

MINUTES OF THE REGULAR MEETING OF THE HONORABLE MAYOR AND CITY COUNCIL OF THE CITY OF CHANDLER, ARIZONA, held in the Council Chambers in the Chandler Library, 22 S. Delaware, on Monday, July 23, 2007 at 7:03 p.m.

THE MEETING WAS CALLED TO ORDER BY MAYOR BOYD W. DUNN.

The following members answered roll call:

Boyd W. Dunn	Mayor
Lowell Huggins	Vice-Mayor
Bob Caccamo	Councilmember
Trinity Donovan	Councilmember
Matt Orlando	Councilmember
Jeff Weninger	Councilmember

Absent and Excused: Martin Sepulveda Councilmember

Also in attendance:

W. Mark Pentz	City Manager
Rich Dlugas	Assistant City Manager
Pat McDermott	Assistant City Manager
Michael D. House	City Attorney
Marla Paddock	City Clerk

INVOCATION: The invocation was given by Pastor Clint Augustyn – New Hope Church

PLEDGE OF ALLEGIANCE: Councilmember Donovan led the Pledge of Allegiance.

SCHEDULED PUBLIC APPEARANCES:

1. Alert Recall – Cecil Jackson

CECIL JACKSON, co-founder of a website alertrecall.com, (always let experts respond timely), announced this was the first non-profit website that information could be provided anonymously. The goal of the site was to prevent another Columbine or Virginia Tech incident. The site received 3700 e-mails the first day they went online. Text messaging was added 3 months later and they receive approximately 50,000 e-mails and text messages monthly across the country. They are staffed 24/7 by police officers and school administrators. Mr. Jackson said he was contacted by the Arizona Community College Presidents' Council to make a presentation to them. Gila River Governor Rhodes suggested Mr. Jackson approach a city to sponsor his request for a portion of the 12% grant funds available to cities.

MAYOR DUNN commented that it is a commendable project and suggested Mr. Jackson meet with City Staff.

COUNCILMEMBER WENINGER asked if this is has been done before. CITY MANAGER PENTZ responded that the city has been a "pass-through" agency for this type of funding on two other occasions.

UNSCHEDULED PUBLIC APPEARANCES:

There were no unscheduled public appearances.

CONSENT:

MOVED BY COUNCILMEMBER ORLANDO, SECONDED BY VICE-MAYOR HUGGINS, to approve the Consent Agenda as presented. Motion carried unanimously (6-0).

1. MINUTES:

APPROVED, as presented, minutes of the Council Special Meetings of June 25 & 28, 2007, and Regular Meeting of June 28, 2007.

2. AERIAL EASEMENT: SRP Ord. #3934

ADOPTED Ordinance No. 3934 authorizing the assignment to Salt River Project (SRP) of a certain aerial easement acquired by the City of Chandler for the Pecos Road (Dobson to McQueen) improvement project.

3. ZONING AMENDMENT: Pollack Dobson Plaza Ord. #3940

ADOPTED Ordinance No. 3940, DVR06-0048, Pollack Dobson Plaza, amending existing PAD zoning to allow a car rental use on approximately 8.5 acres at the NWC of Dobson and Elliot roads.

4. INITIAL CITY ZONING: SWC Appleby Road / Consolidated Canal Ord. #3941

ADOPTED Ordinance No. 3941, DVR07-0021 Southwest Corner of Appleby Road and the Consolidated Canal, authorizing the establishment of initial City zoning of AG-1 on approximately 35.5 acres at the SWC of Appleby Road and the Consolidated Canal.

5. No Item.

6. CONTINUED PROPERTY ACQUISITION: New City Hall Res. #4077

CONTINUED TO JULY 26, 2007, Resolution No. 4077 determining that acquisition of real property located at and near the SWC of E. Chicago Street and S. Washington Street for the construction and development of a new City Hall complex and related off-street parking is a matter of public necessity; authorizing condemnation proceedings to acquire said real property and to obtain immediate possession thereof; and authorizing such relocation assistance as may be required by law.

