

**MINUTES**  
**REGULAR WORKSESSION**  
CITY COUNCIL OF THE CITY OF YUMA, ARIZONA  
YUMA CITY HALL  
ONE CITY PLAZA, YUMA, ARIZONA  
**December 2, 2014**  
**6:01 p.m.**

**CALL TO ORDER**

**Mayor Nicholls** called the Regular City Council Worksession to order at 6:01 p.m.

Councilmembers Present: Wright, Knight, Beeson, McClendon, Thomas, Craft and Mayor Nicholls  
Councilmembers Absent: none  
Staffmembers Present: City Administrator, Gregory K. Wilkinson  
Finance Director, Pat Wicks  
Fire Marshall, Kayla Holiman  
Building Official, Randy Crist  
Various department heads or their representatives  
City Attorney, Steven W. Moore  
City Clerk, Lynda Bushong

**I. REGULAR CITY COUNCIL MEETING AGENDA OF DECEMBER 3, 2014**

**Mayor Nicholls** opened the meeting to discussions on any items scheduled for tomorrow's City Council Meeting

**Adoption of Ordinance Consent Agenda: Ordinance O2014-32 – Amend the Yuma City Code, Chapter 193, Water and Sewers**

Discussion – questions by **Knight, Wright, and Thomas**; answers by **Wicks and Wilkinson**

- Winter visitors are concerned that they will have to pay \$50 instead of \$20 to reconnect when they come back to Yuma.
  - The reconnection fee is not the service connection fee; the service connection fee refers to the establishment of new service. The reconnection fee will remain \$20. The reconnection fee is set forth in the City's Utilities Regulations, not the Yuma City Code.
- Won't those who have their water cut off have to pre-pay their next month before being reinstated?
  - No, the customer must bring his account up-to-date before service will be reinstated. They will have had a delinquency fee applied to their account at 16 days; the \$20 delinquency fee is only applied once. They will have to pay a \$50 service connection fee after the service is cut at 45 days. By 45 days from the original bill, they will have used another month of water, so they will have those charges included as well.
- This proposed ordinance is increasing the number of days users have before their account becomes delinquent from 16 to 30 days; cutoff doesn't occur for another 15 days, at 45 days from the original billing date. The 60-day cycle gave users only 20 days to pay before becoming delinquent.
- Users complained that the 60-day water bill was too high for them to pay and there were problems with the City's billing company and the amount of time mailing took. These problems have been addressed by changing to the 30-day cycle and changing the City's billing company.

- Leniency is given in the case of delinquency if the customer is a first-time offender, does not have a history of delinquencies and failure to pay was an oversight. Otherwise, everyone is treated the same.

**Introduction of Ordinance: Ordinance O2014-36 – Amend the Yuma City Code to adopt NFPA 1 Fire Code 2012 and local amendments**

Discussion – The following individuals participated in the discussion: **Knight, Wright, Nicholls, Holiman and Crist**

- Section 1.10.1 of the proposed code speaks to a Board of Appeals; the ordinance calls for this wording each time it occurs in the code to be replaced by the “City of Yuma Building Advisory Board.” Is this a new board the City will have to establish?
  - The current City-Council-appointed Building Advisory Board is the board that will continue in this capacity under the new code.
- What do the category-of-use abbreviations mean?
  - A2, A3, A4: places where people assemble
  - B: used for business
  - E: used for education
  - F2: factories
  - M: mercantile usage
  - S2: high hazard storage
  - U: accessory usage, such as a storage shed or canopied area
  - R: residential usage. R3 is one- and two-family residential dwellings
- The proposed ordinance would exempt only U and R3 categories from sprinkler installation requirements; this is a continuation of the City’s current requirements.
- Section 69.4.2, Operational Safety, calls for anyone who dispenses, fills or evacuates liquefied petroleum (LP) products to be trained and certified to do so. Is this over regulating these businesses? Have there been any accidents related to this? How much of a financial burden will this be on vendors?
  - Current regulations require anyone who dispenses LP to be trained; this requirement has been in place for 11 years. The proposal would include anyone filling and evacuating LP gas to be trained as well.
    - Dispensing occurs at the point of sales. Filling and evacuating is done when the delivery truck refills the vendor’s bulk storage tank.
  - LP gas is much more flammable than normal gasoline; it burns at a hotter temperature. It takes specific training to be able to handle it. There was an accident just last week with an untrained individual refilling a vehicle storage tank.
  - Training for certification is not something the City’s Fire Department offers. Generally, businesses see to their own training needs. In actual practice, the person doing the dispensing – who already must be certified – is the person who performs filling and evacuating.
- The proposed regulations would not permit above ground storage tanks for LP gas. Will older, existing above ground tanks be grandfathered in?
  - This requirement is a continuation of what’s already in place; the section is simply updating the cross-reference information.
- The Fire Prevention Division of the Fire Department is to be renamed Community Risk Reduction, reflecting all hazards, not just fire.
- Could staff point out specifically what in the proposed code is actually different from current regulations – much of these amendments appear to be housekeeping updates? What is actually changing?

