

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

**August 12, 2013**

**\*\* Board Room \*\***

**Metropolitan Domestic Water Improvement District  
6265 N. La Cañada Drive  
Tucson, AZ 85704**

**MINUTES**

**Board Members Present:** Judy Scrivener, Chair  
Dan M. Offret, Vice-Chair  
Richard Byrd, Member  
Jim Doyle, Member  
Bryan Foulk, Member

**District Staff:** Mark R. Stratton, General Manager  
Christopher W. Hill, Deputy Manager  
Michael Land, Chief Financial Officer  
Charlie Maish, District Engineer  
Tullie Noltin, Recorder  
Abbe Goncharsky, Legal Counsel  
Warren Tenney, Clerk of the Board

**Regular 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 6:00 p.m. Richard Byrd, Jim Doyle, Bryan Foulk, Dan M. Offret and Judy Scrivener were present.

**II. General Comments from the Public**

There were no comments from the public.

**III. Consent Agenda**

- A. Approval of Minutes – July 8, 2013 Board Meeting.**
- B. Approval of Minutes – July 22, 2013 Special Board Meeting.**

**C. Ratification of Billing Adjustments.**

Mr. Offret made a motion to approve the Consent Agenda. Mr. Foulk seconded the motion. Motion passed unanimously.

**IV. General Business - Items for Discussion and Possible Action**

**A. Monthly Status of the District.**

Mr. Stratton said pumpage in July was relatively close to last year so from a revenue perspective, the month was fairly good although numbers are still behind for the calendar year. June was very dry and metered sales had a big impact on revenues. The CAP storage project is on track. The next South Shannon change out is scheduled for August 24, 2013. The District partnered with Cortaro-Marana Irrigation District and contracted with Pro Pipe to flush a pipeline and gather more information on the condition of the pipe for the future effluent project. Capital projects including Riverside Well improvements are moving along. The contractor at Hub 1A well has run into a problem after the electrical subcontractor backed out. During the bid process, staff was concerned about how low that portion of the bid was comparable to other bids but the contract bid price is legally binding. Innova needs to figure out how to get the work done for the agreed upon price. Mr. Maish confirmed there had been no movement in recent days. Mr. Offret asked if the delay affects getting power to the location and Mr. Stratton said it does not. Mr. Maish explained the underbid portion is the electrical components of the site but has nothing to do with available power. Mr. Stratton said there are closeout issues with Select Development on the Oracle/Ina intersection project. They are unable to get lien releases because a subcontractor they were doing business with went bankrupt.

**B. Financial Report.**

Mr. Land said revenues and expenditures through June 30<sup>th</sup> are reported but unaudited. The audit started today and is in full swing. Revenues ended the fiscal year \$950,000 above budget, mostly due to water sales, which ended up \$481,000 over budget due to the rate adjustment. This was a strong year in development fees, which ended up \$238,000 over budget. As for the operating budget, all categories ended up under budget for a total of \$663,000 below the budgeted number. Combining the \$950,000 over in revenues and \$660,000 under in expenditures, the District ended \$1.6 million in the black. Compared to last year, total revenues were \$701,000 over, mostly due to water sales. Operating expenditures were \$167,000 above the previous year with the one exception of salaries and benefits trending downward. RTA project bond funds are nearly complete, with a storage tank at Metro Southwest being the last remaining expenditure. Meter applications in the first month were eight, compared with zero meter applications this time

last year. All meter applications were at Metro Southwest in Diablo Village. The solar system is falling a little behind but is still \$383 ahead than the year before installation.

**C. Health Insurance Premium Rebate for 2012.**

Mr. Foulk made a motion to approve having the rebate received from Blue Cross Blue Shield to be distributed between the employees and the District as prescribed and allowed under the Affordable Care Act. Mr. Offret seconded the motion. Motion passed unanimously.

**D. Groundwater Savings Storage Agreements.**

Mr. Offret made a motion to approve the agreement between the District and BKW Farms for “In-Lieu Water Deliveries and Storage” and that the agreement is in effect until December 31, 2014. Mr. Foulk seconded the motion. Motion passed unanimously.

Mr. Offret made a motion to approve Amendment No. 1 of the agreement between the District and Cortaro Water User’s Association for “In-Lieu Water Deliveries and Storage” subject to approval by Cortaro’s Board. Mr. Foulk seconded the motion. Motion passed unanimously.

Mr. Offret made a motion to approve Amendment No. 1 of the agreement between the District and Herb Kai for “In-Lieu Water Deliveries and Storage”. Mr. Byrd seconded the motion. Motion passed unanimously.

**E. Approval for the Purchase of One 5,000 Gallon Hydro-Pneumatic Pressure Tank.**

Mr. Foulk made a motion to approve the purchase of one 5,000 gallon pressure tank from Smyth Industries, Inc. under the City of Tucson contract in the amount of \$24,273.50. Mr. Offret seconded the motion.

Mr. Offret congratulated staff in getting close to what was budgeted.

Motion passed unanimously.

**F. Request to Set Hearing for Riverview Annexation.**

Mr. Offret made a motion to accept the petitions for annexation of the Riverview area and set a hearing for September 9, 2013 to consider annexation. Mr. Foulk seconded the motion.

Mr. Offret asked what would happen if other parcels who have not signed on protest the annexation. Mr. Maish explained the Board must consider any protests before voting. Five of the seven have signed on and the other two are private parcels served by a private well. There are ten

trailers on those two parcels. Mr. Offret pointed out there are similarly exempt properties in other areas. Mr. Maish said if their wells ever go out of service, they could be served by the District.

Motion passed unanimously.

