

**CITY OF KINGMAN**  
**MUNICIPAL UTILITY COMMISSION**  
**MEETING**  
**Council Chambers**  
**310 N. 4<sup>th</sup> Street**

5:30 p.m.

Minutes

Thursday, February 26, 2015

<b>COMMISSIOENERS:</b>	<b>Staff Present:</b>	<b>Visitors Signing In:</b>
Allen Burgett, Chairman	Greg Henry, City Engineer	Rhonda Yarbrough
Mike Van Zandt, Vice Chairman	Rob Owen, Public Works Director	
Toby Orr	Tina Moline, Finance Administrator	
Aline Parker	Melody Stewart, Recording Secretary	
Paul Shuffler	Sydney Muhle, City Clerk	
Marvin Yarbrough	Diane Richards, Budget Analyst	
Pat Yarush	Trinna Ware, Finance Administrator	
Council Liaison Miles		

**REGULAR MEETING**

**CALL TO ORDER AND ROLL CALL**

Chairman Burgett called the meeting to order at 5:30 p.m. with seven commissioners present at the time of roll call. Council Liaison Miles was present.

**APPROVAL OF THE MINUTES**

Commissioner Yarbrough made a **MOTION** to **APPROVE** the minutes from the January 22, 2015 meeting with two text corrections. Commissioner Parker **SECONDED** the **MOTION** and it was **APPROVED** by a vote of **7-0**. After further discussion it was determined that Council Liaison Miles would be on the March agenda to discuss the decision from the Council regarding Ordinances No. 1788 and No. 1789.

1. **PAST COUNCIL ACTION:**

None

2. **OLD BUSINESS:** (for review, comment and/or action)

None

3. **NEW BUSINESS:** (for review, comment and/or action)

a) **Review & Discussion of Open Meeting Laws presented by City Clerk, Sydney Muhle.**

City Clerk Sydney Muhle provided the Commissioners with handouts of her presentation and stated she would be providing the annual open meeting law training. Ms. Muhle presented items that referred to violations and fines of open meeting laws, agenda procedures, phone attendance, process of call to the public and what constitutes a quorum. She continued that the public's business must be conducted in public and the

open meeting law protects the public and preserves their right to participate in government and protects public officials, maintains integrity of government, ensures a better informed citizenry and builds trust between government and citizenry.

City Clerk Muhle continued open meeting laws apply to subcommittees which includes quasi-judicial bodies such as Board of Adjustments and Building Board of Appeals. Ms. Muhle stated agendas must be posted with the date, time and location and minutes taken. She went on to explain that a quorum is a majority of the members of the commission and vacancies do not reduce the requirement. Ms. Muhle explained that the rule applies to technological devices which include but are not limited to, E-mail, Websites, Blogs, Tweets, Facebook, telephone and video conferences or any similar technologies. She stated the quorum can also be splintered when less than a quorum of the public body discusses a matter of city business and one or more members later discuss that matter with another member of the public body; you have now created a quorum without being together.

City Clerk Muhle advised no meeting may take place with less than a 24 hour notice to the general public and each member of the public body. Agendas must include notice of the date, time and location of the meeting, specific matters to be discussed, considered or decided at the meeting and such information as reasonably necessary to inform the public on matters to be discussed or decided. She continued only items specifically listed on the agenda may be discussed, considered or decided, if it's not on the agenda it cannot be discussed. To avoid violations of the open meeting law the best practice would be to defer discussion and decision on the matter to a later meeting when it can be properly listed on the agenda.

City Clerk Muhle continued that the call to the public is an agenda item that allows the public to address the public body on topics of concern within the body's jurisdiction even though the item is not listed on the agenda and is not required by state statute and a reasonable time limit may be imposed. She stated there are four options during the call to the public, you may directly respond to criticism after the close of the call to the public however you cannot engage in any type of dialogue with the public or discussion amongst yourself. Commissioners can ask staff to review and place the item on a future agenda to be discussed, or just simply sit in silence. Discussion is only permitted if items are listed the agenda.

