

**MINUTES  
CITY OF GLENDALE AD HOC CITIZEN TASK FORCE  
ON WATER AND SEWER**

**PALO VERDE ROOM  
ADULT CENTER  
5970 W. BROWN STREET  
GLENDALE, ARIZONA 85301**

**TUESDAY, OCTOBER 30, 2012  
6:00 p.m.**

CALL TO ORDER

The meeting was called to order at 6 p.m. by Michael Ashcraft, facilitator. He welcomed the members and explained that this meeting is the culmination of their hard work. The information to be reviewed is summed up in what staff believes they heard the Task Force say on the various subjects.

ROLL CALL

APPROVAL OF MINUTES OF THE OCTOBER 2, 2012 MEETING

Sally Melling, Water Services Sr. Secretary, asked for approval of the Final Minutes for the October 2, 2012 meeting from the Task Force. A motion to approve the minutes was made by Comm. Becker, seconded by Comm. Loya. The minutes stand and were approved as written by voice vote.

WELCOME WITH UPDATES

Michael Ashcraft briefly reviewed the evening's agenda and explained the process. A series of five brief presentations would be given on the areas covered in the booklet. He thanked the members for their six months of dedicated hard work to date. He repeated the Desired Outcome of the Task Force. He requested policy recommendations and direction from the members through consensus. Comm. Williams asked where the item on protecting the Enterprise Fund was. Craig explained it is on the last page. He also explained the booklets had been made with that item missing but several emails from Task Force members pointed out that it was not included. It was included as an addition on the last page. He clarified that the booklet topics as written by staff are in the "should" mode to signify that these are recommendations and suggestions from the Task Force. The Council, when it enacts policies, uses the "shall" mode. He further explained that the Task Force is making recommendations and therefore the wording is in the "should" mode.

Doug Kukino, Environmental Resources director, explained the actual report format and all that will be included. Comm. Livingston questioned why his water bill had almost doubled in 2 years with the same amount of people and the same amount of usage. He stated that nothing that he has learned to date shows him that the city and this department will be doing anything to lower the rates. In his opinion, it is status quo. He feels that without the protection of the Enterprise Funds that was added to the back page, the existing City Council, the future City Council, and

future Mayor will raise the rates and raid this department because it is a cash cow. His opinion has not changed from when he first started with the Task Force.

It was asked if it had been staff's intent to leave out the protection of the Enterprise Fund and if it was not, how could such an important item to the members be left out. Doug replied it had never been intended to be left out, it was an oversight. Kerri Logan further explained that the main issue was that it was not known how to present the item. And in trying to find the correct and most appropriate way to frame it, staff wanted to bring it to the Task Force for clarification.

Comm. T. Arnold asked to read the following statement into the minutes as his opinion on what the Number One item of concern should be:

“Misappropriation of Enterprise Funds

It is the opinion of the Citizens Task Force on Water and Sewer that the Mayor and City Council made a serious error in judgment when it approved the use of funds from the Enterprise Water & Sewer utility accounts for funding the NHL hockey team. This error has compounded the current financial crises for the city and put Glendale's financial status in jeopardy. This is unacceptable to the residents of Glendale.

It is the recommendation of this task force that the monies from all the Enterprise funds be kept separate from the general funds. In the future, these funds should only be used for utility needs, or for exceptional emergency situations. This will guarantee the stability of the Enterprise funds and keep them from being used for other questionable 'business decisions'.

The payback of Enterprise funds already borrowed should be considered a priority debt and repayment should be completed before any other new debt obligations are incurred. The current twenty year payback period is unacceptable and should be accelerated!”

Comm. Arnold stated he was an irate Glendale citizen and a loud and clear message needs to be sent to the Mayor and Council about the misrepresentation of money. He also said Glendale citizens are extremely upset about this mismanagement.

#### PRESENTATIONS AND FACILITATED EXERCISE

This was a draft policy exercise with the anticipated outcome of reviewing and confirming all policy recommendations from the members. Joetta Miller, Environmental Program Manager, presented item I. Public Involvement and Community Education. Comm. Livingston wanted to see the word “should” changed to “will” in the sentence: *The City **should** provide opportunities for citizen engagement regarding the sustainable management of water and the impacts to the well-being and quality of life for Glendale residents and businesses.* Comm. Short pointed out that to change the word “should” to “will” requires an ordinance directing the action. Comm. Garland stated that the Task Force does not have the authority to direct the actions of the Council. The Task Force mission is to make recommendations. Joetta stated that on I. Public Involvement and Community Education, section B. Community Education and Outreach Programs, wording was changed to better reflect member comments. A concern was raised that providing a conservation program would increase the cost of water to pay for it. She clarified that 2/3 of the conservation program is grant-funded. Members were reminded to mark their booklet in the support with changes column & indicate wording changes. Comm. Sherwood requested that presenters indicate if the items presented were already in effect or had been implemented

