TOWN OF QUEEN CREEK ARIZONA

Wastewater Capacity Fee Update

Stakeholder Focus Group

September 17, 2025

Presentation Overview

1. Overview of the Wastewater System

2. Discuss the Proposed Wastewater Capacity Fee

Proposed Fee Increase

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“Fair and Reasonable” Standard

Proposed Fee per ERU (House)	**$6,144**
Existing Fee per ERU / House (LAST UPDATED IN 2019)	$2,901
Increase per ERU (House)	$3,243 (112%)

Equivalent Residential Unit (ERU)

1. Overview of the Wastewater System

Wastewater Service Area

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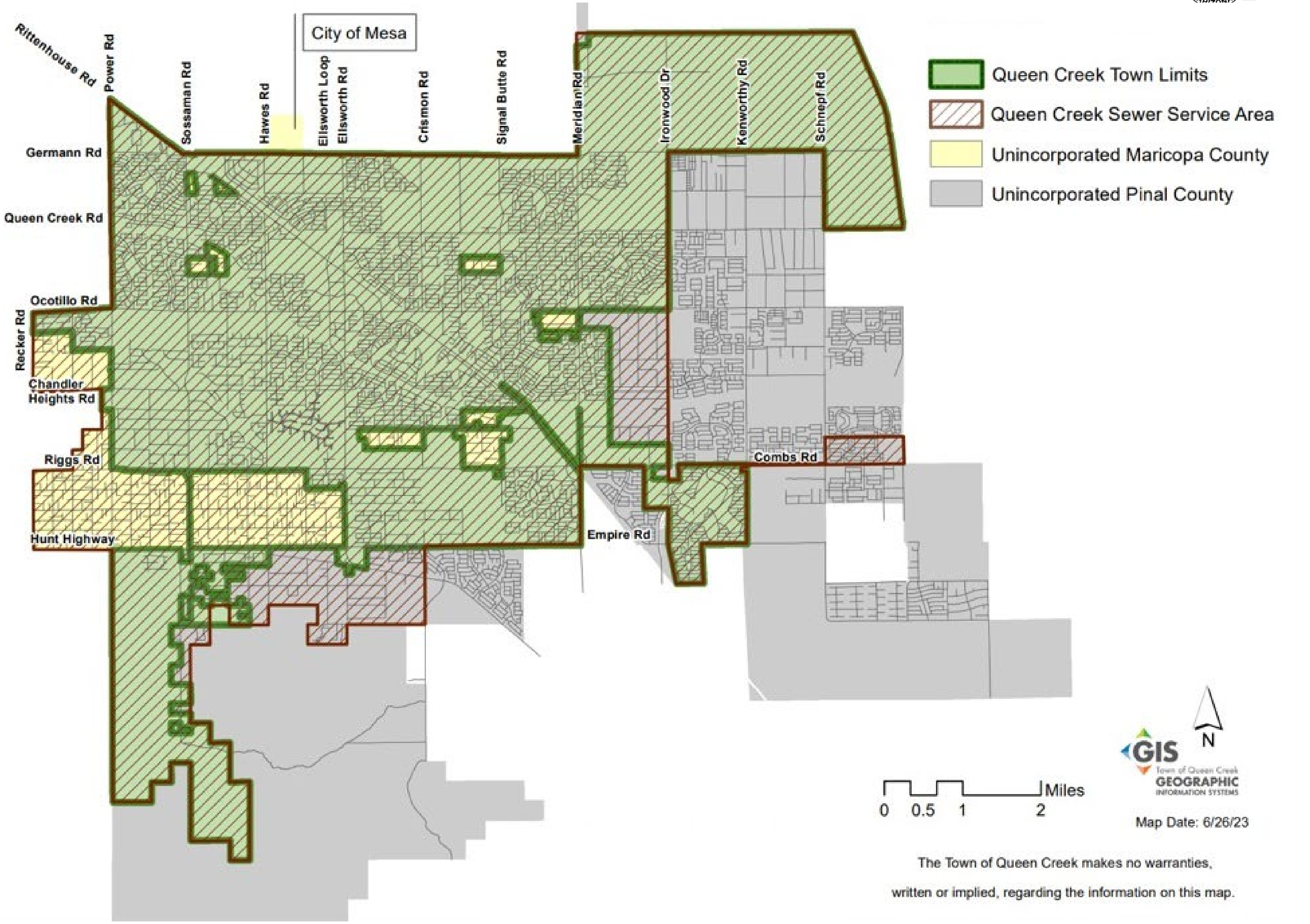


Wastewater Operations

- Wastewater System
  - Current Connections: ~ 22K
  - Anticipated Buildout Connections: ~ 50K

- Infrastructure
  - Current: $165M
  - Projected Total: $275M+

- Infrastructure
  - Existing Treatment Plant (GWRP), Advanced Treatment Facility (ATF), Water Recharge System

