

FY 2023/2024 ADOPTED BUDGET

June 22, 2023

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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) (previously known as Northern Gila County Sanitary District), 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 GVW boundaries. GVW serves 8,794 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 2022/2023 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).

Core Values

GVW Staff’s daily operations are governed by the following “Core Values” statement:

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

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 2023/2024 budget preparation.

Name	Title	Term
David Rutter	Chairman	January 2021 – December 2024
Forrest Waggoner	Vice-Chairman	January 2021 – December 2024
James Muhr (Jim)	Secretary	January 2022 – December 2026
Shirley Dye	Member	January 2021 – December 2024
Dallin Haws	Member	January 2022 – December 2026

Table 1. GVW Board Member Information

Collection System

Approximately 130 miles of gravity sewer line, twenty-five (25) miles of low pressure sewer line, ten (10) miles of force main, 3,427 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 \$34M of the over \$71M 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 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 \$37M of the over \$71M 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 permits GVW to discharge its Reclaimed Water to Green Valley Park. Green Valley Park, a joint partnership 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 consider all of the above, while consistently operating with fiscal responsibility, integrity, and an appropriate level of conservatism.

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 has adopted a budgeting strategy that defines 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. GVW budgeting strategy is graphically shown in Figure 1.

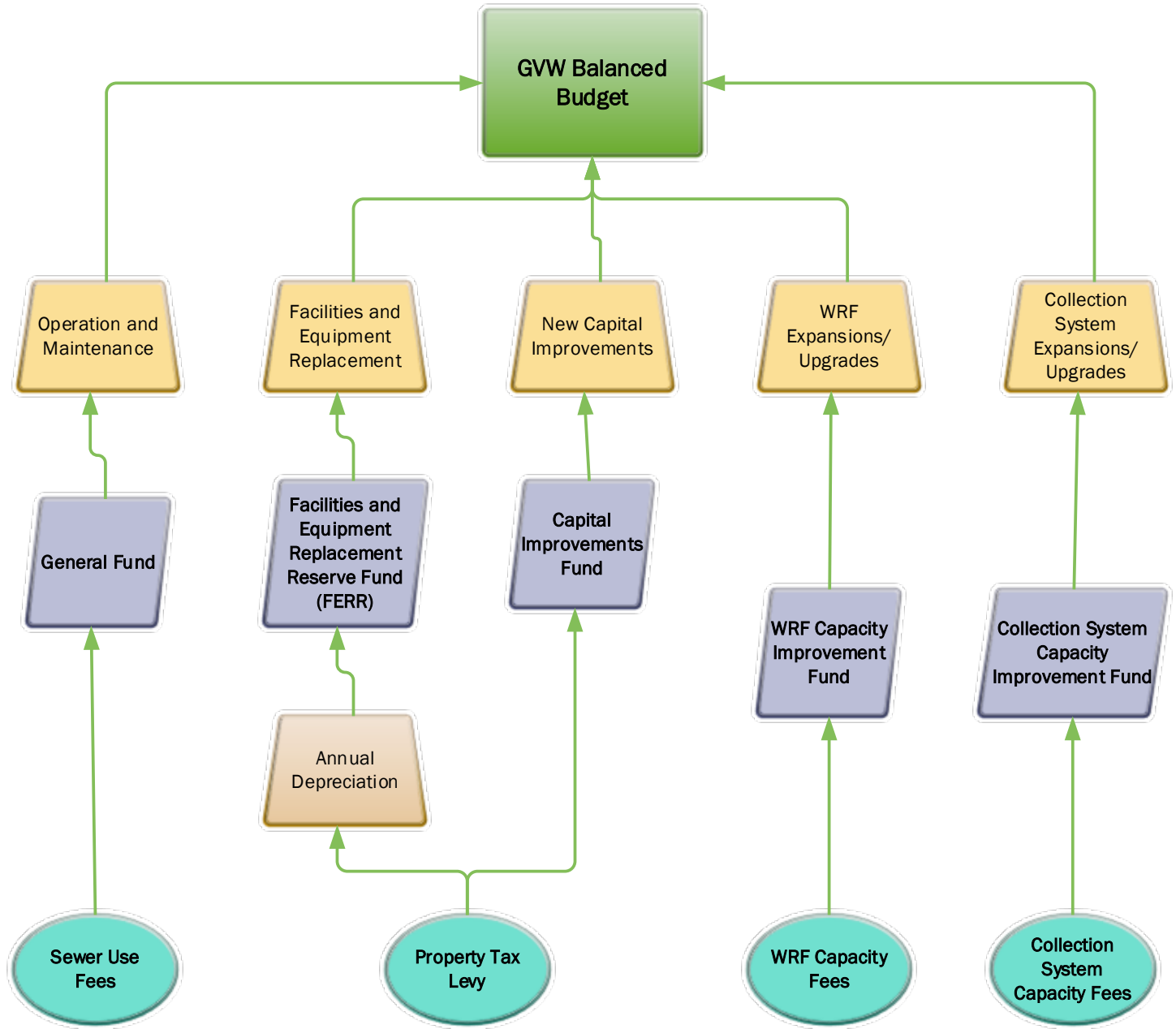


Figure 1. GVW Budgeting Strategy.

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 on the bottom, in teal. A description of each component in the budgeting strategy follows.

Expenditures

GVW maintains five (5) basic expenditure accounts in its accounting systems. These expenditure accounts are described below.

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 existing facilities and equipment (assets in both the Collection System and WRF) that have reached their design lifespan. Additionally, this account is used for major maintenance that results in the increased lifespan of an asset.

New Capital Improvements

As permit requirements change and technology advances, GVW continually looks for methods to increase its efficiencies. 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 and facilities.

Facility Expansion/Upgrades (2 Accounts)

