

TOWN OF GILA BEND

Minutes of the November 09, 2009 Work Session

I. CALL TO ORDER

- A. Call to order – **Mayor Henry called the Work Session to order at 5:00pm.**

Staff present: Public Works Director Parsi, Finance Director Young, Town Clerk Turner, Fire Chief Birchfield, Records Clerk Eisenberger, Counter Services Smith

II. ROLL CALL

- | | |
|--------------------------------------|--------------------------------------|
| A. Mayor Ron Henry | E. Council Member Chuck Turner |
| B. Vice-Mayor Fred Hull | F. Council Member James "Bud" Turner |
| C. Council Member Fernando Fernandez | G. Council Member Donny Young |
| D. Council Member Armida Gonzalez | |

III. WORK SESSION (the Council cannot take action on any of these subjects because they are on the agenda for discussion only)

Water and Wastewater Rate Study. The Mayor and Town Council may discuss the results of the water and wastewater rate study conducted by Greg Swartz, Vice-President of Piper Jaffray. **Discussion only. Greg Swartz of Piper Jaffray spoke on the Water and Wastewater Rate Study, noting that all efforts were made to try to keep the rates down, rates are up all over the state, and that even though the driving force was to keep the rates low, the Town cannot continue to lose money. Other issues spoken about: the R.O. plant is expensive to run but the fluorides have to be kept down to make the water drinkable, a condition of receiving Rural Development funds is that the R.O. plant does not show a loss, copies of the study are available to the public by requesting it from the Town Clerk's office, the study was conducted over the past couple of months, and the study recommendations are not considered final as a public hearing and ordinance are required first. Mr. Swartz spoke on the report and noted that Section 2 states why the increases are necessary, Section 3 explains WIFA and the new requirements from Rural Development, and that on Page 2 of the study it shows that there was a \$50,000 deficit this year. Discussion on the proposed water rate adjustment include that the base rate is increased, capital factor being meter size, and a change in volume rates to encourage conservation. It was noted that the base rate is \$1.10/gallon up to 5,000 gallons, the Town has until December 8th to review and comment, and no decision is to be made tonight. Discussion then focused on the Wastewater side of the study and it was noted that since at least the year 2000, the General Fund has subsidized the Wastewater as it has not broke even and has a \$79,000 short fall this current fiscal year. Mr. Swartz commented that a rate adjustment is recommended in the study. Discussion followed on US National load factors used as basis for rate study, all studies done in Arizona use the national averages, differences in load factors are determined by the type of user, and base rates for wastewater are determined by load factors while drinking water base rates are determined by volume of drinking water. Discussion on the proposed different volume rates based on load factors since the higher the pollutant level, the more expensive it is to treat. Discussion on drinking water included: 1) base rate goes up but volume rate goes down after 5,000 gallons; 2) volume rate is \$1.25/gallon up to 10,000 gallons; 3) average use is at least 10,000 gallon/month; 4) some costs are fixed; 5) meter size contributes to base rate; 6) some cities have different seasonal rates whether used or not all should share costs based on peak period use; and 7) the base rate includes as much of the fixed cost as possible to keep rates as equitable as possible. Discussion on wastewater included: 1) no**

volume charge on wastewater currently; 2) base rate done on load imposed on system; 3) Tables 9 and 10 of the study are now obsolete; and 4) proposed changes are to make system self-sufficient. Discussion on the study included: 1) clarification on Table F on pg F1, current debt capacity net revenue are zero; 2) currently have no capacity to secure bonds; 3) RD will allow Town to apply for grant based on projected revenue; and 4) study can be used as a guide for infrastructure. Mr. Swartz spoke about the Water/Wastewater having been subsidized out of the General Fund, the study is a factual report and not based on opinion, the need to equitably allocate costs, bond ratings, and the benefits of having more base users to keep costs low. Mr. Swartz also commented that the R.O. plant has the capacity to double the users but not on the Wastewater side. Discussion on why a rate increase is needed, touched on the increase in tipping fees. Discussion on the \$120,000 utility increase shown on Table 1 was clarified by explaining the increase is due to our new accounting method that allocates costs correctly. Mr. Swartz was complimented on doing a great job on the study and it was noted that it is one of the best studies done in the past 15 years. Discussion on the amount the Town has to carry for reserves for capitol projects: 10 -20% of operating cost is the usual amount kept in reserve but 5% is the starting point to help relieve the cost to residents. Discussion on the Town's two older wells may soon need redone.

IV. ADJOURNMENT

Council Member C. Turner moved to adjourn. Seconded by Vice Mayor Hull. Motion passed unanimously; 7-0. Time of adjournment: 5:51pm

Ron Henry, Mayor

ATTEST:

Beverly Turner, CMC
Town Clerk

CERTIFICATION:

I hereby certify that the foregoing minutes are a true and correct copy of the Work Session held November 9, 2009, and the meeting was duly called and posted and that a quorum was present.

Beverly Turner, CMC
Town Clerk