MINUTES
TOWN OF QUARTZSITE
WORK SESSION OF THE COMMON COUNCIL
THURSDAY, MAY 29, 2014, 1:30 PM

CALL TO ORDER: 1:30 p.m.

INVOCATION: none

PLEDGE OF ALLEGIANCE: Vice Mayor Jewitt led the pledge.

ROLL CALL:
Present: Mayor Foster, Vice Mayor Jewitt, Council Member Kelley, Council Member Crooks, Council Member Orgeron, Council Member Scott, Council Member Timberlake.

STAFF PRESENT: Skylor Miller, Town Manager; Rondus Bennett, Utilities Accountant; Kevin Murphy, Town Engineer; Tina Abriani, Town Clerk

APPROVAL/AMENDMENT OF AGENDA: **Vice Mayor Jewitt moved** to approve the agenda as presented and **Council Member Crooks seconded the motion**. The vote was unanimous. **Motion Passed**.

WORK SESSION:

1. **WATER RATES – Presentation, review and discussion of proposed Town of Quartzsite water rates**

Town Manager Miller introduced Kevin Murphy, Town Engineer, and Karyn Keese, Senior Project Manager, both from Atkins.

The Mayor asked if the water rate being discussed is based upon generating enough revenue to meet the requirements of the budget for the water department. The answer was affirmative. He then asked if there was a study of the expenditures of the water department with any result of cutting back or changing or reducing any of the costs of operating that department. Town Manager Miller stated that is part of what will be discussed.

Mr. Murphy stated that what will be presented are rate philosophies. He explained the process of arriving at these preliminary numbers which are based on the costs for this year. He went on to explain, as the Council goes through the budget process and gets the final numbers, staff will tie what the Council wants in the budget back to this way of doing the rates.

Mr. Murphy advised that rates are always fluctuating and need to be evaluated on a yearly basis to make sure the revenue and expenditure tracking are what was projected.

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Town Manager Miller reviewed the current water service costs and rates. He stated the cost of operating the water facilities is only going to rise as we move forward into the next fiscal year. The revenue shortfall is caused by a lack of rate adjustments to keep up with the constantly increasing operational costs.

Town Manager Miller stated the industry standards do not support separate base rate structures by user class, such as residential, commercial and RV parks.

Town Manager Miller stated the Town General Fund has been subsidizing water rates by approximately $400,000 per year. He explained, historically, Public Works and effectively the HURF have not been paying for their use of water throughout the years.

Mr. Murphy explained that based on this year's budget, the Town is expending $435,000 more than what is collected in revenues. He and Ms. Keese intend to explain what they think they can do to make up some of that and reduce the sizeable deficit in the current water budget that has been being made up with the General Fund.

Ms. Keese spoke regarding the actual water usage for the last year.

She stated a new User Class was created. As part of the study, it was determined that the Town and particularly the Public Works Department have not been contributing to the water fund for many years. The General Fund has been paying $400,000 a year for the little bit of water that is used at Town Hall. The Public Works Department has not been paying for its water usage.

Ms. Keese reviewed monthly base rates to recover fixed costs, which differ by user class. She reviewed the Current Rate Structure: commodity rate per 1000 gallons, residential two tier system and non-residential rates. She explained industry standards do not support separate base rate structures by user class.

Two alternatives were represented; both include straightening out the base rates, one base rate for everybody, no matter what the meter size is, based on American Water Works Association (AWWA) standards.

Alternative 1: Looks at taking the current tiered rate structure, keeping that in place and assigning it cost of service base commodity rates.

Alternative 2: Has one base rate for everyone and has all users pay the same, the average cost of water, for every 1,000 gallons of water that they use.

Ms. Keese stated Alternative 2 is the recommended alternative.

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Town Manager Miller explained that the Town is trying to develop a new rate structure and plans to start paying for its own fair use of the water. The Town investigated whether or not it could, legitimately, back charge major users of the Town water, which would be Public Works. The Town learned it can use HURF funds to cover Public Works water costs, such as the water that is used on roads.

Town Manager Miller stated the appropriate use of HURF funds have been checked and double checked. The auditors and the attorneys have said that this type of activity is acceptable.

Town Manager Miller reviewed the Water Revenue Reconciliation/Deficit Reduction Plan. He stated Public Works has been back billed for its water usage for the last ten years. The billing is based on historical rates. The Town estimates the result is that the HURF owes the water department approximately $140,000, which brings the deficit down to $240,000. Because the deficit is lower, the savings can be transferred on to other water users.

Ms. Keese stated she and Mr. Murphy are looking for policy direction at the end of the presentation. Ms. Reese reviewed Alternative 2, the Flat Commodity Rates with and without the HURF payment from historical usage by Public Works.

Town Manager Miller summarized by stating the recommendation of these findings: to create a sustainable water utility rate structure by establishing cost of service and industry standard rate structure, by simplifying the rate structure, with one base charge for all users, instead of a tiered system and the flat commodity rate for all user classes. He explained this can be phased in by billing HURF for its fair use of water historically.

Mr. Murphy advised the philosophies and solutions presented are for the Council's review.

Town Manager Miller stated what was presented are not hard numbers; they are working numbers in the ballpark. They could potentially move as our current budget moves.

Mr. Murphy stated the next step will be, once the Council has locked down what it is comfortable with for the budget, for Ms. Keese to make the adjustments to the rate structure. If the Council does not want to use HURF funds, the rates will be adjusted accordingly. The next presentation will be what the rates would be based on the direction from the Council.

Mr. Murphy stated costs rose for years and water rates did not.

Council Member Scott verified the RV Parks will pay the base rate fee only when there is no water use. Ms. Keese stated that was true.

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- The legitimate use of HURF monies was appreciated by the Council Members.

- The Mayor asked if there was a motion to adjourn. **Council Member Scott stated, so moved, and Vice Mayor Jewitt seconded the motion**.

ADJOURNMENT: 2:10 p.m.

CERTIFICATION:

I hereby certify that the foregoing minutes are a true and correct copy of the minutes of the Work Session of May 29, 2014, of the Town Council of Quartzsite, Arizona, held on May 29, 2014.

I further certify that the meeting was duly called and held and that a quorum was present.

DATED this 10th day of June 2014

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Tina M. Abriani, Town Clerk

On behalf of the Common Council

Approved:

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Ed Foster, Mayor

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