

SPECIAL MEETING MINUTES JULY 19, 2016

A Special Meeting of the Page City Council was held at 5:30 p.m. on July 19, 2016, in the Council Chambers at City Hall in Page, Arizona. Mayor Bill Diak presided. Vice Mayor John Kocjan, Councilors Mike Bryan, Scott Sadler, Levi Tappan (arrived at 5:33 p.m.), Korey Seyler and Dennis Warner were present. There was a moment of meditation. Mayor Diak led the Pledge of Allegiance.

Mayor Diak called the meeting to order.

Staff members present: Page Utility Enterprises General Manager, Bryan Hill; IT Director Kane Scott; City Clerk, Kim Larson; and Deputy City Clerk, Sue Kennedy.

Discussion and possible action by the City Council pertaining to Council's explanation and specific recommendations required by Page City Code 2-8-6 to be provided to the Page Utility Enterprises ("PUE") Board regarding the rates, fees, and charges, except the City User Fee, of services rendered by PUE.

At the June 8, 2016 Regular City Council Meeting, the motion to adopt the recommended rate change brought forward by PUE failed 4-2 with Mayor Diak, Vice Mayor Kocjan, and Councilors Tappan and Sadler voting against, and Councilors Warner and Seyler voting in favor.

At that June 8, 2016 meeting, City Attorney Joshua Smith stated that Ordinance 588-12 sets forth the procedure if the Board rejects the recommendation. It requires that the matter be referred back to the Board with a written explanation and a specific recommendation for modification. The Board then has 30 days to respond to Council. If the Board does not respond, then Council can set the rates as the Council sees fit. If the Board does respond back, then within 45 days another joint hearing is required to discuss the matter.

Mayor Diak reviewed the procedure and asked each Councilor to state why they voted how they did at the June 8, 2016 Regular City Council meeting, which voted the PUE commercial sewer rate increase down.

Councilor Bryan stated he was absent at that meeting.

Mayor Diak did not feel it accomplished what was needed, as it did not encompass residential sewer rates. He felt that commercial and residential customers should carry the load. The Mayor stated that the proposal was only part of the necessary change, and since the process is long and expensive, it should be all done at one time.

Councilor Tappan liked the Alternative Waste Water Structure because residential and commercial shared in the increase, and therefore it took a smaller bite out of everyone. He also was in favor of eliminating the Debt Service Fee to soften the impact.

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Councilor Warner agreed with the sewer rate study's consultant, in that the greater the potential impact on the system (size of meter), the more the business should pay, and had voted in favor of the recommended rate changes. He also approved of changing the residential rates moving forward, but felt that the alternative plan was a compromise and would not stabilize the sewer plant as well, nor could the sewer utility sustain under the current plan.

Vice Mayor Kocjan said there should be a structure that increases the rates in smaller increments, and some of the money should come from somewhere else, maybe from the Bed Board and Booze tax, since the hotels are heavy sewer users.

Tina Holman, 7 19th Avenue, stated that she has a commercial property at 608 Haul Road. She said that the City of Page had recommended a 2" meter and a separate irrigation meter, and that is what she did. She asked why she should be responsible to down size now and then still pay more, when she is a low end user. She stated concerns about the impact on commercial customers even if they were low users, much lower than the average household. She suggested that the utility classify people properly first, before rate changes are implemented.

There was further discussion regarding the waste water service classification problem. PUE General Manager Bryan Hill stated that there several types of businesses where some are paying residential rates and some are paying commercial, such as apartment complexes, non-profit organizations, and churches. He also cited that Vacation Rental By Owner (VRBO's) and the school district are classified residential.

The subject of VRBO's was discussed further. Mr. Hill explained that residential sewer rates are based on the lowest three winter months' usage, because none of a residence's winter water usage is going toward watering lawns, it all goes down the sewer. VRBO's do not get used very much during the winter, yet are very profitable businesses during the summer. Some 4-plexes, group homes, mobile home villages, and motels should be evaluated too.

After discussion, Councilor Warner stated he was also in favor of passing savings along to the electric customers, get the sewer utility solvent, reclassify misclassified commercial customers, and adopt a plan that includes residential customers. Vice Mayor Kocjan was in agreement.

Councilor Sadler stated that a sewer rate structure should include both commercial and residential customers, and that re-classification is definitely a part of that. If sewer, water, and electric utilities are going to be voted on, they should be three (3) difference ordinances on the agenda so they can be voted on separately.

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Councilor Bryan stated that he trusts Mr. Hill's recommendation and the City should follow what the experts recommend. Despite the fact that some customers will resist the plan, the utility house has to be in order. He agreed that classifications have to be consistent for a plan to be effective.

Councilor Tappan asked Mr. Hill what the downside of the alternative structure was, which is mostly based on volume.

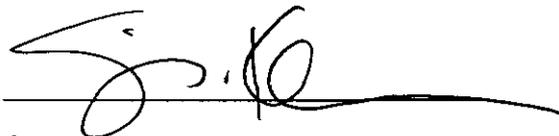
Bryan Hill said going more volumetric may discourage people from using the sewer, and the City needs that water to go into the sewer, be treated, and reused again.

There was discussion regarding water rates, impact fees, and water storage.

Councilor Sadler brought up the subject of eliminating the bond debt fees, putting forward that it could be part of the written recommendation to PUE. Councilor Warner calculated that if Council repealed the ordinance that established a sewer and trash debt service charge on the utility bill, and increased the cost for sewer usage, the customer would experience very little net increase. The General Fund would not receive the debt service fee, and would in effect be passing the revenue from the rate increase to the utility via the customer.

It was the consensus of the City Council to have staff draft a recommendation based on the above discussion.

The meeting was adjourned at 6:58 p.m.



Sue Kennedy
Deputy City Clerk



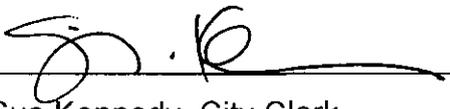
William R. Diak
Mayor

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CERTIFICATION

I hereby certify that the foregoing minutes are a true and correct copy of the minutes of the City Council Special Meeting, held on the 19th day of July, 2016. I further certify that the meeting was duly called and held and that a quorum was present.

Dated this 10th day of August, 2016



Sue Kennedy, City Clerk