City Clerk Muhle continued the public has a right to attend, listen and tape record or video tape. However they do not have the right to speak or disrupt. Penalties for violations of the open meeting law can be up to \$500.00 for each violation, plus attorney fees, court injunctions. She continued that any action taken in violation of the open meeting law is null and void and all sanctions can be enforced against a member of a public body, or person who knowingly aids, agrees to aid, attempts to aid anyone violating the law.

Commissioner Orr asked for clarification regarding violations on chain communications.

City Clerk Muhule explained splintering the quorum, even though the commissioners were not all together; however your points of view were discussed, then you discussed it with someone else the chain for serial discussion is created and as a public body all discussion must be made in public.

- b) **Review of Water and Wastewater Report including Financial Conditions, Cash Reserves and 5-Year Capital Improvements Plan; MUC Recommendation to Council for Use of Funds or Rate Modifications.** Finance Administrator Tina Moline stated she would be providing water and wastewater audited financial statements, including the revenue and operating expenses, the 5-Year proposed capital improvements plan and an overall discussion of the customer rate burden, desired collection system expansion and water system improvements. After the review and discussion a recommendation to the City Council is requested. Ms. Moline advised the Commissioners she provided two pages with corrections on page 9 of the report and 11 of the exhibits relating to the wastewater rate reduction. She explained on page 9 option #4 was a last minute idea given from Coral Loyd before leaving her position and was not included on the report submitted and in the exhibit on option #4, a customer base at the end of the year was used instead of an average customer base.

Ms. Moline gave background information stating as of June 30, 2014 the water system served 18,750 and the wastewater system served 9,390 customers, with an increase of approximately 100 customers from the previous year.

Commissioner Orr inquired of the 18,750 customers, how many are located outside of the city. Ms. Moline stated that approximately 11,700 are inside the City and approximately 7,000 are outside the City.

Ms. Moline said the water and wastewater utilities are operated as enterprise funds which are effectively separate business units. Fees are charged for services the City offers with operating costs paid from those fees. She explained sources of revenue are water sales, connection fees, wastewater charges and development fees. As a part of a water conservation program, water rates were changed to a tiered structure resulting in an overall water decline in consumption in 7 of the past 8 years.

Ms. Moline explained water rates are comprised of a base rate, capital renewal fee and a consumption charge. Consumption charges are based on a tiered rate depending on the quantity of water used in each tier. She continued that residential users have three different tiers with different charges per 1,000 gallons. Non-residential water or commercial users do not have tiers, with irrigation meters having a 2 tier structure. Water connection fees are determined by the size of the meter being connected to the system.

Ms. Moline stated wastewater rates are comprised of a base rate which is currently \$27.803, and a monthly sewer user charge. Effective March 1, 2015 a capital renewal fee of \$1.00 will be implemented resulting in a reduction of \$1.00 to the current base rate.

She continued sewer user charges are computed based on the actual monthly metered volume of water used and the expected wastewater strength. Winter quarter averaging is used for residential sewer user based on the actual monthly metered volume of water used during the months of December, January and February with that average becoming the sewer usage for the next 9 months. She explained that the only time this does not apply is if the customer has a lower consumption. Sewer investment fees are charged to new users connecting to the system at \$91.00 a drainage fixture unit.

Ms. Moline gave an overview of both the Hilltop and Downtown Wastewater Treatment Plants and prior to the latest upgrades, the HTWWTP was last upgraded in 1992 and the DTWWTP in 1971. She stated the HTWWTP upgrades were needed because of the level of nitrates in the test discharge areas exceeded allowable Arizona Department of Environmental Quality (ADEQ) standards. The plant was approaching capacity and no longer able to treat sewer effluent to standards required by ADEQ, with the DTWWTP having similar findings relating to the level of nitrates. Both plants were completed and became fully operational in 2011 and 2012. She continued wastewater rate adjustments were necessary to ensure compliance with lending requirements and meet cash flow needs. Due to the decline in the economy and diminishing of new construction between 2008 and 2013 sewer users fees were adjusted upward to cover the shortfall.

