

WELCOME



SEWER USER FEE INFORMATIONAL MEETING

**Keith Dommer
Pima County Finance Director**

[Proposed Pima County Taxes and Fees](#)

Notice of Proposed Rate Increase to Existing Sewer User Fee (posted November 9, 2016)

Pursuant to ARS § 11-251.13, Pima County is providing notice that on or after January 17, 2017, the Board of Supervisors will consider a four percent (4%) proposed increase to existing sewer user fees.

A discussion of the proposed rate increase is contained in the **2016 Financial Plan for the Regional Wastewater Reclamation Enterprise Fund**. Copies of the Plan are available at [Financial Reports](#) (under the “Other” tab) or from the Finance and Risk Management Department by calling (520) 724-3669.

Two public meetings sponsored by the Regional Wastewater Reclamation Advisory Committee on the rate increase are scheduled:

1. Monday, December 12, 2016, at 6:00 p.m.
Pima County Natural Resources, Parks and Recreation Conference Room
3500 W. River Rd., Tucson, Arizona 85741
2. Thursday, December 15, 2016, at 8:00 a.m. Pima County Administration Building Board of Supervisors Hearing Room
130 W. Congress St., 1st Floor, Tucson, Arizona 85701

There will also be an opportunity to speak on the proposed rate increase during the public hearing to be held at the Pima County Board of Supervisors meeting when the matter is scheduled for action, which is currently anticipated to occur on Tuesday, January 17, 2017.

Written comments can be sent to Keith Dommer, Pima County Finance and Risk Management Department, 130 West Congress, 6th Floor, Tucson, AZ 85701.

