



Meeting Minutes

Citizen Rate Review Committee

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Tuesday, August 25, 2020

5:00 PM

Virtual Zoom Meeting

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**This meeting will be held virtually via Zoom.**

**CALL TO ORDER**

Chairman McErlean called the meeting to order at 5:04 p.m.

**ROLL CALL**

**Present:** 11 - Committee Member Deshuk, Committee Member Booth, Committee Member Smith, Committee Member Nepomuceno, Committee Member Majeska, Committee Member Lombardo, Committee Member Lowell, Committee Member McErlean, Committee Member Minarik, Alternate Gioia and Alternate Paine

**Excused:** 2 - Committee Member Fallon and Committee Member Perez

Staff Present: Public Works Director Javier Setovich, Public Works Deputy Director Barbara Chappell, Finance Director Doug Sandstrom

Committee Member Deshuk joined the meeting at 5:21 p.m.

**MOTION BY Committee Member Nepomuceno, SECONDED BY Committee Member Lombardo, that Committee Member Fallon and Committee Member Perez be EXCUSED. The motion carried by the following vote:**

**Ayes:** 8 - Committee Member Booth, Committee Member Smith, Committee Member Nepomuceno, Committee Member Majeska, Committee Member Lombardo, Committee Member Lowell, Committee Member McErlean, Committee Member Minarik, Alternate Gioia and Alternate Paine

**Excused:** 2 - Committee Member Fallon and Committee Member Perez

**Absent:** 1 - Committee Member Deshuk

**APPROVE MINUTES**

1. [MINUTES](#) Approve draft minutes of the Citizen Rate Review Committee meeting held on  
[2020-166](#) August 18, 2020.

**MOTION BY Committee Member Nepomuceno, SECONDED BY Committee Member Lowell, that the Minutes be APPROVED. The motion carried by the following vote:**

**Ayes:** 8 - Committee Member Booth, Committee Member Smith, Committee Member Nepomuceno, Committee Member Majeska, Committee Member Lombardo, Committee Member Lowell, Committee Member McErlean, Committee Member Minarik, Alternate Gioia and Alternate Paine

**Excused:** 2 - Committee Member Fallon and Committee Member Perez

**Absent:** 1 - Committee Member Deshuk

### **CITIZENS COMMENTS/ APPEARANCES FROM THE FLOOR**

None.

### **BUSINESS**

#### 2. Staff Presentations

##### 2.1 Goodyear Utility Rate Study (Dan Jackson, Willdan Financial Services)

Finance Director Sandstrom provided a refresher on government accounting based on the presentation he gave at the March meeting. He also reviewed the fee adoption timeline and the next steps for the committee. The committee members had the following questions and responses provided are also below preceded by an "A":

1. What happens to excess revenue over expenditures at the end of the year? A: It stays in the same fund for use as contingency reserves or it is saved for capital projects. In some years, the expenses will be higher as we construct capital projects.
2. Extra fees or a surplus can't be borrowed or reapportioned to the general fund? A: Correct. They stay for that specific purpose.
3. If you weren't going to increase the rate, would you still have to have the 60-day prior notification? A: No, If the rate were to be left the same, none of these steps would be necessary.

##### Goodyear Utility Rate Review Study (Dan Jackson, Willdan Financial Services)

Consultant Jackson presented an overview of the Goodyear Utility Rate Review Study which was broken into three parts: Water/Waste Water, Solid Waste and Storm Water. During the question and answer period, the committee members had the following questions and responses provided are also below preceded by an "A":

1. Are CIP projects in today's dollars? A: Yes, we didn't include inflation.
2. What are "transfers" [referred to on slide 13]? A: These are one of three things. Transfers account for:
  - Moving money from the Water or Wastewater funds into a separate capital projects fund where projects with multiple funding sources are budgeted
  - Funds transferred into the General Fund to pay the Enterprise funds share of overhead

- costs for services such as administration, council, legal, customer service
- These costs are based upon a cost allocation model that allocates administrative time for time spent.
  - As these funds are set up to run like a business we charge an in-lieu property tax equivalent to what they would pay if they were a private utility.
3. The revenue requirement doubles between 2020 and 2029. What percentage is due to cost increases and what percentage is due to increases in the number of accounts? Does either residential or commercial drive a disproportionate percent of the increase? A: 30 - 35% was used for cost increases, primarily due to growth. Almost 50% is due to new debt in the CIP from both service growth and maintenance of existing facilities. As for residential versus commercial, we balanced the rate of growth so they grow at the same rate although that may not happen. Residential tends to be steadier growth while commercial tends to grow in spurts. Neither is disproportionate.
  4. Is “Non-residential” the same as the “Multi-Family/Commercial/Industrial” category shown on slide 4? A: Yes.
  5. What are the policy principles used to justify the water volume rate differentials between “Residential - City”, “Non-residential”, and “Irrigation”? A: People often wonder why it’s different since water is the same but it’s the delivery system that makes the difference. Different customer classes have different levels of demand and we need to build to serve on the peak day of the year. Most peak factors are higher for residents than for commercial because commercial tends to use water on a steady basis where residents tend to use a lot more in the summer months.
  6. The consumption model shows almost flat or slight growth over the past 5 years, why does the future model show a rather faster rate of growth? A: It did grow slightly from 2016 to 2018 but then fell again. The chart shows a steady increase but there will likely be peaks and valleys depending on the weather. We assumed an average year. Additionally, in 2015 we started heavy conservation efforts and a three-tier system. There’s been quite a bit of conservation over the last three years. There is a point at which you can’t get more conservation factored into the growth.
  7. Why is operating cost going up 20%/year in the next two years? A: That’s primarily a spike from the addition of the new water treatment plant.
  8. On slide 11, which are the regulator-required projects and what is the total cost of these projects? A: Going through the CIP list, brine disposal is a big one. In general, those that are related to infrastructure or rehabilitation are directly connected to meeting regulatory requirements since their working correctly is required.
  9. Is brine disposal saleable or do we not process it to be used by road departments, etc? I’ve looked into it and if treated, it can be used as rock salt for snow and can be included in the food industry so it would be good if we’re spending this amount of money that it isn’t just buried or transported away. A: We’ve not experienced the tail end of that process. We need to look into it to see if there is some level of recovery that can be done.
  10. Waste water revenue seems extremely high between 2020 and 2029. Why? A: That’s due to