**G. Discussion and Direction Regarding 2013 Water Rates & Revenue Analysis.**

Mr. Stratton said a copy of the report was provided in advance so the Board would have a chance to review and gather questions. Staff wanted to show the financial picture of where we are now and projected out two years to understand what will be needed. The District has not been funding capital improvement projects and there is a long list of unfunded capital needs as well as future RTA projects planned in difficult areas. Staff wants to make sure we have sufficient funds to meet projections. Next week, the Finance Oversight Committee (FOC) will be discussing the report and looking at revenue increase alternatives ranging from 3% to 6%. The FOC will decide upon a recommendation prior to the September Board meeting. The Board can then determine if a public hearing should be held in October.

Mr. Foulk said raising rates is tough. The District just had a big round last year and doing another round right away is not his favorite thing to do.

Mr. Offret said the projections are based upon the premise of a 2.1% decrease in water usage that we think will occur over the next few years but the thinking 12-15 years ago when the Board was in the position to put the bonds together was that the revenues would grow. The District was confident in that at the time but it turned out different than we thought. The pricing elasticity in our District is unknown. He wonders if raising the rates might negatively affect consumption and drop it even more. Dr. Woodard is doing a study of the components of that demand. Mr. Offret feels it would be more prudent to create a matrix looking at various levels of decline along with various rate increases, rather than call this is a solid projection. Mr. Stratton said historically, projections go along with the information we have at the time. Mr. Offret is hoping Dr. Woodard's study can provide more focus on all these components. The study results are expected in May or June of next year.

Mr. Foulk said the 2.1% decline can be graphed out historically and the reasons for it probably include the economy, shared households, and low water use appliances, which will reach a point of saturation and bottom out at some point. The budget is looked at every single year and these problems are not unique to Metro Water. We have to make sure we cover expenses and bring tap water to customers. He is confident sometime in the projections, things will flatten out nationally, and he thinks that will be when water saving appliances saturate the market. Mr. Foulk is very interested in the FOC recommendation.

Mr. Byrd wonders if estimating a 2.1% decline is conservative enough. He raised the question of what the District would do if the decline grows to 2.3% or 2.5% before it bottoms out. There are a lot of variables. The political climate and economy are still very fragile and many people are cutting pennies where they can. He agrees with Mr. Foulk about the low water use devices but he still does not know if economic drivers are pushing conservation or if that is close to an end.

Mr. Stratton said the District has been historically conservative in our revenue projections. Staff is following the trends and we all hope the trend flattens or reverses but in the last 5-6 years that has not been the case. Right now, the most difficult thing is not knowing what water meter sales will be. Staff could make a recommendation and things could change again. Until we grasp why the decline continues, we will not be able to predict it. The Board's action with increasing the water accessibility rate to cover more of the fixed costs is so far ahead than other utilities and will help ensure impacts to customers are minimized.

Mr. Tenney emphasized how critical it is to look at projections on an annual basis. Staff wants to avoid the approach of thinking everything is fine now and then a few years down the road needing a 10% or 15% rate increase. Evaluating the numbers every year or every six months is important because last year, a 1.7% consumption decrease was factored into the report and based on data gathered since then it had to be shifted to 2.1%.

Ms. Scrivener said it will be very interesting to see what the FOC has to say.

**V. General Manager's Report.**

Mr. Stratton said an inquiry was received from property owners in Ranch House Estates adjacent to an abandoned District well site. They are interested in acquiring that property, so the District will have it appraised to determine the value of property. There were a few questions about zoning and size of the property. Mr. Byrd asked if potential future owners would be able to start another well. Mr. Stratton said the District would make sure that as a condition of sale the establishment of a well site is prohibited.

Mr. Stratton updated the Board on the La Cholla waterline relocation. It amounted to nothing and the end result was the District did exactly what we were told. There was existing pipe under the culvert and one piece of pipe in the way, so they stopped work. Mr. Offret asked how long the pipe was and Mr. Maish said about 18 feet.

Thanks to a customer and Mr. Doyle, illegal use of water was caught. The contractor did have a hydrant meter for Tucson Water but not Metro Water. Staff contacted the company and they are paying for the water. The District issued a \$100 credit to the man who reported the incident.

The Tristate Seminar will be held at the end of September. The seminar has been moved from Primm, Nevada to Las Vegas, so the District will be saving on rental car expenses for those who choose to fly in. The Western Coalition of Arid States (WestCAS) Fall meeting will be held at the end of October at Westward Look and information will be provided as soon as the agenda is received.

**VI. Legal Counsel's Report.**

Ms. Goncharsky said litigation has been filed by the Industrial Commission against the District. That is in process. Her colleagues are working on responses to the motions for summary judgment in the Pima County/AECOM litigation. Judge Harrington has set the hearing on the motions for October 7<sup>th</sup>. The process is: the motions are filed, the District will respond and then each of them will get the opportunity to reply and support.

**VII. Future Meeting Dates; Future Agenda Items.**

Mr. Tenney said an Executive Session is needed on Monday, August 19, 2013, regarding the litigation Ms. Goncharsky spoke of. There is a Finance Oversight Committee meeting at 4:00 p.m. that day, so the Executive Session was scheduled for 6:00 p.m.

The next regular session of the Board of Directors will be held on Monday, September 9, 2013.

**VIII. General Comments from the Public.**

Jennifer Dussor, residing at 7317 N. Yucca Via, asked if there are ever opportunities to recover costs in situations where revenue sources are removed. Two houses were demolished on Ina and Oracle and she wonders if staff ever sees that happen on larger scale. Mr. Stratton said he could not think of anything on a larger scale. Mr. Block said property is sometimes rezoned and turned into something else, such as an office complex.

**IX. Adjournment.**

The meeting adjourned at 6:37 p.m.

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Judy Scrivener, Chair of the Board

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Warren Tenney, Clerk of the Board