

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

**MONDAY, MARCH 22, 2021**

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

**MINUTES**

**Board Members Present:** Judy Scrivener, Chair  
Richard Sarti, Vice Chair  
Jim Doyle, Member (Participated Electronically)  
Bryan Foulk, Member  
Lee Jacobs, Member

**District Staff:** Joseph Olsen, General Manager  
Sheila Bowen, District Engineer (Participated Electronically)  
Diane Bracken, Chief Financial Officer (Participated Electronically)  
Steve Shepard, Utility Superintendent (Participated Electronically)  
Theo Fedele, Clerk of the Board

**Study Session**

**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 Board Meeting to order at 5:30 p.m. Jim Doyle, Bryan Foulk, Lee, Jacobs, Richard Sarti, and Judy Scrivener were present.

**II. General Comments from the Public**

There were no comments from the public.

**III. Discussion of the Proposed Rate and Fees Adjustments and Scheduling a Public Hearing**

Mr. Olsen stated that one of the Board approved Specific Performance Objectives for the current calendar year is to explore a potential two-year rate setting process to increase efficiency of staff efforts and to provide greater financial certainty for our District residents as opposed to a year to year look as has been previously accomplished. Today, we will be reviewing a proposed two-year

rate adjustment as this will provide greater budgeting certainty for District residents along with increased fidelity on capital infrastructure and water resource planning.

Ms. Bracken leveraged her highly accurate rate model that she built, which includes over ten million calculations based on historic customer information and that has been refined over the past seven years since she originally created the model. From this model, we were able to arrive at a recommended adjustment to both the fixed and variable components of rates, in particular, an increase in the Water Availability Rate and an increase in the Water Consumption Charges in Fiscal Year 2022 and an adjustment to the Infrastructure Rehabilitation Fee in Fiscal Year 2023.

For Metro Main and Hub, the proposed rate adjustment would increase the Water Availability Rate by 90-cents for a 5/8-inch meter and would increase Water Consumption Charges in the first consumption tier by 30-cents per 1,000 gallons and by 15-cents per 1,000 gallons in the second through fourth consumption tiers. These adjustments would go into effect on July 1, 2021. For the average customer in Metro Main and Hub that uses 7,500 gallons a month, this would be a \$2.39 per month increase or a 5.1% increase.

For Fiscal Year 2023, the recommendation is to only increase the Infrastructure Rehabilitation Fee by 55-cents, bringing the fee to \$1.50. As a refresher, the Infrastructure Rehabilitation Fee is to provide a focused stream of revenue specifically for investment in District infrastructure and, previous to the creation of this fee, the Capital Improvement Program (CIP) was reliant on growth via new meter connection fee, and transfers from the operating fund. While the Infrastructure Rehabilitation Fee at \$1.50 would certainly not fund the entire annual CIP, it would provide a solid financial foundation that does not rely on the growth model. This 55-cent increase results in a 1.1% increase to the average customer.

The two years combined results in an average annual increase of less than \$1.50/month or 3.1% for the average customer

As a reference, the average rate increase for water utilities across the Country was approximately 7.5%-8% annually. The past five years, the District's service areas have averaged between a 1% and a 2.5% increase.

For the other District service areas, Metro Southwest – Lazy B follows a similar trajectory as Main and Hub except that Lazy B's Water Consumption Charges are higher than the other service areas so their Water Consumption Charges would not increase.

Metro Southwest – Diablo Village also follows a similar trajectory as Main and Hub except that the specific increases in the Water Consumption Charges are 10-cents per 1,000 gallons in the first consumption tier and 20-cents per 1,000 gallons in the second through fourth tiers.

The Metro Southwest – E&T service area has Water Consumption Charges and a Water Availability Rate that are lower than all the other service areas so in order to move that service area closer to parity, the recommendation is to increase the Water Availability Rate and Water Consumption Charges in both Fiscal Year 2022 and Fiscal Year 2023 to more closely align E&T rates with that of the other service areas. Even with these adjustments, this results in the average customer seeing approximately a 5% increase per year while bringing their rates into alignment to cover costs, a goal we have been progressively moving toward over the past seven years.

Staff discussed this proposal with the Finance Oversight Committee at the Committee's March 16, 2021 meeting and they voted 7-0 in favor of recommending the Board approve the two-year rate adjustments.

Should the Board concur, the Board would need to direct staff to schedule a Public Hearing. We would then send billing inserts explaining the proposed rate adjustments in Fiscal Year 2022 and Fiscal Year 2023 for each service area and to notify the public of the date of the Public Hearing, which is recommended as May 10, 2021 at 5:30 p.m., immediately preceding the May Board Meeting. We would also hold an Informational Meeting on May 6, 2021 at 6:00 p.m. The Informational Meeting is not a Board meeting, rather is an opportunity for customers to learn more about the District and to ask any questions. Relevant input received from customers via email, phone, or in-person feedback would then be included at the Public Hearing to assist in the Board's deliberation process.

