



Meeting Minutes

Citizen Rate Review Committee

Tuesday, September 1, 2020

5:00 PM

Virtual Zoom Meeting

This meeting will be held virtually via Zoom.

CALL TO ORDER

Chairman McErlean called the meeting to order at 5:01 p.m.

ROLL CALL

Present: 13 - Committee Member Deshuk, Committee Member Booth, Committee Member Fallon, Committee Member Smith, Committee Member Nepomuceno, Committee Member Majeska, Committee Member Lombardo, Committee Member Lowell, Committee Member McErlean, Committee Member Minarik, Committee Member Perez, Alternate Gioia and Alternate Paine

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

APPROVE MINUTES

1. [MINUTES](#) Approve draft minutes of the Citizen Rate Review Committee meeting held on [2020-172](#) August 25, 2020.

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

Ayes: 11 - Committee Member Deshuk, Committee Member Booth, Committee Member Fallon, Committee Member Smith, Committee Member Nepomuceno, Committee Member Majeska, Committee Member Lombardo, Committee Member Lowell, Committee Member McErlean, Committee Member Minarik, Committee Member Perez, Alternate Gioia and Alternate Paine

CITIZENS COMMENTS/ APPEARANCES FROM THE FLOOR

BUSINESS

2. Meeting Schedule and Administration

Facilitator Makinen reviewed the agenda for the evening and said there was a series of questions

they'd like to ask the committee. In addition, there were a few questions submitted by Committee Member McErlean that we'll go over.

3. Committee Discussion on Utility Rate Study & Recommendations

Facilitator Makinen began by asking a few of the questions submitted by committee members.

Responses provided are also below preceded by an "A":

1. Are the CAP rate and the annual increases based on cost? A: Yes, they are cost based.
2. Are the monthly minimum charges cost-based? A: It used to be that the monthly minimum charge's intention was to recover all fixed costs of the utility so it was a high minimum charge but that doesn't encourage conservation. There's no disincentive. About 20 years ago, they started moving away from that toward a volumetric rate. You want the volume rate higher to discourage high use of water. Now, it's sort of blended. It covers some fixed cost and more is in the volumetric rate. It's based on the existing rate structure and the increases for the monthly minimum charge and the volumetric rate are increased by the same percentage.
3. What about snowbirds? It's in their favor to not cover their share of fixed cost. A: You could argue that, they pay a lower percentage cost of service.
4. There were several questions about tiers and how they relate to the Water Conservation Committee. A: There are a couple of ways to encourage conservation behaviors or to influence the behavior of the citizens. You can promote the concept of conservation or punish high use of water, or there's conservation by design. Right now, we use as much water as we did in the 80s because we're more efficient by design and behaviors have changed too. Tiers focus on individual behavior. We attach higher rates to outdoor use. There are new landscape standards to help meet the goal of the City. If we change the need for irrigation, we'll have the impact we're trying to achieve without the controversy.
5. I was referring to the irrigation rate...it's only one tier. I think it needs a disincentive. It's easy to waste water in an HOA. I think water use can be reduced. My proposal is that you look at that rate and add a substantial disincentive. If you increase the rate, you'll reduce the amount of water used. A: The City requires the HOAs to have that much turf so it's a bit of a catch-22.
6. It's fundamentally a discussion about what the City wants to look like. We don't want to be Scottsdale, we want to be Goodyear. There's probably a strategic plan somewhere that Council has of what the City should look like and then the City plans to get to that vision.
7. What are the policy considerations, starting with HOAs? There is a lot of grass in basins and on slopes. A: It's a multi-pronged approach, it's not just about the rates but also the landscape standards and other factors. One of the recommendations from the Water Conservation Committee was that each City department have a plan for water conservation.

Makinen then asked, "Have we illustrated how we'll achieve the Public Work's mission of Safety, Reliability and Improvement, and were the strategies presented in line with that? Responses provided are below preceded by an "A":

