

**MINUTES OF THE
REGULAR MEETING OF THE COMMON
COUNCIL OF THE TOWN OF STAR VALLEY**

**Tuesday, November 5, 2019 at 6:00 pm
3675 East Highway 260, Star Valley, AZ
(Star Valley Town Hall)**

The Agenda for the meeting is as follows:

- PRAYER was offered by Bob Huger of Church on the Street – Payson.
- PLEDGE OF ALLEGIANCE
- CALL TO ORDER

- ROLL CALL:

Vice Mayor McKinney X, Council Member Davis X, Council Member Armington X, Council Member Binney X, Council Member Rappaport X, Council Member McDaniel X, Mayor Coon X.

- **GILA COUNTY SHERIFF'S OFFICE REPORT FOR OCTOBER 2019**

Lt. Scott with the Gila County Sheriff's Office gave the report for October 2019.

- **CONSENT AGENDA ITEMS:**

All items listed under the Consent Agenda will be voted on with one motion. If discussion is desired regarding any Consent Agenda item, that item will be removed from the Consent Agenda and voted on separately.

A. Approval of the minutes from the Regular Council Meeting held on October 15, 2019 and from the Special Joint Work-Study Meeting held on October 17, 2019.

B. Approval of Claims Payable from October 16, 2019 through October 31, 2019 for the General Fund and for the Water Department.

A motion to approve consent agenda items A and B was made by Council Member Armington and was seconded by Council Member Davis.

A roll call vote was taken:

Vice Mayor McKinney X, Council Member Davis X, Council Member Armington X, Council Member Binney X, Council Member Rappaport X, Council Member McDaniel X, Mayor Coon X.

The motion was voted on and passed 7 - 0.

- **COMMENTS FROM THE PUBLIC**

During this portion of the meeting, members of the public may address the Town Council on items that are not on the printed agenda. Any remarks shall be addressed to the Council as a whole and not to any individual member. Speakers are limited to three (3) minutes per person unless additional time is granted by the Mayor. The Council may not discuss or act upon matters raised during public comments.

The Mayor opened this portion of the meeting up for public comments.

Neil Traver with APS introduced himself and the new supervisor for the region Max Ryden. Mr. Traver explained that Mr. Ryden replaced Scott Jones, who recently took a position with APS in Phoenix. Mr. Ryden reported he has been a resident of Payson for forty four years, went to college at NAU and after that traveled for work for about sixteen years. He had an opportunity to get on with APS about three and a half years ago as a project manager and was fortunate enough to get the supervisor position. Vice Mayor McKinney requested an update on the fiber link. Mr. Traver reported they are working with Tonto National Forrest as well as private property owners between the Phoenix substation and Preacher Canyon substation and that they already have rights of way everywhere they will be stringing wire. The plan is to have the fiber connected to the Preacher Canyon substation by mid second quarter of 2020. Mr. Traver concluded they are doing it, it's going to happen, it's just a matter of timing on permitting which is the biggest challenge right now.

There were no further comments and the Mayor closed this portion of the meeting.

- **DISCUSSION ITEMS:**

1. **Discussion and possible action regarding a contribution to the Hashknife Pony Express requested by Council Member Armington. Presentation by a representative of the Hashknife Pony Express.**

Captain Mark Reynolds with the Navajo County Sheriff's Posse Hashknife Pony Express introduced himself and Second Lieutenant Jim Mobley. Mr. Reynolds reported they do the Pony Express ride from Holbrook to Scottsdale. It's a relay, they carry official mail and they are sworn in mail carriers. Mr. Reynolds explained there are three different levels of sponsorship. The most is \$2,500.00 and helps pay for motel rooms and food for sixty people for three days. At this level the Town logo would be printed on the poster, bandana and horse sash and posted on their web page. Mr. Reynolds reported the mail leaves Holbrook on February 5, 2020 and they will arrive in Scottsdale on Friday, February 7th. Council Member Armington asked if a couple riders could make a stop at the park. Mr. Reynolds responded he would make that happen. Mayor Coon responded that would be great. To him it is tradition and he appreciates what they do. Mr. Reynolds stated they are trying to keep the spirit of the old west alive, adding it will be the 62nd ride year. Council Member Binney remarked that Mr. Reynolds stated there are three levels of sponsorship. Mr. Reynolds answered there is a \$500.00 level in which the Town logo would be printed on the bandana and a \$1,000.00 level in which the Town logo would be printed on the bandana and the poster. Council Member Binney stated he thinks everyone knows how he feels about donating public money. It's a good organization but he is against giving money to things without audits. It's government money and everything should have an audit. Council Member Binney stated he is willing to give money as long as it is personal. If council wants to take it out of their checks he will vote yes.

Mr. Reynolds stated he can provide a print out of everything as he does for the cities of Holbrook, Payson and Scottsdale. Council Member Binney stated his hang up is that it is still a private organization for him. **A motion to support the Hashknife Pony Express, along with getting a stop here for our kids in the park, in the amount of \$2,500.00 was made by Council Member Armington and was seconded by Council Member Davis.**

A roll call vote was taken:

Vice Mayor McKinney Yes, Council Member Davis Yes, Council Member Armington Yes, Council Member Binney No, Council Member Rappaport Yes, Council Member McDaniel Yes, Mayor Coon Yes.

