

MARANA DOMESTIC WATER IMPROVEMENT DISTRICT
Official Board of Directors Meeting Minutes
June 11, 2012

The Board of Directors of the Marana Domestic Water Improvement District met in session at the Marana Domestic Water Improvement District Office 16560 West El Tiro Road, Marana, Arizona at **4:00 P.M. on Monday, June 11, 2012**

1. Call to order and Pledge of Allegiance

Chairman Mr. Sostarich called the meeting to order at 4:00 P.M.

Mr. Sostarich ask Mr. Young to lead the Pledge of Allegiance.

2. Roll Call

Upon roll call, those present were as follows:

Board Members Present were;

Tony Sostarich, Chairman
Gary Kendrick, Vice-Chairman, Absent
Don Peetoom
Michael Young
Teresa Ball-Cummings, Absent

Staff Members present were;

System Manager, Sig Danielson
Clerk, L. Katy Walker

1 member of the Public present

3. Consent items

1. Approval of meeting minutes from the May 14, 2011 meeting

Mr. Sostarich: I guess everybody is aware that we're missing page 23 and everybody present now has page 23, is that correct?

Mr. Young: Correct.

Mr. Peetoom: Correct:

Mr. Danielson: Correct.

Mr. Sostarich: Anything else that anybody noticed that might be worthy of mentioning?

Mr. Danielson: (on phone) Yeah, Teresa. Okay, thank you, bye. Teresa won't be here.

Mr. Peetoom: Okay, on page 21, where Mr. Peetoom, last year, you got 2120, it should be 2010, cause it's the last time we had our election.

Mr. Young: What page is this?

Mr. Peetoom: 21.

Mr. Young: Okay, where at?

Mr. Peetoom: Mr. Peetoom.

Mr. Danielson: About 3 inches from the bottom.

Mr. Sostarich: Fifth line up from the bottom.

Mr. Young: Okay.

Mr. Peetoom: 2120 or something like that.

Mr. Young: All right.

Mr. Danielson: 2010

Mr. Peetoom: Supposed to be 2010.

Mr. Sostarich: Okay, anybody else?

It was moved by Mr. Peetoom, seconded by Mr. Sostarich and carried unanimously that; **The minutes of the May 14, 2011 meeting of the Marana Domestic Water Improvement District shall be approved as presented/amended.**

3 Ayes

0 Opposed

2 Absent

4. System Manager's Report

Mr. Peetoom: What you looking for?

Mr. Danielson: Managers report, I forgot to put a copy in my packet.

Mr. Sostarich: Here you can have mine.

Ms. Walker: Did you give me one?

Mr. Sostarich: That would be

Mr. Peetoom: I don't see no packet.

Mr. Young: No.

Mr. Danielson: I did one.

Mr. Peetoom: Yeah but it's not in any of our packets.

Ms. Walker: I don't believe you gave me one.

Mr. Sostarich: Well see what you can do with that.

Mr. Danielson: Well, I've got both of those, I wrote one, I just didn't get it to you, I guess.

Mr. Young: It was with page 23.

Mr. Danielson: Thanks, Mike.

Mr. Sostarich: You said that you forgot, or didn't get a copy?

Mr. Danielson: I don't know what I did with them. I did a Managers Report, but I don't know what I did with them.

Mr. Danielson reported:

1. Basically, we haven't had any major problems with the system since the last BOD meeting. We did have a problem crop up over the weekend on number 2 pump at Derringer, it's electrical, J. R. is on it. We've had intermittent problems with the overload relay on that pump, so J. R.'s gonna check it out and possibly replace it. That's probably a 40 year old motor starter or 50 year old starter on the pump. So he's gonna check it out and get back to me.
2. We did about 6 shutoffs for nonpayment last month, which is a little less than average and late notices was 139 I think, which is right on, about average.

