FY 2026/2027 PROPOSED BUDGET

May 14, 2026

Green Valley Water

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DEFINITIONS OF TERMS & ABBREVIATIONS

ADEQ: Arizona Department of Environmental Quality

Board Designated Fund: A fund that is restricted to Board of Directors approved expenditures for specific, designated categories.

COLA: Salary Cost of Living Adjustment as determined by the Consumer Price Index.

CPI: Consumer Price Index

Collection System Capacity Improvement Fund: A Board Designated Fund (restricted) used to fund required upgrades to the Collection System to be able to convey the projected sewage flows for the build-out of GVW boundaries, per the Master Plan.

CS: Collection System, referring to GVW infrastructure constructed and maintained for the collection and transport of wastewater to the WRF

ERU: Equivalent Residential Unit, one (1) Equivalent Residential Unit is equivalent to 175 gallons per day average flow.

FY: Fiscal Year, GVW's fiscal year runs from July 1 to June 30.

Facilities and Equipment Replacement Reserve Fund (FERR): A designation of monies within a Board Designated Fund which reserves resources needed for planned or unplanned expenditures specifically for replacement, high-cost repair, or refurbishment of existing facilities and equipment.

GCAO: Gila County Assessor's Office

GVW: Green Valley Water

LGIP: Local Government Investment Pool

Limited Property Value (LPV): Primary Assessed Values property values set by Gila County Assessor's Office for the purpose of assessing property taxes. (NAV is used by GVW to set levy rate)

Master Plan: An engineering study considering GVW boundary, development within the boundary, and evaluation of capacity of GVW Collection System for both the existing and build-out condition.

MGD: Million Gallons Per Day

Net Assessed Value (NAV): Net Property values set by the Gila County Assessor's Office for the purpose of assessing property taxes.

Operating Fund: Green Valley Water's unrestricted operational fund. This fund accounts for resources and expenditures used for day-to-day activities of the operation.

Operating Contingency Fund: An unrestricted fund that protects against revenue shortfalls, addresses temporary cashflow shortages, and covers extraordinary

expenditures occurring in the event of an emergency. All expenditures greater than $5,000.00 from the Operating Contingency Fund must be Board approved.

RW: Reclaimed Water, incorporating the processes, facilities, and infrastructure needed to distribute recyclable water produced by GVW's wastewater treatment processes.

WRF: Water Reclamation Facility (wastewater treatment plant)

WRF Capacity Improvement Fund: A Board Designated Fund (restricted) used to fund required upgrades to the Water Reclamation Facility to be able to treat the projected sewage flows for the build-out of GVW boundaries, per the Master Plan.

INTRODUCTION

District Profile

History

Green Valley Water (GVW), established in 1965 under Title 36 (now Title 48) of the Arizona Revised Statutes, collects, treats, and disposes of wastewater and its byproducts for those parcels within the GVW boundaries. GVW serves 8,944 active accounts within its boundary, which includes most of the Town of Payson and the entire Mesa Del Caballo subdivision.

GVW is an "Enterprise Fund". Enterprise Funds, as defined in GVW's FY 2023/2024 audited financial statements are operations "...which are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges..." Essentially, GVW operates as a private business, without a profit motive. The accounting policies of GVW conform to accounting principles generally accepted in the United States of America (GAAP).

Mission/Vision/Core Values

GVW Staff's daily operations are governed by the following Mission, Vision, and Core Values statements:

Vision Statement

Proactively manage ALL GVW assets in a fiscally responsible manner to ensure continued service for our customers by meeting and exceeding both current and future regulations.

Mission Statement

Empower GVW employees to achieve their full potential through training, resources, and innovation. We continuously strive to maintain and operate ALL GVW assets by meeting and exceeding ADEQ permits and providing exemplary service for our customers: existing and new. Every action is accomplished with integrity, honesty, and forthrightness considering the overall customer base.

Core Values Statement

We strive to provide Prompt, Responsible, Professional, Environmentally Conscious service to our valued customers.

Green Valley Water

Board of Directors

GVW is governed by an elected five-member Board of Directors (Board). Board members serve a four-year term, with elections occurring in even years during the November General Election. Table 1 presents the GVW Board of Directors at the time of the FY 2026/2027 budget preparation.

Name	Title	Term
Forrest Waggoner	Chairman	January 2025 – December 2028
Shirley Dye	Vice-Chairman	January 2022 – December 2028
James Muhr (Jim)	Secretary	January 2022 – December 2026
Terry Brenneman	Member	January 2025 – December 2028
John Hape	Member	January 2025 – December 2026

Table 1. GVW Board Member Information

Collection System

Approximately 133 miles of gravity sewer line, thirty-three (33) miles of low pressure sewer line, eleven (11) miles of force main, 3,449 manholes, and fourteen (14) lift stations comprise GVW's sanitary sewer collection system (Collection System). The Collection System is an intricate system of these components that conveys an average of 1.0 million gallons per day (MGD) of sanitary sewage from customers to the American Gulch Water Reclamation Facility. The GVW Collection System accounts for approximately $40.6M of the over $78.5M in gross fixed assets of GVW. With the oldest of these assets being installed over fifty (50) years ago, careful monitoring, proactive maintenance, and significant resources must be dedicated to these valuable assets to ensure they are capable of conveying wastewater for generations to come.

Water Reclamation Facility

The original American Gulch Water Reclamation Facility (WRF), or wastewater treatment plant, was constructed and began operation in 1972 on the existing WRF site. Rapid growth in the 1970's soon began to overtax the WRF. After receiving overwhelming support from the community, GVW began construction of a unique biological nutrient removal process and facility expansion, which was fully operational in mid-1984. The WRF has continually been upgraded with new technologies and components to the present day. Today, the WRF is permitted to treat up to 2.8 MGD of raw wastewater. The WRF converts wastewater to Class A+ reclaimed water, the State of Arizona's highest water quality rating for reclaimed

water. GVW's WRF accounts for approximately $37.9 of the over $78.5M in gross fixed assets of GVW.

Reclaimed Water

GVW has two Arizona Department of Environmental Quality (ADEQ) permits to discharge the WRF effluent (Reclaimed Water) resulting from the treatment of sewer inflows: an Arizona Pollutant Discharge Elimination System Individual Permit (AZPDES), and an Aquifer Protection Permit (APP). The AZPDES permit allows GVW to directly discharge its Reclaimed Water to the American Gulch drainage, which runs adjacent to the WRF. This water travels down American Gulch to the East Verde River and ultimately to the Verde River, providing no beneficial value to GVW customers. The APP permit authorizes GVW to discharge its Reclaimed Water to Green Valley Park. Green Valley Park, a joint venture between GVW and Town of Payson, not only provides a community amenity to the region but is a water conservation and groundwater recharge project. GVW conveys as much of its Reclaimed Water as possible to Green Valley Park, rather than discharging down American Gulch. From Green Valley Park, GVW distributes its Reclaimed Water to five (5) reclaimed water customers. The Payson Unified School District (High School and Middle School campuses), three (3) area golf courses, the Woodland Meadows Subdivision, and the Pioneer Cemetery comprise GVW's Reclaimed Water customers. GVW operates and maintains three (3) booster stations and approximately nine (9) miles of Reclaimed Water lines to facilitate distribution of GVW's Reclaimed Water to Green Valley Park and its Reclaimed Water customers.

Strategies & Considerations

The District Manager and Administrative Services Manager work together to provide relevant financial data and guidance on financial matters to the Board of Directors. Financial matters of GVW include, but are not limited to GVW's overall financial health, reporting performance compared to budget, and projections necessary for successful future planning.

GVW's financial goals are as follows:

- To ensure financial stability and sufficient cash reserves to mitigate financial risks and to withstand local or national economic fluctuations, adjust to changes in the service needs of the community, and to respond successfully to unforeseen events.
- To safeguard GVW assets against loss from unauthorized use or fraud.
- To operate within the constraints of the Board adopted annual budget.
- To secure adequate resources to provide safe operations for the protection of staff and public health.

- To provide continuous, quality service to GVW customers efficiently and affordably.
- To keep GVW debt-free, while maintaining the highest possible bond rating in the unlikely event that bond issuance would be considered in the future.
- To promote good stewardship in the community and toward the environment and to contribute to protecting the Rim Country's limited water resource.
- To ensure GVW is "Future Ready" to provide uninterrupted, high-quality service to its customers into the future.
- To consider all of the above, while consistently operating with fiscal responsibility, integrity, and an appropriate level of conservatism.

Future-Ready Utility

Wastewater Utility History

Legacy wastewater utilities are facing many challenges bestowed upon them by past operational strategies, management, and Governing Boards. These challenges include, but are not limited to aging infrastructure, limited qualified workforce, nutrient pollution and regulatory pressure, cyber and physical security, limited funding, and the desire to limit rates. GVW is not immune from these challenges, as described below.

Wastewater Utility Risks

Modern wastewater utilities face many risks that were not prevalent in the past. These risks impacting GVW include, but are not limited to the following:

- **Aging Infrastructure** – GVW's initial sewer collection system was installed and became operational in 1973, resulting in many sewer lines being fifty-three years old. From 1973 to present, the GVW sewer collection system has been continually expanded and paid for by developers as development occurred within the GVW boundaries. Initially, sewer lines require very little investment to keep them running. However, as time progresses, the effort required to ensure these lines continue operating expands exponentially. GVW's operational strategy for the sewer collection system has historically been reactive and one of deferred maintenance. It has only been in the last eight years that GVW has put forth a proactive approach to maintaining the sewer collection system.
- **Limited Qualified Workforce** – GVW's workforce is predominantly comprised of 24,000 to 26,000 people residing within a 20-mile radius of Payson, AZ. The weighted median age for this population is approximately 62 to 63 years old, with approximately 55-60% of this population being over 55 years old. Further

compounding the workforce availability is GVW requires a skilled workforce with certifications from ADEQ. Consequently, GVW has a difficult time recruiting qualified individuals. GVW has overcome this problem by hiring what is basically an apprentice and then investing in the individual to obtain the required certifications. However, the pool of qualified individuals is dwindling.