7. AGREEMENT: SDB, Inc.

APPROVED Agreement #SW0801-401 to SDB, Inc. for landfill maintenance and repair pursuant to JOC07-04, in an amount not to exceed \$100,000.00.

In 2006, the City officially closed the landfill in accordance with the Landfill Closure Plan submitted and accepted by the Arizona Department of Environmental Quality (ADEQ). In the event of natural settlement, future weather events, or other damage that might occur, the City of Chandler must have a means of expediting repairs to stay in compliance with the Closure Plan. This on-call contract will give the City of Chandler the opportunity to react quickly to initiate repairs and report the repairs back to ADEQ.

ACTION:

None

PUBLIC HEARING:

PH1. Increase of Certain Water, Reclaimed Water and Sewer Fees

Mayor Dunn opened the public hearing at 7:11 p.m.

ACTING MANAGEMENT SERVICES DIRECTOR O. D. BURR said that on May 21st and June 14th presentations were made from Staff and Red Oak Consulting relating to fee increases. Rick Giardina and Kevin Burnett from Red Oak will be providing a brief overview.

KEVIN BURNETT, lead analyst on the water/wastewater fee update with Red Oak Consulting, addressed the Council and reviewed their first meeting with Council was to review rate structure as recommended by the Rate Design Committee. The Committee was comprised of 8 members of the community representing single-family, multi-family, large-volume industrial, commercial, etc. The Committee met with Red Oak four times and reviewed the City's utility system, pricing objectives, and rate design structure and recommended a conservation-oriented rate structure varying by class to recognize the different demands customer classes put on the utility system. It was presented at the May 21st meeting and accepted.

The June 14th meeting revolved around finance and revenue. Financial planning criteria were reviewed with Council including a cash-reserve ratio, which is a measure of cash on hand in utilities to pay on-going operations and maintenance expenses.

The second financial planning criteria were the debt-service coverage ratio, which is a measure of the revenues available to pay the annual debt-service. The proposed revenue adjustments were discussed and the new rate schedule was reviewed to implement the new fees to meet Arizona Revised Statutes as well as having the new rates in place by October 1st.

MR. RICK GIARDINA continued with the discussion that there are two components that need to be considered with one being how much money is needed to operate the utilities and achieve the financial performance guidelines mentioned by Mr. Burnett. (Mr. Giardina referred to overhead slides during his presentation.) He reported that a multi-year financial plan has been developed in conjunction with Staff to determine the costs of operating a water utility. It indicates that in order to meet the financial performance thresholds, there is a need for a 9% revenue increase for the upcoming fiscal year with an 8% increase in two years.

Mr. Giardina showed a comparison between the current rates for an "average" residential customer in the summer and winter. Using approximately 12,000 gallons of water in a month, the updated rate structure, without any revenue increase, the bill in the summer would be \$20.34. With the 9% increase, that average bill would be \$22.00 in the coming year and \$24.00 by FY 2011/2012. Based on a rate structure change, including a 9% revenue increase, the average customer using 12,000 gallons would see a decrease in their monthly bill.

The revenue increase necessary for wastewater is higher than water. It is driven by cost items associated with providing wastewater treatment services and meeting new regulatory guidelines. A 12% revenue increase is being proposed for this year followed by 13% two years from now and another 13% two years thereafter. These increases will be reviewed based on the performance of the wastewater enterprise fund. The average bill of \$15.00 will increase by approximately \$3.00.

Mr. Giardina reported that as part of the revenue increase and rate structure change, Staff conducted a customer outreach effort which included contacting the 10 largest water users in the system to inform them of the impact on their water bills as a result of the rate structure change. Notification was provided to other city customers on June 15th. To date, there has been no comment, positive or negative, from customers regarding the change.