- \$100 million in debt that the City needs to issue in the next five years for wastewater.
11. What percent of residential have these different meter sizes? A: Almost all have ¾” and there’s a smattering of other sizes but I don’t believe I’ve ever seen a residential meter of greater than 2”. We could get the exact amount.
  12. Can we see what the rate increases have been over the past 15 years for the City? A: Information on the last five years was included in the Water Planning Committee information. We should be able to get the last ten years and maybe the additional five. We can compile and chart for the next meeting.
  13. Since business, industrial and commercial customers have the means to recoup utility increases, why not have them contribute more than residential? A: That is within the purview of the committee to decide if commercial has a larger increase than residential.
  14. Is Willdan married to a three-tier rate system? A: We’re not married to it but it’s the most common. I’ve seen four or five tiers, and even one with ten tiers.
  15. What is the distribution function that generates the average rate? Is it linear or non-linear? A: We estimate the amount of water billed under each tier. Our model calculates it city-wide not based on the individual rate payer. So, in that sense it’s linear.
  16. It seems you don’t have functional form across all uses in the City. A: The key issue is how much is billed in each tier. All we have is an estimate of use by class.
  17. Did Willdan calculate elasticity of demand using the previous rate increase data 2016-2020 and incorporate that factor into the model? For example, using change in per capita demand divided by change in rates? A: We use general elasticity factors. There are papers written regarding the elasticity of demand showing that for every 10% increase in rates, there’s a 1% decrease in per capita usage. In Goodyear, the elasticity factor seems greater than that.
  18. What is the projected annual spending for each of the CIP projects shown for the next five years? A: What matters to the rate model is not spending but debt. What is spent is not as important as the amount of debt.
  19. The capital outlay in the chart is small compared to \$143 million...only \$5 million for water and \$4 million for waste water so I understand borrowing to finance but \$143 over five years is confusing. A: There are capital expenditures you don’t issue debt for, such as cars or computers. The capital outlay in the chart are capital expenditures in debt service financed over 20 years.
  20. Looking at the new rate proposal, it seems that non-residential customers will be paying less than residential customers as they use more than 30,001 gallons. Should they not pay more? A: Keep in mind that not many residential customers use greater than 30,000 gallons in a month. A family of four has little need to use more than 30,000 gallons. We want a high disincentive to use so much. Commercial uses several hundreds of thousands of gallons per month. If we made it higher, it would really increase the rate on high volume users.
  21. Are the people responsible with Economic Development in Goodyear comfortable with these increases? A: We’ve not specifically spoken with Economic Development, but we plan to since water rates are a factor that businesses consider when relocating.
  22. How accurately did your 2016-2020 forecast compare to actual outcomes? A: Very

accurate.

23. In the past 15 years, has Goodyear increased water rates 3-5%? A: We had a previous study. 2015 rates were adjusted but maybe not as high as 2015 - 2020.
24. What does cross connect mean on slide 20? A: A device that prevents water from flowing from private property back into the distribution system to prevent contamination.
25. Why are Admin costs so much higher for Solid Waste in 2021 versus other years? A: That's due to a \$200,000 route study in 2021 so there is a one-year bump in costs.
26. Do the studies always have to be done outside and not inside? A: It usually takes expertise in certain areas, so we often reach out for consultants for their expertise. Plus, we don't have the capacity in-house or want to bring on staff just for a temporary project.
27. Are they competitively bid? A: Yes.
28. Is there any benefit to now lower rates so dramatically next year versus no increases over five years for the solid waste? A: We would run the risk of the rate payer saying our costs are down and we're not passing savings to them.
29. Does this plan include the Stormwater organizational growth that we discussed last week? A: Yes, it includes the proposed model of staffing because it took the study into account.
30. Is there an increase in disconnect notices based on our current conditions? A: Yes, due to COVID we have seen a slight increase in the amount we send out but not nearly the amount you'd expect.
31. How often are there incidents with meter tampering? A: A very small amount and it's challenging to enforce.
32. For the non-rate fees, how close are they to actual costs? A: The basis for the fee is basically the cost to provide the service. The committee is best suited to determine if the increase up to the cost of service is immediate or phased in.

### **QUESTIONS FROM THE PUBLIC**

None.

### **INFORMATION ITEMS**

None.

### **NEXT MEETING**

The next meeting is scheduled for September 1, 2020 at 5:00 p.m.

### **ADJOURNMENT**

There being no further business to discuss, Chairman McErlean adjourned the meeting at 7:01 p.m.

Respectfully Submitted by:

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Charles McErlean Jr., Chairman

Date: \_\_\_\_\_