

DRAFT

**WORK SESSION OF THE COMMON COUNCIL
OF THE CITY OF EL MIRAGE
EL MIRAGE CITY COUNCIL CHAMBERS
10000 N. EL MIRAGE ROAD
5:00 PM -TUESDAY, FEBRUARY 2, 2021**

Minutes

1. ROLL CALL

Present: Mayor Alexis Hermosillo; Vice Mayor Monica Dorcey; Councilmember Roy Delgado; Councilmember Anita Norton; Councilmember Mike Hutchinson; Councilmember David Shapera; Councilmember Donna Winston

2. CALL TO ORDER - The meeting was held online and publicly with limited access; called to order at 5:00 pm.

3. WORK SESSION PRESENTATION

1. Presentation of results of Utility Rate Study performed. (Finance)

Finance Director Robert Nilles stated the City had conducted an analysis on the City of El Mirage's sanitation, wastewater, water, and water recharge rates. Mr. Nilles acknowledged Public Works Director Nick Russo, Ms. Christy Eusebio, and Financial Consultant Mr. Kevin Burnett with Willdan Financial Consultants, Inc., who would be presenting, with a request for council feedback at the presentation's conclusion.

Mr. Burnett started the presentation by stating the City of Surprise had requested an analysis of the recharge fee they pay annually to the City of El Mirage for "lost" water. He explained the purpose of the recharge fee was because the City of El Mirage provides water to a number of Surprise residents but is unable to use that water to pay for what is drawn down because it flows into the City of Surprise sewer system and becomes "lost" water for the purposes of paying the recharge fee required by the State. The City of El Mirage charges the City of Surprise a fee for that lost water and Surprise requested an analysis of the fees currently being charged. Mr. Burnett explained the City's billing data is used to calculate the amount of water going to water-only customers in Surprise and how much water is "lost" for the purpose of recharge. He further added if the City were to purchase water on the open market, the City would be charged credits on an Acre Foot (AF) basis. The most recent published Central Arizona Replenishment District (CAGR) rates per acre foot were \$608 per AF for fiscal year 2015-2016 and \$739 per AF (a 22% increase) for fiscal year 2021-2022; he reviewed projected recharge rates for the next five fiscal years.

Councilmember Norton stated the City had previously purchased water credits elsewhere and asked if Willdan Consultants purchased water credits other than from CAGR. Mr. Burnett stated not in this case because they stayed with CAGR to maintain the same methodology and approach as in the past for analysis comparison. Mr. Nilles added CAGR is the one entity who publishes their rates and is currently the only comparison the City can do directly to a location. **Councilmember Delgado** stated the City had purchased Central Arizona Project (CAP) water in

the past and was this an option. Mr. Nilles explained the CAP water was part of the City's shared water supply and is part of the basic water system currently in place; it is factored into the current water rates. Mr. Nilles added this piece of the presentation only pertained to the cost analysis for "lost" water and recharge rates.

Public Works Director Nick Russo presented by reviewing the December 2020 City of El Mirage hosted recycle E-Town Hall. The E-Town Hall provided a review of the current recycle program and review of general options while gathering public input online. Following the event a questions and answers document was published for future reference. The Community has an understanding of recycling costs based on market conditions and possible fee increases were neutrally received.

Councilmember Delgado asked if the recycle program was to be discontinued would rate increases be smaller. Mr. Russo responded the presentations were to provide an overview for Council to deliberate on the best practices moving forward for the recycle program and provide direction.

Finance consultant Christy Eusebio presented a review of the water, sewer, and sanitation rates and stated utility rate models are updated and analyzed annually during the budget process to determine if any adjustments are needed. The City provides an analysis based on the next five to ten years and any rate adjustment recommendations are brought before Council for consideration. Ms. Eusebio reviewed the current El Mirage rates based on the assumptions from all the cities for comparison to 7,000 gallons of water and 7,000 gallons of sewer per month. Ms. Eusebio identified current City rates and stated rate increases for water and sanitation had not occurred since fiscal year 2013-2014 and the last sewer increase was in fiscal year 2012-2013. She reviewed a current rate comparison with several Westside cities for combined water, sewer, and sanitation. Ms. Eusebio continued by showing chart breakdowns of Westside cities for water, sewer, sanitation with and without recycling; no rate increases for water or sewer are recommended at this time. Ms. Eusebio reviewed sanitation with recycling currently in place with no rate changes; the City would hit a negative fund balance in 2023. She further stated if the City chose to keep the same sanitation rate but discontinue the recycling, the negative fund balance would begin to reflect in 2025. The current sanitation rate is \$13.23 and staff is recommending an increase to \$15.21 per month for sanitation only. This rate increase would increase the City's total without changing the City's rate position when compared to other Westside cities. Ms. Eusebio further stated if the City included recycling, the rate would increase by \$5.29 a month. From the analysis, three options were recommended: 1) discontinue recycling and keep the sewer rate at \$13.23 per month; 2) discontinue recycling and increase the sanitation rate to \$15.21 per month; or 3) keep recycling and increase the rate to \$18.52 per month.

