

COUNCIL WATER ISSUES
COMMITTEE
REGULAR MEETING
TUESDAY, MAY 10, 2016
PRESCOTT, ARIZONA

MINUTES OF THE REGULAR MEETING OF THE COUNCIL WATER ISSUES COMMITTEE HELD ON MAY 10, 2016, in the LOWER LEVEL CONFERENCE ROOM, located at CITY HALL, 201 SOUTH CORTEZ STREET, Prescott, Arizona.

A. Call to Order

Chairman Lamerson called the meeting to order at 9:00 a.m.

B. Roll Call

COUNCIL WATER ISSUES COMMITTEE MEMBERS:

Present:

Chairman Jim Lamerson
Member Steve Blair, arrived at 9:07 a.m.
Member Steve Sischka

Staff Present:

Craig McConnell, City Manager
Leslie Graser, Water Resources Manager
Clyde Halstead, Assistant City Attorney
Dana DeLong, City Clerk
Craig Dotseth, Utilities Manager
Jon Paladini, City Attorney, arrived at 10:02 am

C. Approval of minutes of the April 12, 2016, Water Issues Committee Meeting

**MEMBER SISCHKA MOVED TO APPROVE THE MINUTES AS WRITTEN;
SECONDED BY CHAIRMAN LAMERSON; PASSED 2-0.**

D. Alternative Water Portfolio Update

Leslie Graser, Water Resources Manager, presented. She said the Alternative Water Portfolio update was a standing item for the committee. She presented a recap of the process the City went through when the suspension was put into effect, and on May 3rd the policy was adopted by the Council. She said nothing in the general pool had changed, as there had not been any issuance of water supplies. Next meeting the numbers would start to change.

E. Prescott Lakes Effluent Sales Contract

Leslie Graser, Water Resources Manager, presented. She said Prescott Lakes was now called The Club at Prescott Lakes and the golf course received effluent supplies from the City. The agreement had been in place since 1996, and was due for renewal. She said there was a three month extension of the agreement in order to work out policy issues.

Ms. Graser presented the agreement from The Club with changes that included: a reduction in the renewal term to 10 years, with the continued option to renew for a total additional term not to exceed 40 years; modification of the monthly allocation to allow for more effluent in the summer season and less in the winter, but no change in the overall volume of 500 AF/year, effective January 1, 2017; and the adjustment of base pricing to \$354.35 per acre-foot, plus a \$50.00 surcharge on the base pricing for use beyond the monthly allocation.

Member Blair arrived at 9:07 a.m.

MEMBER SISCHKA MOVED TO APPROVE AND FORWARD THE AMENDED AND RESTATED EFFLUENT SALE AGREEMENT, CITY CONTRACT NO. 2002-208A1 TO THE COUNCIL; SECONDED BY MEMBER BLAIR; PASSED UNANIMOUSLY

F. Water Service Agreements

1. Embry-Riddle Aeronautical University (Resolution No. 4310-1519, Exhibit A project)

Leslie Graser, Water Resources Manager, presented. She said Embry-Riddle started customer service in 1976 and was annexed in 1997. The application identified a residence hall containing 66 student housing suites, and a seven-year campus development plan. They were looking for a water service agreement that would set aside 55 AF for a certain amount of time, with certain performance criteria.

Member Sischka said it was not just the one residence hall, but was seven years of development for 55 AF. Ms. Graser said that was correct.

Ms. Graser presented the contract, which showed the performance criteria and spoke to how much water would be designated. She said they had buildings already under construction, with building permits in place. The remaining 38.5 acre-feet would be reserved for a period of five years. She noted they were also seeking water supply for the ball fields, and would be moving toward artificial turf.

Chairman Lamerson said they were part of economic development in the City and he did not have a problem with the request.

MEMBER BLAIR MOVED TO RECOMMEND APPROVAL AND FORWARD WATER SERVICE AGREEMENT NO. 14-009 (CITY CONTRACT 2016-292) TO THE COUNCIL; SECONDED BY MEMBER SISCHKA; PASSED UNANIMOUSLY

2. Walden Ranch (Resolution No. 4310-1519, Exhibit A project)

Leslie Graser, Water Resources Manager, presented. The project master plan consisted of 286 single family dwelling units, requiring a total water volume of 100.1 acre-feet of water. She said the project was well on its way when the temporary suspension went into effect, and that it was a sub-division project with multiple phases. She presented the preliminary plat.

Member Sischka asked if it was 100 acre-feet based on the .35 for residential. Ms. Graser replied, yes.

Ms. Graser said they had on-going conversations to work out the performance criteria, and were looking at a percent build. Item A was language that was taken out of the current policy. She talked about the one-time extension, and getting from a preliminary plat to a final plat position. Ms. Graser went over the points of the performance criteria. She said this was for discussion and had been briefly reviewed by the applicant and by the City Attorney. She said the project included a development agreement, and within the development agreement was the water service agreement and performance criteria.

Member Blair said his question would be for the round-about and the performance payment from Walden Ranch. Craig McConnell, City Manager, said that issue was addressed in the development agreement.

Member Sischka said it seemed like the .35 was an overall estimate that the City used for the ancillary services that go along with the house. He thought that they would be pretty water conscious in the area. He said if .35 was allocated and it ended up being .25 he thought that would short the City for future development because of the .35. He thought they might want to get a little more realistic on the number.

Ms. Graser thought that could be addressed in the forthcoming policy. She said part of the discussion was Part Two of the upcoming policy. She said initial work had been done on the .35, but it needed more discussion. She said changing on the spot for one development was not good, but it was a good conversation to have.