- **Nutrient Pollution and Regulatory Pressure** – GVW operates under two discharge permits from ADEQ: an Aquifer Protection Permit and an Arizona Pollutant Discharge Elimination System permit. The requirements of these permits have continually increased since their original issuance. Emerging contaminants such as PFAS ("forever chemicals"), pharmaceuticals, and microplastics are anticipated to further increase the discharge requirements in the future. ADEQ has indicated new requirements in response to the recent Aquifer Quality Water Standards study currently being completed are going to be implemented in the next few years.
- **Cyber and Physical Security** – Cyber and physical security are an increasing concern within the wastewater industry. High-profile incidents such as the 2021 Oldsmar, FL water system breach have demonstrated the vulnerability of SCADA systems to cyberattacks. Additionally, business systems are increasingly being targeted by hackers to obtain information. GVW's cyber security efforts have increased dramatically over the last few years and will continue to become more robust as the cyber security landscape evolves.
- **Limited Funding** – Funding for wastewater construction projects is limited. Congressional passing of the Federal Water Pollution Control Act Amendments of 1972 (the precursor to the Clean Water Act Amendments of 1977) for the first time imposed a minimum standard of wastewater treatment for every community in the U.S. These minimum standards required significant investments in new infrastructure required to meet the standards. From 1972 through 1990 federal grants were available that covered between 55% to 75% of total project costs. Recipients of these grants were not required to pay back the federal grants. It should be noted that the original GVW sewer collection system and treatment plant, along with the 1983 construction of the GVW modified Bardenpho treatment facility were constructed using these grants. Beginning in 1987, wastewater construction funding began shifting from grants to a State Revolving Fund model. In the State Revolving Fund model, funding is generally available through low interest loans with a small portion possibly meeting the criteria for forgivable interest. Based on past experience with projects using other State Revolving Fund financing, it is doubtful GVW will qualify for forgivable interest. The GVW Board of Directors previously explored using State Revolving Fund

financing to fund the current WRF Improvement Project and decided this option was not advantageous to its customer base. By the end of the loan term, the interest paid nearly matched the loan principle. Rates would need to be raised to provide a definite repayment vehicle for the loan. Therefore, the GVW Board of Directors elected to self-fund the WRF Improvement Project.

- **Limiting Rates** – Wastewater organization Governing Boards have historically desired to limit rates to only those required to meet the current challenges. This approach is characterized by a near-term vision only concentrating on the here and now requirements of the organizational assets, ignoring future challenges of the organization as described above. GVW exemplified this approach by keeping rates flat from 2007 through 2018. Limiting rates, or keeping them flat, is only achieved by deferred maintenance, employing unqualified staff, ignoring regulation trends, and diminishing the consequences of cyber and physical threats. Wastewater utilities are vital to the well-being of the communities they serve and cannot go away. Consequently, wastewater utilities must shift from a here and now mentality to a long range vision. They can no longer live off of the corpse the initial investments made 1972 to 1990 grants and investments of developers. The current funding climate requires the wastewater utility customer base to invest in both the collection system and treatment facilities to ensure they are "Future Ready" and capable of serving future generations. Anything less is only burdening future generations with debt they will not be able to pay.

Future-Ready Framework

A Future-Ready Utility is Resilient, Agile, Digitally Enabled, and People Centered. Figure 1, as adapted from the 2026 AZ Water Annual Conference, shows the four characteristics of a Future-Ready Utility.

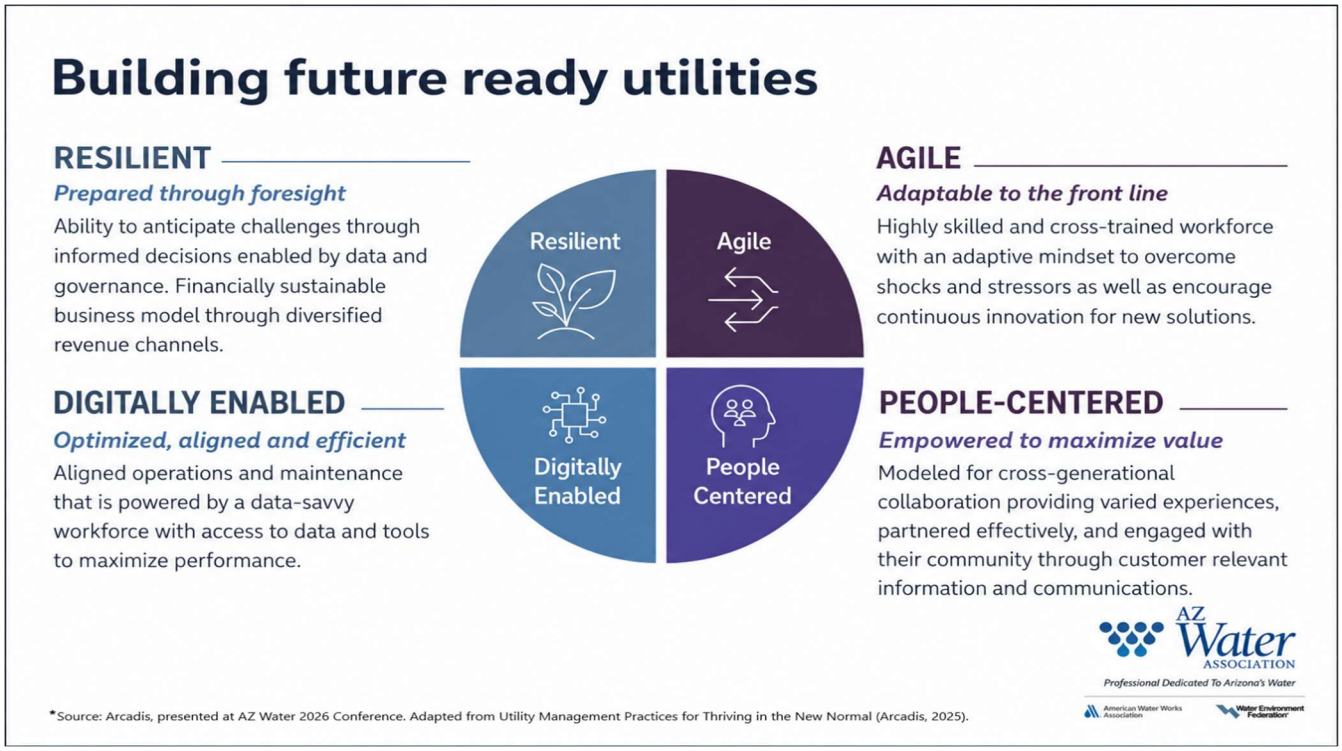

Figure 1. Four Characteristics of a Future-Ready Utility.

Being resilient is paramount for any utility, especially wastewater utilities. The services provided by wastewater utilities are vital for both the communities they serve and the economic development of those communities. Without wastewater collection and treatment, modern society would not exist. Wastewater utilities cannot operate with a near-term mindset and must consider the long-term future in all decisions. They must be able to anticipate and respond to challenges and risks, as defined above, and the unknown risks as they develop.

Successful wastewater utilities must be agile, daily, to respond to the challenges faced by them. The individual systems operated by wastewater utilities are unique and different for every utility. Therefore, a one-size-fits-all staffing and organizational structure cannot be applied across the industry. Agility is primarily achieved through employing a highly skilled and cross-trained staff with an adaptive and innovative mindset.

The modern industry landscape and customer expectations require wastewater utilities to digitally enabled. They must incorporate GIS, Asset Management, and SCADA into their daily workflows to align operations and maintenance in an efficient manner. Wastewater utilities are typically comprised of significant assets, which have not been proactively managed or maintained in the past. The tools to

quantify and then maintain these assets to ensure they operate well into the future must be employed by wastewater utilities.

Finally, Future-Ready wastewater utilities must be people centered, both internally and externally. Internally, they must be comprised of a cross-generational staff that capitalizes on the experience of the longer tenured staff while training and investing in younger staff. The "silver tsunami" being experienced throughout the industry must be planned for and mitigated through succession planning. Externally, wastewater utilities must be engaged with the communities they serve. They can no longer be "that obscure agency at the end of the road that nobody knows what they do." The prevalence of social media has brought all aspects of society into the limelight. Society now wants to know what is going on in all areas of their communities. Wastewater utilities are no exception and must conscientiously engage with the community to lead the narrative regarding them; Perception left alone becomes reality.

For a wastewater utility to be Future-Ready, it must be led by an effective leadership team. The leadership team must have an "Executive" mindset and be supported by an effective management team. An executive mindset is characterized by both a near-term and long-range vision, ensuring the wastewater utility not only operates efficiently today, but is positioned for long-term success. The managerial team is responsible for the near-term successful operations. The core framework of an executive team includes strategy, operations, and culture, as shown and defined in Figure 2.

