

PRESCOTT CITY COUNCIL  
PUBLIC WORKSHOP  
JUNE 10, 2008  
PRESCOTT, ARIZONA

MINUTES OF THE PUBLIC WORKSHOP OF THE PRESCOTT CITY COUNCIL held on JUNE 10, 2008 in the Prescott Municipal Building located at 201 S. Cortez Street, Prescott, Arizona.

◆ CALL TO ORDER

Mayor Wilson called the Public Workshop to order at 5:30 p.m.

◆ ROLL CALL

PRESENT:

Mayor Wilson  
Councilman Bell  
Councilwoman Lopas  
Councilman Luzius  
Councilman Suttles

ABSENT:

Councilman Lamerson  
Councilwoman Suttles

1. Discussion of policy for extending City service into unsewered developed areas.

Mr. McConnell gave a brief background of the issue, noting that this is the sixth in a series of workshops regarding this topic. He said that the schedule provides for consideration of a draft policy at the 6/17 Council meeting and it will be the Council's prerogative on whether they are ready to place a draft resolution on the 6/24 Council meeting for action. Public comment will be permitted both this evening and next week.

Mr. McConnell said that it has been said that the subject of retrofitting infrastructure has been talked about for ten years. He has been with the City for six years and during that time he has heard that residents of the unsewered areas have come to the City and said that something needs to be done. He wants to make it clear that the City has not initiated this; they have responded to requests from property owners. On the other hand, the City is that governing body of the community, and this is the appropriate place to take the issue.

He said that the City of Prescott is not the health department, nor is it the ADEQ. The regulatory agency for these types of issues, i.e. water quality, wastewater disposal systems, has been delegated to the State. If there are complaints, the appropriate entity is Yavapai County. The reason to discuss it with the City is because Yavapai County does not operate a sewer system in the City, the City of Prescott does.

He said that in discussing this topic, it comes down to the question of money. It costs money to build systems, properly abandon septic systems on private property and then connect to a sewer system. What the public has to understand about the way the City of Prescott manages water is that it is through an enterprise fund, and property tax, sales tax, other types do not go into this fund. When they talk about possible participation of the City in a sewer project, what they are really talking about are the 16,800 customers the City has.

Mr. McConnell said that questions were posed at the 6/3/08 workshop, and copies of those questions were obtained and some responses of the major questions have been addressed in the FAQ's handed out. He said that info is also available on the City's website. People can learn more about the language being used, etc. as all the workshop material and the FAQ is available on line.

He said that the clear objective of this series of workshop is to arrive at a combination of two components: 1) financing mechanisms; and 2) connection policy (criteria). When they initiated the series of workshops, they reviewed all different policies nationwide. For the purpose of a dialogue on policy, they need to simplify this and that is what they have done. In the Council packets there are three options which represent financing mechanisms combined with connection criteria, which he then reviewed. He clarified that with all of the alternatives, if a property owner has a failing system and goes to the County to replace it, regardless of whether there is an improvement district, reimbursement district, or nothing in place, they will be required to connect to the system if it is available.

Marlin Kuykendall, 2233 Clubhouse Drive, said that they have sewer where they live, but his interest is as a long time resident and participant as a Council member in the past. He appreciates the job the Council does; he knows that some days it's not really pleasant. He doesn't have any questions and is not trying to act as staff, etc. but he was asked by different people that he's known if maybe there's another way. The Council is going to have to make a public decision. He has a suggestion that will probably be out of the box, but using round numbers, the sewer main project is \$8 million, and all of 618 homes bought in at \$3,375, which is the impact fee today, (or buy in fee), and agreed that when the sewer was on line and was ready to hook in, they'd agree to pay their monthly sewer charge starting that month, and that money be allocated to debt service. The buy in fees are around \$2 mil or a little more, and using \$25 as a sewer charge, depending on an amount of water used,  $x 618 x 25$  years, it comes to \$5 million.