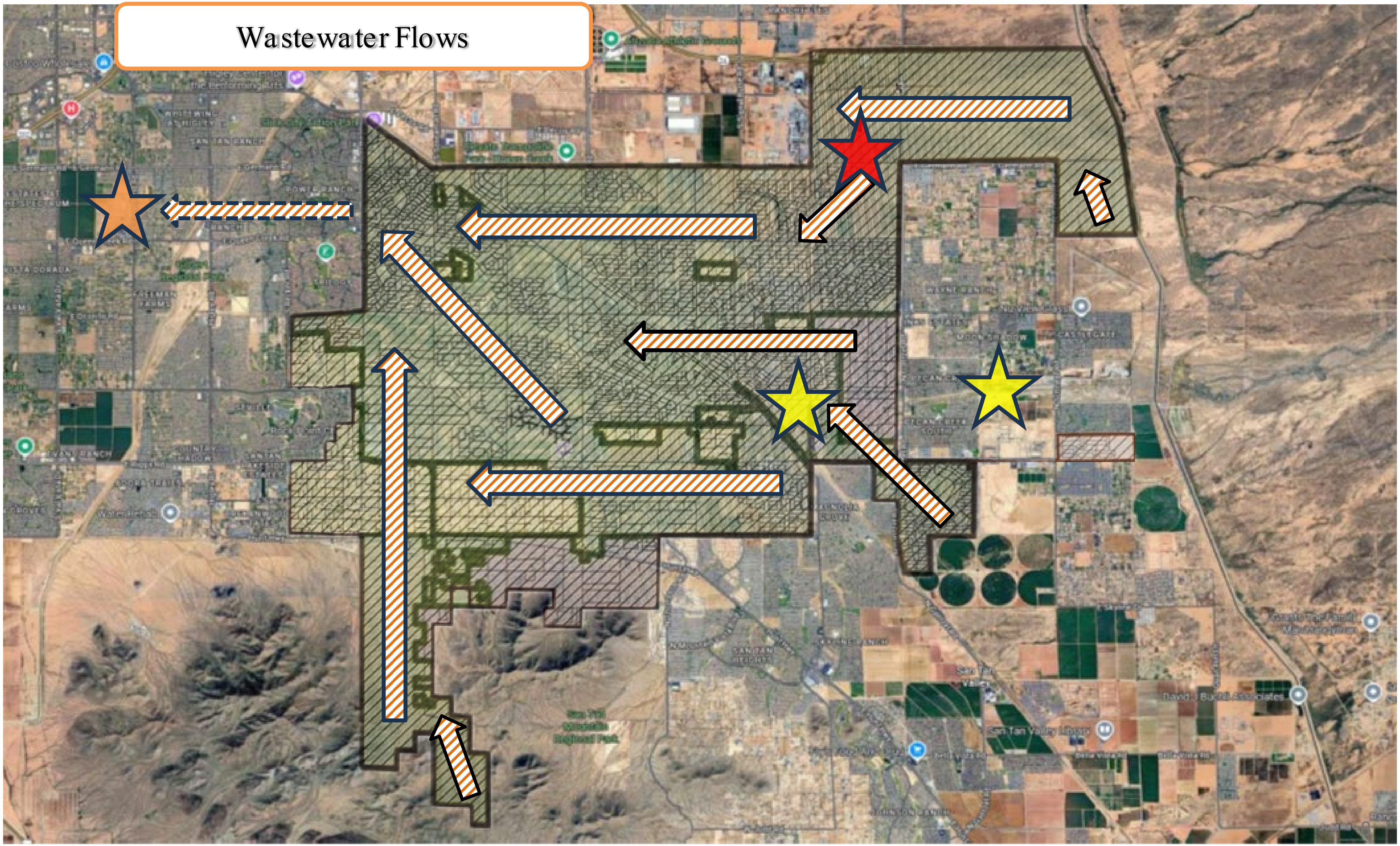
Wastewater Treatment Approach

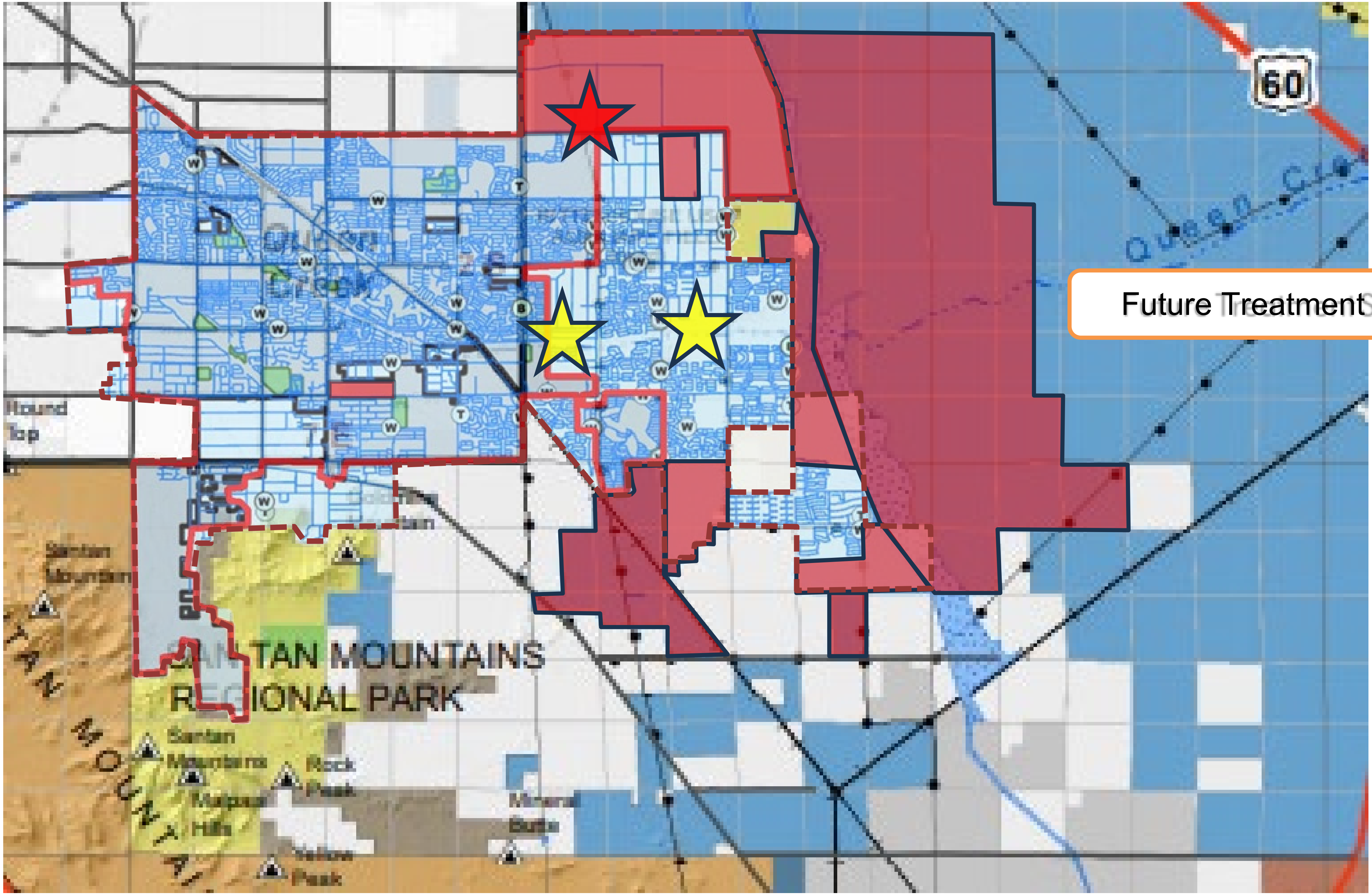
- Separate but Related Issues
  - Water Treatment and Water Resources

- Benefits and Detriments of Gravity

- Consequences / Implications
  - Limit Future Expansions of GWRP (4 MGD + 2 MGD)
  - Expand “Local” Treatment Options

Wastewater Flows





Future Treatment Sites

Wastewater Collection and Treatment

Strategy

- System Resiliency and Efficiency
  - Diversity Wastewater Treatment Options
  - "East Side" Wastewater Treatment Benefits
  - Treated Effluent Recovery Options Due Diligence

- Long-Term Wastewater Treatment Strategy
  - Comprehensive Solution for State Lands and Region
  - Flexible and Scalable

