

MARANA DOMESTIC WATER IMPROVEMENT DISTRICT

Official Board of Directors Meeting Minutes

June 10, 2013

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 10, 2013**

1. Call to order and Pledge of Allegiance

Vice-Chairman Mr. Kendrick called the meeting to order at 4:11 P.M.

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

2. Roll Call

Upon roll call, those present were as follows:

Board Members Present were;

Anthony Sostarich, Chairman, absent, arrived 4:15

Gary Kendrick, Vice-Chairman

Don Peetoom

Michael Young

Teresa Ball-Cummings

Staff Members present were;

System Manager, Sig Danielson

Clerk, L. Katy Walker

Wes Addison, Accountant

4 Members of Public Present.

3. Consent items

A. Approval of meeting minutes from the May 13, 2013 meeting

Mr. Kendrick: Did anybody find any corrections or anything wrong with them?

Ms. Ball-Cummings: I did not.

Mr. Peetoom: I didn't.

Mr. Young: Nope. Tony's here.

Mr. Kendrick: Tony's here.

Ms. Ball-Cummings: Great timing.

It was moved by Ms. Ball-Cummings, seconded by Mr. Peetoom, and carried unanimously that; **The minutes of the April 8, 2012 meeting of the Marana Domestic Water Improvement District shall be approved as presented/amended.**

4 Ayes

0 Opposed

1 Absent

4. System Manager's Report

Mr. Kendrick: If you want to wait a second Sig, he's on his way in. getting to the Manager's Meeting.

We're just now

Mr. Young: (inaudible) if you're dressing like that?

Mr. Sostarich: Yeah, why do you think I'm late?

1. We have not had any major problem with the system since the last BOD meeting.

We have repaired three (3) service line leaks.

2. May billing included 143 late notices, which is average.

3. We did no shutoffs in May for nonpayment, which is below average.

Accounts Payable	\$ 44,710.83
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Capital Expenditures	\$ 0.00
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Accounts Receivable	\$ 37,836.40
Balance	-\$ 6,874.43
MDWID Balances Brought Forward:	
MDWID Balance at Pima County	\$ 68,745.58
N B of AZ Checking	\$ 10,000.00
WIFA Reserve Account	\$ 68,243.82
RD General Account	\$ 272.70
RD Reserve Account	\$ 14,639.13
RD O&M Account	\$ 9,437.59
RD Replacement Account	\$ 7,961.88
RD Bond Account	\$ 21,141.09
Bills Pending Balance	\$ 2,234.05

That concludes the Manager's Report.

Ms. Ball-Cummings: (Inaudible)

Mr. Kendrick: I'll give it up to the Chairman now.

Mr. Sostarich: Okay, we're at item 5.

Ms. Ball-Cummings: Yes.

(Inaudible, overlapping statements)

Mr. Danielson: Okay, well

Ms. Ball-Cummings: I got a question for Sig.

Mr. Danielson: I did make the changes the Board agreed to last Monday night on the budget and those were minor changes and then submitted for publication in the Territorial and there is a Public Notice up concerning Public Hearing a week from today at 4:00 P. M. That's been posted up in the normal places within the District. We are still, we are going to receive a formal quotation on Healthcare Insurance through Star Mart which will be having Cigna providing the service here

in the State and that telephone quote that I received today looks quite a bit more promising as compared to the Pima County, well United Healthcare to match what we had from Pima County. They are talking basically total monthly cost and that is employees of, unfortunately not totaled on the sheet. It's about \$4200 total whereas the quote coming through the Mahoney Group, which is our Liability Insurance Carrier over the phone today was about 3800 and from what it says basically benefits are very, very similar what we currently have through United Healthcare.

Mr. Kendrick: Sig is that 4200 and \$3800, what is that per month?

Mr. Danielson: Per month.

Mr. Kendrick: That's what the District will be paying?

Mr. Danielson: That's what the District and the employees combined will be paying, the employees paying the same rate as Pima County would, so it's Pima County's at 2014 per month. Total for the employees on a monthly basis would be well bi-weekly basis would be about 110, roughly about, employees would be paying in the area of roughly \$250 and the remainder would be the District.

Mr. Kendrick: Is that 250 each employee or all together?

Mr. Danielson: All together.

Mr. Kendrick: That's bi-weekly so it would be 500 a month?

Mr. Danielson: Wait a second I just have to look at the drop column. Employee's bi-weekly would be paying about 220 bi-weekly.

Mr. Kendrick: All together?

Mr. Danielson: Yeah so roughly 500 a month.

Ms. Ball-Cummings: Excuse me, Mr. Chairman, Sig, that's not the 220 or 110 is it, the 220?

Mr. Danielson: Well if you want to add it up it's 42.93, 90.75, 88.69 and 130.13 and that's on bi-weekly basis.

Ms. Ball-Cummings: Okay and you're showing the 220 correct?

Mr. Danielson: Yes.

Ms. Ball-Cummings: Okay excellent. Thank you.

Mr. Kendrick: So approximately 40,000 for the District portion of it?

Mr. Sostarich: So a more accurate account would be to multiply that number by 26.

Mr. Kendrick: Which is 57.20.

Mr. Danielson: Then divide it by 12.

Mr. Sostarich: Well if you multiply, you know we occasionally get those five week months in here.

Ms. Ball-Cummings: (inaudible).

Mr. Danielson: Yeah well the, it's similar to what, you've got 26 deducts during the year, you've got 26 paydays during the year, you're gonna have 2 months during the year that there's 3 paydays.

Mr. Sostarich: Yeah.

Mr. Danielson: You pay on the healthcare on a monthly basis so depending on when the first three payday month is, if it's and I don't know off the top of my head when the first three payday month is but basically the employees will have more deducted than their fair share until the first three payday month and then the District will be subsidizing and then it all just comes together at the very end of the year.

Ms. Ball-Cummings: Excuse me.

Mr. Kendrick: Can somebody explain that to me in terms that I will understand?

Ms. Ball-Cummings: Laymen terms, laymen terms?

(Inaudible, overlapping statements)

Mr. Addison: That is my question. How much is the total insurance cost now regarding the (Inaudible)?

(Inaudible, overlapping statements)

Mr. Danielson: All 6 of those together.

Mr. Addison: And that's bi-weekly?

Mr. Danielson: Uh-huh.

Mr. Addison: So the total is 31,200 right now for the (inaudible)

Mr. Danielson: Correct.

Mr. Addison: And what's it supposed to go to?

Mr. Danielson: 3800 per month.

Mr. Kendrick: 45, 600 for the year.

Ms. Ball-Cummings: 45?

Mr. Addison: And the employees are paying 326?

(Inaudible, overlapping statements)

Mr. Addison: 350 (inaudible)?