from suggestions. Comm. Livingston wanted to see businesses educated more aggressively concerning fats, oils, and grease in the sewer system. Joetta explained that the suggestion is written very broadly in an attempt to encompass several topics and environmental best practices, not just fats, oils, and greases. Fats, oils, and grease were specifically mentioned because of the number of concerns from Task Force members. Craig Johnson explained that one division in the Water Services Department is Pretreatment and they provide business and industry monitoring. He further explained that residences are big grease producers; and businesses come in second. He stated that while businesses are regulated by permit and monitored, private residences are not. He pointed out that garbage disposals are not well liked in the water and sewer business. Fats, oils, and grease melted by hot water in a sink only solidify farther down the line. His suggestion was for residents to put cooking grease and oil in a container and place it in the garbage. Comm. Bailey suggested that educational material should be "age appropriate" while Comm. Loya asked that "at grade level" also be added for a better description.

Doug Kukino presented item II. Regional Collaboration and Water Resources. Craig Johnson advised members that an item was brought before Council at the October 23, 2012 meeting dealing with Loop 303 growth. He explained that this growth would not fall under the city's water and sewer service area. He further explained that each developer must supply an assured water supply certificate for their development; this protects the city's assured water supply. He confirmed that the sewer provider is a viable server with no cesspools going in.

Mike Weber, Water Services Deputy Director, presented item III. Operations and Infrastructure. Comm. Loya asked that water requirements be changed to "meets and exceeds" all requirements. Comm. Livingston asked why his sewer bill was greater than his water bill. Mike Weber advised him to please make a notation on his book so that it could be looked into and perhaps further study would reveal more information. Mike also explained that appeals are available and are sometimes made if abnormalities are discovered. Comm. Sherwood feels that the term "exceeds" as stated earlier could be a sticking point on higher rates. Mandates are made by the government reference water quality that must be met without any funding to help cities do so or any recourse to push back against the government. The additional chemicals are what costs and leads to higher rates. He wants "exceeds" left out because city water already meets requirements and is better than any bottled water someone can buy in a store. It was requested that under the Wastewater Collections and Storm Water Management topics, the words "on an annual basis" be added after the terms dealing with inspection and cleaning.

John Henny, Water Operations Superintendent, presented item IV. Employee Development, Retention, Safety, and Productivity. Comm. Garland asked about cross training for staff and Comm. Cruz asked what types of rewards are in place for staff performance. John answered that we do currently have cross-training and will continue to do so; and for performance: only small rewards, but there is no performance pay incentives offered. Comm. Bailey stated that some type of an averaging or equalization payment plan should be developed for the water and sewer bills. John said that would be an excellent topic for an anticipated future water commission.

Craig Johnson, Water Services Executive Director, presented item V. Financial Planning, Billing and Customer Service. No funding obtained from the General Fund; the Water and Sewer Department is an Enterprise Fund and as such is run as a business for the health and well being of the people we serve, and provides self-sufficient funding. Only rate increases can bring in more money for the department. Water Services has an income of about \$80M per year. It has \$48M in operating and maintenance costs to do business, \$25M in debt on \$300M in bond sales since 2003. There was a debt restructuring done recently to reduce interest and save approximately \$2.5M per year for 3 years in a row. Debt restructuring doesn't bring in money but it reduces the amount of money going out. The department's long range plan is looked at annually and revised as needed. The City Council reviews and approves the plan every year. Rate increases put in place in the recent past were to pay for new plants built and infrastructure. Building projects are pushed out to much later dates. There are currently none in the department's 10-year plan.

