

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

January 23, 2001

**** Board Room****

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

MINUTES

Board Members Present: Pete Schlegel, Chair
 Dennis Polley, Vice-Chair
 Dan M. Offret, Member
 Marlene Wright, Member

District Staff: Mark R. Stratton, General Manager
 Warren Tenney, Clerk of the Board
 Michael McNulty, Legal Counsel

I. Call to Order and Roll Call

Pete Schlegel, Chair of the Board of Directors of the Metropolitan Domestic Water Improvement District (District), called the Public Hearing to order at 7:15 p.m. Dan M. Offret, Dennis Polley, Pete Schlegel and Marlene Wright were present. Jim Doyle was not present.

II. Presentation Regarding the Proposed Water Rates & Fees

Mark Stratton, General Manager, explained that this Public Hearing was to discuss the proposed rate and fee increases.

Michael Land, Chief Financial Officer, stated that this was the fourth in a series of five planned rate increases to finance the debt service on the \$23 million bond issuance for the Capital Improvement Program. He said that at the time of the bond election, voters were informed that the five 4% rate increases would be necessary and the bond election passed by a 4-1 margin. Mr. Land stated that the District has not had an operations and maintenance increase since 1995 and that funds from the general operating fund were used to help subsidize the debt service on the bonds. He said that one of the provisions of the bond rating was that the District have five 4% rate increases and these funds must cover the three bond ratios. Mr. Land explained the criteria of the debt service on the bonds as far as the senior debt service, the junior debt service and the

City of Tucson settlement. He outlined the payment schedules and retirement of debt with a rate increase and without a rate increase.

Charlie Maish, District Engineer, stated that this is the third year of the Capital Improvement Program. He explained that the first year dealt mainly with consultants and design work. During the second year, construction of projects began. He said that the District currently has many projects under construction and are basically on schedule. Mr. Maish updated the Board on the mainline transmission projects, the Metro-Hub storage improvement plans and auxiliary power. He stated that to date the District has completed work on 18 telemetry sites and should have another 8 sites on line during this year.

Mr. Land explained that the Board is being asked to consider one fee proposal, that being the delinquent fee. He stated that the current delinquency fee is \$2.00 or 1.5%, whichever is greater. Staff is proposing a delinquency fee of \$5.00 or 2%, whichever is greater. He said that the District assesses late fees to about 1,600 accounts monthly and that the proposed fee is in line with other entities' late fee charges. He stated that staff is asking for more time to investigate a proposed pre-occupancy fee and would probably present that information during a future public meeting.

Mr. Stratton stated that the Board had previously had a study session and discussed fire hydrant fees including establishing a fire hydrant fee of \$25.00 per hydrant per year; imposition of a fire hydrant fee surcharge on all monthly bills; and billing of fire districts for materials and replacement; and continuing the practice of the District maintaining fire hydrants. He stated that subsequent to that discussion other Board Members had suggested billing the fire districts for 50% of the time and materials or billing fire districts only for the materials related to repair and replacement of hydrants. He said that staff did not make any recommendations and that the fire district representatives had not heard of the two newest proposals and they might like to discuss those options with their respective boards.

III. Comments from the Public Regarding Proposed Water Rates & Fees

John Kulakowski, representative of the Sabino Canyon Homeowners Association and fire district, stated that his board supported the option to assess water customers a surcharge on their water bills for the maintenance and repair of hydrants. He asked staff to assess these fees accordingly based on the proportionate number of hydrants in the Metro-Hub service area versus the Metro-Main service area.

Jon Robson, representative from Heritage Hills Fire District, requested no change from the present billing procedures or in the alternative to assess District water customers a surcharge. He said the fire district has residents who are served by Heritage Hills Fire District but are not District customers. Mr. Robson stated they felt this was not fair as it was taxation without representation. He also stated he needed to take the two new proposals to his Board for discussion.

Jim Gresham, representative from Northwest Fire District, stated his Board supported the option of billing District water customers a surcharge based on the same opinion that all Northwest Fire District residents are not customers of Metro Water. He stated that if the fire district were to assess its customers a fire hydrant surcharge, it would need to be assessed on any tax revenue generated by the entire district whereby three quarters of the fire district would be paying for what only one quarter of the residents would benefit. He agreed with Mr. Robson's statement regarding taxation without representation.