Mr. Danielson: Uh-huh.

Mr. Danielson: So the employees pay 9100 of the 45,000. The District is at 36,000. And the 31,000, that totals for everything at this point (inaudible)?

Mr. Danielson: Yes.

Mr. Addison: So the District is right now paying about 28,000 and the employees are paying about 3100 per year and that's gonna go up to the employees paying 9100, so they're looking at a \$6000 increase and the District will go to 36, that's about 8000 increase for the District.

Ms. Ball-Cummings: 8000.

Mr. Sostarich: Can you repeat that please?

(Inaudible, overlapping statements)

Ms. Ball-Cummings: That's what I was thinking.

(Inaudible, overlapping statements)

Mr. Addison: So currently it 28,000 by the District or 27,000 by the District, 4120 by the staff and will go to 36,000 for the District and 9,000 for the staff.

(Inaudible, overlapping statements)

Mr. Kendrick: While they're discussing the Mr. Chairman, I also called around and I'm still waiting, they should be faxing something over to the District tomorrow with a quote for the healthcare that I'm looking in to for the company.

Mr. Sostarich: Yeah.

(Inaudible, overlapping statements)

Mr. Young: Make sure it's apples for apples.

Mr. Kendrick: Well they've got the exact, I faxed them what they have. I don't think it will be apples for apples.

Mr. Sostarich: I was told that they have to have, that this insurance program is gonna terminate at the end of this month for the employees.

Mr. Kendrick: Yeah what we have now?

Mr. Sostarich: Yeah we have to have something in place by the first of July.

Mr. Kendrick: Yeah by the first, which it doesn't, once we decide, the Board decides what plan, all it takes is some signatures to get it going. Might take a week.

Mr. Sostarich: Well today's the tenth, that's 20 days, not all of them are week days.

Mr. Young: Mr. Chairman?

Mr. Sostarich: Yes.

Mr. Young: I make a motion about going to the public comment right now while they're figuring this out?

Mr. Sostarich: That sounds like an excellent idea; does anybody want to second it?

Ms. Ball-Cummings: I'll second it, that was in my mind.

It was moved by Mr. Young; seconded by Ms. Ball-Cummings and unanimously carried that; to go to the public comment now.

5 Ayes 0 Opposed 0 Absent

7. Call for Public Comment (limit 3 minutes)

Mr. Sostarich: Okay, first of all we've got M. P. McCully, 12,165 Sandy Street. Before you speak, like to point out that notice up there.

Mr. McCully: Correct. I can barely see it.

Mr. Sostarich: It says that we're authorized to listen to you but we're not necessarily expected to take any action.

Mr. McCully: Oh yeah, okay, exactly, I understand that. I think that's a lot of money for the employees to pay out for insurance. I mean I don't pay that much, you know. (Inaudible) I'm sure there are

plenty of facilities out there that will cut you deals even though you've got minimal employees, but still, you got to bring these medical things down, I mean that's a lot of money for 1 employee. That's what I'm saying, man can't live on just pay his medical insurance. You got to have a stable income, he's got to have medical insurance for his kids, his wife, the whole nine yards and still put food on the table and pay his bills. You got to go out and shop around, you can't just do 1 thing, 1 person, shop, you know, see who comes out with the least amount of money, that's all there is to it, you know. I'm sure it's out there, I'm sure, alls you got to do is call and call and call.

(Inaudible, overlapping statements)

Mr. Sostarich: Well Sig had explained that insurance companies are handled through brokers, they essentially do the calling around.

Mr. McCully: You need to stay on top of those brokers too.

Mr. Sostarich: Well essentially it's kind of like, these brokers are kind of like an automobile dealership, they all get their cars from the same place.

Mr. McCully: Some do, some don't.

Mr. Sostarich: Well if you want an American Car, you go to an American Car Dealer. Some of them handle foreign cars as well. Can you explain to this fellow about broker comments, Sig?

Mr. Danielson: Pardon me?

Mr. Sostarich: I said can you explain to this fellow about your broker, your insurance brokers and how that system works?

Mr. Danielson: Okay, since day 1 we've been under Pima County for benefits or basically day 1 and what it is, is Mr. Huckleberry has decided that unless you are a direct Pima County Employee, you cannot be part of the Pima County Group for Insurance.

Mr. McCully: But they do fund this outfit, right?

Mr. Danielson: No.

Mr. Kendrick: No.

Mr. Danielson: No, we are funded strictly by user fees.

Mr. McCully: Then why is Pima County affiliated?

Mr. Danielson: Because we are a special election and special taxing district under Pima County.

Mr. McCully: I don't understand that.

Mr. Danielson: We do not levy any property taxes and never have to date, and that was a promise made by the original Board of Directors to the residents would know the District was for. Okay with us being cut loose from Pima County, Pima County did set up an insurance broker for everybody that they were cutting loose and that was, for instance us, various other domestic water improvement districts.

Mr. McCully: Is that like a Cobra Plan?

Mr. Danielson: More, no Cobra is really when you retire or when you terminate employment you can keep Cobra benefits, which means you can keep the same insurance level you had at your cost. What this is, is they've set up a broker and said all right, here's a, we're gonna have the broker offer you healthcare through United Healthcare, through Blue Cross, Blue Shield.

Mr. McCully: How many entities do they offer though?

Mr. Danielson: We had 5 different plans to look at and Blue Cross, Blue Shield, Aetna, Humana and United Healthcare. The only major player in the U.S. that was not represented in this, or the only 2 major players is Cigna and we looked at Cigna and they are, we got that results in this morning, we had a different broker, our liability insurance broker looked in to healthcare for us also. Cigna was very expensive, we're talking about \$5600 a month for these employees and the other is called Starmart or Starnet and they are, as I understand it they are a broker that represents smaller regional type deals and they would be insuring through Cigna for us and that's the \$3800 a month cost, total cost that we received this morning and that particular broker will be out Wednesday afternoon to present and do a side-by-side comparison. He gave me a side-by-side comparison over the phone and it sounds real comparable with what we currently have.

Mr. McCully: Okay so this broker you're talking about is basically going through Cigna again. Now is this gonna be apples and apples for the employee to get the same benefit at the same?

Mr. Danielson: That's what we're hoping for is apples to apples from when we were under Pima County.

(Inaudible, overlapping statements)

Mr. McCully: I mean you've looked them over twice, but you should be able to get the same composition as far as all the way across the board.

Mr. Danielson: Right that's what we're looking for yes.

Mr. McCully: All right, that answers my question.

Mr. Sostarich: 3 minutes is up. Robert Flood, 12401 Carbine Rd.

Mr. Flood: Mr. Chairman?