Reserves are not a mandated item and are to deal with what the organization feels is important. The debt service ratio is mandated and has to be above 1.2. The department has implemented zero-based budgeting. Comm. Abeyta asked if there is any information to determine what adequate reserves should be in regards to debt ratio. Craig replied that the American Water Works Association and Water Environment Federation have guidelines which state a six month funding reserve should be on hand to fund pipeline replacements for water and sewer. In the case of Water Services that equates to around the \$12-14M range. Comm. Williams questioned the use of Enterprise Funds to help fund the Coyotes Hockey team. Craig explained that the rate determination process needs to be what is fair and equitable and that is the only issue that he can control. Comm. Livingston asked for clarification on the point "Balancing competing demands". Craig replied that such demands as meeting federal water regulations, monthly emergencies, and wells and water supplies. Comm. Livingston suggested that data on the rates from every city in the area be collected, averaged, and that would be the rates that Glendale charges. Craig explained that couldn't be done as the rates developed must meet the business needs of the department. Comm. Schewierjohn provided more of a general financial explanation on what companies look for when refinancing bonds. Comm. Bethel asked if there is growth capacity on some of the plants that have been built. Craig replied that investments were made on anticipated growth in the city and that line of thinking is correct. It was asked what the rate of return is on the funds transferred to the General Fund. Diane Goke replied that the rate is 3.92% on the funds transferred from the Landfill and Sanitation Enterprise Funds and that is what the current market projection is for funds from the Water and Sewer Enterprise Funds. Comm. Short asked that where the words "fair and equitable" are to be inserted on the Rates bullet point, the words "based on actual demand and projected needs" also be added.

Comm. Williams questioned Craig on not being comfortable with the fund balance now that it has dropped to \$50M. He also asked if Craig would be comfortable with the balance being \$90M when the General Fund pays back the amount that was borrowed. Craig clarified that he didn't say he was not comfortable, he said that it reduces flexibility but it doesn't mean that rates are going to be raised. Comm. Williams asked again if Craig would be comfortable once the funds are repaid. Craig clarified that of the \$40M amount that

Comm. Williams is referring to, \$25M belongs to Sanitation. The Water and Sewer Fund had \$15M transferred out of it. Craig confirmed that he would be comfortable with \$55M in the fund.

Comm. Williams asked if rate changes will be approved by a possible future Water & Sewer Commission/Committee or if it would be up to the Council. Craig stated he thought that the rates discussion would take place with the committee and it was a good question. Comm. Williams questioned an issue that was discussed at a prior Council Workshop, about a developer owing \$90,000 on a water bill. Craig replied that it hadn't been confirmed that it was entirely a water bill debt and more investigation was needed. He explained the disconnect process. If an account is turned off, it is 60 to 90 days delinquent and the account holder had gotten two disconnect notices prior to the shutoff. The city has \$1.6M in aging debt which has been turned over to a 3<sup>rd</sup> party collection agency. People that have problems are worked with, including given a payment plan. After 60-90 days, and an account holder does not show any interest in paying their bill, it is then turned over to the collection agency. Comm. Sherwood asked about having credit card holders pay a convenience fee to offset the \$800,000 fees that the city has to pay to credit card companies. Craig pointed out it is on the Dot Polling items.

Water Services Commission bullet: Craig explained it would be the same as other boards such as the Planning Commission or an advisory board. Comm. Abeyta asked if all policies would be reviewed by the commission. Craig stated that transparency is key in the city manager's policy and that he couldn't think of anything. Comm. Arnold asked that under Billing: bullet c. the words "best practices" should be replaced with "aggressive collection practices". Comm. Schwierjohn commented that due to the Fair Debt Collection Act, this term could be illegal. He suggested the wording be changed to add "best practices in accordance with the Fair Debt Collection Act" to remain safe.

Craig addressed the paragraph read into the minutes by Comm. Arnold referring to the Enterprise Funds. Comm. Short explained choices available to the Task Force for requesting changes on this item—City Charter amendment by election, City Code change by an ordinance, and policy change by Council adopting a resolution; and the levels of difficulty of changing any of them to make funds available for transfers. Craig made clear that any changes recommended would only impact Water and Sewer Enterprise Funds, no other Enterprise funds. Michael Ashcraft asked for a show of hands in support of the City Charter amendment. Craig recommended any statements be written in the booklets instead. Comm. Hackenberg pointed out that the loan made from Water Enterprise Funds is not impacting rates and will be paid back with more interest than it would be earning if it sat in the account. Comm. Knickerbocker asked what would constitute a water and sewer emergency and questioned actions if it wasn't only water and sewer. Comm. Bethel requested clarification for what type of emergency scenario the Enterprise Fund would be allowed to be used. Comm. Bailey gave the example of the heavy windstorm several years ago that caused widespread damage. The city came out with chain saws and large trucks almost immediately and assisted with cleanup. Comm. Schwierjohn pointed out that unless member consensus is 100%, phrasing needs to be included to indicate Task Force member

support is not unanimous. Michael Ashcraft again asked members to indicate on their booklets their level of support for the statement by Comm. Arnold.

Staff will compile all results and any comments in the members' booklets and further address items of concern at the November 26 meeting.

ADJOURNMENT

The meeting was adjourned at 8:34 p.m.