

**WATER & SEWER COMMISSION  
PUBLIC MEETING HELD NOVEMBER 5, 2014  
PUBLIC WORKS TRAINING ROOM  
155 WEST 14<sup>TH</sup> STEET  
YUMA, AZ 85364**

**Chairman Mohindra** called the meeting to order at 5:00 p.m.

**MEMBERS PRESENT:** Vinod Mohindra  
Luis Acle  
Lorna Brooks  
Brian Ewing  
Kathleen Carroll  
Michael Wicks

**MEMBERS ABSENT:** Alan Pruitt

**STAFF PRESENT:** Jay Simonton, Utilities Director  
Jeremy McCall, Utilities Manager  
Bea Dorries, Utilities Manager  
Greg Wilkinson, City Administrator  
Toni Corea, Administrative Assistant

**PUBLIC PRESENT:** Carlos Mendoza  
Larry Minium  
Elizabeth Flores  
Thomas G. Kelly III  
Blake Hending  
George Blackwell  
John Courtis

**Water & Sewer Rate Study**

**Chairman Mohindra** called the meeting to order at 5:00 pm.

**Chairman Mohindra** welcomed the staff and public to the meeting, and began with a background of the Water & Sewer rates in Yuma. The Utilities Department is a stand-alone enterprise. It does not receive subsidies from the City of Yuma, nor does it subsidize any of the City's income. It pays for its own expenses, operations and services such as billing, collections and staffing. It receives no money from the general fund and as such, operates as a business. As a business, the Utilities Department has to be prudent, and from time to time look at its expenses and income, and then react to them accordingly. The last rate study was in 2006. The water bill was last adjusted in 2008. Staff has done an excellent job in keeping the cost down. Yuma is 22% below State average. The last increase on the sewer side was in 2011. Like anything else, cost is going up. The system is a mixed breed of the latest of modern equipment, and a distribution system that is very old. It was not too long ago that wooden pipes were found. Utilities can either maintain it and proactively replace them, or wait for a disaster. When working on the systems, it takes capital to do so. You have to look at the revenues and react. Accordingly, we had a water and sewer rate adjustment study. We hired consultant, Dan Jackson, to conduct and review the study. **Chairman Mohindra** introduced Dan Jackson.

Dan Jackson, from Economist.com spoke on the water rate study. The company has gained extensive knowledge by working on past rate studies for Yuma, and surrounding cities, as well as across the state. Dan has compiled information over the past several months. He has worked with staff, as well as the Commission and Council for several alternatives in the rate adjustment. His company also worked on the 2006 rate study plan. They have extensive knowledge of what the City of Yuma is facing. The question becomes - what is the most reasonable rate plan to put in place. There were several alternatives with two different rates becoming the choices.

A PowerPoint presentation was shown, narrated by Dan Jackson. **Mr. Jackson** stated one reason for a rate increase is that the operating cost continues to go up. The City of Yuma's water and wastewater is a nonprofit entity. There is no profit, no dividends...all the City is asking is for rate payers to reimburse for the cost of operations. The City of Yuma has identified approximately \$27 million dollars in capital improvements that will be required over the next decade. By making improvements, the City has been able to maintain the high quality of service it currently provides. It also avoids catastrophes such as line breaks. These types of catastrophes can cost tens of millions of dollars, not only to cities, but also to people as well. You have to continually invest in the system to minimize the possibility of these types of occurrences. **Mr. Jackson** reviewed the current water and wastewater rate structure. He also went over the forecast of the water accounts, as well as the historic rates of water consumption. **Mr. Jackson** stated a forecast is not a guarantee; it's a prediction based on a series of reasonable assumptions. The operating cost will continue to increase. There will be limited personnel in the years to come. We need to take into consideration items such as chemicals, electricity, gasoline, insurance and worker's compensation. These are all components that will incur operating cost. The other major component is capital cost. **Mr. Jackson** went over the Water and Wastewater cost of service over the next five years.