Mr. Sostarich: Yes.

Mr. Flood: Board Members, Sig, Wes, good to see you again.

Ms. Walker: Excuse me, Mr. Flood, can you speak up, the microphone is over there.

Mr. Flood: I'll try but my voice is

(Inaudible, overlapping statements)

Mr. Sostarich: You can get closer if you want.

Ms. Walker: Thank you.

Mr. Flood: Originally, I'm here because of this, obviously and originally I just wanted to talk about rate increases and then I looked at the meeting time and I thought oh that's interesting. We had a discussion years ago about meeting times and this is sure a lot earlier than it used to be and I'm find it very interesting that you kind of supported my comment tonight by being a few minutes late. There's a lot of people and I don't know that the majority of these people are retired in this District are retired now since I left the Board, still pretty sure the majority still work and so I know you guys can't comment, I don't expect any comments, but I would sure like you to revisit your meeting time. I understand it's a good deal for staff, but it's sure not a good deal for people that work. So with that said I remember a time when we got to rate increase stuff. Let me just call this by saying that envy you guys right now at all, I've been in your shoes, I was in your shoes when all of you, some of you and all of us who sat up there in this room was full of people and very unhappy people. So even though all those unhappy people aren't here I still don't envy you with the issues that are going on as far as budget and everything like that. You can't have, and I'll just add this in real quick, you can't have a 25% increase in insurance cost for the District alone, that's not employee increase, their increase is much higher than 25% and still function. With that said, having retired 9-1/2 years ago I have had this much co-increase in my pension. My bill this month from the District was \$125 and I don't have a garden, and I have a few flower beds in the back yard which I just cut the water in half before I got this bill and I guess I can do without any kind water except for the cooler and drinking water if we have to have a 25% increase. But what I will tell you is that, and Wes knows this, Sig knows this, Mr. Peetoom knows this, these numbers are very, very similar that we were looking at when we started this District and I can tell you that my rates quadrupled from the old system to when I was involved with this, in developing this District. The rates quadrupled and I don't know Wes, how you figured this out. I'm pretty sure that we don't have our loan paid off yet so that means if we would take out more money, it's gonna piggyback on what we already owe and when I looked at the economy of scale relative to this District, we don't have that much growth. I would be very surprised if we had a hundred new connections on top of what we had when I was here and that doesn't figure in without huge rate increases or property tax levies in to this kind of money.

Mr. Sostarich: When did you leave here, do you remember what year it was, what month?

Mr. Flood: When I left?

Mr. Sostarich: Yeah.

Mr. Flood: It's been a long time, seven years.

Ms. Ball-Cummings: Seven years.

Mr. Flood: Well when did Mike come on?

(Inaudible, overlapping statements)

Ms. Ball-Cummings: It was before

(Inaudible, overlapping statements)

Mr. Sostarich: I can tell you almost exactly how many connections we've got now compared to then.

Mr. Flood: Well you don't have to but what I'm saying is I, there's not the large growth potential out here. Metro Water's already come out and annexed the property out here, you all know that. We do have a few other things to do. All I'm saying is that I know what my increase costs are and I can tell you that water and electric are the two highest bills, and it cost me over \$200 a month and have increased over the last nine and a half years since I retired and there's no increase for me. I mean you're seeing the same, you're suffering the same damn strip everybody else is. You can't run \$6000 in the hole in June on an operating budget and tell me that you can afford to stay solvent borrowing another 2.4 million dollars to make repairs to the system. So with all that said, I think if you discounted down here in this lower paragraph, something that you may want to go back and investigate more because, in the long run, I'm pretty sure that this district can't bear a 25% increase in their rates, and if you raise taxes, you will see more people in here, on top of rates, raise taxes, you will see people in here. The economy as a scale for the District don't add up over the long run, and if you're talking about starting something 2 or 3 years down the road is money gonna be easier to get now or 2 or 3 years down the road? I mean it's gonna cost more, those projects I can guarantee you are gonna cost more 3 years down the road than you're talking about than they are today, guaranteed. Because they're all gonna get their cut just like insurance companies, they're all gonna get their cut so my only suggestion would be, you guys don't throw the whole idea of Metro Water out the door. Because the one thing that they do have, and I threw some numbers together based on this month's usage for me and their rates are fairly similar, they have rate structure like this District does. Their rates are very similar but they aren't looking at a 25% increase in fees over the next 5 to 8 years. Their economies of scale are right in order to do business. They're not for you guys so I wouldn't throw out the door the whole idea of investigating with Metro taking over this system in the long run cause I don't see that we're gonna be able to afford

Mr. Sostarich: May I stop you now that your time of 5 minutes are up?

Mr. Flood: My time is up, yes it is.

Mr. Sostarich: Hang on a minute. We're not closed minded of merging with another company and for the rest of you Board Members, Annette and I have done some number crunching on our own here and we figure no matter what we do in the end it's gonna cost about the same if we sold out, merged, hostile takeover from the county, whatever, in the form of tax levies against our property or whether we ratchet up the water rates according to Mr. Addison's plan, which he hasn't even divulged to us yet, is one of the reasons why he's here tonight. In the end, when the smoke blows away, it's gonna cost about the same, no matter what we do even if we do nothing and let the system fail. Last meeting we had talked about worse case scenarios, county or supervisors cleaning us out forcing us to another place. The Vice-Chairman and I have for fun kicked around the idea you know that maybe we might want to suggest the Board, since right now we're ahead of the plan and we're showing a profit, possibly merging with another company. We haven't presented that to the Board yet but we're not, whatever plan, we don't have a plan yet, we're just kicking around ideas and look where we're at, look where we're heading. That's where we're at. You or anybody else has something to say that might help us, help, help. We were you, we are you people, you know, we're not geniuses, we're not rocket scientists or anything else we need all the help we can get. This is what we're facing, we're trying to alert and alarm the public with that message.

Mr. Flood: You got me here, I haven't been here in a while. I mean that's just, if we were growing you know it might not be an issue but I don't see over the long run we are.

(Inaudible, overlapping statements)

Mr. Sostarich: We're not.

Mr. Flood: I know we're not.

(Inaudible, overlapping statements)

Mr. Sostarich: This is what our growth scale looks like right now for a few years.

Mr. Flood: Thank you.

Mr. Sostarich: Okay

Mr. Sniffen: Just observing no comments.

Mr. Sostarich: You don't have to fill out one of these.

Mr. Sniffen: She made me.

Mr. Sostarich: did you watch the Ten Commandments by any chance?

Mr. Sniffen: Probably not.

Mr. Sostarich: Charlton Heston.

Mr. Sniffen: No.

Mr. Sostarich: That's what Aaron said when they made the golden calf. They made me do it.