1. These are not normal times. I think we should look for the lowest impact to the rate payer. Is

- there any way we can stabilize it for a short period? Maybe defer some increases to further out?
2. Regarding the capital projects, does “carryover” refer to projects that are funded and, in the program, or a mix of those yet to be started? A: Yes, funded in a prior fiscal year.
 3. “Carryover” pertains to existing, on-going projects. In FY 2021, wastewater project shows \$25,717,000 but the rate analysis shows \$22,219,000, is the difference carryover? I also want to comment on the number of customers. I assume every resident is charged for wastewater. Why is the charge much less for wastewater only customers versus water and wastewater customers? You’d think it would be more. A: Many customers are on septic. Also, there are some with multiple meters - both water and irrigation meters and some with no sewer.
 4. I still think you should look outside Goodyear for funding sources and not only at homeowners. I mentioned brine before. I believe there could be a way to reuse it and it could be turned into a perfectly usable resource. When I lived in Mexico, there were three tiers but if you surpassed the second tier, all of the water was charged at the third-tier rate. Other than those items, the methodology is fine and easy to defend.
 5. On the CIP, it reflects greater than \$14 million on future projects. Have those been identified yet? A: Yes, it is made up of several smaller projects that we consolidated for reporting purposes.
 6. I was on the previous Rate Review Committee and the Water Conservation Committee and was in the minority opinion on both committees. I am in support of severe charges for higher use on the irrigation rate and also the highest tier should be a really advanced rate, not at the expense of those that can’t pay their bills.
 7. We aren’t looking at quantitative metrics. Based on the information presented, I say yes, it appears to satisfy the mission and strategy of the project.
 8. I agree.
 9. I agree too. What’s been presented impacts the mission statement. On the CIP project list, I see one wastewater item “ Alternative to SAT Site”. I assume that’s the Newland reimbursement. A: No. Currently, when reclaimed water leaves the Goodyear Water Reclamation Facility, it is recharged at Yuma and Estrella. That area has been slated for an economic development opportunity so the project will route the reclaimed water somewhere else to be recharged.
 10. For the Newland Reimbursement, it seems the City is reimbursing about \$25 million to the developer. I assume that’s related to the new facility. A: The developer of Estrella Mountain Ranch prepaid impact fees assessed with the surface water treatment plant, then when homes come in, the City will reimburse them.
 11. I agree that HOAs waste a lot of water.
 12. This is the first committee I’ve been on and it’s a lot of information. All of the presentations were very informative and I’m taking it all in.
 13. This has been a learning experience, so thank you. Regarding the safety and reliability, I am impressed with the content. Yes, you covered safety and reliability due to the content of the

presentations. The objective has been met. I agree with the assertion of irrigation rates. I think the committee should push the point. Heavy users pay a bigger ticket.

14. The information has been great, and my questions have been answered as information was presented. I agree, too, on the irrigation rate. The rate needs to promote conservation either through penalty or award.
15. All of the presenters did a great job. It is a huge issue with HOAs wasting water.

Makinen said that she's heard that the committee believes the irrigation rate should be more severe and they should reduce costs where possible, i.e. brine opportunities. Also, having the lowest impact to the rate payer. She then asked if the committee members feel these rates are reasonable or sufficient to provide the quality of services Goodyear strives to provide? Responses provided are below preceded by an "A":

16. What does "Residential-City" mean? A: It means inside the city limits.
17. The average user uses 7,000 gallons per month. Are most in the first-rate tier? A: Generally, 60-70% use 6,000 gallons or less per month.
18. Is non-residential similar? A: More like 55,000 gallons per month. A lot of them fall into the second tier. Not many use more than 100,000 gallons per month but there are some that use several hundreds of thousands of gallons per month.
19. Manufacturing or waste? A: Manufacturing and HOAs if you look at all the uses.
20. Is there some outreach or education, maybe if HOAs used different plants? I'd like to see an incentive to conserve to avoid higher fees, not penalize for using the same as they are today. I also think that the fees would just be buried in the HOA fees to the homeowner but not explained. A: Regarding outreach, based on the Water Conservation Committee, we do have outreach on a conservation program. We recently brought on a new Conservation Coordinator, Katie Peige, but most of that program was put on hold due to COVID-19.
21. I like the concept of promoting it and you could step up or build up the rate to give the HOA time to reduce turf. A: We've done several things to approach HOAs. Katie has sent notices but no HOAs have called yet.
22. The HOA issue is not futile. I pestered my HOA and we dropped our bill by half. The City showed us what to do.
23. Based on the cost of service, population growth and water use, it seems necessary to fund the CIP and ongoing operational requirements.
24. You should look at ways to lessen the impact to rate payers. The bulk of what the rate payer pays is on fixed charges. Is there a way some can be moved from residential to non-residential? It's not uncommon for a City to charge non-residential more and residents less, partially because non-residential can write the charge off. If non-residential pays a disproportionate percentage of the cost, they won't be happy but there's nothing to stop you from imposing higher fees to non-residential. A: The vast majority of accounts are residential so it would be a significant increase to non-residential for a small decrease for residents.
25. Are many residents on a meter size other than the 3/4"? A: It's certainly less than 10% on a size larger than 3/4", it's probably closer to 5%.

