

PUBLIC NOTICE

TOWN OF EAGAR

NOTICE OF INTENTION TO INCREASE WATER AND WASTEWATER RATES AND UTILITY CONNECTION FEES.

BY ORDER OF THE COUNCIL OF THE TOWN OF EAGAR, ARIZONA AND IN CONFORMANCE WITH STATE STATUTES, NOTICE IS HEREBY GIVEN THAT AT A REGULAR MEETING OF THE EAGAR TOWN COUNCIL HELD ON JANUARY 17, 2012, THE COUNCIL ADOPTED A NOTICE OF INTENTION TO INCREASE WATER AND WASTEWATER RATES, AND UTILITY CONNECTION FEES.

A public hearing will be held before the Mayor and Council of the Town of Eagar during a special meeting of the Mayor and Council of the Town of Eagar on the 21st day of February 2012 at 6:00 p.m. to be held at the Eagar Town Council Chamber located at 22 W. 2nd Street, Eagar, Arizona. A report with documentation supporting the increased water and wastewater rates and utility connection fees is on file with the Eagar Town Clerk at Town Hall, 22 W. 2nd Street, Eagar, Arizona.



Eva M. Wilson, Town Clerk

Publish: White Mountain Independent

Publish Date: January 27, 2012

economists.com



Economic and Financial Consulting

December 23 2011

Ms. Katie Wood
Finance Administrator
Town of Eagar
PO Box 1300
Eagar, AZ 85925

Dear Ms. Wood:

Per the Town of Eagar's request, we have revised our analysis of the Town's water and wastewater utility's ability to fund proposed debt service from the Water Infrastructure Finance Authority of Arizona ("WIFA"). Our analysis is based on a series of assumptions we have discussed with you and other Town staff and consultants, as well as modifications requested during our November and December 2011 review and conference call. The results of our analysis are contained in Exhibits 1-3 to this letter.

Please note that this report presents no assurance or guarantee that the forecast contained herein will be consistent with actual results or performances. These represent forecasts based on a series of assumptions about future behavior, and are not guarantees. ANY changes in assumptions or actual events may result in significant revisions to the forecast and its conclusions. The cash flow projections and debt service coverage calculations are not intended to present overall financial positions, results of operations, and/or cash flows for the periods indicated, in conformity with guidelines for presentation of a forecast established by the American Institute of Certified Public Accountants.

Analysis – Assumptions and Methodology

Subject to the caveats listed above, we completed a preliminary 10-year forecast of the Town's water and wastewater revenues and expenses. Our forecast was completed using the comprehensive water and wastewater cost of service rate model we originally developed for the Town in 2006. The model calculates revenues, operating expenses, capital outlays and debt service based on a series of assumptions about volumes, growth and future conditions. A summary of the model's findings is presented in **Exhibit 1** attached to this letter.

The principal assumptions for this forecast include, but are not limited to, the following:

- Growth in accounts and volumes will be very limited in the next several years, and will slowly begin to increase after FY 2014.
- Most expenses will increase at the rate of approximately 3.0% per year.

- Certain CDBG, WIFA and Leseur funds included in the FY 2012 budget will not be available in future years. Several expenses associated with these funding sources will also be reduced after FY 2012.
- Debt service is based on schedules provided by Town staff.
- Debt service is itemized and separated into debt with repayments pledged from water and wastewater rate revenue, and debt that is guaranteed by other sources of revenue. This distinction is important in assessing the debt coverage calculation contained on Exhibit 1. Further, debt reserve payments are also separated from principal and interest payments.

The most important assumption involves the assumption of approximately \$350,000 in debt from WIFA to fund the purchase of a well that the Town currently leases. The proposed debt service schedule is included as **Exhibit 2** attached to this letter. However, upon the assumption of this debt approximately \$36,000 in annual lease payments is expected to be eliminated by the Town.

Findings

The summary contained in Exhibit 2 presents an annual forecast of utility revenues, expenses and cash flows. The summary reveals that **the Town must implement a schedule of annual water and wastewater rate adjustments in order to fund all operating expenses and debt service.** The proposed rate plan is presented in **Exhibit 3.** This rate plan assumes that the Town will implement a 3.4% rate adjustment effective January 1 2012. It requires an additional adjustment in July 2012, and annual adjustments in January 2014, January 2015 and beyond. The impact of the rate plan on average users is also presented both in Exhibit 1 and Exhibit 3. Without the rate adjustments contained in this plan, the Town is not forecast to recover sufficient revenues to fund all expenses over the next decade.

