

PRESCOTT CITY COUNCIL  
WORKSHOP  
APRIL 1, 2008  
PRESCOTT, ARIZONA

MINUTES OF THE WORKSHOP OF THE PRESCOTT CITY COUNCIL held on APRIL 1, 2008 in the Prescott Municipal Building located at 201 S. Cortez Street, Prescott, Arizona.

◆ CALL TO ORDER

Mayor Pro Tem Suttles called the Work Session to order at 1:00 p.m.

◆ ROLL CALL

MAYOR AND CITY COUNCIL:

**Present:**

Mayor Pro Tem Suttles  
Councilman Bell  
Councilman Lamerson  
Councilwoman Lopas  
Councilman Roecker

**Absent:**

Mayor Wilson  
Councilman Luzius

1. Presentation and Council discussion of draft water and wastewater rates and impact fees.

Dan Jackson of Economist.com gave a PowerPoint presentation on the impact fee/rate study for water and wastewater, attached hereto as Exhibit A.

Mayor Pro Tem Suttles called for questions from the Council. Councilman Lamerson asked when the first time was they charged impact fees in the City of Prescott. Finance Director Mark Woodfill said the City has had buy-in fees and water/wastewater fees since the mid 1980's, but they were not called impact fees. Councilman Lamerson thanked Mr. Jackson for the presentation and said he sees the need to plan for replacement; something that has not been done in the past.

Councilman Roecker referred to the Wastewater comparison chart on page 28 of the presentation and asked why Sedona, Flagstaff and Cottonwood are not on list. Mr. Jackson responded that Cottonwood does have impact fees, but Flagstaff may not. He said that other cities have impact fees but they may call it something different. Mr. Jackson explained they just put the chart together a couple of days ago. He tried to nail down what cities have the fees and what

those fees are but he lacked the data. Mr. Jackson said he would continue to work at getting that information.

Councilman Roecker referred to page 26 and said if the City charges \$4700 per apartment unit they will never see another apartment built. He suggested the scenario where somebody wants to build a ten-unit apartment complex with one water meter. Mr. McConnell said the City of Prescott has to serve new development, residential and commercial, with alternate water. He said the City cannot just drill another well and pump groundwater. Mr. McConnell explained they have an existing portfolio, which has resources in it; they have the Big Chino Project, which contemplates bringing in additional water. Both the portfolio water and the Big Chino water have a cost and a value to them so that when the City provides or allocates water to do development it has costs associated with it. Mr. McConnell said they allocate the water on the basis of equivalent residential units and as a policy issue they can charge for that water either on the per unit basis or charge on the meter side.

Councilman Roecker said they are talking about the impact fee per unit and that does not seem right. City Manager Steve Norwood asked if there is a conservation element to that as well. Mr. McConnell said there was and that statistically a family will use 15% more water if it is coming through a master meter than if it comes through an individual meter because they never see how much water they are using through a master meter. Mr. McConnell said there are a number of variables and policy issues related to the question of how they allocate water, how they value our alternate water and the implementation of things like conservation through a rate structure. He said it is a balancing act from a policy standpoint by the Council and what the Council as a whole feels is the most equitable would be in fact how they set their policy.

Mayor Pro Tem Suttles asked Mr. Jackson about page 25 regarding non-residential businesses such as schools, colleges and restaurants. She said this is a pretty big jump for these businesses, more than doubling the rates for schools and colleges and asked if there is any way to ease into it. Mr. Jackson said the one alternative would be to phase in the non-residential rate structure but that would require some sort of continued subsidy for awhile. He said one of the reasons schools would be paying so much more is because they are currently paying \$101 for 70,000 gallons of service. That is significantly less than what it is costing the City to provide that service to them. Mr. Jackson said that one reason the jump is so much is to bring them up to parity with what the cost is. He said that one alternative is to phase it in over 2-3 years, which would ease the impact on the rate payer but also require the City to continue selling the service to them over the next couple of years at essentially below cost rate. Mr. Jackson said it is a policy decision; it's an art not a science.

Mayor Pro Tem Suttles said the City of Prescott makes its living on sales tax and they want to be business friendly. She said she feels they would be chasing

people out there when they begin to jump these rates. Councilwoman Lopas asked regarding the comparison chart of the cities if some of them use the impact fees to put in purple pipe and do some of the other conservation measures. Mr. Jackson said he was not sure. Councilwoman Lopas asked about Council policy regarding remodels as brought up by former Councilman Steve Blair last fall. She said this is something that should be taken into consideration if someone is taking an old little house, remodeling it, not putting in a new meter and adding four bathrooms.

