



Citizen Rate Review Committee

Meeting #1
March 11, 2020

Tonight's Agenda



- Welcome & Opening Comments
- Open Meeting Law & Ethics
- Meeting Objectives/Administration
- Purpose & Role of the Committee
- Overview of Meetings & Schedule
- Public Works & Finance Staff
- Meeting Process & Procedures
- Chair/Vice-Chair Duties/Election
- Review of Rate Setting Process
- Closing Comments & Adjourn

Open Meeting Law

Darcie McCracken, City Clerk

- A Presentation for Boards and Commissions
- City Clerk's office

Why do we have this Law?



- To protect the public
- Avoid decision making in secret
- To protect public officials
- To maintain integrity of government
- Build trust between government and citizens
- It helps keep citizens informed

“Public business should be done in public.”



- “All meetings of any public body shall be public and all persons so desiring shall be permitted to attend and listen to the deliberations and proceedings.
- All legal action of public bodies shall occur during a public meeting” .

What is a “Meeting”?



- “Meeting” means a gathering, in person or through technological devices, of a quorum of members of a public body at which they discuss, propose or take legal action, including any deliberations by a quorum with respect to such action.

Who Must Comply?



- “Public body”
 - City Council
 - Youth Commission
 - Planning & Zoning Commission
 - Arts & Culture Commission
 - Parks and Recreation Advisory Commission

Social Event or Seminar



- Post a notice anyway, explaining that a quorum may be present
- Identify time, date, place, location & purpose
- State that no legal action will be discussed, proposed or taken
- Members must be careful to not discuss business

Open Meeting Law requires



1. Advance notice
2. An agenda
3. Minutes

Agenda Must Include



- Public Meeting Agenda
- Location of Meeting
- Date and Time of Meeting
- Call to Order
- Roll Call
- Business Items

At The Meeting



- Determine quorum. Record members present and absent
- Persons addressing the body should identify themselves – include name and subject in minutes
- Accessibility is required
- Record motion and the maker of the motion

Public's Rights



- Must be permitted to attend
- Cannot require them to sign in
- Not permitted to speak, unless public body allows it
- If they make presentation, must identify themselves (required for minutes)
- Cannot disrupt proceedings (but make a good record before removing someone)
- Can limit speaking time of each speaker

Calls to the Public



- Optional
- Avoid pitfall of getting into discussion of matters not on the agenda
- Public body's response is limited:
 - direct staff to study the matter
 - respond to criticism
 - schedule matter for future meeting

After the Meeting



- Draft minutes must be posted to the website.
- Draft minutes are approved at next regularly scheduled meeting.

After the Meeting



- Minutes:
- **Within 3 working days**
- City Council
- Board of Adjustment
- Fire/Building/ Code Enforcement Appeals Board
- Public Improvement Corporation (PIC)
- Industrial Development Authority (IDA)
- Police Public Safety Retirement Board (PSRPB)
- Fire Public Safety Retirement Board (PSRFB)
- Goodyear Volunteer and Reserve Firefighter Retirement Trust (GVRFRT)
- Self-Insured Healthcare Trust Board

Within 10 working days

- Arts and Culture Commission
- Planning and Zoning Commission
- Youth Commission
- Parks and Recreation Commission
- Council Subcommittee for Boards, Commissions, and Committees
- Council Subcommittee for Funding Review
- Council Subcommittee-Audit
- Council Subcommittee-Executive Search Firm Selection
- Water Conservation Committee

E-Mail Communications



- E-Mail communications are treated the same as any other form of communication between committee members.
- E-mails exchanged among a quorum of the committee that involve discussions, deliberations, or taking legal action on matters that may come before the committee constitute a "meeting" and thus violate the OML.

- An e-mail request for information from a board member to staff does not violate the OML even if the other board members are copied on the e-mail and the response from the staff person. HOWEVER, the board members may not engage in discussions or share opinions (via e-mail or by other forms of communication) related to the information provided outside of a public board meeting.

- E-Mail communications of commission members related to their official duties are public records that must be maintained for public reproduction and inspection.
- **BOTTOMLINE:** E-mail communications should be used very cautiously and should **NEVER:** Discuss, deliberate, or Propose Legal Action on matters that may foreseeably come before the Board for action.



Where to turn for information

- A.R.S. 38-431 to 38-431.09
 - <https://www.azleg.gov/arsDetail/?title=38>
- City/town legal counsel
- State Attorney General – Chapter 7
- Arizona Ombudsman-www.azoca.gov
- On our website

In Summary, REMEMBER:



- Conduct meetings in public
- Must have quorum of members
- Must post agenda at least 24 hours in advance
- May only discuss items listed on agenda
- Violations can bring penalties
- Be careful of what you write in your emails

Don't let this scare you



- This law protects the public and the public servant

Questions?

Meeting Objectives & Administration



- Convene the Citizen Rate Review Committee
- Understand the role and schedule of the Committee
- Elect a Chair and Vice-Chair
- Learn basic information related to the Rate Setting Process

Purpose and Role



- Advisory Body to the City Staff & City Council
- Prepare for and participate in scheduled meetings to learn about and review information related to the City of Goodyear's operational and infrastructure costs for water, wastewater, storm water and solid waste systems
- Make recommendations to the City Council related to future rates for these system costs
- Exists until adoption by City Council of the Goodyear water, sewer, storm water and solid waste rate structure

Specific Powers & Duties



- Review the City's existing utility rate structure.
- Review and comment on staff's recommendations to support operations, maintenance, capital improvements, existing debt service, and future water resource needs.
- Recommend a draft of the rates to be forwarded to the City Council for review.
- Any other actions consistent with the provisions of these By-Laws.