Accounts Payable	\$46,830.76
Accounts Receivable:	\$41,192.97
Gain/Loss	-\$5,637.79
Pima County Balance:	\$71,627.32
WIFA Reserve Account	\$56,545.14
RD General Account	\$317.61
RD Reserve Account	\$14,477.39
O&M Account	\$9,333.32
Replacement Acct.	\$7,873.89
RD Bond Acct.	\$20,880.44
N B of AZ Checking	\$10,000.00

Our carryover Balance is \$2,068.54, the majority of that is one customer, and he stopped in and gave us

\$1000. Friday, mid-morning. He had an outstanding of \$1400., due to a major leak.

Mr. Danielson: That concludes the Managers Report.

Mr. Sostarich: This electrical problem that you mentioned, is it any way related to last months electrical problem, where you said it was Trico?

Mr. Danielson: I think this is just age. We've had this in the past on overload and it's very, very difficult to reset. I don't know if J. R. is going to put some new equipment or order some new equipment for that or not, he hasn't gotten back to me. He was looking at it when I talked to him a few minutes ago.

Mr. Young: Now which one is this?

Mr. Danielson: Derringer.

Mr. Young: Okay.

Mr. Danielson: And we've got a J L & S lock out there, just so he can get in and out of there.

5. Call for Public Comment (limit 3 minutes)

Mr. Sostarich: We have 1 member of the public present, would you like to say something?

Mr. Rohn: I want to thank the feller for coming and fixing that leak, but it was on you peoples leak, so it wasn't mine. I called them, my water shut off up there, my wife she darn near throwed me out of the house when I told her that. But the water lines are broke inside the house, so I can't use the water anyway. But I been paying for the water for the last 2 years or 3 years and don't use it. I don't know if she called the lady to cancel the shutoff or not but I told the guy that fixed the leak to come and get the ticket and to come and shut it off cause I don't use it anyway. But everything else is fine. I was late with my payment last month too. I wrote, my wife wrote the check and she put it up in the corner and I forgot all about it until we got our bill this time. So then I sent both checks down at once. So I guess we're caught up again, Sig?

Mr. Danielson: Well as good a customer as you've been over the years, Ron, that's fine.

Mr. Rhor: Yeah, I wanted to go along and help the boy repair another leak today, but he said he couldn't dare take me so, well I would pass out on him anyhow.

Mr. Sostarich: Well, you're welcome.

Mr. Rhor: Yeah that's all the bull I can give you.

6. Discussion and Possible Board action Concerning Outstanding Balances and Collection Policy

Mr. Danielson: We've put it in place to higher security deposit and are collecting it. We are hand putting in place any new renters, but we've only had one new owner and one new renter since we've put the policy in place so that won't be a problem to keep track of. We're having some issues with the Frey software, that is our billing software. We had to get them in and turn over control to get that fixed.

What it is, is the latest upgrade of our operating system, which is on the new computers that we've had about a month or so now, thinks that the Frey program is a virus and begins attacking it when it does an anti-virus scan. So, Joe's coming out tomorrow to completely disable it, and then we've got some other issues on the Frey software and 64 bit compatibility, so we're working through our billing software problems related to keeping this separate class. Might be interested to know that Ray House was in today to pay for another meter to be installed down there and he made the comment that with the electrical deposit is, what the gas deposit is and what our deposit is, he's going to start having to make the deposits for his tenants and leave the water in his name because he won't be able to rent anything, because they can't afford the 600, \$700 off the top, or \$700 plus off the top to get into a place and I thought, I says, Ray we gave you what you ask for.

Mr. Young: No whining.

Mr. Danielson: Yeah, no whining.

Mr. Sostarich: Any questions for Sig on item 6? This Frey's Software business is the same people from Cincinnati who expect to be wine and dined, right?

Mr. Danielson: Right, I think we'll be able to not wine and dine them.

Mr. Sostarich: Yeah, I think that there's been enough discussion last month on that subject.

Mr. Danielson: Right.