Debt Coverage

The project team prepared an additional bonds coverage test as part of this analysis. The results of this analysis are presented in Exhibit 1. The analysis reveals that if the Town implements the rate plan contained in this analysis, it is forecast to be able to meet a bonds coverage requirement that exceeds 1.20 for each of the next ten years.

Thank you for this opportunity to provide assistance to the Town of Eagar. Please feel free to call me if you have any questions.

Very Truly Yours,



Dan V. Jackson
Managing Director

TOWN OF EAGAR
WATER/WASTEWATER COST OF SERVICE MODEL

Current	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
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Forecast Summary

Scenario: 11 12 23 - BASE

1

Monthly Minimum Charge -- 1st 2,000 Gal

	3/4"	1"	1 1/2"	2-4"	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Monthly Minimum Charge	\$ 8.91	\$ 9.21	\$ 9.71	\$ 10.49	\$ 10.91	\$ 11.34	\$ 11.69	\$ 12.04	\$ 12.40	\$ 12.77	\$ 13.15	\$ 13.50	\$ 13.84	\$ 14.19
Volume Rate Per 1,000 Gal	\$ 2.20	\$ 2.27	\$ 2.40	\$ 2.59	\$ 2.69	\$ 2.80	\$ 2.89	\$ 2.97	\$ 3.06	\$ 3.15	\$ 3.25	\$ 3.30	\$ 3.40	\$ 3.50
2,001	2.37	2.45	2.58	2.79	2.90	3.02	3.11	3.20	3.30	3.40	3.50	3.55	3.61	3.72
30,001	2.52	2.61	2.75	2.97	3.09	3.21	3.30	3.40	3.51	3.61	3.72	3.77	3.87	4.00
50,001	2.87	2.97	3.13	3.38	3.51	3.65	3.78	3.88	3.99	4.11	4.24	4.30	4.41	4.55

Wastewater Rates -- Residential

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021				
Monthly Charge	\$ 24.89	\$ 25.74	\$ 27.13	\$ 28.22	\$ 29.34	\$ 30.52	\$ 31.43	\$ 32.38	\$ 33.35	\$ 34.35	\$ 35.38	\$ 36.45	\$ 37.55	\$ 38.70
10,000 Gal Total	\$ 51.40	\$ 53.15	\$ 56.03	\$ 59.42	\$ 61.80	\$ 64.27	\$ 66.20	\$ 68.19	\$ 70.23	\$ 72.34	\$ 74.51	\$ 76.75	\$ 79.05	\$ 81.40
Percent Inc		3.4%	5.4%	6.1%	4.0%	4.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
30,000 Gal Total	\$ 97.10	\$ 100.40	\$ 105.84	\$ 113.22	\$ 117.75	\$ 122.46	\$ 126.13	\$ 129.82	\$ 133.82	\$ 137.83	\$ 141.96	\$ 146.20	\$ 150.55	\$ 155.00
Percent Inc		3.4%	5.4%	7.0%	4.0%	4.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
50,000 Gal Total	\$ 147.50	\$ 152.52	\$ 160.78	\$ 172.55	\$ 179.45	\$ 186.63	\$ 192.23	\$ 198.00	\$ 203.94	\$ 210.06	\$ 216.36	\$ 222.85	\$ 229.50	\$ 236.30
Percent Inc		3.4%	5.4%	7.3%	4.0%	4.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%