He said that right there they would have \$7 million against the \$8 million, with no consideration for interest. That is a number he doesn't have, but Karen Fann mentioned on the radio today that there is 2.5% interest available. He said that as a side note, Chino Valley's new sewer system is \$40 a month for a user. He was using \$25 a month. If people were willing to start paying their monthly fee at that moment that it was available, they could connect whenever they chose. He

said that although it may not be the total answer, it is something worth giving some consideration to.

Mr. McConnell said that if the monthly charges were applied to debt service, in effect those new customers who were benefiting from the City sewer would be paying nothing to operate and maintain the sewer system. It takes money to run the lift station, the wastewater treatment plant, etc. Secondly, with regard to the buy-in or impact fee, the impact fee is for much more than the sewer collection system in a street. The impact fee is for that demand which the new connection places on the entire wastewater collection and recharge system. It is an interesting proposal, but it would carve out the retrofit project areas and treat them differently with respect to capital costs and operating costs.

Councilman Roecker said that the suggestion does not include the cost of hooking up to the pipe as it goes down the road. They would have to do that individually. Mr. Kuykendall said that it would be the homeowner's responsibility to get to the main, and every house is going to be different. The homeowners could hire whoever they want to connect and they would have to abandon the existing system. He has been told that the way it was done in Chino Valley was they pump the tank and fill it with slurry. That is not a major cost, but there would be some homes that could be expensive. If the philosophy of the concept flies and they are willing to pay their monthly fees, it is to their discretion as to when they connect.

Mr. Kuykendall agrees that this is out of the box. When he came to Prescott and for many years afterward, they didn't have any impact fees. The reason they developed the impact fees was because of the growth and if they would have shut those gates they wouldn't be sitting there today with the conversation. He agrees that these are new hook-ons, but it is certainly not new growth.

Councilman Luzius said that two months ago he made the same proposal as a monthly charge and he was told that they couldn't do it. He thinks that is one way to build up a money stream, so there is a mechanism. He said that opinion was given by Mr. Kidd and tonight Mr. Lloyd is present and he is not sure that he is prepared to respond to that aspect.

Councilman Bell said that if the Council backs away from a proposition completely and doesn't do this, those funds would never come into the City, either the buy-in or monthly fees. He asked Mr. Lloyd if that was possible. Mr. Lloyd said that the area of impact fees and bonding is very specialized and there have been a lot of changes in the law. They are making an inquiry of bond counsel in Phoenix to think outside of the box and look for other creative ways to look at this and this is one of the things they are going to ask about, if it hasn't already been done.

Mr. McConnell said that when they had the discussion before, the issue was benefit, that if there is no benefit, then they can't charge for it. His recollection of

research on the topic is that if a system was installed and available, but there was an undeveloped lot or someone with a septic tank, they could levy an availability charge because it is there. It is difficult or may be impossible if there is no sewer available.

John Phillips, 2280 Sandia Drive, in the North Prescott Sewer District, said that they are skipping the first step—what the need is. He said that there was some comment from staff last week that there were five applications for septic replacement. Five systems in five years would make him ask what the need is. They are told that the systems are leaking into the gullies, but there are also sewer lines in the gullies and he wonders if the City has investigated any leaks.

Mr. Phillips said that due to the market at this point, many of these homes are upside down already in their financing. He asked what bonding company would loan money on an upside down house. Mayor Wilson said that WIFA will provide low-cost funding. He said that this lien has to be paid off in closing; this will make these homes unsellable.

Robert Herman, 38 Perkins Drive in Antelope Hills, said that he is speaking for himself; however he has spoken to a majority of the Antelope Hills property owners, all of whom are on septic systems. He said that after paying taxes for years it seems a basic right for sewer service, which includes the City putting in the main line in a City street, with the property owners paying for their hookup. He said that the recent article in The Courier listed the estimated owner cost at this time from \$18,000 to \$44,000, and still going up. He asked who paid millions for Lowe's—all Prescott taxpayers. He asked who will be paying millions for the proposed recreational development—all Prescott taxpayers. He said that Antelope Hills is a unit of a 100+ property owners. It should not be divided in any way or have certain areas omitted in order to jockey numbers relative to the needed 50 plus one count for or against a sewer improvement district.