2016 Financial Plan

Pima County Regional Wastewater Reclamation Enterprise Fund



*Prepared by
Pima County Finance Risk Management Department
June 2016*

2016 Financial Plan

Pima County Regional Wastewater Reclamation Enterprise Fund

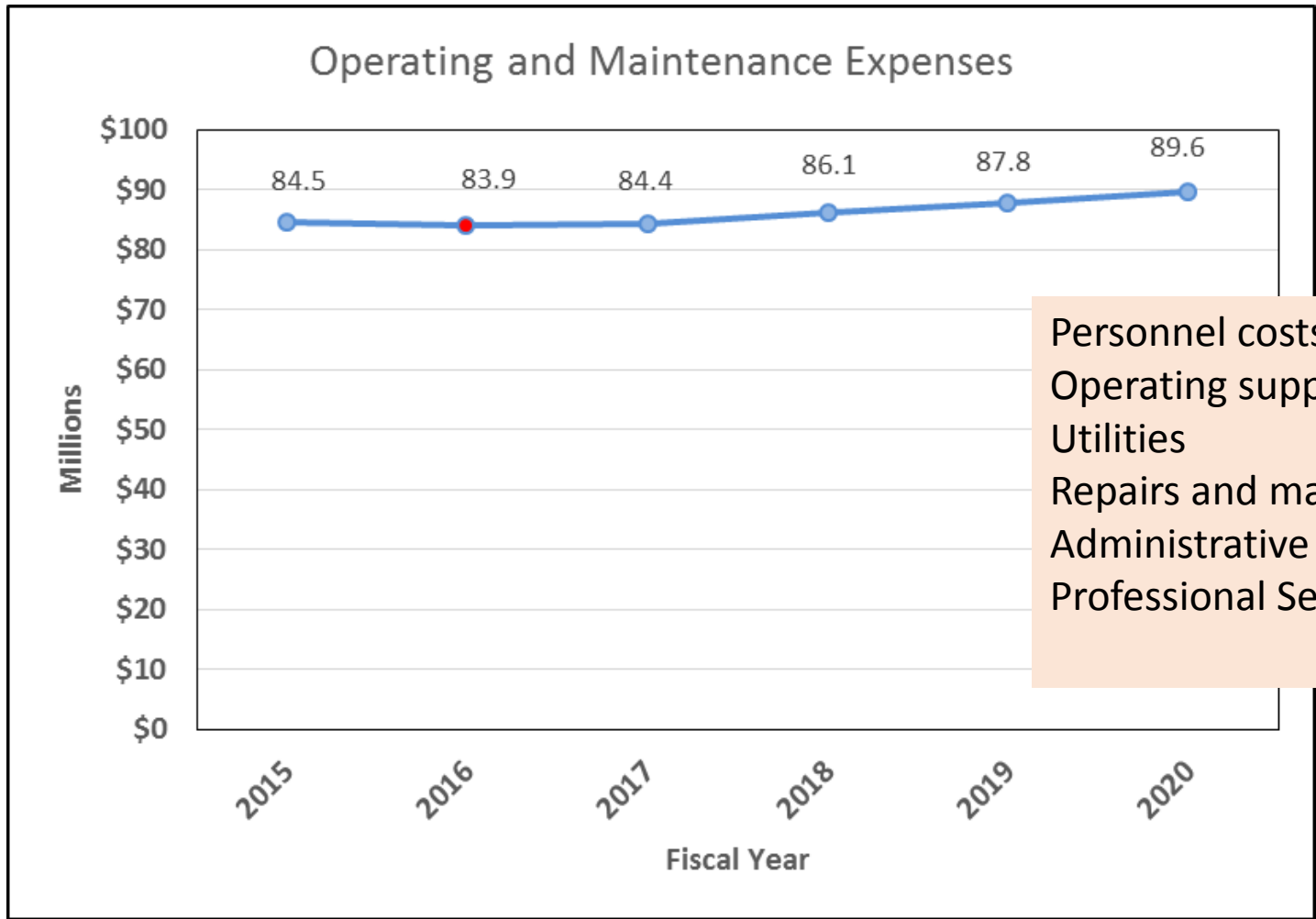
SUMMARY AND RECOMMENDATIONS

The adoption of a series of revenue increases, with the first increase of four percent implemented as early as possible in Calendar Year 2017, with similar revenue increases of four percent or more on January 1, 2018 and January 1, 2019, to ensure the County generates sufficient revenues to meet all operating and maintenance expenses, debt service payments, and required reserves.

2016 Financial Plan

Pima County Regional Wastewater Reclamation
Enterprise Fund

PROJECTED OPERATING AND MAINTENANCE EXPENSES



Personnel costs	37%
Operating supplies	8%
Utilities	8%
Repairs and maintenance	12%
Administrative	19%
Professional Services	15%

