-of-way. If required, the anticipated amount would not be more than $10,000 and is available in the project budget.

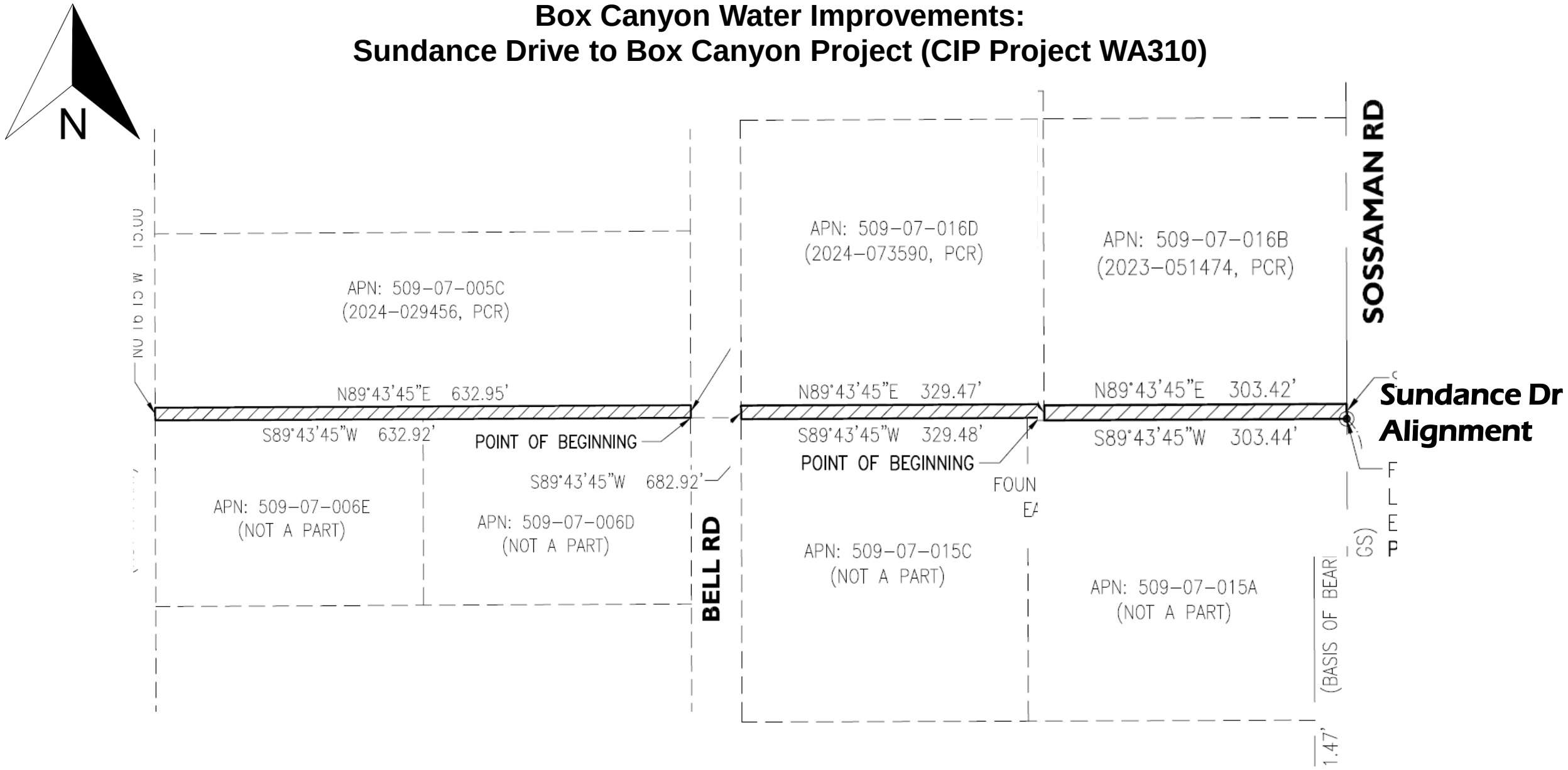
**Alternatives:**

The Town Council may decide not to approve Resolution 1683-26. By doing so, it would risk violating terms of the Master Development Agreement (MDA) under Resolution 1113-16 for the Development of the Box Canyon Planned Community.

**Attachment(s):**

1. Map of Waterline Alignment.pdf
2. Box Canyon Resolution.pdf

# Box Canyon Water Improvements:
# Sundance Drive to Box Canyon Project (CIP Project WA310)



**RESOLUTION 1683-26**

**A RESOLUTION OF THE MAYOR AND COMMON COUNCIL OF THE TOWN OF QUEEN CREEK, ARIZONA, DECLARING A PUBLIC NEED AND NECESSITY AND A PUBLIC PURPOSE; AUTHORIZING AND DIRECTING THE TOWN MANAGER, TOWN ATTORNEY AND TOWN CLERK TO TAKE ANY AND ALL ACTION NECESSARY; AND TO SIGN ANY AND ALL DOCUMENTS; AND TO PAY ANY AND ALL COSTS OR FEES IN ORDER TO ACQUIRE INTEREST IN REAL AND/OR PERSONAL PROPERTY LOCATED ALONG THE SUNDANCE DRIVE ALIGNMENT, FROM SOSSAMAN ROAD TO BOX CANYON, IN SECTION 6, TOWNSHIP 3 SOUTH RANGE 7 EAST, FROM OWNERS AND PINAL COUNTY ASSESSOR PARCELS LISTED ON EXHIBIT A ATTACHED HERETO, AND THEIR SUCCESSORS IN INTEREST, THROUGH GIFT OR PURCHASE OR EMINENT DOMAIN AND IDENTIFYING THE REAL AND PERSONAL PROPERTY AS NECESSARY FOR ROADWAY IMPROVEMENTS FOR THE BOX CANYON WATER IMPROVEMENTS: SUNDANCE DRIVE TO BOX CANYON PROJECT (CIP PROJECT WA310)**

**NOW, THEREFORE, BE IT RESOLVED** by the Mayor and Common Council of the Town of Queen Creek, Arizona, as follows:

**Section 1.** That A.R.S. § 12-1111 defines the purposes for which eminent domain may be exercised and states that "roads, streets and alleys, and all other public uses for the benefit of the Town or the inhabitants thereof, which is authorized by the legislature," and "buildings and grounds for any public use of a county, city, town or village" are named as purposes; and

**Section 2.** That the Town has identified parcels located along the Sundance Drive Alignment, from Sossaman Road to Box Canyon, in Section 6, Township 3 South Range 7 East, from owners and Pinal County Assessor parcels listed on Exhibit A attached hereto, and their successors in interest, through gift or purchase or eminent domain and identifying the real and personal property as necessary for roadway improvements for the Box Canyon Water Improvements: Sundance Drive to Box Canyon Project (CIP Project WA310) and listed in Exhibit A attached; and

**Section 3.** That the Mayor and Common Council find that use of said real property for right-of-way is a public use and in the best interests of the citizens of Queen Creek.

**Section 4.** That the Town Manager, Town Clerk, and Town Attorney are hereby authorized and directed to acquire said real property by gift, purchase or eminent domain, and to do all acts and to sign all documents and pay all costs necessary to acquire said real property, including, if necessary, the use of the power of eminent domain as set forth in A.R.S. § 12-1111 et. seq.

**PASSED AND ADOPTED BY** the Mayor and Common Council of the Town of Queen Creek, Arizona, this 18th day of November, 2026.

| | |
|---|---|
| FOR THE TOWN OF QUEEN CREEK: | ATTESTED TO: |
| Julia Wheatley, Mayor | Maria Gonzalez, Town Clerk |
| REVIEWED BY: | APPROVED AS TO FORM: |
| Bruce Gardner, Town Manager | Clifford Mattice, Town Attorney |

EXHIBIT A

| APN | OWNER |
|---|---|
| 509-07-016B | Todd Edward Dewey and Katrina Dewey |
| 509-07-016D | Kenneth and Christina Niece |
| 509-07-005C | Anthony Reynoso Jr., Trustee of Living Trust of Anthony Reynoso Jr., Dated August 28, 2017 |
| | |
| | |
| | |
| | |

TOWN OF QUEEN CREEK ARIZONA

**TO:** **HONORABLE MAYOR AND TOWN COUNCIL**

**FROM:** **BRUCE GARDNER, TOWN MANAGER, CLIFFORD MATTICE , TOWN ATTORNEY**

**RE:** **CONSIDERATION AND POSSIBLE APPROVAL OF THE INTERGOVERNMENTAL AGREEMENT WITH MARICOPA COUNTY REGARDING COURT SERVICES BETWEEN THE TOWN OF QUEEN CREEK AND MARICOPA COUNTY SAN TAN JUSTICE COURT.**

**DATE:** **November 18, 2026**

---

**Suggested Action:**

Motion to approve the Intergovernmental Agreement with Maricopa County regarding court services between the Town of Queen Creek and Maricopa County San Tan Justic Court.

**Relevant Council Goal(s):**

Strategic Priority: Effective Government

- Good Governance: Realizing the Council's vision through responsible stewardship of public resources and ensuring high-quality services for residents
- Good Governance: Cultivate relationships with the state, counties, local, regional and statewide partners: encourage other levels of government to work collaboratively with the Town on issues of mutual interest.

**Discussion:**

In 2025, staff from the Office of the Presiding Judge of the Maricopa County Superior Court approached the Town to discuss a resolution addressing the time and costs associated with the San Tan Justice Court's administration of the Town's code violations and citations. Through these discussions, the Town worked with the Court to explore extending the existing intergovernmental agreement (IGA) into the new fiscal year beginning in July 2026, with the understanding that the Town would assume the costs associated with these services. Unfortunately, at its May 6, 2026, meeting, the Maricopa County Board of Supervisors elected to terminate the existing IGA rather than extend it. This decision was based on increasing judicial productivity demands and limited resources available at the San Tan Justice Court to continue handling these types of cases.

Additionally, during the public hearing and discussion regarding the Town's agreement, the Board of Supervisors directed the Town of Queen Creek to consider establishing its own municipal court and to work with the County Manager's Office and the Office of the Presiding Judge on a potential transition plan. When asked by one of the Supervisors when the Town anticipated establishing its own court, I indicated that, based on the initial master planning for the Town's law enforcement programs, the Town had not anticipated developing a municipal court until approximately 10 years after the establishment of its Police Department. This would place the potential development of a court outside the Town's current five-year planning horizon, with an anticipated timeframe of approximately 2033.

It is important to emphasize that, when considering the creation of new departments and programs, the Town Council has consistently taken a deliberate and methodical approach to ensure that the

timing is appropriate, that there is sufficient organizational and community support, and that the necessary funding is available. During my tenure with the Town, this approach has guided the establishment of the Fire Department, Utilities Department, Police Department, and, most recently, the Town Attorney's Office.

As part of the transition process, I worked with the County Manager's Office to develop new intergovernmental agreements (IGA) that would help address the financial impacts to the Town associated with both San Tan Justice Court services and detention services provided by the Maricopa County Sheriff's Office. Town Attorney Cliff Mattice and Police Chief Randy Brice assisted in this effort and conducted thorough reviews of the proposed agreements. The term for the court IGA is for 5 years, with two, 2-year extension options. The term for the detention services IGA is for 5 years, with one 5-year extension option.

If approved by the Town Council, Maricopa County intends to present the draft agreements to the Board of Supervisors at its December 9, 2026, meeting for consideration and possible approval.

It is also important to note that, following the County's decision to terminate the original agreement, the Town needed to identify an alternative court to process its code violations and citations. The Town Manager's Office worked with the Town of Gilbert to establish an interim arrangement for handling these cases, building upon the Town's existing relationship and similar agreement with the Gilbert Municipal Court. The Town of Gilbert has graciously agreed to continue processing Queen Creek's code enforcement cases until further notice, ensuring continuity of service while the Town works toward a longer-term solution.

**Fiscal Impact:**

As per the San Tan Justice Court Agreement, Queen Creek shall reimburse, as a Service Reimbursement, Maricopa County for its proportionate share of the total annual minutes for processing Eligible Filings after applying a case weight to the total number of civil traffic, criminal traffic, misdemeanor and Code cases in the Justice Court. Queen Creek's proportionate share shall be based on the percentage of such violations processed by the San Tan Justice Court that are attributable to Queen Creek, which, as of the Effective Date of this Agreement, is 23.09% (the "Percentage of Cases"). Queen Creek's allocation of costs will be reviewed and updated accordingly on an annual basis.

As per the Detention Services Agreement, MCSO will invoice the Town monthly for all Municipal Costs due to County, which are based on the detention inmate housing and booking rates effective July 1st of the fiscal year.

It is estimated that the annualized fiscal impact for these services will be $500,000 - $600,000 for the court services, and approximately $175,000 - $225,000 for the detention services. The Town Manager's office has worked with the Budget Director to ensure that these costs are absorbed for the remainder prorated amount of the fiscal year, and an approximate budgeted amount will be included in the following year's budgets for these costs.

**Alternatives:**

Alternative motion is to direct the staff to include in the FY 27-28 budget the creation of a new Town Court. Unfortunately this would be several years earlier than planned and significant time, staffing, capital costs and resources would need to be considered for this alternative motion.

**Attachment(s):**

1. Final Draft - IGA for Court Services_Queen Creek.pdf

**This Intergovernmental Agreement ("IGA" or "Agreement") is made and entered into by and between MARICOPA COUNTY, a political subdivision of the state of Arizona ("County) and the TOWN OF QUEEN CREEK, a municipal corporation of the State of Arizona ("Queen Creek"). The County and Queen Creek may be collectively referred to as "Parties" and individually as "Party"**

The Maricopa County Superior Court presiding judge is required to approve this Agreement, in accordance with ARS § 11-952(J).

RECITALS

WHEREAS, Maricopa County, Arizona is a general law county, and operates county courts as part of its general area of jurisdiction and responsibility as empowered by ARS § 22-101 *et seq.*, 22-201*et seq.* and 22-301 *et seq.*; and

WHEREAS, the Town of Queen Creek, Arizona, is a general law town, and wishes to avail itself of the services of the Maricopa County Justice Court Administration and the San Tan Justice Court to provide the judicial and administrative function of the court for Queen Creek as is empowered by ARS § 22-201 *et seq.,* 22-301 *et seq.*, and 22-401, *et seq.*; and

WHEREAS, County desires to use portions of the San Tan Justice Court ("Justice Court"), located in the Ocotillo Regional Court Center and the San Tan Justice Court Presiding Judge, Pro Tem Judges and court staff, including prosecutors, public defenders, clerks, and administrative personnel ("Staff"), to conduct hearings concerning criminal adult violations of the Queen Creek Town Code ("Code") and Arizona Revised Statute violations occurring within the portion of the Town located within Maricopa County (the "Services"); and

WHEREAS, County and Queen Creek are authorized to enter into this Agreement pursuant to ARS § 11-952; and

WHEREAS, Queen Creek is also empowered by general law and statute, including ARS § 9-240(B), as amended, to enter into this Agreement; and

WHEREAS, in accordance with ARS § 11-952(J), the Presiding Judge of the Maricopa County Superior Court is also required to approve this Agreement; and

WHEREAS, the Parties desire to enter into this Agreement to set forth each Party's understandings and agreements related to the provisions of court services and the use of the Justice Court and Staff.

NOW THEREFORE in consideration of the mutual assurances and agreements contained herein, the above Recitals are herein incorporated as agreements of the Parties and it is further agreed as follows:

GENERAL PROVISIONS

1. **Court Service.** Queen Creek hereby designates the Maricopa County San Tan Justice Court and the Justice Court Presiding Judge as a court of jurisdiction for processing: (i) adult criminal violations arising from the enforcement of the Code cited into the Justice Court using its normal processes; and (ii) adult civil and criminal violations arising from the enforcement of the Arizona Revised Statutes violations occurring within Queen Creek and within the borders of the County, including civil traffic offenses and criminal motor vehicle statute violations (hereinafter collectively referred to as "Eligible Filings").

    1.1 Processing. The Justice Court shall process the Eligible Filings cited into the Justice Court using its normal processes, subject to Arizona Law, the Arizona Rules of Civil Procedure, the Arizona Rules of Criminal Procedure, and Arizona Rules for Civil Traffic, Boating, Marijuana, and Parking and Standing Violations, and any other rules or administrative orders set forth by the Presiding Judge for Maricopa County Superior Court or the Arizona Supreme Court Chief Justice.

    1.2 Location of Hearings. In-person hearings shall be conducted and held at the San Tan Justice Court located in the Ocotillo Regional Court Center. The Justice Court may utilize its virtual courtroom systems for any hearings in its sole discretion (the "Facilities").

2. **Personnel**. The County shall provide all Facilities and Staff, including prosecutors and public defenders, as required in connection with processing the Eligible Filings that occur within the limits of Queen Creek and Maricopa County.

3. **Revenue; Reimbursement**.

3.1 Revenue. All revenues of any nature, including any fines and fees, attributed to Queen Creek shall remain and be paid to the County for the services provided herein ("Service Revenue").

3.2 Service Reimbursement. Queen Creek shall reimburse, as a Service Reimbursement, Maricopa County for its proportionate share of the total annual minutes for processing Eligible Filings after applying a case weight to the total number of civil traffic, criminal traffic, misdemeanor and Code cases in the Justice Court.. Queen Creek's proportionate share shall be based on the percentage of such violations processed by the San Tan Justice Court that are attributable to Queen Creek, which, as of the Effective Date of this Agreement, is 23.09% (the "Percentage of Cases"). Queen Creek's allocation of costs will be reviewed and updated accordingly on an annual basis.

The direct operational expenditures that will be allocated to Queen Creek using the determined Percentage of Cases include: (a) Justice Court's personnel costs at San Tan Justice Court; (b) County Attorney deputy attorneys and support staff positions assigned to San Tan Justice Court; and (b) Public Defense attorney and support staff positions assigned to San Tan Justice Court. In addition, the County will allocate administrative expenditures to Queen Creek by determining the total annual costs attributable to San Tan Justice Court and applying the determined Percentage of Cases. These expenditures include: (a) Justice Court's administrative costs; (b) information technology costs; and (c) security personnel costs. The expenditure will be allocated at the budgeted amount with an adjustment for actuals in the next fiscal year.

The County shall provide Queen Creek with an invoice for the Service Reimbursement annually beginning after fiscal year end June 30, 2027, with supporting documentation reasonably requested by Queen Creek. Queen Creek shall pay County the Service Reimbursement within thirty (30) days of receiving the invoice and all supporting documents reasonably requested by Queen Creek.

4. **Term**. The term of this Agreement shall be for five (5) years unless sooner terminated as provided for in this Agreement. This Agreement shall become effective on the date of the last signature.

4.1 Option to Renew. Provided this Agreement is in full force and effect, and Queen Creek is not in default under any of the terms and conditions of this Agreement at the time of notification of its desire to renew, Queen Creek shall have two (2) successive options to renew this Agreement for additional periods of two (2) years on the same terms and conditions of this Agreement unless otherwise agreed to by the Parties in writing (each a "Renewal Option").

4.2 Exercise of Option. If Queen Creek elects to exercise a Renewal Option, Queen Creek shall provide County with written notice no later than the date which is at least one-hundred eighty (180) days prior to the then scheduled expiration of this Agreement.

5. **Permitted Use; Property Usage**.

5.1 Utilities and Maintenance of Property. County, at its sole cost and expense, shall be responsible for (1) all utilities service to the Justice Court; (2) provision of janitorial services to the Justice Court; and (3) providing all maintenance of the Justice Court, including, but not limited to, maintaining the structure in good repair and correcting any hazardous conditions existing as a result of any structural defect or unsoundness. The term "structure" as used herein includes walls, roofs, floors, foundations, stairways, exterior sidewalks, and all electrical, plumbing, heating and air conditioning systems and equipment.

5.2 Compliance with Laws. The Parties agree to comply with all federal, state, and local statutes, laws, ordinances, rules, and regulations which relate to their use of the Justice Court.

6. **Insurance**. County and Queen Creek acknowledge and agree that the Parties to this Agreement are each self-insured. During the entire time that this Agreement is in force, each Party, at its sole cost and expense, shall carry and maintain levels of Commercial General Liability, Automobile Liability, Worker's Compensation insurance, Property, and Environmental/Pollution Insurance coverages that are considered standard for the Property and Permitted Use.

7. **Indemnification**. Each Party (as "indemnitor") agrees to indemnify, defend, and hold harmless the other Party (as "indemnitee") from and against any and all claims, losses, liability, costs, or expenses (including reasonable attorney's fees) (hereinafter collectively referred to as "claims") arising out of the negligent

performance of this Agreement, but only to the extent that such claims which result in vicarious/derivative liability to the indemnitee are caused by the act, omission, negligence, misconduct, or fault of the indemnitor, its officers, officials, agents, employees, or volunteers.

8. **Nondiscrimination**. Parties agree to comply with all provisions and requirements of Arizona Executive Order 2009-09 as well as all other applicable State, Federal, and local employment laws, rules and regulations, including the Americans with Disabilities Act. Executive Order 2009-09 supersedes Executive Order 99-4 and amends Executive Order 75-5 and is hereby incorporated into this Agreement as if set forth in full herein. During the performance of this Agreement, Parties shall not discriminate against any person in any way because of that person's age, race, creed, color, religion, sex, disability, or national origin.

9. **E-verify**. All Parties shall comply with ARS § 23-214, which requires verification of employment through the e-verify program, provides economic development incentives for those that comply, and requires a list to be provided quarterly to the United States SOS listing those employers who have adhered to the requirement.

10. **Conflicts; Termination**.

10.1 Conflicts. As prescribed by ARS § 38-511, either Party may cancel this Agreement after its execution and without penalty or further obligation if any person significantly involved in initiating, negotiating, securing, drafting or creating this Agreement on behalf of either Party is, at any time while the Agreement or any extension thereof is in effect, an employee or agent of either Party to the Agreement in any capacity or a consultant to any Party to the Agreement with respect to the subject of this Agreement. In the event either Party elects to exercise its right under ARS § 38-511, the Party agrees to give notice thereof immediately in writing to the other Party.

10.2 Non-Appropriation. This Agreement may be terminated by any Party at the end of any fiscal year due to non-appropriation of funds without any penalty or liability to the other Party.

10.3 General Termination. Either Party may terminate this Agreement at any time for any reason by giving the other Party a minimum of thirty (30) days prior written notice, delivered by personal delivery or by certified mail to the

persons at the address designated each Party in Section 19. The Parties may also terminate this Agreement at any time by mutual written agreement.

11. **Default**.

11.1. Each of the terms in this Agreement is considered material and failure to perform any of them shall constitute a breach of this Agreement. Either Party shall have the right to terminate this Agreement if the other Party does not, within thirty (30) days of receipt of a written notice thereof, cure any terms in default. Notwithstanding the foregoing, if the nature of the breach cannot be cured within this said thirty (30) day period, the noticing Party shall not have the right to terminate this Agreement if the other Party commences the cure within the thirty (30) day period and diligently pursues the cure to completion thereafter.

11.2 Neither Party shall be considered to be in default in the performance of any of the obligations hereunder, other than obligations to either party to pay costs and expenses, if failure of performance shall be due to an uncontrollable force. The term "uncontrollable force" shall mean any cause beyond the control of the Party affected, including but not limited to failure of facilities, flood, earthquake, tornado, storm, fire, lightning, epidemic, war, riot, civil disturbance or disobedience, labor dispute, and action or non-action by or failure to obtain the necessary authorizations or approvals from any governmental agency or authority or the electorate, labor or material shortage, sabotage and restraint by court order or public authority, which by exercise of due diligence it shall be unable to overcome. Nothing contained herein shall be construed so as to require either Party to settle any strike of labor dispute in which it may be involved. Either Party rendered unable to fulfill an obligation by reason of an uncontrollable force shall exercise due diligence to remove such inability with all reasonable dispatch. If either Party claims its failure to perform was due to an uncontrollable force, that Party shall bear the burden of proof that such activity was within the meaning and intent of this section, if such claim is disputed by either Party.

12. **Disputes**. The laws of the State of Arizona shall govern the construction and interpretation of this Agreement. The Parties agree that the venue for any claim arising out of any or in any way related to this Agreement shall be Maricopa County, Arizona.

12.1 Disputes arising from this Agreement shall be subject to arbitration as may be required by ARS § 12-1518. A notice of dispute must be provided in writing to the other Parties and provide a summary of the issue that is the subject of the dispute.

12.2 The Parties shall confer within thirty (30) days of receipt of a notice of dispute to resolve the dispute and/or decide, within ten (10) days after conferring, on a mutually acceptable arbiter. If a mutually acceptable arbiter cannot be agreed upon with thirty (30) days after conferring, that Parties agree that each Party shall name one (1) arbiter and those two (2) arbiters shall select a third arbiter. Any decisions made shall be made by a majority of the panel of three (3) arbiters.

12.3 If any Party decides to proceed to arbitration in lieu of terminating, this Agreement, arbitration shall be binding. The cost of any arbitration shall be shared equally by the Parties.

13. The Parties agree that each Party retains ownership of its Data, and that the County retains ownership of Data shared with the other Party. Neither Party may release, store, sage, disseminate or otherwise use Data in any manner or form without the permission of the other Party.

14. The Parties agree that each Party is responsible for safely maintaining the integrity and confidentiality of the other Party's Data received or under its control as a result of the Agreement. Each Party will immediately notify the other Party upon discovery of a breach of the Data, and will work cooperatively with the other Party to terminate, minimize, and resolve the breach.

15. Notwithstanding any other provision of this Agreement to the contrary, the Parties acknowledge that they are subject to ARS § 39-121 through 39-129 regarding public records. Any provision regarding confidentiality is limited to the extent necessary to comply with the provisions of Arizona law.

16. This Agreement does not imply authority to perform any tasks, or acceptance of responsibility, not expressly stated in this Agreement. This Agreement does not create a duty or responsibility unless the intention to do so is clearly and unambiguously stated in the Agreement.

17. Sections and other headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement.

18. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original but all of which together shall constitute the same instrument. E-signed, faxed, copied, and scanned signatures are acceptable as original signatures.

19. **Notice Addresses**.

19.1 All notices herein required to be given in writing shall be sent:

To County:

Prior to 10/1/2026
Justice Court Administration
Maricopa County
222 N. Central Ave, Ste 201
Phoenix, AZ 85004

After 10/1/2026
Justice Court Administration
Maricopa County
111 S 3rd Ave., Suite XXX
Phoenix, AZ 85003

With a copy to:

Maricopa County Real Estate Department
Attn: Director
2801 W. Durango Street
Phoenix, AZ 85009

To Queen Creek:

Town Manager
Town of Queen Creek
22350 S. Ellsworth Road
Queen Creek, AZ 85142

With a copy to:

Town Attorney
Town of Queen Creek

22350 S. Ellsworth Road
Queen Creek, AZ 85142

19.2 Notice Requirements. All notices required or permitted by this Agreement or applicable law shall be in writing and may be delivered in person (by hand or by courier) or may be sent by first class, certified mail or US Postal Service Express Mail, with postage prepaid, and shall be deemed sufficiently given if served in a manner specified in this section. The addresses specified in this section shall be that Party's address for delivery or mailing of notices. Any Party may, by written notice to the others, specify a different address for notice.

19.3 Date of Notice. Any notice sent by certified mail, return receipt requested, shall be deemed given on the date of delivery shown on the receipt card, or if no delivery date is shown, the postmark thereon. If sent by first class mail, the notices shall be deemed given 72 hours after the same is addressed as required herein and mailed with postage prepaid. Notices delivered by USPS Express Mail or overnight courier that guarantee next day deliver shall be deemed given 24 hours after delivery of the same to the Postal Service or courier.

20. Any amendments, including all requests for additional services, shall be in writing and signed by all Parties to this Agreement.

21. This document is the complete and exclusive statement of understanding between the Parties, and it supersedes all proposals, oral or written, and all other documents or communications between the parties relative to the subject matter herein covered, unless such documents or communications are specifically included by reference.

IN WITNESS WHEREOF the Parties hereto have caused these presents to be executed on the date last written below:

MARICOPA COUNTY

_____

Chair, Maricopa County
Board of Supervisors

_____

Attest: Maricopa County Clerk of
Board of Supervisors

TOWN OF QUEEN CREEK

_____

Mayor of the Town of Queen Creek

_____

Attest: Town of Queen Creek Clerk

This agreement shall be recorded and filed with the Maricopa County Clerk of the Board pursuant to ARS § 11-952(G).

Approved as to form and within the power and authority granted to the Parties by the law of Arizona:

_____

Maricopa County,
Deputy County Attorney

_____

Town of Queen Creek,
Town Attorney

Reviewed and approved in accordance with ARS § 11-952(J):

_____

Hon. Pamela Gates, Presiding Judge of the Superior Court,
Judicial Branch, Maricopa County

TOWN OF QUEEN CREEK ARIZONA

**TO:** **HONORABLE MAYOR AND TOWN COUNCIL**

**FROM:** **BRUCE GARDNER, TOWN MANAGER, CLIFFORD MATTICE , TOWN ATTORNEY**

**RE:** **CONSIDERATION AND POSSIBLE APPROVAL OF THE INTERGOVERNMENTAL AGREEMENT WITH MARICOPA COUNTY REGARDING DETENTION SERVICES BETWEEN THE TOWN OF QUEEN CREEK AND MARICOPA COUNTY SHERIFF'S OFFICE.**

**DATE:** **November 18, 2026**

---

**Suggested Action:**

Motion to approve the Intergovernmental Agreement with Maricopa County regarding court services between the Town of Queen Creek and Maricopa County Sheriff's Office.

**Relevant Council Goal(s):**

Strategic Priority: Effective Government

- Good Governance: Realizing the Council's vision through responsible stewardship of public resources and ensuring high-quality services for residents
- Good Governance: Cultivate relationships with the state, counties, local, regional and statewide partners: encourage other levels of government to work collaboratively with the Town on issues of mutual interest.

**Discussion:**

In 2025, staff from the Office of the Presiding Judge of the Maricopa County Superior Court approached the Town to discuss a resolution addressing the time and costs associated with the San Tan Justice Court's administration of the Town's code violations and citations. Through these discussions, the Town worked with the Court to explore extending the existing intergovernmental agreement (IGA) into the new fiscal year beginning in July 2026, with the understanding that the Town would assume the costs associated with these services. Unfortunately, at its May 6, 2026, meeting, the Maricopa County Board of Supervisors elected to terminate the existing IGA rather than extend it. This decision was based on increasing judicial productivity demands and limited resources available at the San Tan Justice Court to continue handling these types of cases.

Additionally, during the public hearing and discussion regarding the Town's agreement, the Board of Supervisors directed the Town of Queen Creek to consider establishing its own municipal court and to work with the County Manager's Office and the Office of the Presiding Judge on a potential transition plan. When asked by one of the Supervisors when the Town anticipated establishing its own court, I indicated that, based on the initial master planning for the Town's law enforcement programs, the Town had not anticipated developing a municipal court until approximately 10 years after the establishment of its Police Department. This would place the potential development of a court outside the Town's current five-year planning horizon, with an anticipated timeframe of approximately 2033.

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timing is appropriate, that there is sufficient organizational and community support, and that the necessary funding is available. During my tenure with the Town, this approach has guided the establishment of the Fire Department, Utilities Department, Police Department, and, most recently, the Town Attorney's Office.

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If approved by the Town Council, Maricopa County intends to present the draft agreements to the Board of Supervisors at its December 9, 2026, meeting for consideration and possible approval.

It is also important to note that, following the County's decision to terminate the original agreement, the Town needed to identify an alternative court to process its code violations and citations. The Town Manager's Office worked with the Town of Gilbert to establish an interim arrangement for handling these cases, building upon the Town's existing relationship and similar agreement with the Gilbert Municipal Court. The Town of Gilbert has graciously agreed to continue processing Queen Creek's code enforcement cases until further notice, ensuring continuity of service while the Town works toward a longer-term solution.

**Fiscal Impact:**

As per the San Tan Justice Court Agreement, Queen Creek shall reimburse, as a Service Reimbursement, Maricopa County for its proportionate share of the total annual minutes for processing Eligible Filings after applying a case weight to the total number of civil traffic, criminal traffic, misdemeanor and Code cases in the Justice Court. Queen Creek's proportionate share shall be based on the percentage of such violations processed by the San Tan Justice Court that are attributable to Queen Creek, which, as of the Effective Date of this Agreement, is 23.09% (the "Percentage of Cases"). Queen Creek's allocation of costs will be reviewed and updated accordingly on an annual basis.

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It is estimated that the annualized fiscal impact for these services will be $500,000 - $600,000 for the court services, and approximately $175,000 - $225,000 for the detention services. The Town Manager's office has worked with the Budget Director to ensure that these costs are absorbed for the remainder prorated amount of the fiscal year, and an approximate budgeted amount will be included in the following year's budgets for these costs.

**Alternatives:**

Alternative motion is to direct the staff to include in the FY 27-28 budget an alternative detention services agreement with an adjacent municipality. This will be difficult as the nearest alternative detention facility with the Town of Gilbert is not available.

**Attachment(s):**

1. Final Draft - IGA_for_County_Detention_Services_Queen Creek.pdf

INTERGOVERNMENTAL AGREEMENT

FOR COUNTY DETENTION SERVICES

Between

MARICOPA COUNTY

ON BEHALF OF THE MARICOPA COUNTY SHERIFF'S OFFICE

AND

TOWN OF QUEEN CREEK

C-50-26-____-____-____

## PREAMBLE

This Intergovernmental Agreement ("Agreement") is made and entered into this _____ day of _____, by and between Maricopa County, a political subdivision of the State of Arizona, acting by and through its Board of Supervisors ("Maricopa County" or "County") on behalf of the Maricopa County Sheriff's Office ("MCSO") and Town of Queen Creek ("Municipality") (collectively, the "Parties").

## RECITALS

**WHEREAS,** pursuant to A.R.S. § 31-121 it is the duty of the Maricopa County Sheriff to receive and provide for prisoners and County owns detention facilities ("County Jail") for housing persons ("Inmates") who have been committed to jail by competent authority; and

**WHEREAS,** County, through the Maricopa County Sheriff ("County Sheriff"), provides Inmates with necessary housing, food, clothing and bedding; and

**WHEREAS,** pursuant to A.R.S. § 31-121(D), Municipality is responsible for the costs of incarceration of the following persons: (1) a person who is arrested by a peace officer employed by Municipality and who is charged in the municipal court and housed in the County Jail; and (2) a person who is convicted in the municipal court and sentenced to the County Jail (collectively, "Municipal Inmates"), and

**WHEREAS,** Municipality does not have a municipal court, rather has their cases adjudicated through the Maricopa County Justice Court system. Municipality is nonetheless willing to pay for services and costs relating to the incarceration of Municipal Inmates in the County Jail, and

**WHEREAS,** County and Municipality desire to enter into an intergovernmental agreement with one another to contract for services and payment of costs relating to the incarceration of Municipal Inmates in the County Jail, and

**WHEREAS,** County and Municipality are authorized to enter into this Agreement pursuant to A.R.S. §§ 11-951 *et seq.* and 31-121.

**NOW, THEREFORE,** in consideration of the mutual performance of services by County and payment by Municipality as set forth herein, Maricopa County and Municipality agree as follows:

## AGREEMENT

1. **Authority**

The above Recitals are incorporated into this Agreement and all rights and obligations of the Parties shall be governed by the terms of this Agreement.

2. **Definitions**

As used throughout this Agreement, defined and capitalized terms set out in the body of this Agreement are synonymous with the definitions set out in this section. Ambiguity as to a defined term in the body of this Agreement shall be resolved in favor of the definition of the term below.

2.1. **Agreement** means this document and all exhibits, attachments and appendices, including all subcontracts or amendments, attached hereto.

2.2. **Municipal Inmate** means a person arrested in Queen Creek and booked into a County Jail pursuant to A.R.S. § 31-121(D) and charged in the San Tan Justice Court, which, jurisdictionally, could have been charged in the municipality's court if such court existed, or sentenced to the County Jail by the San Tan Justice Court if such sentence could have been jurisdictionally ordered by the Queen Creek court if such court existed. Municipal Inmate does not include a person arrested for and charged in Superior Court, irrespective of whether a municipal warrant is outstanding for that person.

2.2.1 **Designated Class 6 Felonies** are for the limited purpose of this Agreement only, all offenses designated as misdemeanors pursuant to A.R.S. § 13-604 and deferred to Municipality for prosecution in Municipality's Court. Inmates with Designated Class 6 Felonies are ***not*** considered a Municipal Inmate for purposes of this Agreement and therefore will ***not*** be a Municipal Cost or charge that is a responsibility of Municipality.

2.3. **Correctional Health Services ("CHS")** means the Maricopa County department that provides Health Care Services to Inmates in the County Jails. As used in this Agreement "CHS" includes and incorporates any successor, assign, employees, contractor, subcontractor, designee or County budgetary unit performing any or all of the duties of CHS.

2.4. **County** means Maricopa County, a political subdivision of the State of Arizona.

2.5. **County Jail or Jails** means all facilities under the control or supervision of Maricopa County, or the County Sheriff, and whose primary purpose is to incarcerate persons.

2.6. **County Sheriff or MCSO** means the Maricopa County Sheriff's Office and those activities and facilities for which it has legal responsibility.

2.7. **First Day Booking/Processing Rate** is a rate for the initial first calendar day of booking and receiving a Municipality's Inmate into jail and is based upon a rate established by the Maricopa County Board of Supervisors. The First Day rate includes health care services, where applicable, provided to a Municipal Inmate, including services provided in a County Jail or by any other health care provider.

2.8. **Health Care Services** include medically necessary medical and mental health services provided to a Municipal Inmate, where applicable.

2.9. **Housing Per Diem Rate** is a rate established by the Maricopa County Board of

Supervisors that is charged for incarcerating and maintaining a Municipal Inmate in a County Jail housing unit beginning the calendar day immediately following the calendar day on which the individual was booked into the County Jail. The final day of incarceration shall not be included in the Housing Per Diem Rate invoice. The Per Diem rate includes health care services, where applicable, provided to a Municipal Inmate, including services provided in a County Jail or by any other health care provider.

2.10. **Municipality** means the City or Town that is a signatory to this Agreement.

2.10 **Municipal Cost** means any costs the Municipality is responsible to pay for Municipal Inmates.

2.11. **Municipal Credit** is a credit against the cost of incarceration pursuant to Section 4.5 below.

3. **Term of Agreement**

This Agreement shall become effective ("Effective Date") upon the last signature to this agreement and shall have a term of five (5) years from the Effective Date. After the initial term, the Parties may extend the period of this Agreement for additional five year terms, or for such other period as may be agreed upon in writing.

**4. Compensation for County by Municipality**

4.1. **Setting of Rates. Housing Per Diem and First Day Booking/Processing.** The Maricopa County Board of Supervisors shall establish rates for the Housing Per Diem and First Day Booking/Processing as follows:

4.1.1. By December 1st of each year, Maricopa County will provide the preliminary detention inmate housing and booking rates to be effective July 1st of the following fiscal year.

4.1.2. By February 1st of each year, Maricopa County will provide the final detention inmate housing and booking rates to be effective July 1st of the following fiscal year.

4.1.3. In the event the Board does not establish such rate(s) as of July 1st, the rate(s) most recently established shall continue in effect until the Board of Supervisors establishes the new rates.

4.2. **First Day Booking/Processing Rate.** Municipality shall pay the County the prevailing First Day Booking/Processing Rate established by the Board of Supervisors, for the first calendar day of booking and processing each Municipal Inmate into the County Jail. Housing Per Diem Rate will not be charged for the Municipal Inmate's first day of incarceration.

4.3. **Housing Per Diem Rate.** Municipality shall pay the County the prevailing Housing Per Diem Rate established by the Board of Supervisors, for each calendar day, or portion thereof, that a Municipal Inmate is housed in the County Jail, excluding the calendar day for which the Municipality is assessed the First Day Booking/Processing Rate and the final calendar day of incarceration (e.g., if a Municipal Inmate is booked into County Jail on Friday evening and released at noon the next day (Saturday) on bail or on his or her own recognizance, the Municipality shall pay County the First Day Booking/Processing Rate only, and exclude Saturday from the Housing Per Diem

Rate invoice because it is the final day of incarceration.)

4.4. **Second Conviction DUI.** For Municipal Inmates who are incarcerated for a second offense DUI conviction under A.R.S. §§ 28-1381 or 28-1382, the Municipality shall be charged fifty percent (50%) of the First Day Booking/Processing Rate and fifty percent (50%) of the Housing Per Diem Rate. The 50% is effective only once the inmate is convicted. Maricopa County has requested a legal review of this current practice and reserves the right to change this practice at any time.

4.5. **Limitation on Municipal Credits.** Municipality may obtain a "Municipal Credit" against a Municipal Cost for a Municipal Inmate who is subsequently charged in the Superior Court, for a felony arising from the booked charges.

4.5.1. In the event of a Municipal Inmate who is subsequently charged in the Superior Court for a felony arising from the booked charges, the Municipal Credit is effective from the date the felony charge is filed. The Municipal Credit is not retroactive to date of booking.

4.5.2. In the event of a Municipal Inmate who is subsequently charged with both a misdemeanor and felony arising from the booked charges, the Municipal Credit will be apportioned according to the Municipality producing satisfactory written documentation of any Municipal credit sought under this section, within ninety (90) days of the invoice date for the Municipal Inmate. County shall not reimburse any credit claimed by Municipality which is filed more than ninety (90) days after the invoice date.

4.6. **Copayment.** As authorized by law, County may charge Municipal Inmates a copayment for each health care service or prescription that is provided by Correctional Health Services. Municipality is not responsible for the Municipal Inmate's copayment. No inmate will be refused health care services for financial reasons.

4.7. **Pre-Incarceration Health Care Services.** Pre-booking and pre-incarceration health care services provided to Municipal Inmates (including those provided to a Municipal Inmate who self-surrenders, but requires medical, health and mental health services in order to be admitted to jail) are not the subject of this Agreement. Nothing in this Agreement is intended to create or provide any third party rights or third party beneficiary rights.

4.8. **Third Party Liability.** This Agreement shall not relieve any responsible third party of liability for health care services, including the Municipal Inmate.

5. **Invoicing**

5.1. **Municipality's Duty to Track Municipal Inmates by Booking Number.** The Parties shall minimize problems in tracking or identifying a Municipal Inmate so that their staff will not perform unnecessary research concerning the financial responsibility for the Municipal Inmate. The Parties acknowledge that the relevant data for tracking and identifying an Inmate is the MCSO Booking Number assigned to the Municipal Inmate by the Jail when the Municipal Inmate is fingerprinted and booked into the Jail. Therefore, the Parties shall, at a minimum, track each Municipal Inmate by MCSO Booking Number and shall refer to the MCSO Booking Number to confirm whether an Inmate in the County's invoice is a Municipal Inmate.

5.2. **Invoicing for Amounts Due.** MCSO will invoice Municipality monthly for all Municipal

Costs due to County per Section 4 of this Agreement. Municipality shall pay County's invoiced charges within forty five (45) days of the invoice date.

5.3. County may terminate this Agreement pursuant to Section 11, Termination, for failure or refusal by Municipality to pay any balance due under this Agreement. Notwithstanding termination, the Parties agree Municipal Costs and Municipal Credits not in dispute will be paid. Costs and Credits in dispute will be addressed pursuant to Section 10 until such Costs and Credits are not in dispute, which at such time will be paid, accordingly.

5.4. **Invoicing Adjustments.** Municipality may request a credit or adjustment (i.e., a Municipal Credit) of any portion of an invoice that Municipality believes is in error, provided satisfactory written documentation is received within (90) days from the invoice date. Credits or adjustments that have not been requested in writing within the 90-day period shall be deemed waived, and an adjustment or credit will not be given.

## 6. Audit

The Parties must give thirty (30) calendar days prior written notice to each other prior to conducting an audit of records. The Parties agree that the ability to conduct audits survives the termination of this Agreement for up to three (3) years, consistent with the provisions in Records, Section 13.2.

## 7. Performance by Sheriff and County

7.1. **Performance by County Sheriff.** The County Sheriff shall receive Municipal Inmates for booking, detention, and incarceration and determination of medical stability by CHS or the County Sheriff at a booking facility. The County Sheriff is responsible for housing Municipal Inmates and for supervising County Jail personnel and officers and for other matters incidental to detention services.

7.2. **County Jail Regulations and Standard of Conduct.** Municipal Inmates will be, and are, subject to the same rules and regulations that govern all inmates in the County Jail.

7.3. **County Sheriff's Determination is Conclusive.** Notwithstanding anything to the contrary in this Agreement, the County Sheriff is solely responsible for housing Municipal Inmates and for supervising County Jail personnel and officers and for other matters incidental to the services provided under this Agreement. In the event of a dispute between the Parties as to the extent of the County Sheriff's duties and responsibilities under this Agreement, or the minimum level of care or acceptable manner of performance of such service, the determination made by the County Sheriff shall be final and conclusive, subject to Municipality's right to perform an audit of billings pursuant to Section 6 herein.

## 8. Performance by Municipality

The Municipality is responsible for the care and supervision of all arrestees while in a County booking facility until the booking process is complete and County jail personnel have accepted the arrestee.

9. **Medical and Health Care Information**

The Parties shall comply with any and all Federal and State laws (*i.e.*, the Health Insurance Portability and Accountability Act ("HIPAA")), rules and regulations regarding the confidentiality of individual health information and health care records.

10. **Mandatory Alternative Dispute Resolution**

The Parties to this Agreement agree to exercise commercially reasonable efforts to resolve any disputes that arise regarding the terms of this Agreement through informal settlement communications, with the goal of expedient, amicable resolution. If any dispute relating to this document cannot be resolved expediently on an informal level, then the parties will resolve the dispute according to a process that is reasonably similar to, as agreed to by the Parties, the arbitration provisions in A.R.S. §12-1501 et. seq. and Rules 72 through 77, Arizona Rules of Civil Procedure.

11. **Termination**

Either Party may terminate this Agreement, in whole or in part, as follows:

11.1. Upon delivery of a written notice of termination to the other Party not less than one hundred eighty (180) calendar days prior to the termination date.

11.2. Upon one Party's default of the material terms, including financial terms, of this Agreement and failure to cure the default within sixty (60) calendar days of a written notice of default served on behalf of the non-defaulting Party as provided in this Agreement.

11.3. The Parties shall continue to perform their respective obligations until the Agreement has terminated.

12. **Insurance and Indemnity**

12.1. Nothing in this Agreement shall be construed as consent to any suit or waiver of any defense in a suit brought in any state or federal court against either Party.

12.2. The Parties will secure and maintain adequate insurance coverage (including but not limited to public entity insurance) for any and all risks that may arise under this Agreement. The Parties may fulfill this insurance obligation by acquiring commercial insurance or by maintaining and operating a self-insurance program. Upon request, the Parties shall exchange certificates of insurance or self-insurance. Each Party acknowledges and affirms that it has appropriate and adequate insurance coverage for its official operations, duties and activities, and that it will maintain such coverage, at is own expense, for the duration of the Agreement. In addition to any insurance coverage required by this Agreement, each party agrees that it will be solely responsible for and will assume sole liability for its employees', agents' and officials' acts or omissions of any kind while performing any service or activity under this Agreement. In the event that a claim is made against any party for acts or omissions of any of its employees, agents or officials, it is the intent of the parties to cooperate fully in the defense of said claim and to cause their insurers to do likewise, to the extent practicable.

12.3. Each Party (as "Indemnitor") agrees to indemnify, defend and hold harmless the other

Party (as the "Indemnitee") from and against any and all claims, losses, liability, costs or expenses (including reasonable attorney's fees) (hereinafter collectively referred to as "Claims") arising out of bodily injury of any person (including death) or property damage, but only to the extent that such Claims which result in vicarious/derivative liability to the Indemnitee are caused by the act, omission, negligence, misconduct or other fault of the Indemnitor, its officers, agents, officials, employees or volunteers. This general indemnity shall extend to the fullest extent permitted by law. If any such injury, damage or death shall arise in part, but not in whole, out of both Parties' negligence, then contribution rights shall apply in accordance with applicable Arizona law.

12.4 The obligations under this Section shall survive the termination or expiration of this Agreement.

13. **Miscellaneous**

13.1. **Integration.** This Agreement contains all the terms and conditions agreed to by the Parties. No other understanding, oral or otherwise, regarding the subject matter of this Agreement shall be deemed to exist or to bind any of the Parties hereto. Any change, modification or extension of this Agreement must be in the form of a written amendment and signed by the Parties.

13.2. **Records.** Except for medical information and health care records governed by Federal and State laws (*i.e.*, HIPAA), the Parties shall maintain and upon request furnish to each other such records and documents pertaining to the services provided pursuant to this Agreement for a period of three (3) years after the end of the fiscal year in which such records or documents are created or received. Such retention complies with Arizona State Library, Archives and Public Records (AZLAPR) General Record Retention Schedule for all Public Bodies related to Finance Records.

13.3. **Non-Discrimination and Equal Employment Opportunity.** Each Party shall not discriminate against anyone because of race, age, disability, color, religion, gender or national origin and will take action to insure that applicants are employed and that employees are treated fairly during employment without regard to their race, age, disability, color, religion, gender or national origin. Such action shall include, but not be limited to, the following: employment, upgrading, demotion or transfer, recruitment or recruitment advertising, lay-off or termination, rates of pay or other forms of compensation, and selection for training, including apprenticeship. The Parties shall comply with applicable federal, state or local laws or regulations that mandate equal access for all persons to employment opportunities. Such applicable laws and regulations include the following: Title VI and VII of the Federal Civil Rights Act; the Federal Rehabilitation Act; the Age Discrimination in Employment Act; The Immigration Reform and Control Act of 1986 (IRCA); The Americans with Disabilities Act; the Legal Arizona Workers Act and Arizona Executive Order 99-4.

13.4 **Forced Labor of Ethnic Uyghurs.** To the extent applicable under A.R.S. § 35-394, the parties warrant and certify that they do not currently, and agree that they will not use for the duration of this Agreement the forced labor, any goods or services produced by the forced labor, or any contractors, subcontractors, or suppliers that use the forced labor or any goods or services produced by the forced labor of ethnic Uyghurs in the People's Republic of China. If the parties become aware that they are not in

compliance with this paragraph, they shall notify the other party of the noncompliance within five business days of becoming aware of it. If the parties fail to provide a written certification that they have remedied the noncompliance within 180 days after that, this Agreement shall terminate unless the termination date of this Agreement occurs before the end of the remedy, in which case this Agreement terminates on its termination date.

13.5. **Notice.** Unless otherwise expressly provided herein, legal notice under this Agreement shall be given by personal delivery or by registered or certified mail to the addresses set forth below and shall be effective upon receipt by the Party to whom addressed unless a later effective date is indicated in said notice.

For Municipality:

Bruce Gardner
Town Manager
Town of Queen Creek
22358 S. Ellsworth Road
Queen Creek, AZ 85142

For Maricopa County:

Jen Pokorski
Maricopa County Manager
301 West Jefferson, 10th Floor
Phoenix, Arizona 85003

For Maricopa County Sheriff:

Jerry Sheridan, Sheriff
Maricopa County Sheriff's Office
550 W Jackson Street
Phoenix, Arizona 85003

13.6. **Time of the Essence.** Time is of the essence of this Agreement, all of the conditions set forth herein are material to the Agreement and a breach of any condition is a breach of the Agreement.

13.7. **Severability.** In the event competent authority finds that the law prohibits any term or provision of this Agreement, such a finding shall not render the remaining portions of this Agreement invalid or inoperative.

13.8 **No Waiver of Strict Compliance.** A Party's failure to insist in any one or more instances upon the other Party's full and complete performance of this Agreement or to take any action permitted as a result of such non-performance, shall not be construed as waiving or relinquishing the right to demand full and complete performance of the same or any other covenant or condition in the past or in the future.

13..9 **Accord and Satisfaction.** The acceptance by either Party of sums less than may be due and owing at any time shall not be construed as an accord and satisfaction.

13.10 **Applicable Law.** This Agreement shall be interpreted in accordance with Arizona law, and subject to A.R.S. § 38-511. Any litigation arising from the agreement, or the performance thereof, will be decided in the federal or state courts of Maricopa County unless otherwise agreed to between the Parties. The laws of the State of Arizona shall govern the construction and interpretation of this IGA. This Agreement is subject

to the provisions of A.R.S. § 12-1518 relating to the use of arbitration.

13.11 **Appropriations.** Every payment obligation of the Municipality under this Agreement is conditioned upon the availability of funds appropriated for payment of such obligation. Continuation of this Agreement after the close of the fiscal year of theMunicipality, which ends June 30 of each year, is subject to the approval of the budget of the Municipality providing an appropriation covering this item as an expenditure. The Municipality does not represent that such budget item will be actually adopted, as that determination is made by the Municipality's Council at the time of the adoption of the budget. If funds are not appropriated for the continuance of this Agreement, this Agreement may be terminated by the Municipality at the end of the period for which funds are available. No liability shall accrue to the Municipality in the event this provision is exercised, and the Municipality shall not be obligated or liable for any future payments or for any damages as a result of termination under this provision.

13.12 **Provisions Required by Law.** Each and every provision of law and any clause required by law to be in this Agreement will be read and enforced as though it were included herein and, if through mistake or otherwise any such provision is not inserted, or is not correctly inserted, then upon the application of either party, this Agreement will promptly be physically amended to make such insertion or correction.

13.13 **Signatures**. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original but all of which together shall constitute the same instrument. E-signed, faxed, copied and scanned signatures are acceptable as original signatures.

**IN WITNESS WHEREOF**, the Parties enter into this Agreement on the date set forth above.

**MARICOPA COUNTY**
**BOARD OF SUPERVISORS**

BY:_____
Kate Brophy McGee, Chair

ATTEST:

BY:_____
Juanita Garza, Clerk of the Board

Maricopa County Sheriff

BY:_____
Jerry Sheridan, Sheriff

**TOWN OF QUEEN CREEK**
**Bruce Gardner, Town Manager**

BY:_____
Bruce Gardner, Town Manager

ATTEST:

BY:_____
Maria Gonzalez, Town Clerk

This Agreement has been reviewed by the undersigned attorney, who has determined that it is in proper form and is within the power and authority granted under the laws of the State of Arizona, per A.R.S. §§ 11-951 *et.* seq.

MARICOPA COUNTY ATTORNEY

BY:_____
Deputy County Attorney

MUNICIPALITY'S ATTORNEY

BY:_____
Attorney for Municipality

TOWN OF QUEEN CREEK ARIZONA

**TO:** **HONORABLE MAYOR AND TOWN COUNCIL**

**THROUGH:** **BRUCE GARDNER, TOWN MANAGER**

**FROM:** **MARC SKOCYPEC, UTILITIES DIRECTOR**

**RE:** **CONSIDERATION AND ACTION ON A MEMORANDUM OF UNDERSTANDING BETWEEN THE TOWN OF QUEEN CREEK AND EPCOR WATER ARIZONA INC. RELATED TO REGIONAL COOPERATIVE PLANNING AND WATER RESOURCE MANAGEMENT AND FURTHER AUTHORIZING THE MAYOR/TOWN MANAGER AND TOWN ATTORNEY TO NEGOTIATE, MODIFY AND AMEND THE MEMORANDUM OF UNDERSTANDING CONSISTENT WITH ITS ORIGINAL INTENT.**

**DATE:** **November 18, 2026**

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**Suggested Action:**

Approve the Memorandum of Understanding between the Town of Queen Creek and EPCOR Water Arizona Inc. and further authorizing the Mayor / Town Manager and Town Attorney to negotiate, modify, & amend the memorandum of understanding consistent with its original intent.

**Relevant Council Goal(s):**

Secure Future: KRA Environment

**Discussion:**

The Utilities, Finance and Legal teams have been working with EPCOR on a process to collaboratively work through common interests regarding regional cooperative planning, capital investment planning and water resource management. The resulting proposed Memorandum of Agreement ("MOU") represents a culmination of that effort. While the MOU in and of itself does not represent a formal agreement between the parties, it does represent and states common interests and identifies a process through which the parties will pursue in good faith toward several future formal agreements between the parties.

The MOU covers many areas of common interest between the parties, including among many other things, the identification of the water resource impact of Town of Queen Creek water customers that are being served by the EPCOR wastewater system. Among other beneficial projects and opportunities, the MOU sets forth an expectation that the identified water resource issue will be resolved in a mutually beneficial manner between the parties.

Staff is recommending approval of the draft MOU and authorizing the Mayor / Town Manager and Town Attorney to negotiate, modify, amend, and sign the final MOU. While it is intended that the draft MOU under consideration is in its final form, this additional authorization will allow staff flexibility to incorporate any final changes in the MOU that do not materially deviate from the original intent.

Any subsequent agreements between the parties, as a result of this MOU, will require future consideration and approval of the Town Council, EPCOR, and possibly the Arizona Corporation Commission, as EPCOR is a regulated utility.

**Fiscal Impact:**

This fiscal impact of this MOU will vary, giving the subsequent agreements reached between the parties. Each future agreement will require separate Council consideration and include its own fiscal impact statement.

Given the specific water resource impact of an anticipated agreement related to the Town of Queen Creek water customers that are being served by the EPCOR wastewater system, Finance staff is recommending that those specific customers be included within the wastewater credit category of the Water Resource Fee implementation for calendar 2027. The Finance team recommends EPCOR wastewater customers receive the effluent credit on the Water Resource Fee. These credits range from 40% to 90%, depending on customer type: 40% for residential, 80% for multifamily and commercial/landscape, and 90% for commercial customers. Water-only accounts such as meters with a landscape classification are not eligible for an effluent credit as the Town does receive effluent credits for returned and recharged water from the Arizona Department of Water Resources and will pay the full fee based on billed water replenishment obligations. The residential effluent credit is capped at $36.59 per month for single-family accounts. The single-family cap is based on a maximum eligible monthly water consumption of 29,750 gallons, which maintains consistency with the Town's existing wastewater billing methodology and its 17,000-gallon sewer usage cap.

Future determinations of the applicable wastewater credit will be determined by the specific terms and conditions of a future agreement between the Town of Queen Creek and EPCOR. This recommended action includes no change to Queen Creek water customers on septic systems.

A more complete financial impact and analysis of this action will be included in a separate discussion with the Council on the status and related policy decisions on the Water Resource Fee.

**Attachment(s):**

1. Memo of Understanding - Queen Creek EPCOR Regional Planning and Cooperation - V2.pdf
2. Epcor MOU Presentation

MEMORANDUM OF UNDERSTANDING BETWEEN
THE TOWN OF QUEEN CREEK AND EPCOR WATER ARIZONA INC.
RELATED TO REGIONAL COOPERATIVE PLANNING, INCLUDING
CAPITAL INVESTMENT PLANNING
AND WATER RESOURCE MANAGEMENT

This Memorandum of Understanding ("MOU") is made and entered into by and between the Town of Queen Creek, Arizona, a municipal corporation of the State of Arizona ("Queen Creek" or "Town"), and EPCOR Water Arizona Inc., an Arizona corporation ("EPCOR"). The Town and EPCOR may be referred to in the MOU collectively as the "Parties" and each individually as a "Party".

RECITALS

A. EPCOR is a public service corporation (as defined in Article 15, Section 2 of the Arizona Constitution) and, as such, is regulated by the Arizona Corporation Commission (the "Commission"). EPCOR holds Certificates of Convenience and Necessity (each a "CCN" and collectively the "CCNs") granted by the Commission which authorize EPCOR to provide water and wastewater utility, including to areas in Pinal County and the Town of San Tan Valley.

B. Queen Creek is authorized by statute to acquire, construct and renovate public utility infrastructure pursuant to A.R.S. § 9-511 *et seq*. and provides water and wastewater service both within and outside of its incorporated boundaries. The Parties are two of the major water and wastewater providers in the East Valley, including the Towns of Queen Creek and San Tan Valley, and unincorporated Pinal County, Arizona (the "East Valley") and where each Party's utility service territory is adjacent to that of the other Party's service territory in several areas.

C. The East Valley has seen unprecedented growth that has introduced new challenges to both infrastructure planning and management of water resources. In particular, the recent and rapid increases in the cost of infrastructure have placed burdens on both parties in terms of providing safe and reliable service in a cost-effective manner.

D. Continued cooperative regional planning for and provision of service to areas currently served and to be served upon development by the Parties, including a holistic approach to both water resources management and capital investment planning, is in the public interest of the Parties and the customers they currently serve as well as future customers throughout the East Valley. Further, such cooperation will best ensure that capital investment and water management needs are met in the most cost-efficient manner practicable, include maximization of water resources through joint infrastructure projects where feasible.

E. EPCOR and the Town have a history of working cooperatively toward the efficient and

cost-effective delivery of water and wastewater utility service, including the Utility Services Exchange Agreement effective October 20, 2020 and as amended on December 15, 2021 (collectively the "Exchange Agreement") and the Wastewater System Interconnect Agreement dated October 21, 2020 (the "Interconnect Agreement").

F. The Interconnect Agreement provides for EPCOR (as the current owner and operator of the utility system assets formerly owned by Johnson Utilities, L.L.C.) to receive 80% Long-Term Storage credits derived from the underground storage activity of the Town, generated from the Delivered Wastewater (collectively the "Pecan LTSC's") as those terms are defined in the Interconnect Agreement. Currently, EPCOR is due to receive up to 1,100 acre-feet worth, through December 31, 2025, of Pecan LTSC's from Queen Creek per the Interconnect Agreement, and the amount of acre-feet owed to EPCOR will continue to accrue under the current arrangement.

G. The Parties seek to pursue alternative means by which to address the Pecan LTSC's currently due to EPCOR that avoids the need to have such LTSC's transferred to EPCOR as they otherwise would in accordance with the Interconnect Agreement.

H. The Parties also aspire through one or more agreements to have its respective water and wastewater customers treated equally as to the application of the Queen Creek Water Resource Fee Program as such program was described in the Stantec 2026 Water Utility Rate Study Report and regardless of whether such customers are Queen Creek water and wastewater customers, EPCOR water and wastewater customers, or are EPCOR wastewater customers and Queen Creek water customers.

NOW THEREFORE, in consideration of the mutual promises and obligations set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which the Parties acknowledge, the Parties hereto agree as follows:

AGREEMENTS

1. **Parties Desire to Work Cooperatively to Pursue Capital Investment Infrastructure Planning and Water Resource Management Projects.** Consistent with all applicable state, federal and local regulations and within a reasonable time after the MOU's Effective Date, EPCOR will meet and confer with the Town for good faith negotiations relating to the cooperative planning and joint development of infrastructure improvements and capital investments necessary for the provision of water and wastewater service to both EPCOR current and future customers, as well as Queen Creek current and future customers. The Parties also agree to enter into good faith negotiations relating to regional water resource management with the goal to ensure that both Parties have the necessary resources, whether through wet water or monetary transactions, by which to safely and reliably provide water service to their respective customers. This may include the conveyance of long-term storage credits ("LTSCs"). The negotiations may include discussions and agreements regarding one or more projects including but not

limited to the following.

1.1. Accelerated development of the Kenworthy and Meridian Underground Storage Facilities for recharge and storage of reclaimed water / effluent and for the creation of LTSCs as defined by and in accordance with Arizona Department of Water Resource ("ADWR") statutes and regulations – including the potential for joint ownership and operation of such facilities with both Parties sharing capacity in such facilities under a separate written agreement to be negotiated between the Parties, and to provide EPCOR additional locations by which to recharge and store reclaimed water / effluent and to obtain additional LTSCs.

1.2. Expansion of the Pecan Water Reclamation Facility ("Pecan WRF") owned and operated by EPCOR to allow for increased flows to be received and treated and/or to allow for increased recharge opportunities either at the Pecan WRF site or elsewhere.

1.3. Additional locations as needed to allow for treatment and recharge of wastewater from both EPCOR and Queen Creek wastewater treatment facilities with the goal of establishing long-term (i.e., more than 10 years) solutions for the treatment of wastewater and recharge of effluent.

1.4. Development of two water system interconnections between Queen Creek's water system and EPCOR's water system and location of one or more recovery wells for the recovery and utilization of treated reclaimed water and associated LTSCs for the provision of water service.

1.5. Other water resource management and capital investment and infrastructure projects as are developed between the Parties.

The Parties agree to work cooperatively toward negotiation of definitive agreements in pursuit of one or more of the projects developed, should the Parties agree that such project(s) would cost-effectively provide safe and reliable utility service to their respective customer bases; but neither Party is obligated to pursue any particular project solely due to this MOU. Should the Parties pursue any capital investment projects in furtherance of this MOU, such projects must be agreed to in such a way that EPCOR is able to place such projects in rate base, in that they will be used and useful and placed in service so that EPCOR can receive both a return of and a return on such projects. The scope and purpose of this MOU is that the Parties agree to work cooperatively in the pursuit of one or more projects but not to definitively establish what those particular projects should be at this time. The Parties also agree that, to the extent necessary, to modify any existing agreements between them in order to implement any projects the Parties agree are worth pursuing and to enter into any definitive agreements necessary to implement such projects. Such pursuits and agreements will be independent of and

regardless as to whether EPCOR is both the water and wastewater provider, Queen Creek is both the water and wastewater provider, or whether Queen Creek is the water provider and EPCOR the wastewater provider for current and future customers, with the goal being that each Party remains whole as to its water resource portfolio, and that customers receive safe and reliable service at the lowest cost practicable.

2. **The Parties Desire to Address the Differentials Created by the Interconnect Agreement as to the Pecan LTSCs.** EPCOR agrees, as part of this MOU, to temporarily forego obtaining the 80% of Pecan LTSC's that EPCOR would otherwise receive under the Interconnect Agreement while the Parties work to develop and advance one or more of the projects set forth in Section 1 of this MOU. Further, the Parties agree that, pending the development of one or more of the projects, and provided that such projects provide for a feasible and practicable means to satisfactorily address the capital investment and infrastructure planning challenges, and water resource management goals to the mutual satisfaction of both EPCOR and Queen Creek, the Parties agree to consider amending and updating the Interconnect Agreement to the extent necessary to address and/or reconcile the differential created in the Interconnect Agreement as to the Pecan LTSCs as defined in the Interconnect Agreement and if a suitable alternative can be negotiated that provides EPCOR the equivalent value to such Pecan LTSCs that it may forego. The Parties agree to pursue other necessary actions as needed, including modification of any other agreements, to implement changes to addressing and/or reconciling any differentials on an ongoing basis as they pertain to the Pecan LTSCs to the mutual satisfaction of both Parties.

   2.1 Such reconciliation could include development of a methodology by which EPCOR would convey and/or transfer some or all of its Pecan LTSCs accumulated over the course of the treatment of Delivered Wastewater per the Interconnect Agreement in consideration for assets of an equivalent value to such Pecan LTSCs that EPCOR would forego, which could be derived from one or more projects contemplated in Section 1 of this Agreement.

   2.2 Notwithstanding any other provision of, or limitation to, this MOU to the contrary, the Parties agree to negotiate in good faith with the goal of entering into a wastewater credit program agreement for those customers located outside the Queen Creek wastewater boundaries to address the billing credits that will be applied by Queen Creek to Queen Creek water accounts where EPCOR is the wastewater service provider. Such agreement will result in the billing credits applying to all Queen Creek water customer accounts who are EPCOR wastewater customers, in the same manner as those Queen Creek water customers who are also Queen Creek wastewater customers. These billing credits will be applied by the Town against the Water Resource fee starting January 27, 2027. The terms of the agreement will identify items including but not limited to (a) the eligible customers, (b) how the billing credit will be calculated and applied to Queen Creek's water customer bill, and (c) how and when the exchange of assets will occur from EPCOR to Queen Creek; but such agreement must also include

terms and conditions that assure that both EPCOR's water resource portfolio and Queen Creek's water resource portfolio remain whole, including from any projects listed in Section 1 that are placed into commercial operation. Both Parties agree to complete this agreement by June 30, 2027, provided that each Party's concerns have been addressed in its reasonable discretion; neither Party is obligated to enter into any such agreement should it reasonably believe that its concerns have not been satisfactorily addressed.

3. **Good Faith and Best Efforts Required.** In performing their respective obligations under this MOU, EPCOR and the Town shall act in good faith and use their best efforts to consider and resolve concerns expressed by the other Party regarding the regional planning and cooperation as set forth in this MOU. If a Party believes the other Party is not acting in good faith or using their best efforts, this matter may be resolved using the dispute resolution and enforcement process prescribed by Section 4 of this MOU.

4. **Dispute Resolution.** EPCOR and Town agree that all disputes, claims or controversies arising out of or in relation to the performance, interpretation, application , or enforcement of this MOU, including but not limited to a breach of the MOU (collectively, "dispute"), shall first be submitted to a qualified, neutral mediator who will work to achieve with the Parties a mutually acceptable resolution of the dispute, claim or controversy in the following manner, although the mediator is not empowered to impose a solution on the Parties:

   4.1 **Mediation Initiation Date; Costs; Selection of Mediator.** Either Party may commence mediation by providing the other Party a written request for mediation ("Initiation Date"), setting forth the subject of the dispute and the relief requested. The Town and EPCOR will share equally in the costs of mediation. The Parties will cooperate with one another in selecting a qualified mediator and in scheduling the mediation proceedings. In the event the Town and EPCOR are unable to agree on a mediator, the Parties will allow a qualified disinterested third Party to select the mediator.

   4.2 **Parties to Participate in Good Faith;** Statements in Mediation Protected. The Town and EPCOR agree to participate in the mediation in good faith. All offers, promises, conduct and statements, whether oral or written, made in the course of the mediation by any of the Parties, their agents, employees, experts and attorneys, and by the mediator or its employees , are confidential, privileged and inadmissible for any purpose, including impeachment, in any arbitration or other proceeding involving the Parties, provided that evidence that is otherwise admissible or discoverable shall not be rendered inadmissible or non-discoverable as a result of its use in the mediation.

   4.3 **Initiation of Litigation.** At no time prior to the Initiation Date shall either side initiate any action related to this MOU except to pursue a provisional remedy that is authorized by law or through an agreement of the Parties. However, this limitation

on initiation of litigation is inapplicable if the other Party refuses to participate in the process of the selection of a qualified mediator or in scheduling the mediation proceedings.

4.4 **Form of Relief Permitted.** EPCOR acknowledges and agrees that nothing in this MOU shall be construed to modify the discretion, police powers, and authority possessed by the Town under existing Arizona law. Additionally, the Parties expressly acknowledge and agree that by entering into this MOU, the Town does not subject itself, its operations, or its municipal utilities, to the jurisdiction, oversight, or regulation of the Arizona Corporation Commission.

5. **Term.** This MOU will be effective on the date it is fully executed by both Parties ("Effective Date") and will continue for a period of three (3) years unless it is, prior to the expiration of such period, extended or terminated by agreement of the Parties. Upon the expiration of the three (3) year term, this MOU shall be automatically renewed for a period of three (3) years and shall be automatically renewed for successive three (3) year periods thereafter. This MOU may be terminated only by mutual consent of the Parties. The Parties' decision to terminate the MOU must be in writing and signed by EPCOR and Town under the same formalities and authorities exercised by the Parties in entering into this MOU. Expiration or earlier termination will not relieve either Party from liabilities or costs already incurred under this MOU, nor affect ownership of property, which will remain owned by the Party in whose name it is titled.

6. **Indemnification.** To the fullest extent permitted by law, EPCOR (as "Indemnitor"), its successors, assigns and guarantors, agrees to pay, indemnify, defend and hold harmless the Town of Queen Creek, its Mayor, Council members, employees, agents, representatives and officials from and against any and all allegations, demands, proceedings, suits, actions, claims, damages, losses, expenses, liability, or cost (including reasonable attorney's fees) (hereinafter collectively referred to as "Claims") arising, directly or indirectly, wholly or partially, out of actions taken in performance of this MOU to the extent that such Claims are caused by the acts, omissions, negligence, misconduct, or other fault of the Indemnitor, its officers, officials, agents, employees, or volunteers. If a Claim or Claims by third Parties becomes subject to this Section, the governmental Parties to this MOU that are the subject of the Claim or Claims shall expeditiously meet to agree upon a common and mutual defense, including proportionate liability and proportionate payment of litigation fees, expenses and damages . The obligations under this Section shall survive the termination or expiration of this MOU.

7. **Notices.** Except as expressly provided for herein, any and all notices, filings, approvals, consents or other communications required or permitted by this MOU (collectively "Notices") shall be given either (1) in writing and (a) personally delivered or (b) sent by registered or certified mail, return receipt requested, postage prepaid, or (c) by nationally recognized overnight carrier with tracking information, or (2) by electronic means, with

receipt confirmed, addressed as follows:

If to EPCOR to:

EPCOR Water Arizona Inc.
Attn: Frank Metzler, Senior Director of Developer Services &
Water Resources
5656 W Talavi Blvd
Glendale, Arizona 85306
Phone: 623-445-2402
Email: fmetzler@epcor.com,

With a copy to EPCOR's Operations Director, San Tan Water and Wastewater Districts, Jacob Rogers by email at jrogers@epcor.com

And a copy to EPCOR's Legal Counsel, Jason Gellman by email at jgellman@epcor.com

If to the Town to:

Town of Queen Creek
Attn: Town Manager
22350 S. Ellsworth Road
Queen Creek, Arizona 85142

8. **Arizona Law and Venue.** The laws and regulations of the State of Arizona will govern the rights of the Parties, the performance of this MOU and any dispute. Any action relating to this MOU will be brought in a court in Maricopa County.

9. **Other Duties Imposed by Law.** Nothing in this MOU shall be construed as relieving the involved public agencies of any obligation or responsibility imposed on it by law. The Parties will comply with all federal, state and local laws, rules, regulations, standards, and Executive Orders.

10. **Recitals and Exhibits.** The Recitals set forth at the beginning of this MOU and the Exhibits referenced herein constitute material and operative provisions of this MOU and are fully incorporated by this reference and made a part of the MOU as if set forth fully herein.

11. **Interpretation.** EPCOR and Town have jointly negotiated this MOU and, thus, neither this MOU nor any provision will be interpreted for or against either Party on the basis that it or its attorney drafted the MOU or the provision at issue. Ambiguities, inconsistencies, or conflicts in this MOU will not be strictly construed against the drafter of the language but shall be resolved by applying the most reasonable interpretation

under the circumstances, giving full consideration of the Parties' intentions at the time this MOU becomes effective. Each Party hereto agrees that it has consulted with, or had ample opportunity to consult with, legal counsel of its own choosing concerning the terms of this MOU.

12. **Amendment.** This MOU may only be modified, amended, altered or changed by written agreement signed by the Parties.

13. **Conflict of Interest.** This MOU is subject to cancellation for conflict of interest pursuant to A.R.S. § 38-511, the pertinent provisions of which are incorporated herein by reference.

14. **Israel Boycotts.** To the extent required by law, the Parties hereby acknowledge and affirm that, pursuant to A.R.S. § 35-393 *et seq.,* each Party is not currently engaged in, and for the duration of this MOU will not engage in, a boycott of Israel.

15. **Legal Authority.** Neither Party warrants to the other its legal authority to enter into this MOU. If a court, at the request of a third person, should declare that either Party lacks authority to enter into this MOU, or any part of it, then the MOU, or parts of it affected by such order, will be null and void, and no recovery may be had by either Party against the other for lack of performance or otherwise.

16. **Counterparts.** This agreement may be executed in two or more counterparts, each of which shall be deemed original, but all of which together shall constitute one and the same instrument. The signature pages from one or more counterparts may be removed from such counterparts and attached to a single instrument.

17. **No Third-Party Beneficiaries.** Nothing in this MOU is intended to create duties or obligations to or rights to third Parties not Parties to this MOU or affect the legal liability of either Party to the MOU by imposing any standard of care with respect to the maintenance of public facilities different from the standard of care imposed by law.

18. **Severability.** If any provision of this MOU, or any application of a provision to the Parties or any person or circumstances, is found by a court to be invalid, that invalidity will not affect other provisions or application of this MOU that can be given effect without the invalid provision or application.

19. **Preservation of State-Shared Revenues.** Notwithstanding any other provision of, or limitation in, this MOU to the contrary, if pursuant to A.R.S. § 41-194.01 the Attorney General determines that this MOU violates any provision of state law or the Constitution of Arizona (including but not limited to A.R.S. § 42-6201 *et seq.)* in such a manner that results in the Town losing its portion of shared revenue from the State of Arizona, the Parties shall use all and best faith efforts to modify this MOU so as to fulfill each Party's rights and obligations in the MOU while resolving the violation with the Attorney

General. If within thirty (30) days of notice from the Attorney General pursuant to and under the provisions of A.R S. § 41-194.01(B)(l), the Parties cannot agree to modify this MOU so as to resolve the violation with the Attorney General, the provisions of this MOU that caused such violation shall be ineffective to the extent of such violation, but the remaining provisions of this MOU shall remain in full force and effect. Additionally, if the Attorney General determines that this MOU may violate a provision of state law or the Constitution of Arizona under A.R.S. § 41-194.01(B)(2), and the Arizona Supreme Court requires the posting of a bond under A.R.S. § 41-194.01(B)(2), the Parties shall have the option to post such bond or terminate this MOU. In the event of such termination, the Parties shall have no further rights, interests, or obligations under this Amendment or claim against the other Party for a breach or default under this MOU.

20. **Entire MOU.** This document, and any exhibits attached to it, constitutes the entire agreement between the Parties pertaining to the subject matter addressed, and all prior or contemporaneous agreements and understandings, oral or written, are superseded and merged into this MOU.

*[Signatures on following pages.]*

By:_____ Date: _____
Mayor

ATTEST

By:_____ Date: _____
Clerk of the Town

APPROVED AS TO FORM

**Town of Queen Creek, a municipal corporation**

By:_____ Date: _____
Town Attorney

By:_____ Date: _____
Group Vice President Operations

APPROVED AS TO FORM

**EPCOR Water Arizona Inc., an Arizona Corporation**

By:_____ Date: _____
U.S. Legal Counsel

# EPCOR MOU KEY ELEMENTS

- Work Cooperatively - Capital Investment Infrastructure Planning & Water Resource Management Projects
  - Kenworthy and Meridian Underground Storage Facilities
  - Expansion of the Pecan Water Reclamation Facility
  - Water System Interconnects / Redundancy
  - Other Water Resource Management & Capital Projects
- Address Historically Created Water Resource Differentials
- Good Faith and Best Efforts

# EPCOR MOU IMMEDIATE BENEFITS

- Creates an Opportunity to Create a Separate Agreement for the “EPCOR Wastewater Credit” Program that will be Applied to the Town’s New Water Resource Capacity Fee
  - Elements of the Separate Agreement
    - EPCOR Wastewater Accounts (QC Water Accounts) Will Receive the Wastewater Credit (i.e. 40% Single-Family Home) Same as QC Accounts
    - How & When EPCOR will “Compensate” the Town for the Credits
    - Agreement to be Completed by June 30, 2027

# EPCOR MOU RECOMMENDATION

Approve the Draft Memorandum of Understanding Between Queen Creek and EPCOR as Presented and Allowing Staff the Authority to Make Any Final Adjustments as Required, Materially Conforming to the Stated Intent of the MOU.

TOWN OF QUEEN CREEK ARIZONA

**TO:** **HONORABLE MAYOR AND TOWN COUNCIL**

**THROUGH:** **BRUCE GARDNER, TOWN MANAGER**

**FROM:** **SCOTT MCCARTY, DEPUTY TOWN MANAGER/CHIEF FINANCIAL OFFICER**

**RE:** **PUBLIC HEARING AND POSSIBLE APPROVAL OF RESOLUTION NO. 1691-26 INCREASING SOLID WASTE RATES AND FEES IN COMPLIANCE WITH STATE LAW.**

**DATE:** **November 18, 2026**

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**Suggested Action:**

Motion to approve Resolution 1691-26 increasing solid waste rates and fees in compliance with State law.

**Relevant Council Goal(s):**

Effective Government: KRA Financial Stability

**Discussion:**

Town staff introduced an increase to solid waste rates and fees at the September 2, 2026 Town Council meeting. Council approved the Notice of Intention to increase solid waste rates and fees and start the 60-day public notice period on September 16, 2026 with the public hearing date set for November 18, 2026. On October 7, 2026, staff presented an overview of the solid waste fund, the reasons for the rate and fee increase (including increasing rates to better align with the contractual costs of providing the service), the impacts on our customers, and how this rate and fee increase should be considered on a biennial (every other year) basis. Solid rates were last increased in 2013. Since the last rate adjustment, contract services for solid waste have increased significantly necessitating solid waste fees to better align with the cost of providing the service.

Solid Waste services are accounted for by an Enterprise Fund. Enterprise Funds operate similarly to a private business, where the costs of providing the service to the customer are recovered through user charges and fees. In accordance with the Town's Financial Policies, Enterprise fees shall be set to fully recover their respective operating costs.

In order to increase solid waste rates and fees, the Town follows the requirements of A.R.S. § 9-499.15. This process and calendar are shown in the schedule below.

| Date | Activity |
|---|---|
| September 16 (completed) | Town Council Discussion and Possible Approval of Notice of Intention |
| September 17 (completed) | Website Posting of Notice of Intention with Consultant Reports |
| November 18 | Town Council Public Hearing and Possible Adoption of Solid Waste Rates and Fees |

| | |
|---|---|
| December 18 (planned) | Effective Date of New or Increased Rates and Fees (if approved) |
| January 27 (planned) | First Billing Cycle with New Rates and Fees (if approved) |
| March 9 (planned) | Bills Prepared with New Rates and Fees (if approved) |

In addition to completing the required statutory processes, Town staff conducted numerous public outreach meetings with customers, Homeowners Associations (HOAs), stakeholders, boards and commissions, and other community groups. These meetings provided opportunities to present the proposed solid waste rates and fees and other utility fee changes, listen to customer and stakeholder feedback, and identify areas of concern. Staff incorporated this feedback into subsequent presentations, brought key concerns forward for Council consideration, and adjusted presentation materials and other aspects of the proposed fees as appropriate.

The Town also utilized multiple communication channels to inform customers and provide access to relevant information, including social media, the Town's website, direct email communications, and utility bill notifications.

Public outreach and customer communications will continue following the November 18, 2026, Council action to support customer understanding, address questions, and provide ongoing information regarding implementation of the approved fees.

**Fiscal Impact:**

The proposed rate adjustments will increase the monthly cost of solid waste services for customers with the standard monthly residential service fee (one trash cart and one recycling cart) increasing from $16.22 to $20.00, an increase of $3.78 per month. Other service rates and fees will also be adjusted, including additional trash carts, manure cart services, extra bulk pickups, and certain administrative fees. The proposed adjustments are anticipated to take effect for services provided beginning January 27, 2027, with the first bills reflecting the new rates expected to be issued March 9, 2027. Following the adjustment, Queen Creek's standard residential solid waste rate is projected to remain among the lowest of the regional communities surveyed.

The proposed adjustments are necessary to maintain the financial sustainability of the Town's Solid Waste enterprise fund and ensure revenues are sufficient to support the cost of providing services. The rate study projects a FY 2027 cash flow deficit of approximately $1.1 million under existing rates, driven primarily by increasing contracted collection costs, scheduled cart replacements, and updated shared utility billing and customer service allocations. The proposed 23.3% rate adjustment is projected to generate approximately $432,000 in additional rate revenue during FY 2027, reflecting the partial-year implementation. The fund is projected to end FY 2027 with approximately $725,000 in unrestricted cash. This compares to a working capital target reserve target of approximately $1.6 million. The proposed adjustment is expected to provide sufficient operating revenue beginning in FY 2028.

**Alternatives:**

Solid Waste services are accounted for in an Enterprise Fund. The intent of the Enterprise Fund is to recover all expenses through rates and fees. As such, if this rate increase is not implemented, the ongoing imbalance between the cost of service and rates and fees levied will continue and will result in a higher rate increase at some point in the future.

**Attachment(s):**

1. Resolution No. 1691-26
2. Report: Trash and Recycling Rates and Fees â€“ 2026 Rate Study Report, Stantec

2. Report: Trash and Recycling Rates and Fees 20[illegible]-2020 Rate Study Report, Stantec
3. Presentation (9A-F)

**RESOLUTION NO. 1691-26**

**A RESOLUTION OF THE COMMON COUNCIL OF THE TOWN OF QUEEN CREEK, ARIZONA, INCREASING SOLID WASTE RATES AND FEES IN COMPLIANCE WITH STATE LAW.**

**WHEREAS**, Arizona's legislation governing increasing fees, A.R.S. § 9-499.15 (the "Fee Statute") requires the Town of Queen Creek (the "Town") to prepare a written report providing schedules of the proposed increases to the existing solid waste service rates and fees, and the analysis supporting the proposed new and increased fees; and

**WHEREAS**, Stantec, the Town's consultant, has prepared, on behalf of the Town, a written report providing schedules of the proposed solid waste rates and fees, and the analysis supporting the proposed rates and fees titled "Queen Creek, Arizona, Trash and Recycling Service Rates and Fees 2026 Rate Study Report," (the "Report"); and

**WHEREAS**, the Fee Statute also requires the Common Council of the Town (the "Town Council") to (i) adopt a Notice of Intention to adopt the fees, (ii) file the written report with the Town Clerk, and (iii) post the written report on the Town's website at least 60 days prior to holding a public hearing on the proposed rates and fees; and

**WHEREAS**, on September 16, 2026, the Town Council (i) adopted the Notice of Intention that confirmed the filing and posting of the Report as required by the Fee Statute and (ii) set a public hearing to consider the proposed increased rates and fees at its regularly scheduled meeting on November 18, 2026; and

**WHEREAS**, the Notice of Intention was posted on the Town's website and distributed through the Town's electronic communication tools; and

**WHEREAS**, the Town Council held the public hearing on November 18, 2026, and now desires to conclude the rate and fee adoption process by approving increases to the existing solid waste rates and fees as set forth in the Report;

**NOW, THEREFORE, BE IT RESOLVED BY THE COMMON COUNCIL OF THE TOWN OF QUEEN CREEK, ARIZONA, AS FOLLOWS**:

**Section 1:** The recitals above are hereby incorporated as if fully set forth herein.

**Section 2:** The Report is hereby adopted in substantially the form and substance attached hereto as Exhibit A and incorporated herein by reference.

**Section 3:** The rates and fees as set forth in Table 2 of the Report are hereby approved.

**Section 4:** Pursuant to the Town Code, Article 10-9 (Solid Waste Services; Recycling Services; Animal Waste Services for Residential Dwellings), Section 10-9-13 (Rates, Charges and Fees) the proposed rates and fees as set forth on

Table 2 of the Report and as adopted herein shall be the rates, charges and fees to be assessed pursuant to Article 10-9 of the Town Code.

**Section 5:** The Town Manager, the Town Clerk and the Town Attorney are hereby authorized and directed to take such steps and execute such documents as necessary to implement this Resolution.

**Section 6:** The rates, charges and fees adopted herein shall: (i) be placed in a separate fund designated for the purposes set forth in the Report; and (ii) not be used for unrelated purposes.

**Section 7:** If any section, subsection, clause, phrase or portion of this Resolution is for any reason held invalid or unconstitutional by the decision of any court of competent jurisdiction, such decision shall not affect the validity of the remaining portions thereof.

**Section 8:** At least one paper copy and one electronic copy of this Resolution and Exhibit(s) are to be filed with and will be located at the office of the Town Clerk.

**PASSED AND ADOPTED** by the Common Council of the Town of Queen Creek, Arizona, this 18th day of November, 2026.

| | |
|---|---|
| FOR THE TOWN OF QUEEN CREEK: | ATTESTED TO: |
| Julia Wheatley, Mayor | Maria Gonzalez, Town Clerk |
| REVIEWED BY: | APPROVED AS TO FORM: |
| Bruce Gardner, Town Manager | Clifford Mattice, Town Attorney |

**EXHIBITS ON FILE AND LOCATED AT THE TOWN CLERK'S OFFICE.**

**EXHIBIT A**

**TO**

**RESOLUTION 1691-26**

**[Report]**

See following pages.

TOWN OF QUEEN CREEK ARIZONA

Queen Creek, Arizona

# Trash and Recycling Service Rates and Fees 2026 Rate Study Report

Stantec

Prepared for: Scott McCarty
Town of Queen Creek
Deputy Town Manager/CFO

Prepared by: Andrew Burnham
Stantec
Vice President

## 1.0 INTRODUCTION AND PURPOSE

The Town of Queen Creek, Arizona (Town) contracted Stantec Consulting Services Inc. (Stantec) to conduct a utility rate study (Study) for its Solid Waste fund (Utility). The Study included an analysis of the enterprise fund's cash flow projections and financial position to project annual revenue requirements through Fiscal Year (FY) 2031. The analysis described in this report focuses on a multi-year financial model identifying the need for a revenue increase for the Town's Solid Waste enterprise fund in FY 2027. Arizona Revised Statutes Title 9, § 9-499.15 requires a municipality proposing a new tax or fee, or an increase to an existing tax or fee, to prepare supporting documentation, publicly disclose the proposal, and provide advance notice through its website and other communication channels before governing body action. The statute generally requires at least 60 days of public notice for proposed new or increased taxes and fees, along with a supporting report or data justifying the charge. Values may be rounded throughout this report for presentation purposes.

## 2.0 BACKGROUND

The Town provides residential trash and recycling services to approximately 28,000 customers. The costs associated with providing these services are accounted for in a self-sufficient enterprise fund. These costs are funded through the fees and charges paid by customers for services rendered. The Town periodically conducts rate studies to ensure the fund revenues recover the cost of providing services and that its schedule of rates and fees also conforms to current local and industry practices.

The principal objective of the Study was to conduct a revenue sufficiency analysis by developing and populating a multi-year forecasting model for the Town's Solid Waste fund to determine the level of annual revenue required to satisfy the Fund's projected annual operating cost requirements, as well as to maintain a reserve fund balance at or above a target level. Additionally, the Study included a survey of trash and recycling rates and fees of other communities to prepare a comparative bill calculation.

## 3.0 ANALYTICAL APPROACH

Stantec reviewed multi-year financial management plans and corresponding solid waste user fee revenue adjustment plans through multiple interactive work sessions with the Town. During these work sessions, Stantec and the Town examined the impact of various inputs or assumptions on key financial indicators via graphical representations summarizing the results of the forecast under assumed conditions. In this way, local information and management input were incorporated into the development of the cash flow projections and resulting trash and recycling fee adjustments presented in this report. The result is a financial plan that utilizes the Town's current and best assumptions and data to meet the Fund's requirements over a multi-year projection period while achieving key financial performance objectives and minimizing fee adjustments to the greatest extent possible.

To initialize the Study, Stantec obtained the Town's historical and budgeted financial information regarding the operation of its Solid Waste Fund, financial policies, as well as historical customer data. Stantec also consulted with the Town regarding other assumptions and policies that would affect the performance of the Fund, such as escalation rates for operating costs, replacement cart schedules, projected customer growth, and minimum reserve levels. Key data inputs include

- FY 2026 preliminary ending fund balances
- FY 2026 adopted revenue and expense budget and estimated actual results
- FY 2027 adopted revenue and expense budget

Stantec worked with the Town to create modules to determine appropriate reserve targets, cart replacements, and distribute shared customer service department expenses for utility billing and customer service. These modules and inputs will be discussed further in the below sections.

This information was entered into Stantec's proprietary Financial Analysis and Management System (FAMS) interactive modeling system. FAMS produced a 5-year projection of the sufficiency of the revenue provided by the existing fees of the fund to meet current and projected financial requirements. These cash flow projections further determined the overall level of user fee revenue increases necessary in each year of the projection period to satisfy the Fund's annual financial requirements

# 4.0 SOURCE DATA & ASSUMPTIONS

The following section details key source data and analyses which informed the 5-year financial forecast and development of recommended rate and fee adjustments for FY 2027.

## 4.1 BEGINNING BALANCES

Preliminary ending FY 2026 fund balances established the beginning fund balance for FY 2027. The beginning fund balance is comprised of available cash and investments for operations of the Fund. Schedule 2 of appendix A presents the starting balance for FY 2027.

## 4.2 CUSTOMER GROWTH

The Town provided estimates from development services for growth within the service area. The Town anticipates adding approximately 1,200 new accounts in FY 2027 and an average of about 1,100 accounts per year over the 5-year projection period. Schedule 1 of Appendix A presents the annual growth schedule by year.

## 4.3 REVENUES

Annual revenue projections reflect an evaluation of multiple years of historical results and estimated results for FY 2026. Revenues consist of user fees, cart fees, and interest income. User fee revenue is based on FY 2026 estimated revenues, adjusted annually based on assumed user fee adjustments, as well as changes in customer accounts. Cart fees were forecast based on assumed growth and replacement cart schedules and essentially represent a pass through of anticipated cart expenses, while interest income was calculated annually based on projected average fund balances and assumed interest rate. Schedule 4 of Appendix A presents the annual fee and other operating revenues.

## 4.4 OPERATING EXPENDITURES

Operating expenditures include all operating and maintenance (O&M) expenses, including contractor expenses for collection services. Projections are based on individual expense categories and expense amounts contained in the FY 2026 estimated results and FY 2027 budget. The expenses were adjusted annually thereafter based on assumed cost escalation factors that were reviewed with the Town. The contractor expense is estimated at $5.1M in FY 2027, making up approximately 70% of the total operating costs of the fund. The terms of the current contract state the rate will increase according to a weighted average of US CPI and diesel costs in the region, with an annual cap of 5%. Stantec forecasted the base contract escalation rate at 3.9%, plus the cost of annual customer growth to serve new customers. Cart replacements are approximately 10% of the total operating budget. Alternative schedules of replacements were reviewed with the Town, and the forecast assumes 3,200 carts will be replaced annually. Finally, the Fund pays a portion of shared utility customer service department expenses for billing and customer service as well as a support cost allocation to the General Fund for shared services such as budget and procurement. In total these internal allocations are about 5% of the operating expenditure of the Fund. Schedule 5 of Appendix A presents the complete schedule of forecast annual operating expenditures.

### 4.5 MINIMUM RESERVE BALANCES AND POLICY

Reserve balances for utilities are funds set aside to meet specific cash flow requirements, mitigate risks, address financial, project, task needs, or fulfill legal covenants. These balances are maintained to meet short- to medium-term cash flow requirements and minimize the risk associated with fulfilling financial obligations and ongoing operational and capital needs under adverse conditions. The level of reserves maintained by a Fund is a critical component and a key consideration in a Fund's multi-year financial management plan.

Many utilities, industry organizations, and municipal rating agencies place a significant emphasis on having sufficient reserves available for potentially adverse conditions. The rationale related to the maintenance of adequate reserves is twofold. First, it helps to ensure that a Fund will have adequate funds available to meet its financial obligations during unusual periods, such as when revenues are unusually low and/or expenditures are unusually high. Second, it provides funds that can be used for emergency cart repairs or replacements, which may be necessary due to unforeseen events.

The financial management plan presented in this report assumes that the Fund will achieve and maintain a minimum reserve balance equal to 90 days of total operating expenses. Stantec analyzed the primary needs for reserves for the Fund and calculated an aggregate reserve target of 90 days based upon the cost for a year of cart replacements, 2.0% of operating expenses, and an additional 60 days of cash for liquidity. Schedule 3 of Appendix A presents the annual minimum reserve target calculation.

## 5.0 CASH FLOW PROJECTIONS

Stantec developed a multi-year financial forecasting model that includes cash flow projections based on current data and assumptions provided by and discussed with the Town as presented herein. Table 1 summarizes the revenue, expenses, and transfers for FY 2027 under the Town's current rates and fees. Increases in expenditures are driven primarily based on increases to contractor services, planned cart replacements, and an updated utility billing cost allocation transfer beginning in FY 2027.

A cash flow deficit is projected in FY 2027 based on the Town's current rates and fees as shown in Table 1 below. The FY 2027 deficit is estimated at $1.1 million. The Town's Solid Waste enterprise fund ended FY 2026 with a fund balance of $1.4 million in unrestricted cash, such that the model projects insufficient funds to meet reserve targets in the absence of rate adjustments by the end of FY 2027.

**Table 1: Summary of Trash and Recycling Fund Cash Flow Projections (Millions of Dollars)**

| Trash and Recycling Fund | Fiscal Year 2027 |
|---|---|
| User Fee Revenues | $5.5 |
| Other Operating Revenues | $0.3 |
| Operating Expenses | ($6.6) |
| Net Transfers | ($0.3) |
| **Cash Flow** | ($1.1) |

## 6.0 RESULTS AND RECOMMENDATIONS

Recognizing the existence of cash flow shortfalls, the Town is proposing to increase Trash and Recycling rates and fees by 23.3% in FY 2027, taking effect with services provided starting on or about January 27, 2027. The first bills with the updated rates and fees are anticipated to begin on March 9, 2027.

