

**GRAND JUNCTION CITY COUNCIL
and
BOARD OF COUNTY COMMISSIONERS FOR MESA COUNTY**

JOINT PERSIGO MEETING MINUTES

November 18, 2013

Call to Order

The Grand Junction City Council and the Mesa County Commissioners Joint Persigo meeting was called to order by County Commission Chair Steve Acquafresca at 5:08 p.m. on November 18, 2013 in the City Auditorium, City Hall, 250 N. 5th Street.

City Councilmembers present were Councilmembers Bennett Boeschstein, Martin Chazen, Jim Doody, Duncan McArthur, Phyllis Norris, Barbara Traylor Smith, and Council President Sam Susuras. County Commissioners present were John Justman, Rose Pugliese, and County Commissioner Chair Steve Acquafresca.

Also present were City Staffers City Manager Rich Englehart, City Attorney John Shaver, Public Works and Utilities Director Greg Trainor, Public Works and Utilities Deputy Director Terry Franklin, Waste Water System Manager Dan Tonello, and City Clerk Stephanie Tuin.

County Staffers present were County Administrator Tom Fisher, County Attorney Lyle Dechant, Public Works Director Pete Baier, and Clerks to the Board Gina Schlagel and Lori Westemeyer.

Welcome and Introductions

Everyone on the dais introduced themselves.

Purpose of Annual Joint Meeting of the Persigo Board

Public Works and Utilities Director Greg Trainor said the Persigo Agreement does require that the Board meet annually to talk about budget, rates, capital improvements, and any additions or deletions to the Persigo 201 service area boundary.

201 Boundary Adjustments (None)

Mr. Trainor said there have been no requests for boundary adjustments.

Proposed Revision of Trunk Extension Policy

Public Works and Utilities Director Greg Trainor provided a brief history of where the trunk extension policy came from. It was developed about twenty years ago in order to address failing sewers. During this time, the Monument Road area had a new

development and they did not want all these houses to end up on septic systems. The trunk extension policy addressed that issue. The City and the County allocated money to this fund in order to extend the sewer service to these areas being developed. The tap and developer fees would then pay the fund back. It allowed the sewer system to partner with development to install expensive trunk lines without such a heavy burden on the developers. The proposal before the Board is a slight modification to that plan. They distributed a sheet listing the pros and cons to the modification. This modification will allow the sewer system to become a partner with the developer. It also provides for capacity in the major development basins.

Waste Water System Manager Dan Tonello presented the proposal which would add flexibility to the existing policy. Currently, the Persigo system pays up to 85% of the cost and the developer pays 15% of the cost of the trunk line extension. The policy requires a six year payback; currently the policy is all or nothing. The amendment would allow the engineering Staff to determine the perspective growth in the area and decide whether it makes sense for the sewer system to invest in the project and how much to invest. If the figures were to meet the six year time frame for payback, the Persigo system could invest in the project or not, based on the projected figures. Developers may be willing to invest more into the project based on the potential of the project, therefore with the proposed amendment, every project would be looked at individually to determine the amount the Persigo system and the developer should reasonably invest for each particular project. The amendment would allow more flexibility for the City and for the developer.

Commission Chair Acquafresca asked how Staff would determine the development potential. Mr. Tonello said it would start with meetings with the developer. Then an analysis and numbers would be projected based on zoning, lots, and potential growth. Commission Chair Acquafresca asked what is magic about the six year calculation for payback. Mr. Tonello said it was determined as a reasonable time period for return on investment. To go with a longer time frame than six years would not be economically feasible.

Councilmember McArthur noted the developer can extend the trunk line and then get reimbursement, but then the reimbursement provision sunsets in a twenty year time frame. Mr. Trainor said to address the six year time frame, in basins when things are really developing, revolving the money as quickly as possible was the objective. A trunk extension has to be approved by both boards. Extending out past twenty years would be difficult as it affects the ability to fund other projects. A developer can install at their own expense and then be reimbursed over time. Beyond twenty years, administration of the reimbursement is burdensome, especially if developments get sold or resubdivided. The goal is to try to keep the payback period short.

