

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

January 8, 2001

**** Board Room****

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

MINUTES – STUDY SESSION

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

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

I. Discussion of Proposed Overall Rate Adjustment

Pete Schlegel, Chair of the Board of Directors of the Metropolitan Domestic Water Improvement District (District) called the Study Session to order at 5:03 p.m. Pete Schlegel, Jim Doyle, Dan M. Offret and Dennis Polley were present. Marlene Wright was not present at this time.

Mr. Schlegel suggested that the order of the agenda be rearranged to discuss II. C. Fire Hydrant Fees first. There was no objection from the Board members.

II. Discussion of Proposed Fees.

C. Hydrant Fee

Mark R. Stratton, General Manager, stated that staff met with representatives from fire districts to discuss the issue of fire hydrant fees in depth. He reported that the different options the District was considering was explained. These options included assessing a flat fee of \$25 per hydrant per year and another option was to bill each fire district for time and materials fee for any actual repairs or replacement of hydrants based on wear and tear on normal operating mechanical devices. He pointed out that Jon Robson of the Heritage Hills Fire District, proposed an alternative of having the District assess their customers a monetary rate on their monthly bills, which would equal about \$25.00 per hydrant or around \$.18 per customer per month.

Mr. Stratton stated that there were pros and cons to each of these proposals. He said that it was a concern of the fire district representatives that the boundaries of the fire district(s) and water district were not exact. Also, some of the residents of the fire districts were not customers of the water district and would not necessarily receive the benefit of a fire hydrant fee. He stated that these were the same areas of concern surrounding the time and material fee assessment. Mr. Stratton stated that regarding the implementation of a separate fee component on the water bill, there was concern with a potential negative image of the water district by having an additional surcharge fee for those residents who would not benefit from the associated fire hydrants. He stated that staff did not have a strong recommendation of one option over another. He added that any hydrant fees would not be anticipated to begin until July 1, 2001 to incorporate them into the fiscal year cycle.

Mr. Polley asked if the District required developers to install hydrants in their developments. Mr. Stratton replied that the District does not, but that fire districts do require installation of fire hydrants. George Good, representative of Rural Metro Fire District, stated he has seen the District install hydrants on their projects that the fire district had no knowledge of. John Gresham, representative from Northwest Fire District, replied that Northwest Fire District does require fire hydrants in new developments and that the developers are required to maintain that hydrant.

Marlene Wright joined the study session at 5:10 p.m.

Mr. Stratton explained that the District has installed hydrants without consulting fire districts because their purpose was to flush out lines to maintain water quality.

Mr. Doyle noted for the record that he was abstaining from any discussion regarding fire hydrant fees because he is a Board Member on the Northwest Fire District. Ms. Wright stated that she was also abstaining because she is a Board Member of Heritage Hills Fire District.

Mr. Schlegel stated that the District could install fire hydrants on 6" and larger mainlines and assess all District customers a \$.50 per month fee to be designated for installation and maintenance of hydrants. He indicated that by having this as a separate category, it would not impact our rates as compared to Oro Valley or Marana. Mr. Polley asked if this fee would cover both installation and maintenance costs. Mr. Schlegel affirmed that it would and stated it could be implemented in July 2001 in order to have adequate time to do a survey of District customers to see if they would be amenable.

John Kulakowski, member of the Sabino Vista Homeowners Association, asked how many fire hydrants would be installed and maintained in the Metro-Hub area. Mr. Schlegel replied that it was important for homeowners associations to get involved with the District in planning and evaluating fire hydrants. Mr. Kulakowski expressed Sabino Vista Homeowners Association support for individual assessments to homeowners for a fire hydrant fee, but stated that any fee should be proportionate to the size of the respective areas.

