

PINETOP-LAKESIDE SANITARY DISTRICT

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**SPECIAL SESSION
MINUTES
April 17, 2017**

This was a joint meeting with Navopache Electric Cooperative, Inc. (NEC), the Town of Pinetop-Lakeside and the Blue Ridge Unified School District #32 Superintendent; the meeting was located at the District's Conference Room, 2600 W. Alisa Lane, Lakeside, AZ 85929.

The District hosted the Joint Meeting.

1. WELCOME

Board Chair Kengla called the meeting to order at approximately 6:43 PM and welcomed everyone.

2. INTRODUCTIONS

Everyone introduced themselves.

Board Members present for the District were: Christopher C. Kengla, Board Chair; Diana W. Butler, Board Secretary; Neal Whittle, Board Member and Patrick B. Place, Board Member. Staff Members present were; David J. Smith, District Manager and Linda Lionberger, Executive Assistant.

Excused: Paul W. Meier, Board Vice-Chairman
William Whittington, Legal Counsel for the Governing Board

Board Chair Kengla requested that Agenda Item No. 6 was moved forward.

3. UPDATE: PINETOP-LAKESIDE SANITARY DISTRICT

Board Chair Kengla reported that the upgrades at the District regarding the Waste Water Treatment Facility over the past year included: Upgrading the ditch with Banana Blade Mixers and that the overall project was approximately \$2 million, and that the Board did not have to go out and sell Bonds for the project.

Board Chair Kengla also reported that the Treatment Facility Equipment was over 25 years old and that with the upgrades the District has experienced a decrease in electrical costs and other line items.

Board Chair Kengla deferred the report to Mr. Smith, the District Manager.

Mr. Smith reported that the District provides the treatment of waste water for areas within the Town of Pinetop Lakeside and Navajo County. The District has provided sanitary sewer services since 1980, with the current Plant starting up in 1988. Jacques Marsh that is located off of Porter Mountain and Penrod Roads was developed as a Wildlife Wetlands habitat the community now enjoys bird watching and duck hunting. The Marsh is where the District's effluent flows to and the District maintains the Marsh in partnership with the U.S. Forest Department and Arizona Game & Fish Department.

Mr. Smith reported that the District's Plant is designed to accept 2.0 mgd and that the average flows have been 1.0 mgd, there are 8125 connected sewer users to the sewer system; the District maintains 150 miles of sewer lines and there are also 20 lift stations. The District's goal was to improve the environment and that is being accomplished by removing 95% of the organic matter. The treated water at the Plant is injected with chlorine for disinfection, which is tested every 4 out of 7 days. The by-product of the treatment process was the biosolids (sludge) and the excess was pumped up the hill to the Composting Facility where the District makes a compost product.

Mr. Smith reported that the sludge was dewatered and added to the biomass mixer with woodchips and paper/cardboard products and then turned for 24 hours. Once the mixing takes place the paper products are unrecognizable, the customers of the District call this the "Digester" Staff refers to it as a Rotary Digester or Biomass Mixer. After approximately 12 weeks the compost has been turned, thus reducing the bacteria. The Compost is tested and then sold to the public at 1 yard for \$10.00, if a consumer purchases several yards the pricing decreases to \$7.00 a yard.

Mr. Smith said that the upgrades and the success of the District could not have been accomplished without the foresight of the past and present Board Members.

Mr. Smith reported that the one year data that Staff has collected with the Waste Water Treatment Plant Facility upgrades has been; improved water quality and decreased energy costs. Nitrogen removal to protect the ground water is not required but has been accomplished so that the effluent doesn't leach nitrogen into the ground water at high levels. Ammonia nitrate levels are at 80/85 percent removed to a level of about 2 to 5 ppm. The drinking water standards are at 10 ppm and the acceptable level by the State is 10 ppm. The energy costs decreased from \$225K to \$125K, keeping the District from wasting natural resources.

Mr. Smith reported that there are no plans to increase the sewer user fees from the \$20.00 per month, per unit and that there haven't been any increases to the sewer user fees for the past 3 years. Mr. Smith reiterated that without the District's Board support looking into the future this may not have happened for the District and to have a successful first year with the improvements was remarkable.

Board Member Place stated that the Management and Staff have done a really good job in protecting the environment and water, because you cannot make water.

The District's updates conclude.

4. UPDATE: NEC

Mr. Bradley Baker, Board President of the Board of Directors, gave a briefing of the electrical industry over the last four years and what NEC has been involved with. Board President Baker highlighted: (1) Renegotiated the electrical Power Contract; (2) Transmission Case with a \$79 dollar million lawsuit; (3) RFP's that were advertised to obtain lower electrical costs for NEC and the consumers and (4) Ending their contract with PNM.

Board President Baker reported that NEC renegotiated their contract for the purchase of electricity with PNM and that the costs increased. NEC then decided to send out the RFP's to the Electrical Power Companies and negotiated a contract with Tucson Electric Power (TEP), ending their contract with PNM. Board President Baker also reported that after 3 years of trying to negotiate a contract with PNM, NEC exercised to opt out of the contract. Then PNM filed a \$79 million dollar lawsuit against NEC, the result of the contract was that NEC was to purchase 10 mega watts from PNM and in 2016 the contract expired.