GVW facilities and equipment have been sized and installed systematically over the years. However, as times, growth patterns, and GVW Boundary have changed, 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 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 the revenues and expenditures used for the day-to-day operations and maintenance of GVW. 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 \$71M 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 \$71M in gross fixed assets, GVW has realized almost \$37M in accumulated depreciation. Approximately \$10.5M of these assets are currently fully depreciated, meaning they have reached their projected useful lifespan.

GVW maintains a Facilities and Equipment Replacement Reserve Fund (FERR) to replace these existing facilities and equipment or perform major maintenance to increase their projected lifespan. 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 during budget preparation defines the FERR funding for the upcoming budget year. The FERR is a Board designated fund that requires all expenditures from it to be approved by the Board through the budgeting process. The FERR is projected at the end of the 2023/2024 fiscal year to have a balance of \$7,528,314.

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 for 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 a 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 Board. Therefore, this fund must be reimbursed through its funding source, as described below. Recent master plan engineering efforts have identified the actual WRF capacity, as constructed, is 2.8 MGD. Additional future projects to increase the increase the WRF capacity to meet projected build-out flows are needed and are in the master planning phase. GVW is currently committed to 1.863 MGD or 67% of the WRF design constructed capacity. The WRF Capacity Improvement Fund is projected to have a balance of \$2,829,198 at the end of the 2023/2024 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 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. The Collection System Capacity Improvement Fund is projected to have a balance of \$1,473,125 at the end of FY 2023/2024.

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 \$2,303,094 at the end of FY 2023/2024.

Revenues

GVW utilizes four (4) revenue sources to cover its expenses. These revenue sources are described below.

Sewer Use/Ancillary Fees

GVW's Sewer Use Fees are the monthly fees proportionally charged to its customers for the annual Operation and Maintenance expenditures of GVW. Sewer Use Fees are based on an Equivalent Residential Unit (ERU). Single-family residential structures are charged for one (1) ERU, while commercial enterprises are charged for the equivalent ERU's of sanitary sewage actually 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 revenues as "Other Income". Other Income includes interest earned on monies in the Local Government Investment Pool (LGIP), returned check 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.

GVW calculates 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 within GVW. The Sewer Use Fee is evaluated each budget year to make sure it is appropriate for the annual Operation and Maintenance requirements of GVW operations.