7. Discussion and possible action concerning USDA-RD grant and loan program/application

Mr. Danielson: Okay what I did, you've got your financial options available to implement the Preliminary Engineering Report by Westland Resources dated February 2009. If you've read through it, it's doubtful that the loan grant request as it has been presented will ever be approved. If we were to forgo the Colonia Grant and do a 45, 55 Grant Loan Program, which Jeff said may get funded, the impact on our monthly base rate would be \$ 5.21. If we trim the project back to a half a million dollars, we'd have a \$225,000 grant and \$275,000 loan, that would be a \$1.13 impact, providing it was approved, because all these are Nationwide Pooling, and you don't know if you're gonna be approved until, basically, October. And then the WIFA is a straight loan program, and if we went for the 2.3 at WIFA, we'd be talking about over a \$15 increase in base rate. A million bucks would result \$6.60. A half million dollar loan would be \$3.29 and a quarter of a million loan would be \$1.65. To me, I don't want to get in to that, the majority of that 2.3 million was to replace some schedule 140 pipe over here in the area bounded by El Tiro to the south, Moore to the north, Anyway to the east and Musket to the west. We have not had, only 1 leak over there in 11 years, and that was on a 6 inch schedule 160 pipe, so the 4 inch, we've not really had leaks in the 4 inch. We've had some saddles leaking over there, but my feeling is, I think, you know we talked in the Finance Sub Committee, and we're going to get to that discussion here under item number 8. In this economy we're not ready to raise rates. Let's continue on as we have the last couple years, try to spend some money on valves, get it so that we're shutting down fewer and fewer customers when we do have a problem and do it as our cash flow allows us to install valves. That's my feeling, I'll turn it back to you, Mr. Chairman.

Mr. Sostarich: There's some questions that have come up in my mind after reviewing all the information that you have given us in this packet. It said under options 2 through 4, both, all 3 of them mention upgrading computer systems.

Mr. Danielson: We've done that internally.

Mr. Sostarich: Yes, that's what I was going to ask, the SCADA System, we've already done that.

Mr. Danielson: No the SCADA System is as is, it works, it still works reasonably well, but the SCADA System Software model we have right now, was more designed for a zone type of a system, not a stand alone system, so it doesn't have the possibility of doing everything that I would like it to do, but it's something I can live with for the time being.

Mr. Sostarich: Well the point I intended to make was, is this system the engineers recommended? They recommended a SCADA System, is this what we've got?

Mr. Danielson: We've got a SCADA System.

Mr. Sostarich: So the only

Mr. Danielson: We, Tony, the SCADA System we have right now, is like driving a '63 Chevy Chevelle. It still gets you from point A to point B, but what they're saying is, why don't you buy a 2012 version.

Mr. Sostarich: A '63 Chevelle is a, is the Chevrolet version of the Ford Falcon, which is the Model A of 1960s, reliable, simple, reliable. If you get it at a good price, you'll never lose your money, you get one and you take care of it, it will last for life, and I believe the Chevy is actually more of a collectors item. It came with 4 cylinders and 6 cylinders. I've got an oil pan that will fit a V-8 in one of them. So that leaves, according to the engineer, most important recommendations is the valves and the potholing equipment.

Mr. Danielson: Yes.

Mr. Sostarich: I believe last month you made mention that we could probably do at least the valves without going in to debt, is that attainable?

Mr. Danielson: Yes.

Mr. Sostarich: At the pre-agenda meeting you said that if, I got the impression that you said at the pre-agenda meeting that you wanted to spread this effort of replacing the valves out over a period of time.

Mr. Danielson: Yes

Mr. Sostarich: Well I think it would probably be wisest if we had the rest of the Board here before we took a vote on moving forward with that. Wouldn't you guys agree? Would you be content to vote on that, proceed with that now?

Mr. Young: I would be willing to do anything.

Mr. Sostarich: What?

Mr. Young: I'm willing to do anything. If you want to vote on it, let's vote on it. If you want to hold off, let's hold off.

Mr. Sostarich: Well you guys being the Financial Assessment Committee, you've looked this over and realized the budget for that, right?

Mr. Young: Right.

Mr. Peetoom: Right.

Mr. Sostarich: So there's, and that's already budgeted, according to Sig, that's correct, right?

Mr. Young: Right.

Mr. Sostarich: Okay, does anybody want to move that we, wait a minute the potholing equipment, let's talk a little bit more about that. That's the equipment just to dig up stuff, right?