Board President Baker reported that 8 RFP's went out and that in 2014/2015 NEC negotiated with TEP. From January 1, 2016, NEC has been purchasing power through TEP and TEP now provides NEC with 100% electric kilowatts. Board President Baker indicated that with the contract with TEP the consumer should have seen a 12 to 14 percent savings in their electrical costs in 2016. Board President Baker also indicated that there were some fixed rate changes to the consumer's accounts and that NEC was working on designing a rate structure into the future. In 2007 because of the recession the kilowatt sales did drop and that they did not foresee a hike in the kilowatts, NEC had to implement a straight across the Board service charge of \$2.67. The real cost to provide electric to the consumer are: \$24.84, monthly service charge; \$31.13 meter rate plus \$11.50 transmission per month. The thought behind the increase of \$2.67 was for everyone to pay their fair share to help cover the operating costs, even if they are seasonal residents.

Board President Baker deferred a visual presentation to Mr. Chuck Moore, CEO of NEC.

Mr. Moore presented a presentation of NEC's role in providing cost effective electric service to the community.

Mr. Moore reported that NEC was committed to providing quality customer service and keeping electrical costs down for their consumers.

Mr. Moore discussed the wholesale of power supply and how it works, the monthly service charge, the system reliability, customer member services and changes that the consumers will see in the future.

Mr. Moore reported that from 2014 to 2017 the consumer was overpaying approximately .07¢ per kilowatt hour; this was for kilowatts not delivered to the members. With the new contract with TEP in 2016 there was a credit back or power credit adjuster to the members. The average customer's bill for power supply savings to the customer was \$25.00. The service charge rate was filed to increase to \$2.67; the service charge rate went from \$22.17 to \$24.84 effective January 1, 2017. This across the Board monthly service charge was to all members of NEC because of the need to fund operating costs and not rely on kilowatt hour's revenue.

Mr. Moore reported that for a residential meter to sit idle the costs was \$42.63, which included meter and transmission costs.

Mr. Moore Highlighted NEC's future restructuring plans:

- Restructuring the rates.
- Improvements for 2016 were: Heber/Vernon Sub Station upgrades.
- Protection Device Coordination Replacement, Rebuild the Wagon Wheel Sub Station, Alchesay Sub Station, Rebuild the circuits at Summit Healthcare.
- The 4 year Plan was to expend \$52 million in the NEC System: Transmission along Porter Mountain Road; Underground Replacement; Substation Improvements; Transmission modifications; Communication Network – 29 Towers; New Tower locations and adding equipment; 2 way Radio upgrades with a 700 MHz Band; Upgrade the Microwave radios and upgrade their communication system so not to rely on a third party.
- Upgrade the crews with Laptops and I-pads that will be 700 MHz.
- AMI was hired to upgrade existing electric meters and that they will be replacing existing meters starting in the Pinetop area. The information that will be provided by the new meters will benefit the consumer and NEC so that they can identify the consumer's needs and to notify NEC when there is a power outage in the area or at the residence.
- Electronic Payments will be accepted 24 hours a day and there will also be a feature when a past due payment is made to reconnect the property immediately.
- Improving the Phone Systems to speak with an individual and changing the Customer Service Department to Members Services Department. When a Member walks in to the Office they are taken care of by a Member Services Employee.
- Long Term Planning with the Power Plants and that NEC was structuring their revenues according to gas prices and blended fuel products.

NEC's updates concluded.

5. UPDATE: TOWN OF PINETOP-LAKESIDE

Ms. Stephanie Irwin, Mayor of the Town Of Pinetop Lakeside reported that the Town was planning several items in the future.

Mayor Irwin highlighted the following:

- Staff was working on Franchise Fees with the utility companies that utilize the easements and roadways of the Town to generate revenue.
- The Town Staff was moved from Niels Hansen Road in Lakeside to the Woodland Road Building, which at one time just housed the Parks and Recreations/Public Works Department Employees.
- The Town was currently looking at property to relocate the Town Offices.
- In coordination with Arizona Department of Transportation (ADOT) the sidewalk located from Hwy 260 down the East side of Woodland Road will be extended from Navajo Lane to Mountain Meadow Park and that the sidewalk will be American Disabilities ACT (ADA) compliant. The improvement would also contain a 4' wide bike lane. The sidewalk will be 5'; the construction was expected to begin in the summer of 2017.
- There was a dedication planned at the corner of Hwy 260 and Woodland Road on the North side of the highway to be named "The Jack Barker Memorial Park".
- Navajo County was considering closing the court facility located at the Niels Hansen Building in Lakeside and consolidating the court to their facility in Show Low.
- The Winter Fest was in February and there was no snow. The WMAT provided snow for the Winter Fest and that Staff was moving the Festival next year to January 2018. The Town had several community members come out and participate at the Festival.
- October 7, 2017 the Town plans to host the Color Fest at Mountain Meadow Park, this is in conjunction with the annual Sunrise Ski Area Skiing Passes that are available at discounts and free to children.