2. Discuss the Proposed Wastewater Capacity Fee

10-Year Demand Projections

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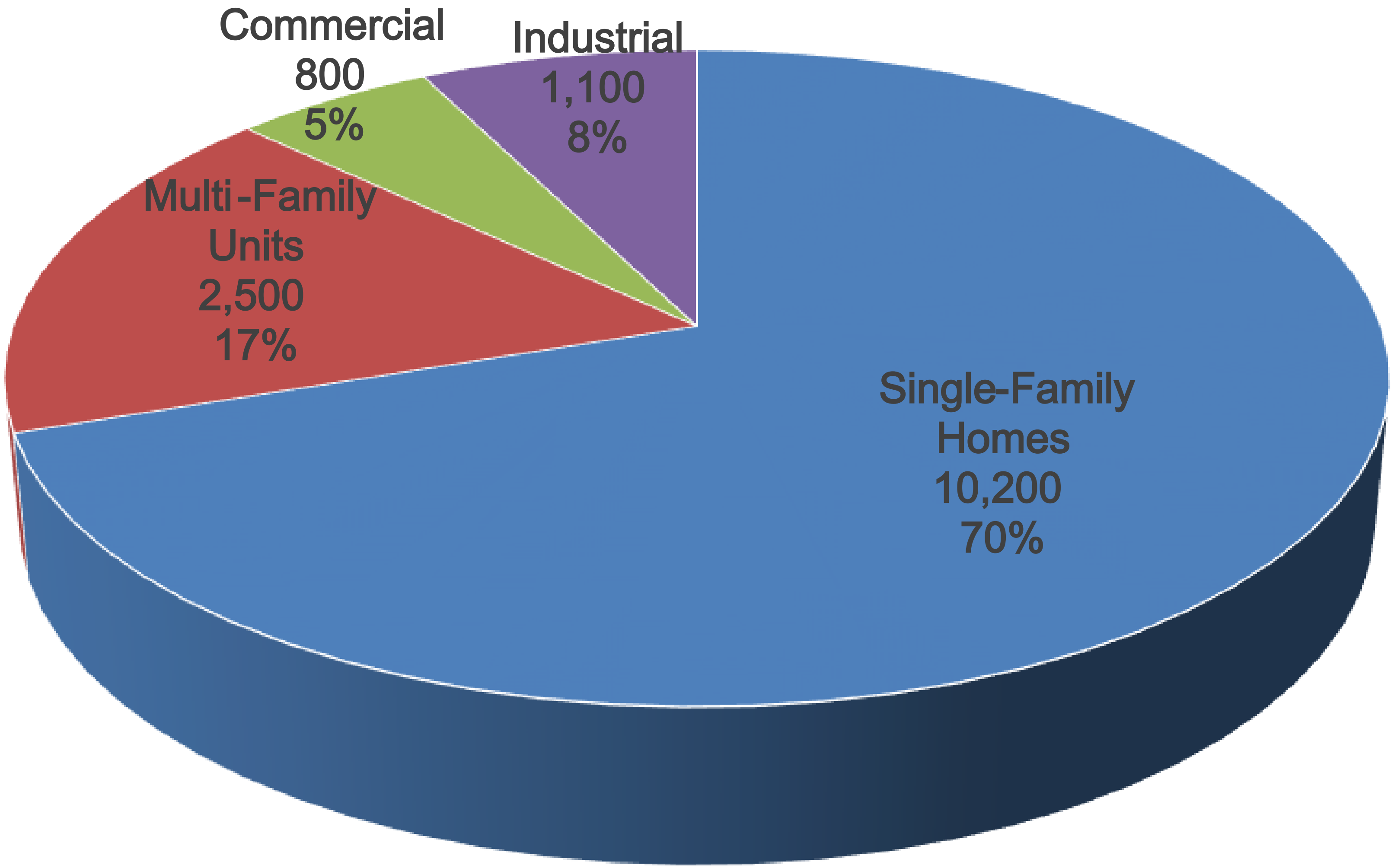
- Flow to the Treatment Plant is Not Metered (Measured)
- Treatment Plant Flows are Estimated
  - Equivalent Residential Unit (ERU) = Single Family House = 168 Gallons of Flow per Day
- New ERUs: ~ 14.6K
- New MGDs: ~ 2.5 MGDs

10-Year Demand Projections: ~ 14.6K ERUs



Treatment Facilities

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Buildout Projection: 8 MGD to 10 MGD for Domestic Flow

1. Greenfield Wastewater Treatment Plant (GWRP)
    - Total Capacity: 6 MGDs
    - Current Capacity: 4 MGD (Current Flow)
        - **Current Capacity Equals Current Flow**
    - Estimated Completion (March 2031): 2 MGD (Will Support Next 8 Years of Growth)

2. East Side Facilities
    - Estimated Needs: 2 MGD to 4 MGD
    - +1.5 MGD Needed for Years 9 and 10

Major Items Impacting the Fee

1. Water Replenishment Projects Now Paid from the Water Utility
2. Includes Use of Existing Treatment Plant Capacity
3. Includes 80% (Not 100%) of Treatment Plant Expansion Costs
4. EPCOR Exchange Agreement
5. Change Multi-Family Fee Methodology
6. Change “Large Meter” Fee Methodology

#1: Water Replenishment Projects Now Paid from the Water Utility

- Previously a Wastewater Utility Responsibility

- Why the Change?
  - The Replenished Water is Used by Water Accounts – Water Service Area Exceeds Wastewater Service Area

#2: Includes Existing Use of Treatment Plant Capacity

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- Per the Treatment Plant IGA, the Town Planned to Use Existing Capacity Until the 2 MGD Expansion is Completed in 2031

- Estimated Cost: $2.6M

#3: Includes 80% (Not 100%) of Treatment Plant Expansion Costs

- City of Marana Lawsuit
  - When a Treatment Plant is Expanded, Enhancements May Improve the Functionality and Benefit Existing Customers