Councilmember McArthur said from a developer's standpoint it is an expense until paid back and it raises the cost of development. He thinks that with new technology the ability to administratively track the reimbursement would allow the time period to be extended. He expressed concern for a sunset which he thinks will increase the expense of the project for the developer. Mr. Trainor asked if he was suggesting that

the time frame be extended and for how long. Councilmember McArthur said as long as it takes in order for the developer to deem it an accounts receivable. Another concern is "leapfrogging" sewer service which will end up increasing the cost of land for development. This creates an artificial supply of land and increase in prices.

Commissioner Pugliese noted the Staff report indicated the City Attorney has reviewed and approved the revision. She asked if the County Attorney has reviewed it? County Attorney Lyle Dechant said Public Works Director Pete Baier and Planning Director Linda Dannenberger provided their input and agreed it would provide more flexibility. Mr. Dechant said he has no problems with the language.

Commissioner Pugliese referred to paragraph C in the policy and asked if the existing language provided the added flexibility proposed. Mr. Trainor said rather than waive a request, it makes sense to figure a new percentage and/or some other different approach. Commissioner Pugliese asked if there was already a stipulation that speaks to the flexibility why the additional wording is needed. Mr. Trainor said great lengths have been taken to carefully spend the sewer system money. In the policy, the additional language provides more flexibility and would not jeopardize the sewer system funds.

Councilmember Chazen asked if there is wording in the policy that explains the six year payback. Mr. Trainor said there is not. Mr. Trainor said the term of the allowable payback is negotiated with the developers as they request it. It is usually about six years, and no longer than eight. Councilmember Chazen said he is concerned that adding the new wording makes it subjective and he is worried it could be used to prevent development in some areas noting it changes the feeling of the section. His other concern is the moving target of the payback period, what would stop it from becoming a three year or fifteen year payback time frame. Mr. Trainor said the modification is an addition to the current policy. In an area that is developing quickly the sewer fund jumps in and extends the line. In basins where there is no likelihood of reimbursement, the developer would then have to pay for the extension and in turn, the developer can be reimbursed. The proposed language allows the City to participate at another level.

Council President Susuras asked in reference to proposed revision D; is the manager stated in this paragraph referring to Mr. Tonello as the one to make decisions. Mr. Trainor said the Utility Manager in conjunction with the City Council and the County Commissioners would make the decisions. The City is the manager of the sewer system. The administrator of the details of the overall system would be the responsibility of the Public Works and Utilities Director. Council President Susuras asked if there is an appeal process in place for applicants. Mr. Trainor said there is no provision for an appeal but it could be added. Council President Susuras said he would like an appeal process added to the policy.

City Attorney John Shaver addressed the six year payback. He said each project is looked at separately, negotiated, and must be approved by the City and the County. Although there is no formal appeal process in place, it has been a practice of the City

and County to have final approval on each project. The last sentence in paragraph C of the policy only refers to the provisions in the prior section which speaks specifically to the form of the payment. According to the Persigo agreement, the City is the day to day manager of the sewer system; regulations have been developed for the manager to run the system. There are a number of other regulations as well. Before adding an appeal process, he would suggest looking at the rest of regulations and see if there are other processes where an appeal could take place under the current language. If there is not, a sufficient appeal process could be added.

Council President Susuras said an overall appeal process would be satisfactory.

Councilmember Chazen said the appeal policy would offer protection if a developer felt they were being treated unfairly.

Commissioner Pugliese asked Chairman Acquafresca if this was a decision to be made in this evening or will Staff develop a proposal based on direction received at this meeting and bring it back to each board for formal approval. Mr. Trainor explained the discussion is to receive direction and bring it back for formal adoption later.

Commissioner Pugliese said she agrees with Council President Susuras on adding a provision for an appeal process.

Commission Chair Acquafresca said he is comfortable with providing direction to Staff and not making a motion this evening.

Commissioner Justman said that there are cases where landowners don't want to develop, and they prevent others down the road from developing. It is important to make sure it is a workable policy. His concern is that down the road, the homeowners don't end up paying for this. Mr. Trainor said there are provisions that address that. The extension would only occur if the project is inside the 201 boundary; since it must be inside the sewer service boundary, it is already a public process.

