

MINUTES OF THE GILBERT PUBLIC WORKS ADVISORY BOARD, IN REGULAR MEETING OF MONDAY, OCTOBER 16, 2023, AT 3:00 PM, MUNICIPAL BUILDING I, HERITAGE CONFERENCE ROOM 300, GILBERT, ARIZONA

MEMBERS PRESENT: Chair Fariya Sharif; Vice Chair Sam Elliott; Members David Barazoto, Matt Carpenter, Greg Froehlich, Karen Goldwasser, Eric McLeskey, and Jason Robinson

MEMBERS ABSENT: Jason Gilmore

STAFF PRESENT: Assistant Public Works Directors Eric Braun and Giao Pham, Assistant Town Manager Leah Rhineheimer, Water Manager Rebecca Hamel, Solid Waste & Recycling Manager Paul Montes, Water Production Superintendent Kurtis McDavid, Office of Management and Budget Director Kelly Pfost, and Deputy Town Clerk Judy Martinez

GUESTS PRESENT: Council Liaison Yung Koprowski

ADMINISTRATIVE ITEMS

1. Call to Order

Chair Sharif called the meeting to order at 3:05 p.m.

2. Roll Call

Deputy Town Clerk Martinez called roll and declared a quorum present.

AGENDA ITEMS

3. Approve October 2, 2023 Minutes

A MOTION was made by Member Carpenter, seconded by Member Goldwasser, to approve the October 2, 2023 meeting minutes. Motion passed unanimously.

4. Review of Bylaws

Chair Sharif asked if there were any comments about the proposed bylaws. Assistant Director Pham noted that Member Goldwasser had submitted additional comments and recommendations and asked how the Board would like to proceed. Member Goldwasser asked about a method that may be appropriate to list the proposed changes and have the members decide on each one. Vice Chair Elliott suggested that all the final comments be provided to the members so they could be voted on at the next meeting. Chair Sharif agreed that a deadline should be set, as to not delay it further, and asked for confirmation that no additional suggestions could be submitted. Assistant Director Pham agreed and said that the comments would be gathered and submitted for legal review.

The consensus was to table the vote of the bylaws until the next meeting.

5. Rate alternatives presentation and development of Council recommendation.

Assistant Public Works Director Braun provided a presentation on Water, Solid Waste, and Recycling Rates and 5-Year Plans. He discussed the results of prior National Community Surveys that he said were done every other year, noting the high marks for Gilbert and their correlation to the utility rates and high expectations for service. He credited the high marks to vision and strategic planning, consistent and intentional investments, and sound financial decisions and policies. He highlighted Financial Policy Statement No. 11, Fees and Charges, explaining user fees in Enterprise Fund operations could only go to pay for costs associated with delivering those services. He discussed the misconception that growth was the reason for increase, stating that was not the case. He noted the different accounts and requirements for System Development Fees (SDF), also known as Impact Fees, which he said were assessed when new development occurred. He added these were not used for operating the system or non-growth related needs, like repair and replacement of the system. He then discussed Financial Policy Statement No. 17, Minimum Unrestricted Fund Balance, and those specifications. He noted the importance of fund balance to Gilbert's financial position, adding that Gilbert was one of less than 50 cities or towns to have a AAA bond rating, which meant they paid the least possible interest.

Assistant Director Braun discussed the four different utility rates of Water, Solid Waste and Recycling, Wastewater, and Environmental Compliance (Stormwater and Air Pollution). He noted the Council's direction to review two rates every other year, with the goal of spreading out impact to customers. He said this year only Water and Solid Waste and Recycling would be reviewed. He summarized rate history with usage and inflation factors, noting past decisions to not increase rates.

He noted that purchasing power had decreased by 20%, requiring the Town to do more with less. He also highlighted vulnerable water systems across the country and provided examples of events that could have become water service emergencies. He discussed Utility Fund components of rate revenue, including Operation and Maintenance (steadily rising), One-Time Expenses (new equipment, operations and maintenance capital – variable), and Repair and Replacement Fund (fixed transfer). He discussed Water Fund Replacement costs and the need to put dollars away every year to replace parts of the system, noting the Town's *City of the Future* initiative to review and plan for future needs. He summarized cost pressures and rate options for the Water Division including water resource needs, increased construction costs for the Capital Improvement Project (CIP) Plan, and new projects from the Water Master Plan. He noted water resources pressures and the Tier 1 Shortage that included Central Arizona Project (CAP) reductions. He summarized raw water cost increases, Gilbert's potable water supply, and the acceleration of existing well projects. He also noted challenging market conditions, construction market volatility, and the North Water Treatment Plant Reconstruction project.