5. Discussion and Possible Action Concerning District Budget.

Mr. Sostarich: By the way I'd like to make note that the budget issues we're facing such as insurance had nothing to do with the projected rates, that was to cover the projected idea of raising rates was to cover repairs to the infrastructure, cause we didn't get the Government Grant that we applied for and invested, how much again Mike?

Mr. Young: It's so depressing.

Mr. Sostarich: But we didn't get the money that we were supposed to.

Mr. Young: 2.9 million.

Mr. Danielson: 2.4.

Mr. Sostarich: How much did we invest in that project jumping through all those hoops, 4800 or something like that?

Mr. Danielson: 20 grand.

Mr. Sostarich: Well we're living in a time of change here everybody. I'm just as displeased about it as you are so. Back to item 5.

Mr. Kendrick: Mr. Chairman?

Mr. Sostarich: Yes.

Mr. Kendrick: I agree, I don't, I personally don't want to see the rates go up. I think there's something in here, I'm not a genius or whatever when it comes to budgets and stuff, but there's got to be something in here that we can cut. There's got to be some meat slashed somewhere.

Mr. Sostarich: Well if go like most companies are now we cut the employees back to part time and get out of paying healthcare.

Mr. Kendrick: I don't see doing that.

Ms. Ball-Cummings: No.

Mr. Sostarich: that's what companies are doing to

(Inaudible, overlapping statements)

Mr. Kendrick: Yeah some companies are.

Ms. Ball-Cummings: We are a small company, that's not necessary.

Mr. Sostarich: If you could find a place to cut.

Mr. Kendrick: Last meeting the employee compensation raises was brought up, 6%. 3% raise of living cost and 3% raise, 6% total.

Mr. Sostarich: That was budgeted yes, I recall that.

Mr. Young: Mr. Chairman?

Mr. Sostarich: Yes.

Mr. Young: Did we ever get with any water companies here to see if we could group with their employees to get group rate?

Mr. Danielson: No, no, it's just been

Mr. Kendrick: That was brought up by Mr. Sniffen which was an excellent idea.

Mr. Young: We talked about it the last meeting, about getting with the other water companies and group these

Ms. Ball-Cummings: Yeah we did.

Mr. Kendrick: 2 or 3 water companies together and get like a group rate.

(Inaudible, overlapping statements)

Mr. Danielson: Well I can surely pursue that with the Mahoney Group.

Mr. Young: Everybody's faced with this problem right now.

Mr. Addison: Do you want those numbers?

Mr. Kendrick: Yeah.

Mr. Addison: All right, under the current system the District is paying 22,000, staff is paying 9000.

Mr. Kendrick: 22,000?

Mr. Addison: 22, staff is paying 9,000 for 31,000 total. Under the proposed, the District will pay 36,000, staff will pay 9,000 for a \$45,000 cost. So 2014, staff pays the same amount, and the District absorbs 14,000 in insurance.

Mr. Kendrick: You said 22,000, last year it was 2012-2013, it says under medical, 28,000 and then there's still 2 months to go. I'm sorry 28,000 was budgeted.

Mr. Addison: Yeah well you got it for 31.

Mr. Kendrick: Correct, that's not what the employee's compensation part is, is it?

Mr. Addison: It should include all of it.

Mr. Kendrick: Cause this was fringe benefits paid out for medical.

(Inaudible, overlapping statements)

Mr. Danielson: I'm looking for it, I'm looking for it. Here it is. Okay, year-to-date, we have paid \$26,000 year-to-date in medical only.

Mr. Kendrick: That's the 10 month actual?

Mr. Danielson: That is the 10 month actual, 259.69, however we are 1 month ahead on that so that is actually for 11 months

Mr. Addison: Does that include employee and employer?

Mr. Danielson: That is strictly employer, the District.

Mr. Kendrick: Just the District.

Mr. Danielson: So for the entire year it would be another \$2,945.09 added to that so it would be

Mr. Kendrick: About 30,000.

Mr. Danielson: 259.69 plus 22,945.

Mr. Sostarich: I have a question for Mr. Addison. I'll wait til you're done.

(Inaudible, overlapping statements)

Mr. Addison (Inaudible)

Mr. Danielson: (Inaudible)

Mr. Addison: So the Districts portion right now is 31,000. The employees' portion is 9 and it goes up to 45,000 for the District and 9 for the employees.

Mr. Sniffen: Can I ask a question? So does it stay 9,000 for the employees and just the District absorbs the difference, right?

Mr. Kendrick: Correct.

Mr. Sniffen: So the employees never, theirs didn't go up?

Mr. Addison: Right.

Mr. Kendrick: No.

Mr. Sniffen: Okay.

Mr. Kendrick: Not if we choose this one.

Mr. Sostarich: So we've got 3 sets of figures now, the first one says current 28,000, future 36,000. Second one is 22,000 and the future 36,000. And now you're saying, throwing out a third set of figures.

Ms. Ball-Cummings: Yeah (Inaudible)

Mr. Addison: It's a county (Inaudible), you can make it any number you want. Now the reality is

Mr. Sostarich: You're about to make a point for me. My question is, is what per cent is that rate gonna go up for the insurance?

Mr. Addison: Yeah.

Mr. Flood: It's gonna be higher than 25, I can tell you that.

Mr. Young: Yeah.

(Inaudible, overlapping statements)

Mr. Addison: It's the difference then between 36, 31,000 and 45,000.

Ms. Ball-Cummings: Yeah.

Mr. Kendrick: 14,000.

Mr. Sostarich: So that's close to 13% of it.

Mr. Addison: 40%.

Mr. Young: Yeah.

Mr. Sostarich: 40%?

Ms. Ball-Cummings: That's what I was gonna say.

(Inaudible, overlapping statements)

Mr. Kendrick: A year?

Mr. Addison: Yeah, well no, theoretically just for this year and then the rates have been bumping up normally about 9 to 16 %.

Mr. Kendrick: I think we're in a hole we can't dig ourself out of.

Ms. Ball-Cummings: Yeah exactly.

Mr. Sostarich: Not yet.

Mr. Kendrick: Not with the raise and stuff, I mean.

(Inaudible, overlapping statements)

Mr. Danielson: Well the insurance broker did say something about this being a one year type deal because of the Federal Healthcare requirements that will come across a year from now and he says I'll be glad to discuss what we think those will be on Wednesday. Doesn't help us for the current year so.

Mr. Addison: What I've heard is that most of the insurance companies are expecting a 40% boost this year.

Mr. Kendrick: So what, I mean the proposed rate plan raise, hike or whatever you want to call it, I mean you're doing 5% for the first year, what's that gonna, I mean that's not going to do anything to build on infrastructure.