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 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 uses the property tax levy to fund depreciation, which directly funds the FERR, and new capital improvements. The property tax levy is set each year by the Board based on the projected depreciation for the previous year and required new capital improvements for that year. The FERR, in conjunction with new capital improvements ensure that GVW facilities and equipment will be operational for generations to come. The FY 2022/2023 District property tax levy was \$1.80 per \$100 of assessed limited property value.

WFR 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 WRF Capacity Fee is derived from engineering studies in support of the GVW 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 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 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 per ERU.

FY 2023/2024 ADOPTED BUDGET

FY 2023/2024 Budget Preparation Considerations

FY 2022/2023 continued the macroeconomic challenges faced in FY 2021/2022, with inflation and supply chain issues having the most impact on the operating budget. The March 2023 CPI for all urban consumers rose 5.0% over the previous 12 months. However, the industrial sector of the economy seems to have been impacted greater than the CPI. GVW is experiencing price increases of 50% to 100% compared to prices two years ago for much of our equipment and supplies. The rise in inflation directly impacts the GVW budget. Supply chain challenges have also impacted the 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 twenty-four (24) highly qualified people. Figure 2 presents the adopted GVW organizational structure for FY 2023/2024. The FY 2023/2024 organizational structure includes four (4) new staff positions, one (1) replacement position, and the creation of a new department beyond the FY 2022/2023 organizational structure.

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.