Assistant Director Braun reviewed the following Water options to the Board:

Cash-Funded Option: To collect and pay cash for all CIP within the 5-year plan which would require an immediate rate increase of 130%. He noted advantages of having no increases planned in the following year, no new debt, ongoing capacity of \$6 million of one-time CIP in Operating Fund, and ongoing Repair and Replacement (R&R) Fund capacity of \$73 million in FY2029. He stated the average monthly residential bill would increase from \$34 to \$78 in April 2024.

Bond-Funded Option: Would require an immediate rate increase of 95%, add \$205 million in new debt, with \$110 million interest paid over 20 years, and have ongoing capacity of \$2 million for one-time CIP in Operating Fund. He said the advantages were no increases planned in the following year, ongoing R & R Fund capacity of \$37 million in FY2029, and the lowest overall rate increase by total percent. He stated the average monthly residential bill would increase from \$34 to \$66 in April 2024.

Cash/Bond Gradual-Funded Option: Would require an immediate rate increase of 50% followed by 25% in one year and another 25% in 2 years, add \$80 million in new debt, and have \$43 million in interest paid over 20 years. He said the advantages would be a phased increase which would allow customers to plan, ongoing capacity of \$5 million for one-time CIP in Operating Fund, and ongoing R & R Fund capacity of \$66 million in FY2029. He stated the average monthly residential bill would increase from \$34 to \$51 in April 2024, then up to \$64 in 2025, and to \$80 in 2026.

Assistant Director Braun provided comparisons of the options and of residential bills with benchmark cities and asked the Board for comments and questions.

Member Barazoto asked if the cash-funded option was a one-time increase; Assistant Director Braun stated once it went up, it would stay. Member Robinson asked how long it would stay that rate; Assistant Director Braun replied until it was changed again.

The group discussed rates per gallon and the water meter base fee, or flat fee, plus the volume rate for residents. Assistant Director Braun noted that the cost per unit went up based on water usage. Office of Management and Budget Director Pfof noted the cost increase per usage could incentivize users to not use as much water.

Member Goldwasser discussed bonds and when the current bond started; Director Pfof noted it began in 2022. Member Goldwasser then asked about new users and people moving into Gilbert. Assistant Director Braun noted it was spread over how many people used the water utility, regardless of when they came to town.

Member Goldwasser discussed how to present the information to the public and how to translate it for average homeowner. Assistant Director Pham noted that it would be an important task of the Advisory Board to recommend how to provide information in a clear and digestible way to the public. Chair Sharif also spoke of the need to communicate the incentives to the public.

Council Liaison Koprowski noted the direction of the Council was to revisit rates every two years with the intent to spread out increases and soften the impacts to residents. She said the goal was for the Board to make their recommendation to the Council at the upcoming Council Retreat, and part of that narrative should be how to share the story. She noted it may be good to consider that the public was currently aware of regional water shortages and may be expecting increases at this time. She spoke of the consideration for cost escalations with the reconstruction of the North Water Treatment Plant and how many years that would get spread across, also noting that Director Pfof had useful background information on the financials.

Director Pfof noted elasticity in the model, stating when things were more expensive, some people would use less. She discussed cost escalation and the need to adjust rates to finish out projects.

Member Froehlich asked about the Repair and Replacement numbers in the options comparison slide on the right column and if that included what was projected after they paid for everything in the five-year plan. Assistant Director Braun stated yes, that it would be on an annual basis starting in FY2029.

Member McLeskey asked if there were any advantages and disadvantages for the Town operations. Assistant Director Braun stated they would all get to the same place, but it was a matter of how and when. Director Pfost stated they were all about the same on the operating side, that the Town could accomplish its operational goals either way. but the consideration was what was better or easier for residents.

Member Carpenter asked about the rate increase in 2021; Assistant Director Braun noted it was 29% in 2021. Member Carpenter discussed the need to tell the story of why it was needed and to explain to residents how water costs increased. Chair Sharif agreed that residents needed to know about the cost pressures, especially the water shortage, and that it was not just due to the North Water Treatment Plant reconstruction or inflation.

Matt Carpenter asked what the numbers would be like without the North Water Treatment Plant (NWTP) reconstruction.

Council Liaison Koprowski noted that many things were driving it, including NWTP and the well projects, adding the bond would spread that out but asked about other solutions; she noted the strategy of paying bonds early in Gilbert. Director Pfost noted it was a strategy, but paying bonds off early was not included in the figures.

Member Goldwasser discussed storytelling to show how we got to where we were and to allow residents to digest the information.

Assistant Director Pham reminded the group to email questions to staff. He noted it may be more effective to compare Gilbert to other cities, that it was a regional problem, and that other cities were facing the same issues.

Member Robinson discussed how most residents would not understand the difference in funds, such as the Enterprise Fund, and how that explanation needed to be part of the story. He said most people were willing to pay for the best products and services as long as they understood what they were paying for and that it was a 1-1 relationship, that they were paying into something that was being depleted.