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**TOWN OF EAGAR
WATER/WASTEWATER COST OF SERVICE MODEL**

Current 2012 2013 2014 2015 2016 2017 2018 2019 2020 2021

Forecast Summary

Scenario: 11 12 23 -- BASE

3

Revenues and Expenses

Water Rate Revenues	\$ 587,052	\$ 628,247	\$ 651,980	\$ 695,108	\$ 727,748	\$ 764,228	\$ 800,475	\$ 840,794	\$ 882,741	\$ 926,378
WW Rate Revenues	429,495	459,634	469,303	491,518	516,339	545,864	579,148	617,873	658,400	700,802
Non-Rate Revenues	601,007	228,447	228,447	228,447	228,447	228,447	228,447	228,447	228,447	228,447
Total Revenues	1,617,554	1,316,328	1,349,730	1,415,073	1,474,534	1,538,538	1,608,070	1,687,114	1,769,588	1,855,627
Operating Expenses	1,285,407	1,085,369	1,133,216	1,184,334	1,238,994	1,297,787	1,360,953	1,428,893	1,500,585	1,576,929
1 Net Revenues Available for Capital Outlays/Debt Service	352,147	230,958	216,514	230,739	235,540	240,771	247,117	258,422	269,003	278,697

Debt Service P&I -- Revenue Pledged/Coverage Eligible

Revised 2008 WIFA Drinking Water 920137-08	27,526	27,516	27,507	27,497	27,487	27,476	27,465	27,454	27,443	27,430
Revised 2008 WIFA Clean Water 910107-08	14,145	14,140	14,135	14,130	14,125	14,120	14,113	14,108	14,102	14,096
Series 2011 WIFA Loan	-	20,660	41,320	41,320	41,320	41,320	41,320	41,320	41,320	41,320
Total	41,670	62,316	82,962	82,947	82,932	82,916	82,899	82,882	82,865	82,847

Debt Service P&I -- Tax Pledged/Not Coverage Eligible

94688000 Eagar AZ Excise 2003	93,295	-	-	-	-	-	-	-	-	-
Series 2007 GADA Loan	124,519	124,819	125,019	124,969	124,813	124,550	126,681	128,281	125,031	125,156
Water/WW Lease	36,000	-	-	-	-	-	-	-	-	-
Total	253,814	124,819	125,019	124,969	124,813	124,550	126,681	126,281	125,031	125,156

Debt Service -- Reserve

Series 2011 WIFA Loan	8,264	8,264	8,264	8,264	8,264	8,264	8,264	8,264	8,264	8,264
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Total Debt Service

	295,484	195,399	216,245	216,180	216,009	215,730	209,560	209,163	207,896	209,003
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Capital Outlays

	-	-	-	-	-	-	-	-	-	-
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Total Cost of Service

	1,560,891	1,286,768	1,349,461	1,400,514	1,455,003	1,513,497	1,570,533	1,637,856	1,708,481	1,785,932
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Contingency--Net Inc(Dec) in Fund Balance

Percent of COS	56,663	35,559	269	14,559	19,531	25,041	37,337	49,258	61,107	69,694
	3.6%	2.8%	0.0%	1.0%	1.3%	1.7%	2.4%	3.0%	3.6%	3.9%

Revenue Adequacy Tests

(1/2) Debt Coverage	8.45	3.71	2.61	2.78	2.84	2.90	2.98	3.12	3.25	3.36
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**TOWN OF EAGAR
WATER/WASTEWATER COST OF SERVICE MODEL**

Forecast Summary

Scenario: **11 12 23 - BASE**

4

Water Accounts

Total Accounts	1,960	1,960	1,970	1,990	2,022	2,064	2,116	2,168	2,220
New Accounts	-	-	10	20	32	42	52	52	52
Avg. Annual Growth Rate	0.00%	0.00%	0.51%	1.02%	1.61%	2.08%	2.52%	2.45%	2.40%

Total Accounts	1,220	1,220	1,230	1,250	1,272	1,314	1,366	1,418	1,470
New Accounts	-	-	10	20	22	42	52	52	52
Avg. Annual Growth Rate	0.00%	0.00%	0.82%	1.63%	1.75%	3.30%	3.96%	3.81%	3.67%

Wastewater Accounts

Total Accounts	158,769,684	158,769,684	159,407,484	160,691,385	162,587,200	165,118,397	168,266,307	171,394,709	174,504,192
New Accounts	5,889,064	5,889,064	5,989,064	5,989,064	6,065,736	6,240,709	6,414,082	6,585,887	6,756,191
Avg. Annual Growth Rate	0.00%	0.00%	0.51%	1.02%	1.61%	2.08%	2.52%	2.45%	2.40%