Committee By-Laws



- Attendance at meetings is very important
- Two (2) consecutive absences will result in removal from the committee
- Cannot discuss or take action on any items from the agenda without a quorum (majority of voting members)
- Meetings are open to the public

Challenging Agenda



RATE REVIEW COMMITTEE MEETING SCHEDULE

- 2/24/20 Council Appointment
- 3/11/20
 - Coming Together as a committee
 - Learning about the Rate Setting Process
- 4/7/20 Water Resources
 - Water Treatment & Delivery
 - Water Resources Managing and Planning
 - Capital Project & Operations Budget Development
 - Risk Assessment Discussion

DO PROPOSED STRATEGIES SUPPORT THE NEEDS OF THE CITY?
- 5/6/20 Wastewater
 - Reclaiming Water Process
 - Capital Project & Operations Budget Development
 - Risk Assessment Discussion

DO PROPOSED STRATEGIES SUPPORT THE NEEDS OF THE CITY?

- 6/2/20 Solid Waste
 - Contained Services
 - Bulk Services
 - Transition to New Vendor
 - Level of Service Required

IS THE CITY STRATEGY IN LINE WITH MEETING EXPECTATIONS?
- 7/7/20 Stormwater
 - Existing Stormwater Program
 - Cost of Service Study
 - Development of Long Term Plan

DO PROPOSED STRATEGIES SUPPORT THE NEEDS OF THE CITY?
- 7/21/20 Rate Discussion
- 8/11/20 Rate Discussion
- 8/24/20 Council Worksession



