

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

Public Hearing

September 21, 1995  
Cross Middle School Multipurpose Room  
1000 West Chapala Drive  
Tucson, Arizona 85704

**MINUTES**

Board Members Present:           Barbara Johnson, Chair  
  Marty Cramer, Vice-Chair  
  Jim Doyle, Member  
  Pete Schlegel, Member

Board Member Not Present:       Herb Johnson, Member

District Staff:                   Mark Stratton, General Manager  
   Michael McNulty, Legal Counsel  
   Michael Land, Chief Financial Officer  
   Warren Tenney, Clerk of the Board

**I.     Call To Order and Roll Call**

Ms. Barbara Johnson, Chair of the Board of Directors of the Metropolitan Domestic Water Improvement District (District), called the public hearing to order at 7:06 p.m. Ms. Marty Cramer, Mr. Jim Doyle and Mr. Pete Schlegel were present. Mr. Herb Johnson was out-of-town.

Ms. Johnson welcomed those present. Twenty-two customers of the District were in the audience along with the twelve members of District staff. She noted that Mr. Mark Stratton, General Manager, would provide the presentation regarding the proposed rate structure.

**II.    Presentation Regarding Proposed Rate Structure**

**A.     Status of the District.**

Mr. Stratton said that the District planned to construct two reservoirs to increase the District's storage capacity. The Linda Vista Reservoir, a five million gallon reservoir, is to be built in the northwest area of the District and will double the District's overall storage capacity. Design has been completed and the plans are awaiting approval from the Arizona Department of Environmental Quality (ADEQ). The District plans to construct a new Magee/La Cholla

Reservoir by the existing Magee/La Cholla Reservoir and will be a 1 million gallon steel tank to provide needed fire flow protection for the La Cholla Corridor.

A customer asked if the Tucson National Golf Course will assist in paying for the reservoir. Mr. Stratton said that the District does not provide water to golf courses, only for domestic usage. The new reservoir is next to Tucson National and all development must pay a specific impact fee to assist with capital projects necessary for fire flow protection in that area.

Mr. Stratton noted that a map outlines major improvements that the District has accomplished during the past year, which includes flushing hydrants, fire hydrants, and main line replacement projects such as at Ranch House Estates. A major transmission line was constructed on Ina Road between Shannon and Mona Lisa that will provide existing customers with an important back up supply of water. These different projects have been in addition to the regular day-to-day operations that are necessary to run the District.

**B. Objectives for a New Rate Structure.**

**C. How the New Rate Structure Will Affect the Average Residential Customer.**

Mr. Stratton explained that the Board of Directors formed a Rate Advisory Committee (Committee), which examined various issues confronting the District. The Arizona Department of Water Resources (ADWR) has placed regulatory requirements upon water providers to determine the amount of water that a water provider should use. Last year, the District used 202 gallons per day per person. This year, ADWR requires the District to use only 169 gallons per day per person. While the District has reduced its production about 8 percent, the District must make more effort to conserve or the District could pay a fine of \$10,000 per day. The District has tried to establish an active conservation program and the proposed rate structure is part of that program. During last summer, 16 percent of the District's residential customers used 40 percent of the water. Residential customers account for 98 percent of the District's customers. Of the residential customers, 75 percent use less than 15,000 gallons based on a monthly average.

The proposed rate structure for a 5/8 inch residential meter includes a modest increase of the commodity rate of \$1.78 from \$1.55. The base rate remains the same at \$9.83 with the first 2,000 gallons included. A high user rate is established for all year that is set at 25,000 gallons per month. During the summer, a summer conservation rate is set at 15,000 gallons per month, which is a relatively conservative cut off. Both the high user rate and the summer conservation rate are to remind customers of their responsibility of their water usage. The high user rate and summer conservation rate are similar to Tucson Water's tiered structure; however, they are much more conservative in comparison to Tucson Water, which sets its tiered structure at 11,000 gallons and 20,000 gallons. The majority of District customers are responsible and should not be penalized by the excessive use of the minority. The proposed rate structure has been designed to place more responsibility upon those high water users.

Mr. Stratton showed a chart that compared other utility costs with the water cost. More is spent on electric, gas, television cable and telephones than on water, even with the new rate structure, although water is the only thing a person must have to survive.

Ms. Mary Schuh, a District customer, noted that a subdivision is planned for La Cholla and River Road and questioned how the District would supply water. Growth should be slowed or stopped so that it does not impact the water for existing customers.

