

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

**August 25, 2008**

**\*\* 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  
  Jim Doyle, Member  
  Reb Guillot, Member  
  James Tripp, Member

District Staff:                             Mark Stratton, General Manager  
  Warren Tenney, Clerk of the Board  
  Alice Stults, Recorder

**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. Judy Scrivener, Dan M. Offret, Jim Doyle, Reb Guillot, and James Tripp were present.

**II.    General Comments from the Public**

Marge Brooks, Sonoran Terrace Apartments Assistant Manager, explained that she was present to take notes and report back to the Attorneys for Sonoran Terrace Apartments who have questioned Metro Water's current tier and rate structure.

**III.   Discussion and Possible Cancellation of the November 2008 Election of Board Members**

Mr. Tripp made a motion to approve a letter be sent to the Pima County Board of Supervisors requesting that pursuant to the approved revised statutes that the Supervisors cancel the District Board member election in November 2008 and appoint candidates Dan M. Offret and Bryan Foulk

to fill the Metro Water District Board positions. Mr. Guillot seconded the motion. Motion passed 4-0 in favor of the motion. Mr. Offret abstained.

**IV. Discussion of Process to Review the Rate Structure for Multi-Family Customers**

Mr. Tripp made a motion to direct staff to initiate a stakeholder process that would include representatives from multi-family customers to draft a recommendation to the Board for a possible modification of the District's rate structure for multi-family customers. Mr. Guillot seconded the motion.

Mark Stratton, General Manager, provided information regarding the District's current multi-family tiered rate structure. He explained that staff recently met with Val Little, Water CASA, and Gary Woodard, Consultant, to review the District's rate structure and provide feedback. Mr. Woodard has provided information to the District in the past after conducting studies and is familiar with our rates and tier structure. Feedback was solicited from Ms. Little regarding water conservation that could be incorporated by the multi-family dwelling owners to possibly lower the water consumption by these complexes.

Mr. Stratton explained the District's current base rates and percentage ratio. The volume charges were initially created to encourage water conservation. It was noted that the per gallon ratio for the various tiers varies substantially.

Mr. Tripp asked about meter designs and the various sizes. Mr. Stratton explained that in order to meet fire flow requirements, meters must meet the required standards at the meter box and is the responsibility of the owner of the complexes. Fire Departments typically set the standards. Mr. Tripp asked if Sonoran Terrace could change their meter sizes to bring down the cost of their water usage. Mr. Stratton said a 4-inch meter is the minimum allowable size to meet fire flow requirements. He explained the meter size requirements, and how the tiered base rate structure is dependent upon how the meters are used, and how many dwellings they serve. Sonoran Terrace has two 4-inch meters. The tiered rate structure was established in 1995 and prior to that time, there was no tiered rate structure.

Mr. Offret confirmed that it was up to the complex owners to determine how the meters are set up, and the number and size of meters used (keeping in mind the fire code requirements). Mr. Stratton agreed, and explained that some of the smaller complexes that are currently using substantial amounts of water could be due in part to landscaping choices. Two complexes with 300 rental units were compared and one of the complexes used considerably more water. Multi-family complexes vary in that some have individual meters for each unit, and others split the cost percentage to their renters based on the size of the units. Seasonal values could also have a substantial impact. Mr. Stratton explained that conservation can play a large role in the amount of water saved, and lower

rates. Using a different configuration of meter sizes also plays an important role in the cost per 1,000 gallons.

Mr. Stratton said that we need to look at uniformity in commodity usage and base rates to make rates more standard across the board. He provided the amount of revenues the District currently receives from water usage, and the amount needed to pay off the bond debt service. The question is how to spread the cost out more uniformly. Mr. Stratton noted that in his discussions with Mr. Woodard it was suggested the District also consider winter versus summer rates, and overall water usage by individual complexes would need to be considered as they vary substantially. Mr. Stratton added that there is no quick fix, but studies need to be continued and follow-up meetings with Mr. Woodard and Ms. Little will be valuable to provide additional information and input on suggestions. The stakeholders may or may not see increases or decreases in rates after any adjustments are made.

Mr. Offret suggested setting up a matrix with meter size located on top of the page, and number of units on the side to more easily reflect the rates.

Mr. Stratton noted that Sonoran Terraces recently compared Metro Water rates to those of Tucson Water. This comparison cannot be fairly made for several reasons. Metro Water has to establish policies and rates based on its overall needs, operations, and resources; therefore, comparing us to any other local utilities cannot be fairly and equitably considered. Mr. Stratton asked the Board for feedback, comments, or suggestions on the multi-family metering process.

Mr. Guillot said he does not want to put a burden on, or create a burden for single families to make up any shortfall of revenues that may be needed. Mike Land, Chief Financial Officer, said any consideration or recommendations by staff for restructuring of tiered rates would be as fair and equitable as possible, while still ensuring the amount of revenues needed were received by the District. Mr. Stratton said that many single-family dwellers are using significantly less water than the average single-family dwellers, partly due to conservation efforts. These efforts play an important role in keeping the cost down.