Mayor Irwin reported that the goal of the Town was to bring people up to the Mountain to experience the Mountain and what the area provides and provide business for the local business owners.

Mayor Irwin reported that the festivities also provide the local community an opportunity to get together and support the local businesses.

Town Council Member Smith said that the Town was planning a community picnic at Mountain Meadow Park and that there will be games and food.

Town Council Member Dahnk said that the White Mountain Nature Center on Woodland Road was sponsoring a 6 week Kids Camp this summer that will be taught by certified teachers for \$400.00 and that it was well worth the cost.

Mr. Keith Johnson, Town Manager said that there was also the White Mountain Nature Center Carnival to be located at Mountain Meadow Park Memorial Weekend.

Mr. Moore of NEC offered their Electrical Safety Trailer for the Community Picnic and that it was available for events. Mr. Johnson said he would contact Mr. Moore regarding the Safety Trailer.

The Town's updates concluded.

6. UPDATE: BLUE RIDGE UNIFIED SCHOOL DISTRICT #32

Mr. Wright, Superintendent discussed the consolidation of the grades K-6 that would be relocating to the Porter Mountain School Facility for the 2017/2018 school year.

Mr. Wright thanked the community for the passing of the \$15.2 million dollar school bond and that because of the high credit rating of the School District that they were able to negotiate a \$13.9 million debt and receive the benefits of the \$15.2 million dollar bond. Because of the negotiations of the debt this would only add .67 on every \$100.00 value on the real property taxes.

Mr. Wright reported that with the Bond monies the School District has ordered 14 buses that should get 1 to 2 ½ miles per gallon better gas mileage. The State of Arizona was to pick up the \$750K to paint the High School. Mr. Wright also reported that he was proactive in getting on the State School Board's Agenda to petition money for improvements for the Blue Ridge School District.

Mr. Wright reported on the number of graduates from area schools that attended and graduate from a four year higher education facility.

Mr. Wright reported on the reduced fee lunch program. The States Report Card System of Schools A through F Program and that his focus was on creating opportunities for the students, by attending local colleges, technical schools or trade programs. The computer testing resulted in lower scores and that part of the improvements would be to provide computers to the students to bring the classroom into the new age.

Mr. Wright reported that the 7th and 8th grades were relocating to the main campus and that the previous Intermediate School Building was being remodeled to house the students. The Building has a sound structure and once school was out for summer the construction would begin in full swing at both campuses.

Mr. Wright thanked the community for the Bond approval and said that it could not have been accomplished without the support of the community.

Board Member Patrick said that he was glad to see that the school was promoting the kids that may want to stay on the mountain or get a head start and go to a college and learn trades through the Northland Pioneer College Navitt Program.

Mr. Wright thanked all and appreciated the time to present what has transpired at the School District over the past year.

The School District's updates concluded.

7. DISCUSSION OF ITEMS OF MUTUAL INTEREST

Mayor Irwin asked Mr. Smith and Mr. Moore if there was an increase in their services since 2008. Mr. Smith responded to Mayor Irwin that the District flows increased in 2008 from ½ of 1 percent and that was from data when the average flows were 1.1 mgd in 2006/2007.

Mr. Moore responded to Mayor Irwin that there was a slight increase in services, but that usage was decreased.

Town Council Member Smith asked Mr. Smith if the District at the approximate 8000 sewer connections was the Treatment Facility at ½ the capacity. Mr. Smith responded to Town Council Member Smith that the committed capacity was 1.6 mgd and that the State of Arizona looks at each connection in so many gallons per day and that the District must provide the State with data that the Treatment Facility could handle additional connections once the connection capacity was met.

Mr. Johnson asked Mr. Smith how the District handles failed septic systems. Mr. Smith responded to Mr. Johnson that to possibly prove a septic was failing would be to sample the quality of the runoff after a rain storm, and then you would have to find the point of the source of the pollution. Navajo County was responsible to identify failing septic systems.

Town Council Member Penrod wanted to let all in attendance be aware that the Pinetop Lakeside Senior Citizens Center has lunches available to order daily; their Thrift Store was accepting donations and that they are always looking for volunteers. Town Council Member Penrod also let all in attendance be aware that if anyone was interested in ordering a lunch to contact the Senior Citizens Center by 10:00 AM or 10:30 AM.

8. CONFIRM HOST/DATE/TIME FOR NEXT MEETING

Board Chair Kengla thanked everyone for attending and said that the meeting was very informative and it was about all of us working together for the betterment of the community.

The host for the next meeting will be the Town of Pinetop Lakeside the date to be approximately October of 2017 and the time to be determined.

9. AGENDA ITEMS FOR NEXT MEETING

There weren't any Agenda Items suggested for the next meeting.

10. ADJOURNMENT

The meeting adjourned at approximately 8:30 PM.

Adopted and approved this 10th Day of May, 2017.

/s/ Christopher C. Kengla
Christopher C. Kengla, Board Chair