- Cost Estimate: $72M (80%) for 2 MGDs (vs. 100% at $90M)
  - $45M per MGD

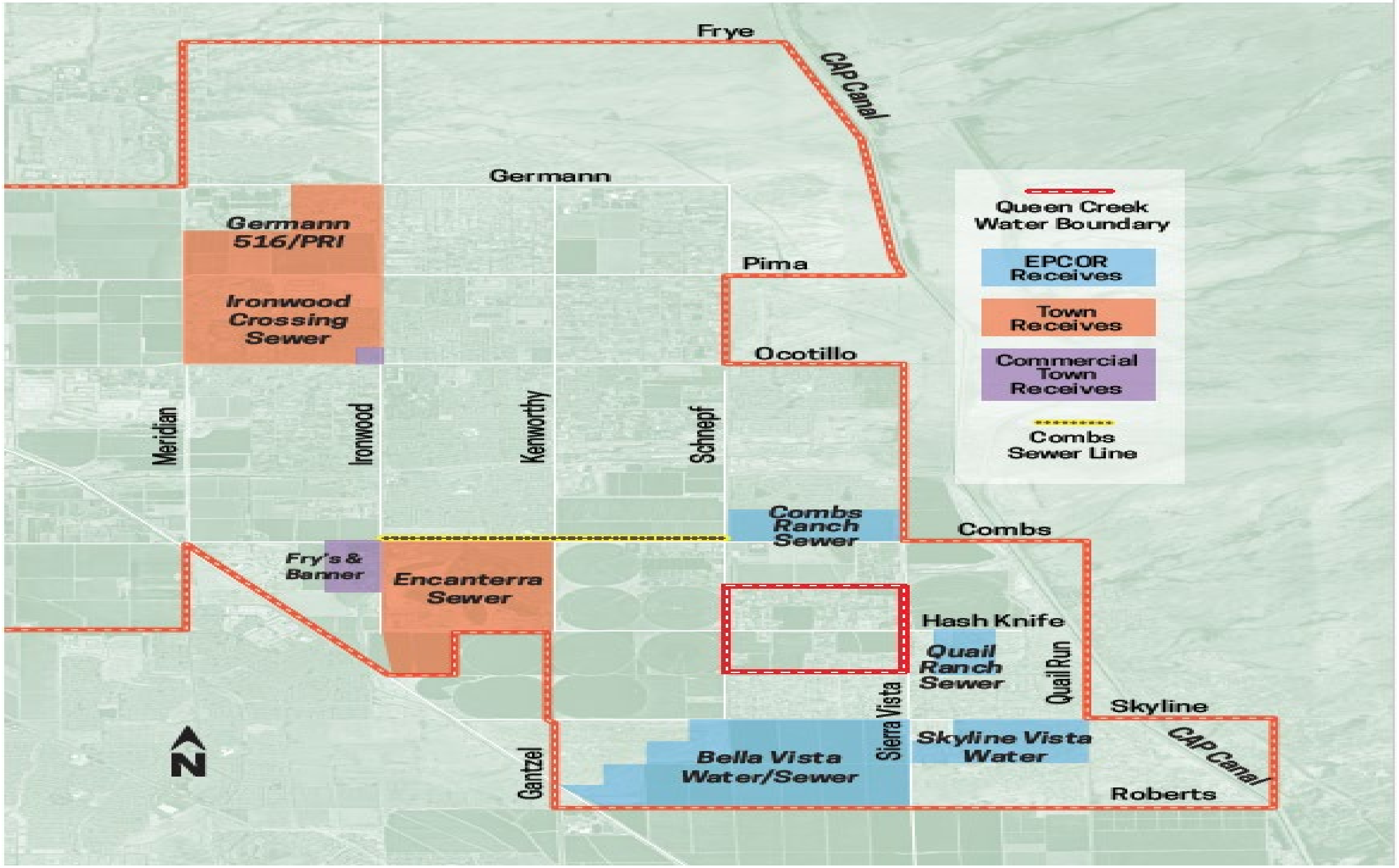
- Plant Re-Rating / Efficiency will be Better Determined During Design over the Next 2 - 3 Years

- Updated Cost Estimates will be Included in Next Fee Update ("True Up")

#4: EPCOR Exchange Agreement

The Purpose of the Agreement
was to Consolidate Water and Wastewater Services for ~ 4,800 Town Residents

(Orange and Purple Areas on the Map)



#4: EPCOR Exchange Agreement (continued)

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Areas Town Received

- At Date of Exchange (8/11/22): ~4,600 Accounts
  - “Connection” Fees Paid to the then Service Provider

- Since Date of Exchange: ~126 Accounts

- $15M “Payment of Behalf Of” Made from the Operating Budget
  1. $13.1M for Accounts Added at Exchange Date
  2. Allocate $1.6M Interest Earnings to Wastewater Capacity Fee Fund
  3. $0.3M for Accounts Added Since Date ofExchangeto 6/30/25

#4: EPCOR Exchange Agreement (concluded)

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Areas EPCOR Receives

- Exchange Not Yet Complete – Pending ACC Approval
- Town Collecting Capacity Fees in those Areas Until ACC Approval
- QC Capacity Fees Collected as of June 30, 2025: $1.7M
- Town Retains Payments in the Wastewater Capacity Fee Fund (Until Service Areas are Transferred to EPCOR) then Transfers Balance to the Operating Budget

Proposed Growth IIP: $101.4M

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Type of Infrastructure	Growth Amount
1. Use of Existing Treatment Plant Capacity	$2.6M
2. Treatment Plant Expansion (2 MGDs)	$72.0M
3. “Buy Into” Existing Infrastructure	$6.6M
4. All Other Projects	$20.2M
Proposed Infrastructure Improvement Plan (IIP)	**$101.4M** (73% of Total IIP)

