

PRESCOTT CITY COUNCIL  
COUNCIL STUDY SESSION  
PRESCOTT, ARIZONA  
APRIL 3, 2007

A STUDY SESSION OF THE PRESCOTT CITY COUNCIL WAS HELD ON TUESDAY, APRIL 3, 2007, in the Prescott Municipal Building, 201 S. Cortez Street, Prescott, Arizona.

Mayor Simmons opened the meeting at 3:00 P.M. and asked City Clerk Elizabeth Burke to call the roll, which was as follows:

Present:

Mayor Simmons  
Councilman Blair  
Councilman Lamerson  
Councilman Luzius  
Councilman Roecker  
Councilwoman Suttles

Absent:

Councilman Bell (excused)

□ SUMMARY OF CURRENT OR RECENT EVENTS

Manager Steve Norwood announced staff had made a quick trip to San Francisco last week for a bond rating meeting with Moody's Investors Services to try to get an upgrade to a AA bond rating. He said this was not for a bond or sales tax election, but for projects such as the Central Garage. The City had a AA bond rating with Standard and Poore's and it would help with interest costs on future bonds. The City would be informed in a couple weeks of the rating and an item would be placed on the April 24 agenda for action.

Mayor Simmons announced Councilman Bob Bell had quadruple bypass heart surgery yesterday and was up and walking around today; everyone was hoping he would have a speedy recovery and he should be out of the hospital and home by the end of this week. The Council appreciated the concerns shown by staff and the public.

**I. PROCLAMATIONS**

**A. April 6, 2007 – Prescott Tartan Day**

Councilman Luzius read the proclamation and presented it to the Scots of Prescott.

Bob Clark said it was a great honor to the Scots of Prescott and thanked the Council for the proclamation.

Al Landeck invited everyone to attend the Third Annual Highland Games on Saturday, May 19 and enjoy the athletics, dancing, music and malt beverages.

## II. PRESENTATIONS

### A. **Presentation by Tim Black, Deputy Director of the Arizona State Department of Liquor Licenses and Control, on “How the Liquor Board Works.”**

Mayor Simmons explained he was on the Executive Board of the Arizona League of Cities and Towns and the head of the liquor department had made a presentation to them. He had asked him to come to a Council meeting and make a presentation.

Jerry Oliver, Director, and Tim Black, Deputy Director, gave a brief overview of the department's responsibilities under ARS Title 4 which included liquor licensing, regulations, education, types of licenses. He clarified that appeal decisions were handled by the State Liquor Board whose members were appointed by the Governor.

Mr. Oliver continued stating that the liquor department would be focusing extra attention on three areas: 1) underage drinking would be a high priority; 2) hidden ownerships, it was not always clear who the real owners of an establishment were, and included immigration issues, money laundering, etc.; and 3) attractive nuisances which were businesses that attracted groups such as gang members.

Mr. Oliver introduced Tim Black whose job it was to develop relationships with local law enforcement and work closely with them in undercover situations or with problems. Mr. Black said they did not have a large workforce or funding and worked with local agencies to maximize their resources. They work undercover and looked for violations of Title 4; liquor licenses could be revoked and fines paid if establishments were violating the law.

Mr. Black explained the State Liquor Board was made up of seven individuals appointed by the Governor and the membership was restricted to no more than four from the same political party, two could have their own liquor licenses, and one had to be a community activist; they did not work for the State Liquor Department. The Liquor Board had final say on liquor licenses when there was a dispute.

Councilman Blair presented his frustration with an application that the Prescott School Board opposed and the City Council denied, and the Liquor Board overturned the decision. He said it make him question why the Council looked at them at all.

Mr. Oliver explained the local jurisdiction made a recommendation on the location of the license and the Liquor Board made the decision on whether a license should be issued to an individual. The Liquor Department could revoke a license only after a full investigation was done.

Mayor Simmons asked if there was any benefit to approaching the Liquor Department about local concerns and having them speak to the issue to the Liquor Board. Mr. Oliver said they would be able to look into the concerns of the Council and do some investigation and they would be happy to work with the Council on any problems they had.

Councilman Roecker asked if the Liquor Board decision could be challenged and Mr. Black said it would have to go to Superior Court as the Liquor Board decision was final.

Councilman Roecker asked how many employees were in the Liquor Department and Mr. Oliver said they had 50 employees who were in charge of education, regulation, licensing, renewals, filings, and there were 13,000 liquor licenses in Arizona; their budget and staff hadn't grown as needed.