2016 Financial Plan

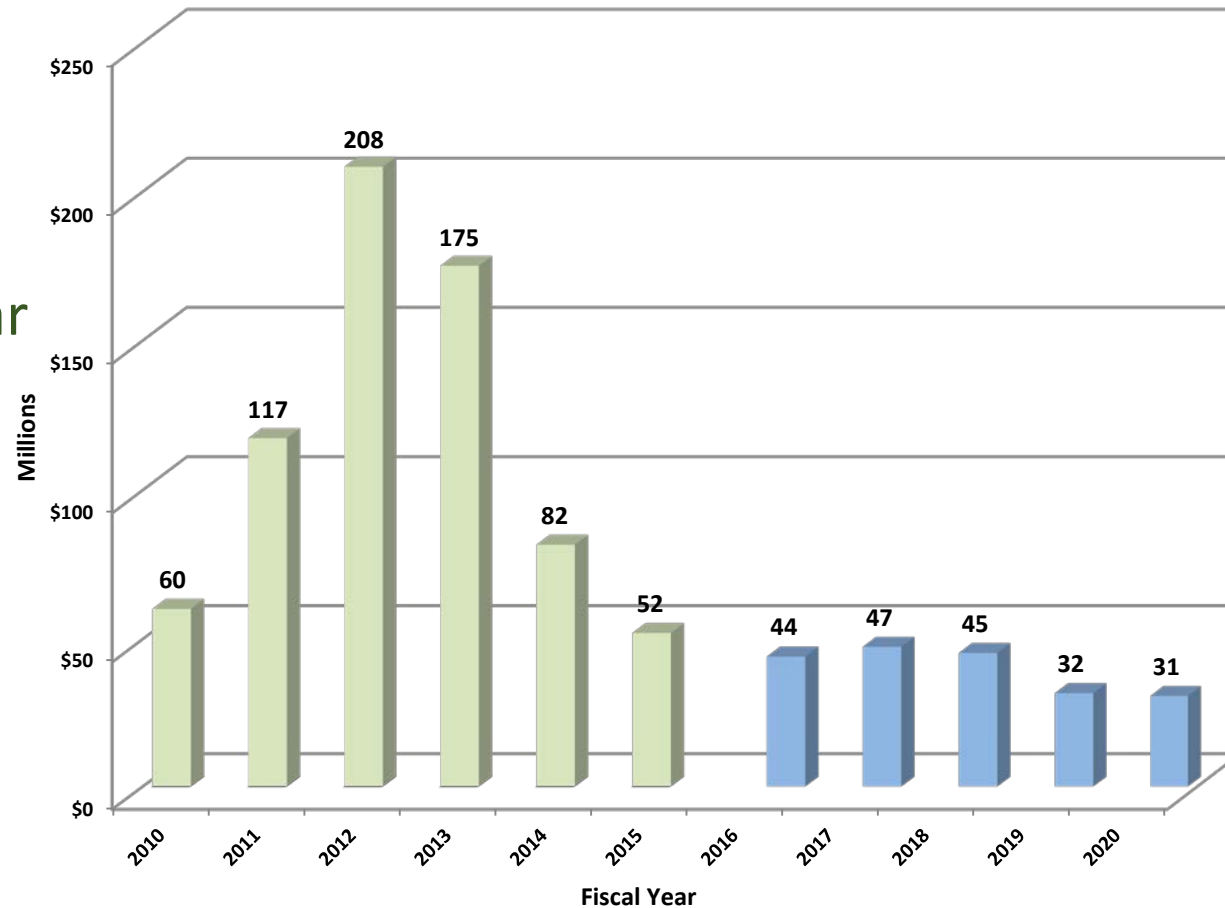
Pima County Regional Wastewater Reclamation
Enterprise Fund