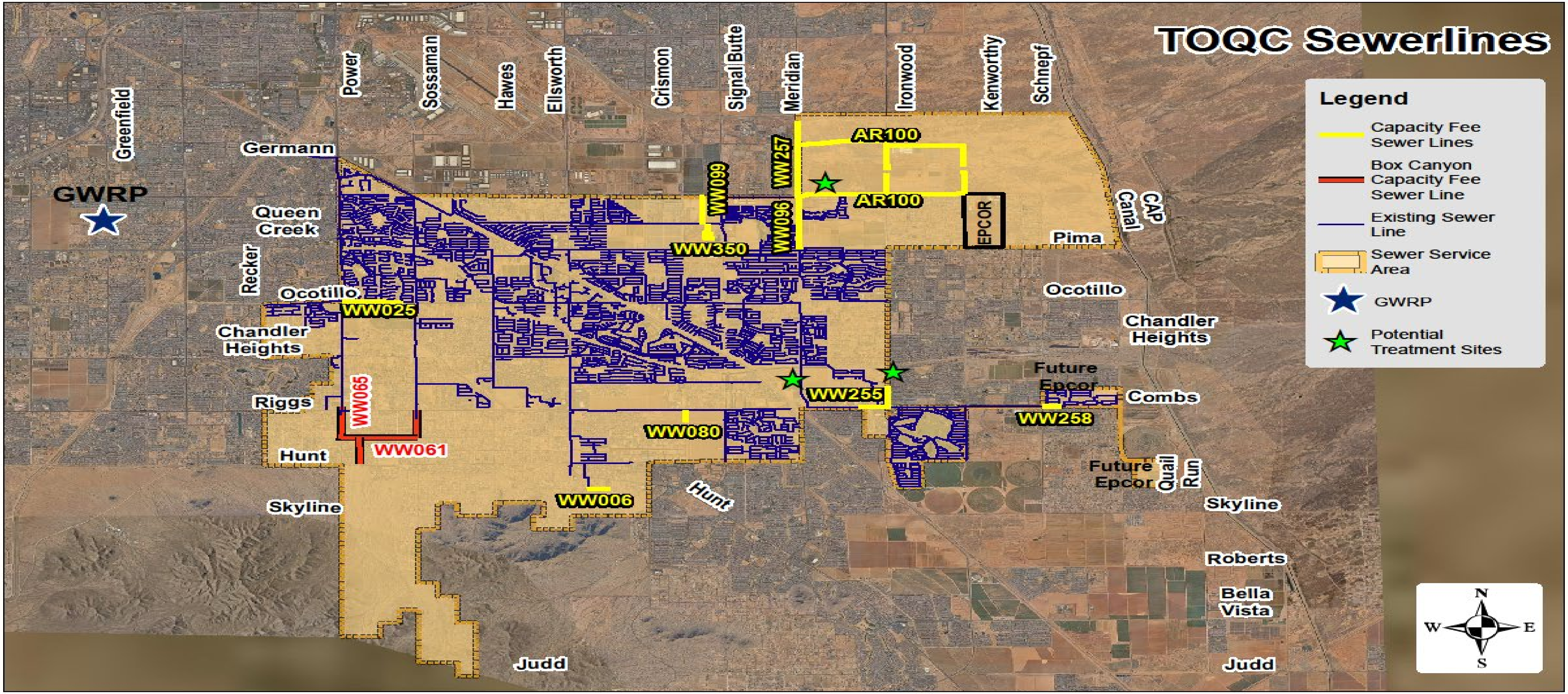
NOTE: Non-Growth Share is $36.8M (27%), Total IIP is $138.2M

"Buy Into" Existing Infrastructure

Capacity for Future Customers Exists in Specific Transmission Lines

Wastewater Transmission Lines	Amount
Meridian Rd: Queen Creek to German (WW096)	$2.8M
Meridian Rd: Germann to Frye (WW257)	$2.4M
Combs Rd: ALA to Schepf Rd (WW255)	$1.5M
Total Buy Into Existing Infrastructure	**$6.6M**

Map IIP: $20.2M (See Appendix for Project List)



Cash Available as of June 30, 2025

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	Amount
Unspent Fees (Revenues in Excess of Projections)	$13.2M
"Payment on Behalf Of"	$15.0M
Cash Available as of June 30, 2025	$28.2M

*Actual Revenues are $12.9M in Excess of Projection
8-Year Projection Used to Set Current Fee: $28.5M / 8.4K EDUs
8-Year Results as of June 30, 2025: $41.4M / 13.1K EDUs

Excludes $1.7M of capacity fee payments made in areas
that under contractual agreement to be transferred to EPCOR

Fee Calculation

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Total IIP	$101.4M
Less Available Cash	$28.2M
Costs to be Paid by Capacity Fees	$73.2M
ERUs Served from Treatment Plant Expansion	11,905
Proposed Fee per ERU (House)	**$6,144**
Existing Fee per ERU (House)	$2,901
Increase per ERU (House)	*$3,243 (112%)*

