

NOTICE AND AGENDA OF PUBLIC MEETING OF THE OAK CREEK DOMESTIC WATER IMPROVEMENT DISTRICT

NOTICE

Pursuant to A.R.S. § 38-431.02, notice is hereby given that the Oak Creek Water Domestic Water Improvement District ("District") will hold a public meeting on **December 17, 2024** beginning at **4:30 p.m.**, at **90 Oak Creek Blvd., Sedona, Arizona**. The District Board may vote to go into executive session for purposes of obtaining legal advice from the District's attorney(s) on any of the following agenda items pursuant to A.R.S. § 38-431.03(A)(3) and A.R.S. § 38-431.03(A)(4).

AGENDA

1. **Call to order and roll call.**
2. **Call to the Public for Items not on the Agenda.** Members of the public may address the Board regarding items not on the Agenda. The Board may not discuss items not listed on the Agenda. In response to these public comments, the Board may direct staff to either study the matter or place the matter on the agenda for the next meeting. (Members of the public may comment on Agenda Items when those items are addressed by the Board.) **Comments must be limited to no more than 3 minutes.** The Chairperson for the meeting reserves the right to ensure that all comments are pertinent and not repetitive in order that the matter is handled fairly and expeditiously.
3. **Manager's Report.** The Manager will speak regarding operational and administrative matters. Neither the Board nor the public may discuss these matters at this time. In response to this report, the Board or the public may request that the issue be placed on the agenda for the next meeting.
4. **Consent Agenda Items.** The Board may act on the items listed below by one motion and approve all consent agenda items by one unanimous vote. Any item on the Consent Agenda may be removed from the Consent Agenda and considered as a separate item at the request of any Board member or person attending the meeting.
 - A. Approval of November's Board meeting minutes.
 - B. Approval of November's financials.
5. **Regular Agenda Items.** The Board may discuss, consider, and act on these matters separately.
 - A. Status Update and Discussion about USDA Grant/Loan Projects.
 - B. Status Update and Discussion on proposed budget. To be advertised in January.
6. **Executive Session Items.** The Board may vote to go into Executive Session for reasons set forth in A.R.S. §38-431.03.
7. **Announcements.**
 - A. Next Board Meeting January 21, 2025 at 4:30 p.m.
 - B. Future Board agenda items.
8. **Adjournment.**

Oak Creek Domestic Water Improvement District



Board Member

Dated: 12/13/24 Posted at: (time) 3:15 pm

Persons with a disability may request a reasonable accommodation by contacting Steve Wene at 602-677-0416. Requests should be made as early as possible to arrange the accommodation. Board members may attend either in person or by telephone conference call.

Oak Creek Water District

"Serving West Sedona Since 1953"

90 Oak Creek Blvd

Sedona, AZ 86336

Date: December 13, 2024

RE: General Manager Report

Financial

The billing charges for December were \$54,200

Infrequent and one-time major expenses in December:

None

Infrequent and one-time major revenue for December:

None

Operations

-2 Check Valves from ACE installed at airport, both failed. Looking for better stock.

-Reads were most successful ever, no rereads and shortest duration.

-Blue staked leak at corner of OCB and PANO, next phase will fix it unless worse.

-Working with SWI, Summit, and Steve for the Saddlerock hotel details.

-Summit working on temp PRV for saddlerock to minimize outages and bigger bursting machine for upsizing 6" to 8", and planning out work at Panorama site

Management

USDA Grant/Loan Update: 75% of Section A has been completed. Summit will install the trunk line from SR 89A up Saddlerock Circle and Rockridge Drive and stop at the vacant lot toward the storage tanks. Panorama will then be started early in 2025. Working on a change order of quantities to proceed with a new fence for Well Sites 2/3 and for shade cover over Arsenic treatment components. USDA requires an audit after all loan monies are spent and into grant.

Lead and Copper Inventory: No official answers have come down to us in regards verification for non-lead lines. We are logging in all calls until we receive answers. To date two customers have requested lead sample tests.

Saddlerock Crossing: Curt and Hayden Baney have been in contact with us. Summit Construction to install tees at locations requested by the developer. This will avoid tapping into the new water main. Steve Wene has been contacted to start the discussion about tap-in fees and a future line extension agreement

Sedona Lofts: Staff sent out RFP for bids. Due by end of the year.