CAPITAL IMPROVEMENT PROGRAM

Prior Year Projects, including ROMP, of \$694 million

Current and Future Projects of \$199 million

Average:
\$116 million per year

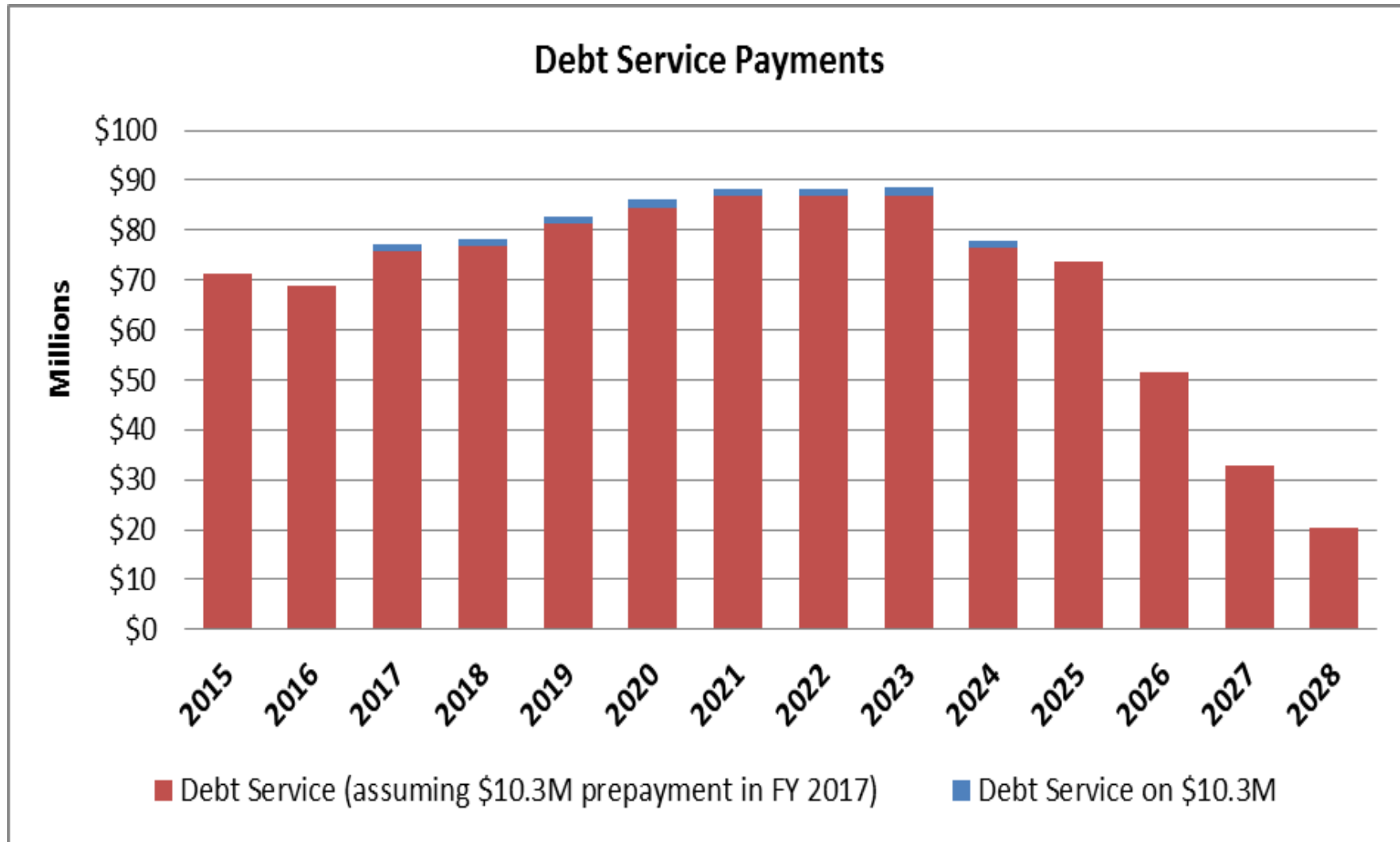


Average:
\$40 million per year

2016 Financial Plan

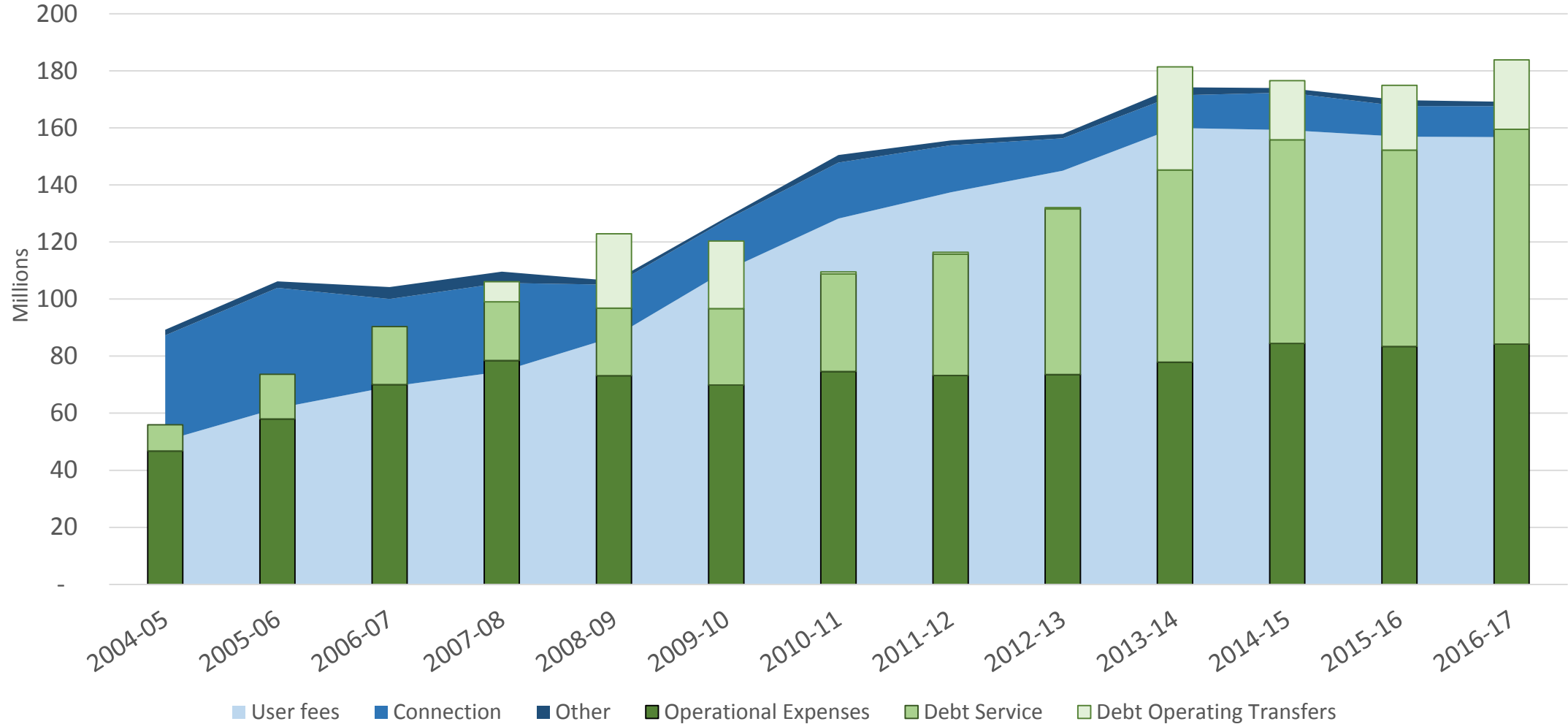
Pima County Regional Wastewater Reclamation
Enterprise Fund

