

June, 2022

ICR Sanitary District Newsletter

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The ICR Sanitary District (District) held public hearings and a Board Meeting on June 9, 2022.

The adopted budget for fiscal year 2022-2023 is \$784,050 which is a 6.2% increase over the current year's budget. In addition to inflationary impact on District operations, funds have been budgeted toward a sludge handling system to improve efficiency and reduce costs in this area. Residential user fees remain unchanged at \$45 per quarter and the ICR Sanitary District portion of the average homeowner's property tax bill in the District will increase approximately \$38.

In early 2020, the capacity of the District's wastewater treatment plant (WWTP) which serves four communities (Whispering Canyon, the Preserve at the Ranch, Inscription Canyon Ranch and Talking Rock Ranch) was expanded to 90,000 gallons per day (GPD) to meet the District's anticipated needs for the next 7-10 years. However, since then, new home construction increased at a rate higher than projected and the next plant expansion must occur sooner than forecasted in 2019.

The District is contractually obligated to provide adequate WWTP services at its expense to the communities it serves under the terms of an Amended & Restated Development Agreement dated March 1, 2012. While this agreement stipulates the developers will pay the District a lot sale fee when each new lot is sold to provide funding for WWTP expansion, these accumulated fees will be insufficient to completely fund the needed expansion and the District must look to other sources of funding.

The District engaged the services of engineering and consulting firm Kimley-Horn to develop WWTP expansion options which were reviewed and accepted at the District's June 9, 2022, board meeting. The most cost-effective option outlined in the report is to expand the existing Santec treatment plant up to a total capacity of 170,000 GPD. The estimated overall cost for this project is \$3,463,000 which includes the addition of an inflow screen and a 30% contingency factor for possible inflationary or other unanticipated costs.

The District board has determined the most cost effective means for funding this expansion is through low interest programs offered by the Water Infrastructure Finance Authority of Arizona (WIFA). As part of their funding process, WIFA requires bond issuance approval from the District's residents. Therefore, a special bond election will be included on the November 8, 2022 ballot for registered voters of the District, to vote on the question of whether the District be authorized to sell and issue general obligation bonds not to exceed \$3,463,000, bearing interest

at a rate not to exceed 9% per annum, with a term not to exceed 30 years, to provide funds to expand the existing Santec plant.

The bond amount, interest rate and term may all appear high, however, it is important to note that Arizona statutes limits the ability of the District to exceed the amounts approved in the bond question when finalizing the financing program. Therefore, appropriate safety margins have been included in the ballot proposal with the understanding that the District board will make every effort to pursue the WWTP expansion and financing in the most cost effective manner possible. Further, the amount available in the account used to hold Developer lot sales fees is currently in excess of \$500,000 and will be used to reduce the amount of the bond.

You may have seen reports about Yavapai County designating \$10 million from the county's share of American Rescue Plan Act (ARPA) money for grants for water and sewer improvement projects around the county. The District applied for a grant to help cover the cost of the WWTP expansion. The County received 67 applications requesting more than \$50,000,000 and awarded \$8.8 million to fund 37 grants. Unfortunately, the District was not awarded a grant. The District board will continue to explore any available funding options to supplement the bond financing for the WWTP expansion.

As previously stated, the District is contractually obligated to provide adequate WWTP capacity as the build out of the communities it serves continues. Failure to do so would result in a breach of contract and costly litigation that benefits no-one. As a result, the District board is requesting voter approval of the bond ballot question in November to complete the required WWTP expansion.

Additional information regarding the District's 2022-2023 budget and the complete Kimley Horn report can be found on the District's website: icrsd.net.

ICR Sanitary District Governing Board:

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