Public Works

Javier Setovich, Director

Mission

Safety

Reliability

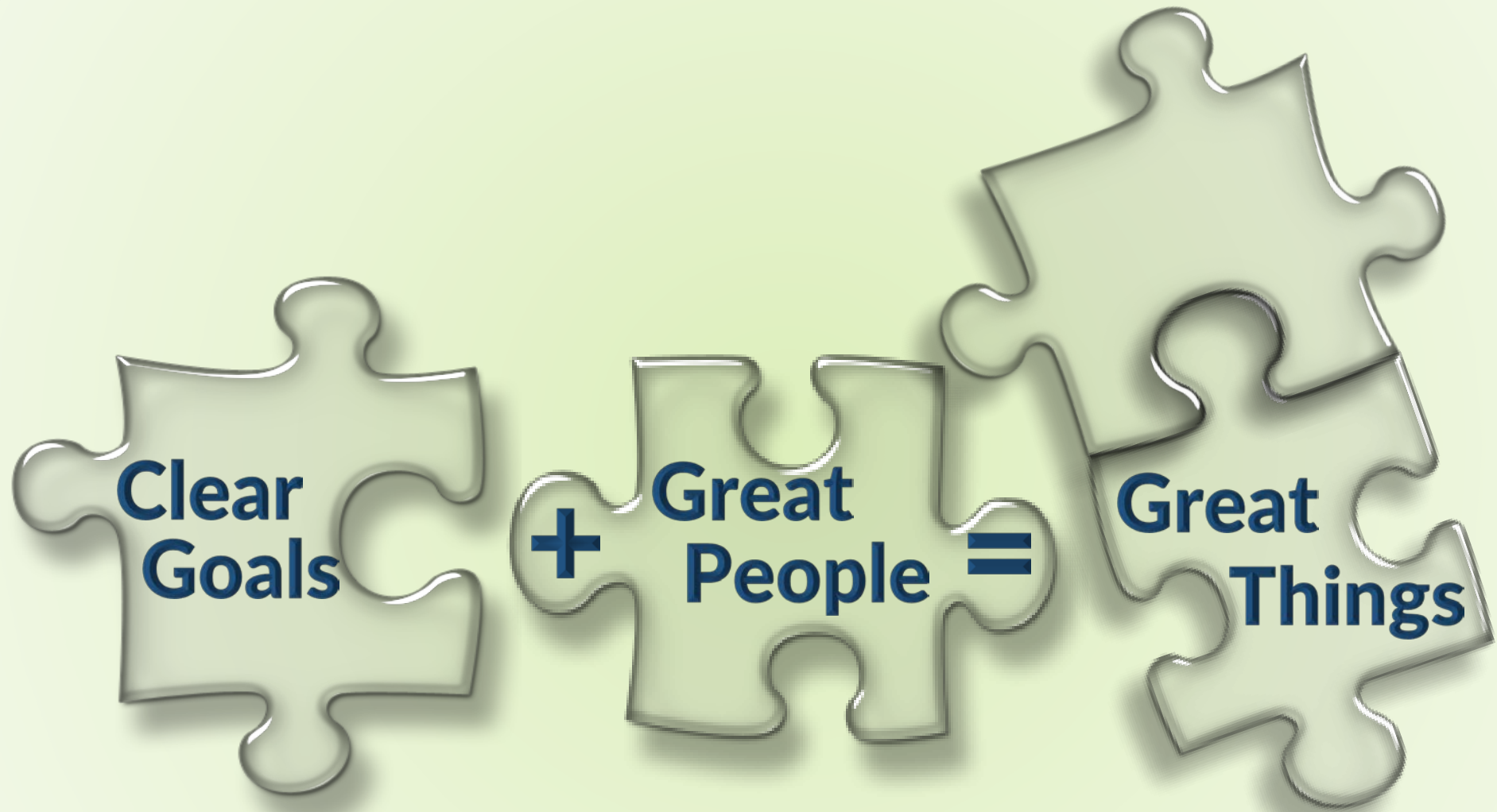
Improvement

V
i
S
i
o
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Smart

Sustainable

Engaged



**Clear
Goals**

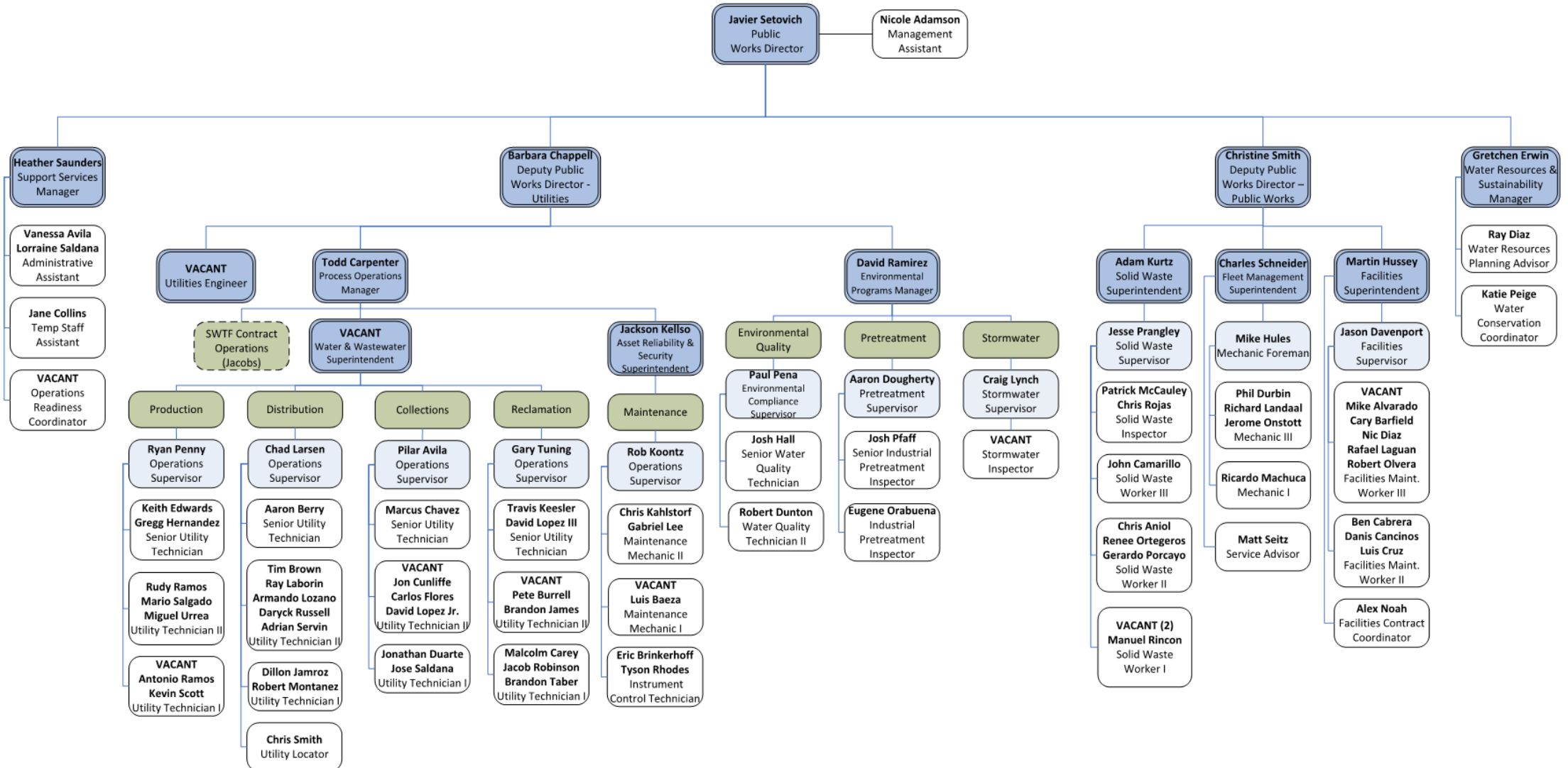
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**Great
People**

=

**Great
Things**

Public Works – Org Chart



Finance

Doug Sandstrom, Director

GOVERNMENTAL ACCOUNTING

- Governmental Funds
 - General Fund
 - Basic services – public safety, parks, streets, administration
 - Sales, property taxes, state-shared revenues and use fees
 - Others
 - Funds restricted to specific purpose
 - Gas taxes (HURF), donations, grants, debt service, development impact fees
- Business Type Funds (Enterprise Funds)
 - Water, Wastewater, Solid Waste
 - Costs paid from fees for service – self supporting
 - Water, Wastewater, Solid Waste