Councilman Blair asked where the money from liquor licenses went and Mr. Oliver said the liquor license fees went to them but a liquor license was privately owned and was bought and sold on the market; the Liquor Department investigated the people buying the liquor license and the person selling the license got the money.

**B. North Prescott Sewer Improvement District Update.**

Public Works Director Craig McConnell provided an update on a survey of residents regarding interest in an improvement district and noted that of 423 unsewered residential properties -- 31% of the owners opposed an improvement district funded through property assessments, 26% were in favor and 43% were undecided or did not respond. The estimate two years ago was approximately \$10,000 per lot and was now estimated at over \$14,000; a majority of property owners would have to be in favor before forming an improvement district.

Phase I included a conceptual sewer system design, public meetings, cost estimates, and the groundwork for forming an improvement district to finance and implement a sewer system, and the plans and estimated costs were presented to Council March 1, 2005.

The contract for Phase II to prepare a preliminary design to the 30% level of detail, public meetings and the preparation of the preliminary assessment materials was presented to Council in April 2005 but was not

approved. Council wanted the options presented for opportunities for phasing the implementation of sewer system into the area and to determine how many of the properties had septic system problems.

Two Statements of Qualifications had been issued to engineering firms to do the 30% design and those had been received. A Resolution of Intention was the first step in forming an improvement district.

The City did not have an implementation plan, including a financing policy component for extending sewer into unsewered areas of the City's Water Service area. Three options for financing were presented in April 2006: 1) an improvement district, 2) a reimbursement district, and 3) direct payment from the Sewer Fund.

The sewer model would be used to determine capital projects just as the water model was used which resulted in an increase in water rates to cover the project costs. A sewer rate/fee analysis was scheduled to be completed by the end of 2007. A presentation would be made to Council on April 24 by Carollo Engineers providing information on what would be needed to rehabilitate the current system, future improvements to extend to growth areas, and what it would cost to extend into unsewered areas. The total City cost of extending into unsewered areas within the water service area was \$150 million and would be a policy change if approved.

Funding was included in the tentative 2008 budget for engineering services; the City had already expended \$277,000 for the initial work on the North Prescott area and \$650,000 was being budgeted; the decision to phase the project could be made and then they could decide how it was to be financed.

Councilman Lamerson said he still hadn't heard any numbers about how many septic tanks were failing; it was a public health issue and the chart Mr. McConnell showed pointed out the areas which were a problem. He said it needed to be figured out how to get the project financed and completed.

Mayor Simmons commented the problem area was the southern half of the area and asked if that was part of the phasing that was discussed, and Mr. McConnell replied it was. The Phase II contract would look at breaking up the area into sub-areas and dealt with phases and the problem areas would be first.

Councilman Blair remarked he had worked on this for 7-1/2 years and some of the residents had spent \$15,000 to \$17,000 on alternate systems because their septic tanks failed. He had taken water samples from the

creek and turned them into a lab for testing to get an idea of water quality and these residents deserved some help.

Mayor Simmons responded there would be a presentation April 24 regarding the sewer model and Councilman Blair asked if residents would have an opportunity to speak at that time.

Mr. McConnell suggested the appropriate time to allow the public to address the issue was at the May meetings when the contract for 30% design was brought to Council and not at the presentation by Carollo Engineers.

Councilman Lamerson added he hoped to see projected costs of putting in the sewer lines and individual hookup costs at the next presentation and Mr. McConnell clarified Carollo Engineers would bring a listing of unsewered areas and projected costs and whether they were affordable and feasible.

Councilman Roecker commented the City had never supplemented sewer hookups before and it was being suggested the City put in a percentage of participation. He asked what constituted a health issue and if the City could force action to implement a program in an area that had problems. Attorney Kidd replied the County Health Department would have to investigate any complaints and there was a mechanism to deal with enforcing health standards.

Councilman Blair said funding for paving alleys and unpaved streets was budgeted each year and the same could be done with unsewered areas. Council needed to have a policy about how much it would cost each resident in the proposed area and then how much the City was willing to participate; he envisioned the City putting in the main sewer lines and it was the residents responsibility to tie in and once the lines were in place, they didn't have a choice, they would have to hook in.

Mayor Simmons didn't want to race to make a policy, because what was done for one area would have to be done for all areas.

Councilman Lamerson remarked the City knew this area wasn't on city sewer when it was annexed many years ago and the area had objected to hooking into the City sewer system. He wanted to know what the costs would be to put in the major sewer lines and what the cost to each resident to hook up would be and move on.