Member Sischka asked if the contract went forward with 100 acre feet, and later they used less did that change the situation. Mr. McConnell said they had looked at the .1 mark-up. He said it was a good thing that they had the mark up, because the analysis had not indicated a significant amount of water corresponding to that markup.

A discussion was held regarding the .1 markup.

Chairman Lamerson asked about the 100 acre-feet and if that was alternative water that had not been accounted for. Ms. Graser said the City had always maintained a market pool, and at this point it was called the general pool. The 100 acre-feet was coming out of the market portion.

Chairman Lamerson allowed comments from the public in attendance.

Member Blair said he had a conversation with the Walden Ranch people concerning conservation efforts and rain water harvesting. He said they assured him they would look at those issues. He asked if the conservation happened would they be able to reduce that .35 amount. Ms. Graser thought they would be looking at that in the coming year. She said In terms of building, the City already adopted the international plumbing code which required water saving devices in the home. They City would be looking at conservation and how far they could go.

Member Sischka said his earlier question was that if there was a block of water that was achieved because it had been conserved, could the state come in and take it away. Mr. McConnell thought they could not take it away.

MEMBER SISCHKA MOVED TO FORWARD THE DRAFT WATER SERVICE AGREEMENT TO THE CITY COUNCIL FOR CONSIDERATION; SECONDED BY MEMBER BLAIR; PASSED UNANIMOUSLY.

G. EZ Street Water Station

Leslie Graser, Water Resources Manager, presented. She said this was one of the Part Two items from the temporary suspension. She said the City had a water station that was available to the public for purchase of potable water. She noted a correction in the memo, stating it should say \$.25 per 100 gallons.

Ms. Graser said the facility was generally under 20 acre-feet per year. The City conducted a water and wastewater rate study in 2014 and the report identified that the City maintained a coin operated station that provided water based on a per thousand volume charge basis.

Member Blair asked if the rate was \$2.50 per 1000 gallon at the water station, how much were the customers in the City paying. Ms. Graser talked about the cost comparison. She said a residential customer paid a base of \$14.15, but it was based on meter size which caused a lot of fluctuation among the rate. A metered customer had a charge based on how much they used, and outside the City limits had a percent increase based on the rate.

Member Sischka asked who was using the EZ street water station. Ms. Graser said there were some neighborhoods or sub-divisions that neighbor the City that were not

within City limits, who generally relied on wells. She said water hauling companies also came in and filled trucks.

Member Blair said there was a difference because there was not an infrastructure for the delivery system, which contributed to the difference in price from water delivered to residential houses. Ms. Graser said they were trying to note the relevant factors. She recommended that they look at the base fee and if some component of that needed to be reflected in the cost for the water at the station.

Member Blair thought they had to have a true cost of delivery and asked if there was a number of what the actual raw cost was. Mr. McConnell said, yes that it was in the rate study. His thought was that the water station user was paying less than half of what the City residents and customers were paying.

Mr. McConnell said from a policy standpoint there were two questions. The first question was whether or not EZ street water station should stay in operation. The second question was if it did stay then what would the water rate be

Member Sischka said in looking at the amount of water that was being used at the water station it was a substantial amount of water. He said they were setting rates in the City to encourage water conservation, and wondered how someone paying half or what the rest of the people were paying went along with the policy. Mr. McConnell said the City customers were subsidizing water that was purchased through the water station.

Member Blair asked what would preclude someone from putting in a commercial well. Mr. Halstead said state law would prevent someone from putting in a commercial well, and a residential well would not be allowed to sell water.

Ms. Graser said in trying to make the rate comparable to what a metered customer would pay, they would be looking at a change of \$1.50 per 100 gallons at the water station. That would be about a six-fold increase at the station. She thought that would be a policy discussion.

Member Blair asked liability wise, and how much maintenance went to the water station.

Craig Dotseth, Utilities Manager talked about the maintenance. He said there was some maintenance, but not a lot.

A discussion was held on the liability issues.

Jon Paladini, City Attorney, arrived at 10:02 a.m.

Ms. Graser said she would do more work on developing the policy issues that would take into consideration no water station, a six-fold increase, or something in between.

Chairman Lamerson said he did not know why it was the responsibility of the City or the rate payers to subsidize people that did not have water at their house. He wanted to see a rate that was comparable to the cost for the rate payers in the City.

Member Sischka agreed since none of that water was able to be recharged through the City's recharge system.

Ms. Graser said she would work up a range, look at the options, and bring back a better customer base.

Member Sischka asked if independent water companies obtained their water from wells. Ms. Graser said yes, and they had to report that to the Arizona Corporation Commission. Member Sischka said he would hate to get into the regulation business, and thought they could regulate through the price of the water.

Member Blair talked about two tiers, commercial uses as opposed to residential. Ms. Graser said they would have to look at the infrastructure, currently the station is set on a timer to deliver a certain amount of water for a certain cost. She said they would have to consider if there would be tiered rates.

Chairman Lamerson said they had gotten to the point where they knew the rate was wrong, and thought at the next meeting he would like to see something different than what was presented today. He thought a proposal to look at something more consistent with what they were charging customers living in the city. Ms. Graser said they would work up multiple examples.

Chairman Lamerson said he was not suggesting they deny water to someone, but he did not think that they should charge the citizens of Prescott six times more than what others were paying.

H. Adjournment

There being no further business to be discussed, the Council Water Issues Committee adjourned the Public Meeting of May 10, 2016, at 10:16 a.m. and reconvened into Executive Session.

JIM LAMERSON, Chairman

ATTEST:

DANA R. DELONG, City Clerk