The motion was voted on and passed 6 – 1.

2. Discussion and possible action regarding establishing commercial meter rates and water rates.

Mayor Coon stated the Town Manager and Finance Administrator have put together a commercial meter rate and water rate adjustment for council review. The intent of these rates is to properly charge commercial enterprises doing business in Star Valley for water use and also to adjust water rates to cover operating costs of the system. Finance Administrator Nutt explained the two proposals are designed to provide billing rates for commercial operations in Star Valley. Discussion to add commercial meter rates to the water enterprise fund began when several RV park owners in Star Valley made inquiries about gaining access to the municipal water. Water provided by a municipality has a larger financial benefit for RV park owners. The reduced risk of water outages and responsibility to provide potable water can be fiscally overwhelming for small RV parks. Additionally, the cost of financing is greater for parks without backup water supply. A municipal water access also increases property value should the owner wish to sell. To provide a commercial rate, explained Ms. Nutt, she researched nearby and like size communities that have commercial meter rates. Unlike other Towns, the RV parks in Star Valley have their own wells so connecting to municipal water requires a competitive rate.

Ms. Nutt referred to the chart (see attached) that shows the average commercial meter rates and the proposal for meter rates. Ms. Nutt explained she took a look at Pine and Strawberry Water Improvement District, Navajo, Verde Valley, White Tank and Southern which are all like size communities to the Star Valley water system. She took those averages to formulate a commercial meter rate for meters by size. The Town of Payson handles commercial accounts differently, reported Ms. Nutt. They charge a base of 2,000 gallons and then a tiered rate increase for every 1,000 gallons used thereafter. A sample billing was created for the four RV parks in Star Valley to compare the Town's proposed rates to the rates of the Town of Payson. For Sky Run, using the national average of water per unit, a one month billing would be \$436.00 in Star Valley and with Payson rates it would be \$649.00. If this cost is passed to the consumer an RV space renter in Star Valley would pay \$17.00 as opposed to \$26.00 in Payson. The largest RV resort in Star Valley is Lamplighter, reported Ms. Nutt. They would pay \$19.00 per space in Star Valley as opposed to \$27.00 a space in Payson.

Ms. Nutt reported in reviewing the tiered rates with other like size communities she found that Star Valley is the only water provider that has a two tier system as opposed to three or four tiers of most other communities. The general fund subsidizes the water enterprise fund. The general fund purchased the water system without repayment by water customers and the Community Development Block Grants have gone exclusively to the needs of the water system since being purchased in 2012. Furthermore, reported Ms. Nutt, the general fund subsidized the water fund for operation expenses. The benefit of general fund money and grant money purchasing and improving the water system creates an artificial lower water bill to the consumers as they do not pay for the purchase or the improvements through water

rates. Water consumers are 37% of the residents and 63% of residents are non-water customers. The proposed tier increase does not solve the subsidy issue for the water fund but rather allows the Town to more proportionately charge for higher water usage, such as with a commercial operation. Ms. Nutt stated staff is requesting that council review the rates provided for both the commercial meter and switching from a two tier to a four tier water rate system. If council so chooses, explained Ms. Nutt, and is satisfied with the information presented, we ask that council instruct staff through a motion to proceed with public notification. After a period of thirty days of public notification we will reconvene for a public hearing on December 17. If the council so chooses, after hearing comments from the public, to move forward with the rates staff would then request that council do so with a resolution at that meeting. The new rates would go into effect January 1, 2020, concluded Ms. Nutt.

Town Manager Grier explained the Town was contacted by the new owner of Sky Run regarding taking over their water system. They are also willing to give an easement to the PW1 and PW2 wells, added Mr. Grier. They have an eighty gallon per minute well and storage tanks. The new owner, Duane Brazil, would like to give the Town the well and storage tanks and have the Town take over his water system. The hiccup, stated Mr. Grier, is that the Town does not have any commercial water rates. It's a great opportunity for the Town and it's a good deal for him as it increases the equity in the park. Mr. Grier emphasized it is necessary for the Town to put commercial water rates in place, also making it clear that it doesn't solve the problem the Town has. The Town has had the water company for eight or nine years, reported Mr. Grier, without any increases in water rates. Mr. Grier stated he believes the water rates have been artificially low since purchasing the water company. The way to solve the problem will be incremental increases. The Town's water rates are probably about 50% of what they should be when compared to the Town of Payson and Pine Strawberry. The Town serves 37% of the population with the water system and 63% of the population is subsidizing the 37%. It's also a disservice to future councils, pointed out Mr. Grier. If incremental increases don't get put in place the burden will be shifted to a council down the road that would have to vote for a much harsher increase. What we are doing tonight doesn't solve the real problem the Town has created with artificially low water rates. At some point council will need to take a hard look at putting incremental increases in place, concluded Mr. Grier.