Mr. McConnell concluded there would be a presentation on April 24 by Carollo Engineers to present a sewer model summary and list of projects

and estimated costs and a contract would be forthcoming for 30% design on the May 15 and 22 meetings.

### III. DISCUSSION ITEMS

#### A. **Award of bid and approval of contract for the Interim Arsenic Water Treatment Project to Layne Christensen, in the estimated annual amount of \$1.34 million according to the equipment lease and water treatment pricing submitted.**

Public Works Director Craig McConnell explained the Environmental Protection Agency (EPA) required water providers to keep arsenic levels at a maximum of 10 parts per billion (ppb). The proposed contract with Layne Christensen was a five-year contract for interim arsenic water treatment with an early termination option at the end of years 3 and 4. The contract consisted of two parts – (1) the lease of arsenic reduction equipment and (2) annual operation and maintenance costs of removing the arsenic. The low bid of Layne Christensen was \$1.34 million each year for each of the next five years and at the end of the five years the City would not own the equipment, but might possibly consider acquisition of the equipment.

The EPA compliance deadline was December 31, 2007 and it would be a tight timeframe to get the equipment in place. The City needed to get the arsenic levels below 10 ppb to make sure the level never exceed that. The three bids each suggested a different process for removing arsenic from the water and staff's recommendation was to award the contract to Layne Christensen and get the design, implementation and permitting issues handled. He said permits would be required from the Town of Chino Valley as the water production facility was located there; there were electric power and piping aspects that needed to be dealt with; the low bid was \$9 million less over the 5 years than the other bids and would save the taxpayers some money.

Mayor Simmons remarked that three different technologies were bid and he asked how they compared equally. Mr. McConnell replied the companies looked at the City's system and responded with a bid on the technology they thought would best fit Prescott's needs and be competitive also; the amortization period on the equipment was considered.

Mayor Simmons asked if staff would know what the value of the equipment would be at the end of five years. Mr. McConnell said they would know at the end of five years whether the arsenic treatment at the Chino Valley wells was working or not and this was only an interim treatment.

Councilwoman Suttles said the time frame was a very short time period and the deadline had been known for a while; she asked why this hadn't been started sooner. She asked if staff had checked with other communities on what they were dealing with their arsenic problems. Mr. McConnell replied the equipment would go on the well heads and there would not be a central plant constructed at this time. Wells No. 1 and 2 would have one treatment and the others would have individual treatments. Other communities were treating for arsenic with methods best suited to their situation as arsenic levels varied, output (gallons per minute) varied, the number of wells varied and there was no one way to deal with it, it was very a very community specific issue.

Jack Wilson, 1514 Eagle Ridge Road, remarked the original facility was proposed to cost \$23 million and the City was proposing to spend \$6.7 million over the next 5 years on an interim treatment so the actual figure would be closer to \$30 million. He asked why they wouldn't spend the money on a permanent treatment.

Mr. McConnell replied an interim treatment was selected until more definitive information was available on how to best to treat the water to bring the arsenic levels down, which might include mixing the water containing the high arsenic levels with water that had lower levels and until the water quality of the Big Chino Ranch water was known, staff was recommending an interim treatment as the deadline was approaching quickly.

Jeff Adams, Timber Ridge Drive, remarked sometimes the cheapest option wasn't always the fastest and asked if there were any guarantees in the contract if the City didn't meet the mandates and were fined. Attorney Kidd responded there were performance requirements in the contract.

Bill Richards, 425 Fairway View Drive, remarked in 2005 he sent a memo to Council suggesting there might be better ways to solve the arsenic problem than spending \$23 million and he was delighted at spending less but the City was only buying time. In the next five years sufficient gains should have been made in technology that would reduce the level of cost and the City wouldn't have to spend \$23 million.

**B. Adoption of Resolution No. 3811 - A resolution of the Mayor and Council of the City of Prescott, Yavapai County, Arizona providing for obtaining an engineering services proposal on behalf of the Iron Springs Sanitary District.**

Mr. McConnell explained Resolution No. 3811 authorized the City to obtain engineering services proposals on behalf of the Iron Springs

Sanitary District. The City entered into a contract in 1993 to accept and treat wastewater flows from the district because the district's wastewater treatment facility was out of compliance and they requested to connect to the city system.

The Board of the Iron Springs Sanitary District wants to get out of the business of running a sanitary district and when they approached the City several years ago, the City said when the district was fiscally free of financial liability, fully within public right-of-way and brought up to City standards, the City would consider accepting the system.

The District served the areas of the Pine Lakes Mobile Home Park, Kingswood, Kingswood Heights and Wildwood.