26. You could offset the change in the fixed charge with increasing the usage charge. A: You could, but the bottom line is that there are 19,000 residential accounts and 378 non-residential ones.
27. Does the City ever look at non-residential to see if it's waste or efficient use? A: Not really, we look at the amount of water versus what we budgeted for them to use.
28. I think the data presented is that the need is there for the program the staff laid out. How can we lessen the impact, especially to the residents? Maybe defer the increase until we're out of the "plague". I think the worst is yet to come. Regarding how we message this, it would be an alternative to not nickel and dime them and then as the economy normalizes, show the increase. A: The increase for 2021 as proposed is \$2.17 so less than future years, and in our discussions, while water is important, we need to remember the rate study is not just related to water, but also wastewater, solid waste and stormwater.
29. It looks good, I'm just concerned with wastewater. It's a huge increase in the next five years. I'm concerned with the negative portion of the rates for the credit on solid waste, I don't think you need to reduce them and go backward.
30. The lowering of the garbage rate speaks to the issue of lowering the impact to rate payers...even a small amount is helpful. It illustrates to the people in Goodyear that we do the right thing to manage costs.
31. I think he has a good point. We need to promote that and explain how they accomplished that.

Makinen asked what the committee members' thoughts are on their approach to establishing a new enterprise fund and associated fee for stormwater? Responses provided are below preceded by an "A":

32. What is the basis going to be for the stormwater rate? Square footage? A: For residential, it's a flat, uniform rate since the size homes in Goodyear is relatively uniform. For non-residential, that's different, they're widely divergent in size. Their charge is based on the acre at about \$4/acre.
33. Stormwater is fascinating. We heard a lot about Bullard Wash in my community and it illustrated the need to have a resource in place. It'll become a problem so there's a definite need.
34. My only concern is that it starts as a monthly \$1 charge, doubles the second year, and then flattens for years three through five. I'd recommend evening it out rather than up's and down's. A: We could do that and average it out across the years starting at the beginning, but it would be a big disadvantage on the non-residential side.
35. I'm saying the residential fee only...not the non-residential side. I'd like it to be more flattened.
36. The plan to create the stormwater item is timely and appropriate. Would this show as a new line item on the bill? If it shows as a new service, how will you introduce it? I suggest you introduce it as a ramp up in the bill with how you're ramping up the staffing for it.
37. I agree with the previous sentiment. I think you well established a need for it. I suggest

- periodic reviews of FTE/contract staff to minimize the cost to the rate payers.
38. I agree we need to establish it. In 2015 on the Rate Review Committee, we decided to do a one-time big increase and then flat from there. I'm still happy with that decision.
39. The proposed decrease to solid waste of \$3, I would suggest you add \$1 of that to stormwater. It's a headache to explain the decrease and then increase. We pay \$22.80 for trash, we could pay \$22.80 for trash and stormwater together if we don't have a high rate of non-payment, we should be ok. Additionally, the city I worked in Tennessee came under MS4 so we hired AmeriCorps members. They did field work and public education.
40. I don't find any issue with combining the fees if in the bill, we explain exactly what and why as bullet points. What it is, what it does and the benefits. Starting now is certainly a lot cheaper than starting in 5-10 years.
41. I'm in favor of the flat increase for five years, not giving the \$3 back and sloping up. Is the tail water contaminated or treatable? A: All water is treatable, the question is how. The challenge is because of the changes in the environment up north results in changes in the quantity coming in. We can't understand the flow patterns and what it'll be in the future. It's hard to build infrastructure for a source that might not be there in the future.
42. With non-rate fees, my concern is that many are at half of their cost. I have a hard time recommending fees that recover only half of the cost. What are the policy considerations for charging less than the cost? Why would you want to do that? A: The City has the ability to charge full cost, but subsidized fees can be an effective policy tool to ensure compliance and allow access to service. For instance, water heater inspections can cost \$400 but a city will charge \$200 because at \$400, a resident could avoid doing it and cause a dangerous situation. Maybe some are subsidized, and some are charged at full cost.
43. There's no information on why you'd charge less than cost. For instance, on meter tampering...it seems that's a wrongful act so why wouldn't they be charged? We're being asked to recommend the proposed fees, but we don't know why they are less than cost. A: The committee has wide latitude. The presentation shows what the full cost is, as for the rate, you can decide to charge cost or staircase it up.
44. How much revenue is that for Utilities? A: The water non-rate fee is about \$2 million, the water rate revenue is about \$21 million, wastewater non-rate fees are about \$150,000 and the rate revenue is about \$16 million.
45. That helps with the relevance. Do we have a mechanism to go through each item as an individual and then decide as a group? I'm not in favor of raising the disconnect fee right now in the current environment, but it doesn't mean the rest may not be in favor.
46. I did a summation. If we add all four - water, wastewater, stormwater and solid waste, beginning in 2022, the total revenue goes up 20.5% over 2021. Using only residents with a ¾" meter and adding it up, the impact in 2022 is 13.4% increase and it goes down again in 2023 by 2.5%. I didn't do 2024 or 2025. That's a big hit.