Council Member Binney stated he is all for the commercial rates but has a hard time with different costs for different people. There are so many unknowns and he would really like to see the average water usage for the areas. Council Member Binney reported he was on the original council when water rates were established and at that time he believed it wasn't going to be enough. He still believes it is not enough and it does have to be self-supporting. This is the time to decide to do things right for the future. Council Member Binney concluded he thinks it is a necessity to make the water company stand on its own and supports starting commercial rates. Council Member Davis asked when the Town will take over the Sky Run well and underground piping. Town Manager Grier responded the Town will not be responsible for their infrastructure, the Town will just take over the well and storage tanks. Council Member Davis stated if Sky Run comes on there may be a likelihood that the other RV parks would want to look at that too. Mr. Grier responded Lamplighter is interested but it is a different problem because the Town does not have water close to them. Right now, it's about \$80,000.00 to get the Town's nearest water to them and that is not feasible for them. When coming up with a commercial rate, explained Mr. Grier, staff had to come up with a price that is not a huge margin greater than what they are paying now. That is one of the reasons why the Town is less, in comparison to the Town of Payson, because we will not entice a commercial user like Sky Run or Lamplighter if it is a whole lot more to pay for Town water than it is for their well.

Council Member Davis stated he agrees with Council Member Binney to put commercial rates into effect. The Town of Payson also has a water infrastructure fee for commercial and residential,

reported Council Member Davis. Mr. Grier responded the Town is not even in the ballpark of what it should be charging, and he doesn't think the water company has to be a for profit, but it needs to come a lot closer to paying for itself. Council Member Davis stated he would also support the incremental increase for the water rates. Council Member Rappaport asked what the average water bill is. Mr. Grier answered between \$25.00 to \$35.00. Council Member Rappaport asked about the average water bill for commercial. Mr. Grier responded the Town does not have any commercial rates. Council Member Rappaport asked if they are getting residential rates. "Yes," confirmed Mr. Grier, and that is why the Town has the need for the commercial rates. Council Member Rappaport stated she does not think the Town needs to do what Payson does and she supports the tiered rates. Council Member Rappaport suggested raising the rates by less than 20% and throwing in a couple of dollars for infrastructure. Mr. Grier responded the Town is not looking at raising water rates tonight and is just looking at putting commercial rates in place to hook up Sky Run. Council Member Rappaport stated she thinks that could be a real mistake because if Sky Run does it than Lamplighter is going to want to do it. Council Member Davis responded that is why the Town is establishing commercial rates. If they use more they pay more, stated Council Member Davis. Mr. Grier responded the Town does hope for additional customers, as far as income, by adding Sky Run and Lamplighter, which will also help keep the residential rates lower.

Finance Administrator Nutt reported the \$80,000.00 will be significantly reduced once the latest grant project is completed. Mr. Grier added that is still two years down the road. Mr. Grier reported there has been a big company that has come in and bought Lamplighter, Houston Creek and the one across from the motel and they are the ones the Town has had some conversations with. Mr. Grier then reiterated to council not to be fooled into thinking that the problem with the water company has been solved. Somewhere down the road council still has to decide to do some incremental increases. Council Member Binney pointed out this also contains the four tiers that could increase the rates for residential users. Mr. Grier responded the highest water users would have an increase in what their water bill would be. Council Member Binney stated he fully supports this and added that it has to become self-supporting. Mayor Coon stated the Town has to get away from subsidizing the water department with the general fund. A discussion regarding impact fees ensued. Council Member Armington asked if Sky Run will be a separate entity or will it tie in to PW1 and PW2. Mr. Grier responded it will do both.

A motion to direct staff to advertise to the public a commercial meter rate and water rate adjustment, as well as a scheduled public hearing on the rate adjustments to be held on December 17, 2019 was made by Council Member Davis and was seconded by Council Member Armington.

Council Member Binney requested to make an amendment to the motion. He would like to add that within a month or two for staff to provide the information to get the rates adjusted and done. Town Manager Grier cautioned against that from a legal standpoint. The Title 9 statute requires the Town to follow certain procedures and that is why there are public hearings and postings in the newspaper. That can be done later at a pre-agenda meeting, concluded Mr. Grier, as they are two separate issues.

A roll call vote was taken:

Vice Mayor McKinney Yes, Council Member Davis Yes, Council Member Armington Yes, Council Member Binney Yes, Council Member Rappaport Yes, Council Member McDaniel Yes, Mayor Coon Yes.

The motion was voted on and passed 7 – 0.

• **ADJOURNMENT**

A motion to adjourn the meeting was made by Council Member Davis and was seconded by Council Member Armington.

The motion was voted on and passed 7 – 0.

APPROVED:

Gary Coon, Mayor

Date: _____

ATTEST:

Edie Chapin, Town Clerk

CERTIFICATION:

I hereby certify that the foregoing minutes are a true and correct copy of the minutes of the regular meeting of the Town Council of the Town of Star Valley held on the 5th day of November 2019. I further certify that the meeting was duly called and held, and that a quorum was present.

Dated this 6th day of November 2019.

Edie Chapin, Town Clerk