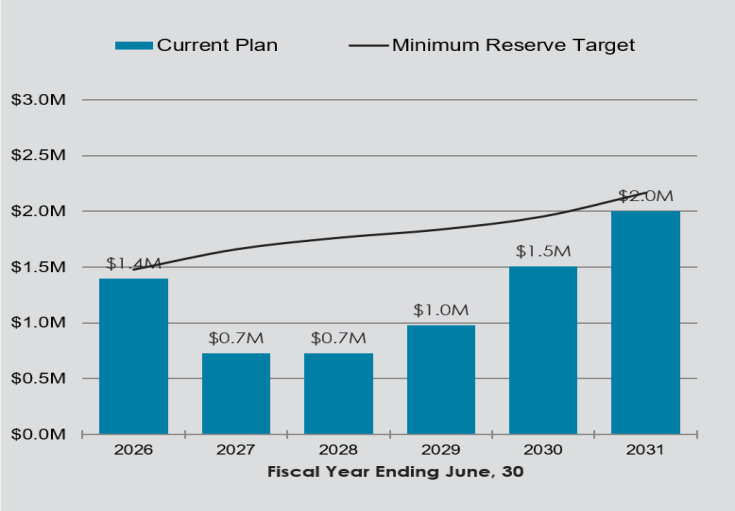
**Table 2: Current and Proposed Rates and Fees**

| Service Rates and Fees | Current Rate as of July 2026 | Proposed Rate January 2027 |
|---|---|---|
| **Standard Monthly Service Fee** | $16.22 | $20.00 |
| **Exempt Property Monthly Service Fee (Recycling Only)** | $6.75 | $8.00 |
| **Additional Trash Cart*** | $7.15 | $9.00 |
| **Additional Recycling Cart*** | No monthly charge | No monthly charge |
| **Full Manure Cart*** | $15.15 | $19.00 |
| **Half Manure Cart*** | $11.15 | $14.00 |
| **Temporary Discontinuance Application Fee** | $25.00 | $31.00 |
| **Non-Collection Day or Missed Pickup Fee** | $21.75 | $27.00 |
| **Exchange Cart Fee** | $15.00 | $18.00 |
| **Extra Bulk Pickup** | $82.00 | $102.00 |
| **Cart Replacement Fee** | $100.00 | $100.00 |
| **Initial Cost of Carts** | $100.00 or market | $100.00 or market |

*Also pay one-time delivery fee of $15.00 that is proposed to be $18.45 effective March 2027

As the proposed rates and fees above will only be in effect for part of the fiscal year, the overall revenue increase realized during FY 2027 from the 23.3% rate increase is projected to be $0.4M. With a $1.1M projected cash flow deficit during FY 2027, this increase will not be sufficient to meet expenditure requirements alone, and the Utility is anticipated to draw down fund balances by $0.7M. While the increase is expected to generate sufficient revenue to meet the Utility's expenditure requirements in FY 2028, additional future increases may be needed to support future cash flow requirements and maintain minimum reserve levels.

**Chart 1: Projection of Solid Waste Fund Balances**

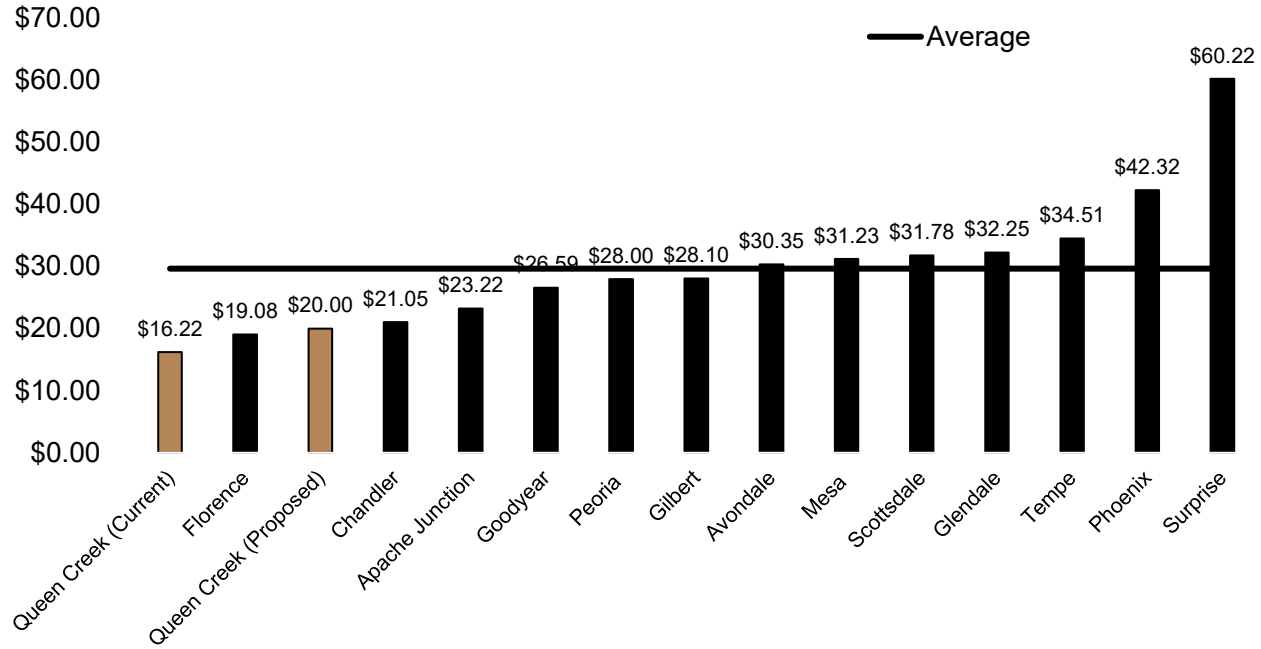



Schedule 8 of Appendix A of this memorandum includes a Pro Forma summary including all anticipated revenues from customers reflecting the recommended 23.3% rate increase and subsequent future rate increase projections. Appendix A also includes a summary of operating and non-operating expenditures, net transfers, and fiscal year beginning and ending balance projections for FY 2027 – FY 2031, with the current projections of additional future rate and fee adjustments identified.

## 6.1 CUSTOMER BENCHMARKING

For a residential user with a standard service plan (i.e., one trash cart and one recycling cart), the proposed FY 2027 rate and fee adjustments would result in a $3.78 increase to the monthly customer bill. After implementation of the user fee increase, the fee for trash and recycling services in the Town will remain one of the lowest among its regional peers as compared to their existing rates for FY 2026.

**Chart 2: Solid Waste Fee Benchmarking, Once Weekly Collection**



**Disclaimer**

*This document was produced by Stantec Consulting Services, Inc. ("Stantec") for Queen Creek, Arizona ("Town") and is based on a specific scope agreed upon by both parties. Stantec's scope of work and services do not include serving as a "municipal advisor" for purposes of the registration requirements of the Dodd-Frank Wall Street Reform and Consumer Protection Act (2010) or the municipal advisor registration rules issued by the Securities and Exchange Commission. Stantec is not advising the Town, or any municipal entity or other person or entity, regarding municipal financial products or the issuance of municipal securities, including advice with respect to the structure, terms, or other similar matters concerning such products or issuances.*

*In preparing this report, Stantec utilized information and data obtained from the Town or public and/or industry sources. Stantec has relied on the information and data without independent verification, except only to the extent such verification is expressly described in this document. Any projections of future conditions presented in the document are not intended as predictions, as there may be differences between forecasted and actual results, and those differences may be material.*

*Additionally, the purpose of this document is to summarize Stantec's analysis and findings related to this project, and it is not intended to address all aspects that may surround the subject area. Therefore, this document may have limitations, assumptions, or reliance on data that are not readily apparent on the face of it. Moreover, the reader should understand that Stantec was called on to provide judgments on a variety of critical factors which are incapable of precise measurement. As such, the use of this document and its findings by the Town should only occur after consultation with Stantec, and any use of this document and findings by any other person is done so entirely at their own risk.*

## APPENDIX A – PRO FORMA & SUPPORTING SCHEDULES

## Assumptions

**Schedule 1**

| | FY 2027 | FY 2028 | FY 2029 | FY 2030 | FY 2031 |
|---|---|---|---|---|---|
| **Fee Increase Adoption Date** | 3/1/2027 | 1/1/2028 | 1/1/2029 | 1/1/2030 | 1/1/2031 |
| **Annual Growth** | | | | | |
| **Solid Waste** | | | | | |
| Ending # of Accounts | 28,793 | 29,879 | 30,546 | 31,358 | 33,070 |
| Account Growth | 1,223 | 1,086 | 667 | 812 | 1,712 |
| % Change in Accounts | *4.43%* | *3.77%* | *2.23%* | *2.66%* | *5.46%* |
| **Average Annual Interest Earnings Rate** | | | | | |
| On Fund Balances | 3.50% | 3.50% | 3.50% | 3.50% | 3.50% |
| **Operating Budget Reserve** | | | | | |
| Target (Number of Months of Reserve) | 3.0 | 3.0 | 3.0 | 3.0 | 3.0 |
| **Operating Budget Execution Percentage** | | | | | |
| Personal Services | 100% | 100% | 100% | 100% | 100% |
| Variable Operations and Maintenance | 100% | 100% | 100% | 100% | 100% |
| Fixed Operations and Maintenance | 100% | 100% | 100% | 100% | 100% |
| Capital Outlay | 100% | 100% | 100% | 100% | 100% |

## FY 2027 Beginning Balances as of 7/1/2026 — Schedule 2

| Stantec Grouping of Funds in Model | Revenue Fund |
|---|---|
| **Current Unrestricted Assets** | |
| Available Cash and Investments | $ 1,398,597 |
| **Available Fund Balance** | **$ 1,398,597** |

## Reserve Targets

**Schedule 3**

| Reserve Considerations | Amount | Basis | FY 2027 | FY 2028 | FY 2029 | FY 2030 | FY 2031 |
|---|---|---|---|---|---|---|---|
| Cart Replacement Reserve | 1 | Year(s) of cart replacement expense (1) | $ 333,023 | $ 343,014 | $ 353,304 | $ 363,903 | $ 374,820 |
| General Contingency | 2.0% | Percentage of Operating Expenses (2) | 132,726 | 141,051 | 147,035 | 156,435 | 173,469 |
| Liquidity | 60 | Days of Operating Expense (3) | 1,159,320 | 1,208,509 | 1,285,770 | 1,425,771 | 1,552,392 |
| Total Recommended Reserves | | | **$ 1,625,069** | **$ 1,692,573** | **$ 1,786,110** | **$ 1,946,110** | **$ 2,100,681** |
| Reserve in Days of O&M Expense | | | 84 | 84 | 83 | 82 | 81 |
| Reserve in Months of O&M Expense | | | 3 | 3 | 3 | 3 | 3 |

Notes:
1. The total cost of replacing all carts divided by the expected useful life of carts (17 years), escalated by 3% each year.
2. Forecasted annual O&M expenses multiplied by 2%
3. Forecasted annual O&M expenses divided by 365, and then multiplied by liquidity input (60 days).

## Projection of Cash Inflows — Schedule 4

| | | FY 2027 | FY 2028 | FY 2029 | FY 2030 | FY 2031 |
|---|---|---|---|---|---|---|
| 1 | **Fee Revenue Growth Assumptions** | | | | | |
| 2 | **Solid Waste** | | | | | |
| 3 | % Change in Base Revenue From Growth | 4.43% | 3.77% | 2.23% | 2.66% | 5.46% |
| 4 | **Assumed Fee Revenue Increases** | | | | | |
| 5 | Assumed Solid Waste Fee Increase | $3.78 | $0.00 | $3.00 | $0.00 | $1.00 |
| 6 | **Solid Waste Fee Revenue** | | | | | |
| 7 | Total Revenue Generated from Customer Charges | $ 5,982,839 | $ 7,102,129 | $ 7,800,874 | $ 8,571,884 | $ 9,234,772 |
| 8 | **Total Solid Waste Fee Revenue** | **$ 5,982,839** | **$ 7,102,129** | **$ 7,800,874** | **$ 8,571,884** | **$ 9,234,772** |
| 9 | **Other Operating Revenue** | | | | | |
| 10 | 304103 - Recycling Revenue | $ 10,300 | $ 10,609 | $ 10,927 | $ 11,255 | $ 11,593 |
| 11 | 344110 - Cart Fees[1] | 255,942 | 234,146 | 148,239 | 185,752 | 403,364 |
| 12 | **Total Other Operating Revenue** | **$ 266,242** | **$ 244,755** | **$ 159,166** | **$ 197,007** | **$ 414,957** |
| 13 | **Interest Income** | | | | | |
| 14 | Unrestricted | $ 37,169 | $ 25,395 | $ 29,807 | $ 43,479 | $ 61,397 |
| 15 | **Total Interest Income** | **$ 37,169** | **$ 25,395** | **$ 29,807** | **$ 43,479** | **$ 61,397** |
| 16 | **Total Cash Inflows** | **$ 6,286,250** | **$ 7,372,279** | **$ 7,989,846** | **$ 8,812,371** | **$ 9,711,126** |

[1] Cart Fee revenue calculated starting in FY25 based on anticipated annual cart fee multiplied by two for trash and recycle carts, multiplied by account growth.

## Projection of Cash Outflows

**Schedule 5**

| | Expense Line Item | Account Number | FY 2027 | FY 2028 | FY 2029 | FY 2030 | FY 2031 |
|---|---|---|---|---|---|---|---|
| | **215 - SOLID WASTE** | | | | | | |
| 1 | 401000 - Permanent Salaries | 401000 - Permanent Salari | $ 296,263 | $ 310,484 | $ 325,387 | $ 341,006 | $ 357,374 |
| 2 | 401300 - Over Time Pay | | 9,697 | 10,163 | 10,650 | 11,162 | 11,697 |
| 3 | 401400 - Vacation Pay Out | | 1,434 | 1,434 | 1,434 | 1,434 | 1,434 |
| 4 | 401500 - Cell Phone Stipend | | 650 | 650 | 650 | 650 | 650 |
| 5 | 402101 - Medical Opt Out Stipend | | 1,500 | 1,500 | 1,500 | 1,500 | 1,500 |
| 6 | 402111 - Medical Premiums | | 52,500 | 55,125 | 57,881 | 60,775 | 63,814 |
| 7 | 402112 - Hsa Contributions | | 4,420 | 4,420 | 4,420 | 4,420 | 4,420 |
| 8 | 402120 - Dental Premiums | | 1,537 | 1,614 | 1,695 | 1,780 | 1,868 |
| 9 | 402130 - Vision Premiums | | 279 | 293 | 308 | 323 | 339 |
| 10 | 402150 - Disability & Life Premiums | | 423 | 444 | 465 | 487 | 511 |
| 11 | 402153 - Commuter Insurance | | 68 | 68 | 68 | 68 | 68 |
| 12 | 402200 - Fica Er Contributions | | 18,564 | 19,455 | 20,389 | 21,368 | 22,394 |
| 13 | 402210 - Medicare Er Contributions | | 5,214 | 5,464 | 5,726 | 6,001 | 6,289 |
| 14 | 402300 - Az St Retirement Er Contrib | | 44,860 | 47,013 | 49,270 | 51,634 | 54,113 |
| 15 | 402350 - Er Deferred Compensation | | 905 | 949 | 994 | 1,042 | 1,092 |
| 16 | 402500 - State Unemployment Tax | | 441 | 441 | 441 | 441 | 441 |
| 17 | 402600 - Workman'S Compensation | | 3,229 | 3,480 | 3,752 | 4,045 | 4,360 |
| 18 | 403004 - Translation Services | | 206 | 212 | 219 | 225 | 232 |
| 19 | 403006 - Contractor | | 5,117,415 | 5,509,818 | 5,847,592 | 6,230,892 | 6,813,850 |
| 20 | 403010 - Legal Services | | 10,934 | 11,262 | 11,600 | 11,948 | 12,307 |
| 21 | 403031 - General Services | | 32,157 | 33,121 | 34,115 | 35,138 | 36,193 |
| 22 | 403100 - Travel/Conference/Seminars/Tra | | 23,463 | 24,167 | 24,892 | 25,639 | 26,408 |
| 23 | 403200 - Dues/Membership Fees | | 5,660 | 5,830 | 6,005 | 6,185 | 6,370 |
| 24 | 403240 - Bank Fees | | 8,240 | 8,487 | 8,742 | 9,004 | 9,274 |
| 25 | 403241 - Credit Card Fees | | 66,950 | 68,959 | 71,027 | 73,158 | 75,353 |

## Projection of Cash Outflows

**Schedule 5**

| | Expense Line Item | Account Number | FY 2027 | FY 2028 | FY 2029 | FY 2030 | FY 2031 |
|---|---|---|---|---|---|---|---|
| 26 | 403370 - Employee Uniforms | | 1,133 | 1,167 | 1,202 | 1,238 | 1,275 |
| 27 | 403430 - Community Outreach Programs | | 41,200 | 42,436 | 43,709 | 45,020 | 46,371 |
| 28 | 404155 - Cellular Telephone | | 3,605 | 3,713 | 3,825 | 3,939 | 4,057 |
| 29 | 404300 - Maintenance/Repairs | | 5,115 | 5,233 | 5,353 | 5,476 | 5,602 |
| 30 | 404310 - Vehicle Maint/Repair | | 2,455 | 2,512 | 2,569 | 2,629 | 2,689 |
| 31 | 405200 - Liability Insurance | | 7,452 | 7,676 | 7,906 | 8,143 | 8,387 |
| 32 | 405600 - Marketing | | 26,780 | 27,583 | 28,411 | 29,263 | 30,141 |
| 33 | 406020 - Office Supplies | | 103 | 106 | 109 | 113 | 116 |
| 34 | 406075 - Safety Supplies | | 2,060 | 2,122 | 2,185 | 2,251 | 2,319 |
| 35 | 406150 - Postage | | 2,575 | 2,652 | 2,732 | 2,814 | 2,898 |
| 36 | 406260 - Gasoline (Vehicle Usage) | | 2,575 | 2,652 | 2,732 | 2,814 | 2,898 |
| 37 | 407500 - Equipment <5000 | | 2,575 | 2,652 | 2,732 | 2,814 | 2,898 |
| 38 | 407550 - Software | | 87,550 | 90,177 | 92,882 | 95,668 | 98,538 |
| 39 | 408000 - Miscellaneous Expense | | 1,890 | 1,947 | 2,005 | 2,065 | 2,127 |
| 40 | 408030 - Studies & Tests | | - | - | - | - | - |
| 41 | 444115 - Cart-New Service | | 255,942 | 234,146 | 148,239 | 185,752 | 403,364 |
| 42 | 447003 - Special Event | | 37,080 | 38,192 | 39,338 | 40,518 | 41,734 |
| 43 | 400120 - Dept Support Costs-It | | 38,626 | 39,785 | 40,978 | 42,207 | 43,474 |
| 44 | 400121 - Dept Support Costs-Hr | | 6,408 | 6,600 | 6,798 | 7,002 | 7,212 |
| 45 | 400122 - Dept Support Costs-Finance | | 55,722 | 57,394 | 59,115 | 60,889 | 62,715 |
| 46 | 400126 - Dept Support Costs-Budget | | 12,670 | 13,050 | 13,442 | 13,845 | 14,261 |
| | 400131 - Dept Support Costs-Facilities | | 5,223 | 5,380 | 5,542 | 5,708 | 5,879 |
| 47 | 407400 - Major Equipment >10000 | | - | - | - | - | - |
| 48 | 407420 - Vehicles | | - | - | - | - | - |
| 49 | Cart Replacement | | 333,023 | 343,014 | 353,304 | 363,903 | 374,820 |
| 50 | **Total Expenses** | | **$ 6,638,773** | **$ 7,055,042** | **$ 7,354,331** | **$ 7,824,398** | **$ 8,676,129** |

## Projection of Cash Outflows

**Schedule 5**

| | Expense Line Item | Account Number | FY 2027 | FY 2028 | FY 2029 | FY 2030 | FY 2031 |
|---|---|---|---|---|---|---|---|
| | **Total Expenses by Category** | | | | | | |
| 51 | Personal Services | | $ 441,985 | $ 462,997 | $ 485,031 | $ 508,136 | $ 532,365 |
| 52 | Variable Operations & Maintenance | | 5,708,955 | 6,089,630 | 6,351,867 | 6,783,361 | 7,594,933 |
| 53 | Operations & Maintenance | | 485,378 | 499,903 | 514,864 | 530,272 | 546,142 |
| 54 | Capital Outlay | | 2,455 | 2,512 | 2,569 | 2,629 | 2,689 |
| 55 | **Total Expenses** | | **$ 6,638,773** | **$ 7,055,042** | **$ 7,354,331** | **$ 7,824,398** | **$ 8,676,129** |
| | **Expense Execution Factors** | | | | | | |
| 56 | Personal Services | | 100% | 100% | 100% | 100% | 100% |
| 57 | Variable Operations & Maintenance | | 100% | 100% | 100% | 100% | 100% |
| 58 | Operations & Maintenance | | 100% | 100% | 100% | 100% | 100% |
| 59 | Capital Outlay | | 100% | 100% | 100% | 100% | 100% |
| | **Total Expenses at Execution** | | | | | | |
| 60 | Personal Services | | $ 441,985 | $ 462,997 | $ 485,031 | $ 508,136 | $ 532,365 |
| 61 | Variable Operations & Maintenance | | 5,708,955 | 6,089,630 | 6,351,867 | 6,783,361 | 7,594,933 |
| 62 | Operations & Maintenance | | 485,378 | 499,903 | 514,864 | 530,272 | 546,142 |
| 63 | Capital Outlay | | 2,455 | 2,512 | 2,569 | 2,629 | 2,689 |
| 64 | **Total Expenses at Execution** | | **$ 6,638,773** | **$ 7,055,042** | **$ 7,354,331** | **$ 7,824,398** | **$ 8,676,129** |
| | **Transfers Out** | | | | | | |
| 65 | Customer Service Dept Allocation - Utility Billing Fee Expense | | $ 320,745 | $ 316,754 | $ 383,909 | $ 458,295 | $ 540,772 |
| 66 | **Total Transfers Out** | | **$ 320,745** | **$ 316,754** | **$ 383,909** | **$ 458,295** | **$ 540,772** |
| 67 | **Total Cash Outflows** | | **$ 6,959,518** | **$ 7,371,795** | **$ 7,738,240** | **$ 8,282,693** | **$ 9,216,901** |

## Cost Escalation Factors — Schedule 6

| Category | FY 2027 | FY 2028 | FY 2029 | FY 2030 | FY 2031 |
|---|---|---|---|---|---|
| **Salaries & Wages** | 4.80% | 4.80% | 4.80% | 4.80% | 4.80% |
| **Health Insurance** | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% |
| **Retirement** | 3.50% | 3.50% | 3.50% | 3.50% | 3.50% |
| **Repair & Maintenance** | 2.30% | 2.30% | 2.30% | 2.30% | 2.30% |
| **Contractor*** | 8.33% | 7.67% | 6.13% | 6.55% | 9.36% |
| **Workmans Comp** | 7.80% | 7.80% | 7.80% | 7.80% | 7.80% |
| **Admin Services** | 3.00% | 3.00% | 3.00% | 3.00% | 3.00% |
| **Default Inflation Factor** | 3.00% | 3.00% | 3.00% | 3.00% | 3.00% |

*Contractor expense escalation estimated at 3.9% plus growth

## Cart Replacement Scenario Schedule 7

| Year | Number of Carts | Cost |
|---|---|---|
| 2027 | 3,182 | $333,023 |
| 2028 | 3,182 | $343,014 |
| 2029 | 3,182 | $353,304 |
| 2030 | 3,182 | $363,903 |
| 2031 | 3,182 | $374,820 |
| **5- Year Total** | **15,909** | **$1,768,065** |

## Pro Forma

## Schedule 8

| | | FY 2027 | FY 2028 | FY 2029 | FY 2030 | FY 2031 |
|---|---|---|---|---|---|---|
| | **Operating Revenue** | | | | | |
| | **Rate Adoption Effective Date** | **3/1/2027** | **1/1/2028** | **1/1/2029** | **1/1/2030** | **1/1/2031** |
| 1 | Solid Waste, User Fee Revenue | $ 5,314,793 | $ 6,844,002 | $ 7,102,129 | $ 8,349,909 | $ 8,571,884 |
| 2 | Change in Revenue From Growth | 235,693 | 258,127 | 158,661 | 221,975 | 467,984 |
| 3 | Subtotal | $ 5,550,486 | $ 7,102,129 | $ 7,260,791 | $ 8,571,884 | $ 9,039,868 |
| 4 | *Solid Waste User Fee Increase* | *23.30%* | *0.00%* | *15.00%* | *0.00%* | *4.35%* |
| 5 | Additional Rate Revenue From Rate Increase | 432,353 | - | 540,083 | - | 194,904 |
| 6 | Total User Fee Revenue | $ 5,982,839 | $ 7,102,129 | $ 7,800,874 | $ 8,571,884 | $ 9,234,772 |
| 7 | Add: Additional Revenue Recovered after Partial Year[1] | *$ 861,163* | *$ -* | *$ 549,035* | *$ -* | *$ 198,134* |
| 8 | Ending User Fee Revenue[1] | *$ 6,844,002* | *$ 7,102,129* | *$ 8,349,909* | *$ 8,571,884* | *$ 9,432,906* |
| 9 | Plus: Other Operating Revenue[2] | 266,242 | 244,755 | 159,166 | 197,007 | 414,957 |
| 10 | **Equals: Total Operating Revenue** | **$ 6,249,081** | **$ 7,346,884** | **$ 7,960,040** | **$ 8,768,892** | **$ 9,649,729** |
| | **Less: Operating Expenses** | | | | | |
| 11 | Personal Services | $ (441,985) | $ (462,997) | $ (485,031) | $ (508,136) | $ (532,365) |
| 12 | Variable Operations & Maintenance Costs | (5,708,955) | (6,089,630) | (6,351,867) | (6,783,361) | (7,594,933) |
| 13 | Operations & Maintenance Costs | (485,378) | (499,903) | (514,864) | (530,272) | (546,142) |
| 14 | **Equals: Net Operating Income** | **$ (387,237)** | **$ 294,354** | **$ 608,278** | **$ 947,122** | **$ 976,289** |
| | **Plus: Non-Operating Income/(Expense)** | | | | | |
| 15 | Interest Income | $ 37,169 | $ 25,395 | $ 29,807 | $ 43,479 | $ 61,397 |
| 16 | **Equals: Net Income** | **$ (350,068)** | **$ 319,749** | **$ 638,085** | **$ 990,601** | **$ 1,037,686** |
| | **Less: Non-Operating Expenditures** | | | | | |
| 17 | Utility Billing Fee Expense Transfer3 | $ (320,745) | $ (316,754) | $ (383,909) | $ (458,295) | $ (540,772) |
| 18 | Capital Outlay | (2,455) | (2,512) | (2,569) | (2,629) | (2,689) |
| 19 | **Net Cash Flow** | **$ (673,268)** | **$ 484** | **$ 251,607** | **$ 529,677** | **$ 494,225** |
| | **Unrestricted Reserve Fund Test** | | | | | |
| 20 | Balance At Beginning Of Fiscal Year | $ 1,398,597 | $ 725,329 | $ 725,812 | $ 977,419 | $ 1,507,097 |
| 21 | Cash Flow Surplus/(Deficit) | (673,268) | 484 | 251,607 | 529,677 | 494,225 |
| 22 | **Balance At End Of Fiscal Year** | **$ 725,329** | **$ 725,812** | **$ 977,419** | **$ 1,507,097** | **$ 2,001,322** |
| 23 | **Minimum Working Capital Reserve Target[4]** | **$ 1,659,079** | **$ 1,763,133** | **$ 1,837,940** | **$ 1,955,442** | **$ 2,168,360** |
| 24 | **Excess/(Deficiency) Of Working Capital To Target** | **$ (933,750)** | **$ (1,037,320)** | **$ (860,521)** | **$ (448,346)** | **$ (167,038)** |

[1] Represents full basis of rate revenue adjusted for rate effective date

[2] Includes recycling revenues and cart fees

[3] Paid to Water Fund for shared billing services

[4] Equal to 3 months of O&M









# Adoption of Recommended Utility Rates and Fees

Town Council Meeting

November 18, 2026

# Purpose of Presentation

1. Overview of Town Utilities
2. Review 6 Recommended Utility Rates and Fees
3. Conduct Public Hearings / Adoption of Utility Rates and Fees (Agenda Item #8)
4. Approval of EPCOR Memorandum of Understanding (Agenda Item #9.A.)

# Timeline

| | |
|---|---|
| Late 2025 | Resolution to develop water resource fee with process slated for fall 2026 |
| Sept. 2, 2026 | Introduction of the proposed fees |
| Sept. 16, 2026 | Notice of Intent<br>• Increase Water Capacity Fee - impacts new development only<br>• New Development Water Resource Capacity Fee - impacts new development only<br>• New Water Resource Fee - impacts water customers<br>• Adjust Rates Related to Service & Delivery (water, wastewater, solid waste) |
| 60-Days | Public Education |
| Nov. 18, 2026 | Public hearing & possible approval (year one only) |
| Dec. 21, 2026 | Earliest applicable date for capacity fees - impacts new development only |
| Jan. 27, 2027 | Earliest applicable date for customer water resource fee & other non-capacity fees |
| March 9, 2027 | Earliest bills with new customer rates and fees |
| Fall 2027 | Process starts for year two (water resource fee) |

# 1. Overview of Town Utilities







# Town Utilities: An Overview

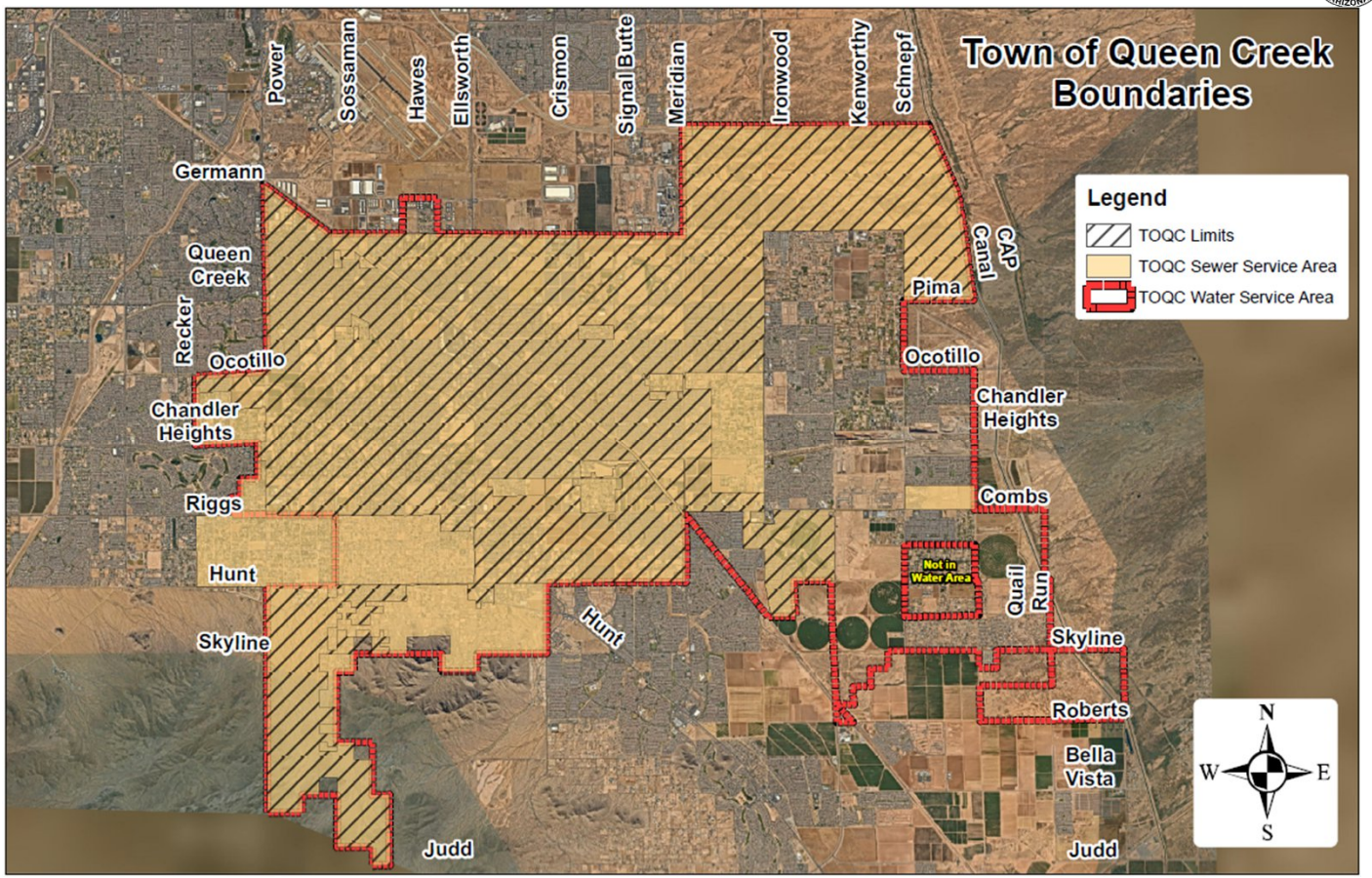
- The Town Operates 3 Utilities and the Service Areas Vary
  1. Water (Larger than Town Limits)
  2. Wastewater (Essentially Town Limits)
  3. Solid Waste / Recycling (Town Limits)

- The Main Financial Objective is Full Cost Recovery of All Expenses
  - Operating, Infrastructure, Replacement / Repair and Reserves

- Master Plans are Critical to Long-Term Financial Planning

# Town Utilities: Service Areas

TOWN OF QUEEN CREEK ARIZONA



# Our Utilities at a Glance . . .

TOWN OF QUEEN CREEK ARIZONA

| Utility | Number of Accounts | Current Annual Billings | Annual Billing with Recommendations |
|---|---|---|---|
| 1. Solid Waste / Recycling | 27K | $5M | $6M |
| 2. Wastewater | 25K | $12M | $12.4M |
| 3. Water (Delivery) | 46K | $36M | $37M |
| SUBTOTAL | | $53M | $55.4M (+$2.4M, +4%) |
| 4. Water Resource | 46K | N / A | $22M |
| TOTAL | | $53M | $77.4M |

# Utility Fees (Single-Family Home)

| Monthly Bill (Year Last Updated) | Current | Recommended |
|---|---|---|
| 1. Solid Waste / Recycling (2013) | $16 | $20 |
| 2. Wastewater (2019) | $44 | $44 |
| 3. Water Delivery (2025) | $39 | $36 |
| SUBTOTAL | $99 | $100 (+$1, +1%) |
| 4. Water Resource (New) | N / A | $16* / $75** |
| TOTAL | | $116 / $175 |

* Combined Account (Water and Wastewater) / Water Only Account. Reflects Reduction fo
** Water Only Accounts Use More Water. Reflects Reduction for Septic Credit.

# 2. Review 6 Utility Rate and Fee Recommendations







# 1. Solid Waste / Recycling Rates and Fees

# Solid Waste / Recycling Rates

TOWN OF QUEEN CREEK ARIZONA

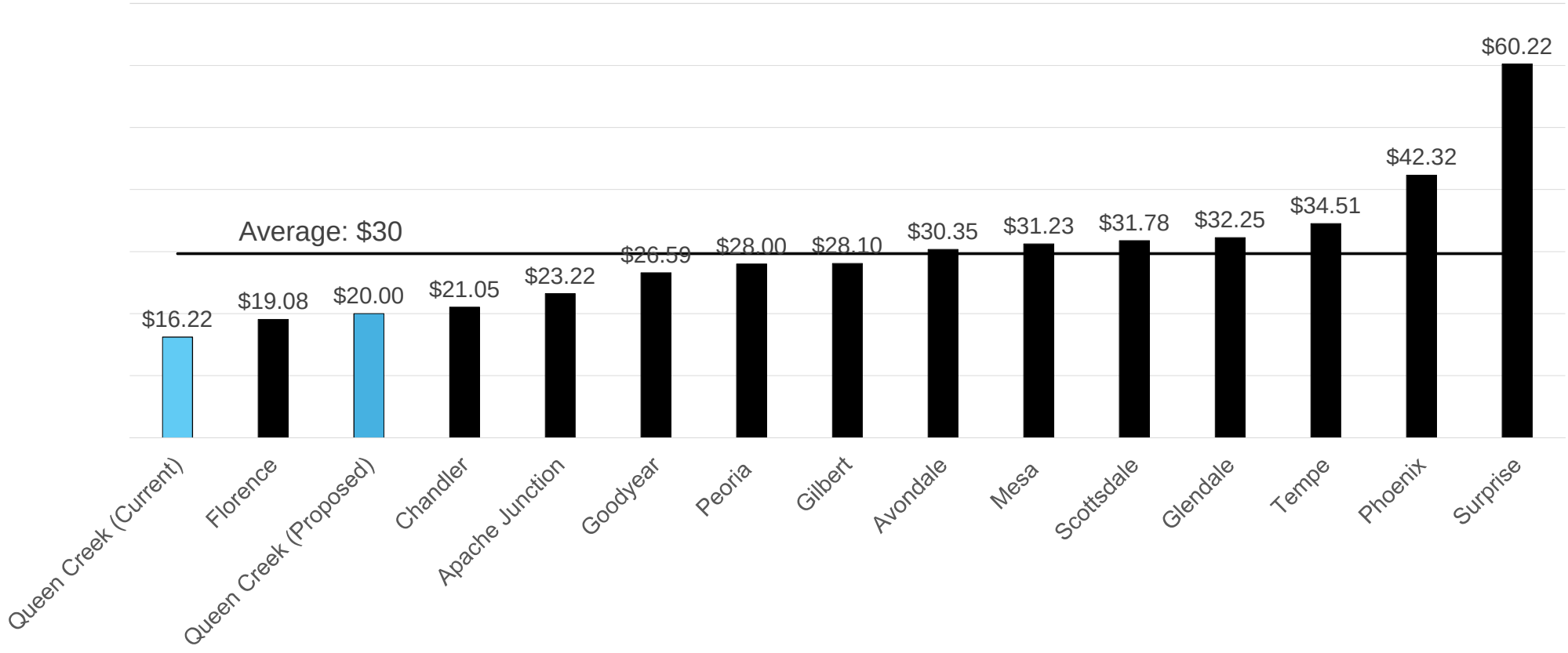
## BACKGROUND

- Last Rate Increase: 2013
- Single-Family Monthly Bill:  $16.22

## RATE RECOMMENDATIONS

- Annual Revenue Increase:  **+$1M**
- Increase Monthly Bill:  $20.00 (+$3.78 from $16.22)
- Reason for the Increase
  - Contract Vendor Costs
  - Cart Replacements

# FY 2027 - Solid Waste Benchmarking (Single-Family)



# 2. Wastewater Rates and Fees

# Wastewater Rates

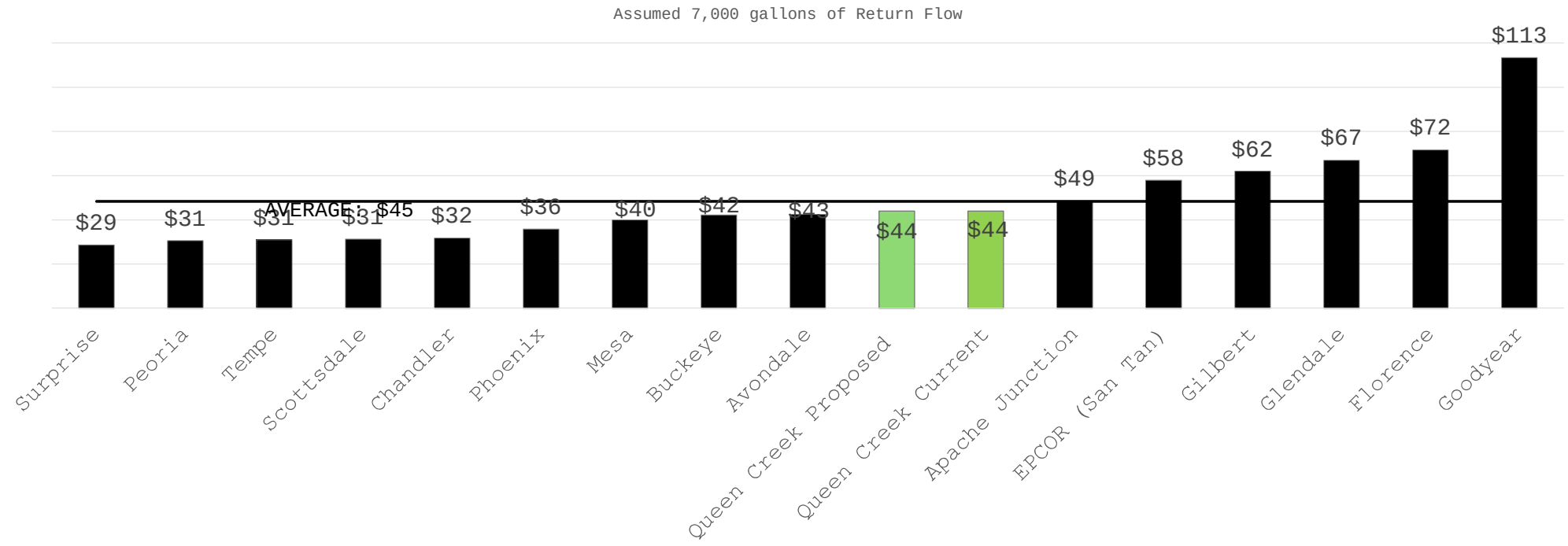
- **BACKGROUND**
- Last Rate Increases / Decreases:
  - Single-Family Rates
    - 2019: $5 (5%) monthly reduction (lowered return flow from 90% to 70%)
    - 2021: Created Single-Family Residential 17K Gallon Cap
      - 1,432 Accounts Saving $392K in FY 25-26
  - Commercial Rates:  2015 Increase
- Average Single-Family Monthly Bill: $44
  - Reminder: 3-Month Winter Average Resets Annually in July
    - Bill changes are based on water use changes from prior year
- Approach
  - Perform cost of service analysis to establish proportional distribution of costs
  - Implement changes to align rate structure with industry practices

# Wastewater Rates (continued)

## RATE RECOMMENDATIONS

- Annual Revenue Increase: **+$0.4M** from rate adjustments
- Single-Family Homes: **No Rate Changes**
- Multi-Family: +$0.2M Annually from structure changes
  - Now Relative to Single-Family Flow Rates
  - Fixed charge @ 75% of Single-Family Rate per unit
- Commercial: +$0.2M Annually from structure changes
  - Fixed rates scaled by meter size (industry practice)
  - No change to flow rate
- Consider future rate indexing based on W&S CPI (or 3%)

# FY 2027 Wastewater Benchmarking (Single-Family)



# 3. Water Delivery Rates and Fees

# Water Rates (Delivery)

**BACKGROUND**

- Last Fee Increase:  +15% in October 2025
  - Previously: 2010
  - Water & Sewer CPI has increased 70% since 2010

- Single-Family Monthly Bill Averages
  - Combined Account:  $40 (8.5K Gallons per Month)
  - Water Only Account:  $102 (25.3K Gallons per Month)
    - 3x Water Use of a Combined Account

- Approach
  - Perform cost of service analysis to establish proportional distribution of costs
  - Implement changes to align rate structure with industry practices

# Water Rates (Delivery) (continued)

**RECOMMENDATIONS**

1. Create a New Water Resource Fund

- Reflects Cumulative-to-Date Expenses Related to Water Purchases
  - ~$31M at June 30, 2026

- As a Result, Water Operating Fund Cash Deficit (Delivery) is Eliminated
  - Working Surplus: $1.4M at June 30, 2026

# Water Rates (Delivery) (concluded)

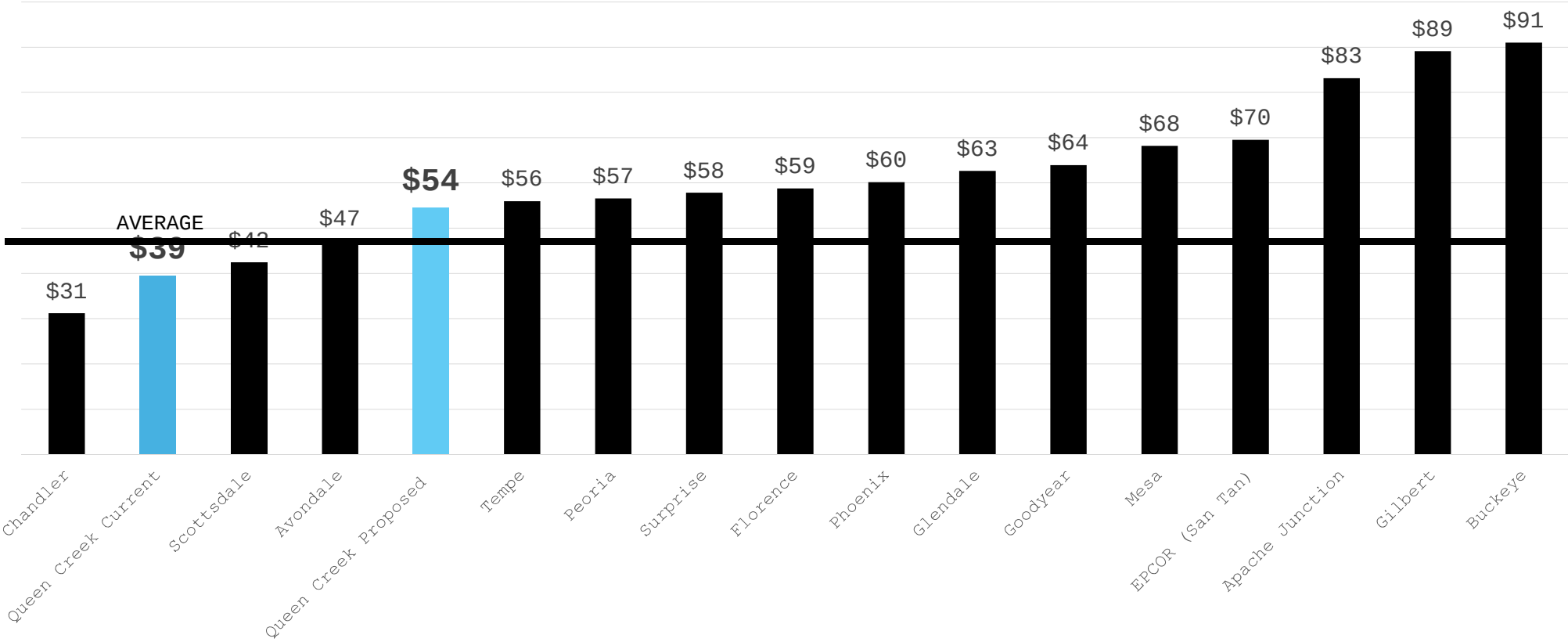
TOWN OF QUEEN CREEK ARIZONA

## RECOMMENDATIONS

2. Annual Revenue Increase: **+$1M** from rate adjustments
   - COS lower revenue for Single-Family, Multi-Family, Non-Residential: -$1.0M Annually
     - Remove 1,000 Gallon Minimum in Fixed Charge
     - Reduce Tiers 1 and 2 Rates, Increase Tier 3 Rate to Enhance Conservation
   - Increase (Potable) Irrigation Rates, Construction Rates: +$2.0M Annually
   - Other Changes
     - Multi-Family
       - Fixed Charge to per unit basis = 25% Single Family Rate
       - Uniform Rate (Tier 1)
     - Commercial Uniform Rate (Tier 2)

# FY 2027 Water Benchmarking – Single Family Home

(10,000 Gallons, Includes Water Resource Fee)



# 4. Water Capacity Fees (Delivery, Existing)

# What is a Water Capacity Fee?

- A One-Time Fee to Pay for the Water Infrastructure Associated with New Development

- 2 Water Capacity Fees
  1. Water Delivery (Existing)
  2. Water Resource (New)

- “Growth Pays for Growth”

- Paid at the Time a Building Permit is Issued by Future Residents and Businesses

- **<u>FEES ARE NOT PAID BY CURRRENT RESIDENTS AND BUSINESSES</u>**

# Impact and Capacity Fees: Single-Family House

| Fee | Current | Recommended |
|---|---|---|
| Water (Delivery) | $2,382 | $4,591 |
| Water (Resource) | N / A | $6,119 / $10,199 * |
| Wastewater | $6,144 | $6,144 |
| Parks | $1,933 | $1,933 |
| Transportation | $1,189 | $1,189 |
| Fire | $840 | $840 |
| Police | $422 | $422 |
| Trails | $128 | $128 |
| TOTAL | $13,038 | $21,366 / $25,446 |

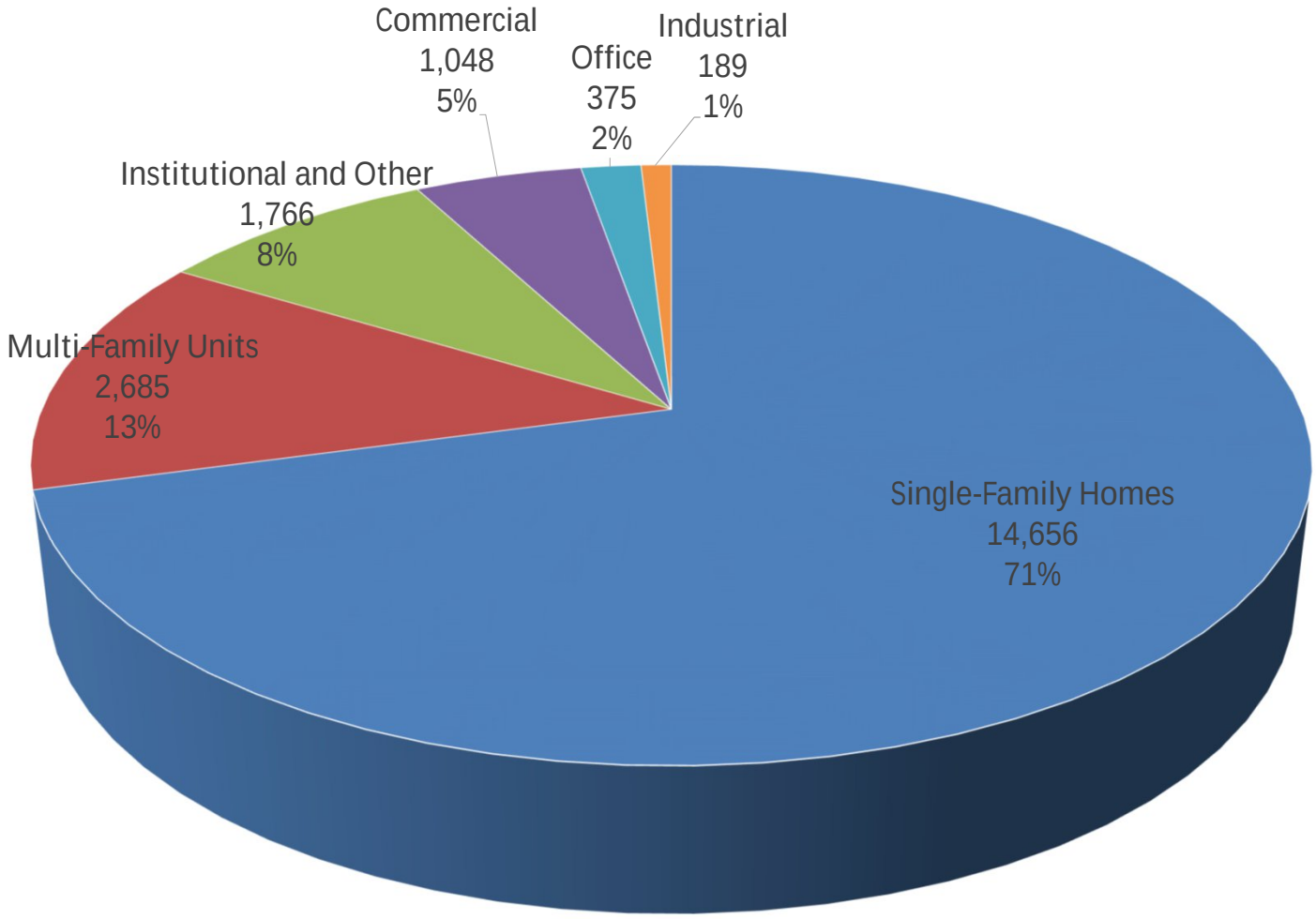
*$6,119 Represents a Combined Water and Wastewater Account, $10,199 Represents a Water Only Account in which the 40% wastewater credit does not apply

# Recommended Water Capacity Fee (Existing)

## “Fair and Reasonable” Standard

| | |
|---|---|
| Proposed Fee per ERU (House) | $4,591 |
| | |
| Existing Fee per ERU / House (LAST UPDATED IN 2020) | $2,382 |
| Increase per ERU (House) | $2,209 (93%) |

# 10-Year Demand Projections: 20.7K ERUs



# Project Timing / Financing Charges

- 90% of Infrastructure Improvement Plan (IIP) is Growth Related
  - Total IIP: $186M
    - Growth:  $166M
    - Non-Growth:  $20M

- Financing Costs Are Significant
  - Principal Financing Needs:  $69M
  - Interest Cost Recovered from Fee:  $31.5M

# Items that Reduced the Fee Increase

1. Applied $20.7M of ARPA funding to 6 water projects in the IIP
   - Fee Reduction:  $800 per ERU

2. Applied $8.4M of Title 42 (State Funding) to water-related State Land Infrastructure Included in the IIP
   - Fee Reduction:  $145 per ERU

3. Allocated $90.6M (54%) of $166.7M IIP growth costs to future benefit

4. Removed Financing from Years 6 to 10

# Other Changes

1. Changing Multi-Family Fee Methodology
   - Significant Fee Increase
   - Same per Unit Fee
     - Same Methodology as Recommended New Water Resource Capacity Fee and Wastewater Capacity Fee

2. Changing “Large Meter” Fee Methodology
   - Water Use is Determined Site Specific
     - Same Methodology as Recommended New Water Resource Capacity Fee and Wastewater Capacity Fee

# 5. Water Resource Capacity Fees (New)

# Water Inventory

TOWN OF QUEEN CREEK ARIZONA

**Current Inventory (for Existing Accounts Only)**

- 100-Year Supply, **3.1M Acre Feet** (for 46K Accounts)
- Cost: **$730M** over 40 Years

**10-Year Growth Projection**

- ERUs: 16.7K
- Acre Feet: 360K (100-Year Supply)
- Estimated Cost: **$220M** Paid for From 2 Dedicated Revenues
  1. From New Water Resource Fee (Monthly Bill): $110M
  2. From New Water Resource Capacity Fee: $110M

# Recommended New Water Resource Capacity Fee

- Intended to Pay for the Water Supply and Infrastructure Necessary to Replenish the Aquifer Associated with New Development

- Programs Created to Facilitate Transition from CAGRD to ADAWS
  1. CAGRD Modification Program (Creates Credits for CAGRD Payments)
  2. Single-Family Exemption Program

# Recommended Water Resource Capacity Fee

## "Fair and Reasonable" Standard

| Single-Family Home | Water Only Account | Combined Account (Water and Wastewater)* |
|---|---|---|
| ¾ Inch Meter (Based on 1/3 AF Cost) | $10,199 | $6,119 |
| 1 Inch Meter (Based on 1/3 AF Cost) | $10,199 | $6,119 |

* 40% Wastewater credit for Effluent Water returned via the QC Wastewater System

# Recommended Resource Capacity Fees – Multi Family

- Assessed Per Unit (Same as Water Capacity Fee (Proposed) and Wastewater Capacity Fee)

- Per Unit Amounts
  - Water Only Account:  $2,550 (25% of Single-Family Home)
  - Water and Wastewater Account:  $510 (20% of MF Water Only Account)

# Recommended Resource Capacity Fees – Commercial / Industrial

- "Large Meters" are 2-Inches or Greater
  - Commercial and Industrial Uses

- Fee Assessed Based on Project Specific Flow Calculation (Same as Water Capacity Fee (Proposed) and Wastewater Capacity Fee)

  - Fee will be the Greater of:
    - AWWA Standard Ratio **OR**
    - ERUs per Project Specific Calculation

# 6. Water Resource Fees (Monthly, New)

# Appreciation … It's A Process

- Town Council
- Town Manager's Office
- Queen Creek Irrigation District
- EPCOR
- Focus Group Stakeholders (Water Capacity Fees)
- Town Staff
- Consultants / Outside Legal Counsel / Financial Advisor
- Town Boards and Commissions
- OUR CUSTOMERS
  - Flood Irrigation Customers
  - HOAs
  - Septic Account Customers
  - Large Water Users

# Timeline

| | |
|---|---|
| Late 2025 | Resolution to Develop Water Resource Fee with Process Slated for Fall 2026 |
| Sept. 2, 2026 | Introduction of the Proposed Fees |
| Sept. 16, 2026 | Notice of Intent<br>• Increase Water Capacity Fee - impacts new development only<br>• New Development Water Resource Capacity Fee - impacts new development only<br>• New Water Resource Fee - impacts water customers<br>• Adjust Rates Related to Service & Delivery (water, wastewater, solid waste) |
| 60-Days | Public Education |
| Nov. 18, 2026 | Public Hearing & Possible Approval (Year One Only) |
| Dec. 21, 2026 | Earliest Applicable Date for Capacity Fees - Impacts New Development Only |
| Jan. 27, 2027 | Earliest Applicable Date for Customer Water Resource Fee & Other Non-Capacity Fees |
| March 9, 2027 | Earliest Bills with New Customer Rates & Fees |
| Fall 2027 | Process Starts for Year Two |

## Water Self-Sufficiency

- Queen Creek has been making strategic investments in water for nearly a decade.
- Queen Creek owns a safe and secure water supply not subject to cuts.
- Reliable water. Local control. A stronger future.

## Water Resource Fee

To achieve water self-sufficiency, the Town is implementing a dedicated water resource fee.

Water Resource Fee funds...

- Long-term water supplies & related infrastructure
- Remaining replenishment / replacement
- Water resource programs

Water Resource Fee replaces...
CAGRD (89% of Queen Creek customers are assessed). The Town has been paying CAGRD at the highest allowable rate for customers since 2018, saving $71 million.

### Year One

- $3.07 per 1,000 gallons, with estimated annual increases (new public process each year)
- Wastewater credit based on the water the Town receives back through the wastewater system.
  - Residential 40%
  - Mixed Use with landscaping 80%
  - Mixed Use with no landscaping 90%

Average monthly impact (10,000 gallons)

- $31 in year one, no wastewater credit
- $19 in year one with the wastewater credit



**Sept. 3 – Nov. 17**

Introduction of fee &
60-day waiting period

## Completed Outreach

- Dedicated landing page with calculator
  - 6,200 users (4,700), 9,500 views (7,200), 25,300 interactions (page views, clicks, etc., 19,000)
  - Calculator - 220 users (185), 390 views (330)
- Internal communication
- News releases (Sept. 3, Sept. 17, Oct. 8, Nov. 5, Nov. 17)
- Town social media
  - Sept. 3 (18,200 impressions, 1,225 engagements)
  - Sept. 17 (26,000 impressions, 1,700 engagements)
  - Oct. 19 (37,100, 1,100 engagements)
  - Nov. 12 (10,800 impressions, 755 engagements)
- Creek Peek
  - Sept. 16 (4,360 – 68%)
  - Sept. 23 (4,360 – 69%)
  - Oct. 14 (4,400 – 68%)
  - Nov. 5 (4,450 – 66%)
- Information added to on the Town homepage & MyUtilities
- Media Interviews
- October & November water bills & inserts
- A-frame signage at Town buildings
- Announcements at WaterSmart workshops



**Sept. 3 – Nov. 17**

Introduction of fee &
60-day waiting period

## Completed Email Blasts, Events & Meetings

- Email Blasts
  - HOA contacts – 3
  - School contacts – 3
  - Boards & Commissions
  - All irrigation customers with an email on file
  - All water customers with an email on file
- Booth at Pancake Breakfast
- Community HOA Meetings (3 scheduled)
  - Will Rogers Equestrian
  - Ironwood Crossing
  - Encanterra (management)
  - Sossaman (management)
- School Meetings (1 pending)
  - QCUSD
  - Heritage
  - HUSD
- 10 Office Hour Sessions

TOWN OF QUEEN CREEK ARIZONA

**Sept. 3 – Nov. 17**

Introduction of fee &
60-day waiting period

## Completed Presentations

- Three public meetings
- Two HOA meetings
- Two Irrigation meetings
- Two PRAC meetings
- Two P&Z meetings
- Two TAC meetings
- EDC
- MTAC
- All-Staff Meeting
- Econ Dev Summit
- Two Senior Program meetings
- QC Chamber Presentation
- General Plan focus group
- East Valley Partnership meeting
- San Tan Valley Town Council meeting
- QCUSD Board meeting
- Queen Creek Chamber Board meeting

**November 2026***

Public hearing and possible action

**Early 2027***

Earliest applicable date

Nov. 18

Public hearing at Town Council meeting

**if action is taken approving fees*

November / December

- Update website
- Internal communication
- Information across channels (social media, news release, Creek Peek, digital screens, signage, water bill, e-blasts)
- Meetings / presentations

Prior to Applicable Date & First Bill

- Update website
- Internal communication
- Information across channels (social media, news release, Creek Peek, digital screens, signage, water bill, e-blasts)
- Citizen Leadership Sessions

Request a Presentation: www.QueenCreekAZ.gov/WaterFuture

TOWN OF QUEEN CREEK ARIZONA

# Water Self-Sufficiency.

## Reliable Water. Local Control. A Stronger Future.

More Information

*www.QueenCreekAZ.gov/WaterFuture*

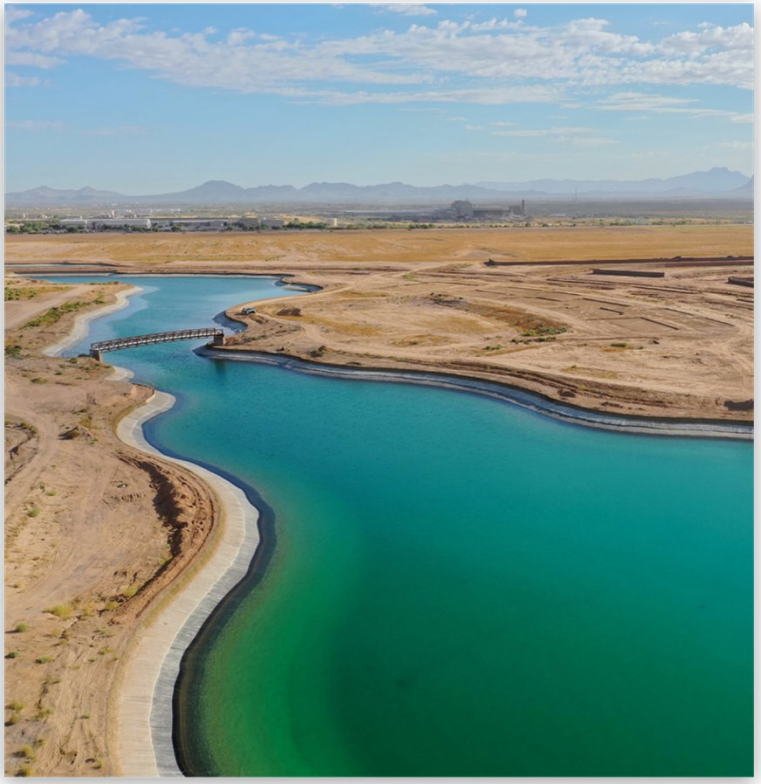
Town Newsletter

# Water Self-Sufficiency

**Reliable Water. Local Control.**
**A stronger future for Queen Creek.**

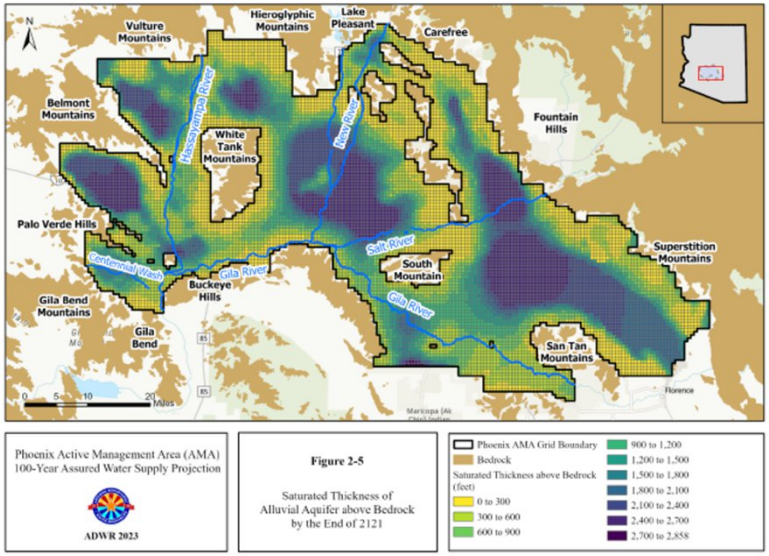
- Own a water portfolio with 100-year assets that are less susceptible to drought conditions.
- Continue to move customers away from CAGRD.
- Establish more stable & sustainable costs for customers.
- Continue efforts to become a designated water provider.
- Ultimately reduce local groundwater pumping for current customers.

**Do Something. Or Do Nothing.**



## The Town has been proactively working for years on a strategy for water self-sufficiency.

- QC has ample groundwater, replenishment is expensive.
- Customers may not realize they have a CAGRD assessment, the full cost of the assessment, and that the Town has been subsidizing it (for 89% of customers, saving $71 million).
- Subsidizing CAGRD fees cannot continue indefinitely.
- Harquahala is a unique water supply, insulating the Town's water from drought and Colorado River cuts (approx. 10% of the Town's water is from the river).
- Legacy decisions benefitting the system and generations to come – water self-sufficiency.



TOWN OF QUEEN CREEK ARIZONA

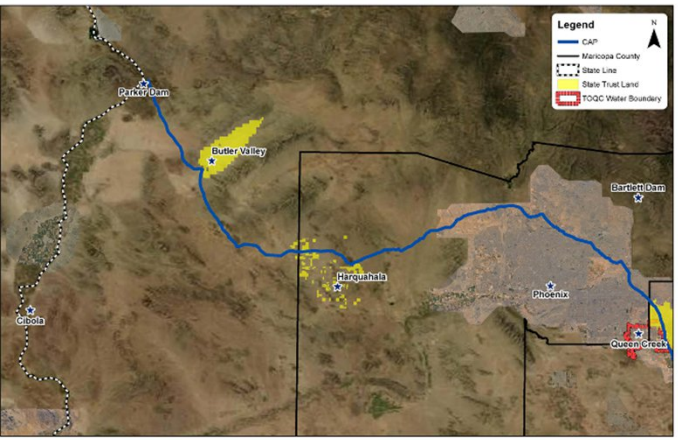
# The Colorado River

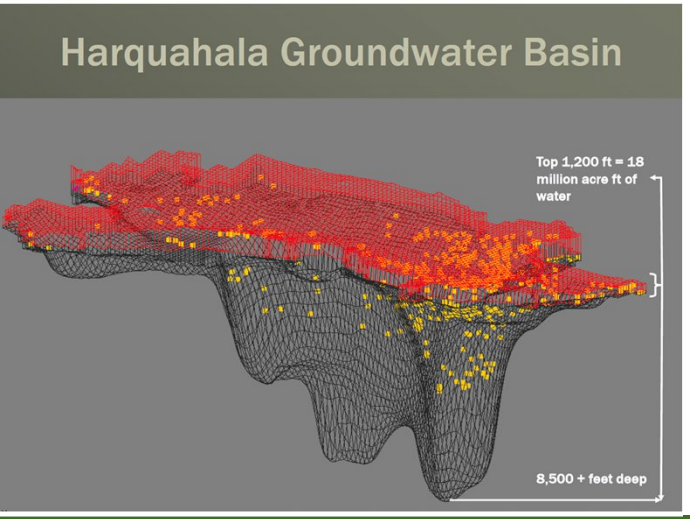
- Conditions on the river are worsening.
- Most recent Federal action
  - EIS Aug. 2026 (adverse AZ impact)
  - 24-month study - plan of operations TBD
- Likely litigation - uncharted waters
- Increase interest in non-Colorado river water (three state designated storage & transportation basins - Harquahala, Butler & McMullen)

**"We're not running out of water; we're running out of cheap water."**
*- ASU Water Law Professor (AZ Family, July 31)*

**"We do know that we are going to need to find new supplies. Prices are going to go up. We know that."**
**-** *CAP General Manager (AZ Central, Aug. 6)*

*Queen Creek has a minimal reliance on the Colorado River.*



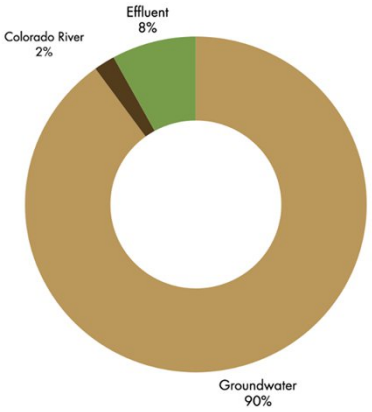




# Harquahala Valley

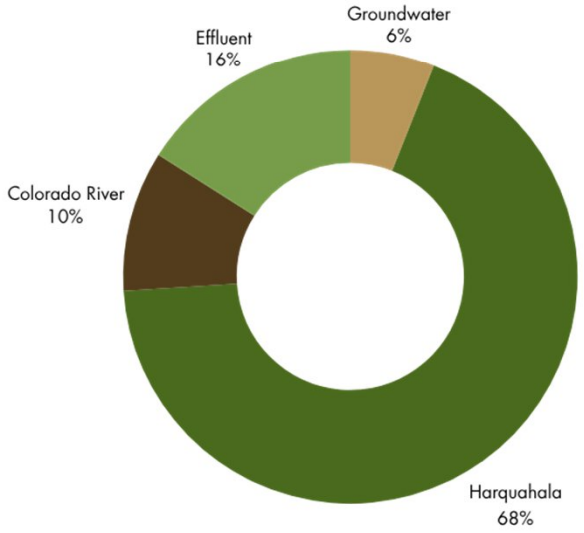
## 100-year water supply stored underground & drought-proof.

- One of three state-designated water storage & transportation basins in Arizona
- 8.2 million acre-feet confirmed available over 100 years
- Stored underground, protected from drought conditions and cuts Transported via existing CAP canal
- 5,000-acre-foot proof-of-concept provided path for additional 12,000-acre-foot purchase (17,000 af annually)
- Site Work Ongoing
- Transporters Association Formation for Phase 1
  - Queen Creek
  - Buckeye
  - CAGRD – Pending






# From Groundwater Dependent to Water Self-Sufficient

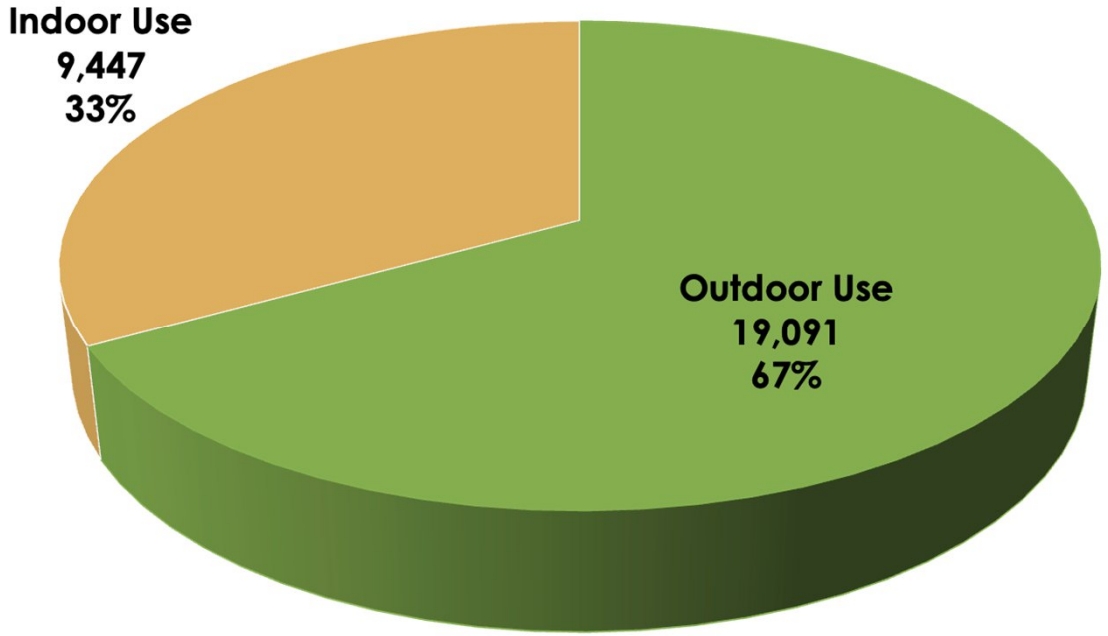



***Historic investment in water & the QC community***

- Groundwater reliance drops from 90% to 6%
- Harquahala, a guaranteed supply for 100 years, is the majority of QC's supply
- 90% of Queen Creek's water will be protected from drought, cuts and shortages
- Colorado River is at 10%, well within a manageable range (includes M&I and Colorado River water rights purchased in perpetuity)

# 2025 Water DEMAND (28.5K Acre Feet)

## 46K+ Accounts - 67% is Outdoor Use



# Background

1. WATER INVESTMENTS HAVE SECURED OUR WATER FUTURE
   - Total Acre Feet (100 Years): **3.1M Acre Feet**
   - Total Cost: $730M (Principal and Interest)

2. CAGRD SAVINGS - WATER PURCHASES USED TO REDUCE FEES
   - 2026: $12.4M (from $17.9M to $5.5M)
   - Cumulative Since 2018: $71.1M
   - Number of Accounts: 41K

# Background: New Water Resource Fee (Monthly Bill)

- Intended to Create a Dedicated Funding Source to Pay for the Cost to Replenish the Aquifer
  - Water Purchases, Infrastructure, Transportation and Operating Expenses
- Resolution No. 1650-25 Approved on November 19, 2025 Declaring Town Council's Intention to Create a Water Resource Fee (Reaffirmed on December 17, 2025)
- Estimated Annual Revenues (at full implementation): $66M
- Point of Comparison: Current Water Revenues $37M

# Water Replenishment Funding Objectives

Create 2 New Fees (a Water Resource Fee and a Water Resource Capacity Fee) to:

1. Recover All Expenses Related to Replenishing the Aquifer

2. Encourage Water Conservation

3. Be Fair and Reasonable
   - Customers Will Not Pay QC Fees and CAGRD Fees at the Same Time for the Same Purpose (CAGRD Reimbursement)
   - No Subsidies Between Account Different Account Classes / Types
     - Each Account Type Pays “Their Fair Share”

# Each Account Type Pays Their Fair Share . . .

| | Single-Family |
|---|---|
| REPLENISHMENT AMOUNT | |
| Acre Feet | 18.3K |
| Percent | 65% |
| | |
| WATER RESOURCE FEE | |
| Annual Revenues | $14.2M |
| Percent | 65% |
| | |
| Total Accounts | 44.2K |

# Each Account Type Pays Their Fair Share . . .

| | Single-Family | HOAs |
|---|---|---|
| **REPLENISHMENT AMOUNT** | | |
| Acre Feet | 18.3K | 5.4K |
| Percent | 65% | 19% |
| | | |
| **WATER RESOURCE FEE** | | |
| Annual Revenues | $14.2M | $4.3M |
| Percent | 65% | 19% |
| | | |
| Total Accounts | 44.2K | 127 |

# Each Account Type Pays Their Fair Share . . .

| | Single-Family | HOAs | All Other |
|---|---|---|---|
| **REPLENISHMENT AMOUNT** | | | |
| Acre Feet | 18.3K | 5.4K | 4.9K |
| Percent | 65% | 19% | 16% |
| | | | |
| **WATER RESOURCE FEE** | | | |
| Annual Revenues | $14.2M | $4.3M | $3.5M |
| Percent | 65% | 19% | 16% |
| | | | |
| Total Accounts | 44.2K | 127 | 1.4K |

# Each Account Type Pays Their Fair Share . . .

| | Single-Family | HOAs | All Other | TOTAL |
|---|---|---|---|---|
| **REPLENISHMENT AMOUNT** | | | | |
| Acre Feet | 18.3K | 5.4K | 4.9K | 28.5K |
| Percent | 65% | 19% | 16% | |
| | | | | |
| **WATER RESOURCE FEE** | | | | |
| Annual Revenues | $14.2M | $4.3M | $3.5M | $21.8M |
| Percent | 65% | 19% | 16% | |
| | | | | |
| Total Accounts | 44.2K | 127 | 1.4K | 46.2K |

# Water Replenishment Funding Objectives (concluded)

4. Address Intergenerational Equity
   - Existing Customers and New Customers Each Paying “Fair Share”
     - If Growth Stopped, Monthly Fee Amount Would Not Change

# Water Resource Fee Programs - Completed

1. Wastewater Credits
   - Combined Accounts (Water and Wastewater) are Paying for their Replenishment Requirements via **2 Monthly Fees**
     1. Existing Wastewater Fee
     2. New Water Resource Fee
   - Credit is “Earned”
     - Credit is Scaled to a Monthly Cap of ~$36 (on First 29.75K Gallons for Single-Family Home)
   - QC and EPCOR Wastewater Customers Treated the Same
   - Annual Credits:  6.6K AF
   - Year 1 Value:  $6.6M

# Water Resource Fee Programs – Completed (continued)

2. Septic Account Credits

- ADWR Rule
- Calculated Using the Same Methodology as Wastewater Credit
- Credit is Scaled Based on Usage to a Cap
  - Credit is Scaled to a Monthly Cap of ~$3 (on First 11.9K Gallons (Single-Family Home)
- Annual Septic Credit: 195K AF, $195K
- Number of Accounts: 5.2K (Best Available Information)

# Water Resource Fee Programs – Completed (continued)

3. Septic Customers - $40 Monthly Fee Eliminated
   - 64 Accounts, $31K Annual Customer Savings
4. Flood Irrigation Exclusion
   - 540 Accounts, 1.5K AF Annually, $1.5M Fees Eliminated (Year 1)
   - QC “Payment of Behalf Of” Until Transfer to QCID is Complete
5. Lakes Program Exclusion
   - 10 Accounts, 1.3K AF Annually, $1.3M Fees Eliminated (Year 1)
6. HOA Annual Dues Limit Increase per State Law / CC&Rs
   - Criteria for a Modified Payment Plan for Only the Amount in Excess of Limit
   - 127 HOAs, Year 1 Fee: $2.2M (After CAGRD Reimbursement)

# Water Resource Fee Programs – Completed (concluded)

7. 5-Year Phasing (All Accounts)
   - Year 1: 29% of Full Estimated Fee

8. CAGRD Reimbursement Process
   - 28K Accounts, $7M Reimbursements (Year 1)

# Water Resource Fee Programs – In Progress

9. Irrigation Grandfathered Rights Accounts Exclusion
   - Expected to Function Like Wastewater and Septic Credit
   - 600-700 Accounts (12+ Sites)
   - Annual AF Charged Water Resource Fee: TBD
   - Annual Fee Eliminated: TBD

10. Water Conservation Incentive Program

11. Affordability Program

# Key Observations About the New Fee

1. New Water Resource Fee is Based on Replenishment (Not Consumption like CAGRD)
   - Consumption Less Wastewater / Septic Credits = Replenishment
2. The Proposed New Water Resource Fee is the **SAME FOR ALL ACCOUNTS** ($3.07 per 1K Gallons)

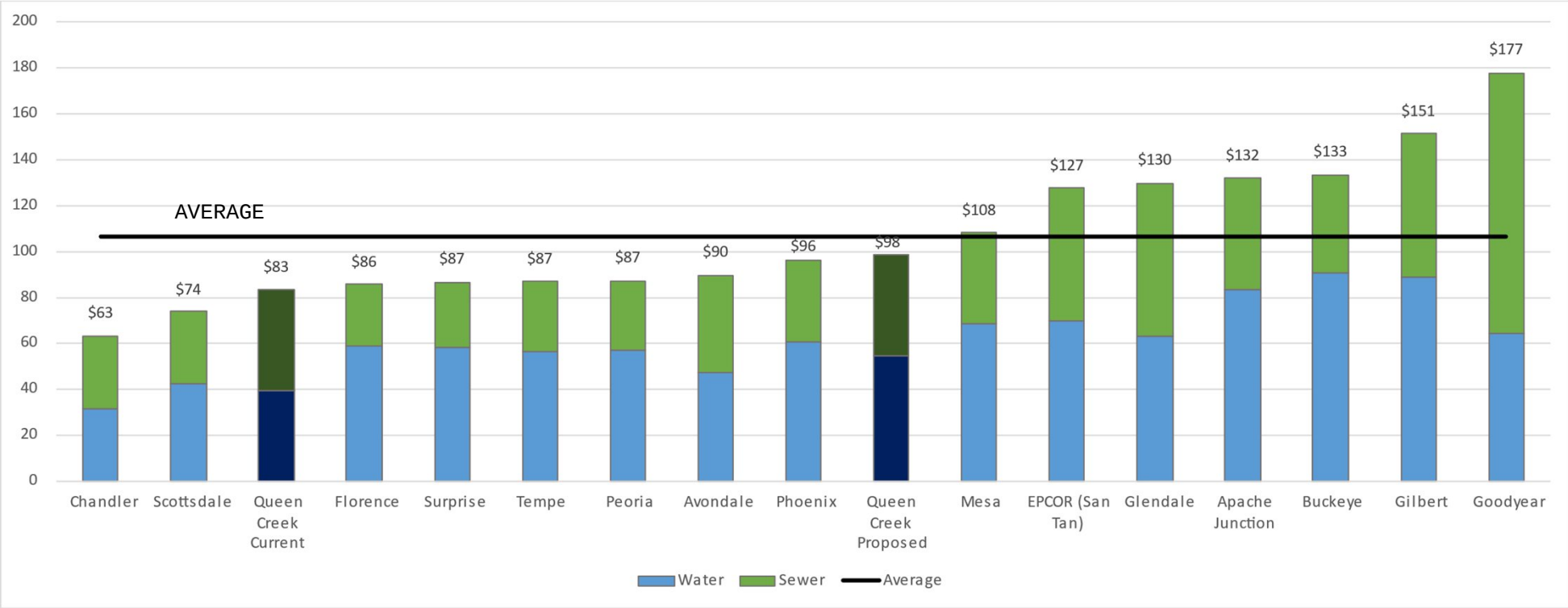
3. **Only the Year 1 Fee is Being Adopted Now**
   - Phasing Allows for:
     - Estimated Revenues and Expenses to Develop / Building a Program
       - Harquahala Infrastructure, CAP Wheeling Expenses
     - Customers Time to Reduce and Conserve Water Use
     - Customers Time to Adjust to Financial Impact of the New Fee
     - Accumulation of $110M for the Purchase of Replacement Water

# Key Observations About the New Fee (concluded)

**4. <u>IMPACTS OF NEW FEE WILL VARY BY ACCOUNT - IT'S COMPLICATED</u>**

- 46K+ Accounts - Unique Results Based on:
  1. Water Use
  2. Water and Wastewater Combined Account or Water Only?
  3. CAGRD Status?
- Large Water Users are Impacted the Most
  - Septic Accounts Represent Most of the Large Water Users
  - Grandfathered Irrigation Accounts:  Impact TBD
- Online Bill Calculator is a Helpful Tool
  - Modification to Reflect EPCOR Wastewater Credits (2 Weeks)
  - Septic Credit

# Single Family – Water and Sewer Monthly Bill Benchmarking



**Single-Family Residential**

Year 1 Gross Monthly Water Resource Fee: $17.0M
(44.2K Accounts)

**78% (34K) of Accounts – Increase is $40 per**

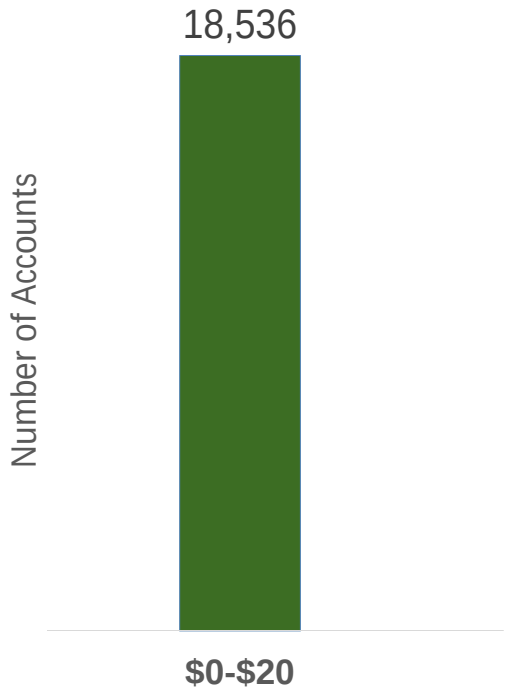
## Single-Family Residential

Year 1 Gross Monthly Water Resource Fee: $ 17.0M

(44.2K Accounts)

# 78% (34K) of Accounts – Increase is $40 per Mon

42% of Accounts




Gallons 0 - 6.5K

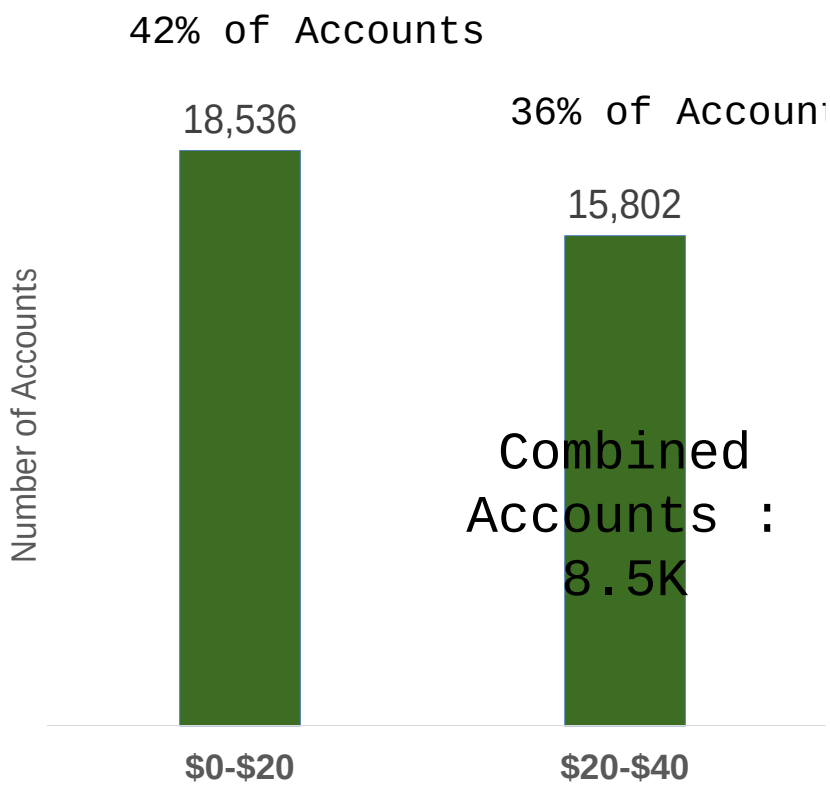
68

## Single-Family Residential

Year 1 Gross Monthly Water Resource Fee: $ 17.0M

(44.2K Accounts)

# 78% (34K) of Accounts – Increase is $40 per Mon

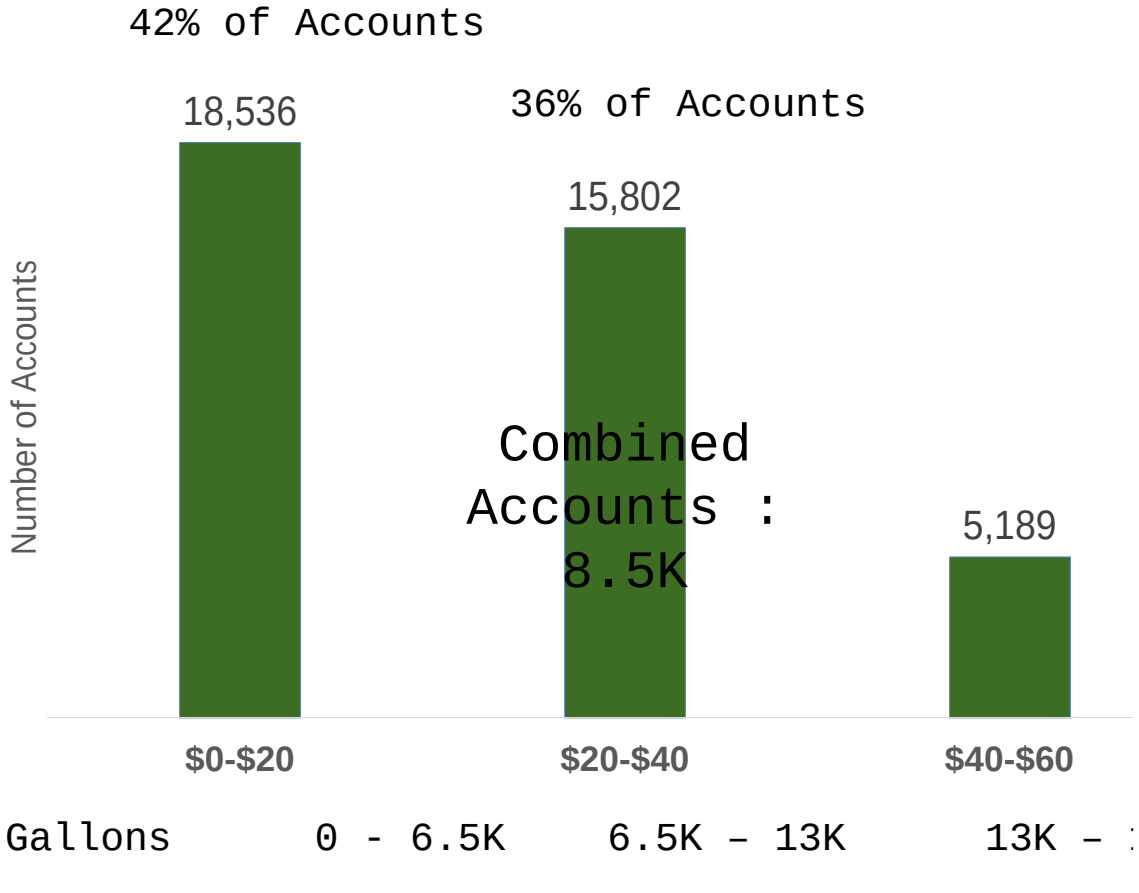


## Single-Family Residential

Year 1 Gross Monthly Water Resource Fee: $17.0M

(44.2K Accounts)

# 78% (34K) of Accounts – Increase is $40 per Mon



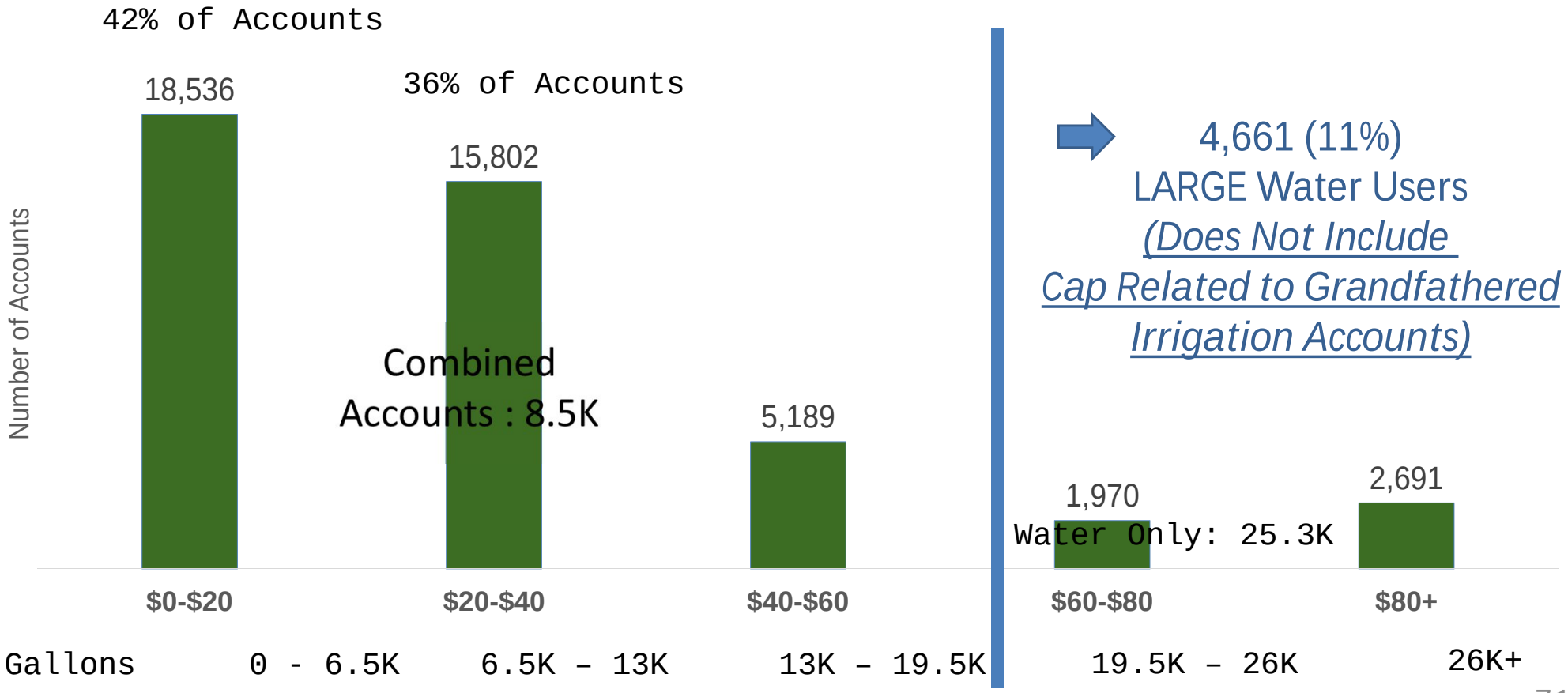

70

**Single-Family Residential**

Year 1 Gross Monthly Water Resource Fee: $17.0M

(44.2K Accounts)

**78% (34K) of Accounts – Increase is $40 per Mon**



# 5-Year Phasing Recommendation

| | Phasing of Fee | Annual Revenues | Rate per 1K Gallons (Indicative) | Monthly Bill Per 10K Gallons |
|---|---|---|---|---|
| Year 1 | 29% | $22M | $3.07 | $31 |
| Year 2 | 43% | $25M | $4.60 | $46 |
| Year 3 | 57% | $35M | $6.14 | $61 |
| Year 4 | 71% | $43M | $7.67 | $77 |
| Year 5 | 86% | $50M | $9.21 | $92 |
| Year 6 | 100% | $60M | $10.74 | $107 |

# **Average** Single-Family Home: Water Resource Fee (After Wastewater or Septic Credit)

| | Combined Account<br>8.5K Gallons per Month<br>39K Accounts (89%) | Water Only Account<br>25.3K Gallons Average*<br>5K Accounts (11%) | Per 1K Gallons |
|---|---|---|---|
| Year 1 | $16 | $75 | $3.07 |
| Year 2 | $23 | $112 | $4.60 |
| Year 3 | $31 | $149 | $6.14 |
| Year 4 | $39 | $187 | $7.67 |
| Year 5 | $47 | $224 | $9.21 |
| Year 6 | $55 | $261 | $10.74 |

**Water only customers use more water on average each month. Does not include cap related to Grandfathered Irrigation Accounts.*

# **Average** Single-Family Home: Water Resource Fee (After Wastewater or Septic Credit)

| | Combined Account<br>8.5K Gallons per Month<br>(Current $40 Average Bill)<br><br>Monthly Increase /<br>Monthly New Fee /<br>% Increase from Current Bill | Water Only Account<br>25.3K Gallons per Month<br>(Current $102 Average Bill)*<br><br>Monthly Increase /<br>Monthly New Fee /<br>% Increase from Current Bill | Per 1K Gallons |
|---|---|---|---|
| Year 1 | +$16/ $16 / 40% | +$75 / $75 / 74% | $3.07 |
| Year 2 | +$7 / $23 / 57% | +$37 / $112 / 110% | $4.60 |
| Year 3 | +$8 / $31 / 77% | +$37 / $149 / 147% | $6.14 |
| Year 4 | +$8 / $39 / 97% | +$38 / $187 / 184% | $7.67 |
| Year 5 | +$8 / $47 / 116% | +$37 / $224 / 221% | $9.21 |
| Year 6 | +$8 / $55 / 136% | +$37 / $261 / 257% | $10.74 |

**Water only customers use more water on average each month. Does not include cap related to Grandfathered Irrigation Accounts.*

# **Average** Single-Family Home: Water Resource Fee (After Wastewater or Septic Credit)

| | 39K Accounts (89%)<br>8.5K Gallons per Month<br>(Current $40 Average Bill)<br><br>Monthly Increase /<br>Monthly New Fee /<br>New Monthly Bill /<br>Total Bill as a Percent of Current Bill | 5K Accounts (11%)<br>25.3K Gallons per Month<br>(Current $102 Average Bill)*<br><br>Monthly Increase /<br>Monthly New Fee /<br>New Monthly Bill /<br>Total Bill as a Percent of Current Bill | Per 1K Gallons |
|---|---|---|---|
| Year 1 | $16 / $16 / $56 / 140% | $75 / $75 / $177 / 174% | $3.07 |
| Year 2 | $7 / $23 / $63 / 157% | $37 / $112/ $214 / 210% | $4.60 |
| Year 3 | $8 / $31 / $71 / 177% | $37 / $149 / $251 / 247% | $6.14 |
| Year 4 | $8 / $39 / $79 / 197% | $38 / $187 / $289 / 284% | $7.67 |
| Year 5 | $8 / $47 / $87 / 216% | $37 / $224 / $326 / 321% | $9.21 |
| Year 6 | $8 / $55 / $95 / 236% | $37 / $261 / $363 / 357% | $10.74 |

**Water only customers use more water on average each month. Does not include cap related to Grandfathered Irrigation Accounts.*

# Combined Account (10K Gallons Consumption, CAGRD Post 2004)

| | CURRENT | PROPOSED |
|---|---|---|
| Water Base Charge | $21.08 | $21.08 |
| Water Usage Charge | $18.36 | $18.36 |
| Rate Structure Changes | N / A | ($3.36) |
| Subtotal – Water Delivery | $39.44 | $36.08 |
| | | |
| New Water Resource Fee | N / A | $30.70 |
| New Effluent Credit | N / A | ($12.28) |
| Subtotal – Water Resources | N / A | $18.42 |
| | | |
| QC MONTHLY BILL | $39.44 | $54.50 |
| | | |
| CAGRD Bill | $18.57 | $0 (Via Reimbursement) |
| | | |
| TOTAL | $58.01 | $54.50 (-$3.51) |

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# Water Only Account (10K Gallons Consumption, CAGRD Post 2004)

| | CURRENT | PROPOSED |
|---|---|---|
| Water Base Charge | $21.08 | $21.08 |
| Water Usage Charge | $18.36 | $18.36 |
| Rate Structure Changes | N / A | ($3.36) |
| Subtotal – Water Delivery | $39.44 | $36.08 |
| | | |
| New Water Resource Fee | N / A | $30.70 |
| New Septic Credit | N / A | ($3.00) |
| Subtotal – Water Resources | N / A | $27.70 |
| | | |
| QC MONTHLY BILL | $39.44 | $63.78 |
| | | |
| CAGRD Bill | $18.57 | $0 (Via Reimbursement) |
| | | |
| TOTAL | $58.01 | $63.78 ($5.77, +10%) |

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# 3. Conduct Public Hearings / Recommended Rate and Fee Adoption







# November 18th Public Hearing

| Fee / Rate | Implementation Date |
|---|---|
| 2 Capacity Fees | December 21, 2026 |
| 4 Utility Rates / Fees | January 27, 2027<br><br>March 9, 2027<br>(First Bills Produced) |

# Agenda Item 9.A.
# Solid Waste / Recycling Rates and Fees

**CONDUCT A PUBLIC HEARING**

**RECOMMENDED MOTION**

Approve Resolution 1691-26 increasing solid waste rates and fees in compliance with State law

# Agenda Item 9.B.
# Wastewater Rates and Fees

**CONDUCT A PUBLIC HEARING**

**RECOMMENDED MOTION**

Approve Ordinance No. 902-26 increasing wastewater retail rates in compliance with State law

# Agenda Item 9.C.
# Water Rates and Fees (Delivery)

**CONDUCT PUBLIC HEARING**

**RECOMMENDED MOTION**

Approve Resolution No. 1688-26 increasing water retail rates and fixed charges in compliance with State law

# Agenda Item 9.D.
# New Development Water Capacity Fee (Delivery)

**CONDUCT PUBLIC HEARING**

**RECOMMENDED MOTION**

Approve Ordinance No. 901-26 adopting new development water capacity fees (Water Delivery Infrastructure)

# Agenda Item 9.E.
# New Development Water Resource Capacity Fee (Water Replenishment Infrastructure)

**CONDUCT PUBLIC HEARING**

**RECOMMENDED MOTION**

Motion to approve Ordinance No. 900-26 to establish a New Development Water Resource Capacity Fees (Water Replenishment Infrastructure) in compliance with State law and the CAGRD modification and exemption programs

# Agenda Item 8.C.
# EPCOR MOU Key Elements

- Work Cooperatively - Capital Investment Infrastructure Planning & Water Resource Management Projects
  - Kenworthy and Meridian Underground Storage Facilities
  - Expansion of the Pecan Water Reclamation Facility
  - Water System Interconnects / Redundancy
  - Other Water Resource Management & Capital Projects
- Address Historically Created Water Resource Differentials
- Good Faith and Best Efforts

# Agenda Item 8.C. (continued)
# EPCOR MOU Immediate Benefits

- Creates an Opportunity to Create a Separate Agreement for the “EPCOR Wastewater Credit” Program that will be Applied to the Town’s New Water Resource Capacity Fee
  - Elements of the Separate Agreement
    - EPCOR Wastewater Accounts (QC Water Accounts) Will Receive the Wastewater Credit (i.e. 40% Single-Family Home) Same as QC Accounts
    - How & When EPCOR will “Compensate” the Town for the Credits
    - Agreement to be Completed by June 30, 2027

# Agenda Item 8.C. (concluded)
# EPCOR MOU Recommendation

Approve the Memorandum of Understanding between the Town of Queen Creek and EPCOR Water Arizona Inc. and further authorizing the Mayor / Town Manager and Town Attorney to negotiate, modify, & amend the memorandum of understanding consistent with its original intent

# Agenda Item 9.F.
# Establish a Water Resource Fee (Replenishment)

**CONDUCT PUBLIC HEARING**

**RECOMMENDED MOTION**

Approve Resolution No. 1689-26 to establish a New Water Resource Fee in compliance with State law and adopting the Planned Community Policy (to Address HOA Annual Fee Increases to Dues)

TOWN OF QUEEN CREEK ARIZONA

**TO:** HONORABLE MAYOR AND TOWN COUNCIL

**THROUGH:** BRUCE GARDNER, TOWN MANAGER

**FROM:** SCOTT MCCARTY, DEPUTY TOWN MANAGER/CHIEF FINANCIAL OFFICER

**RE:** PUBLIC HEARING AND POSSIBLE APPROVAL OF ORDINANCE NO. 902-26 INCREASING WASTEWATER RETAIL RATES IN COMPLIANCE WITH STATE LAW.