5-Year Rate Study: We have completed a preliminary call with Tom Bourassa. See attached notes summarizing the call. Expect an official document before the end of the year. Enclosed budget is based on the 2026 FY (July, 2025 – June 2026) revenue anticipated from the study.

Outstanding Leaks: 140 Northview and 225 Airport/Valley View. Hydrant in Elks

Oak Creek Water District

“Serving West Sedona Since 1953”

90 Oak Creek Blvd

Sedona, AZ 86336

928 282-3404 – info@oakcreekwater.com

Date: December 12, 2024

RE: Tom Bourassa Rate Study Call

Goal Operating Margin is 15%

Comparing 2021 Test Year to current 2024 Test Year

-Sold about 13 million gallons less water the current FY 2024 test year (conservation, weather, rates) compared to FY 2021 test year.

-These reduced gallons sold reduced the annual revenue by about \$50,000.

-The \$50,000 in revenue loss should be made up with the next planned 5-year rates. In other words, we are starting at a point that is about \$50K less than expected, which means the indicated revenue increase in this study needs to be higher than expected.

-Average 3/4-inch residential usage dropped from about 7,200 to 5,900 gallons. Similar reductions occurred down the line. 1-inch residential dropped from approximately 8,000 gallons down to 7,400 gallons and 1-½ inch residential down from approximately 25,000 gallons down to 22,250 gallons). Other customer classes show overall reductions in consumption.

Cash Flow

2024 Cash flow looks good. Future years also look adequate for future years and allows for funding plant replacement reserves up to \$1.3 million by 2030.

Debt Service Ratio

Debt Service Coverage Ratio (DSCR) looks good for all projected years and well about the minimum 1.25.

Times Interest Ratio

Times Interest Earned Ratio (TIER) is below the minimum 1.0 for 2025-2027 meaning net deficits from operations for those years. Not as concerned about TIER as DSCR.

Inflation Ratio

Inflation factor (rate) for this study is 2.5% versus 3.0% for the last study.

Depreciation is the biggest issue for this discussion.

Depreciation is a cash flow item.

The USDA funded district improvement projects increases the annual depreciation expense from about \$114K to about \$400K in future years. This includes the arsenic treatment plant and storage tank rehab in 2023 and the current water main replacement project.

Using cost indices the expected main replacement (approximately 1.3 million at end of 2024) would be closer to \$6.6 million rather than the over \$10.5 million as projected. The \$10.5 million is higher than expected but that does not mean it's wrong. Cost indices are regional and may not accurately reflect cost increases in specific areas.

The 2021 test year had an estimate for the water main improvements of about \$9 million compared to the \$10.5 million currently projected.

Preliminary new 5-year rate study (2025 FY – 2030 FY)

Based on our situation and receiving grant funds a targeted 10% operating margin is used. This is lower than the 20% operating margin used in the 2021 study. The lowering of the operating margin is justified because the current study capture depreciation on grant funded plant. Depreciation is a cash flow item.

The median ¾-inch bill would increase \$10.50 over the next 5 years.

The average ¾-inch bill would increase \$13.00 over the next 5 years.

Next full FY revenue (FY 2026) would increase from a projected FY 2025 revenue of about \$620,000 to about \$670,000.

Collecting on depreciation would be \$1.2 Million over the 5 years, 1/10th in 5 years.

The average annual rate increase (year-over-year) over the next 5-years is about 5.5%

Rate Study Comparisons

Many other systems that Tom is doing rate cases at the A.C.C. for are requiring significant rate increase ranging from 50% up to 200%.

F.Y.I. As stated, in December 13, 2024 Red Rock News, Arizona Water Company is asking a residential rate increase of 48.73% and commercial rate increase of 47.22%. Their current ¾-inch base rate would increase from **\$32.70 to \$49.20**. OCWD current base rate is **\$19.43**. The 5-year rate study would increase the ¾-inch residential base rate to **\$21.49** in 2025 and would be **\$26.30** in FY 2030.

