

**CITY OF BUCKEYE
COUNCIL WORKSHOP
FEBRUARY 17, 2015
MINUTES**

City Council Chambers
530 E. Monroe Ave.
Buckeye, AZ 85326
3:45 p.m.

1. Call to Order/Roll Call

Mayor Meck called the meeting to order at 3:51 p.m.

Members Present: Councilmember Strauss, Councilmember Hess (via telephone at 4:42 p.m.; arrived in person at 5:28 p.m.), Councilmember McAchran, Councilmember Heustis, Vice Mayor Orsborn (arrived at 3:54 p.m.), and Mayor Meck.

Members Absent: Councilmember Garza.

Departments Present: City Manager Stephen Cleveland, Assistant City Manager Roger Klingler, City Attorney Scott Ruby, Deputy City Clerk Summer Stewart, Assistant to Council Carol Conley, Finance Director Larry Price, Public Works Director Scott Lowe, Economic Development Director Len Becker, Water Resources Director Dave Nigh, Information Technology Director Greg Platacz, and Government Relations Manager George Diaz.

2. Discussion of Water and Wastewater Rates Plan

Staff Liaison: Dave Nigh, Water Resources Director

Mr. Nigh presented an overview and provided a background of the water and wastewater rate structure. Water uses were discussed; a majority of water use is residential. All water supplied in the City is 100% groundwater from 20 wells producing over 1.5 billion gallons each year. Rates include the costs of pumping the water from the ground and treatment prior to delivery to customers. Over 450 miles of sewer lines convey wastewater to four separate treatment facilities that treat approximately three million gallons per day. Landscape rates were addressed; landscape accounts include parks, common areas, homeowners associations and medians and represent approximately 31% of total water usage by customers annually. Recently approved flood irrigation rates were reviewed. The water rate history was provided; customers using an average of 7,000 gallons of water paid \$30.25 per month in 1987 and currently pay a monthly amount of \$44.48. The monthly sewer rate history was presented; customers paid \$26.26 in 2005 and currently pay \$32.60. Non-Indian Agricultural (NIA) water acquisition was discussed; the City applied for 8,022 acre feet per year, but were awarded 2,786. The impact of reduced NIA water acquisition to the water resources budget was explained. Mr. Nigh stated the cost to provide water service is \$60.00 per month per customer and the cost to provide sewer service is \$26.00 per month per customer. These figures do not include capital improvement projects or replacement costs. Clarification was provided regarding the average rate to provide water to customers; the figure is a rough estimate. Mr. Nigh provided an explanation of the request for 8,022 acre feet from NIA. Mayor Meck requested a breakdown of costs to include construction and replacement parts. Mr. Jackson stated the City is a community and that a determination has been made by the American Water Works Association that it is fair, just and reasonable to charge a single residential rate to all citizens of the City. Mr. Jackson discussed the goals of the 2014 adopted rate plan. The plan was adopted to eliminate deficit and enable both water and wastewater rates to cover the entire cost of service, pay for increasing operating costs, purchase NIA water and Assured Water Supply (AWS), finance \$39 million dollars in long-term debt over five years to pay for necessary capital improvements, and maintain a combined utility fund balance level equal to 60-90 days of operating expenses. A background of the rate plan was presented; the plan required significant rate

adjustments in 2014 and 2015 due to a combination of capital funding requirements, NIA and AWS funding needs, and prior rates recovering less than cost of service and desire to ensure that utilities self-fund. A 2015 update was presented; operating expenses are higher, future debt service is higher, NIA water purchases and delivery fees and AWS designation fees are lower than anticipated resulting in more financial flexibility, and enabling a more conservative rate adjustment over a longer period. It is projected the city will need roughly \$39 million dollars in capital improvement projects to continue to provide a superior quality of service. A list of proposed improvements was displayed. Tables representing forecasted Fiscal Year 2015-2019 costs to provide water and wastewater were presented and discussed. Rate plan alternatives were presented and include continuing with the 2014 adopted plan, adopting a modified plan to “phase in” adjustments over 3 years, or adopting a \$6 per month increase annually for residential rate payers. A break down for each alternative, including a projection of total and net revenues, was provided and discussed. Mr. Jackson stated Council must balance funding needs of utility against ability and willingness of ratepayers to pay higher costs. Councilmember Strauss commented with regard to the challenges faced when considering rate increases. General discussion was held regarding funding and effects to rate plans. Any revenue generated will be reinvested in the City at the discretion of Council. The timeline and ability to amend capital improvement projects was addressed. Mr. Price provided clarification regarding Water Infrastructure Finance Authority (WIFA) loans; in order to secure a loan, an election must be held.

3. Adjournment

A motion was made by Vice Mayor Orsborn and seconded by Councilmember Strauss to adjourn the meeting at 5:40 p.m. Motion passed unanimously.

Jackie A. Meck, Mayor

ATTEST:

Lucinda J. Aja, City Clerk

I hereby certify that the foregoing minutes are a true and correct copy of the Council Workshop held on the 17th day of February, 2015. I further certify that a quorum was present.

Lucinda J. Aja, City Clerk