**DATE:** November 18, 2026

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**Suggested Action:**

Motion to approve Ordinance No. 902-26 increasing wastewater retail rates in compliance with State law.

**Relevant Council Goal(s):**

Effective Government: KRA Financial Stability

**Discussion:**

Town staff introduced cost-of-service rate adjustments to monthly wastewater rates at the September 2, 2026 Town Council meeting. Town Council approved the Notice of Intention to increase wastewater rates and fees and start the 60-day public process. On October 21, staff presented an further details of the wastewater cost-of-service rate adjustments. Wastewater rates for commercial users last increased in 2015. Since then, the wastewater utility experienced a rate reduction in 2019, while the residential rate structure was subsequently modified in 2021 to adjust the residential cap resulting in customer savings.

Wastewater delivery services are accounted for by an Enterprise Fund. Enterprise Funds operate similarly to a private business, where the costs of providing the service to the customer are recovered through user charges and fees. In accordance with the Town's Financial Policies, Enterprise fees shall be set to fully recover their respective operating costs.

The final recommendation by Town staff and Stantec is based on the consultant's Report which documents the utility's revenue requirements, cost allocation among customer classes, and demonstrate that the proposed rates, fees, and charges are reasonable and rationally related to the cost of providing service. The rate studies and cost-of-service analysis presented to the public demonstrate the rates, fees, and charges are sufficient to keep the Town's utilities self-supporting and bear a reasonable relationship to the value of the service.

In order to increase wastewater rates, the Town must follow a two-step process as required by A.R.S. § 9-511.01. Step one, is a requirement to provide a written public notice of intent to increase rates, setting the public hearing date, and including data that supports the proposed rates. Attached is a report prepared by Stantec, the Town's rates and fees consultant, supporting the proposed cost-of-service rate adjustments. The notice was approved at the September 16, 2026, Town Council meeting, a copy of the notice was published on the Town's webpage, related material was posted on the Town's website, and information was published in the newspaper.

Step two is a requirement to conduct a public hearing to increase the fee at today's meeting. The first date the new fees would be applied would be January 27, 2027 with the first bill dated March 9, 2027.

In addition to completing the required statutory processes, Town staff conducted numerous public outreach meetings with customers, Homeowners Associations (HOAs), stakeholders, boards and commissions, and other community groups. These meetings provided opportunities to present the proposed wastewater rates and other utility fee changes, listen to customer and stakeholder feedback, and identify areas of concern. Staff incorporated this feedback into subsequent presentations, brought key concerns forward for Council consideration, and adjusted presentation materials and other aspects of the proposed fees as appropriate.

The Town also utilized multiple communication channels to inform customers and provide access to relevant information, including social media, the Town's website, direct email communications, and utility bill notifications.

Public outreach and customer communications will continue following the November 18, 2026, Council action to support customer understanding, address questions, and provide ongoing information regarding implementation of the approved fees.

**Fiscal Impact:**

The proposed wastewater rate adjustments are designed to better align the cost of service with the customer classes using the system. Single-family residential customers will not experience a change to their wastewater bills due to the proposed rate structure modifications.

The proposed structure establishes a new distinct multifamily classification, aligns multifamily volumetric rates with residential rates while applying 75% of the fixed monthly service charge per unit, and scales commercial monthly base charges by meter size in accordance with industry best-practices. Commercial and multifamily customers may experience changes based primarily on adjustments to fixed monthly charges.

The wastewater utility is operated as an Enterprise fund, with customer rates and fees supporting the operating, capital, and debt service requirements of the system. The recommended rate structure changes generate approximately 4% in additional annualized rate revenue, or approximately $150,000 during FY 2027 due to the partial-year implementation. The study projects this additional revenue will be sufficient to meet FY 2027 cash flow requirements. The study recommends a 12-month operating expense reserve target, with a minimum reserve level of six months to provide financial flexibility for rate stabilization, emergency repairs and replacements, and future asset needs.

These changes improve the proportional recovery of system costs while generating the revenue needed to support current operations and capital requirements. Staff will continue to monitor system costs, revenues, capital needs, and reserve levels and evaluate future rate adjustments as updated information becomes available.

**Alternatives:**

Wastewater delivery services are accounted for in an Enterprise Fund. The intent of the Enterprise Fund is to recover all expenses through rates and fees. As such, if this rate increase is not implemented, a gap between expenses and revenues could create a deficit in future years and will result in a higher rate increase at some point in the future.

**Attachment(s):**

1. Ordinance No. 902-26
2. Report: Wastewater Rates and Fees Rate Study Report, Stantec

**ORDINANCE NO. 902-26**

**AN ORDINANCE OF THE COMMON COUNCIL OF THE TOWN OF QUEEN CREEK, ARIZONA, INCREASING WASTEWATER RETAIL RATES IN COMPLIANCE WITH STATE LAW.**

**WHEREAS**, Arizona's enabling legislation for water and wastewater rates and charges, A.R.S. § 9-511.01 (the "Utility Statute") requires the Town of Queen Creek (the "Town") to prepare a written report providing schedules of the proposed increases to the existing wastewater retail rates, and the analysis supporting the increased rates and charges (including cash flow projections); and

**WHEREAS**, Stantec, the Town's consultant, has prepared, on behalf of the Town, a written report providing schedules of the increases to the existing wastewater retail rates, and the analysis supporting the increased rates and charges (including cash flow projections) titled "Wastewater Rates and Fees 2026 Rate Study Report, Queen Creek, Arizona," (the "Report"); and

**WHEREAS**, the Utility Statute also requires the Common Council of the Town (the "Town Council") to (i) adopt a Notice of Intention to adopt the fees, (ii) file the written report with the Town Clerk, and (iii) post the written report on the Town's website at least 60 days prior to holding a public hearing on the proposed rates and charges; and

**WHEREAS**, on September 16, 2026, the Town Council (i) adopted the Notice of Intention that confirmed the filing and posting of the Report as required by the Utility Statute and (ii) set a public hearing to consider the proposed new or increased rates and charges at its regularly scheduled meeting on November 18, 2026; and

WHEREAS, the Town published the Notice of Intention in the newspaper and through electronic communication tools and posted required materials on the Town website; and

**WHEREAS**, the Town Council held the public hearing on November 18, 2026, and now desires to conclude the adoption process by approving an increase to the existing wastewater retail rates and charges as set forth in the Report;

**NOW, THEREFORE, BE IT ORDAINED BY THE COMMON COUNCIL OF THE TOWN OF QUEEN CREEK, ARIZONA, AS FOLLOWS**:

**Section 1:** The recitals above are hereby incorporated as if fully set forth herein.

**Section 2:** The Report is hereby adopted in substantially the form and substance attached hereto as Exhibit A and incorporated herein by reference.

**Section 3:** The wastewater monthly service charges as set forth in Table 2 of the Report, and the wastewater volumetric rates as set forth in Table 3 of the Report, are hereby approved.

**Section 4:** The Town Code, Article 16-3 (Sanitary Sewer Regulations), Section 16-3-8 (Sewer Service Fees), subsection F, is hereby amended to delete the tables therein in their entirety and to replace them with new tables containing the rates and classes set forth in Table 2 and Table 3 of the Report.

**Section 5:** The Town Manager, the Town Clerk and the Town Attorney are hereby authorized and directed to take such steps and execute such documents as necessary to implement this Ordinance.

**Section 6:** The fees and charges adopted herein shall: (i) be placed in a separate fund designated for uses as set forth in the Report; and (ii) not be used for unrelated purposes.

**Section 7:** If any section, subsection, clause, phrase or portion of this Ordinance or any part of these amendments to the Town Code is for any reason held invalid or unconstitutional by the decision of any court of competent jurisdiction, such decision shall not affect the validity of the remaining portions thereof.

**Section 8:** At least one paper copy and one electronic copy of this Ordinance and Exhibit(s) are to be filed with and will be located at the office of the Town Clerk.

**PASSED AND ADOPTED** by the Common Council of the Town of Queen Creek, Arizona, this 18th day of November, 2026.

| | |
|---|---|
| FOR THE TOWN OF QUEEN CREEK: | ATTESTED TO: |
| Julia Wheatley, Mayor | Maria Gonzalez, Town Clerk |
| REVIEWED BY: | APPROVED AS TO FORM: |
| Bruce Gardner, Town Manager | Clifford Mattice, Town Attorney |

**EXHIBITS ON FILE AND LOCATED AT THE TOWN CLERK'S OFFICE.**

**EXHIBIT A**

**TO**

**ORDINANCE 902-26**

**[Report]**

See following pages.

TOWN OF QUEEN CREEK ARIZONA

# Wastewater Rates and Fees - Report
# Town of Queen Creek, Arizona

## 2026 Rate Study Report

Stantec

Prepared for: Scott McCarty
Town of Queen Creek
Deputy Town Manager/CFO

Prepared by: Andrew Burnham
Stantec
Vice President

## 1.0 INTRODUCTION AND PURPOSE

The Town of Queen Creek, Arizona (Town) contracted Stantec Consulting Services Inc (Stantec) to conduct a comprehensive utility rate study (Study) for its Wastewater utility (Utility). The Study included an analysis of the wastewater fund's (Fund) cash flow projections and financial position to project annual revenue requirements over a five-year period, as well as the performance of a cost of service and rate structure analysis. The analysis presented in this report is provided to assist the Town in complying with the requirements of Arizona Revised Statutes (A.R.S.) Title 9, § 9-511.01 governing adjustments to municipal water and wastewater rates, fees, and service charges. The statute requires municipalities engaged in the domestic water or wastewater business to prepare a written report or supporting data demonstrating the need for a proposed rate adjustment and to develop cash flow projections identifying anticipated revenues from customers and the overall expenses associated with providing utility service. This report presents the data, assumptions, and analyses supporting the proposed rate modifications and provides multi-year cash flow schedules demonstrating the sufficiency of projected revenues from the adjusted fees. Values may be rounded throughout this report for presentation purposes.

The Town Council received a presentation regarding the need for and basis of proposed adjustments to wastewater rates, fees, and charges as part of its regular meeting on September 2, 2026. Subsequent to that, on September 16, 2026, the Town Council approved a notice of intention to adopt rate adjustments for wastewater. At that time, an initial version of this report was offered as part of the supporting materials for the consideration of the notice. Since that time, the Town has engaged in public discussions regarding the proposed rate adjustments to provide the opportunity for the community to ask questions, request information, and provide feedback relative to the proposed rate adjustments. It is important to note that there have been no changes to the rate adjustment recommendations contained in the initial report, and this report reflects only minor adjustments intended to enhance the accuracy and understanding of the results and analysis conducted in support of the proposed rate adjustments.

## 2.0 BACKGROUND

The Town operates a wastewater utility system serving the Town and surrounding community comprised of an existing customer base of approximately 25,000 equivalent residential units (ERU).[1] The costs associated with providing wastewater services are accounted for in an enterprise fund and are funded through the rates and fees paid by customers for services rendered. The Town periodically conducts rate studies to evaluate the adequacy of revenues to recover the cost of providing services and to maintain rates and fees that conform to current industry practices and reflect a proportional distribution of costs.

The principal components of the Study included:

- **Revenue Sufficiency Analysis** – Conduct a revenue sufficiency analysis (RSA) by developing and populating a multi-year forecasting model for the Town's Wastewater fund to determine the

[1] ERUs were calculated by converting all meters by size to the number of equivalent 3/4" meters they represent based on their respective flow capacity as compared to that of a 3/4" meter, which is the most common meter size for residential customers.

annual revenue required to satisfy the Fund's projected annual operating, capital, and debt requirements, as well as to maintain a reserve fund balance at or above a minimum target level.

- **Cost of Service Analysis** – Complete a cost allocation process following industry guidelines and utilizing available local data to determine the appropriate distribution of wastewater system costs to different customer types. The cost of service analysis (COSA) allocates costs to system functions and then distributes functional costs to customer classes to allow for a comparison of current revenue collection by customer class to class-specific cost of service to enable the appropriate recovery of system costs from each customer class. In this Study, the Town decided to create a distinct multifamily customer classification to recover proportionate costs from each type of customer. Prior to this Study, multifamily customers were billed as commercial customers.

- **Rate Design** – Review the Town's existing wastewater rate structure and develop modifications, as appropriate, to enhance conformance with accepted industry practices and reflect the current distribution of system costs. In addition to the creation of a distinct multifamily customer classification, which helped to align rates with the cost to serve each customer type, a key recommendation coming from this Study was the implementation of scaled fixed charges by meter size for non-residential customers consistent with common industry practice.

- **Rate Benchmarking** – Complete a survey of wastewater rates and fees for regional peers providing wastewater services to compile a comparative bill calculation for a typical customer.

## 3.0 ANALYTICAL APPROACH

The revenue sufficiency analysis evaluated the adequacy of the Utility's revenues to meet its current and projected financial requirements over a five-year projection period. This analysis determined the level of revenue increases necessary in each year of the projection period to provide sufficient revenues to fund the revenue requirements for the wastewater system. The process included an evaluation of alternative scenarios of annual rate revenue increases, and capital spending and funding.

Through this process, a financial management plan and associated recommendations for FY 2027 wastewater rate adjustments were developed to address the financial requirements of the system. Moreover, Stantec worked with the Town to develop a sustainable multi-year financial management plan for the wastewater systems that utilized available cash balances above the minimum reserve fund balance target for capital funding over a multi-year period, while avoiding future rate increase "spikes" that would otherwise be caused by an accelerated draw-down or use of existing reserve fund balances.

To initialize the Study, Stantec obtained the Town's historical and budgeted financial information regarding the operation of its Wastewater fund, financial policies, capital improvement program, as well as historical customer data. Stantec also consulted with the Town regarding other assumptions and policies that would affect the performance of the Fund, such as escalation rates for operating costs, projected customer growth, capital funding sources, and minimum reserve levels. Key data inputs include:

- FY 2026 ending fund balances
- FY 2026 adopted revenue and expense budget and estimated actual results
- FY 2027 adopted revenue and expense budget
- Multi-year capital improvement program by project and operational impacts

Stantec worked with the Town to create modules to determine appropriate reserve targets, forecasts of annual capital and operating expenses related to the Greenfield Water Reclamation Plant (GWRP) and distribute shared customer service department expenses for utility billing and customer service. These modules and inputs will be discussed further in the below sections.

This information was entered into Stantec's proprietary Financial Analysis and Management System (FAMS) interactive modeling system. FAMS produced a 5-year projection of the sufficiency of the revenue

provided by the existing fees of the fund to meet current and projected financial requirements. These projections further determined the overall level of user fee revenue increases necessary in each year of the projection period to satisfy the Fund's annual financial requirements.

Ultimately, the level of increase in system revenue needed for FY 2027 would be accomplished through specific rate structure changes that are consistent with industry practices and intended to better align the revenue recovery by customer type with the cost of service results identified as part of this Study. The rate structure changes identified herein would be implemented January 27, 2027, with updated bills reflecting the new rates and fees going out to customers March 9, 2027. It is important to note that any future rate adjustments identified by the Study are for projection purposes and subject to change based on future conditions.

# 4.0 SOURCE DATA & ASSUMPTIONS

The following section details key source data and assumptions that informed the 5-year financial forecast.

## 4.1 BEGINNING BALANCES

Ending FY 2026 fund balances established the beginning fund balance for FY 2027. The beginning fund balance is comprised of available cash and investments for operations of the Fund. Schedule 2 of appendix A presents the starting balance for FY 2027.

## 4.2 CUSTOMER GROWTH

The Town provided estimates from Elliot Pollack & Company for growth within the service area. The Town anticipates adding approximately 1,200 new ERUs in FY 2027 and an average of about 1,100 ERUs per year over the 5-year projection period. Schedule 1 of Appendix A presents the annual growth schedule.

## 4.3 REVENUES

The revenue data utilized in the analysis reflects an evaluation of multiple years of historical results and estimated results for FY 2026. Revenues consist of user fees and interest income. User fee revenue is based on FY 2026 estimated revenues, adjusted annually based on assumed user fee adjustments, as well as customer growth. Interest income is calculated annually based on projected average fund balances and assumed interest rate of 3.5%. Schedule 4 of Appendix A presents the revenue projections.

## 4.4 OPERATING EXPENDITURES

The Fund's operating expenditures include all operating and maintenance (O&M) line-item expenses, which are primarily driven by costs associated with GWRP. The Town conveys wastewater to GWRP, a shared water reclamation plant between Gilbert, Mesa, and the Town. The Town's share of operating expense for this plant is estimated at $3.5M for FY 2027, constituting ~45% of the total operating budget. Stantec and the Town reviewed anticipated flows and loadings, treatment cost escalations, capital outlay contributions, and projected rental rate adjustments at GWRP to create a discrete annual cost estimate, which was included in the revenue requirements for the Fund. This cost estimate accounts for the fact that the Town currently utilizes over the 4 MGD capacity it is allotted. The GWRP plant expansion will alleviate the annual rental rate utilization costs that the Town is currently incurring from GWRP for exceeding its reserved capacity allocation. Annual operating expenses for the forecast period associated with GWRP were calculated based on projected annual flows to the plant, contractually binding not-to-exceed rates per MGD for FY 2026, constituent unit costs, and rental rates based on allocated capacity and current utilization of the plant.

In summary, the analysis projected individual expense categories and expense amounts from the amounts contained in the FY 2026 and FY 2027 budgets. The expenses, with the exception of GWRP,

were adjusted annually based on assumed cost escalation factors that were reviewed with the Town. Schedule 5 of Appendix A presents the annual operating expenses projected in the Study.

### 4.5 CAPITAL IMPROVEMENT PROGRAM

The Town provided a multi-year capital improvement program that provided the basis for annual capital funding requirements. All growth-related capacity costs were excluded from the Study, as those projects are assumed to be funded with capacity fee revenues. More than 80% of anticipated capital costs from FY 2027 to FY 2031 are related to the GWRP plant expansion, which will increase the Town's share of GWRP capacity from 4 MGD to 6 MGD. Both the timing and cost of the GWRP plant expansion are uncertain at the time of this Study, as is the final allocation of costs to growth in new customers versus existing rate payers. The results discussed herein rely on the assumption that construction will begin in FY 2027 and go through FY 2031, costing an estimated $90 million dollars, with approximately 80% of the project paid by capacity fees and 20% funded through rate revenues. The Town currently utilizes more than its allotted 4 MGD in plant capacity and expects to utilize the full 6 MGD of capacity upon completion of the project. Schedule 7 of Appendix A presents the five-year capital improvement program

### 4.6 DEBT

There is an outstanding Excise Tax and State Shared Revenue Refunding Obligations, Series 2025 loan with an average annual payment through FY 2029 of $1.3M at which point the loan will be paid off. The financial model projects the Town borrowing for a portion of the GWRP plant expansion capital project in FY 2029 and FY 2030. The terms and resulting new annual debt service that would be repaid by revenue from wastewater rates are presented in Schedule 9 of Appendix A.

### 4.7 MINIMUM RESERVE BALANCES AND POLICY

Reserve balances for utilities are funds set aside to meet specific cash flow requirements, mitigate risks, address financial, project, task needs, or fulfill legal covenants. These balances are maintained to meet short- to medium-term cash flow requirements and minimize the risk associated with fulfilling financial obligations and ongoing operational and capital needs under adverse conditions. The level of reserves maintained by a Fund is a critical component and a key consideration in a Fund's multi-year financial management plan.

Many utilities, industry organizations, and municipal rating agencies place a significant emphasis on having sufficient reserves available for potentially adverse conditions. The rationale related to the maintenance of adequate reserves is twofold. First, it helps to ensure that a Fund will have adequate funds available to meet its financial obligations during unusual periods, such as when revenues are unusually low and/or expenditures are unusually high. Second, it provides funds that can be used for emergency asset repairs or replacements, which may be necessary due to unforeseen events.

The Fund currently maintains a minimum reserve target of 6 months of O&M expenses, but 12 months of O&M represents the minimum target reserve level for the Fund recommended from the Study. Stantec created a framework to calculate a minimum target reserve level, considering issues like rate stabilization, emergency repairs and replacements for GWRP and the rest of the system, future asset replacement equal to 3% of net capital assets, and pension needs. Stantec estimated the magnitude for each of the aforementioned items and determined the total annual minimum target reserve level is approximately equivalent to 12 months of operating expenses.

## 5.0 CASH FLOW PROJECTIONS

As part of the Study, Stantec developed a multi-year financial forecasting model that includes cash flow projections based on current data and assumptions provided by and discussed with the Town. The

following table summarizes the revenue, operating expenses, debt service, cash funded capital, and transfers for FY 2027. Due to increases in operating expenditures primarily related to GWRP and an update to utility billing and customer service cost allocations, a cash flow deficit of $0.2 million is expected based on the Town's current wastewater rates and fees. Table 1 summarizes the Town's cash flows in FY 2027 if rates are not changed. The FY 2027 cashflow deficit would result in the utility drawing down existing fund balances to satisfy its cash flow requirements. Moreover, the operations and maintenance costs to the wastewater fund are expected to increase by approximately 5% from FY 2027 to FY 2028, primarily due to increased costs associated with the GWRP. At existing rates and fees, the Town's wastewater fund would continue to experience increasing cash flow deficits into the future based on current projections.

**Table 1: Summary of Wastewater Fund Cash Flow Projections (Millions of Dollars)**

| Wastewater Fund | Fiscal Year 2027 |
|---|---|
| User Fee Revenues | $11.6 |
| Interest Earnings | $0.3 |
| ***Total Revenues*** | ***$11.9*** |
| Operating Expenses | ($7.7) |
| Debt Service | ($1.5) |
| Cash Funded Capital | ($2.4) |
| ***Total Expenses*** | ***($11.6)*** |
| Net Transfers | ($0.5) |
| **Cash Flow** | $(0.2) |

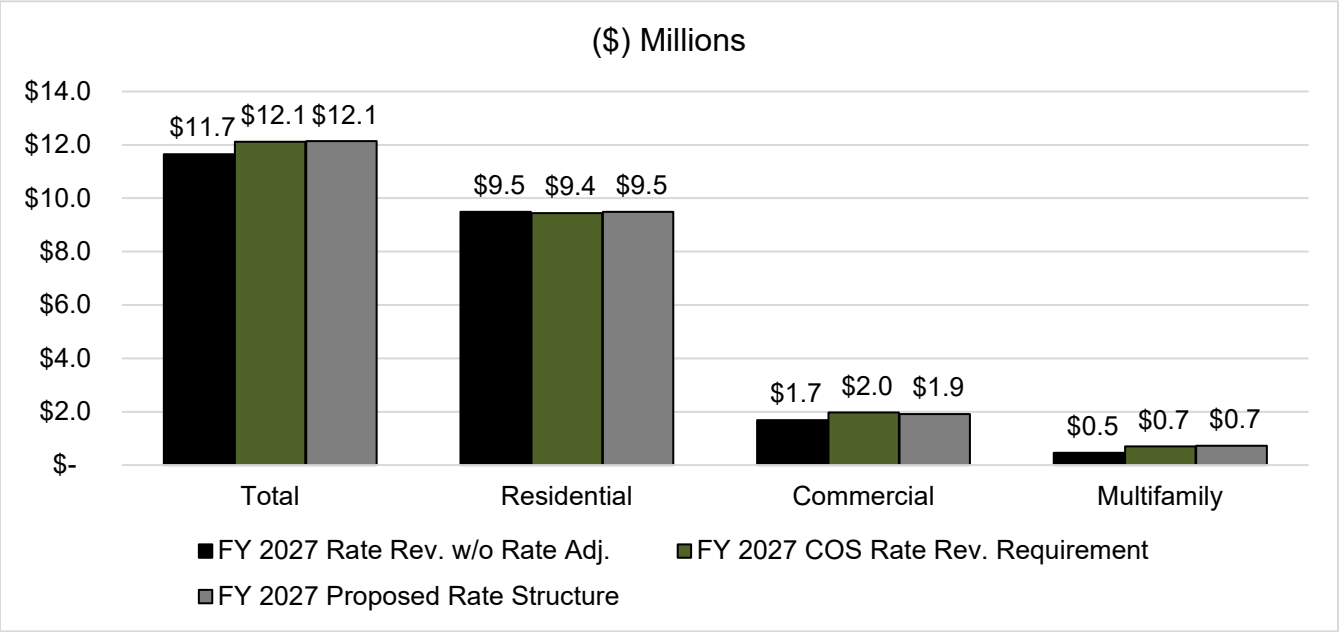
## 6.0 RESULTS AND RECOMMENDATIONS

Given the cash flow shortfall, it is recommended that the Town increase wastewater rate revenues by 4% on an annualized basis in FY 2027 through rate structure changes resulting from the Study's cost allocation analysis. The proposed rate adjustments would take effect with services provided starting on January 27, 2027, with the first bills reflecting the updated rates and fees anticipated to begin on March 9, 2027. As the proposed rates and fees will only be in effect for part of the fiscal year, the overall revenue increase realized during FY 2027 from the 4% rate increase is projected to be about $150,000. This increase should be sufficient to satisfy the FY 2027 cash flow requirements. It is important to note that the Study has identified future increases of 3% per year starting in FY 2028 may be required to meet projected system requirements. However, the amount and timing of those annual increases should be reviewed at a future date that will consider updated data and conditions at that time.

As indicated, a cost of service analysis was performed to identify the cost of serving different customer types using industry accepted approaches and local data. Specifically, the costs of the wastewater system were allocated between treatment, collection, and customer-related functions, and the costs of those functions were then proportionally allocated to each customer type based upon their respective units of service. A summary of current revenues, revenue requirements, and projected revenues by customer type is included in the following chart, while Appendix B includes schedules with supporting

information and allocation results. As can be seen, current multifamily and commercial rates are recovering revenue below the calculated cost of service allocation.

**Chart 1: Cost of Service and Resulting Rate Structure[2]**




Rate structure modifications were then identified that enhanced conformance with industry practices and better align revenue recovery with the cost of service by customer type. Specifically, the Town is proposing to align multifamily rates with residential volumetric rates and apply 75% of the fixed monthly service charge per unit. Additionally, it is proposed to scale or increase commercial base rates by meter size based on the flow rates of the specific types of meters being installed by the Town, consistent with common industry practice. These specific rate structure changes better align Multifamily and Commercial customers with their calculated cost of service and are sufficient to generate 4% in additional revenues on an annualized basis for the Town's wastewater fund. Notably, there are no recommended adjustments to single-family residential rates. Single family accounts will continue to pay $10.25 per month plus $4.82 per 1,000 gallons for 70% of their winter average consumption. The specific schedules of rates are included in the following tables.

[2] Chart presents the annualized revenue requirement of $12.1M for the full FY 2027. Due to mid-year rate structure implementation, actual cash revenue received from the proposed rates will be lower in FY 2027

**Table 2: Current and Recommended Wastewater Monthly Service Charges**

| Meter Size | Current Monthly Service Charge (Residential) | Current Monthly Service Charge (Commercial/MF) | FY 2027 Proposed Residential | FY 2027 Proposed Commercial | FY 2027 Proposed Multifamily per Unit |
|---|---|---|---|---|---|
| 3/4" | $10.25 per Single-Family Home | $11.96 | $10.25 per Single-Family Home | $10.25 | $7.69 per Dwelling Unit |
| 1” | | $11.96 | | $17.08 | |
| 1.5” | | $11.96 | | $34.17 | |
| 2” | | $11.96 | | $54.67 | |
| 3” | | $11.96 | | $170.83 | |
| 4” | | $11.96 | | $427.08 | |
| 6” | | $11.96 | | $854.17 | |
| 8” | | $11.96 | | $1,366.67 | |
| 10” | | $11.96 | | $2,220.83 | |
| 12” | | $11.96 | | $2,733.33 | |

**Table 3: Current and Recommended Wastewater Volumetric Rates**

| Customer Type | Current Rate ($/1,000 gallons) | FY 2027 Proposed ($/1,000 Gallons) |
|---|---|---|
| Residential | $4.82 | $4.82 |
| Multifamily | $5.61 | $4.82 |
| Commercial | $5.61 | $5.61 |

**Wastewater Operating Cash Flows**

The following table demonstrates that the proposed rates recover the Fund's operating and capital costs.

**Table 4: Summary of Wastewater Retail Rate Operating Fund Cash Flows ($M)[3]**

| Wastewater Fund | Fiscal Year 2027 |
|---|---|
| User Fee Revenues | $11.8 |
| Interest Earnings | $0.3 |
| ***Total Revenues*** | ***$12.1*** |
| Operating Expenses | ($7.7) |
| Debt Service | ($1.5) |
| Cash Funded Capital | ($2.4) |
| ***Total Expenses*** | ***($11.6)*** |
| Net Transfers | ($0.5) |
| **Cash Flow** | $0.0 |

Appendix A of this report includes a Pro Forma summary, including all anticipated revenues from customers reflecting the recommended 4% revenue increase resulting from the rate adjustments presented herein and subsequent future rate increase projections. Appendix A also includes a summary of operating and non-operating expenditures, net transfers, and fiscal year beginning and ending balance projections for FY 2027 – FY 2031 with the projected future rate adjustments included.

## 7.0 CUSTOMER BILL IMPACTS

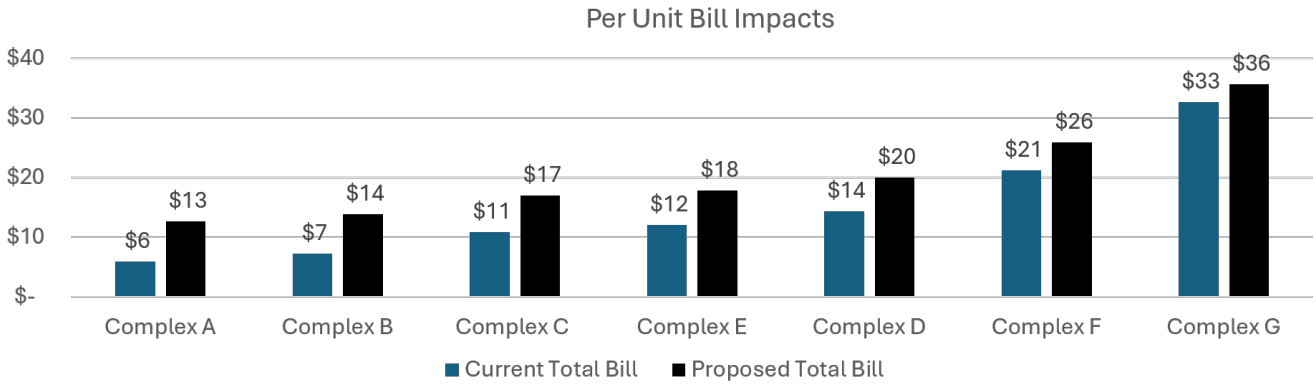
Single family users will not see any impact to their wastewater bill as a result of the proposed structure changes. Commercial users and multi-family users may see modest impacts because of fixed structure changes. Table 5 below presents sample Commercial bill impacts by meter size while Chart 2 compares bill impacts for multi-family units at a sample of complexes served by the Town.

[3] Rate effective on bills issued on March 9, 2027

**Table 5: Example Commercial Bill Impacts**

| Meter Size | Number of Accounts | Typical Customer Monthly Use | Current Monthly Bill | Proposed Monthly Bill | Monthly Bill Impact |
|---|---|---|---|---|---|
| 3/4 inch | 44 | 15 | $96.11 | $94.40 | -$1.71 (-2%) |
| 1 inch | 78 | 25 | $152.21 | $157.33 | $5.12 (3%) |
| 1.5 inch | 120 | 75 | $432.71 | $454.92 | $22.21 (5%) |
| 2 inch | 198 | 135 | $769.31 | $812.02 | $42.71 (6%) |
| 3 inch | 16 | 205 | $1,162.01 | $1,320.88 | $158.87 (14%) |
| 4 inch | 8 | 495 | $2,788.91 | $3,204.03 | $415.12 (15%) |

**Chart 2: Example Multi-Family Unit Bill Impacts**




## 8.0 FUTURE CONSIDERATIONS

During the course of this Study, Stantec identified items that should be considered in future updates to wastewater rates beyond FY 2027:

- The Town should consider conducting a sampling and return flow study in the future to better understand the wastewater strength and return flow of different customer types.
- Future rate studies should consider indexing adjustments or pass-through mechanisms to account for changes in Greenfield Water Reclamation Plant (GWRP) costs given their magnitude.
- Future updates to the anticipated GWRP expansion capital cost, splits between growth and existing customers, funding sources, and timing may impact future projections of rate increases.
- The amount and timing of projected future borrowing for other capital projects identified in this Study will be dependent on the timing of capital needs and availability of resources to support the capital program and should be reassessed in the future.

# APPENDIX A – PRO FORMA & SUPPORTING SCHEDULES

## Assumptions — Schedule 1

| | FY 2027 | FY 2028 | FY 2029 | FY 2030 | FY 2031 |
|---|---|---|---|---|---|
| **Rate Increase Adoption Date** | 3/1/2027 | 1/1/2028 | 1/1/2029 | 1/1/2030 | 1/1/2031 |
| **Annual Growth** | | | | | |
| **Wastewater** | | | | | |
| Ending # of ERUs | 24,838 | 25,924 | 26,592 | 27,404 | 29,116 |
| ERU Growth | 1,223 | 1,086 | 667 | 812 | 1,712 |
| % Change in ERUs | *5.18%* | *4.37%* | *2.57%* | *3.05%* | *6.25%* |
| **Rate-Funded Capital Spending** | | | | | |
| Annual Spend Operating Funded Capital (Future Year Dollars)* | $ 854,865 | $ 773,541 | $ 4,515,675 | $ 11,970,814 | $ 5,030,592 |
| Annual Percent Executed | 100% | 100% | 100% | 100% | 100% |
| **Average Annual Interest Earnings Rate** | | | | | |
| On Fund Balances | 3.50% | 3.50% | 3.50% | 3.50% | 3.50% |
| **Operating Budget Reserve** | | | | | |
| Minimum Reserve (Number of Months of Reserve) | 6.0 | 6.0 | 6.0 | 6.0 | 6.0 |
| Target Reserve (Number of Months of Reserve) | 12.0 | 12.0 | 12.0 | 12.0 | 12.0 |
| **Operating Budget Execution Percentage** | | | | | |
| Personnel Services | 100% | 100% | 100% | 100% | 100% |
| Variable Operations & Maintenance (GWRP) | 100% | 100% | 100% | 100% | 100% |
| Fixed Operations and Maintenance | 100% | 100% | 100% | 100% | 100% |
| Capital Outlay | 100% | 100% | 100% | 100% | 100% |

*Excludes all growth-funded capital

# FY 2027 Beginning Balances

# Schedule 2

| Stantec Grouping of Funds in Model | | Revenue Fund |
|---|---|---|
| Available Cash and Investments | | 9,858,469 |
| **Available Fund Balance** | **$** | **9,858,469** |

## Reserve Targets

**Schedule 3**

| Reserve Type | Amount | Basis | FY 2027 | FY 2028 | FY 2029 | FY 2030 | FY 2031 |
|---|---|---|---|---|---|---|---|
| General Contingency[1] | 2% | Percentage of Operating Expenses | $ 153,322 | $ 161,479 | $ 186,358 | $ 203,554 | $ 227,670 |
| Liquidity[2] | 60 | Days of Operating Expense & Debt Service | 1,511,869 | 1,578,659 | 1,699,395 | 1,805,016 | 2,027,581 |
| Rate Stabilization Reserve[3] | 2.5% | % Variations in billed volume (volumetric rate revenue) | 442,755 | 481,331 | 508,516 | 539,766 | 590,692 |
| Emergency R&R Reserve[4] | 1,000,000 | Estimated cost of unplanned line repair/replacement | 1,030,000 | 1,060,900 | 1,092,727 | 1,125,509 | 1,159,274 |
| Emergency GWRP R&R Reserve[4] | 500,000 | To withstand fluctuation in annual capital expenses | 515,000 | 530,450 | 546,364 | 562,754 | 579,637 |
| Pension Reserve[5] | 750,000 | Requirement per staff | 750,000 | 750,000 | 750,000 | 750,000 | 750,000 |
| Asset Replacement Reserve[6] | 3.0% | % of Net Capital Assets reserved for asset replacement | 3,613,530 | 3,639,176 | 3,662,383 | 3,797,853 | 4,156,977 |
| Recommended Reserves | | | **$ 8,016,477** | **$ 8,201,997** | **$ 8,445,742** | **$ 8,784,452** | **$ 9,491,831** |
| Minimum Reserves | | | **$ 4,402,946** | **$ 4,562,820** | **$ 4,783,359** | **$ 4,986,599** | **$ 5,334,854** |
| Recommended Reserves in Months of O&M Expense | | | 13 | 12 | 11 | 10 | 10 |
| Minimum Reserve in Months of O&M Expense | | | 7 | 7 | 6 | 6 | 6 |

Notes:

1. General Contingency reserve based on two percent of annual operating expense as budgeted for FY 2025
2. 60 days of operating and debt service expenses for each forecasted year based on sum of annual projected executed operating expense and debt service expense.
3. Rate stabilization reserve based on the largest single year drop on customer demand in the preceding 5 years.
4. R&R and GWRP R&R Reserves based on estimated cost of unplanned emergency repairs to the Town's collection system and the GWRP treatment plant respectively. These costs should be considered above and beyond typical annual O&M and Capital costs
5. Pension Reserve amount provided by town.
6. Asset Replacement Reserve calculated based on 3% of net depreciable assets.

## Projection of Cash Inflows — Schedule 4

| | | FY 2027 | FY 2028 | FY 2029 | FY 2030 | FY 2031 |
|---|---|---|---|---|---|---|
| 1 | **Rate Revenue Growth Assumptions** | | | | | |
| 2 | **Wastewater** | | | | | |
| 3 | % Change in Account Growth | 5.2% | 4.4% | 2.6% | 3.1% | 6.2% |
| 4 | % Change in Billed Flows | 5.2% | 4.4% | 2.6% | 3.1% | 6.2% |
| 5 | **Assumed Rate Revenue Increases** | | | | | |
| 6 | Assumed Wastewater Rate Increase | 4.00% | 3.00% | 3.00% | 3.00% | 3.00% |
| 7 | **Wastewater Rate Revenue** | | | | | |
| 8 | Base Rate Revenue | $ 2,951,701 | $ 3,208,876 | $ 3,390,105 | $ 3,598,439 | $ 3,937,944 |
| 9 | Usage Rate Revenue | 8,855,103 | 9,626,629 | 10,170,314 | 10,795,317 | 11,813,833 |
| 10 | **Total Wastewater Rate Revenue** | **$ 11,806,804** | **$ 12,835,505** | **$ 13,560,418** | **$ 14,393,756** | **$ 15,751,777** |
| 11 | **Interest Income** | | | | | |
| 12 | Unrestricted | $ 344,624 | $ 348,003 | $ 373,035 | $ 380,154 | $ 313,487 |
| 13 | **Total Interest Income** | **$ 344,624** | **$ 348,003** | **$ 373,035** | **$ 380,154** | **$ 313,487** |
| 14 | **Total Cash Inflows** | **$ 12,151,429** | **$ 13,183,507** | **$ 13,933,454** | **$ 14,773,910** | **$ 16,065,264** |

## Projection of Cash Outflows

**Schedule 5**

| | Account Code | Expense Line Item | Escalation Factor | FY 2027 | FY 2028 | FY 2029 | FY 2030 | FY 2031 |
|---|---|---|---|---|---|---|---|---|
| 1 | OMF | 400015 - Bad Debt Expense | Default Inflation Factor | $ 10,300 | $ 10,609 | $ 10,927 | $ 11,255 | $ 11,593 |
| 2 | OMF | 400120 - Dept Support Costs-It | Default Inflation Factor | 60,219 | 62,026 | 63,887 | 65,803 | 67,777 |
| 3 | OMF | 400121 - Dept Support Costs-Hr | Default Inflation Factor | 7,690 | 7,920 | 8,158 | 8,403 | 8,655 |
| 4 | OMF | 400122 - Dept Support Costs-Finance | Default Inflation Factor | 83,737 | 86,250 | 88,837 | 91,502 | 94,247 |
| 5 | OMF | 400126 - Dept Support Costs-Budget | Default Inflation Factor | 20,317 | 20,927 | 21,555 | 22,201 | 22,867 |
| 6 | OMF | 400125-Dept Support Costs - Legal | Default Inflation Factor | 54,672 | - | - | - | - |
| 7 | OMF | 400131 - Dept Support Costs-Facilities | Default Inflation Factor | 55,891 | 57,567 | 59,294 | 61,073 | 62,905 |
| 8 | OMF | 400200 - Utility Franchise Fee | Default Inflation Factor | 636,679 | 655,779 | 675,453 | 695,716 | 716,588 |
| 9 | OMF | 400300 - In Lieu Property Tax | Default Inflation Factor | 519,000 | 534,570 | 550,607 | 567,125 | 584,139 |
| 10 | PS | 401000 - Permanent Salaries | Salaries & Wages | 1,158,707 | 1,196,944 | 1,235,246 | 1,274,774 | 1,315,567 |
| 11 | PS | 401250 - Call Out | Salaries & Wages | 498 | 515 | 531 | 548 | 566 |
| 12 | PS | 401251 - Stand By | Salaries & Wages | 24,469 | 25,276 | 26,085 | 26,920 | 27,781 |
| 13 | PS | 401300 - Over Time Pay | Salaries & Wages | 931 | 961 | 992 | 1,024 | 1,057 |
| 14 | PS | 401400 - Vacation Pay Out | Salaries & Wages | 13,138 | 13,572 | 14,006 | 14,454 | 14,917 |
| 15 | PS | 401500 - Cell Phone Stipend | Salaries & Wages | 4,293 | 4,435 | 4,577 | 4,723 | 4,874 |
| 16 | PS | 401900 - Mileage Stipend | Salaries & Wages | 2,699 | 2,788 | 2,877 | 2,969 | 3,064 |
| 17 | PS | 402101 - Medical Opt Out Stipend | Health Insurance | 383 | 408 | 435 | 463 | 493 |
| 18 | PS | 402111 - Medical Premiums | Health Insurance | 148,817 | 158,490 | 168,792 | 179,763 | 191,448 |
| 19 | PS | 402112 - Hsa Contributions | Health Insurance | 14,910 | 15,879 | 16,911 | 18,011 | 19,181 |
| 20 | PS | 402120 - Dental Premiums | Health Insurance | 8,132 | 8,661 | 9,224 | 9,823 | 10,462 |
| 21 | PS | 402130 - Vision Premiums | Health Insurance | 1,477 | 1,573 | 1,675 | 1,784 | 1,900 |
| 22 | PS | 402150 - Disability & Life Premiums | Health Insurance | 2,075 | 2,209 | 2,353 | 2,506 | 2,669 |
| 23 | PS | 402153 - Commuter Insurance | Health Insurance | 103 | 110 | 117 | 125 | 133 |
| 24 | PS | 402200 - Fica Er Contributions | Health Insurance | 73,847 | 78,647 | 83,759 | 89,204 | 95,002 |
| 25 | PS | 402210 - Medicare Er Contributions | Health Insurance | 20,875 | 22,232 | 23,677 | 25,216 | 26,855 |
| 26 | PS | 402300 - Az St Retirement Er Contrib | Retirement | 143,447 | 148,181 | 152,922 | 157,816 | 162,866 |
| 27 | PS | 402350 - Er Deferred Compensation | Salaries & Wages | 4,414 | 4,560 | 4,706 | 4,856 | 5,012 |
| 28 | PS | 402500 - State Unemployment Tax | Salaries & Wages | 1,527 | 1,578 | 1,628 | 1,680 | 1,734 |
| 29 | PS | 402600 - Workman'S Compensation | Salaries & Wages | 19,820 | 20,474 | 21,129 | 21,805 | 22,503 |
| 30 | OMF | 403005 - Professional And Technical Ser | Default Inflation Factor | 180,250 | 185,658 | 191,227 | 196,964 | 202,873 |
| 31 | PS | 403031 - General Services | Default Inflation Factor | 45,320 | 46,680 | 48,080 | 49,522 | 51,008 |
| 32 | PS | 403100 - Travel/Conference/Seminars/Tra | Default Inflation Factor | 7,210 | 7,426 | 7,649 | 7,879 | 8,115 |
| 33 | PS | 403220 - License/Fees | Default Inflation Factor | 13,648 | 14,057 | 14,479 | 14,913 | 15,360 |
| 34 | OMF | 403240 - Bank Fees | Default Inflation Factor | 20,600 | 21,218 | 21,855 | 22,510 | 23,185 |
| 35 | OMF | 403241 - Credit Card Fees | Default Inflation Factor | 159,650 | 164,440 | 169,373 | 174,454 | 179,687 |
| 36 | OMF | 403370 - Employee Uniforms | Default Inflation Factor | 10,661 | 10,980 | 11,310 | 11,649 | 11,998 |
| 37 | OMF | 404120 - Electricity | Energy/Utilities | 25,000 | 26,380 | 27,954 | 29,363 | 30,800 |
| 38 | OMF | 404155 - Cellular Telephone | Energy/Utilities | 5,680 | 5,993 | 6,351 | 6,671 | 6,998 |
| 39 | OMF | 404160 - Waste (Trash) | Energy/Utilities | 2,084 | 2,199 | 2,331 | 2,448 | 2,568 |
| 40 | OMF | 404250 - Pest Control Services | Default Inflation Factor | 258 | 265 | 273 | 281 | 290 |

## Projection of Cash Outflows — Schedule 5

| | Account Code | Expense Line Item | Escalation Factor | FY 2027 | FY 2028 | FY 2029 | FY 2030 | FY 2031 |
|---|---|---|---|---|---|---|---|---|
| 41 | OMV | 404255 - Operations & Maintenance-GWRP[1] | GWRP | 3,454,059 | 3,783,030 | 4,888,073 | 5,603,498 | 6,660,219 |
| 42 | OMF | 404310 - Vehicle Maint/Repair | Repair & Maintenance | 30,600 | 31,273 | 31,961 | 32,696 | 33,448 |
| 43 | OMF | 404317 - Sewer Maintenance | Repair & Maintenance | 158,100 | 161,578 | 165,133 | 168,931 | 172,816 |
| 44 | OMF | 404340 - Sewer Repair | Repair & Maintenance | 67,830 | 69,322 | 70,847 | 72,477 | 74,144 |
| 45 | OMF | 405200 - Liability Insurance | Default Inflation Factor | 12,181 | 12,546 | 12,923 | 13,310 | 13,710 |
| 46 | OMF | 406015 - Shop Supplies | Default Inflation Factor | 10,300 | 10,609 | 10,927 | 11,255 | 11,593 |
| 47 | OMF | 406020 - Office Supplies | Default Inflation Factor | 515 | 530 | 546 | 563 | 580 |
| 48 | OMF | 406075 - Safety Supplies | Default Inflation Factor | 10,300 | 10,609 | 10,927 | 11,255 | 11,593 |
| 49 | OMF | 406150 - Postage | Default Inflation Factor | 52 | 53 | 55 | 56 | 58 |
| 50 | OMF | 406210 - Chemicals | Chemicals | 111,010 | 116,093 | 123,161 | 131,046 | 138,836 |
| 51 | OMF | 406260 - Gasoline (Vehicle Usage) | Default Inflation Factor | 41,200 | 42,436 | 43,709 | 45,020 | 46,371 |
| 52 | CO | 407400 - Major Equipment >10000 | Default Inflation Factor | 25,750 | 26,523 | 27,318 | 28,138 | 28,982 |
| 53 | CO | 407430 - Furniture & Fixtures | Default Inflation Factor | 5,150 | 5,305 | 5,464 | 5,628 | 5,796 |
| 54 | CO | 407435 - Capital Maintenance | Default Inflation Factor | 463,500 | 477,405 | 491,727 | 506,479 | 521,673 |
| 55 | CO | 407435 - Capital Maintenance | Default Inflation Factor | 154,500 | 159,135 | 163,909 | 168,826 | 173,891 |
| 56 | CO | 407435 - Capital Maintenance | Default Inflation Factor | 154,500 | 159,135 | 163,909 | 168,826 | 173,891 |
| 57 | CO | 407435 - Capital Maintenance | Default Inflation Factor | 124,081 | 138,900 | - | - | - |
| 58 | CO | 407435 - Capital Maintenance | Default Inflation Factor | 631,509 | 1,020,445 | 805,614 | 134,269 | 138,297 |
| 59 | OMF | 407500 - Equipment <5000 | Default Inflation Factor | 30,900 | 31,827 | 32,782 | 33,765 | 34,778 |
| 60 | OMF | 403000 - MAINLINE AGREEMENTS | No Escalation | 175,625 | 175,625 | 175,625 | 175,625 | 175,625 |
| 61 | | **Total Other Operating Expenses** | | **$ 9,225,089** | **$ 10,060,816** | **$ 10,975,853** | **$ 11,189,863** | **$ 12,426,039** |
| 62 | | **Total Expenses by Category** | | | | | | |
| 63 | PS | Personnel Services | | $ 1,710,739 | $ 1,775,655 | $ 1,841,850 | $ 1,910,778 | $ 1,982,566 |
| 64 | OMV | Variable Operations & Maintenance (GWRP) | | 3,454,059 | 3,783,030 | 4,888,073 | 5,603,498 | 6,660,219 |
| 65 | OMF | Fixed Operations & Maintenance | | 2,501,300 | 2,515,284 | 2,587,988 | 2,663,420 | 2,740,723 |
| 66 | CO | Capital Outlay | | 1,558,990 | 1,986,847 | 1,657,941 | 1,012,166 | 1,042,531 |
| 67 | | **Total Expenses** | | **$ 9,225,089** | **$ 10,060,816** | **$ 10,975,853** | **$ 11,189,863** | **$ 12,426,039** |
| 68 | | **Expense Execution Factors** | | | | | | |
| 69 | | Personnel Services | | 100% | 100% | 100% | 100% | 100% |
| 70 | | Variable Operations & Maintenance (GWRP) | | 100% | 100% | 100% | 100% | 100% |
| 71 | | Fixed Operations & Maintenance | | 100% | 100% | 100% | 100% | 100% |
| 72 | | Capital Outlay | | 100% | 100% | 100% | 100% | 100% |
| 73 | | **Total Expenses at Execution** | | | | | | |
| 74 | | Personnel Services | | $ 1,710,739 | $ 1,775,655 | $ 1,841,850 | $ 1,910,778 | $ 1,982,566 |
| 75 | | Variable Operations & Maintenance (GWRP) | | 3,454,059 | 3,783,030 | 4,888,073 | 5,603,498 | 6,660,219 |
| 76 | | Fixed Operations & Maintenance | | 2,501,300 | 2,515,284 | 2,587,988 | 2,663,420 | 2,740,723 |
| 77 | | Capital Outlay | | 1,558,990 | 1,986,847 | 1,657,941 | 1,012,166 | 1,042,531 |
| 78 | | **Total Expenses at Execution** | | **$ 9,225,089** | **$ 10,060,816** | **$ 10,975,853** | **$ 11,189,863** | **$ 12,426,039** |
| 79 | | **Transfers Out** | | | | | | |
| 80 | | 403280 - Utility Billing Fee Expense[2] | | $ 564,480 | $ 602,469 | $ 579,444 | $ 621,054 | $ 660,620 |
| 81 | | **Total Transfers Out** | | **$ 564,480** | **$ 602,469** | **$ 579,444** | **$ 621,054** | **$ 660,620** |
| 82 | | **Operating Fund Related Debt Service** | | | | | | |
| 83 | | Excise Tax and State Shared Revenue Refunding Obligations, Series 2025 | | $ 1,531,104 | $ 1,529,542 | $ 781,212 | $ - | $ - |
| 84 | | GWRP Facility Debt | | - | - | 238,861 | 802,818 | 950,940 |
| 85 | | **Total Debt Service** | | **$ 1,531,104** | **$ 1,529,542** | **$ 1,020,073** | **$ 802,818** | **$ 950,940** |

## Projection of Cash Outflows

**Schedule 5**

| | Account Code | Expense Line Item | Escalation Factor | FY 2027 | FY 2028 | FY 2029 | FY 2030 | FY 2031 |
|---|---|---|---|---|---|---|---|---|
| 86 | | **Cash-Funded Capital** | | | | | | |
| 87 | | Projects To Be Funded with Operating Cash | | 854,865 | 773,541 | 144,767 | 2,966,743 | 5,030,592 |
| 88 | | **Total Cash-Funded Capital** | | **$ 854,865** | **$ 773,541** | **$ 144,767** | **$ 2,966,743** | **$ 5,030,592** |
| 89 | | **Total Cash Outflows** | | **$ 12,175,538** | **$ 12,966,368** | **$ 12,720,136** | **$ 15,580,479** | **$ 19,068,192** |

1. GWRP O&M Expense calculated based on TOQC flows and loadings less EPCOR, plus rental rates until plant expansion complete
2. Fee allocation modification phased-in beginning FY 2027

## Cost Escalation Factors

## Schedule 6

| Category | FY 2027 | FY 2028 | FY 2029 | FY 2030 | FY 2031 |
|---|---|---|---|---|---|
| **Salaries & Wages** | 3.40% | 3.30% | 3.20% | 3.20% | 3.20% |
| **Health Insurance** | 6.50% | 6.50% | 6.50% | 6.50% | 6.50% |
| **Retirement** | 3.40% | 3.30% | 3.20% | 3.20% | 3.20% |
| **Repair & Maintenance** | 2.00% | 2.20% | 2.20% | 2.30% | 2.30% |
| **Energy/Utilities** | 4.22% | 5.52% | 5.97% | 5.04% | 4.89% |
| **Chemicals** | 5.72% | 4.58% | 6.09% | 6.40% | 5.94% |
| **No Escalation** | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| **GWRP** | 9.33% | 9.52% | 29.21% | 14.64% | 18.86% |
| **Default Inflation Factor** | 3.00% | 3.00% | 3.00% | 3.00% | 3.00% |

## Capital Improvement Program (CIP) — Schedule 7

| | Projects | FY 2027 | FY 2028 | FY 2029 | FY 2030 | FY 2031 | Total Cost |
|---|---|---|---|---|---|---|---|
| 1 | **Operating** | | | | | | |
| 2 | Future Reconstruction Projects | 125,877 | 129,137 | 132,482 | 135,913 | 139,433 | $ 662,842 |
| 3 | GWRP Facility | 500,000 | 600,000 | - | - | 4,100,000 | $ 5,200,000 |
| 4 | Sewer Dosing Sites | 204,089 | - | - | - | 100,000 | $ 304,089 |
| 5 | ASLD Infr Imp | - | - | - | 2,500,000 | - | $ 2,500,000 |
| 6 | WWT20 GWRP Plant Exp (Financed) | - | - | 4,000,000 | 8,000,000 | - | $ 12,000,000 |
| 7 | **Total CIP Budget (in current dollars)** | **$ 829,966** | **$ 729,137** | **$ 4,132,482** | **$ 10,635,913** | **$ 4,339,433** | **$ 20,666,931** |
| 8 | Cumulative Projected Cost Escalation[1] | 3.0% | 6.1% | 9.3% | 12.6% | 15.9% | |
| 9 | **Resulting CIP Funding Level** | **$ 854,865** | **$ 773,541** | **$ 4,515,675** | **$ 11,970,814** | **$ 5,030,592** | **$ 23,145,487** |
| 10 | Annual CIP Execution Percentage | 100% | 100% | 100% | 100% | 100% | |
| 11 | **Rate-Funded CIP** | **$ 854,865** | **$ 773,541** | **$ 4,515,675** | **$ 11,970,814** | **$ 5,030,592** | **$ 23,145,487** |

1. CIP Escalation factors are consistent with the Engineering News Record Construction Cost Index.
2. All growth related CIP costs excluded and assumed to be paid out of capacity fee fund.

**Pro Forma** **Schedule 8**

| | | FY 2027 | FY 2028 | FY 2029 | FY 2030 | FY 2031 |
|---|---|---|---|---|---|---|
| | **Rate Adoption Effective Date** | **3/1/2027** | **1/1/2028** | **1/1/2029** | **1/1/2030** | **1/1/2031** |
| 1 | Wastewater, Rate Revenue | $ 11,077,519 | $ 11,806,804 | $ 12,835,505 | $ 13,560,418 | $ 14,393,756 |
| | *Add: Revenue Impacts from Prior Year Rate Adjustment*[1] | | $ 310,269 | $ 190,739 | $ 202,072 | $ 214,490 |
| | *Total Existing Rate Revenue*[1] | $ 11,077,519 | $ 12,117,073 | $ 13,026,244 | $ 13,762,490 | $ 14,608,246 |
| 2 | Change in Revenue From Growth | 573,513 | 529,766 | 335,397 | 420,273 | 912,631 |
| 3 | Subtotal | $ 11,651,031 | $ 12,646,839 | $ 13,361,641 | $ 14,182,763 | $ 15,520,877 |
| 4 | *Wastewater User Fee Increase* | *4.00%* | *3.00%* | *3.00%* | *3.00%* | *3.00%* |
| 5 | Additional Rate Revenue From Current Year Rate Increase[2] | 155,773 | 188,666 | 198,777 | 210,993 | 230,900 |
| 6 | Total Rate Revenue | $ 11,806,804 | $ 12,835,505 | $ 13,560,418 | $ 14,393,756 | $ 15,751,777 |
| 7 | **Equals: Total Operating Revenue** | **$ 11,806,804** | **$ 12,835,505** | **$ 13,560,418** | **$ 14,393,756** | **$ 15,751,777** |
| 8 | **Less: Operating Expenses** | | | | | |
| 9 | Personnel Services | $ (1,710,739) | $ (1,775,655) | $ (1,841,850) | $ (1,910,778) | $ (1,982,566) |
| 10 | Variable Operations & Maintenance Costs | (3,454,059) | (3,783,030) | (4,888,073) | (5,603,498) | (6,660,219) |
| 11 | Operations & Maintenance Costs | (2,501,300) | (2,515,284) | (2,587,988) | (2,663,420) | (2,740,723) |
| 12 | **Equals: Net Operating Income** | **$ 4,140,705** | **$ 4,761,536** | **$ 4,242,507** | **$ 4,216,059** | **$ 4,368,269** |
| 13 | **Plus: Non-Operating Income/(Expense)** | | | | | |
| 14 | Interest Income | $ 344,624 | $ 348,003 | $ 373,035 | $ 380,154 | $ 313,487 |
| 15 | **Equals: Net Income** | **$ 4,485,330** | **$ 5,109,539** | **$ 4,615,542** | **$ 4,596,213** | **$ 4,681,756** |
| 16 | **Debt Service Coverage** | | | | | |
| 17 | Net Operating Income Available for Debt Service | $ 4,140,705 | $ 4,761,536 | $ 4,242,507 | $ 4,216,059 | $ 4,368,269 |
| 18 | Total Debt Service | 1,531,104 | 1,529,542 | 1,020,073 | 802,818 | 950,940 |
| 19 | **Total Annual Debt Service Coverage** | **2.70** | **3.11** | **4.16** | **5.25** | **4.59** |
| 20 | **Cash Flow Test** | | | | | |
| 21 | Net Income Available For Debt Service | $ 4,485,330 | $ 5,109,539 | $ 4,615,542 | $ 4,596,213 | $ 4,681,756 |
| 22 | **Less: Non-Operating Expenditures** | | | | | |
| 23 | Utility Billing Fee Interfund Transfer | (564,480) | (602,469) | (579,444) | (621,054) | (660,620) |
| 24 | Net Debt Service Payment | (1,531,104) | (1,529,542) | (1,020,073) | (802,818) | (950,940) |
| 25 | Capital Outlay[3] | (1,558,990) | (1,986,847) | (1,657,941) | (1,012,166) | (1,042,531) |
| 26 | **Net Cash Flow** | **$ 830,755** | **$ 990,680** | **$ 1,358,084** | **$ 2,160,174** | **$ 2,027,665** |
| 27 | **Unrestricted Reserve Fund Test** | | | | | |
| 28 | Balance At Beginning Of Fiscal Year | $ 9,858,469 | $ 9,834,359 | $ 10,051,498 | $ 11,264,815 | $ 10,458,247 |
| 29 | Cash Flow Surplus/(Deficit) | 830,755 | 990,680 | 1,358,084 | 2,160,174 | 2,027,665 |
| 30 | Projects Paid With Cash | (854,865) | (773,541) | (144,767) | (2,966,743) | (5,030,592) |
| 31 | **Balance At End Of Fiscal Year** | **$ 9,834,359** | **$ 10,051,498** | **$ 11,264,815** | **$ 10,458,247** | **$ 7,455,319** |
| 32 | Minimum Working Capital Reserve Target[4] | 3,833,049 | 4,036,984 | 4,658,956 | 5,088,848 | 5,691,754 |
| 33 | **Excess/(Deficiency) Of Working Capital To Target** | **$ 6,001,310** | **$ 6,014,514** | **$ 6,605,860** | **$ 5,369,398** | **$ 1,763,565** |

[1] Represents full basis of rate revenue adjusted for rate effective date

[2] Adjusted for rate effective date, January 1 of respective fiscal year

[3] Capital Outlay includes Town capital maintenance line items, GWRP capital maintenance line items, and major equipment expenses

[4] Minimum Reserve Target of 6 months of O&M expenses implemented as a new policy for the Town during the Study. Reserve target includes general contingency, liquidity, volumetric variation, emergency R&R, and pension components

## Senior Lien Borrowing Projections — Schedule 9

| | | | FY 2027 | FY 2028 | FY 2029 | FY 2030 | FY 2031 |
|---|---|---|---|---|---|---|---|
| Term (Years) | | | 30 | 30 | 30 | 30 | 30 |
| Interest Rate | | | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% |
| **Sources of Funds** | | | | | | | |
| Par Amount | | | $ - | $ - | $ 4,777,217 | $ 9,841,067 | $ - |
| **Uses of Funds** | | | | | | | |
| Proceeds | | | $ - | $ - | $ 4,370,908 | $ 9,004,070 | $ - |
| Cost of Issuance | 2.00% | of Par | - | - | 95,544 | 196,821 | - |
| Underwriter's Discount | - | per $1,000 | - | - | - | - | - |
| Bond Insurance | 0 | times total Debt Service | - | - | - | - | - |
| Capitalized Interest | 0 | Years Interest | - | - | - | - | - |
| Debt Service Surety | 0.00% | of Debt Service | - | - | - | - | - |
| Debt Service Reserve | 1 | Year(s) of Debt Service | - | - | 310,765 | 640,176 | - |
| Other Costs | | | - | - | - | - | - |
| Total Uses | | | $ - | $ - | $ 4,777,217 | $ 9,841,067 | $ - |
| 1 Year Interest | | | - | - | 238,861 | 492,053 | - |
| Annual Debt Service | | | $ - | $ - | $ 310,765 | $ 640,176 | $ - |
| Total Debt Service | | | - | - | 9,322,945 | 19,205,266 | - |
| **Cumulative New Annual Senior Lien Debt Service[1]** | | | **$ -** | **$ -** | **$ 238,861** | **$ 802,818** | **$ 950,940** |

[1]Reflects interest-only payment due in year of issuance.

## APPENDIX B – COST OF SERVICE SUPPORTING SCHEDULES

## Sewer System Operating & Debt Service Expense Allocation to Functions

**Schedule 1**

| | Department | FY 2027 COS Expense | Allocation Basis/Factor | Customer % Allocation | Collection % Allocation | Treatment % Allocation | Total % Allocation | Customer $ Allocation | Collection $ Allocation | Treatment $ Allocation |
|---|---|---|---|---|---|---|---|---|---|---|
| 400015 - BAD DEBT EXPENSE | 2000 - SEWER/WASTE WATER OPERATING | 10,300 | Indirect | 8.50% | 59.06% | 32.44% | 100.00% | 876 | 6,083 | 3,341 |
| 400100 - UTILITY ROI EXPENSE | 2000 - SEWER/WASTE WATER OPERATING | - | Indirect | 8.50% | 59.06% | 32.44% | 100.00% | - | - | - |
| 400120 - DEPT SUPPORT COSTS-IT | 2000 - SEWER/WASTE WATER OPERATING | 60,219 | Customer/Admin | 100.00% | 0.00% | 0.00% | 100.00% | 60,219 | - | - |
| 400121 - DEPT SUPPORT COSTS-HR | 2000 - SEWER/WASTE WATER OPERATING | 7,690 | Customer/Admin | 100.00% | 0.00% | 0.00% | 100.00% | 7,690 | - | - |
| 400122 - DEPT SUPPORT COSTS-FINANCE | 2000 - SEWER/WASTE WATER OPERATING | 83,737 | Customer/Admin | 100.00% | 0.00% | 0.00% | 100.00% | 83,737 | - | - |
| 400126 - DEPT SUPPORT COSTS-BUDGET | 2000 - SEWER/WASTE WATER OPERATING | 20,317 | Customer/Admin | 100.00% | 0.00% | 0.00% | 100.00% | 20,317 | - | - |
| 400129 - FLEET R&M (INTERNAL) | 2000 - SEWER/WASTE WATER OPERATING | - | 5 Year CIP Projects | 0.00% | 68.31% | 31.69% | 100.00% | - | - | - |
| 400125-DEPT SUPPORT COSTS - LEGAL | 2000 - SEWER/WASTE WATER OPERATING | 54,672 | Customer/Admin | 100.00% | 0.00% | 0.00% | 100.00% | 54,672 | - | - |
| 400131 - DEPT SUPPORT COSTS-FACILITIES | 2000 - SEWER/WASTE WATER OPERATING | 55,891 | Customer/Admin | 100.00% | 0.00% | 0.00% | 100.00% | 55,891 | - | - |
| 400133 - DEPT SUPPORT COSTS-TOWN MGR | 2000 - SEWER/WASTE WATER OPERATING | - | Customer/Admin | 100.00% | 0.00% | 0.00% | 100.00% | - | - | - |
| 400134 - DEPT. SUPPORT COSTS-SPACE RENT | 2000 - SEWER/WASTE WATER OPERATING | - | Customer/Admin | 100.00% | 0.00% | 0.00% | 100.00% | - | - | - |
| 400137 - DEPT SUPPORT COSTS-CLERK | 2000 - SEWER/WASTE WATER OPERATING | - | Indirect | 8.50% | 59.06% | 32.44% | 100.00% | - | - | - |
| 400200 - UTILITY FRANCHISE FEE | 2000 - SEWER/WASTE WATER OPERATING | 636,679 | Collection System | 0.00% | 100.00% | 0.00% | 100.00% | - | 636,679 | - |
| 400300 - IN LIEU PROPERTY TAX | 2000 - SEWER/WASTE WATER OPERATING | 519,000 | Collection System | 0.00% | 100.00% | 0.00% | 100.00% | - | 519,000 | - |
| 401000 - PERMANENT SALARIES | 2000 - SEWER/WASTE WATER OPERATING | 1,158,707 | Collection System | 0.00% | 100.00% | 0.00% | 100.00% | - | 1,158,707 | - |
| 401250 - CALL OUT | 2000 - SEWER/WASTE WATER OPERATING | 498 | Collection System | 0.00% | 100.00% | 0.00% | 100.00% | - | 498 | - |
| 401251 - STAND BY | 2000 - SEWER/WASTE WATER OPERATING | 24,469 | Collection System | 0.00% | 100.00% | 0.00% | 100.00% | - | 24,469 | - |
| 401300 - OVER TIME PAY | 2000 - SEWER/WASTE WATER OPERATING | 931 | Collection System | 0.00% | 100.00% | 0.00% | 100.00% | - | 931 | - |
| 401400 - VACATION PAY OUT | 2000 - SEWER/WASTE WATER OPERATING | 13,138 | Collection System | 0.00% | 100.00% | 0.00% | 100.00% | - | 13,138 | - |
| 401500 - CELL PHONE STIPEND | 2000 - SEWER/WASTE WATER OPERATING | 4,293 | Collection System | 0.00% | 100.00% | 0.00% | 100.00% | - | 4,293 | - |
| 401505 - UNIFORM STIPEND | 2000 - SEWER/WASTE WATER OPERATING | - | Collection System | 0.00% | 100.00% | 0.00% | 100.00% | - | - | - |
| 401900 - MILEAGE STIPEND | 2000 - SEWER/WASTE WATER OPERATING | 2,699 | Collection System | 0.00% | 100.00% | 0.00% | 100.00% | - | 2,699 | - |
| 402101 - MEDICAL OPT OUT STIPEND | 2000 - SEWER/WASTE WATER OPERATING | 383 | Collection System | 0.00% | 100.00% | 0.00% | 100.00% | - | 383 | - |
| 402111 - MEDICAL PREMIUMS | 2000 - SEWER/WASTE WATER OPERATING | 148,817 | Collection System | 0.00% | 100.00% | 0.00% | | - | 148,817 | - |
| 402112 - HSA CONTRIBUTIONS | 2000 - SEWER/WASTE WATER OPERATING | 14,910 | Collection System | 0.00% | 100.00% | 0.00% | 100.00% | - | 14,910 | - |
| 402120 - DENTAL PREMIUMS | 2000 - SEWER/WASTE WATER OPERATING | 8,132 | Collection System | 0.00% | 100.00% | 0.00% | 100.00% | - | 8,132 | - |
| 402130 - VISION PREMIUMS | 2000 - SEWER/WASTE WATER OPERATING | 1,477 | Collection System | 0.00% | 100.00% | 0.00% | 100.00% | - | 1,477 | - |
| 402150 - DISABILITY & LIFE PREMIUMS | 2000 - SEWER/WASTE WATER OPERATING | 2,075 | Collection System | 0.00% | 100.00% | 0.00% | 100.00% | - | 2,075 | - |
| 402153 - COMMUTER INSURANCE | 2000 - SEWER/WASTE WATER OPERATING | 103 | Collection System | 0.00% | 100.00% | 0.00% | 100.00% | - | 103 | - |
| 402200 - FICA ER CONTRIBUTIONS | 2000 - SEWER/WASTE WATER OPERATING | 73,847 | Collection System | 0.00% | 100.00% | 0.00% | 100.00% | - | 73,847 | - |
| 402210 - MEDICARE ER CONTRIBUTIONS | 2000 - SEWER/WASTE WATER OPERATING | 20,875 | Collection System | 0.00% | 100.00% | 0.00% | 100.00% | - | 20,875 | - |
| 402300 - AZ ST RETIREMENT ER CONTRIB | 2000 - SEWER/WASTE WATER OPERATING | 143,447 | Collection System | 0.00% | 100.00% | 0.00% | 100.00% | - | 143,447 | - |
| 402350 - ER DEFERRED COMPENSATION | 2000 - SEWER/WASTE WATER OPERATING | 4,414 | Collection System | 0.00% | 100.00% | 0.00% | 100.00% | - | 4,414 | - |
| 402500 - STATE UNEMPLOYMENT TAX | 2000 - SEWER/WASTE WATER OPERATING | 1,527 | Collection System | 0.00% | 100.00% | 0.00% | 100.00% | - | 1,527 | - |
| 402600 - WORKMAN'S COMPENSATION | 2000 - SEWER/WASTE WATER OPERATING | 19,820 | Indirect | 8.50% | 59.06% | 32.44% | 100.00% | 1,685 | 11,705 | 6,429 |
| 403005 - PROFESSIONAL AND TECHNICAL SER | 2000 - SEWER/WASTE WATER OPERATING | 180,250 | Indirect | 8.50% | 59.06% | 32.44% | 100.00% | 15,323 | 106,454 | 58,473 |
| 403005 - PROFESSIONAL AND TECHNICAL SER | 2000 - SEWER/WASTE WATER OPERATING | - | Indirect | 8.50% | 59.06% | 32.44% | 100.00% | - | - | - |
| 403010 - LEGAL SERVICES | 2000 - SEWER/WASTE WATER OPERATING | - | Indirect | 8.50% | 59.06% | 32.44% | 100.00% | - | - | - |
| 403031 - GENERAL SERVICES | 2000 - SEWER/WASTE WATER OPERATING | 45,320 | Indirect | 8.50% | 59.06% | 32.44% | 100.00% | 3,853 | 26,766 | 14,702 |
| 403100 - TRAVEL/CONFERENCE/SEMINARS/TRA | 2000 - SEWER/WASTE WATER OPERATING | 7,210 | Indirect | 8.50% | 59.06% | 32.44% | 100.00% | 613 | 4,258 | 2,339 |
| 403200 - DUES/MEMBERSHIP FEES | 2000 - SEWER/WASTE WATER OPERATING | - | Indirect | 8.50% | 59.06% | 32.44% | 100.00% | - | - | - |
| 403220 - LICENSE/FEES | 2000 - SEWER/WASTE WATER OPERATING | 13,648 | Indirect | 8.50% | 59.06% | 32.44% | 100.00% | 1,160 | 8,060 | 4,427 |
| 403240 - BANK FEES | 2000 - SEWER/WASTE WATER OPERATING | 20,600 | Indirect | 8.50% | 59.06% | 32.44% | 100.00% | 1,751 | 12,166 | 6,683 |
| 403241 - CREDIT CARD FEES | 2000 - SEWER/WASTE WATER OPERATING | 159,650 | Customer/Admin | 100.00% | 0.00% | 0.00% | 100.00% | 159,650 | - | - |
| 403280 - UTILITY BILLING FEE EXPENSE | 2000 - SEWER/WASTE WATER OPERATING | - | Collection System | 0.00% | 100.00% | 0.00% | 100.00% | - | - | - |
| 403370 - EMPLOYEE UNIFORMS | 2000 - SEWER/WASTE WATER OPERATING | 10,661 | Collection System | 0.00% | 100.00% | 0.00% | 100.00% | - | 10,661 | - |
| 403998 - OTHER EXPENSE AFTER CUTOFF | 2000 - SEWER/WASTE WATER OPERATING | - | Collection System | 0.00% | 100.00% | 0.00% | 100.00% | - | - | - |
| 404110 - WATER | 2000 - SEWER/WASTE WATER OPERATING | - | Collection System | 0.00% | 100.00% | 0.00% | 100.00% | - | - | - |
| 404120 - ELECTRICITY | 2000 - SEWER/WASTE WATER OPERATING | 25,000 | Collection System | 0.00% | 100.00% | 0.00% | 100.00% | - | 25,000 | - |
| 404155 - CELLULAR TELEPHONE | 2000 - SEWER/WASTE WATER OPERATING | 5,680 | Collection System | 0.00% | 100.00% | 0.00% | 100.00% | - | 5,680 | - |
| 404160 - WASTE (TRASH) | 2000 - SEWER/WASTE WATER OPERATING | 2,084 | Collection System | 0.00% | 100.00% | 0.00% | 100.00% | - | 2,084 | - |
| 404250 - PEST CONTROL SERVICES | 2000 - SEWER/WASTE WATER OPERATING | 258 | Collection System | 0.00% | 100.00% | 0.00% | 100.00% | - | 258 | - |
| 404255 - OPERATIONS & MAINTENANCE-GWRP | 2000 - SEWER/WASTE WATER OPERATING | 3,454,059 | Treatment | 0.00% | 0.00% | 100.00% | 100.00% | - | - | 3,454,059 |
| 404310 - VEHICLE MAINT/REPAIR | 2000 - SEWER/WASTE WATER OPERATING | 30,600 | Collection System | 0.00% | 100.00% | 0.00% | 100.00% | - | 30,600 | - |
| 404317 - SEWER MAINTENANCE | 2000 - SEWER/WASTE WATER OPERATING | 158,100 | Collection System | 0.00% | 100.00% | 0.00% | 100.00% | - | 158,100 | - |
| 404319 - ODALOG MAINTENANCE | 2000 - SEWER/WASTE WATER OPERATING | - | Collection System | 0.00% | 100.00% | 0.00% | 100.00% | - | - | - |
| 404340 - SEWER REPAIR | 2000 - SEWER/WASTE WATER OPERATING | 67,830 | Collection System | 0.00% | 100.00% | 0.00% | 100.00% | - | 67,830 | - |
| 405200 - LIABILITY INSURANCE | 2000 - SEWER/WASTE WATER OPERATING | 12,181 | Indirect | 8.50% | 59.06% | 32.44% | 100.00% | 1,035 | 7,194 | 3,951 |
| 405500 - PRINTING (EXTERIOR & INTERIOR) | 2000 - SEWER/WASTE WATER OPERATING | - | Indirect | 8.50% | 59.06% | 32.44% | 100.00% | - | - | - |
| 405900 - MILEAGE | 2000 - SEWER/WASTE WATER OPERATING | - | Collection System | 0.00% | 100.00% | 0.00% | 100.00% | - | - | - |

## Sewer System Operating & Debt Service Expense Allocation to Functions

**Schedule 1**

| | Department | | FY 2027 COS Expense | Allocation Basis/Factor | Customer % Allocation | Collection % Allocation | Treatment % Allocation | Total % Allocation | Customer $ Allocation | Collection $ Allocation | Treatment $ Allocation |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 400015 - BAD DEBT EXPENSE | 2000 - SEWER/WASTE WATER OPERATING | | 10,300 | Indirect | 8.50% | 59.06% | 32.44% | 100.00% | 876 | 6,083 | 3,341 |
| 406015 - SHOP SUPPLIES | 2000 - SEWER/WASTE WATER OPERATING | | 10,300 | Collection System | 0.00% | 100.00% | 0.00% | 100.00% | - | 10,300 | - |
| 406020 - OFFICE SUPPLIES | 2000 - SEWER/WASTE WATER OPERATING | | 515 | Indirect | 8.50% | 59.06% | 32.44% | 100.00% | 44 | 304 | 167 |
| 406070 - JANITORIAL SUPPLIES | 2000 - SEWER/WASTE WATER OPERATING | | - | Collection System | 0.00% | 100.00% | 0.00% | 100.00% | - | - | - |
| 406075 - SAFETY SUPPLIES | 2000 - SEWER/WASTE WATER OPERATING | | 10,300 | Collection System | 0.00% | 100.00% | 0.00% | 100.00% | - | 10,300 | - |
| 406150 - POSTAGE | 2000 - SEWER/WASTE WATER OPERATING | | 52 | Collection System | 0.00% | 100.00% | 0.00% | 100.00% | - | 52 | - |
| 406210 - CHEMICALS | 2000 - SEWER/WASTE WATER OPERATING | | 111,010 | Collection System | 0.00% | 100.00% | 0.00% | 100.00% | - | 111,010 | - |
| 406260 - GASOLINE (VEHICLE USAGE) | 2000 - SEWER/WASTE WATER OPERATING | | 41,200 | Collection System | 0.00% | 100.00% | 0.00% | 100.00% | - | 41,200 | - |
| 407400 - MAJOR EQUIPMENT >10000 | 2000 - SEWER/WASTE WATER OPERATING | | 25,750 | Collection System | 0.00% | 100.00% | 0.00% | 100.00% | - | 25,750 | - |
| 407400 - MAJOR EQUIPMENT >10000 | 2000 - SEWER/WASTE WATER OPERATING | | - | Collection System | 0.00% | 100.00% | 0.00% | 100.00% | - | - | - |
| 407400 - MAJOR EQUIPMENT >10000 | 2000 - SEWER/WASTE WATER OPERATING | | - | Collection System | 0.00% | 100.00% | 0.00% | 100.00% | - | - | - |
| 407420 - VEHICLES | 2000 - SEWER/WASTE WATER OPERATING | | - | Collection System | 0.00% | 100.00% | 0.00% | 100.00% | - | - | - |
| 407420 - VEHICLES | 2000 - SEWER/WASTE WATER OPERATING | | - | Indirect | 8.50% | 59.06% | 32.44% | 100.00% | - | - | - |
| 407429 - DISPOSAL OF ASSET EXPENSE | 2000 - SEWER/WASTE WATER OPERATING | | - | Collection System | 0.00% | 100.00% | 0.00% | 100.00% | - | - | - |
| 407430 - FURNITURE & FIXTURES | 2000 - SEWER/WASTE WATER OPERATING | | 5,150 | Collection System | 0.00% | 100.00% | 0.00% | 100.00% | - | 5,150 | - |
| 407435 - CAPITAL MAINTENANCE | 2000 - SEWER/WASTE WATER OPERATING | | - | Collection System | 0.00% | 100.00% | 0.00% | 100.00% | - | - | - |
| 407435 - CAPITAL MAINTENANCE | 2000 - SEWER/WASTE WATER OPERATING | | - | Collection System | 0.00% | 100.00% | 0.00% | 100.00% | - | - | - |
| 407435 - CAPITAL MAINTENANCE | 2000 - SEWER/WASTE WATER OPERATING | | 463,500 | Collection System | 0.00% | 100.00% | 0.00% | 100.00% | - | 463,500 | - |
| 407435 - CAPITAL MAINTENANCE | 2000 - SEWER/WASTE WATER OPERATING | | 154,500 | Collection System | 0.00% | 100.00% | 0.00% | 100.00% | - | 154,500 | - |
| 407435 - CAPITAL MAINTENANCE | 2000 - SEWER/WASTE WATER OPERATING | | 154,500 | Collection System | 0.00% | 100.00% | 0.00% | 100.00% | - | 154,500 | - |
| 407435 - CAPITAL MAINTENANCE | 2000 - SEWER/WASTE WATER OPERATING | | - | Treatment | 0.00% | 0.00% | 100.00% | 100.00% | - | - | - |
| 407435 - CAPITAL MAINTENANCE | 2000 - SEWER/WASTE WATER OPERATING | | 124,081 | Treatment | 0.00% | 0.00% | 100.00% | 100.00% | - | - | 124,081 |
| 407435 - CAPITAL MAINTENANCE | 2000 - SEWER/WASTE WATER OPERATING | | - | Treatment | 0.00% | 0.00% | 100.00% | 100.00% | - | - | - |
| 407435 - CAPITAL MAINTENANCE | 2000 - SEWER/WASTE WATER OPERATING | | 631,509 | Collection System | 0.00% | 100.00% | 0.00% | 100.00% | - | 631,509 | - |
| 407500 - EQUIPMENT <5000 | 2000 - SEWER/WASTE WATER OPERATING | | 30,900 | Collection System | 0.00% | 100.00% | 0.00% | 100.00% | - | 30,900 | - |
| 407550 - SOFTWARE | 2000 - SEWER/WASTE WATER OPERATING | | - | Collection System | 0.00% | 100.00% | 0.00% | 100.00% | - | - | - |
| 408000 - MISCELLANEOUS EXPENSE | 2000 - SEWER/WASTE WATER OPERATING | | - | Collection System | 0.00% | 100.00% | 0.00% | 100.00% | - | - | - |
| 408001 - CONSTRUCTION SERVICES | 2000 - SEWER/WASTE WATER OPERATING | | - | Collection System | 0.00% | 100.00% | 0.00% | 100.00% | - | - | - |
| 495000 - CONTINGENCY | 2000 - SEWER/WASTE WATER OPERATING | | - | Collection System | 0.00% | 100.00% | 0.00% | 100.00% | - | - | - |
| 495010 - CONTINGENCY-GWRP | 2000 - SEWER/WASTE WATER OPERATING | | - | Collection System | 0.00% | 100.00% | 0.00% | 100.00% | - | - | - |
| 404160 - WASTE (TRASH) | 2000 - SEWER/WASTE WATER OPERATING | | - | Collection System | 0.00% | 100.00% | 0.00% | 100.00% | - | - | - |
| 404310 - VEHICLE MAINT/REPAIR | 2000 - SEWER/WASTE WATER OPERATING | | - | Collection System | 0.00% | 100.00% | 0.00% | 100.00% | - | - | - |
| 404120 - ELECTRICITY | 2000 - SEWER/WASTE WATER OPERATING | | - | Collection System | 0.00% | 100.00% | 0.00% | 100.00% | - | - | - |
| 404160 - WASTE (TRASH) | 2000 - SEWER/WASTE WATER OPERATING | | - | Collection System | 0.00% | 100.00% | 0.00% | 100.00% | - | - | - |
| 403000 - MAINLINE AGREEMENTS | EPCOR | | 175,625 | Collection System | 0.00% | 100.00% | 0.00% | 100.00% | - | 175,625 | - |
| | | | | | | | | | | | |
| **Transfers** | | - | - | | 0.00% | 0.00% | 0.00% | 0.00% | - | - | - |
| Transfer In | | - | - | Collection System | 0.00% | 100.00% | 0.00% | 100.00% | - | - | - |
| Transfer Out | | - | 564,480 | Customer/Admin | 100.00% | 0.00% | 0.00% | 100.00% | 564,480 | - | - |
| | | - | - | | 0.00% | 0.00% | 0.00% | 0.00% | - | - | - |
| **Debt Service** | | - | - | | 0.00% | 0.00% | 0.00% | 0.00% | - | - | - |
| Senior Debt | | - | 1,531,104 | Collection System | 0.00% | 100.00% | 0.00% | 100.00% | - | 1,531,104 | - |
| | | - | - | | 0.00% | 0.00% | 0.00% | 0.00% | - | - | - |
| | | - | - | | 0.00% | 0.00% | 0.00% | 0.00% | - | - | - |
| **Capital** | | - | - | | 0.00% | 0.00% | 0.00% | 0.00% | - | - | - |
| Projects Funded with Cash | | - | 854,865 | 5 Year CIP Projects | 0.00% | 68.31% | 31.69% | 100.00% | - | 583,970 | 270,895 |
| **TOTAL EXPENDITURES** | | - | **12,175,538** | | | | | | **1,032,997** | **7,192,994** | **3,949,548** |
| % Allocation | | | | | | | | | 8.48% | 59.08% | 32.44% |
| Contribution to /(Use of) Reserves | | | (24,110) | 5 Year CIP Projects | 0.00% | 68.31% | 31.69% | 100.00% | - | (16,470) | (7,640) |
| **Total Rev Req** | | | **12,151,429** | | | | | | **1,032,997** | **7,176,524** | **3,941,908** |

## Sewer Cost Allocation Functions & Flow Data — Schedule 2

| **Function** | Volume | COD | TSS | Customer |
|---|---|---|---|---|
| Customer/Admin | | | | X |
| Collection System | X | | | |
| Treatment | X | X | X | |
| **% to Each Component** | | | | |
| Customer/Admin | | | | 100.0% |
| Collection System | 100.0% | | | |
| Treatment | 41% | 39% | 20% | |

## Summary of Sewer Units of Service

**Schedule 3**

| Sewer Unit of Service | Test Year Projected Billed Use 1,000 gallons | Percentage of Contributed Wastewater Flow | Current Return Flow Factor | Contributed Volume 1,000 gallons | Strength (Concentration) COD (mg/L) | Strength (Concentration) TSS (mg/L) | Strength (Loadings) COD (lbs) | Strength (Loadings) TSS (lbs) | Customer Units Number of Accounts* | Customer Units Number of Bills |
|---|---|---|---|---|---|---|---|---|---|---|
| Residential | 2,003,746 | 78.47% | 70% | 1,402,622 | 700 | 250 | 8,193,419 | 2,926,221 | 22,228 | 266,735 |
| Commercial | 289,549 | 16.20% | 100% | 289,549 | 900 | 400 | 2,174,657 | 966,514 | 465 | 5,580.0 |
| Multifamily | 95,202 | 5.33% | 100% | 95,202 | 700 | 250 | 556,121 | 198,615 | 25 | 35,316 |
| **Total** | **2,388,497** | **100.00%** | | **1,787,373** | | | **10,924,197** | **4,091,350** | **22,718** | **307,631** |

* Multifamily accounts represented by number of existing master metered complexes, number of bills represented by number of annual multifamily unit (apartment) bills

## Summary of Sewer Revenue Requirement Allocations

**Schedule 4**

| Revenue Requirements | Total | Residential | Commercial | Multifamily |
|---|---|---|---|---|
| Operations and Maintenance | $9,765,459 | $7,648,352 | $1,540,188 | $576,919 |
| Debt Service | $1,531,104 | $1,201,518 | $248,034 | $81,552 |
| Rate Funded Capital | $854,865 | $663,465 | $146,368 | $45,032 |
| **Total Revenue Requirements** | **$12,151,429** | **$9,513,336** | **$1,934,590** | **$703,503** |
| | | | | |
| Adjustments | | | | |
| Less: Other Revenue | -$505,016 | -$445,168 | -$44,748 | -$15,100 |
| Plus: Billing Unit & Other Adjustments | $471,161 | $389,338 | $61,179 | $20,644 |
| **Rate Requirement** | **$12,117,573** | **$9,457,506** | **$1,951,020** | **$709,047** |
| | | | | |
| FY 2027 Rate Rev. w/o Rate Adj. | $11,651,031 | $9,495,590 | $1,689,399 | $466,041 |
| FY 2027 COS Rate Rev. Requirement | $12,117,573 | $9,457,506 | $1,951,020 | $709,047 |
| FY 2027 Proposed Rate Structure | $12,133,951 | $9,494,681 | $1,908,909 | $730,362 |
| $ Adjustment Needed | $466,542 | -$38,085 | $261,621 | $243,006 |
| % Change Needed | **4.0%** | 0.0% | 15.0% | 52.0% |

**Disclaimer**

*This document was produced by Stantec Consulting Services, Inc. ("Stantec") for Queen Creek, Arizona ("Town") and is based on a specific scope agreed upon by both parties. Stantec's scope of work and services do not include serving as a "municipal advisor" for purposes of the registration requirements of the Dodd-Frank Wall Street Reform and Consumer Protection Act (2010) or the municipal advisor registration rules issued by the Securities and Exchange Commission. Stantec is not advising the Town, or any municipal entity or other person or entity, regarding municipal financial products or the issuance of municipal securities, including advice with respect to the structure, terms, or other similar matters concerning such products or issuances.*

*In preparing this report, Stantec utilized information and data obtained from the Town or public and/or industry sources. Stantec has relied on the information and data without independent verification, except only to the extent such verification is expressly described in this document. Any projections of future conditions presented in the document are not intended as predictions, as there may be differences between forecasted and actual results, and those differences may be material.*

*Additionally, the purpose of this document is to summarize Stantec's analysis and findings related to this project, and it is not intended to address all aspects that may surround the subject area. Therefore, this document may have limitations, assumptions, or reliance on data that are not readily apparent on the face of it. Moreover, the reader should understand that Stantec was called on to provide judgments on a variety of critical factors which are incapable of precise measurement. As such, the use of this document and its findings by the Town should only occur after consultation with Stantec, and any use of this document and findings by any other person is done so entirely at their own risk.*

TOWN OF QUEEN CREEK ARIZONA

**TO:** **HONORABLE MAYOR AND TOWN COUNCIL**

**THROUGH:** **BRUCE GARDNER, TOWN MANAGER**

**FROM:** **SCOTT MCCARTY, DEPUTY TOWN MANAGER/CHIEF FINANCIAL OFFICER**

**RE:** **PUBLIC HEARING AND POSSIBLE APPROVAL OF RESOLUTION NO. 1688-26, INCREASING WATER RETAIL RATES AND FIXED CHARGES IN COMPLIANCE WITH STATE LAW.**

**DATE:** **November 18, 2026**

---

**Suggested Action:**

Motion to approve Resolution No. 1688-26 increasing water retail rates and fixed charges in compliance with State law.

