

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

October 28, 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 Stratton, General Manager
Michael Land, Chief Financial Officer
Charlie Maish, District Engineer
Tullie Noltin, Recorder
Warren Tenney, Clerk of the Board
John Hinderaker, 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 Board Meeting to order at 6:00 p.m. Richard Byrd, Jim Doyle, Bryan Foulk, Dan M. Offret, and Judy Scrivener were present.

II. Presentation about Proposed Adjustments to the Rate Structure and Fees

Mr. Stratton said staff presented the Rate and Revenue Analysis at the August Board meeting. The Analysis was also reviewed by the Finance Oversight Committee (FOC) and it was determined a recommendation for a revenue increase was warranted. The September Board meeting provided some staff options to consider and it was decided a recommendation would be presented to the public for a two dollar per month increase for the Water Availability Rate and no changes made on the commodity side. Additionally, the Board would consider increasing the Water Resources Utilization Fee for capital CAP and effluent supplies to be put to more

beneficial use. Areas where costs are increasing include CAP costs, TEP rates, and projected healthcare costs. CAP costs have historically been 5% but are closer to 15% this year. TEP rate increases can be offset by interruptible rate facilities. The District's health insurance broker has indicated we are looking at about a 50% increase in health insurance this year and staff is looking at alternatives.

Mr. Land said the multi-year projections brought before the Board in August were based on current year budget figures. He briefly explained the debt coverage ratio requirements and the projected annual changes in the ratio. The District must remain in good standing with its bond covenants. Rate proposals will be looked at annually for the Board to consider. Staff put together a comparison with other utilities' rate increases and that exercise revealed the District's proposed 5.42% revenue increase is within the norm.

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

Fred DePorter, a District resident, said he has lived at this address for the last five years. He has seen his bill go from \$45.02 in 2008 to \$74.91 this year, for 6,200 gallons of water. He finds it outrageous that his bill has increased 60% for the same amount of water, over 13% per year. Mr. Land asked if the \$74.91 includes sewer charges and Mr. DePorter said yes. Mr. Land explained the majority of the increase he sees is in the sewer side of the bill. The District is seeing a lot of customers' sewer charges exceed their water charges. Pima County has raised their rates numerous times to meet regulations and it has had an impact on the bill. Mr. DePorter asked the Board to keep prices down. Ms. Scrivener clarified the Metro Water District bill includes Pima County wastewater sewer charges but they are two separate agencies.

Deb Thalasis, a District resident, congratulated the Board on having so much information on the website. She looked at the rate study and noticed the salary line is higher than the same line in the adopted budget. This item seems to drive some of what is causing the rate increase. The rate study shows \$4.3 million but actual budget numbers rarely come in over \$3.7 million. She thought if those figures were more accurate the District could mitigate rate increases. She also brought up the significant 31% jump in legal contract/consulting fees from 2012 to 2013, evident in the documents she obtained through a public records request. She questioned discrepancies in the budget, audit and the study. To the District's credit, the recent adjustments to debt service payments appear to have produced a savings of almost \$1 million. There is a wage increase budgeted for January and healthcare increases are expected but she wondered if the salary line item can be turned back any. She can see the District has been conservative and if it continues on this track, it would be easier to support this increase. Mr. Land noted that salaries related to bond funded capital improvement projects up to this year were budgeted and reimbursed through

another line item and charged to the project. Those projects are now complete and salaries will no longer be reimbursed. Arizona State Retirement System adjustments and increases in health insurance costs factor into projections but that line item is still less than last year's budget.

Mellisse Brydges, a District resident, said her concerns revolve around several issues. She read the September 9, 2013 meeting reports and it appears water usage was up in all areas and revenues were also up. She asked why it was reported in the Splash newsletter that consumption was down. She read in the Fall 2012 20th Anniversary Issue about other water districts purchased and believes that had to cost millions. When she first moved to this area, Metro Water was confined to this area and she does not see the justification for moving into other areas of Tucson and expecting customers in other areas to pay. Ms. Brydges thought Pima County taxes went to pay for sewer charges. She had to stop watering her plants because she cannot afford the water bill anymore. She uses under 10,000 gallons per month and more in the summer. She does not see why there is a need to increase rates. She asked why Metro is spending money to replace meters that were just replaced 10 years ago. She asked when the RTA fee will be retired because the rerouting of pipelines is already done. She also expressed disapproval of receiving a shutoff notice in April 2012. That was the only one she has ever received and she was only 4 days late. The fee to turn the water back on was listed as \$75.00. She feels Metro Water's actions are punitive and are not justifiable.

Mr. Stratton explained the September report on August's consumption did show an increase but September's usage was in decline. August was an anomaly but long term trends show a decline in metered sales and water consumption. The District purchased other water systems after analyses showed they could support themselves and would have no impact to existing customers. Water meters are being replaced because analysis shows that they lose accuracy after about 10 years, when 1.4 million gallons has flowed through. The cost to replace a meter with a new radio read meter is about \$130 but not all replacements are radio reads. Newer radio read meters reduce staff time and have a 20 year life instead of only ten.