George Good stated Rural Metro supported an analogous individual charge per meter, similar to what the phone company charges for the 911 phone system. He questioned whether any studies have been performed to determine the need for this program and to more adequately address the issue of equitable fees to the fire districts wherein some of the residents are not water customers. He also asked if installation of fire hydrants was included in the Capital Improvement Program. Mr. Stratton replied that on all mainline replacement projects, plans are provided to install additional fire hydrants. However, with undersized mains, the District recognizes there is no benefit to install hydrants that do not have the flow capacity for water distribution. Chris Hill, Deputy Manager, added that about 20% of all areas still needed to have fire hydrants installed.

Jon Robson, Heritage Hills Fire District, stated that the District recently approved a proposition submitted by Heritage Hills establishing new fire hydrants and payment for such equipment and labor. Jim Gresham, Northwest Fire District, stated they have historically attempted to budget monies for hydrant installations and plan to budget \$20,000 this year.

Mr. Polley asked if the fire districts would support the District on communicating with their customer base regarding any potential fees and assessments. Both Mr. Gresham and Mr. Kulakowski stated they had newsletters to homeowner associations that could address this topic.

Mr. Stratton emphasized that the District wanted to have the best operational system for the fire districts to be able to perform their functions as well as not harm residential customers in the process by damaging lines, etc. He stated that with all entities working together will be for the betterment of the community.

Mr. Polley thanked the representatives of the fire districts for their input and expressed his appreciation for their input.

Mr. Schlegel asked if this item would be part of a future Board Meeting agenda. Mr. Stratton responded that it would be addressed as part of the rate hearing process and staff would provide options for the Board to consider. He added that the Board could choose to address the fee issue at that time or delay action until such time as to incorporate comments from residents.

Mr. Schlegel asked if the rate hearing notification would include reference to fire hydrant fees. Warren Tenney, Assistant to the General Manager, replied that the District is required to advertise notification of public hearings and the notice does make mention of adjustment to rates and fees.

Ms. Wright said she felt the hydrant fees did not need to be discussed at the rate hearing because it was not specifically cited. Lisa Chase, Legal Counsel, stated that members of the Board who cite a conflict are prohibited from participating in discussions.

Mr. Schlegel asked if the fire hydrant fee issue could be postponed for a year. Mr. Stratton responded that it had been postponed from last year. Mr. Polley and Mr. Offret said they would like to be able to discuss the hydrant fee issue at the hearing. Mr. Stratton said staff would not

provide any specific recommendation on this issue, but provide the Board with a listing of all the alternatives available..

A. Delinquency Fee.

Mike Land, Chief Financial Officer, stated that the District currently charges a late fee of 1.5% of \$2.00, whichever is greater, on delinquent accounts that are over 28 days old. He stated that approximately 10% of the Districts 16,300 customers are assessed late charges on a monthly basis. Staff has conducted a survey of surrounding water companies and it is recommended to increase the delinquent fee to 2% or \$5.00, whichever is greater. Mr. Land added that 15 days after late fees are assessed, pink shut-off notices are mailed to delinquent customers and courtesy phone calls are made prior to shut-off. About 100 customers are shut off on a monthly basis.

B. Pre-Occupancy Fee.

Mr. Hill stated that staff requested more time to explore a pre-occupancy fee to address water used during construction of homes. The Board agreed.

I. Discussion of Proposed Overall Rate Adjustment

Mr. Stratton stated that staff was recommending a 4% rate increase as discussed in the debt service on the Capital Project Improvement bond program. Mr. Land added that this rate increase was needed to fulfill the debt ratio as required under the bond convenience. He stated that the bonding agencies were adamant that the District adhere to a five-year program of 4% rate increases and this is the fourth year of that five-year cycle.

Mr. Schlegel asked for a status update on the debt service deposit agreement with Marion Bass. Mr. Land replied that he forwarded the proposed contract to Fred Rosenfeld, who does have comments, and staff will present further information to the Board after all the comments are received.

Mr. Stratton stated that the agenda for the Public Rate Hearing would include proposed overall rate adjustment, delinquent fees, and options for fire hydrant fees for discussion.

The Study Session adjourned at 6:00 p.m.


Clerk of the Board


Peter H. Schlegel, Chair of the Board