The City would get a proposal to evaluate the system and a cost estimate and scope to bring the facility up to City standards; the proposals would be given to the district for selection and approval and then the Council would approve it. The district would reimburse the City for the expense of contracting for the engineering services; the City wouldn't incur any financial impact.

Bill Rodgers, 1790 Royal Oak Circle, District representative, said the bonds were paid off and the district was financially clear and the best situation was for the City to take over the district.

Councilwoman Suttles asked if all the subdivisions were in the City; Mr. Rodgers replied Kingswood was in the City and Wildwood and Kingwood Heights were not. Everyone in the District paid a monthly fee for sewer service to the City and about 40% of the sewers were in the City and the rest were in the County.

Councilwoman Suttles asked if the homes were on City water and Mr. Rodgers said they were.

Councilwoman Suttles asked about being annexed into the City. Mr. Rodgers said they had to pay sewer system fees to the City as well as charge the residents to maintain the sewer lines, and the District had paid the City hundreds of thousands of dollars over the past 12 years to take the effluent and for new connections, and the City didn't maintain the lines. The City was getting the wastewater and water credits without doing anything for it. It would be up to each subdivision whether they wanted to annex or not and regardless, the City was getting the effluent.

Councilwoman Suttles asked Public Works Director McConnell if there were other sanitary districts besides the Iron Springs District and Mr.

McConnell said there were one or two small ones, but this was the only one of this size.

Councilman Blair asked who received payments and buy-in fees in the original agreement and Mr. Rodgers said the City received connection fees and new construction also paid City fees.

Councilman Blair said he wanted any issues with the system identified to be fixed by the District before the City accepted the system and Mr. McConnell responded both parties agreed on the scope of the contract.

Councilman Lamerson remarked he was not in favor at this time of annexing areas that didn't meet City Codes. He didn't have a problem with the item on today's agenda.

**C. Approval of contract with CDS for data capture services at the amounts outlined in the contract.**

Budget and Finance Director Mark Woodfill explained the cashier's office had a staff of three and handled 22,000 utility accounts monthly, 7,500 privilege tax returns, 600 accounts receivables monthly, building permits, dog licenses, petty cash, drive up and walk in customers and more. They were not able to provide the level of customer service they would like to offer. Additional employees could be hired but space and money were considerations. Staff looked into outsourcing the processing of incoming utility billing payments and CDS, a local company, offered a service that would intercept the 22,000 utility bills, process them and provide staff with a daily report at 14 cents per transaction which was very affordable. Staff wanted to get the process in place before July before new water rates went into effect in August. The bills would be available over the Internet so staff could answer any concerns or questions from customers and the City would handle any disputes.

**D. Rezone of 1751 S. Blooming Hills (RZ06-012)**

1. Notice of Public Hearing (April 10, 2007).
2. Adoption of Ordinance No. 4595 - Rezoning at 1751 S. Blooming Hills Drive from SF-35 to NOB for 1.33 acres, located at the southeast corner of Rosser Street and Blooming Hills Drive, owner is Triad Investments, APN 105-04-203.

Community Development Director Tom Guice explained the Public Hearing would be held April 10 and Ordinance No. 4595 would rezone 1.3 acres from SF-35 to Neighborhood Oriented Business (NOB); the project was consistent with the General Plan and the Willow Lake South Area

Plan; the property was platted in the plat for Cliff Rose Unit 6, and the property was reserved for use as a neighborhood retail/service. He said two commercial buildings will be located on the property, one two-story building of 9,500 square feet and the other a one-story building of 3,200 square feet. An area meeting was held with 25 people attending and the neighbors and developers had worked together and reached consensus on the project. The Planning and Zoning Commission unanimously approved the rezoning.

Councilman Blair remarked the property was identified in the Willow Lake South Area Plan as NOB and asked why the City didn't proactively zone the property. Mr. Guice responded the City wanted to have a specific project and land use plan and tie it to the rezoning and it would take a change to the Land Development Code to do that; the neighbors were aware the property was identified for this intended use.

Paddi Braden, 1755 Pacific, representing the Cliff Rose Homeowners Association, commented they had followed this project and attended the Planning and Zoning meetings and neighborhood meeting. The residents had worked with the developers and had reached a development agreement with the developers; the property would be nice to leave it SF-35 but the early residents of Cliff Rose knew the property would be NOB, however, some of the newer residents might not have known that.

Aaron Englehart, 1748 Tatum Place and Rosser Street, said his property was five feet lower than the property under discussion; the two story building would be right behind his patio and that was hard for him to accept; the one-story might be okay but he would object to the two-story building.

