

**BOARD OF DIRECTORS
METROPOLITAN DOMESTIC WATER IMPROVEMENT DISTRICT
PIMA COUNTY, ARIZONA**

MONDAY, MAY 13, 2019

****BOARD CONFERENCE ROOM**
METROPOLITAN DOMESTIC WATER IMPROVEMENT DISTRICT
6265 N. LA CAÑADA DRIVE
TUCSON, ARIZONA 85704**

MINUTES

Board Members Present:

Judy Scrivener, Chair
Bryan Foulk, Vice-Chair
Jim Doyle, Member
Helen Ireland, Member
Dan M. Offret, Member

District Staff:

Joseph Olsen, General Manager
Sheila Bowen, Deputy General Manager / District Engineer
Diane Bracken, Chief Financial Officer
Steve Shepard, Utility Superintendent
Theo Fedele, Clerk of the Board
Jeffrey L. Sklar, Legal Counsel

Public Hearing

I. Call to Order and Roll Call

Judy Scrivener, Chair of the Board of Directors of the Metropolitan Domestic Water Improvement District (District), called the Public Hearing to order at 5:30 p.m. Jim Doyle, Bryan Foulk, Dan M. Offret, Richard Sarti, and Judy Scrivener were present.

II. Presentation about Proposed Adjustments to Rates and Fees

Mr. Olsen stated that on May 8, 2019 the District held an information meeting for the public to attend and discuss the proposed adjustments to rates and fees as well as to share recent financial initiatives and accomplishments over the past five years. Two members of the public attended the information meeting and were supportive of the information given. Their questions focused on water quality, the capacity of underground storage, and programs available for rain water harvesting. Customers also contacted the Districts office to make their regular payment and then inquired how the rate increase would affect them. After the Customer Service Representatives answered any concerns and explained the increase, the customers understood and were supportive.

Mr. Olsen provided the presentation to the Board that was presented at the information meeting. The proposed adjustment is a 95 cent increase to the water availability rate and no changes on the water consumption charges. The 95 cent increase is for the average residential customer with a 5/8” meter with proportionate adjustments for larger size meters. The water availability rate is the base rate that is paid regardless of how much water a customer uses. With the current rate structure, the base rate is \$29.50 for a 5/8” meter at Metro Main and Hub. The first 3,000 gallons are included in the base rate.

In Fiscal Year 2015, there was a 3.4% increase, which was associated with increasing the water resource utilization fee from 20 cents to 40 cents per 1,000 gallons. That fee was to enable infrastructure projects that utilized renewable water resources, such as Central Arizona Project (CAP) and recycled water. In Fiscal Year 2016 and 2017, steps one and two of the revenue stability initiatives were accomplished. Revenue stability is the ratio of fixed costs, which are the costs that must be paid regardless of how much water is delivered, are covered by fixed revenue, which is the water availability rate paid by customers independent of how much water is utilized. The greater the ratio of fixed costs covered by fixed revenue, the greater the revenue stability. Over those two years, the revenue stability ratio reached 90%. The benefit of revenue stability is having certainty in budgetary planning, infrastructure planning, and water resource planning. The promise to the rate payers was if 90% revenue stability was achieved, the District would have no rate increase in Fiscal Year 2018. This promise was kept. Last year, there was a 1.6% increase associated with the final increase for the water resource utilization fee for the currently planned initiatives.

The average increases for the District over the last five years has only been about 2% annually. To put that in perspective, other water providers throughout the country have had an average of 7% annual increases. The District is able to achieve this by using ratepayer revenue efficiently including implementing a priority-driven budget process, not taking on any new debt since 2013 while paying off over \$33 million debt, saving \$480,000 in interest payments, as well as dozens of wise financial actions by staff. The District also secured additional revenue streams including a Credit Purchase Agreement for \$120,000 annually for 20 years, Sewer Billing Agreement with Pima County for \$117,000 of additional annual revenue, Active Cash Management for \$230,000 in the current fiscal year, Phoenix Water Storage Agreement which generates \$115,000 annually, a Reliability Amendment to which \$924,000 was allocated to the District and used for the initial funding for Northwest Recharge, Recovery and Delivery System (NWRRDS), NWRRDS partnerships with Oro Valley and Marana which saves District Residents over \$15 million and avoids \$4.9 million in interest, Compensated System Conservation which invests 3,500 acre-feet annually in mitigating Colorado River shortages saving \$638,000 in annual delivery costs and generating over \$410,000 annually. Therefore as opposed to raising rates by 7%, the District raised

rates by 2% and offset the 5% with using ratepayer revenue efficiently and generating additional revenue streams.

III. Comments from the Public Regarding Proposed Adjustments to Rates and Fees

Scott Schladweiler, a District resident and the Chair of the FOC, stated that the District's proposed rate adjustment is much lower than the rate increases in the region as well as around the country. Staff demonstrated how the proposed increase is enough to support the District's mission as well as provide services going forward. Often when customers hear of a rate increase they become concerned because some people might have financial hardships or may be budget conscious. Making a change to just the water availability rate and not the consumption rate structure throughout the different service areas provides a predictable method for customers to accommodate these rate increases without worrying about an 8% increase on consumption rates. This also helps support the District's revenue stability initiatives. The discussion with staff at the FOC meeting proved the appropriate use of rate payer resources and the proactive initiatives, which encouraged the Committee to unanimously recommend that the Board approve this adjustment. The FOC also discussed other budget issues where staff was well prepared and patiently answered questions ranging from generators, website design, and the rate structure.

IV. Consideration and Possible Action Regarding Water Rates and Fees

Mr. Offret moved to approve and adopt Resolution 2019-4 to make adjustments to the established water rates and fees effective July 1, 2019. Mr. Foulk seconded the motion. Motion passed unanimously.

V. Adjournment

The meeting adjourned at 5:58 p.m.

Judy Scrivener, Chair of the Board

Theo Fedele, Clerk of the Board