Public Finance



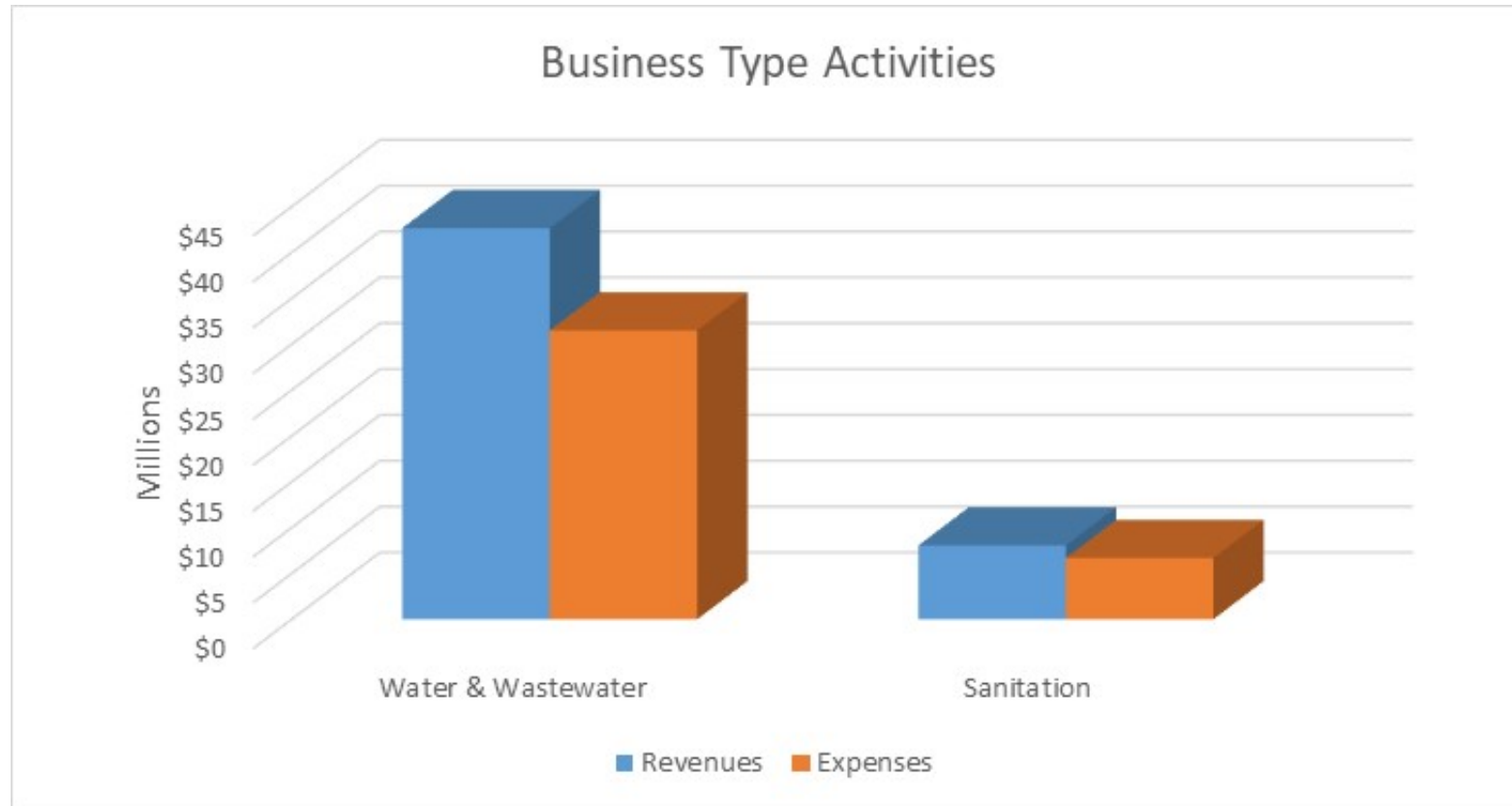
GOVERNMENTAL ACCOUNTING



Public Finance



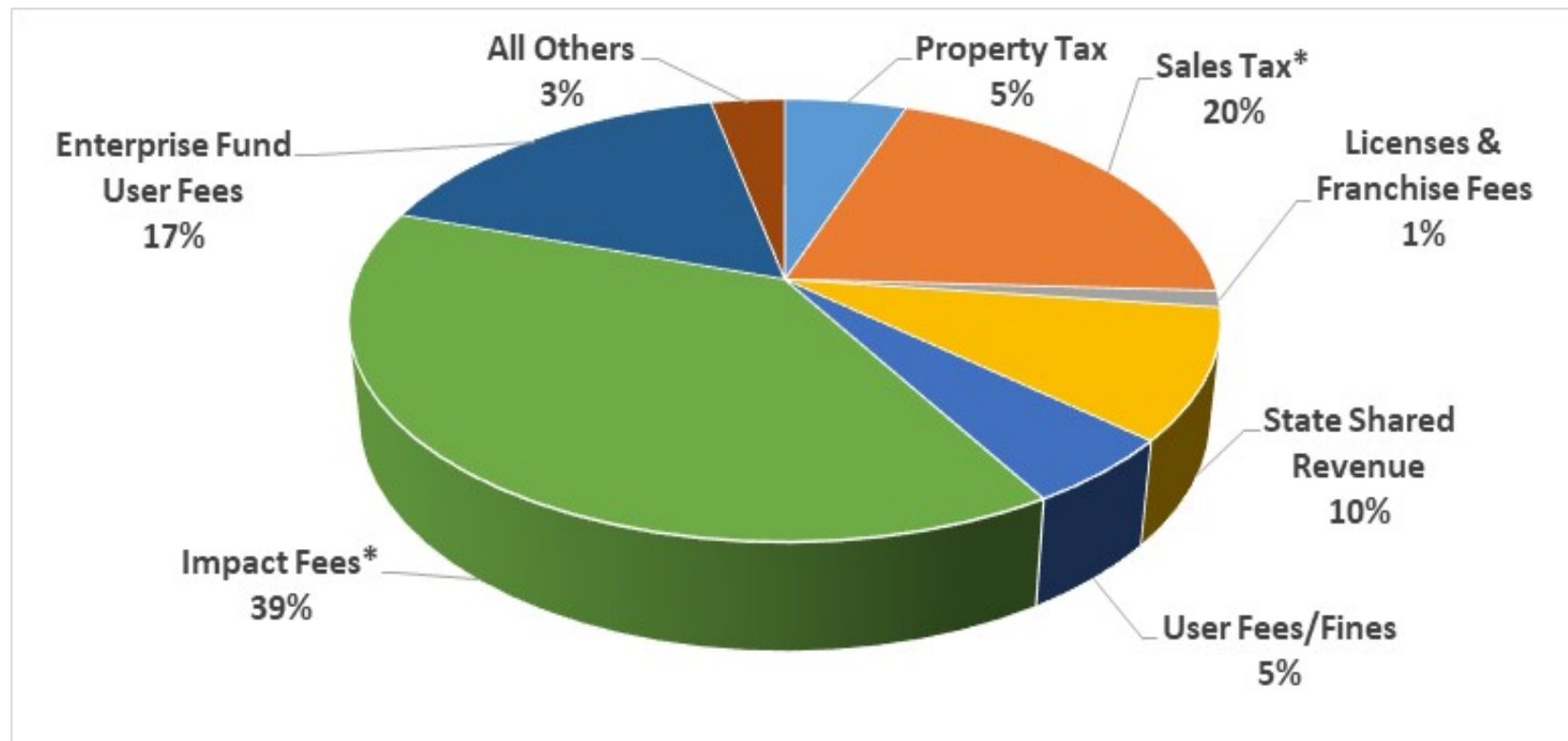
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Public Finance