In summary, Mr. Giardina noted the rates in Chandler have not increased since 1994, although the cost and manner of providing service has changed. These increases are necessary to not only meet enhanced regulatory requirements, but to also meet bond covenant requirements.

COUNCILMEMBER WENINGER acknowledged these figures are based on averages, but questioned the effect on larger families and low-income families. MR. GIARDINA said that the committee addressed the issue of affordability. He explained the way the rate structure has been redesigned, low-volume users will see a significant decrease in the fixed charge customers pay which lowers the bill for low-volume users and gives customers a choice with regard to how much they spend for water service. The first usage block has also been modified to try to give an appropriate allowance for indoor or domestic use. It was intended to address basic water needs average families have. In combination with the decrease of the fixed charge, it will tend to produce a lower monthly bill for a family larger than average, which is 2.8 people per household in Chandler. These calculations are only made for indoor (essential) water use. Outdoor use is discretionary and there may be an increase.

COUNCILMEMBER WENINGER asked Staff if incentives are still available for landscape conversion. MUNICIPAL UTILITIES DIRECTOR DAVE SIEGEL said there are incentives to convert from turf to xeriscape and the program is being redesigned to increase the incentives. Councilmember Weninger asked if Staff has considered providing a rebate for purchasing frontload washing machines because they use less water. Mr. Siegel responded that they have not as their programs all relate to outside water usage. Councilmember Weninger suggested it be researched.

COUNCILMEMBER ORLANDO clarified that these increases will be re-evaluated. Mr. Giardina confirmed that they would be. This type of rate structure is flexible with regard to changing unit prices and usage allowances.

COUNCILMEMBER ORLANDO said that he is concerned with the outside usage because some homeowner associations require specific landscaping like grass leaving the homeowner no option in the type of landscaping they have. He asked if the Council has the "right" to invoke a different type of covenant to encourage water conservation. CITY ATTORNEY HOUSE replied that the city has the ability to adopt water conservation measures, which would take precedence over HOA rules. COUNCILMEMBER ORLANDO also mentioned that the City has green areas in the downtown area that are kept green all year long and that also should be considered. CITY MANAGER PENTZ added that Staff has discussed this issue at length.

COUNCILMEMBER DONOVAN clarified that the average usage is those using 12,000 gallons or less. MR. GIARDINA concurred. Councilmember Donovan added that it would be important for concerned residents to check their monthly bill for usage to see whether their bill may be decreasing or increasing. Mr. Giardina said that 12,000 is the average monthly bill for a customer in Chandler, and, depending on lot size and landscaping, it may or may not be.

COUNCILMEMBER WENINGER expressed concern with the fact that Mr. Giardina keeps referring to it being the consumer's choice as to how they utilize their outside water, but it is not being grandfathered in and noted in many instances there is no choice as far as landscaping as was discussed earlier with HOAs. MR. GIARDINA responded that studies show that residential customers tend to over-water by at least 30%. Just by changing practices, customers can save water with no investments by simply changing the length of the cycle or length of zones.

COUNCILMEMBER WENINGER suggested that Staff conduct seminars in various locations throughout the community rather than just putting something in the water bill.

MAYOR DUNN commented that when he was first elected to Council in 1994 he could not imagine that the fees would not have increased since that time. Adjustments are not always welcomed, but they are necessary. He expressed confidence that the City has looked at the increases in a responsible and conservative manner to ensure costs remain one of the lowest in the valley. The City has encouraged greenscape in Chandler that is watered with reclaimed water. MR. GIARDINA added that reclaimed water has also been studied and there is a proposed increase in those fees. MAYOR DUNN commented that reclaimed water use is being encouraged in the southeast section of the City to try to continue the rural look.