He said that the City Council has legal representatives by its City Attorney and his associates; it seems only right that some type of representative counsel is needed for their assistance. Contact with a legal group may be appropriate to ascertain whether they find a need, based on the present facts, for their pro bono service. If so, they will have no financial burden in contest with the City, who would be using their tax money. It would be nice to have all of the properties on sewer, but the City should put in the main line.

Adam Gabriella, 602 La Corta Lane in the North Prescott Sewer District, where he has lived for the past 36 years. He said that he has a septic system that is working fine, but he would like to be on City sewer, but at a reasonable cost. He said that he was one of the first individuals to build in that area and at that time he was in the County. Alan Bibler, the City Manager at that time, came to his door with a petition asking them to come into the City. At that time he said they would benefit by the services the City will provide, one of which was sewer. He said that they are still waiting.

He said that they are trying to treat their area as if it is a new area coming into the City. They have been there for 36 years. They have all paid taxes over that period of time. The City seems to rush out and provide money for infrastructure for commercial developments in order to gain their tax dollar. He said that they have been paying taxes over those 36 years and they would like some services, too. He said that one of the recommendations has been to raise rates approximately \$3 to pay for the expansion. He said that the City has indicated that it would be unfair to those individuals that are already on sewer. He said that the older areas in town that are on sewer systems probably did not pay an impact fee. It seems reasonable that this is the logical solution to a difficult problem, that the expense be shared by the entire City.

Donna Durall, 2205 Sandia, said that the cost of everything is going up so much—gas food, taxes, but there are people on limited incomes, such as her mother, who is on minimal social security and there are many things she needs. If it wasn't for herself and her husband, she couldn't afford to live. She has been so upset by the proposal of the extra cost; there is no way she could afford \$100 a month or whatever it will be. She said that it seems like they are losing a battle; they need to keep the people in mind. With everything going up it's difficult for people to make their monthly bills. She sees nothing but hardship, with no benefit to the people that have their septic working fine. The house values are going to go down. They can't sell the home—if this lien is there no one will want to buy with a sizeable lien.

Mr. McConnell noted that the particular situation of those who cannot afford the added expense is addressed in the FAQ's.

Bill Feldmeier said that like Mr. Kuykendall, he lives in an area that is already sewerred. He came to the meeting this evening because he has been reading about the concerns of this problem. He said that he came from a different angle. He asked about those that are already in sewerred areas having to put up the money that they have set aside for sewer operations. He sympathizes to the concerns of the high costs. He, too, has absorbed high costs over the years. He said that they need to either pay the piper, or perhaps there isn't a problem. He said that he was intrigued by Mr. Kuykendall's presentation and would encourage the Council to examine that and other ideas that may be presented.

Mr. Herman said that this is a tremendous burden for those on a fixed income. Many of them feel intimidated and coerced into accepting something they don't need or want, and they can't afford. They feel this is an infringement on their civil rights. Mayor Wilson said that if they do an improvement district, an improvement district affords the property owners the ability to opt out in 15 days, both in the initial estimate and after the final engineering estimates. Their rights as a voter are preserved to say no.

Mr. Herman said that the 50 plus one count is the whole thing. They have to get everyone out to vote. It has to be a fair vote; they have to have enough time to contact those that don't live in the area. Mayor Wilson said that the State Statutes provide the timing requirements.

Councilman Roecker asked how the voting is done. Mr. McConnell said that it is a protest that they are opposed to the district or the assessment of the district, according to statute. One by one there is a period established following adopting of an ordinance, and then the public has the opportunity to protest against it, and that is the "vote." It is not a ballot in a polling place. Mayor Wilson said that it is a form letter that comes to the City Clerk.

