

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

**May 19, 2003**

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

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

**PUBLIC HEARING**

**MINUTES**

Board Members Present: Dennis Polley, Chair  
Dan M. Offret, Vice Chair  
James Tripp, Member  
Sue Downing, Member  
Jim Doyle, Member

District Staff Present: Mark R. Stratton, General Manager  
Warren Tenney, Clerk of the Board  
Alice Stults, Recording Secretary

**PUBLIC HEARING**

**I. Call to Order and Roll Call**

Dennis Polley, Chair of the Board of Directors of the Metropolitan Domestic Water Improvement District (District), called the Public Hearing to order at 6:03 p.m. Dennis Polley, Dan M. Offret, James Tripp, Jim Doyle, and Suzanne Downing were present.

**II. Presentation about Proposed Adjustments to Rate Structure**

**A. Phase Out or Removal of the 2,000 Gallon Allowance to the Base Rate.**

Mr. Stratton said the purpose of the Public Hearing is to give consideration to the proposal to remove 1,000 gallons from the 2,000 gallon allowance in the base rate. He explained that this proposal is viewed as a conservation measure as well as a means to generate monies for the District's operating budget. There has not been an increase in rates for the operating budget since 1995.

Mr. Land said District customers were sent an insert explaining the proposed change to the 2,000 gallon allowance. The removal of 1,000 gallons from the base rate would mean a monthly increase of \$2.16 to all District customers. Mr. Land noted that the District's operating budget for fiscal year

2003/2004 was cut considerably, and new sources of generating revenue were considered to fund needed maintenance. The removal of 1,000 gallons from the base rate appeared to be the fairest way to generate new revenue as it affected all customers equally. It is estimated that for fiscal year 2003/2004 this proposed change will mean approximately \$400,000 in revenue. Mr. Land said that most of the monies generated by the elimination of 1,000 gallons from the 2,000 gallon allowance would go towards mainline replacement.

**B. Increase of the Fee for the Returned Checks, Fee for Re-connection, and Fee for Re-connection after Hours.**

Mr. Land said that currently the District charges \$25.00 for returned checks. All revenues are deposited with Pima County Treasurer, and they have imposed a \$25.00 fee to the District for returned checks. This does not allow the District to recover some of its costs for returned checks. Mr. Land said it is proposed to raise the returned check fee to \$40.00. Regarding the fees for re-connection of water service for non payment, it is proposed to raise the fee from \$25.00 to \$40.00 for reconnection fees during normal business hours, and from \$50.00 to \$75.00 for after hour's reconnection fees. Mr. Land noted that after normal business hours employees are paid over time wages to establish reconnection of water.

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

Mr. Tenney said that after notifying customers of the Public Hearing, staff did not receive written comments regarding the proposed rate adjustments. He noted that several telephone calls were received from customers asking for clarification on the proposed adjustments.

Steve Kosteck, Jr. addressed the Board and asked if the proposed adjustments to the rate structure were an indirect method of raising current rates. He said that in 1999 he was promised a new water line to his residence, and to date it has not been installed. Mr. Kosteck explained that he believes that residential customers of the District are paying for new construction being done within District boundaries. He said that residential customers should not pay the cost for improvements being completed by contractors. Mr. Kosteck noted that he believed that Metro Water had purchased Green Valley Water Company, and said he did not understand why. He also said that sewer charges are approximately 1/3 the cost of water rates. He added that the Board of Directors had picked an individual from Pima County Wastewater to serve on the Board and said he believed this was a conflict of interest. Mr. Kosteck said that he was against any form of water rate increases at this time.

Mr. Stratton explained that the District has a rate structure for new connections, and that all costs of new infrastructure requirements that are connected to the District's existing system are born by the owners or developers. In regards to the Green Valley Water Company (GVWC), the Green Valley Domestic Water Improvement District has purchased the water company, not the District. Mr. Stratton said the District considered the purchase of GVWC because of the growth potential in the area and the long term financial stability for the District as a whole. Mr. Stratton also explained that the District collects sewer fees for Pima County and is paid a fee for doing the collection. Mr.

Stratton noted that District Board members are elected by voting citizens of the community within District boundaries, and are not appointed by the Board.

Ms. Downing suggested that staff contact Mr. Kosteck to discuss with him in detail the water line installation that he made reference to while commenting to the Board.