Mr. Addison: Well your 5% based on previous year's revenue would give you about 22,000 a year more per 5%.

Mr. Kendrick: Over the extra increase in health?

Mr. Danielson: No.

Mr. Addison: No, that's just base revenue increase.

Mr. Kendrick: That's what I'm saying, we're talking about raising rates 5% but that's not even gonna cover what we need to raise it for health insurance.

Mr. Young: Going up 40% in health insurance.

Mr. Addison: Yeah, but the health insurance is going up 14,000. You would have 8,000 left over but that's not very much and then compared to

Mr. Kendrick: Counting the 6% pay increase that they're talking about.

Mr. Addison: Plus I think you have a, for the previous year, you also have a problem with some revenue problem

(Inaudible, overlapping statements)

Mr. Addison: It might be more cause just a year ago June you were at close to 845 users and now you're down to about 815.

Mr. Flood: Doesn't the revenue usually increase in the summertime, Sig?

Mr. Young: Not this year.

Mr. Flood: Well that's what the kind of point I'm making is that the trend if you're looking at this as a trend

(Inaudible, overlapping statements)

Mr. Addison: So anyway you're basically is you've got minimum 5% increase in your revenues. Your operating expenses don't look all that bad, I mean it looks like they're still being controlled reasonably well but that 5% in the first year you know would decrease, your budget amounts were based on the actual that you had for the current period 2013, right?

Mr. Danielson: Yes.

Mr. Addison: So the decrease from a year ago doesn't matter, you're still not netting much if you can't cut what you were saying, so if you can't get any cut, your operating budget in other areas, then the 22,000 which was to be set aside to help with construction won't be

Mr. Young: Right.

Mr. Sostarich: So the concept of building up our infrastructure, we might as well just throw that under the bus along with Pima County throwing us under the bus because of health insurance.

(Inaudible, overlapping statements)

Mr. Addison: No hopefully I can't say yes or no but hopefully this is a one time and they go forward and you won't have the increases that you're looking at this year. If you do then you start looking at taking advantage of which the insurance agent will get around to talking about but taking advantage of your employees joining the State Pool rather than using an outside private organization. There will be an alternative available. It won't be as good for your employees but you know the District has to look at its own well-being. It may be what you have to end up doing.

Mr. Kendrick: How much of the 22,000 if, cause in the budget there's a on the salaries, there's a 6%

Mr. Danielson: That represents

Mr. Kendrick: That represents a 6%

Mr. Danielson: \$8300 is 6% and so \$14,000, basically the 5% increase in rates has just gone to satisfy operating costs.

Mr. Kendrick: Gone.

Mr. Sostarich: Well this doesn't look very good to me. All that effort, and there was some torpedoed by some like health insurance. I know your message is positive and hopeful. I've seen people raise mandatory auto insurance and I saw what happened after that so I'm not going to be deluded here. We're in deep doo-doo so.

Mr. Addison: But getting back to what Bob was saying about you know the mergers in the schedule that you have there is only a \$3 rate difference at this point on a minimum 7500 or 7800 gallons and your rate is \$40 and Metro is setting at about \$37.

Mr. Flood: Very similar, their rates are very similar.

Mr. Kendrick: They have about 15,000 customers.

(Inaudible, overlapping statements)

Mr. Addison: I am a Metro user and I remember when they did us up 25%. They had no qualms about it at all and I actually set in on a budget committee with them. I was on the committee that was overlooking this whole bond proposal and rate increase and they didn't care. They implemented the rate increase 3 years before they started any construction you know just because they could so they were you know 3 years in to a 5 year rate increase and if they found out here they would have to spend 2.5 million dollars or whatever it would be to fix your infrastructure it's gonna be paid for. It's not gonna be free.

Mr. Young: Mr. Chairman?

Mr. Sostarich: Go ahead.

Mr. Young: How do you compete with, when the city of Tucson is 28.35 on the other side of the street and we're going, you're talking about going up to \$43. I mean how do you look at the guy across the street.

Mr. Addison: You can't.

Mr. Young: That's what we're up against.

(Inaudible, overlapping statements)

Mr. Addison: Their rate increase covers 400, 500,000 people, maybe more.

Mr. Flood: And they pay a \$5 a month, used to be a \$5 a month remote fee which is kind of a joke but they pay more than the people inside of the city limits.

(Inaudible, overlapping statements)

Ms. Ball-Cummings: Yeah exactly.

Mr. Flood: But that goes back to our economy as a scale. It's tough. I surely don't envy you. The only thing I would say Wes on your comment is that the economy is a scale and looking at a 25% increase where that is what would kill us is a 25% increase right now but it's just like the insurance thing. I know there's a difference in operating and what we're talking about when you talk about capital improvement but I know it's tough and like you say try to put that money away, that 5% rate increase and throw money in to a fund but when you get this kind of stuff with medical.

Mr. Young: Yeah you put 5% away, if you get a 5% increase, you're just maintaining because of the loss of customers.

Mr. Sostarich: Sig you wanted to say something?

Mr. Danielson: Yeah listening to the radio last Thursday Morning on the way to work, I was listening to the Phoenix station and one of the stories that they were covering at 7:30 was that Environmental Protection Agency, safe drinking water section, it come up with a estimate that on the water infrastructure alone in the United States over the next 20 years, in order to preserve safe drinking water, they thought it would cost and I believe the number was 440 billion dollars. So to follow up on this, they contacted Melanie Ford over at WIFA and Bob knows Melanie, I know Melanie. She said for the State of Arizona, she says for the next 20 years, the State of Arizona need, the water systems within the State of Arizona need 7.4 billion dollars in the State of Arizona and she says and unfortunately with the way grant money and everything else is right now that 7.4 billion is going to have to be paid out of user fees.

Mr. Flood: The only other thing that we can look at is tax based and to be honest with you I don't know that you could even get there where you want to go with the tax base. I mean there's limits you know (Inaudible)

Mr. Danielson: Mr. Chairman?

Mr. Sostarich: Yes.

Mr. Danielson: Through you to Bob, we looked at this 8, 9, 10 years ago on what it would be to impose taxes, don't the voters have to approve?

Mr. Flood: Oh yeah.

Mr. Danielson: Giving us the right to even levy taxes within the District?

Mr. Flood: I think you got to do that, it could have changed, but the other thing is, there's a limit that you can increase or you can float bonds on top of you know if you have the authority, you can float bonds like the School District or the Fire District or whatever in the same way. But I mean even at that I mean the kind of money that you're looking at long term cause like you said your problems are not going to go away. At some point infrastructure is gonna have to be addressed. I don't think the problem, we're in near as bad a shape right now as we were when we didn't have water for a week at a time but it's scary what this cost. I really don't envy you guys. To me the only way you can really address the kinds of issues long term is do some kind of a merger, with Picture Rocks, with Metro, with somebody where I mean, same thing you're talking about with, find a group

Mr. Sostarich: I have a question for you Bob, like I said earlier, the idea has come up at least not publically but at least it has come up.