Mr. Danielson: Correct.

Mr. Sostarich: And you, of course you need tools.

Mr. Danielson: Uh-huh.

Mr. Sostarich: Okay, we've had a discussion about the potholing equipment.

Mr. Danielson: If I can find a used piece of potholing equipment that I'm looking for, I will. Otherwise Board Member Young and I were talking last week about the possibility of finding a rental unit that we would rent on an as needed basis.

Mr. Peetoom: Is that the vacuum?

Mr. Danielson: Uh-huh. So.

Mr. Sostarich: Well this is

Mr. Peetoom: We've got the money in the budget, \$30,000.

Mr. Young: But.

Mr. Peetoom: But we was thinking about, my wife and I was talking about it, then if we didn't use it all year, if we buy it, it would sit out there for a whole year, we would lose. But if we can find something to rent, and then do it, turn it back in, then rent it again if we had another problem, instead of buying the whole thing and having it set out in the yard.

Mr. Sostarich: Yeah, that's tying up your financial assets. Yeah. There are times when renting is more appropriate than buying.

Mr. Peetoom: You haven't found out anything yet?

Mr. Danielson: Been too busy on other stuff.

Mr. Young: Those are very handy, but we replaced all the other valves without a hydrovac you know. It's not that we can't do it without this machine, it can be done without the machine. So we did it, we've done it, but we have money in the budget if we do need it, we'll rent it, that's my feeling.

Mr. Peetoom: That's what I'm feeling.

Mr. Young: Well we've got Tony, the human backhoe too you know, along with the backhoe.

Mr. Peetoom: We don't want no backhoe.

Mr. Young: No, no the rental backhoe, Bob.

Mr. Danielson: Yes.

Mr. Sostarich: Well, I've read this information here and it grieves me that we can't go with option 3, which is what I was hoping for. But I'm fully cognizant of the fact that this world is, our world is changing in less than fashionable, let me rephrase that, our world is changing in less than a positive fashion right now.

Mr. Peetoom: Yeah, you heard the news today?

Mr. Sostarich: No.

Mr. Peetoom: The Europeans are, Spain is going to be going under.

Mr. Sostarich: Yeah, Greece, Spain is joining Greece.

Mr. Peetoom: And they said if Greece goes, the United States is gonna have to get in there and help them.

Mr. Sostarich: Yeah, and of course we're not going to be ask for that are we?

Mr. Young: They can't give us money for our loan grant.

Mr. Sostarich: Right.

Mr. Peetoom: Well they, that's what the news people was telling today.

Mr. Sostarich: Well you shouldn't listen to them, they're gossips. The only thing worse than a gossip is somebody that listens to them, cause that's giving them their power. So then anybody want to make a move that we vote that Sig proceed by changing the valves as our budget allows, or do you want to wait til the rest of the Board shows up to discuss this again with them?

Mr. Young: Well I think in fairness, we should wait til they're here, we don't need to, but in respect for them, I think we should.

Mr. Sostarich: Okay, do you agree with that?

Mr. Peetoom: I agree.

Mr. Sostarich: All right.

Mr. Peetoom: I want Sig to keep on the rental deal, see if he can find a rental.

Mr. Danielson: Okay, I'll pursue that.

Mr. Peetoom: Okay I appreciate it.

Mr. Sostarich: Okay, any further questions, comments on item 8? The only comment I have is, it's against my personal policy to go in to debt, to avoid that, especially in this day and age and one of these options here that I was reading about yesterday that Sig had handed out, said raise the rates \$15 or something.

Mr. Young: Oh, no, there would be a riot.

(inaudible overlapping statements)

Mr. Peetoom: We already had one a few years ago.

Mr. Young: Well I don't understand, when we applied for a Colonia Grant, why did they always do strings attached? We qualified for a grant

Mr. Sostarich: Because they are a bureaucracy and a bureaucracy's job is

Mr. Young: That's false advertising.

Mr. Sostarich: A bureaucracy's job purpose is to justify it's own existence.

Mr. Young: Yeah.