James Schuh said he believes the District could do mainline replacement projects without eliminating 1,000 gallons from the rate allowance. He believes the money will be spent for services for employees, such as cost of living adjustments (COLA's), merit increases and health benefits. Mr. Schuh said many people are losing their jobs, and questioned how many employees the District would lay off in order to fund other programs or to save money. Mr. Schuh does not believe the elimination of the 1,000 gallon allowance in the District's rate structure should be approved.

Mr. Stratton noted that currently the District has two vacant positions that will go unfunded in order to save monies. He explained that existing staff have taken on additional duties created by the vacancies.

Sharon Heidel said she resents the perception of the District that water in the 2,000 gallon allowance is considered free. She said she does not believe the elimination of the 1,000 gallon allowance in the District's rate structure should be approved. Ms. Heidel said she also does not believe District employees should get a COLA and a merit increase during 2003/2004.

Mary Schuh read an email that she had received from Mary Nelson, a District customer that could not attend this Public Hearing. In the email, Ms. Nelson said she strongly opposes any rate increases. Ms. Schuh said that people on low or fixed incomes use less water to save money and conserve water. With the proposed elimination of the 1,000 gallon allowance in the District's rate structure, these people would pay more money even though they are currently conserving water. Ms. Schuh said the costs of other services are rising also, and an increase in the water rates makes it difficult for many people to pay. She explained that those people who are currently conserving water should not be penalized for doing so, and that customers who use much higher amounts should be charged more money for those amounts to encourage them to conserve water. Ms. Schuh said that property owners with rentals should not be held responsible for renters that vacate properties without paying any past due water bills. Ms. Schuh said she resents customers in the Hub Service Area being given the power to vote, and is also unhappy that District monies will be spent to clean up the arsenic in the Hub Service Area. She said that the District should look everywhere it can to make cuts in the budget, and not consider pay increases for employees.

John Kulakowski explained that currently the Consumer Price Index (CPI) is very low, and households are under financial pressures. The elimination of the 1,000 gallon allowance in the District's rate structure would be difficult for many families. He noted that the rates charged by Tucson Water are considerably lower than those charged by the District. Mr. Kulakowski said the residents in the Metro Hub Service Area are grateful for improvements to the infrastructure. However, many of the Hub area customers would find it difficult to support the Hub annexation into Metro Main if the rates were to increase. Mr. Kulakowski believes the elimination of the 1,000

gallon allowance in the District's rate structure also takes away all incentives for low income households to conserve water. He suggested that the Board and staff review other means and methods of generating revenue.

Mr. Land explained that there are no other local water utilities that still maintain a 2,000 gallon allowance. Overall, the rate structure is not changing. Mr. Land noted that he was contacted by someone who believed the rates charged by the District were low.

Mr. Polley asked how many customers the District currently serves. Mr. Land replied 16,800. Ms. Downing asked what the average water usage was. Mr. Land said it is approximately 12,000 gallons per month per household.

Mr. Offret asked for an explanation of the reconnection fees. Mr. Land explained that a shut off list is created weekly. If customers do not pay their bill, they are notified in writing and by phone and payment arrangements are made, if possible. If that is not possible, approximately 5 to 10 customers weekly will have their water shut off for non-payment. When the water is turned back on (reconnected) a re-connection fee is charged in addition to an amount collected and placed with the customer's initial deposit. Currently, during normal business hours a re-connection fee is \$25.00. The after hours re-connection fee is \$50.00. Mr. Land said the customer is required to sign an agreement to pay the \$50.00 at the time the water is re-connected. The re-connection fee would be eliminated if a renter vacated a rental property, thus rendering the landlord not responsible for the re-connection fees. Mr. Offret asked how long a customer could be delinquent prior to the water being shut-off. Mr. Land replied two months. He explained that payment of re-connection fees are required the day after water service is restored, unless payment is approved to be included in the customers next billing cycle due to special circumstances.

Ms. Downing asked how many customers were called monthly due to non-payment of water services. Mr. Land said approximately 400 to 500 customers are called per billing cycle. Ms. Downing asked if the District has an agreement form for property owners to complete so that water is not disconnected in the event renters vacate properties and still owe money to the District. Mr. Land said that the District does have a landlord/tenant agreement that states the landlord will not be responsible for re-connection fees and the water is then placed back into the landlord's name.