Green Valley Water
FY 22/23 Organization Chart

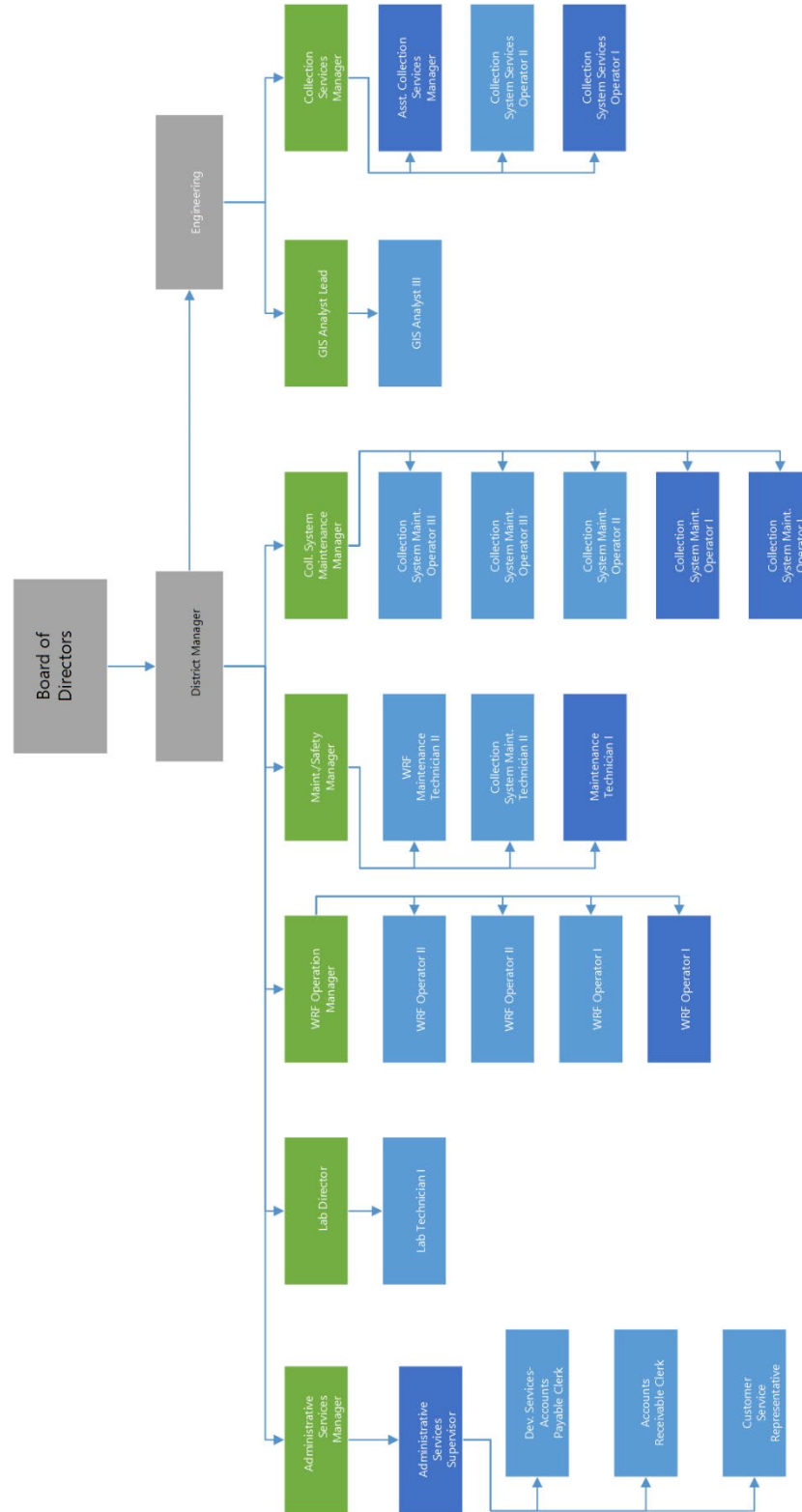


Figure 2. Adopted GVW FY 2023/2024 Organizational Structure

Operations & Maintenance Expenses

GVW is organized into seven (7) departments: Administrative Services, WRF Operations, Laboratory, Maintenance/Safety, Collection System Maintenance, Collection System Services, and GIS. The role of each department, along with the adopted FY 2023/2024 Operations and Maintenance expenses are described in the following sections.

Administrative Services Department

GVW's Administrative Services Department provides administrative support to the Board of Directors and other District Departments. Overall management of GVW is carried out by this department. Its core functions include general administration, billing, accounts receivable, accounts payable, accounting, financial reporting, budgeting, human resources, information technology, public relations, engineering, development and permit reviews, and project management. For accounting purposes, the Board of Directors and District Manager are considered a part of this department.

The Department is comprised of five (5) administrative staff. Each Administrative Services 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.

Water Reclamation Facility (WRF) Operations Department

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 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 five (5) 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.

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 the compliance test results in completing its ADEQ permit monthly, quarterly, semi-annual, and annual reporting. The WRF Operations Department uses the process control test results to monitor the WRF and make operational decisions. The Laboratory staff perform an average of 1,200 tests per month. The Laboratory Department is currently comprised of one (1) staff but will be increased to two (2) in FY 2023/2024.

Maintenance/Safety Department

GVW's Maintenance/Safety Department has traditionally provided maintenance and repair services for GVW's mechanical and electro-mechanical assets, along with District buildings. These assets include equipment at the WRF, the fourteen sewer lift stations in the collection system, and the two reclaimed water booster stations. In FY 2021/2022, the repair and maintenance of the sanitary sewer collection system, both gravity and low pressure sewer, was transferred to the Maintenance Department's responsibility. The sewer collection system consists of 130 miles of gravity sewer lines, 3,427 manholes, twenty-five (25) miles of low pressure sewer lines, and ten (10) miles of force mains. Many of the gravity sewer lines and manholes in GVW Collection System were installed in the early 1970's and are fifty (50) years old. These assets require maintenance to ensure they will continue to operate for generations to come.

The Maintenance/Safety Department is currently divided into two sub-departments: the WRF Maintenance sub-department and the Collection System Maintenance sub-department. The WRF Maintenance sub-department includes the Maintenance/Safety Manager and a maintenance technician who is responsible for all electromechanical assets within the WRF and a maintenance technician who is responsible for all electromechanical assets within the Collection System. The Collection System Maintenance sub-department is being separated into its own standalone department in FY 2023/2024. Refer to the below Collection System Maintenance Department section for a discussion of the Collection System Maintenance Department budget.

The Maintenance/Safety Department also administers GVW's Health and Safety Program. The Maintenance Department is comprised of four (4) staff. 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 a new department in the GVW organizational structure. The collection system is comprised of 130-miles of gravity sewer line, 25-miles of low pressure sewer lines, 10-miles of lift station force mains, 9-miles of reclaimed water distribution lines, and 3,427 manholes. Maintenance

and repair of these assets is fundamentally different than maintenance of the electromechanical assets maintained by the Maintenance Department. Additionally, the aging condition of the Collection System requires a concentrated maintenance effort to ensure it continues to operate into the future. The new Collection System Maintenance Department is tasked with maintaining the entire collection system through repairing defects, cleaning, GPS locating Collection System assets, and inspection of Collection System Assets.