Items that Reduced the Fee Increase

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1. Applied $10M of Title 42 (State Funding) to State Land Infrastructure Included in the IIP

2. 5-Year Timeline to Design and Build GWRP Expansion Allows Time to Accumulate Fees and Reduce or Eliminate the Debt Issue Amount

#5: Change the Methodology to Calculate the Multi-Family Fee

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- Fee Currently Assessed Based on Water Meter Size
- Recommend Method: Set Per Unit Amount at 75% of a Single-Family Home
    - 2023 Census: 3.22 per Home, 2.54 per Multi-Family Unit (79%)
    - Consistent with QC Water Consumption Experience
- Why the Change?
    - The Current Method . . .
        - Multi-Family Units Pay <u>**Between 2% and 9%**</u> of a Single-Family Home
        - Per Unit Fees Vary ($122 to $553)

#5: Change the Methodology to Calculate the Multi-Family Fee (continued)

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Examples: Current Method

Location	Number of Units	Number of Meters / Meter Size	Annual Consumption per Unit (Gallons)	Percent of Single-Family House*	Capacity Fee per Unit	Capacity Fee as a Percent of Single-Family*
Town Center Apartments	175	2, 4-Inch	70K	114%	$553	9%
Encantada	264	2, 4-Inch	58K	95%	$366	6%
Avilla	225	4, 2-Inch	45K	74%	$275	4%

* Single-Family House: 61K Gallons Annually. Capacity Fee: $6,144

#5: Change the Methodology to Calculate the Multi-Family Fee (continued)

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- 10-Year Projected Multi-Family Activity: ~3,350 Units (~2,500 EDUs)
- Estimated Revenues with Proposed Approach: $15.3M (17% of Total)
- Multi-Family Unit Fees will Increase Significantly

#5: Change the Methodology to Calculate the Multi-Family Fee (concluded)

Example: Proposed vs. Current	
Proposed Fee per House	$6,144
Multi-Family Factor Reduction	X 75%
Fee per Multi-Family Unit	$4,608
Number of Units in Complex	175
Capacity Fees (Proposed Method)	$806,400
Capacity Fees (Current Method) ($553 per Unit, 9% of a House per Unit)	$96,716
Increase	$709,684

#6: Change the Methodology to Calculate “Large Meter” Fees

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- “Large Meters” are 2-Inches or Greater
  - Commercial and Industrial Uses

- Recommend Method: Fee Based on Project Specific Flow Calculation
  - Fee will be the Greater Of:
    1. AWWA Standard Ratio **OR**
    2. ERUs per Project Specific Calculation

- Why the Change?
  - The Current Method . . .
    - Can Under-Assess Flows and Capacity Fees

#6: Change the Methodology to Calculate "Large Meter" Fees (continued)

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QC Existing Large Meters

Meter Size	# of Accounts	ERU Equivalent (AWWA)	Equivalent Annual Flow (gallons) Baseline*	# (%) of Accts Exceeding ERU Baselin	Annual Median Flow
2"	169	5.33 ERUs	328,835	90 (53%)	410,542
3"	12	10.67 ERUs	654,284	6 (50%)	691,284
4"	4	16.67 ERUs	1,022,204	0 (0%)	340,264
6"	1	33.33 ERUs	2,043,795	0 (0%)	1,275,157

*1 ERU = 61,320 gallons
For example, the expected flow for a 2" meter would be 61,320 x 5.33 = 328,835 gallons

#6: Change the Methodology to Calculate “Large Meter” Fees (concluded)

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Example of Proposed Methodology Change: 2-Inch Meter

	Fee Under Existing Method	Fee Under Proposed Method
ERUs	5.33 ERUs (AWWA)	6.7 ERUs (Site Specific) (410,542 gallons / 61,320 gallons per ERU)
Fee	$32,748 ($6,144 per ERU x 5.33 EDUs)	$41,165 ($6,144 per ERU x 6.7 ERUs)

Effective Date of New Fee

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- Per State Law: January 5, 2026 (Earliest Possible Date)
- Impact Fee "Grandfather Provision" Does Not Apply
- $1M Lost Revenue Due to Delaying the Effect Date Would be Paid by Existing Customers via Operating Fund Reserves

Proposed Calendar

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Step	Action	Date
1	Focus Group Stakeholder Discussion	September 17
2	**Adopt Notice of Intention to Increase Wastewater Capacity Fees**	**October 1 Town Council Meeting (1 of 2)**
3	Publish Legal Notice of Intention and Public Hearing Date (Website and Newspaper one time not less 20 days prior to Public Hearing Date) Publish Water Financial Analysis Report	October 2, 2025
	60-Day Notice Period Focus Group Stakeholder Discussions Continue	
4	**Public Hearing RE Wastewater Capacity Fee Increase and Approve Rate Increase**	**December 3, 2025 Town Council Meeting (2 of 2)**
	30-Day Waiting Period Before New Rates are Effective	
5	Effective Date of New Fees	January 5, 2026