Mr. Flood: Well it is now.

Mr. Sostarich: Okay, the question is how would somebody go about doing something like that, call them up and say Hi, we're sinking? How would you, do you know how something that would even be approached? We haven't discussed it openly as a Board yet, but I don't know about anybody else but I have no idea about how to go about doing something.

Mr. Young: Mr. Chairman?

Mr. Sostarich: Yes.

Mr. Young: I was just wondering, I know the City of Tucson is blending water over there, I just wondered if they'd be interested, since they have this well that they could use to blend this water. I don't know if they would show any interest in this water system.

Mr. Sostarich: How would we contact them, do we hire somebody, a consultant to build this deal and take a huge cut, do we appoint?

(Inaudible, overlapping statements)

Ms. Sostarich: Have your lawyer call their lawyer.

(Inaudible, overlapping statements)

Ms. Sostarich: Have your accountant call their accountant.

Ms. Ball-Cummings: Mr. Chairman?

(Inaudible, overlapping statements)

Mr. Danielson: There is a provision within the law that will allow for two districts to merge. Unless that law has been changed when it was inactive it was, I believe the idea behind it was to fairly similar size districts and what would happen is your 1 district would retain 3 of their Members of the Board of Directors and the smaller District would retain of the Members of the Board of Directors. Now that law is on the books to merge Districts. However if without some kind of waiver on the number of Board Members, I don't think Metro with 18,000 customers wants to talk to us with 800 customers and lose 2 out of their 5 Board Members on a merger, so there would have to some provision made along that line.

Mr. Sostarich: Well we're just

Mr. Danielson: And one last comment is, is would Metro be interested in even merging with 800 and say 50 service connection district, if we had everything connected and everybody on, no vacants, that's got an outstanding indebtedness of almost 1.2 million dollars?

Mr. Kendrick: It's a question we can ask.

Mr. Sostarich: We're calling it a merger because that sounds more palatable than flushing the toilet, which is essentially what we would be doing, is flushing the toilet, selling out to somebody else who's got more money and has more ability, the power to handle this.

Ms. Ball-Cummings: (Inaudible)

Mr. Young: Mr. Chairman?

Mr. Sostarich: Yes.

Mr. Young: I think the first option would be The City of Tucson.

Mr. Kendrick: Correct.

Mr. Young: When this system went down and we didn't have any water, all they did was tied in to this system and supplied us with water and I think since they have the most customers, it may be and like I said they have this well they can blend water with, I think that would be the first option.

(Inaudible, overlapping statements)

Mr. Sostarich: I heard that this was a black sheep for them.

Mr. Young: Well they can have 2 black sheep, how's that?

Mr. Kendrick: Mr. Chairman?

Mr. Sostarich: I'm not closed-minded but

Mr. Young: I don't like Metro water personally, I've dealt with them.

Mr. Sostarich: If we went with, say Tucson Water that has approximately 500,000 people taking in effect our 2.4 million upgrades and infrastructures that we need that's about approximately \$5 increase per customer. I mean it would still be better than what we're looking at rates.

Mr. Flood: Didn't they come to you, I'm sorry, Mr. Chairman. Didn't the city come to you, come the District a few years ago about purchasing this?

Mr. Kendrick: Us buying them.

Mr. Danielson: No us buying them.

Mr. Flood: Yeah, okay, so maybe in answering Mike's question their problem (Inaudible) none of their wells have been sealed, (Inaudible) while over here on Calle Carmella is what feeds basically all of the customers over there, that well's now probably closer to 60 years old.

Mr. Danielson: 50.

Mr. Flood: It was 50 when I was here.

Ms. Ball-Cummings: Yeah, exactly.

Mr. Danielson: We, Lambert Well is still in operation, that's 60 years old.

Mr. Flood: They're at the end of their lifetime of the well, they've got probably more infrastructure issues than we do, as a matter of fact we haven't been out of water since we done the upgrades and they have so, but it's not worth discounting, it may be worth that getting new infrastructure to help support what they have out here because nobody's gonna pick it up either.

(Inaudible, overlapping statements)

Mr. Kendrick: Mr. Chairman, which one is it, there's 2 out here, Old Tucson Water and New Tucson Water?

Mr. Young: New rate and old rate.

Mr. Kendrick: Oh.

Mr. Danielson: Current rate and what was proposed.

Ms. Ball-Cummings: Yeah.

Mr. Sostarich: Would you guys like to pass this around and see what the rates compared are?

Ms. Ball-Cummings: Yes.

Mr. Sostarich: Well I haven't heard any negative comments yet about idea of considering (Inaudible)

Mr. Flood: I don't think it's on your agenda right now.

Mr. Sostarich: What?

Mr. Flood: I don't think you're in the right

Mr. Kendrick: It's not on the agenda item.

Mr. Sostarich: I know but right now this District Budget is and rates and fees are, if this is something to consider then my idea was you know we could put this on the future. We're gonna have another meeting next Monday, by the way.

(Inaudible, overlapping statements)

Mr. Flood: You're gonna have to.

Ms. Ball-Cummings: (Inaudible)

Mr. Sostarich: And we can filter this idea in if everybody's open-minded to that. I haven't heard anything negative.

Ms. Ball-Cummings: Yes.

Mr. Flood: (Inaudible) what you guys have to say about budget and stuff too so.

Mr. Sostarich: Yeah I'm not writing out a plan of action here.

Mr. Flood: No I hear you.

Mr. Kendrick: You got something Wes?

Mr. Addison: When I was looking at the actual proposed budget and what the proposal, what you're dealing with right now, it appeared that we were still profitable and that the monies that were being set aside, if the 5% rate increase went in to effect with basically to put aside to help cover

the construction costs. It looks like, the way that the numbers are going right now you're at about a \$75,000 profit year-to-date and I know these (Inaudible)

Mr. Kendrick: \$75,000 for the year or the last 10 years?

Mr. Danielson: No we are negative so far this year.

Mr. Young: Yeah.

(Inaudible, overlapping statements)

Mr. Kendrick: Yeah and we got 1 month left.

Ms. Ball-Cummings: Yeah.

Mr. Danielson: That's annual budget, 10 month budget, ten month actual, difference between budget and actual. Where we are at money wise and I don't know that I've got that with me. Roughly we are \$12,000 in the red, year-to-date.

Ms. Ball-Cummings: All right.

Mr. Flood: In operating.