**Relevant Council Goal(s):**

Effective Government: KRA Financial Stability

**Discussion:**

Town staff introduced a cost-of-service rate adjustments to monthly water rates at the September 2, 2026 Town Council meeting. The presentation included an overview of the reasons for the cost-of-service rate adjustments. Council approved the Notice of Intention to increase water delivery rates and fees to start the 60-day public notice process. Staff also presented further details of the proposed water rates on October 21, 2026. Water rates were last increased by 15% in 2025, following the previous increase in 2010.

Water delivery services are accounted for by an Enterprise Fund. Enterprise Funds operate similarly to a private business, where the costs of providing the service to the customer are recovered through user charges and fees. In accordance with the Town's Financial Policies, Enterprise fees shall be set to fully recover their respective operating costs.

In order to increase water rates and fees, the Town must follow a two-step process as required by A.R.S. § 9-511.01. Step one, is a requirement to provide a written public notice of intent to increase rates, setting the public hearing date, and including data that supports the proposed rates. Attached is a report prepared by Stantec, the Town's rates and fees consultant, supporting the proposed cost-of-service rate adjustments. The notice was approved at the September 16, 2026, Town Council meeting, a copy of the notice was published on the Town's webpage, related material was posted on the Town's website, and information was published in the newspaper.

Step two is a requirement to conduct a public hearing to increase the fee at today's meeting. The first date the new fees would be applied would be January 27, 2027 with the first bill dated March 9, 2027.

In addition to completing the required statutory processes, Town staff conducted numerous public outreach meetings with customers, Homeowners Associations (HOAs), stakeholders, boards and commissions, and other community groups. These meetings provided opportunities to present the proposed water rates and other utility fee changes, listen to customer and stakeholder feedback, and

identify areas of concern. Staff incorporated this feedback into subsequent presentations, brought key concerns forward for Council consideration, and adjusted presentation materials and other aspects of the proposed fees as appropriate.

The Town also utilized multiple communication channels to inform customers and provide access to relevant information, including social media, the Town's website, direct email communications, and utility bill notifications.

Public outreach and customer communications will continue following the November 18, 2026, Council action to support customer understanding, address questions, and provide ongoing information regarding implementation of the approved fees.

**Fiscal Impact:**

The proposed water delivery rate adjustments represent a cost-of-service-based approach to maintaining the financial sustainability of the Town's water utility while distributing costs more proportionately among customer classes. The changes include establishing a distinct customer classification for multifamily customers, revising monthly fixed charges for nonresidential customers based on meter size, removing the first 1,000 gallons of water usage included in the existing monthly base charge, and adjusting tiered volumetric rates. While impacts will vary by customer class and consumption patterns, the proposed structure generally reduces water delivery charges for single-family residential, multifamily, and most nonresidential customers, while increasing charges for landscape irrigation and construction/temporary meter customers.

The proposed water delivery rates retain a three-tier structure for single-family residential customers, with the price per 1,000 gallons increasing as monthly consumption increases. The proposed rates are $1.50 per KGAL for the first 10,000 gallons and $2.50 per KGAL for consumption between 10,001 and 20,000 gallons. These first two rates are lower than the current Tier 1 and Tier 2 rates. Tier 3 is proposed at $4.00 per KGAL for consumption exceeding 20,000 gallons. This structure maintains a lower rate for essential household consumption while assigning progressively higher costs to greater water use. A separate Landscape customer classification is also proposed for dedicated irrigation meters, with a uniform rate of $4.00 per KGAL. The distinction recognizes that dedicated landscape meters serve outdoor irrigation purposes and allows those customers' rates to more appropriately reflect their cost of service. A non-residential customer classification is also proposed with a flat rate of $2.50 per KGAL.

The proposed water retail rate structure modifies monthly base charges to better align fixed-cost recovery with each customer classification and the cost of service. Single-family residential customers will maintain a monthly base charge of $21.08, while multifamily customers will be charged $5.27 per dwelling unit, equivalent to 25% of the single-family base charge. Non-residential customers will move to scaled monthly base charges based on meter size and corresponding flow capacity, ranging from $21.08 for a ¾-inch meter to $5,621.33 for a 12-inch meter; construction and temporary meter customers will have a $115 monthly charge, and landscape customers will have a $21.08 monthly charge. The proposed structure also removes the first 1,000 gallons of usage previously included in the monthly base charge. These changes are intended to distribute costs more proportionately among customer classes and align monthly charges with the capacity and demands placed on the water system.

The proposed water delivery rate adjustments are intended to ensure that revenues adequately recover the costs of operations, maintenance, and reinvestment in the Town's potable water distribution system. The rate study identifies the need to maintain sufficient funding for daily operations, existing debt service, distribution infrastructure renewal and replacement, and appropriate financial reserves. The proposed rate structure is projected to generate approximately 3% in additional annualized water delivery revenue, approximately $900,000 in additional revenue annually. Total water operating revenues are projected to be $42.8 million with expenses projected at $23.7 million in operating expenses and $8.0 million in debt service. The proposed rate modifications will improve the Water Fund's financial position and provide sufficient revenue to meet projected cash flow requirements over the five-year forecast period.

**Alternatives:**

Water delivery services are accounted for in an Enterprise Fund. The intent of the Enterprise Fund is to recover all expenses through rates and fees. As such, if this rate increase is not implemented, the gap between revenues and expenses could result in a deficit in future years and result in a higher rate increase at some point in the future.

**Attachment(s):**

1. Resolution No. 1688-26
2. QC Stantec Water Retail and WRF Report Nov 16 FINAL.pdf

**RESOLUTION NO. 1688-26**

**A RESOLUTION OF THE COMMON COUNCIL OF THE TOWN OF QUEEN CREEK, ARIZONA, INCREASING WATER RETAIL RATES AND FIXED CHARGES IN COMPLIANCE WITH STATE LAW.**

**WHEREAS**, Arizona's enabling legislation for water and wastewater fees, A.R.S. § 9-511.01 (the "Utility Statute") requires the Town of Queen Creek (the "Town") to prepare a written report providing schedules of the proposed increases to the existing water retail rates and fixed charges, and the analysis supporting the proposed increased fees (including cash flow projections); and

**WHEREAS**, Stantec, the Town's consultant, has prepared, on behalf of the Town, a written report providing schedules of the proposed increases to the existing water retail rates and fixed charges, and the analysis supporting the proposed rates and charges (including cash flow projections) titled "2026 Water Utility Rate Study Report, Town of Queen Creek, Arizona" (the "Report"); and

**WHEREAS**, the Utility Statute also requires the Common Council of the Town (the "Town Council") to (i) adopt a Notice of Intention to adopt the rates and charges, (ii) file the written report with the Town Clerk, and (iii) post the written report on the Town's website prior to holding a public hearing on the proposed rates and charges; and

**WHEREAS**, on September 16, 2026, the Town Council (i) adopted the Notice of Intention that confirmed the filing and posting of the Report as required by the Utility Statute and (ii) set a public hearing to consider the proposed increased rates and charges at its regularly scheduled meeting on November 18, 2026; and

**WHEREAS**, the Town published the Notice of Intention in the newspaper and through electronic communication tools and posted required materials on the Town website; and

**WHEREAS**, the Town Council held the public hearing on November 18, 2026, and now desires to conclude the rate and charge adoption process by approving increases to the existing water retail rates and fixed charges as set forth in the Report.

**NOW, THEREFORE, BE IT RESOLVED BY THE COMMON COUNCIL OF THE TOWN OF QUEEN CREEK, ARIZONA, AS FOLLOWS**:

**Section 1:** The recitals above are hereby incorporated as if fully set forth herein.

**Section 2:** The Report is hereby adopted in substantially the form and substance attached hereto as Exhibit A and incorporated herein by reference.

**Section 3:** The water retail rates as set forth in Table 8 of the Report, and the Fixed Charges as set forth in Table 9 of the Report, are each hereby approved.

**Section 4:** Pursuant to the Town Code, Article 16-5 (Water Regulations), Section 16-5-13 (Schedule of Rates) the water retail rates and the fixed charges as adopted herein, along with the water resources fee adopted separately, shall be the schedule of rates to be assessed for domestic water service.

**Section 5:** The Town Manager, the Town Clerk and the Town Attorney are hereby authorized and directed to take such steps and execute such documents as necessary to implement this Resolution.

**Section 6:** The water resource fees, water retail rates, and fixed charges adopted herein shall: (i) be placed in a separate fund designated for the purposes set forth in the Report; and (ii) not be used for unrelated purposes.

**Section 7:** If any section, subsection, clause, phrase or portion of this Resolution is for any reason held invalid or unconstitutional by the decision of any court of competent jurisdiction, such decision shall not affect the validity of the remaining portions thereof.

**Section 8:** At least one paper copy and one electronic copy of this Resolution and Exhibit(s) are to be filed with and will be located at the office of the Town Clerk.

[Signatures on following page]

**PASSED AND ADOPTED** by the Common Council of the Town of Queen Creek, Arizona, this 18th day of November, 2026.

| | |
|---|---|
| FOR THE TOWN OF QUEEN CREEK: | ATTESTED TO: |
| Julia Wheatley, Mayor | Maria Gonzalez, Town Clerk |
| REVIEWED BY: | APPROVED AS TO FORM: |
| Bruce Gardner, Town Manager | Clifford Mattice, Town Attorney |

**EXHIBITS ON FILE AND LOCATED AT THE TOWN CLERK'S OFFICE.**

**EXHIBIT A**

**TO**

**RESOLUTION 1688-26**

**[Report]**

See following pages.

Stantec

TOWN OF QUEEN CREEK ARIZONA

# 2026 Water Utility Rate Study Report
# Town of Queen Creek, Arizona

- Water Rate Cost of Service Fees
- New Water Resource Fee

Stantec

Prepared for: Scott McCarty
Town of Queen Creek
Deputy Town Manager/CFO

Prepared by: Courtney Black
Stantec Consulting
Senior Principal

# 1 INTRODUCTION AND PURPOSE

The Town of Queen Creek, Arizona (Town) contracted Stantec Consulting Services Inc (Stantec) to conduct a comprehensive utility rate study (Study) for its water system (Utility). The Town is proposing modifications to its retail water rate structure and the implementation of a dedicated Water Resource Fee (WRF). The WRF will recover costs associated with water replenishment and replacement for existing and new customers sufficient for the Town to reduce its costs from and reliance on the Central Arizona Groundwater Replenishment District (CAGRD).

The principal objective of the Study was to conduct a revenue sufficiency analysis (RSA) by developing and populating a multi-year forecasting model for the Town's Water fund to determine the level of annual revenue required to satisfy the Fund's projected annual operating cost requirements, as well as to maintain a reserve fund balance at or above a target level. As part of the study a cost of service analysis was performed for the Water fund to allocate system costs to customer types based on observed and estimated usage profiles. The cost of service results informed a number of specific rate adjustments for retail rates.

The Study evaluated the current and projected revenue requirements to secure the Town's own water supply and meet the necessary requirements to maintain and manage the portfolio of water. A separate multi-year financial module was developed to forecast the specific needs of the new Water Resource Fund to support the implementation of a Water Resource Fee.

The analysis described in this report presents the multi-year financial models forecasting the distinctly allocated cost requirements to be recovered by the water retail rates, the WRF and the revenues generated by each source.

This report is provided to assist the Town in complying with the requirements of Arizona Revised Statutes (A.R.S.) Title 9, § 9-511.01 governing adjustments to municipal water and wastewater rates, fees, and service charges. The statute requires municipalities engaged in the domestic water or wastewater business to prepare a written report or supporting data demonstrating the need for a proposed rate adjustment and to develop cash flow projections identifying anticipated revenues from customers and the overall expenses associated with providing utility service. This report presents the financial, operational, and capital improvement data and analyses supporting the proposed rate modifications and provides multi-year cash flow schedules demonstrating the sufficiency of projected revenues from the fees. Values may be rounded throughout this report for presentation purposes.

The Town Council received a presentation regarding the need for and basis of proposed adjustments to water retail rates, fees, and charges and the implementation of a water resource fee as part of its regular meeting on September 2, 2026. Subsequent to that, on September 16, 2026, the Town Council approved a notice of intention to adopt rate adjustments for water and water resources. At that time, an initial version of this report was offered as part of the supporting materials for the consideration of the notice. Since that time, the Town has engaged in public discussions regarding the proposed rate adjustments to provide the opportunity for the community to ask questions, request information, and provide feedback relative to the proposed rate adjustments. It is important to note that there have been no changes to the rate adjustment recommendations contained in the initial report. This report includes some additions on customer credits, non-residential bill impacts, and affordability, incorporates the most current capital improvement program and fund balance information, and reflects other minor adjustments intended to enhance the accuracy and understanding of the results and analysis conducted in support of the proposed fees and rate adjustments. The WRF section of this report has been modified to reflect the latest estimates of customer growth and

customer demands. The most notable of which is expanding the wastewater credit program to all wastewater accounts in the EPCOR wastewater service area. Previously, these accounts were categorized as “water only”. Now, they are categorized as “combined service accounts”, reflecting accounts that receive a wastewater credit.

# 2 ANALYTICAL APPROACH

Throughout the Study, the water retail forecast and water resource fee forecast relied upon key data inputs and assumptions which informed the multi-year outlook. To initialize the Study, Stantec obtained the Town’s historical and budgeted financial information regarding the operation of its Water Fund, financial and reserve policies, as well as historical customer counts. Stantec also consulted with the Town regarding other assumptions and policies that would affect the performance of the Fund, such as escalation rates for operating costs, projected customer growth, fund reserve levels, etc. Key data inputs include:

- FY 2026 ending fund balances
- FY 2026 adopted revenue and expense budget and estimated actual results
- FY 2027 adopted revenue and expense budget
- Capital Improvement plans and estimates of incremental O&M
- Schedules of outstanding debt repayment

Stantec worked with the Town to create modules to determine appropriate reserve targets and distribute shared customer service department expenses for utility billing and customer service. Additionally, the Study required working with Town staff to allocate costs to be recovered through either the water resource fee or water retail rates. The result is two distinct cash flow models estimating revenue requirements for water resource fee revenues and water retail revenues based on their respective costs. These modules and specific operating items for each fund will be discussed further in the below sections.

This information was entered into Stantec’s proprietary Financial Analysis and Management System (FAMS) interactive modeling system. FAMS produced a 5-year projection of the sufficiency of the revenue provided by the existing fees of the fund to meet current and projected financial requirements. These projections further determined the overall level of user fee revenue increases necessary in each year of the projection period to satisfy the Fund’s annual financial requirements.

Ultimately, the level of increase in revenue needed for FY 2027 would be accomplished through specific rate structure changes that are consistent with industry practices and intended to better align the revenue recovery by customer type with the cost of service results identified as part of this Study. The rate structure changes identified herein would be implemented January 27, 2027, with updated bills reflecting the new rates and fees going out to customers March 9, 2027. It is important to note that any future rate adjustments identified by the Study are for projection purposes and subject to change based on future conditions.

# 3 WATER RESOURCES FEE

## 3.1 BACKGROUND AND ESTABLISHING NEED FOR FEE

The WRF is intended to create a dedicated funding source to pay for aquifer replenishment (as well as future replacement costs for redesignation) covering water purchases, infrastructure, transportation, and operating expenses of $60M+ at full implementation, compared to current water system revenues of $37M. On November 19, 2025, Town Council passed Resolution No. 1650-25 declaring the Town’s intention to create a Water Resource Fee (reaffirmed on December 17, 2025). Since that time, Town Staff and consultants have worked extensively to determine an implementation strategy and fee methodology.

Currently, many Town water users pay for water service through both: a monthly bill paid to the Town including a fixed base rate component and a volumetric component, as well as an annual bill paid to CAGRD through property taxes based on a membership fee and prior-year consumption (less effluent and allowance credits as applicable) covering recharge requirements. As of the end of 2025 approximately 40k accounts in the Town’s service area pay an annual CAGRD bill, which includes all residential subdivisions and Homeowners Associations (HOAs) that rely on groundwater supply. The Town utilizes its CAGRD

membership to assist in meeting groundwater replenishment requirements resulting from the 1980 Arizona Groundwater Management Act (GMA) codified in A.R.S § 45-576 and adopted in 1995, which stipulates that any post-1996 housing development must have a 100-year assured water supply, and that if a development relies on groundwater supply, use of groundwater must be replenished in equal amount using renewable water supply.

The process of procuring sufficient water rights assets to become a designated water provider and reduce the costs associated with CAGRD participation involved multiple water resource purchases including:

- A portion of Colorado River water entitlement from the Cibola Valley totaling 2,000 acre-feet (AF) annually in perpetuity, which was approved in 2018 with water deliveries beginning in 2023
- An initial acquisition of Harquahala basin water completed in 2025, totaling 500,000 AF over a 100-year period, implying up to 5,000 AF per year available to the Town
- A second Harquahala water basin acquisition completed in late 2025 that would deliver an additional not-to-exceed amount of 12,000 AF per year.

In total, the Town has secured delivery of up to 1.7M acre feet of water between the acquisitions listed above, insulating the Town from drought and impacts from Colorado River cuts. The Town will be responsible for the recharge of groundwater and maintaining a 100-year portfolio of water supply for both existing and new customers in the service area.

In addition to principal and interest expenses for acquiring the water and building the infrastructure, the Town will also incur operating and maintenance costs to manage the water resources system including

- New operating expenses from wells, booster stations, and other infrastructure related to extracting, transporting (i.e. Central Arizona Project wheeling charges), and replenishing water
- Staff costs for Water Resources and Water Conservation functions
- Shared billing and administrative support expenses
- CAGRD membership, reimbursements and insurance requirements

In addition to the WRF that will be included on monthly utility bills, the Town is establishing a water resource capacity fee (WRCF) (a one-time fee to new development paid at the time of building permit) to recover a portion of the expected costs of extending assured water supply to new development. Under Arizona's Assured Water Supply program, every new connection must be backed by a 100-year supply of renewable water. As the Town grows, it must acquire additional physical supplies and construct the wells, transmission, and treatment infrastructure needed to deliver and replenish that water. Recovering a portion of these costs through an upfront capacity fee assessed at the time of connection reduces the risk of existing ratepayers subsidizing the expansion of the system. The methodology, fee levels, and resulting cash flows for the WRCF are presented in a separate report.[1] This report details the cost of providing service to existing customers through the WRF and water retail rates.

### 3.1.1 Reimbursements and CAGRD Transition

Many customers have a CAGRD assessment. The Town has subsidized the full cost of this assessment over the prior years. In 2018 and 2019, Town Council passed resolutions applying groundwater credits at the highest allowable amount, saving water customers approximately $71 million in CAGRD assessments over 8 years. These CAGRD offset policies were explicitly intended as interim solutions until the Town could become a designated water provider.

[1] 2026 Water Utility Rate Study Report, New Development Water Resource Capacity Fee

Until the Town becomes a Designated Water Provider and CAGRD Member Service Area, CAGRD fees will continue to be reimbursed by the Town for existing post-2004 accounts that currently receive CAGRD bills. This avoids approximately 28,000 accounts paying both CAGRD and the Town's new WRF for the same replenishment period simultaneously. The cost of this payment will be recovered through the WRF.

Additionally, the Town intends to reimburse $2M across FY 2027 and FY 2028 for its flood irrigation customers as the Town initiates the transition of these customers to the Queen Creek Irrigation District (QCID). Essentially, the WRF will not be charged to these customers during the transition period. Ultimately, this transaction benefits the customers, QCID, and the Town. Specifically for the Town, this will allow it to extend its already secured water supplies to meet other customer demands and replenishment needs.

## 3.2 COST COMPONENTS ASSOCIATED WITH THE ESTABLISHMENT OF A WATER RESOURCES FUND

In addition to the infrastructure and supply related debt expenses, the Town has estimated the salaries, benefits, maintenance costs, and other operating items for performing Water Resources activities. These costs include incremental costs to operate additional wells and booster stations with four new FTEs to support. In addition to direct staff time, costs and materials, the Town has allocated portions of shared utility billing services and General Fund support costs attributable to the Water Resources department.

The Town is responsible for transportation and wheeling costs of its resources through the Central Arizona Project (CAP) canal. A portion of these wheeling charges, particularly for Non-Indian Agricultural (NIA), & Cibola resources, are included in the existing department budget. Incremental expenses resulting from Harquahala include additional wheeling costs based on a flow rate charged $/AF. Additionally, the Town will continue to purchase replenishment requirements from CAGRD for some of its service area. These replenishment costs include annual membership fees as well as usage fees less applicable Groundwater Extinguishment Credits (GWEC) assets applied by the Town. These costs will be cash funded as they occur.

Operating costs total approximately $5.5M in FY 2027. Table 1 details the projected operating expense totals by year including applicable cost inflation. It is important to note that incremental costs for water delivery from Harquahala basin are expected in FY 2032, at which time the CAGRD liability buy-down and membership fees would discontinue for the following fiscal year.

**Table 1: Operating Cost Items Recovered through Water Resource Fee ($M)**

| Operating Line Item | FY 2027 | FY 2028 | FY 2029 | FY 2030 | FY 2031 | FY 2032 |
|---|---|---|---|---|---|---|
| Operating Wells | $0.1 | $0.3 | $0.3 | $0.5 | $0.5 | $1.1 |
| Operating Booster Stations | $0.1 | $0.1 | $0.1 | $0.2 | $0.2 | $1.2 |
| New FTEs for Wells & Booster Stations | $0.0 | $0.0 | $0.0 | $0.0 | $0.6 | $0.6 |
| CAP Wheeling Annual Charge | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $7.1 |
| Member Lands & Annual Membership Fees | $0.0 | $2.2 | $2.3 | $2.6 | $2.8 | $3.1 |
| CAGRD Insurance | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $1.6 |
| CAGRD Customer Reimbursement | $0.0 | $7.0 | $7.3 | $8.0 | $8.5 | $8.6 |
| QCID Reimbursements | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 |
| Box Canyon Payment | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $1.5 |
| SCIF Project | $0.0 | $0.0 | $0.9 | $0.9 | $0.9 | $0.9 |
| 2190 Water Resources Dept | $4.3 | $4.3 | $4.4 | $4.5 | $4.6 | $4.8 |
| 2170 Water Conservation Dept (50%) | $0.4 | $0.4 | $0.4 | $0.4 | $0.5 | $0.5 |
| Utility Billing Fee | $0.4 | $0.8 | $0.9 | $1.0 | $1.1 | $1.2 |
| Support Cost Allocation | $0.1 | $0.2 | $0.2 | $0.2 | $0.2 | $0.2 |
| Credit Card & Bank Fees | $0.1 | $0.4 | $0.4 | $0.6 | $0.8 | $0.9 |
| **Total Operating Expenses** | **$5.5** | **$15.5** | **$17.2** | **$19.0** | **$20.7** | **$33.2** |

### 3.2.1 Capital and Debt Financing

The Town has incurred significant resource acquisition costs totaling approximately $290M to purchase water from the Harquahala Basin. In addition to securing the resource rights, additional infrastructure for new Utility assets and repairs and modifications to existing assets to accommodate the new resource are needed. The Town's share of these projects total an additional ~$173M through FY 2037. To minimize ratepayer impacts and spread the asset costs over their useful lives, the Town will utilize a variety of debt instruments to fund the needed future supply and infrastructure costs. A portion of this debt service will be repaid with dollars from new users recovered through the WRF or WRCF to the extent associated with or providing capacity for growth and new development. In addition to new debt incurred for projects, the Water Resource Fee will pay for a portion of existing debt service and interim borrowings attributable to Water Resources costs.

**Table 2: Allocated Debt Service Schedule ($M)**

| Debt Service Line Item | FY 2027 | FY 2028 | FY 2029 | FY 2030 | FY 2031 | FY 2032 |
|---|---|---|---|---|---|---|
| **Existing Debt** | | | | | | |
| 2020 WIFA DW Loan (GWEC's Financing) – Principal | $1.6 | $1.6 | $1.7 | $1.7 | $1.7 | $1.8 |
| 2020 WIFA DW Loan (GWEC's Financing) – Interest | $1.0 | $0.9 | $0.9 | $0.9 | $0.8 | $0.8 |
| 2020 WIFA Loan (Encanterra Water Exchange) – Principal | $0.2 | $0.2 | $0.2 | $0.3 | $0.3 | $0.3 |
| 2020 WIFA Loan (Encanterra Water Exchange) – Interest | $0.1 | $0.1 | $0.1 | $0.1 | $0.1 | $0.1 |
| 2022 WIFA DW Loan (NIA Water) – Principal | $0.2 | $0.2 | $0.3 | $0.3 | $0.3 | $0.3 |
| 2022 WIFA DW Loan (NIA Water) – Interest | $0.1 | $0.1 | $0.1 | $0.1 | $0.1 | $0.1 |
| 2023 WIFA DW Loan (Cibola) – Principal | $0.7 | $0.7 | $0.7 | $0.7 | $0.7 | $0.8 |
| 2023 WIFA DW Loan (Cibola) – Interest | $0.8 | $0.8 | $0.8 | $0.7 | $0.7 | $0.7 |
| WIFA Augmentation Loan, Series 2026 – Principal | $0.0 | $0.0 | $1.8 | $1.9 | $2.0 | $2.0 |
| WIFA Augmentation Loan, Series 2026 – Interest | $4.0 | $3.5 | $3.5 | $3.5 | $3.4 | $3.3 |
| Series 2026 COPs – Infrastructure – Principal | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 |
| Series 2026 COPs – Infrastructure – Interest | $0.8 | $1.6 | $1.6 | $1.6 | $1.6 | $1.6 |
| Series 2026 COPs – Water Assets – Principal | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 |
| Series 2026 COPs – Water Assets – Interest | $4.0 | $8.0 | $8.0 | $8.0 | $8.0 | $8.0 |
| **New Debt** | | | | | | |
| Senior Lien Revenue Obligations, Series 2028 – Principal | $0.0 | $0.0 | $0.0 | $0.0 | $0.4 | $0.4 |
| Senior Lien Revenue Obligations, Series 2028 – Interest | $0.0 | $0.0 | $0.7 | $0.7 | $0.7 | $0.7 |
| Senior Lien Revenue Obligations, Series 2030 – Principal | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 |
| Senior Lien Revenue Obligations, Series 2030 – Interest | $0.0 | $0.0 | $0.0 | $0.0 | $3.8 | $3.8 |
| Senior Lien Revenue Obligations, Series 2037 – Principal | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 |
| Senior Lien Revenue Obligations, Series 2037 – Interest | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 |
| PNC (WA) – Principal | $0.0 | $0.0 | $0.5 | $0.0 | $0.0 | $0.0 |
| PNC (WA) – Interest | $1.5 | $1.5 | $1.5 | $0.7 | $0.0 | $0.0 |
| WIFA Refi 2030 – Principal | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 |
| WIFA Refi 2030 – Interest | $0.0 | $0.0 | $0.0 | $0.0 | $2.2 | $1.7 |
| **Total Debt Service** | **$15.1** | **$19.5** | **$22.5** | **$21.3** | **$26.9** | **$26.4** |

## 3.3 WATER RESOURCE FEE CASH FLOWS

Without the implementation of a new WRF, the Utility would not be able to fund the costs to perform water resources activities beginning in FY 2027. As indicated later in this report, water retail rates are already insufficient to meet the remaining cost requirements of the water system in FY 2027, nor are they adequate source to fund the magnitude of the existing and new water resource requirements in future years. The proposed WRF is a necessary, transparent, dedicated, and sustainable solution to recover these costs over a multi-year time period.

**Table 3: Summary of Water Resource Fee Operating Fund Cash Flows ($M)**

| Water Resources Operating Fund | FY 2027 |
|---|---|
| Net Water Resource Revenues | $0.0 |
| Less: (Operating Expenses) | ($5.5) |
| **Net Operating Income** | **$(5.5)** |
| Plus: Interest Earnings[2] | $1.6 |
| **Net Income for Debt Service** | **$(3.9)** |
| Less: (Debt Service) | ($15.1) |
| **Net Cash Flow After Debt Service** | **$(19.0)** |

### 3.3.1 Water Resource Fee Implementation – Applicable Credits

The proposed WRF will be paid by water customers both inside and outside the Town. The WRF has been calculated on a $/AF of water basis. Customers will be charged a volumetric rate per 1,000 gallons of water billed less any applicable credits. The WRF will appear as a distinct line item on the customer's bill alongside applicable charges for water and wastewater services.

Certain customers that receive both water and wastewater service (combined service customers) from the Town will receive a credit for a portion of the effluent returned to the system. This credit reflects the fact that effluent will be treated and returned to the water supply and is credited towards the Town's replenishment requirements. The credit for eligible customers varies based on service and customer type and reflects analysis of billing data performed by Town staff. Credits range from 40-90% of water billed. This effluent credit will be applied to wastewater accounts in the EPCOR service area as well. Based on agreement between EPCOR and the Town, EPCOR will provide assets equal to the amount of acre-feet credited to these accounts. Approximately 6,600 acre-feet will be credited annually and replenished annually via wastewater effluent. Table 4 details the credit available based on customer type.

**Table 4: Summary of Effluent Credits**

| Service | Customer Type | Credit Eligible | Credit Amount |
|---|---|---|---|
| Water Only | All Water Only | Not Credit Eligible | N/A |
| Combined | Commercial | Credit Eligible | 90% of Water Billed |
| Combined | Commercial & Landscape | Credit Eligible | 80% of Water Billed |
| Combined | Multi-Family | Credit Eligible | 80% of Water Billed |
| Combined | Residential | Credit Eligible | 40% of Water Billed |

The WRF is based on water replenishment requirements, not gross consumption. Certain users, particularly users of recovered effluent will be excluded from paying this fee as they are utilizing an alternative resource for their water needs. This category includes the Lakes Program, which utilizes Town reclaimed water to fill community lakes. This lake water is then used to irrigate nearby landscaping. This program conserves about 1.2k AF of potable water while providing public amenities.

Other credits include credit for customers with septic tanks recognizing that septic tanks are systems that manage the discharge of wastewater, portions of which recharge the aquifer. This amount of septic flow

[2] Includes interest earnings on borrowed proceeds

returning into the ground is estimated by the Town at 200 AF per year and will be credited to identified customers on a programmatic basis. Additionally, the Town is considering programmatic credits, payment plans, and phasing for qualifying HOA complexes to allow for compliance with ARS §33-1803.

Effluent credits are scalable based upon water use and will be capped at $36.59 per month for single family accounts and $2.98 per month for septic accounts. The Town evaluated the appropriate usage cap for the water resource fee effluent credit to ensure consistency with the Town's existing residential sewer billing methodology. Under the current AWWU methodology, residential sewer charges are calculated using 70% of the average monthly water consumption recorded on the December, January, and February bills, subject to a maximum water use cap of 17,000 gallons. Applying the 70% factor results in an effective maximum sewer usage of 11,900 gallons per month. Because the WRF is calculated using actual monthly water consumption, with a 40% credit component attributable to sewer/effluent, the study established a corresponding maximum eligible water consumption of 29,750 gallons per month for purposes of calculating the WRF credit. Applying the 40% credit factor to this amount produces the same effective maximum of 11,900 gallons, maintaining consistency between the existing sewer billing methodology and the WRF sewer/effluent credit calculation.

### 3.3.2 Water Resource Fee Implementation

The Town intends to "phase-in" the fee to the projected amount needed for full cost recovery of future replenishment needs. The approach considers three steps, an initial sustainable fee in years 1-3 to cover portions of program costs and create a fair and equitable source of revenue. During this period customers will be able to reduce outdoor water use and adjust consumption habits to manage a new fee on their bill. Additionally, the Town will establish an intergenerational financing program using varying mechanisms to restructure outstanding debt and utilize interfund loans to amortize the costs of the program across the multiple generation of users who benefit from a secure source of supply owned by the Town. This also allows the Town to maintain a lower fee for longer through a reduction in annual debt service.

Step two establishes a higher fee across years 4-7 of implementation to recover the costs of replenishment infrastructure in Harquahala valley and the Town. The revenue requirements of the fund are anticipated to increase from $40M to $60M over this period.

The final phase established an ultimate fee level to cover the costs of replenishment of future water supplies. This is the cost to purchase additional replacement water for a 100-year period every 10 years as part of the designation period. The timing and availability of new water sources, as well as the cost of these sources, will be an integral part of establishing the fee during this period.

Customer impacts vary significantly depending on the type of user, typical consumption patterns and eligibility for effluent credits. Generally, the phase-in allows customers to pay a lower amount in the early years of the program and recover the full ongoing requirements of the fund over time.

**Table 5: Resulting Water Resource Fee – Full Phasing**

| Fee | FY 2027 | FY 2028 | FY 2029 | FY 2030 | FY 2031 | FY 2032 |
|---|---|---|---|---|---|---|
| $/AF | $1,000 | $1,000 | $1,500 | $2,000 | $2,500 | $3,000 |
| $/Kgal | $3.07 | $3.07 | $4.60 | $6.14 | $7.67 | $9.21 |

**Table 6: Resulting Water Resource Fund Cash Flows – Full Phasing**

| Water Resources Operating Fund | FY 2027 | FY 2028 | FY 2029 | FY 2030 | FY 2031 | FY 2032 |
|---|---|---|---|---|---|---|
| Net Water Resource Revenues | $7.3 | $22.1 | $25.8 | $35.7 | $45.7 | $54.5 |
| Less: (Operating Expenses) | ($5.5) | ($15.5) | ($17.2) | ($19.0) | ($20.7) | ($33.2) |
| **Net Operating Income** | **$1.8** | **$6.6** | **$8.6** | **$16.6** | **$25.0** | **$21.3** |
| Plus: Interest Earnings | $1.6 | $0.0 | $0.0 | $0.0 | $0.1 | $0.2 |
| **Net Income for Debt Service** | **$3.4** | **$6.6** | **$8.6** | **$16.6** | **$25.1** | **$21.5** |
| Less: (Debt Service) | ($15.1) | ($19.5) | ($22.5) | ($21.3) | ($26.9) | ($26.4) |
| **Net Cash Flow After Debt Service** | **($11.7)** | **($12.9)** | **($13.9)** | **($4.7)** | **($1.8)** | **($4.9)** |

### 3.3.3 Results and Proposed Fee Plan

The Town council will consider the above plan for implementation effective January 27, 2027 with first bills to customers in March of 2027. All future increases are assumed to occur in January of each year. Assumptions were made based on best estimates of market and economic conditions for debt issuances, capital costs, and operating expenses. The Town will continue to review and update this analysis as conditions become final to ensure the WRF fairly and adequately recovers system revenue requirements. As such, it is possible that future increases to the WRF may vary from the projections presented herein.

There are certain properties within the Town's water service area that legally own irrigation grandfathered rights (IGFR) and meet the requirements under ARS and Arizona Department of Water Resources (ADWR) rules. The Town will pump customers' IGFR through the Town's potable system above 11,900 gallons of monthly use.

The Town had entered into agreements with certain HOAs that they would purchase long-term storage credits (LTSCs) on the open market, and the Town would report those credits to CAGRD to offset their CAGRD obligations. From the Town's research and analysis, there is no straightforward benefit for the HOAs to continue the program considering the proposed CAGRD reimbursements the Town will complete. The Town will discontinue the program.

# 4 WATER RETAIL RATES

## 4.1 BACKGROUND AND ESTABLISHING NEED FOR RATE ADJUSTMENT

In parallel with the WRF and WRCF, the Town is updating its water retail rates to recover the cost of operating, maintaining, and reinvesting in the potable water system. The retail rates fund day-to-day utility operations and existing system debt service that are distinct from the water-resource acquisition and replenishment costs recovered through the WRF and WRCF, and recover the costs of maintaining the distribution and transmission lines and administrative and billing costs for the potable water system. The retail rates are structured to achieve the following objectives:

- Recover the full cost of service for water distribution and customer service
- Maintain adequate operating and capital reserves and meet debt service coverage requirements
- Support the renewal and replacement of aging water distribution infrastructure
- Provide a stable, equitable, and defensible rate structure across customer classes

The Town operates a water utility system serving the Town and surrounding community comprised of an existing customer base of approximately 50,000 residential and commercial customers. The costs associated with providing water services are accounted for in an enterprise fund and are funded through the rates and fees paid by customers for services rendered. The Town periodically conducts rate studies to evaluate the adequacy of revenues to recover the cost of providing services and to maintain rates and fees that conform to current industry practices and reflect a proportional distribution of costs.

The principal components of the Study included:

- **Revenue Sufficiency Analysis** – Conduct a revenue sufficiency analysis (RSA) by developing and populating a multi-year forecasting model for the Town's water fund to determine the annual revenue required to satisfy the Fund's projected annual operating, capital, and debt requirements, as well as to maintain a reserve fund balance at or above a minimum target level.
- **Cost of Service Analysis** – Complete a cost allocation process following industry guidelines and utilizing available local data to determine the appropriate distribution of water system costs to different customer types. The cost of service analysis (COSA) allocates costs to system functions and then distributes functional costs to customer classes to allow for a comparison of current revenue collection by customer class to class-specific cost of service to enable the appropriate recovery of system costs from each customer class. In this Study, the Town decided to create distinct customer classifications to recover proportionate costs from each type of customer. Prior to the study, all customers paid the same inclining block rate structure and monthly fixed charges based on meter size.
- **Rate Design** – Review the Town's existing water rate structure and develop modifications, as appropriate, to enhance conformance with accepted industry practices and reflect the current distribution of system costs. In addition to the creation of distinct customer classifications, which helped to align rates with the cost to serve each customer type, a key recommendation coming from this Study was the implementation of scaled fixed charges by meter size for non-residential customers consistent with common industry practice, the removal of the first 1,000 gallons of monthly usage from the minimum monthly base charge, and uniform volumetric rates for non-single-family users.
- **Rate Benchmarking** – Complete a survey of water rates and fees for regional peers providing water services to compile a comparative bill calculation for a typical customer.

## 4.2 SOURCE DATA & ASSUMPTIONS

The following section details key source data and assumptions that informed the 5-year financial forecast.

### 4.2.1 Beginning Balances

Preliminary ending FY 2026 fund balances established the beginning fund balance for FY 2027. The beginning fund balance is comprised of available cash and investments for operations of the Fund. Schedule 2 of Appendix B presents the starting balance for FY 2027.

### 4.2.2 Customer Growth

The Town provided estimates from development services for growth within the service area. The Town anticipates adding approximately 2,000 new ERUs in FY 2027 and an average of about 2,000 ERUs per year over the 5-year projection period. Schedule 1 of Appendix B presents the annual growth schedule.

### 4.2.3 Revenues

The revenue data utilized in the analysis reflects an evaluation of multiple years of historical results and estimated results for FY 2026. Revenues consist of user fees, establishment of service fees, and user fees from flood irrigation customers, a new large industrial water user, customers formerly provided service through Diversified Water Utilities, and interest income. User fee revenue is based on FY 2026 estimated revenues, adjusted annually based on assumed user fee adjustments, as well as customer growth, with the exception of flood irrigation customers, the large industrial user new to the service area, and Diversified customers, whose rates will be remaining the same as currently established. Interest income is calculated annually based on projected average fund balances and assumed interest rate of 3.5%. Schedule 4 of Appendix B presents the revenue projections.

### 4.2.4 Operating Expenditures

The Fund's operating expenditures include all operating and maintenance (O&M) line-item expenses, which are primarily driven by staffing costs, electricity costs, and well site O&M costs. As stated in prior sections, many costs previously accounted for in the Water Fund have been allocated to the newly established Water Resource Fund including the entirety of the Water Resources department's expenses and 50% of the Water Conservation department's expenses. Schedule 5 of Appendix B presents the annual operating expenses projected in the Study.

### 4.2.5 Capital Improvement Program

The Fund's 5-year capital improvement program was provided by the Town and provides the basis for annual capital funding requirements. All growth-related capacity costs were excluded from the Study, as those projects are assumed to be funded with capacity fee revenues. The non-growth portion of the capital program is primarily driven by distribution system improvements. Schedule 7 of Appendix B presents the five-year capital improvement program in project-level detail.

### 4.2.6 Debt

The Town has a total of 7 outstanding loans being paid back through water retail rates and fees, totaling $8 million per year. No additional debt is forecast based on the current 5-year CIP.

### 4.2.7 Minimum Reserve Balances and Policy

Reserve balances for utilities are funds set aside to meet specific cash flow requirements, mitigate risks, address financial, project, task needs, or fulfill legal covenants. These balances are maintained to meet short- to medium-term cash flow requirements and minimize the risk associated with fulfilling financial obligations and ongoing operational and capital needs under adverse conditions. The level of reserves maintained by a Fund is a critical component and a key consideration in a Fund's multi-year financial management plan.

Many utilities, industry organizations, and municipal rating agencies place a significant emphasis on having sufficient reserves available for potentially adverse conditions. The rationale related to the maintenance of adequate reserves is twofold. First, it helps to ensure that a Fund will have adequate funds available to meet its financial obligations during unusual periods, such as when revenues are unusually low and/or expenditures are unusually high. Second, it provides funds that can be used for emergency asset repairs or replacements, which may be necessary due to unforeseen events.

The Fund currently maintains a minimum reserve target of 6 months of O&M expenses, but 12 months of O&M represents the minimum target reserve level for the Fund recommended from the Study. Stantec created a framework to calculate a minimum target reserve level, considering issues like rate stabilization, emergency repairs and replacements for the system, general contingency, and liquidity components. Stantec estimated the magnitude for each of the aforementioned items and determined the total annual minimum target reserve level is approximately equivalent to 12 months of operating expenses. The Town aims to phase into the updated target minimum reserve policy level by FY 2030.

## 4.3 CASH FLOW PROJECTIONS

Without rate adjustments, the Town would not be able to maintain adequate reserves within the Fund while covering operations and capital (excluding water resources related costs covered by the WRF and WRCF).

**Table 7: Summary of Water Retail Operating Fund Cash Flows ($M)**

| Water Retail Operating Fund | FY 2027 |
|---|---|
| Water Retail Operating Revenues | $42.4 |
| Less: (Operating Expenses) | ($23.7) |
| **Net Operating Income** | **$18.7** |
| Less: (Debt Service) | ($8.0) |
| **Net Cash Flow After Debt Service** | **$10.7** |
| Net Transfers | $1.4 |
| Less Capital Outlay | ($9.6) |
| **Net Cash Flow** | **$2.5** |

The Town is anticipating an increase in water retail rate revenues of 3% on an annualized basis in FY 2027 due to specific rate structure changes resulting from the Study's cost allocation analysis. The proposed rate adjustments would take effect with services provided starting on or about January 27, 2027, with the first bills reflecting the updated rates and fees anticipated to begin on March 9, 2027. As the proposed rates and fees will only be in effect for part of the fiscal year, the overall revenue increase realized during FY 2027 is projected to be about $400,000.

## 4.4 RESULTS AND RECOMMENDATIONS

As part of the rate study, a cost of service analysis was performed to identify the cost of serving different customer types using industry accepted approaches and local data. Rate structure modifications were then identified that enhanced conformance with industry practices and better aligned revenue recovery with the cost of service by customer type. A summary of current revenues, revenue requirements, and projected revenues by customer type is included in the following chart. As can be seen, current residential, multifamily and commercial rates are recovering more than the calculated cost of service allocation, while construction and temporary meter and landscape services are under-recovering the cost of service.

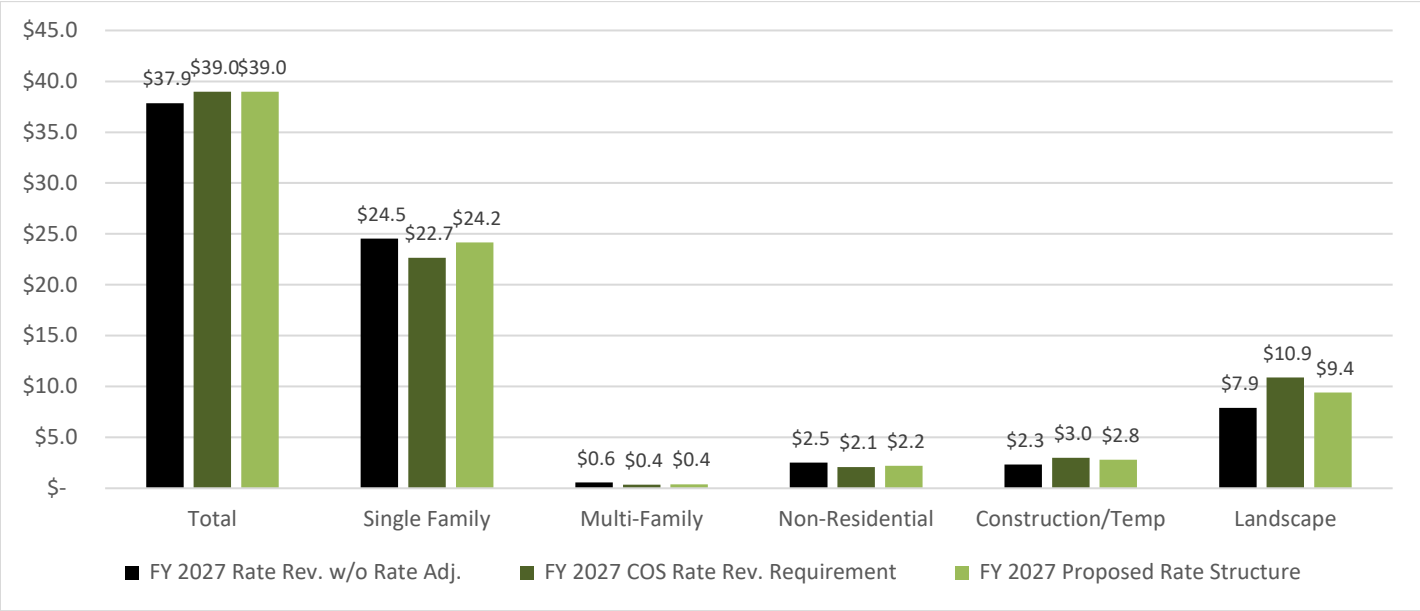



**Chart 1: Cost of Service and Resulting Rate Structure Revenues by Customer Type**

As such, the Town is proposing to align multifamily rates with residential base charges and apply 25% of the residential monthly service charge per dwelling unit based on ratios of observed usage per unit. Additionally, it is proposed to scale or increase commercial service charges by meter size based on flow rates for the Town's meter types consistent with common industry practice. Moreover, it is recommended to remove the 1,000 gallon allowance in all fixed charges and to adjust the volumetric rates for all customers. Notably, the volumetric rate adjustments reflect the use of a uniform rate that varies for multifamily, commercial, and landscape services and reserves the use of a tier system for residential customers (consistent with common industry practices). These specific rate structure changes better align all customer types with their calculated cost of service and are sufficient to generate 3% in additional revenues on an annualized basis for the Town's water retail fund based on demand estimates. The schedules of rates are included in the tables below.

**Table 8: Proposed Water Retail Rate Schedule**

| Water Retail Rate Component | Single-Family | Multi-Family | Non-Residential | Construction/Temp | Landscape |
|---|---|---|---|---|---|
| Monthly Service Charge (per ERU) | $21.08 | $5.27/unit | $21.08 | $115.00/mo | $21.08 |
| Volumetric Rate – Tier 1 ($/Kgal) | $1.50 | $1.50 | $2.50 | $9.00 | $4.00 |
| Volumetric Rate – Tier 2 ($/Kgal) | $2.50 | | | | |
| Volumetric Rate – Tier 3 ($/Kgal) | $4.00 | | | | |

*Note: Single-Family volumetric rates are tiered by monthly consumption (Tier 1: 0–10,000 gallons; Tier 2: 10,001–20,000 gallons; Tier 3: over 20,000 gallons). Multi-Family, Non-Residential, Construction/Temp, and Landscape classes are billed a single uniform volumetric rate for all use. Multi-Family fixed charges are assessed per dwelling unit at $5.27, equal to 25% of a single-family base charge.*

**Table 9: Proposed Fixed Charge Schedule**

| Fixed Charges by Meter Size | FY 2027 |
|---|---|
| ¾ Inch | $21.08 |
| 1 Inch | $35.13 |
| 1.5 Inches | $70.27 |
| 2 Inches | $112.43 |
| 3 Inches | $351.33 |
| 4 Inches | $878.33 |
| 6 Inches | $1,756.67 |
| 8 Inches | $2,810.67 |
| 10 Inches | $4,567.33 |
| 12 Inches | $5,621.33 |

### 4.4.1 Water Retail Rate Operating Cash Flows

The following table demonstrates that the proposed retail rates should improve the water system's cash flow in FY 2027. It is important to note that future projections presently indicate that the proposed rates will be sufficient to meet the future cash flow requirements of the retail water fund without further adjustment.

**Table 10: Summary of Water Retail Rate Operating Fund Cash Flows ($M)**

| Water Retail Rate Operating Fund | FY 2027 |
|---|---|
| Water Retail Operating Revenues | $42.8 |
| Less: (Operating Expenses) | ($23.7) |
| **Net Operating Income** | **$19.1** |
| Less: (Debt Service) | ($8.0) |
| **Net Cash Flow After Debt Service** | **$11.1** |
| Net Transfers | $1.4 |
| Less Capital Outlay | ($9.6) |
| **Net Cash Flow** | **$2.9** |

# 5 CUSTOMER BILL IMPACTS

Adjustments to water retail rates aligned with cost of service generally lower the amount of revenue collected from single-family, multi-family, and non-residential customers excluding irrigation use. In general, this means these customers may see a slight decrease in the water delivery portion of their bill. The introduction of the water resource fee results in most customers experiencing an overall increase in their bill for water service. Table 11 compares the current and proposed water bill for a Single-Family combined service customer with 10,000 gallons of consumption in a month. Table 12 provides sample bill impacts, for example multi-family and non-residential customers.

**Table 11: Example Single Family Water Bill Impact**

| Combined Service 10,000 gallons/month | Current Monthly Bill | Proposed Monthly Bill | Monthly Bill Impact |
|---|---|---|---|
| Base Charge | $21.08 | $21.08 | $0 |
| Volumetric Charge | $18.36 | $15.00 | -$3.36 |
| Total Water Retail Bill | $39.44 | $36.08 | -$3.36 |
| WRF | N/A | $18.42 | +$18.42 |
| Total Proposed Bill | $39.44 | $54.50 | +$15.06 |

**Table 12: Example Commercial Water Bill Impacts**

| Meter Size | Monthly Gallons | Current Bill | Proposed Water Delivery | Proposed WRF | Total Proposed (W+WRF) | Monthly Bill Impact |
|---|---|---|---|---|---|---|
| Multi-Family Unit[3] | 2,500 | $20.57 | $9.02 | $1.54 | $10.56 | -$10.01 |
| Commercial SC1 2" meter | 100,000 | $406.21 | $362.43 | $30.70 | $393.13 | -$13.08 |
| Landscape 1" meter | 25,000 | $98.31 | $135.13 | $76.75 | $211.88 | $113.57 |
| Construction | 10,000 | $161.00 | $205.00 | $30.70 | $235.70 | $74.70 |

# 6 AFFORDABILITY

Affordability metrics were calculated under the proposed rates for water delivery, water resources, and wastewater measuring the combined water and sewer bill for essential monthly household use for in-town customers against Town lowest quintile income (LQI).[4] Two household level metrics used to evaluate affordability are the AR20 which measures the percentage of water and sewer costs to disposable household income for customers at the 20th percentile of income, and hours at minimum wage to pay for basic water and sewer service. Under the AR20 method the Town's combined utility bill is 2.45% of monthly disposable income which is considered an acceptable level. This same 6,000 gallons of essential use results in a monthly bill that is equivalent to 5.3 hours at minimum wage using 2026 Arizona minimum wages. This is under the average 10.1 hours at minimum wage for 25 of the largest U.S. cities. While current metrics for the typical household do not indicate utility rates are a financial burden, it is very possible that households do exist that are experiencing challenges. We recommend the Town continues to evaluate affordability and its policies/assistance programs in the future as expenses for some households may increase at a greater rate than income.

[3] 100 unit complex with 6"meter
[4] Essential household use assumed to be 6,000 gallons for a household of four people

## APPENDIX A – WATER RESOURCE FEE PRO FORMA

## Water Resource Fee Pro Forma

**Schedule 1**

| | | FY 2027 | FY 2028 | FY 2029 | FY 2030 | FY 2031 |
|---|---|---|---|---|---|---|
| | **Operating Revenue** | | | | | |
| | **Rate Adoption Effective Date** | **3/1/2027** | **1/1/2028** | **1/1/2029** | **1/1/2030** | **1/1/2031** |
| 1 | Water Resource Fee Revenue | $9,297,481 | $9,297,481 | $28,448,443 | $33,536,492 | $46,116,714 |
| 2 | *Less: Conservation/Other Credits* [1] | $0 | $0 | ($1,619,250) | ($715,179) | ($1,150,000) |
| 3 | *Revenue Impacts from Prior Year Rate Adjustment* [2] | $0 | $19,150,962 | $0 | $6,707,298 | $6,588,102 |
| 4 | *Total Existing Rate Revenue* [2] | $9,297,481 | $28,448,443 | $26,829,193 | $39,528,612 | $51,554,815 |
| 5 | *Water Resource Fee Increase* | *N/A* | *0%* | *50%* | *33%* | *25%* |
| 6 | Additional Revenue from Fee Increase | *N/A* | $0 | $6,707,298 | $6,588,102 | $6,444,352 |
| 7 | *Total Revenue from Existing Customers* | $9,297,481 | $28,448,443 | $33,536,492 | $46,116,714 | $57,999,167 |
| 8 | Less: Effluent Credits | ($2,165,295) | ($6,628,684) | ($8,285,855) | ($11,600,198) | ($14,914,540) |
| 9 | Water Resource Fee Revenue - New Customers | 126,631 | 280,036 | 518,203 | 1,121,447 | 2,626,838 |
| 10 | **Total User Fee Revenue** | **$7,258,817** | **$22,099,795** | **$25,768,839** | **$35,637,963** | **$45,711,465** |
| | **Less: Operating Expenses** | | | | | |
| 11 | Supply[3] | $ (150,000) | $ (9,512,608) | $ (10,892,351) | $ (12,270,957) | $ (13,509,093) |
| 12 | Transportation[4] | - | - | - | - | - |
| 13 | Administrative/Staffing[5] | (5,321,150) | (6,016,649) | (6,296,977) | (6,778,708) | (7,199,288) |
| 14 | **Equals: Net Operating Income** | **$ 1,787,667** | **$ 6,570,539** | **$ 8,579,511** | **$ 16,588,298** | **$ 25,003,084** |
| | **Plus: Non-Operating Income/(Expense)** | | | | | |
| 15 | Interest Income[6] | $ 1,563,392 | $ 5,514 | $ 11,375 | $ 31,063 | $ 86,519 |
| 16 | **Net Income Available For Debt Service** | **$ 3,351,059** | **$ 6,576,053** | **$ 8,590,886** | **$ 16,619,361** | **$ 25,089,602** |
| | **Less: Debt Service** | | | | | |
| 17 | Existing Debt Service | $ (13,603,110) | $ (17,982,323) | $ (19,807,185) | $ (19,807,185) | $ (19,807,185) |
| 18 | New Debt Service | (1,511,449) | (1,511,449) | (2,717,385) | (1,471,028) | (7,129,629) |
| 19 | **Total Debt Service** | **$ (15,114,559)** | **$ (19,493,772)** | **$ (22,524,570)** | **$ (21,278,213)** | **$ (26,936,813)** |
| 20 | **Net Cash Flow** | **$ (11,763,501)** | **$ (12,917,719)** | **$ (13,933,684)** | **$ (4,658,852)** | **$ (1,847,211)** |
| | **Unrestricted Reserve Fund Test** | | | | | |
| 21 | Balance At Beginning Of Fiscal Year | $ (39,764,218) | $ (51,527,719) | $ (64,445,438) | $ (78,379,121) | $ (83,037,973) |
| 22 | Cash Flow Surplus/(Deficit)[7] | (11,763,501) | (12,917,719) | (13,933,684) | (4,658,852) | (1,847,211) |
| 23 | Transfer of WRCF Dollars for Water Purchase | $ - | $ - | $ - | $ - | $ - |
| 24 | **Balance At End Of Fiscal Year** | **$ (51,527,719)** | **$ (64,445,438)** | **$ (78,379,121)** | **$ (83,037,973)** | **$ (84,885,184)** |

[1] Revenue reductions from customer conservation, septic credits

[2] Represents full basis of rate revenue adjusted for rate effective date

[3] Supply costs include wells, booster stations, ML and AML fees, CAGRD costs, SCIF costs, and associated new FTEs

[4] Transportation costs are limited to CAP Wheeling charges beginning in FY 2032 upon water delivery

[5] Admin/Staffing Costs include portions of the water resource and water conservation department costs, credit card and bank fees, the utility billing fee expense and support and cost allocations for shared services

[6] Interest income earned in FY 2027 from holding of bond proceeds until use in FY 2028

[7] Town intends to address this shortfall with interim funding from other sources including the water resource capacity fee fund

## APPENDIX B –PRO FORMA & SUPPORTING SCHEDULES

## Assumptions — Schedule 1

| | FY 2027 | FY 2028 | FY 2029 | FY 2030 | FY 2031 |
|---|---|---|---|---|---|
| **Rate Increase Adoption Date** | 3/1/2027 | 1/1/2028 | 1/1/2029 | 1/1/2030 | 1/1/2031 |
| **Annual Growth** | | | | | |
| **Water** | | | | | |
| Ending # of ERUs | 62,762 | 64,768 | 66,113 | 67,703 | 70,205 |
| ERU Growth | 2,234 | 2,006 | 1,345 | 1,590 | 2,502 |
| % Change in ERUs | *3.69%* | *3.20%* | *2.08%* | *2.40%* | *3.70%* |
| Usage per ERU | 117.75 | 116.57 | 115.40 | 114.25 | 113.11 |
| % Change in Usage per ERU | *-1.00%* | *-1.00%* | *-1.00%* | *-1.00%* | *-1.00%* |
| Usage (Kgal) | 7,389,957 | 7,549,893 | 7,629,610 | 7,734,969 | 7,940,610 |
| % Change in Usage | *2.65%* | *2.16%* | *1.06%* | *1.38%* | *2.66%* |
| **Capital Spending** | | | | | |
| Annual Capital Budget (Future Year Dollars) | $ 7,537,997 | $ 2,327,862 | $ - | $ 5,394,948 | $ - |
| Annual Percent Executed | 100% | 100% | 100% | 100% | 100% |
| **Average Annual Interest Earnings Rate** | | | | | |
| On Fund Balances | 3.50% | 3.50% | 3.50% | 3.50% | 3.50% |
| **Operating Budget Reserve** | | | | | |
| Target (Number of Months of Reserve) | 3.0 | 6.0 | 6.0 | 6.0 | 6.0 |
| **Operating Budget Execution Percentage** | | | | | |
| Personnel Services | 95% | 95% | 95% | 95% | 95% |
| Variable Operations and Maintenance | 90% | 90% | 90% | 90% | 90% |
| Fixed Operations and Maintenance | 100% | 100% | 100% | 100% | 100% |
| Capital Outlay | 95% | 95% | 95% | 95% | 95% |

# FY 2027 Beginning Balances — Schedule 2

| | | |
|---|---|---|
| **Current Unrestricted Assets** | | |
| Available Cash and Investments | $ | 4,134,297 |
| **Available Fund Balance** | **$** | **4,134,297** |

## Reserve Targets

**Schedule 3**

| Reserve Type | Amount | Basis | FY 2027 | FY 2028 | FY 2029 | FY 2030 | FY 2031 |
|---|---|---|---|---|---|---|---|
| Renewal and Replacement Reserve | 1 | Years Depreciation (1) | $ 4,690,979 | $ 4,925,528 | $ 5,171,804 | $ 5,430,395 | $ 5,701,914 |
| General Contingency | 3.0% | Percentage of Operating Expenses (2) | 711,780 | 738,750 | 766,729 | 797,494 | 829,452 |
| Liquidity | 60 | Days of Operating Expense & Debt Service (3) | 5,210,112 | 5,357,349 | 5,509,946 | 5,822,689 | 5,871,105 |
| Rate Stabilization Reserve | 8.0% | Percent variations in billed volume (4) | 3,003,743 | 3,129,433 | 3,162,476 | 3,206,147 | 3,291,385 |
| Total Recommended Reserves | | | **$ 13,616,614** | **$ 14,151,060** | **$ 14,610,955** | **$ 15,256,724** | **$ 15,693,856** |
| Reserve in Days of O&M Expense | | | 209 | 210 | 209 | 209 | 207 |
| Reserve in Months of O&M Expense | | | 7 | 7 | 7 | 7 | 7 |

Notes:

1. Estimated annual depreciation expense, escalated at 5% per year
2. 3% of executed operating expenses for each forecasted year
3. 60 days of operating and debt service expenses for each forecasted year based on sum of annual projected executed operating expense and debt service expense.
4. Used historical billing data to account for potential decreases in usage. Estimated risk of 8% decrease multiplied by annual projected volumetric rate revenue.

## Projection of Cash Inflows — Schedule 4

| | | FY 2027 | FY 2028 | FY 2029 | FY 2030 | FY 2031 |
|---|---|---|---|---|---|---|
| 1 | **Rate Revenue Growth Assumptions** | | | | | |
| 2 | **Water** | | | | | |
| 3 | % Change in ERUs | 3.69% | 3.20% | 2.08% | 2.40% | 3.70% |
| 4 | % Change in Usage Revenue | 2.65% | 2.16% | 1.06% | 1.38% | 2.66% |
| 5 | **Assumed Rate Revenue Increases** | | | | | |
| 6 | Assumed Water Rate Increase | 3.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| 7 | **Water Rate Revenue** | | | | | |
| 8 | Base Rate Revenue | $ 19,463,215 | $ 20,482,471 | $ 20,907,818 | $ 21,410,644 | $ 22,201,884 |
| 9 | Usage Rate Revenue | 18,773,391 | 19,558,956 | 19,765,474 | 20,038,419 | 20,571,159 |
| 10 | **Total Water Rate Revenue** | **$ 38,236,606** | **$ 40,041,427** | **$ 40,673,292** | **$ 41,449,063** | **$ 42,773,043** |
| 11 | **Other Operating Revenue** | | | | | |
| 12 | Dept Building Lease Revenue | $ 79,882 | $ 82,278 | $ 84,746 | $ 87,289 | $ 89,908 |
| 13 | Establishment & Service Fee | 515,000 | 530,450 | 546,364 | 562,754 | 579,637 |
| 14 | Collection Fee | 5,150 | 5,305 | 5,464 | 5,628 | 5,796 |
| 15 | Irrigation Sales[1] | 721,000 | - | - | - | - |
| 16 | Qc Water Plan Review Fees | 60,471 | 62,285 | 64,154 | 66,079 | 68,061 |
| 17 | Diversified Water Sales | 2,600,000 | 2,600,000 | 2,600,000 | 2,600,000 | 2,600,000 |
| 18 | Lg Sales | 590,000 | 2,803,200 | 2,887,296 | 2,973,915 | 3,063,132 |
| 19 | **Total Other Operating Revenue** | **$ 4,571,503** | **$ 6,083,518** | **$ 6,188,024** | **$ 6,295,664** | **$ 6,406,534** |
| 20 | **Transfers In** | | | | | |
| 21 | Sewer Billing Fee | $ 564,480 | $ 602,469 | $ 579,444 | $ 621,054 | $ 660,620 |
| 22 | Solid Waste Billing Fee | 320,745 | 316,754 | 383,909 | 458,295 | 540,772 |
| 23 | Wr Billing Fee | 359,153 | 817,887 | 882,396 | 1,040,957 | 1,145,156 |
| 24 | Wr Support Cost Allocation | 148,234 | 155,646 | 163,428 | 171,600 | 180,179 |
| 25 | **Total Transfers In** | **$ 1,392,613** | **$ 1,892,755** | **$ 2,009,177** | **$ 2,291,906** | **$ 2,526,727** |
| 26 | **Interest Income** | | | | | |
| 27 | Unrestricted | $ - | $ 447,944 | $ 878,144 | $ 1,235,546 | $ 1,613,219 |
| 28 | **Total Interest Income** | **$ -** | **$ 447,944** | **$ 878,144** | **$ 1,235,546** | **$ 1,613,219** |
| 29 | **Total Cash Inflows** | **$ 44,200,722** | **$ 48,465,644** | **$ 49,748,636** | **$ 51,272,179** | **$ 53,319,523** |

[1] Town is considering transfer of irrigation customers to Queen Creek Irrigation District in FY 2028

## Projection of Cash Outflows

## Schedule 5

| | Expense Line Item | Code | FY 2027 | FY 2028 | FY 2029 | FY 2030 | FY 2031 |
|---|---|---|---|---|---|---|---|
| 1 | Bad Debt Expense | OMF | $20,000 | $21,000 | $22,050 | $23,153 | $24,310 |
| 2 | Professional And Technical Ser | OMF | 100,000 | 105,000 | 110,250 | 115,763 | 121,551 |
| 3 | Dept Support Costs-It | OMF | 605,027 | 635,279 | 667,043 | 700,395 | 735,414 |
| 4 | Dept Support Costs-Hr | OMF | 86,508 | 90,833 | 95,375 | 100,143 | 105,151 |
| 5 | Dept Support Costs-Finance | OMF | 272,380 | 285,999 | 300,299 | 315,314 | 331,080 |
| 6 | Dept Support Costs-Budget | OMF | 88,763 | 93,201 | 97,861 | 102,754 | 107,892 |
| 7 | Dept Support Costs-Facilities | OMF | 210,974 | 221,523 | 232,599 | 244,229 | 256,440 |
| 8 | Dept Support Costs-Legal | OMF | 218,689 | 229,623 | 241,104 | 253,159 | 265,817 |
| 9 | Utility Franchise Fee | CO | 1,360,000 | 1,428,000 | 1,499,400 | 1,574,370 | 1,653,089 |
| 10 | In Lieu Property Tax | CO | 488,000 | 512,400 | 538,020 | 564,921 | 593,167 |
| 11 | Permanent Salaries | PS | 1,185,637 | 1,225,949 | 1,266,405 | 1,306,930 | 1,348,752 |
| 12 | Cell Phone Stipend | PS | 6,644 | 6,870 | 7,097 | 7,324 | 7,558 |
| 13 | Mileage Stipend | PS | 6,090 | 6,297 | 6,505 | 6,713 | 6,928 |
| 14 | Medical Premiums | PS | 121,604 | 129,508 | 137,926 | 146,892 | 156,439 |
| 15 | Hsa Contributions | PS | 20,000 | 20,680 | 21,362 | 22,046 | 22,752 |
| 16 | Dental Premiums | PS | 7,305 | 7,780 | 8,286 | 8,824 | 9,398 |
| 17 | Vision Premiums | PS | 1,108 | 1,180 | 1,257 | 1,338 | 1,425 |
| 18 | Disability & Life Premiums | PS | 2,484 | 2,645 | 2,817 | 3,001 | 3,196 |
| 19 | Commuter Insurance | PS | 39 | 42 | 44 | 47 | 50 |
| 20 | Fica Er Contributions | PS | 66,952 | 71,304 | 75,939 | 80,875 | 86,131 |
| 21 | Medicare Er Contributions | PS | 16,213 | 17,267 | 18,389 | 19,584 | 20,857 |
| 22 | Az St Retirement Er Contrib | PS | 135,678 | 140,291 | 144,921 | 149,558 | 154,344 |
| 23 | Er Deferred Compensation | PS | 9,804 | 10,137 | 10,472 | 10,807 | 11,153 |
| 24 | State Unemployment Tax | PS | 701 | 725 | 749 | 773 | 797 |
| 25 | Workman'S Compensation | PS | 6,800 | 7,031 | 7,263 | 7,496 | 7,736 |
| 26 | Professional And Technical Ser | OMF | 594,000 | 623,700 | 654,885 | 687,629 | 722,011 |
| 27 | General Services | OMF | 161,500 | 169,575 | 178,054 | 186,956 | 196,304 |
| 28 | Travel/Conference/Seminars/Tra | OMF | 223,560 | 234,738 | 246,475 | 258,799 | 271,739 |
| 29 | Dues/Membership Fees | OMF | 2,500 | 2,625 | 2,756 | 2,894 | 3,039 |
| 30 | License/Fees | OMF | 18,220 | 19,131 | 20,088 | 21,092 | 22,147 |
| 31 | Employee Uniforms | OMF | 82,500 | 86,625 | 90,956 | 95,504 | 100,279 |
| 32 | Water | OMF | 6,000 | 6,300 | 6,615 | 6,946 | 7,293 |
| 33 | Cellular Telephone | OMF | 87,000 | 91,350 | 95,918 | 100,713 | 105,749 |
| 34 | Pest Control Services | OMF | 5,000 | 5,250 | 5,513 | 5,788 | 6,078 |
| 35 | Maintenance/Repairs | OMF | 5,000 | 5,100 | 5,212 | 5,327 | 5,449 |
| 36 | Vehicle Maint/Repair | OMF | 300,000 | 306,000 | 312,732 | 319,612 | 326,963 |
| 37 | Rental Of Land/Buildings | OMF | 7,715 | 8,101 | 8,506 | 8,931 | 9,378 |
| 38 | Liability Insurance | OMF | 183,432 | 192,604 | 202,234 | 212,345 | 222,963 |

## Projection of Cash Outflows

## Schedule 5

| | Expense Line Item | Code | FY 2027 | FY 2028 | FY 2029 | FY 2030 | FY 2031 |
|---|---|---|---|---|---|---|---|
| 39 | Mileage | OMF | 500 | 525 | 551 | 579 | 608 |
| 40 | Shop Supplies | OMF | 1,000 | 1,050 | 1,103 | 1,158 | 1,216 |
| 41 | Office Supplies | OMF | 15,000 | 15,750 | 16,538 | 17,364 | 18,233 |
| 42 | Safety Supplies | OMF | 20,000 | 21,000 | 22,050 | 23,153 | 24,310 |
| 43 | Postage | OMF | 7,000 | 7,350 | 7,718 | 8,103 | 8,509 |
| 44 | Gasoline (Vehicle Usage) | OMF | 140,000 | 141,595 | 145,183 | 147,575 | 154,684 |
| 45 | Vehicle Equipment | OMF | 15,000 | 15,750 | 16,538 | 17,364 | 18,233 |
| 46 | Equipment <5000 | OMF | 50,000 | 51,500 | 53,045 | 54,636 | 56,275 |
| 47 | Software Support | OMF | 13,350 | 14,018 | 14,718 | 15,454 | 16,227 |
| 48 | Miscellaneous Expense | OMF | 25,000 | 26,250 | 27,563 | 28,941 | 30,388 |
| 49 | Waste (Trash) | OMF | 4,800 | 5,040 | 5,292 | 5,557 | 5,834 |
| 50 | Electricity | OMF | 35,000 | 36,294 | 37,677 | 39,646 | 41,543 |
| 51 | Waste (Trash) | OMF | 10,000 | 10,500 | 11,025 | 11,576 | 12,155 |
| 52 | Salary Supplemental | OMF | 8,701 | 9,136 | 9,593 | 10,072 | 10,576 |
| 53 | Permanent Salaries | PS | 1,535,799 | 1,588,016 | 1,640,421 | 1,692,914 | 1,747,087 |
| 54 | Temp/Seasonal Staffing | PS | 156,875 | 162,209 | 167,562 | 172,924 | 178,457 |
| 55 | Over Time Pay | PS | 8,700 | 8,996 | 9,293 | 9,590 | 9,897 |
| 56 | Cell Phone Stipend | PS | 3,900 | 4,033 | 4,166 | 4,299 | 4,437 |
| 57 | Bilingual Stipend | PS | 2,460 | 2,544 | 2,628 | 2,712 | 2,798 |
| 58 | Medical Opt Out Stipend | PS | 1,200 | 1,241 | 1,282 | 1,323 | 1,365 |
| 59 | Medical Premiums | PS | 220,000 | 234,300 | 249,530 | 265,749 | 283,023 |
| 60 | Hsa Contributions | PS | 38,000 | 39,292 | 40,589 | 41,887 | 43,228 |
| 61 | Dental Premiums | PS | 13,499 | 14,376 | 15,311 | 16,306 | 17,366 |
| 62 | Vision Premiums | PS | 2,469 | 2,629 | 2,800 | 2,982 | 3,176 |
| 63 | Disability & Life Premiums | PS | 4,094 | 4,360 | 4,644 | 4,945 | 5,267 |
| 64 | Commuter Insurance | PS | 124 | 132 | 141 | 150 | 160 |
| 65 | Fica Er Contributions | PS | 101,453 | 108,047 | 115,071 | 122,550 | 130,516 |
| 66 | Medicare Er Contributions | PS | 23,727 | 25,269 | 26,912 | 28,661 | 30,524 |
| 67 | Az St Retirement Er Contrib | PS | 201,641 | 208,497 | 215,377 | 222,269 | 229,382 |
| 68 | Er Deferred Compensation | PS | 4,320 | 4,467 | 4,614 | 4,762 | 4,914 |
| 69 | State Unemployment Tax | PS | 1,927 | 1,993 | 2,058 | 2,124 | 2,192 |
| 70 | Workman'S Compensation | PS | 4,000 | 4,136 | 4,272 | 4,409 | 4,550 |
| 71 | General Services | OMF | 35,700 | 37,485 | 39,359 | 41,327 | 43,394 |
| 72 | Travel/Conference/Seminars/Tra | OMF | 89,900 | 94,395 | 99,115 | 104,070 | 109,274 |
| 73 | Dues/Membership Fees | OMF | 12,423 | 13,044 | 13,696 | 14,381 | 15,100 |
| 74 | License/Fees | OMF | 1,450 | 1,523 | 1,599 | 1,679 | 1,762 |
| 75 | Bank Fees | OMF | 50,000 | 52,500 | 55,125 | 57,881 | 60,775 |
| 76 | Credit Card Fees | OMF | 475,000 | 498,750 | 523,688 | 549,872 | 577,365 |

## Projection of Cash Outflows

## Schedule 5

| | Expense Line Item | Code | FY 2027 | FY 2028 | FY 2029 | FY 2030 | FY 2031 |
|---|---|---|---|---|---|---|---|
| 77 | Printing (Exterior & Interior) | OMF | 225,000 | 236,250 | 248,063 | 260,466 | 273,489 |
| 78 | Mileage | OMF | 1,000 | 1,050 | 1,103 | 1,158 | 1,216 |
| 79 | Office Supplies | OMF | 5,000 | 5,250 | 5,513 | 5,788 | 6,078 |
| 80 | Equipment <5000 | OMF | 3,000 | 3,150 | 3,308 | 3,473 | 3,647 |
| 81 | Software Support | OMF | 333,985 | 350,684 | 368,218 | 386,629 | 405,961 |
| 82 | Permanent Salaries | PS | 336,234 | 347,666 | 359,139 | 370,631 | 382,492 |
| 83 | Over Time Pay | PS | 2,100 | 2,171 | 2,243 | 2,315 | 2,389 |
| 84 | Cell Phone Stipend | PS | 2,184 | 2,258 | 2,333 | 2,407 | 2,484 |
| 85 | Medical Opt Out Stipend | PS | 840 | 869 | 897 | 926 | 956 |
| 86 | Medical Premiums | PS | 29,740 | 31,673 | 33,732 | 35,924 | 38,260 |
| 87 | Hsa Contributions | PS | 12,000 | 12,408 | 12,817 | 13,228 | 13,651 |
| 88 | Dental Premiums | PS | 1,335 | 1,422 | 1,514 | 1,613 | 1,717 |
| 89 | Vision Premiums | PS | 405 | 431 | 459 | 489 | 521 |
| 90 | Disability & Life Premiums | PS | 1,062 | 1,131 | 1,205 | 1,283 | 1,366 |
| 91 | Commuter Insurance | PS | 58 | 62 | 66 | 70 | 75 |
| 92 | Fica Er Contributions | PS | 19,994 | 21,294 | 22,678 | 24,152 | 25,722 |
| 93 | Medicare Er Contributions | PS | 4,675 | 4,979 | 5,303 | 5,647 | 6,014 |
| 94 | Az St Retirement Er Contrib | PS | 39,530 | 40,874 | 42,223 | 43,574 | 44,968 |
| 95 | Er Deferred Compensation | PS | 672 | 695 | 718 | 741 | 764 |
| 96 | State Unemployment Tax | PS | 330 | 341 | 352 | 364 | 375 |
| 97 | Workman'S Compensation | PS | 15,500 | 16,027 | 16,556 | 17,086 | 17,632 |
| 98 | Professional And Technical Ser | OMF | 225,000 | 231,750 | 238,703 | 245,864 | 253,239 |
| 99 | Shop Supplies | OMF | 1,000 | 1,030 | 1,061 | 1,093 | 1,126 |
| 100 | Equipment <5000 | CO | 3,000 | 3,090 | 3,183 | 3,278 | 3,377 |
| 101 | Contractual Svc Budget Request | OMF | 62,550 | 64,427 | 66,359 | 68,350 | 70,401 |
| 102 | Salary Supplemental | OMF | 98,518 | 101,474 | 104,518 | 107,653 | 110,883 |
| 103 | Permanent Salaries | PS | 938,752 | 970,670 | 1,002,702 | 1,034,788 | 1,067,901 |
| 104 | Temp/Seasonal Staffing | PS | 97,745 | 101,068 | 104,404 | 107,744 | 111,192 |
| 105 | Call Out | PS | 5,083 | 5,256 | 5,429 | 5,603 | 5,782 |
| 106 | Stand By | PS | 10,003 | 10,343 | 10,684 | 11,026 | 11,379 |
| 107 | Over Time Pay | PS | 9,000 | 9,306 | 9,613 | 9,921 | 10,238 |
| 108 | Cell Phone Stipend | PS | 2,520 | 2,606 | 2,692 | 2,778 | 2,867 |
| 109 | Bilingual Stipend | PS | 3,280 | 3,392 | 3,503 | 3,616 | 3,731 |
| 110 | Medical Opt Out Stipend | PS | 2,400 | 2,482 | 2,563 | 2,646 | 2,730 |
| 111 | Medical Premiums | PS | 116,868 | 124,464 | 132,555 | 141,171 | 150,347 |
| 112 | Hsa Contributions | PS | 32,000 | 33,088 | 34,180 | 35,274 | 36,402 |
| 113 | Dental Premiums | PS | 8,184 | 8,716 | 9,282 | 9,886 | 10,528 |
| 114 | Vision Premiums | PS | 1,043 | 1,111 | 1,183 | 1,260 | 1,342 |

## Projection of Cash Outflows

**Schedule 5**

| | Expense Line Item | Code | FY 2027 | FY 2028 | FY 2029 | FY 2030 | FY 2031 |
|---|---|---|---|---|---|---|---|
| 115 | Disability & Life Premiums | PS | 2,339 | 2,491 | 2,653 | 2,825 | 3,009 |
| 116 | Commuter Insurance | PS | 135 | 144 | 153 | 163 | 174 |
| 117 | Fica Er Contributions | PS | 63,830 | 67,979 | 72,398 | 77,103 | 82,115 |
| 118 | Medicare Er Contributions | PS | 14,930 | 15,900 | 16,934 | 18,035 | 19,207 |
| 119 | Az St Retirement Er Contrib | PS | 127,862 | 132,209 | 136,572 | 140,943 | 145,453 |
| 120 | Er Deferred Compensation | PS | 2,880 | 2,978 | 3,076 | 3,175 | 3,276 |
| 121 | State Unemployment Tax | PS | 1,222 | 1,264 | 1,305 | 1,347 | 1,390 |
| 122 | Workman'S Compensation | PS | 23,000 | 23,782 | 24,567 | 25,353 | 26,164 |
| 123 | Shop Supplies | OMF | 10,000 | 10,300 | 10,609 | 10,927 | 11,255 |
| 124 | Welding Supplies | OMF | 1,500 | 1,545 | 1,591 | 1,639 | 1,688 |
| 125 | Equipment <5000 | CO | 20,000 | 20,600 | 21,218 | 21,855 | 22,510 |
| 126 | Software Support | OMF | 128,000 | 131,840 | 135,795 | 139,869 | 144,065 |
| 127 | Permanent Salaries | PS | 444,688 | 459,807 | 474,981 | 490,180 | 505,866 |
| 128 | Call Out | PS | 865 | 894 | 924 | 953 | 984 |
| 129 | Stand By | PS | 8,840 | 9,141 | 9,442 | 9,744 | 10,056 |
| 130 | Over Time Pay | PS | 12,000 | 12,408 | 12,817 | 13,228 | 13,651 |
| 131 | Cell Phone Stipend | PS | 1,260 | 1,303 | 1,346 | 1,389 | 1,433 |
| 132 | Medical Opt Out Stipend | PS | 1,200 | 1,241 | 1,282 | 1,323 | 1,365 |
| 133 | Medical Premiums | PS | 69,098 | 73,589 | 78,373 | 83,467 | 88,892 |
| 134 | Hsa Contributions | PS | 4,000 | 4,136 | 4,272 | 4,409 | 4,550 |
| 135 | Dental Premiums | PS | 2,244 | 2,390 | 2,545 | 2,711 | 2,887 |
| 136 | Vision Premiums | PS | 716 | 763 | 812 | 865 | 921 |
| 137 | Disability & Life Premiums | PS | 788 | 839 | 894 | 952 | 1,014 |
| 138 | Commuter Insurance | PS | 45 | 48 | 51 | 54 | 58 |
| 139 | Fica Er Contributions | PS | 28,786 | 30,657 | 32,650 | 34,772 | 37,032 |
| 140 | Medicare Er Contributions | PS | 6,733 | 7,171 | 7,637 | 8,133 | 8,662 |
| 141 | Az St Retirement Er Contrib | PS | 56,118 | 58,026 | 59,941 | 61,859 | 63,838 |
| 142 | State Unemployment Tax | PS | 564 | 583 | 602 | 622 | 642 |
| 143 | Workman'S Compensation | PS | 6,000 | 6,204 | 6,409 | 6,614 | 6,825 |
| 144 | Professional And Technical Ser | OMF | 40,000 | 41,200 | 42,436 | 43,709 | 45,020 |
| 145 | License/Fees | OMF | 22,500 | 23,175 | 23,870 | 24,586 | 25,324 |
| 146 | Shop Supplies | OMF | 22,000 | 22,660 | 23,340 | 24,040 | 24,761 |
| 147 | Vehicles | OMF | 65,000 | 66,950 | 68,959 | 71,027 | 73,158 |
| 148 | Equipment <5000 | CO | 30,000 | 30,900 | 31,827 | 32,782 | 33,765 |
| 149 | Permanent Salaries | PS | 285,719 | 295,433 | 305,183 | 314,949 | 325,027 |
| 150 | Stand By | PS | 12,724 | 13,157 | 13,591 | 14,026 | 14,475 |
| 151 | Over Time Pay | PS | 6,000 | 6,204 | 6,409 | 6,614 | 6,825 |
| 152 | Cell Phone Stipend | PS | 2,520 | 2,606 | 2,692 | 2,778 | 2,867 |

## Projection of Cash Outflows

**Schedule 5**

| | Expense Line Item | Code | FY 2027 | FY 2028 | FY 2029 | FY 2030 | FY 2031 |
|---|---|---|---|---|---|---|---|
| 153 | Medical Premiums | PS | 33,638 | 35,824 | 38,153 | 40,633 | 43,274 |
| 154 | Hsa Contributions | PS | 12,000 | 12,408 | 12,817 | 13,228 | 13,651 |
| 155 | Dental Premiums | PS | 1,814 | 1,932 | 2,057 | 2,191 | 2,334 |
| 156 | Vision Premiums | PS | 397 | 423 | 450 | 480 | 511 |
| 157 | Disability & Life Premiums | PS | 726 | 773 | 823 | 877 | 934 |
| 158 | Commuter Insurance | PS | 30 | 32 | 34 | 36 | 39 |
| 159 | Fica Er Contributions | PS | 18,645 | 19,857 | 21,148 | 22,522 | 23,986 |
| 160 | Medicare Er Contributions | PS | 4,360 | 4,643 | 4,945 | 5,267 | 5,609 |
| 161 | Az St Retirement Er Contrib | PS | 36,720 | 37,968 | 39,221 | 40,477 | 41,772 |
| 162 | State Unemployment Tax | PS | 376 | 389 | 402 | 414 | 428 |
| 163 | Workman'S Compensation | PS | 8,700 | 8,996 | 9,293 | 9,590 | 9,897 |
| 164 | Irrigation Repairs | OMF | 25,000 | 25,750 | 26,523 | 27,318 | 28,138 |
| 165 | Shop Supplies | OMF | 2,000 | 2,060 | 2,122 | 2,185 | 2,251 |
| 166 | Equipment <5000 | PS | 5,000 | 5,170 | 5,341 | 5,512 | 5,688 |
| 167 | Permanent Salaries | PS | 143,301 | 148,173 | 153,063 | 157,961 | 163,016 |
| 168 | Part-Time Staffing | PS | 26,532 | 27,434 | 28,339 | 29,246 | 30,182 |
| 169 | Over Time Pay | PS | 125 | 129 | 134 | 138 | 142 |
| 170 | Cell Phone Stipend | PS | 618 | 639 | 660 | 681 | 703 |
| 171 | Medical Premiums | PS | 16,418 | 17,485 | 18,621 | 19,832 | 21,121 |
| 172 | Hsa Contributions | PS | 3,000 | 3,102 | 3,204 | 3,307 | 3,413 |
| 173 | Dental Premiums | PS | 932 | 993 | 1,057 | 1,126 | 1,199 |
| 174 | Vision Premiums | PS | 164 | 175 | 186 | 198 | 211 |
| 175 | Disability & Life Premiums | PS | 334 | 355 | 378 | 403 | 429 |
| 176 | Commuter Insurance | PS | 6 | 6 | 7 | 7 | 8 |
| 177 | Fica Er Contributions | PS | 9,877 | 10,519 | 11,203 | 11,931 | 12,706 |
| 178 | Medicare Er Contributions | PS | 2,310 | 2,460 | 2,619 | 2,790 | 2,971 |
| 179 | Az St Retirement Er Contrib | PS | 19,823 | 20,497 | 21,173 | 21,851 | 22,550 |
| 180 | State Unemployment Tax | PS | 176 | 182 | 188 | 194 | 200 |
| 181 | Workman'S Compensation | OMF | 500 | 525 | 551 | 579 | 608 |
| 182 | Dues/Membership Fees | OMF | 3,400 | 3,570 | 3,749 | 3,936 | 4,133 |
| 183 | Printing (Exterior & Interior) | OMF | 3,000 | 3,150 | 3,308 | 3,473 | 3,647 |
| 184 | Marketing | OMF | 21,750 | 22,838 | 23,979 | 25,178 | 26,437 |
| 185 | Signage | OMF | 7,350 | 7,718 | 8,103 | 8,509 | 8,934 |
| 186 | Postage | OMF | 2,000 | 2,100 | 2,205 | 2,315 | 2,431 |
| 187 | Water Conservation Program | OMF | 129,185 | 135,644 | 142,426 | 149,548 | 157,025 |
| 188 | Equipment <5000 | OMF | 250 | 263 | 276 | 289 | 304 |
| 189 | Permanent Salaries | PS | 2,026,215 | 2,095,106 | 2,164,245 | 2,233,501 | 2,304,973 |
| 190 | Temp/Seasonal Staffing | PS | 58,124 | 60,100 | 62,084 | 64,070 | 66,120 |

## Projection of Cash Outflows

## Schedule 5

| | Expense Line Item | Code | FY 2027 | FY 2028 | FY 2029 | FY 2030 | FY 2031 |
|---|---|---|---|---|---|---|---|
| 191 | Call Out | PS | 33,828 | 34,978 | 36,132 | 37,289 | 38,482 |
| 192 | Stand By | PS | 50,078 | 51,781 | 53,489 | 55,201 | 56,968 |
| 193 | Over Time Pay | PS | 17,000 | 17,578 | 18,158 | 18,739 | 19,339 |
| 194 | Cell Phone Stipend | PS | 6,960 | 7,197 | 7,434 | 7,672 | 7,918 |
| 195 | Bilingual Stipend | PS | 1,640 | 1,696 | 1,752 | 1,808 | 1,866 |
| 196 | Medical Opt Out Stipend | PS | 3,600 | 3,722 | 3,845 | 3,968 | 4,095 |
| 197 | Medical Premiums | PS | 268,852 | 286,327 | 304,939 | 324,760 | 345,869 |
| 198 | Hsa Contributions | PS | 28,000 | 28,952 | 29,907 | 30,864 | 31,852 |
| 199 | Dental Premiums | PS | 14,146 | 15,065 | 16,045 | 17,088 | 18,198 |
| 200 | Vision Premiums | PS | 3,437 | 3,660 | 3,898 | 4,152 | 4,422 |
| 201 | Disability & Life Premiums | PS | 4,181 | 4,453 | 4,742 | 5,050 | 5,379 |
| 202 | Commuter Insurance | PS | 146 | 155 | 166 | 176 | 188 |
| 203 | Fica Er Contributions | PS | 132,885 | 141,523 | 150,721 | 160,518 | 170,952 |
| 204 | Medicare Er Contributions | PS | 31,075 | 33,095 | 35,246 | 37,537 | 39,977 |
| 205 | Az St Retirement Er Contrib | PS | 262,848 | 271,785 | 280,754 | 289,738 | 299,009 |
| 206 | Er Deferred Compensation | PS | 4,800 | 4,963 | 5,127 | 5,291 | 5,460 |
| 207 | State Unemployment Tax | PS | 2,350 | 2,430 | 2,510 | 2,590 | 2,673 |
| 208 | Workman'S Compensation | PS | 50,000 | 51,700 | 53,406 | 55,115 | 56,879 |
| 209 | Professional And Technical Ser | OMF | 30,000 | 30,900 | 31,827 | 32,782 | 33,765 |
| 210 | License/Fees | OMF | 9,950 | 10,249 | 10,556 | 10,873 | 11,199 |
| 211 | Electricity | OMV | 4,540,000 | 4,707,831 | 4,887,241 | 5,142,661 | 5,388,696 |
| 212 | Water Distribution System Repa | OMF | 292,500 | 298,350 | 304,914 | 311,622 | 318,789 |
| 213 | Well Site Repairs | OMF | 725,000 | 739,500 | 755,769 | 772,396 | 790,161 |
| 214 | Well Site Ops/Maintenance | OMF | 1,037,500 | 1,058,250 | 1,081,532 | 1,105,325 | 1,130,748 |
| 215 | Backflow - Valve Testing | OMF | 10,000 | 10,300 | 10,609 | 10,927 | 11,255 |
| 216 | Rental Of Equipment/Vehicles | OMF | 50,000 | 51,500 | 53,045 | 54,636 | 56,275 |
| 217 | Shop Supplies | OMF | 15,000 | 15,450 | 15,914 | 16,391 | 16,883 |
| 218 | Water Distribution Parts | OMF | 500,000 | 515,000 | 530,450 | 546,364 | 562,754 |
| 219 | Welding Supplies | OMF | 5,000 | 5,150 | 5,305 | 5,464 | 5,628 |
| 220 | Chemicals | OMV | 625,000 | 657,276 | 683,935 | 713,897 | 754,294 |
| 221 | Equipment <5000 | CO | 150,000 | 154,500 | 159,135 | 163,909 | 168,826 |
| 222 | Contractual Svc Budget Request | OMF | 15,640 | 16,109 | 16,592 | 17,090 | 17,603 |
| 223 | Salary Supplemental | PS | 207,499 | 213,724 | 220,136 | 226,740 | 233,542 |
| 224 | Major Equipment >10000 | CO | 75,000 | 77,250 | 79,568 | 81,955 | 84,413 |
| 225 | Permanent Salaries | OMF | 260,018 | 267,819 | 275,853 | 284,129 | 292,653 |
| 226 | Cell Phone Stipend | OMF | 390 | 402 | 414 | 426 | 439 |
| 227 | Medical Premiums | OMF | 26,683 | 27,483 | 28,308 | 29,157 | 30,032 |
| 228 | Hsa Contributions | OMF | 4,000 | 4,120 | 4,244 | 4,371 | 4,502 |

## Projection of Cash Outflows — Schedule 5

| | Expense Line Item | Code | FY 2027 | FY 2028 | FY 2029 | FY 2030 | FY 2031 |
|---|---|---|---|---|---|---|---|
| 229 | Dental Premiums | OMF | 1,777 | 1,830 | 1,885 | 1,942 | 2,000 |
| 230 | Vision Premiums | OMF | 241 | 248 | 256 | 263 | 271 |
| 231 | Disability & Life Premiums | OMF | 379 | 390 | 402 | 414 | 427 |
| 232 | Fica Er Contributions | OMF | 15,371 | 15,832 | 16,307 | 16,796 | 17,300 |
| 233 | Medicare Er Contributions | OMF | 3,595 | 3,703 | 3,814 | 3,928 | 4,046 |
| 234 | Az St Retirement Er Contrib | OMF | 31,250 | 32,188 | 33,153 | 34,148 | 35,172 |
| 235 | State Unemployment Tax | OMF | 235 | 242 | 249 | 257 | 264 |
| 236 | Professional And Technical Ser | OMF | 205,000 | 211,150 | 217,485 | 224,009 | 230,729 |
| 237 | Dues/Membership Fees | OMF | 2,570 | 2,647 | 2,727 | 2,808 | 2,893 |
| 238 | License/Fees | OMF | 76,990 | 79,300 | 81,679 | 84,129 | 86,653 |
| 239 | Testing/Sampling | OMF | 175,000 | 180,250 | 185,658 | 191,227 | 196,964 |
| 240 | Printing (Exterior & Interior) | OMF | 2,000 | 2,060 | 2,122 | 2,185 | 2,251 |
| 241 | Shop Supplies | OMF | 200 | 206 | 212 | 219 | 225 |
| 242 | Software | OMF | 20,100 | 20,703 | 21,324 | 21,964 | 22,623 |
| 243 | Equipment <5000 | OMF | 5,150 | 5,305 | 5,464 | 5,628 | 5,796 |
| 244 | Postage | OMF | 600 | 618 | 637 | 656 | 675 |
| 247 | **Total Operating Expenses** | | **$ 26,885,794** | **$ 27,925,408** | **$ 29,004,499** | **$ 30,189,859** | **$ 31,421,312** |
| | **Total Expenses by Category** | | | | | | |
| 248 | Personnel Services | PS | $ 10,345,575 | $ 10,742,946 | $ 11,147,889 | $ 11,560,268 | $ 11,989,474 |
| 249 | Variable Operations & Maintenance | OMV | 5,165,000 | 5,365,107 | 5,571,175 | 5,856,559 | 6,142,990 |
| 250 | Operations & Maintenance | OMF | 9,249,219 | 9,590,615 | 9,953,084 | 10,329,964 | 10,729,700 |
| 251 | Capital Outlay | CO | 2,126,000 | 2,226,740 | 2,332,350 | 2,443,069 | 2,559,147 |
| 252 | **Total Expenses** | | **$ 26,885,794** | **$ 27,925,408** | **$ 29,004,499** | **$ 30,189,859** | **$ 31,421,312** |
| | **Expense Execution Factors** | | | | | | |
| 253 | Personnel Services | | 95% | 95% | 95% | 95% | 95% |
| 254 | Variable Operations & Maintenance | | 90% | 90% | 90% | 90% | 90% |
| 255 | Operations & Maintenance | | 100% | 100% | 100% | 100% | 100% |
| 256 | Capital Outlay | | 95% | 95% | 95% | 95% | 95% |
| | **Total Expenses at Execution** | | | | | | |
| 257 | Personnel Services | | $ 9,828,296 | $ 10,205,799 | $ 10,590,495 | $ 10,982,254 | $ 11,390,001 |
| 258 | Variable Operations & Maintenance | | 4,648,500 | 4,828,597 | 5,014,058 | 5,270,903 | 5,528,691 |
| 259 | Operations & Maintenance | | 9,249,219 | 9,590,615 | 9,953,084 | 10,329,964 | 10,729,700 |
| 260 | Capital Outlay | | 2,019,700 | 2,115,403 | 2,215,733 | 2,320,916 | 2,431,190 |
| 261 | **Total Expenses at Execution** | | **$ 25,745,715** | **$ 26,740,413** | **$ 27,773,370** | **$ 28,904,036** | **$ 30,079,582** |

## Projection of Cash Outflows

## Schedule 5

| | Expense Line Item | Code | FY 2027 | FY 2028 | FY 2029 | FY 2030 | FY 2031 |
|---|---|---|---|---|---|---|---|
| 258 | **Debt Service Paid with Operating Fund** | | | | | | |
| 259 | 2014 WIFA Loan Principal Expense | | $ 425,593 | $ 439,016 | $ 452,863 | $ 467,146 | $ 481,880 |
| 260 | 2014 WIFA Loan Interest Expense | | 160,091 | 152,830 | 145,340 | 137,613 | 129,643 |
| 261 | 2014 WIFA Loan Admin Fee Exp | | 145,186 | 138,600 | 131,807 | 124,800 | 117,572 |
| 268 | 2020 WIFA Diversified Principal Expense | | 372,204 | 379,178 | 386,283 | 393,521 | 400,894 |
| 269 | 2020 WIFA Diversified Interest Expense | | 42,454 | 41,037 | 39,593 | 38,123 | 36,624 |
| 270 | 2020 WIFA Diversified Admin Fee Exp | | 170,389 | 164,701 | 158,907 | 153,004 | 146,991 |
| 276 | 2022 BofA Refi Principal Expense | | 1,110,000 | 1,143,000 | 1,176,000 | 1,210,000 | 1,245,000 |
| 277 | 2022 BofA Refi Interest Expense | | 459,477 | 426,902 | 393,386 | 358,901 | 323,418 |
| 278 | 2022 WIFA CIP - Water Principal Expense | | 1,084,471 | 1,115,802 | 1,148,037 | 1,181,204 | 1,215,329 |
| 279 | 2022 WIFA CIP - Water Interest Expense | | 136,065 | 120,566 | 104,620 | 88,213 | 71,332 |
| 280 | 2022 WIFA CIP - Water Admin Fee Exp | | 635,516 | 618,779 | 601,558 | 583,840 | 565,610 |
| 284 | 2025 Refi CIP - Water Principal Expense | | 518,372 | 536,503 | 555,373 | - | - |
| 285 | 2025 Refi CIP - Water Interest Expense | | 912,990 | 894,213 | 874,779 | 766,651 | - |
| 286 | 2014T Sub-Lien H2O Principal Expense | | 455,383 | 491,813 | 531,159 | 573,651 | 619,543 |
| 287 | 2014T Sub-Lien H2O Interest Expense | | 754,161 | 720,587 | 685,968 | 650,275 | 613,476 |
| 288 | 2014T Sub-Lien H2O Premium Int Exp | | 586,483 | 582,002 | 575,528 | 566,851 | 555,740 |
| 291 | 2025 PNC Refinancing | | - | - | - | 1,544,445 | 1,544,445 |
| 292 | New Debt Service | | - | - | - | - | - |
| | **Total Debt Service** | | **$ 7,968,835** | **$ 7,965,528** | **$ 7,961,200** | **$ 8,838,237** | **$ 8,067,497** |
| 293 | **Cash-Funded Capital** | | | | | | |
| 294 | Projects Designated To Be Funded with Cash | | $ 7,537,997 | $ 2,327,862 | $ - | $ 5,394,948 | $ - |
| 295 | **Total Cash-Funded Capital** | | **$ 7,537,997** | **$ 2,327,862** | **$ -** | **$ 5,394,948** | **$ -** |
| 296 | **Total Cash Outflows** | | **$ 41,252,547** | **$ 37,033,803** | **$ 35,734,570** | **$ 43,137,222** | **$ 38,147,079** |

## Cost Escalation Factors

## Schedule 6

| Category | FY 2027 | FY 2028 | FY 2029 | FY 2030 | FY 2031 |
|---|---|---|---|---|---|
| Salaries & Wages | 3.50% | 3.40% | 3.30% | 3.20% | 3.20% |
| Health Insurance | 6.50% | 6.50% | 6.50% | 6.50% | 6.50% |
| Retirement | 3.50% | 3.40% | 3.30% | 3.20% | 3.20% |
| Repair & Maintenance | 2.10% | 2.00% | 2.20% | 2.20% | 2.30% |
| Water Resources | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| Water ERUs Growth | 3.69% | 3.20% | 2.08% | 2.40% | 3.70% |
| Energy/Utilities | 4.57% | 3.70% | 3.81% | 5.23% | 4.78% |
| Chemicals | 5.65% | 5.16% | 4.06% | 4.38% | 5.66% |
| No Escalation | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| Fuel | 0.91% | 1.14% | 2.53% | 1.65% | 4.82% |
| Admin Services | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% |
| Default Inflation Factor | 3.00% | 3.00% | 3.00% | 3.00% | 3.00% |

## Capital Improvement Program (CIP)

**Schedule 7**

### Projects

| | | FY 2027 | FY 2028 | FY 2029 | FY 2030 | FY 2031 | 5-Year Total |
|---|---|---|---|---|---|---|---|
| 1 | **Water Projects** | | | | | | |
| 2 | Sossaman Site, Tank & Booster | - | - | - | 3,450,000 | - | 3,450,000 |
| 3 | Barney Farm Well, Boosters, Site, & Tank | 2,455,262 | - | - | - | - | 2,455,262 |
| 4 | Sossaman Rd: Via Del Jardine to Empire Transmission Ph2 | - | - | - | 1,487,142 | - | 1,487,142 |
| 5 | Sossaman Rd: Via Del Jardine to Empire Transmission (A0602, A0903, WA167) | 325,858 | - | - | - | - | 325,858 |
| 6 | Ellsworth Ranch Well | 212,000 | - | - | - | - | 212,000 |
| 7 | Town Center: Aldecoa-Munoz-Summers | 182,638 | - | - | - | - | 182,638 |
| 8 | Sossaman RR Crossing @Germann (Road A0904) (No developer yet) | - | 174,620 | - | - | - | 174,620 |
| 9 | Ocotillo Rd: Sossaman to Hawes | 2,304,699 | - | - | - | - | 2,304,699 |
| 10 | Chandler Heights: Hawes to Ellsworth | $ 109,760 | $ 2,085,440 | $ - | $ - | $ - | $ 2,195,200 |
| 11 | Chandler Heights Rd: Sossaman to Hawes (PWP) (A0602) | 1,947,781 | - | - | - | - | 1,947,781 |
| 12 | Unspecified Future Capital | - | - | - | - | - | - |
| | | | | | | | - |
| 13 | **Total CIP Budget (in current dollars)** | **$ 7,537,997** | **$ 2,260,060** | **$ -** | **$ 4,937,142** | **$ -** | **$ 14,735,199** |
| 14 | Cumulative Projected Cost Escalation[1] | 0.0% | 3.0% | 6.1% | 9.3% | 12.6% | |
| 15 | **Resulting CIP Funding Level** | **$ 7,537,997** | **$ 2,327,862** | **$ -** | **$ 5,394,948** | **$ -** | **$ 15,260,808** |
| 16 | Annual CIP Execution Percentage | 100% | 100% | 100% | 100% | 100% | |
| 17 | **Final CIP Funding Level** | **$ 7,537,997** | **$ 2,327,862** | **$ -** | **$ 5,394,948** | **$ -** | **$ 15,260,808** |

[1] CIP Escalation factors are consistent with the Engineering News Record Construction Cost Index.