The Committee and Council reviewed numerous rate options. One of the two alternatives chosen to present to the City was the Traditional rate structure, which maintains the same rate designed with annual adjustments. The second alternative is the Conservation rate structure, which implements more significant block rates for residential customers; no change in commercial or wastewater from the first alternative. Under the alternative 1 rate change, there would be about a .50 cent increase on the water side, effective January 2015, with an annual increase of about the same amount for three years and then gradually declining with a .35 cent increase in 2019. On the wastewater side, rates will increase from \$32.48 to \$33.45 in 2015, and finally in 2019 increase from \$35.85 to \$36.57. For non-residential, it would be about the same increase on the base charge. There would also be a charge for BOD and TSS charges. Under this proposal, the impact on residential rate payers would go on the average usage from \$71.48 to \$73.62 a month. The increases would be a little less on the out years. If you are a commercial rate payer, of course your amount would increase. The increase would be about \$11.17 the first year, and a lesser increase on the out years to about \$8.26 a month.

The second alternative is meant for conservation. There would be a higher charge if it's over the average amount consumed/used. It would be broken into 3 categories, and if your usage charge is 10-hcf it would stay the same; an increase would not occur. However, if you used 16-hcf it would go up about \$2.22. The premise would be if you used more, then you pay a higher rate. There are very few residents that would use a higher rate.

As Dan Jackson summarized his presentation, he commended the City for keeping the rates low for as long as they have. The costs are going up and there needs to be adjustments in order to

fund all the City's water and wastewater expenses. These decisions are never easy to make, but Mr. Jackson urges the importance of the adjustment from one of the two alternatives to continue the high quality service that City of Yuma water and wastewater provides.

**Chairman Mohindra** opens up to the public for questions or comments with a time limit of 3 minutes, with **Jeremy McCall** being the official time keeper.

**Larry Minium**, a local resident, commented on the presentation. **Mr. Minium** stated that Mr. Jackson never talked about the total amount of bill increases. I don't have a problem because my brain adds numbers pretty well. But we are not talking about two bucks; we are talking about six, seven, eight dollars, by the end of five years we are talking about close to 20 bucks. **Mr. Jackson** responded by saying, I don't think it is that much. You are talking about \$2.14. That is the water and wastewater increase and the meter cost. This would be under alternative 1. **Mr. Jackson** referred back to the PowerPoint presentation screen and explained rates went up, and they went up significantly, but he would not characterize it as that amount. **Mr. Minium** disagreed with Mr. Jackson on what the prior increase had been, since Mr. Minium pays the bill.

**Mr. Jackson** conceded they will have to agree to disagree.

**George Blackwell** questioned the conservation rate. He stated what he has noticed in his bill an increase in usage. The cost has actually been lower when divided by units used, and he is confused about this. The second point is, if we are looking at revenue in 2013, the Council talked about a variable sewer rate. **Chairman Mohindra** interjected to answer in regard to a sewer meter. As Dan mentioned earlier, there is no such thing as a sewer meter. What is going out of the sewer line is not measured. The measurement used is a comparison at our plants; how much water we pump out in a day and how much is collected at the wastewater in a day. Our average in a day is about 40%. As Dan explained earlier, most families have discretionary water usage. People who use more water are not putting it into the sewer. A family of four is going to drink the same amount of water similar to others. The water going into the sewer will be about the same. The changes in the Conservation charges are landscaping, car washes, and swimming pool operations, which is why we have a fixed rate for the sewage. **Dan Jackson** explained how water service is paid for, and gave examples of the current rate, and how it is calculated for the minimum charge.

**Tom Kelly** stated it was unfair to only have three minutes when others have gone on longer. He questioned the statement of not being able to meter the sewage. His association of his complex was overcharged for a number of months until it was brought to the City's attention. The association spent \$40,000 to meter their irrigation, resulting in the bill going down \$1000 a month. He questioned if Dan Jackson factored in that people in apartment complexes, and people in homeowner associations pay the same as commercial users, therefore, they pay 100% of the water that comes in for sewer. The poorest people in the City are the ones that live in apartments, and will be paying the highest rate. Is that appropriate? **Dan Jackson** stated it was not a fair characterization. **Chairman Mohindra** interjected with a response to Mr. Kelly by saying there is no such thing as a single family home sewer meter. **Mr. Simonton** interjected and addressed Mr. Kelly stating he knew of the specific case in regard to Mr. Kelly's association. **Mr. Simonton** asked if he would like to address it directly to him in private, or if he would like him to address it in this public forum. **Mr. Kelly** stated that he had already seen the bills. **Mr. Simonton** continued addressing Mr. Kelly's question about the specific complex and association. **Mr. Simonton** stated that in 2010, the president of that association contacted the Utilities Department and we went out and did an investigation, and found two meters were not being utilized. We made a recommendation, as we do with any commercial customer that connects with us. **Mr. Kelly** stated they are not a commercial customer. **Mr. Simonton**