George Good, representative from Rural Metro, echoed the sentiments of the other speakers. He stated his primary recommendation would be for no change in the rate structure. He said that the program currently exists with the District taking care of the maintenance and repair of hydrants. He expressed his opposition to any rate increase for fire hydrant fees.

Sam Ray, former Board Member, asked the fire district representatives where they got their water to fight fires outside of the District. They replied that they got it from District hydrants. Mr. Ray asked how much of the District is not served by fire hydrants. Chris Hill, Deputy Manager, responded that it was less than 20%.

Warren Tenney, Assistant to the General Manager, stated for the record that the District did not receive any written comments regarding the public hearing, but did receive one telephone call. He read Ms. Carmen McClure's statement to the Board expressing her opposition to any rate increases.

Mr. Schlegel stated there was not much discussion on the rates and fees with the exception of fire hydrant fees. Mr. Tenney stated that the resolutions as presented for the Board's consideration had no reference to fire hydrant fees. The Board would need to amend the resolutions in their motion if they wanted to include a fire hydrant fee.

Ms. Wright asked for clarification on Resolution 2001-01 regarding fire hydrant fees. Mr. Tenney replied that the first paragraph of the resolution gave notice to what the Board of Directors discussed, but the resolution and its attached rate schedule did not provide for any change in fire hydrant fees.

Mr. Schlegel stated that the fire hydrant issue is not pressing and no action needed to be taken at this time. Mr. Polley said that a fire hydrant was a piece of equipment that was utilized in fire fighting and that some of the responsibility of maintaining that equipment should lie with the fire districts. Mr. Schlegel commented that the District installed fire hydrants at District expense to benefit fire departments and it would make sense for the fire districts to fund any repairs or replacements for damaged equipment.

Ms. Wright said that there are five fire districts who utilize the fire hydrants for their clients and the District should continue the goodwill in providing those fire districts with hydrants in good working order as it is cooperating in a positive direction. She further stated that the District is in the water delivery business and part of that business included maintenance and improvements.

Any fee assessed should be included as a surcharge to the water customers and not assessed to the fire districts.

Michael McNulty, legal counsel, explained that the District does have the power to assess property taxes even though it has not done so in the past. This is another option for the Board to consider.

Mr. Good reiterated his opposition for the fire districts having to pay maintenance fees based on the number of people who live outside the District who do not use water, but are Rural Metro customers. He stated that the District has paid for fire hydrants, but is now requiring some developers to pay for the majority of fire hydrants installed now based on fire codes.

Mr. Gresham stated that commercial complexes are required to install fire hydrants based on the fire code and the District has developers fund those hydrants. He indicated that Northwest Fire District does perform maintenance on their fire hydrants on an annual basis.

Mr. Polley made a motion to close the public hearing. Ms. Wright seconded the motion and it passed unanimously.

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

Mr. Polley made a motion to approve Resolution 2001-01 establishing water rates, service charges and fees, and bulk water charges. Mr. Offret seconded the motion.

Ms. Wright said that the District has had a rate increase one year prior to actually needing it and proposed no rate increase at this time. Mr. Polley stated that the District is using \$300,000 per year out of the operations and maintenance budget to offset the costs of the CIP program and that the bond covenants requires regular rate increases solely to retire the debt service. He supported the proposed rate adjustment Mr. Offret said that voters in the bond election overwhelmingly approved the selling of bonds, which required regular rate increases.

Mr. Land stated that the District did proceed ahead of schedule for rate increases before the bond sale, but has staggered the date of proposed rate increases by having the second one effective in April, the third one effective in March, and extending them out every year instead of January 1st of every calendar year.


Mr. Schlegel called for a vote on the motion to pass Resolution 2001-01 and requested a roll call for the vote. Mr. Schlegel, Mr. Polley and Mr. Offret voted for the motion and Ms. Wright voted against. The motion passed 3-1.

Mr. Schlegel asked if the Board wished to take any further action on the fire hydrant fee issue. Mr. Offret suggested that all parties continue discussing different options and alternatives and table action on this item. Mr. Polley requested that staff provide costs to the fire representatives. Mr. Schlegel stated that this action be put on the agenda for March 12, 2001 Board meeting for discussion.

Mr. Polley made a motion to pass Resolution 2001-02 establishing water service connection fees.
Mr. Offret seconded the motion and it passed unanimously.

V. Adjournment

The meeting adjourned at 8:15 p.m.



Clerk of the Board



Peter H. Schlegel, Chair of the Board
Vice