Councilmember Shapera asked if the City had a plan for replacing older pipes and were the quoted rates inclusive of those potential costs. Mr. Russo responded part of the rate study included a ten-year Capital Improvement Project (CIP): Public Works added a rotating replacement schedule which included a three-year rotating replacement for sewer and a five-year replacement for water. **Councilmember Dorcey** asked Mr. Russo if the sewer plant was also included in the CIP. Mr. Russo confirmed that funds were identified in the CIP for a possible expansion to the sewer plant based on residential use and development. **Councilmember Delgado** asked if CDBG funds were included to offset the funds. Mr. Russo responded CDBG/grant funding is not guaranteed funds, but they can supplement the CIP when awarded. **Councilmember Hutchinson** asked if the quoted study numbers would be adjusted during the ten-year calculation through 2031, and how was Parks & Sons factored into those numbers. Ms. Eusebio responded costs and revenues include an inflation factor, i.e. labor's percentage can increase; Parks & Sons averages a 2% to 3% annual increase. **Councilmember Shapera** asked what the estimated life expectancy was for water pipes in the downtown area. Mr. Russo stated an engineer's life for concrete pipes in the downtown area was estimated to be thirty to fifty years depending on present condition. Some newer areas have PVC piping and the life expectancy is

between twenty and forty years. **Councilmember Shapera** recommended the City increase the sanitation rate and discontinue recycling. **Councilmember Dorcey** and **Mayor Hermosillo** stated they believed the recycling program needed to remain in place, residents utilize the program and the cost is a modest investment for the City's future. **Mayor Hermosillo** asked if any new recycling requirements or updates had been provided to the City. Mr. Russo stated other than a few additional restrictions, there were no changes since last discussed.

Councilmember Winston asked if the City has improved on its contamination rates. Mr. Russo stated the contamination rate is between 35-55% and remains the same. **Councilmember Norton** asked where Parks & Sons transported the recyclables. Mr. Russo responded recyclables were transported to third party vendors who sorted the materials. **Councilmember Hutchinson** asked how much of the blue recyclable container materials were actually being recycled as opposed to heading to a landfill. Mr. Russo responded the City's contamination rate is between 33-55%, so that means between 45-67% is being recycled. He also added that due to the reduced recyclable limitations China and other countries have imposed, several vendors have stepped up to better manage the recycling of these materials. **Councilmember Norton** and **Mayor Hermosillo** agreed that education is key for the public to understand the need to recycle properly.

Councilmember Shapera stated he would like to know how much of the recycled materials were still being placed in landfills, as nationwide many cities have discontinued recycling because there was no market. Mr. Russo responded he would reach out to the vendor to obtain additional data. **Mayor Hermosillo** recommended continuation of the recycling program and the positive impact it has for the City's future. **Councilmember Hutchinson** agreed with Mayor Hermosillo but added he needed more data in order to determine best practices. **Councilmember Dorcey** explained the reason some cities such as Surprise discontinued the practice of recycling was due to the market collapse and she believes the market will come back stronger over the next five years. **Mayor Hermosillo** summarized council comments and asked if the decision to discontinue or continue with recycling, should be tabled for the next council meeting. Council agreed that a decision should be made after Mr. Russo can obtain and report on the recycling data.

Mr. Nilles summarized the next steps for implementation and adoption of the new fee rates and stated if additional data existed then the City can work to provide. Mr. Nilles further added the decision on rate adoption (whether to continue recycling or not) would be an agenda item at the February, 18, 2021 council meeting. **Councilmembers** discussed the need for data that shows the percentage of uncontaminated recycled materials that Parks & Sons transports to the recycling contractor.

4. **ADJOURNMENT - The meeting was adjourned at 6:04 pm.**

Alexis A. Hermosillo, Mayor

ATTEST:

Sharon Antes, City Clerk

I hereby certify the aforementioned minutes are a true and accurate record of the El Mirage City Council Work Session held on Tuesday, February 2, 2021 and a quorum was present.



Sharon Antes, City Clerk