Appendix

IIP Project List: $20.2M

IIP: $20.2M

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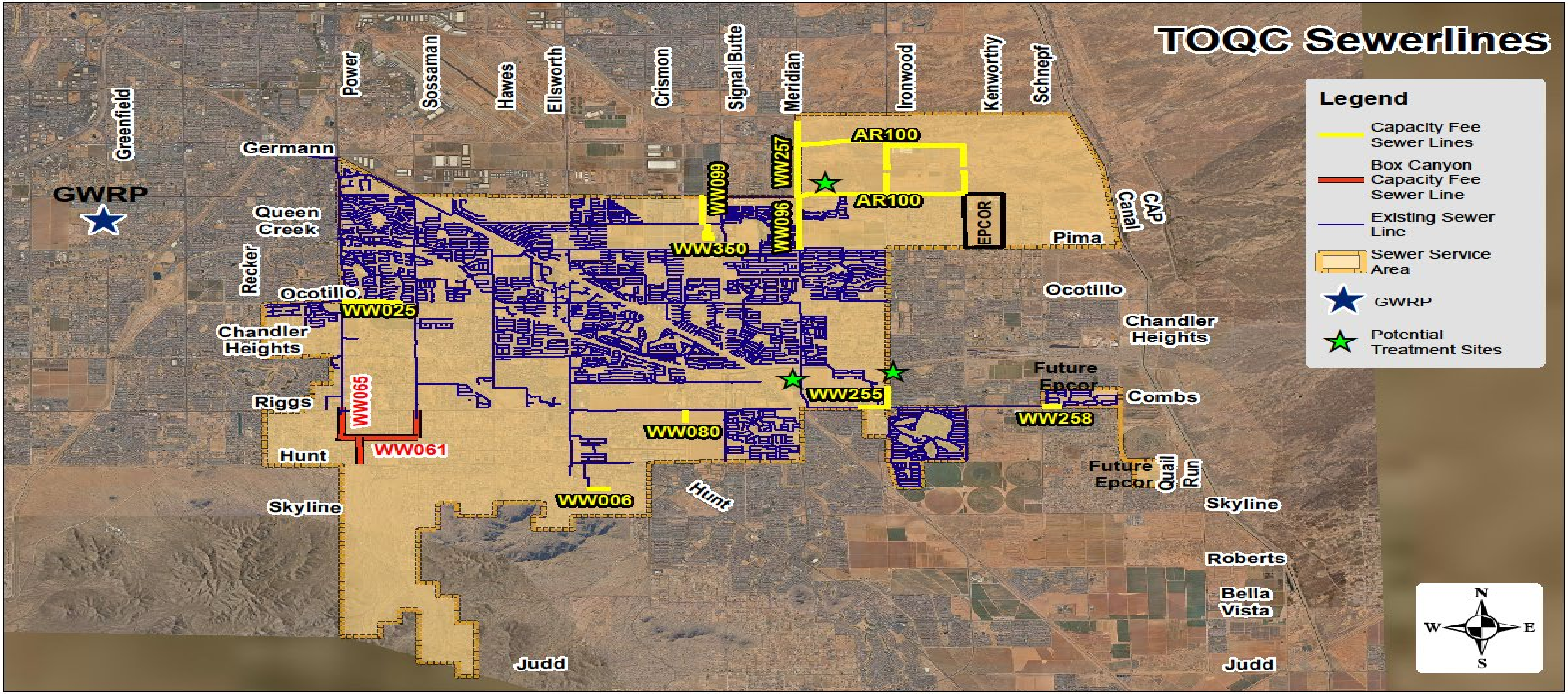
Type of Project (Excludes Treatment Plant)	Amount
Large Transmission Projects	$17.9M
Other Small/Misc. Projects	$1.9M
Study Costs	$0.4M
Total Non-Treatment Plant Projects	**$20.2M**

Map IIP: $20.2M (See Appendix for Project List)



Large Transmission Projects

Wastewater Transmission Line Projects – Large Projects	Amount
State Land Wastewater Infrastructure	$11.1M
Box Canyon Transmission Lines Lime Drive/San Tan Blvd/Power Rd (WW061 & WW065)	$3.2M
Ocotillo Rd: Power to 190th (WW025)	$2.3M
Barney 80: Ryan to German (WW099)	$1.3M
Subtotal Large Transmission Projects	**$17.9M**

All Other Wastewater Projects

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Small/Misc Other Projects	Amount
Sundance Rd: San Tan Flats to Borgata (WW006)	$0.9M
Crismon: Riggs to Empire (WW080)	$0.4M
Signal Butte/Ryan Rd Frontier Park (P0625)	$0.3M
Combs Rd: ALA to Schepf Rd (WW255) (addt'l costs)	$0.2M
Combs Rd: Schnepf Rd to Sierra Vista (WW258)	$0.1M
Subtotal Other Projects	**$1.9M**