Discussion ensued and staff answered questions regarding the proposed rate and fees adjustments and the billing inserts that will be mailed to customers.

Mr. Sarti moved to schedule a public hearing for May 10, 2021, at 5:30 p.m. for the purpose of discussing and possible adoption of an adjustment to the District's water rates and fees for two fiscal years. Mr. Jacobs seconded the motion. Motion passed by a roll call vote of 5-0.

#### **IV. Discussion of the Requested Budget for Fiscal Year 2022**

Ms. Bracken stated that Metered Water Sales are based upon the proposed rate increases for Fiscal Year 2022. The Metered Water Sales were calculated using a rate model with the actual customer account data for Fiscal Year 2020, which had \$18,477,814 of revenue not including the bulk meters. The Metered Water Sales for Fiscal Year 2021 were budgeted based upon Fiscal Year 2019 actual water consumption, which was much lower at \$17,423,356. With the lack of rain, consumption was higher than planned in Fiscal Year 2020 and consumption continues to be high so far in Fiscal Year 2021. The budget for the Water Resource Utilization Fees is being increased based upon the increased water consumption over the past two years. Engineering staff are estimating new meter connections to include 60-5/8" meters in Metro Southwest and 180-5/8" meters in Metro Main for a total development revenue of \$569,292, which is exactly the same as the current fiscal year. Other revenue includes: private fire risers, penalties and service charges,

investment and interest income, Pima County Wastewater billing services, Infrastructure Rehabilitation Fees, water storage, Central Arizona Project (CAP) capital and Compensated System Conservation, effluent sale of storage credits, other income, and the transfer between Metro Main and Metro Southwest.

The total budgeted revenue is \$23,097,622. The projected beginning fund balance for Fiscal Year 2021 is \$18,527,686 based upon mid-year projections. Northwest Recharge, Recovery and Delivery System (NWRRDS) funding from the Towns of Marana and Oro Valley is budgeted at \$4,032,318. Resulting in total operating funds of \$45,657,626.

The total requested operating budget is lower than the prior year adopted budget by \$1,350,288. Debt service is \$1,050,065 lower. Regulatory, CAP water, and Avra Valley Recharge Project (AVRP) planned expenses are \$682,300 lower with the first half of the year budgeted at \$213 acre-feet (AF) and a potential shortage in the second half of the fiscal year budgeted at \$248 AF, a reduction in O&M costs associated with 3,500 AF for the CAP Compensated System Conservation agreement, a \$45,000 reduction of AVRP operating costs, and a reduction in Central Arizona Groundwater Replenishment District (CAGR) annual membership costs.

The graph in the agenda materials represented the percentage of the operating budget for each expense category with salaries and benefits accounting for 33% of the operating budget; debt service is 21%; regulatory, CAP water, and AVRP is 17%; consultants and contracted services is 9%; general operating expenses is 8%; power, electric, and gas is 7%; and supplies is 5% of the operating budget.

Mr. Olsen stated that this is a back to basics budget, with a focus on funding initiatives that are critical to the operation of the District moving forward. The Investments to Support the District's Mission include: Information Technology upgrades including a server for telemetry for SCADA and a fixed network software upgrade; lease buyouts for the Sharp copiers and plotters to ensure compliance with Government Accounting Standards Board (GASB) 87; a three-person maintenance crew; Metro Main Office parking lot pavement overlay; variable frequency drive (VFD) replacement for Northeast Reservoir Booster Station (NERBS); motor for the warehouse roll-up door; Historian tag license; records management software and scanning; and floor tile replacement in the crew room.

Ms. Bowen reviewed the one-year CIP requested for Fiscal Year 2022 including: NWRRDS, the Partner component as well as the Metro-only portion of the project; the Arizona Department of Transportation (ADOT) Oracle Road pavement and drainage upgrades; the AVRP recharge improvements; E&T22 well replacement; the large meter vault replacement; the Ironwood blend well; Skyline Ranchos mainline replacement; Creeger mainline replacement; and Orange Grove Road mainline replacement.

Ms. Bracken stated that this is a balanced requested budget with cash and revenue planned to be \$45,657,626 and requested expenses including cash and non-cash expenses planned to be \$33,492,398.

Discussion ensued and staff answered questions regarding the items in the Requested Budget for Fiscal Year 2022.

**VI. General Comments from the Public**

There were no comments from the public.

**VII. Adjournment**

The meeting adjourned at 6:24 p.m.

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Judy Scrivener, Chair of the Board

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Theo Fedele, Clerk of the Board