Mr. Jackson said the idea behind an impact fee by meter size has fairly simple logic behind it. He said the City has to provide a certain amount of capacity and certain amount of water for every 5/8" meter regardless of whether that rate payer uses it or not. That is why it makes logical sense to set an impact fee based on the meter size and this does not put the City in the business of trying to monitor how much water or sewer usage somebody is using inside their house. Mr. Jackson said conceptually, if the meter size does not change the need for the impact fee would not be there. Mr. Norwood added that the City would capture additional on the consumption.

Councilwoman Lopas said earlier discussion suggested that if someone has an empty lot they will be charged for the impact but if someone scraped this property and put a whole new structure on it there is no additional fees and it is a burden on the existing users. Councilman Roecker said it is a way to circumvent the system and avoid all of the new impact fees.

Councilman Bell said as tough as this is for the Council to consider raising the rates for their citizens one of these days they have to face the truth, just like every citizen of this town does. There have been past councils that have not faced it and they have to provide this service for their citizens and for future growth. Councilman Roecker agreed and said if they look at what is being provided at these rates, even the increased rates, and they compare them to things like how much they pay for TV every month these rates are within a reasonable budget.

Mayor Pro Tem Suttles said the timing could not be any worse as to where they are with the economy and what they are trying to do with economic development and growth. She said she wishes they did not have to do this now and that they could have done it at the height of everything going in Prescott. She said it is hard that they keep tapping into their citizens.

Councilman Lamerson said he wishes he could get somebody else to do the dirty work but they have to do what they have to do. He said they talk about growth paying for growth; use has to pay for use. Councilman Lamerson said everybody who is using the water system is using the water and if it costs them this much to produce the water then it needs to be paid for.

Mr. McConnell said it has only been a couple of years since the City did complete its water model, which gave them an objective basis for looking at water rates and fees, which the Council did two years ago. He said at that time they knew the wastewater was coming and nobody two years ago would have anticipated what was coming in the economy, as mentioned by Mayor Pro Tem Suttles. He said since then they have done the sewer model and this is where they are on sewer rates and fees. He said the reality is the City of Prescott is out of capacity and has inadequate levels of service at some locations in the community. Even if they did nothing other than fund capacity improvements for the existing system; it would still be a big number.

Mr. McConnell said they have public safety issues because when the fire department goes out and needs to fight a fire they need to have adequate pressure and flow. He said because of the growth of the cities in the last decades they have some issues like that and they absolutely have to deal with those as a fundamental responsibility. He added what they have not seen today, but what they have talked about, is what happens with the annexations and major development areas. Those major annexations are not in the impact fees figures and the City of Prescott will require new financing mechanisms for those major annexations. He said if growth is going to pay for growth, which is the policy of the City of Prescott, then as they annex lands and have major developments then the City will need to look very strongly at community facilities districts to identify those costs of growth and allocate those costs of growth to the benefitting properties. Annexations are a separate discussion and determined by policy decision.

City Attorney Gary Kidd said if the rates are to be adopted there will be a full public hearing process and will be posted as such. Mr. McConnell agreed and said there is a process set out in the laws of Arizona for adjusting rates and impact fees with specific time frames and so forth. He said the purpose today was to have Mr. Jackson give the presentation to get comments from the Council in order to go to the next step, which is the public arena for the hearings. He said if the Council has any specific comments or suggestions after some time to digest the information to please pass those on and they will come back to the Council with a more specific schedule for the public hearings.

Mayor Pro Tem Suttles asked Mr. Kidd about the process. Mr. Kidd said once they get the report in a final form with all the information to be included that will be filed in the office of the City Clerk. He said there is a 30 day public comment period where citizens have access to the report and then they have to schedule a public hearing process. Mr. Kidd said they have to go through the ordinance and resolution process just like the City normally does for any municipal rate increases. The ordinance is not effective for 30 days so the time frame for the whole process is about 90 days.

Councilman Lamerson said they have been talking about millions for the last hour, even billions when other capital needs are taken into consideration such as roads and public safety. He said the Capital Needs Committee is out there now addressing some of these things and he hopes the members will be able to digest the difference between wants and needs and shoulds.

2. Adjournment

There being no further discussion, the Prescott City Council Workshop of April 1, 2008, adjourned at 2:18 p.m.

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JACK D. WILSON, Mayor

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Elizabeth A. Burke, City Clerk