The Collection Maintenance Department 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, and all plan reviews and inspections.

The Collection Services Department is normally comprised of three (3) staff. However, the current Assistant Collection Services Manager has announced their retirement in FY 2023/2024. The FY 2023/2024 organizational structure includes one new staff in this department to replace the retiring individual. This new staff member will be hired in the first quarter of FY 2023/2024 to allow for a training period before the Assistant Collection Services Manager retires in February, 2024. After February 2024, the Collection Services Department will be 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.

Geographical Informational Systems (GIS) Department

GVW implemented Geographical Information Systems (GIS) into its operations during FY 2018/2019. The GIS Department manages the GIS system and is responsible for integration of GIS functions into GVW workflows. GIS is the basis of the GVW asset management program. 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, physical characteristics of the assets, pictures, videos, inspection records, etc. The GIS Department is coordinating with the Collection System Maintenance Department to GPS locate all manholes and to CCTV inspect and catalog all gravity sewer lines within the Collection System. This effort is providing GVW staff with the required information to make informed

decisions on repair and maintenance of the Collection System. The GVW GIS system is the cornerstone of GVW operations, with applications in each GVW department. The GIS Department is comprised of two (2) staff members.

Operation and Maintenance Expense Summary

Table 2 presents a summary of the adopted FY 2023/2024 Operating and Maintenance Expenses, along with a comparison to the approved FY 2022/2023 Operating and Maintenance Expenses.

FY 2023/2024 Operation and Maintenance Expense Summary			
Operating Department	Approved FY 2022/2023 Budget	Adopted FY 2023/2024 Budget	Percent Change
WRF Operations	\$1,057,250	\$1,100,150	4.1%
Laboratory	\$245,500	\$274,700	11.9%
Maintenance	\$1,144,300	\$780,250	-31.8%
Collection Maintenance		\$805,800	
Collection Services	\$400,500	\$474,500	18.5%
Administration	\$1,431,750	\$1,489,750	4.1%
GIS	\$382,250	\$388,000	1.5%
Total	\$4,661,550	\$5,313,150	14.0%

Table 2. Adopted FY 2023/2024 Operation and Maintenance Expense Summary.

Overall, the FY 2023/2024 GVW Operation and Maintenance Expenses increased by 14.0% over the approved FY 2022/2023 Operation and Maintenance Expenses.

Facilities and Equipment Replacement Expenses

GVW must operate perpetually 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 lifespan is reached to ensure they will keep operating at full capacity in the future. GVW has scheduled \$6,350,250 of FERR expenditures for FY 2023/2024.

The adopted FY 2023/2024 FERR expenditures include \$2,100,000 for the Mesa Del Lift Station No. 2 Replacement Project which was committed to in FY 2022/2023. The FY 2023/2024 FERR expenditures also include \$1,000,000 for Construction Services related to the WRF Headworks, Aeration System/EQ Basin project and \$400,000 for the WRF Headworks, Aeration System/EQ Basin project. This project is contained in the WRF Master Plan CIP schedule. Additionally, the adopted FY 2023/2024 FERR expenditures include the purchase of several lift station pump spares. These spare pumps are vital in allowing GVW Maintenance staff to keep critical assets operational while new pumps can be procured.

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 GVW's customers are receiving a high-quality service at the lowest rates possible. To achieve this commitment, GVW invests in new capital improvements each year. GVW has scheduled \$168,900 of New Capital Outlay for FY 2023/2024.

Facilities Expansion/Upgrades Expenses

GVW is not planning any new Facilities Expansion or Upgrades from either the WRF Capacity Improvement Fund or the Collections System Capacity Improvement Fund. Several expansion/upgrade projects have been identified in the WRF Master Plan. However, the trigger points for these expansions/upgrades have not been realized at the time of preparation of the FY 2023/2024 budget.