- The proposed code is an update to the City's current adopted code and not everything is being changed. Generally, it involves clarifications and updated cross-references. **Holiman** agreed to provide a list of only those regulations specifically being changed.
- The Building Advisory Board met to review the proposed code and unanimously voted to recommend adoption to the City Council.
  - The board held multiple meetings.
  - Notices were sent to local businesses in the construction and design fields. The meetings were well attended, however, staff will review the minutes to see who attended and forward that information to the City Council.
  - Early on in discussions, the board was asked to remove certain sections that were more restrictive on fire sprinklers and the board did so. Other than that, there were no objections to the recommended code.

## II. WATER AND SEWER RATE STUDY UPDATE

**Simonton** informed the City Council that the Water and Sewer Commission held its first public hearing on the rate study on November 5, 2014. The City's consultant, Dan Jackson, from Economists.com gave the presentation. Seven community members attended and there was good discussion.

The focus of this effort is to provide adequate funding for water and sewer infrastructure capital projects. Money for capital improvements to the water system will be exhausted once the City spends the remainder of the funds it received from the 2007 bonds. Funding for wastewater projects will run out at the end of this fiscal year.

CIP projects included in the rate study plan are as follows:

- Replacement of aging infrastructure
  - Waterlines
  - Sewer manholes
  - Sewer lift station upgrades
  - Main Street Water Treatment Plant (WTP) filter upgrades/replacements (oldest set is 40 years old)
  - Recoating of interior of 16<sup>th</sup> Street tanks
- Safety- and/or regulatory-driven needs
  - Removal of the use of chlorine gas at Main Street WTP
  - Figueroa Water Pollution Control Facility (WPCF) Feasibility Plan (re: discharge limits)
  - Figueroa Avenue bar screen replacements

NOTE: New plant expansions and/or new systems are NOT included in the next 5-year CIP

Water infrastructure needs – critical capital projects – total: \$7.2 million (Mil)

- 16<sup>th</sup> Street Tanks Rehabilitation 2015 (\$600 Thousand (K))
- Main Street WTP Filter System Upgrades Phase 1 2016 (\$1.8Mil), Phase 2 2019 (\$1.5Mil)
- Main Street WTP Chlorine System Modifications 2017 (\$780K)
- Pecan Grove Neighborhood Waterline Replacement 2015 (\$638K)
- 16<sup>th</sup> Street / 4<sup>th</sup> Avenue Intersection Utility Replacement 2015-2016 (\$1.3Mil)

- 1<sup>st</sup> Avenue Waterline Replacement 12<sup>th</sup> Street -16<sup>th</sup> Street (\$600K)

Wastewater infrastructure needs – critical capital projects – total \$5.5Mil

- Figueroa WPCF Bar Screen Replacement (\$1.2Mil)
- Figueroa WPCF Onsite Manhole Replacement (\$275K)
- Figueroa WPCF Biosolids Dewatering Phase 1 (\$400K)
- 1<sup>st</sup> Avenue Waterline Replacement 12<sup>th</sup> Street -16<sup>th</sup> Street (\$600K)
- Ferrous Chloride Improvement Project (\$1.5Mil)
- Lift Station Rehabilitation/Improvements (\$300K annually)
- Manhole Replacements on large interceptors (\$1.2Mil)

**Simonton** turned to a series of maps depicting the location of water lines. Each line was color-coded based on its age.