explained that under the regulations, his facility is classified as commercial. The recommendation was made to the association, and it was completed at their expense. The association did complete the modifications. You are only paying for the water that goes through your system. **Mr. Kelly** stated the issue is, we're the City...us the residents, and you are overcharging a large number of people for their sewer services. If you were a private company, that would be consumer fraud. When you charge someone for something they do not receive, and that is what is happening here, it's inappropriate. **Mr. Simonton** reiterated that every apartment complex is different; there is no way to generate an individual rate for every single apartment complex. **Dan Jackson** stated he would not characterize it as such. If you do not use irrigation flow, you are paying for what you use. The City has shown willingness to work with any apartment complex or business that would like to investigate the water usage of any resident that thinks they are being over charged. **Chairman Mohindra** stated again that he believes there is no sewer meter in place. **Mr. Kelly** stated, to call it whatever you wanted, they have a meter that measures what they use. Secondly, I have never heard of a \$27 million dollar expenditure paid month to month. You bond those things. If I have a house and it's old, and needs to be upgraded, I get a second mortgage. I don't put aside \$10 a month and pay for it. I get a mortgage to spread out the payment over a long period of time. **Dan Jackson** stated that is exactly what the City has done. The City has debt in excess of \$100 million dollars. **Mr. Kelly** asked if the debt was in wastewater, and what the amount was. **Dan Jackson** questioned staff if they knew the amount. He addressed Mr. Kelly by saying yes \$100 million over a period of many years. **Mr. Kelly** asked when the bonds would be paid for. **Mr. Simonton** made an estimation that the last bond will be paid off in 2032. **Mr. Kelly** stated that you say this is an enterprise fund. The golf course is an enterprise fund. The City found \$600, 000 out of the 2% tax to put in an enterprise fund. I don't think an enterprise fund makes sense when it's basic water and sewer. There was an article that stated a large group of people are having their water turned off because they can't afford it. You will have more people like that once you raise the rates. **Chairman Mohindra** asked how many cut-offs we have had? **Mr. Simonton** stated there are approximately 500 a week. **Mr. Kelly** referenced an article he read. He addressed Dan Jackson by saying he did not believe that his study is complete. **Dan Jackson** asked if the solution was to have the City subsidize these apartment complexes. **Mr. Kelly** responded by, "I would say float a bond. If the City can build a palatial fire station, and they can build a City Hall third floor that is not used, then it is possible." **Dan Jackson** asked **Mr. Kelly** "should your children and grandchildren pay for someone's swimming pool today?" **Mr. Kelly** said "I would rather have it spread out over a period of time than to have the poorest people pay it."

**Chairman Mohindra** interjected letting Mr. Kelly know that his time was up, and that they could answer any other questions he may have at a later time on an individual basis where all the facts would be made available.

A customer said she had been a resident since 1951. She tried to pay her bill online through her bank, but she received a call from the water department saying she was late and they would be shutting off her water. She does not trust the new system. Since the monthly billing began, the basic sewer charge is fluctuating. She questioned the bill and the fees stated on her bill. **Chairman Mohindra** stated that trash collection and environmental solid waste fee is not under the review of the Water and Wastewater Commission. **Chairman Mohindra** explained how the days in between the readings are prorated at times. The customer did not understand why a single person home is charged the same as homes with multiple people in the home. The customer felt it didn't sound good.