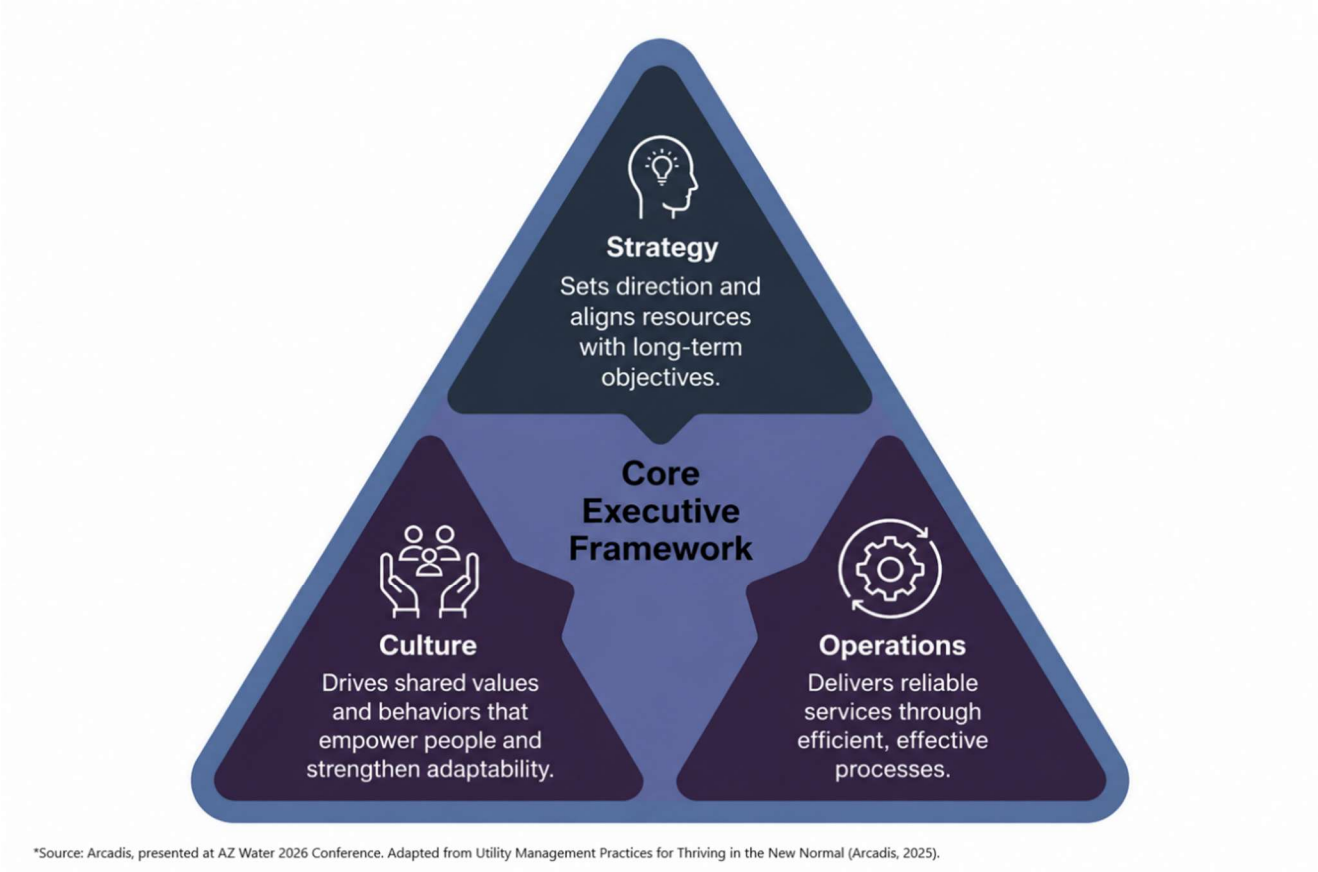

Figure 2. Leadership Influence Core Framework.

Finally, a Future-Ready Utility must make leadership investments into the organization for it to be successful. Figure 3 summarizes these leadership investments and their structure.

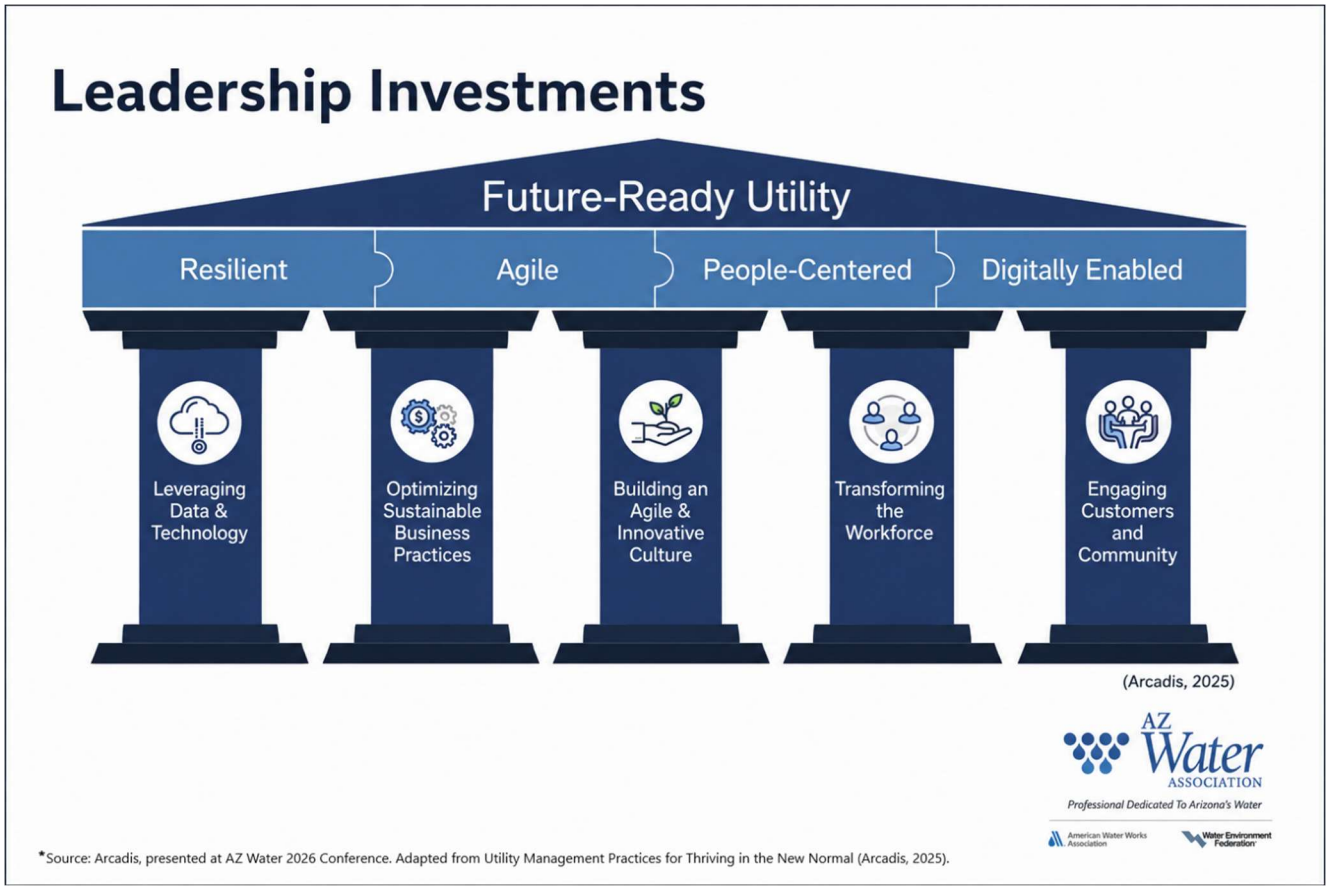

Figure 3. Future-Ready Utility Leadership Investments and Their Structure.

The leadership investments are capped by the four characteristics of a Future-Ready Utility, which are then supported by five columns of investments. The four characteristics of Future-Ready Utility are discussed above. The five supporting columns, as discussed below, individually support the organization and ensure it is Future-Ready. Below is a discussion of each supporting column:

- **Leveraging Data and Technology** – The efficiencies demanded of Future-Ready Utilities can only be achieved by leveraging data and technology. Future-Ready Utilities must invest in the foundational technology and practices which allow them to make informed and timely decisions.
- **Optimizing Sustainable Business Practices** – A Future-Ready Utility must continually be in the process of optimization using sustainable business practices. Limited workforce, budgets, and the need to make timely decisions require Future-Ready Utilities to adopt new technologies and workflows into their operations.
- **Building an Agile and Innovative Culture** – An agile and innovative culture is the center support of a Future-Ready Utility. Without this culture, a utility will only be reactive in its operations, thus setting the utility up for future failure.

- **Transforming the Workforce** – Wastewater Utilities in particular are experiencing workforce challenges. The industry is typically comprised of an older workforce. It is experiencing a "silver tsunami" with the older generation retiring and very few of the younger generation entering the industry to replace them. Efforts must be made to attract the younger generation to enter the wastewater industry. Compounding the "silver tsunami" is the implementation of technology into the industry. The older generation of wastewater professionals typically are resistant to technology. Therefore, investments within the current industry staff must be implemented to ensure they are not only familiar with current technology but embrace it.
- **Engaging Customers and Community** – Wastewater utilities can no longer remain in the background of the communities they serve. They provide a vital service for their communities and must be included in the community narrative. Without this engagement, uninformed perceptions about the organization will be made by the community on social media and in general conversation. Wastewater utilities must drive the narrative and educate their community and customers about the services they provide and the importance of these services to well-being of the community.

GVW has actively been working to create a Future Ready Utility for the past 8-years. Through a strong core executive leadership team, comprised of the District Manager and the Administrative Services Manager, GVW has been striving to be an resilient, agile, people-centered, and digitally enabled organization. The leadership team has and continues to intentionally invest in the five supporting columns of a Future-Ready Utility.

BUDGET OVERVIEW

Budget Approach

GVW reports, plans, and operates on a fiscal year basis, July 1st through June 30th of each year. In April, the District Manager and Administrative Services Manager develop the "Proposed" annual budget, in cooperation with Department Managers. Careful analysis of historical data, trends and/or anomalies in current fiscal year-to-date spending, operational priorities, plus a thorough assessment of staffing needs and availability are the core components of budget development. The District Manager presents the "Proposed Budget" to the Board of Directors at the Regular Board of Directors meeting in May. Once the requirements of State Statute are met and the budget is adopted by the Board, the "Adopted Budget" establishes monetary boundaries for managing GVW's day-to-day operations for the upcoming fiscal year and addresses GVW's revenue requirements for future spending.