#### Annual Waterline Replacement Program

- 23 miles of line installed prior to 1950 (\$18 Mil)
- 54 miles of line installed in the 1950's (\$43.2 Mil)
- 30 miles of line installed in the 1960's (\$24 Mil)
- 50.5 miles of line installed in the 1970's (\$40.4 Mil)
- 157.5 miles total of Yuma's 550 miles
  - Immediate need of \$61Mil
  - 2020's additional need of \$24Mil

In today's dollars, a mile of water line costs approximately \$800,000 to replace.

- 157.5 miles x \$800,000/mile = \$126 million

The current rate study includes an annual waterline replacement CIP of \$1.25Mil. At this rate, it will take more than 100 years to replace the projected water lines.

#### Proposed Rate Increase Plan

- Staff has decreased the percentages being requested from those originally presented to the City Council on October 28, 2014 as requested by the City Council at that time.

##### October 28, 2014 recommendations

- 2015 – 4% \$2.86/mo.
- 2016 – 4% \$2.97/mo.
- 2017 – 2% \$1.55/mo.
- 2018 – 2% \$1.58/mo.
- 2019 – 2% \$1.61/mo.

##### Today's recommendations

- 2015 – 3% \$2.14/mo.
- 2016 – 3% \$2.21/mo.
- 2017 – 3% \$1.93/mo.
- 2018 – 2% \$1.56/mo.
- 2019 – 2% \$1.59/mo.

- Today's recommended increases will generate \$3.5 to \$4 million in revenues for both Water and Wastewater CIP projects.

#### Unfunded

- Unknown increases in electricity costs
  - Yuma's Utilities Department spent \$2.25 million for electricity in 2014.
  - Possible reductions to Hoover Dam power production would trigger a rate increase of an unknown amount

- Possible EPA closure of Arizona coal mines would trigger one-time 10% rate increase
- Water/sewer lines breaks
  - Emergency construction costs
  - Legal and damage costs
- Drought impacts
  - 80% of City's water is supplied by the Colorado River. Should the City's allotment be curtailed, the City would probably turn to water wells to make up the shortfall.
- Dessert Dunes Phase II improvements
  - The design work has already been completed for next 3.3 mgd expansion; cost: \$56Mil
    - Improvements will become mandates at 85% flow; that level of flow is not expected until around 2025.
    - Current Water Infrastructure Finance Authority (WIFA) Loans and Revenue Bonds will be paid off in 2022 and 2032.
- Upgrades to Figueroa WPCF
  - This feasibility and capacity of these upgrades are currently being studied.

Discussion – The following individuals participated in the discussion: **Nicholls, Beeson, Knight, Thomas, McClendon, Wright, Simonton, Wicks, and Wilkinson**

- Concerning the Pecan Grove area, the water lines were installed before 1950. All of the utilities are in the backyards of the homes; the City has a utility easement, but no dedicated alley. The project would involve moving the water line to the streets, which are wide. The most difficult issue would be running the lines from the front to the back of each house and dealing with the accessory buildings that have been built by homeowners over the existing water lines.
  - The area is a ticking time bomb for water line failures. It took two days to complete a simple pipe collar repair last October because of having to move everything the owner had built over the water line and then having to restore his yard. Fortunately, the home's foundation was higher than the yard or there would have been even more problems.
- The City is always working to replace older infrastructure and has made some progress in various areas. The areas on the maps that have no colored lines are those areas where water lines have been replaced since the 1980's. Just as the City did when rebuilding the streets in the Downtown, water and sewer lines are replaced whenever a street is being rebuilt.
  - In some projects, the City has replaced smaller pipe with larger widths. After the City upsized the outflow lines from the water treatment plants, the City's fire rating went up because the City's water flow to outlying areas had improved. This rating helps determine what people and businesses in Yuma pay in insurance premiums; a higher water flow rating means rates go down.
- To confirm, none of the money generated by the proposed rate increases will pay for expansion of the system or new development. New development is paid for by impact fees or the developer.
  - The City invested millions in increasing the capacity of its sewer and water plants at a time when the community was growing, but a large portion of the outlying infrastructure, apart from the plants, is aged.
- What unfunded mandates from Environmental Protection Agency (EPA) or ADEQ (Arizona Department of Environmental Quality) are expected?