DEBT SERVICE PAYMENTS



PIMA COUNTY, ARIZONA
 REGIONAL WASTEWATER RECLAMATION DEPARTMENT
 REVENUE AND EXPENSE SUMMARY - HISTORY

Total Operating Revenues Compared to Operating Expenses and Debt Service



Historic Primary Rate Setting Measure

Bond Rating Agency Debt Service Coverage Ratio

Recurring Revenues less Operating Expenses to Debt Service

\$100 revenues - \$50 operating expenses = \$50 net revenues

\$50 debt service

Debt Service Coverage Ratio: 1.0

Historical Target: **1.3**

1.5 is considered strong

1.25 is considered good

1.0 is considered adequate

Less than 1 is insufficient

Regional Wastewater Reclamation Department Enterprise Fund

2016 FINANCIAL PLAN – Projections with **NO RATE INCREASES**

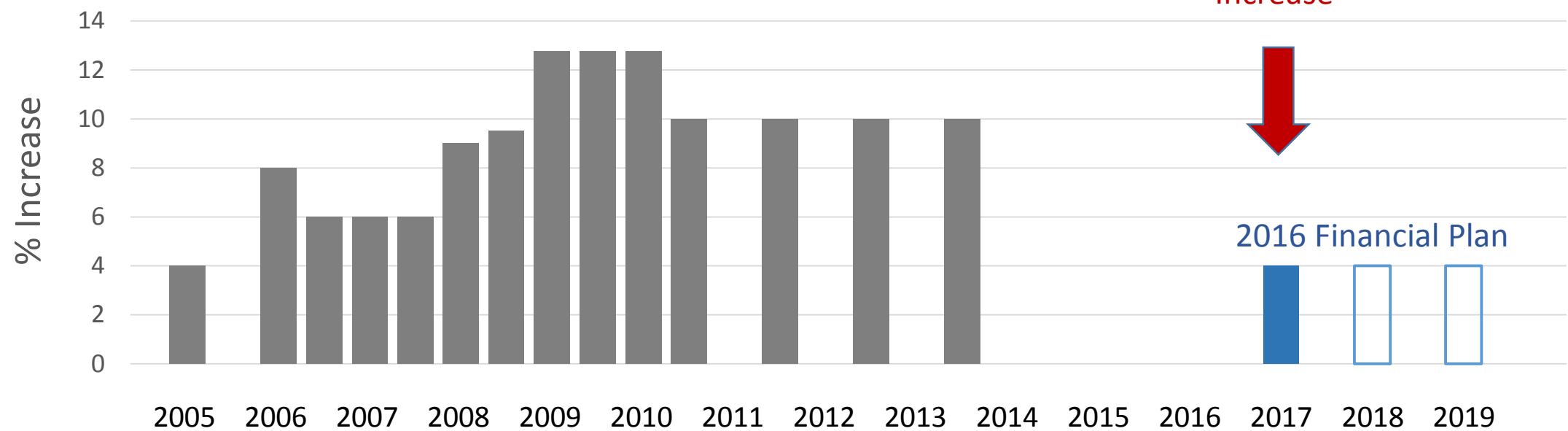
		Forecasted			
		2016-17	2017-18	2018-19	2019-20
System Revenues					
	Volumetric User Fee	116,329,322	115,802,590	115,337,944	114,887,282
	Fixed User Administrative Fee	41,845,277	42,419,353	43,023,574	43,641,005
	Sanitation Fees	310,000	310,000	310,000	310,000
	Total Sewer Utility Service	158,484,599	158,531,942	158,671,518	158,838,288
	Sewer Connection Revenue	11,572,094	11,730,852	11,897,946	12,068,693
	Interest	781,000	562,349	488,459	406,626
	Other Income	553,670	553,670	553,670	553,670
	Total Revenues	171,391,364	171,378,813	171,611,593	171,867,277
Operations and Maintenance Costs		84,400,000	86,088,000	87,809,760	89,565,955
Net Revenues		86,991,364	85,290,813	83,801,833	82,301,322
Existing Debt Service - Senior Debt		17,737,729	17,830,004	17,952,761	18,073,423
Existing Debt Service - Subordinate Debt		58,159,125	58,161,350	58,163,225	58,155,600
Total Existing Debt Service Payments		75,896,854	75,991,354	76,115,986	76,229,023
	Proposed Debt Service	1,237,500	6,092,397	10,450,291	13,566,363
Total Debt Service Payments		77,134,354	82,083,751	86,566,277	89,795,386
Debt Service Ratio - Bond Rating Agency		1.13	1.04	0.97	0.92
Debt Service Ratio - Senior Covenant		4.90	4.78	4.67	4.55
Debt Service Ratio - Junior Covenant		2.43	2.03	1.62	1.24
Ending Unrestricted Cash Balance		81,550,000	56,150,000	29,050,000	17,200,000