Mr. Danielson: In operating dollars.

Mr. Addison: And you have one month.

Mr. Danielson: We have one month left.

Mr. Addison: If you're lucky you'll break even.

Mr. Danielson: If we're lucky we'll break even, otherwise we will be in the red for the first time, 5 years, 4 years.

Mr. Sostarich: This is

Mr. Addison: This has been a long month. (Inaudible)

Mr. Sostarich: You weren't supposed to say that.

(Inaudible, overlapping statements)

Mr. Flood: That's not as bad as I thought.

Mr. Sostarich: Yeah what that is we figured if the County took over how much it would cost the tax base per unit, we figured 1500 spread out over 10 years.

Mr. Flood: Well you never know.

Mr. Kendrick: 150

Mr. Flood: If they lose it they're losing wastewater.

Mr. Sostarich: Yeah 150 a year.

Mr. Flood: (Inaudible) water facility.

Mr. Addison: So Gary getting back to your question, the current operating loss is 12,000, probably break even by the end of the year. Although the \$14,000 cost that you have for insurance increase next year ends up, you get back to what you were talking about where you're having been really going, and cut someplace else that you talked about the 6% employee increase talked about going in and cutting budget line someplace else to make up for that or do a rate increase, one of the two. So it doesn't look good, you know I don't believe that there's much of a potential for additional users coming on line next year.

Mr. Danielson: No I would be very happy to gain what we've lost over the last year.

Mr. Addison: So it yeah, it doesn't look very good at all.

Mr. Young: There's a lot on empty places out there.

Mr. Danielson: We've lost

Mr. Kendrick: They've tried to explain to me about the \$30,000 in the budget for Capital Expenditures for the Veneer Vac. Can you explain that, I mean I'm just not understanding it?

Mr. Addison: Well when you're doing a budget

Mr. Kendrick: Something that we're having \$30,000 in the budget that we're not going to be using that 30,000 or needing that 30,000, possibly.

Mr. Addison: When you do a budget you're basically just putting theoretical dollars together for a specific line item so where you want to spend the money. You're not actually spending that money, you're just putting it on paper. That truck was set aside as the line item for \$30,000 if you were to buy it so if it's in the budget, but that does not by itself incur a liability on your part so it's only when you actually spend it that the loss comes in associated with those funds to pay for that piece of equipment. If you're running the negative or break even right now and not have spent that \$30,000 you're

(Inaudible, overlapping statements)

Mr. Kendrick: Still negative.

Mr. Addison: It's still negative for 12,000 cause the actual numbers are what really matter and all that they're doing is rolling forward a wish list item for that truck from 1 year to the next year and the next.

Mr. Flood: Just to add what you're saying is essentially what that does is you as a Board have the authority in a meeting to change that budget. So if you write a \$12,000 deficit at the end of the year you've got a 30,000 budgeted in that meeting say we're not going to get this truck, we have 30,000 budgeted that we can transfer that money to cover that in the budget. That's what that was originally set up for was a. What if you had a line break, if you had a contractor come out and it cost you \$30,000?

Mr. Kendrick: Yeah, just a buffer.

Mr. Flood: It's a buffer and it's not a very big buffer for any, the cost of anything's that's there but it is a buffer that you put in there that yeah it would be a nice thing to have but as Wes said those are imaginary dollars, they're not real dollars but it's a tool for the Board to have money in that budget that it can adjust if necessary. I don't really think that you guys are really had to do it. I do have one question, when is the last rate increase that you had?

Mr. Danielson: 2009, July first. \$2.

Mr. Flood: (Inaudible)

Mr. Danielson: \$2 at a base and about 3% on the increments.

Ms. Ball-Cummings: That's correct.

Mr. Flood: As a public person I'll say 5% isn't enough, I know you're looking at more like 8 but that's still not going to solve

Mr. Kendrick: The problem.

Mr. Flood: the problem.

Mr. Young: Right.

Mr. Flood: Because just as cost increases have to be you got to do something. Do I want my rates to go up? I mean no I don't, I mean but you know as you said I'd rather have my rates go up than have the county come in and then have who knows what at least it (Inaudible)

(Inaudible, overlapping statements)

Mr. Young: Mr. Chairman?

Mr. Sostarich: Yes.

Mr. Young: When we talked about this at the last meeting, everybody's on fixed incomes out here and if we, once we said 10% people will be really upset.

Ms. Ball-Cummings: Yeah, devastated.

Mr. Flood: They'd be hurting too.

Mr. Young: Yeah exactly. It's an ugly situation. Like you said, you've been there, you've been in these seats.

Ms. Ball-Cummings: Been there done that.

Mr. Addison: Getting back to yours, the budgets are just imaginary, they're what you'd like to achieve verses the actual which is where you know you actually spent your money and where you're saving it. So if in last's year's budget or the current year budget there's \$30,000 set aside for Vac truck, that \$30,000 has been used to pay for other things at this point as well as the additional \$12,000.

Ms. Ball-Cummings: That's correct.

Mr. Addison: I guess that a lot of that is, did you foresee the decrease in the users?

Mr. Danielson: No we did not predict that, we were looking at, I was looking at it a year ago and okay we had some up and down but if you look at June of 2012 we were at 840 service connections and the highest we'd ever been at was 848 and we had bounced between 838 and 848 or actually 800, and over the year we've bounced from a low of 834 to a high of 846.

Ms. Ball-Cummings: Bad.

Mr. Danielson: So you know that everything that I was seeing from here back was just normal monthly variation but it seems like July of last year is when we just started off the chart.

Mr. Young: People started conserving.

Mr. Danielson: Well no, places went vacant.

Mr. Young: Plus people started conserving more.

Mr. Danielson: Yeah and what I'm seeing is I think there's more foreclosure activity over the last year than there had been in the past four or five years and I'm also seeing rental properties not being turned around. If they're vacant the owner's not going to spend the money to go in to clean up, to do repair work, to replace carpeting, to paint, to do whatever. Rental properties are setting vacant without anybody in them.

Mr. Young: Lot more than to collect rent.

Mr. Danielson: Yeah.

Mr. Addison: So basically, Gary, what you're looking at is that what happened was a combination of the decrease of the users plus probably some additional increases in expenses as well. But going forward for your June 13, or July 13 through June 14, without the rate increase you probably go negative without going and actually cutting expenses to make any

Mr. Kendrick: Would it be feasible to maybe talk about, cause we have a website, I don't know exactly what it would take to do, like a lot of companies are doing, paperless statements, cause a lot of people are on the internet?

Ms. Sostarich: Not as long as I'm the web administrator.

Ms. Ball-Cummings: Okay.

Mr. Kendrick: I mean that would

Ms. Sostarich: That's more work than I'm willing to do on a volunteer basis.