Mr. Stratton said that the District charges a system development fee for all new connections to ensure the development pays its fair share. The Rate Advisory Committee recommended a 50 percent increase for system development fees for all meter sizes. When a development is contemplated, the plans are submitted to the District's Engineering Division to determine if the District has the facilities to meet the development. District staff has discussed the proposed development at La Cholla and River Road, but the District does not have the capacity to meet the development without the construction of the one million gallon reservoir at Magee and La Cholla. The proposed system development fee is \$900 per residential connection of a 5/8" meter. The total amount paid in connection fees is \$1,368, \$900 of which would be paid for growth. The monies collected from the system development fee are used to construct projects that are needed due to growth. The system development fees helped pay for the 12 inch transmission line on Ina Road between Shannon and Mona Lisa and the new Magee/La Cholla Reservoir.

A customer asked where the extra expense is to the District when a development is constructed since that development puts in the new lines. Mr. Stratton noted that the District has limited wells and storage tanks and needs to drill more wells, construct more storage and additional capital projects. While one new subdivision does not necessarily have a direct impact upon the District, a cumulative effect occurs from all the new subdivisions. The northwest area of the District has had the most growth, which is why the Linda Vista Reservoir is planned in order to increase storage and to be able to meet peak demand. The same customer asked why then rates need to be raised. Mr. Stratton said that the rate structure is designed to help the District meet its day-to-day operational costs. Much of the infrastructure is old and lines need to be replaced continually. The Metropolitan Water Company had sought to sell the company for many years and during that time, it did not do preventive maintenance. The District is trying to continue an aggressive mainline repair and replacement program.

Another customer asked the percentage increase to the rates. Mr. Stratton said that for 75 percent of residential customers using less than 15,000 gallons, the proposed rate structure will be between a 5 and a 9 percent increase.

Mr. C.R. Whitehurst, a District customer, said that under Metro Water Company, \$0.75 was paid per 1,000 gallons. Currently a 1,000 gallons costs \$1.55 and now the District plans to raise it to \$1.78. When the District purchased the water company from Tucson Water, the financial projection said that the bonds were adequate for the District along with modest increases. Mr. Stratton explained that the bond pro forma projected rates during the next 10 years, which was approximately a total of a 63 percent increase. The District is currently below that projection. While inflation impacts the cost of day-to-day operations, regulatory requirements have also an impact. For example, the District had to implement a Phase II & V water quality testing, new Environmental Protection Agency regulations, which is three times the cost of the old water quality requirements.

Mr. Whitehurst said that many customers, such as himself, live on an acre lot, which requires more watering than a subdivision lot. He questioned the District's claim that 12,000 gallons is the average monthly usage for residential customers. Mr. Stratton said that he lives on an acre within the District and uses less than 12,000 gallons. All of the Board members are residents of the District and will be impacted by the rate increase. The Rate Advisory Committee considered various concerns of how the rates would impact the residents and tried to have the least impact on the majority of customers.

Mr. Whitehurst asked if the proposed rate structure has to be approved by the Arizona Corporation Commission (ACC). Mr. Stratton said that the Board of Directors is authorized by statute to decide a rate increase. Mr. Whitehurst asked if the rates were lower than Tucson Water. Mr. Stratton said that above 12,000 gallons, Tucson Water's cost significantly increases. Tucson Water has a lower base rate, primarily because they can spread the cost among their 170,000 customers.

### **III. Comments from the Public Regarding Proposed Rate Structure**

Ms. Johnson noted that the Board of Directors would now listen to public comments regarding the proposed rate structure. Anyone wishing to address the Board of Directors should complete a speaker card. District residents wanting to make a comment were called individually.

Mr. C.R. Whitehurst said that the District's rates appear to be much higher than other water providers in Arizona. When the District took over the Metro Water Company, rates were only \$0.75 per 1,000 gallons, now they are \$1.55, and the District wants to increase them to \$1.78. The water company had the base rate set at \$8.50. A letter sent by the District in 1992 said the rate increase then would be enough for projects and improvements. As a private water company, no rate increase had occurred since 1987. The rates continued to be raised for the said improvements. The District seems to have higher rates now than Tucson Water.