Oak Creek Water District
 Test Year Ended June 30, 2024
 Consumption Comparison 2021 vs 2024

Line No.	Class	(a)	(a)	Change	2021	2024	Change	2021	2024	Change
		Average Number of Customers at 6/30/2021	Average Number of Customers at 6/30/2024		Average Consumption	Average Consumption		Median Consumption	Median Consumption	
1	Residential 34 Inch	487	465	(22)	7,171	5,925	(1,246)	4,500	3,500	(1,000)
2	Residential 1 Inch	16	17	2	8,064	7,435	(629)	6,500	4,500	(2,000)
3	Residential 1-1/2 Inch	1	1	-	25,042	22,251	(2,792)	25,000	25,500	500
4	Subtotal	504	484	(20)						
5										
6	Residential MDU 2 Units	34	43	8	13,673	10,766	(2,907)	4,500	5,500	1,000
7	Residential MDU 3 Units	6	7	1	7,445	19,691	12,246	9,000	10,000	1,000
8	Residential MDU 4 Units	13	14	1	11,786	10,402	(1,383)	10,500	8,500	(2,000)
9	Residential MDU 5 Units	14	14	(0)	20,760	18,556	(2,204)	16,000	15,000	(1,000)
10	Residential MDU 8 Units	2	2	-	44,626	31,709	(12,917)	50,000	22,500	(27,500)
11	Residential MDU 13 Units	1	1	-	60,792	74,045	13,253	60,000	75,000	15,000
12	Residential MDU 16 Units	1	1	(0)	37,424	41,459	4,035	37,500	37,500	-
13	Residential MDU 17 Units	1	1	-	67,134	56,718	(10,417)	75,000	45,000	(30,000)
14	Residential MDU 18 Units	2	2	-	80,252	57,761	(22,492)	58,000	35,000	(23,000)
15	Residential MDU 24 Units	1	1	-	66,876	69,741	2,866	75,000	65,000	(10,000)
16	Residential MDU 30 Units	2	2	-	96,385	108,328	11,943	85,000	110,345	25,345
17	Subtotal	78	87	10						
18										
19	Commercial 34 Inch	116	132	16	9,949	6,672	(3,277)	5,500	3,500	(2,000)
21	Commercial 1 Inch	14	15	1	32,026	37,095	5,069	17,000	22,500	5,500
23	Commercial 1-1/2 Inch	7	7	-	21,931	20,036	(1,895)	19,000	12,000	(7,000)
24	Commercial 2 Inch	3	3	-	93,479	71,343	(22,136)	70,000	55,000	(15,000)
25	Commercial 4 Inch	1	1	-	29,167	29,251	83	27,500	27,500	-
26	Subtotal	141	158	17						
27										
28	Irrigation 34 Inch	3	3	-	18,898	23,848	4,949	3,500	20,000	16,500
29	Irrigation 1 Inch	5	5	-	20,046	21,470	1,423	7,500	8,500	1,000
30	Irrigation 1/2 Inch	5	5	-	80,134	65,204	(14,930)	55,000	55,000	-
31	Subtotal	13	13	-						
32										
33										
34										
35										
36										
37										
38										
39	Total	735	742	6						

Santa and Pancakes



Water utility requests big rate increase

By Joseph K. Giddens
LARSON NEWSPAPERS

Sedona customers can expect to pay nearly 50% more on their monthly water bill if the Arizona Water Co. utility gets its approval from the Arizona Corporation Commission.

AWC, the second largest private supplier of water in the state, filed an application to increase its rates for its Northern Group that includes Sedona, Rimrock, Overgaard, Pinetop, Lakeside, Forrest Towne, Pinewood and Valley Vista.

The proposed rate increases are: Residential 48.73%, Commercial 47.22%, private fire service 50.46%, other water revenues 48.8%. Industrial water users will not have their rates increased under the proposal.

"[AWC] asserts that for the test year [of 2023] its Northern Group had adjusted operating income of \$1.6 million and an Original Cost Rate Base of \$74.7 million, resulting in a rate of return of 2.18% on its OCRB," according to its rate application. "[AWC] proposes rates and charges that would produce a revenue increase of approximately \$7.46 million, or 48%, compared to current base rates. [AWC's] proposed revenue increase would produce a 4.54% rate of return on its proposed fair value rate base of 157.9 million."

"The requested increase is 48.73%," Sedona resident Rosemary Mays wrote to ACC on Aug. 28. "This is an extraordinarily high percentage and it is not affordable. There is no way to cut back on consumption by that amount or to increase my income to cover this increase."

Mays' comments echo the sentiment of customer comments to the ACC with 57 residents across the AWC Northern Group voicing their opposition to the proposed rates as of Monday, Dec. 9.