In further conversation it was determined if the City was going to charge for composting materials. Wakimoto Farms from Fort Mohave was no longer interested and there were no other customers at this time. Director Owen stated there is a contract with the Lingenfelter properties but it has been awhile since they received effluent water for dust control at motor sports events.

Chairman Burgett stated there is no infrastructure in place to go to the schools and asked staff if they have looked at a master plan for 10 to 20 years out.

Director Owen stated there was money in this year's budget to look at a master plan with money set aside for a fill stand. There has been discussion to bring someone in to look at different alternatives which could include a deep well aquifer injection.

Ms. Moline stated that during the design and construction of the wastewater plants there was significant efforts to reduce cost with the final cost at approximately \$1.3 million below estimate. There was an annual savings of \$70,000 in tipping fees and a capital equipment purchase of \$100,000 because of the idea to compost biosolids with tree trimmings from the City parks. This material is being reused by the parks and golf course and is available for sale to the public. Another resource to generate revenue is to sell A+ quality effluent from the HTWWTP. She said a construction manager and city staff were utilized throughout the design, construction and management of the projects which resulted in a savings of approximately \$1.5 million. Other savings came from utilizing solar panels, installation of used parts and equipment for temporary need during the decommissioning of the old plants, installing chain link fencing in lieu of a block wall in some areas at the DTWWTP, ability to use flood control funds for a piece of the DTWWTP, receiving \$2.1 million in forgivable principal because of the solar use and other EPA

guidelines that the City met.

Ms. Moline said in efforts to reduce cost on the water system side, the City installed variable frequency drive pumps on City Well 11. Combination units as opposed to natural gas engines are in use which allows the City to take advantage of off peak demand gas and electric. Improvements to decrease pressure zones are in progress, with 5 positions from the water department and 7 positions from the engineering department being eliminated since 2007.

Ms. Moline proceeded to the wastewater financial conditions giving a complete overview from FY 2014. On June 30, 2014 wastewater had \$66.8 million in assets, \$41.3 million in liabilities, with a net position of \$25.5 million of that there is a required debt service reserve of \$3.4 million leaving \$8.1 million in cash balances. She stated the operating revenue for FY 2014 was \$8.9 million. \$3.6 million was used for debt service payments, \$1.8 million for operating costs, \$1 million used for engineering department billing and other admin costs, \$778,000 was set aside for debt reserve, leaving a net income of just over \$1.7 million.

Ms. Moline gave the summary of the water financial condition ending June 30, 2014. She stated there was \$44.9 million in assets, \$1.8 million in liabilities leaving a net position of \$43.1 million that includes \$20.6 million in cash balances which breaks down as accounts payable of \$1.6 million, working capital of \$1.5 million, FY-2016 capital improvements just under \$6.8 million with the rest for future capital improvement projects. Ms. Moline stated there was \$9.0 million in operating revenue. \$6.2 million was used for operating costs, \$886,000 was used for City admin costs and \$1.7 million was used for contingency reserve leaving \$177,000 available for appropriations or net income.

Ms. Moline provided wastewater rate reviews, stating the desired use of cash balances continues to be level of user rates, economic and environmental impacts and system expansion. Ms. Moline stated the FY 2014 net operating income was just under \$1.8 million with that FY 2015 operating income should reach \$950,000. She said she had not included development fees or grants. She continued that the 5-year capital improvements plan totals \$5.5 million of which \$3.8 million is currently funded, leaving \$1.7 million unfunded. If the net operating income continues to reach \$950,000 over the next several years the 5-year capital improvements plan will be nearly funded, which includes the \$300,000 that is set aside for capital projects with approximately \$115,000 for the capital renewal fund.