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 2023/2024 on historical trends. As of March 31, 2023, GVW has realized \$27,615 in Connection Fees for FY 2022/2023 and estimates these fees to increase to

\$36,820 by the end of the fiscal year. GVW is estimating Connection Fees of \$37,000 for FY 2023/2024.

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, 2023 GVW has realized \$152,842 in Reclaimed Water Fees for FY 2022/2023 and projects these fees to increase to \$260,000 by the end of the fiscal year. GVW estimates Reclaimed Water Fees to be \$275,000 for FY 2023/2024.

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 \$31,000 per month. GVW is continuing the LGIP interest trend of \$31,000 per month for FY 2023/2024. The other components of the Other Income category are based on historical trends for these fees. GVW estimates Other Income to be \$375,000 for FY 2023/2024.

Sewer Use Fees

FY 2023/2024 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 2023/2024, GVW estimates it will serve 11,762 ERU’s. This includes a total of seventy (70) new residential ERU’s and seventy (70) new commercial ERU’s being connected to the Collection System in FY 2023/2024. Table 3 presents a summary of the FY 2022/2023 ERU distribution used in the Sewer Use Fee calculation.

FY 2023/2024 ERU Summary			
Category	Existing ERU's Served	Estimated New ERU's Served	FY 2022/2023 ERU's
Residential	9692	70	9762
Commercial	1930	70	2000
Total			11762

Table 3. FY 2023/2024 ERU Summary.

GVW is adopting a \$2.35/month (7.8%) Sewer Use Fee increase in FY 2023/2024, resulting in a monthly Sewer Use Fee of \$32.60/month. This rate increase is slightly above the March CPI of 5.0%. However, the FY 2023/2024 Sewer Use Fee of \$32.60/month includes the addition of four (4) new staff members in FY 2023/2024. These new staff members will help GVW ensure it provides quality service for its customers into the future. Projected Operating and Maintenance expenses for FY 2023/2024 are \$5,313,150. Projected revenue for FY 2023/2024, using a Sewer Use Fee of \$32.60/month and the ancillary revenues described above, results in a yearly revenue of \$5,313,150.

Property Tax Levy

GVW uses the property tax levy to fund both depreciation and new capital outlay. Projected depreciation for FY 2022/2023 is \$2,600,000. New capital outlay for FY 2023/2024 is \$168,900. The combination of these two expenses is \$2,768,900. Per the GCAO, on January 23, 2023, the 2022 Net Assessed Value of all properties within GVW boundaries is \$221,652,917. The required FY 2023/2024 GVW tax levy to fund the above expenses is \$1.30 (per \$100 of Net Assessed Value), resulting in a property tax levy revenue of \$2,881,488. This is the same property tax levy rate as in the approved FY 2022/2023 budget.

In the March 10, 2022, Regular Board Meeting, the Board of Directors directed staff prepare the FY 2022/2023 and FY 2023/2024 budgets using the methodology presented in the meeting to fund future WRF upgrades. Staff had 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. This results in an adopted FY 2023/2024 property tax levy of \$1.80 per \$100 of Net Assessed Value.

BUDGET SUMMARY

The adopted GVW FY 2023/2024 Operations and Maintenance Budget is summarized below in Table 4.

Operating Revenue	Approved FY 2022/2023 Budget	Adopted FY 2023/2024 Budget	Percent Change
Sewer Use	\$4,278,820	\$4,626,150	8.1%
Connection	\$39,730	\$37,000	-6.9%
Reclaimed Water	\$275,000	\$275,000	0.0%
Other Income	\$68,000	\$375,000	451.5%
Contingency Interfund Transfer	\$0	\$0	
Total	\$4,661,550	\$5,313,150	14.0%
Operating Expense			
WRF Operations	\$1,057,250	\$1,100,150	4.1%
Laboratory	\$245,500	\$274,700	11.9%
Maintenance	\$1,144,300	\$780,250	-31.8%
Collection Maintenance		\$805,800	
Collection Services	\$400,500	\$474,500	18.5%
Administration	\$1,431,750	\$1,489,750	4.1%
GIS	\$382,250	\$388,000	1.5%
Total	\$4,661,550	\$5,313,150	14.0%
Summary			
TOTAL REVENUE	\$4,661,550	\$5,313,150	14.0%
TOTAL EXPENSE	\$4,661,550	\$5,313,150	14.0%

Table 4. Adopted FY 2023/2024 Operations and Maintenance Budget.

