

**NOTICE OF PUBLIC MEETING**  
**PHOENIX CITY COUNCIL**  
**ENVIRONMENT AND NATURAL RESOURCES SUBCOMMITTEE**  
**\*Special Meeting Time\***

Pursuant to A.R.S. Section 38-431.02, notice is hereby given to the members of the **PHOENIX CITY COUNCIL ENVIRONMENT AND NATURAL RESOURCES SUBCOMMITTEE** and to the general public, that the **ENVIRONMENT AND NATURAL RESOURCES SUBCOMMITTEE** will hold a meeting open to the public on **Thursday, November 10, 2005, at 9:00 a.m. located in the Council Subcommittee Room, 12<sup>th</sup> Floor, Phoenix City Hall, 200 West Washington Street, Phoenix, Arizona.**

One or more subcommittee members may participate via teleconference call. Items may be taken out of order. If shown, copies of Powerpoint presentations can be made available.

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**CITY COUNCIL REPORT**

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TO: Frank Fairbanks  
City Manager  
  
Andrea Tevlin  
Deputy City Manager  
  
FROM: Bob Wingenroth  
Interim Finance Director  
  
SUBJECT: WATER FINANCIAL PLAN

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**THE ISSUE**

This report provides information concerning the financial requirements necessary to support the Water Services Department's Water Capital Improvement Program (CIP). This is an update of the Financial Plan provided last year and includes financial requirements from 2005-06 through 2010-11.

**OTHER INFORMATION**

The Finance Department has developed a Water Financial Plan to determine the forecasted revenue requirements necessary to support future operations, maintenance and capital costs of the water system. Information on operating costs and capital needs were examined and forecasted based on a series of assumptions to determine future rate revenue requirements. Assumptions for the Water Financial Plan are outlined in the Attachment.

The primary factors affecting projected increases are general inflation, operation and maintenance costs associated with the current CIP and new debt service. The current Water Financial Plan reflects the financing of \$720 million of CIP needs through existing and planned bond authorizations, resulting in additional debt service of \$62.8 million annually when full principal and interest occurs in 2015-16. Additional CIP related operation and maintenance costs contribute \$2.5 million in 2006-07 and reach \$31.3 million in 2013-14 when all new facilities come on-line. The \$2.5 million in 2006-07 is for the Lake Pleasant Water Treatment Plan (WTP) which is scheduled to open in February 2007.

The 2005-06 estimated rate increase has changed from the 7.5 percent contained in last year's forecast to 8.5 percent. The estimated rate increase in fiscal years 2006-07 through 2007-08 was increased from 7.5 percent to 8.0 percent. The rate projection in 2008-09 and 2009-10 increased from 6.5 percent to 8.0 percent and is forecasted at 8.0 percent in 2010-11. The forecasted water rate revenue increases as compared to last year's financial forecast are summarized in the table below. The increases over last year's projections are related to \$156 million for rehabilitation of the Deer Valley WTP Basins and \$35 million for pressure improvements to the lower Camelback East Village residential service area. A companion City Council Report prepared by the Water Services Department outlines the five-year Water CIP and the need for the additional projects.

**WATER RATE REVENUE INCREASE PROJECTIONS  
PREVIOUS (LAST YEAR) VERSUS NEW FORECAST**

Date of <i><b>Increase</b></i>	Rate Revenue Increase <u>Previous Forecast</u>	Rate Revenue Increase <u>New Forecast</u>
	7.5 %	8.5 %
3/06	7.5 %	8.0 %
3/07	7.5 %	8.0 %
3/08	6.5 %	8.0 %
3/09	6.5 %	8.0 %
3/10	Not Forecasted	8.0 %
3/11		

**RECOMMENDATION**

It is recommended that the Natural Resources Subcommittee conceptually approve the Water Financial Plan. This recommendation is in conjunction with conceptual approval of the five-year Water CIP.

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## CITY COUNCIL REPORT

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TO: Frank Fairbanks  
City Manager  
Andrea Tevlin  
Deputy City Manager

FROM: Bob Wingenroth  
Interim Finance Director

SUBJECT: WASTEWATER FINANCIAL PLAN

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### THE ISSUE

This report provides information concerning the financial requirements necessary to support the Water Services Department's Wastewater Capital Improvement Program (CIP). This is an update of the Wastewater Financial Plan provided last year and includes financial requirements from 2005-06 through 2010-11.

### OTHER INFORMATION

The Finance Department has developed a Wastewater Financial Plan to determine the forecasted revenue requirements necessary to support future operations, maintenance and capital costs of the wastewater system. Information on operating costs and capital needs were examined and forecasted based on a series of assumptions to determine future rate revenue requirements. Assumptions for the Wastewater Financial Plan are outlined in the Attachment.

The primary factors affecting projected increases are general inflation, operation and maintenance costs associated with the current CIP and new debt service. The current Wastewater Financial Plan reflects the financing of \$602 million of CIP needs through existing and planned bond authorizations, resulting in additional debt service of \$51.7 million annually when full principal and interest occurs in 2014-15. Additional CIP related operation and maintenance costs contribute no added cost in 2006-07 and reach \$3.2 million in 2013-14 when all new facilities come on-line.

The 2005-06 and 2006-07 estimated rate increases remain at 9.0 percent and 8.0 percent as contained in last year's forecast. The estimated rate increases in years 2007-08 through 2009-10 remain at 8.0 percent with 7.0 percent forecasted in 2010-11. The forecasted wastewater rate revenue increases as compared to last year's financial forecast are summarized in the table below. A companion City Council Report prepared by the Water Services Department outlines the five-year Wastewater CIP.

**WASTEWATER RATE REVENUE INCREASE PROJECTIONS  
PREVIOUS (LAST YEAR) VERSUS NEW FORECAST**

Date of Increase	Rate Revenue Increase Previous Forecast	Rate Revenue Increase New Forecast
3/06	9.0 %	9.0 %
3/07	8.0 %	8.0 %
3/08	8.0 %	8.0 %
3/09	8.0 %	8.0 %
3/10	8.0 %	8.0 %
3/11	Not Forecasted	7.0 %

**RECOMMENDATION**

It is recommended that the Natural Resources Subcommittee conceptually approve the Wastewater Financial Plan. This recommendation is in conjunction with conceptual approval of the five-year Wastewater CIP.