Regional Wastewater Reclamation Department Enterprise Fund

2016 FINANCIAL PLAN – Projections with **4% Increases in 2017, 2018, 2019**

	Forecasted			
	2016-17	2017-18	2018-19	2019-20
System Revenues:				
Volumetric User Fee	118,655,909	122,843,387	127,244,511	129,282,273
Fixed User Administrative Fee	42,682,183	44,998,449	47,464,983	49,109,076
Sanitation Fees	310,000	310,000	310,000	310,000
Total Sewer Utility Service	161,648,091	168,151,837	175,019,495	178,701,349
Sewer Connection Revenue	11,572,094	11,730,852	11,897,946	12,068,693
Interest	781,000	445,979	384,389	315,066
Other Income	553,670	553,670	553,670	553,670
Total Revenues	174,554,856	180,882,337	187,855,500	191,638,779
Operations and Maintenance Costs	84,400,000	86,088,000	87,809,760	89,565,955
Net Revenues	90,154,856	94,794,337	100,045,740	102,072,824
Existing Debt Service - Senior Debt	16,418,809	16,340,532	16,463,289	16,583,951
Existing Debt Service - Subordinate Debt	58,159,125	58,161,350	58,163,225	58,155,600
Total Existing Debt Service Payments	74,577,934	74,501,882	74,626,514	74,739,551
Proposed Debt Service	1,237,500	6,092,397	10,450,291	13,566,363
Total Debt Service Payments	75,815,434	80,594,279	85,076,805	88,305,914
Debt Service Ratio - Bond Rating Agency	1.19	1.18	1.18	1.16
Debt Service Ratio - Senior Covenant	5.49	5.80	6.08	6.15
Debt Service Ratio - Junior Covenant	2.52	2.10	1.86	1.70
Ending Unrestricted Cash Balance	74,070,000	58,500,000	48,080,000	56,830,000

History of Rate Increases



Current
Proposed
Increase



2016 Financial Plan



2015 Financial Plan
Proposed Increase

DEBT SERVICE RATIOS

BOND RATING AGENCY – Historical Target of 1.3

Recurring Revenues less Operating Expenses to Debt Service

SENIOR DEBT COVENANT – Contractual Requirement of 1.2

Recurring Revenues less Operating Expenses to Senior Debt Service

JUNIOR DEBT COVENANT – Contractual Requirement of 1.2

Recurring Revenues and Unrestricted Cash less Operating Expenses to Debt Service

2016 Financial Plan

With Rate Increases					
Debt Service Ratios		FY 2017	FY 2018	FY 2019	FY 2020
	Bond Rating Agencies	1.19	1.18	1.18	1.16
	Senior Debt Covenant	5.49	5.80	6.08	6.15
	Junior Debt Covenant	2.52	2.10	1.86	1.70
No Rate Increases					
Debt Service Ratios		FY 2017	FY 2018	FY 2019	FY 2020
	Bond Rating Agencies	1.13	1.04	0.97	0.92
	Senior Debt Covenant	4.90	4.78	4.67	4.55
	Junior Debt Covenant	2.43	2.03	1.62	1.24

Regional Wastewater Reclamation

Fiscal Year 2016-2017 Period 04

October 31, 2016 Revenue Summary

Description	Budgeted Revenues	Projected Revenues	Projected Shortfall or Surplus
Sewer User Fees	\$ 158,174,599	\$ 155,854,381	(\$2,320,218)
Connection Fees	11,572,094	10,832,708	(739,386)
Capital Contributions	5,000,000	5,000,000	-
Other Revenue	1,500,854	1,609,261	108,407
Sanitation Fees	310,000	310,000	-
Total Revenues	\$176,557,547	\$173,606,350	(\$2,951,197)