Budgeting Strategy

The Board adopted a budgeting strategy in FY 2018/2019 that defined specific revenue sources to cover each expenditure account. By following this strategy, GVW rates and fees are easily calculated and traceable, thus providing for greater transparency. The budgeting strategy adopted in FY 2018/2019 and formalized in 2020/2021 was used through FY 2025/2026. For FY 2026/2027, staff is recommending a modification to this budgeting strategy, as defined below. Figure 4 graphically shows the proposed FY 2026/2027 GVW budgeting strategy.

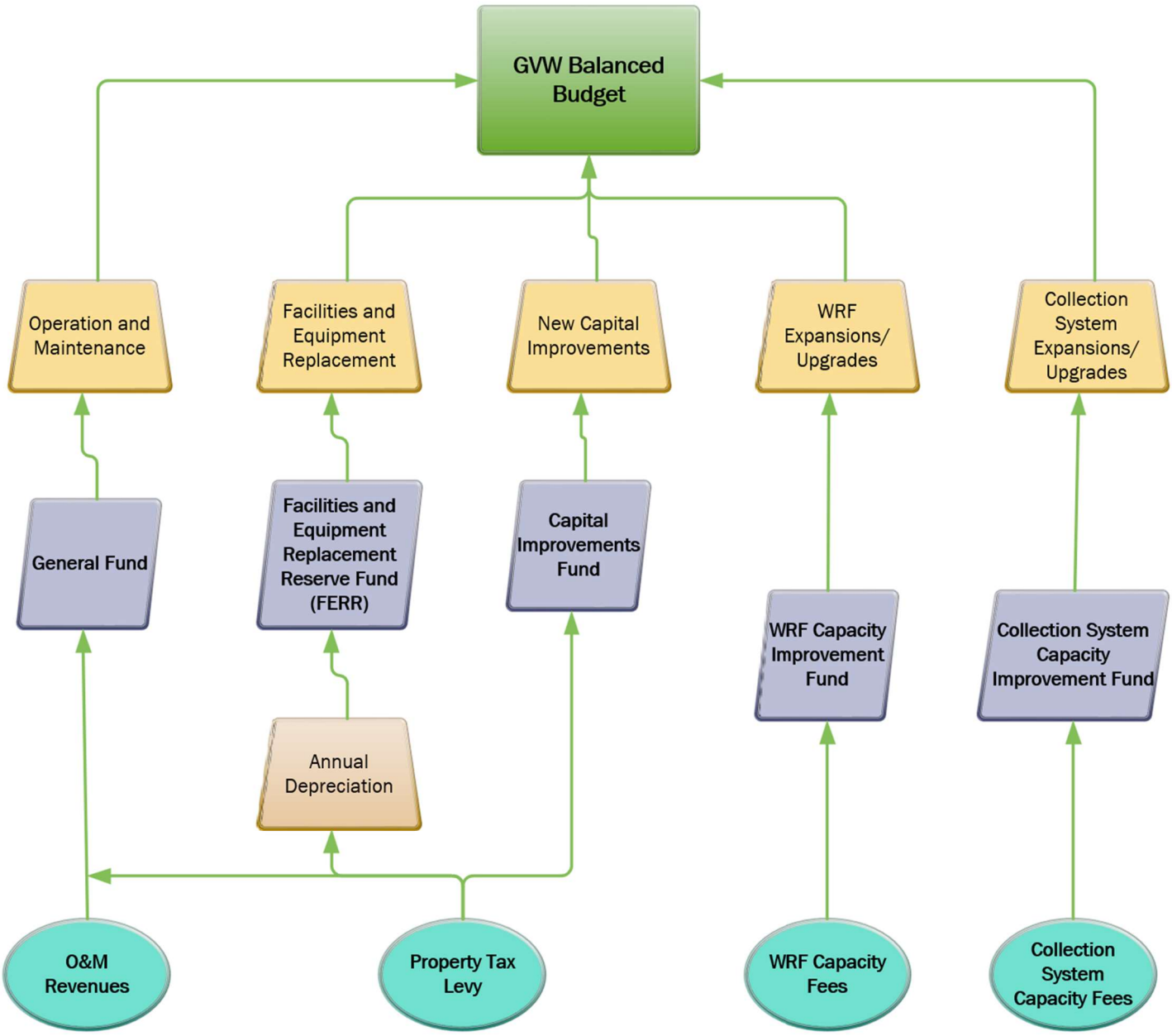

Figure 4. GVW Budgeting Strategy.

At the top level, GVW operates under a balanced budget. The next level down, shown in yellow, are the expenditure accounts within GVW. Below that, shown in blue, are the individual monetary funds maintained by GVW. One anomaly in the budgeting strategy is the Annual Depreciation, shown in light brown, which defines the amount contributed to the FERR on an annual basis. Finally, the revenue sources for each

account are shown at the bottom, in teal. A description of each component in the budgeting strategy follows.

Expenditure Accounts

GVW maintains five (5) expenditure accounts in its accounting systems. Below is a description of each expenditure account.

Operation & Maintenance

GVW's Operation and Maintenance expenditure account contains all expenditures required for the day-to-day operations of GVW. These include, but are not limited to labor, utilities, supplies, and preventative maintenance costs.

Facilities and Equipment Replacement

GVW utilizes its Facilities and Equipment Replacement account for expenditures involving the replacement of existing facilities and equipment (assets in both the Collection System and WRF) that have reached their design lifecycle. Additionally, this account is used for major maintenance that results in an increased lifespan of an asset.

New Capital Improvements

As permit requirements change and technology advances, GVW continually implements new methods and technologies to increase its operational efficiency. These advances often require the purchase of new fixed assets. GVW maintains a New Capital Improvements account to cover the cost of the new equipment, facilities, and technology.

Facility Expansion/Upgrades (2 Accounts)

GVW facilities and equipment were sized and installed systematically over time. However, with demographic changes, varying growth patterns, and expansion of the GVW Boundaries, the original assumptions used in sizing GVW facilities and equipment have provided for undersized facilities and equipment in some locations. Upgrades to GVW facilities and equipment are required to adequately serve future connections to the GVW Sewer Collection System and WRF while maintaining compliance with State Statutes, rules, and permits. The Facility Expansion/Upgrades expenditures are divided into two funds: WRF Capacity Improvement Fund and Collection System Capacity Improvement Fund.

Fund Perspective

General Fund

The General Fund is GVW's operational fund. This fund accounts for GVW's revenues and expenditures used for day-to-day operations and maintenance. Disbursements from this fund include labor and other costs to operate and

maintain GVW's Collection System, WRF, Reclaimed Water Distribution System, and administrative expenses.

Facilities and Equipment Replacement Reserve Fund (FERR)

GVW owns and maintains approximately $78.5M in gross fixed assets. These fixed assets include the Collection System, the WRF, the Reclaimed Water Distribution System, and all ancillary buildings and equipment. Of this $78.5M in gross fixed assets, GVW has realized almost $46.9 in accumulated depreciation. Approximately $13.3M of these assets are currently fully depreciated, meaning they have reached their projected useful lifecycle.

GVW maintains a Facilities and Equipment Replacement Reserve Fund (FERR) to replace existing facilities and equipment which have reached their projected useful lifecycle or to perform major maintenance to increase their projected useful lifecycle. The Governmental Accounting Standards Board (GASB) requires GVW's audited financial statements to include depreciation as an expense. The estimated depreciation for the current budget year, estimated during budget preparation, defines the FERR funding for the upcoming budget year. The FERR is a Board designated fund that requires all expenditures to be approved by the Board through the budgeting process. The FERR is projected to have a balance of $3,078,522 at the end of FY 2026/2027.

WRF Capacity Improvement Fund

As stated above in the Facility Expansion/Upgrades expenditure discussion, the GVW WRF requires upgrades to be able to treat the projected sewage flows from the build-out of GVW boundaries. The WRF Capacity Improvement Fund is utilized for these upgrades and is a Board designated fund that requires all expenditures from it to be approved by the Board.

GVW completed an expansion project in 2015 to expand the WRF design rated capacity to 3.5 MGD, the projected sewage flows from the build-out of GVW boundaries. The need for this project was dictated by ADEQ due to GVW's committed flows exceeding 80% of the existing plant's rated capacity of 2.2 MGD. The 2015 expansion project was paid for with cash, without the need to borrow money. However, the WRF Capacity Improvement Fund did not contain the $15M required to complete the project. Interfund transfers from the FERR to fund the project were authorized by the Board.

The recently completed WRF Master Plan identified the actual WRF constructed capacity as 2.8 MGD. Therefore, future projects to increase the WRF capacity to meet projected build-out flows are required, as identified in the WRF Master Plan. GVW is currently committed to 1.874 MGD or 67% of the WRF design constructed capacity. Due to the future, required WRF upgrades, this fund must be reimbursed through its funding source, as described below. The WRF Capacity Improvement

Fund is projected to have a balance of $400,439 at the end of the 2026/2027 fiscal year.

Collection System Capacity Improvement Fund

Similar to the WRF Capacity Improvement Fund discussion above, the GVW Collection System requires upgrades to be able to convey the projected sewage flows for the build-out condition of GVW boundaries. The Collection System Capacity Improvement Fund is utilized for these upgrades and is a Board Designated fund that requires all expenditures from it to be approved by the Board through the budgeting process. The Collection System Capacity Improvement Fund is projected to have a balance of $1,625,227 at the end of FY 2026/2027.