Ms. Cathy Brown said that she did not oppose an overall rate increase, but objected to the summer conservation rate being set at 15,000 gallons per month. That limitation did not appear to take into account the number of people living in a home. Despite efforts to conserve, her family of six will naturally use more water. When California rationed water during the drought, water providers considered family size. The new rate structure does not seem to take regard for large family sizes and questioned if that had been considered. Mr. Stratton noted that the Rate Advisory Committee had discussed family sizes and had determined that 15,000 gallons was a fair threshold to begin the summer conservation rate. Any cut off point will receive criticism. A larger demand is placed on the system by those homes that use more water. Ms. Brown said that the summer conservation rate does not consider the different factors that cause water usage to rise. Ms. Cramer noted that most increased water usage during the summer is due to outdoor water usage, which is usually not tied to the number of people living in a home. Ms. Cramer asked how much water Ms. Brown used in the summer. Ms. Brown said it was about 19,000 gallons for July. She did not believe she should be penalized due to family size.

Ms. Mary Schuh said that last year, the District had a 12.5 percent rate increase. This year, approximately a 9 percent increase is being considered. The District will shortly be approaching that 63 percent total increase projected by the bond pro forma. She noted that the District has

been having water quality problems and has added chlorine that makes the water not drinkable. Despite impact fees for development, the District should not expand its services until all existing problems are fixed because the District is having problems managing its current system. The people that live here should have their problems fixed before any more development. Mr. Stratton said that if the District does not have facilities to provide for the demand of a development, the developer must build the system and pay the system development fee. Ms. Schuh asked if the Board has ever stood up to development and not allowed it to happen. Mr. Stratton noted that the District is currently holding up development projects until proper facilities are built. Ms. Schuh said that in her neighborhood, which is an established area, no fire hydrants exist. Those problems need to be addressed. Mr. Stratton noted a map that showed the improvements that the District has made during the past year, many of which the customers requested last year. Ms. Schuh said that she was disappointed that the District keeps asking for more money without correcting existing problems.

Ms. Helen Jo Marshall asked if anything is being done to correct the taste of the water. Mr. Stratton asked Mr. Christopher Hill, Utilities Superintendent, about complaints received recently due to water taste. Mr. Hill said that they have received complaints about the chlorination, but the complaints have decreased since the District has installed chlorine feeders. Ms. Marshall asked how sewer bills are determined. Mr. Stratton said that Pima County Wastewater Management establishes the fees. The District has begun to include the sewer fees with the water bill, but the two are kept separate. Ms. Marshall asked if the District offers any discount rates. Mr. Stratton said no.

Mr. Ron Wong said he was concerned that the District stated as one of its goals to remain on groundwater. The Central Arizona Water Conservation District (CAWCD) staff perceives such goals as impractical and not responsible. The District should be looking at renewable supplies. Additionally, the District should be certain that they have accounted for all growth to be certain that the correct population figure for the District is used in calculating the gallons per capita per day by ADWR. Mr. Wong asked who was on the Rate Advisory Committee. Mr. Stratton said the Committee members were Ms. Cramer, Ms. Johnson, Mr. Bill Carroll, Mr. Gary Woodard and Mr. Joe Waskiewez. Mr. Wong said that the Board should resolve questions about a renewable supply before deciding rates.

Mr. James Schuh said he questions who is running the District. The zoning approval for the La Cholla and River Road development projects was approved on conditions set by Supervisor Ed Moore that the developers seek water from Metro Water District. Supervisor Moore continually seems to be involved with making decisions for the District.



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

- A. If deemed appropriate, pass and adopt RESOLUTION NO. 1995-4, establishing water rates for the Metropolitan Domestic Water Improvement District effective November 1, 1995.**

Ms. Johnson asked if Mr. Stratton had another staff report to present to the Board regarding the issue before the Board. Mr. Stratton said that the previous discussions at Board meetings and the comments made at the public hearing have presented a complete overview of the issues.

Mr. Schlegel asked if the Board was under any time constraints to act on the rates. Mr. Stratton said that based on the statutes, the Board does not have to act tonight.

Ms. Cramer said she was concerned that perhaps they had not addressed some issues, such as the number of people in a household, though she was not certain how the District would determine the household size of each residency. In discussions regarding the summer conservation fee, it was noted that indoor usage is generally the same throughout the year, but during the summer, water usage increases outdoors. She questioned how the District's system development fees compare with the City of Tucson. Mr. Stratton noted that the City of Tucson has no impact fees and has only recently begun to discuss them. Rancho Vistoso Water Company has been granted by ACC to charge a tariff that acts like a system development fee and Cañada Hills Water Company is trying to establish a tariff also. Ms. Cramer noted the District has been conscientious that development pays its fair share for new storage and wells needed due to growth.

Mr. Doyle made the motion to pass and adopt Resolution No. 1995-4, establishing water rates for the Metropolitan Domestic Water Improvement District effective November 1, 1995. Mr. Schlegel seconded the motion for discussion purposes.