MR. ROB BARNEY, 1617 E. Glacier Place, said that he was a member of the Rate Restructuring Committee and stated there are two issues – how should the rate be structured and what is the increase. Because water usage is cyclical with more water being used in the summer, it causes a higher amount of infrastructure. He commented the more that can be done to reduce summer usage would be beneficial to everyone. One of the benefits of the new rate structure will be that citizens will see their bills fluctuate depending on the amount of usage. He calculated how much his bill would increase by comparing his usage over the last 18 months for a household of 6 with a large grass yard in the back and grass in the front, and reported his increase will be approximately 5.5%. As a citizen, he supports the increase.

MAYOR DUNN closed the public hearing at 7:40 p.m.

8. CITY CODE AMENDMENT: Chapters 50 & 52 Ord. #3943

INTRODUCED AND TENTATIVELY APPROVED Ordinance No. 3943 amending Sections 50-1 through 50-3, 50-5, 50-8 through 50-12, 50-18, 50-19 and 52-7 of the Code of the City of Chandler amending certain Water, Reclaimed Water and Sewer Fees.

The existing water and sewer rates were adopted in 1994 and have remained unchanged since that time with the exception of (1) a decrease in the sewer multi-family rate in 1997 and (2) decreases in the outside city rate differential in 1997 for the sewer enterprise and in 2003 for the water enterprise. Rates for reclaimed water were established in 2000 and have remained unchanged since that time. This ordinance will include a reduction in the outside city rate differential from 1.6 to 1.4 for water enterprise, along with a reduction in the sewer enterprise from 1.8 to 1.6.

Letters were sent on June 15, 2007, to the ten largest water users for FY 05/06 informing them of the proposed revisions to the water, reclaimed water and sewer fees and the planned date of the Public Hearing. Additionally, a notice has appeared on all utility bills issued after June 15, 2007. To date, no inquiries have been received on the proposed revisions.

Per Arizona Revised State §9-511.01, a Public Hearing may be held at least 30 days after the Notice of Intention is adopted by motion at a Regular Council Meeting (which occurred at the June 14, 2007 Council Meeting). A copy of the Notice of Intention showing the date, time and place of the Public Hearing shall be published one time in a newspaper of general circulation within the boundaries of the municipality not less than 20 days before the Public Hearing. This was met by publishing the required notice in the Arizona Republic on June 21, 2007. After holding the Public Hearing, the proposed rate or rate component fee or service charge increase or any lesser increase may be adopted by ordinance or resolution without any additional statutory time requirements.

The financial plan developed by Red Oak Consulting shows that rate increases of 9% for water revenues and 12% for sewer revenues are needed to maintain the financial integrity of the water and sewer enterprises, including debt service coverage and cash reserve policy requirements, over the next two fiscal years. Reclaimed water rates will increase to be a percentage of the block 2 single-family water rates.

MOVED BY COUNCILMEMBER ORLANDO, SECONDED BY VICE-MAYOR HUGGINS, TO INTRODUCE ORDINANCE NO. 3943 AMENDING SECTIONS 50-1 THROUGH 50-3, 50-5, 50-8 THROUGH 50-12, 50-18 THROUGH 50-19 AND 52-7 OF THE CODE OF THE CITY OF CHANDLER TO CHANGE CERTAIN WATER, RECLAIMED WATER AND SEWER FEES.

MOTION CARRIED BY MAJORITY (5-1) WITH COUNCILMEMBER CACCAMO VOTING NAY.

SPECIAL ORDERS OF THE DAY

A. Mayor's Announcements:

MAYOR DUNN announced that Chandler has been named one of the top five cities in the country to retire to by the AARP Magazine, the world's largest-circulation magazine.

B. Councilmembers' Announcements:

None.

C. City Manager's Announcement:

None.

Adjournment: The meeting was adjourned at approximately 7:42 p.m.

ATTEST: _____
City Clerk

Mayor

Approved: August 9, 2007

CERTIFICATION

I hereby certify that the foregoing minutes are a true and correct copy of the minutes of the regular meeting of the City Council of Chandler, Arizona, held on the 23rd day of July 2007. I further certify that the meeting was duly called and held and that a quorum was present.

DATED this _____ day of _____, 2007.

City Clerk