Operating Contingency Fund

GVW maintains an Operating Contingency Fund, per GASB Statement 54, to ensure safe and continuous operation of District Services. GVW's target fund balance is between six (6) and nine (9) months of operating expenses. This account provides financial stability to protect against a reduction or interruption of services due to temporary cash flow shortages or revenue shortfalls and covers extraordinary expenditures occurring in the event of an emergency. The Operating Contingency Fund is projected to have a balance of $3,045,614 at the end of FY 2026/2027.

Revenues

GVW utilizes four (4) revenue sources to cover its expenses. Below is a description of these revenue sources.

Sewer Use/Ancillary Fees

GVW's Sewer Use Fee is a monthly fee proportionally charged to its customers for the annual Operation and Maintenance expenditures of GVW. The Sewer Use Fee is based on an Equivalent Residential Unit (ERU). A single-family residential structure is charged for one (1) ERU, while commercial enterprises are charged for the equivalent ERU's of sanitary sewage produced, as verified through water use records.

Title 48 of the Arizona Revised Statutes authorizes GVW to charge ancillary fees for services performed by GVW. These fees include connection fees and reclaimed water fees. GVW also recognizes other ancillary revenues as "Other Income". Other Income includes interest earned on monies in the Local Government Investment Pool (LGIP), returned check fees, pass through fees, recording fees, inspection fees, plan review fees, and miscellaneous revenue. Revenues from all ancillary fees are used to offset the Operation and Maintenance expenditures, thus reducing the Sewer Use Fee.

From FY 2018/2019 through FY 2025/2026, GVW calculated the fiscal year Sewer Use Fee by dividing the projected Operation and Maintenance expenditures, minus the ancillary fee revenue, by the number of ERU's served by GVW. The Sewer Use Fee was evaluated each budget year to make sure it was appropriate to cover the annual Operation and Maintenance requirements of GVW's operations for that fiscal year. The strategy used in the FY 2026/2027 budget was that Sewer Use Fees would increase in relative proportion to annual inflation, as reported by the Consumer Price Index (CPI). FY 2026/2027 projections show Operation and Maintenance expenditures rising above the CPI due to several factors: increased labor costs, electric utility costs, waste disposal costs, etc. The difference between the FY 2026/2027 projected Operation and Maintenance expenditures and the monies collected via the Sewer Use Fees will be funded from the property tax levy.

Property Tax Levy

Title 48 of the Arizona Revised Statutes authorizes GVW to certify to the Gila County Board of Supervisors "the amount required for payment of principal and interest on bonds…the amount necessary to maintain, operate, extend, and repair the sewerage system…and treatment plants of GVW during the ensuing year." Upon certification, the Board of Supervisors levies and causes to be collected a tax on real property and mobile homes within the GVW boundaries. Taxes are levied on the net assessed limited property value (LPV), as determined by the Gila Country Assessor's Office (GCAO). GVW's property tax rate is considered a secondary tax.

GVW has historically used the property tax levy to fund depreciation, which directly funds the FERR, and new capital improvements. The proposed FY 2026/2027 budget includes using the property tax levy to supplement the sewer use fees to cover the Operation and Maintenance costs of GVW. The property tax levy is set each year by the Board based on the projected depreciation for the previous year, required new capital improvements for that year, and the difference between Operation and Maintenance expenditures those funds collected from sewer use fees. The FERR, in conjunction with new capital improvements, ensure that GVW facilities and equipment will be operational for generations to come. The FY 2025/2026 District property tax levy was $1.80 per $100 of assessed limited property value.

The FY 2026/2027 proposed budget includes the addition of the property tax funding the General Fund to offset Operation and Maintenance expenditures. This budgeting strategy was incorporated in the budgeting strategy per the Board of Directors direction. Funding a portion of the Operation and Maintenance expenditures allows sewer use fees to only raise the approximate CPI at the time of budget preparation. Refer to the above Sewer Use/Ancillary Fee discussion for more details.

WRF Capacity Fees

Title 48 of the Arizona Revised Statutes authorizes GVW to charge "a capacity fee based on the cost of developing sewage collection, treatment, and effluent disposal facilities required to treat the flow of sewage which enters the sewage system from a particular sewer connection." GVW maintains the WRF Capacity Improvement fund to cover the costs associated with expanding or upgrading the WRF to treat flows from new connections. The WRF Capacity Improvement Fund is funded by charging each new structure connecting to the system a Capacity Fee.

The WRR Capacity Fee was derived from engineering studies in support of the GVW Master Plans. As a part of the Master Plans, development of all lands within the GVW Boundary were considered based on current Town of Payson zoning for those undeveloped lands. The study estimates the total build-out wastewater flow produced within GVW, considering both the existing development and future development within GVW boundaries. Additionally, the study estimates the cost of expansion to the WRF to be able to accept and treat this build-out flow. The WRF Capacity Fee is calculated by dividing the estimated WRF expansion costs by the future flows produced by new connections to the Collection System, resulting in a cost per gallon. The current WRF Capacity Fee is $18.80 per gallon of peak flow. This equates to $4,700.00 per ERU.

Collection System Capacity Fees

Similar to the WRF Capacity Improvement Fund, GVW maintains a Collection System Capacity Improvement Fund to cover the costs associated with upgrading the Collection System to convey flows from new connections. The Collection System Capacity Improvement Fund is funded by charging each new structure connecting to the system a Capacity Fee.

The Collection System Capacity Improvement Fund is based on engineering studies in support of the GVW Collection System Master Plan. As a part of the Master Plan, development of all lands within the GVW Boundary are considered based on current Town of Payson zoning for those undeveloped lands. The study estimates the build-out flows within the Collection System, considering both the existing development and future development within GVW boundaries. The Master Plan hydraulic model identifies pipes within the Collection System that have inadequate capacity to convey the build-out flows and identifies the required pipe size to convey these flows. The study estimates the cost of increasing the size of these pipes. The Collection System Capacity Fee is calculated by dividing the estimated cost to increase the size of the identified pipes by the future flows produced by new connections to the Collection System, resulting in a cost per gallon.

GVW is geographically divided into two basins: West Side and East Side. The West Side basin generally flows by gravity to the WRF. The East Side basin naturally flows to the East and requires a series of lift stations to convey the sewage flows to the West Side basin, where it can gravity flow to the WRF. Because of this natural geographical division and the fact that the East Side basin requires the use of lift stations and force mains to provide service, two (2) Collection System Capacity Fees are used by GVW. The West Side Collection System Capacity Fee is $1.80 per gallon of peak flow, or $450.00 per ERU. The East Side Collection System Capacity Fee is $4.50 per gallon of peak flow, or $1,125.00 per ERU.

FY 2026/2027 PROPOSED BUDGET

FY 2026/2027 Budget Preparation Considerations

FY 2025/2026 continued the macroeconomic challenges faced in FY 2025/2026, with inflation and supply chain issues having the most impact on the operating budget. The March 2026 CPI for all urban consumers rose 3.3% over the previous 12 months. However, the Producer Price Index, with is the closest indicator for a wastewater utility, has experienced a 4.0% increased cost, the largest 12-month advance since February 2023. GVW has experienced price increases of 50% to 100% over the last five-years for much of its equipment and supplies. The rise in inflation directly impacts the GVW budget. Supply chain challenges have also greatly impacted GVW operations. The concept of just-in-time ordering is no longer applicable in today's economy. This results in GVW having to maintain increased inventory on-site to ensure GVW operations continue uninterrupted.

Organizational Structure

At the core of GVW's successful operations is its staff, currently comprised of thirty-three (33) highly qualified people. Figure 5 presents the proposed organizational structure of GVW for FY 2026/2027. The proposed FY 2026/2027 organizational structure includes one new staff position beyond the FY 2025/2026 organizational structure, as described below.