Mr. Schlegel said that staff and the Rate Advisory Committee did an outstanding job on preparing the proposed rate structure. He was concerned about some comments that were addressed tonight and questioned if those concerns should be answered prior to taking action. Mr. Schlegel said some of his concerns were about household size and the summer conservation rate and about Mr. Wong's comments about acting on a rate increase before making decisions regarding raw material. While he is comfortable with the overall direction of the rate structure, those concerns need to be addressed. The District knew when it took over the water company that many problems existed, but no one knew all the variables affecting water issues in the region. No one was able to say what water would cost in three to four years.

Ms. Marshall asked if chlorine was a carcinogen. Mr. Stratton said it was not, and that she may be thinking of the CAP treatment using chloramine. Due to the age of the system, the District began using chlorine to avoid bacteria problems. The District is using automatic feeders to introduce the chlorine rather than batch feed the system.

Ms. Johnson asked how many comments the office received regarding the proposed rate structure. Mr. Warren Tenney, Clerk of the Board, said that the District received two written

comments opposed to the rate structure and one written comment in favor of the rate structure. Approximately ten to twenty phone calls were received though they were primarily questions to clarify aspects of the rate structure.

Ms. Cramer said that she was prepared to vote tonight on the rates. A sincere attempt has been made to create a fair rate structure and to avoid impacting those customers on fixed incomes who are already not using a lot of water. The summer conservation rate is to encourage conservation. What appears to be an "X" percent increase would actually decrease due to everyone's conservation efforts. A small percentage of customers are using 40 percent of the water during the summer, and the rates are designed to encourage them to conserve. The District's system has been neglected and staff is trying to maintain and improve it. The rate structure provides a good plan to accomplish these goals.

Mr. Schlegel said that the Board had examined how the rate increase compared with the original bond pro forma. Presently, the District is behind the projections made by the bond proforma for revenue increases. If the District passes the recommended increase, the District will be 5 percent ahead of the pro forma. If next year there is no rate increase, then the District would be behind again by 5 percent in the projections made by the bond pro forma.

A customer said that many misunderstandings would not have occurred if all the issues were presented at the time petitions for creating the District were being signed.

Mr. Schlegel noted that when fifty residents of the District began the formation of the District, they worked with the data they had available. The group decided to hire expert water lawyers and bond consultants to gain information. Despite efforts made, no one could know the full situation three years later. The District is looking at an overall 15 percent increase; however, Rancho Vistoso has just asked the ACC for a 95 percent increase so that they can pay for the new regulations confronting them. Cañada Hills Water Company is looking at a 49 percent increase to meet the requirements of new regulations. The District is 5 percent ahead of its projections with the proposed rates, which is quite admirable three years later. Board members are also impacted by the rate increases as well as must address questions asked at the grocery store and reply to phone calls to explain the Board's decisions.

Mr. Schlegel said that since the water company had not kept accurate records of the infrastructure, the District conducted a review of the system. They hired staff to examine the system so that all aspects of the system were known. The District is now better able to handle its needs, which are many. The District has hired staff that is well respected in the community, including a competent engineering staff and hydrologist. The District recently hired a chief financial officer to ensure financial competency. The District has tried to identify its problems and determine how to correct them without creating additional difficulties. The proposed rate structure is within the original target set by the bond proforma.

Ms. Johnson called for a vote for the motion regarding the approval of Resolution 1995-4. The motion passed unanimously.

Mr. Schlegel asked staff to address the concerns and questions expressed by customers.

**B. If deemed appropriate, pass and adopt RESOLUTION NO. 1995-5, establishing system development fees for the Metropolitan Domestic Water Improvement District effective November 1, 1995.**

Mr. Doyle made the motion to pass and adopt Resolution No. 1995-5, establishing system development fees for the Metropolitan Domestic Water Improvement District effective November 1, 1995. Ms. Cramer seconded the motion.

Ms. Cramer said that she supported the concept and structure for the system development fee. The District has made a statement by establishing development fees that are higher than other regional water providers. System development fees are a responsible means to ensure that the District has the proper facilities.

Mr. Schlegel agreed. District customers have always expressed that development should pay for itself. The increase to the system development fee will help to meet future needs of the District.


Ms. Johnson called for a vote for the motion to pass and adopt Resolution No. 1995-5. The motion passed unanimously.

**XIII. Adjournment**

The Board adjourned at 8:33 p.m.

  
Barbara L. Johnson, Chair

ATTEST:

  
Clerk