Ms. Downing asked what the difference was in the District's base water rate compared to Tucson Water. Mr. Stratton said that Tucson Water has many more customers than the District and their base rate is lower than that of the District. He noted that Tucson Water's commodity rate is higher than that of the District, as is its high user rate.

Mr. Doyle noted that many District customer's are on fixed incomes and the elimination of the 1,000 gallon allowance in the District's rate structure would be a financial burden. He believes that conservation is very important and that customers who use more water should be paying more money for that water. Mr. Doyle explained that if water is made to be more expensive, there could be more customers forced to drill private wells. He believes the District should put forth an effort to conserve on costs and not penalize the customers on fixed incomes.

Mr. Tripp said he is on a fixed income, and noted that he receives COLA adjustments on his retirement and social security on a yearly basis. Mr. Tripp said his household tries each month to conserve water. He thanked the customers in the audience for attending the meeting and voicing their opinions.

Mr. Tripp made a motion to close the Public Comment section of the Public Hearing. Mr. Offret seconded the motion. The motion passed unanimously.

#### **IV. Consideration and Possible Action relating to Water Rates and Fees**

- A. If deemed appropriate, pass and adopt RESOLUTION NO. 2003-3, to make adjustments to the established water rates, service charges and fees, bulk water charges, and water service connection fees for the Metropolitan Domestic Water Improvement District effective June 1, 2003.

Mr. Tripp made a motion to approve Resolution 2003-3, to make adjustments to the established water rates, service charges and fees, bulk water charges, and water service connection fees for the Metropolitan Domestic Water Improvement District effective June 1, 2003. Mr. Offret seconded the motion. The motion passed with Mr. Tripp, Mr. Offret, Ms. Downing, and Mr. Polley voting in favor of the motion. Mr. Doyle opposed the motion.

#### **V. Adjournment**

Mr. Tripp made a motion to close the Public Hearing. Ms. Downing seconded the motion. Motion to close the Public Hearing passed unanimously. The Public Hearing adjourned at 6:50 p.m.

### **STUDY SESSION**

The Study Session was called to order at 7:05 p.m.

#### **I. General Comments from the Public**

Ms. Schuh asked if the 2003/2004 budget was available for public review. Mr. Stratton explained that the budget was still in the draft form. It will be presented to the Board for final approval at the June 9, 2003 meeting. Ms. Schuh asked if she could receive a draft copy of the budget. Mr. Stratton replied yes.

Mr. Schuh noted that the District had two vacant positions that it would not be filling, and asked if any District employees were actually laid off due to budget constraints. Mr. Stratton said that the District would not actually lay off any current employees. Mr. Schuh noted that it was painful to lay employees off, but that the District should make this a priority when considering its budget.



Ms. Schuh asked if a Public Hearing would be held to approve the 2003/2004 budget. She asked that the Board consider the benefits being proposed for employees in the draft budget and make any possible cutbacks.

## **II. Discussion of Fiscal Year 2003-2004 Budget**

Mr. Stratton explained that division managers were asked to develop their budgets based on what is necessary not just merely wants. He explained that there are costs which the District does not have control over, such as Pima County road improvement projects which have a large impact on the District's budget. Preliminary department budgets were presented to the Board at study sessions in March and April 2003, and each line item was discussed. Mr. Stratton said that one of the remaining outstanding issues is the COLA. Mr. Land noted \$1.4 million was cut from the original budget submitted to the General Manager. He explained that salaries and benefits had been updated as much as possible, with a decision still remaining on the COLA.

Mr. Doyle left the Study Session at 7:23 p.m.

Mr. Stratton explained the cost for electrical power consumption at the well sites. He said it was staff's recommendation to hire a consultant to train District employees to conduct efficiency test on the wells. Mr. Polley asked if this would save the District money. Chris Hill, Deputy Manager, said that it is staff's belief that it would lower the cost for electrical power. He said staff is continually focusing on ways to economize.

Mr. Land said that educational monies for employees would be moved from its existing location within the budget to an individual account for tracking purposes. He said that capital projects listed in the budget were contingent upon the outcome of the Public Hearing held earlier this evening. The monies that are generated from the Board approved elimination of the 1,000 gallon allowance in the District's rate structure will be used to fund the capital projects. Mr. Land also noted that the District attempts to keep a \$1.5 million fund balance carryover each year.