Nancy Del Mar, 4 Perkins Drive, said that she was speaking for Delores Larson who lives at 6 Perkins Drive. She is very unhappy with the way this is coming forth to the Antelope Hills homeowners and feels there have been other areas in Arizona that have handled it in a more judicious way. Her definition of the "city" is everyone in the room.

Bob Remp, 2206 Sandia, asked if the RV parks were allowed to have septic tanks within 1500 feet of Watson Lake, and if those may be draining into the lake. Mr. McConnell said that there are some RV parks in the unincorporated properties. Mr. Remp said that the documentation said that if assessments are not paid, the municipality forecloses on delinquent properties, so if a person has a lien for 25 years and their income doesn't increase, they could lose their house. They have over 280 property owners that say they don't want to do this.

Karen Walker, 454 Bruce's Corner, in Prescott North, thanked the Mayor and Council for having the later meeting so she was able to attend. She said, going back to Mr. Phillips' comments, if they have 618 homes that are not connected to the sewer, with five failed in five years, she asks why they need to put everyone on sewer. She said that 25% of the United States is on septic systems. It would cost her \$10,000 to \$15,000 if her system failed; if it failed that is her problem. It would be cheaper to replace one than to hook up to sewer.

Mr. Phillips asked to speak further. Mayor Wilson asked that he wait until the others who have not had the opportunity to speak had spoken.

George Christianson, Bruce's Corner, said that he has a different view. He built his home 37 years ago when it was in the County. His system still works fine. He said that shortly after building the house the City wanted to annex him into the City. He fought it, but the City prevailed with promises of a better system. He said that the City should pay for the line and the property owners should only have to pay for connection to the line.

Nathan Beaver, 612 Bonita Way, said that his family has been residents since before Arizona was a state, and he has been a resident for almost four years. He said that he is a registered hospice traveling nurse, and he makes a living

stepping out of the box. He cannot help but comment on the animosity. He said that people have asked about the alleged pollution, but he has seen nothing that indicates there is a pollution problem. He suggested that they may be rushing to satisfy those few. They need to take care of the people, and do it in a way that won't hurt them. He said that he has neighbors that have lived in Prescott a long time and have been good citizens. They feel the City is turning their back on them. They need to take care of the people.

Walter Kylie, 2102 Miramonte Drive, said that he has lived in the area for 36 years and was forced to be annexed into the City. He said that the City took him in because they wanted the property beyond him. He said that when the City Manager went to his house, he promised sewer for \$3,000. The City made a comment and he cannot afford the prices they are talking about now. He thinks it is wrong.

A question was raised regarding the statement that Prescott did not qualify for grants like Chino Valley received. Mr. McConnell said that grant funding of wastewater systems is very paired back from decades of the past. There are opportunities available, coming through things like CDBG, which has very specific income criteria. He said that is not to say that there aren't property owners within the City that wouldn't qualify, but it is a question of having enough of that income group. It is very different between Prescott and Chino Valley. If the City did a capital project to construct a sewer system and borrowed for that, the WIFA is available that buys down the interest rate. It is not like the old grants which paid a percentage.

Mayor Wilson said that early on in the recent discussions he contacted Steve Owens from Arizona Department of Environmental Quality and he was referred to a person with WIFA. He said that it provides the public entity, City of Prescott, with financing over a 25-year period and buys down the interest rate below market.

Councilman Roecker asked if an improvement district would require qualification from anyone. Mr. McConnell said that it would not. If there was an improvement district, that capital expense is paid through borrowing. If the project qualifies for State WIFA funding, then it would be a better interest rate. If it went to a bank, it would be a higher rate.

Christy Young, 2103 Richard Street, asked if all of the areas on septic are being asked to convert or if they are being selective. Mayor Wilson said that they evaluated all areas that are not on sewer, and are looking at those that were most problematic at this time.

Mr. McConnell said that about two years ago they had the sewer model for the City completed by Carollo Engineers. It was a first for the City because it produced not only a hydrologic calibrated system of the City, but it also mapped and provided cost estimates of the unsewered areas. When they embarked on

the latest of workshops, the first thing they did was provide that map and indicate there were 12-14 different areas, where the geology and ground conditions vary significant. He said that the areas they are discussing are those that have had people come into the City offices and meetings and stated they have a problem. It is a response to those conversations that they are having these. He said that it is a valid point to determine whether there is enough of a problem to warrant the expense.