Mr. Sostarich: But that does bring up a point that I was going to make mention of earlier and perhaps I should keep notes. Are we getting our money back or not?

Mr. Danielson: No.

Mr. Sostarich: No. Is that a no or a heck no?

Mr. Danielson: One step above heck no.

Mr. Sostarich: I didn't want us to use that word cause I'm trying to swear off of profanity. Well that's grievously disappointing.

Mr. Young: I feel they didn't do their job.

Mr. Sostarich: I'm gonna have to take up Prozac, because this is depressing.

Mr. Danielson: I had about 4 different conversations with Jeff in the last week or so.

Mr. Young: Well that's four more than in the last two years that we've had.

Mr. Danielson: Yeah he has done a real good job answering the phone and returning calls. Told him, I said my Board is not going to be happy.

Mr. Sostarich: He probably said tough, right?

Mr. Danielson: Uh-huh.

Mr. Peetoom: He said he can't do anything.

Mr. Sostarich: What changed between then and now, was it on the Federal level?

Mr. Danielson: It was on the Federal level, yeah.

Mr. Sostarich: Okay, that's what I thought.

Mr. Danielson: Nationwide level.

Mr. Sostarich: Okay, well, that's the way the Mercedes Benz, next time get a '62 Chevy Chevelle, Chevy II, I believe is 2 door sedan.

Mr. Young: We have an Attorney General who can't, that can't answer questions, I think we have a guy on the WIFA Board who can't do any questions.

Mr. Sostarich: Haven't you been watching the antics of Congress lately? They can't pass a budget, how many years has it been?

Mr. Peetoom: Four.

Mr. Sostarich: Four years and they can't pass a budget.

Mr. Young: The only President that's been in office without a budget, my four year old granddaughter could run the country without a budget.

Mr. Sostarich: Okay.

Mr. Peetoom: I think that was Clinton, right?

(inaudible overlapping statements)

Mr. Sostarich: He came out in the black, that was when America was at her peak in terms of a balloon expanding before it popped.

Mr. Young: Technology.

8. Discussion and possible action concerning District Budget and Rate Structure for 2012-2013

Mr. Danielson: Okay, no change in the rates other than what we've already changed as far as our security deposits. On the budget, the operating expenses for next year are exactly the same as they were for the current year. We did internally move some money around within the budget and within the detail breakdown of the operating budget, providing for a 3% raise for the employees, for the first raise, over two years for the employees. The benefits went up a bit, but we got rid of, we had budgeted 5500 for water tank inspections, that went away. We did raise the labor under Field Contractual Services, raised trash service a bit, raised maintenance agreements, because they're getting more and more expensive. A year ago, for Social Security and Medicare, I used the employees portion, not the employers, they're different, gonna straighten that out. We're raising line extension refunds slightly to cover some increased use down at Avra Vista and we're gonna bump office supplies up a little bit, but basically bottom line is 535,750 this year 535,750 next year. Capital needs, we always put a service vehicle in, we don't need one right now, but in case we do have something major happen to one of the service vehicles, there's some money in there to replace it. If the cash flow is proper, we'll look at doing some replacement meters, and if we can replace some meters and sell some scrap brass, we'll buy some more replacement meters. Vermer Vac, we'll just leave that on there as a place holder.

Mr. Sostarich: That's that machine that was being discussed earlier?

Mr. Danielson: Correct, we'll rent one rather than buy one, so we got a revenue stream, Estimated Water Sales of 561,750, Sales & Use Taxes Receivable 39,900 on Construction Security Deposits, nobody's doing anything, nothing, Residential Security Deposits 10,000, Account Establishment Fees 6,000 New Customer Services 4,000, there's a possibility we will be putting some new customers services along Derringer. Scrap Meter Sales 1,000 All total, we're looking at operating expenses of \$535,750 Capital Improvements of 47,000. Sales & Use Taxes, both Payable and Receivable 39,900 For a Grand Total Budget of \$622,650, which is slightly lower than last year.

Mr. Sostarich: That's outgoing, right?