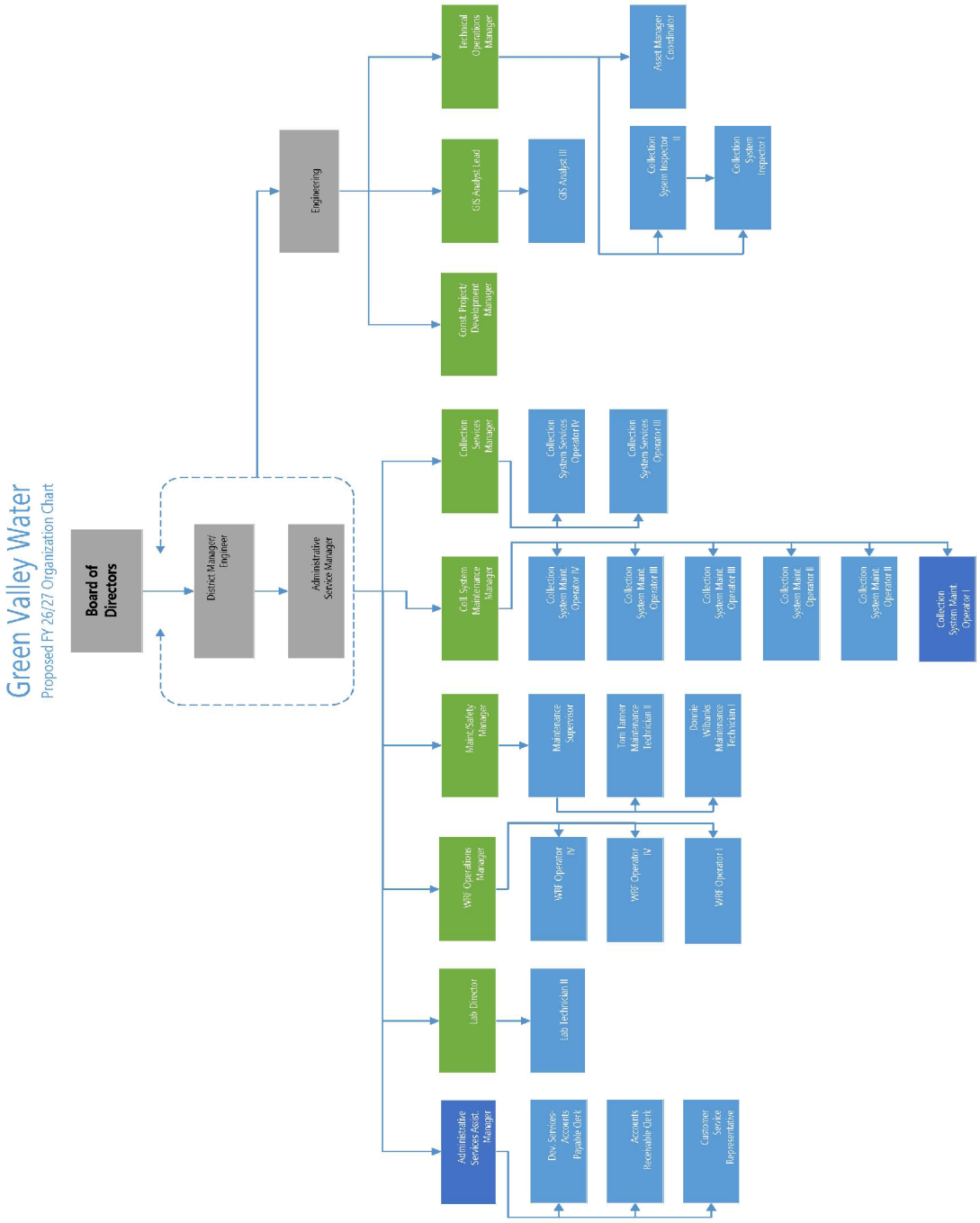

Figure 5. GVW Proposed FY 2026/2027 Organizational Structure.

Green Valley Water

Manager Responsibilities Compared to Executive Responsibilities		
	Manager	**Executive**
Responsibility	Focuses on implementing plans set by others and responsible for overseeing operations.	Sets strategic direction of the organization, making high-level decisions and ensuring overall success.
Decision Making	Operational decisions within area of responsibility, such as staffing, budget, process improvement, and assignments.	Decisions that impact the enterprise, such as major investments, acquisitions, and resource allocation.
Perspective	Focus on translating goals to action and ensuring day to day operations run smoothly and efficiently.	Focus on strategic plans, identifying growth and innovation opportunities, positioning for long-term success.
Accountability	To a senior manager/executive for performance of department or team.	To the Board of Directors and other stakeholders for performance of organization.
Planning Horizon	Short-term focus, concentrating on achieving operational objectives and compliance with plan within department.	Near- and long-term – positioning the organization for sustainable growth and success.
Primary Team	Department or area of responsibility.	Other executives and executive leadership team.

Figure 6. Manager Responsibilities Compared to Executive Responsibilities.

Being a Future-Ready Utility requires leadership with a long-term field of vision. The traditional model of public utilities employing a management team is no longer relevant. The manager mentality is what created the situation public utilities are currently facing by not being Future-Ready. Traditionally, public utilities were managed for the short term to keep rates low and customer service steady. This led to deferred maintenance and unsatisfactory staffing levels to proactively maintain the utilities they were charged with overseeing; causing U.S. wastewater infrastructure to receive a grade of D+ in the ASCE 2025 Report Card for America's Infrastructure. Moving forward, wastewater utilities must not only address the degrading systems bestowed upon them by past management but must become Future-Ready.

Wage and Salary Schedule

The GVW Employee Handbook specifies the GVW District Manager complete compensation studies at regular intervals to ascertain wage and salary levels of other agencies whose service and staffing requirements are similar to those of GVW. These

results are used to ensure equity and consistency within the industry and job market for GVW.

Operations & Maintenance Expenses

GVW is organized into seven (7) departments: Administrative Services, Laboratory, WRF Operations, Maintenance/Safety, Collection System Maintenance, Collection System Services, and Engineering. The Engineering Department is composed of three (3) sub-departments: GIS, Construction/ Development, and Technical Operations. The role of each department, along with their proposed FY 2026/2027 Operations and Maintenance expenses are described in the following sections.

Administrative Services Department

GVW's Administrative Services Department provides overall management of GVW and administrative support to the Board of Directors and other District Departments. Its core functions include general administration, customer billing, accounts receivable, accounts payable, accounting, financial reporting, budgeting, human resources, public relations, and construction permit processing. For accounting purposes, the Board of Directors, District Manager and Administrative Services Manager are considered a part of this department.

The Department comprises four (4) administrative staff, beyond the Administrative Services Manager. Each Administrative Services Department staff member performs individual functions defined in GVW's Administrative Internal Controls. The Administrative Internal Controls are policies and procedures set in place to provide segregation of duties, thus minimizing the possibility of fraud, and increasing transparency. Eide Bailly, GVW's financial auditor, reviews the Administrative Internal Controls on an annual basis to ensure GVW is operating using industry best practices.

Laboratory Department

GVW operates an Arizona Department of Health Services certified laboratory to provide both compliance and process control testing in support of GVW operations. GVW uses compliance test results to complete its monthly, quarterly, semi-annual, and annual ADEQ permit reporting requirements. The Laboratory Department uses process control test results to monitor the WRF and make WRF operational process control decisions. The Laboratory staff perform an average of 1,200 tests per month.

The Laboratory Department is currently comprised of two (2) staff members. Each Laboratory Department staff member holds a minimum of one (1) ADEQ operator certification in wastewater treatment plant operations, and a Class B CDL with a tanker endorsement.

The first WRF was constructed in 1972 on the current WRF site. In 1983 and 1984, the WRF was upgraded to a biological nutrient removal facility using the unique Bardenpho treatment process. The WRF has undergone many expansions and improvements over the years. Currently, the WRF is a state-of-the-art facility producing Class A+ Reclaimed Water that meets or exceeds all ADEQ standards for reclaimed water. The WRF Operations Department operates the WRF to maintain compliance with GVW's ADEQ Permits and provide Reclaimed Water to GVW's Reclaimed Water customers.

The WRF Operations Department is comprised of four (4) staff. Each WRF Operations Department staff member holds a minimum of one (1) ADEQ operator certification in wastewater treatment plant operations, and a Class B CDL with a tanker endorsement.

Maintenance/Safety Department

GVW's Maintenance/Safety Department is responsible for the proactive maintenance and repair services of GVW's mechanical and electro-mechanical assets, along with District buildings and the fleet. These assets include equipment at the WRF, the fourteen sewer lift stations in the collection system, and the two reclaimed water booster stations. The Maintenance/Safety Department also administers GVW's Health and Safety Program.

The Maintenance Department is composed of four (4) staff members. Each Maintenance Department staff member holds a minimum of one (1) ADEQ operator certification in either wastewater treatment plant operations or wastewater collection system operations and a Class B CDL with a tanker endorsement.

Collection System Maintenance Department

The Collection System Maintenance Department is responsible for proactively maintaining and repairing the GVW Collection System to prevent sanitary sewer overflows (SSO's), minimize inflow and infiltration (I&I), and ensure the collection system continues to serve GVW customers for generations to come. The Collection System is comprised of 133-miles of gravity sewer line, 33-miles of low pressure sewer (LPS) lines, 11-miles of lift station force mains, 9-miles of reclaimed water distribution lines, and 3,447 manholes and cleanouts.

The Collection Maintenance Department is currently budgeted for (7) personnel but is comprised of six (6) personnel. Each Collection System Maintenance Department staff member holds a minimum of one (1) ADEQ operator certification in wastewater collection system operations and Class A CDL with a tanker endorsement.

Collection Services Department

The Collection Services Department is customer service oriented and acts as the public liaison for GVW. Its responsibilities include, but are not limited to Blue Stake requests, customer concerns, Mesa Del tanks, grease interceptor inspections, residential/commercial permit inspections, and subdivision infrastructure inspections.

The Collection Services Department is comprised of three (3) staff. Each Collection Services Department staff member holds the minimum of an ADEQ operator certification in wastewater collection system operations. Additionally, each Collection System Department staff member is required to hold a Class B CDL with a tanker endorsement.

Engineering Department

The Engineering Department is shown on the proposed FY 2026/2027 Organizational Chart as being comprised of three (3) sub-departments: GIS, Construction/Development, and Technical Operations. These sub-departments are directly related to the engineering discipline within the GVW operations. Including the Engineering Department as a standalone department results in increased visibility of the costs associated engineering support efforts required for the successful operation of GVW. Following is a description of each sub-department and their associated FY 2026/2027 proposed expenditures.

Geographical Informational Systems (GIS) Department

GVW implemented Geographical Information Systems (GIS) into its operations in FY 2018/2019. The GIS Department manages the GVW GIS system and is responsible for integration of GIS functions into GVW workflows. Essentially, GIS is a geographical based database in which information regarding assets is accessible through a geographic map showing the assets in their real-world location. Information regarding assets can include, but is not limited to, the physical characteristics of the assets, pictures, videos, inspection records, etc. The GIS Department is responsible for the location of all gravity sewer manholes and is coordinating with the Collection Services Department to GPS locate all LPS assets within the Collection System. This effort is to provide GVW staff with the required information to make informed decisions on repair and maintenance of the Collection System. The GVW GIS system is foundational within GVW operations, with applications in each GVW department. The GIS Department is currently comprised of two (2) staff members.

Construction/Development Department

The Construction/Development Department was a new sub-department under the Engineering Department in FY 2025/2026. The intent of this department is to provide construction management of all GVW construction projects and to administer the GVW development review process. The GVW construction projects this department is responsible for are projects commissioned by GVW for upgrades or additions to their facilities (e.g. the WRF Improvements Project, lift station upgrade projects, sewer line replacement projects, etc). The GVW development review process consists of reviewing all construction plans and providing review comments to protect GVW's interests, coordinating with project design professionals, and coordinating the resulting construction permit through completion.