Councilmember Norris voiced concern that this policy is too subjective; she suggested it be made simple and direct. The goal would be to make appeals a rarity. She would like to see more guidelines and development encouraged. Mr. Trainor said the trunk extension policy is designed to aid development by upfronting costs for extensions. The four conditions in the policy are: A) The trunk line must be included in the sewer lines in the study area; B) The trunk line shall be located in an area of the 201 Sewer Service area that is developed or developing; C) At least 15% of the total cost of the trunk line shall be committed by property owners within the basin area prior to construction of the trunk line; and D) The manager may determine that, based on A through C above, a particular trunk line request is not financially in the best interest of the sewer trunk extension fund. The City is the manager of the sewer system, it is not one person making the decision. In addition, the County is also consulted and the approval would lie with the County Commissioners and City Council. Additional provisions can be added to make it easier and more encouraging for development. The policy is unique, but

wise, or all of the South Camp Road area would have been on septic systems. Alternatives can be developed for the Persigo Board to review.

Councilmember Doody said there have been good points made. This is very flexible and it gives the developer the opportunity, however the Board cannot let someone build a pipeline to nowhere so it needs to be managed. He agreed with Council President Susuras that an appeal process needs to be established.

Councilmember Chazen said the original policy is very proactive, however there are other terms that need to be spelled out including the appeal process.

Councilmember McArthur said the Comprehensive Plan conflicts with the Persigo Boundary. An objective of the Comprehensive Plan goal is to increase density. If Persigo declines an extension then the alternative would be to develop under existing County guidelines which is a reduced density. This then promotes the opposite of what the Persigo policy is meant to resolve. He would like to see an option that if it is the developer who chooses to fund the project, the City and County will allow for future reimbursement. He agreed with having an appeal process in place.

Councilmember Traylor Smith asked Councilmember McArthur if he meant if a developer were to upfront the costs, that the developer would be reimbursed at some point.

Councilmember McArthur confirmed this.

Councilmember Boeschstein said there are already sewer basin studies that show size of lines and build-out. Mr. Trainor said over 20 years there have been twelve extensions constructed. Councilmember Boeschstein asked if there are studies for those. Mr. Trainor said are basins that have not been studied. Councilmember Boeschstein asked how size is determined. Mr. Trainor said determination is made by the Comprehensive Plan and current development trends. Councilmember Boeschstein asked if other areas have been identified as having failing septic systems. Mr. Trainor said there is an estimate of 1200 now on sewer that were previously on septic systems. The sewer system has invested \$11 million since 2000 and the homeowners pay back their costs over ten years.

Commissioner Justman related a story regarding another utility. The Board should be thinking down the road about a valley-wide sewer system; the Board should not hold back to prevent growth. He does not want to see the owners in the 201 boundary hamstrung.

There were no other comments from the Board.

Commission Chair Acquafresca asked Mr. Trainor if he needed further clarification on the direction the Persigo Board would like. Mr. Trainor confirmed that he had sufficient direction.

Commission Chair Acquafresca asked if Mr. Trainor would be available for questions and or suggestions from the combined Board. Mr. Trainor said he and Staff along with the County Public Works Director would be available.

Budget Calendar and CIP Review

Waste Water System Manager Dan Tonello then reviewed the budget calendar and what has taken place. He noted the date for presentation to the County Commissioners was not known and therefore not included in the calendar.

Mr. Tonello then reviewed the 2013 capital projects. First, the Interruptable Service Option Credit (ISOC) program is where the Persigo facility reduces their power for a set amount of time at a predetermined time to help XCEL out and then they get \$100,000 worth of credits from XCEL. They have to have a generator on site to provide the power during those reduction periods. Proposed projects for 2014 include: the A-Basin Stone Replacement; the Motor Control Center Replacement; the secondary clarifier retrofit; and collection system upgrades which is a \$3 million investment to upgrade the old pipe to PVC pipe. Cameras with closed circuit are put into the lines to evaluate the lines first. The other project is the Compressed Natural Gas project (CNG), which is the use of the methane for natural gas by injecting the gas into the transmission lines.