## Senior Lien Borrowing Projections — Schedule 8

| | | | FY 2026 | FY 2027 | FY 2028 | FY 2029 | FY 2030 | FY 2031 |
|---|---|---|---|---|---|---|---|---|
| Term (Years) | | | 30 | 30 | 30 | 30 | 30 | 30 |
| Interest Rate | | | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% |
| **Sources of Funds** | | | | | | | | |
| Par Amount | | | $ - | $ - | $ - | $ - | $ - | $ - |
| **Uses of Funds** | | | | | | | | |
| Proceeds | | | $ - | $ - | $ - | $ - | $ - | $ - |
| Cost of Issuance | 2.00% | of Par | - | - | - | - | - | - |
| Underwriter's Discount | - | per $1,000 | - | - | - | - | - | - |
| Bond Insurance | 0 | times total Debt Service | - | - | - | - | - | - |
| Capitalized Interest | 0 | Years Interest | - | - | - | - | - | - |
| Debt Service Surety | 0.00% | of Debt Service | - | - | - | - | - | - |
| Debt Service Reserve | 1 | Year(s) of Debt Service | - | - | - | - | - | - |
| Other Costs | | | - | - | - | - | - | - |
| Total Uses | | | $ - | $ - | $ - | $ - | $ - | $ - |
| 1 Year Interest | | | - | - | - | - | - | - |
| Annual Debt Service | | | $ - | $ - | $ - | $ - | $ - | $ - |
| Total Debt Service | | | - | - | - | - | - | - |
| **Cumulative New Annual Senior Lien Debt Service[1]** | | | **$ -** | **$ -** | **$ -** | **$ -** | **$ -** | **$ -** |

[1]Reflects interest-only payment due in year of issuance.

## Pro Forma — Schedule 9

| | | FY 2027 | FY 2028 | FY 2029 | FY 2030 | FY 2031 |
|---|---|---|---|---|---|---|
| 1 | **Operating Revenue** | | | | | |
| 2 | Water, Rate Revenue | $ 31,747,315 | $ 38,236,606 | $ 40,041,427 | $ 40,673,292 | $ 41,449,063 |
| 3 | Add: Additional Revenue Recovered after Partial Year[1] | *$ -* | *$ 756,103* | *$ -* | *$ -* | *$ -* |
| 4 | Ending User Fee Revenue[1] | *$ 31,747,315* | *$ 38,992,709* | *$ 40,041,427* | *$ 40,673,292* | *$ 41,449,063* |
| 5 | Change in Revenue From Growth | 1,009,684 | 1,048,718 | 631,865 | 775,772 | 1,323,980 |
| 6 | Revenue Normalization[2] | 5,100,000 | - | - | - | - |
| 7 | Subtotal | $ 37,856,999 | $ 40,041,427 | $ 40,673,292 | $ 41,449,063 | $ 42,773,043 |
| 8 | Water Rate Increase | 3.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| 9 | Additional Revenue From Current Year Rate Increase[3] | 379,607 | - | - | - | - |
| 10 | Total Water Rate Revenue | 38,236,606 | 40,041,427 | 40,673,292 | 41,449,063 | 42,773,043 |
| 11 | Plus: Other Operating Revenue[4] | 4,571,503 | 6,083,518 | 6,188,024 | 6,295,664 | 6,406,534 |
| 12 | **Equals: Total Operating Revenue** | **$ 42,808,109** | **$ 46,124,945** | **$ 46,861,315** | **$ 47,744,728** | **$ 49,179,577** |
| 13 | **Less: Operating Expenses** | | | | | |
| 14 | Personnel Services | $ (9,828,296) | $ (10,205,799) | $ (10,590,495) | $ (10,982,254) | $ (11,390,001) |
| 15 | Variable Operations & Maintenance Costs | (4,648,500) | (4,828,597) | (5,014,058) | (5,270,903) | (5,528,691) |
| 16 | Operations & Maintenance Costs | (9,249,219) | (9,590,615) | (9,953,084) | (10,329,964) | (10,729,700) |
| 17 | **Equals: Net Operating Income** | **$ 19,082,094** | **$ 21,499,935** | **$ 21,303,678** | **$ 21,161,607** | **$ 21,531,185** |
| 18 | **Plus: Non-Operating Income/(Expense)** | | | | | |
| 19 | Interest Income | $ - | $ 447,944 | $ 878,144 | $ 1,235,546 | $ 1,613,219 |
| 20 | Net Transfers[5] | 1,392,613 | 1,892,755 | 1,146,140 | 1,428,869 | 1,663,691 |
| 21 | **Equals: Net Income** | **$ 20,474,707** | **$ 23,840,634** | **$ 23,327,962** | **$ 23,826,022** | **$ 24,808,095** |
| 22 | **Less Debt Service & Capital Outlay** | | | | | |
| 23 | Net Debt Service Payment | (7,968,835) | (7,965,528) | (7,961,200) | (8,838,237) | (8,067,497) |
| 24 | **Net Cash Flow** | **$ 12,505,872** | **$ 15,875,106** | **$ 15,366,762** | **$ 14,987,785** | **$ 16,740,598** |
| 25 | **Unrestricted Reserve Fund Test** | | | | | |
| 26 | Balance At Beginning Of Fiscal Year | $ 4,134,297 | $ 7,082,472 | $ 18,514,313 | $ 31,665,342 | $ 38,937,263 |
| 27 | Cash Flow Surplus/(Deficit) | 12,505,872 | 15,875,106 | 15,366,762 | 14,987,785 | 16,740,598 |
| 28 | Projects Designated To Be Paid With Cash | (9,557,697) | (4,443,265) | (2,215,733) | (7,715,864) | (2,431,190) |
| 29 | **Balance At End Of Fiscal Year** | **$ 7,082,472** | **$ 18,514,313** | **$ 31,665,342** | **$ 38,937,263** | **$ 53,246,671** |
| 30 | **Minimum Working Capital Reserve Target[6]** | **$ 6,881,079** | **$ 5,931,504** | **$ 12,312,505** | **$ 12,778,818** | **$ 13,291,560** |
| 31 | **Excess/(Deficiency) Of Working Capital To Target** | **$ 201,393** | **$ 12,582,809** | **$ 19,352,838** | **$ 26,158,445** | **$ 39,955,111** |

[1] Represents full basis of rate revenue adjusted for rate effective date

[2] Normalizes FY 2027 revenue for abnormally wet fall in prior fiscal year as well as impacts from rate adoption timing of October rate increase

[3] Adjusted for rate effective date, January 1 of respective fiscal year

[4] Includes Irrigation Sales, Establishment of Service Revenue, Meter Revenue, and other miscellaneous service revenues

[5] Includes interfund transfers for Utility Billing and Support Costs as well as repayment on advances of funds

[6] Equal to 12 months of O&M as determined following an evaluation of operating, R&R, and rate stabilization needs

## APPENDIX C – COST OF SERVICE SUPPORTING SCHEDULES

## Water System Operating & Debt Service Expense Allocation to Functions

**Schedule 1**

| Description | Department | TY Expense | Portion Stormwater | FY 2027 Expense | Allocation Basis/Factor | Supply/Treatment % Allocation | Transmission/ Distribution % Allocation | Meters/Services % Allocation | Total % Allocation | Supply/Treatment $ Allocation | Transmission/ Distribution $ Allocation | Meters/Services $ Allocation |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | **14,231,240** | **22,265,935** | **6,310,934** |
| BAD DEBT EXPENSE | 2100 - WATER - ADMINISTRATION | $ 20,000 | 0% | 20,000 | Indirect | 52.13% | 24.76% | 23.12% | 100% | 10,425 | 4,951 | 4,623 |
| PROFESSIONAL AND TECHNICAL SER | 2100 - WATER - ADMINISTRATION | $ 100,000 | 0% | 100,000 | Indirect | 52.13% | 24.76% | 23.12% | 100% | 52,127 | 24,757 | 23,116 |
| DEPT SUPPORT COSTS-IT | 2100 - WATER - ADMINISTRATION | $ 605,027 | 0% | 605,027 | Indirect | 52.13% | 24.76% | 23.12% | 100% | 315,380 | 149,789 | 139,857 |
| DEPT SUPPORT COSTS-HR | 2100 - WATER - ADMINISTRATION | $ 86,508 | 0% | 86,508 | Indirect | 52.13% | 24.76% | 23.12% | 100% | 45,094 | 21,417 | 19,997 |
| DEPT SUPPORT COSTS-FINANCE | 2100 - WATER - ADMINISTRATION | $ 272,380 | 0% | 272,380 | Indirect | 52.13% | 24.76% | 23.12% | 100% | 141,983 | 67,434 | 62,963 |
| DEPT SUPPORT COSTS-BUDGET | 2100 - WATER - ADMINISTRATION | $ 88,763 | 0% | 88,763 | Indirect | 52.13% | 24.76% | 23.12% | 100% | 46,269 | 21,976 | 20,518 |
| DEPT SUPPORT COSTS-FACILITIES | 2100 - WATER - ADMINISTRATION | $ 210,974 | 0% | 210,974 | Indirect | 52.13% | 24.76% | 23.12% | 100% | 109,974 | 52,232 | 48,769 |
| DEPT SUPPORT COSTS-Legal | 2100 - WATER - ADMINISTRATION | $ 218,689 | 0% | 218,689 | Indirect | 52.13% | 24.76% | 23.12% | 100% | 113,995 | 54,142 | 50,552 |
| UTILITY FRANCHISE FEE | 2100 - WATER - ADMINISTRATION | $ 1,292,000 | 0% | 1,292,000 | Indirect | 52.13% | 24.76% | 23.12% | 100% | 673,476 | 319,866 | 298,657 |
| IN LIEU PROPERTY TAX | 2100 - WATER - ADMINISTRATION | $ 463,600 | 0% | 463,600 | Indirect | 52.13% | 24.76% | 23.12% | 100% | 241,659 | 114,776 | 107,165 |
| PERMANENT SALARIES | 2100 - WATER - ADMINISTRATION | $ 1,126,355 | 0% | 1,126,355 | Indirect | 52.13% | 24.76% | 23.12% | 100% | 587,131 | 278,857 | 260,367 |
| CELL PHONE STIPEND | 2100 - WATER - ADMINISTRATION | $ 6,312 | 0% | 6,312 | Indirect | 52.13% | 24.76% | 23.12% | 100% | 3,290 | 1,563 | 1,459 |
| MILEAGE STIPEND | 2100 - WATER - ADMINISTRATION | $ 5,786 | 0% | 5,786 | Indirect | 52.13% | 24.76% | 23.12% | 100% | 3,016 | 1,432 | 1,337 |
| MEDICAL PREMIUMS | 2100 - WATER - ADMINISTRATION | $ 115,524 | 0% | 115,524 | Indirect | 52.13% | 24.76% | 23.12% | 100% | 60,219 | 28,601 | 26,704 |
| HSA CONTRIBUTIONS | 2100 - WATER - ADMINISTRATION | $ 19,000 | 0% | 19,000 | Indirect | 52.13% | 24.76% | 23.12% | 100% | 9,904 | 4,704 | 4,392 |
| DENTAL PREMIUMS | 2100 - WATER - ADMINISTRATION | $ 6,940 | 0% | 6,940 | Indirect | 52.13% | 24.76% | 23.12% | 100% | 3,617 | 1,718 | 1,604 |
| VISION PREMIUMS | 2100 - WATER - ADMINISTRATION | $ 1,053 | 0% | 1,053 | Indirect | 52.13% | 24.76% | 23.12% | 100% | 549 | 261 | 243 |
| DISABILITY & LIFE PREMIUMS | 2100 - WATER - ADMINISTRATION | $ 2,360 | 0% | 2,360 | Indirect | 52.13% | 24.76% | 23.12% | 100% | 1,230 | 584 | 545 |
| COMMUTER INSURANCE | 2100 - WATER - ADMINISTRATION | $ 37 | 0% | 37 | Indirect | 52.13% | 24.76% | 23.12% | 100% | 19 | 9 | 9 |
| FICA ER CONTRIBUTIONS | 2100 - WATER - ADMINISTRATION | $ 63,604 | 0% | 63,604 | Indirect | 52.13% | 24.76% | 23.12% | 100% | 33,155 | 15,747 | 14,703 |
| MEDICARE ER CONTRIBUTIONS | 2100 - WATER - ADMINISTRATION | $ 15,402 | 0% | 15,402 | Indirect | 52.13% | 24.76% | 23.12% | 100% | 8,029 | 3,813 | 3,560 |
| AZ ST RETIREMENT ER CONTRIB | 2100 - WATER - ADMINISTRATION | $ 128,894 | 0% | 128,894 | Indirect | 52.13% | 24.76% | 23.12% | 100% | 67,188 | 31,911 | 29,795 |
| ER DEFERRED COMPENSATION | 2100 - WATER - ADMINISTRATION | $ 9,314 | 0% | 9,314 | Indirect | 52.13% | 24.76% | 23.12% | 100% | 4,855 | 2,306 | 2,153 |
| STATE UNEMPLOYMENT TAX | 2100 - WATER - ADMINISTRATION | $ 666 | 0% | 666 | Indirect | 52.13% | 24.76% | 23.12% | 100% | 347 | 165 | 154 |
| WORKMAN'S COMPENSATION | 2100 - WATER - ADMINISTRATION | $ 6,460 | 0% | 6,460 | Indirect | 52.13% | 24.76% | 23.12% | 100% | 3,367 | 1,599 | 1,493 |
| PROFESSIONAL AND TECHNICAL SER | 2100 - WATER - ADMINISTRATION | $ 594,000 | 0% | 594,000 | Indirect | 52.13% | 24.76% | 23.12% | 100% | 309,632 | 147,059 | 137,308 |
| GENERAL SERVICES | 2100 - WATER - ADMINISTRATION | $ 161,500 | 0% | 161,500 | Indirect | 52.13% | 24.76% | 23.12% | 100% | 84,185 | 39,983 | 37,332 |
| TRAVEL/CONFERENCE/SEMINARS/TRA | 2100 - WATER - ADMINISTRATION | $ 223,560 | 0% | 223,560 | Indirect | 52.13% | 24.76% | 23.12% | 100% | 116,534 | 55,348 | 51,678 |
| DUES/MEMBERSHIP FEES | 2100 - WATER - ADMINISTRATION | $ 2,500 | 0% | 2,500 | Indirect | 52.13% | 24.76% | 23.12% | 100% | 1,303 | 619 | 578 |
| LICENSE/FEES | 2100 - WATER - ADMINISTRATION | $ 18,220 | 0% | 18,220 | Indirect | 52.13% | 24.76% | 23.12% | 100% | 9,497 | 4,511 | 4,212 |
| EMPLOYEE UNIFORMS | 2100 - WATER - ADMINISTRATION | $ 82,500 | 0% | 82,500 | Indirect | 52.13% | 24.76% | 23.12% | 100% | 43,004 | 20,425 | 19,071 |
| WATER | 2100 - WATER - ADMINISTRATION | $ 6,000 | 0% | 6,000 | Indirect | 52.13% | 24.76% | 23.12% | 100% | 3,128 | 1,485 | 1,387 |
| CELLULAR TELEPHONE | 2100 - WATER - ADMINISTRATION | $ 87,000 | 0% | 87,000 | Indirect | 52.13% | 24.76% | 23.12% | 100% | 45,350 | 21,539 | 20,111 |
| PEST CONTROL SERVICES | 2100 - WATER - ADMINISTRATION | $ 5,000 | 0% | 5,000 | Indirect | 52.13% | 24.76% | 23.12% | 100% | 2,606 | 1,238 | 1,156 |
| MAINTENANCE/REPAIRS | 2100 - WATER - ADMINISTRATION | $ 5,000 | 0% | 5,000 | Indirect | 52.13% | 24.76% | 23.12% | 100% | 2,606 | 1,238 | 1,156 |
| VEHICLE MAINT/REPAIR | 2100 - WATER - ADMINISTRATION | $ 300,000 | 0% | 300,000 | Indirect | 52.13% | 24.76% | 23.12% | 100% | 156,380 | 74,272 | 69,348 |
| RENTAL OF LAND/BUILDINGS | 2100 - WATER - ADMINISTRATION | $ 7,715 | 0% | 7,715 | Indirect | 52.13% | 24.76% | 23.12% | 100% | 4,022 | 1,910 | 1,783 |
| LIABILITY INSURANCE | 2100 - WATER - ADMINISTRATION | $ 183,432 | 0% | 183,432 | Indirect | 52.13% | 24.76% | 23.12% | 100% | 95,617 | 45,413 | 42,402 |
| MILEAGE | 2100 - WATER - ADMINISTRATION | $ 500 | 0% | 500 | Indirect | 52.13% | 24.76% | 23.12% | 100% | 261 | 124 | 116 |
| SHOP SUPPLIES | 2100 - WATER - ADMINISTRATION | $ 1,000 | 0% | 1,000 | Indirect | 52.13% | 24.76% | 23.12% | 100% | 521 | 248 | 231 |
| OFFICE SUPPLIES | 2100 - WATER - ADMINISTRATION | $ 15,000 | 0% | 15,000 | Indirect | 52.13% | 24.76% | 23.12% | 100% | 7,819 | 3,714 | 3,467 |
| SAFETY SUPPLIES | 2100 - WATER - ADMINISTRATION | $ 20,000 | 0% | 20,000 | Indirect | 52.13% | 24.76% | 23.12% | 100% | 10,425 | 4,951 | 4,623 |
| POSTAGE | 2100 - WATER - ADMINISTRATION | $ 7,000 | 0% | 7,000 | Indirect | 52.13% | 24.76% | 23.12% | 100% | 3,649 | 1,733 | 1,618 |
| GASOLINE (VEHICLE USAGE) | 2100 - WATER - ADMINISTRATION | $ 140,000 | 0% | 140,000 | Indirect | 52.13% | 24.76% | 23.12% | 100% | 72,977 | 34,660 | 32,362 |
| VEHICLE EQUIPMENT | 2100 - WATER - ADMINISTRATION | $ 15,000 | 0% | 15,000 | Indirect | 52.13% | 24.76% | 23.12% | 100% | 7,819 | 3,714 | 3,467 |
| EQUIPMENT <5000 | 2100 - WATER - ADMINISTRATION | $ 50,000 | 0% | 50,000 | Indirect | 52.13% | 24.76% | 23.12% | 100% | 26,063 | 12,379 | 11,558 |
| SOFTWARE SUPPORT | 2100 - WATER - ADMINISTRATION | $ 13,350 | 0% | 13,350 | Indirect | 52.13% | 24.76% | 23.12% | 100% | 6,959 | 3,305 | 3,086 |
| MISCELLANEOUS EXPENSE | 2100 - WATER - ADMINISTRATION | $ 25,000 | 0% | 25,000 | Indirect | 52.13% | 24.76% | 23.12% | 100% | 13,032 | 6,189 | 5,779 |

## Water System Operating & Debt Service Expense Allocation to Functions

**Schedule 1**

| Description | Department | TY Expense | Portion Stormwater | FY 2027 Expense | Allocation Basis/Factor | Supply/Treatment % Allocation | Transmission/ Distribution % Allocation | Meters/Services % Allocation | Total % Allocation | Supply/Treatment $ Allocation | Transmission/ Distribution $ Allocation | Meters/Services $ Allocation |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | **14,231,240** | **22,265,935** | **6,310,934** |
| WASTE (TRASH) | 2100 - WATER - ADMINISTRATION | $ 4,800 | 0% | 4,800 | Indirect | 52.13% | 24.76% | 23.12% | 100% | 2,502 | 1,188 | 1,110 |
| ELECTRICITY | 2100 - WATER - ADMINISTRATION | $ 35,000 | 0% | 35,000 | Indirect | 52.13% | 24.76% | 23.12% | 100% | 18,244 | 8,665 | 8,091 |
| WASTE (TRASH) | 2100 - WATER - ADMINISTRATION | $ 10,000 | 0% | 10,000 | Indirect | 52.13% | 24.76% | 23.12% | 100% | 5,213 | 2,476 | 2,312 |
| SALARY SUPPLEMENTAL | 2100 - WATER - ADMINISTRATION | $ 8,701 | 0% | 8,701 | Indirect | 52.13% | 24.76% | 23.12% | 100% | 4,536 | 2,154 | 2,011 |
| PERMANENT SALARIES | 2110 - WATER - CUSTOMER SERVICE | $ 1,459,009 | 0% | 1,459,009 | Meter/Services | 0.00% | 0.00% | 100.00% | 100% | - | - | 1,459,009 |
| TEMP/SEASONAL STAFFING | 2110 - WATER - CUSTOMER SERVICE | $ 149,031 | 0% | 149,031 | Meter/Services | 0.00% | 0.00% | 100.00% | 100% | - | - | 149,031 |
| OVER TIME PAY | 2110 - WATER - CUSTOMER SERVICE | $ 8,265 | 0% | 8,265 | Meter/Services | 0.00% | 0.00% | 100.00% | 100% | - | - | 8,265 |
| CELL PHONE STIPEND | 2110 - WATER - CUSTOMER SERVICE | $ 3,705 | 0% | 3,705 | Meter/Services | 0.00% | 0.00% | 100.00% | 100% | - | - | 3,705 |
| BILINGUAL STIPEND | 2110 - WATER - CUSTOMER SERVICE | $ 2,337 | 0% | 2,337 | Meter/Services | 0.00% | 0.00% | 100.00% | 100% | - | - | 2,337 |
| MEDICAL OPT OUT STIPEND | 2110 - WATER - CUSTOMER SERVICE | $ 1,140 | 0% | 1,140 | Meter/Services | 0.00% | 0.00% | 100.00% | 100% | - | - | 1,140 |
| MEDICAL PREMIUMS | 2110 - WATER - CUSTOMER SERVICE | $ 209,000 | 0% | 209,000 | Meter/Services | 0.00% | 0.00% | 100.00% | 100% | - | - | 209,000 |
| HSA CONTRIBUTIONS | 2110 - WATER - CUSTOMER SERVICE | $ 36,100 | 0% | 36,100 | Meter/Services | 0.00% | 0.00% | 100.00% | 100% | - | - | 36,100 |
| DENTAL PREMIUMS | 2110 - WATER - CUSTOMER SERVICE | $ 12,824 | 0% | 12,824 | Meter/Services | 0.00% | 0.00% | 100.00% | 100% | - | - | 12,824 |
| VISION PREMIUMS | 2110 - WATER - CUSTOMER SERVICE | $ 2,346 | 0% | 2,346 | Meter/Services | 0.00% | 0.00% | 100.00% | 100% | - | - | 2,346 |
| DISABILITY & LIFE PREMIUMS | 2110 - WATER - CUSTOMER SERVICE | $ 3,889 | 0% | 3,889 | Meter/Services | 0.00% | 0.00% | 100.00% | 100% | - | - | 3,889 |
| COMMUTER INSURANCE | 2110 - WATER - CUSTOMER SERVICE | $ 118 | 0% | 118 | Meter/Services | 0.00% | 0.00% | 100.00% | 100% | - | - | 118 |
| FICA ER CONTRIBUTIONS | 2110 - WATER - CUSTOMER SERVICE | $ 96,380 | 0% | 96,380 | Meter/Services | 0.00% | 0.00% | 100.00% | 100% | - | - | 96,380 |
| MEDICARE ER CONTRIBUTIONS | 2110 - WATER - CUSTOMER SERVICE | $ 22,541 | 0% | 22,541 | Meter/Services | 0.00% | 0.00% | 100.00% | 100% | - | - | 22,541 |
| AZ ST RETIREMENT ER CONTRIB | 2110 - WATER - CUSTOMER SERVICE | $ 191,559 | 0% | 191,559 | Meter/Services | 0.00% | 0.00% | 100.00% | 100% | - | - | 191,559 |
| ER DEFERRED COMPENSATION | 2110 - WATER - CUSTOMER SERVICE | $ 4,104 | 0% | 4,104 | Meter/Services | 0.00% | 0.00% | 100.00% | 100% | - | - | 4,104 |
| STATE UNEMPLOYMENT TAX | 2110 - WATER - CUSTOMER SERVICE | $ 1,831 | 0% | 1,831 | Meter/Services | 0.00% | 0.00% | 100.00% | 100% | - | - | 1,831 |
| WORKMAN'S COMPENSATION | 2110 - WATER - CUSTOMER SERVICE | $ 3,800 | 0% | 3,800 | Meter/Services | 0.00% | 0.00% | 100.00% | 100% | - | - | 3,800 |
| GENERAL SERVICES | 2110 - WATER - CUSTOMER SERVICE | $ 35,700 | 0% | 35,700 | Meter/Services | 0.00% | 0.00% | 100.00% | 100% | - | - | 35,700 |
| TRAVEL/CONFERENCE/SEMINARS/TRA | 2110 - WATER - CUSTOMER SERVICE | $ 89,900 | 0% | 89,900 | Meter/Services | 0.00% | 0.00% | 100.00% | 100% | - | - | 89,900 |
| DUES/MEMBERSHIP FEES | 2110 - WATER - CUSTOMER SERVICE | $ 12,423 | 0% | 12,423 | Meter/Services | 0.00% | 0.00% | 100.00% | 100% | - | - | 12,423 |
| LICENSE/FEES | 2110 - WATER - CUSTOMER SERVICE | $ 1,450 | 0% | 1,450 | Meter/Services | 0.00% | 0.00% | 100.00% | 100% | - | - | 1,450 |
| BANK FEES | 2110 - WATER - CUSTOMER SERVICE | $ 50,000 | 0% | 50,000 | Meter/Services | 0.00% | 0.00% | 100.00% | 100% | - | - | 50,000 |
| CREDIT CARD FEES | 2110 - WATER - CUSTOMER SERVICE | $ 475,000 | 0% | 475,000 | Meter/Services | 0.00% | 0.00% | 100.00% | 100% | - | - | 475,000 |
| PRINTING (EXTERIOR & INTERIOR) | 2110 - WATER - CUSTOMER SERVICE | $ 225,000 | 0% | 225,000 | Meter/Services | 0.00% | 0.00% | 100.00% | 100% | - | - | 225,000 |
| MILEAGE | 2110 - WATER - CUSTOMER SERVICE | $ 1,000 | 0% | 1,000 | Meter/Services | 0.00% | 0.00% | 100.00% | 100% | - | - | 1,000 |
| OFFICE SUPPLIES | 2110 - WATER - CUSTOMER SERVICE | $ 5,000 | 0% | 5,000 | Meter/Services | 0.00% | 0.00% | 100.00% | 100% | - | - | 5,000 |
| EQUIPMENT <5000 | 2110 - WATER - CUSTOMER SERVICE | $ 3,000 | 0% | 3,000 | Meter/Services | 0.00% | 0.00% | 100.00% | 100% | - | - | 3,000 |
| SOFTWARE SUPPORT | 2110 - WATER - CUSTOMER SERVICE | $ 333,985 | 0% | 333,985 | Meter/Services | 0.00% | 0.00% | 100.00% | 100% | - | - | 333,985 |
| PERMANENT SALARIES | 2120 - WATER-ENGINEERING | $ 319,422 | 0% | 319,422 | Transmission/Distribution | 0.00% | 100.00% | 0.00% | 100% | - | 319,422 | - |
| OVER TIME PAY | 2120 - WATER-ENGINEERING | $ 1,995 | 0% | 1,995 | Transmission/Distribution | 0.00% | 100.00% | 0.00% | 100% | - | 1,995 | - |
| CELL PHONE STIPEND | 2120 - WATER-ENGINEERING | $ 2,075 | 0% | 2,075 | Transmission/Distribution | 0.00% | 100.00% | 0.00% | 100% | - | 2,075 | - |
| MEDICAL OPT OUT STIPEND | 2120 - WATER-ENGINEERING | $ 798 | 0% | 798 | Transmission/Distribution | 0.00% | 100.00% | 0.00% | 100% | - | 798 | - |
| MEDICAL PREMIUMS | 2120 - WATER-ENGINEERING | $ 28,253 | 0% | 28,253 | Transmission/Distribution | 0.00% | 100.00% | 0.00% | 100% | - | 28,253 | - |
| HSA CONTRIBUTIONS | 2120 - WATER-ENGINEERING | $ 11,400 | 0% | 11,400 | Transmission/Distribution | 0.00% | 100.00% | 0.00% | 100% | - | 11,400 | - |
| DENTAL PREMIUMS | 2120 - WATER-ENGINEERING | $ 1,268 | 0% | 1,268 | Transmission/Distribution | 0.00% | 100.00% | 0.00% | 100% | - | 1,268 | - |
| VISION PREMIUMS | 2120 - WATER-ENGINEERING | $ 385 | 0% | 385 | Transmission/Distribution | 0.00% | 100.00% | 0.00% | 100% | - | 385 | - |
| DISABILITY & LIFE PREMIUMS | 2120 - WATER-ENGINEERING | $ 1,009 | 0% | 1,009 | Transmission/Distribution | 0.00% | 100.00% | 0.00% | 100% | - | 1,009 | - |
| COMMUTER INSURANCE | 2120 - WATER-ENGINEERING | $ 55 | 0% | 55 | Transmission/Distribution | 0.00% | 100.00% | 0.00% | 100% | - | 55 | - |
| FICA ER CONTRIBUTIONS | 2120 - WATER-ENGINEERING | $ 18,994 | 0% | 18,994 | Transmission/Distribution | 0.00% | 100.00% | 0.00% | 100% | - | 18,994 | - |
| MEDICARE ER CONTRIBUTIONS | 2120 - WATER-ENGINEERING | $ 4,441 | 0% | 4,441 | Transmission/Distribution | 0.00% | 100.00% | 0.00% | 100% | - | 4,441 | - |
| AZ ST RETIREMENT ER CONTRIB | 2120 - WATER-ENGINEERING | $ 37,554 | 0% | 37,554 | Transmission/Distribution | 0.00% | 100.00% | 0.00% | 100% | - | 37,554 | - |
| ER DEFERRED COMPENSATION | 2120 - WATER-ENGINEERING | $ 638 | 0% | 638 | Transmission/Distribution | 0.00% | 100.00% | 0.00% | 100% | - | 638 | - |
| STATE UNEMPLOYMENT TAX | 2120 - WATER-ENGINEERING | $ 314 | 0% | 314 | Transmission/Distribution | 0.00% | 100.00% | 0.00% | 100% | - | 314 | - |
| WORKMAN'S COMPENSATION | 2120 - WATER-ENGINEERING | $ 14,725 | 0% | 14,725 | Transmission/Distribution | 0.00% | 100.00% | 0.00% | 100% | - | 14,725 | - |
| PROFESSIONAL AND TECHNICAL SER | 2120 - WATER-ENGINEERING | $ 225,000 | 0% | 225,000 | Transmission/Distribution | 0.00% | 100.00% | 0.00% | 100% | - | 225,000 | - |
| SHOP SUPPLIES | 2120 - WATER-ENGINEERING | $ 1,000 | 0% | 1,000 | Transmission/Distribution | 0.00% | 100.00% | 0.00% | 100% | - | 1,000 | - |
| EQUIPMENT <5000 | 2120 - WATER-ENGINEERING | $ 2,850 | 0% | 2,850 | Transmission/Distribution | 0.00% | 100.00% | 0.00% | 100% | - | 2,850 | - |
| CONTRACTUAL SVC BUDGET REQUEST | 2120 - WATER-ENGINEERING | $ 62,550 | 0% | 62,550 | Transmission/Distribution | 0.00% | 100.00% | 0.00% | 100% | - | 62,550 | - |
| SALARY SUPPLEMENTAL | 2120 - WATER-ENGINEERING | $ 98,518 | 0% | 98,518 | Transmission/Distribution | 0.00% | 100.00% | 0.00% | 100% | - | 98,518 | - |
| PERMANENT SALARIES | 2130 - WATER-FIELD OPS METERS | $ 891,814 | 0% | 891,814 | Meter/Services | 0.00% | 0.00% | 100.00% | 100% | - | - | 891,814 |
| TEMP/SEASONAL STAFFING | 2130 - WATER-FIELD OPS METERS | $ 92,858 | 0% | 92,858 | Meter/Services | 0.00% | 0.00% | 100.00% | 100% | - | - | 92,858 |
| CALL OUT | 2130 - WATER-FIELD OPS METERS | $ 4,829 | 0% | 4,829 | Meter/Services | 0.00% | 0.00% | 100.00% | 100% | - | - | 4,829 |
| STAND BY | 2130 - WATER-FIELD OPS METERS | $ 9,503 | 0% | 9,503 | Meter/Services | 0.00% | 0.00% | 100.00% | 100% | - | - | 9,503 |
| OVER TIME PAY | 2130 - WATER-FIELD OPS METERS | $ 8,550 | 0% | 8,550 | Meter/Services | 0.00% | 0.00% | 100.00% | 100% | - | - | 8,550 |
| CELL PHONE STIPEND | 2130 - WATER-FIELD OPS METERS | $ 2,394 | 0% | 2,394 | Meter/Services | 0.00% | 0.00% | 100.00% | 100% | - | - | 2,394 |
| BILINGUAL STIPEND | 2130 - WATER-FIELD OPS METERS | $ 3,116 | 0% | 3,116 | Meter/Services | 0.00% | 0.00% | 100.00% | 100% | - | - | 3,116 |
| MEDICAL OPT OUT STIPEND | 2130 - WATER-FIELD OPS METERS | $ 2,280 | 0% | 2,280 | Meter/Services | 0.00% | 0.00% | 100.00% | 100% | - | - | 2,280 |
| MEDICAL PREMIUMS | 2130 - WATER-FIELD OPS METERS | $ 111,025 | 0% | 111,025 | Meter/Services | 0.00% | 0.00% | 100.00% | 100% | - | - | 111,025 |
| HSA CONTRIBUTIONS | 2130 - WATER-FIELD OPS METERS | $ 30,400 | 0% | 30,400 | Meter/Services | 0.00% | 0.00% | 100.00% | 100% | - | - | 30,400 |
| DENTAL PREMIUMS | 2130 - WATER-FIELD OPS METERS | $ 7,775 | 0% | 7,775 | Meter/Services | 0.00% | 0.00% | 100.00% | 100% | - | - | 7,775 |
| VISION PREMIUMS | 2130 - WATER-FIELD OPS METERS | $ 991 | 0% | 991 | Meter/Services | 0.00% | 0.00% | 100.00% | 100% | - | - | 991 |
| DISABILITY & LIFE PREMIUMS | 2130 - WATER-FIELD OPS METERS | $ 2,222 | 0% | 2,222 | Meter/Services | 0.00% | 0.00% | 100.00% | 100% | - | - | 2,222 |
| COMMUTER INSURANCE | 2130 - WATER-FIELD OPS METERS | $ 128 | 0% | 128 | Meter/Services | 0.00% | 0.00% | 100.00% | 100% | - | - | 128 |
| FICA ER CONTRIBUTIONS | 2130 - WATER-FIELD OPS METERS | $ 60,639 | 0% | 60,639 | Meter/Services | 0.00% | 0.00% | 100.00% | 100% | - | - | 60,639 |
| MEDICARE ER CONTRIBUTIONS | 2130 - WATER-FIELD OPS METERS | $ 14,184 | 0% | 14,184 | Meter/Services | 0.00% | 0.00% | 100.00% | 100% | - | - | 14,184 |
| AZ ST RETIREMENT ER CONTRIB | 2130 - WATER-FIELD OPS METERS | $ 121,469 | 0% | 121,469 | Meter/Services | 0.00% | 0.00% | 100.00% | 100% | - | - | 121,469 |
| ER DEFERRED COMPENSATION | 2130 - WATER-FIELD OPS METERS | $ 2,736 | 0% | 2,736 | Meter/Services | 0.00% | 0.00% | 100.00% | 100% | - | - | 2,736 |
| STATE UNEMPLOYMENT TAX | 2130 - WATER-FIELD OPS METERS | $ 1,161 | 0% | 1,161 | Meter/Services | 0.00% | 0.00% | 100.00% | 100% | - | - | 1,161 |

## Water System Operating & Debt Service Expense Allocation to Functions

**Schedule 1**

| Description | Department | TY Expense | Portion Stormwater | FY 2027 Expense | Allocation Basis/Factor | Supply/Treatment % Allocation | Transmission/ Distribution % Allocation | Meters/Services % Allocation | Total % Allocation | Supply/Treatment $ Allocation | Transmission/ Distribution $ Allocation | Meters/Services $ Allocation |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | **14,231,240** | **22,265,935** | **6,310,934** |
| WORKMAN'S COMPENSATION | 2130 - WATER-FIELD OPS METERS | $ 21,850 | 0% | 21,850 | Meter/Services | 0.00% | 0.00% | 100.00% | 100% | - | - | 21,850 |
| SHOP SUPPLIES | 2130 - WATER-FIELD OPS METERS | $ 10,000 | 0% | 10,000 | Meter/Services | 0.00% | 0.00% | 100.00% | 100% | - | - | 10,000 |
| WELDING SUPPLIES | 2130 - WATER-FIELD OPS METERS | $ 1,500 | 0% | 1,500 | Meter/Services | 0.00% | 0.00% | 100.00% | 100% | - | - | 1,500 |
| EQUIPMENT <5000 | 2130 - WATER-FIELD OPS METERS | $ 19,000 | 0% | 19,000 | Meter/Services | 0.00% | 0.00% | 100.00% | 100% | - | - | 19,000 |
| SOFTWARE SUPPORT | 2130 - WATER-FIELD OPS METERS | $ 128,000 | 0% | 128,000 | Meter/Services | 0.00% | 0.00% | 100.00% | 100% | - | - | 128,000 |
| PERMANENT SALARIES | 2140 - WATER- GIS | $ 422,454 | 0% | 422,454 | T/D & M/C split | 0.00% | 95.00% | 5.00% | 100% | - | 401,331 | 21,123 |
| CALL OUT | 2140 - WATER- GIS | $ 822 | 0% | 822 | T/D & M/C split | 0.00% | 95.00% | 5.00% | 100% | - | 781 | 41 |
| STAND BY | 2140 - WATER- GIS | $ 8,398 | 0% | 8,398 | T/D & M/C split | 0.00% | 95.00% | 5.00% | 100% | - | 7,978 | 420 |
| OVER TIME PAY | 2140 - WATER- GIS | $ 11,400 | 0% | 11,400 | T/D & M/C split | 0.00% | 95.00% | 5.00% | 100% | - | 10,830 | 570 |
| CELL PHONE STIPEND | 2140 - WATER- GIS | $ 1,197 | 0% | 1,197 | T/D & M/C split | 0.00% | 95.00% | 5.00% | 100% | - | 1,137 | 60 |
| MEDICAL OPT OUT STIPEND | 2140 - WATER- GIS | $ 1,140 | 0% | 1,140 | T/D & M/C split | 0.00% | 95.00% | 5.00% | 100% | - | 1,083 | 57 |
| MEDICAL PREMIUMS | 2140 - WATER- GIS | $ 65,643 | 0% | 65,643 | T/D & M/C split | 0.00% | 95.00% | 5.00% | 100% | - | 62,361 | 3,282 |
| HSA CONTRIBUTIONS | 2140 - WATER- GIS | $ 3,800 | 0% | 3,800 | T/D & M/C split | 0.00% | 95.00% | 5.00% | 100% | - | 3,610 | 190 |
| DENTAL PREMIUMS | 2140 - WATER- GIS | $ 2,132 | 0% | 2,132 | T/D & M/C split | 0.00% | 95.00% | 5.00% | 100% | - | 2,025 | 107 |
| VISION PREMIUMS | 2140 - WATER- GIS | $ 680 | 0% | 680 | T/D & M/C split | 0.00% | 95.00% | 5.00% | 100% | - | 646 | 34 |
| DISABILITY & LIFE PREMIUMS | 2140 - WATER- GIS | $ 749 | 0% | 749 | T/D & M/C split | 0.00% | 95.00% | 5.00% | 100% | - | 711 | 37 |
| COMMUTER INSURANCE | 2140 - WATER- GIS | $ 43 | 0% | 43 | T/D & M/C split | 0.00% | 95.00% | 5.00% | 100% | - | 41 | 2 |
| FICA ER CONTRIBUTIONS | 2140 - WATER- GIS | $ 27,347 | 0% | 27,347 | T/D & M/C split | 0.00% | 95.00% | 5.00% | 100% | - | 25,979 | 1,367 |
| MEDICARE ER CONTRIBUTIONS | 2140 - WATER- GIS | $ 6,396 | 0% | 6,396 | T/D & M/C split | 0.00% | 95.00% | 5.00% | 100% | - | 6,077 | 320 |
| AZ ST RETIREMENT ER CONTRIB | 2140 - WATER- GIS | $ 53,312 | 0% | 53,312 | T/D & M/C split | 0.00% | 95.00% | 5.00% | 100% | - | 50,646 | 2,666 |
| STATE UNEMPLOYMENT TAX | 2140 - WATER- GIS | $ 536 | 0% | 536 | T/D & M/C split | 0.00% | 95.00% | 5.00% | 100% | - | 509 | 27 |
| WORKMAN'S COMPENSATION | 2140 - WATER- GIS | $ 5,700 | 0% | 5,700 | T/D & M/C split | 0.00% | 95.00% | 5.00% | 100% | - | 5,415 | 285 |
| PROFESSIONAL AND TECHNICAL SER | 2140 - WATER- GIS | $ 40,000 | 0% | 40,000 | T/D & M/C split | 0.00% | 95.00% | 5.00% | 100% | - | 38,000 | 2,000 |
| LICENSE/FEES | 2140 - WATER- GIS | $ 22,500 | 0% | 22,500 | T/D & M/C split | 0.00% | 95.00% | 5.00% | 100% | - | 21,375 | 1,125 |
| SHOP SUPPLIES | 2140 - WATER- GIS | $ 22,000 | 0% | 22,000 | T/D & M/C split | 0.00% | 95.00% | 5.00% | 100% | - | 20,900 | 1,100 |
| VEHICLES | 2140 - WATER- GIS | $ 65,000 | 0% | 65,000 | T/D & M/C split | 0.00% | 95.00% | 5.00% | 100% | - | 61,750 | 3,250 |
| EQUIPMENT <5000 | 2140 - WATER- GIS | $ 28,500 | 0% | 28,500 | T/D & M/C split | 0.00% | 95.00% | 5.00% | 100% | - | 27,075 | 1,425 |
| PERMANENT SALARIES | 2150 - WATER-IRRIGATION | $ 271,433 | 0% | 271,433 | T/D & M/C split | 0.00% | 95.00% | 5.00% | 100% | - | 257,861 | 13,572 |
| STAND BY | 2150 - WATER-IRRIGATION | $ 12,088 | 0% | 12,088 | T/D & M/C split | 0.00% | 95.00% | 5.00% | 100% | - | 11,483 | 604 |
| OVER TIME PAY | 2150 - WATER-IRRIGATION | $ 5,700 | 0% | 5,700 | T/D & M/C split | 0.00% | 95.00% | 5.00% | 100% | - | 5,415 | 285 |
| CELL PHONE STIPEND | 2150 - WATER-IRRIGATION | $ 2,394 | 0% | 2,394 | T/D & M/C split | 0.00% | 95.00% | 5.00% | 100% | - | 2,274 | 120 |
| MEDICAL PREMIUMS | 2150 - WATER-IRRIGATION | $ 31,956 | 0% | 31,956 | T/D & M/C split | 0.00% | 95.00% | 5.00% | 100% | - | 30,358 | 1,598 |
| HSA CONTRIBUTIONS | 2150 - WATER-IRRIGATION | $ 11,400 | 0% | 11,400 | T/D & M/C split | 0.00% | 95.00% | 5.00% | 100% | - | 10,830 | 570 |
| DENTAL PREMIUMS | 2150 - WATER-IRRIGATION | $ 1,723 | 0% | 1,723 | T/D & M/C split | 0.00% | 95.00% | 5.00% | 100% | - | 1,637 | 86 |
| VISION PREMIUMS | 2150 - WATER-IRRIGATION | $ 377 | 0% | 377 | T/D & M/C split | 0.00% | 95.00% | 5.00% | 100% | - | 358 | 19 |
| DISABILITY & LIFE PREMIUMS | 2150 - WATER-IRRIGATION | $ 690 | 0% | 690 | T/D & M/C split | 0.00% | 95.00% | 5.00% | 100% | - | 655 | 34 |
| COMMUTER INSURANCE | 2150 - WATER-IRRIGATION | $ 29 | 0% | 29 | T/D & M/C split | 0.00% | 95.00% | 5.00% | 100% | - | 27 | 1 |
| FICA ER CONTRIBUTIONS | 2150 - WATER-IRRIGATION | $ 17,713 | 0% | 17,713 | T/D & M/C split | 0.00% | 95.00% | 5.00% | 100% | - | 16,827 | 886 |
| MEDICARE ER CONTRIBUTIONS | 2150 - WATER-IRRIGATION | $ 4,142 | 0% | 4,142 | T/D & M/C split | 0.00% | 95.00% | 5.00% | 100% | - | 3,935 | 207 |
| AZ ST RETIREMENT ER CONTRIB | 2150 - WATER-IRRIGATION | $ 34,884 | 0% | 34,884 | T/D & M/C split | 0.00% | 95.00% | 5.00% | 100% | - | 33,140 | 1,744 |
| STATE UNEMPLOYMENT TAX | 2150 - WATER-IRRIGATION | $ 357 | 0% | 357 | T/D & M/C split | 0.00% | 95.00% | 5.00% | 100% | - | 339 | 18 |
| WORKMAN'S COMPENSATION | 2150 - WATER-IRRIGATION | $ 8,265 | 0% | 8,265 | T/D & M/C split | 0.00% | 95.00% | 5.00% | 100% | - | 7,852 | 413 |
| IRRIGATION REPAIRS | 2150 - WATER-IRRIGATION | $ 25,000 | 0% | 25,000 | T/D & M/C split | 0.00% | 95.00% | 5.00% | 100% | - | 23,750 | 1,250 |
| SHOP SUPPLIES | 2150 - WATER-IRRIGATION | $ 2,000 | 0% | 2,000 | T/D & M/C split | 0.00% | 95.00% | 5.00% | 100% | - | 1,900 | 100 |
| EQUIPMENT <5000 | 2150 - WATER-IRRIGATION | $ 4,750 | 0% | 4,750 | T/D & M/C split | 0.00% | 95.00% | 5.00% | 100% | - | 4,513 | 238 |
| PERMANENT SALARIES | 2170 - WATER-CONSERVATION | $ 136,136 | 0% | 136,136 | Meter/Services | 0.00% | 0.00% | 100.00% | 100% | - | - | 136,136 |
| PART-TIME STAFFING | 2170 - WATER-CONSERVATION | $ 25,205 | 0% | 25,205 | Meter/Services | 0.00% | 0.00% | 100.00% | 100% | - | - | 25,205 |
| OVER TIME PAY | 2170 - WATER-CONSERVATION | $ 119 | 0% | 119 | Meter/Services | 0.00% | 0.00% | 100.00% | 100% | - | - | 119 |
| CELL PHONE STIPEND | 2170 - WATER-CONSERVATION | $ 587 | 0% | 587 | Meter/Services | 0.00% | 0.00% | 100.00% | 100% | - | - | 587 |
| MEDICAL PREMIUMS | 2170 - WATER-CONSERVATION | $ 15,597 | 0% | 15,597 | Meter/Services | 0.00% | 0.00% | 100.00% | 100% | - | - | 15,597 |
| HSA CONTRIBUTIONS | 2170 - WATER-CONSERVATION | $ 2,850 | 0% | 2,850 | Meter/Services | 0.00% | 0.00% | 100.00% | 100% | - | - | 2,850 |
| DENTAL PREMIUMS | 2170 - WATER-CONSERVATION | $ 885 | 0% | 885 | Meter/Services | 0.00% | 0.00% | 100.00% | 100% | - | - | 885 |
| VISION PREMIUMS | 2170 - WATER-CONSERVATION | $ 156 | 0% | 156 | Meter/Services | 0.00% | 0.00% | 100.00% | 100% | - | - | 156 |
| DISABILITY & LIFE PREMIUMS | 2170 - WATER-CONSERVATION | $ 317 | 0% | 317 | Meter/Services | 0.00% | 0.00% | 100.00% | 100% | - | - | 317 |
| COMMUTER INSURANCE | 2170 - WATER-CONSERVATION | $ 6 | 0% | 6 | Meter/Services | 0.00% | 0.00% | 100.00% | 100% | - | - | 6 |
| FICA ER CONTRIBUTIONS | 2170 - WATER-CONSERVATION | $ 9,383 | 0% | 9,383 | Meter/Services | 0.00% | 0.00% | 100.00% | 100% | - | - | 9,383 |
| MEDICARE ER CONTRIBUTIONS | 2170 - WATER-CONSERVATION | $ 2,194 | 0% | 2,194 | Meter/Services | 0.00% | 0.00% | 100.00% | 100% | - | - | 2,194 |
| AZ ST RETIREMENT ER CONTRIB | 2170 - WATER-CONSERVATION | $ 18,832 | 0% | 18,832 | Meter/Services | 0.00% | 0.00% | 100.00% | 100% | - | - | 18,832 |
| STATE UNEMPLOYMENT TAX | 2170 - WATER-CONSERVATION | $ 167 | 0% | 167 | Meter/Services | 0.00% | 0.00% | 100.00% | 100% | - | - | 167 |
| WORKMAN'S COMPENSATION | 2170 - WATER-CONSERVATION | $ 500 | 0% | 500 | Meter/Services | 0.00% | 0.00% | 100.00% | 100% | - | - | 500 |
| DUES/MEMBERSHIP FEES | 2170 - WATER-CONSERVATION | $ 3,400 | 0% | 3,400 | Meter/Services | 0.00% | 0.00% | 100.00% | 100% | - | - | 3,400 |
| PRINTING (EXTERIOR & INTERIOR) | 2170 - WATER-CONSERVATION | $ 3,000 | 0% | 3,000 | Meter/Services | 0.00% | 0.00% | 100.00% | 100% | - | - | 3,000 |
| MARKETING | 2170 - WATER-CONSERVATION | $ 21,750 | 0% | 21,750 | Meter/Services | 0.00% | 0.00% | 100.00% | 100% | - | - | 21,750 |
| SIGNAGE | 2170 - WATER-CONSERVATION | $ 7,350 | 0% | 7,350 | Meter/Services | 0.00% | 0.00% | 100.00% | 100% | - | - | 7,350 |
| POSTAGE | 2170 - WATER-CONSERVATION | $ 2,000 | 0% | 2,000 | Meter/Services | 0.00% | 0.00% | 100.00% | 100% | - | - | 2,000 |
| WATER CONSERVATION PROGRAM | 2170 - WATER-CONSERVATION | $ 129,185 | 0% | 129,185 | Meter/Services | 0.00% | 0.00% | 100.00% | 100% | - | - | 129,185 |
| EQUIPMENT <5000 | 2170 - WATER-CONSERVATION | $ 250 | 0% | 250 | Meter/Services | 0.00% | 0.00% | 100.00% | 100% | - | - | 250 |
| PERMANENT SALARIES | 2180 - WATER - DISTRIBUTION | $ 1,924,904 | 0% | 1,924,904 | Distribution FTEs | 60.00% | 40.00% | 0.00% | 100% | 1,154,943 | 769,962 | - |
| TEMP/SEASONAL STAFFING | 2180 - WATER - DISTRIBUTION | $ 55,218 | 0% | 55,218 | Distribution FTEs | 60.00% | 40.00% | 0.00% | 100% | 33,131 | 22,087 | - |
| CALL OUT | 2180 - WATER - DISTRIBUTION | $ 32,137 | 0% | 32,137 | Distribution FTEs | 60.00% | 40.00% | 0.00% | 100% | 19,282 | 12,855 | - |
| STAND BY | 2180 - WATER - DISTRIBUTION | $ 47,574 | 0% | 47,574 | Distribution FTEs | 60.00% | 40.00% | 0.00% | 100% | 28,544 | 19,030 | - |
| OVER TIME PAY | 2180 - WATER - DISTRIBUTION | $ 16,150 | 0% | 16,150 | Distribution FTEs | 60.00% | 40.00% | 0.00% | 100% | 9,690 | 6,460 | - |
| CELL PHONE STIPEND | 2180 - WATER - DISTRIBUTION | $ 6,612 | 0% | 6,612 | Distribution FTEs | 60.00% | 40.00% | 0.00% | 100% | 3,967 | 2,645 | - |
| BILINGUAL STIPEND | 2180 - WATER - DISTRIBUTION | $ 1,558 | 0% | 1,558 | Distribution FTEs | 60.00% | 40.00% | 0.00% | 100% | 935 | 623 | - |
| MEDICAL OPT OUT STIPEND | 2180 - WATER - DISTRIBUTION | $ 3,420 | 0% | 3,420 | Distribution FTEs | 60.00% | 40.00% | 0.00% | 100% | 2,052 | 1,368 | - |

## Water System Operating & Debt Service Expense Allocation to Functions

**Schedule 1**

| Description | Department | TY Expense | Portion Stormwater | FY 2027 Expense | Allocation Basis/Factor | Supply/Treatment % Allocation | Transmission/ Distribution % Allocation | Meters/Services % Allocation | Total % Allocation | Supply/Treatment $ Allocation | Transmission/ Distribution $ Allocation | Meters/Services $ Allocation |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | **14,231,240** | **22,265,935** | **6,310,934** |
| MEDICAL PREMIUMS | 2180 - WATER - DISTRIBUTION | $ 255,409 | 0% | 255,409 | Distribution FTEs | 60.00% | 40.00% | 0.00% | 100% | 153,246 | 102,164 | - |
| HSA CONTRIBUTIONS | 2180 - WATER - DISTRIBUTION | $ 26,600 | 0% | 26,600 | Distribution FTEs | 60.00% | 40.00% | 0.00% | 100% | 15,960 | 10,640 | - |
| DENTAL PREMIUMS | 2180 - WATER - DISTRIBUTION | $ 13,439 | 0% | 13,439 | Distribution FTEs | 60.00% | 40.00% | 0.00% | 100% | 8,063 | 5,375 | - |
| VISION PREMIUMS | 2180 - WATER - DISTRIBUTION | $ 3,265 | 0% | 3,265 | Distribution FTEs | 60.00% | 40.00% | 0.00% | 100% | 1,959 | 1,306 | - |
| DISABILITY & LIFE PREMIUMS | 2180 - WATER - DISTRIBUTION | $ 3,972 | 0% | 3,972 | Distribution FTEs | 60.00% | 40.00% | 0.00% | 100% | 2,383 | 1,589 | - |
| COMMUTER INSURANCE | 2180 - WATER - DISTRIBUTION | $ 139 | 0% | 139 | Distribution FTEs | 60.00% | 40.00% | 0.00% | 100% | 83 | 55 | - |
| FICA ER CONTRIBUTIONS | 2180 - WATER - DISTRIBUTION | $ 126,241 | 0% | 126,241 | Distribution FTEs | 60.00% | 40.00% | 0.00% | 100% | 75,744 | 50,496 | - |
| MEDICARE ER CONTRIBUTIONS | 2180 - WATER - DISTRIBUTION | $ 29,521 | 0% | 29,521 | Distribution FTEs | 60.00% | 40.00% | 0.00% | 100% | 17,713 | 11,809 | - |
| AZ ST RETIREMENT ER CONTRIB | 2180 - WATER - DISTRIBUTION | $ 249,706 | 0% | 249,706 | Distribution FTEs | 60.00% | 40.00% | 0.00% | 100% | 149,823 | 99,882 | - |
| ER DEFERRED COMPENSATION | 2180 - WATER - DISTRIBUTION | $ 4,560 | 0% | 4,560 | Distribution FTEs | 60.00% | 40.00% | 0.00% | 100% | 2,736 | 1,824 | - |
| STATE UNEMPLOYMENT TAX | 2180 - WATER - DISTRIBUTION | $ 2,233 | 0% | 2,233 | Distribution FTEs | 60.00% | 40.00% | 0.00% | 100% | 1,340 | 893 | - |
| WORKMAN'S COMPENSATION | 2180 - WATER - DISTRIBUTION | $ 47,500 | 0% | 47,500 | Distribution FTEs | 60.00% | 40.00% | 0.00% | 100% | 28,500 | 19,000 | - |
| PROFESSIONAL AND TECHNICAL SER | 2180 - WATER - DISTRIBUTION | $ 30,000 | 0% | 30,000 | Distribution FTEs | 60.00% | 40.00% | 0.00% | 100% | 18,000 | 12,000 | - |
| LICENSE/FEES | 2180 - WATER - DISTRIBUTION | $ 9,950 | 0% | 9,950 | Distribution FTEs | 60.00% | 40.00% | 0.00% | 100% | 5,970 | 3,980 | - |
| ELECTRICITY | 2180 - WATER - DISTRIBUTION | $ 4,086,000 | 0% | 4,086,000 | Supply/Treatment | 100.00% | 0.00% | 0.00% | 100% | 4,086,000 | - | - |
| WATER DISTRIBUTION SYSTEM REPA | 2180 - WATER - DISTRIBUTION | $ 292,500 | 0% | 292,500 | Transmission/Distribution | 0.00% | 100.00% | 0.00% | 100% | - | 292,500 | - |
| WELL SITE REPAIRS | 2180 - WATER - DISTRIBUTION | $ 725,000 | 0% | 725,000 | Supply/Treatment | 100.00% | 0.00% | 0.00% | 100% | 725,000 | - | - |
| WELL SITE OPS/MAINTENANCE | 2180 - WATER - DISTRIBUTION | $ 1,037,500 | 0% | 1,037,500 | Supply/Treatment | 100.00% | 0.00% | 0.00% | 100% | 1,037,500 | - | - |
| BACKFLOW - VALVE TESTING | 2180 - WATER - DISTRIBUTION | $ 10,000 | 0% | 10,000 | Transmission/Distribution | 0.00% | 100.00% | 0.00% | 100% | - | 10,000 | - |
| RENTAL OF EQUIPMENT/VEHICLES | 2180 - WATER - DISTRIBUTION | $ 50,000 | 0% | 50,000 | Transmission/Distribution | 0.00% | 100.00% | 0.00% | 100% | - | 50,000 | - |
| SHOP SUPPLIES | 2180 - WATER - DISTRIBUTION | $ 15,000 | 0% | 15,000 | Transmission/Distribution | 0.00% | 100.00% | 0.00% | 100% | - | 15,000 | - |
| WATER DISTRIBUTION PARTS | 2180 - WATER - DISTRIBUTION | $ 500,000 | 0% | 500,000 | Transmission/Distribution | 0.00% | 100.00% | 0.00% | 100% | - | 500,000 | - |
| WELDING SUPPLIES | 2180 - WATER - DISTRIBUTION | $ 5,000 | 0% | 5,000 | Transmission/Distribution | 0.00% | 100.00% | 0.00% | 100% | - | 5,000 | - |
| CHEMICALS | 2180 - WATER - DISTRIBUTION | $ 562,500 | 0% | 562,500 | Supply/Treatment | 100.00% | 0.00% | 0.00% | 100% | 562,500 | - | - |
| EQUIPMENT <5000 | 2180 - WATER - DISTRIBUTION | $ 142,500 | 0% | 142,500 | Transmission/Distribution | 0.00% | 100.00% | 0.00% | 100% | - | 142,500 | - |
| CONTRACTUAL SVC BUDGET REQUEST | 2180 - WATER - DISTRIBUTION | $ 15,640 | 0% | 15,640 | Distribution FTEs | 60.00% | 40.00% | 0.00% | 100% | 9,384 | 6,256 | - |
| SALARY SUPPLEMENTAL | 2180 - WATER - DISTRIBUTION | $ 197,124 | 0% | 197,124 | Distribution FTEs | 60.00% | 40.00% | 0.00% | 100% | 118,274 | 78,850 | - |
| MAJOR EQUIPMENT >10000 | 2180 - WATER - DISTRIBUTION | $ 71,250 | 0% | 71,250 | Transmission/Distribution | 0.00% | 100.00% | 0.00% | 100% | - | 71,250 | - |
| PERMANENT SALARIES | 2195 - WATER QUALITY | $ 260,018 | 0% | 260,018 | Supply/Treatment | 100.00% | 0.00% | 0.00% | 100% | 260,018 | - | - |
| CELL PHONE STIPEND | 2195 - WATER QUALITY | $ 390 | 0% | 390 | Supply/Treatment | 100.00% | 0.00% | 0.00% | 100% | 390 | - | - |
| MEDICAL PREMIUMS | 2195 - WATER QUALITY | $ 26,683 | 0% | 26,683 | Supply/Treatment | 100.00% | 0.00% | 0.00% | 100% | 26,683 | - | - |
| HSA CONTRIBUTIONS | 2195 - WATER QUALITY | $ 4,000 | 0% | 4,000 | Supply/Treatment | 100.00% | 0.00% | 0.00% | 100% | 4,000 | - | - |
| DENTAL PREMIUMS | 2195 - WATER QUALITY | $ 1,777 | 0% | 1,777 | Supply/Treatment | 100.00% | 0.00% | 0.00% | 100% | 1,777 | - | - |
| VISION PREMIUMS | 2195 - WATER QUALITY | $ 241 | 0% | 241 | Supply/Treatment | 100.00% | 0.00% | 0.00% | 100% | 241 | - | - |
| DISABILITY & LIFE PREMIUMS | 2195 - WATER QUALITY | $ 379 | 0% | 379 | Supply/Treatment | 100.00% | 0.00% | 0.00% | 100% | 379 | - | - |
| FICA ER CONTRIBUTIONS | 2195 - WATER QUALITY | $ 15,371 | 0% | 15,371 | Supply/Treatment | 100.00% | 0.00% | 0.00% | 100% | 15,371 | - | - |
| MEDICARE ER CONTRIBUTIONS | 2195 - WATER QUALITY | $ 3,595 | 0% | 3,595 | Supply/Treatment | 100.00% | 0.00% | 0.00% | 100% | 3,595 | - | - |
| AZ ST RETIREMENT ER CONTRIB | 2195 - WATER QUALITY | $ 31,250 | 0% | 31,250 | Supply/Treatment | 100.00% | 0.00% | 0.00% | 100% | 31,250 | - | - |
| STATE UNEMPLOYMENT TAX | 2195 - WATER QUALITY | $ 235 | 0% | 235 | Supply/Treatment | 100.00% | 0.00% | 0.00% | 100% | 235 | - | - |
| PROFESSIONAL AND TECHNICAL SER | 2195 - WATER QUALITY | $ 205,000 | 0% | 205,000 | Supply/Treatment | 100.00% | 0.00% | 0.00% | 100% | 205,000 | - | - |
| DUES/MEMBERSHIP FEES | 2195 - WATER QUALITY | $ 2,570 | 0% | 2,570 | Supply/Treatment | 100.00% | 0.00% | 0.00% | 100% | 2,570 | - | - |
| LICENSE/FEES | 2195 - WATER QUALITY | $ 76,990 | 0% | 76,990 | Supply/Treatment | 100.00% | 0.00% | 0.00% | 100% | 76,990 | - | - |
| TESTING/SAMPLING | 2195 - WATER QUALITY | $ 175,000 | 0% | 175,000 | Supply/Treatment | 100.00% | 0.00% | 0.00% | 100% | 175,000 | - | - |
| PRINTING (EXTERIOR & INTERIOR) | 2195 - WATER QUALITY | $ 2,000 | 0% | 2,000 | Supply/Treatment | 100.00% | 0.00% | 0.00% | 100% | 2,000 | - | - |
| SHOP SUPPLIES | 2195 - WATER QUALITY | $ 200 | 0% | 200 | Supply/Treatment | 100.00% | 0.00% | 0.00% | 100% | 200 | - | - |
| SOFTWARE | 2195 - WATER QUALITY | $ 20,100 | 0% | 20,100 | Supply/Treatment | 100.00% | 0.00% | 0.00% | 100% | 20,100 | - | - |
| EQUIPMENT <5000 | 2195 - WATER QUALITY | $ 5,150 | 0% | 5,150 | Supply/Treatment | 100.00% | 0.00% | 0.00% | 100% | 5,150 | - | - |
| POSTAGE | 2195 - WATER QUALITY | $ 600 | 0% | 600 | Supply/Treatment | 100.00% | 0.00% | 0.00% | 100% | 600 | - | - |
| Net Transfers | | $ (1,392,613) | 0% | (1,392,613) | Meter/Services | 0.00% | 0.00% | 100.00% | 100% | - | - | (1,392,613) |
| Total Debt Service | | $ 7,968,835 | 0% | 7,968,835 | Transmission/Distribution | 0.00% | 100.00% | 0.00% | 100% | - | 7,968,835 | - |
| PAYGO | | $ 7,537,997 | 0% | 7,537,997 | Transmission/Distribution | 0.00% | 100.00% | 0.00% | 100% | - | 7,537,997 | - |
| Net Cash Flow | | $ 2,948,175 | 0% | 2,948,175 | Indirect | 52.13% | 24.76% | 23.12% | 100% | 1,536,785 | 729,893 | 681,497 |
| | | | 0% | | | 0.00% | 0.00% | 0.00% | 0% | - | - | - |
| | | | | | | | | | 0% | - | - | - |
| **TOTAL EXPENDITURES** | | **$ 42,808,109** | $ - | **$ 42,808,109** | | | | | | **$ 14,231,240** | **$ 22,265,935** | **$ 6,310,934** |
| **% Allocation** | | | | | | | | | | 33.24% | 52.01% | 14.74% |

## Water Cost Allocation Functions & Flow Data

## Schedule 2

| **Function** | Base Capacity - Avg Day | Extra Capacity - Max Day | Extra Capacity - Peak Hour | Customers |
|---|---|---|---|---|
| Supply/Treatment | X | X | | |
| Transmission/Distribution | X | X | X | |
| Meters/Services | | | | X |
| **% to Each Component** | | | | |
| Supply/Treatment | 70% | 30% | | |
| Transmission/Distribution | 55% | 24% | 21% | |
| Meters/Services | | | | 100% |

| | **AVERAGE DAY** | **MAX MONTH** | **MAX DAY** |
|---|---|---|---|
| Representative Water System Demands | 41.03 | 54.49 | 58.98 |

## Summary of Water Units of Service

**Schedule 3**

| 2025 Billing Data | 2025 Units | | | | | Test Year Base Units | | Max Day Units | | | Max Hour Units | | | Test Year Customer Units | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Water Units of Service | Consumption | Equivalent Meters & Services | Number of Customers | Number of Bills | Growth Rate | Annual Use 1,000 gallons | Average Rate 1,000 gpd | Peaking Factor % | Total Capacity 1,000 gpd | Extra Capacity 1,000 gpd | Peaking Factor % | Total Capacity 1,000 gpd | Extra Capacity 1,000 gpd | Equivalent Meters & Services | Number of Customers | Number of Bills |
| Single Family | 4,956,854 | 46,131 | 41,319 | 495,828 | 8.8% | 5,390,579 | 14,769 | 152 | 22,491 | 7,722 | 336 | 49,554 | 27,064 | 50,167 | 44,934 | 539,213 |
| Multi-Family | 100,988 | 3,287 | 52 | 624 | 8.8% | 109,825 | 301 | 125 | 375 | 74 | 169 | 508 | 134 | 3,575 | 57 | 679 |
| Non-Residential | 485,068 | 3,498 | 743 | 8,916 | 8.8% | 527,511 | 1,445 | 145 | 2,090 | 645 | 212 | 3,063 | 972 | 3,804 | 808 | 9,696 |
| Construction/Temp | 262,389 | 4,100 | 246 | 2,952 | 8.8% | 285,348 | 782 | 442 | 3,455 | 2,674 | 1427 | 11,156 | 7,700 | 4,459 | 268 | 3,210 |
| Landscape | 2,162,230 | 3,295 | 878 | 10,536 | 8.8% | 2,351,425 | 6,442 | 197 | 12,691 | 6,249 | 410 | 26,413 | 13,722 | 3,583 | 955 | 11,458 |
| **Total** | **7,967,529** | **60,311** | **43,238** | **518,856** | | **8,664,687** | **23,739** | | **41,102** | **17,363** | | **90,695** | **49,592** | **65,588** | **47,021** | **564,256** |

## Summary of Water Revenue Requirement Allocations

**Schedule 4**

| Revenue Requirements | | Total | | Single Family | Multi-Family | Non-Residential | Construction/Temp | Landscape |
|---|---|---|---|---|---|---|---|---|
| Operations and Maintenance | $ | 27,301,277 | $ | 17,924,630 | $ 209,368 | $ 1,186,789 | $ 1,620,877 | $ 6,359,613 |
| Debt Service | $ | 7,968,835 | $ | 4,490,190 | $ 68,261 | $ 371,092 | $ 697,886 | $ 2,341,407 |
| Rate Funded Capital | $ | 7,537,997 | $ | 4,247,426 | $ 64,570 | $ 351,029 | $ 660,154 | $ 2,214,818 |
| Total Revenue Requirements | $ | 42,808,109 | $ | 26,662,246 | $ 342,199 | $ 1,908,909 | $ 2,978,917 | $ 10,915,838 |
| Adjustments | | | | | | | | |
| Less: Other Revenue | $ | (4,571,503) | $ | (4,486,964) | $ (2,291) | $ (32,732) | $ (10,837) | $ (38,679) |
| Plus: Billing Unit & Other Adjustments | $ | 756,103 | $ | 481,314 | $ 25,389 | $ 210,080 | $ 39,320 | $ - |
| **Total Rate Requirement** | **$** | **38,992,709** | **$** | **22,656,596** | **$ 365,297** | **$ 2,086,257** | **$ 3,007,400** | **$ 10,877,159** |
| FY 2027 Rate Rev. w/o Rate Adj | $ | 37,856,999 | $ | 24,536,474 | $ 579,429 | $ 2,511,762 | $ 2,322,808 | $ 7,906,526 |
| FY 2027 COS Rate Rev. Requirement | $ | 38,992,709 | $ | 22,656,596 | $ 365,297 | $ 2,086,257 | $ 3,007,400 | $ 10,877,159 |
| FY 2027 Proposed Rate Structure | $ | 38,970,682 | $ | 24,154,912 | $ 382,559 | $ 2,215,119 | $ 2,808,907 | $ 9,409,186 |
| $ Change Needed | $ | 1,135,710 | $ | (1,879,878) | $ (214,133) | $ (425,504) | $ 684,593 | $ 2,970,632 |
| % Change Needed | | 3.0% | | -7.9% | -38.3% | -17.5% | 30.5% | 38.9% |

**Disclaimer**

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In preparing this report, Stantec utilized information and data obtained from the Town or public and/or industry sources. Stantec has relied on the information and data without independent verification, except only to the extent such verification is expressly described in this document. Any projections of future conditions presented in the document are not intended as predictions, as there may be differences between forecasted and actual results, and those differences may be material.

TOWN OF QUEEN CREEK ARIZONA

**TO:** **HONORABLE MAYOR AND TOWN COUNCIL**

**THROUGH:** **BRUCE GARDNER, TOWN MANAGER**

**FROM:** **SCOTT MCCARTY, DEPUTY TOWN MANAGER/CHIEF FINANCIAL OFFICER**

**RE:** **PUBLIC HEARING AND POSSIBLE APPROVAL OF ORDINANCE NO. 901-26 ADOPTING NEW DEVELOPMENT WATER CAPACITY FEES.**

**DATE:** **November 18, 2026**

---

**Suggested Action:**

Motion to approve Ordinance No. 901-26 adopting new development water capacity fees.

**Relevant Council Goal(s):**

Effective Government: KRA Financial Management, Internal Services & Sustainability

**Discussion:**

New development water capacity fees are one-time fees charged to new construction intended to offset the cost of new water delivery infrastructure built related to growth. The accurate assessment of this fee is critical to the Town's financial sustainability by ensuring these costs are fairly paid by new residents and businesses. Existing residents and businesses do not pay capacity fees.

Town staff, in partnership with DTA, the Town's capacity fee consultant, evaluated two approaches to establishing the new development water capacity fee. The first approach identified the cost of future utility facilities and infrastructure expansion attributable to projected 10-year growth. The second approach used a buy-in methodology to determine the proportional cost of the existing water system that should be recovered from new development. The final recommendation from staff and DTA is the first approach that identifies the cost of future utility facilities and infrastructure attributable to growth.

The final recommendation by Town staff and DTA is based on the consultant's Report which documents the utility's revenue requirements, cost allocation among customer classes, and demonstrate that the proposed rates, fees, and charges are reasonable and rationally related to the cost of providing service. The rate studies and cost-of-service analysis presented to the public demonstrate the rates, fees, and charges are sufficient to keep the Town's utilities self-supporting, and bear a reasonable relationship to the value of the service.

In order to increase water capacity rates and fees, the Town must follow a two-step process as required by A.R.S. § 9-511.01. Step one, is a requirement to provide a written public notice of intent to increase rates, setting the public hearing date and including data that supports the proposed fee. Attached is a report prepared by Stantec, the Town's rates and fees consultant, supporting the proposed cost-of-service rate adjustments. The notice was approved at the September 16, 2026, Town Council meeting, a copy of the notice was published on the Town's webpage, related material was posted on the Town's website, and information was published in the newspaper.

Step two is a requirement to conduct a public hearing to increase the fee at today's meeting.

In addition to completing the required statutory processes, Town staff conducted numerous public outreach meetings with customers, Homeowners Associations (HOAs), stakeholders, boards and commissions, and other community groups. These meetings provided opportunities to present the proposed water resource capacity fee and other utility fee changes, listen to customer and stakeholder feedback, and identify areas of concern. Staff incorporated this feedback into subsequent presentations, brought key concerns forward for Council consideration, and adjusted presentation materials and other aspects of the proposed fees as appropriate. The Town also utilized multiple communication channels to inform customers and provide access to relevant information, including social media, the Town's website, direct email communications, and utility bill notifications.

Public outreach and customer communications will continue following the November 18, 2026, Council action to support customer understanding, address questions, and provide ongoing information regarding implementation of the approved fees.

Finally, and very important to the Town Council, is the involvement of our stakeholders in this process. As has been the Town's standing practice, staff engaged a "Stakeholder Focus Group" to participate in the fee update process. This group is made of representatives from the development community including, but not limited to, the Home Builders Association of Central Arizona, landowners, other homebuilders, and zoning attorneys. Their input and feedback has been critical and we thank them for their participation in this process.

**Fiscal Impact:**

The proposed New Development Water Capacity Fee applies to new development connecting to the Town's water system and is intended to balance the cost of accommodating continued growth with the Town's responsibility to maintain a financially sustainable water utility. By allocating eligible growth-related infrastructure costs to new development in proportion to its anticipated demand, the fee helps fund the infrastructure needed to expand water system capacity without assigning costs that benefit existing development to future connections.

The proposed fee for an Equivalent Residential Unit (ERU) increases from $2,382 to $4,591, an increase of $2,209 or 93%. Multifamily development would be assessed $1,148 per dwelling unit, or 25% that of an ERU as multifamily water generally uses 25% of a single family residential unit. Non-residential development fees are based on meter capacity, with the proposed fees scaling according to the meter size. For connections with meters two inches or larger, the fee will be based on the greater of the meter-capacity calculation or a project-specific flow calculation. Consequently, the financial impact will vary by development type, dwelling-unit count, meter size, and projected water demand.

The proposed fee structure is intended to provide funding for the water infrastructure needed to accommodate projected growth while limiting recovery to the portion of eligible costs attributable to new development. The Town's Capital Improvement Plan includes 46 projects with total estimated costs of approximately $186.2 million. The proposed fee allocates $95.1 million in net growth-related costs to development projected over the 10-year fee period, including the applicable share of capital costs, program administration, and financing costs, less the existing New Development Water Capacity Fee Fund balance. The Town is expected to collect approximately $95.1 million in New Development Water Capacity Fee revenue over the 10-year period, based on staff and consultant development projections. Infrastructure construction will occur before all corresponding fees are collected, therefore, staff anticipate approximately $69.1 million in new debt to support the planned construction schedule. Actual revenue will depend on the timing and amount of development and connections.

**Alternatives:**

The proposed fee meets the "fair and reasonable" standard established under state law. If new

development water capacity fees were not increased, the monthly water delivery fee would have to bear the burden of future infrastructure costs.

**Attachment(s):**

1. Ordinance No. 901-26
2. Report: Water Capacity Fee Study, Town of Queen Creek, DTA

**ORDINANCE NO. 901-26**

**AN ORDINANCE OF THE COMMON COUNCIL OF THE TOWN OF QUEEN CREEK, ARIZONA, ADOPTING NEW DEVELOPMENT WATER CAPACITY FEES IN COMPLIANCE WITH STATE LAW.**

**WHEREAS**, Arizona's enabling legislation for water and wastewater capacity fees, ARIZ. REV. STAT. § 9-511.01 (the "Utility Statute") requires the Town of Queen Creek (the "Town") to prepare a written report providing a schedule of the proposed new development water capacity fees and the analysis supporting the proposed increases (including cash flow projections); and

**WHEREAS**, DTA, the Town's consultant, has prepared, on behalf of the Town, a written report providing a schedule of the proposed new development water capacity fees and the analysis supporting the proposed fees (including cash flow projections) titled "Water Capacity Fee Study, Town of Queen Creek" (the "Report"); and

**WHEREAS**, the Utility Statute also requires the Common Council of the Town (the "Town Council") to (i) adopt a Notice of Intention to adopt the fees, (ii) file the written report with the Town Clerk, and (iii) post the written report on the Town's website at least 60 days prior to holding a public hearing on the proposed fees; and

**WHEREAS**, on September 16, 2026, the Town Council (i) adopted the Notice of Intention that confirmed the filing and posting of the Report as required by the Utility Statute and (ii) set a public hearing to consider the proposed new or increased fees at its regularly scheduled meeting on November 18, 2026; and

**WHEREAS**, the Town published the Notice of Intention in the newspaper and through electronic communication tools and posted required materials on the Town website; and

**WHEREAS**, the Town Council held the public hearing on November 18, 2026, and now desires to conclude the capacity fee adoption process by approving new development water capacity fees as set forth in the Report.

**NOW, THEREFORE, BE IT ORDAINED BY THE COMMON COUNCIL OF THE TOWN OF QUEEN CREEK, ARIZONA, AS FOLLOWS**:

**Section 1:** The recitals above are hereby incorporated as if fully set forth herein.

**Section 2:** The Report is hereby adopted in substantially the form and substance attached hereto as Exhibit A and incorporated herein by reference.

**Section 3:** The new development water capacity fees as set forth in Table 6 and Table 7 of the Report are hereby approved.

**Section 4:** The Town Code, Article 16-9 (Water and Wastewater Capacity Charges Off-Site Improvements), Section 16-9-2 (Water Capacity Charge) is hereby

amended to delete the table titled Water Capacity Charge in its entirety and add in a new table titled "New Development Water Capacity Fee" to include the new development water capacity fees set forth in Table 6 and Table 7 of the Report.

**Section 5:** The Town Manager, the Town Clerk and the Town Attorney are hereby authorized and directed to take such steps and execute such documents as necessary to implement this Ordinance.

**Section 6:** The new development water capacity fees adopted herein shall: (i) be placed in a separate fund designated for payment of project costs as set forth in the Report; and (ii) not be used for unrelated purposes.

**Section 7:** If any section, subsection, clause, phrase or portion of this Ordinance or any part of these amendments to the Town Code is for any reason held invalid or unconstitutional by the decision of any court of competent jurisdiction, such decision shall not affect the validity of the remaining portions thereof.

**Section 8:** At least one paper copy and one electronic copy of this Ordinance and Exhibit(s) are to be filed with and will be located at the office of the Town Clerk.

**PASSED AND ADOPTED** by the Common Council of the Town of Queen Creek, Arizona, this 18th day of November, 2026.

| | |
|---|---|
| FOR THE TOWN OF QUEEN CREEK: | ATTESTED TO: |
| Julia Wheatley, Mayor | Maria Gonzalez, Town Clerk |
| REVIEWED BY: | APPROVED AS TO FORM: |
| Bruce Gardner, Town Manager | Clifford Mattice, Town Attorney |

**EXHIBITS ON FILE AND LOCATED AT THE TOWN CLERK'S OFFICE.**

**EXHIBIT A**

**TO**

**ORDINANCE 901-26**

**[Report]**

See following pages.

dta

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# WATER CAPACITY FEE STUDY

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# TOWN OF QUEEN CREEK

# WATER CAPACITY FEE STUDY

**Prepared for:**

**Town of Queen Creek**

22358 S. Ellsworth Road

Queen Creek, AZ 85142

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APPENDICES

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| APPENDIX A | FEE DERIVATION WORKSHEETS |
| APPENDIX B | WATER FACILITIES MAP |

## ADDENDUM: CHANGES FROM THE STUDY SUBMITTED SEPTEMBER 14, 2026

This Study amends and restates the Town of Queen Creek Water Capacity Fee Study submitted to the Town on September 14, 2026. The amendments arise from three (3) sources: the Town's direction of October 2, 2026 on the Capital Improvement Plan ("CIP"); direction from the Town on the treatment of four items carried in the Water Capacity Fee Fund; and the Town's election of the Plan-Based Methodology as the basis of the fee. The updated fee is $4,591 per equivalent residential unit, compared to $5,748 in the Study as submitted on September 14, 2026. This Addendum identifies each change and is not itself part of the fee derivation.

- The CIP: The Study as originally submitted showed a total of $206,208,235 in uninflated costs, of which $181,696,411, or 88.1%, was growth-related. The program the Town directed totals $186,242,733 across 46 projects, of which $166,673,508, or 89.5%, is growth-related. The allocation to 10-year growth is unchanged at 45.0% and utilizes the same demand figures of 17.54 million gallons per day of maximum day growth over the 10-year period against 39.0 million gallons per day from the 2020 base year to build-out. Capital allocated to the 10-year period is $76,049,833, compared to $82,805,282 in the September 14, 2026 Study.
- The cash balance credited against the fee: The Study as originally submitted credited $14,650,540, the Water Capacity Fee Fund balance as of April 30, 2026. This Study credits $16,112,647, the balance the Town reports as of June 30, 2026, which is the opening balance of the first year of the projection.
- The Water Capacity Fee Payback: The Study as originally submitted presented $17,487,535 as a preliminary figure from the Town's fund statement as of June 25, 2026. The Town confirmed the amount of $20,201,717, attributed project by project. The payback is a claim on the fund and not a cost in the fee basis.
- The financing component: Principal issued falls from $108,600,000 to $69,050,000, and the financing cost recovered through the fee falls from $47,213,238 to $31,468,095. Two changes account for this: the decrease in the CIP and the Town's direction that facilities scheduled beyond the fifth year of the program not be financed within the 10-year period. The share of interest attributable to 10-year growth is unchanged at 45.7%.
- Meter capacity ratios at 3 inches and above: The Study as originally submitted applied the American Water Works Association ("AWWA") Manual M1 compound meter schedule at every size. This Study applies the AWWA Manual M1 ratios through 2 inches and, at 3 inches and above, the ratios of the ultrasonic meters the Town now installs at those sizes, on the meter equivalency schedule, per the Town's direction. The 3-inch ratio becomes 16.67 compared to 10.00, and the 4-inch ratio becomes 41.67 compared to 16.67. The schedule is extended through a 12-inch meter size. The calculated fee per equivalent residential unit is not affected.

- Assessment of meters 2 inches and larger: The Study as originally submitted implied that the fee would be assessed on measured or projected flow, with the meter capacity ratio applied only where no flow figure was available. A clarification was added that the proposed approach would be the greater of the meter capacity ratio or the project-specific flow calculation, on the basis set out in Section IV. This conforms the Water Capacity Fee to the basis on which the Town assesses its Wastewater Capacity Fee.
- Scope: The Study as submitted presented two scenarios, the Plan-Based Methodology and the Existing Service Standard. At the Town's direction, this Study presents the Plan-Based Methodology alone.

Table A-1 below sets out the effect of these changes on the fee derivation.

**Table A-1: Reconciliation to the Study Submitted September 14, 2026**

| Description | As Submitted | As Amended |
|---|---|---|
| Total CIP | $206,208,235 | $186,242,733 |
| Growth-Related Share | $181,696,411 | $166,673,508 |
| Growth-Related Share (%) | 88.1% | 89.5% |
| Allocation to 10-Year Growth | 45.0% | 45.0% |
| Capital Allocated to 10-Year Growth | $82,805,282 | $76,049,833 |
| Program Administration | $3,720,531 | $3,720,531 |
| Financing Cost, 10-Year Growth Share | $47,213,238 | $31,468,095 |
| Less: Cash Balance | ($14,650,540) | ($16,112,647) |
| **Net Growth-Related Cost** | **$119,088,511** | **$95,125,811** |
| Equivalent Residential Units | 20,719 | 20,719 |
| Calculated Fee per ERU | $5,748 | $4,591 |
| Increase over the Current Fee | $3,366 | $2,209 |
| Increase over the Current Fee (%) | 141% | 93% |
| Principal Issued | $108,600,000 | $69,050,000 |
| Water Capacity Fee Payback | $17,487,535 | $20,201,717 |
| Multi-Family Fee per Dwelling Unit | $1,437 | $1,148 |

# I EXECUTIVE SUMMARY

DTA Public Finance, Inc. ("DTA") was retained by the Town of Queen Creek, Arizona (the "Town"), to prepare an updated Water Capacity Fee Study (the "Study") to adequately plan for new residential and non-residential development and to identify the public facilities and costs to the Town associated with providing necessary public infrastructure to new development. This Study updates elements of the report prepared in 2019 by Willdan Financial Services and is intended to comply with Arizona Revised Statutes ("A.R.S.") §9-511.01.

The Town's current Water Capacity Fee is $2,382 per equivalent residential unit ("ERU"), adopted following the 2019 study. Since that time the Town has adopted the 2022 Comprehensive Utility Master Plan (the "Master Plan") and has obtained updated residential and non-residential development forecasts prepared by Elliott D. Pollack & Company in August 2026. This Study reflects each of those sources.

At the Town's direction, DTA has calculated the Water Capacity Fee under the Plan-Based Methodology, which is described below and explained in greater detail in Section III.

- Plan-Based Methodology. The fee recovers new development's proportionate share of the cost of constructing the growth-related facilities identified in the Town's CIP. The plan totals $186,242,733, of which $166,673,508 is growth-related. Of the growth-related amount, 45.0% is allocated to the growth occurring in the 10-year period, or $76,049,833 of capital. Additionally, program administration of $3,720,531 and a financing cost of $31,468,095 are added, and the Water Capacity Fee Fund cash balance of $16,112,647 is credited, leaving a net growth-related cost of $95,125,811.

Table 1 below summarizes the calculated fee against the current fee.

**Table 1: Summary of Calculated Water Capacity Fees**

| Description | Plan-Based Methodology |
|---|---|
| What the Fee Recovers | Growth share of the CIP |
| Cost Basis in the Fee Calculation | $95,125,811 |
| 10-Year Fee Revenue | $95,125,811 |
| Equivalent Residential Units (10-Year Growth) | 20,719 |
| **Calculated Fee per ERU** | **$4,591** |
| Current Fee per ERU | $2,382 |
| Increase | $2,209 |
| Increase (%) | 93% |

Principal findings of the Study are as follows:

- Maximum day demand in the Town's Water Service Area is projected to increase by 17.54 million gallons per day over the 10-year period, against a total increase of 39.0 million gallons per day from the 2020 base year through system build-out, taken from Table 4.12 of the Master Plan. The 10-year increase is built from the land use and demand projections set out in Appendix A. The 10-year period accounts for 45.0% of the capacity the Town must add.
- The Town commissioned residential and non-residential forecasts from Elliott D. Pollack & Company, and this Study applies demand factors calibrated to the Master Plan to each land use category. The forecast comprises 14,679 single-family dwelling units, 4,363 multi-family dwelling units and 5,421,100 square feet of non-residential floor area, each converted to ERUs on its own demand factor. The resulting 20,719 ERUs is built from the development forecast rather than from a population growth rate.
- The capital program is concentrated in the early years of the 10-year period, while capacity fees are collected as connections occur. The Town will need to issue approximately $69,050,000 of debt to construct the facilities on schedule. Interest over the term of that debt is $65,704,048, of which 45.7%, or $30,040,273, is attributable to the growth occurring in the 10-year period. With the interest the fund is charged on its own negative balances, set out at Table 4, the financing component recovered through the fee is $31,468,095.[1]
- A.R.S. §9-511.01(F) prohibits a municipality from assessing a fee on new water service connections to recover the cost of acquiring the plant of a public service corporation or another municipality. The Town's fixed asset schedule includes $62,568,937 of net book value attributable to system acquisitions. No part of that cost is recovered in the fee calculated in this Study. The cost basis is the Town's CIP, which comprises facilities that have yet to be constructed.
- Single-family units with a 1-inch meter or smaller, and all multi-family units, will be assessed on a per dwelling unit basis rather than by meter size. Multi-family units are assessed at 0.25 ERUs per dwelling unit, a factor provided by the Town. Non-residential connections continue to be assessed by meter size, on the Town's meter equivalency schedule, which follows AWWA Manual M1 through 2 inches.
- Projected revenue over the 10-year period is $95,125,811, which equals the net growth-related cost carried into the fee. The projection applies the calculated fee to the connections forecast in each year of the period.[2]

[1] The 45.7% is 10-year growth's share of the capital the debt funds, $60,682,034 of $132,723,670. Principal is not recovered a second time; it is already within the capital cost basis referenced in Table 3. The derivation is at Section IV and Appendix A.
[2] The proportionality required by A.R.S. §9-511.01 rests on how the cost basis is built, the exclusion of the 10.5 percent of the

## A Organization of the Study

This Study is organized as follows:

- Section I – Executive Summary
- Section II – Introduction
- Section III – Methodologies Used for Calculating Capacity Fees
- Section IV – Summary of Water Capacity Fees
- Appendix A – Fee Derivation Worksheets
- Appendix B – Water Facilities Map

## B Definition of Terms

The following terms are used throughout this Study:

- Capital Improvement Plan ("CIP"): A plan that identifies the capital costs (growth and non-growth) required to provide services. This can also be found in Appendix A.
- Equivalent Residential Units ("ERUs"): One ERU is one single-family residential dwelling unit. An ERU metric is assigned to each land use type as a reflection of the level of use, or benefit, that land use type receives from these facilities, and is the basis on which the Water Capacity Fees in this Study are developed. One ERU is represented by a ¾-inch meter.
- Buy-In Methodology: An approach under which new development pays its proportionate share of the value of facilities already constructed, on the basis that it connects to and draws capacity from the existing system.
- Existing Service Standard: The standard of water service the existing system delivers, measured as the value of the system in service divided by the ERUs that system presently serves. New development is assessed the cost of receiving that same standard.
- Plan-Based Methodology: An approach under which new development pays its proportionate share of the cost of a defined set of future facilities, typically identified in a CIP or master plan.
- Maximum Day Demand: The highest single day of water demand in a year, expressed in millions of gallons per day. Water systems are sized to meet maximum day demand rather than average day demand, and capacity in this Study is measured on that basis.

program attributable to existing development, the allocation of 45.0 percent of the remainder to growth in the fee period, and the corresponding allocation of financing cost.

- Net Book Value: The original cost of an asset less accumulated depreciation, as recorded on the Town's fixed asset schedule.

# II INTRODUCTION

The Town of Queen Creek currently assesses both Water and Wastewater Capacity Fees to new development to help offset the increased demand on water and wastewater facilities and associated costs generated by new development. This Study solely addresses the Water Capacity Fee.