The sub-department contains one (1) staff member, who is supported by other GVW personnel as needed. This position directly serves construction projects in support of the FERR. Therefore, GVW proposes funding the department expenses from the FERR.

Technical Operations Department

The Technical Operations provides oversight and coordination of the GVW IT infrastructure across the entire organization. The Technical Operations Department is responsible for overall management of the GVW IT system, relying on labor from the GVW IT Consultant, Blue K (Smart Systems, Inc.) The department is also responsible for the successful implementation of new software platforms within GVW operations and is responsible for the ongoing success of the GVW Asset Management Solution. As discussed in the Organizational Structure of GVW, A Collection Inspection crew was added to GVW operations in FY 2025/2026. This crew is shown under the Technical Operations Department in the proposed FY 2026/2027 Organizational Chart.

The Department is comprised of four (4) staff members, a Technical Operations Manager, an Asset Management Coordinator, and two Collection System Inspectors.

Operation and Maintenance Expense Summary

Table 2 presents a summary of the proposed FY 2026/2027 Operating and Maintenance Expenses, along with a comparison to the approved FY 2025/2026 Operating and Maintenance Expenses.

FY 2026/2027 Operation and Maintenance Expense Summary			
Operating Department	**Approved FY 2025/2026 Budget**	**Proposed FY 2026/2027 Budget**	**Percent Change**
WRF Operations	$1,103,950	**$1,255,300**	13.7%
Laboratory	$345,000	**$368,200**	6.7%
Maintenance	$1,060,750	**$1,100,300**	3.7%
Collection Maintenance	$1,024,000	**$996,650**	-2.7%
Collection Services	$487,500	**$503,700**	3.3%
Administration	$1,629,600	**$1,645,550**	1.0%
Engineering	$1,231,031	**$1,468,429**	19.3%
Total	$6,881,831	**$7,338,129**	6.6%

Table 2. Proposed FY 2026/2027 Operation and Maintenance Expense Summary.

Overall, the FY 2026/2027 GVW Operation and Maintenance Expenses are proposed to increase by 6.6% over the approved FY 2025/2026 Operation and Maintenance Expenses.

Facilities and Equipment Replacement Expenses

GVW must perpetually operate within its ADEQ permits and therefore must maintain its assets in good working order. This means existing facilities and equipment must be either replaced or upgraded when their design lifecycle is reached to ensure they will keep operating at full capacity in the future. GVW has scheduled $11,459,345 for FERR FY 2026/2027.

New Capital Outlay Expenses

GVW is committed to incorporating new technologies and processes into its operations. Advances in technologies and processes provide opportunities to lower utility costs, maintain a low staffing level, and increase process efficiencies. This commitment ensures its customers receive a high-quality service at the lowest rates possible. To achieve this commitment, GVW invests in new capital improvements each year. GVW has scheduled $637,000 New Capital outlay for FY 2026/2027.

Facilities Expansion/Upgrades Capacity Fund Expenses

GVW is under contract for the WRF Plant Improvements Project in FY 2026/2027 and projected to complete construction in FY 2027/2028. The project is projected to require $8,800,000 in expenditures in FY 2026/2027, which will be funded from the FERR. The project was previously allocated $3,350,000 from WRF Capacity Improvement funds in FY 2025/2026, which has already been expensed to the project. Therefore, GVW is not planning any new expenditures from the WRF Capacity Fund in FY 2026/2027.

GVW is not planning any new Facilities Expansion or Upgrades from the Collections System Capacity Improvement Fund in FY 2026/2027.

Ancillary Fees

Connection Fees

GVW charges Connection Fees to cover the administrative costs associated with transferring accounts to new owners, new connections, installing new sewer service connections, and disconnection/reconnection services. GVW bases these projected fees for FY 2026/2027 on historical trends. As of March 31, 2025, GVW has realized $35,200 in Connection Fees for FY 2025/2026 and estimates these fees to increase to $46,933 by the end of the fiscal year. GVW is estimating Connection Fees of $45,000 for FY 2026/2027.

Reclaimed Water Fees

GVW charges $1.95 per 1,000 gallons delivered for its Reclaimed Water. This fee includes the electrical costs associated with delivering Reclaimed Water to GVW's Reclaimed Water customers. As of March 31, 2026, GVW has realized $242,000 in Reclaimed Water Fees for FY 2025/2026 and projects these fees to increase to $320,000 by the end of the fiscal year. GVW estimates Reclaimed Water Fees to be $315,000 for FY 2026/2027.

Other Income

GVW realizes other sources of income that are classified as Other Income in the budget. This income includes interest earned on the funds maintained in the LGIP, returned check fees, recording fees, inspection fees, plan review fees, and miscellaneous income. For the past year, LGIP interest income has been averaging approximately $60,000 per month. In FY 2026/2027, GVW will be using FERR funds to fund the WRF Upgrades Project. Therefore, the LGIP balance will begin to reduce, resulting in less interest earned on this account. GVW estimates the LGIP interest to be reduced from the projected $540,000 value in FY 2025/2026 to $460,000 in FY 2026/2027. The other components of the Other Income category

are based on historical trends for these fees. GVW estimates Other Income to be $485,000 for FY 2026/2027.

Sewer Use Fees

FY 2026/2027 Sewer Use Fee

GVW calculates its Sewer Use Fees by dividing the projected annual Operation and Maintenance expenses, minus total projected ancillary revenues, by the projected number of ERU's being served by GVW. For FY 2026/2027, GVW estimates it will serve 11,867 ERU's. This includes a total of sixty-three (63) new residential ERU's and forty-two (42) new commercial ERU's being connected to the Collection System in FY 2026/2027. Table 3 presents a summary of the FY 2026/2027 ERU distribution.

FY 2026/2027 ERU Summary			
Category	Existing ERU's Served	Estimated New ERU's Served	Total ERU's
Residential	9853	63	9916
Commercial	1909	42	1951
		Total	11867

Table 3. FY 2026/2027 ERU Summary.

The FY 2025/2026 Sewer Use Fee is $35.00/month/ERU. Using the above methodology defined in the Budgeting Strategy section of this document, the FY 2026/2027 Sewer Use Fee is proposed to be raised by the March CPI of 3.3%. The proposed FY 2026/2027 Sewer Use Fee is $36.15/month/ERU.

Property Tax Levy

GVW uses the property tax levy to fund depreciation and new capital outlay. Projected depreciation for FY 2025/2026 is $3,220,165. Proposed new capital outlay for FY 2026/2027 is $637,605. The New Capital Fund is projected to have a surplus balance of $433,000 at the end of FY 2025/2026, thus reducing the required FY 2026/2027 new capital funding by this amount. The combination of these two expenses is $3,424,770. Per the GCAO on February 3, 2025, the 2026 Net Assessed Value of all properties within GVW boundaries is $257,158,144. The required FY 2026/2027 GVW tax levy to fund the above expenses is $1.33 (per $100 of Net Assessed Value), resulting in a property tax levy revenue of $3,420,203. This is a decrease of $0.14 (per $100 of Net Assessed Value) from the property tax levy rate approved in the FY 2025/2026 budget. It should be noted the decrease is due to the reduction in required FY 2026/2027 new capital outlay compared to the FY 2025/2026 new capital outlay and not due to a reduction in depreciation.

In the March 10, 2022 Regular Board Meeting, the Board of Directors directed staff to prepare the FY 2022/2023 budget using the methodology presented in the meeting to fund future WRF upgrades. Staff presented a funding mechanism using an additional property tax levy of $0.50 per $100 of Net Assessed Value in the FY 2022/2023 and FY 2023/2024 budgets to fund the required upgrades. GVW Management maintains a WRF Capacity Fund/FERR analysis to track the WRF Improvement Project funding. This analysis shows the supplemental property tax levy can be reduced to $0.33 per $100 of Net Assessed Value in FY 2026/2027. Therefore, GVW Management is proposing to reduce the additional property tax levy of $0.50 per $100 of Net Assessed Value to $0.33 per $100 of Net Assessed Value in FY 2026/2027 for the WRF Plant Improvements Project.

Per the budgeting strategy defined above, the difference between the projected FY 2026/2027 proposed expenses and the revenue generated from sewer use fees and all ancillary fees will be funded by the property tax levy. Projected total expenses for FY 2026/2027 are $7,338,129 with projected revenues from sewer use and ancillary fees being $6,193,308. Therefore, the property tax levy will fund $1,144,821 of operating expenses in the FY 2026/2027 budget. Additionally, as described above, the Construction/Development Manager position total expenditures ($149,000) is funded directly from the FERR, bringing the total operation and maintenance expenditures funded by the property tax levy to $1,293,821. The required FY 2026/2027 GVW tax levy to fund the above expenses is $0.50 (per $100 of Net Assessed Value), resulting in a property tax revenue of $1,285,791.

Table 4 presents a summary of the GVW 5-year FERR/Capital Improvement Plan.