WHERE DOES THE MONEY COME FROM? ALL FUNDS – OPERATING REVENUE (\$295 MILLION)



Public Finance



DEBT MANAGEMENT

Bond Series	Total Debt	Repayment Source
General Obligation Bonds	\$113.0 Million	Secondary Property Tax (\$64.0) Water & Sewer Rates (\$49.0)
Revenue Bonds	\$37.2 Million	Water & Sewer Rates
Public Improvement Corporation (PIC)	\$100.4 Million	General Fund
Water Infrastructure Authority Loan	\$3.0 Million	Water & Sewer Rates
Community Facilities Districts	\$87.7 Million	District Property Tax & Special Assessments
McDowell Rd Improvement District	\$28.9 Million	Special Assessments
Total	\$370.3 Million	

Meeting Process & Procedures



- Meeting Documentation
- Meeting Reminders
- Robert's Rules of Order
 - Take motions and vote on actionable items, per the posted agenda
- Open Meeting Law
 - Posting requirements
 - Discussions amongst committee members

Duties of the Chair



- Establishing a regular meeting schedule
- Presides over meetings
- Reviewing agenda items for future meetings in consultation with staff
- Considers other such matters and concerns of the Committee per the By-Laws or as directed by City Council

Duties of the Vice-Chair



- Performs duties in absence of the Chair

Election



- Chair & Vice-Chair

Review of Rate Setting Process

Dan Jackson, Willdan



Citizens Rate Review Committee

Water, Wastewater and Sanitation Rate Study General Overview

March 2020



Dan V. Jackson, Project Manager
5500 Democracy Drive Ste. 130
Plano TX 75024
(972) 378-6588
djackson@willdan.com

Introduction to Willdan



- Publicly-traded Corporation, nation-wide leader in water and wastewater utility ratemaking
- Have served as City's rate consultants since 2014 (originally as Economists.com)
- Dan V. Jackson, Project Manager
 - M.B.A., University of Chicago
 - 35 years' experience in utility ratemaking
 - 300 + rate studies for clients all over the world