Councilman Luzius said that based on what he is hearing, he is wondering why they are at the meeting tonight if there is not a need. If people need new septic systems, they can do that on their own.

Ms. Young asked if they have considered failures or weak links in the current system. Mayor Wilson said that they have a sewer model that assists with leak detection. Ms. Young asked what her incentive is to connect if she can put in an alternate system and use her own effluent for her landscaping.

Peter Busciano said that they have been there before. Right now they are estimating around \$25,000 to \$40,000. He asked what happens if they drag it out and it becomes \$50,000. He asked who would pay for that. Mayor Wilson said that they have done that in the past.

Mr. Busciano asked how much the City has already spent on the project over the years. Mr. McConnell said that as a rough estimate, the 16,800 customers have advanced around \$1/2 million. Mr. Busciano said that he has heard they have already spent \$1 million, and they have approved another \$1 million for another study.

Mr. Busciano said that he has written letters before. He made an in-depth study of what took place and found out some interesting facts, each of which he addressed in his letter. He suggests that the City put in the trunk lines and let the property owners pay for the hookups.

Jim Hazelbaker, 2096 Mark Avenue, said that 15 years ago he came to the Council and addressed this same issue; it has drug on and on. Then it was going to be between \$5,000 and \$7,000; all they did was continue to take a survey. He said that they are in the same spot they were in when they started and not one shovel of dirt has been turned. The City needs to put in the sewer line, and do away with the impact fees. He said that he would invite the people to his house when there is a good rain; it wouldn't be a pleasant experience. When it rains, the sewage comes out of the hills and into the front of his house. Rowle Simmons and Steve Blair have been there. He said that they need to get it done, and get it done soon.

Yvonne Dorman, Mullen Way, asked if there were any municipal buildings that would be hooking up to City sewer in the outlined unsewered areas. Mr. McConnell replied that there would not be. Ms. Dorman said that in ARS

Title 48-619, it states that if the City decides that they will pay to put in the main trunk lines, they are allowed to borrow from any legal source including other funds. Mayor Wilson said that Title 48 refers to special districts. They would have to be authorized by the State Legislature. The City of Prescott cannot set up a special district under its own volition. She said that she attended many of the capital needs committee meetings and the staff was coaching the committee members. She asked why the City was going to ask for a bond in November to cover things like a fire station at Watson Lake. She said that the City needs to look at things further. They are not opposed to being sewerred; they are opposed to an unfunded mandate.

Dorothy Klein, Lot 6 Park, said that they would not be able to build on their lot without sewers, but they are opposed because of the cost. They would have to let the lot go for taxes. They have the option of putting in a self-circulating system and she thinks that is the wise move for everyone there.

Ed Burdick, 123 S. Mt. Vernon, said that he thinks they should abandon the idea of spending \$8.1 million for sewer for the following reasons. If they look at a memo dated June 4, 2008, the County Environmental Services Department states that less than five violations for failed septic systems have occurred in the past five years. He talked to one of them from that department and he said it was not a failed system; it was nonfunctional. Back east he cleaned, remove, filled septic systems and there are thousands throughout the State. A failed system (nonfunctional) is usually a result of people that don't realize how to take care of them. It is like the human body; they carry about 8 pounds of bacteria. They give it food, water, oxygen and it survives. If they remove any one of those things, it dies. He said that the same thing happens with septic systems. He said that if it isn't broken, don't fix it.

Mr. Phillips asked if the RV lot was leaking into the lakes. Mr. McConnell said that they cannot determine if that is a fact. The City is not responsible for and have any direct information on what is going on outside the City limits, unless the County Health Department or State creates a report.

Mr. McConnell said that there are watersheds which are tributary to the lakes, that encompass with the City and there are water quality issues within the lakes. As to that particular mobile home park in the County, they cannot comment.