GVW 5-Year FERR/Capital Improvement Plan Summary

Projected Fund Balances (7/1/2026)								
	WRF Cap:	$282,939	FERR:	$9,548,080				
		Funding Source						
Fiscal Year	Project Description	Projected FERR/New Capital Outlay	WRF Capacity Fund	FERR	Estimated EOFY WRF Capacity Fund Balance	Estimated EOFY FERR Balance	Depreciation+New Capital Tax Levy Rate ($/$100 Net Assessed Value)	Supplemental Tax Levy Rate ($/$100 Net Assessed Value)
24/25					$ 282,939	$9,548,080	1.47	0.33
26/27	WRF Improvement Project Construction	$8,800,000	$ -	$8,800,000				
	Estimated New CIP Expenditures	$ 637,605	$ -	$ 637,605				
	Estimated FERR Expenditures	$2,659,345	$ -	$2,659,345				
	FERR/Cons-Dev Manager Fund Transfer	$ 149,000	$ -	$ 149,000	$ 633,815	$1,575,522	1.33	0.33
27/28	Estimated New CIP Expenditures	$ 500,000	$ -	$ 500,000				
	Estimated FERR Expenditures	$2,000,000	$ -	$2,000,000				
	Mesa Del LS 2 Rehabilitation	$1,000,000	$ -	$1,000,000				
	Forest Edge Forcemain Rehabilitation	$ 300,000	$ -	$ 300,000				
	FERR/Cons-Dev Manager Fund Transfer	$ 163,900	$ -	$ 163,900	$ 984,690	$2,887,330	1.47	0.50
28/29	Biosolids Handling Upgrades	$5,500,000	$ -	$5,500,000				
	Estimated New CIP Expenditures	$ 500,000	$ -	$ 500,000				
	Estimated FERR Expenditures	$2,000,000	$ -	$2,000,000				
	FERR/Cons-Dev Manager Fund Transfer	$ 180,290	$ -	$ 180,290	$1,335,566	$ 627,009	1.63	0.50
29/30	Estimated New CIP Expenditures	$ 500,000	$ -	$ 500,000				
	Estimated FERR Expenditures	$2,000,000	$ -	$2,000,000				
	Zurich LS Rehabilitation	$ 500,000	$ -	$ 500,000				
	FERR/Cons-Dev Manager Fund Transfer	$ 198,319	$ -	$ 198,319	$1,686,441	$2,637,337	1.80	0.00
30/31	Estimated New CIP Expenditures	$ 500,000	$ -	$ 500,000				
	Estimated FERR Expenditures	$2,000,000	$ -	$2,000,000				
	CP2 LS Rehabilitation	$1,500,000	$ -	$1,500,000				
	FERR/Cons-Dev Manager Fund Transfer	$ 218,151	$ -	$ 218,151	$2,037,317	$4,148,698	1.90	0.00

Table 4. Proposed GVW 5-Year FERR/Capital Improvement Plan.

Green Valley Water

BUDGET SUMMARY

The proposed GVW FY 2026/2027 Operations and Maintenance Budget is summarized below in Table 5.

FY 2026/2027 Operation and Maintenance Proposed Budget			
Operating Revenue	**Approved FY 2025/2026 Budget**	**Proposed FY 2026/2027 Budget**	**Percent Change**
Sewer Use	$5,114,586	**$5,199,308**	1.7%
Connection	$45,000	**$45,000**	0.0%
Reclaimed Water	$300,000	**$315,000**	5.0%
Other Income	$550,000	**$485,000**	-11.8%
O & M Funded by Tax Levy	$0	**$1,144,821**	-
Contingency Interfund Transfer	$731,745	**$0**	-100.0%
FERR Interfund Transfer	$140,500	**$149,000**	6.0%
Total	$6,881,831	**$7,338,129**	6.6%
Operating Expense			
WRF Operations	$1,103,950	**$1,255,300**	13.7%
Laboratory	$345,000	**$368,200**	6.7%
Maintenance	$1,060,750	**$1,100,300**	3.7%
Collection Maintenance	$1,024,000	**$996,650**	-2.7%
Collection Services	$487,500	**$503,700**	3.3%
Administration	$1,629,600	**$1,645,550**	1.0%
Engineering	$1,231,031	**$1,468,429**	19.3%
Total	$6,881,831	**$7,338,129**	6.6%
Summary			
TOTAL REVENUE	$6,881,831	**$7,338,129**	6.6%
TOTAL EXPENSE	$6,881,831	**$7,338,129**	6.6%

Table 5. Proposed FY 2026/2027 Operations and Maintenance Budget.

Table 6 presents a summary of the Board Designated Funds for FY 2026/2027.

FY 2026/2027 Board Designated Fund Summary				
Board Designated Fund	**Balance 07/1/2026**	**Revenue FY 2026/2027**	**Expense FY 2026/2027**	**Balance 06/30/2027**
WRF Capacity Improvement Fund	$282,939	$117,500	$0	$400,439
Collection System Capacity Improvement Fund	$1,602,727	$22,500	$0	$1,625,227
(FERR) Facility & Equipment Replacement Reserve Fund	$10,478,080	$4,068,787	$11,608,345	$2,938,522
O&M Funded by Tax Levy	$0	$1,144,821	$1,144,821	$0
FERR Interfund Transfer	$0	$149,000	$149,000	$0
New Capital Outlay	$433,244	$204,361	$637,605	$0
Subtotal	**$12,796,989**	**$5,706,969**	**$13,539,771**	**$4,964,187**
Operating Contingency Fund	$3,045,614	$0	$0	$3,045,614
Subtotal	**$3,045,614**	**$0**	**$0**	**$3,045,614**
Total	**$15,842,603**	**$5,706,969**	**$13,539,771**	**$8,009,801**

Table 6. Proposed FY 2026/2027 Board Designated Fund Summary.

Figure 7 presents the proposed FY 2026/2027 Fee Schedule. The rates highlighted in yellow in the above proposed fee schedule are those rates that have changed from the FY 2025/2026 approved budget.

FY 2026/2027 Proposed Fee Schedule		
FEE TYPE	**FEE DESCRIPTION/UNITS**	**RATE**
ANNEXATION/CAPACITY/CONSTRUCTION FEES		
ANNEXATION	Residential Acre	$900.00
	Commercial Acre	$1,800.00
CAPACITY, WATER RECLAMATION FACILITY	Gallon Per Day Peak Reserve (Refer to Generation Rate Schedule)	$18.80
Example A:	Minimum General Business: 100 gpd x $18.80 = $1,880.00	
Example B:	Residential Unit:+ Detached ADU: 250 gpd x $18.80 = $4,700.00	
Example C:	33 Seat Restaurant: 33 seats x 25 gpd/seat x $18.80 = $15,500.00	
CAPACITY, COLLECTION SYS	West Side - Gallon Per Day Peak Reserve (Refer to Generation Rate Schedule)	$1.80
	East Side - Gallon Per Day Peak Reserve (Refer to Generation Rate Schedule)	$4.50
PERMIT / INSPECTION	Residential (Covers up to 2 inspections)	$100.00
	Commercial Single Connection (Covers up to 2 inspections)	$200.00
	Permit Extension (1 Year ONLY)	$75.00
	Demolition Permit, includes cap off inspection	$25.00
	Permitted RV Dump Stations (Annual Permit)	$100.00
LATERAL/TAP (Single Connection)	Gravity, residential zoned 4"	$450.00
	Gravity Commercial 6"	$750.00
	Low Pressure, Residential or Commercial	$1,500.00
INSPECTION-MAINS (Sewer Line Extensions)	CCTV Inspection of Gravity Sewer Lines per Lineal Foot	$1.75
	Construction Inspection of Gravity and Low Pressure Sewer Lines per Lineal Foot	$0.90
SINGLE-FAMILY RESIDENTIAL PLAN REVIEW	Per Sheet (Covers up to 2 reviews)	$35.00
COMMERCIAL/SUBDIVISION PLAN REVIEW	Per Sheet (Initial fee covers up to 2 reviews, additional reviews charged on a individual review basis at the per sheet rate)	$150.00
DEVELOPMENT AGREEMENT	Sewer Line Extension Developmnet Agreement Handling Fee - Per Unit or Equivalent	$50.00
MASTER PLAN UPDATE	MLD per new lot	$71.00
	SFR per unit	$71.00
	ADU per ADU unit	$71.00
	Commercial building single connection - No sewer line extension (1 or more buildings, shopping center, apartments)	$1,065.00
	Sewer line extension - per graduated calculation based on units connected	Calculated
SEWER USE RATES		
RESIDENTIAL	Flat Rate Per ERU Average Daily Flow Per Month (1 ERU Average Dauly Flow = 175 gpd)	36.15
COMMERCIAL / CHURCH & NONPROFIT	Minimum General - Flat Rate (Average Daily Flow ≤ 100 gpd)	$27.11
	Large/Others - Flat Rate Per ERU of Actual Average Daily Flow	$36.15
PUBLIC SCHOOL	Students Per Semester - Average Daily Attendance	$6.28
PERMITTED RV DUMP STATIONS	Permitted Only (Minimum 1 ERU) - Flat Rate Per ERU of Actual Average Daily Flow	$36.15
RECLAIMED WATER (BULK METERED)	Per 1,000 Gallons Delivered	$1.95
ADMINISTRATIVE FEES & CHARGES		
ACCOUNT ESTABLISHMENT FEE	Flat Rate Per Transaction	$30.00
RETURN CHECK	Flat Rate Per Transaction	$30.00
LATE FEE	Unpaid Balance Greater Than 25 days - Applicable To All Delinquent Accounts	10.00%
CCARD FEES	Per Transaction - Applicable To All Transactions (The Greater of $3.25 Or 3%)	$3.25
ECHECK FEES	Per transaction- Applicable to all e-check transactions	$3.25
DOCUMENT RECORDING	Up to Per document	$25.00
REPRODUCTION, PUBLIC RECORDS	Minimum $0.20 Per Page	$0.20
FIELD VISIT	Minimum	$75.00
DISCONNECT OR RECONNECT	Minimum Charge For Physical Disconnect and Reconnect (includes Recording Fees)	$450.00
	Minimum Charge To Terminate Or Reactivate Water Service (Only For Non-Payment Of Sewer Fees, includes Recording Fees)	$250.00
PROPERTY TAX LEVY RATE	Per $100 Of The Primary Assessed Value (Limited Property Value)	$2.16

Figure 7. Proposed FY 2026/2027 Fee Schedule.