"It is going to raise water residential costs by an incredible amount, especially for those of us who are retired and facing paying rising utility bills on fixed incomes," Seth Ellis, a Sedona resident, wrote to the ACC on Aug. 19. "I am shocked at the audacity of this request for such a huge increase in water rates."

AWC Vice President of Rates and Revenue Nick Y. Liu said that the actual bill to residents could increase 35%

» see WATER | 6A

ARIZONA WATER CO.

needs bus drivers to shorten rides

hours, fewer stops for children and about a 30-minute longer bus rides per trip.

"I ride this bus for about 90 minutes each way," West Sedona School second-grader Pepper Marschall told West Sedona School Principal Alisa Stieg and

classmate Stella Papiernick earlier this fall.

"I ride this bus for about 100 minutes each way," wrote Papiernick, who was recently awarded West Sedona School's December Student of the Month.

"We have working parents and they can't always stop what they

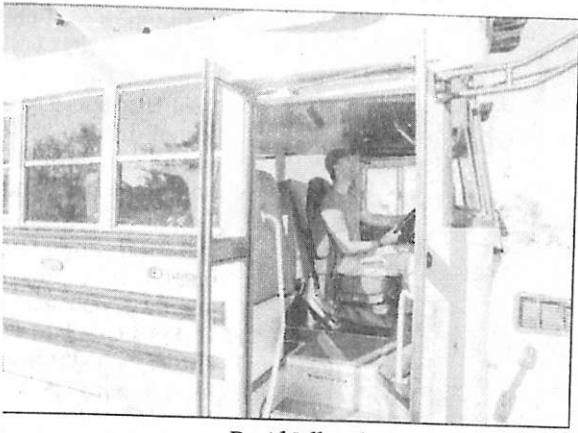
way to pick us up," Marschall and Papiernick wrote. "We live 30 to 40 minutes away so we have to ride the bus."

The district operates 18 buses and two white coach buses, but ongoing driver shortages have doubled the workload for existing staff. Before the pandemic, drivers

morning and one in the afternoon. Currently drivers have two or three routes during both time frames.

"We have good kids and great people that we work with [and] we pay very well and we're going to have some new buses to drive," said Director of Transportation

» see RIDES | 6A

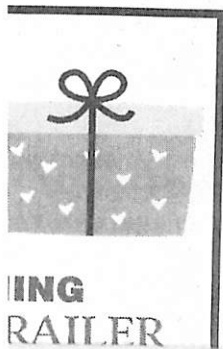


David Jolkovski/Larson Newspapers

JS DRIVER checks to make sure all the kids are seated before leaving West Sedona School on Friday, Dec. 6.

ning pick-ups, and drop-offs," EPI wrote. These burdensome logistics can increase the likelihood of a student missing school time and diminish their chances of participating in other activities. It is not to mention the additional burden they can place on parents trying to coordinate work schedules." I identified low wages as the main cause of the national driver shortage, noting that drivers typically earn 43% less than the national weekly wage for all workers, and that driver's real earnings have fallen over the last five

CSD provides an \$18 training salary with a minimum of \$21 an hour, after completion of training and obtaining a commercial driver's license and school bus license. For comparison, the Cottonwood-Oak Creek School District provides a minimum wage to its drivers before they obtain a CDL and \$16.90 per hour after obtaining the Sedona Shuttle



GIVING RAILER

Connect service pays its drivers \$19.32 to \$22.29 an hour. The Flagstaff Unified School District driver trainees start at \$18 an hour and can be increased to \$20 to \$20.75 per hour.

"Our biggest dilemma here is competing with the [private tour companies] as far as getting drivers," Gann said. "We don't pay what the trolley's people make and we don't get tips. Drivers that have CLDs are going to these other places where they can make more money."

Without enough drivers, sports trips and field trips are the first to suffer since the main priority is to get students to and from school daily.

Unlike larger districts, SOCS D does not offer competitive sign-on bonuses.

"We are in the very early stages of establishing our staffing budget for the next school year, so I don't have an answer quite yet," Swaninger said, when about new hire bonuses. "Pay rate, signing and retention bonuses [are] always a topic of discussion."

However, the district does provide free CDL training.

"Training for the CDL is huge. I think that that brings more people in the door," Gann said. "And then ... the district bought two new buses, and so that will be huge."

The fleet is five 2010 International School Buses, an 84-passenger 2010 International ...