There is also a nutrient study planned for the future. The Environmental Protection Agency (EPA) is proposing that permittees discharge less nutrients to the Colorado River, however it is beyond the current capability of the plant. They are hoping that the grant received from the State will purchase a diffuser to address the problem. Lastly, Mr. Trainor already talked about the Sewer System Elimination Project which has been a successful program.

Councilmember McArthur asked if methane is usable in CNG vehicles. Mr. Tonello said impurities must be removed, but it is useable. There is a financial and air quality benefit and it is a renewable resource.

Councilmember McArthur asked if some of the sewer line replacements could be sleeved instead of replaced. Mr. Tonello said yes they can be re-sleeved by inserting a PVC sock and inflating it which is the first choice in doing the upgrades as it is less costly.

Commission Chair Acquafresca asked about the dissolution of Orchard Mesa Sanitation District. Mr. Tonello said in November 2015 it will go to a vote for the dissolution and then if approved, Persigo will take over in 2016. It is about a 35 mile system and it is being analyzed to see what will be needed to take it over and make it work without additional equipment.

Councilmember Norris asked if the pipes in the Orchard Mesa Sanitation District were in good condition. Mr. Tonello said the City has been making a financial investment in the system for several years in anticipation, so upgrades have been done.

Councilmember Chazen asked about the longevity of running the generator at one time. Mr. Tonello said it could provide power for up to a day or two.

Councilmember Chazen asked what would be used as a backup if the power were to go out. Mr. Tonello said the generator would be adequate for a day or two.

Commission Chair Acquafresca asked if the generator could be run on methane. Mr. Tonello said it could however, for it to make economic sense, it would be better to purchase diesel fuel for the generator and accept the government's subsidy for CNG fuel used in a vehicle.

Commissioner Justman asked what the life expectancy of a generator is. Mr. Tonello referred the question to Deputy Utility Director Terry Franklin who said it was 20 to 30 years and it can be rebuilt. Mr. Tonello added that it would be many more years because the use of the generator is minimal.

Councilmember Boeschstein asked when the City absorbs the other sewer system does it lower their customers' rates. Mr. Tonello said it does; the smaller districts do not have the same savings.

Council President Susuras asked when the methane gas can be connected and how many miles will be laid and what is the cost and if so, are the funds in the budget. Mr. Tonello said the process with XCEL started five years ago, it took about four years for XCEL to determine the quality needed which was just recently. There are meetings currently being held to determine many different factors. There is a second alternative which is a dedicated pipeline from Persigo to the CNG filling site. This appears to be the most economic option. The project would involve a two inch line, five miles long. The total cost of the project would be about \$1.75 million. He is confident that this would provide gas to the site at \$1.10 per gallon until paid back, on a ten year payback. After this capital investment is paid back it would then be making 19 cents for every gallon, producing 400 gallons per day.

Councilmember Doody asked if the plan is to bore the line. Mr. Tonello said yes. There are options being looked at to be as little invasive as possible. The City is also asking for XCEL to financially contribute for an energy reduction incentive. This can reduce their need for expansion. Accepting the government subsidy makes better financial sense.

Councilmember McArthur said there may be more users of the five mile pipeline that could reap these benefits as well. Mr. Tonello said that it is more financially viable to get the subsidy from the government for the CNG station and buy the diesel for the other needs.

Council President Susuras thanked Staff for the presentation and said he believes Persigo is in very capable hands.

Commissioner Pugliese asked what accounted for the increase in the 902 fund. Mr. Tonello said it is additional electrical expense. He will gather and provide details to the

board. Commissioner Pugliese then asked about the \$11 in the 904 fund. Mr. Tonello said the 904 fund is utilized for growth related projects. He said he will send the detailed information out to the Board. Mr. Tonello said the \$11 was part of a workmen's compensation claim and has been moved out to the 902 fund.

Commission Chair Acquafresca recapped and said that the Board will get a Trunk Extension Policy draft and the 2014 budget for approval.

Adjournment

County Commission Chair Acquafresca adjourned the meeting at 6:38 p.m.

Stephanie Tuin, MMC
City Clerk