DTA has analyzed the cost of providing water capacity to new development by examining both the Town's existing water assets and the planned facilities in the Town's CIP that are required to serve new development. Working with Town staff, and at the Town's direction, DTA has developed the fee under a plan-based approach, under which the fee is based on a finite set of planned facilities. Under that methodology, the cost of future facilities is allocated between existing and future development, because fees imposed on future development cannot recover the cost of correcting existing deficiencies that benefit current customers.

A capacity ratio is used to convert the residential equivalent fee for a ¾-inch meter into a proportionate fee for larger meter sizes. For example, the calculated single-family residential fee for a ¾-inch meter is $4,591. Capacity fees for meter sizes 1 inch and larger are determined by applying the meter capacity ratio for that size to the single-family fee. Ratios through 2 inches are those of the displacement meters in service at those sizes and are the ratios published by the AWWA in Manual M1. At 3 inches and above, the ratios are those of the ultrasonic meters the Town installs at those sizes, each taken as that meter's maximum flow divided by the 30 gallons per minute ("gpm") of a ¾-inch meter, on the meter equivalency schedule, per the Town's direction. That schedule states 500, 1,250, 2,500, 4,000, 6,500 and 8,000 gpm at 3, 4, 6, 8, 10 and 12-inch meters, respectively. Table 2 summarizes the calculated fee for each meter size.

**Table 2: Proposed Water Capacity Fee by Meter Size**

| Meter Size | Capacity Ratio | Calculated Fee |
|---|---|---|
| ¾-Inch: Single-Family, per Dwelling Unit | 1.00 | $4,591 |
| ¾-Inch: Multi-Family, per Dwelling Unit | 0.25 | $1,148 |
| 1-Inch | 1.67 | $7,652 |
| 1½-Inch | 3.33 | $15,304 |
| 2-Inch | 5.33 | $24,486 |
| 3-Inch | 16.67 | $76,520 |
| 4-Inch | 41.67 | $191,299 |
| 6-Inch | 83.33 | $382,598 |
| 8-Inch | 133.33 | $612,157 |
| 10-Inch | 216.67 | $994,756 |
| 12-Inch | 266.67 | $1,224,315 |

1. Note: Capacity ratios are rounded to two decimal places. Each ratio is the maximum flow of the meter the Town installs at that size divided by that of a ¾-inch meter, on the meter equivalency schedule, per the Town's direction. Ratios through 2 inches are the same as those published by AWWA in Manual M1. A single-family dwelling served by a meter of 1 inch or smaller is assessed the per dwelling unit fee shown in Table 6, not the fee for its meter size.

# III METHODOLOGIES USED FOR CALCULATING CAPACITY FEES

Capacity fees are one-time charges assessed against new development that reflect the costs of mitigating the direct and cumulative impacts of that development's need for additional utility capacity. This Study addresses the Water Capacity Fee only. The Town's Wastewater Capacity Fee is not within its scope, and the Town's Water Resource Fee is being prepared separately by another consultant.

The distinction between the two water fees is one of facilities versus supply. This Study recovers the cost of the physical plant required to produce, store, treat and convey water: wells, tanks, booster stations, transmission and distribution mains and their appurtenances. The Water Resource Fee addresses the cost of the water supply itself, including such items as water rights, allocations and recharge credits. The CIP underlying this Study contains no water resource acquisition costs, and the two fees therefore recover different costs and may be adopted together without duplication.

The proposed Water Capacity Fees recommended in this Study will be implemented according to the impact each new development has on the existing infrastructure. The proposed fees have been developed in accordance with A.R.S. §9-511.01.

Similar to development impact fees, in order to impose capacity fees a reasonable connection between the amount of the fee and the cost of serving new development, that is, new development's fair share of the infrastructure costs, must be demonstrated. Arizona law provides that "[a]ny proposed water or wastewater rate or rate component, fee or service charge adjustment or increase shall be just and reasonable" (A.R.S. §9-511.01(D)), and further that "rates and charges demanded or received by municipalities for water and wastewater service shall be just and reasonable. Every unjust or unreasonable rate or charge demanded or received by a municipality is prohibited and unlawful" (A.R.S. §9-511.01(E)).

A.R.S. §9-511.01(A) also prescribes the procedure by which an increase may be adopted, and the Town must follow each step. The governing body must adopt a notice of intention by motion at a regular council meeting, setting the hearing not less than sixty days thereafter, and must publish notice of the hearing at least twenty days in advance. At least thirty days before the hearing the Town must prepare a written report or supporting data for the proposed increase, including cash flow projections indicating all anticipated revenues from residential and nonresidential customers and the overall expenses of providing water service, and must make it available both by filing a copy in the office of the Town Clerk and by posting the report and the cash flow projections on the Town's website. Following the hearing the governing body may adopt the proposed increase, or any lesser increase, by ordinance or resolution, and under subsection (C) the increase becomes effective thirty days after that adoption. This Study, together with the cash flow projection at Appendix A, is intended to serve as the written report supporting the proposed Water Capacity Fee.

The Town adopted its Notice of Intention by motion at the regular meeting of the Town Council on September 16, 2026, which is 63 days before the Public Hearing set for November 18, 2026, and satisfies the 60-day requirement. This Study and its supporting data will be filed with the Town Clerk and posted on the Town's website on October 19, 2026, which is 30 days before that hearing.

Subsection (A)(1) requires that the report or supporting data include cash flow projections indicating all anticipated revenues from residential and nonresidential customers and the overall expenses for providing water or wastewater service. The revenue element is provided: Appendix A projects the Water Capacity Fee Fund year by year and states the residential and non-residential split of that revenue, specifically $79,616,365 and $15,509,446 respectively over the 10-year period. That projection carries eleven fiscal year columns, of which the first is the year before the fee period opens and carries no capacity fee revenue, so the totals stated in this Study are 10-year totals. On the expense element, DTA reads the requirement as directed to the cost of the service being charged for. A capacity fee recovers the cost of the infrastructure required to provide capacity, which is the information prepared and included in Appendix A; the operating expenses of the water enterprise are recovered through rates and are neither recovered by this fee nor used to measure it.

Two provisions bear on the fee beyond A.R.S. §9-511.01: A.R.S. §9-499.15, which sets notice requirements for a new or increased fee assessed on a business, and A.R.S. §9-511.01(F), which governs the treatment of acquisition cost.

The infrastructure included in capacity fees comprises large, system-level components and does not include onsite or site-specific improvements. Water system capacity for the purposes of this Study includes the facilities used to produce, transport, treat and distribute water, together with any appurtenances to those facilities. It does not include the cost of acquiring the water supply itself.

The additional capacity required for new growth can be achieved by "buying into" existing capacity, if there is any remaining, or the completion of utility projects to provide additional capacity. As documented in this Study, the proposed Water Capacity Fees are just and reasonable and represent new development's proportionate share of costs for growth-related water projects from which it will receive a direct benefit.

The Town is the water service provider for the entire Water Service Area, which extends beyond the Town's municipal boundaries. The facilities identified in this Study serve the whole of that service area, and demand from development outside those boundaries is included in the demand projections on the same basis as development within them. The Water Capacity Fee calculated in this Study is therefore a single fee applied uniformly to all connections in the Water Service Area, whether in-town or out-of-town. Approximately one third of the ERUs projected over the 10-year period lie outside those boundaries.

Projected water flows assume 846.43 gallons of maximum day demand per ERU. This

figure is derived from the Master Plan: 153.2 gallons per capita per day of average day demand (Section 4.4.2.9), multiplied by 3.25 persons per household (per the U.S. Census), multiplied by a maximum day to average day peaking factor of 1.70 (Section 2.3.2). The current capacity fees are calculated on a single-family equivalent (a ¾-inch meter), with fees for larger meters calculated as the product of the capacity cost for a ¾-inch meter and the respective AWWA meter capacity ratio. The proposed fees maintain that structure at 1 inch and larger for non-residential connections, with the ratios at 3 inches and above taken from the meters the Town now installs rather than from the AWWA compound schedule. Single-family residential units with a 1-inch meter or smaller are assessed per dwelling unit, and multi-family units at 0.25 ERUs per dwelling unit. Meters of 2 inches or larger are subject to an additional flow calculation, described in Section IV.

## A Methodologies Utilized in this Study

There are a number of apportionment methodologies, each of which allows for variations in the types of criteria and metrics utilized to best reflect the benefits provided by specific types of capital facilities and best measure the demand created by new development for each component of the capacity fees. The methodologies are described below:

### *A.1 Service Standards-Based Methodology*

The first method of assessing capacity fees is based on "service standards," where costs are based on units of demand. This method establishes a generic unit cost for capacity, which is then applied to development per unit of demand. Once the standard has been established, it is multiplied by a typical cost for providing that standard to develop a fee level. The standard may be measured from the system a community has already built: the value of that system in service, divided by the units of demand it presently serves, is the investment standing behind each connection, and new development is asked to contribute on the same basis. This method has several advantages, in that a fee can be calculated and implemented without knowing the cost or size of a specific future facility that will actually be acquired and/or constructed to serve future development.

### *A.2 Buy-In Methodology*

The second methodology is used when a municipality asks future development to buy into facilities it has already built, particularly where those facilities were oversized at some point in the past. Under these circumstances the municipality or prior developers may have paid directly for the oversizing, and would be reimbursed for the share of the oversized facilities used by future development. In other cases a municipality may have issued debt and be making debt service payments, and fees from future development may be applied toward their fair share of that debt. A buy-in is a purchase of an interest in existing capacity. It therefore requires that uncommitted capacity exist to be purchased, and that the amount recovered be reduced by any principal still outstanding on the assets being sold.

The distinction between the first two methods matters, because both are measured from the existing system and the calculations can look similar. Neither is applied in this Study. The Town's water system has no uncommitted capacity to sell, so the capacity new development requires must be constructed, and the cost of constructing it is what this Study recovers. A buy-in sells a share of capacity that already exists, is measured across the capacity the system was designed to serve, and is a reimbursement of prior investment. A service standard prices the standard of service the system delivers, is measured across the connections it actually serves, and is funded forward: the revenue pays for the capacity that extends the standard to new development.

### *A.3 Plan-Based Methodology (Incremental)*

The third method of assessing capacity fees is based on a "Plan," such as a CIP or master plan of facilities, which identifies a finite set of facilities. Within many such plans, facilities costs are known or can be estimated, and these costs can be assigned to all land use categories planned for the future. Plan-based fees typically take the form of a per-unit assessment, in terms of per dwelling unit or per square foot of commercial/office/industrial floorspace. Facilities costs are allocated in proportion to the level of demand generated by each type of land use for specific facilities. This method can only be utilized when an up-to-date facilities plan has already been prepared, but it is particularly useful when it is difficult to assign a service standard that applies uniformly to each land use type.

### *A.4 Combined Methodology*

The fourth approach utilizes a combination of the buy-in and plan-based methodologies mentioned previously. This might occur when the overall system has excess capacity in some events, but insufficient capacity in other elements. This methodology is usually suited for communities that have substantially built out their systems but are in the process of building additional capacity. The combined method recognizes that new users benefit from both existing infrastructure and planned improvements and therefore the new fee is calculated to reflect this.

For purposes of this Study, DTA has developed the Water Capacity Fee under the Plan-Based Methodology, the third of the four approaches described above. The fee recovers new development's proportionate share of the cost of the growth-related facilities identified in the Town's CIP, allocated to the growth occurring within the 10-year period. That methodology is appropriate where additional capacity must be constructed to serve growth, which is the case for the Town's water system.

# IV SUMMARY OF WATER CAPACITY FEES

## A Fee Calculation – Plan-Based Methodology

### *A.1 Projected Capital Needs*

The Town's CIP for the water system totals $186,242,733 in uninflated project costs across 46 projects, as identified in Appendix A. An exhibit illustrating the location of these planned facilities can be found in Appendix B.

The Town's water facilities make up a single Town-wide system and include components related to production, transmission, and storage that are part of one network built in phases. During any given fee update, due to the timing and phasing of each project relative to where growth is occurring, only a portion of the planned projects may be included in the growth-related capital costs financed by capacity fees; but over the full lifespan of building out the system, the entire network will be constructed and residents in every area of the Town will benefit.

### *A.2 Cost Summary*

Table 3 below summarizes the demand factors taken from the Master Plan, the allocation of growth-related capital to the 10-year fee period, and the resulting cost per ERU. The allocation compares the increase in maximum day demand over the 10-year period with the total increase in maximum day demand from the 2020 base year through system build-out, so that new development in the fee period pays only for the share of capacity it consumes. The build-out increase of 39.0 million gallons per day is taken from Table 4.12 of the Comprehensive Utility Master Plan.

The allocation is measured from a 2020 base year because that is the base year of the Master Plan. The facilities the Master Plan identifies, and the share of the cost it attributes to growth, are both measured from 2020, so the 45.0% allocation this Study applies to the 10-year period can only be taken from the Master Plan on that same base year. Because 2020 precedes the fee period, $33,949,838 of growth-related capital has been expended since 2020 on facilities now in service, and $15,367,799 of that amount is allocated to the fee period on the same basis as the forward program and is included in the cost basis.

**Table 3: Water Capacity Fee Calculation[1,2,3]**

| Description | Units | Cost/Fee |
|---|---|---|
| Total CIP | - | $186,242,733 |
| Growth-Related Share of the CIP | 89.5% | $166,673,508 |
| 10-Year Demand Growth, Maximum Day (mgd) (a) | 17.54 | - |
| Demand Growth to Build-Out, Maximum Day (mgd) (b) | 39.0 | - |
| Allocation to 10-Year Growth (c = a / b) | 45.0% | - |
| Capital Allocated to 10-Year Growth | - | $76,049,833 |
| Add: Program Administration | - | $3,720,531 |
| Add: Financing Cost, 10-Year Growth Share | - | $31,468,095 |
| Less: Cash Balance[2] | - | ($16,112,647) |
| **Net Growth-Related Cost (d)** | - | **$95,125,811** |
| Gallons per Capita per Day | 153.2 | - |
| Persons per Household | 3.25 | - |
| Maximum Day to Average Day Peaking Factor | 1.70 | - |
| Maximum Day Demand per ERU (gallons) | 846.43 | - |
| Equivalent Residential Units, 10-Year Growth (e) | 20,719 | - |
| **Calculated Water Capacity Fee per ERU (f = d / e)** | **-** | **$4,591** |

Notes:

1. The values in the table have been rounded to the nearest $1.00.
2. Cash balance is the cash balance of the Water Capacity Fee Fund as of June 30, 2026, supplied by the Town's Finance Department. It is the actual close of FY 2025-26, the year before the 10-year fee period opens, and is therefore the starting balance of the projection in Appendix A.
3. Capital allocated to 10-year growth is built project by project. The 45.0% allocation is applied to each project's growth-related cost, with one exception: the fleet and utilities support project of $1,999,999 is allocated in full to the fee period, because the equipment is acquired and consumed within the period rather than serving demand through build-out. The allocation therefore exceeds 45.0% of the growth-related program by $1,100,647.

The Town's current fee per ERU is $2,382. The new calculated fee of $4,591 per ERU represents an increase of $2,209, or 93% over the current fee. Of the calculated fee, $3,072 is attributable to capital and program administration and $1,519 to the financing cost described in the following subsection.

### *A.3 Financing Component*

Capacity fee revenue is not received at the same time the facilities are built. The capital program is concentrated in the early years of the 10-year period, while fees are collected as connections occur across the full period. The Town will therefore need to issue debt to construct facilities on schedule, and the interest on that debt is a cost of serving new development in the same way the construction cost is.

DTA has modeled the capacity fee fund on the same basis the Town uses in its own fund balance projection dated June 25, 2026, adopting the Town's construction schedule and its existing obligations. The projection is a statement of the cash the Town will actually move through the Water Capacity Fee Fund, and it therefore carries every growth-related dollar of the capital program the Town will expend within the 10-year period, $132,723,670, together with debt service on the 2025 Utility Interim Loan and the 2022 WIFA loan, the capacity fee payback obligation, and program management expenses. It is not limited to the share of that cost the fee recovers. Debt is sized to the funding gap, wherein each year the Town issues the amount required to hold the fund at a minimum closing balance of zero, rounded up to the nearest $25,000, and capped at the unissued balance of the financed program. At the Town's direction the financed program is the capital scheduled in the first five years, for which the Town holds a construction schedule; facilities scheduled beyond the fifth year are not financed. On this basis the Town issues $69,050,000 of debt at an assumed rate of 5% over a 30-year term. Table 4 summarizes the derivation of the financing component of the fee, and Table 5 the fund's projected sources and uses over the period.

The fund carries $132,723,670 of growth-related capital expended within the 10-year period. Of that amount, $60,682,034 is the share attributable to the growth occurring in that period, which together with capital already expended is the amount recovered in Table 3. The remainder is capacity constructed ahead of demand for growth beyond the 10-year period and is not recovered from the fee calculated in this Study.

Notably, principal is not recovered twice. The capital allocated to 10-year growth in Table 3 already includes the facilities the debt funds, so only interest is added, and only the share of it attributable to 10-year growth.

Interest is allocated on the same basis as the principal. As clarification, the allocation of project costs to growth, at 45.0%, differs slightly from the allocation of interest to growth, at 45.7%. The reason for this variance is that individual projects carry their own growth percentages and their own construction timeline, so the dollar-weighted share is not the system-wide demand share. The 45.0% referenced in Table 3 is a demand ratio, specifically 17.54 million gallons per day of 10-year growth against 39.0 million gallons per day from the 2020 base year to build-out, and it apportions facility costs to the fee period. The 45.7% is a ratio of capital dollars, specifically $60,682,034 allocated to 10-year growth against $132,723,670 of growth-related capital the fund carries.[3]

[3] The $76,049,833 of capital allocated to 10-year growth in Table 3 includes $15,367,799 already expended, funded through cash and capacity fees already collected, and that expenditure is excluded from both sides of the ratio.

**Table 4: Financing Component**

| Description | Units | Amount |
|---|---|---|
| Growth-Related Capital Carried by the Fund | - | $132,723,670 |
| Allocated to 10-Year Growth | - | $60,682,034 |
| Add: Growth-Related Cost Already Expended | - | $15,367,799 |
| Capital Allocated to 10-Year Growth | - | $76,049,833 |
| Capacity for Growth Beyond the 10-Year Period | - | $72,041,636 |
| Total Principal Issued | - | $69,050,000 |
| Assumed Interest Rate | 5.00% | - |
| Assumed Term (Years) | 30 | - |
| Annual Level Debt Service on the Issues | - | $4,491,802 |
| Total Debt Service Over the Term | - | $134,754,048 |
| Less: Principal, Recovered in the Capital Cost | - | ($69,050,000) |
| **Total Interest Over the Term** | **-** | **$65,704,048** |
| Share Attributable to 10-Year Growth | 45.7% | - |
| Interest Recovered Through the Fee | - | $30,040,273 |
| Add: Interest on Negative Fund Balances[4] | - | $1,427,822 |
| **Financing Cost, 10-Year Growth Share** | **-** | **$31,468,095** |
| Equivalent Residential Units, 10-Year Growth | 20,719 | - |
| **Financing Component per ERU** | **-** | **$1,519** |

Note: Total Principal Issued is not derived from the capital amounts above it. It is the sum of the annual issues required for the Town to meet its construction timeline, as described above and set out year by year in Appendix A.

[4] No borrowing is assumed against the facilities scheduled in years six to ten of the program, because no construction schedule has been set for them. Under that assumption the Water Capacity Fee Fund meets their cost from fee revenue as it is spent, and runs a negative balance in the later years of the period. Interest accrues on that balance at the 5% borrowing rate assumed in this Study.

**Table 5: Capacity Fee Fund: Projected Sources and Uses[5]**

| Capacity Fee Fund (Fund 222) | 10-Year Total |
|---|---|
| **Beginning Fund Balance, July 1, 2026** | **$16,112,647** |
| **Revenues and Sources** | |
| Water Capacity Fee Revenue | $95,129,794[6] |
| Bond Proceeds | $69,050,000 |
| 2022 WIFA Loan Proceeds | $7,108,524 |
| Interest Income | $548,692 |
| **Total Revenues and Sources** | **$171,837,010** |
| **Expenditures and Uses** | |
| Water Projects, Growth-Related | $132,723,670 |
| Water Capacity Fee Payback | $20,201,717 |
| 2025 Utility Interim Loan: Debt Service | $10,119,146 |
| 2022 WIFA Loan: Debt Service | $3,574,873 |
| Debt Service on New Bonds | $34,483,766 |
| Program Management Expenses | $3,720,531 |
| Interest on Negative Fund Balances | $1,427,822 |
| **Total Expenditures and Uses** | **$206,251,525** |

The 10-year totals shown in Table 5 above are derived from the year-by-year cash flow projection required by A.R.S. §9-511.01(A)(1), included as Appendix A. The Water Capacity Fee Payback of $20,201,717 in FY 2026-27 is carried from the Town's project-level detail. It is not part of the fee's capital cost basis, but because it is a claim on the fund it increases the amount the Town must borrow and therefore the financing component.[7]

The debt sized in this Study is capped at the unissued balance of the five-year financed program. No borrowing is assumed against the facilities scheduled in years six to ten, so from FY 2031-32 the fund meets their cost from fee revenue as it is spent, and that cost, together with debt service on the issues already made, exceeds the revenue

[5] The projection closes FY 2035-36 at a negative $18,301,868. At the Town's direction the financed program is the capital scheduled in the first five years, for which the Town holds a construction schedule. No schedule has been set for the facilities beyond that point, so no borrowing is assumed against them — but they serve growth beyond the 10-year period as well as within it, and the fund meets their cost as it is spent. When a construction schedule is set for those facilities, the Town intends to update this Study and bring their financing into the fee at that time.

[6] This figure exceeds the cost basis in Table 3 by $3,983. The fee, the revenue it collects and the borrowing that revenue supports are solved together to a tolerance of one dollar per equivalent residential unit, and the $3,983 is what remains at that tolerance, or 19 cents per unit. The cost basis carried into the fee is the amount in Table 3.

[7] The Water Capacity Fee Payback comprises prior-year capital paid by the Water Revenue Fund — wells, third-party funded and ASLD costs, transmission and transfer mains, tanks, boosters and sites, and fleet and utilities support — which the Water Capacity Fee Fund repays. It is a claim on the fund and is not part of the capital cost basis in Table 3.

collected in the year. The closing position described in the note to Table 5 is not a shortfall in the fee. The fee recovers the cost allocated to the growth occurring within the 10-year period; the fund in addition carries $72,041,636 of capacity constructed ahead of demand for growth beyond that period, which is recovered from the capacity fees that growth pays as it connects after FY 2035-36, together with obligations the fee is not calculated to recover. The Town may address the position by phasing the facilities that serve post-2036 growth, by funding them from another source, or by carrying the balance against the fees later growth will pay. None of those courses changes the fee calculated in this Study.

The debt is sized to the minimum that keeps the Water Capacity Fee Fund from closing a year in deficit within the five-year financed program, and no working reserve is assumed.

On that basis the required issue is $69,050,000, and debt service on that principal is paid from capacity fee revenue and only partially recovered through the fee calculated in this Study. This Study assumes that the same debt service is not also recovered through water rates; no offsetting revenue credit has been applied.

Finally, interest is recovered at its nominal amount over the full term of the debt, at the Town's direction, and on that basis, the financing component is $1,519 per ERU.

### *A.4 Cost Escalation*

The CIP is stated in current, uninflated dollars. No escalation has been applied to the spending schedule, and the fee calculated in this Study recovers the program at that cost level.

### *A.5 Calculated Water Capacity Fees*

A capacity ratio is used to convert the single-family residential equivalent fee for a ¾-inch meter into a proportionate fee for larger meter sizes. The ratio is the maximum flow of the meter the Town installs at that size, divided by the 30 gpm of a ¾-inch meter, and is applied on that basis at every size. A ratio is published for every meter size the Town sets, so no size falls outside the schedule. Connections at 2 inches and larger are additionally subject to the assessment described below.

The Town's water rate study states equivalency factors for the same meters. The two schedules use the same method and align at every meter size through 2 inches. They are applied to different charges: a rate study scales recurring charges for service, trued up periodically, while this Study scales a one-time charge recovering the cost of capacity. Where the two differ, the figures in this Study govern the Water Capacity Fee.

For example, a ¾-inch meter has a calculated fee of $4,591. A 1-inch meter has a maximum flow of 50 gpm against the 30 gpm of a ¾-inch meter, so its capacity ratio is 1.67 and its capacity fee is correspondingly 1.67 times greater. Ratios through 2 inches are those of the displacement meters in service at those sizes and are the same ratios

published by the AWWA in Manual M1. At 3 inches and above, the ratios are those of the ultrasonic meters the Town installs at those sizes, each taken as that meter's maximum flow divided by the 30 gallons per minute of a ¾-inch meter, on the meter equivalency schedule, per the Town's direction. That schedule states 500, 1,250, 2,500, 4,000, 6,500 and 8,000 gpm at 3, 4, 6, 8, 10 and 12-inch meters, respectively. The 3-inch ratio is accordingly 16.67 and the 4-inch is 41.67, compared to 10.00 and 16.67 on the AWWA compound schedule.

Multi-family residential units are assessed at 0.25 ERUs per dwelling unit, a factor provided by the Town. The factor is drawn from the Town's analysis of actual metered use at multi-family accounts. The demand build-up underlying this Study weights a multi-family unit at 0.62 ERUs.[8]

The ¾-inch versus 1-inch capacity fee differential is maintained for non-residential connections. For meters that are 2 inches or larger, the Town proposes that the fee be the greater of the meter capacity ratio for that size or a project-specific calculation of measured or projected flow converted to a single-family equivalent. The two measure different quantities, not one quantity twice. The meter capacity ratio measures the capacity a connection can draw at any moment, which the Town must build and hold available whether or not it is used. The project-specific calculation measures the volume actually consumed. Charging the greater of the two charges each connection for the greater burden it imposes on the system, which is what the fee must be proportionate to. The Town's analysis of its own accounts supports this approach. Of the 716 two-inch accounts in the Town's billing records, 325 use more water than the capacity ratio for their meter size would suggest. This is the basis on which the Town assesses its Wastewater Capacity Fee.

Single-family residential units with a 1-inch meter or smaller, and all multi-family units, are assessed per dwelling unit rather than by meter size. As shown in Table 6, the calculated water fee is $4,591 per ERU, or the net growth-related cost of $95,125,811 divided by the 20,719 incremental ERUs of demand projected over the 10-year period.

[8] The demand build-up weights a multi-family dwelling unit at 0.62 ERUs, applying 306 gallons per day against 497 for a single-family unit. The 306 is derived from Master Plan Table 4.7 and the 497 from the Table 2.9 calibration. The Town directs that multi-family development be assessed at 0.25 ERUs per dwelling unit. The service units projected in this Study are built on the Master Plan weighting: of the 20,719 equivalent residential units of 10-year growth, 2,685 are the 4,363 multi-family units at the Master Plan factor, against the 1,091 those units are assessed at 0.25. The projected revenue in this Study is struck at the calculated fee on the projected service units, so on the Town's directed factor the Town would collect approximately $7,318,000 less over the 10-year period than the projection shows. No connection is assessed more than the demand attributed to it.

**Table 6: Water Capacity Fee by Meter Size – Residential[1,2,3]**

| Meter Size | ERUs per Meter Size | Proposed Fee | Current Fee | Difference ($) | Difference (%) |
|---|---|---|---|---|---|
| Single-Family – per Dwelling Unit | 1.00 | $4,591 | $2,382 | $2,209 | 93% |
| Multi-Family – per Dwelling Unit | 0.25 | $1,148 | - | - | - |

Notes:

1. Figures may not sum due to rounding. Capacity ratios are rounded to two decimal places.
2. Residential units are currently charged based on meter size. The proposed fee would assess a per unit fee to residential development, with multi-family dwelling units assessed a pro-rated fee that is 25% of the single-family fee.
3. Single-family units with a meter larger than 1 inch will be assessed based on the non-residential rates in Table 7.

**Table 7: Water Capacity Fee by Meter Size – Non-Residential[1,2,3]**

| Meter Size | ERUs per Meter Size | Proposed Fee | Current Fee | Difference ($) | Difference (%) |
|---|---|---|---|---|---|
| 1-Inch | 1.67 | $7,652 | $3,978 | $3,674 | 92% |
| 1 ½-Inch | 3.33 | $15,304 | $7,933 | $7,371 | 93% |
| 2-Inch | 5.33 | $24,486 | $12,697 | $11,789 | 93% |
| 3-Inch | 16.67 | $76,520 | $23,822 | $52,698 | 221% |
| 4-Inch | 41.67 | $191,299 | $39,711 | $151,588 | 382% |
| 6-Inch | 83.33 | $382,598 | - | - | - |
| 8-Inch | 133.33 | $612,157 | - | - | - |
| 10-Inch | 216.67 | $994,756 | - | - | - |
| 12-Inch | 266.67 | $1,224,315 | - | - | - |

Notes:

1. Figures may not sum due to rounding. Capacity ratios are rounded to two decimal places.
2. Meter sizes and associated fees under the current fee schedule are those adopted in 2019. Proposed fees at 2 inches and larger are subject to the assessment described in Section IV.
3. The Town's current fee schedule, adopted in 2019, stops at 4 inches. No current fee or increase is therefore shown at 6 inches and above.

### *A.6 Projected Revenues*

Table 8 provides a summary of projected Water Capacity Fee revenue, assuming the new fees are effective FY 2026-27. Projected connections are taken from the Elliott D. Pollack & Company residential and non-residential forecasts prepared for the Town in August 2026, converted to ERUs on the demand factors shown in Table 3. The CIP and the fund projection are in Appendix A.

**Table 8: Projected Revenue**

| Fiscal Year | ERUs Added | Revenue |
|---|---|---|
| 2026-27 | 2,234 | $10,256,103 |
| 2027-28 | 2,006 | $9,207,832 |
| 2028-29 | 1,345 | $6,174,712 |
| 2029-30 | 1,590 | $7,299,681 |
| 2030-31 | 2,502 | $11,486,143 |
| 2031-32 | 2,616 | $12,009,954 |
| 2032-33 | 2,243 | $10,298,010 |
| 2033-34 | 2,222 | $10,200,024 |
| 2034-35 | 2,021 | $9,277,879 |
| 2035-36 | 1,942 | $8,915,472 |
| **Total** | **20,719** | **$95,125,811** |

Note: Annual revenue is the equivalent residential units added in the year at the calculated fee. Unit counts are shown rounded to the nearest whole unit and may not sum to the total. The projection is struck at the calculated fee on the service units in Table 3; the multi-family factor the Town directs produces less than this projection, as set out in Section IV.

Projected revenue over the 10-year period equals the net growth-related cost identified in Table 3; the fee is that cost divided by the ERUs to be served.

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# APPENDIX A

Town of Queen Creek
Water Capacity Fee Study

## FEE DERIVATION WORKSHEETS

The fee derivation worksheets are provided as an attachment to this Study. The attachment comprises seven worksheets: the fee derivation and the proposed fee schedule by meter size; the land use and demand build-up, including the residential and non-residential split of the projected revenue; the growth projected by year; the CIP and the project list; and the year-by-year projection of the Water Capacity Fee Fund required by A.R.S. §9-511.01(A)(1), which carries the derivation of the financing component.

# Water Capacity Fee — Fee Derivation

| | Plan-Based Methodology |
|---|---|
| **Method** | |
| What the fee recovers | Cost of expansion attributable to 10-year growth |
| Cost basis | Future facilities CIP |
| **Cost basis** | |
| Gross basis | $186,242,733 |
| Growth-related share | $166,673,508 |
| Allocation to ten-year growth | 45.0% |
| Capital and program administration allocated | $79,770,364 |
| Add: financing cost | $31,468,095 |
| Less: capacity fee fund balance applied | -$16,112,647 |
| **Cost basis carried into the fee** | **$95,125,811** |
| Ten-year fee revenue at the calculated fee | $95,125,811 |
| **Service units** | |
| Demand condition | maximum day |
| Peaking factor applied | 1.70 |
| Gallons per day per ERU | 846.43 |
| Ten-year demand growth, average day (mgd) | 10.32 |
| Ten-year demand growth, basis in use (mgd) | 17.54 |
| Growth from base year to build-out, basis in use (mgd) | 39.00 |
| Allocation ratio | 45.0% |
| Numerator for the ERU count (gallons per day) | 17,537,390 |
| **Service units (ERUs)** | **20,719** |
| **Fee per equivalent residential unit** | |
| **FEE PER ERU** | **$4,591** |
| of which: capital and administration | $3,072 |
| of which: financing | $1,519 |
| Current adopted fee | $2,382 |
| **Increase over the current fee** | **93%** |

# Proposed Water Capacity Fee Schedule

| Fee by meter size | | |
|---|---|---|
| **Meter size** | **Capacity ratio** | **Calculated fee per connection** |
| **3/4-inch — single family (1 ERU)** | 1.0000 | **$4,591.18** |
| 3/4-inch — multifamily, per unit | 0.2500 | $1,147.80 |
| 1-inch | 1.6667 | $7,652.12 |
| 1 1/2-inch | 3.3333 | $15,303.79 |
| 2-inch | 5.3333 | $24,486.15 |
| 3-inch | 16.6667 | $76,519.85 |
| 4-inch | 41.6667 | $191,299.39 |
| 6-inch | 83.3333 | $382,598.31 |
| 8-inch | 133.3333 | $612,157.39 |
| 10-inch | 216.6667 | $994,756.16 |
| 12-inch | 266.6667 | $1,224,315.24 |

| For reference | |
|---|---|
| Current adopted fee, 3/4-inch | **$2,382.00** |
| Increase over the current fee | **93%** |
| Equivalent residential units over the ten years | **20,719.24** |

The fee shown for a 3/4-inch meter is the calculated water capacity fee for one equivalent residential unit, or one single-family dwelling. Every other meter size is that fee multiplied by the capacity ratio shown. Each ratio is the maximum flow of the meter the Town installs at that size divided by the 30 gallons per minute of a three-quarter-inch meter, on the meter equivalency schedule, per the Town's direction. Ratios through 2 inches are the same as those published by AWWA in Manual M1.

Multifamily dwellings are assessed per unit at the ratio shown rather than by meter size. Single-family dwellings served by a meter larger than one inch are assessed at the non-residential rate for that meter size.

## Ten-Year Demand Growth — Land Use Build-Up

| Demand factors calibrated to Master Plan Table 2.9 (2026) | | | | |
|---|---|---|---|---|
| **Land use** | **2026 demand (mgd)** | **2026 quantity** | **Demand factor** | **Unit** |
| Single family | 21.95 | 44,153 | 497.13 | gpd / DU |
| Multifamily | 0.47 | 4,030 | 306.38 | gpd / unit |
| Retail and office | 1.27 | 5,793,276 | 219.22 | gpd / 1,000 sf |
| Industrial | 0.05 | 1,164,000 | 42.96 | gpd / 1,000 sf |
| Institutional and other | 2.09 | | | |
| **Total 2026 demand** | **25.83** | | | |

| Growth quantities, 2027 to 2036 | | | | |
|---|---|---|---|---|
| | | **In-town** | **Out-of-town** | **Total** |
| Single-family dwelling units | | 8,978 | 5,701 | 14,679 |
| Multifamily units | | 3,741 | 622 | 4,363 |
| Retail square feet | | 2,079,600 | 300,000 | 2,379,600 |
| Office and other square feet | | 652,100 | 200,000 | 852,100 |
| Industrial square feet | | 2,089,400 | 100,000 | 2,189,400 |
| Population added | | 42,828 | 21,182 | 64,010 |

| 2036 water demand build-up | | | | |
|---|---|---|---|---|
| **Land use** | **2026 demand (mgd)** | **Growth quantity** | **Demand factor** | **Demand added (mgd)** |
| Single family | 21.95 | 14,679 | 497.13 | 7.30 |
| Multifamily | 0.47 | 4,363 | 306.38 | 1.34 |
| Retail | 1.27 | 2,379,600 | 219.22 | 0.52 |
| Office and other | (incl. above) | 852,100 | 219.22 | 0.19 |
| Industrial | 0.05 | 2,189,400 | 42.96 | 0.09 |
| Institutional and other | 2.09 | | | 0.88 |
| **Total incremental demand, 2026 to 2036** | | | | **10.32** |
| 2036 total water demand | | | | 36.12 |

| Allocation of facility cost to ten-year growth | |
|---|---|
| Ten-year demand growth, basis in use (mgd) | 17.54 |
| Growth from base year to buildout, basis in use (mgd) | 39.00 |
| **Allocation to ten-year growth** | **45.0%** |

| How the ten-year growth converts to equivalent residential units | | | | | |
|---|---|---|---|---|---|
| **Land use** | **Growth quantity** | **Demand factor** | **Average-day demand added (mgd)** | **ERUs** | **% of total** |
| Single family | 14,679 | 497.13 | 7.30 | 14,656 | 71% |
| Multifamily | 4,363 | 306.38 | 1.34 | 2,685 | 13% |
| Retail | 2,379,600 | 219.22 | 0.52 | 1,048 | 5% |
| Office and other | 852,100 | 219.22 | 0.19 | 375 | 2% |
| Industrial | 2,189,400 | 42.96 | 0.09 | 189 | 1% |
| Institutional and other | | | 0.88 | 1,766 | 9% |
| **TOTAL — ten-year growth** | | | **10.32** | **20,719** | **100%** |

| Grouped | | |
|---|---|---|
| Residential | 17,341 | 84% |
| Non-residential (retail, office, industrial) | 1,612 | 8% |
| Institutional and other | 1,766 | 9% |
| **Total** | **20,719** | **100%** |

| Cross-check against the physical unit count | |
|---|---|
| Single-family dwelling units added | 14,679 |
| Single-family ERUs from the demand build-up | 14,656 |
| **Implied ERUs per single-family unit** | **0.998** |

| The same ERUs, split in-town and out-of-town | | | | | |
|---|---|---|---|---|---|
| **Land use** | | **In-town ERUs** | **Out-of-town ERUs** | **Total ERUs** | **% out-of-town** |
| Single family | | 8,964 | 5,692 | 14,656 | 38.8% |
| Multifamily | | 2,302 | 383 | 2,685 | 14.3% |
| Retail | | 916 | 132 | 1,048 | 12.6% |
| Office and other | | 287 | 88 | 375 | 23.5% |
| Industrial | | 180 | 9 | 189 | 4.6% |
| Institutional and other | | 1,182 | 585 | 1,766 | 33.1% |
| **TOTAL — ten-year growth** | | **13,831** | **6,888** | **20,719** | **33.2%** |

| Ten-year fee revenue at the calculated fee | |
|---|---|
| Residential | $79,616,365 |
| Non-residential, including institutional and other | $15,509,446 |
| **Total — ten-year fee revenue** | **$95,125,811** |

## Growth by Year — Land Use Projections, 2027 to 2036

**Growth quantities — in-town and out-of-town combined**

| Land use | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 | 2033 | 2034 | 2035 | 2036 | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Single-family dwelling units | 1,511 | 1,090 | 968 | 1,080 | 1,975 | 1,958 | 1,681 | 1,577 | 1,503 | 1,336 | **14,679** |
| Multifamily units | 538 | 894 | 301 | 460 | 295 | 450 | 288 | 436 | 279 | 422 | **4,363** |
| Retail square feet | 284,500 | 264,500 | 119,700 | 136,100 | 156,700 | 286,900 | 313,200 | 289,100 | 271,100 | 257,800 | **2,379,600** |
| Office and other square feet | 67,900 | 72,100 | 59,800 | 64,600 | 70,300 | 91,400 | 100,800 | 104,100 | 108,100 | 113,000 | **852,100** |
| Industrial square feet | 123,000 | 112,000 | 89,100 | 123,400 | 1,290,900 | 92,800 | 94,700 | 96,700 | 98,700 | 68,100 | **2,189,400** |
| Population added | 8,276 | 7,583 | 3,858 | 4,694 | 4,964 | 7,589 | 7,136 | 7,151 | 6,268 | 6,491 | **64,010** |

**Equivalent residential units generated each year**

| Land use | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 | 2033 | 2034 | 2035 | 2036 | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Single family | 1,508.7 | 1,088.3 | 966.5 | 1,078.3 | 1,972.0 | 1,955.0 | 1,678.4 | 1,574.6 | 1,500.7 | 1,333.9 | **14,656** |
| Multifamily | 331.0 | 550.1 | 185.2 | 283.1 | 181.5 | 276.9 | 177.2 | 268.3 | 171.7 | 259.7 | **2,685** |
| Retail | 125.3 | 116.5 | 52.7 | 59.9 | 69.0 | 126.3 | 137.9 | 127.3 | 119.4 | 113.5 | **1,048** |
| Office and other | 29.9 | 31.7 | 26.3 | 28.4 | 31.0 | 40.2 | 44.4 | 45.8 | 47.6 | 49.8 | **375** |
| Industrial | 10.6 | 9.7 | 7.7 | 10.6 | 111.4 | 8.0 | 8.2 | 8.3 | 8.5 | 5.9 | **189** |
| Institutional and other | 228.4 | 209.2 | 106.5 | 129.5 | 137.0 | 209.4 | 196.9 | 197.3 | 173.0 | 179.1 | **1,766** |
| **TOTAL ERUs added in the year** | **2,233.9** | **2,005.5** | **1,344.9** | **1,589.9** | **2,501.8** | **2,615.9** | **2,243.0** | **2,221.7** | **2,020.8** | **1,941.9** | **20,719** |
| **Cumulative ERUs** | **2,234** | **4,239** | **5,584** | **7,174** | **9,676** | **12,292** | **14,535** | **16,757** | **18,777** | **20,719** | |
| Share of the ten-year total | 10.8% | 9.7% | 6.5% | 7.7% | 12.1% | 12.6% | 10.8% | 10.7% | 9.8% | 9.4% | |

**In-town ERUs generated each year**

| Land use | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 | 2033 | 2034 | 2035 | 2036 | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Single family | 604.1 | 267.6 | 367.4 | 492.2 | 1,270.0 | 1,428.8 | 1,290.0 | 1,186.2 | 1,112.3 | 945.5 | **8,964** |
| Multifamily | 331.0 | 550.1 | 185.2 | 183.4 | 181.5 | 179.1 | 177.2 | 174.1 | 171.7 | 168.6 | **2,302** |
| Retail | 112.1 | 103.2 | 39.5 | 46.7 | 55.8 | 113.1 | 124.7 | 114.1 | 106.2 | 100.3 | **916** |
| Office and other | 21.1 | 22.9 | 17.5 | 19.6 | 22.1 | 31.4 | 35.6 | 37.0 | 38.8 | 40.9 | **287** |
| Industrial | 9.7 | 8.8 | 6.8 | 9.8 | 110.5 | 7.1 | 7.3 | 7.5 | 7.7 | 5.0 | **180** |
| Institutional and other | 144.6 | 133.3 | 51.0 | 60.3 | 72.0 | 146.0 | 160.9 | 147.2 | 137.0 | 129.5 | **1,182** |
| **TOTAL — in-town** | **1,222.6** | **1,085.9** | **667.5** | **812.0** | **1,712.0** | **1,905.6** | **1,795.7** | **1,666.1** | **1,573.6** | **1,389.9** | **13,831** |

**Out-of-town ERUs generated each year**

| Land use | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 | 2033 | 2034 | 2035 | 2036 | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Single family | 904.6 | 820.7 | 599.1 | 586.1 | 701.9 | 526.2 | 388.4 | 388.4 | 388.4 | 388.4 | **5,692** |
| Multifamily | 0.0 | 0.0 | 0.0 | 99.7 | 0.0 | 97.8 | 0.0 | 94.1 | 0.0 | 91.1 | **383** |
| Retail | 13.2 | 13.2 | 13.2 | 13.2 | 13.2 | 13.2 | 13.2 | 13.2 | 13.2 | 13.2 | **132** |
| Office and other | 8.8 | 8.8 | 8.8 | 8.8 | 8.8 | 8.8 | 8.8 | 8.8 | 8.8 | 8.8 | **88** |
| Industrial | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | **9** |
| Institutional and other | 83.7 | 76.0 | 55.5 | 69.2 | 65.0 | 63.4 | 36.0 | 50.1 | 36.0 | 49.6 | **585** |
| **TOTAL — out-of-town** | **1,011.2** | **919.6** | **677.4** | **777.9** | **789.8** | **710.3** | **447.3** | **555.5** | **447.2** | **552.0** | **6,888** |

**Combined, and the out-of-town share**

| | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 | 2033 | 2034 | 2035 | 2036 | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Total ERUs added in the year** | **2,233.9** | **2,005.5** | **1,344.9** | **1,589.9** | **2,501.8** | **2,615.9** | **2,243.0** | **2,221.7** | **2,020.8** | **1,941.9** | **20,719** |
| Out-of-town share of the year | 45.3% | 45.9% | 50.4% | 48.9% | 31.6% | 27.2% | 19.9% | 25.0% | 22.1% | 28.4% | **33.2%** |

## Water Capacity Fee — Capital Improvement Program

| Project | Proj # | Category | Total cost | Growth-related share of cost | Growth-related cost | Ten-year takedown | Allocated to ten-year growth |
|---|---|---|---|---|---|---|---|
| Sossaman Site, Tank & Booster | WA028 | Construction & Storage | $17,250,000 | 80% | $13,800,000 | 45% | $6,205,538 |
| Hashknife: Schnepf to Granada Ln | T20 | Construction & Storage | $13,062,500 | 100% | $13,062,500 | 45% | $5,873,901 |
| ASLD Infrastructure Improvements (State Lands) | AR100 | Third-Party Funded | $19,553,248 | 50% | $9,776,624 | 45% | $4,396,320 |
| Pima Well Redrill, Tank & Booster | WA221 | Construction & Storage | $9,000,000 | 100% | $9,000,000 | 45% | $4,047,090 |
| Hash Knife Draw: Kenworthy to Ironwood | C29 | Construction & Storage | $7,718,750 | 100% | $7,718,750 | 45% | $3,470,942 |
| Box Canyon Phase 2 - 4 Upper Tank (also WA122) | WA018 | Construction & Storage | $7,600,000 | 100% | $7,600,000 | 45% | $3,417,543 |
| Germann Rd: Schnepf to WTP | C40 | Construction & Storage | $6,555,000 | 100% | $6,555,000 | 45% | $2,947,630 |
| Sossaman Rd: Via Del Jardine to Empire Transmission Ph2 | WA065B | Construction & Storage | $7,435,710 | 80% | $5,948,568 | 45% | $2,674,932 |
| Harvest Tank, Boosters, & Site Phase 3 | WA209 | Construction & Storage | $5,408,403 | 100% | $5,408,403 | 45% | $2,432,033 |
| Diversified Well 4 (Well 0) | WA029 | Construction & Storage | $5,383,750 | 100% | $5,383,750 | 45% | $2,420,947 |
| Box Canyon Ph 1 16" WL Lime Drive: Riggs to Hunt Hwy | WA308 | Construction & Storage | $5,241,400 | 100% | $5,241,400 | 45% | $2,356,935 |
| Sierra Vista: Combs to Rolling Ridge (Transfer) | WA298 | Construction & Storage | $4,838,750 | 100% | $4,838,750 | 45% | $2,175,873 |
| Rolling Ridge Rd: Schnepf to Sierra Vista (Transfer) | WA024 | Construction & Storage | $4,593,995 | 100% | $4,593,995 | 45% | $2,065,812 |
| FOF Fleet Expansion - Water Utilities Portion | MF026 | Construction & Storage | $2,000,000 | 100% | $2,000,000 | 100% | $2,000,000 |
| Combs Rd: Sierra Vista to Schnepf (Transfer) | C106 | Construction & Storage | $4,438,750 | 100% | $4,438,750 | 45% | $1,996,002 |
| Kenworthy Pit 1MG Tank and Booster | WA032 | Construction & Storage | $4,000,000 | 100% | $4,000,000 | 45% | $1,798,707 |
| Sierra Vista Well | WA212 | Construction & Storage | $4,000,000 | 100% | $4,000,000 | 45% | $1,798,707 |
| Hunt Highway: Lime Dr to Booster Pump Station | WA224 | Construction & Storage | $3,622,080 | 100% | $3,622,080 | 45% | $1,628,765 |
| Harvest Tank, Boosters, & Site Phase 2 | WA208 | Construction & Storage | $3,335,939 | 100% | $3,335,939 | 45% | $1,500,094 |
| Ware Farms 2 Well | WA025 | Construction & Storage | $3,334,192 | 100% | $3,334,192 | 45% | $1,499,308 |
| Silver Creek to Via del Jardine & west to Sossaman Tank | WA026 | Construction & Storage | $3,246,429 | 100% | $3,246,429 | 45% | $1,459,843 |
| Diversified Well #1 Tank & Pump Station | WA012 | Construction & Storage | $3,150,000 | 100% | $3,150,000 | 45% | $1,416,481 |
| Ranchettes Water Line | WA215 | Construction & Storage | $3,100,000 | 100% | $3,100,000 | 45% | $1,393,998 |
| Ware Farms 1 Well | WA014 | Construction & Storage | $3,090,001 | 100% | $3,090,001 | 45% | $1,389,501 |
| Schnepf: Combs to Rolling Ridge (Transfer) | WA270 | Construction & Storage | $2,958,108 | 100% | $2,958,108 | 45% | $1,330,192 |
| Cloud: Sossaman to Power Reconstruction | WA222 | Construction & Storage | $2,956,800 | 100% | $2,956,800 | 45% | $1,329,604 |
| Ware Farms Developer Waterline Reimbursement | WA013 | Construction & Storage | $2,450,000 | 100% | $2,450,000 | 45% | $1,101,708 |
| Harvest Tank, Boosters, & Site Phase 4 | WA211 | Construction & Storage | $2,392,020 | 100% | $2,392,020 | 45% | $1,075,636 |
| Pima Well (Church Farm Well) | WA214 | Construction & Storage | $2,060,000 | 100% | $2,060,000 | 45% | $926,334 |
| Home Place Well & Transmission Line | WA291 | Construction & Storage | $1,819,136 | 100% | $1,819,136 | 45% | $818,023 |
| Schnepf: Hashknife to Skyline | WA271 | Construction & Storage | $1,629,397 | 100% | $1,629,397 | 45% | $732,702 |
| Stagecoach Pass Ave: Schnepf Rd to Kenworthy Rd (Transmission/Transfer) | WA006 | Construction & Storage | $1,592,500 | 100% | $1,592,500 | 45% | $716,110 |
| Box Canyon Phase 1: 16" WL Hunt Hwy to Tank Site in Subdivision Rdwys | WA216 | Construction & Storage | $1,500,000 | 100% | $1,500,000 | 45% | $674,515 |
| Sossaman Rd: Via Del Jardine to Empire Transmission (A0602, A0903, WA167) | WA065 | Construction & Storage | $1,629,290 | 80% | $1,303,432 | 45% | $586,123 |
| Hawes: Jude to Rittenhouse | WA130 | Construction & Storage | $1,226,260 | 100% | $1,226,260 | 45% | $551,420 |
| Rolling Ridge: Quail Run to Sierra Vista (Quail Ranch) | WA296 | Construction & Storage | $1,204,370 | 100% | $1,204,370 | 45% | $541,577 |
| Box Canyon Phase 2: 12" WL Sundance Road: Sossaman Road to Wild Horse Dr | WA217 | Construction & Storage | $1,200,000 | 100% | $1,200,000 | 45% | $539,612 |
| Pima Rd: Meridian to Ironwood with 12" Domestic and 12" Transmission Line | WA022 | Construction & Storage | $1,032,529 | 100% | $1,032,529 | 45% | $464,304 |
| Chuckawala Booster | WA218 | Construction & Storage | $1,000,000 | 100% | $1,000,000 | 45% | $449,677 |
| Ellsworth Ranch Well | WA213 | Construction & Storage | $1,060,000 | 80% | $848,000 | 45% | $381,326 |
| Sossaman RR Crossing @Germann (Road A0904) (No developer yet) | A0904 | Construction & Storage | $873,100 | 80% | $698,480 | 45% | $314,090 |
| Box Canyon Ph 1 Booster Station | WA309 | Construction & Storage | $680,000 | 100% | $680,000 | 45% | $305,780 |
| Chandler Heights: Hawes to Ellsworth | WA306 | Construction & Storage | $2,744,000 | 20% | $548,800 | 45% | $246,783 |
| Chandler Heights Rd: Sossaman to Hawes (PWP) (A0602) | WA167 | Construction & Storage | $2,434,726 | 20% | $486,945 | 45% | $218,968 |
| Box Canyon Ph 1 12" WL Sundance Road: Tank Site to Sossaman | WA310 | Construction & Storage | $430,000 | 100% | $430,000 | 45% | $193,361 |
| Crismon Southeast Park Water Improvements (Near FS#6) | WA219 | Construction & Storage | $411,600 | 100% | $411,600 | 45% | $185,087 |
| **TOTAL — 46 projects** | | | **$186,242,733** | **89%** | **$166,673,508** | **46%** | **$76,049,833** |

## Water Capacity Fee — Improvement Backup

| Project | Proj # | Bucket | Total cost | % growth | 10-yr override | Growth-weighted | Effective 10-yr factor | Allocated to 10-yr growth | Prior yr | FY2026 | FY2027 | FY2028 | FY2029 | FY2030 | FY2031 | Beyond 5 | Unscheduled | Town cost share | Schedule over cost |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Rolling Ridge Rd: Schnepf to Sierra Vista (Transfer) | WA024 | Construction & Storage | $4,593,995 | 100.0% | | $4,593,995 | 45.0% | $2,065,812 | 1,122 | 0 | 0 | 0 | 0 | 0 | 0 | 4,592,873 | 0 | 100.0% | 0 |
| Hash Knife Draw: Kenworthy to Ironwood | C29 | Construction & Storage | $7,718,750 | 100.0% | | $7,718,750 | 45.0% | $3,470,942 | 0 | 0 | 0 | 0 | 0 | 0 | 7,718,750 | 0 | 0 | 100.0% | 0 |
| Hashknife: Schnepf to Granada Ln | T20 | Construction & Storage | $13,062,500 | 100.0% | | $13,062,500 | 45.0% | $5,873,901 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 13,062,500 | 0 | 100.0% | 0 |
| Combs Rd: Sierra Vista to Schnepf (Transfer) | C106 | Construction & Storage | $4,438,750 | 100.0% | | $4,438,750 | 45.0% | $1,996,002 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 4,438,750 | 0 | 100.0% | 0 |
| Germann Rd: Schnepf to WTP | C40 | Construction & Storage | $6,555,000 | 100.0% | | $6,555,000 | 45.0% | $2,947,630 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 6,555,000 | 0 | 100.0% | 0 |
| Stagecoach Pass Ave: Schnepf Rd to Kenworthy Rd (Transmission/Transfer) | WA006 | Construction & Storage | $1,592,500 | 100.0% | | $1,592,500 | 45.0% | $716,110 | 1,592,500 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 100.0% | 0 |
| Pima Rd: Meridian to Ironwood with 12" Domestic and 12" Transmission Line | WA022 | Construction & Storage | $1,032,529 | 100.0% | | $1,032,529 | 45.0% | $464,304 | 329,941 | 0 | 0 | 0 | 0 | 0 | 0 | 702,588 | 0 | 100.0% | 0 |
| Kenworthy Plt 1MG Tank and Booster | WA032 | Construction & Storage | $4,000,000 | 100.0% | | $4,000,000 | 45.0% | $1,798,707 | 0 | 0 | 700,000 | 0 | 0 | 0 | 0 | 3,300,000 | 0 | 100.0% | 0 |
| Sossaman Rd: Via Del Jardine to Empire Transmission (A0602, A0903, WA167) | WA065 | Construction & Storage | $1,629,290 | 80.0% | | $1,303,432 | 36.0% | $586,123 | 122,140 | 0 | 1,507,150 | 0 | 0 | 0 | 0 | 0 | 0 | 100.0% | 0 |
| Sossaman Rd: Via Del Jardine to Empire Transmission Ph2 | WA065B | Construction & Storage | $7,435,710 | 80.0% | | $5,948,568 | 36.0% | $2,674,932 | 0 | 0 | 0 | 0 | 0 | 7,435,710 | 0 | 0 | 0 | 100.0% | 0 |
| Chandler Heights Rd: Sossaman to Hawes (PWP) (A0602) | WA167 | Construction & Storage | $2,434,726 | 20.0% | | $486,945 | 9.0% | $218,968 | 68,966 | 0 | 2,365,760 | 0 | 0 | 0 | 0 | 0 | 0 | 100.0% | 0 |
| Harvest Tank, Boosters, & Site Phase 2 | WA208 | Construction & Storage | $3,335,939 | 100.0% | | $3,335,939 | 45.0% | $1,500,094 | 3,335,939 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 100.0% | 0 |
| Harvest Tank, Boosters, & Site Phase 3 | WA209 | Construction & Storage | $5,408,403 | 100.0% | | $5,408,403 | 45.0% | $2,432,033 | 5,408,403 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 100.0% | 0 |
| Harvest Tank, Boosters, & Site Phase 4 | WA211 | Construction & Storage | $2,392,020 | 100.0% | | $2,392,020 | 45.0% | $1,075,636 | 2,341,699 | 0 | 50,321 | 0 | 0 | 0 | 0 | 0 | 0 | 100.0% | 0 |
| Sierra Vista Well | WA212 | Construction & Storage | $4,000,000 | 100.0% | | $4,000,000 | 45.0% | $1,798,707 | 2,172,930 | 0 | 1,827,070 | 0 | 0 | 0 | 0 | 0 | 0 | 100.0% | 0 |
| Schnepf: Combs to Rolling Ridge (Transfer) | WA270 | Construction & Storage | $2,958,108 | 100.0% | | $2,958,108 | 45.0% | $1,330,192 | 2,235,945 | 0 | 722,163 | 0 | 0 | 0 | 0 | 0 | 0 | 100.0% | 0 |
| Schnepf: Hashknife to Skyline | WA271 | Construction & Storage | $1,629,397 | 100.0% | | $1,629,397 | 45.0% | $732,702 | 43,269 | 0 | 0 | 0 | 0 | 0 | 0 | 1,586,128 | 0 | 100.0% | 0 |
| Home Place Well & Transmission Line | WA291 | Construction & Storage | $1,819,136 | 100.0% | | $1,819,136 | 45.0% | $818,023 | 1,027,531 | 0 | 791,605 | 0 | 0 | 0 | 0 | 0 | 0 | 100.0% | 0 |
| Rolling Ridge: Quail Run to Sierra Vista (Quail Ranch) | WA296 | Construction & Storage | $1,204,370 | 100.0% | | $1,204,370 | 45.0% | $541,577 | 4,370 | 0 | 1,200,000 | 0 | 0 | 0 | 0 | 0 | 0 | 100.0% | 0 |
| Sierra Vista: Combs to Rolling Ridge (Transfer) | WA298 | Construction & Storage | $4,838,750 | 100.0% | | $4,838,750 | 45.0% | $2,175,873 | 322,603 | 0 | 4,516,147 | 0 | 0 | 0 | 0 | 0 | 0 | 100.0% | 0 |
| Chandler Heights: Hawes to Ellsworth | WA306 | Construction & Storage | $2,744,000 | 20.0% | | $548,800 | 9.0% | $246,783 | 0 | 0 | 137,200 | 2,606,800 | 0 | 0 | 0 | 0 | 0 | 100.0% | 0 |
| Chuckawala Booster | WA218 | Construction & Storage | $1,000,000 | 100.0% | | $1,000,000 | 45.0% | $449,677 | 0 | 0 | 1,000,000 | 0 | 0 | 0 | 0 | 0 | 0 | 100.0% | 0 |
| Crismon Southeast Park Water Improvements (Near FS#6) | WA219 | Construction & Storage | $411,600 | 100.0% | | $411,600 | 45.0% | $185,087 | 0 | 0 | 0 | 411,600 | 0 | 0 | 0 | 0 | 0 | 100.0% | 0 |
| Sossaman RR Crossing @Germann (Road A0904) (No developer yet) | A0904 | Construction & Storage | $873,100 | 80.0% | | $698,480 | 36.0% | $314,090 | 23,100 | 0 | 0 | 850,000 | 0 | 0 | 0 | 0 | 0 | 100.0% | 0 |
| Pima Well (Church Farm Well) | WA214 | Construction & Storage | $2,060,000 | 100.0% | | $2,060,000 | 45.0% | $926,334 | 81,059 | 0 | 1,978,942 | 0 | 0 | 0 | 0 | 0 | 0 | 100.0% | 0 |
| Pima Well Redrill, Tank & Booster | WA221 | Construction & Storage | $9,000,000 | 100.0% | | $9,000,000 | 45.0% | $4,047,090 | 0 | 0 | 3,500,000 | 5,500,000 | 0 | 0 | 0 | 0 | 0 | 100.0% | 0 |
| Ellsworth Ranch Well | WA213 | Construction & Storage | $1,060,000 | 80.0% | | $848,000 | 36.0% | $381,326 | 82,541 | 0 | 977,459 | 0 | 0 | 0 | 0 | 0 | 0 | 100.0% | 0 |
| FOF Fleet Expansion - Water Utilities Portion | MF026 | Construction & Storage | $2,000,000 | 100.0% | 100.0% | $2,000,000 | 100.0% | $2,000,000 | 184,163 | 0 | 1,815,837 | 0 | 0 | 0 | 0 | 0 | 0 | 100.0% | 0 |
| Box Canyon Phase 2 - 4 Upper Tank (also WA122) | WA018 | Construction & Storage | $7,600,000 | 100.0% | | $7,600,000 | 45.0% | $3,417,543 | 0 | 0 | 1,140,000 | 6,460,000 | 0 | 0 | 0 | 0 | 0 | 100.0% | 0 |
| Box Canyon Ph 1 16" WL Lime Drive: Riggs to Hunt Hwy | WA308 | Construction & Storage | $5,241,400 | 100.0% | | $5,241,400 | 45.0% | $2,356,935 | 145,914 | 0 | 5,095,486 | 0 | 0 | 0 | 0 | 0 | 0 | 100.0% | 0 |
| Box Canyon Ph 1 Booster Station | WA309 | Construction & Storage | $680,000 | 100.0% | | $680,000 | 45.0% | $305,780 | 0 | 0 | 680,000 | 0 | 0 | 0 | 0 | 0 | 0 | 100.0% | 0 |
| Box Canyon Ph 1 12" WL Sundance Road: Tank Site to Sossaman | WA310 | Construction & Storage | $430,000 | 100.0% | | $430,000 | 45.0% | $193,361 | 61,561 | 0 | 368,439 | 0 | 0 | 0 | 0 | 0 | 0 | 100.0% | 0 |
| Box Canyon Phase 1: 16" WL Hunt Hwy to Tank Site in Subdivision Rdwys | WA216 | Construction & Storage | $1,500,000 | 100.0% | | $1,500,000 | 45.0% | $674,515 | 0 | 0 | 225,000 | 1,275,000 | 0 | 0 | 0 | 0 | 0 | 100.0% | 0 |
| Box Canyon Phase 2: 12" WL Sundance Road: Sossaman Road to Wild Horse Dr | WA217 | Construction & Storage | $1,200,000 | 100.0% | | $1,200,000 | 45.0% | $539,612 | 0 | 0 | 180,000 | 1,020,000 | 0 | 0 | 0 | 0 | 0 | 100.0% | 0 |
| Cloud: Sossaman to Power Reconstruction | WA222 | Construction & Storage | $2,956,800 | 100.0% | | $2,956,800 | 45.0% | $1,329,604 | 55,000 | 0 | 2,901,800 | 0 | 0 | 0 | 0 | 0 | 0 | 100.0% | 0 |
| Silver Creek to Via del Jardine & west to Sossaman Tank | WA026 | Construction & Storage | $3,246,429 | 100.0% | | $3,246,429 | 45.0% | $1,459,843 | 0 | 0 | 950,000 | 0 | 0 | 2,296,429 | 0 | 0 | 0 | 100.0% | 0 |
| Sossaman Site, Tank & Booster | WA028 | Construction & Storage | $17,250,000 | 80.0% | | $13,800,000 | 36.0% | $6,205,538 | 0 | 0 | 0 | 0 | 0 | 17,250,000 | 0 | 0 | 0 | 100.0% | 0 |
| Ware Farms 2 Well | WA025 | Construction & Storage | $3,334,192 | 100.0% | | $3,334,192 | 45.0% | $1,499,308 | 3,152,829 | 0 | 181,363 | 0 | 0 | 0 | 0 | 0 | 0 | 100.0% | 0 |
| Ware Farms 1 Well | WA014 | Construction & Storage | $3,090,001 | 100.0% | | $3,090,001 | 45.0% | $1,389,501 | 2,345,611 | 0 | 744,390 | 0 | 0 | 0 | 0 | 0 | 0 | 100.0% | 0 |
| Diversified Well 4 (Well 0) | WA029 | Construction & Storage | $5,383,750 | 100.0% | | $5,383,750 | 45.0% | $2,420,947 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 5,383,750 | 0 | 100.0% | 0 |
| Diversified Well #1 Tank & Pump Station | WA012 | Construction & Storage | $3,150,000 | 100.0% | | $3,150,000 | 45.0% | $1,416,481 | 842,049 | 0 | 2,307,951 | 0 | 0 | 0 | 0 | 0 | 0 | 100.0% | 0 |
| Ware Farms Developer Waterline Reimbursement | WA013 | Construction & Storage | $2,450,000 | 100.0% | | $2,450,000 | 45.0% | $1,101,708 | 0 | 0 | 2,450,000 | 0 | 0 | 0 | 0 | 0 | 0 | 100.0% | 0 |
| Ranchettes Water Line | WA215 | Construction & Storage | $3,100,000 | 100.0% | | $3,100,000 | 45.0% | $1,393,998 | 100,000 | 0 | 3,000,000 | 0 | 0 | 0 | 0 | 0 | 0 | 100.0% | 0 |
| Hawes: Jude to Rittenhouse | WA130 | Construction & Storage | $1,226,260 | 100.0% | | $1,226,260 | 45.0% | $551,420 | 0 | 0 | 0 | 1,226,260 | 0 | 0 | 0 | 0 | 0 | 100.0% | 0 |
| Hunt Highway: Lime Dr to Booster Pump Station | WA224 | Construction & Storage | $3,622,080 | 100.0% | | $3,622,080 | 45.0% | $1,628,765 | 0 | 0 | 3,622,080 | 0 | 0 | 0 | 0 | 0 | 0 | 100.0% | 0 |
| ASLD Infrastructure Improvements (State Lands) | AR100 | Third-Party Funded | $19,553,248 | 100.0% | | $9,776,624 | 45.0% | $4,396,320 | 15,938,765 | 0 | 0 | 0 | 0 | 0 | 0 | 3,614,483 | 0 | 50.0% | 0 |
| **TOTAL — 46 active projects** | | | **$186,242,733** | **89.5%** | | **$166,673,508** | | **$76,049,833** | **42,019,950** | **0** | **46,936,162** | **19,349,660** | **0** | **26,982,139** | **7,718,750** | **43,236,072** | **0** | **94.8%** | **0** |

## Water Capacity Fee — Financing Plan

| The eligible capital program, and what the fund must carry | |
|---|---|
| Total capital improvement program | $186,242,733 |
| Less: share attributable to existing customers | -$19,569,225 |
| **Growth-related program cost** | **$166,673,508** |
| Less: growth-related cost already spent before FY 2025-26 | -$33,949,838 |
| **GROWTH-RELATED SPEND CARRIED BY THE FUND, FY 2026-36** | **$132,723,670** |
| of which attributable to the ten-year growth (the fee's cost basis) | $60,682,034 |
| of which capacity for growth beyond FY 2036 | $72,041,636 |

| Assumptions | |
|---|---|
| Borrowing rate | **5.00%** |
| Term (years) | **30** |
| Minimum fund balance maintained | **$0** |
| Water capacity fee per ERU | **$4,591.18** |
| Service units over the program (ERUs) | **20,719.2** |

**Water Capacity Fee Fund (222) — projected sources and uses**

| Fiscal year | Total | FY25/26 | FY26/27 | FY27/28 | FY28/29 | FY29/30 | FY30/31 | FY31/32 | FY32/33 | FY33/34 | FY34/35 | FY35/36 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **REVENUES / SOURCES** | | | | | | | | | | | | |
| Water capacity fee | **$95,129,794** | $0 | $10,256,533 | $9,208,218 | $6,174,970 | $7,299,987 | $11,486,624 | $12,010,457 | $10,298,441 | $10,200,451 | $9,278,267 | $8,915,846 |
| Bond proceeds | **$69,050,000** | $0 | $31,600,000 | $11,225,000 | $0 | $24,775,000 | $1,450,000 | $0 | $0 | $0 | $0 | $0 |
| 2022 WIFA loan proceeds | **$7,108,524** | $0 | $7,108,524 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| Interest income | **$548,692** | $0 | $483,379 | $363 | $465 | $63,435 | $363 | $687 | $0 | $0 | $0 | $0 |
| **TOTAL SOURCES** | **$171,837,010** | **$0** | **$49,448,436** | **$20,433,581** | **$6,175,435** | **$32,138,422** | **$12,936,987** | **$12,011,144** | **$10,298,441** | **$10,200,451** | **$9,278,267** | **$8,915,846** |
| **EXPENDITURES / USES** | | | | | | | | | | | | |
| Water projects | **$132,723,670** | $0 | $44,436,872 | $17,094,220 | $0 | $22,044,997 | $7,718,750 | $8,285,766 | $8,285,766 | $8,285,766 | $8,285,766 | $8,285,766 |
| Water capacity fee payback — wells | **$8,570,293** | $0 | $8,570,293 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| Water capacity fee payback — third-party funded (ASLD) | **$7,969,383** | $0 | $7,969,383 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| Water capacity fee payback — transmission and transfer mains | **$2,137,668** | $0 | $2,137,668 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| Water capacity fee payback — tanks, boosters and sites | **$1,445,750** | $0 | $1,445,750 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| Water capacity fee payback — fleet and utilities support | **$78,624** | $0 | $78,624 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| 2025 Utility Interim Loan — debt service | **$10,119,146** | $0 | $502,909 | $502,681 | $502,483 | $8,611,073 | $0 | $0 | $0 | $0 | $0 | $0 |
| 2022 WIFA loan — debt service | **$3,574,873** | $0 | $357,487 | $357,487 | $357,487 | $357,487 | $357,487 | $357,487 | $357,487 | $357,487 | $357,487 | $357,487 |
| Debt service on new bonds | **$34,483,766** | $0 | $0 | $2,055,625 | $2,785,828 | $2,785,828 | $4,397,477 | $4,491,802 | $4,491,802 | $4,491,802 | $4,491,802 | $4,491,802 |
| Project management expenses | **$3,720,531** | $0 | $50,000 | $420,156 | $430,660 | $441,426 | $452,462 | $463,774 | $475,368 | $487,252 | $499,433 | $0 |
| Interest expense on a negative balance | **$1,427,822** | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $78,239 | $247,750 | $431,230 | $670,603 |
| **TOTAL USES** | **$206,251,525** | **$0** | **$65,548,986** | **$20,430,170** | **$4,076,458** | **$34,240,811** | **$12,926,176** | **$13,598,829** | **$13,688,662** | **$13,870,057** | **$14,065,718** | **$13,805,658** |
| SOURCES OVER / (UNDER) USES | **-$34,414,515** | $0 | ########## | $3,411 | $2,098,977 | -$2,102,389 | $10,811 | -$1,587,685 | -$3,390,221 | -$3,669,606 | -$4,787,451 | -$4,889,812 |
| Beginning fund balance | | $16,112,647 | $16,112,647 | $12,097 | $15,508 | $2,114,485 | $12,096 | $22,907 | -$1,564,778 | -$4,954,999 | -$8,624,605 | ########## |
| **PROJECTED ENDING FUND BALANCE** | | **$16,112,647** | **$12,097** | **$15,508** | **$2,114,485** | **$12,096** | **$22,907** | **-$1,564,778** | **-$4,954,999** | **-$8,624,605** | ########## | ########## |

| The debt, and the financing component of the fee | |
|---|---|
| Total principal issued | $69,050,000 |
| Annual level debt service once fully issued | $4,491,802 |
| Total debt service over the full term | $134,754,048 |
| Less: principal — already recovered in the capital cost basis | -$69,050,000 |
| **Interest over the full term** | **$65,704,048** |
| Share of that interest attributable to ten-year growth | 45.7% |
| Interest recovered through the fee | $30,040,273 |
| Add: interest on negative fund balances | $1,427,822 |
| **Financing cost, ten-year growth share** | **$31,468,095** |
| **Financing component per ERU** | **$1,518.79** |

The debt sized in this Study is capped at the unissued balance of the five-year financed program. No borrowing is assumed against the facilities scheduled in years six to ten, so from FY 2031-32 the fund meets their cost from fee revenue as it is spent and the projection closes FY 2035-36 at a negative balance. That position is a timing difference and not a shortfall in the fee: the fund in addition carries $72,041,636 of capacity constructed ahead of demand for growth beyond the ten-year period, which is recovered from the capacity fees that growth pays as it connects after FY 2035-36. It is explained in the note to Table 5 of the Study and in Section IV.

# APPENDIX B

Town of Queen Creek
Water Capacity Fee Study

## WATER FACILITIES MAP

dta

www.FinanceDTA.com

18201 VON KARMAN AVENUE, SUITE 220
IRVINE, CA 92612
PHONE: (800) 969-4DTA

Public Finance
Public-Private Partnerships
Development Economics
Clean Energy Bonds

TOWN OF QUEEN CREEK ARIZONA

**TO:** **HONORABLE MAYOR AND TOWN COUNCIL**

**THROUGH:** **BRUCE GARDNER, TOWN MANAGER**

**FROM:** **SCOTT MCCARTY, DEPUTY TOWN MANAGER/CHIEF FINANCIAL OFFICER**

**RE:** **PUBLIC HEARING AND POSSIBLE APPROVAL OF ORDINANCE NO. 900-26 TO ESTABLISH NEW DEVELOPMENT WATER RESOURCE CAPACITY FEES IN COMPLIANCE WITH STATE LAW AND THE CAGRD MODIFICATION AND EXEMPTION PROGRAMS.**

**DATE:** **November 18, 2026**

---

**Suggested Action:**

Motion to approve Ordinance No. 900-26 to establish New Development Water Resource Capacity Fees in compliance with State law and the CAGRD modification and exemption programs.

**Relevant Council Goal(s):**

Effective Government: KRA Financial Management, Internal Services & Sustainability

**Discussion:**

Capacity fees are one-time fees charged to new construction intended to offset the cost of new infrastructure built and asset purchases related to growth. The accurate assessment of this fee is critical to the Town's financial sustainability by ensuring these costs are fairly paid by new residents and businesses. Existing residents and businesses do not pay capacity fees.

As the Town continues to grow, more water resources and water resource infrastructure will be required to service new growth. The new development water resource capacity fee will fund water resources and water resource capacity infrastructure related to growth. Town staff, in partnership with Stantec, the Town's capacity fee consultant for this project, have evaluated the costs associated with water resources and water resource infrastructure over the next ten years and established a methodology to distribute those costs across the growth of the ten-year period.

In order to increase capacity rates and fees, the Town must follow a two-step process as required by A.R.S. § 9-511.01. Step one, is a requirement to provide a written public notice of intent to increase rates, setting the public hearing date and including data that supports the proposed fee. Attached is a report prepared by Stantec, the Town's rates and fees consultant, supporting the proposed cost-of-service rate adjustments. The notice was approved at the September 16, 2026, Town Council meeting, a copy of the notice was published on the Town's webpage, related material was posted on the Town's website, and information was published in the newspaper. Step two is a requirement to conduct a public hearing to increase the fee at today's meeting.

In addition to completing the required statutory processes, Town staff conducted numerous public outreach meetings with customers, Homeowners Associations (HOAs), stakeholders, boards and commissions, and other community groups. These meetings provided opportunities to present the proposed water resource capacity fee and other utility fee changes, listen to customer and

stakeholder feedback, and identify areas of concern. Staff incorporated this feedback into subsequent presentations, brought key concerns forward for Council consideration, and adjusted presentation materials and other aspects of the proposed fees as appropriate. The Town also utilized multiple communication channels to inform customers and provide access to relevant information, including social media, the Town's website, direct email communications, and utility bill notifications.

Public outreach and customer communications will continue following the November 18, 2026, Council action to support customer understanding, address questions, and provide ongoing information regarding implementation of the approved fees.

Finally, and very important to the Town Council, is the involvement of our stakeholders in this process. As has been the Town's standing practice, staff engaged a "Stakeholder Focus Group" to participate in the fee update process. This group is made of representatives from the development community including, but not limited to, the Home Builders Association of Central Arizona, landowners, other homebuilders, and zoning attorneys. Their input and feedback has been critical and we thank them for their participation in this process.

**Fiscal Impact:**

The new development water capacity fee is calculated to cover the growth share of development through a planning period of ten years. Under state law, the standard for the process to update the fee is "fair and reasonable".

The proposed New Development Water Resource Capacity Fee establishes a one-time fee for new development connecting to the Town's water system. The fee is designed to recover 50% of the projected cost of securing future water supplies for the system, with the remaining 50% recovered through the monthly Water Resource Fee paid by customers once connected to the system. Because the Town's water service area exceeds its wastewater service area, the proposed Water Resource Capacity Fee differentiates between Combined Accounts, which receive a 40% credit for wastewater returned to the Town's system and recharged, and Water-Only accounts, for which the Town receives no wastewater return-flow benefit. For a typical single-family residential development, the proposed fee is $6,119 per equivalent residential unit (ERU) for combined water and wastewater service and $10,199 for water-only service. Fees for commercial development vary based on meter size, service classification, and applicable effluent credits. Larger meters are subject to project-specific water demand calculations. Multifamily development capacity fees will be assessed on a per-unit basis consistent with the Town's Wastewater Capacity Fee and Water Capacity Fee.

The New Development Water Capacity Fee establishes CAGRD modification and exemption provisions, including an estimated 4,000 single-family lots eligible for exemption, recognizing existing water supply obligations associated with those properties. These provisions are intended to allocate water supply costs to new development while recognizing CAGRD obligations have already been met. The CAGRD Modification Program reduces the Water Resource Capacity Fee through three credits: (1) a 20% reduction reflecting the portion of the water supply obligation covered by CAGRD enrollment, (2) credits for applicable CAGRD Activation fees, and (3) credits for applicable CAGRD Enrollment fees, recognizing these costs already incurred by the development.

The proposed fee is expected to generate approximately $85.3 million in the 10-year projection. The projections include $21.0 million in revenue through the first five years of the program and an additional $64.3 million between FY 2032 and FY 2036 in the last five years of the 10-year projection based on projected development activity and applicable exemptions and credits. These revenues will be deposited into a dedicated Water Resource Capacity Fee enterprise fund, separate and apart from the Town's existing water and wastewater funds.

The fund is projected to accumulate approximately $89.5 million by FY 2036, including $4.2 million of estimated interest earnings. These resources will be held for the acquisition of additional water supplies necessary to serve future development and support the Town's long-term 100-year assured water supply obligations. Establishing a dedicated funding source provides greater financial

separation between existing customers and future growth, reduces the potential for existing ratepayers to subsidize new development, and provides a mechanism to accumulate resources in advance of future water supply needs.

**Alternatives:**

The proposed fee meets the “fair and reasonable” standard established under state law. If the new development water resource capacity fees were not established, the monthly water delivery fee and/or water resource fee would have to bear the burden of future infrastructure costs.

**Attachment(s):**

1. Ordinance No. 900-26
2. Report: 2026 Water Utility Rate Study Report, Town of Queen Creek, Arizona, Stantec

**ORDINANCE NO. 900-26**

**AN ORDINANCE OF THE COMMON COUNCIL OF THE TOWN OF QUEEN CREEK, ARIZONA, ADOPTING NEW DEVELOPMENT WATER RESOURCE CAPACITY FEES IN COMPLIANCE WITH STATE LAW AND THE CAGRD MODIFICATION AND EXEMPTION PROGRAMS.**

**WHEREAS**, Arizona's enabling legislation for water and wastewater capacity fees, A.R.S. § 9-511.01 (the "Utility Statute") requires the Town of Queen Creek (the "Town") to prepare a written report providing a schedule of the proposed new development water resource capacity fees and the analysis supporting the proposed increases (including cash flow projections); and

**WHEREAS**, Stantec, the Town's consultant, has prepared, on behalf of the Town, a written report providing a schedule of the proposed new development water resource capacity fees and the analysis supporting the proposed fees (including cash flow projections) titled "Queen Creek, Arizona, Water Resource Capacity Fee 2026 Rate Study Report" (the "Report"); and

**WHEREAS**, the Utility Statute also requires the Common Council of the Town (the "Town Council") to (i) adopt a Notice of Intention to adopt the fees, (ii) file the written report with the Town Clerk, and (iii) post the written report on the Town's website at least 60 days prior to holding a public hearing on the proposed fees; and

**WHEREAS**, on September 16, 2026, the Town Council (i) adopted the Notice of Intention that confirmed the filing and posting of the draft Report as required by the Utility Statute and (ii) set a public hearing to consider the proposed new or increased fees at its regularly scheduled meeting on November 18, 2026; and

**WHEREAS**, since filing and posting of the draft Report, approximately 4,000 lots that are subject to the new development water resource capacity fee were identified as having previously been or could be enrolled in the Central Arizona Groundwater Replenishment District ("CAGRD") prior to the Town receiving its Alternative Designation of Assured Water Supply ("ADAWS"); and

**WHEREAS**, to ensure the new development water resource capacity fee is fair and reasonable, the Town Council has determined that adjustments to the fee are necessary for any lot that holds a Certificate of Assured Water Supply and is enrolled in CAGRD prior to the Town receiving its Alternative Designation of Assured Water Supply ("ADAWS") (the "CAGRD Modification"); and

**WHEREAS**, the Town Council held the public hearing on November 18, 2026, and now desires to conclude the capacity fee adoption process by approving a new development water resource capacity fee as set forth in the Report, subject to the CAGRD Modification and Exemption programs.

**NOW, THEREFORE, BE IT ORDAINED BY THE COMMON COUNCIL OF THE TOWN OF QUEEN CREEK, ARIZONA, AS FOLLOWS**:

**Section 1:** The recitals above are hereby incorporated as if fully set forth herein.

**Section 2:** The Report is hereby adopted in substantially the form and substance attached hereto as Exhibit A and incorporated herein by reference.

**Section 3:** The new development water resource capacity fees as set forth in Table 3 of the Report are hereby approved.

**Section 4:** The Town Code, Article 16-9 (Water and Wastewater Capacity Charges Off-Site Improvements), Section 16-9-2 (Water Capacity Charge) is hereby amended to add a new table titled "New Development Water Resource Capacity Fee" to include the new development water resource capacity fees set forth in Table 3 of the Report.

**Section 5:** The CAGRD Modification to the new development water resource capacity fees is hereby adopted in substantially the form and substance attached hereto as Exhibit B and incorporated herein by reference.

**Section 6:** The Town Manager, the Town Clerk and the Town Attorney are hereby authorized and directed to take such steps and execute such documents as necessary to implement this Ordinance.

**Section 7:** The new development water resource capacity fees adopted herein shall: (i) be placed in a separate fund designated for payment of project costs as set forth in the Report; and (ii) not be used for unrelated purposes.

**Section 8:** If any section, subsection, clause, phrase or portion of this Ordinance or any part of these amendments to the Town Code is for any reason held invalid or unconstitutional by the decision of any court of competent jurisdiction, such decision shall not affect the validity of the remaining portions thereof.

**Section 9:** At least one paper copy and one electronic copy of this Ordinance and Exhibit(s) are to be filed with and will be located at the office of the Town Clerk.

[Signatures on following page]

**PASSED AND ADOPTED** by the Common Council of the Town of Queen Creek, Arizona, this 18th day of November, 2026.

| | |
|---|---|
| FOR THE TOWN OF QUEEN CREEK: | ATTESTED TO: |
| Julia Wheatley, Mayor | Maria Gonzalez, Town Clerk |
| REVIEWED BY: | APPROVED AS TO FORM: |
| Bruce Gardner, Town Manager | Clifford Mattice, Town Attorney |

**EXHIBITS ON FILE AND LOCATED AT THE TOWN CLERK'S OFFICE.**

**EXHIBIT A**

**TO**

**ORDINANCE 900-26**

**[Report]**

See following pages.

**EXHIBIT B**

**TO**

**ORDINANCE 900-26**

**[CAGRD Modification]**

See following pages.

CAGRD MODIFICATION PROGRAM
FOR
NEW DEVELOPMENT WATER RESOURCE CAPACITY FEE

The Town of Queen Creek (the "Town") implemented a new development water resource capacity fee on November 18, 2026, to provide for revenues necessary to acquire water rights needed to serve new growth within the limits of the Town's water service area. The Common Council of the Town (the "Town Council") recognizes that approximately 4,000 lots are or could be subject to the new development water resource capacity fee that are or will be enrolled in CAGRD. To ensure the new development water resource capacity fee is fair and reasonable, the Town Council has determined that adjustments to the fee are necessary for any single-family lot that holds a Certificate of Assured Water Supply and is enrolled in CAGRD prior to the Town receiving its Alternative Designation of Assured Water Supply ("ADAWS") (each, a "CAGRD Lot"). For each CAGRD Lot, the new development water resource capacity fee will be reduced by three credits: (i) 20% of total water obligation to account for the years of water supply represented by the CAGRD enrollment compared against the 100-year water supply needed by the Town; (ii) CAGRD activation fee; and (iii) CAGRD enrollment fee (collectively, the "CAGRD Modification Program"). The application of the CAGRD Modification Program to the new development water resource capacity fee is illustrated by the following example:

| **EXAMPLE**<br>**Single-Family Home (¾ Inch Meter)** | **Water Only Account** | **Combined Account (Water and Wastewater)*** |
|---|---|---|
| Water Resource Capacity Fee<br>(50% of Total New Water Obligation) | **$10,199** | **$6,119** |
| CAGRD Modification Program: | | |
| 1. 20-Year Water Supply<br>(20% of Total New Water Obligation) | ($4,080) | ($2,448) |
| 2. Activation Fee** | ($1,760) | ($1,760) |
| 3. Enrollment Fee** | ($431) | ($431) |
| Total CAGRD Credits | ($6,271) | ($4,639) |
| | | |
| Fee Due (After CAGRD Modification Program) | **$3,928** | **$1,480** |

*40% Wastewater credit for Effluent Water returned via the Queen Creek or EPCOR wastewater system.
** The CAGRD enrollment fee and activation fee are subject to change annually, which would affect the credit calculation under the CAGRD Modification Program.

The Town Council further determines that, under the current circumstances, and if the estimated number of CAGRD Lots does not exceed 4,000, the CAGRD Lots will be the functional equivalent, for water supply purposes, of existing service units within the Town's water service area. Accordingly, such CAGRD Lots shall be fully exempt from the water resource capacity fee (collectively, the "CAGRD Exemption Program").

The exemption shall remain in effect for so long as the current circumstances are unchanged. The Town Council, in its sole and absolute discretion, may repeal the exemption upon a change in circumstances. If the exemption is repealed, all CAGRD Lots shall pay the new development water resource capacity fee in the amounts calculated pursuant to the CAGRD Modification Program rates as illustrated above.

Stantec

TOWN OF QUEEN CREEK ARIZONA

# 2026 Water Utility Rate Study Report
# Town of Queen Creek, Arizona
- New Development Water Resource Capacity Fee

Stantec

Prepared for: Scott McCarty
Town of Queen Creek
Deputy Town Manager/CFO

Prepared by: Courtney Black
Stantec Consulting
Senior Principal

# 1 INTRODUCTION AND PURPOSE

The Town of Queen Creek, Arizona (Town) contracted Stantec Consulting Services Inc (Stantec) to conduct a comprehensive utility rate study (Study) for its water system (Utility). As part of the Study, the Town is proposing to establish a Water Resource Capacity Fee (WRCF), a one-time fee paid by new development to recover a portion of the cost of water resources the Town must secure to serve growth. The WRCF is a companion to the Water Resource Fee (WRF), a monthly fee that will be paid by existing and new customers that is presented in a separate report.[1] Together, the WRF and WRCF will recover costs associated with water supply, including associated infrastructure, for new customers.

The principal objective of this portion of the Study was to develop a capacity fee that allows new development to contribute to the cost of securing water supplies for growth under Arizona's 100-year Assured Water Supply requirements, so that existing ratepayers are not left to subsidize the water supplies needed for new users. The Study evaluated the projected future cost of water supply, the Town's projected growth by customer type, and the expected effluent returned to the system by customers that receive both water and wastewater service to arrive at a fee for each customer class and meter size.

The Town will create a dedicated WRCF enterprise fund, similar to the existing fund structure for water and wastewater capacity fees. WRCF revenues, associated expenses, and fund balances will be accounted for within this separate enterprise. Stantec created a WRCF model to analyze and project the anticipated revenues and expenses based on growth projections and the resulting new and replacement water needs. The analysis described in this report presents the fee basis of the WRCF, the resulting fee schedule by customer class and meter size, and the multi-year revenue and cash flow projections associated with the fee.

This report has been prepared to assist the Town in complying with the requirements of Arizona Revised Statutes (A.R.S.) Title 9, § 9-511.01 governing adjustments to municipal water and wastewater rates, fees, and service charges. The statute requires municipalities engaged in the domestic water or wastewater business to prepare a written report or supporting data demonstrating the need for a proposed rate adjustment and to develop cash flow projections identifying anticipated revenues from customers and the overall expenses to serve new customers. This report presents the data and analyses supporting the proposed fee and provides multi-year cash flow schedules demonstrating the projected revenues from the fee and their use. Values may be rounded throughout this report for presentation purposes.

The Town Council received a presentation regarding the need for and basis to establish a water resource capacity fee as part of its regular meeting on September 2, 2026. Subsequent to that, on September 16, 2026, the Town Council approved a notice of intention to implement the WRCF. At that time, the basis for and proposed WRCF was included in a single report alongside water retail rates and the proposed water resource fee. The Town has engaged in public discussions regarding the proposed WRCF to provide the opportunity for the community and developers to ask questions, request information, and provide feedback relative to the proposed rate adjustments. As a result of these discussions, the Town has decided to present the WRCF in a separate report for the benefit of stakeholders interested only in the WRCF.

While the basis for and level of the proposed WRCF has not changed, the fee schedule has been refined to reflect specific service types, and revenue calculations have been revised to incorporate the most current projected growth by service type. Additional explanation and information have been incorporated based on

[1] 2026 Water Utility Rate Study Report - Water Rate Cost of Service Fees and New Water Resource Fee

WRCF discussion with stakeholders and the October 7th, 2026 Town Council presentation. Finally, amendments were made to the Town's Central Arizona Groundwater Replenishment District (CAGRD) modification and exemption programs. These programs offer a transition approach until the Town receives Alternative Designation of Assured Water Supply (ADAWS). Some lots may receive modification to the fee calculation and all single-family lots that hold a Certificate of Assured Water Supply and are enrolled in CAGRD prior to the ADAWS will receive an exemption. The exemption would apply to an estimated 4,000 single-family lots (or connections).

# 2 ANALYTICAL APPROACH

Stantec worked with Town staff to establish the projected cost of future water supply for projected new development and the allocation of that cost between the WRF and the WRCF. Key data inputs and assumptions include:

- Projected growth in equivalent residential units (ERUs) by customer type, provided by Elliot Pollack and Company (consistent with the WRF analysis and water retail rates forecast).
- The Town's most recent water purchase price (approximately $20,000 per acre-foot (AF) in 2025) and an estimated FY 2027 price of $22,500 per AF per Town Staff.
- An 8% annual water price escalation through
- FY 2040 application for re-designation, triggering the requirement to secure water supplies for growth.
- One-third of an AF per year of water for each ERU
- Effluent credits by customer type, consistent with the credits applied to the WRF
- New water supply cost recovery allocated equally between the WRCF and the WRF.

# 3 WATER RESOURCE CAPACITY FEE

## 3.1 BACKGROUND AND ESTABLISHING NEED FOR FEE

As the Town grows, it must acquire additional physical supplies and replenish water to maintain a 100 year supply for new customers. The Town is establishing the WRCF, a one-time fee to new development to recover a portion of the expected costs of water supply for new development. Assessing a portion of these costs at the time of connection ties the cost of new supply directly to the growth that creates the demand and reduces the risk of existing ratepayers subsidizing the cost of new water sources to serve growth.

The Town's 10-year growth projection of approximately 16,700 ERUs is expected to require approximately 360,000 AF of additional 100-year supply. The Town has determined that this cost will be paid from two dedicated revenue sources:

- 50% from the Water Resource Capacity Fee (WRCF), paid once by new development
- 50% from the portion of the Water Resource Fee (WRF) paid monthly by new customers on their utility bills once they connect to the utility system and begin receiving water service

Without the WRCF, all customers, existing and new, would pay for the cost of new customer water supply through the WRF.

## 3.2 FEE CALCULATION

The Town proposes to base the WRCF on the cost of the future water supply it must secure when it applies for redesignation in FY 2040, currently forecasted at $61,192 per acre-foot[2].

The proposed fee schedule reflects 50% cost recovery, recognizing that new customers also contribute revenue through the WRF and that the future market price of water is uncertain. This results in a net fee of $30,596 per AF, or $6,119 for a typical single-family home with both water and sewer service.

### 3.2.1 Projected Cost of Water

The Town's most recent water purchase, completed in 2025, cost approximately $20,000 per AF. For the fee calculation, the cost of water is assumed to start at $22,500 per AF in FY 2027 and escalate at 8% per year, reaching $61,192 per AF in FY 2040. This roughly triples the cost of current supply, consistent with the increase in Arizona water lease costs over the past 15 years.

### 3.2.2 Effluent Credits

Customers that receive both water and wastewater service (combined service customers) from the Town return a portion of their water use to the Town's system as effluent. This effluent is treated and returned to the water supply and is credited towards the Town's replenishment requirements. The WRCF for combined service customers is reduced by the credits shown in Table 1, which are based on water use and effluent return analysis prepared by the Town.

**Table 1: Summary of Effluent Credits**

| Service | Customer Type | Credit Eligible | Credit Amount |
|---|---|---|---|
| Water Only | All Water Only | Not Credit Eligible | N/A |
| Combined | Commercial | Credit Eligible | 90% of Water Billed |
| Combined | Commercial & Landscape | Credit Eligible | 80% of Water Billed |
| Combined | Multi-Family | Credit Eligible | 80% of Water Billed |
| Combined | Residential | Credit Eligible | 40% of Water Billed |

### 3.2.3 Allocation and Fee per ERU

Table 2 summarizes the steps to determine the WRCF per ERU for a water-only customer and a single family combined service customer.

**Table 2: Calculation of the Water Resource Capacity Fee**

| Fee Component | Amount |
|---|---|
| Projected cost of water per AF at re-designation (FY 2040) | $61,192 |
| Portion of cost allocated to the WRCF | 50% |
| **Net WRCF per AF** | **$30,596** |
| Water use per ERU (AF per year) | 1/3 |
| **WRCF per ERU – water-only account** | **$10,199** |
| Effluent credit – single-family combined service customer | 40% |
| **WRCF per ERU – single-family combined service customer** | **$6,119** |

[2] Based on the recent 15-year increase in the cost of water leases in Arizona per data compiled by WestWater Research (2025-Water-Market-Annual-Report.pdf). While it is recognized that market prices for leases are not the same as 100-year water supply rights that are arguably more scarce, it was determined to be a reasonable basis for projecting future water supply cost increases.

## 3.3 PROPOSED FEE SCHEDULE

Table 3 presents the proposed WRCF by customer classification / service type and meter size. For single-family accounts with a ¾" or 1" meter, the fee is $10,199 for a water-only account and $6,119 for a combined service customer Commercial and Industrial fees are scaled by meter size based on the flow capacity of the meter types used by the Town and are reduced for combined service customers by the applicable effluent credit. Multi-family accounts are assessed per unit at 25% of the single-family water-only fee (based on an analysis of water use per unit as compared to single-family customers) and at $510 per unit for combined service customers. This is the same per-unit methodology used for the Town's proposed water capacity fee and wastewater capacity fee.

**Table 3: Water Resource Capacity Fee by Customer Class**

| Meter Size | Comm – Water Only | Comm – Water & Sewer | Comm – Water & Sewer + Landscape Meter | Multi-Fam Water Only (Per Unit) | Multi-Fam Water & Sewer (Per Unit) | Single-Family Water Only | Single-Family Water & Sewer |
|---|---|---|---|---|---|---|---|
| 3/4 inch | $10,199 | $1,020 | $2,040 | $2,550 | $510 | $10,199 | $6,119 |
| 1 inch | $16,998 | $1,700 | $3,400 | | | $10,199 | $6,119 |
| 1.5 inches | $33,995 | $3,400 | $6,799 | | | Commercial Water Only Rate Schedule | 60% of Commercial Water Only Rate Schedule |
| 2 inches | $54,392 | $5,439 | $10,878 | | | | |
| 3 inches | $169,976 | $16,998 | $33,995 | | | | |
| 4 inches | $424,941 | $42,494 | $84,988 | | | | |
| 6 inches | $849,882 | $84,988 | $169,976 | | | | |
| 8 inches | $1,359,812 | $135,981 | $271,962 | | | | |
| 10 inches | $2,209,694 | $220,969 | $441,939 | | | | |
| 12 inches | $2,719,624 | $271,962 | $543,925 | | | | |

Large meters (2 inches or greater) are typically used for commercial and industrial customers. For these accounts, the fee is the greater of the scheduled fee based on the number and size of meters or the fee based on the number of ERUs resulting from a project-specific flow calculation. This approach recognizes variances can occur among large water users.