Mr. Danielson: Outgoing and Incoming is both 622,650, cause it has to balance. We know that our expenditures and our income will be probably \$200,000 less than that, but certain areas that are mandated by law that we have to appropriate money to.

Mr. Sostarich: Well this is just surprising to me because this is the first time that I've seen anything outside of the private and corporate world where there was such a thing as a balanced budget and it balances out. So that's what a balanced budget is?

Mr. Danielson: Yes.

Mr. Sostarich: Okay.

Mr. Young: And no rate increases for the last

Mr. Sostarich: Yes, he has mentioned that we, due the economy, due to the way that the economy is reported, that might not be a good idea to raise the rates. I haven't seen a mass exodus to Mexico myself, so our economy can't be doing that bad. Okay

Mr. Peetoom: Mr. Chair?

Mr. Sostarich: Yes.

Mr. Peetoom: We got 1100 hookups, we could do it.

Mr. Sostarich: Do what?

Mr. Peetoom: Raise the rates a little bit, if we had 1100 customers.

Mr. Sostarich: Yeah but we've got 800 and what 30?

Mr. Danielson: 835 was the average last year.

Mr. Peetoom: I know, I know, if we had that, if it didn't go down, and we had all them over by Moore and down on Avra Vista, we could raise the rate.

Mr. Sostarich: Yeah.

Mr. Young: We could lower the rates if we had 300 more customers, 400 more customers. There would be more people paying in to the system.

Mr. Peetoom: Yeah, we could lower it, we started out with 21.60 way back in 2001 or something like that.

Mr. Young: Then you ran in the red.

Mr. Danielson: Actually it was started off back at about 18, I think when I first came here, first year we were at 18 and we increased it to the 21. The 21. level was actually mandated by Rural Development in order to get us the first loan and grant program.

Mr. Peetoom: That's what I mean, we had to do it that way to get the loan.

Mr. Sostarich: Is there any other, this is the way it is, this budget is the way it is, correct, we're not going to vote on it? Do we vote on it?

Mr. Danielson: You should vote on it, tentative to adopt, so then we can go out and have a public hearing 2 weeks from today, for final adoption. I've got to publish it in The Territorial.

It was moved by Mr. Young, seconded by Mr. Peetoom and unanimously carried that; The Budget of Marana Domestic Water Improvement District shall be approved as presented.

3 Ayes 0 Opposed 2 Absent

9. Discussion and possible action concerning administrative details.

Mr. Sostarich: I just thought of one when we were doing item 8, but I forgot what it was all of a sudden, which means I'm either gonna to have to start taking notes.

Mr. Young: or bring your wife here.

Mr. Sostarich: She's getting worse than I am.

Mr. Danielson: It doesn't get any better, Tony.

Mr. Sostarich: Does anybody have any Administrative Details they want to discuss, Sig?

Mr. Danielson: I have nothing.

Mr. Young: Nothing.

10. Announcement of the next scheduled meeting

The next scheduled meeting of the Marana Domestic Water Improvement District Board of Directors shall be on Monday, July 9, 2012 at 4:00 P.M., at The District Office.

Mr. Danielson: Okay, Special meeting on the 25th at 4:00 P.M. to adopt the budget.

Mr. Sostarich: The 25th of June, that will be the last Monday of this month. See I knew somebody had an Administrative Detail. And that's the, what did you call the name of that, I forgot already.

Mr. Danielson: Public Hearing and Special Meeting to adopt 2012-2013 Budget.

Mr. Sostarich: Does that, would that meeting require a Agenda Meeting?

Mr. Danielson: No, there's only 1 thing on the Agenda.

Mr. Young: Yeah, the budget.

Mr. Danielson: You got the Call to Order and Pledge, you got Roll Call, and you got the Budget, Announcement of Next Scheduled Meeting and Adjournment, that's all you do.

11. Adjournment

It was moved by Mr. Peetoom, seconded by Mr. Sostarich: and unanimously carried that; This meeting of the Board of Directors of the Marana Domestic Water Improvement District shall be

adjourned.

The meeting was adjourned at 4:52 P.M.

Minutes prepared by
L. Katy Walker
Clerk of the Board