It was clarified the Land Development Code required a buffer and it was further clarified by Michael Taylor, of Michael Taylor Architects, that there would be approximately 100 feet between the building and Mr. Englehart's house and the Residential Protection Standards would be met. Mr. Englehart said that would make it acceptable to him.

**E. Goodwin Manor Condominiums:**

1. Approval of Preliminary Plat of a conversion of an existing eight-unit apartment complex to condominiums (Goodwin Manor Condominiums), location is 1001-1005 East Goodwin and the property is zoned MF-H, multifamily, owner is Donna Mallory, APN 110-02-100A and 110-02-100C.
2. Approval of Water Service Agreement with Donna Sue Mallory for 2.8 acre feet per year for Goodwin Manor Condominiums.

Mr. Guice explained the proposed Goodwin Manor Condominiums project was located at the southeast corner of Goodwin and Rush Streets; two buildings on one-half acre would be converted to condominiums consisting of four two-bedroom units each; parking requirements were one space per bedroom plus one-half space per unit or 20 spaces. The project met City development requirements; the Planning and Zoning Commission approved the preliminary plat and Susan Mallory was available for any questions regarding the project.

There were no questions.

- F. Approval of cooperative purchasing agreement with Otto Cart to purchase 588 68-gallon green residential containers in the amount of \$28,686.06.**

Field Operations Manager Chad McDowell explained the request was to purchase residential trash carts; the Council authorized the purchase of 840 carts in an amount not to exceed \$75,000 in September 2006; staff was now requesting a change in vendor, from Toter Carts to Otto Carts, as Otto provided a more competitive bid through the Houston Galveston Area Cooperative (HGAC).

- G. Approval of an architectural services contract with Stroh Rogers Architects for the design, permitting and construction phase services for the Streets Department Administration building at the Sundog Ranch Road location, in the amount of \$28,000.00.**

Deputy City Manager Laurie Hadley explained two months ago the City Manager made changes within the Street Division and it was decided to merge the Transfer Station/Sanitation Division and the Street Division and physically move the Street Division employees and equipment to the Transfer Station property. This would remove the noise of heavy equipment from the Virginia/Mt. Vernon Street location; the Streets Administration office would be remodeled and the Engineering Services Department would move into that building and out of the Public Works Building on North Virginia Street. Staff was requesting the approval of an architectural services contract to design a new administration building for the Street Division on Sundog Ranch Road.

Councilman Blair asked how many employees were in the Street Division and Ms. Hadley replied there were 35.

**H. Adoption of Ordinance No. 4596 – Abandoning a portion of Downer Trail and Gifford Drive rights-of-way within Downer 16 Subdivision.**

Engineering Services Director Mark Nietupski explained Ordinance No. 4596 would authorize the abandonment of a portion of Downer Trail and Gifford Drive rights-of-way in the Downer 16 subdivision. The abandonment would clean up the overlap of old and new rights-of-way that occurred in the design of the street improvements and subdivision platting.

**I. Notice of public hearing (April 10) of a liquor license application from Judith Marie Bishop, agent for B & B Diversified Investments, L.L.C., for the Person Transfer of a Series 6, Bar, License for Sundance's Place, located at 114 N. Montezuma Street.**

City Clerk Elizabeth Burke reported the public hearing would be held next Tuesday, April 10. Sundance's Place had recently changed ownership and the liquor license was being transferred into the new owner's name; the applicant had been requested to attend next week's meeting.

**J. Notice of public hearing (April 10) of a liquor license application from Hector Evaristo Gonzalez, agent for H.D.H.R.L.G. Group, L.L.C., for a new Series 10, Beer and Wine Store, License for Tri J Market and Deli located at 701 E. Gurley Street.**

Ms. Burke reported the public hearing would be held next Tuesday, April 10. The Tri J Market and Deli had recently changed ownership and the applicant had been requested to attend next week's meeting.

**K. Approval of Minutes of the Regular Voting Meeting of the Prescott City Council Held on March 27, 2007, and the Study Session of the Prescott City Council Held on April 3, 2007.**

**L. Selection of items to be placed on the Consent Agenda for the Regular Voting Meeting of April 10, 2007.**

Councilman Lamerson selected Items C, E, F, G, H, and K for the Consent Agenda.

**III. ADJOURNMENT**

There being no further business to come before the Prescott City Council, Mayor Simmons ADJOURNED the meeting at 5:22 P.M.

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ROWLE P. SIMMONS, Mayor

ATTEST:

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ELIZABETH A. BURKE, City Clerk