### 3.3.1 CAGRD Modification and Exemption Programs

The fees in Table 3 apply to all new development, with a temporary exception. Until the Town receives its ADAWS, two programs tied to CAGRD enrollment adjust the fee: the CAGRD Modification Program, which reduces the fee for some parcels, and the CAGRD Exemption Program, which exempts qualifying single-family lots. Each is described below.

During this transition period, some parcels that are not single-family homes may be developed and still be subject to CAGRD enrollment. For these parcels, the Town has created the CAGRD Modification Program, which reduces the WRCF by three credits: (i) 20% of the total water obligation, reflecting the years of water supply covered by CAGRD enrollment compared with the 100-year supply the Town needs; (ii) the CAGRD activation fee; and (iii) the CAGRD enrollment fee. The following example shows how the program applies to the WRCF:

**Table 4: Sample CAGRD Modification Program**

| EXAMPLE<br>Single-Family Home (¾ Inch Meter) | Water Only Account | Combined Account (Water and Wastewater)* |
|---|---|---|
| Water Resource Capacity Fee<br>(50% of Total New Water Obligation) | **$10,199** | **$6,119** |
| CAGRD Modification Program: | | |
| 1. 20-Year Water Supply<br>(20% of Total New Water Obligation) | ($4,080) | ($2,448) |
| 2. Activation Fee** | ($1,760) | ($1,760) |
| 3. Enrollment Fee** | ($431) | ($431) |
| Total CAGRD Credits | ($6,271) | ($4,639) |
| | | |
| Fee Due (After CAGRD Modification Program) | **$3,928** | **$1,480** |

* 40% Wastewater credit for Effluent Water returned via the Queen Creek or EPCOR Wastewater System.
** The CAGRD enrollment fee and activation fee are subject to change annually, which would affect the credit calculation under the CAGRD Modification Program.

The Town Council further determines that, under the current circumstances, and if the estimated number of single-family CAGRD lots does not exceed 4,000, the CAGRD lots will be the functional equivalent, for water supply purposes, of existing service units within the Town's water service area. Accordingly, such CAGRD lots shall be fully exempt from the water resource capacity fee (CAGRD Exemption Program).

## 3.4 PROJECTED REVENUES AND FUND CASH FLOWS

Revenue projections are based on the Town's forecast of new development by customer type. As shown in Table 5, the Town projects approximately 10,000 ERUs over the next 5 years. An estimated 4,000 single-family lots (ERUs) will be exempt from this capacity fee (CAGRD Modification Program). In total, the Town is projected to collect $21M in revenue through FY 2031, net of applicable credits and waivers.

**Table 5: Summary of Projected Water Resource Capacity Fee ERUs & Revenue ($M)**

| Customer Type | WRCF per ERU | FY 2027[3] | FY 2028 | FY 2029 | FY 2030 | FY 2031 | FY 2027–FY 2031 ERUs | FY 2027–FY 2031 CAGRD Modification ($M)[4] | FY 2027–FY 2031 Net Revenue ($M)[5] |
|---|---|---|---|---|---|---|---|---|---|
| Water Only | $10,199 | 312 | 363 | 160 | 208 | 243 | 1,286 | (-$6.5) | $6.6 |
| SC1 Commercial | $1,020 | 149 | 138 | 73 | 86 | 131 | 578 | $0.0 | $0.6 |
| SC2 Commercial & Landscape | $2,040 | 33 | 30 | 16 | 19 | 29 | 127 | $0.0 | $0.3 |
| Multi-Family – Water Only | $2,550 | 0 | 0 | 0 | 0 | 0 | 0 | $0.0 | $0.0 |
| Multi-Family – Combined[6] | $510 | 232 | 385 | 130 | 198 | 127 | 1,072 | $0.0 | $0.5 |
| SE1 Residential | $6,119 | 0 | 0 | 0 | 642 | 1,972 | 2,614 | (-$3.0) | $13.0 |
| SE1 Residential Waived[7] | | 1,509 | 1,088 | 967 | 436 | | 4,000 | | $0.0 |
| **Total ERUs** | | **2,234** | **2,006** | **1,345** | **1,590** | **2,502** | **9,676** | | |
| **Revenue ($M)** | | **$1.6** | **$1.8** | **$0.8** | **$2.0** | **$14.8** | | | **$21.0** |

**Table 5: Summary of Projected Water Resource Capacity Fee ERUs & Revenue ($M), Continued**

| Customer Type | WRCF per ERU | FY 2032 | FY 2033 | FY 2034 | FY 2035 | FY 2036 | FY 2032 - FY 2036 ERUs | FY 2032–FY 2036 CAGRD Modification ($M) | FY 2032 - FY 2036 Net Revenue ($M) |
|---|---|---|---|---|---|---|---|---|---|
| Water Only | $10,199 | 290 | 262 | 285 | 240 | 266 | 1,343 | $0.0 | $13.7 |
| SC1 Commercial | $1,020 | 145 | 146 | 143 | 131 | 131 | 697 | $0.0 | $0.7 |
| SC2 Commercial & Landscape | $2,040 | 32 | 32 | 31 | 29 | 29 | 153 | $0.0 | $0.3 |
| Multi-Family – Water Only | $2,550 | 0 | 0 | 0 | 0 | 0 | 0 | $0.0 | $0.0 |
| Multi-Family – Combined[8] | $510 | 194 | 124 | 188 | 120 | 182 | 808 | $0.0 | $0.4 |
| SE1 Residential | $6,119 | 1,955 | 1,678 | 1,575 | 1,501 | 1,334 | 8,043 | $0.0 | $49.2 |
| **Total ERUs** | | **2,616** | **2,243** | **2,222** | **2,021** | **1,942** | **11,044** | | |
| **Revenue ($M)** | | **$15.2** | **$13.2** | **$12.8** | **$11.9** | **$11.2** | | | **$64.3** |

[3] Table shows total ERUs anticipated in 2027, WRCF will only be in effect for 6 months of FY 2027
[4] Credits applied from Table 4 to applicable customers
[5] Revenues are presented net of CAGRD credits and exemptions.
[6] Charged on a per unit basis
[7] Timing of ERUs to connect may vary and can exceed the timeline presented
[8] Charged on a per unit basis

The cash flow projections below show that interest collected on balances held for future water purchases will benefit new customers and offset the costs of new water. The accumulating fund balance will be reserved so that funds are available when recertification requires supply purchases for new customers.

**Table 6: Summary of Water Resource Capacity Fee Cash Flow Projections ($M)**

| Water Resource Capacity Fee Fund | FY 2027[9] | FY 2028 | FY 2029 | FY 2030 | FY 2031 |
|---|---|---|---|---|---|
| Capacity Fee Revenue | $1.6 | $1.8 | $0.8 | $2.0 | $14.8 |
| Plus: Interest Earnings | $0.0 | $0.1 | $0.1 | $0.1 | $0.2 |
| Less: Water Supply Purchases | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 |
| **Ending Fund Balance** | **$1.6** | **$3.5** | **$4.3** | **$6.4** | **$21.4** |

**Table 6: Summary of Water Resource Capacity Fee Cash Flow Projections ($M), Continued**

| Water Resource Capacity Fee Fund | FY 2032 | FY 2033 | FY 2034 | FY 2035 | FY 2036 |
|---|---|---|---|---|---|
| Capacity Fee Revenue | $15.2 | $13.2 | $12.8 | $11.9 | $11.2 |
| Plus: Interest Earnings | $0.4 | $0.6 | $0.7 | $0.9 | $1.0 |
| Less: Water Supply Purchases | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 |
| **Ending Fund Balance** | **$37.1** | **$51.0** | **$64.5** | **$77.3** | **$89.5** |

Appendix A of this report includes a pro forma summary of the WRCF Fund. It shows anticipated revenues by customer service type, based on the recommended WRCF and projected growth. It also summarizes expenditures and beginning and ending fund balances for FY 2027 – FY 2036.

## 3.5 RESULTS AND RECOMMENDATIONS

The Town Council will hold a public hearing on November 18, 2026 to discuss the WRCF. If approved at the hearing, the WRCF will be effective December 21, 2026, at the same time as the updated water capacity fee.

Assumptions were made based on best estimates of market and economic conditions, including the future cost of water and the pace and mix of growth. The Town will continue to review and update this analysis as conditions change to amend the WRCF fairly and adequately to recover the growth-related cost of water supply. As such, it is possible that the actual level of the WRCF needed in the future may differ from the projections presented herein.

[9] WRCF in effect for 6 months of FY 2027

# APPENDIX A – WATER RESOURCE CAPACITY FEE SUPPORTING SCHEDULES

## Pro Forma

**Schedule 1**

| | FY 2027 | FY 2028 | FY 2029 | FY 2030 | FY 2031 | FY 2032 | FY 2033 | FY 2034 | FY 2035 | FY 2036 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Capacity Fee Revenue** | | | | | | | | | | |
| Water Only Customers | $1.2 | $1.4 | $0.6 | $0.8 | $2.5 | $3.0 | $2.7 | $2.9 | $2.4 | $2.7 |
| SC1 Commercial | 0.2 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 |
| SC2 Commercial & Landscape | 0.1 | 0.1 | 0.0 | 0.0 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 |
| Multi-Family Water Only | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Multi-Family Combined | 0.1 | 0.2 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 |
| SE1 Residential | 0.0 | 0.0 | 0.0 | 1.0 | 12.1 | 12.0 | 10.3 | 9.6 | 9.2 | 8.2 |
| **Total WR Capacity Fee Revenue ($M)** | **$1.6** | **$1.8** | **$0.8** | **$2.0** | **$14.8** | **$15.2** | **$13.2** | **$12.8** | **$11.9** | **$11.2** |
| **Plus: Other Income** | | | | | | | | | | |
| Interest Earnings on Fund Balance | $0.0 | $0.1 | $0.1 | $0.1 | $0.2 | $0.4 | $0.6 | $0.7 | $0.9 | $1.0 |
| **Net Cash Flow** | **$1.6** | **$1.9** | **$0.9** | **$2.1** | **$15.0** | **$15.7** | **$13.8** | **$13.6** | **$12.8** | **$12.2** |
| **Unrestricted Reserve Fund Test** | | | | | | | | | | |
| Balance At Beginning Of Fiscal Year | $0.0 | $1.6 | $3.5 | $4.3 | $6.4 | $21.4 | $37.1 | $51.0 | $64.5 | $77.3 |
| Cash Flow Surplus/(Deficit) | 1.6 | 1.9 | 0.9 | 2.1 | 15.0 | 15.7 | 13.8 | 13.6 | 12.8 | 12.2 |
| Water Supply Purchases | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| **Capacity Fee Fund Balance** | **$1.6** | **$3.5** | **$4.3** | **$6.4** | **$21.4** | **$37.1** | **$51.0** | **$64.5** | **$77.3** | **$89.5** |

**Disclaimer**

This document was produced by Stantec Consulting Services, Inc. (“Stantec”) for the Queen Creek, Arizona (“Town”) and is based on a specific scope agreed upon by both parties. Stantec’s scope of work and services do not include serving as a “municipal advisor” for purposes of the registration requirements of the Dodd-Frank Wall Street Reform and Consumer Protection Act (2010) or the municipal advisor registration rules issued by the Securities and Exchange Commission. Stantec is not advising the Town, or any municipal entity or other person or entity, regarding municipal financial products or the issuance of municipal securities, including advice with respect to the structure, terms, or other similar matters concerning such products or issuances.

In preparing this report, Stantec utilized information and data obtained from the Town or public and/or industry sources. Stantec has relied on the information and data without independent verification, except only to the extent such verification is expressly described in this document. Any projections of future conditions presented in the document are not intended as predictions, as there may be differences between forecasted and actual results, and those differences may be material.

TOWN OF QUEEN CREEK ARIZONA

**TO:** **HONORABLE MAYOR AND TOWN COUNCIL**

**THROUGH:** **BRUCE GARDNER, TOWN MANAGER**

**FROM:** **SCOTT MCCARTY, DEPUTY TOWN MANAGER/CHIEF FINANCIAL OFFICER**

**RE:** **PUBLIC HEARING AND POSSIBLE APPROVAL OF RESOLUTION NO. 1689-26 TO ESTABLISH A NEW WATER RESOURCE FEE IN COMPLIANCE WITH STATE LAW AND ADOPTING THE PLANNED COMMUNITY POLICY.**

**DATE:** **November 18, 2026**

---

**Suggested Action:**

Motion to approve Resolution No. 1689-26 to establish a new Water Resource Fee in compliance with State law and adopting the Planned Community Policy.

**Relevant Council Goal(s):**

Effective Government: KRA Financial Stability

**Discussion:**

Town staff introduced a new Water Resource Fee at the September 2, 2026 Town Council meeting. The presentation included an overview of the Town's water strategy, purchase of drought-resistant water resources from the Harquahala Valley, and the significant financial investments the Town has undertaken to secure a 100-year water resource portfolio. Council approved the Notice of Intentions to start the 60-day process September 16, 2026. In subsequent Council meetings, staff and the Town's rate consultant, Stantec, presented additional information regarding the proposed new Water Resource Fee. In November and December 2025, the Town Council directed Staff to develop and recommend a new Water Resource Fee to finance the Town's investments in water resources.

The proposed Water Resource Fee is $3.07 per 1,000 gallons. This amount is based on the projected revenue requirements of the Water Resources Fund and the amount of water the Town anticipates selling. First, the Town identifies the total revenue needed to fund its water resource obligations, including water supply acquisitions, debt service, infrastructure, replenishment obligations, and ongoing operating costs. That revenue requirement is then divided by the total volume of water (measured in thousands of gallons, or KGAL) the Town projects it will sell to customers based upon historical analysis with all known variables included in the calculation.

The Water Resource Fee will fund the costs of acquiring, operating, transporting, and replenishing the Town's long-term water supplies, including the Town's Harquahala water asset investment. There are approximately $290 million in water resource acquisition costs and an additional $173 million in Town infrastructure costs through FY 2037 to access and deliver those water assets. The fee will pay for the related debt service, including an estimated $15.1 million in FY 2027, increasing to approximately $26.9 million by FY 2031. The fee will also cover operating expenses that are projected at $5.5 million in FY 2027 for the Water Resources Department, Water Conservation Department expenses, well and booster station operations, utility billing, and other support costs.

The operating costs supported by the fee include continued customer reimbursements for CAGRD replenishment obligations, Central Arizona Project (CAP) transportation and wheeling charges, and other resource commitments. Staff project annual CAGRD customer reimbursements increasing from $7.0 million in FY 2028 to $8.1 million by FY 2031. There will be an additional $6.7 million in CAP wheeling costs projected in FY 2032 as Harquahala water deliveries begin. The fee is phased in to address these costs over time. The Fund therefore supports both the ongoing costs of managing the Town's water portfolio and the debt financing needed to secure and deliver long-term supplies.

The Water Resource Fee will be accounted for by an Enterprise Fund. Enterprise Funds operate similarly to a private business, where the costs of providing the service to the customer are recovered through user charges and fees. In accordance with the Town's Financial Policies, Enterprise fees shall be set to fully recover their respective operating costs.

In order to establish the water resource fee, the Town must follow a two-step process as required by A.R.S. § 9-511.01. Step one, is a requirement to provide a written public notice of intent to increase rates, setting the public hearing date, and including data that supports the proposed rates. Attached is a report prepared by Stantec, the Town's rates and fees consultant, supporting the proposed cost-of-service rate adjustments. The notice was approved at the September 16, 2026, Town Council meeting, a copy of the notice was published on the Town's webpage, related material was posted on the Town's website, and information was published in the newspaper.

Step two is a requirement to conduct a public hearing to increase the fee at today's meeting. The first date the new fees would be applied would be January 27, 2027 with the first bill dated March 9, 2027.

In addition to completing the required statutory processes, Town staff conducted numerous public outreach meetings with customers, Homeowners Associations (HOAs), stakeholders, boards and commissions, and other community groups. These meetings provided opportunities to present the proposed Water Resource Fee and other utility fee changes, listen to customer and stakeholder feedback, and identify areas of concern. Staff incorporated this feedback into subsequent presentations, brought key concerns forward for Council consideration, and adjusted presentation materials and other aspects of the proposed fees as appropriate.

The Town also utilized multiple communication channels to inform customers and provide access to relevant information, including social media, the Town's website, direct email communications, and utility bill notifications.

Public outreach and customer communications will continue following the November 18, 2026, Council action to support customer understanding, address questions, and provide ongoing information regarding implementation of the approved fees.

Since the September 16th, 2026 NOI approval by Council, the proposed Year 1 rate of $3.07 per thousand gallons has not changed. There have been developments during the 60-day process and subsequent minor adjustments to the underlying fee analysis, programmatic changes, and other additions to the water resource fee program:

- **CAGRD Reimbursement** – Due to limitations in the Town's ability to intervene and pay customers' CAGRD liabilities on the customers' behalf, the Town will reimburse customers' CAGRD liabilities. Staff are working on the mechanics of that program now.
- **EPCOR Sewer/Town Water Customers Credit** – The Town has agreed to enter into a Memorandum of Understanding with EPCOR to provide equivalent wastewater credits to approximately 12,000 customers that have the Town as their water provider and EPCOR as their sewer provider.
- **Septic Wastewater Credit –**Town utility customers with septic systems do not generate effluent recharge credits that benefit the Town's water portfolio; however, staff are

recommending are offering a septic customer credit for the WRF that will be capitated at 4% of 11,900 gallons of use based upon the incidental recharge amount of 4% provided the Arizona Department of Water Resources (ADWR) provision of incidental recharge to the Town once designated as an assured water provider.

- **Irrigation Transfer** – The Town and Queen Creek Irrigation District (QCID) have signed a Memorandum of Understanding (MOU) to transfer Town irrigation customers to QCID. Staff recommend continuing bulk irrigation rate at $0.69 per thousand gallons and not charging the water resource fee at $3.07 per thousand gallons to bulk irrigation customers. The transfer timeline is approximately 12 months, but the process could take shorter or longer to complete.
- **HOA Program to Address A.R.S. § 33-1803(A)** – Due to state statutes, HOAs are only allowed to increase resident assessments by 20% in any one year and could potentially have more restrictive limitations set forth by the HOA's Covenants, Conditions, and Restrictions (CCRs). As such, the Town will work with HOAs to address issues when they are brought forward.
- **Low-Income Customer Assistance –** The Town may create a credit program for qualifying low-income account holders.
- **Irrigation Grandfathered Rights (IGFR)** – The Town will establish a program to pump and deliver water to IGFR rights-holding customers.
    - The Town recognizes that single-family residential water delivered by one meter may serve both domestic (interior) and irrigation (exterior) purposes. For qualifying properties with Irrigation Grandfathered Water Rights (IGFR), the Water Resource Fee will apply only to domestic use, excluding qualifying agricultural and livestock irrigation use.
    - Interior and exterior water use will be determined through separate metering or a Town-established estimated allocation. Participating properties must also provide an active Irrigation District reporting number to ensure the associated water use is properly accounted for and does not increase the Town's overall demand.
- **Transfer of 4,000 Growth Accounts into Current Customers** – The proposed New Development Water Resource Capacity Fee, which is also scheduled for adoption November 18, 2026, will provide exclusion for approximately 4,000 properties that have met their water replenishment obligations through CAGRD. These 4,000 accounts have been added to the Water Resource Fee as new customers.
- **Budget transfer from the Operating Budget to the Water Resource Fee Fund for Irrigation Customer's Water Resource Fee**– Staff proposes the Town's operating budget cover the cost of the bulk irrigation customer's water resource fee obligation in FY27 and FY28 until the completion of the transfer. The estimates are approximately $600K in FY27 and $900K in FY28. As such, staff recommend a budget transfer of $600K in FY27 from the operating budget to the WRF to pay for these obligations.

**Fiscal Impact:**

There is no current fee dedicated to water replenishment obligations. Prior water resource asset purchases, infrastructure, and debt service associated with funding water resources. The creation of the Water Resource Fee and, at a later date, the creation of the Water Resource Fund, will result in an estimated $22.1 million in the first full year of revenue collection.

The Water Resource Fee is a groundwater replenishment-based charge of $3.07 per 1,000 gallons, with the amount paid depending on the customer's service type. The monthly Water Resource Fee and associated bill impacts will vary dependent upon the actual volume of water needing to be replenished by each customer or account.

Customers receiving both water and wastewater service from the Town and customers with Town water delivery service and EPCOR wastewater service will receive an effluent credit recognizing the portion of wastewater returned to the system and available for replenishment. These credits range from 40% to 90%, depending on customer type: 40% for residential, 80% for multifamily and commercial/landscape, and 90% for commercial customers. Water-only accounts such as meters with a landscape classification are not eligible for an effluent credit as the Town does receive effluent credits for returned and recharged water from the Arizona Department of Water Resources and will pay the full fee based on billed water consumption.

The residential effluent credit is capped at $36.59 per month for single-family accounts, while qualifying septic accounts are eligible for a credit capped at $2.98 per month. The single-family cap is based on a maximum eligible monthly water consumption of 29,750 gallons, which maintains consistency with the Town's existing wastewater billing methodology and its 17,000-gallon sewer usage cap.

The Water Resource Fee will generate dedicated revenue for the Water Resources Operating Fund to support ongoing water resource costs and debt service associated with the Town's water supply investments. Under the planned phased implementation, net fee revenue is projected to increase from approximately $7.4 million in FY 2027 to $60.0 million in FY 2032. The fund is projected to experience negative cash flow after debt service during the initial implementation years, with interim funding needs addressed through other available sources, including the Water Resource Capacity Fee Fund. The projections show positive cash flow after debt service beginning in FY 2031.

**Alternatives:**

Given the debt purchases that the Town has completed associated with its water resource purchases, there are no alternatives to this water resource fee. Revenues and expenses for water resource programs funded by the Water Resource fee will be accounted for in an Enterprise Fund. The intent of the Enterprise Fund is to recover all expenses through rates and fees.

**Attachment(s):**

1. Resolution No. 1689-26
2. Report: 2026 Water Utility Study Report, Town of Queen Creek, Arizona, Stantec

**RESOLUTION NO. 1689-26**

**A RESOLUTION OF THE COMMON COUNCIL OF THE TOWN OF QUEEN CREEK, ARIZONA, ADOPTING A NEW WATER RESOURCE FEE IN COMPLIANCE WITH STATE LAW AND ADOPTING THE PLANNED COMMUNITY POLICY.**

**WHEREAS**, Arizona's enabling legislation for water and wastewater fees, A.R.S. § 9-511.01 (the "Utility Statute") requires the Town of Queen Creek (the "Town") to prepare a written report providing schedules of the proposed new water resource fee, and the analysis supporting the proposed new fees (including cash flow projections); and

**WHEREAS**, Stantec, the Town's consultant, has prepared, on behalf of the Town, a written report providing schedules of the proposed water resource fee, and the analysis supporting the proposed fees (including cash flow projections) titled "Queen Creek, Arizona, Water Retail Rates and Resource Fees 2026 Rate Study Report" (the "Report"); and

**WHEREAS**, the Utility Statute also requires the Common Council of the Town (the "Town Council") to (i) adopt a Notice of Intention to adopt the fees, (ii) file the written report with the Town Clerk, and (iii) post the written report on the Town's website prior to holding a public hearing on the proposed fees; and

**WHEREAS**, on September 16, 2026, the Town Council (i) adopted the Notice of Intention that confirmed the filing and posting of the Report as required by the Utility Statute and (ii) set a public hearing to consider the proposed new fees, at its regularly scheduled meeting on November 18, 2026; and

**WHEREAS**, the Town published the Notice of Intention in the newspaper and through electronic communication tools and posted required materials on the Town website; and

**WHEREAS**, since filing and posting of the Report, certain planned community associations have indicated that payment of all or a portion of the new water resource fee would result in assessment increases in excess of those permitted by A.R.S. § 33-1803(A) (the "Assessment Limitation Statute") or by their adopted conditions, covenants and restrictions ("CC&R"); and

**WHEREAS**, to ensure the new water resource fee is just and reasonable, the Town Council has determined that a program shall be established to provide for planned community associations to implement assessment increases in a manner consistent with the Assessment Limitation Statute and the associations' CC&R; and

**WHEREAS**, the Town Council held the public hearing on November 18, 2026, and now desires to conclude the fee adoption process by approving a new water resource fee as set forth in the Report.

**NOW, THEREFORE, BE IT RESOLVED BY THE COMMON COUNCIL OF THE TOWN OF QUEEN CREEK, ARIZONA, AS FOLLOWS**:

**Section 1:** The recitals above are hereby incorporated as if fully set forth herein.

**Section 2:** The Report is hereby adopted in substantially the form and substance attached hereto as Exhibit A and incorporated herein by reference.

**Section 3:** The water resource fee is hereby set at $3.07 per thousand gallons.

**Section 4:** Pursuant to the Town Code, Article 16-5 (Water Regulations), Section 16-5-13 (Schedule of Rates) the water resource fee as adopted herein, shall be, along with the water retail rates and the fixed charges adopted herein separately, the schedule of rates to be assessed for domestic water service.

**Section 5:** The Planned Community Policy is hereby adopted in substantially the form and substance attached hereto as Exhibit B and incorporated herein by reference.

**Section 6:** The Town Manager, the Town Clerk and the Town Attorney are hereby authorized and directed to take such steps and execute such documents as necessary to implement this Resolution.

**Section 7:** The water resource fees adopted herein shall: (i) be placed in a separate fund designated for the purposes set forth in the Report; and (ii) not be used for unrelated purposes.

**Section 8:** If any section, subsection, clause, phrase or portion of this Resolution is for any reason held invalid or unconstitutional by the decision of any court of competent jurisdiction, such decision shall not affect the validity of the remaining portions thereof.

**Section 9:** At least one paper copy and one electronic copy of this Resolution and Exhibit(s) are to be filed with and will be located at the office of the Town Clerk.

[Signatures on following page]

**PASSED AND ADOPTED** by the Common Council of the Town of Queen Creek, Arizona, this 18th day of November, 2026.

| | |
|---|---|
| FOR THE TOWN OF QUEEN CREEK: | ATTESTED TO: |
| Julia Wheatley, Mayor | Maria Gonzalez, Town Clerk |
| REVIEWED BY: | APPROVED AS TO FORM: |
| Bruce Gardner, Town Manager | Clifford Mattice, Town Attorney |

**EXHIBITS ON FILE AND LOCATED AT THE TOWN CLERK'S OFFICE.**

**EXHIBIT A**

**TO**

**RESOLUTION 1689-26**

**[Report]**

See following pages.

**EXHIBIT B**

**TO**

**RESOLUTION 1689-26**

**[Planned Community Policy]**

See following pages.

PLANNED COMMUNITY POLICY
FOR
PAYMENT OF NEW WATER RESOURCE FEE

The Town of Queen Creek (the "Town") implemented a new water resource fee on November 18, 2026, to provide for revenues necessary to acquire water rights needed to maintain water service for existing residents of the Town. The Common Council of the Town (the "Town Council") recognizes that certain planned communities within the Town are constrained by A.R.S. § 33-1803(A) (the "Assessment Limitation Statute") or by their adopted conditions, covenants and restrictions ("CC&R"), from implementing increases in assessments for their property owners in sufficient amounts to fully cover the increased costs due to implementation of the water resource fee. Accordingly, the Town Council has determined that it is appropriate to allow planned communities that fit certain criteria to have the opportunity to seek a modified payment plan from the Town.

Affected Planned Communities

1. "Statutorily Limited Community" - a planned community that, because of the provisions of A.R.S. § 33-1803(A) cannot legally assess an amount necessary to meet the planned community's cost for the water resource fee.

2. "Covenant Limited Community" - a planned community that, because of a CC&R provision in effect before November 1, 2026, is not permitted to assess an amount necessary to meet the planned community's cost for the water resource fee.

Eligibility Requirements

1. A Statutorily Limited Community is eligible to request a payment plan for only the portion of the water resource fee owed that would, if paid in full, cause the total increases in assessments of the community to exceed the Assessment Limitation Statute. Not later than 30 days prior to the payment due date for the water resource fee, the Statutorily Limited Community must provide the Town with:

(a) the community's most recently adopted annual budget, along with calculations proving the statutory exceedance that would occur if the water resource fee was paid in full when due; and

(b) a copy of the community's CC&R, along with any amendments thereto, and a written plan to take the actions necessary under the CC&R as soon as practicable within calendar year 2027 to allow for sufficient assessments to pay the water resource fee in full, including all planned increases as shown in the "Queen Creek, Ariona, Water Retail Rates and Resource Fees 2026 Rate Study Report" (the "Report").

2. A Covenant Limited Community is eligible to request a payment plan for only the portion of the water resource fee owed that would, if paid in full, cause the total increases in

assessments of the community to exceed any limitations on assessments contained in the community's CC&R. Not later than 30 days prior to the payment due date for the water resource fee, the Covenant Limited Community must provide the Town with:

(a) the community's most recently adopted annual budget, along with calculations proving the CC&R exceedance that would occur if the water resource fee was paid in full when due;

(b) the recorded copy of its CC&R, along with any amendments thereto; and

(c) a written plan to take the actions necessary under the CC&R, or to amend such portions of the CC&R as are necessary, to as soon as practicable within calendar year 2027 to allow for sufficient assessments to pay the water resource fee in full, including all planned increases as shown in Report.

Payment Plan Parameters

An eligible planned community may request an extended payment plan for water resource fees that become due in calendar year 2027. The extended payment plan:

(i) is only available for that portion of the water resource fee that is in excess of (a) the statutory maximum for a Statutorily Limited Community and (b) the CC&R cap for a Covenant Limited Community, and only to the extent such exceedance was not credited by increases in other fees of the HOA;

(ii) may only apply to one form of assessment limitation, even if a single community is limited by both the Assessment Limitation Statute and a CC&R provision; and

(iii) may not have a duration longer than 12 months.

The Town may approve a payment plan request in its reasonable discretion.

Stantec

TOWN OF QUEEN CREEK ARIZONA

# 2026 Water Utility Rate Study Report
# Town of Queen Creek, Arizona

- Water Rate Cost of Service Fees
- New Water Resource Fee

Stantec

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Town of Queen Creek
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# 1 INTRODUCTION AND PURPOSE

The Town of Queen Creek, Arizona (Town) contracted Stantec Consulting Services Inc (Stantec) to conduct a comprehensive utility rate study (Study) for its water system (Utility). The Town is proposing modifications to its retail water rate structure and the implementation of a dedicated Water Resource Fee (WRF). The WRF will recover costs associated with water replenishment and replacement for existing and new customers sufficient for the Town to reduce its costs from and reliance on the Central Arizona Groundwater Replenishment District (CAGRD).

The principal objective of the Study was to conduct a revenue sufficiency analysis (RSA) by developing and populating a multi-year forecasting model for the Town's Water fund to determine the level of annual revenue required to satisfy the Fund's projected annual operating cost requirements, as well as to maintain a reserve fund balance at or above a target level. As part of the study a cost of service analysis was performed for the Water fund to allocate system costs to customer types based on observed and estimated usage profiles. The cost of service results informed a number of specific rate adjustments for retail rates.

The Study evaluated the current and projected revenue requirements to secure the Town's own water supply and meet the necessary requirements to maintain and manage the portfolio of water. A separate multi-year financial module was developed to forecast the specific needs of the new Water Resource Fund to support the implementation of a Water Resource Fee.

The analysis described in this report presents the multi-year financial models forecasting the distinctly allocated cost requirements to be recovered by the water retail rates, the WRF and the revenues generated by each source.

This report is provided to assist the Town in complying with the requirements of Arizona Revised Statutes (A.R.S.) Title 9, § 9-511.01 governing adjustments to municipal water and wastewater rates, fees, and service charges. The statute requires municipalities engaged in the domestic water or wastewater business to prepare a written report or supporting data demonstrating the need for a proposed rate adjustment and to develop cash flow projections identifying anticipated revenues from customers and the overall expenses associated with providing utility service. This report presents the financial, operational, and capital improvement data and analyses supporting the proposed rate modifications and provides multi-year cash flow schedules demonstrating the sufficiency of projected revenues from the fees. Values may be rounded throughout this report for presentation purposes.

The Town Council received a presentation regarding the need for and basis of proposed adjustments to water retail rates, fees, and charges and the implementation of a water resource fee as part of its regular meeting on September 2, 2026. Subsequent to that, on September 16, 2026, the Town Council approved a notice of intention to adopt rate adjustments for water and water resources. At that time, an initial version of this report was offered as part of the supporting materials for the consideration of the notice. Since that time, the Town has engaged in public discussions regarding the proposed rate adjustments to provide the opportunity for the community to ask questions, request information, and provide feedback relative to the proposed rate adjustments. It is important to note that there have been no changes to the rate adjustment recommendations contained in the initial report. This report includes some additions on customer credits, non-residential bill impacts, and affordability, incorporates the most current capital improvement program and fund balance information, and reflects other minor adjustments intended to enhance the accuracy and understanding of the results and analysis conducted in support of the proposed fees and rate adjustments. The WRF section of this report has been modified to reflect the latest estimates of customer growth and

customer demands. The most notable of which is expanding the wastewater credit program to all wastewater accounts in the EPCOR wastewater service area. Previously, these accounts were categorized as “water only”. Now, they are categorized as “combined service accounts”, reflecting accounts that receive a wastewater credit.

# 2 ANALYTICAL APPROACH

Throughout the Study, the water retail forecast and water resource fee forecast relied upon key data inputs and assumptions which informed the multi-year outlook. To initialize the Study, Stantec obtained the Town’s historical and budgeted financial information regarding the operation of its Water Fund, financial and reserve policies, as well as historical customer counts. Stantec also consulted with the Town regarding other assumptions and policies that would affect the performance of the Fund, such as escalation rates for operating costs, projected customer growth, fund reserve levels, etc. Key data inputs include:

- FY 2026 ending fund balances
- FY 2026 adopted revenue and expense budget and estimated actual results
- FY 2027 adopted revenue and expense budget
- Capital Improvement plans and estimates of incremental O&M
- Schedules of outstanding debt repayment

Stantec worked with the Town to create modules to determine appropriate reserve targets and distribute shared customer service department expenses for utility billing and customer service. Additionally, the Study required working with Town staff to allocate costs to be recovered through either the water resource fee or water retail rates. The result is two distinct cash flow models estimating revenue requirements for water resource fee revenues and water retail revenues based on their respective costs. These modules and specific operating items for each fund will be discussed further in the below sections.

This information was entered into Stantec’s proprietary Financial Analysis and Management System (FAMS) interactive modeling system. FAMS produced a 5-year projection of the sufficiency of the revenue provided by the existing fees of the fund to meet current and projected financial requirements. These projections further determined the overall level of user fee revenue increases necessary in each year of the projection period to satisfy the Fund’s annual financial requirements.

Ultimately, the level of increase in revenue needed for FY 2027 would be accomplished through specific rate structure changes that are consistent with industry practices and intended to better align the revenue recovery by customer type with the cost of service results identified as part of this Study. The rate structure changes identified herein would be implemented January 27, 2027, with updated bills reflecting the new rates and fees going out to customers March 9, 2027. It is important to note that any future rate adjustments identified by the Study are for projection purposes and subject to change based on future conditions.

# 3 WATER RESOURCES FEE

## 3.1 BACKGROUND AND ESTABLISHING NEED FOR FEE

The WRF is intended to create a dedicated funding source to pay for aquifer replenishment (as well as future replacement costs for redesignation) covering water purchases, infrastructure, transportation, and operating expenses of $60M+ at full implementation, compared to current water system revenues of $37M. On November 19, 2025, Town Council passed Resolution No. 1650-25 declaring the Town’s intention to create a Water Resource Fee (reaffirmed on December 17, 2025). Since that time, Town Staff and consultants have worked extensively to determine an implementation strategy and fee methodology.

Currently, many Town water users pay for water service through both: a monthly bill paid to the Town including a fixed base rate component and a volumetric component, as well as an annual bill paid to CAGRD through property taxes based on a membership fee and prior-year consumption (less effluent and allowance credits as applicable) covering recharge requirements. As of the end of 2025 approximately 40k accounts in the Town’s service area pay an annual CAGRD bill, which includes all residential subdivisions and Homeowners Associations (HOAs) that rely on groundwater supply. The Town utilizes its CAGRD

membership to assist in meeting groundwater replenishment requirements resulting from the 1980 Arizona Groundwater Management Act (GMA) codified in A.R.S § 45-576 and adopted in 1995, which stipulates that any post-1996 housing development must have a 100-year assured water supply, and that if a development relies on groundwater supply, use of groundwater must be replenished in equal amount using renewable water supply.

The process of procuring sufficient water rights assets to become a designated water provider and reduce the costs associated with CAGRD participation involved multiple water resource purchases including:

- A portion of Colorado River water entitlement from the Cibola Valley totaling 2,000 acre-feet (AF) annually in perpetuity, which was approved in 2018 with water deliveries beginning in 2023
- An initial acquisition of Harquahala basin water completed in 2025, totaling 500,000 AF over a 100-year period, implying up to 5,000 AF per year available to the Town
- A second Harquahala water basin acquisition completed in late 2025 that would deliver an additional not-to-exceed amount of 12,000 AF per year.

In total, the Town has secured delivery of up to 1.7M acre feet of water between the acquisitions listed above, insulating the Town from drought and impacts from Colorado River cuts. The Town will be responsible for the recharge of groundwater and maintaining a 100-year portfolio of water supply for both existing and new customers in the service area.

In addition to principal and interest expenses for acquiring the water and building the infrastructure, the Town will also incur operating and maintenance costs to manage the water resources system including

- New operating expenses from wells, booster stations, and other infrastructure related to extracting, transporting (i.e. Central Arizona Project wheeling charges), and replenishing water
- Staff costs for Water Resources and Water Conservation functions
- Shared billing and administrative support expenses
- CAGRD membership, reimbursements and insurance requirements

In addition to the WRF that will be included on monthly utility bills, the Town is establishing a water resource capacity fee (WRCF) (a one-time fee to new development paid at the time of building permit) to recover a portion of the expected costs of extending assured water supply to new development. Under Arizona's Assured Water Supply program, every new connection must be backed by a 100-year supply of renewable water. As the Town grows, it must acquire additional physical supplies and construct the wells, transmission, and treatment infrastructure needed to deliver and replenish that water. Recovering a portion of these costs through an upfront capacity fee assessed at the time of connection reduces the risk of existing ratepayers subsidizing the expansion of the system. The methodology, fee levels, and resulting cash flows for the WRCF are presented in a separate report.[1] This report details the cost of providing service to existing customers through the WRF and water retail rates.

### 3.1.1 Reimbursements and CAGRD Transition

Many customers have a CAGRD assessment. The Town has subsidized the full cost of this assessment over the prior years. In 2018 and 2019, Town Council passed resolutions applying groundwater credits at the highest allowable amount, saving water customers approximately $71 million in CAGRD assessments over 8 years. These CAGRD offset policies were explicitly intended as interim solutions until the Town could become a designated water provider.

[1] 2026 Water Utility Rate Study Report, New Development Water Resource Capacity Fee

Until the Town becomes a Designated Water Provider and CAGRD Member Service Area, CAGRD fees will continue to be reimbursed by the Town for existing post-2004 accounts that currently receive CAGRD bills. This avoids approximately 28,000 accounts paying both CAGRD and the Town's new WRF for the same replenishment period simultaneously. The cost of this payment will be recovered through the WRF.

Additionally, the Town intends to reimburse $2M across FY 2027 and FY 2028 for its flood irrigation customers as the Town initiates the transition of these customers to the Queen Creek Irrigation District (QCID). Essentially, the WRF will not be charged to these customers during the transition period. Ultimately, this transaction benefits the customers, QCID, and the Town. Specifically for the Town, this will allow it to extend its already secured water supplies to meet other customer demands and replenishment needs.

## 3.2 COST COMPONENTS ASSOCIATED WITH THE ESTABLISHMENT OF A WATER RESOURCES FUND

In addition to the infrastructure and supply related debt expenses, the Town has estimated the salaries, benefits, maintenance costs, and other operating items for performing Water Resources activities. These costs include incremental costs to operate additional wells and booster stations with four new FTEs to support. In addition to direct staff time, costs and materials, the Town has allocated portions of shared utility billing services and General Fund support costs attributable to the Water Resources department.

The Town is responsible for transportation and wheeling costs of its resources through the Central Arizona Project (CAP) canal. A portion of these wheeling charges, particularly for Non-Indian Agricultural (NIA), & Cibola resources, are included in the existing department budget. Incremental expenses resulting from Harquahala include additional wheeling costs based on a flow rate charged $/AF. Additionally, the Town will continue to purchase replenishment requirements from CAGRD for some of its service area. These replenishment costs include annual membership fees as well as usage fees less applicable Groundwater Extinguishment Credits (GWEC) assets applied by the Town. These costs will be cash funded as they occur.

Operating costs total approximately $5.5M in FY 2027. Table 1 details the projected operating expense totals by year including applicable cost inflation. It is important to note that incremental costs for water delivery from Harquahala basin are expected in FY 2032, at which time the CAGRD liability buy-down and membership fees would discontinue for the following fiscal year.

**Table 1: Operating Cost Items Recovered through Water Resource Fee ($M)**

| Operating Line Item | FY 2027 | FY 2028 | FY 2029 | FY 2030 | FY 2031 | FY 2032 |
|---|---|---|---|---|---|---|
| Operating Wells | $0.1 | $0.3 | $0.3 | $0.5 | $0.5 | $1.1 |
| Operating Booster Stations | $0.1 | $0.1 | $0.1 | $0.2 | $0.2 | $1.2 |
| New FTEs for Wells & Booster Stations | $0.0 | $0.0 | $0.0 | $0.0 | $0.6 | $0.6 |
| CAP Wheeling Annual Charge | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $7.1 |
| Member Lands & Annual Membership Fees | $0.0 | $2.2 | $2.3 | $2.6 | $2.8 | $3.1 |
| CAGRD Insurance | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $1.6 |
| CAGRD Customer Reimbursement | $0.0 | $7.0 | $7.3 | $8.0 | $8.5 | $8.6 |
| QCID Reimbursements | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 |
| Box Canyon Payment | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $1.5 |
| SCIF Project | $0.0 | $0.0 | $0.9 | $0.9 | $0.9 | $0.9 |
| 2190 Water Resources Dept | $4.3 | $4.3 | $4.4 | $4.5 | $4.6 | $4.8 |
| 2170 Water Conservation Dept (50%) | $0.4 | $0.4 | $0.4 | $0.4 | $0.5 | $0.5 |
| Utility Billing Fee | $0.4 | $0.8 | $0.9 | $1.0 | $1.1 | $1.2 |
| Support Cost Allocation | $0.1 | $0.2 | $0.2 | $0.2 | $0.2 | $0.2 |
| Credit Card & Bank Fees | $0.1 | $0.4 | $0.4 | $0.6 | $0.8 | $0.9 |
| **Total Operating Expenses** | **$5.5** | **$15.5** | **$17.2** | **$19.0** | **$20.7** | **$33.2** |

### 3.2.1 Capital and Debt Financing

The Town has incurred significant resource acquisition costs totaling approximately $290M to purchase water from the Harquahala Basin. In addition to securing the resource rights, additional infrastructure for new Utility assets and repairs and modifications to existing assets to accommodate the new resource are needed. The Town's share of these projects total an additional ~$173M through FY 2037. To minimize ratepayer impacts and spread the asset costs over their useful lives, the Town will utilize a variety of debt instruments to fund the needed future supply and infrastructure costs. A portion of this debt service will be repaid with dollars from new users recovered through the WRF or WRCF to the extent associated with or providing capacity for growth and new development. In addition to new debt incurred for projects, the Water Resource Fee will pay for a portion of existing debt service and interim borrowings attributable to Water Resources costs.

**Table 2: Allocated Debt Service Schedule ($M)**

| Debt Service Line Item | FY 2027 | FY 2028 | FY 2029 | FY 2030 | FY 2031 | FY 2032 |
|---|---|---|---|---|---|---|
| **Existing Debt** | | | | | | |
| 2020 WIFA DW Loan (GWEC's Financing) – Principal | $1.6 | $1.6 | $1.7 | $1.7 | $1.7 | $1.8 |
| 2020 WIFA DW Loan (GWEC's Financing) – Interest | $1.0 | $0.9 | $0.9 | $0.9 | $0.8 | $0.8 |
| 2020 WIFA Loan (Encanterra Water Exchange) – Principal | $0.2 | $0.2 | $0.2 | $0.3 | $0.3 | $0.3 |
| 2020 WIFA Loan (Encanterra Water Exchange) – Interest | $0.1 | $0.1 | $0.1 | $0.1 | $0.1 | $0.1 |
| 2022 WIFA DW Loan (NIA Water) – Principal | $0.2 | $0.2 | $0.3 | $0.3 | $0.3 | $0.3 |
| 2022 WIFA DW Loan (NIA Water) – Interest | $0.1 | $0.1 | $0.1 | $0.1 | $0.1 | $0.1 |
| 2023 WIFA DW Loan (Cibola) – Principal | $0.7 | $0.7 | $0.7 | $0.7 | $0.7 | $0.8 |
| 2023 WIFA DW Loan (Cibola) – Interest | $0.8 | $0.8 | $0.8 | $0.7 | $0.7 | $0.7 |
| WIFA Augmentation Loan, Series 2026 – Principal | $0.0 | $0.0 | $1.8 | $1.9 | $2.0 | $2.0 |
| WIFA Augmentation Loan, Series 2026 – Interest | $4.0 | $3.5 | $3.5 | $3.5 | $3.4 | $3.3 |
| Series 2026 COPs – Infrastructure – Principal | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 |
| Series 2026 COPs – Infrastructure – Interest | $0.8 | $1.6 | $1.6 | $1.6 | $1.6 | $1.6 |
| Series 2026 COPs – Water Assets – Principal | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 |
| Series 2026 COPs – Water Assets – Interest | $4.0 | $8.0 | $8.0 | $8.0 | $8.0 | $8.0 |
| **New Debt** | | | | | | |
| Senior Lien Revenue Obligations, Series 2028 – Principal | $0.0 | $0.0 | $0.0 | $0.0 | $0.4 | $0.4 |
| Senior Lien Revenue Obligations, Series 2028 – Interest | $0.0 | $0.0 | $0.7 | $0.7 | $0.7 | $0.7 |
| Senior Lien Revenue Obligations, Series 2030 – Principal | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 |
| Senior Lien Revenue Obligations, Series 2030 – Interest | $0.0 | $0.0 | $0.0 | $0.0 | $3.8 | $3.8 |
| Senior Lien Revenue Obligations, Series 2037 – Principal | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 |
| Senior Lien Revenue Obligations, Series 2037 – Interest | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 |
| PNC (WA) – Principal | $0.0 | $0.0 | $0.5 | $0.0 | $0.0 | $0.0 |
| PNC (WA) – Interest | $1.5 | $1.5 | $1.5 | $0.7 | $0.0 | $0.0 |
| WIFA Refi 2030 – Principal | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 |
| WIFA Refi 2030 – Interest | $0.0 | $0.0 | $0.0 | $0.0 | $2.2 | $1.7 |
| **Total Debt Service** | **$15.1** | **$19.5** | **$22.5** | **$21.3** | **$26.9** | **$26.4** |

## 3.3 WATER RESOURCE FEE CASH FLOWS

Without the implementation of a new WRF, the Utility would not be able to fund the costs to perform water resources activities beginning in FY 2027. As indicated later in this report, water retail rates are already insufficient to meet the remaining cost requirements of the water system in FY 2027, nor are they adequate source to fund the magnitude of the existing and new water resource requirements in future years. The proposed WRF is a necessary, transparent, dedicated, and sustainable solution to recover these costs over a multi-year time period.

**Table 3: Summary of Water Resource Fee Operating Fund Cash Flows ($M)**

| Water Resources Operating Fund | FY 2027 |
|---|---|
| Net Water Resource Revenues | $0.0 |
| Less: (Operating Expenses) | ($5.5) |
| **Net Operating Income** | **$(5.5)** |
| Plus: Interest Earnings[2] | $1.6 |
| **Net Income for Debt Service** | **$(3.9)** |
| Less: (Debt Service) | ($15.1) |
| **Net Cash Flow After Debt Service** | **$(19.0)** |

### 3.3.1 Water Resource Fee Implementation – Applicable Credits

The proposed WRF will be paid by water customers both inside and outside the Town. The WRF has been calculated on a $/AF of water basis. Customers will be charged a volumetric rate per 1,000 gallons of water billed less any applicable credits. The WRF will appear as a distinct line item on the customer's bill alongside applicable charges for water and wastewater services.

Certain customers that receive both water and wastewater service (combined service customers) from the Town will receive a credit for a portion of the effluent returned to the system. This credit reflects the fact that effluent will be treated and returned to the water supply and is credited towards the Town's replenishment requirements. The credit for eligible customers varies based on service and customer type and reflects analysis of billing data performed by Town staff. Credits range from 40-90% of water billed. This effluent credit will be applied to wastewater accounts in the EPCOR service area as well. Based on agreement between EPCOR and the Town, EPCOR will provide assets equal to the amount of acre-feet credited to these accounts. Approximately 6,600 acre-feet will be credited annually and replenished annually via wastewater effluent. Table 4 details the credit available based on customer type.

**Table 4: Summary of Effluent Credits**

| Service | Customer Type | Credit Eligible | Credit Amount |
|---|---|---|---|
| Water Only | All Water Only | Not Credit Eligible | N/A |
| Combined | Commercial | Credit Eligible | 90% of Water Billed |
| Combined | Commercial & Landscape | Credit Eligible | 80% of Water Billed |
| Combined | Multi-Family | Credit Eligible | 80% of Water Billed |
| Combined | Residential | Credit Eligible | 40% of Water Billed |

The WRF is based on water replenishment requirements, not gross consumption. Certain users, particularly users of recovered effluent will be excluded from paying this fee as they are utilizing an alternative resource for their water needs. This category includes the Lakes Program, which utilizes Town reclaimed water to fill community lakes. This lake water is then used to irrigate nearby landscaping. This program conserves about 1.2k AF of potable water while providing public amenities.

Other credits include credit for customers with septic tanks recognizing that septic tanks are systems that manage the discharge of wastewater, portions of which recharge the aquifer. This amount of septic flow

[2] Includes interest earnings on borrowed proceeds

returning into the ground is estimated by the Town at 200 AF per year and will be credited to identified customers on a programmatic basis. Additionally, the Town is considering programmatic credits, payment plans, and phasing for qualifying HOA complexes to allow for compliance with ARS §33-1803.

Effluent credits are scalable based upon water use and will be capped at $36.59 per month for single family accounts and $2.98 per month for septic accounts. The Town evaluated the appropriate usage cap for the water resource fee effluent credit to ensure consistency with the Town's existing residential sewer billing methodology. Under the current AWWU methodology, residential sewer charges are calculated using 70% of the average monthly water consumption recorded on the December, January, and February bills, subject to a maximum water use cap of 17,000 gallons. Applying the 70% factor results in an effective maximum sewer usage of 11,900 gallons per month. Because the WRF is calculated using actual monthly water consumption, with a 40% credit component attributable to sewer/effluent, the study established a corresponding maximum eligible water consumption of 29,750 gallons per month for purposes of calculating the WRF credit. Applying the 40% credit factor to this amount produces the same effective maximum of 11,900 gallons, maintaining consistency between the existing sewer billing methodology and the WRF sewer/effluent credit calculation.

### 3.3.2 Water Resource Fee Implementation

The Town intends to "phase-in" the fee to the projected amount needed for full cost recovery of future replenishment needs. The approach considers three steps, an initial sustainable fee in years 1-3 to cover portions of program costs and create a fair and equitable source of revenue. During this period customers will be able to reduce outdoor water use and adjust consumption habits to manage a new fee on their bill. Additionally, the Town will establish an intergenerational financing program using varying mechanisms to restructure outstanding debt and utilize interfund loans to amortize the costs of the program across the multiple generation of users who benefit from a secure source of supply owned by the Town. This also allows the Town to maintain a lower fee for longer through a reduction in annual debt service.

Step two establishes a higher fee across years 4-7 of implementation to recover the costs of replenishment infrastructure in Harquahala valley and the Town. The revenue requirements of the fund are anticipated to increase from $40M to $60M over this period.

The final phase established an ultimate fee level to cover the costs of replenishment of future water supplies. This is the cost to purchase additional replacement water for a 100-year period every 10 years as part of the designation period. The timing and availability of new water sources, as well as the cost of these sources, will be an integral part of establishing the fee during this period.

Customer impacts vary significantly depending on the type of user, typical consumption patterns and eligibility for effluent credits. Generally, the phase-in allows customers to pay a lower amount in the early years of the program and recover the full ongoing requirements of the fund over time.

**Table 5: Resulting Water Resource Fee – Full Phasing**

| Fee | FY 2027 | FY 2028 | FY 2029 | FY 2030 | FY 2031 | FY 2032 |
|---|---|---|---|---|---|---|
| $/AF | $1,000 | $1,000 | $1,500 | $2,000 | $2,500 | $3,000 |
| $/Kgal | $3.07 | $3.07 | $4.60 | $6.14 | $7.67 | $9.21 |

**Table 6: Resulting Water Resource Fund Cash Flows – Full Phasing**

| Water Resources Operating Fund | FY 2027 | FY 2028 | FY 2029 | FY 2030 | FY 2031 | FY 2032 |
|---|---|---|---|---|---|---|
| Net Water Resource Revenues | $7.3 | $22.1 | $25.8 | $35.7 | $45.7 | $54.5 |
| Less: (Operating Expenses) | ($5.5) | ($15.5) | ($17.2) | ($19.0) | ($20.7) | ($33.2) |
| **Net Operating Income** | **$1.8** | **$6.6** | **$8.6** | **$16.6** | **$25.0** | **$21.3** |
| Plus: Interest Earnings | $1.6 | $0.0 | $0.0 | $0.0 | $0.1 | $0.2 |
| **Net Income for Debt Service** | **$3.4** | **$6.6** | **$8.6** | **$16.6** | **$25.1** | **$21.5** |
| Less: (Debt Service) | ($15.1) | ($19.5) | ($22.5) | ($21.3) | ($26.9) | ($26.4) |
| **Net Cash Flow After Debt Service** | **($11.7)** | **($12.9)** | **($13.9)** | **($4.7)** | **($1.8)** | **($4.9)** |

### 3.3.3 Results and Proposed Fee Plan

The Town council will consider the above plan for implementation effective January 27, 2027 with first bills to customers in March of 2027. All future increases are assumed to occur in January of each year. Assumptions were made based on best estimates of market and economic conditions for debt issuances, capital costs, and operating expenses. The Town will continue to review and update this analysis as conditions become final to ensure the WRF fairly and adequately recovers system revenue requirements. As such, it is possible that future increases to the WRF may vary from the projections presented herein.

There are certain properties within the Town's water service area that legally own irrigation grandfathered rights (IGFR) and meet the requirements under ARS and Arizona Department of Water Resources (ADWR) rules. The Town will pump customers' IGFR through the Town's potable system above 11,900 gallons of monthly use.

The Town had entered into agreements with certain HOAs that they would purchase long-term storage credits (LTSCs) on the open market, and the Town would report those credits to CAGRD to offset their CAGRD obligations. From the Town's research and analysis, there is no straightforward benefit for the HOAs to continue the program considering the proposed CAGRD reimbursements the Town will complete. The Town will discontinue the program.

# 4 WATER RETAIL RATES

## 4.1 BACKGROUND AND ESTABLISHING NEED FOR RATE ADJUSTMENT

In parallel with the WRF and WRCF, the Town is updating its water retail rates to recover the cost of operating, maintaining, and reinvesting in the potable water system. The retail rates fund day-to-day utility operations and existing system debt service that are distinct from the water-resource acquisition and replenishment costs recovered through the WRF and WRCF, and recover the costs of maintaining the distribution and transmission lines and administrative and billing costs for the potable water system. The retail rates are structured to achieve the following objectives:

- Recover the full cost of service for water distribution and customer service
- Maintain adequate operating and capital reserves and meet debt service coverage requirements
- Support the renewal and replacement of aging water distribution infrastructure
- Provide a stable, equitable, and defensible rate structure across customer classes

The Town operates a water utility system serving the Town and surrounding community comprised of an existing customer base of approximately 50,000 residential and commercial customers. The costs associated with providing water services are accounted for in an enterprise fund and are funded through the rates and fees paid by customers for services rendered. The Town periodically conducts rate studies to evaluate the adequacy of revenues to recover the cost of providing services and to maintain rates and fees that conform to current industry practices and reflect a proportional distribution of costs.

The principal components of the Study included:

- **Revenue Sufficiency Analysis** – Conduct a revenue sufficiency analysis (RSA) by developing and populating a multi-year forecasting model for the Town's water fund to determine the annual revenue required to satisfy the Fund's projected annual operating, capital, and debt requirements, as well as to maintain a reserve fund balance at or above a minimum target level.
- **Cost of Service Analysis** – Complete a cost allocation process following industry guidelines and utilizing available local data to determine the appropriate distribution of water system costs to different customer types. The cost of service analysis (COSA) allocates costs to system functions and then distributes functional costs to customer classes to allow for a comparison of current revenue collection by customer class to class-specific cost of service to enable the appropriate recovery of system costs from each customer class. In this Study, the Town decided to create distinct customer classifications to recover proportionate costs from each type of customer. Prior to the study, all customers paid the same inclining block rate structure and monthly fixed charges based on meter size.
- **Rate Design** – Review the Town's existing water rate structure and develop modifications, as appropriate, to enhance conformance with accepted industry practices and reflect the current distribution of system costs. In addition to the creation of distinct customer classifications, which helped to align rates with the cost to serve each customer type, a key recommendation coming from this Study was the implementation of scaled fixed charges by meter size for non-residential customers consistent with common industry practice, the removal of the first 1,000 gallons of monthly usage from the minimum monthly base charge, and uniform volumetric rates for non-single-family users.
- **Rate Benchmarking** – Complete a survey of water rates and fees for regional peers providing water services to compile a comparative bill calculation for a typical customer.

## 4.2 SOURCE DATA & ASSUMPTIONS

The following section details key source data and assumptions that informed the 5-year financial forecast.

### 4.2.1 Beginning Balances

Preliminary ending FY 2026 fund balances established the beginning fund balance for FY 2027. The beginning fund balance is comprised of available cash and investments for operations of the Fund. Schedule 2 of Appendix B presents the starting balance for FY 2027.

### 4.2.2 Customer Growth

The Town provided estimates from development services for growth within the service area. The Town anticipates adding approximately 2,000 new ERUs in FY 2027 and an average of about 2,000 ERUs per year over the 5-year projection period. Schedule 1 of Appendix B presents the annual growth schedule.

### 4.2.3 Revenues

The revenue data utilized in the analysis reflects an evaluation of multiple years of historical results and estimated results for FY 2026. Revenues consist of user fees, establishment of service fees, and user fees from flood irrigation customers, a new large industrial water user, customers formerly provided service through Diversified Water Utilities, and interest income. User fee revenue is based on FY 2026 estimated revenues, adjusted annually based on assumed user fee adjustments, as well as customer growth, with the exception of flood irrigation customers, the large industrial user new to the service area, and Diversified customers, whose rates will be remaining the same as currently established. Interest income is calculated annually based on projected average fund balances and assumed interest rate of 3.5%. Schedule 4 of Appendix B presents the revenue projections.

### 4.2.4 Operating Expenditures

The Fund's operating expenditures include all operating and maintenance (O&M) line-item expenses, which are primarily driven by staffing costs, electricity costs, and well site O&M costs. As stated in prior sections, many costs previously accounted for in the Water Fund have been allocated to the newly established Water Resource Fund including the entirety of the Water Resources department's expenses and 50% of the Water Conservation department's expenses. Schedule 5 of Appendix B presents the annual operating expenses projected in the Study.

### 4.2.5 Capital Improvement Program

The Fund's 5-year capital improvement program was provided by the Town and provides the basis for annual capital funding requirements. All growth-related capacity costs were excluded from the Study, as those projects are assumed to be funded with capacity fee revenues. The non-growth portion of the capital program is primarily driven by distribution system improvements. Schedule 7 of Appendix B presents the five-year capital improvement program in project-level detail.

### 4.2.6 Debt

The Town has a total of 7 outstanding loans being paid back through water retail rates and fees, totaling $8 million per year. No additional debt is forecast based on the current 5-year CIP.

### 4.2.7 Minimum Reserve Balances and Policy

Reserve balances for utilities are funds set aside to meet specific cash flow requirements, mitigate risks, address financial, project, task needs, or fulfill legal covenants. These balances are maintained to meet short- to medium-term cash flow requirements and minimize the risk associated with fulfilling financial obligations and ongoing operational and capital needs under adverse conditions. The level of reserves maintained by a Fund is a critical component and a key consideration in a Fund's multi-year financial management plan.

Many utilities, industry organizations, and municipal rating agencies place a significant emphasis on having sufficient reserves available for potentially adverse conditions. The rationale related to the maintenance of adequate reserves is twofold. First, it helps to ensure that a Fund will have adequate funds available to meet its financial obligations during unusual periods, such as when revenues are unusually low and/or expenditures are unusually high. Second, it provides funds that can be used for emergency asset repairs or replacements, which may be necessary due to unforeseen events.

The Fund currently maintains a minimum reserve target of 6 months of O&M expenses, but 12 months of O&M represents the minimum target reserve level for the Fund recommended from the Study. Stantec created a framework to calculate a minimum target reserve level, considering issues like rate stabilization, emergency repairs and replacements for the system, general contingency, and liquidity components. Stantec estimated the magnitude for each of the aforementioned items and determined the total annual minimum target reserve level is approximately equivalent to 12 months of operating expenses. The Town aims to phase into the updated target minimum reserve policy level by FY 2030.

## 4.3 CASH FLOW PROJECTIONS

Without rate adjustments, the Town would not be able to maintain adequate reserves within the Fund while covering operations and capital (excluding water resources related costs covered by the WRF and WRCF).

**Table 7: Summary of Water Retail Operating Fund Cash Flows ($M)**

| Water Retail Operating Fund | FY 2027 |
|---|---|
| Water Retail Operating Revenues | $42.4 |
| Less: (Operating Expenses) | ($23.7) |
| **Net Operating Income** | **$18.7** |
| Less: (Debt Service) | ($8.0) |
| **Net Cash Flow After Debt Service** | **$10.7** |
| Net Transfers | $1.4 |
| Less Capital Outlay | ($9.6) |
| **Net Cash Flow** | **$2.5** |

The Town is anticipating an increase in water retail rate revenues of 3% on an annualized basis in FY 2027 due to specific rate structure changes resulting from the Study's cost allocation analysis. The proposed rate adjustments would take effect with services provided starting on or about January 27, 2027, with the first bills reflecting the updated rates and fees anticipated to begin on March 9, 2027. As the proposed rates and fees will only be in effect for part of the fiscal year, the overall revenue increase realized during FY 2027 is projected to be about $400,000.

## 4.4 RESULTS AND RECOMMENDATIONS

As part of the rate study, a cost of service analysis was performed to identify the cost of serving different customer types using industry accepted approaches and local data. Rate structure modifications were then identified that enhanced conformance with industry practices and better aligned revenue recovery with the cost of service by customer type. A summary of current revenues, revenue requirements, and projected revenues by customer type is included in the following chart. As can be seen, current residential, multifamily and commercial rates are recovering more than the calculated cost of service allocation, while construction and temporary meter and landscape services are under-recovering the cost of service.

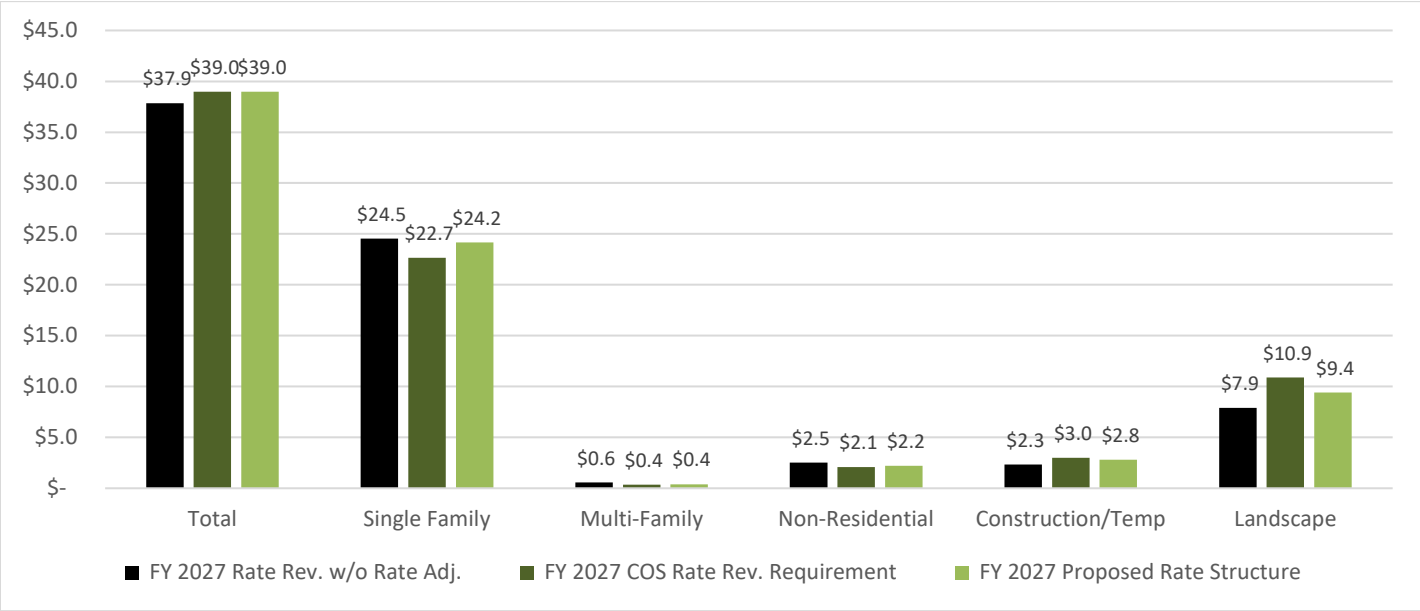



**Chart 1: Cost of Service and Resulting Rate Structure Revenues by Customer Type**

As such, the Town is proposing to align multifamily rates with residential base charges and apply 25% of the residential monthly service charge per dwelling unit based on ratios of observed usage per unit. Additionally, it is proposed to scale or increase commercial service charges by meter size based on flow rates for the Town's meter types consistent with common industry practice. Moreover, it is recommended to remove the 1,000 gallon allowance in all fixed charges and to adjust the volumetric rates for all customers. Notably, the volumetric rate adjustments reflect the use of a uniform rate that varies for multifamily, commercial, and landscape services and reserves the use of a tier system for residential customers (consistent with common industry practices). These specific rate structure changes better align all customer types with their calculated cost of service and are sufficient to generate 3% in additional revenues on an annualized basis for the Town's water retail fund based on demand estimates. The schedules of rates are included in the tables below.

**Table 8: Proposed Water Retail Rate Schedule**

| Water Retail Rate Component | Single-Family | Multi-Family | Non-Residential | Construction/Temp | Landscape |
|---|---|---|---|---|---|
| Monthly Service Charge (per ERU) | $21.08 | $5.27/unit | $21.08 | $115.00/mo | $21.08 |
| Volumetric Rate – Tier 1 ($/Kgal) | $1.50 | $1.50 | $2.50 | $9.00 | $4.00 |
| Volumetric Rate – Tier 2 ($/Kgal) | $2.50 | | | | |
| Volumetric Rate – Tier 3 ($/Kgal) | $4.00 | | | | |

*Note: Single-Family volumetric rates are tiered by monthly consumption (Tier 1: 0–10,000 gallons; Tier 2: 10,001–20,000 gallons; Tier 3: over 20,000 gallons). Multi-Family, Non-Residential, Construction/Temp, and Landscape classes are billed a single uniform volumetric rate for all use. Multi-Family fixed charges are assessed per dwelling unit at $5.27, equal to 25% of a single-family base charge.*

**Table 9: Proposed Fixed Charge Schedule**

| Fixed Charges by Meter Size | FY 2027 |
|---|---|
| ¾ Inch | $21.08 |
| 1 Inch | $35.13 |
| 1.5 Inches | $70.27 |
| 2 Inches | $112.43 |
| 3 Inches | $351.33 |
| 4 Inches | $878.33 |
| 6 Inches | $1,756.67 |
| 8 Inches | $2,810.67 |
| 10 Inches | $4,567.33 |
| 12 Inches | $5,621.33 |

### 4.4.1 Water Retail Rate Operating Cash Flows

The following table demonstrates that the proposed retail rates should improve the water system's cash flow in FY 2027. It is important to note that future projections presently indicate that the proposed rates will be sufficient to meet the future cash flow requirements of the retail water fund without further adjustment.

**Table 10: Summary of Water Retail Rate Operating Fund Cash Flows ($M)**

| Water Retail Rate Operating Fund | FY 2027 |
|---|---|
| Water Retail Operating Revenues | $42.8 |
| Less: (Operating Expenses) | ($23.7) |
| **Net Operating Income** | **$19.1** |
| Less: (Debt Service) | ($8.0) |
| **Net Cash Flow After Debt Service** | **$11.1** |
| Net Transfers | $1.4 |
| Less Capital Outlay | ($9.6) |
| **Net Cash Flow** | **$2.9** |

# 5 CUSTOMER BILL IMPACTS

Adjustments to water retail rates aligned with cost of service generally lower the amount of revenue collected from single-family, multi-family, and non-residential customers excluding irrigation use. In general, this means these customers may see a slight decrease in the water delivery portion of their bill. The introduction of the water resource fee results in most customers experiencing an overall increase in their bill for water service. Table 11 compares the current and proposed water bill for a Single-Family combined service customer with 10,000 gallons of consumption in a month. Table 12 provides sample bill impacts, for example multi-family and non-residential customers.

**Table 11: Example Single Family Water Bill Impact**

| Combined Service 10,000 gallons/month | Current Monthly Bill | Proposed Monthly Bill | Monthly Bill Impact |
|---|---|---|---|
| Base Charge | $21.08 | $21.08 | $0 |
| Volumetric Charge | $18.36 | $15.00 | -$3.36 |
| Total Water Retail Bill | $39.44 | $36.08 | -$3.36 |
| WRF | N/A | $18.42 | +$18.42 |
| Total Proposed Bill | $39.44 | $54.50 | +$15.06 |

**Table 12: Example Commercial Water Bill Impacts**

| Meter Size | Monthly Gallons | Current Bill | Proposed Water Delivery | Proposed WRF | Total Proposed (W+WRF) | Monthly Bill Impact |
|---|---|---|---|---|---|---|
| Multi-Family Unit[3] | 2,500 | $20.57 | $9.02 | $1.54 | $10.56 | -$10.01 |
| Commercial SC1 2" meter | 100,000 | $406.21 | $362.43 | $30.70 | $393.13 | -$13.08 |
| Landscape 1" meter | 25,000 | $98.31 | $135.13 | $76.75 | $211.88 | $113.57 |
| Construction | 10,000 | $161.00 | $205.00 | $30.70 | $235.70 | $74.70 |

# 6 AFFORDABILITY

Affordability metrics were calculated under the proposed rates for water delivery, water resources, and wastewater measuring the combined water and sewer bill for essential monthly household use for in-town customers against Town lowest quintile income (LQI).[4] Two household level metrics used to evaluate affordability are the AR20 which measures the percentage of water and sewer costs to disposable household income for customers at the 20th percentile of income, and hours at minimum wage to pay for basic water and sewer service. Under the AR20 method the Town's combined utility bill is 2.45% of monthly disposable income which is considered an acceptable level. This same 6,000 gallons of essential use results in a monthly bill that is equivalent to 5.3 hours at minimum wage using 2026 Arizona minimum wages. This is under the average 10.1 hours at minimum wage for 25 of the largest U.S. cities. While current metrics for the typical household do not indicate utility rates are a financial burden, it is very possible that households do exist that are experiencing challenges. We recommend the Town continues to evaluate affordability and its policies/assistance programs in the future as expenses for some households may increase at a greater rate than income.

[3] 100 unit complex with 6"meter
[4] Essential household use assumed to be 6,000 gallons for a household of four people

## APPENDIX A – WATER RESOURCE FEE PRO FORMA

## Water Resource Fee Pro Forma

**Schedule 1**

| | | FY 2027 | FY 2028 | FY 2029 | FY 2030 | FY 2031 |
|---|---|---|---|---|---|---|
| | **Operating Revenue** | | | | | |
| | **Rate Adoption Effective Date** | **3/1/2027** | **1/1/2028** | **1/1/2029** | **1/1/2030** | **1/1/2031** |
| 1 | Water Resource Fee Revenue | $9,297,481 | $9,297,481 | $28,448,443 | $33,536,492 | $46,116,714 |
| 2 | *Less: Conservation/Other Credits* [1] | $0 | $0 | ($1,619,250) | ($715,179) | ($1,150,000) |
| 3 | *Revenue Impacts from Prior Year Rate Adjustment* [2] | $0 | $19,150,962 | $0 | $6,707,298 | $6,588,102 |
| 4 | *Total Existing Rate Revenue* [2] | $9,297,481 | $28,448,443 | $26,829,193 | $39,528,612 | $51,554,815 |
| 5 | *Water Resource Fee Increase* | *N/A* | *0%* | *50%* | *33%* | *25%* |
| 6 | Additional Revenue from Fee Increase | *N/A* | $0 | $6,707,298 | $6,588,102 | $6,444,352 |
| 7 | *Total Revenue from Existing Customers* | $9,297,481 | $28,448,443 | $33,536,492 | $46,116,714 | $57,999,167 |
| 8 | Less: Effluent Credits | ($2,165,295) | ($6,628,684) | ($8,285,855) | ($11,600,198) | ($14,914,540) |
| 9 | Water Resource Fee Revenue - New Customers | 126,631 | 280,036 | 518,203 | 1,121,447 | 2,626,838 |
| 10 | **Total User Fee Revenue** | **$7,258,817** | **$22,099,795** | **$25,768,839** | **$35,637,963** | **$45,711,465** |
| | **Less: Operating Expenses** | | | | | |
| 11 | Supply[3] | $ (150,000) | $ (9,512,608) | $ (10,892,351) | $ (12,270,957) | $ (13,509,093) |
| 12 | Transportation[4] | - | - | - | - | - |
| 13 | Administrative/Staffing[5] | (5,321,150) | (6,016,649) | (6,296,977) | (6,778,708) | (7,199,288) |
| 14 | **Equals: Net Operating Income** | **$ 1,787,667** | **$ 6,570,539** | **$ 8,579,511** | **$ 16,588,298** | **$ 25,003,084** |
| | **Plus: Non-Operating Income/(Expense)** | | | | | |
| 15 | Interest Income[6] | $ 1,563,392 | $ 5,514 | $ 11,375 | $ 31,063 | $ 86,519 |
| 16 | **Net Income Available For Debt Service** | **$ 3,351,059** | **$ 6,576,053** | **$ 8,590,886** | **$ 16,619,361** | **$ 25,089,602** |
| | **Less: Debt Service** | | | | | |
| 17 | Existing Debt Service | $ (13,603,110) | $ (17,982,323) | $ (19,807,185) | $ (19,807,185) | $ (19,807,185) |
| 18 | New Debt Service | (1,511,449) | (1,511,449) | (2,717,385) | (1,471,028) | (7,129,629) |
| 19 | **Total Debt Service** | **$ (15,114,559)** | **$ (19,493,772)** | **$ (22,524,570)** | **$ (21,278,213)** | **$ (26,936,813)** |
| 20 | **Net Cash Flow** | **$ (11,763,501)** | **$ (12,917,719)** | **$ (13,933,684)** | **$ (4,658,852)** | **$ (1,847,211)** |
| | **Unrestricted Reserve Fund Test** | | | | | |
| 21 | Balance At Beginning Of Fiscal Year | $ (39,764,218) | $ (51,527,719) | $ (64,445,438) | $ (78,379,121) | $ (83,037,973) |
| 22 | Cash Flow Surplus/(Deficit)[7] | (11,763,501) | (12,917,719) | (13,933,684) | (4,658,852) | (1,847,211) |
| 23 | Transfer of WRCF Dollars for Water Purchase | $ - | $ - | $ - | $ - | $ - |
| 24 | **Balance At End Of Fiscal Year** | **$ (51,527,719)** | **$ (64,445,438)** | **$ (78,379,121)** | **$ (83,037,973)** | **$ (84,885,184)** |

[1] Revenue reductions from customer conservation, septic credits

[2] Represents full basis of rate revenue adjusted for rate effective date

[3] Supply costs include wells, booster stations, ML and AML fees, CAGRD costs, SCIF costs, and associated new FTEs

[4] Transportation costs are limited to CAP Wheeling charges beginning in FY 2032 upon water delivery

[5] Admin/Staffing Costs include portions of the water resource and water conservation department costs, credit card and bank fees, the utility billing fee expense and support and cost allocations for shared services

[6] Interest income earned in FY 2027 from holding of bond proceeds until use in FY 2028

[7] Town intends to address this shortfall with interim funding from other sources including the water resource capacity fee fund

## APPENDIX B –PRO FORMA & SUPPORTING SCHEDULES

## Assumptions — Schedule 1

| | FY 2027 | FY 2028 | FY 2029 | FY 2030 | FY 2031 |
|---|---|---|---|---|---|
| **Rate Increase Adoption Date** | 3/1/2027 | 1/1/2028 | 1/1/2029 | 1/1/2030 | 1/1/2031 |
| **Annual Growth** | | | | | |
| **Water** | | | | | |
| Ending # of ERUs | 62,762 | 64,768 | 66,113 | 67,703 | 70,205 |
| ERU Growth | 2,234 | 2,006 | 1,345 | 1,590 | 2,502 |
| % Change in ERUs | *3.69%* | *3.20%* | *2.08%* | *2.40%* | *3.70%* |
| Usage per ERU | 117.75 | 116.57 | 115.40 | 114.25 | 113.11 |
| % Change in Usage per ERU | *-1.00%* | *-1.00%* | *-1.00%* | *-1.00%* | *-1.00%* |
| Usage (Kgal) | 7,389,957 | 7,549,893 | 7,629,610 | 7,734,969 | 7,940,610 |
| % Change in Usage | *2.65%* | *2.16%* | *1.06%* | *1.38%* | *2.66%* |
| **Capital Spending** | | | | | |
| Annual Capital Budget (Future Year Dollars) | $ 7,537,997 | $ 2,327,862 | $ - | $ 5,394,948 | $ - |
| Annual Percent Executed | 100% | 100% | 100% | 100% | 100% |
| **Average Annual Interest Earnings Rate** | | | | | |
| On Fund Balances | 3.50% | 3.50% | 3.50% | 3.50% | 3.50% |
| **Operating Budget Reserve** | | | | | |
| Target (Number of Months of Reserve) | 3.0 | 6.0 | 6.0 | 6.0 | 6.0 |
| **Operating Budget Execution Percentage** | | | | | |
| Personnel Services | 95% | 95% | 95% | 95% | 95% |
| Variable Operations and Maintenance | 90% | 90% | 90% | 90% | 90% |
| Fixed Operations and Maintenance | 100% | 100% | 100% | 100% | 100% |
| Capital Outlay | 95% | 95% | 95% | 95% | 95% |

# FY 2027 Beginning Balances — Schedule 2

| | | |
|---|---|---|
| **Current Unrestricted Assets** | | |
| Available Cash and Investments | $ | 4,134,297 |
| **Available Fund Balance** | **$** | **4,134,297** |

## Reserve Targets

**Schedule 3**

| Reserve Type | Amount | Basis | FY 2027 | FY 2028 | FY 2029 | FY 2030 | FY 2031 |
|---|---|---|---|---|---|---|---|
| Renewal and Replacement Reserve | 1 | Years Depreciation (1) | $ 4,690,979 | $ 4,925,528 | $ 5,171,804 | $ 5,430,395 | $ 5,701,914 |
| General Contingency | 3.0% | Percentage of Operating Expenses (2) | 711,780 | 738,750 | 766,729 | 797,494 | 829,452 |
| Liquidity | 60 | Days of Operating Expense & Debt Service (3) | 5,210,112 | 5,357,349 | 5,509,946 | 5,822,689 | 5,871,105 |
| Rate Stabilization Reserve | 8.0% | Percent variations in billed volume (4) | 3,003,743 | 3,129,433 | 3,162,476 | 3,206,147 | 3,291,385 |
| Total Recommended Reserves | | | **$ 13,616,614** | **$ 14,151,060** | **$ 14,610,955** | **$ 15,256,724** | **$ 15,693,856** |
| Reserve in Days of O&M Expense | | | 209 | 210 | 209 | 209 | 207 |
| Reserve in Months of O&M Expense | | | 7 | 7 | 7 | 7 | 7 |

Notes:

1. Estimated annual depreciation expense, escalated at 5% per year
2. 3% of executed operating expenses for each forecasted year
3. 60 days of operating and debt service expenses for each forecasted year based on sum of annual projected executed operating expense and debt service expense.
4. Used historical billing data to account for potential decreases in usage. Estimated risk of 8% decrease multiplied by annual projected volumetric rate revenue.

## Projection of Cash Inflows — Schedule 4

| | | FY 2027 | FY 2028 | FY 2029 | FY 2030 | FY 2031 |
|---|---|---|---|---|---|---|
| 1 | **Rate Revenue Growth Assumptions** | | | | | |
| 2 | **Water** | | | | | |
| 3 | % Change in ERUs | 3.69% | 3.20% | 2.08% | 2.40% | 3.70% |
| 4 | % Change in Usage Revenue | 2.65% | 2.16% | 1.06% | 1.38% | 2.66% |
| 5 | **Assumed Rate Revenue Increases** | | | | | |
| 6 | Assumed Water Rate Increase | 3.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| 7 | **Water Rate Revenue** | | | | | |
| 8 | Base Rate Revenue | $ 19,463,215 | $ 20,482,471 | $ 20,907,818 | $ 21,410,644 | $ 22,201,884 |
| 9 | Usage Rate Revenue | 18,773,391 | 19,558,956 | 19,765,474 | 20,038,419 | 20,571,159 |
| 10 | **Total Water Rate Revenue** | **$ 38,236,606** | **$ 40,041,427** | **$ 40,673,292** | **$ 41,449,063** | **$ 42,773,043** |
| 11 | **Other Operating Revenue** | | | | | |
| 12 | Dept Building Lease Revenue | $ 79,882 | $ 82,278 | $ 84,746 | $ 87,289 | $ 89,908 |
| 13 | Establishment & Service Fee | 515,000 | 530,450 | 546,364 | 562,754 | 579,637 |
| 14 | Collection Fee | 5,150 | 5,305 | 5,464 | 5,628 | 5,796 |
| 15 | Irrigation Sales[1] | 721,000 | - | - | - | - |
| 16 | Qc Water Plan Review Fees | 60,471 | 62,285 | 64,154 | 66,079 | 68,061 |
| 17 | Diversified Water Sales | 2,600,000 | 2,600,000 | 2,600,000 | 2,600,000 | 2,600,000 |
| 18 | Lg Sales | 590,000 | 2,803,200 | 2,887,296 | 2,973,915 | 3,063,132 |
| 19 | **Total Other Operating Revenue** | **$ 4,571,503** | **$ 6,083,518** | **$ 6,188,024** | **$ 6,295,664** | **$ 6,406,534** |
| 20 | **Transfers In** | | | | | |
| 21 | Sewer Billing Fee | $ 564,480 | $ 602,469 | $ 579,444 | $ 621,054 | $ 660,620 |
| 22 | Solid Waste Billing Fee | 320,745 | 316,754 | 383,909 | 458,295 | 540,772 |
| 23 | Wr Billing Fee | 359,153 | 817,887 | 882,396 | 1,040,957 | 1,145,156 |
| 24 | Wr Support Cost Allocation | 148,234 | 155,646 | 163,428 | 171,600 | 180,179 |
| 25 | **Total Transfers In** | **$ 1,392,613** | **$ 1,892,755** | **$ 2,009,177** | **$ 2,291,906** | **$ 2,526,727** |
| 26 | **Interest Income** | | | | | |
| 27 | Unrestricted | $ - | $ 447,944 | $ 878,144 | $ 1,235,546 | $ 1,613,219 |
| 28 | **Total Interest Income** | **$ -** | **$ 447,944** | **$ 878,144** | **$ 1,235,546** | **$ 1,613,219** |
| 29 | **Total Cash Inflows** | **$ 44,200,722** | **$ 48,465,644** | **$ 49,748,636** | **$ 51,272,179** | **$ 53,319,523** |

[1] Town is considering transfer of irrigation customers to Queen Creek Irrigation District in FY 2028

## Projection of Cash Outflows

## Schedule 5

| | Expense Line Item | Code | FY 2027 | FY 2028 | FY 2029 | FY 2030 | FY 2031 |
|---|---|---|---|---|---|---|---|
| 1 | Bad Debt Expense | OMF | $20,000 | $21,000 | $22,050 | $23,153 | $24,310 |
| 2 | Professional And Technical Ser | OMF | 100,000 | 105,000 | 110,250 | 115,763 | 121,551 |
| 3 | Dept Support Costs-It | OMF | 605,027 | 635,279 | 667,043 | 700,395 | 735,414 |
| 4 | Dept Support Costs-Hr | OMF | 86,508 | 90,833 | 95,375 | 100,143 | 105,151 |
| 5 | Dept Support Costs-Finance | OMF | 272,380 | 285,999 | 300,299 | 315,314 | 331,080 |
| 6 | Dept Support Costs-Budget | OMF | 88,763 | 93,201 | 97,861 | 102,754 | 107,892 |
| 7 | Dept Support Costs-Facilities | OMF | 210,974 | 221,523 | 232,599 | 244,229 | 256,440 |
| 8 | Dept Support Costs-Legal | OMF | 218,689 | 229,623 | 241,104 | 253,159 | 265,817 |
| 9 | Utility Franchise Fee | CO | 1,360,000 | 1,428,000 | 1,499,400 | 1,574,370 | 1,653,089 |
| 10 | In Lieu Property Tax | CO | 488,000 | 512,400 | 538,020 | 564,921 | 593,167 |
| 11 | Permanent Salaries | PS | 1,185,637 | 1,225,949 | 1,266,405 | 1,306,930 | 1,348,752 |
| 12 | Cell Phone Stipend | PS | 6,644 | 6,870 | 7,097 | 7,324 | 7,558 |
| 13 | Mileage Stipend | PS | 6,090 | 6,297 | 6,505 | 6,713 | 6,928 |
| 14 | Medical Premiums | PS | 121,604 | 129,508 | 137,926 | 146,892 | 156,439 |
| 15 | Hsa Contributions | PS | 20,000 | 20,680 | 21,362 | 22,046 | 22,752 |
| 16 | Dental Premiums | PS | 7,305 | 7,780 | 8,286 | 8,824 | 9,398 |
| 17 | Vision Premiums | PS | 1,108 | 1,180 | 1,257 | 1,338 | 1,425 |
| 18 | Disability & Life Premiums | PS | 2,484 | 2,645 | 2,817 | 3,001 | 3,196 |
| 19 | Commuter Insurance | PS | 39 | 42 | 44 | 47 | 50 |
| 20 | Fica Er Contributions | PS | 66,952 | 71,304 | 75,939 | 80,875 | 86,131 |
| 21 | Medicare Er Contributions | PS | 16,213 | 17,267 | 18,389 | 19,584 | 20,857 |
| 22 | Az St Retirement Er Contrib | PS | 135,678 | 140,291 | 144,921 | 149,558 | 154,344 |
| 23 | Er Deferred Compensation | PS | 9,804 | 10,137 | 10,472 | 10,807 | 11,153 |
| 24 | State Unemployment Tax | PS | 701 | 725 | 749 | 773 | 797 |
| 25 | Workman'S Compensation | PS | 6,800 | 7,031 | 7,263 | 7,496 | 7,736 |
| 26 | Professional And Technical Ser | OMF | 594,000 | 623,700 | 654,885 | 687,629 | 722,011 |
| 27 | General Services | OMF | 161,500 | 169,575 | 178,054 | 186,956 | 196,304 |
| 28 | Travel/Conference/Seminars/Tra | OMF | 223,560 | 234,738 | 246,475 | 258,799 | 271,739 |
| 29 | Dues/Membership Fees | OMF | 2,500 | 2,625 | 2,756 | 2,894 | 3,039 |
| 30 | License/Fees | OMF | 18,220 | 19,131 | 20,088 | 21,092 | 22,147 |
| 31 | Employee Uniforms | OMF | 82,500 | 86,625 | 90,956 | 95,504 | 100,279 |
| 32 | Water | OMF | 6,000 | 6,300 | 6,615 | 6,946 | 7,293 |
| 33 | Cellular Telephone | OMF | 87,000 | 91,350 | 95,918 | 100,713 | 105,749 |
| 34 | Pest Control Services | OMF | 5,000 | 5,250 | 5,513 | 5,788 | 6,078 |
| 35 | Maintenance/Repairs | OMF | 5,000 | 5,100 | 5,212 | 5,327 | 5,449 |
| 36 | Vehicle Maint/Repair | OMF | 300,000 | 306,000 | 312,732 | 319,612 | 326,963 |
| 37 | Rental Of Land/Buildings | OMF | 7,715 | 8,101 | 8,506 | 8,931 | 9,378 |
| 38 | Liability Insurance | OMF | 183,432 | 192,604 | 202,234 | 212,345 | 222,963 |

## Projection of Cash Outflows

## Schedule 5

| | Expense Line Item | Code | FY 2027 | FY 2028 | FY 2029 | FY 2030 | FY 2031 |
|---|---|---|---|---|---|---|---|
| 39 | Mileage | OMF | 500 | 525 | 551 | 579 | 608 |
| 40 | Shop Supplies | OMF | 1,000 | 1,050 | 1,103 | 1,158 | 1,216 |
| 41 | Office Supplies | OMF | 15,000 | 15,750 | 16,538 | 17,364 | 18,233 |
| 42 | Safety Supplies | OMF | 20,000 | 21,000 | 22,050 | 23,153 | 24,310 |
| 43 | Postage | OMF | 7,000 | 7,350 | 7,718 | 8,103 | 8,509 |
| 44 | Gasoline (Vehicle Usage) | OMF | 140,000 | 141,595 | 145,183 | 147,575 | 154,684 |
| 45 | Vehicle Equipment | OMF | 15,000 | 15,750 | 16,538 | 17,364 | 18,233 |
| 46 | Equipment <5000 | OMF | 50,000 | 51,500 | 53,045 | 54,636 | 56,275 |
| 47 | Software Support | OMF | 13,350 | 14,018 | 14,718 | 15,454 | 16,227 |
| 48 | Miscellaneous Expense | OMF | 25,000 | 26,250 | 27,563 | 28,941 | 30,388 |
| 49 | Waste (Trash) | OMF | 4,800 | 5,040 | 5,292 | 5,557 | 5,834 |
| 50 | Electricity | OMF | 35,000 | 36,294 | 37,677 | 39,646 | 41,543 |
| 51 | Waste (Trash) | OMF | 10,000 | 10,500 | 11,025 | 11,576 | 12,155 |
| 52 | Salary Supplemental | OMF | 8,701 | 9,136 | 9,593 | 10,072 | 10,576 |
| 53 | Permanent Salaries | PS | 1,535,799 | 1,588,016 | 1,640,421 | 1,692,914 | 1,747,087 |
| 54 | Temp/Seasonal Staffing | PS | 156,875 | 162,209 | 167,562 | 172,924 | 178,457 |
| 55 | Over Time Pay | PS | 8,700 | 8,996 | 9,293 | 9,590 | 9,897 |
| 56 | Cell Phone Stipend | PS | 3,900 | 4,033 | 4,166 | 4,299 | 4,437 |
| 57 | Bilingual Stipend | PS | 2,460 | 2,544 | 2,628 | 2,712 | 2,798 |
| 58 | Medical Opt Out Stipend | PS | 1,200 | 1,241 | 1,282 | 1,323 | 1,365 |
| 59 | Medical Premiums | PS | 220,000 | 234,300 | 249,530 | 265,749 | 283,023 |
| 60 | Hsa Contributions | PS | 38,000 | 39,292 | 40,589 | 41,887 | 43,228 |
| 61 | Dental Premiums | PS | 13,499 | 14,376 | 15,311 | 16,306 | 17,366 |
| 62 | Vision Premiums | PS | 2,469 | 2,629 | 2,800 | 2,982 | 3,176 |
| 63 | Disability & Life Premiums | PS | 4,094 | 4,360 | 4,644 | 4,945 | 5,267 |
| 64 | Commuter Insurance | PS | 124 | 132 | 141 | 150 | 160 |
| 65 | Fica Er Contributions | PS | 101,453 | 108,047 | 115,071 | 122,550 | 130,516 |
| 66 | Medicare Er Contributions | PS | 23,727 | 25,269 | 26,912 | 28,661 | 30,524 |
| 67 | Az St Retirement Er Contrib | PS | 201,641 | 208,497 | 215,377 | 222,269 | 229,382 |
| 68 | Er Deferred Compensation | PS | 4,320 | 4,467 | 4,614 | 4,762 | 4,914 |
| 69 | State Unemployment Tax | PS | 1,927 | 1,993 | 2,058 | 2,124 | 2,192 |
| 70 | Workman'S Compensation | PS | 4,000 | 4,136 | 4,272 | 4,409 | 4,550 |
| 71 | General Services | OMF | 35,700 | 37,485 | 39,359 | 41,327 | 43,394 |
| 72 | Travel/Conference/Seminars/Tra | OMF | 89,900 | 94,395 | 99,115 | 104,070 | 109,274 |
| 73 | Dues/Membership Fees | OMF | 12,423 | 13,044 | 13,696 | 14,381 | 15,100 |
| 74 | License/Fees | OMF | 1,450 | 1,523 | 1,599 | 1,679 | 1,762 |
| 75 | Bank Fees | OMF | 50,000 | 52,500 | 55,125 | 57,881 | 60,775 |
| 76 | Credit Card Fees | OMF | 475,000 | 498,750 | 523,688 | 549,872 | 577,365 |

## Projection of Cash Outflows

## Schedule 5

| | Expense Line Item | Code | FY 2027 | FY 2028 | FY 2029 | FY 2030 | FY 2031 |
|---|---|---|---|---|---|---|---|
| 77 | Printing (Exterior & Interior) | OMF | 225,000 | 236,250 | 248,063 | 260,466 | 273,489 |
| 78 | Mileage | OMF | 1,000 | 1,050 | 1,103 | 1,158 | 1,216 |
| 79 | Office Supplies | OMF | 5,000 | 5,250 | 5,513 | 5,788 | 6,078 |
| 80 | Equipment <5000 | OMF | 3,000 | 3,150 | 3,308 | 3,473 | 3,647 |
| 81 | Software Support | OMF | 333,985 | 350,684 | 368,218 | 386,629 | 405,961 |
| 82 | Permanent Salaries | PS | 336,234 | 347,666 | 359,139 | 370,631 | 382,492 |
| 83 | Over Time Pay | PS | 2,100 | 2,171 | 2,243 | 2,315 | 2,389 |
| 84 | Cell Phone Stipend | PS | 2,184 | 2,258 | 2,333 | 2,407 | 2,484 |
| 85 | Medical Opt Out Stipend | PS | 840 | 869 | 897 | 926 | 956 |
| 86 | Medical Premiums | PS | 29,740 | 31,673 | 33,732 | 35,924 | 38,260 |
| 87 | Hsa Contributions | PS | 12,000 | 12,408 | 12,817 | 13,228 | 13,651 |
| 88 | Dental Premiums | PS | 1,335 | 1,422 | 1,514 | 1,613 | 1,717 |
| 89 | Vision Premiums | PS | 405 | 431 | 459 | 489 | 521 |
| 90 | Disability & Life Premiums | PS | 1,062 | 1,131 | 1,205 | 1,283 | 1,366 |
| 91 | Commuter Insurance | PS | 58 | 62 | 66 | 70 | 75 |
| 92 | Fica Er Contributions | PS | 19,994 | 21,294 | 22,678 | 24,152 | 25,722 |
| 93 | Medicare Er Contributions | PS | 4,675 | 4,979 | 5,303 | 5,647 | 6,014 |
| 94 | Az St Retirement Er Contrib | PS | 39,530 | 40,874 | 42,223 | 43,574 | 44,968 |
| 95 | Er Deferred Compensation | PS | 672 | 695 | 718 | 741 | 764 |
| 96 | State Unemployment Tax | PS | 330 | 341 | 352 | 364 | 375 |
| 97 | Workman'S Compensation | PS | 15,500 | 16,027 | 16,556 | 17,086 | 17,632 |
| 98 | Professional And Technical Ser | OMF | 225,000 | 231,750 | 238,703 | 245,864 | 253,239 |
| 99 | Shop Supplies | OMF | 1,000 | 1,030 | 1,061 | 1,093 | 1,126 |
| 100 | Equipment <5000 | CO | 3,000 | 3,090 | 3,183 | 3,278 | 3,377 |
| 101 | Contractual Svc Budget Request | OMF | 62,550 | 64,427 | 66,359 | 68,350 | 70,401 |
| 102 | Salary Supplemental | OMF | 98,518 | 101,474 | 104,518 | 107,653 | 110,883 |
| 103 | Permanent Salaries | PS | 938,752 | 970,670 | 1,002,702 | 1,034,788 | 1,067,901 |
| 104 | Temp/Seasonal Staffing | PS | 97,745 | 101,068 | 104,404 | 107,744 | 111,192 |
| 105 | Call Out | PS | 5,083 | 5,256 | 5,429 | 5,603 | 5,782 |
| 106 | Stand By | PS | 10,003 | 10,343 | 10,684 | 11,026 | 11,379 |
| 107 | Over Time Pay | PS | 9,000 | 9,306 | 9,613 | 9,921 | 10,238 |
| 108 | Cell Phone Stipend | PS | 2,520 | 2,606 | 2,692 | 2,778 | 2,867 |
| 109 | Bilingual Stipend | PS | 3,280 | 3,392 | 3,503 | 3,616 | 3,731 |
| 110 | Medical Opt Out Stipend | PS | 2,400 | 2,482 | 2,563 | 2,646 | 2,730 |
| 111 | Medical Premiums | PS | 116,868 | 124,464 | 132,555 | 141,171 | 150,347 |
| 112 | Hsa Contributions | PS | 32,000 | 33,088 | 34,180 | 35,274 | 36,402 |
| 113 | Dental Premiums | PS | 8,184 | 8,716 | 9,282 | 9,886 | 10,528 |
| 114 | Vision Premiums | PS | 1,043 | 1,111 | 1,183 | 1,260 | 1,342 |

