

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

July 22, 2002

**** Board Room ****

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

**Study Session
MINUTES**

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

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

I. Call to Order and Roll Call

Dennis Polley, Chairman of the Board of Directors of the Metropolitan Domestic Water Improvement District (District), called the Study Session to order at 5:31 p.m. Dennis Polley, Pete Schlegel, Dan M. Offret, and Marlene Wright were present. Jim Doyle arrived at 5:34 p.m.

II. Status of Acquisition of Green Valley Water Company

Mr. Stratton said the District was waiting to hear if the regulatory approvals for the transfer of Green Valley Water Company (GVWC) assets to the District will be approved by the Arizona Corporation Commission (ACC). The application has been forwarded to the hearings officer, Jane Rodda. Ms. Rodda will determine if the application will be presented to the ACC for approval or if a hearing needs to be held. If the application does not go through the hearing process, August 21, 2002 would be the first available agenda date for ACC approval; otherwise, if a hearing is schedule the ACC approval would be in September at the earliest.

Mr. Stratton said the financial documents for the purchase of GVWC are being completed. The bond resolutions and approvals are tentatively scheduled for the Board of Directors meeting on August 12, 2002. It is anticipated that the Municipal Property Corporation will meet jointly with the Board at that meeting.

Mr. Offret asked if the Public Hearing to establish the water rates for GVWC should be held in Green Valley. Mr. Stratton said that the District has not taken over ownership of GVWC and therefore does not have authority to hold a public hearing in Green Valley.

Mr. Schlegel asked if the District would be meeting with bond counsel before the water rates are established showing the District's ability to meet its financial obligations. Mr. Stratton said the offering statement reflected the District's financial capability to repay the bonds. He explained that if the Board did not establish a rate for the large turf irrigation, the full commodity rate of \$2.16 per thousand gallons would be charged to the golf courses. Mr. Stratton said establishing a new rate would lessen the financial burden on the golf courses.

Mr. Schlegel asked how GVWC sellers felt about the sell taking longer than anticipated. Mr. Stratton said the sellers were anxious for it to continue. He added that there needs to be an amendment established to the contract outlining the time frame for final closing of the sale of GVWC.

III. Discussion and Direction to Staff Regarding Possible Establishment of a Large Turf Irrigation Fee as Part of District's Water Rates and Possible Scheduling of a Rate Hearing

Mr. Stratton explained that staff contacted 12 entities providing water to golf courses to determine what they charged for rates, and how those rates were established. Mr. Land said staff learned that each entity charged different rates, and used water from a variety of sources. However, if potable water was used, then the rate for potable water was charged. He said the golf courses in Green Valley make up 63% of the water usage in Green Valley.

Mr. Schlegel asked if the golf courses within the GVWC service area had access to other water sources. Mr. Stratton explained the golf courses do not have water rights, and would need the Board's approval to drill a recovery well within the service area. He added that if effluent were available, it would be expensive and Robson Communities has rights to the majority of effluent from the Green Valley treatment plant. Mr. Stratton noted that other water service providers can not provide water within the District's service area without the Board's approval. He said that staff is reviewing options to provide irrigation to the golf courses without using groundwater, and it is difficult at this time to determine what the cost of the new water sources will be to the District, and what rates to charge the golf courses.

Mr. Stratton reviewed staff's analysis for the proposed rates for GVWC golf courses as outlined in the report. Three different scenarios were looked at. One to use the District's existing commodity rate; or use Tucson Water's reclaimed system rate; or use the same rate as was negotiated for the new golf course whose owner is the principal owner of GVWC. The third scenario's intent is to increase the rate over time so it eventually is similar to a reclaimed ratio and to encourage finding a renewable supply. The minimum rate required to satisfy District's bond counsel in order to meet all debt coverage ratios is \$1.20 per thousand gallons. Mr.

Stratton said that the District has three years to build an infrastructure in Green Valley to remove the golf courses from the potable system because of the new requirements for arsenic treatment. Mr. Stratton explained that staff recommended the rate include the same base rate as would apply to the meter size of the golf course's water meters. This would also ensure monies are available for large meter testing and unforeseen issues that might arise with the large meters.

Mr. Schlegel recommended that staff request weather stations to be installed on the golf courses to determine the amount of irrigation required. He suggested that if GVWC were to install the weather stations the District could reimburse them for the cost. Mr. Stratton said such facilities may already be in place. Mr. Schlegel said he believed that the golf courses should pay a fair share but not subsidize the entire GVWC.

Mr. Stratton explained that if the Board recommended the third scenario rate structure, future increases in the rates could not be established at this time. Mr. Offret said he agreed with the third rate scenario that would establish \$1.29 per thousand gallons of water as the current rate with the intent that it would be raised. He felt this scenario was based on good rationale. The Board noted its preference to establish the rate at \$1.29, and to recommend that future Board of Directors review the rates to consider future capital costs and increases in operation and maintenance costs. This would be further looked at, at the public hearing.

Mr. Tenney recommended that the Public Hearing for establishing the large turf irrigation fees be scheduled after determining what direction the ACC would take with the District's application. Mr. Stratton said staff would be able to advise the Board at the August 12, 2002 Board meeting what direction the ACC would take. The Board agreed to postpone setting a date for the Public Hearing until the August 12 Board meeting.

IV. General Manager's Report

Mr. Stratton mentioned the recent apartment fires and the lack of fire hydrants in some of the older communities within the District's service area. He explained that the fire department as well as the homeowners want additional fire hydrants located in the communities. The Barcelona Apartments want a water main brought into the apartment community to install a small diameter hydrant. Mr. Stratton said staff would be working with apartment owners and homeowner's association presidents to discuss the placement of additional fire hydrants. He suggested that if the communities paid for the pipe and hydrants, the District could do the work to install the equipment.

Mr. Stratton said he had made a decision not to run for the CAWCD Board at this time due to existing priorities and commitments.

Mr. Schlegel asked if staff had contacted Pima County to submit the .59 cent proposal for the sewer billings to replace the .58 cents suggested in the original contract. Mr. Land said that staff had contacted Pima County and the agreement was moving forward with the .58 cent proposal.

V. Adjournment

The meeting adjourned at 6:50 p.m.



Clerk of the Board



Dennis Polley, Chair of the Board