International/Collins Special Ed Bus, a 48-passenger 2006 Thomas bus for sports, two 2018 Starcraft White buses for coaches to drive for sports, two new 2025 Blue Birds and a new 46 Passenger 2024 International Special Education Bus. Seven buses are out of service. The aging fleet has management and passenger issues from the need for frequent oil changes and the lack of air conditioning.

"Riding the bus for us is like being too long in a hot tub," Marschall and Papiernick wrote to the district about the older bus they were riding in prior to the arrival of two new 2025 Blue Bird 77, passenger buses with air conditioning.

"We had two buses already go down this year [because] the engines went out," Gann said. "So now I have [several] buses sitting out there that we're going to get rid of. Some of them don't start, some of them their fuel pump is out. To do the fuel pump, it's \$20,000 because the fuel pump is inside the engine. ... [But] the district is finally starting to get some buses. These [older] buses also do not have A.C, and when it's 100° outside it's probably 105°" inside the older buses in the fleet.

Swaninger said SOCS D has plans to purchase two new buses and that both will be purchased next year or one next year and one in 2026.

"It's a great place to work, the district is great [and] supports the drivers," Gann said. "They know the job we're doing is hard because we don't have the people, and so most people can't even take a day off, I'm working 10 hours a day."

"Me and Stella have an extra 30 minutes on the bus now" in the morning and in the afternoon "because we don't have enough bus drivers we need more bus drivers," Marschall said previously.

For more information or to apply as a bus driver, visit sedonak12.org/JoinOurTeamCareers.aspx

rates 48.73% higher

From Page 1A

because two surcharges that are already on customer bills for System Improvement Benefits and its Arsenic Cost Recovery Mechanism.

On one sampled AWC bill the existing surcharges make up 10% of the total amount owed by the customer.

In the July 30 primary election, by a vote of 2,579 to 399 across Yavapai and Coconino counties, Sedona voters granted AWC a 25-year franchise agreement "to use the city's public rights-of-way to operate its water system and supply water service within the city," according to proposition.

"While their service has been fully satisfactory in the period I've lived in Sedona, the rates were acceptable and as such, voting in favor of continuation of them as the service provider made sense," Sam Kaplan, Sedona resident, wrote to the ACC on Aug. 28. "There was no indication made relative to a significant rate increase request being made. If that information had been made public, it would have had a likely impact on voter's decision for their retaining a very long-term monopolistic servicing capability."

Liu cited inflation as the main cause of the new rates, which were last set on Aug. 19, 2019.

"At the same time we have made significant capital investment as well, which were needed to replace aging infrastructure and we have to build additional treatment facilities that are required to comply with the federal Safe Drinking Water Act," Liu said.

"This 48% increase is a big deal, especially to the retired. I am going to have to consider getting a well," Susan Brooks, a customer in the Rimrock Division of AWC wrote to the ACC on Nov. 13.

In addition to the rates, AWC is requesting the ACC approve adopting "a Sustainable Water Adjustor Mechanism to recover the costs of acquiring new sustainable water supplies; a Wildfire Protection and Public Safety surcharge mechanism to recover the cost of modernizing aging infrastructure to increase fire flow ...; and "a Tax Expense Adjustment Mechanism to recover changes in income tax rates in between rate cases," according to the rate application.

"In our Northern Group, we're 100% groundwater, we do want to have a more robust, and sustainable water supply portfolio," Liu said, discussing the other requests.

Liu confirmed that AWC is proposing to the ACC to continue the company's Utility Bill Assistance Program, which provides a \$10 discount on the customer bill to qualifying low-income customers and active military personnel.

To submit comments to the ACC ahead of its commission hearing on Monday, March 17, at 10 a.m. reference Docket Number "W-01445A-24-0117" and physically mail letters to: Arizona Corporation Commission, Consumer Services Section 1200 W. Washington, Phoenix, AZ 85007. Comments can also be submitted online at azcc.gov by using the docket number. For help with the process, contact ACC Consumer Services at (602) 542-4251 or (800) 222-7000.

If you have any questions concerning how the Application may affect your bill or other substantive questions about the Application, contact Arizona Water Co. and Nick Y. Liu by mail to 3805 N. Black Canyon Hwy., Phoenix, AZ 85015; by telephone at (602) 240-6860; or by email at rates@azwater.com.

Joseph K. Giddens can be reached at (928) 282-7795 ext. 122,