Total Accounts	158,769,684	158,769,684	159,407,484	160,691,385	162,587,200	165,118,397	168,266,307	171,394,709	174,504,192
New Accounts	5,889,064	5,889,064	5,989,064	5,989,064	6,065,736	6,240,709	6,414,082	6,585,887	6,756,191
Avg. Annual Growth Rate	0.00%	0.00%	0.82%	1.63%	1.75%	3.30%	3.96%	3.81%	3.67%

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Water Volume

3/4" City Mtr	158,769,684	158,769,684	159,407,484	160,691,385	162,587,200	165,118,397	168,266,307	171,394,709	174,504,192
1" City Mtr	5,889,064	5,889,064	5,989,064	5,989,064	6,065,736	6,240,709	6,414,082	6,585,887	6,756,191
1 1/2" City Mtr	606,606	606,606	606,606	606,606	606,606	606,606	606,606	606,606	606,606
2"- 4" City Mtr	27,480,445	27,480,445	27,480,445	27,480,445	27,884,569	28,288,751	28,687,035	29,085,486	29,482,086
Non Billcd	3,018,670	3,018,670	3,018,670	3,018,670	3,018,670	3,018,670	3,018,670	3,018,670	3,018,670
3/4" County Mtr	841,823	841,823	841,823	841,823	841,823	841,823	841,823	841,823	841,823
2"- 4" County Mtr	-	-	-	-	-	-	-	-	-
Total System	196,606,292	196,606,292	197,244,092	198,517,993	201,004,604	204,112,955	207,834,503	211,533,141	215,209,569

Wastewater Billing Units

Single Residential	65,049,527	65,049,527	65,635,032	66,806,040	67,977,049	70,319,096	73,246,587	76,174,109	79,101,650
Multi-Residential	4,102,085	4,102,085	4,102,085	4,102,085	4,288,543	4,475,002	4,661,460	4,847,918	5,034,377
Non Resid. Sewer	20,068,619	20,068,619	20,068,619	20,068,619	20,299,293	20,529,967	20,760,640	20,991,314	21,221,988
Total System	89,220,231	89,220,231	89,805,735	90,976,744	92,564,895	95,324,034	98,668,688	102,013,341	105,357,995

Town of Eagar, Arizona
Drinking Water Project, Series 2012
(Water Utility Revenue Loan - WIFA)
10-Year Amortization

(1)	(2)	(3)	(4)	(5)	(6)
Fiscal Year Ending	Principal	Estimated Interest (a)	Total Debt Service	Debt Service Res. Fund (b)	Combined Estimated Debt Service and Debt Service Reserve Funds
2011/12					
2012/13	\$16,723	\$3,938	\$20,660	\$8,264	\$28,924
2013/14	33,822	7,499	41,320	8,264	49,584
2014/15	34,583	6,738	41,320	8,264	49,584
2015/16	35,361	5,960	41,320	8,264	49,584
2016/17	36,156	5,164	41,320	8,264	49,584
2017/18	36,970	4,351	41,320	8,264	49,584
2018/19	37,802	3,519	41,320	8,264	49,584
2019/20	38,652	2,668	41,320	8,264	49,584
2020/21	39,522	1,798	41,320	8,264	49,584
2021/22	40,411	909	41,320	(41,320)	(0)
	<u>\$350,000</u>	<u>\$42,543</u>	<u>\$392,543</u>	<u>\$0</u>	<u>\$392,543</u>

(a) Interest estimated at 2.25% for the obligations and is subject to change based on market conditions. Town requests 10-year amortization subject to completion of additional bonds test.

(b) Debt Service Reserve Fund represents one year of debt service. Funded equally over five years.