**John Courtis**, Executive Director of the Yuma Chamber of Commerce had prepared remarks. "I am telling the City of Yuma DO NOT raise water rates; you simply have not produced a business case to raise rates. Health care costs have gone out of sight, my health care insurance is greater than my mortgage and my car payment combined. Business and home owners simply cannot afford it. Sound bites coming from City Hall are quite frankly insulting, such as "other cities in Arizona charge more". This is a half-truth in that more cities in Arizona charge less for water and sewer than Yuma. "But it's only \$6 more per month for the average person". The \$6 for a young family could possibly buy renter's insurance or that \$72 a year might be the vehicle and registration charge for their crappy old used car. This increase will kill business because for one hotel downtown, the increase will be over \$6,000 per year, and one small local restaurant I surveyed on 4<sup>th</sup> Avenue will be hit with an increase of over \$3,000 annually. Other businesses raise rates, why can't we? Businesses raise rates at their own peril because consumers have choices. We do not have a choice when it comes to municipalities' water services. The operational budget over the next five years actually calls for \$700,000 per year for newly created staff positions, and pay increases for those already employed. Businesses here in Yuma are not expanding staff, and most businesses have had pay decreases and furloughs. The City of Yuma's proposed water rate hike is a business killer. We already have a lousy reputation with hookup fees because those fees are absolutely absurd. Between Crossroad Mission and ALSCO, the City of Yuma received over a half million dollars in hookup fees just in those two buildings alone. You have no business case for rate increase of almost 15% over the next five years. The reality is that the City of Yuma needs to pay \$19 million in 2015, and \$21 million in 2016, to cover the bond that built the Aqua Viva Water Treatment Plant. That Plant was over-built based on hopeful projections prior to the housing bust with a bond that can't or won't be refinanced. In fact over the next five years, \$78 million dollars, over a third of your total water/wastewater costs of services, are for debt service, and then they are saying it is more than that. I believe the City of Yuma is simply not trying hard enough. I know that the City will probably threaten the good folks of Yuma saying we will lose police and fire services if we don't get this money, but that quite frankly won't work. Water rates increased by 19% in 2008 and wastewater fees went up by 41% that same year. I believe you need to come back with a more sensible plan, one that the citizens can actually afford. Realistically what you need to do is to fix the services today, and not force the citizen of today to pay for old bad bonds and old bad deals that were made three or four city councils ago. You have a problem today that was created 15 years ago, and we are being made to pay for it today. I think your plan is too expensive, it doesn't work, it really does not face realities of homeowners and businesses of the Chamber of Commerce...you got a problem. **Chairman Mohindra** asked if for the record we could get a copy of the comments. **Mr. Courtis** said he could have his copy. **Larry Minium** stated that the decreasing consumption has had an impact on the revenues. **Mr. Minium** believes the underlining statement from Mr. Jackson would be the increase is merited because there hasn't been one since 2008. **Mr. Jackson** stated the wording he had used did not say it justifies an increase. **Mr. Jackson** explained that the other cities like Phoenix and Gilbert pay a significant portion through tax funds as opposed to revenue funds. The money has to come from somewhere - it just depends on the preference. **George Blackwell** questioned how the monthly cost is figured out. **Mr. Jackson** gave a brief description of how it is configured. It's a methodology that is used nationwide, and a copy of the 250 page rate study is available at the clerk's office.

**Chairman Mohindra** addressed the fact that unlike the surface of a street where you can see the wear or condition, you cannot see the pipes running underneath the surface unless they fail or you do the annual surveys. We have to maintain the system; someone has to pay.

**Jay Simonton** summarized the staff that is needed to run the systems have to possess certain qualifications in order to stay compliant with other agencies. At the wastewater plant, after years of being understaffed, we are finally staffed sufficiently.

Customers gave final responses and the consensus was the plan needs to be reviewed and maybe more options explored.

**Luis Acle** thanked the public for coming out to participate in the public meeting. He asked the public how many are opposed to the rate increase. Community members in attendance are opposed.

**Chairman Mohindra** thanked the community and stated all comments would be passed along to the Council. At this time **Chairman Mohindra** closed the public forum discussion.

### **ADJOURNMENT**

The meeting was adjourned at 6:30 p.m.