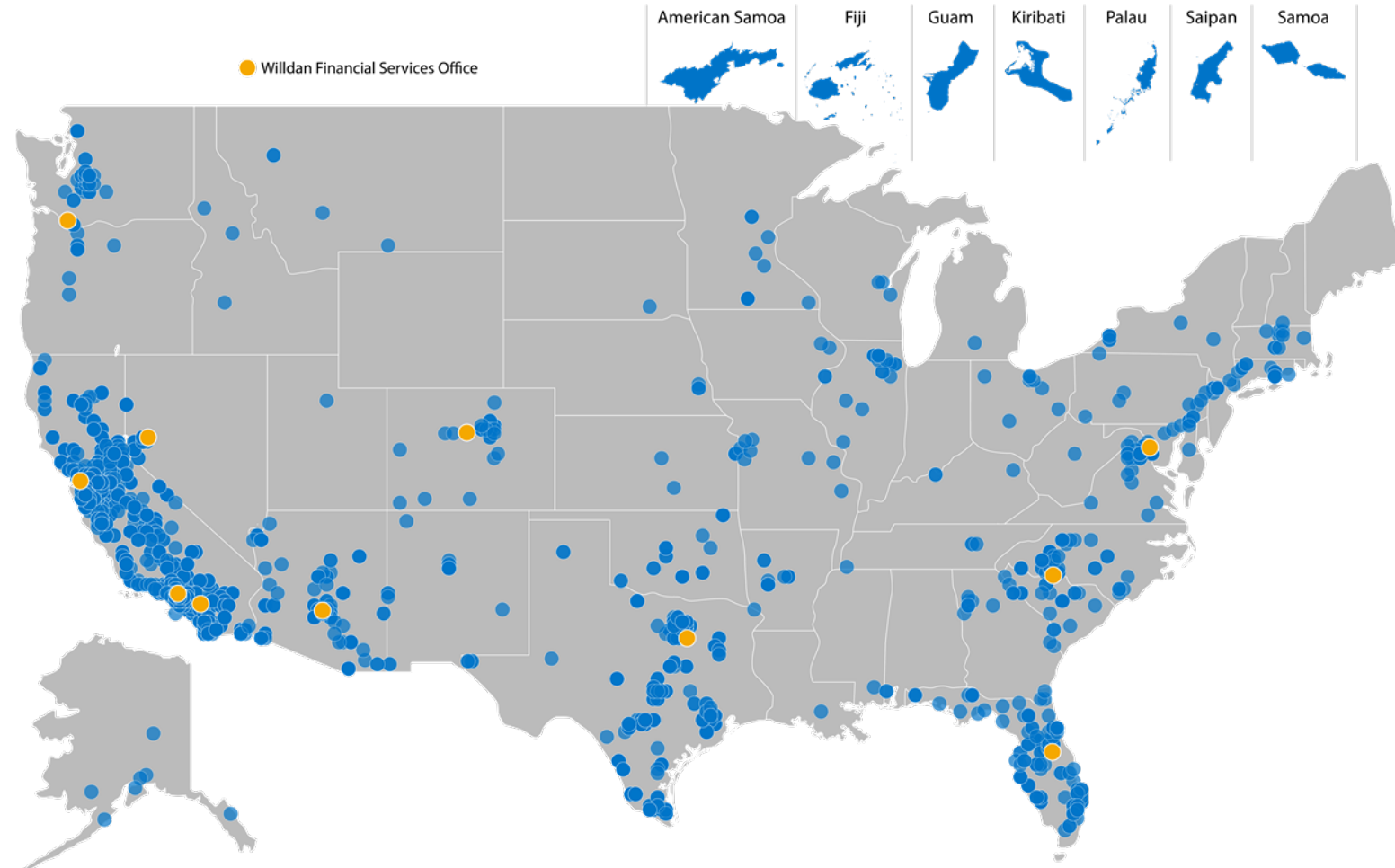


Willdan Client Experience USA and International



DOMESTIC EXPERIENCE

INTERNATIONAL EXPERIENCE



Facts about Water and Wastewater Rates in the 21st Century



- ◆ Average utility is increasing its rates 5-6% every year
- ◆ 30-40% of utilities across the USA have rates in place that do not cover costs – these utilities are subsidized by General Fund
- ◆ Some utilities keep costs and rates lower by not funding critical needs
 - ❖ Capital spending on infrastructure
 - ❖ Reimbursements to General Fund
- ◆ Implementing new rate plans, though necessary, can be very difficult for publicly-owned utilities

Purpose of a Long-Term Financial and Rate Plan



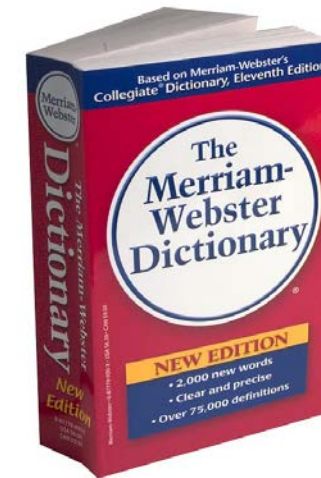
- To generate sufficient revenue to fund current and future operating expenses
- To fund capital repairs and improvements to ensure the continuing integrity of the system
- To the best extent possible, minimize the impact of any rate increases on ratepayers



Important Terms



- ◆ **Cost of Service** – the total cost of operating the utility
- ◆ **Test Year** – the designated period in which the cost of service for the utility is calculated
- ◆ **Billing Units** – the total volumes of water and wastewater service billed to customers
- ◆ **Customer Classes** – the designated groups of customers for which rates are set



City of Goodyear Utility Financial Management

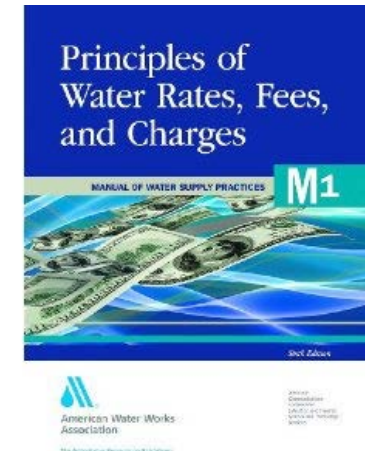


- ◆ City manages its water and wastewater utility through the use of an **Enterprise Fund**
- ◆ Enterprise funds are designed to be separate and distinct from the General Fund, which oversees other city services
- ◆ Purpose of an Enterprise Fund: to operate utility like a business
 - ❖ Operating costs tracked separately from other city services
 - ❖ Revenues from rates and fees designed to recover all costs of operation

How is the City's Water and Wastewater Cost of Service Determined?



- ◆ The City of Goodyear uses a nationally-recognized methodology developed by the American Water Works Association (AWWA) to determine its cost of providing water and wastewater service
- ◆ This methodology is known as the “**Cash Basis**”
- ◆ It is used by thousands of public utilities throughout the USA



City of Goodyear Components of Cost of Service



Operating Expenses

Debt Principal and Interest

Capital Outlays

Funds Transfers

Note: capital outlays and debt principal are included in place of depreciation!