Mr. Offret asked if money was budgeted in the 2003/2004 budget for the two vacant positions previously discussed. Mr. Land said that one of the positions was budgeted, and the other was not. Mr. Offret asked why not free up the money from the other vacant position. Mr. Stratton said that it is unknown at this time if the District can maintain its current level of service without filling this position, and that the money was budgeted in the event the position needed to be filled. Mr. Offret suggested that prior to the position being filled, staff receives approval from the Board.

Mr. Offret noted the increase in retirement costs will be born by the employee for their portion. He also noted that it was previously agreed to by the Board that merit increases for fiscal year 2003/2004 would continue. Mr. Offret said that he believes the COLA for staff should be deferred for six months and have COLA's considered in July rather than January. He explained that this would provide an opportunity to evaluate the methods used to determine COLA's, and to establish a new period for implementing the COLA.

Ms. Downing said she is against the COLA, but feels that it is important to keep merit increases.

Mr. Tripp said that he agrees with the District picking up the cost for health insurance for employees, and agrees with continuing the merit increases. He also agrees with delaying the COLA, and considering another date for its implementation.

Mr. Polley said he agrees with delaying the COLA also.

Mr. Stratton said that there are many increases in budget items that are beyond the control of the District. He explained that there are few areas left to cut back at this time, and hopes staff understands about not receiving a COLA for fiscal year 2003/2004.

Mr. Offret asked if developing revenue resources could be reviewed by staff in further detail. Mr. Stratton said that funding at the federal level is no longer available and yet utilities are being hit with mandates and costs. He explained that staff will be doing much of the federally mandated vulnerability assessment in-house in an attempt to save funds. The new arsenic rule affects two wells within the District which must be treated, and the cost will be borne by the District. Mr. Offret asked if Cortaro/Marana Irrigation District was receiving money for infrastructure improvements. Mr. Stratton replied yes. He explained that they have received funds they qualified for as being a rural or small utility. Since the District is considered a medium size utility, it does not qualify for most of the programs that are available. Mr. Hill said he has been researching grant opportunities such as Department of Energy grants, and auxiliary power back-up systems grants. Ms. Downing suggested applying for grants that the District would not typically qualify for on the chance that at the end of the year monies may be available.

Mr. Stratton said one area that could save the District money is if Pima County would pay for the District's water line relocation projects. Ms. Downing asked if all the water utilities within Pima County were to approach Pima County would the utilities have a better chance to persuade the county to pay for water line relocation projects. Mr. Stratton explained that Pima County would have to recoup the money somewhere, and it could be in the form of taxes or water fees. Mr. Stratton said that currently there is an issue with Pima County not approving right-of-ways if utilities do not sign a franchise agreement. He explained that if an Internal Governmental Agreement were reached with the county in the future, there would be the potential to hold Pima County responsible to share the cost for mainline relocations.

### **III. General Manager's Report**

Mr. Stratton said that a lien could be placed on Steve Nanini's property in order to ensure the development fees owed to the District are paid. The role of Officer of the District needs to be determined first so that the District has a representative. Mr. Tripp volunteered to be Officer of the District.

Mr. Stratton noted that the Board previously approved swaging at Hub Well #3. He said the contractor damaged the casing on the well approximately 20 feet down when he was entering the

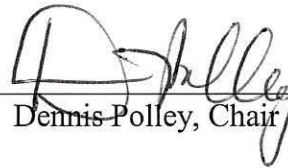
well with equipment. Mr. Stratton said the contractor was provided with information on the well, including the diameter of the casing and the fact that it narrowed approximately 20 feet down. A meeting is being set up with the contractor regarding the minor damage and to review the specifications on the well.

Mr. Stratton said that it was determined that clay is clogging the screen at the Lambert/La Cholla well. It is unknown what kind of clay is causing the clogging, or where the clay is actually coming from. Mr. Stratton said that options to increase productivity at this well are being discussed.

Mr. Stratton said he has scheduled a meeting with Ray Carroll, Pima County Board of Supervisor, to discuss the Hub Service Area annexation. He noted that the District has not had a response from the City of Tucson regarding the annexation as of this date.

#### IV. Adjournment

The meeting adjourned at 8:10 p.m.



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Dennis Polley, Chair of the Board



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Clerk of the Board