Finance Director Sandstrom said that stormwater is a new utility for Goodyear and the committee says it's needed. Because it's a new enterprise fund, there are a lot of important steps, policies,

system changes and how it'll fit in. There's consensus that we need the stormwater utility and you're comfortable with the rates, however, what will go to Council may be slightly different, but otherwise, we're not looking for line item by line item approval or a vote. We're looking for consensus on the rate proposals being presented and the thought process that went into it. For example, in the reference to disconnect fees, the City is keenly aware of what is going on and has not charged any fees, penalties or disconnect fees with the pandemic and we don't see those coming back until we're through it. We are looking for consensus on the five-year plan on the rate as a whole. A typical residential customer's bill would increase by \$2.17 in 2021. Does this overall rate adjustment look reasonable or are there elements we should look at? I've heard you express concerns, and we'll certainly look into, the irrigation rate and overall HOA charges.

47. Is there contingency built into the rate? A good portion goes to capital projects and they tend to have a lot of overrun. How do you account for that? A: We forecast conservatively and include contingency. It's included in debt coverage.
48. I assume when you're looking at future years, this is what is used for the enterprise fund? A: Yes, we forecast what revenue we think they'll generate, and we use a relatively conservative population growth number.
49. Thank you, that alleviates my concerns.

Makinen stated that the remaining question that was going to be asked tonight was going to relate how to message the rate information, but the City has great internal staff in public information and public affairs staff that can manage that. She then asked, based on what Finance Director Sandstrom provided and the discussions so far, if there are any other elements of the rate study that haven't been mentioned that any of the committee members disagree or are uncomfortable with.

50. I wonder if water usage goes down, if you'll need a rate hike since there wouldn't be enough money.
51. Overall, I'm comfortable with the rate structure. I'm concerned about irrigation rates and the failure to give a reason for the non-rate fee issue.
52. I agree with the rates to the extent we can explain the increase to the rate payers going into 2022. I assume you can't change this once it is approved. A: We can change it, but we have to go through this same process to change it either up or down.
53. So, we'll wait another five years for the non-rate fee issue to be addressed? A: I don't think the non-rate fee is subject to public hearings. I believe you could adopt it with a one-year adoption and look at it separately on an annual basis. We will verify applicability of state statutes in regard to adopting non-rate fees annually.
54. But if you need cost recovery, you can move it to the rate side. A: Is the general feeling on non-rate fees to move them to full cost?
55. More toward full cost but I don't know the policy reasons for the fees as they are.
56. The large decrease in solid waste....it's a messaging issue. As a rate payer to get a decrease and then an increase, it seems like a bait and switch. A: That's another item the City Public Information Officer can address through messaging.
57. Messaging is really important. Goodyear is good at communication and the decrease shows

some empathy for people that are stressed now.

Sandstrom said that there is a clear consensus of support for the rate plan presented, they'll take the committee's input and formalize it for a workshop with Council on October 19. When they have the information for Council prepared, they'll share it with the committee and then reach out with invitations. He added that they'll look at the suggestions of the irrigation rate and looking at non-rate fees on an annual basis. The rate change won't be adopted until January following a required 60-day notice and public hearing.

QUESTIONS FROM THE PUBLIC

None.

INFORMATION ITEMS

None.

NEXT MEETING

No further meetings are scheduled for this committee.

ADJOURNMENT

There being no further business to discuss, Chairman McErlean adjourned the meeting at 7:06 p.m.

Respectfully Submitted by:

Charles McErlean Jr., Chairman

Date: _____