- The most recent unfunded mandate was a newly-imposed maintenance fee on each permit fee. Each of the City's water and/or sewer plants has a permit; some have multiple permits. The ADEQ now requires the City to pay a \$75,000 - \$100,000 maintenance fee on each permit.
- Each year EPA systematically monitors unregulated contaminants. Should EPA feel that a contaminant poses a health risk, it could require new treatment procedures that could prove costly.
- Concerning fluoride, City voters approved adding fluoride to the City's water supply. To remove that requirement, voters would have to take up the issue again. Colorado River water and Agua Viva well water both contain fluoride naturally. The City has to add only a very minute amount to the water to meet tooth decay prevention standards – approximately a thimbleful in 55 gallons. The chemical is fairly expensive, costing about \$20,000 per truckload, but a truckload can supply the City's need for a couple of years. However, Fluoride is one of the most dangerous chemicals to handle.
- Have there been many catastrophic breaks?
  - Older lines are made of asbestos cement pipe. These are subject to frequent collar breaks, which are relatively easy to repair.
  - A catastrophic break in an alley in the Avenues involved a newer pipe – one installed in the 1960's.
  - Even if it affects only one home, a bad break is a catastrophe to the homeowner and the City must restore the property.
  - Staff is attempting to address potential catastrophic failures before they happen.
  - Sometimes it's not the oldest pipes that fail. The waterline in 24<sup>th</sup> Street between Pacific and Arizona Avenues, installed in the 1970's, was very prone to problems. At times, it was being repaired once a month. The redeeming factor in these repairs is that the lines are in the streets where the water can be carried off and collected. Even relatively easy repairs cost time and money and disrupt homes and businesses.
- Which projects are considered really critical? Perhaps only what is critical should be done.
  - **Simonton** drew attention to a spreadsheet compiled by staff; it listed 95 projects, all of them considered critical. Before staff knows which projects to include in the CIP, it needs to know how much money is going to be available. Knowing what's available allows staff to plan in a way that maximizes each dollar. The less critical projects have already been pulled off the list. **Wilkinson** added that every one of the 95 projects has been specifically chosen from a much larger list. This pared down list addresses infrastructure that is over 70 years old.
- How does decreased water consumption by the community affect the Water and Sewer Funds?
  - Water consumption has fallen in Yuma and nationally since 2008.
  - Water usage in the summer runs about 35 million gallons per day (mgd); whereas, in the winter it drops to 20-25 mgd.
  - The fall in water consumption in Yuma has flattened out, with a very slight movement upwards recently because of new homes.
  - Staff feels that significant reductions in the future are unlikely.
- How much revenue has been lost by this reduction in water use?
  - In Yuma's water use boom, in 2009, billed water brought in close to \$23 million.
  - 2015 projections show that income at \$20 million.
  - Debt on the City's water/sewer bonds is paid every year and the City has reduced the principal remaining by millions.

- Bond proceeds were not used exclusively in the Foothills area. One major project completed with the money was the expansion of the capacity of the water lines going to Yuma Valley. A new 30-inch waterline was built from the water towers to Avenue B under 16<sup>th</sup> Street.
- Water lost in a water line break is water that does not earn any revenue.
- No one wants their water bill to increase, but the aging condition of the facilities poses real problems. When staff asked for water increases in 2010, the City Council simply said no. The needs weren't addressed then and they remain needs today. The City Council cannot risk failing the community by not taking action to repair the system. Can the proposed percentages be decreased - perhaps a phased increase of 3%, 2%, 3%, and 2% each year?
  - The consultant's original recommendation was to take out a \$30 million bond and increase rates 9%.
  - **Wicks** and **Simonton** rejected that recommendation and reduced it to 6% and no bond.
  - When presented with the 6% figure, **Wilkinson** reduced it further.
  - The figures have been further reduced since first discussing the increase with the City Council.
  - The consultant ran a computer analysis using 2% over 5 years and it would not produce enough revenue to complete the critical projects.
  - Staff does not want to increase rates so little that they'd have to be back in two or three years asking for more. These increases prevent further increase for some five years. The last increases occurred in 2006 and the 2010 attempt failed.
  - Staff would be more comfortable with the percentages presented in October, as shown.
  - Staff feels the recommended percentages are as low as they can go.
  - The CIP projects presented will be completed on a pay as you go basis, so the rate increase for FY2015 would pay for projects in FY2016.
  - The City Council should be aware that by 2025, the City will be facing a \$56 million cost to complete the next phase of Desert Dunes construction. As one of the first things he did after becoming City Administrator, Wilkinson stopped that construction, in part because of the slowdown in water consumption.
  - If the City experiences a major line break, it will cause all of the projects to be re-prioritized; if the City experiences two or more, there will be financial difficulties.
  - Costs are only going to rise; the costs presented in today's presentation reflect today's dollars.
  - Once the City begins replacing strainers at the Agua Viva WTP, there will be an annual cost of \$250,000 to \$300,000 until they are all replaced.
  - Staff will meet with the consultant to run the analysis with 3%, 2%, 3%, and 2% increases to see what the resulting revenues would look like.
- Will the proposal include tiers – higher fees for high volume users?
  - Those costs will be presented during the upcoming Public Hearing before the City Council.
  - Tiered prices give customers some control over what they choose to pay based on how much they choose to use.
  - The US Bureau of Reclamation is pleased with a tiered approach because it encourages water conservation, though the proposed tiers are much less extreme than what other communities have enacted. The City of Yuma wants to promote conservation even while it is in the business of selling water.
- What happens after 2019?
  - No increases are planned after 2019 at this time. Increasing the rates now will give the City time to further assess the needs while making some progress. In five years, the economy may have picked up and development increased. The current bonds will soon be paid off which will relieve some of the debt pressure.