Mr. Phillips asked if they have inquired of the County whether it is leaking. Mr. McConnell said that he was not aware of any inquiry or study about what is in the lakes and the sources. In the Council packet, there was is documentation of a conversation that the Environmental Services Department of the County was asked about sources (potential) of water quality problems in the lakes and there were various sources mentioned. He said that it was also mentioned that it is difficult to identify where components are coming from. He said that they are dealing with a water quality issue which is nonspecific.

Mr. Phillips asked if the sewer plant was leaking into the lakes. Mr. McConnell said that he could not answer that as he did not have that information.

Mr. Phillips asked if staff has tried to determine where the stuff is coming from at the homes of those on Marks Avenue. Mayor Wilson replied that was a function of the County.

Mr. Phillips said that this project is based on the legitimate complaints on Marks Avenue, but there has been no staff inquiry as to what has been happening and where it is coming from. He asked if there was a sewer line across Roma. Ms. Hadley replied that there was.

Mr. McConnell said that while many of the questions are legitimate, they are not a court of law and it is not appropriate to have a cross examination. Mayor Wilson said that they would take them as questions and not interrogations.

Mr. McConnell said that they could meet and review specific areas with those that work directly in the field. Mr. Phillips asked how many feet away the sewer line is from the problem areas on Marks Avenue and if they could hook up those having problems to that line. He also asked that they provide the County report regarding failures.

Nancy Del Mar reminded the Mayor of his previous statements regarding regional cooperation. She asked that they contact the County and identify the real problems. She asked that they try to cooperate with the other governmental agencies.

William Pence, Nolte Drive, asked why they haven't asked the County if there is leakage into the lakes. He said that was Mr. McConnell's profession.

Ms. Hadley said, on behalf of staff, that she wanted to make it known that this is not a staff-initiated project. This comes from years of people coming from different areas and saying there was a problem. They have been beaten up for this. The Council continues to want to help those and see new ways. She said that there is no way to track the leaks. The County can only tell them of complaints they have received. They have talked to the County and the Department of Environmental Quality. She said that they have tried to gather the information they are asking for. It is not that they don't care. The current Council, and past councils, want to help those with problems. She said that they will continue to respond to the issues presented to them as they are public servants.

Mayor Wilson said that they scheduled this meeting tonight to accommodate those that could not make the June 3 meeting. He said that this is a difficult issue; it would have been handled 30 years ago if it wasn't. The Council is elected to make policy; this is a difficult policy issue. He certainly appreciated everyone taking the time to come to the meeting tonight.

Councilman Roecker said that they are hearing from Mr. Hazelbaker that there is a need. Mr. Remp said that there are enough signatures in the North Sewer district to defeat an improvement district. To stand up and brow beat the staff is not productive. One of the big frustrations is they cannot define where the problem is coming from. He said that the people need to work with the City and not against them. If anyone is having problems with their septic, they need to communicate that to the City.

Councilwoman Lopas thanked everyone for coming out. She said that those that were promised back in the 70's to get sewer—that is not the way to be treated. They need to figure out how to fix this. She appreciates it when people give a solution; they need to work with the City. She said that they know there is pollution in the creeks and lakes; probably from a multitude of reasons and they need to attack each one of them.

Councilman Bell said that one reason he hasn't said much is that he lives at 2240 Sandia, right in the middle of the Prescott North Sewer District. His sewer works fine. They are trying their best to do what is right for the City and the people living there. He appreciated their attendance and input.

Mayor Wilson said that one thing they heard was the need to think outside the box. He is of a mind to do that; he did that in his career. He said that there are brilliant people living in Prescott and any ideas will be looked at. He agreed with the others that they need to do the right thing.

2. Adjournment.

There being no further business to be discussion, the Public Workshop of June 10, 2008, adjourned at 7:15 p.m.

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JACK D. WILSON, Mayor

ATTEST:

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Elizabeth A. Burke, City Clerk