Mr. Land explained the RTA Fee pays the debt service on the bond for \$6.6 million the District took out to pay for relocating those waterlines. There are nine years left on the life of that bond. Pima County does not collect a tax for sewer service. Their charges are based on the lowest three months of water usage and appear on the Metro water bill. Shutoff notices are computer generated and go out automatically. The District would not shut off water on an account with good payment history without first checking into the situation.

Susan Qashu, a District resident, asked if the District was ever going to have a rebate program. She works at the University of Arizona, Department of Arid Lands. They are working with UA Extension to offer free courses that Tucson Water will recognize and give up to a \$3,000 rebate

in rainwater or graywater rebates. Mr. Tenney said the District was the first provider in the region to offer a graywater and water harvesting rebate program but we do not have the budget that Tucson Water has. Ms. Qashu asked if customers have to prove they attended the UA class to receive rebates. Mr. Tenney said no, the District offers reimbursement for materials used when the applicant provides photographs and description of the system they have installed.

Patty Jansma, a District resident, expressed concern about the water quality at her home, which is near a new well. There is a chlorine smell and lots of air in the system. Mr. Maish said the District put a new well in service and is aware of the air problem. The investigation has not yet determined the cause but it may turn out to be natural causes. New wells go through a period where staff must get a feel for how it is absorbing chlorine, so that we can maintain the desired residual. The air investigation has the well operating at less than full time and that has an effect on the chlorine. Ms. Jansma said she also got a shutoff notice while she was out of town. She was signed up for autopay and had to switch checking accounts after fraud but the District did not update the switch in time. Mr. Land apologized and restated staff will normally look at payment history and try to contact customers before shutting off.

Jennifer Dussor, a District resident, expressed support for the rate increase. She said the economy over the last several years has hit public entities and impacts their ability to provide services to communities. If the flow of funds is strangled, it will be distressful and affect the customer service experience. She is concerned about the infrastructure and the ability to deliver quality water. To secure the future of this organization, she supports the rate increase. She hopes everyone can come to an agreement for this important investment.

Mr. DePorter asked if anyone has ever considered doing something different with wastewater. Ms. Scrivener reiterated that Pima County sewer services are a separate fee and a separate agency. Mr. DePorter suggested maybe customers could apply for credit for graywater. Mr. Stratton said one of the things the District has worked on is making dual metering available for those who use a significant amount for irrigation. A second meter to be used strictly for irrigation is installed and Pima County does not count it on the wastewater side. There are costs associated but some customers determine it worthwhile. Another way to reduce the sewer portion of the bill is to make sure the County is using your lowest three months of usage in the calculation. If the winter months are not your lowest months, you can file an appeal with Pima County.

Ms. Thalasis asked how many members of the Board are currently or formerly employed at Pima County Wastewater. Ms. Scrivener and Mr. Doyle said they are. She also asked how much money the District is reserving for pending lawsuits. Mr. Stratton said one lawsuit was filed by the District, so we do not expect to pay out. The other one is paid for under insurance.

Ms. Brydges asked for clarification on the purchase of other self-supporting water districts. She asked if Metro Main pays for arsenic treatment in other areas. Mr. Stratton said the monies collected from residents in those areas are paying the operating portion of those costs including arsenic treatment. He said a full analysis was done before purchase. Some facilities are bond funded and have debt service and the residents of that service area are paying for those costs.

IV. Consideration and Possible Action Relating to Water Rates and Fees

A. Water Availability Rate.

Mr. Foulk made a motion to approve the Water Availability Rate for 5/8" meters to be \$22.00 and the rate for larger meter sizes would be equated to this rate per the AWWA capacity factor. Mr. Offret seconded the motion. Motion passed unanimously.

B. Water Consumption Charges.

No action was taken on Water Consumption Charges.

C. Water Resource Utilization Fee.

Mr. Offret made a motion to approve the Water Resource Utilization Fee to be 20 cents per 1,000 gallons. Mr. Byrd seconded the motion. Motion passed unanimously.

D. Pass and Adopt Resolution No. 2013-8 to establish the water rates and fees for the Metropolitan Domestic Water Improvement District, effective November 1, 2013.

Mr. Offret made a motion for approval and adoption of Resolution 2013-8 to make an adjustment to the established water rates and fees for the Metropolitan Domestic Water Improvement District effective November 1, 2013 per the direction given by the approval of the above noted motions. Mr. Byrd seconded the motion. Motion passed unanimously.

V. Adjournment.

The meeting adjourned at 6:40 p.m.

Judy Scrivener, Chair of the Board

Warren Tenney, Clerk of the Board