Assistant Director Pham agreed that the education piece was important to explain what residents were paying for and what they were not.

Assistant Director Braun noted they did not know what other cities were doing in terms of Repair and Replacement. He said the better question was if Gilbert was charging right for the level of service it was providing.

Solid Waste and Recycling

Assistant Director Braun discussed Residential Solid Waste and Recycling Services, stating it was separate from the Commercial side. He said Commercial included roll-off, dumpsters, and the 18,116 tons collected. He discussed the cost pressures including both increased tonnage and fees, noting a nearly 25% increase in costs to dispose and handle waste. He said on the Commercial side, there was difficulty in repair and maintenance with an increase in parts and supplies, and the team had done its best to address escalating costs. He noted how recycling revenue had decreased, but said it typically was still a cost benefit versus throwing things away. He provided numbers for the Residential Operating Fund and Repair and Replacement Fund, including a comparison of included services with other Arizona cities. He then provided a Residential bill estimate and chart of draft rates for Commercial.

Assistant Director Braun stated the Solid Waste & Recycling Residential Recommendation was a 1-time rate increase of \$8.52, from \$19.03 to \$27.55 per month. He said for Commercial, it was more complicated because of different container sizes and frequency options for pickups, noting about a 25% increase. He said it was very competitive with a private market and an optional service.

Members Carpenter and Goldwasser discussed trash provider options. It was noted that customers could not choose a different Residential trash provider. Solid Waste & Recycle Manager Montes noted that some residents did have Commercial dumpsters. Council Liaison Koprowski asked for confirmation that those customers could not remove their Residential service, to which Manager Paul Montes affirmed.

Member McLeskey noted the high costs for recycling and asked if it would help to educate residents that if they did a better job with recycling it would cost less. Manager Montes discussed different tiers for contamination and the Town's efforts to educate residents and to keep costs through reducing cross contamination.

Council Liaison Koprowski noted that she and Vice Mayor Tilque were provided a presentation on recycling in Antrim and Newtonabbey Borough in Northern Ireland where they had a 70% recycle rate. She said she knew the culture and circumstances were different here, but she would be happy to share what she had learned with the Advisory Board if they were interested. The group agreed they would like to learn more, and Council Liaison Koprowski asked that the item be added to a future agenda.

Assistant Director Braun noted the next steps, which included the Public Works Advisory Board developing their recommendations at their next meeting on October

30, 2023. He said there would then be a presentation of options and recommendations to the Town Council at the Council Retreat on November 6, 2023, followed by an item to approve a Notice of Intent and the publishing of the final rate study at the Council meeting of November 28, 2023. He discussed the legal requirements including setting a public hearing date, which would be on February 6, 2024, for an effective date of April 1, 2024. He discussed outreach options that may include items such as a bill stuffer or separate mailer, advertising on the Town's website and accounts using the Gilbert Digital Department, customer open houses, an online rate calculator, and other options.

COMMUNICATIONS

6. Report from Staff

Assistant Director Pham reminded the Board to email him and Staff Liaison Tonya Holmes any questions they had regarding the rate recommendation items.

7. Report from Board Members

Member Goldwasser discussed articles in the Gilbert Independent newspaper, then recommended to include print in the outreach project regarding rates. She said the Capital Improvement Plan (CIP) book had a lot of information including great maps of projects, then asked if those could be layered or linked so residents could know what was happening in a specific area. She noted there was a lot of information available about different funds and asked if it could be synthesized and provided to the public in ways that were understandable and explained the types of funds.

Member Robinson asked for sufficient time for discussion on rate recommendations at the next meeting, or time to discuss them before the next scheduled meeting. Assistant Director Braun stated that was the plan, that he would have some informational slides but would not provide a presentation, rather it would be discussion of the Board.

Chair Sharif spoke in support of focused agenda items, noting the need to approve then bylaws and then focus on action items.

Assistant Director Pham noted if questions were submitted ahead of time, they could be compiled in advance to allow for a more productive meeting.

Member Robinson again advocated for ample time to discuss the rate recommendations. Council Liaison Koprowski noted the room could be set up differently with tables that would help facilitate those discussions.

8. Report from Council Liaison

There was no report.

9. Report from Chair

Chair Sharif noted she was looking forward to the discussion at the next meeting.

10. Future Agenda Items

- Approve Public Works Advisory Board meeting minutes from October 16, 2023.
- Final review and possible adoption of Public Works Advisory Board Bylaws.
- Rate alternatives discussion and recommendations.

CONCLUSION

11. ADJOURN

A MOTION was made by Member McLeskey, seconded by Member Goldwasser, to adjourn the meeting at 5:12 p.m. Motion passed unanimously.

ATTEST:

Fariya Sharif, Chair

Giao Pham, Staff Liaison