Table 5 presents a summary of the Board Designated Funds for FY 2023/2024.

FY 2023/2024 Board Designated Fund Summary				
Board Designated Fund	Balance 07/1/2023	Revenue FY 2023/2024	Expense FY 2023/2024	Balance 06/30/2024
WRF Capacity Improvement Fund	\$2,633,298	\$195,900	\$0	\$2,829,198
Collection System Capacity Improvement Fund	\$1,441,625	\$31,500	\$0	\$1,473,125
(FERR) Facility & Equipment Replacement Reserve Fund	\$10,170,299	\$3,708,265	\$6,350,250	\$7,528,314
New Capital Outlay	\$464,728	\$168,900	\$541,970	\$91,658
Subtotal	\$14,709,950	\$4,104,565	\$6,892,220	\$11,922,295
Operating Contingency Fund	\$2,303,094	\$0	\$0	\$2,303,094
Total	\$17,013,044	\$4,104,565	\$6,892,220	\$14,225,389

Table 5. FY 2023/2024 Board Designated Fund Summary.

Figure 3 presents the adopted FY 2023/2024 Fee Schedule

FY 2023/2024 Adopted Fee Schedule			
FEE TYPE	FEE DESCRIPTION/UNITS		RATE
ANNEXATION/CAPACITY/CONSTRUCTION FEES			
ANNEXATION	Residential Acre		\$900.00
	Commercial Acre		\$1,800.00
CAPACITY, WRF	Gallon Per Day Peak Reserve (Refer to Generation Rate Schedule)		\$18.80
	Example A:	Min. General Business: 100 gpd x \$18.80 = \$1,880.00	
	Example B:	Residential Unit: 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 (Covers up to 2 inspections)		\$200.00
	Permit Extension (1 Year ONLY)		\$75.00
	Permitted RV Dump Stations (Annual Permit)		\$100.00
LATERAL/TAP	Gravity, residential zoned 4"		\$450.00
	Gravity Commercial 6"		\$750.00
	Low Pressure, Residential or Commercial		\$1,000.00
INSPECTION-MAINS	Televising - lineal foot		\$1.75
	Construction Inspection - lineal foot		\$0.90
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
ADMINISTRATION	Dev. Agreement Handling Fee - Per Unit or Equivalent		\$50.00
MASTER PLAN UPDATE	Direct Cost -Base Minimum (MLD/Lot Splits/SFR \$71/unit)		\$1,065.00
SEWER USE RATES			
RESIDENTIAL	Flat Rate Per ERU Average Daily Flow Per Month (1 ERU Average Daily Flow = 175 gpd)		\$32.60
COMMERCIAL / CHURCH & NONPROFIT	Minimum General - Flat Rate (Average Daily Flow ≤ 100 gpd)		\$24.45
	Large/Others - Flat Rate Per ERU of Actual Average Daily Flow		\$32.60
PUBLIC SCHOOL	Students Per Semester - Average Daily Attendance		\$5.67
PERMITTED RV DUMP STATIONS	Permitted Only (Minimum 1 ERU) - Flat Rate Per ERU of Actual Average Daily Flow		\$32.60
RECLAIMED WATER (BULK METERED)	Per 1,000 Gallons Delivered	1.78 .17/electric	\$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	Minimum Per document		\$40.00
REPRODUCTION, PUBLIC RECORDS	Minimum \$0.20 Per Page		\$0.20
FIELD VISIT	Minimum		\$75.00
DISCONNECT OR RECONNECT	Minimum Charge For Physical Disconnect Or Reconnect		\$200.00
	Minimum Charge To Terminate Or Reactivate Water Service (Only For Non-Payment Of Sewer)		\$100.00
PROPERTY TAX LEVY RATE	Per \$100 Of The Primary Assessed Value (Limited Property Value)		\$1.80

Figure 3. Adopted FY 2023/2024 Fee Schedule.