Purpose of Customer Classes



- ◆ Utilities incur differing costs for customers based on that customer's service characteristics
- ◆ In theory, every single customer imposes a unique cost on a utility; but it is impractical (and virtually impossible) to calculate a unique rate for each customer
- ◆ So utilities group customers with similar characteristics into classes (residential, commercial, industrial, etc.)
- ◆ There may be nominal inequities within customer classes, but this is a fact of life for utility ratemaking

Realities of Modern Day Rate Setting

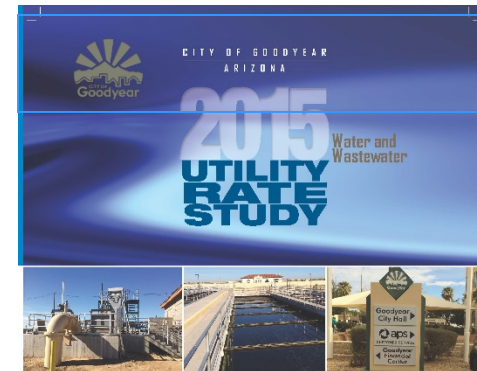


- ◆ In a “perfect” world, rates would always reflect both the overall cost of providing service and the specific cost for each customer class
- ◆ But in the “real” world, it is common for rates to not reflect costs and/or for certain customer classes to pay more than their costs while others pay less
- ◆ The key challenge for rate-setters is to find that balance between:
 - ❖ the needs of the ratepayers
 - ❖ the requirements for the proper operation of the utility
 - ❖ the desire to charge rates for each customer that reflects actual costs

2015 Utility Rate Study



- Process completed every 5 years to evaluate rate structure and long-term needs
- Participates included:
 - City Staff
 - Carollo Engineers
 - Willdan/Economists.com
- Analysis and findings reviewed by Water Planning Committee before submission to Council
- Council adopted rate plan after reviewing numerous alternatives



WILLDAN | Economists.com

Water Rate Design Adopted 5 Year Plan -- Residential



		Current	Effective Jan 2016	Effective Jan 2017	Effective Jan 2018	Effective Jan 2019	Effective Jan 2020
<u>Base Charge – per month</u>							
	¾"	\$ 11.24	\$ 12.70	\$ 14.73	\$ 16.35	\$ 17.49	\$ 18.54
	1"	15.54	17.56	20.37	22.61	24.19	25.64
	1 ½"	25.12	28.39	32.93	36.55	39.11	41.46
	2"	40.67	45.96	53.31	59.17	63.31	67.11
<u>CAP Water Charge/1,000 gallons</u>		--	0.40	0.60	0.75	0.85	0.95
<u>Volume Charge/1,000 gallons</u>							
Residential							
--	6,000	1.30	1.47	1.71	1.90	2.03	2.15
6,001	12,000	2.59	2.93	3.40	3.77	4.03	4.27
12,001	30,000	3.89	4.40	5.10	5.66	6.06	6.42
30,001	Above	6.25	7.06	8.19	9.09	9.73	10.31

Water Rate Design

Adopted 5 Year Plan – Non-Residential



		Current	Effective Jan 2016	Effective Jan 2017	Effective Jan 2018	Effective Jan 2019	Effective Jan 2020
<u>Volume Charge/1,000 gallons</u>							
Non-Residential/School							
--	40,000	\$ 3.30	\$ 3.73	\$ 4.29	\$ 4.72	\$ 4.91	\$ 5.06
40,001	100,000	5.28	5.97	6.87	7.56	7.86	8.10
100,001	Above	6.86	7.75	8.91	9.80	10.19	10.50
<u>Volume Charge/1,000 gallons</u>							
Irrigation							
--	80,000	4.95	5.59	6.43	7.07	7.35	7.57
80,001	Above	5.69	6.43	7.39	8.13	8.46	8.71