## Projection of Cash Outflows

## Schedule 5

| | Expense Line Item | Code | FY 2027 | FY 2028 | FY 2029 | FY 2030 | FY 2031 |
|---|---|---|---|---|---|---|---|
| 115 | Disability & Life Premiums | PS | 2,339 | 2,491 | 2,653 | 2,825 | 3,009 |
| 116 | Commuter Insurance | PS | 135 | 144 | 153 | 163 | 174 |
| 117 | Fica Er Contributions | PS | 63,830 | 67,979 | 72,398 | 77,103 | 82,115 |
| 118 | Medicare Er Contributions | PS | 14,930 | 15,900 | 16,934 | 18,035 | 19,207 |
| 119 | Az St Retirement Er Contrib | PS | 127,862 | 132,209 | 136,572 | 140,943 | 145,453 |
| 120 | Er Deferred Compensation | PS | 2,880 | 2,978 | 3,076 | 3,175 | 3,276 |
| 121 | State Unemployment Tax | PS | 1,222 | 1,264 | 1,305 | 1,347 | 1,390 |
| 122 | Workman'S Compensation | PS | 23,000 | 23,782 | 24,567 | 25,353 | 26,164 |
| 123 | Shop Supplies | OMF | 10,000 | 10,300 | 10,609 | 10,927 | 11,255 |
| 124 | Welding Supplies | OMF | 1,500 | 1,545 | 1,591 | 1,639 | 1,688 |
| 125 | Equipment <5000 | CO | 20,000 | 20,600 | 21,218 | 21,855 | 22,510 |
| 126 | Software Support | OMF | 128,000 | 131,840 | 135,795 | 139,869 | 144,065 |
| 127 | Permanent Salaries | PS | 444,688 | 459,807 | 474,981 | 490,180 | 505,866 |
| 128 | Call Out | PS | 865 | 894 | 924 | 953 | 984 |
| 129 | Stand By | PS | 8,840 | 9,141 | 9,442 | 9,744 | 10,056 |
| 130 | Over Time Pay | PS | 12,000 | 12,408 | 12,817 | 13,228 | 13,651 |
| 131 | Cell Phone Stipend | PS | 1,260 | 1,303 | 1,346 | 1,389 | 1,433 |
| 132 | Medical Opt Out Stipend | PS | 1,200 | 1,241 | 1,282 | 1,323 | 1,365 |
| 133 | Medical Premiums | PS | 69,098 | 73,589 | 78,373 | 83,467 | 88,892 |
| 134 | Hsa Contributions | PS | 4,000 | 4,136 | 4,272 | 4,409 | 4,550 |
| 135 | Dental Premiums | PS | 2,244 | 2,390 | 2,545 | 2,711 | 2,887 |
| 136 | Vision Premiums | PS | 716 | 763 | 812 | 865 | 921 |
| 137 | Disability & Life Premiums | PS | 788 | 839 | 894 | 952 | 1,014 |
| 138 | Commuter Insurance | PS | 45 | 48 | 51 | 54 | 58 |
| 139 | Fica Er Contributions | PS | 28,786 | 30,657 | 32,650 | 34,772 | 37,032 |
| 140 | Medicare Er Contributions | PS | 6,733 | 7,171 | 7,637 | 8,133 | 8,662 |
| 141 | Az St Retirement Er Contrib | PS | 56,118 | 58,026 | 59,941 | 61,859 | 63,838 |
| 142 | State Unemployment Tax | PS | 564 | 583 | 602 | 622 | 642 |
| 143 | Workman'S Compensation | PS | 6,000 | 6,204 | 6,409 | 6,614 | 6,825 |
| 144 | Professional And Technical Ser | OMF | 40,000 | 41,200 | 42,436 | 43,709 | 45,020 |
| 145 | License/Fees | OMF | 22,500 | 23,175 | 23,870 | 24,586 | 25,324 |
| 146 | Shop Supplies | OMF | 22,000 | 22,660 | 23,340 | 24,040 | 24,761 |
| 147 | Vehicles | OMF | 65,000 | 66,950 | 68,959 | 71,027 | 73,158 |
| 148 | Equipment <5000 | CO | 30,000 | 30,900 | 31,827 | 32,782 | 33,765 |
| 149 | Permanent Salaries | PS | 285,719 | 295,433 | 305,183 | 314,949 | 325,027 |
| 150 | Stand By | PS | 12,724 | 13,157 | 13,591 | 14,026 | 14,475 |
| 151 | Over Time Pay | PS | 6,000 | 6,204 | 6,409 | 6,614 | 6,825 |
| 152 | Cell Phone Stipend | PS | 2,520 | 2,606 | 2,692 | 2,778 | 2,867 |

## Projection of Cash Outflows

**Schedule 5**

| | Expense Line Item | Code | FY 2027 | FY 2028 | FY 2029 | FY 2030 | FY 2031 |
|---|---|---|---|---|---|---|---|
| 153 | Medical Premiums | PS | 33,638 | 35,824 | 38,153 | 40,633 | 43,274 |
| 154 | Hsa Contributions | PS | 12,000 | 12,408 | 12,817 | 13,228 | 13,651 |
| 155 | Dental Premiums | PS | 1,814 | 1,932 | 2,057 | 2,191 | 2,334 |
| 156 | Vision Premiums | PS | 397 | 423 | 450 | 480 | 511 |
| 157 | Disability & Life Premiums | PS | 726 | 773 | 823 | 877 | 934 |
| 158 | Commuter Insurance | PS | 30 | 32 | 34 | 36 | 39 |
| 159 | Fica Er Contributions | PS | 18,645 | 19,857 | 21,148 | 22,522 | 23,986 |
| 160 | Medicare Er Contributions | PS | 4,360 | 4,643 | 4,945 | 5,267 | 5,609 |
| 161 | Az St Retirement Er Contrib | PS | 36,720 | 37,968 | 39,221 | 40,477 | 41,772 |
| 162 | State Unemployment Tax | PS | 376 | 389 | 402 | 414 | 428 |
| 163 | Workman'S Compensation | PS | 8,700 | 8,996 | 9,293 | 9,590 | 9,897 |
| 164 | Irrigation Repairs | OMF | 25,000 | 25,750 | 26,523 | 27,318 | 28,138 |
| 165 | Shop Supplies | OMF | 2,000 | 2,060 | 2,122 | 2,185 | 2,251 |
| 166 | Equipment <5000 | PS | 5,000 | 5,170 | 5,341 | 5,512 | 5,688 |
| 167 | Permanent Salaries | PS | 143,301 | 148,173 | 153,063 | 157,961 | 163,016 |
| 168 | Part-Time Staffing | PS | 26,532 | 27,434 | 28,339 | 29,246 | 30,182 |
| 169 | Over Time Pay | PS | 125 | 129 | 134 | 138 | 142 |
| 170 | Cell Phone Stipend | PS | 618 | 639 | 660 | 681 | 703 |
| 171 | Medical Premiums | PS | 16,418 | 17,485 | 18,621 | 19,832 | 21,121 |
| 172 | Hsa Contributions | PS | 3,000 | 3,102 | 3,204 | 3,307 | 3,413 |
| 173 | Dental Premiums | PS | 932 | 993 | 1,057 | 1,126 | 1,199 |
| 174 | Vision Premiums | PS | 164 | 175 | 186 | 198 | 211 |
| 175 | Disability & Life Premiums | PS | 334 | 355 | 378 | 403 | 429 |
| 176 | Commuter Insurance | PS | 6 | 6 | 7 | 7 | 8 |
| 177 | Fica Er Contributions | PS | 9,877 | 10,519 | 11,203 | 11,931 | 12,706 |
| 178 | Medicare Er Contributions | PS | 2,310 | 2,460 | 2,619 | 2,790 | 2,971 |
| 179 | Az St Retirement Er Contrib | PS | 19,823 | 20,497 | 21,173 | 21,851 | 22,550 |
| 180 | State Unemployment Tax | PS | 176 | 182 | 188 | 194 | 200 |
| 181 | Workman'S Compensation | OMF | 500 | 525 | 551 | 579 | 608 |
| 182 | Dues/Membership Fees | OMF | 3,400 | 3,570 | 3,749 | 3,936 | 4,133 |
| 183 | Printing (Exterior & Interior) | OMF | 3,000 | 3,150 | 3,308 | 3,473 | 3,647 |
| 184 | Marketing | OMF | 21,750 | 22,838 | 23,979 | 25,178 | 26,437 |
| 185 | Signage | OMF | 7,350 | 7,718 | 8,103 | 8,509 | 8,934 |
| 186 | Postage | OMF | 2,000 | 2,100 | 2,205 | 2,315 | 2,431 |
| 187 | Water Conservation Program | OMF | 129,185 | 135,644 | 142,426 | 149,548 | 157,025 |
| 188 | Equipment <5000 | OMF | 250 | 263 | 276 | 289 | 304 |
| 189 | Permanent Salaries | PS | 2,026,215 | 2,095,106 | 2,164,245 | 2,233,501 | 2,304,973 |
| 190 | Temp/Seasonal Staffing | PS | 58,124 | 60,100 | 62,084 | 64,070 | 66,120 |

## Projection of Cash Outflows

## Schedule 5

| | Expense Line Item | Code | FY 2027 | FY 2028 | FY 2029 | FY 2030 | FY 2031 |
|---|---|---|---|---|---|---|---|
| 191 | Call Out | PS | 33,828 | 34,978 | 36,132 | 37,289 | 38,482 |
| 192 | Stand By | PS | 50,078 | 51,781 | 53,489 | 55,201 | 56,968 |
| 193 | Over Time Pay | PS | 17,000 | 17,578 | 18,158 | 18,739 | 19,339 |
| 194 | Cell Phone Stipend | PS | 6,960 | 7,197 | 7,434 | 7,672 | 7,918 |
| 195 | Bilingual Stipend | PS | 1,640 | 1,696 | 1,752 | 1,808 | 1,866 |
| 196 | Medical Opt Out Stipend | PS | 3,600 | 3,722 | 3,845 | 3,968 | 4,095 |
| 197 | Medical Premiums | PS | 268,852 | 286,327 | 304,939 | 324,760 | 345,869 |
| 198 | Hsa Contributions | PS | 28,000 | 28,952 | 29,907 | 30,864 | 31,852 |
| 199 | Dental Premiums | PS | 14,146 | 15,065 | 16,045 | 17,088 | 18,198 |
| 200 | Vision Premiums | PS | 3,437 | 3,660 | 3,898 | 4,152 | 4,422 |
| 201 | Disability & Life Premiums | PS | 4,181 | 4,453 | 4,742 | 5,050 | 5,379 |
| 202 | Commuter Insurance | PS | 146 | 155 | 166 | 176 | 188 |
| 203 | Fica Er Contributions | PS | 132,885 | 141,523 | 150,721 | 160,518 | 170,952 |
| 204 | Medicare Er Contributions | PS | 31,075 | 33,095 | 35,246 | 37,537 | 39,977 |
| 205 | Az St Retirement Er Contrib | PS | 262,848 | 271,785 | 280,754 | 289,738 | 299,009 |
| 206 | Er Deferred Compensation | PS | 4,800 | 4,963 | 5,127 | 5,291 | 5,460 |
| 207 | State Unemployment Tax | PS | 2,350 | 2,430 | 2,510 | 2,590 | 2,673 |
| 208 | Workman'S Compensation | PS | 50,000 | 51,700 | 53,406 | 55,115 | 56,879 |
| 209 | Professional And Technical Ser | OMF | 30,000 | 30,900 | 31,827 | 32,782 | 33,765 |
| 210 | License/Fees | OMF | 9,950 | 10,249 | 10,556 | 10,873 | 11,199 |
| 211 | Electricity | OMV | 4,540,000 | 4,707,831 | 4,887,241 | 5,142,661 | 5,388,696 |
| 212 | Water Distribution System Repa | OMF | 292,500 | 298,350 | 304,914 | 311,622 | 318,789 |
| 213 | Well Site Repairs | OMF | 725,000 | 739,500 | 755,769 | 772,396 | 790,161 |
| 214 | Well Site Ops/Maintenance | OMF | 1,037,500 | 1,058,250 | 1,081,532 | 1,105,325 | 1,130,748 |
| 215 | Backflow - Valve Testing | OMF | 10,000 | 10,300 | 10,609 | 10,927 | 11,255 |
| 216 | Rental Of Equipment/Vehicles | OMF | 50,000 | 51,500 | 53,045 | 54,636 | 56,275 |
| 217 | Shop Supplies | OMF | 15,000 | 15,450 | 15,914 | 16,391 | 16,883 |
| 218 | Water Distribution Parts | OMF | 500,000 | 515,000 | 530,450 | 546,364 | 562,754 |
| 219 | Welding Supplies | OMF | 5,000 | 5,150 | 5,305 | 5,464 | 5,628 |
| 220 | Chemicals | OMV | 625,000 | 657,276 | 683,935 | 713,897 | 754,294 |
| 221 | Equipment <5000 | CO | 150,000 | 154,500 | 159,135 | 163,909 | 168,826 |
| 222 | Contractual Svc Budget Request | OMF | 15,640 | 16,109 | 16,592 | 17,090 | 17,603 |
| 223 | Salary Supplemental | PS | 207,499 | 213,724 | 220,136 | 226,740 | 233,542 |
| 224 | Major Equipment >10000 | CO | 75,000 | 77,250 | 79,568 | 81,955 | 84,413 |
| 225 | Permanent Salaries | OMF | 260,018 | 267,819 | 275,853 | 284,129 | 292,653 |
| 226 | Cell Phone Stipend | OMF | 390 | 402 | 414 | 426 | 439 |
| 227 | Medical Premiums | OMF | 26,683 | 27,483 | 28,308 | 29,157 | 30,032 |
| 228 | Hsa Contributions | OMF | 4,000 | 4,120 | 4,244 | 4,371 | 4,502 |

## Projection of Cash Outflows — Schedule 5

| | Expense Line Item | Code | FY 2027 | FY 2028 | FY 2029 | FY 2030 | FY 2031 |
|---|---|---|---|---|---|---|---|
| 229 | Dental Premiums | OMF | 1,777 | 1,830 | 1,885 | 1,942 | 2,000 |
| 230 | Vision Premiums | OMF | 241 | 248 | 256 | 263 | 271 |
| 231 | Disability & Life Premiums | OMF | 379 | 390 | 402 | 414 | 427 |
| 232 | Fica Er Contributions | OMF | 15,371 | 15,832 | 16,307 | 16,796 | 17,300 |
| 233 | Medicare Er Contributions | OMF | 3,595 | 3,703 | 3,814 | 3,928 | 4,046 |
| 234 | Az St Retirement Er Contrib | OMF | 31,250 | 32,188 | 33,153 | 34,148 | 35,172 |
| 235 | State Unemployment Tax | OMF | 235 | 242 | 249 | 257 | 264 |
| 236 | Professional And Technical Ser | OMF | 205,000 | 211,150 | 217,485 | 224,009 | 230,729 |
| 237 | Dues/Membership Fees | OMF | 2,570 | 2,647 | 2,727 | 2,808 | 2,893 |
| 238 | License/Fees | OMF | 76,990 | 79,300 | 81,679 | 84,129 | 86,653 |
| 239 | Testing/Sampling | OMF | 175,000 | 180,250 | 185,658 | 191,227 | 196,964 |
| 240 | Printing (Exterior & Interior) | OMF | 2,000 | 2,060 | 2,122 | 2,185 | 2,251 |
| 241 | Shop Supplies | OMF | 200 | 206 | 212 | 219 | 225 |
| 242 | Software | OMF | 20,100 | 20,703 | 21,324 | 21,964 | 22,623 |
| 243 | Equipment <5000 | OMF | 5,150 | 5,305 | 5,464 | 5,628 | 5,796 |
| 244 | Postage | OMF | 600 | 618 | 637 | 656 | 675 |
| 247 | **Total Operating Expenses** | | **$ 26,885,794** | **$ 27,925,408** | **$ 29,004,499** | **$ 30,189,859** | **$ 31,421,312** |
| | **Total Expenses by Category** | | | | | | |
| 248 | Personnel Services | PS | $ 10,345,575 | $ 10,742,946 | $ 11,147,889 | $ 11,560,268 | $ 11,989,474 |
| 249 | Variable Operations & Maintenance | OMV | 5,165,000 | 5,365,107 | 5,571,175 | 5,856,559 | 6,142,990 |
| 250 | Operations & Maintenance | OMF | 9,249,219 | 9,590,615 | 9,953,084 | 10,329,964 | 10,729,700 |
| 251 | Capital Outlay | CO | 2,126,000 | 2,226,740 | 2,332,350 | 2,443,069 | 2,559,147 |
| 252 | **Total Expenses** | | **$ 26,885,794** | **$ 27,925,408** | **$ 29,004,499** | **$ 30,189,859** | **$ 31,421,312** |
| | **Expense Execution Factors** | | | | | | |
| 253 | Personnel Services | | 95% | 95% | 95% | 95% | 95% |
| 254 | Variable Operations & Maintenance | | 90% | 90% | 90% | 90% | 90% |
| 255 | Operations & Maintenance | | 100% | 100% | 100% | 100% | 100% |
| 256 | Capital Outlay | | 95% | 95% | 95% | 95% | 95% |
| | **Total Expenses at Execution** | | | | | | |
| 257 | Personnel Services | | $ 9,828,296 | $ 10,205,799 | $ 10,590,495 | $ 10,982,254 | $ 11,390,001 |
| 258 | Variable Operations & Maintenance | | 4,648,500 | 4,828,597 | 5,014,058 | 5,270,903 | 5,528,691 |
| 259 | Operations & Maintenance | | 9,249,219 | 9,590,615 | 9,953,084 | 10,329,964 | 10,729,700 |
| 260 | Capital Outlay | | 2,019,700 | 2,115,403 | 2,215,733 | 2,320,916 | 2,431,190 |
| 261 | **Total Expenses at Execution** | | **$ 25,745,715** | **$ 26,740,413** | **$ 27,773,370** | **$ 28,904,036** | **$ 30,079,582** |

## Projection of Cash Outflows

## Schedule 5

| | Expense Line Item | Code | FY 2027 | FY 2028 | FY 2029 | FY 2030 | FY 2031 |
|---|---|---|---|---|---|---|---|
| 258 | **Debt Service Paid with Operating Fund** | | | | | | |
| 259 | 2014 WIFA Loan Principal Expense | | $ 425,593 | $ 439,016 | $ 452,863 | $ 467,146 | $ 481,880 |
| 260 | 2014 WIFA Loan Interest Expense | | 160,091 | 152,830 | 145,340 | 137,613 | 129,643 |
| 261 | 2014 WIFA Loan Admin Fee Exp | | 145,186 | 138,600 | 131,807 | 124,800 | 117,572 |
| 268 | 2020 WIFA Diversified Principal Expense | | 372,204 | 379,178 | 386,283 | 393,521 | 400,894 |
| 269 | 2020 WIFA Diversified Interest Expense | | 42,454 | 41,037 | 39,593 | 38,123 | 36,624 |
| 270 | 2020 WIFA Diversified Admin Fee Exp | | 170,389 | 164,701 | 158,907 | 153,004 | 146,991 |
| 276 | 2022 BofA Refi Principal Expense | | 1,110,000 | 1,143,000 | 1,176,000 | 1,210,000 | 1,245,000 |
| 277 | 2022 BofA Refi Interest Expense | | 459,477 | 426,902 | 393,386 | 358,901 | 323,418 |
| 278 | 2022 WIFA CIP - Water Principal Expense | | 1,084,471 | 1,115,802 | 1,148,037 | 1,181,204 | 1,215,329 |
| 279 | 2022 WIFA CIP - Water Interest Expense | | 136,065 | 120,566 | 104,620 | 88,213 | 71,332 |
| 280 | 2022 WIFA CIP - Water Admin Fee Exp | | 635,516 | 618,779 | 601,558 | 583,840 | 565,610 |
| 284 | 2025 Refi CIP - Water Principal Expense | | 518,372 | 536,503 | 555,373 | - | - |
| 285 | 2025 Refi CIP - Water Interest Expense | | 912,990 | 894,213 | 874,779 | 766,651 | - |
| 286 | 2014T Sub-Lien H2O Principal Expense | | 455,383 | 491,813 | 531,159 | 573,651 | 619,543 |
| 287 | 2014T Sub-Lien H2O Interest Expense | | 754,161 | 720,587 | 685,968 | 650,275 | 613,476 |
| 288 | 2014T Sub-Lien H2O Premium Int Exp | | 586,483 | 582,002 | 575,528 | 566,851 | 555,740 |
| 291 | 2025 PNC Refinancing | | - | - | - | 1,544,445 | 1,544,445 |
| 292 | New Debt Service | | - | - | - | - | - |
| | **Total Debt Service** | | **$ 7,968,835** | **$ 7,965,528** | **$ 7,961,200** | **$ 8,838,237** | **$ 8,067,497** |
| 293 | **Cash-Funded Capital** | | | | | | |
| 294 | Projects Designated To Be Funded with Cash | | $ 7,537,997 | $ 2,327,862 | $ - | $ 5,394,948 | $ - |
| 295 | **Total Cash-Funded Capital** | | **$ 7,537,997** | **$ 2,327,862** | **$ -** | **$ 5,394,948** | **$ -** |
| 296 | **Total Cash Outflows** | | **$ 41,252,547** | **$ 37,033,803** | **$ 35,734,570** | **$ 43,137,222** | **$ 38,147,079** |

## Cost Escalation Factors

## Schedule 6

| Category | FY 2027 | FY 2028 | FY 2029 | FY 2030 | FY 2031 |
|---|---|---|---|---|---|
| Salaries & Wages | 3.50% | 3.40% | 3.30% | 3.20% | 3.20% |
| Health Insurance | 6.50% | 6.50% | 6.50% | 6.50% | 6.50% |
| Retirement | 3.50% | 3.40% | 3.30% | 3.20% | 3.20% |
| Repair & Maintenance | 2.10% | 2.00% | 2.20% | 2.20% | 2.30% |
| Water Resources | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| Water ERUs Growth | 3.69% | 3.20% | 2.08% | 2.40% | 3.70% |
| Energy/Utilities | 4.57% | 3.70% | 3.81% | 5.23% | 4.78% |
| Chemicals | 5.65% | 5.16% | 4.06% | 4.38% | 5.66% |
| No Escalation | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| Fuel | 0.91% | 1.14% | 2.53% | 1.65% | 4.82% |
| Admin Services | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% |
| Default Inflation Factor | 3.00% | 3.00% | 3.00% | 3.00% | 3.00% |

## Capital Improvement Program (CIP)

**Schedule 7**

### Projects

| | | FY 2027 | FY 2028 | FY 2029 | FY 2030 | FY 2031 | 5-Year Total |
|---|---|---|---|---|---|---|---|
| 1 | **Water Projects** | | | | | | |
| 2 | Sossaman Site, Tank & Booster | - | - | - | 3,450,000 | - | 3,450,000 |
| 3 | Barney Farm Well, Boosters, Site, & Tank | 2,455,262 | - | - | - | - | 2,455,262 |
| 4 | Sossaman Rd: Via Del Jardine to Empire Transmission Ph2 | - | - | - | 1,487,142 | - | 1,487,142 |
| 5 | Sossaman Rd: Via Del Jardine to Empire Transmission (A0602, A0903, WA167) | 325,858 | - | - | - | - | 325,858 |
| 6 | Ellsworth Ranch Well | 212,000 | - | - | - | - | 212,000 |
| 7 | Town Center: Aldecoa-Munoz-Summers | 182,638 | - | - | - | - | 182,638 |
| 8 | Sossaman RR Crossing @Germann (Road A0904) (No developer yet) | - | 174,620 | - | - | - | 174,620 |
| 9 | Ocotillo Rd: Sossaman to Hawes | 2,304,699 | - | - | - | - | 2,304,699 |
| 10 | Chandler Heights: Hawes to Ellsworth | $ 109,760 | $ 2,085,440 | $ - | $ - | $ - | $ 2,195,200 |
| 11 | Chandler Heights Rd: Sossaman to Hawes (PWP) (A0602) | 1,947,781 | - | - | - | - | 1,947,781 |
| 12 | Unspecified Future Capital | - | - | - | - | - | - |
| | | | | | | | - |
| 13 | **Total CIP Budget (in current dollars)** | **$ 7,537,997** | **$ 2,260,060** | **$ -** | **$ 4,937,142** | **$ -** | **$ 14,735,199** |
| 14 | Cumulative Projected Cost Escalation[1] | 0.0% | 3.0% | 6.1% | 9.3% | 12.6% | |
| 15 | **Resulting CIP Funding Level** | **$ 7,537,997** | **$ 2,327,862** | **$ -** | **$ 5,394,948** | **$ -** | **$ 15,260,808** |
| 16 | Annual CIP Execution Percentage | 100% | 100% | 100% | 100% | 100% | |
| 17 | **Final CIP Funding Level** | **$ 7,537,997** | **$ 2,327,862** | **$ -** | **$ 5,394,948** | **$ -** | **$ 15,260,808** |

[1] CIP Escalation factors are consistent with the Engineering News Record Construction Cost Index.

## Senior Lien Borrowing Projections — Schedule 8

| | | | FY 2026 | FY 2027 | FY 2028 | FY 2029 | FY 2030 | FY 2031 |
|---|---|---|---|---|---|---|---|---|
| Term (Years) | | | 30 | 30 | 30 | 30 | 30 | 30 |
| Interest Rate | | | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% |
| **Sources of Funds** | | | | | | | | |
| Par Amount | | | $ - | $ - | $ - | $ - | $ - | $ - |
| **Uses of Funds** | | | | | | | | |
| Proceeds | | | $ - | $ - | $ - | $ - | $ - | $ - |
| Cost of Issuance | 2.00% | of Par | - | - | - | - | - | - |
| Underwriter's Discount | - | per $1,000 | - | - | - | - | - | - |
| Bond Insurance | 0 | times total Debt Service | - | - | - | - | - | - |
| Capitalized Interest | 0 | Years Interest | - | - | - | - | - | - |
| Debt Service Surety | 0.00% | of Debt Service | - | - | - | - | - | - |
| Debt Service Reserve | 1 | Year(s) of Debt Service | - | - | - | - | - | - |
| Other Costs | | | - | - | - | - | - | - |
| Total Uses | | | $ - | $ - | $ - | $ - | $ - | $ - |
| 1 Year Interest | | | - | - | - | - | - | - |
| Annual Debt Service | | | $ - | $ - | $ - | $ - | $ - | $ - |
| Total Debt Service | | | - | - | - | - | - | - |
| **Cumulative New Annual Senior Lien Debt Service[1]** | | | **$ -** | **$ -** | **$ -** | **$ -** | **$ -** | **$ -** |

[1]Reflects interest-only payment due in year of issuance.

## Pro Forma — Schedule 9

| | | FY 2027 | FY 2028 | FY 2029 | FY 2030 | FY 2031 |
|---|---|---|---|---|---|---|
| 1 | **Operating Revenue** | | | | | |
| 2 | Water, Rate Revenue | $ 31,747,315 | $ 38,236,606 | $ 40,041,427 | $ 40,673,292 | $ 41,449,063 |
| 3 | Add: Additional Revenue Recovered after Partial Year[1] | *$ -* | *$ 756,103* | *$ -* | *$ -* | *$ -* |
| 4 | Ending User Fee Revenue[1] | *$ 31,747,315* | *$ 38,992,709* | *$ 40,041,427* | *$ 40,673,292* | *$ 41,449,063* |
| 5 | Change in Revenue From Growth | 1,009,684 | 1,048,718 | 631,865 | 775,772 | 1,323,980 |
| 6 | Revenue Normalization[2] | 5,100,000 | - | - | - | - |
| 7 | Subtotal | $ 37,856,999 | $ 40,041,427 | $ 40,673,292 | $ 41,449,063 | $ 42,773,043 |
| 8 | Water Rate Increase | 3.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| 9 | Additional Revenue From Current Year Rate Increase[3] | 379,607 | - | - | - | - |
| 10 | Total Water Rate Revenue | 38,236,606 | 40,041,427 | 40,673,292 | 41,449,063 | 42,773,043 |
| 11 | Plus: Other Operating Revenue[4] | 4,571,503 | 6,083,518 | 6,188,024 | 6,295,664 | 6,406,534 |
| 12 | **Equals: Total Operating Revenue** | **$ 42,808,109** | **$ 46,124,945** | **$ 46,861,315** | **$ 47,744,728** | **$ 49,179,577** |
| 13 | **Less: Operating Expenses** | | | | | |
| 14 | Personnel Services | $ (9,828,296) | $ (10,205,799) | $ (10,590,495) | $ (10,982,254) | $ (11,390,001) |
| 15 | Variable Operations & Maintenance Costs | (4,648,500) | (4,828,597) | (5,014,058) | (5,270,903) | (5,528,691) |
| 16 | Operations & Maintenance Costs | (9,249,219) | (9,590,615) | (9,953,084) | (10,329,964) | (10,729,700) |
| 17 | **Equals: Net Operating Income** | **$ 19,082,094** | **$ 21,499,935** | **$ 21,303,678** | **$ 21,161,607** | **$ 21,531,185** |
| 18 | **Plus: Non-Operating Income/(Expense)** | | | | | |
| 19 | Interest Income | $ - | $ 447,944 | $ 878,144 | $ 1,235,546 | $ 1,613,219 |
| 20 | Net Transfers[5] | 1,392,613 | 1,892,755 | 1,146,140 | 1,428,869 | 1,663,691 |
| 21 | **Equals: Net Income** | **$ 20,474,707** | **$ 23,840,634** | **$ 23,327,962** | **$ 23,826,022** | **$ 24,808,095** |
| 22 | **Less Debt Service & Capital Outlay** | | | | | |
| 23 | Net Debt Service Payment | (7,968,835) | (7,965,528) | (7,961,200) | (8,838,237) | (8,067,497) |
| 24 | **Net Cash Flow** | **$ 12,505,872** | **$ 15,875,106** | **$ 15,366,762** | **$ 14,987,785** | **$ 16,740,598** |
| 25 | **Unrestricted Reserve Fund Test** | | | | | |
| 26 | Balance At Beginning Of Fiscal Year | $ 4,134,297 | $ 7,082,472 | $ 18,514,313 | $ 31,665,342 | $ 38,937,263 |
| 27 | Cash Flow Surplus/(Deficit) | 12,505,872 | 15,875,106 | 15,366,762 | 14,987,785 | 16,740,598 |
| 28 | Projects Designated To Be Paid With Cash | (9,557,697) | (4,443,265) | (2,215,733) | (7,715,864) | (2,431,190) |
| 29 | **Balance At End Of Fiscal Year** | **$ 7,082,472** | **$ 18,514,313** | **$ 31,665,342** | **$ 38,937,263** | **$ 53,246,671** |
| 30 | **Minimum Working Capital Reserve Target[6]** | **$ 6,881,079** | **$ 5,931,504** | **$ 12,312,505** | **$ 12,778,818** | **$ 13,291,560** |
| 31 | **Excess/(Deficiency) Of Working Capital To Target** | **$ 201,393** | **$ 12,582,809** | **$ 19,352,838** | **$ 26,158,445** | **$ 39,955,111** |

[1] Represents full basis of rate revenue adjusted for rate effective date

[2] Normalizes FY 2027 revenue for abnormally wet fall in prior fiscal year as well as impacts from rate adoption timing of October rate increase

[3] Adjusted for rate effective date, January 1 of respective fiscal year

[4] Includes Irrigation Sales, Establishment of Service Revenue, Meter Revenue, and other miscellaneous service revenues

[5] Includes interfund transfers for Utility Billing and Support Costs as well as repayment on advances of funds

[6] Equal to 12 months of O&M as determined following an evaluation of operating, R&R, and rate stabilization needs

## APPENDIX C – COST OF SERVICE SUPPORTING SCHEDULES

## Water System Operating & Debt Service Expense Allocation to Functions

**Schedule 1**

| Description | Department | TY Expense | Portion Stormwater | FY 2027 Expense | Allocation Basis/Factor | Supply/Treatment % Allocation | Transmission/ Distribution % Allocation | Meters/Services % Allocation | Total % Allocation | Supply/Treatment $ Allocation | Transmission/ Distribution $ Allocation | Meters/Services $ Allocation |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | **14,231,240** | **22,265,935** | **6,310,934** |
| BAD DEBT EXPENSE | 2100 - WATER - ADMINISTRATION | $ 20,000 | 0% | 20,000 | Indirect | 52.13% | 24.76% | 23.12% | 100% | 10,425 | 4,951 | 4,623 |
| PROFESSIONAL AND TECHNICAL SER | 2100 - WATER - ADMINISTRATION | $ 100,000 | 0% | 100,000 | Indirect | 52.13% | 24.76% | 23.12% | 100% | 52,127 | 24,757 | 23,116 |
| DEPT SUPPORT COSTS-IT | 2100 - WATER - ADMINISTRATION | $ 605,027 | 0% | 605,027 | Indirect | 52.13% | 24.76% | 23.12% | 100% | 315,380 | 149,789 | 139,857 |
| DEPT SUPPORT COSTS-HR | 2100 - WATER - ADMINISTRATION | $ 86,508 | 0% | 86,508 | Indirect | 52.13% | 24.76% | 23.12% | 100% | 45,094 | 21,417 | 19,997 |
| DEPT SUPPORT COSTS-FINANCE | 2100 - WATER - ADMINISTRATION | $ 272,380 | 0% | 272,380 | Indirect | 52.13% | 24.76% | 23.12% | 100% | 141,983 | 67,434 | 62,963 |
| DEPT SUPPORT COSTS-BUDGET | 2100 - WATER - ADMINISTRATION | $ 88,763 | 0% | 88,763 | Indirect | 52.13% | 24.76% | 23.12% | 100% | 46,269 | 21,976 | 20,518 |
| DEPT SUPPORT COSTS-FACILITIES | 2100 - WATER - ADMINISTRATION | $ 210,974 | 0% | 210,974 | Indirect | 52.13% | 24.76% | 23.12% | 100% | 109,974 | 52,232 | 48,769 |
| DEPT SUPPORT COSTS-Legal | 2100 - WATER - ADMINISTRATION | $ 218,689 | 0% | 218,689 | Indirect | 52.13% | 24.76% | 23.12% | 100% | 113,995 | 54,142 | 50,552 |
| UTILITY FRANCHISE FEE | 2100 - WATER - ADMINISTRATION | $ 1,292,000 | 0% | 1,292,000 | Indirect | 52.13% | 24.76% | 23.12% | 100% | 673,476 | 319,866 | 298,657 |
| IN LIEU PROPERTY TAX | 2100 - WATER - ADMINISTRATION | $ 463,600 | 0% | 463,600 | Indirect | 52.13% | 24.76% | 23.12% | 100% | 241,659 | 114,776 | 107,165 |
| PERMANENT SALARIES | 2100 - WATER - ADMINISTRATION | $ 1,126,355 | 0% | 1,126,355 | Indirect | 52.13% | 24.76% | 23.12% | 100% | 587,131 | 278,857 | 260,367 |
| CELL PHONE STIPEND | 2100 - WATER - ADMINISTRATION | $ 6,312 | 0% | 6,312 | Indirect | 52.13% | 24.76% | 23.12% | 100% | 3,290 | 1,563 | 1,459 |
| MILEAGE STIPEND | 2100 - WATER - ADMINISTRATION | $ 5,786 | 0% | 5,786 | Indirect | 52.13% | 24.76% | 23.12% | 100% | 3,016 | 1,432 | 1,337 |
| MEDICAL PREMIUMS | 2100 - WATER - ADMINISTRATION | $ 115,524 | 0% | 115,524 | Indirect | 52.13% | 24.76% | 23.12% | 100% | 60,219 | 28,601 | 26,704 |
| HSA CONTRIBUTIONS | 2100 - WATER - ADMINISTRATION | $ 19,000 | 0% | 19,000 | Indirect | 52.13% | 24.76% | 23.12% | 100% | 9,904 | 4,704 | 4,392 |
| DENTAL PREMIUMS | 2100 - WATER - ADMINISTRATION | $ 6,940 | 0% | 6,940 | Indirect | 52.13% | 24.76% | 23.12% | 100% | 3,617 | 1,718 | 1,604 |
| VISION PREMIUMS | 2100 - WATER - ADMINISTRATION | $ 1,053 | 0% | 1,053 | Indirect | 52.13% | 24.76% | 23.12% | 100% | 549 | 261 | 243 |
| DISABILITY & LIFE PREMIUMS | 2100 - WATER - ADMINISTRATION | $ 2,360 | 0% | 2,360 | Indirect | 52.13% | 24.76% | 23.12% | 100% | 1,230 | 584 | 545 |
| COMMUTER INSURANCE | 2100 - WATER - ADMINISTRATION | $ 37 | 0% | 37 | Indirect | 52.13% | 24.76% | 23.12% | 100% | 19 | 9 | 9 |
| FICA ER CONTRIBUTIONS | 2100 - WATER - ADMINISTRATION | $ 63,604 | 0% | 63,604 | Indirect | 52.13% | 24.76% | 23.12% | 100% | 33,155 | 15,747 | 14,703 |
| MEDICARE ER CONTRIBUTIONS | 2100 - WATER - ADMINISTRATION | $ 15,402 | 0% | 15,402 | Indirect | 52.13% | 24.76% | 23.12% | 100% | 8,029 | 3,813 | 3,560 |
| AZ ST RETIREMENT ER CONTRIB | 2100 - WATER - ADMINISTRATION | $ 128,894 | 0% | 128,894 | Indirect | 52.13% | 24.76% | 23.12% | 100% | 67,188 | 31,911 | 29,795 |
| ER DEFERRED COMPENSATION | 2100 - WATER - ADMINISTRATION | $ 9,314 | 0% | 9,314 | Indirect | 52.13% | 24.76% | 23.12% | 100% | 4,855 | 2,306 | 2,153 |
| STATE UNEMPLOYMENT TAX | 2100 - WATER - ADMINISTRATION | $ 666 | 0% | 666 | Indirect | 52.13% | 24.76% | 23.12% | 100% | 347 | 165 | 154 |
| WORKMAN'S COMPENSATION | 2100 - WATER - ADMINISTRATION | $ 6,460 | 0% | 6,460 | Indirect | 52.13% | 24.76% | 23.12% | 100% | 3,367 | 1,599 | 1,493 |
| PROFESSIONAL AND TECHNICAL SER | 2100 - WATER - ADMINISTRATION | $ 594,000 | 0% | 594,000 | Indirect | 52.13% | 24.76% | 23.12% | 100% | 309,632 | 147,059 | 137,308 |
| GENERAL SERVICES | 2100 - WATER - ADMINISTRATION | $ 161,500 | 0% | 161,500 | Indirect | 52.13% | 24.76% | 23.12% | 100% | 84,185 | 39,983 | 37,332 |
| TRAVEL/CONFERENCE/SEMINARS/TRA | 2100 - WATER - ADMINISTRATION | $ 223,560 | 0% | 223,560 | Indirect | 52.13% | 24.76% | 23.12% | 100% | 116,534 | 55,348 | 51,678 |
| DUES/MEMBERSHIP FEES | 2100 - WATER - ADMINISTRATION | $ 2,500 | 0% | 2,500 | Indirect | 52.13% | 24.76% | 23.12% | 100% | 1,303 | 619 | 578 |
| LICENSE/FEES | 2100 - WATER - ADMINISTRATION | $ 18,220 | 0% | 18,220 | Indirect | 52.13% | 24.76% | 23.12% | 100% | 9,497 | 4,511 | 4,212 |
| EMPLOYEE UNIFORMS | 2100 - WATER - ADMINISTRATION | $ 82,500 | 0% | 82,500 | Indirect | 52.13% | 24.76% | 23.12% | 100% | 43,004 | 20,425 | 19,071 |
| WATER | 2100 - WATER - ADMINISTRATION | $ 6,000 | 0% | 6,000 | Indirect | 52.13% | 24.76% | 23.12% | 100% | 3,128 | 1,485 | 1,387 |
| CELLULAR TELEPHONE | 2100 - WATER - ADMINISTRATION | $ 87,000 | 0% | 87,000 | Indirect | 52.13% | 24.76% | 23.12% | 100% | 45,350 | 21,539 | 20,111 |
| PEST CONTROL SERVICES | 2100 - WATER - ADMINISTRATION | $ 5,000 | 0% | 5,000 | Indirect | 52.13% | 24.76% | 23.12% | 100% | 2,606 | 1,238 | 1,156 |
| MAINTENANCE/REPAIRS | 2100 - WATER - ADMINISTRATION | $ 5,000 | 0% | 5,000 | Indirect | 52.13% | 24.76% | 23.12% | 100% | 2,606 | 1,238 | 1,156 |
| VEHICLE MAINT/REPAIR | 2100 - WATER - ADMINISTRATION | $ 300,000 | 0% | 300,000 | Indirect | 52.13% | 24.76% | 23.12% | 100% | 156,380 | 74,272 | 69,348 |
| RENTAL OF LAND/BUILDINGS | 2100 - WATER - ADMINISTRATION | $ 7,715 | 0% | 7,715 | Indirect | 52.13% | 24.76% | 23.12% | 100% | 4,022 | 1,910 | 1,783 |
| LIABILITY INSURANCE | 2100 - WATER - ADMINISTRATION | $ 183,432 | 0% | 183,432 | Indirect | 52.13% | 24.76% | 23.12% | 100% | 95,617 | 45,413 | 42,402 |
| MILEAGE | 2100 - WATER - ADMINISTRATION | $ 500 | 0% | 500 | Indirect | 52.13% | 24.76% | 23.12% | 100% | 261 | 124 | 116 |
| SHOP SUPPLIES | 2100 - WATER - ADMINISTRATION | $ 1,000 | 0% | 1,000 | Indirect | 52.13% | 24.76% | 23.12% | 100% | 521 | 248 | 231 |
| OFFICE SUPPLIES | 2100 - WATER - ADMINISTRATION | $ 15,000 | 0% | 15,000 | Indirect | 52.13% | 24.76% | 23.12% | 100% | 7,819 | 3,714 | 3,467 |
| SAFETY SUPPLIES | 2100 - WATER - ADMINISTRATION | $ 20,000 | 0% | 20,000 | Indirect | 52.13% | 24.76% | 23.12% | 100% | 10,425 | 4,951 | 4,623 |
| POSTAGE | 2100 - WATER - ADMINISTRATION | $ 7,000 | 0% | 7,000 | Indirect | 52.13% | 24.76% | 23.12% | 100% | 3,649 | 1,733 | 1,618 |
| GASOLINE (VEHICLE USAGE) | 2100 - WATER - ADMINISTRATION | $ 140,000 | 0% | 140,000 | Indirect | 52.13% | 24.76% | 23.12% | 100% | 72,977 | 34,660 | 32,362 |
| VEHICLE EQUIPMENT | 2100 - WATER - ADMINISTRATION | $ 15,000 | 0% | 15,000 | Indirect | 52.13% | 24.76% | 23.12% | 100% | 7,819 | 3,714 | 3,467 |
| EQUIPMENT <5000 | 2100 - WATER - ADMINISTRATION | $ 50,000 | 0% | 50,000 | Indirect | 52.13% | 24.76% | 23.12% | 100% | 26,063 | 12,379 | 11,558 |
| SOFTWARE SUPPORT | 2100 - WATER - ADMINISTRATION | $ 13,350 | 0% | 13,350 | Indirect | 52.13% | 24.76% | 23.12% | 100% | 6,959 | 3,305 | 3,086 |
| MISCELLANEOUS EXPENSE | 2100 - WATER - ADMINISTRATION | $ 25,000 | 0% | 25,000 | Indirect | 52.13% | 24.76% | 23.12% | 100% | 13,032 | 6,189 | 5,779 |

## Water System Operating & Debt Service Expense Allocation to Functions

**Schedule 1**

| Description | Department | TY Expense | Portion Stormwater | FY 2027 Expense | Allocation Basis/Factor | Supply/Treatment % Allocation | Transmission/ Distribution % Allocation | Meters/Services % Allocation | Total % Allocation | Supply/Treatment $ Allocation | Transmission/ Distribution $ Allocation | Meters/Services $ Allocation |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | **14,231,240** | **22,265,935** | **6,310,934** |
| WASTE (TRASH) | 2100 - WATER - ADMINISTRATION | $ 4,800 | 0% | 4,800 | Indirect | 52.13% | 24.76% | 23.12% | 100% | 2,502 | 1,188 | 1,110 |
| ELECTRICITY | 2100 - WATER - ADMINISTRATION | $ 35,000 | 0% | 35,000 | Indirect | 52.13% | 24.76% | 23.12% | 100% | 18,244 | 8,665 | 8,091 |
| WASTE (TRASH) | 2100 - WATER - ADMINISTRATION | $ 10,000 | 0% | 10,000 | Indirect | 52.13% | 24.76% | 23.12% | 100% | 5,213 | 2,476 | 2,312 |
| SALARY SUPPLEMENTAL | 2100 - WATER - ADMINISTRATION | $ 8,701 | 0% | 8,701 | Indirect | 52.13% | 24.76% | 23.12% | 100% | 4,536 | 2,154 | 2,011 |
| PERMANENT SALARIES | 2110 - WATER - CUSTOMER SERVICE | $ 1,459,009 | 0% | 1,459,009 | Meter/Services | 0.00% | 0.00% | 100.00% | 100% | - | - | 1,459,009 |
| TEMP/SEASONAL STAFFING | 2110 - WATER - CUSTOMER SERVICE | $ 149,031 | 0% | 149,031 | Meter/Services | 0.00% | 0.00% | 100.00% | 100% | - | - | 149,031 |
| OVER TIME PAY | 2110 - WATER - CUSTOMER SERVICE | $ 8,265 | 0% | 8,265 | Meter/Services | 0.00% | 0.00% | 100.00% | 100% | - | - | 8,265 |
| CELL PHONE STIPEND | 2110 - WATER - CUSTOMER SERVICE | $ 3,705 | 0% | 3,705 | Meter/Services | 0.00% | 0.00% | 100.00% | 100% | - | - | 3,705 |
| BILINGUAL STIPEND | 2110 - WATER - CUSTOMER SERVICE | $ 2,337 | 0% | 2,337 | Meter/Services | 0.00% | 0.00% | 100.00% | 100% | - | - | 2,337 |
| MEDICAL OPT OUT STIPEND | 2110 - WATER - CUSTOMER SERVICE | $ 1,140 | 0% | 1,140 | Meter/Services | 0.00% | 0.00% | 100.00% | 100% | - | - | 1,140 |
| MEDICAL PREMIUMS | 2110 - WATER - CUSTOMER SERVICE | $ 209,000 | 0% | 209,000 | Meter/Services | 0.00% | 0.00% | 100.00% | 100% | - | - | 209,000 |
| HSA CONTRIBUTIONS | 2110 - WATER - CUSTOMER SERVICE | $ 36,100 | 0% | 36,100 | Meter/Services | 0.00% | 0.00% | 100.00% | 100% | - | - | 36,100 |
| DENTAL PREMIUMS | 2110 - WATER - CUSTOMER SERVICE | $ 12,824 | 0% | 12,824 | Meter/Services | 0.00% | 0.00% | 100.00% | 100% | - | - | 12,824 |
| VISION PREMIUMS | 2110 - WATER - CUSTOMER SERVICE | $ 2,346 | 0% | 2,346 | Meter/Services | 0.00% | 0.00% | 100.00% | 100% | - | - | 2,346 |
| DISABILITY & LIFE PREMIUMS | 2110 - WATER - CUSTOMER SERVICE | $ 3,889 | 0% | 3,889 | Meter/Services | 0.00% | 0.00% | 100.00% | 100% | - | - | 3,889 |
| COMMUTER INSURANCE | 2110 - WATER - CUSTOMER SERVICE | $ 118 | 0% | 118 | Meter/Services | 0.00% | 0.00% | 100.00% | 100% | - | - | 118 |
| FICA ER CONTRIBUTIONS | 2110 - WATER - CUSTOMER SERVICE | $ 96,380 | 0% | 96,380 | Meter/Services | 0.00% | 0.00% | 100.00% | 100% | - | - | 96,380 |
| MEDICARE ER CONTRIBUTIONS | 2110 - WATER - CUSTOMER SERVICE | $ 22,541 | 0% | 22,541 | Meter/Services | 0.00% | 0.00% | 100.00% | 100% | - | - | 22,541 |
| AZ ST RETIREMENT ER CONTRIB | 2110 - WATER - CUSTOMER SERVICE | $ 191,559 | 0% | 191,559 | Meter/Services | 0.00% | 0.00% | 100.00% | 100% | - | - | 191,559 |
| ER DEFERRED COMPENSATION | 2110 - WATER - CUSTOMER SERVICE | $ 4,104 | 0% | 4,104 | Meter/Services | 0.00% | 0.00% | 100.00% | 100% | - | - | 4,104 |
| STATE UNEMPLOYMENT TAX | 2110 - WATER - CUSTOMER SERVICE | $ 1,831 | 0% | 1,831 | Meter/Services | 0.00% | 0.00% | 100.00% | 100% | - | - | 1,831 |
| WORKMAN'S COMPENSATION | 2110 - WATER - CUSTOMER SERVICE | $ 3,800 | 0% | 3,800 | Meter/Services | 0.00% | 0.00% | 100.00% | 100% | - | - | 3,800 |
| GENERAL SERVICES | 2110 - WATER - CUSTOMER SERVICE | $ 35,700 | 0% | 35,700 | Meter/Services | 0.00% | 0.00% | 100.00% | 100% | - | - | 35,700 |
| TRAVEL/CONFERENCE/SEMINARS/TRA | 2110 - WATER - CUSTOMER SERVICE | $ 89,900 | 0% | 89,900 | Meter/Services | 0.00% | 0.00% | 100.00% | 100% | - | - | 89,900 |
| DUES/MEMBERSHIP FEES | 2110 - WATER - CUSTOMER SERVICE | $ 12,423 | 0% | 12,423 | Meter/Services | 0.00% | 0.00% | 100.00% | 100% | - | - | 12,423 |
| LICENSE/FEES | 2110 - WATER - CUSTOMER SERVICE | $ 1,450 | 0% | 1,450 | Meter/Services | 0.00% | 0.00% | 100.00% | 100% | - | - | 1,450 |
| BANK FEES | 2110 - WATER - CUSTOMER SERVICE | $ 50,000 | 0% | 50,000 | Meter/Services | 0.00% | 0.00% | 100.00% | 100% | - | - | 50,000 |
| CREDIT CARD FEES | 2110 - WATER - CUSTOMER SERVICE | $ 475,000 | 0% | 475,000 | Meter/Services | 0.00% | 0.00% | 100.00% | 100% | - | - | 475,000 |
| PRINTING (EXTERIOR & INTERIOR) | 2110 - WATER - CUSTOMER SERVICE | $ 225,000 | 0% | 225,000 | Meter/Services | 0.00% | 0.00% | 100.00% | 100% | - | - | 225,000 |
| MILEAGE | 2110 - WATER - CUSTOMER SERVICE | $ 1,000 | 0% | 1,000 | Meter/Services | 0.00% | 0.00% | 100.00% | 100% | - | - | 1,000 |
| OFFICE SUPPLIES | 2110 - WATER - CUSTOMER SERVICE | $ 5,000 | 0% | 5,000 | Meter/Services | 0.00% | 0.00% | 100.00% | 100% | - | - | 5,000 |
| EQUIPMENT <5000 | 2110 - WATER - CUSTOMER SERVICE | $ 3,000 | 0% | 3,000 | Meter/Services | 0.00% | 0.00% | 100.00% | 100% | - | - | 3,000 |
| SOFTWARE SUPPORT | 2110 - WATER - CUSTOMER SERVICE | $ 333,985 | 0% | 333,985 | Meter/Services | 0.00% | 0.00% | 100.00% | 100% | - | - | 333,985 |
| PERMANENT SALARIES | 2120 - WATER-ENGINEERING | $ 319,422 | 0% | 319,422 | Transmission/Distribution | 0.00% | 100.00% | 0.00% | 100% | - | 319,422 | - |
| OVER TIME PAY | 2120 - WATER-ENGINEERING | $ 1,995 | 0% | 1,995 | Transmission/Distribution | 0.00% | 100.00% | 0.00% | 100% | - | 1,995 | - |
| CELL PHONE STIPEND | 2120 - WATER-ENGINEERING | $ 2,075 | 0% | 2,075 | Transmission/Distribution | 0.00% | 100.00% | 0.00% | 100% | - | 2,075 | - |
| MEDICAL OPT OUT STIPEND | 2120 - WATER-ENGINEERING | $ 798 | 0% | 798 | Transmission/Distribution | 0.00% | 100.00% | 0.00% | 100% | - | 798 | - |
| MEDICAL PREMIUMS | 2120 - WATER-ENGINEERING | $ 28,253 | 0% | 28,253 | Transmission/Distribution | 0.00% | 100.00% | 0.00% | 100% | - | 28,253 | - |
| HSA CONTRIBUTIONS | 2120 - WATER-ENGINEERING | $ 11,400 | 0% | 11,400 | Transmission/Distribution | 0.00% | 100.00% | 0.00% | 100% | - | 11,400 | - |
| DENTAL PREMIUMS | 2120 - WATER-ENGINEERING | $ 1,268 | 0% | 1,268 | Transmission/Distribution | 0.00% | 100.00% | 0.00% | 100% | - | 1,268 | - |
| VISION PREMIUMS | 2120 - WATER-ENGINEERING | $ 385 | 0% | 385 | Transmission/Distribution | 0.00% | 100.00% | 0.00% | 100% | - | 385 | - |
| DISABILITY & LIFE PREMIUMS | 2120 - WATER-ENGINEERING | $ 1,009 | 0% | 1,009 | Transmission/Distribution | 0.00% | 100.00% | 0.00% | 100% | - | 1,009 | - |
| COMMUTER INSURANCE | 2120 - WATER-ENGINEERING | $ 55 | 0% | 55 | Transmission/Distribution | 0.00% | 100.00% | 0.00% | 100% | - | 55 | - |
| FICA ER CONTRIBUTIONS | 2120 - WATER-ENGINEERING | $ 18,994 | 0% | 18,994 | Transmission/Distribution | 0.00% | 100.00% | 0.00% | 100% | - | 18,994 | - |
| MEDICARE ER CONTRIBUTIONS | 2120 - WATER-ENGINEERING | $ 4,441 | 0% | 4,441 | Transmission/Distribution | 0.00% | 100.00% | 0.00% | 100% | - | 4,441 | - |
| AZ ST RETIREMENT ER CONTRIB | 2120 - WATER-ENGINEERING | $ 37,554 | 0% | 37,554 | Transmission/Distribution | 0.00% | 100.00% | 0.00% | 100% | - | 37,554 | - |
| ER DEFERRED COMPENSATION | 2120 - WATER-ENGINEERING | $ 638 | 0% | 638 | Transmission/Distribution | 0.00% | 100.00% | 0.00% | 100% | - | 638 | - |
| STATE UNEMPLOYMENT TAX | 2120 - WATER-ENGINEERING | $ 314 | 0% | 314 | Transmission/Distribution | 0.00% | 100.00% | 0.00% | 100% | - | 314 | - |
| WORKMAN'S COMPENSATION | 2120 - WATER-ENGINEERING | $ 14,725 | 0% | 14,725 | Transmission/Distribution | 0.00% | 100.00% | 0.00% | 100% | - | 14,725 | - |
| PROFESSIONAL AND TECHNICAL SER | 2120 - WATER-ENGINEERING | $ 225,000 | 0% | 225,000 | Transmission/Distribution | 0.00% | 100.00% | 0.00% | 100% | - | 225,000 | - |
| SHOP SUPPLIES | 2120 - WATER-ENGINEERING | $ 1,000 | 0% | 1,000 | Transmission/Distribution | 0.00% | 100.00% | 0.00% | 100% | - | 1,000 | - |
| EQUIPMENT <5000 | 2120 - WATER-ENGINEERING | $ 2,850 | 0% | 2,850 | Transmission/Distribution | 0.00% | 100.00% | 0.00% | 100% | - | 2,850 | - |
| CONTRACTUAL SVC BUDGET REQUEST | 2120 - WATER-ENGINEERING | $ 62,550 | 0% | 62,550 | Transmission/Distribution | 0.00% | 100.00% | 0.00% | 100% | - | 62,550 | - |
| SALARY SUPPLEMENTAL | 2120 - WATER-ENGINEERING | $ 98,518 | 0% | 98,518 | Transmission/Distribution | 0.00% | 100.00% | 0.00% | 100% | - | 98,518 | - |
| PERMANENT SALARIES | 2130 - WATER-FIELD OPS METERS | $ 891,814 | 0% | 891,814 | Meter/Services | 0.00% | 0.00% | 100.00% | 100% | - | - | 891,814 |
| TEMP/SEASONAL STAFFING | 2130 - WATER-FIELD OPS METERS | $ 92,858 | 0% | 92,858 | Meter/Services | 0.00% | 0.00% | 100.00% | 100% | - | - | 92,858 |
| CALL OUT | 2130 - WATER-FIELD OPS METERS | $ 4,829 | 0% | 4,829 | Meter/Services | 0.00% | 0.00% | 100.00% | 100% | - | - | 4,829 |
| STAND BY | 2130 - WATER-FIELD OPS METERS | $ 9,503 | 0% | 9,503 | Meter/Services | 0.00% | 0.00% | 100.00% | 100% | - | - | 9,503 |
| OVER TIME PAY | 2130 - WATER-FIELD OPS METERS | $ 8,550 | 0% | 8,550 | Meter/Services | 0.00% | 0.00% | 100.00% | 100% | - | - | 8,550 |
| CELL PHONE STIPEND | 2130 - WATER-FIELD OPS METERS | $ 2,394 | 0% | 2,394 | Meter/Services | 0.00% | 0.00% | 100.00% | 100% | - | - | 2,394 |
| BILINGUAL STIPEND | 2130 - WATER-FIELD OPS METERS | $ 3,116 | 0% | 3,116 | Meter/Services | 0.00% | 0.00% | 100.00% | 100% | - | - | 3,116 |
| MEDICAL OPT OUT STIPEND | 2130 - WATER-FIELD OPS METERS | $ 2,280 | 0% | 2,280 | Meter/Services | 0.00% | 0.00% | 100.00% | 100% | - | - | 2,280 |
| MEDICAL PREMIUMS | 2130 - WATER-FIELD OPS METERS | $ 111,025 | 0% | 111,025 | Meter/Services | 0.00% | 0.00% | 100.00% | 100% | - | - | 111,025 |
| HSA CONTRIBUTIONS | 2130 - WATER-FIELD OPS METERS | $ 30,400 | 0% | 30,400 | Meter/Services | 0.00% | 0.00% | 100.00% | 100% | - | - | 30,400 |
| DENTAL PREMIUMS | 2130 - WATER-FIELD OPS METERS | $ 7,775 | 0% | 7,775 | Meter/Services | 0.00% | 0.00% | 100.00% | 100% | - | - | 7,775 |
| VISION PREMIUMS | 2130 - WATER-FIELD OPS METERS | $ 991 | 0% | 991 | Meter/Services | 0.00% | 0.00% | 100.00% | 100% | - | - | 991 |
| DISABILITY & LIFE PREMIUMS | 2130 - WATER-FIELD OPS METERS | $ 2,222 | 0% | 2,222 | Meter/Services | 0.00% | 0.00% | 100.00% | 100% | - | - | 2,222 |
| COMMUTER INSURANCE | 2130 - WATER-FIELD OPS METERS | $ 128 | 0% | 128 | Meter/Services | 0.00% | 0.00% | 100.00% | 100% | - | - | 128 |
| FICA ER CONTRIBUTIONS | 2130 - WATER-FIELD OPS METERS | $ 60,639 | 0% | 60,639 | Meter/Services | 0.00% | 0.00% | 100.00% | 100% | - | - | 60,639 |
| MEDICARE ER CONTRIBUTIONS | 2130 - WATER-FIELD OPS METERS | $ 14,184 | 0% | 14,184 | Meter/Services | 0.00% | 0.00% | 100.00% | 100% | - | - | 14,184 |
| AZ ST RETIREMENT ER CONTRIB | 2130 - WATER-FIELD OPS METERS | $ 121,469 | 0% | 121,469 | Meter/Services | 0.00% | 0.00% | 100.00% | 100% | - | - | 121,469 |
| ER DEFERRED COMPENSATION | 2130 - WATER-FIELD OPS METERS | $ 2,736 | 0% | 2,736 | Meter/Services | 0.00% | 0.00% | 100.00% | 100% | - | - | 2,736 |
| STATE UNEMPLOYMENT TAX | 2130 - WATER-FIELD OPS METERS | $ 1,161 | 0% | 1,161 | Meter/Services | 0.00% | 0.00% | 100.00% | 100% | - | - | 1,161 |

## Water System Operating & Debt Service Expense Allocation to Functions

**Schedule 1**

| Description | Department | TY Expense | Portion Stormwater | FY 2027 Expense | Allocation Basis/Factor | Supply/Treatment % Allocation | Transmission/ Distribution % Allocation | Meters/Services % Allocation | Total % Allocation | Supply/Treatment $ Allocation | Transmission/ Distribution $ Allocation | Meters/Services $ Allocation |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | **14,231,240** | **22,265,935** | **6,310,934** |
| WORKMAN'S COMPENSATION | 2130 - WATER-FIELD OPS METERS | $ 21,850 | 0% | 21,850 | Meter/Services | 0.00% | 0.00% | 100.00% | 100% | - | - | 21,850 |
| SHOP SUPPLIES | 2130 - WATER-FIELD OPS METERS | $ 10,000 | 0% | 10,000 | Meter/Services | 0.00% | 0.00% | 100.00% | 100% | - | - | 10,000 |
| WELDING SUPPLIES | 2130 - WATER-FIELD OPS METERS | $ 1,500 | 0% | 1,500 | Meter/Services | 0.00% | 0.00% | 100.00% | 100% | - | - | 1,500 |
| EQUIPMENT <5000 | 2130 - WATER-FIELD OPS METERS | $ 19,000 | 0% | 19,000 | Meter/Services | 0.00% | 0.00% | 100.00% | 100% | - | - | 19,000 |
| SOFTWARE SUPPORT | 2130 - WATER-FIELD OPS METERS | $ 128,000 | 0% | 128,000 | Meter/Services | 0.00% | 0.00% | 100.00% | 100% | - | - | 128,000 |
| PERMANENT SALARIES | 2140 - WATER- GIS | $ 422,454 | 0% | 422,454 | T/D & M/C split | 0.00% | 95.00% | 5.00% | 100% | - | 401,331 | 21,123 |
| CALL OUT | 2140 - WATER- GIS | $ 822 | 0% | 822 | T/D & M/C split | 0.00% | 95.00% | 5.00% | 100% | - | 781 | 41 |
| STAND BY | 2140 - WATER- GIS | $ 8,398 | 0% | 8,398 | T/D & M/C split | 0.00% | 95.00% | 5.00% | 100% | - | 7,978 | 420 |
| OVER TIME PAY | 2140 - WATER- GIS | $ 11,400 | 0% | 11,400 | T/D & M/C split | 0.00% | 95.00% | 5.00% | 100% | - | 10,830 | 570 |
| CELL PHONE STIPEND | 2140 - WATER- GIS | $ 1,197 | 0% | 1,197 | T/D & M/C split | 0.00% | 95.00% | 5.00% | 100% | - | 1,137 | 60 |
| MEDICAL OPT OUT STIPEND | 2140 - WATER- GIS | $ 1,140 | 0% | 1,140 | T/D & M/C split | 0.00% | 95.00% | 5.00% | 100% | - | 1,083 | 57 |
| MEDICAL PREMIUMS | 2140 - WATER- GIS | $ 65,643 | 0% | 65,643 | T/D & M/C split | 0.00% | 95.00% | 5.00% | 100% | - | 62,361 | 3,282 |
| HSA CONTRIBUTIONS | 2140 - WATER- GIS | $ 3,800 | 0% | 3,800 | T/D & M/C split | 0.00% | 95.00% | 5.00% | 100% | - | 3,610 | 190 |
| DENTAL PREMIUMS | 2140 - WATER- GIS | $ 2,132 | 0% | 2,132 | T/D & M/C split | 0.00% | 95.00% | 5.00% | 100% | - | 2,025 | 107 |
| VISION PREMIUMS | 2140 - WATER- GIS | $ 680 | 0% | 680 | T/D & M/C split | 0.00% | 95.00% | 5.00% | 100% | - | 646 | 34 |
| DISABILITY & LIFE PREMIUMS | 2140 - WATER- GIS | $ 749 | 0% | 749 | T/D & M/C split | 0.00% | 95.00% | 5.00% | 100% | - | 711 | 37 |
| COMMUTER INSURANCE | 2140 - WATER- GIS | $ 43 | 0% | 43 | T/D & M/C split | 0.00% | 95.00% | 5.00% | 100% | - | 41 | 2 |
| FICA ER CONTRIBUTIONS | 2140 - WATER- GIS | $ 27,347 | 0% | 27,347 | T/D & M/C split | 0.00% | 95.00% | 5.00% | 100% | - | 25,979 | 1,367 |
| MEDICARE ER CONTRIBUTIONS | 2140 - WATER- GIS | $ 6,396 | 0% | 6,396 | T/D & M/C split | 0.00% | 95.00% | 5.00% | 100% | - | 6,077 | 320 |
| AZ ST RETIREMENT ER CONTRIB | 2140 - WATER- GIS | $ 53,312 | 0% | 53,312 | T/D & M/C split | 0.00% | 95.00% | 5.00% | 100% | - | 50,646 | 2,666 |
| STATE UNEMPLOYMENT TAX | 2140 - WATER- GIS | $ 536 | 0% | 536 | T/D & M/C split | 0.00% | 95.00% | 5.00% | 100% | - | 509 | 27 |
| WORKMAN'S COMPENSATION | 2140 - WATER- GIS | $ 5,700 | 0% | 5,700 | T/D & M/C split | 0.00% | 95.00% | 5.00% | 100% | - | 5,415 | 285 |
| PROFESSIONAL AND TECHNICAL SER | 2140 - WATER- GIS | $ 40,000 | 0% | 40,000 | T/D & M/C split | 0.00% | 95.00% | 5.00% | 100% | - | 38,000 | 2,000 |
| LICENSE/FEES | 2140 - WATER- GIS | $ 22,500 | 0% | 22,500 | T/D & M/C split | 0.00% | 95.00% | 5.00% | 100% | - | 21,375 | 1,125 |
| SHOP SUPPLIES | 2140 - WATER- GIS | $ 22,000 | 0% | 22,000 | T/D & M/C split | 0.00% | 95.00% | 5.00% | 100% | - | 20,900 | 1,100 |
| VEHICLES | 2140 - WATER- GIS | $ 65,000 | 0% | 65,000 | T/D & M/C split | 0.00% | 95.00% | 5.00% | 100% | - | 61,750 | 3,250 |
| EQUIPMENT <5000 | 2140 - WATER- GIS | $ 28,500 | 0% | 28,500 | T/D & M/C split | 0.00% | 95.00% | 5.00% | 100% | - | 27,075 | 1,425 |
| PERMANENT SALARIES | 2150 - WATER-IRRIGATION | $ 271,433 | 0% | 271,433 | T/D & M/C split | 0.00% | 95.00% | 5.00% | 100% | - | 257,861 | 13,572 |
| STAND BY | 2150 - WATER-IRRIGATION | $ 12,088 | 0% | 12,088 | T/D & M/C split | 0.00% | 95.00% | 5.00% | 100% | - | 11,483 | 604 |
| OVER TIME PAY | 2150 - WATER-IRRIGATION | $ 5,700 | 0% | 5,700 | T/D & M/C split | 0.00% | 95.00% | 5.00% | 100% | - | 5,415 | 285 |
| CELL PHONE STIPEND | 2150 - WATER-IRRIGATION | $ 2,394 | 0% | 2,394 | T/D & M/C split | 0.00% | 95.00% | 5.00% | 100% | - | 2,274 | 120 |
| MEDICAL PREMIUMS | 2150 - WATER-IRRIGATION | $ 31,956 | 0% | 31,956 | T/D & M/C split | 0.00% | 95.00% | 5.00% | 100% | - | 30,358 | 1,598 |
| HSA CONTRIBUTIONS | 2150 - WATER-IRRIGATION | $ 11,400 | 0% | 11,400 | T/D & M/C split | 0.00% | 95.00% | 5.00% | 100% | - | 10,830 | 570 |
| DENTAL PREMIUMS | 2150 - WATER-IRRIGATION | $ 1,723 | 0% | 1,723 | T/D & M/C split | 0.00% | 95.00% | 5.00% | 100% | - | 1,637 | 86 |
| VISION PREMIUMS | 2150 - WATER-IRRIGATION | $ 377 | 0% | 377 | T/D & M/C split | 0.00% | 95.00% | 5.00% | 100% | - | 358 | 19 |
| DISABILITY & LIFE PREMIUMS | 2150 - WATER-IRRIGATION | $ 690 | 0% | 690 | T/D & M/C split | 0.00% | 95.00% | 5.00% | 100% | - | 655 | 34 |
| COMMUTER INSURANCE | 2150 - WATER-IRRIGATION | $ 29 | 0% | 29 | T/D & M/C split | 0.00% | 95.00% | 5.00% | 100% | - | 27 | 1 |
| FICA ER CONTRIBUTIONS | 2150 - WATER-IRRIGATION | $ 17,713 | 0% | 17,713 | T/D & M/C split | 0.00% | 95.00% | 5.00% | 100% | - | 16,827 | 886 |
| MEDICARE ER CONTRIBUTIONS | 2150 - WATER-IRRIGATION | $ 4,142 | 0% | 4,142 | T/D & M/C split | 0.00% | 95.00% | 5.00% | 100% | - | 3,935 | 207 |
| AZ ST RETIREMENT ER CONTRIB | 2150 - WATER-IRRIGATION | $ 34,884 | 0% | 34,884 | T/D & M/C split | 0.00% | 95.00% | 5.00% | 100% | - | 33,140 | 1,744 |
| STATE UNEMPLOYMENT TAX | 2150 - WATER-IRRIGATION | $ 357 | 0% | 357 | T/D & M/C split | 0.00% | 95.00% | 5.00% | 100% | - | 339 | 18 |
| WORKMAN'S COMPENSATION | 2150 - WATER-IRRIGATION | $ 8,265 | 0% | 8,265 | T/D & M/C split | 0.00% | 95.00% | 5.00% | 100% | - | 7,852 | 413 |
| IRRIGATION REPAIRS | 2150 - WATER-IRRIGATION | $ 25,000 | 0% | 25,000 | T/D & M/C split | 0.00% | 95.00% | 5.00% | 100% | - | 23,750 | 1,250 |
| SHOP SUPPLIES | 2150 - WATER-IRRIGATION | $ 2,000 | 0% | 2,000 | T/D & M/C split | 0.00% | 95.00% | 5.00% | 100% | - | 1,900 | 100 |
| EQUIPMENT <5000 | 2150 - WATER-IRRIGATION | $ 4,750 | 0% | 4,750 | T/D & M/C split | 0.00% | 95.00% | 5.00% | 100% | - | 4,513 | 238 |
| PERMANENT SALARIES | 2170 - WATER-CONSERVATION | $ 136,136 | 0% | 136,136 | Meter/Services | 0.00% | 0.00% | 100.00% | 100% | - | - | 136,136 |
| PART-TIME STAFFING | 2170 - WATER-CONSERVATION | $ 25,205 | 0% | 25,205 | Meter/Services | 0.00% | 0.00% | 100.00% | 100% | - | - | 25,205 |
| OVER TIME PAY | 2170 - WATER-CONSERVATION | $ 119 | 0% | 119 | Meter/Services | 0.00% | 0.00% | 100.00% | 100% | - | - | 119 |
| CELL PHONE STIPEND | 2170 - WATER-CONSERVATION | $ 587 | 0% | 587 | Meter/Services | 0.00% | 0.00% | 100.00% | 100% | - | - | 587 |
| MEDICAL PREMIUMS | 2170 - WATER-CONSERVATION | $ 15,597 | 0% | 15,597 | Meter/Services | 0.00% | 0.00% | 100.00% | 100% | - | - | 15,597 |
| HSA CONTRIBUTIONS | 2170 - WATER-CONSERVATION | $ 2,850 | 0% | 2,850 | Meter/Services | 0.00% | 0.00% | 100.00% | 100% | - | - | 2,850 |
| DENTAL PREMIUMS | 2170 - WATER-CONSERVATION | $ 885 | 0% | 885 | Meter/Services | 0.00% | 0.00% | 100.00% | 100% | - | - | 885 |
| VISION PREMIUMS | 2170 - WATER-CONSERVATION | $ 156 | 0% | 156 | Meter/Services | 0.00% | 0.00% | 100.00% | 100% | - | - | 156 |
| DISABILITY & LIFE PREMIUMS | 2170 - WATER-CONSERVATION | $ 317 | 0% | 317 | Meter/Services | 0.00% | 0.00% | 100.00% | 100% | - | - | 317 |
| COMMUTER INSURANCE | 2170 - WATER-CONSERVATION | $ 6 | 0% | 6 | Meter/Services | 0.00% | 0.00% | 100.00% | 100% | - | - | 6 |
| FICA ER CONTRIBUTIONS | 2170 - WATER-CONSERVATION | $ 9,383 | 0% | 9,383 | Meter/Services | 0.00% | 0.00% | 100.00% | 100% | - | - | 9,383 |
| MEDICARE ER CONTRIBUTIONS | 2170 - WATER-CONSERVATION | $ 2,194 | 0% | 2,194 | Meter/Services | 0.00% | 0.00% | 100.00% | 100% | - | - | 2,194 |
| AZ ST RETIREMENT ER CONTRIB | 2170 - WATER-CONSERVATION | $ 18,832 | 0% | 18,832 | Meter/Services | 0.00% | 0.00% | 100.00% | 100% | - | - | 18,832 |
| STATE UNEMPLOYMENT TAX | 2170 - WATER-CONSERVATION | $ 167 | 0% | 167 | Meter/Services | 0.00% | 0.00% | 100.00% | 100% | - | - | 167 |
| WORKMAN'S COMPENSATION | 2170 - WATER-CONSERVATION | $ 500 | 0% | 500 | Meter/Services | 0.00% | 0.00% | 100.00% | 100% | - | - | 500 |
| DUES/MEMBERSHIP FEES | 2170 - WATER-CONSERVATION | $ 3,400 | 0% | 3,400 | Meter/Services | 0.00% | 0.00% | 100.00% | 100% | - | - | 3,400 |
| PRINTING (EXTERIOR & INTERIOR) | 2170 - WATER-CONSERVATION | $ 3,000 | 0% | 3,000 | Meter/Services | 0.00% | 0.00% | 100.00% | 100% | - | - | 3,000 |
| MARKETING | 2170 - WATER-CONSERVATION | $ 21,750 | 0% | 21,750 | Meter/Services | 0.00% | 0.00% | 100.00% | 100% | - | - | 21,750 |
| SIGNAGE | 2170 - WATER-CONSERVATION | $ 7,350 | 0% | 7,350 | Meter/Services | 0.00% | 0.00% | 100.00% | 100% | - | - | 7,350 |
| POSTAGE | 2170 - WATER-CONSERVATION | $ 2,000 | 0% | 2,000 | Meter/Services | 0.00% | 0.00% | 100.00% | 100% | - | - | 2,000 |
| WATER CONSERVATION PROGRAM | 2170 - WATER-CONSERVATION | $ 129,185 | 0% | 129,185 | Meter/Services | 0.00% | 0.00% | 100.00% | 100% | - | - | 129,185 |
| EQUIPMENT <5000 | 2170 - WATER-CONSERVATION | $ 250 | 0% | 250 | Meter/Services | 0.00% | 0.00% | 100.00% | 100% | - | - | 250 |
| PERMANENT SALARIES | 2180 - WATER - DISTRIBUTION | $ 1,924,904 | 0% | 1,924,904 | Distribution FTEs | 60.00% | 40.00% | 0.00% | 100% | 1,154,943 | 769,962 | - |
| TEMP/SEASONAL STAFFING | 2180 - WATER - DISTRIBUTION | $ 55,218 | 0% | 55,218 | Distribution FTEs | 60.00% | 40.00% | 0.00% | 100% | 33,131 | 22,087 | - |
| CALL OUT | 2180 - WATER - DISTRIBUTION | $ 32,137 | 0% | 32,137 | Distribution FTEs | 60.00% | 40.00% | 0.00% | 100% | 19,282 | 12,855 | - |
| STAND BY | 2180 - WATER - DISTRIBUTION | $ 47,574 | 0% | 47,574 | Distribution FTEs | 60.00% | 40.00% | 0.00% | 100% | 28,544 | 19,030 | - |
| OVER TIME PAY | 2180 - WATER - DISTRIBUTION | $ 16,150 | 0% | 16,150 | Distribution FTEs | 60.00% | 40.00% | 0.00% | 100% | 9,690 | 6,460 | - |
| CELL PHONE STIPEND | 2180 - WATER - DISTRIBUTION | $ 6,612 | 0% | 6,612 | Distribution FTEs | 60.00% | 40.00% | 0.00% | 100% | 3,967 | 2,645 | - |
| BILINGUAL STIPEND | 2180 - WATER - DISTRIBUTION | $ 1,558 | 0% | 1,558 | Distribution FTEs | 60.00% | 40.00% | 0.00% | 100% | 935 | 623 | - |
| MEDICAL OPT OUT STIPEND | 2180 - WATER - DISTRIBUTION | $ 3,420 | 0% | 3,420 | Distribution FTEs | 60.00% | 40.00% | 0.00% | 100% | 2,052 | 1,368 | - |

## Water System Operating & Debt Service Expense Allocation to Functions

**Schedule 1**

| Description | Department | TY Expense | Portion Stormwater | FY 2027 Expense | Allocation Basis/Factor | Supply/Treatment % Allocation | Transmission/ Distribution % Allocation | Meters/Services % Allocation | Total % Allocation | Supply/Treatment $ Allocation | Transmission/ Distribution $ Allocation | Meters/Services $ Allocation |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | **14,231,240** | **22,265,935** | **6,310,934** |
| MEDICAL PREMIUMS | 2180 - WATER - DISTRIBUTION | $ 255,409 | 0% | 255,409 | Distribution FTEs | 60.00% | 40.00% | 0.00% | 100% | 153,246 | 102,164 | - |
| HSA CONTRIBUTIONS | 2180 - WATER - DISTRIBUTION | $ 26,600 | 0% | 26,600 | Distribution FTEs | 60.00% | 40.00% | 0.00% | 100% | 15,960 | 10,640 | - |
| DENTAL PREMIUMS | 2180 - WATER - DISTRIBUTION | $ 13,439 | 0% | 13,439 | Distribution FTEs | 60.00% | 40.00% | 0.00% | 100% | 8,063 | 5,375 | - |
| VISION PREMIUMS | 2180 - WATER - DISTRIBUTION | $ 3,265 | 0% | 3,265 | Distribution FTEs | 60.00% | 40.00% | 0.00% | 100% | 1,959 | 1,306 | - |
| DISABILITY & LIFE PREMIUMS | 2180 - WATER - DISTRIBUTION | $ 3,972 | 0% | 3,972 | Distribution FTEs | 60.00% | 40.00% | 0.00% | 100% | 2,383 | 1,589 | - |
| COMMUTER INSURANCE | 2180 - WATER - DISTRIBUTION | $ 139 | 0% | 139 | Distribution FTEs | 60.00% | 40.00% | 0.00% | 100% | 83 | 55 | - |
| FICA ER CONTRIBUTIONS | 2180 - WATER - DISTRIBUTION | $ 126,241 | 0% | 126,241 | Distribution FTEs | 60.00% | 40.00% | 0.00% | 100% | 75,744 | 50,496 | - |
| MEDICARE ER CONTRIBUTIONS | 2180 - WATER - DISTRIBUTION | $ 29,521 | 0% | 29,521 | Distribution FTEs | 60.00% | 40.00% | 0.00% | 100% | 17,713 | 11,809 | - |
| AZ ST RETIREMENT ER CONTRIB | 2180 - WATER - DISTRIBUTION | $ 249,706 | 0% | 249,706 | Distribution FTEs | 60.00% | 40.00% | 0.00% | 100% | 149,823 | 99,882 | - |
| ER DEFERRED COMPENSATION | 2180 - WATER - DISTRIBUTION | $ 4,560 | 0% | 4,560 | Distribution FTEs | 60.00% | 40.00% | 0.00% | 100% | 2,736 | 1,824 | - |
| STATE UNEMPLOYMENT TAX | 2180 - WATER - DISTRIBUTION | $ 2,233 | 0% | 2,233 | Distribution FTEs | 60.00% | 40.00% | 0.00% | 100% | 1,340 | 893 | - |
| WORKMAN'S COMPENSATION | 2180 - WATER - DISTRIBUTION | $ 47,500 | 0% | 47,500 | Distribution FTEs | 60.00% | 40.00% | 0.00% | 100% | 28,500 | 19,000 | - |
| PROFESSIONAL AND TECHNICAL SER | 2180 - WATER - DISTRIBUTION | $ 30,000 | 0% | 30,000 | Distribution FTEs | 60.00% | 40.00% | 0.00% | 100% | 18,000 | 12,000 | - |
| LICENSE/FEES | 2180 - WATER - DISTRIBUTION | $ 9,950 | 0% | 9,950 | Distribution FTEs | 60.00% | 40.00% | 0.00% | 100% | 5,970 | 3,980 | - |
| ELECTRICITY | 2180 - WATER - DISTRIBUTION | $ 4,086,000 | 0% | 4,086,000 | Supply/Treatment | 100.00% | 0.00% | 0.00% | 100% | 4,086,000 | - | - |
| WATER DISTRIBUTION SYSTEM REPA | 2180 - WATER - DISTRIBUTION | $ 292,500 | 0% | 292,500 | Transmission/Distribution | 0.00% | 100.00% | 0.00% | 100% | - | 292,500 | - |
| WELL SITE REPAIRS | 2180 - WATER - DISTRIBUTION | $ 725,000 | 0% | 725,000 | Supply/Treatment | 100.00% | 0.00% | 0.00% | 100% | 725,000 | - | - |
| WELL SITE OPS/MAINTENANCE | 2180 - WATER - DISTRIBUTION | $ 1,037,500 | 0% | 1,037,500 | Supply/Treatment | 100.00% | 0.00% | 0.00% | 100% | 1,037,500 | - | - |
| BACKFLOW - VALVE TESTING | 2180 - WATER - DISTRIBUTION | $ 10,000 | 0% | 10,000 | Transmission/Distribution | 0.00% | 100.00% | 0.00% | 100% | - | 10,000 | - |
| RENTAL OF EQUIPMENT/VEHICLES | 2180 - WATER - DISTRIBUTION | $ 50,000 | 0% | 50,000 | Transmission/Distribution | 0.00% | 100.00% | 0.00% | 100% | - | 50,000 | - |
| SHOP SUPPLIES | 2180 - WATER - DISTRIBUTION | $ 15,000 | 0% | 15,000 | Transmission/Distribution | 0.00% | 100.00% | 0.00% | 100% | - | 15,000 | - |
| WATER DISTRIBUTION PARTS | 2180 - WATER - DISTRIBUTION | $ 500,000 | 0% | 500,000 | Transmission/Distribution | 0.00% | 100.00% | 0.00% | 100% | - | 500,000 | - |
| WELDING SUPPLIES | 2180 - WATER - DISTRIBUTION | $ 5,000 | 0% | 5,000 | Transmission/Distribution | 0.00% | 100.00% | 0.00% | 100% | - | 5,000 | - |
| CHEMICALS | 2180 - WATER - DISTRIBUTION | $ 562,500 | 0% | 562,500 | Supply/Treatment | 100.00% | 0.00% | 0.00% | 100% | 562,500 | - | - |
| EQUIPMENT <5000 | 2180 - WATER - DISTRIBUTION | $ 142,500 | 0% | 142,500 | Transmission/Distribution | 0.00% | 100.00% | 0.00% | 100% | - | 142,500 | - |
| CONTRACTUAL SVC BUDGET REQUEST | 2180 - WATER - DISTRIBUTION | $ 15,640 | 0% | 15,640 | Distribution FTEs | 60.00% | 40.00% | 0.00% | 100% | 9,384 | 6,256 | - |
| SALARY SUPPLEMENTAL | 2180 - WATER - DISTRIBUTION | $ 197,124 | 0% | 197,124 | Distribution FTEs | 60.00% | 40.00% | 0.00% | 100% | 118,274 | 78,850 | - |
| MAJOR EQUIPMENT >10000 | 2180 - WATER - DISTRIBUTION | $ 71,250 | 0% | 71,250 | Transmission/Distribution | 0.00% | 100.00% | 0.00% | 100% | - | 71,250 | - |
| PERMANENT SALARIES | 2195 - WATER QUALITY | $ 260,018 | 0% | 260,018 | Supply/Treatment | 100.00% | 0.00% | 0.00% | 100% | 260,018 | - | - |
| CELL PHONE STIPEND | 2195 - WATER QUALITY | $ 390 | 0% | 390 | Supply/Treatment | 100.00% | 0.00% | 0.00% | 100% | 390 | - | - |
| MEDICAL PREMIUMS | 2195 - WATER QUALITY | $ 26,683 | 0% | 26,683 | Supply/Treatment | 100.00% | 0.00% | 0.00% | 100% | 26,683 | - | - |
| HSA CONTRIBUTIONS | 2195 - WATER QUALITY | $ 4,000 | 0% | 4,000 | Supply/Treatment | 100.00% | 0.00% | 0.00% | 100% | 4,000 | - | - |
| DENTAL PREMIUMS | 2195 - WATER QUALITY | $ 1,777 | 0% | 1,777 | Supply/Treatment | 100.00% | 0.00% | 0.00% | 100% | 1,777 | - | - |
| VISION PREMIUMS | 2195 - WATER QUALITY | $ 241 | 0% | 241 | Supply/Treatment | 100.00% | 0.00% | 0.00% | 100% | 241 | - | - |
| DISABILITY & LIFE PREMIUMS | 2195 - WATER QUALITY | $ 379 | 0% | 379 | Supply/Treatment | 100.00% | 0.00% | 0.00% | 100% | 379 | - | - |
| FICA ER CONTRIBUTIONS | 2195 - WATER QUALITY | $ 15,371 | 0% | 15,371 | Supply/Treatment | 100.00% | 0.00% | 0.00% | 100% | 15,371 | - | - |
| MEDICARE ER CONTRIBUTIONS | 2195 - WATER QUALITY | $ 3,595 | 0% | 3,595 | Supply/Treatment | 100.00% | 0.00% | 0.00% | 100% | 3,595 | - | - |
| AZ ST RETIREMENT ER CONTRIB | 2195 - WATER QUALITY | $ 31,250 | 0% | 31,250 | Supply/Treatment | 100.00% | 0.00% | 0.00% | 100% | 31,250 | - | - |
| STATE UNEMPLOYMENT TAX | 2195 - WATER QUALITY | $ 235 | 0% | 235 | Supply/Treatment | 100.00% | 0.00% | 0.00% | 100% | 235 | - | - |
| PROFESSIONAL AND TECHNICAL SER | 2195 - WATER QUALITY | $ 205,000 | 0% | 205,000 | Supply/Treatment | 100.00% | 0.00% | 0.00% | 100% | 205,000 | - | - |
| DUES/MEMBERSHIP FEES | 2195 - WATER QUALITY | $ 2,570 | 0% | 2,570 | Supply/Treatment | 100.00% | 0.00% | 0.00% | 100% | 2,570 | - | - |
| LICENSE/FEES | 2195 - WATER QUALITY | $ 76,990 | 0% | 76,990 | Supply/Treatment | 100.00% | 0.00% | 0.00% | 100% | 76,990 | - | - |
| TESTING/SAMPLING | 2195 - WATER QUALITY | $ 175,000 | 0% | 175,000 | Supply/Treatment | 100.00% | 0.00% | 0.00% | 100% | 175,000 | - | - |
| PRINTING (EXTERIOR & INTERIOR) | 2195 - WATER QUALITY | $ 2,000 | 0% | 2,000 | Supply/Treatment | 100.00% | 0.00% | 0.00% | 100% | 2,000 | - | - |
| SHOP SUPPLIES | 2195 - WATER QUALITY | $ 200 | 0% | 200 | Supply/Treatment | 100.00% | 0.00% | 0.00% | 100% | 200 | - | - |
| SOFTWARE | 2195 - WATER QUALITY | $ 20,100 | 0% | 20,100 | Supply/Treatment | 100.00% | 0.00% | 0.00% | 100% | 20,100 | - | - |
| EQUIPMENT <5000 | 2195 - WATER QUALITY | $ 5,150 | 0% | 5,150 | Supply/Treatment | 100.00% | 0.00% | 0.00% | 100% | 5,150 | - | - |
| POSTAGE | 2195 - WATER QUALITY | $ 600 | 0% | 600 | Supply/Treatment | 100.00% | 0.00% | 0.00% | 100% | 600 | - | - |
| Net Transfers | | $ (1,392,613) | 0% | (1,392,613) | Meter/Services | 0.00% | 0.00% | 100.00% | 100% | - | - | (1,392,613) |
| Total Debt Service | | $ 7,968,835 | 0% | 7,968,835 | Transmission/Distribution | 0.00% | 100.00% | 0.00% | 100% | - | 7,968,835 | - |
| PAYGO | | $ 7,537,997 | 0% | 7,537,997 | Transmission/Distribution | 0.00% | 100.00% | 0.00% | 100% | - | 7,537,997 | - |
| Net Cash Flow | | $ 2,948,175 | 0% | 2,948,175 | Indirect | 52.13% | 24.76% | 23.12% | 100% | 1,536,785 | 729,893 | 681,497 |
| | | | 0% | | | 0.00% | 0.00% | 0.00% | 0% | - | - | - |
| | | | | | | | | | 0% | - | - | - |
| **TOTAL EXPENDITURES** | | **$ 42,808,109** | $ - | **$ 42,808,109** | | | | | | **$ 14,231,240** | **$ 22,265,935** | **$ 6,310,934** |
| **% Allocation** | | | | | | | | | | 33.24% | 52.01% | 14.74% |

## Water Cost Allocation Functions & Flow Data

## Schedule 2

| Function | Base Capacity - Avg Day | Extra Capacity - Max Day | Extra Capacity - Peak Hour | Customers |
|---|---|---|---|---|
| Supply/Treatment | X | X | | |
| Transmission/Distribution | X | X | X | |
| Meters/Services | | | | X |
| **% to Each Component** | | | | |
| Supply/Treatment | 70% | 30% | | |
| Transmission/Distribution | 55% | 24% | 21% | |
| Meters/Services | | | | 100% |

| | AVERAGE DAY | MAX MONTH | MAX DAY |
|---|---|---|---|
| Representative Water System Demands | 41.03 | 54.49 | 58.98 |

## Summary of Water Units of Service

**Schedule 3**

| 2025 Billing Data | 2025 Units | | | | | Test Year Base Units | | Max Day Units | | | Max Hour Units | | | Test Year Customer Units | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Water Units of Service | Consumption | Equivalent Meters & Services | Number of Customers | Number of Bills | Growth Rate | Annual Use 1,000 gallons | Average Rate 1,000 gpd | Peaking Factor % | Total Capacity 1,000 gpd | Extra Capacity 1,000 gpd | Peaking Factor % | Total Capacity 1,000 gpd | Extra Capacity 1,000 gpd | Equivalent Meters & Services | Number of Customers | Number of Bills |
| Single Family | 4,956,854 | 46,131 | 41,319 | 495,828 | 8.8% | 5,390,579 | 14,769 | 152 | 22,491 | 7,722 | 336 | 49,554 | 27,064 | 50,167 | 44,934 | 539,213 |
| Multi-Family | 100,988 | 3,287 | 52 | 624 | 8.8% | 109,825 | 301 | 125 | 375 | 74 | 169 | 508 | 134 | 3,575 | 57 | 679 |
| Non-Residential | 485,068 | 3,498 | 743 | 8,916 | 8.8% | 527,511 | 1,445 | 145 | 2,090 | 645 | 212 | 3,063 | 972 | 3,804 | 808 | 9,696 |
| Construction/Temp | 262,389 | 4,100 | 246 | 2,952 | 8.8% | 285,348 | 782 | 442 | 3,455 | 2,674 | 1427 | 11,156 | 7,700 | 4,459 | 268 | 3,210 |
| Landscape | 2,162,230 | 3,295 | 878 | 10,536 | 8.8% | 2,351,425 | 6,442 | 197 | 12,691 | 6,249 | 410 | 26,413 | 13,722 | 3,583 | 955 | 11,458 |
| **Total** | **7,967,529** | **60,311** | **43,238** | **518,856** | | **8,664,687** | **23,739** | | **41,102** | **17,363** | | **90,695** | **49,592** | **65,588** | **47,021** | **564,256** |

## Summary of Water Revenue Requirement Allocations

**Schedule 4**

| Revenue Requirements | | Total | | Single Family | Multi-Family | Non-Residential | Construction/Temp | Landscape |
|---|---|---|---|---|---|---|---|---|
| Operations and Maintenance | $ | 27,301,277 | $ | 17,924,630 | $ 209,368 | $ 1,186,789 | $ 1,620,877 | $ 6,359,613 |
| Debt Service | $ | 7,968,835 | $ | 4,490,190 | $ 68,261 | $ 371,092 | $ 697,886 | $ 2,341,407 |
| Rate Funded Capital | $ | 7,537,997 | $ | 4,247,426 | $ 64,570 | $ 351,029 | $ 660,154 | $ 2,214,818 |
| Total Revenue Requirements | $ | 42,808,109 | $ | 26,662,246 | $ 342,199 | $ 1,908,909 | $ 2,978,917 | $ 10,915,838 |
| Adjustments | | | | | | | | |
| Less: Other Revenue | $ | (4,571,503) | $ | (4,486,964) | $ (2,291) | $ (32,732) | $ (10,837) | $ (38,679) |
| Plus: Billing Unit & Other Adjustments | $ | 756,103 | $ | 481,314 | $ 25,389 | $ 210,080 | $ 39,320 | $ - |
| **Total Rate Requirement** | **$** | **38,992,709** | **$** | **22,656,596** | **$ 365,297** | **$ 2,086,257** | **$ 3,007,400** | **$ 10,877,159** |
| FY 2027 Rate Rev. w/o Rate Adj | $ | 37,856,999 | $ | 24,536,474 | $ 579,429 | $ 2,511,762 | $ 2,322,808 | $ 7,906,526 |
| FY 2027 COS Rate Rev. Requirement | $ | 38,992,709 | $ | 22,656,596 | $ 365,297 | $ 2,086,257 | $ 3,007,400 | $ 10,877,159 |
| FY 2027 Proposed Rate Structure | $ | 38,970,682 | $ | 24,154,912 | $ 382,559 | $ 2,215,119 | $ 2,808,907 | $ 9,409,186 |
| $ Change Needed | $ | 1,135,710 | $ | (1,879,878) | $ (214,133) | $ (425,504) | $ 684,593 | $ 2,970,632 |
| % Change Needed | | 3.0% | | -7.9% | -38.3% | -17.5% | 30.5% | 38.9% |

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