

**Metropolitan Domestic Water Improvement District  
Board of Directors Meeting**

**April 11, 2011**

**Discussion and Direction regarding the Continuation of the  
County/RTA Waterline Relocation Fee**

**Synopsis**

The Board of Directors is requested to discuss whether to continue the County/RTA Waterline Relocation Fee or consider other means to fund the debt service for the revenue bonds financing the waterline relocations.

**Background**

At the June 8, 2009 meeting, the Board of Directors adopted and approved Resolution 2009-2, which established a County/RTA waterline relocation fee as part of the District's established water rates and that the fee was set at \$3.00 monthly for 5/8" meter with larger meters charged a monthly amount based on the meter size and meter ratio set by the American Water Works Association. The fee was established as the mean to finance the waterline relocation required by the first RTA project within the District's service area, the La Cañada Road from Calle Corcordia to Ina Road. The fee has generated approximately \$800,000 annually.

Pima County accelerated its construction schedule and identified up to five road widening projects to be completed within the District service area from 2011 to 2013. Last year, the Board approved the issuance of \$6.6 million in revenue bonds to secure financing for additional waterline relocations that are required due to the numerous County road projects. The Board decided to issue the revenue bonds as the best way to finance the necessary waterline relocations for the remaining projects and meet the County's aggressive road construction schedule.

**Issues**

When the fee was approved in 2009, the Board directed staff that the County/RTA waterline relocation fee should be reviewed within two years. The purpose of this agenda item is to review that fee and for the Board to direct staff on whether the fee should continue or not in some format.

As stated above, the District issued \$6.6 million in revenue bonds in order to finance the waterline relocation that are required due to the five scheduled County road projects to occur within the District. The revenue bonds are to be paid off in 10 years. The annual debt service is almost \$800,000 annually; approximately, the same amount that the County/RTA waterline relocation fee

generates annually. While the \$6.6 million is anticipated to cover the cost, the exact amount will not be known until the County finalizes the road designs so the District knows exactly which waterlines must be moved. In January, the Board awarded the construction contract for the Magee Road waterline relocation at the cost of \$2.0 million. The District is obviously required to meet the debt service for the \$6.6 million revenue bonds and possibly locate additional funds if the waterline relocations exceed \$6.6 million.

In reviewing the fee, the following conclusions can be made: The fee has been effective in generating the funds necessary for the first RTA related waterline relocation project. The fee is designated separately on the water bill so its purpose is clear to the customer and it is understood that it is due to the road projects imposing on the District and not related to water consumption. By having a separate fee, the fee can more easily be removed from the bill when it has served its purpose. The fee has been any extra cost borne by customers as all of the required waterline relocation has been a burden on the District. The District has made an effort to provide constant explanation about the fee and the waterline relocation projects in its newsletter.

The District could consider one of the following:

1. Continuation – The fee would stay in place, with no change to its structure and be used to pay for the debt service for the \$6.6 million revenue bond. The fee generates approximately the same amount as the debt service. The debt service would be paid off in 10 years, at which time the fee could be discontinued. Continuing the fee keeps a clear designation as to the reasons for the District needing monies for the debt service related to the waterline relocation project.
2. Discontinue – The Board could decide to discontinue the fee; however, the \$800,000 in debt service for the \$6.6 million revenue bonds for waterline relocation projects would still need to be funded. Discontinuation of the fee would mean either cutting the budget or raising rates. The Board is currently developing the 2011-2012 fiscal year budget and is aware that the District's budget is quite lean. To find \$800,000 in budget cuts would require severe cutting. Assuming the budget remains the same, the \$800,000 could be generated through a rate adjustment, which would mean a rate increase of 5.4 percent. Having the debt service generated in the rate structure would mean the reason or need for it could be lost in the rates. It also makes it more difficult to eventually remove from the rates.
3. Combination – The Board could direct staff to analyze how the fee could be continued but at a reduced amount and then also either make budgetary reductions along with a possible rate increase.

If the Board would like to direct staff as to the above-noted scenarios, the Board also needs to consider how to convey the information to customers. When the County/RTA fee was established, a public hearing was held per statutory requirements. No formal public hearing is required if there are no changes intended to be made to the fee. If the fee amount is to be modified, then a public hearing would need to be held. Obviously any decision made by the Board would be properly agendaized and noticed; however, the Board may want to consider a more proactive approach to communicating with the customers such as the development of an insert to be included with the bills. As previously

mentioned, the District's newsletter has included regularly information about the RTA funded roadway projects and related waterline relocation projects. The last newsletter discussed the Board's decision to issue the \$6.6 million revenue bonds as the means to pay for the waterline relocations that will be required under the County's accelerated roadway projects.

### **Recommendation**

It is recommended that the Board of Directors discuss and direct staff how to proceed with the County/RTA Waterline Relocation Fee. It is recommended that the Board plan to formally make a decision at its June 13, 2011 meeting as part of that regular agenda. Staff should be directed to develop an insert discussing that the Board will be considering continuing the County/RTA Waterline Relocation Fee rather than raising the rates to be able to pay for the debt service. The fee would be continued for ten years to pay for the debt service, which means it would not be incorporated into the rates.

### **Recommended Motion**

I move to direct staff to prepare an insert to discuss that the Board is considering the continuation of the County/RTA Waterline Relocation Fee to pay for the debt service for the \$6.6 million revenue bond rather than have an increase to the rates. An insert should be prepared to explain the continuation of the fee to customers.

Respectively submitted,

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General Manager