Mr. Land provided information regarding Sonoran Terraces total water usage spread out over all the units and the cost is right in line with the average cost for single-family dwellers. Mr. Stratton explained Arizona Department of Water Resources Third Management Plan, and the figures they used to determine the average water usage in Arizona. However, the findings were not substantial due to discrepancies used in the calculations.

Warren Tenney, Assistant General Manager, said that multi-family user categories include multi-plex units and individually owned townhomes. It is difficult to compare all of these types of units to each other, especially to apartment complexes. Mr. Stratton said that staff can break out those types of complexes to look at their particular water usage; however, they typically have lower water

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rates and most often each unit is sub-metered. In some locations, new development now requires each unit to be individually metered. Mr. Stratton said very few studies have been conducted to look at rates and conservation efforts for multi-family units. Mr. Land explained that as a result of a study conducted approximately 10 years ago comprising information gathered from several states, the rates charged by the District for multi-family complexes were right in line with rates charged nationwide.

Mr. Tripp and Mr. Offret agreed that staff has done a good job with its studies at reviewing the District's rates and tiered structure. They both have respect for Mr. Woodard's and Ms. Little's input over the years, and believe it will be beneficial in including them in further discussions and considerations of rates and tiered structure. Mr. Offret mentioned that he wanted the townhomes and multiplex units removed from the study.

Mr. Doyle said that a different rate structure was used by the previous owners of Metro Water, fire and building codes were also different at that time, and other changes have also been made with meter sizes and setups. Depending on the codes when the buildings were built determined the meter sizes and the fact that the units were not individually metered. Mr. Doyle said he believes the owners of the complexes are responsible for the structure of the meters, and the District is only responsible for furnishing water to meet those needs. He believes these complexes are getting what they pay for. He does not believe the District should be compared to other utilities, especially when considering the valuable commodity of water. Conservation efforts need to be considered by the current owners of the complexes. Mr. Doyle said he also believes owners of the complexes need to be more responsible in managing their water usage and conservation than the District has a responsibility to change its tiers and rates. Mr. Stratton said complex renters do not generally have the ownership responsibility that single-family homeowner's do who work to keep their costs down. The burden should not be entirely upon the District to lower or adjust rates, and it is the Board's ultimate decision.

Ms. Scrivener verified that the District is going to contact the multi-family complex owners within the District to discuss the current rate structure, and the amount these complexes pay. She noted that some apartment complexes apparently do not pay attention to the amount of water being wasted on landscaping. Mr. Tenney commented that apartment dwellers do not typically care about the amount of water they use, and the complex owners are often not local and do not understand the benefits of conservation. Mr. Stratton said most of the calls regarding water waste occur at apartment complexes that allow water from irrigation to run down the streets. While it may not be intentional, it should be brought to their attention by discussing with them good conservation efforts and making them aware of the amount of water being wasted.

Mr. Guillot asked if the District knows how the Sonoran Terrace apartment dwellers pay for their water. Ms. Brooks, Sonoran Terraces representative, explained that once a year they look at the total water cost, and determine how much the apartment complex itself uses, and the how large the

apartment is and the number of tenants and toilets in each unit, and then charge their renters a percentage.

Mr. Stratton noted that Pima County Wastewater has had substantial rate increases over the last few years, and their charges are included on the District's water bills. Pima County is looking at increasing their wastewater rates again. Since both water and wastewater charges are on the same bill, multi-family management may not see that it is wastewater increases and not water rates. As the value of water will continue to increase, it is important to educate people to conserve.

Mr. Land also explained that at Sonoran Terrace more water was going through just one of the 4-inch meters and if it was more fairly distributed between the two 4-inch meters, it would lower the cost of their water rates as it would be included under a different tier structure.

Mr. Offret wanted to make sure all of this information will be provided to Mr. Woodard and Ms. Little. Mr. Woodard's recommendations will focus more on the multi-family complexes, and the process will include getting input from the owners of the complexes.

The motion to direct staff to initiate a stakeholder process that would include representatives from multi-family customers to draft a recommendation to the Board for a possible modification of the District's rate structure for multi-family customers passed unanimously.

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

Mr. Stratton noted that the Board at its August 11, 2008 meeting directed legal counsel and staff to no longer pursue acquisition of the Thim Water Utilities. Mr. Stratton said he received a call from Mr. Thim asking if reconsideration could be made after making some changes to the proposal. Mr. Stratton will meet with Mr. Thim tomorrow; however, a meeting including the attorneys will have to wait until the middle of September 2008. The meeting is to discuss issues related to the acquisition and information from those meetings will be provided to the Board.

Mr. Stratton explained that the proposed Pima County ordinance regarding right of way issues continues to be postponed. The County wants to impose on the utilities the management of buffle grass in the areas where the utilities are located. Mr. Stratton met with Nanette Slusser from Pima County and advised her that having the individual utilities manage the buffle grass may not be the best solution, and that having the utilities pay a fee for the management by a single entity might be a better solution. Ms. Slusser was receptive to the suggestion and is going to take this information back to Mr. Huckleberry for his consideration.

#### **VI. Adjournment**

The study session adjourned at 6:40 p.m.

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Judy Scrivener, Chair of the Board

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Warren Tenney, Clerk of the Board