EXHIBIT 3

TOWN OF EAGAR
PROPOSED RATE SCHEDULE

	Current	Effective Jan-12	Effective Jul-12	Effective Jan-14	Effective Jan-15	Effective Jan-16	Effective Jan-17
1 Water Rates							
Minimum Charge							
3/4"	\$ 8.91	\$ 9.21	\$ 9.71	\$ 10.49	\$ 10.91	\$ 11.34	\$ 11.69
1"	22.29	23.05	24.30	26.24	27.29	28.38	29.23
1 1/2"	44.57	46.09	48.58	52.47	54.57	56.75	58.45
2-4"	71.32	73.74	77.74	83.96	87.32	90.81	93.53
Volume Charge							
2,001 20,000	2.20	2.27	2.40	2.59	2.69	2.80	2.89
20,001 30,000	2.37	2.45	2.58	2.79	2.90	3.02	3.11
30,001 50,000	2.52	2.61	2.75	2.97	3.09	3.21	3.30
50,001 Above	2.87	2.97	3.13	3.38	3.51	3.65	3.76
2 Wastewater Rates							
Residential Mthly Chg	24.89	25.74	27.13	28.22	29.34	30.52	31.43
3 Residential Monthly Bills							
10,000	\$ 51.40	\$ 53.15	\$ 56.03	\$ 59.42	\$ 61.80	\$ 64.27	\$ 66.20
		1.75	2.88	3.40	2.38	2.47	1.93
		3.4%	5.4%	6.1%	4.0%	4.0%	3.0%
30,000	97.10	100.40	105.84	113.22	117.75	122.46	126.13
		100.40	8.74	7.38	4.53	4.71	3.67
		3.4%	5.4%	7.0%	4.0%	4.0%	3.0%
50,000	147.50	152.52	160.78	172.55	179.45	186.63	192.23
		152.52	13.28	11.78	6.90	7.18	5.60
		3.4%	5.4%	7.3%	4.0%	4.0%	3.0%

Eagar Public Works Department

Memorandum

To: Mayor and Town Council
From: Neil Barton
Date: December 28, 2011
Cc: Bill Greenwood, Katie Woods
Re: Notice of Proposed Increased Water Connection and Sewer Connection Fees

In accordance with A.R.S §9-499.15 public notice is hereby given that the Eagar Town Council will consider approving the following increased fees on or after January 17, 2012, but in no event sooner than 60 days after the posting date of this notice.

WATER CONNECTION FEES

<u>Meter Size</u>	<u>Meter Assembly</u>	<u>Labor/Eq.</u>	<u>Total Rate</u>
3/4"	\$325.00	\$650.00	\$975.00
1"	\$475.00	\$650.00	\$1,125.00
1-1/2"	\$750.00	\$650.00	\$1,400.00

Pressure Reducer costs are in addition, if required, materials only. To be installed at the same time as connection.

<u>Meter Size</u>	<u>Additional Cost</u>
3/4"	\$150.00
1"	\$200.00
1-1/2"	\$250.00

2" and larger = Labor + Equipment+ Meter Assembly

SEWER CONNECTION FEE

Sewer Connection Fee \$1,200.00

ROAD CROSSING FEE

Road Crossing Fee \$1,250.00

These hook-up fees were in effect prior to the Town of Eagar adopting Impact Fees (Development Fees). As the Town of Eagar is considering eliminating Impact Fees, the increase in water and sewer connection fees are as proposed above. These fees were based utilizing recent and historical costs to perform these services.

Effective Nov. 14, 2009

	Requested New Rates	Impact Fees	Connection Fees + Tax	Subtotal	Connection Fees Prior to Impact Fees
Water Connection					
3/4"	\$ 975	\$ 1,000	\$ 500	\$ 1,500	\$ 1,100
1"	\$ 1,125	\$ 2,300	\$ 619	\$ 2,919	\$ 1,230
1-1/2"	\$ 1,400	\$ 4,600	\$ 894	\$ 5,494	\$ 1,408
2"	T&M	\$ 7,300	\$ 1,220	\$ 8,520	T&M
Larger than 2"	T&M	\$ 7,300	T&M	\$ -	T&M
Pressure Reducer					
3/4"	\$ 150	\$ -	\$ -	\$ -	\$ 120
1"	\$ 200	\$ -	\$ -	\$ -	\$ 180
1-1/2"	\$ 250	\$ -	\$ -	\$ -	\$ 240
2" to 4"	T&M				T&M
Sewer Connection					
	\$ 1,200	\$ 1,000	\$ 750	\$ 1,750	\$ 1,100
Road Crossings					
	\$ 1,250	\$ -	\$ 400	\$ 400	N/A