Regional Wastewater Reclamation Department Enterprise Fund

2017 CURRENT FORECAST – Projections with **NO RATE INCREASES**

				Forecasted			
				2016-17	2017-18	2018-19	2019-20
System Revenues:							
	Volumetric User Fee			114,090,230	113,121,683	112,166,501	111,239,831
	Fixed User Administrative Fee			41,764,151	42,250,452	42,748,670	43,260,713
	Sanitation Fees			310,000	310,000	310,000	310,000
	Total Sewer Utility Service			156,164,381	155,682,135	155,225,171	154,810,544
	Sewer Connection Revenue			10,832,708	10,958,844	11,088,071	11,220,884
	Interest			687,101	749,947	617,835	475,611
	Other Income			922,160	922,160	922,160	922,160
	Total Revenues			168,606,350	168,313,086	167,853,237	167,429,199
	Operations and Maintenance Costs			83,976,837	85,656,374	87,369,501	89,116,891
	Net Revenues			84,629,513	82,656,713	80,483,736	78,312,308
	Existing Debt Service - Senior Debt			13,342,628	10,739,352	10,841,261	2,164,552
	Existing Debt Service - Subordinate Debt			60,737,796	63,011,350	63,033,475	70,849,850
	Total Existing Debt Service Payments			74,080,424	73,750,702	73,874,736	73,014,402
	Proposed Debt Service			1,237,500	6,092,397	10,450,291	13,566,363
	Total Debt Service Payments			75,317,924	79,843,099	84,325,027	86,580,765
	Debt Service Ratio - Bond Rating Agency			1.12	1.04	0.95	0.90
	2016 Financial Plan Ratios			1.13	1.04	0.97	0.92
	Debt Service Ratio - Senior Covenant			6.34	7.70	7.42	36.18
	Debt Service Ratio - Junior Covenant			2.59	1.97	1.51	1.13
	Ending Unrestricted Cash Balance			74,750,000	47,230,000	19,240,000	6,940,000

Regional Wastewater Reclamation Department Enterprise Fund

2017 CURRENT FORECAST – Projections with **4% Increases in 2017, 2018, 2019**

				Forecasted			
				2016-17	2017-18	2018-19	2019-20
System Revenues:							
Volumetric User Fee				116,383,722	119,999,481	123,745,674	125,177,808
Fixed User Administrative Fee				42,599,434	44,819,280	47,161,700	48,681,135
Sanitation Fees				310,000	310,000	310,000	310,000
Total Sewer Utility Service				159,293,156	165,128,761	171,217,374	174,168,943
Sewer Connection Revenue				10,832,708	10,958,844	11,088,071	11,220,884
Interest				687,101	763,587	674,627	608,093
Other Income				922,160	922,160	922,160	922,160
Total Revenues				171,735,125	177,773,352	183,902,232	186,920,080
Operations and Maintenance Costs				83,976,837	85,656,374	87,369,501	89,116,891
Net Revenues				87,758,288	92,116,978	96,532,731	97,803,189
Existing Debt Service - Senior Debt				13,342,628	10,739,352	10,841,261	2,164,552
Existing Debt Service - Subordinate Debt				60,737,796	63,011,350	63,033,475	70,849,850
Total Existing Debt Service Payments				74,080,424	73,750,702	73,874,736	73,014,402
Proposed Debt Service				1,237,500	6,092,397	10,450,291	13,566,363
Total Debt Service Payments				75,317,924	79,843,099	84,325,027	86,580,765
Debt Service Ratio - Bond Rating Agency				1.17	1.15	1.14	1.13
2016 Financial Plan Ratios				1.19	1.18	1.18	1.16
Debt Service Ratio - Senior Covenant				6.58	8.58	8.90	45.18
Debt Service Ratio - Junior Covenant				2.63	2.12	1.84	1.66
Ending Unrestricted Cash Balance				77,470,000	58,700,000	45,930,000	52,770,000

Other Utility Rate Increases

	2014	2015	2016	2017
City of Tucson Water	8.30%	8.30%	7.30%	7.00%
Oro Valley Water			2016 2.00%	
Marana Water			2016 5.00%	2017 5.00%
Southwest Gas	2.8% - Requested Rate Increase for 2016			
Tucson Electric Power	7% - Requested Rate Increase for 2017			

Thank You