Wastewater Rate Design Adopted 5 Year Plan – All Users



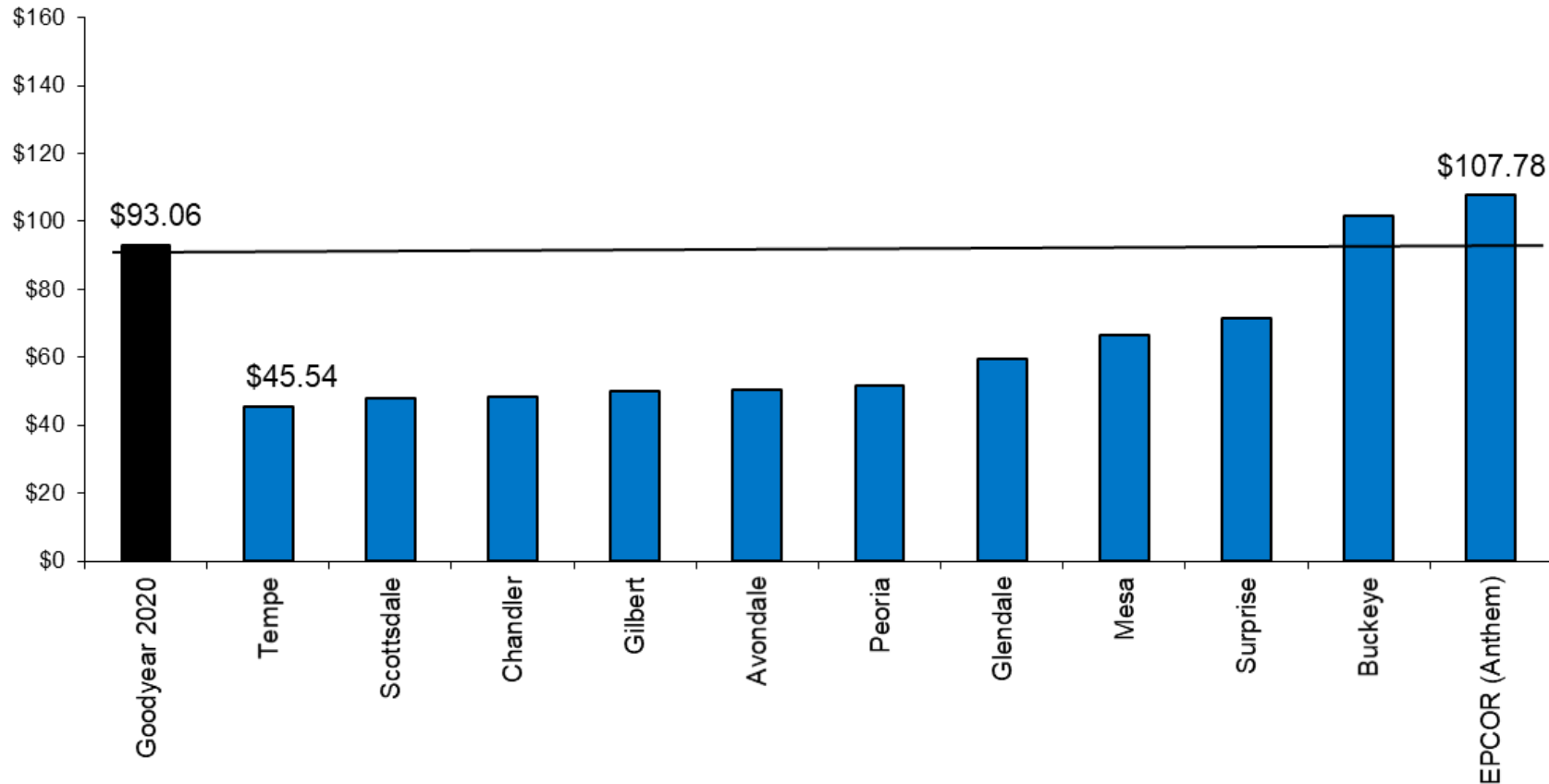
	Current	Effective Jan 2016	Effective Jan 2017	Effective Jan 2018	Effective Jan 2019	Effective Jan 2020
<u>Base Charge – per month</u>						
¾"	\$ 21.12	\$ 21.75	\$ 22.40	\$ 22.85	\$ 23.31	\$ 23.78
1"	32.41	33.38	34.38	35.07	35.77	36.49
1 ½"	39.94	41.14	42.37	43.22	44.08	44.96
2"	77.58	79.91	82.31	83.96	85.64	87.35
<u>Volume Charge/1,000 gallons</u>						
All Classes	5.78	5.95	6.13	6.25	6.38	6.51

Adopted 5 Year Water/WW Rate Plan Impact on Residential Monthly Charges



Residential (3/4" meter) 7,000 gal water, 5,000 gal ww	Current	Effective Jan 2016	Effective Jan 2017	Effective Jan 2018	Effective Jan 2019	Effective Jan 2020
Water charge	\$ 21.63	\$ 27.25	\$ 32.59	\$ 36.77	\$ 39.65	\$ 42.36
Wastewater charge	50.02	51.50	53.05	54.10	55.21	56.33
Total	71.65	78.75	85.64	90.87	94.86	98.69
Increase		7.10	6.89	5.23	3.99	3.83
% Increase		9.9%	8.7%	6.1%	4.4%	4.0%

Residential Monthly Charge Comparison 7,500 Gal Water, 5,000 Gal Wastewater



NOTE: Goodyear charges do not include CAP water charges

Sanitation Rates



- Single charge of \$22.80 per month for service
 - Includes containerized and uncontainerized (refuse/hazardous materials)
 - Once per week pickup
 - No service to commercial customers (private contractor serves)
- Rate has been in place since 2008
- City has negotiated new contract with RAD for lower per customer rate
 - Should favorably impact cost of service and rate plan



2020 Rate Study Primary Issues



- **CIP spending requirements** and their impact on cost of service and rate plan:
 - Surface Water Treatment Plant – capital costs and annual operating costs
 - CAP Water allocations, costs and monthly fees to ratepayers
 - Goodyear WRF and Brine Disposal
 - Other Capital Improvements
- Impact of continued growth of 800-1,000 new accounts per year on utility finances

2020 Rate Study Primary Issues



- Appropriate levels of General Fund Transfer
- New RAD contract and its impact on the need to adjust sanitation rates
- Desire to minimize any water and wastewater rate adjustments in order to keep Goodyear rates competitive
- Rate design – keep basic structure or revise tiers/usage levels?
- Rate plan – new multi-year plan or single year plan?

2020 Rate Study Timeline for Completion



- ◆ **April 2020** – Review preliminary results with City staff
- ◆ **May – July 2020** – Additional Committee meetings to review data and rate plan alternatives
- ◆ **August – October 2020** – City Council presentations and Public Hearings (compliant with ARS 9-511)
- ◆ **January 1 2021** – Target date for implementation of rate plan



Questions?

Questions from the Public



Closing Comments



Thank You!