**Knight** stated that these increases are not the solution. Staff needs to go back to the drawing board and come up with a different alternative. Implementing these rates will change the economic landscape of the community and be a burden to low-income customers, a disincentive to new business and a drag on employment. Higher costs will create even more water customer delinquencies.

**Mayor Nicholls** disagreed. Failing to maintain the City's infrastructure will be more of a disincentive to new business than reasonable rate increases. Some \$2 per month is not unreasonable. Other Arizona communities have implemented significantly higher increases. The proposed increases don't even keep up with inflation. It would be better to do phased increases now than wait until the problems require 10% or 15% increases just to catch up.

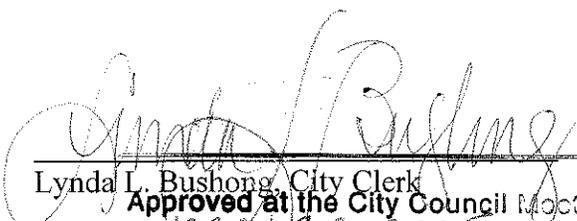
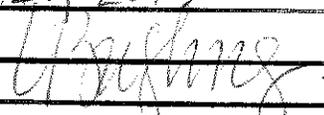
- What would happen if no increases were adopted and there was a major break or multiple major breaks?
  - The City has several recourses:
    - The Water Fund currently has a balance of \$6 million.
    - Water capacity fees are set aside for future needs and there is some money in that fund.
    - There are some remaining bond proceeds.
    - Of course, the General Funds are available as loans.
    - But if that money is used, it curtails other functions and services.
  - The proposed increases would give the City time to work on replacement of aging lines under the assumption that major breaks won't occur until the replacements can be made. That assumption is a gamble, especially with lines that were installed in the 1930's, 1940's and 1950's. The City did not install those lines. In the 1960's, the City purchased the system from a private water company that had constructed the lines, so the City really does not know what all the lines are like. Only through the replacement that has occurred since then has the City gained insight into the condition of those old pipes.
  - If an earthquake occurred and created tremendous damage, the City would have to turn to the federal government for help.
  - It would take only one or two major breaks to exceed the City's resources.

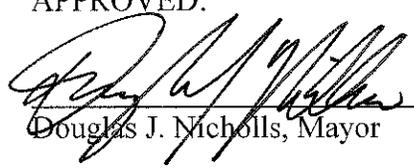
**Wright** opined that the amount of money generated by the rate increase would just be lost to decreased water consumption and fewer new businesses. It would be better to generate more revenue by increasing the number of new water connections.

**V. ADDITIONAL ITEMS FOR POSSIBLE DISCUSSION - none**

**VI. ADJOURNMENT/EXECUTIVE SESSION**

There being no further discussion or comment, **Mayor Nicholls** adjourned the meeting at 8:00 p.m. No Executive Session was held.

  
Lynda L. Bushong, City Clerk  
Approved at the City Council Meeting of:  
May 20, 2015  
City Clerk: 

APPROVED:  
  
Douglas J. Nicholls, Mayor