Ms. Moline said rather than funding the capital improvements plan, a rate reduction could be considered. Possible options include a percentage reduction to residential base charges & user rates, reduction in all user base rates, reduction in the base and usage rate, a one-time annual credit allocated to users on a monthly basis or reduction in the usage rate which is not recommended due to the unpredictability of revenue.

Ms. Moline stated the water rate review is basically the same as wastewater, other than securing future water resources. She said the 5-year capital improvements plan totals

more than \$29 million of which \$17.5 million is currently funded, leaving \$11.5 million unfunded. She continued in July 2013 the base rate was reduced by \$2.00 per month per user which resulted in a \$451,000 reduction in base and user rate revenue. Prior to the rate reduction, the City could accumulate net income flows and pay for eligible projects on a pay as you go basis. The recent rate reduction diminished the amount of net income inflow for future capital projects. She stated consideration of a rate reduction will impact the funding of future capital improvement projects. In conclusion Ms. Moline said construction of infrastructure with additional capacity to support growth, necessary replacement and repair of infrastructure and ongoing operations and maintenance will require adequate financial resources with the water and wastewater enterprise funds. Rate structures and sound financial condition of the City's utility systems are necessary to assure loan compliance, continual infrastructure improvements, maintenance and operation of the utility systems to provided adequate, safe and reliable utility services.

Vice-Chairman Van Zandt asked if the drought that the City is facing had been included in the rate study.

Director Owen said the rate system is designed to encourage conservation.

Ms. Moline explained each of the exhibits provided, which included the CAFR, loan coverage calculations, internal financial statements tying back to the CAFT, 5-year capital improvement project lists, wastewater rate reduction comparison, and fund balance policy.

Chairman Burgett asked the status of item #12 in the wastewater capital project exhibit concerning the Andy Devine Avenue sewer extension and where it's at on the 5-year plan. Engineer Henry stated it is being proposed Monday to Council and would start in the year 2017 and conclude in 2018.

In further discussion it was determined that the automated water meter replacements have not started and would be presented to Council on Monday. Director Owen stated he would like to bring a firm on board to do the background, research and provide recommendations on how to proceed.

Chairman Burgett asked of the status on the HTWWTP improvements for storage and A+ 2MG storage tank. Director Owen said it would be part of the evaluation of what to do with the effluent and would be reviewed along with possibility of doing the aquifer recharge.

Ms. Moline provided a statement of wastewater reduction options calculated on the average number of customers for the fiscal year 2014 and gave an explanation of each option in reducing the residential base charges and user rates.

In further discussion Commissioner Shuffler asked for clarification on option #4 stating the customer could receive a decrease in their bill, the City would generate \$584,000 for capital improvements over and above what it costs to run the City sewer

department. Ms. Moline stated he was correct, and if a rate reduction was considered it should be applied to residential and commercial users.

Commissioner Yarbrough made a **MOTION** to table this item until the March meeting. Commissioner Yarush **SECONDED** the **MOTION** and it was **APPROVED** by a vote of **7-0**.

4. **CALL TO THE PUBLIC- COMMENTS FROM THE PUBLIC**

Those wishing to address the Commission need not request permission in advance. Action taken as a result of public comment will be limited to directing staff to study the matter of rescheduling the matter for further consideration and decision at a later date, pursuant to A.R.S. 38.431 et al.

There were no comments

5. **COMMISSIONER'S COMMENTS**

Limited to announcements, availability/attendance of conferences and seminars, requests for agenda items for future meetings and requests for reports from staff.

Commissioner Shuffler asked for the projection of water and sewer utilities for Kingman Crossing to be placed on the March agenda.

Chairman Burgett requested that Council Liaison Miles be placed on the agenda in March to address the text changes and thoughts of the City Council.

Chairman Burgett made a **MOTION** to **ADJOURN**. Commissioner Parker **SECONDED** The **MOTION** and it was **APPROVED** by a vote of **7-0**.

**ADJOURNMENT: 6:17 p.m.**