Mr. Kendrick: that would take away, cause you know in supplies we're over \$5000, almost \$5000.

Mr. Danielson: Well I

Ms. Sostarich: There's a possibility maybe for Email statements, but not everybody, number 1 not everybody's got Email. Number 2 though that would be essentially separated from the administration of the website, but then that would be up to the District to set up some kind of Email service so it would bring it's own set of problems with it.

Mr. Kendrick: It was just a question.

Mr. Danielson: the amount of firewalls that would have to be erected would be tremendous in order to protect the customer data base from access in, well the access manipulation in to our access from by other individuals, it would be a tremendous problem of cost, a tremendous amount of money.

(Inaudible, overlapping statements)

Ms. Ball-Cummings: (inaudible)

Mr. Danielson: The other 1 comment that I wanted to make and I didn't and I was saying combination of vacant and rental properties going vacant and an increase in foreclosures, realize July, June, July area last year was when we increased the security deposit tremendously and how many

people did that drive away who would have rented out here and says no I'm not going to pay \$200 a month security deposit to the water company if I can rent in the Town of Marana and only pay so-and-so or rent across the street in Tucson Water so that's another potentially contributing problem to the drop off in customer base.

Mr. Sostarich: Are we all through with item 5?

Ms. Ball-Cummings: I don't know if this is out of lone or not, but can we take a 5 minute break?

Mr. Sostarich: That sounds like an excellent idea.

Ms. Ball-Cummings: Is that all right with everybody else?

Mr. Young: Yes.

Mr. Sostarich: We can stand to have that water pot refilled too.

(Inaudible, overlapping statements)

Mr. Kendrick: Need to make a motion.

It was moved by Mr. Young; seconded by Mr. Peetoom and unanimously carried that; **the BOD take a 5 minute break.**

5 Ayes 0 Opposed 0 Absent

Ms. Ball-Cummings: good job Gary.

Mr. Kendrick: At 5:36, we are taking a break.

Mr. Kendrick: All right we're back on at 5:45 P.M.

(Inaudible, overlapping statements)

Mr. Sostarich: Is there any other items that anybody would like to discuss for item 5, we haven't come to any decisions yet, have we?

Mr. Kendrick: The only thing I've got is take away the 6% off the salaries.

Ms. Ball-Cummings: Was it 6%?

Mr. Kendrick: 6%.

Ms. Ball-Cummings: Was it?

Mr. Kendrick: The employees are not going to be, if we choose that health plan, they're not going to be charged any more than what they're paying now.

Mr. Sostarich: So do you want to make a motion to deduct

(Inaudible, overlapping statements)

It was moved by Mr. Young; seconded by Ms. Ball-Cummings that; **deduct the 6% proposed rate or employee compensation increase from the proposed budget, that's in the budget now.**

Mr. Sostarich: The motion has been made, anybody want to second it?

Ms. Ball-Cummings: That we do a deduction?

Mr. Kendrick: Yes.

Ms. Ball-Cummings: And not wait maybe possibly table it and see if they can come up with more, I mean?

Mr. Kendrick: We're voting on this next week.

Ms. Ball-Cummings: Okay, so we're defiantly gonna go forth and vote again on this again, correct? I want to make sure here where we stand.

Mr. Sostarich: I understand.

Ms. Ball-Cummings: Before I make any decisions.

Mr. Sostarich: That's a good idea.

Ms. Ball-Cummings: I mean because this is a pretty much a big decision, I mean we hashed this and hashed this over and over so you know, and this hasn't been the first time, we did it last year too if I recollect.

Mr. Kendrick: There is a motion on the table, is there a second?

Ms. Ball-Cummings: Well I guess

Mr. Sostarich: Nobody seconded the motion?

Ms. Ball-Cummings: Nope, I'll second the motion, no one else is gonna do it and be brave enough, my fellow Board Chairman's, then I guess I will second the motion and help if possible.

Mr. Sostarich: Okay we're gonna vote on pushing this budget through or what?

(Inaudible, overlapping statements)

2 Ayes

3 Opposed

0 Absent

Mr. Sostarich: I'm opposed to and not voting in the affirmative. Okay we're gonna vote on pushing this budget through or what?

Ms. Ball-Cummings: And not affirmed too.

Ms. Walker: I'm sorry Tony, you said you opposed?

Mr. Sostarich: I'm opposed.

Ms. Ball-Cummings: And not affirmative too.

Mr. Sostarich: You know what, I'm opposed to the proposition.

Mr. Kendrick: He voted no, there's 3 no's, 2 yes.

Mr. Sostarich: No, I voted, I am opposed to this proposition.

Mr. Kendrick: That's why you voted no.

Mr. Young: 3 to 2.

Mr. Sostarich: Okay thank you, I'm glad you clarified that. Were we to vote for this budget tonight that Sig, proceed with it, posted it in the newspaper and

Mr. Kendrick: That's already been done.

Mr. Danielson: It's already in the newspaper, it's already, Notice to Public Hearing is up, it's up to you, can vote to accept the tentative as modified a week ago, so there's no action required tonight, however next Monday night, you'll have to do the final adoption of the budget.

Ms. Ball-Cummings: Correct.

Mr. Danielson: Now that does not mean to say that the employee compensation becomes automatically with adoption of the budget. You can still hash out employee compensation at next month's meeting or you can defer it until July to see exactly what you want to do on employee compensation. I've been working so much on this insurance stuff that I do not have the information available that for instance, Teresa ask me for regarding where, what the levels of the employees compensation have been and where the increases were, have been over the last 3 or 4 years for the employees, I have not gotten that done yet. I also have not gotten done what Mike requested that I do, which is look at where the allurban CPI and consumer price index has been over the last 4 years. So both of those have not been done tonight so I'm saying that until I get that information to the Board Members have requested of me and distributed to everybody that we should

Mr. Peetoom: Table it.

Mr. Danielson: That we really you know just table the entire discussion on employee compensation for the time being.

Mr. Sostarich: That sounds good to me.

Mr. Danielson: About the budgeted employee compensation number, with the caveat that's announced before the vote is in, employee compensation under this proposed budget is 6% increase, however the final number will be determined at a later time by the Board.

Mr. Kendrick: Well we did that last week, the 6% is in there already.

Mr. Danielson: It's a budget number.

Mr. Kendrick: Yeah.

Mr. Danielson: The Board has not approved the individual increases for the employees.

Mr. Kendrick: Yeah correct.

Mr. Danielson: Correct.

Mr. Sostarich: So we are all done with item 5, is that correct? Okay.

6. Discussion and Possible Action Concerning 2013-2014 Rates and Fees.

Ms. Ball-Cummings: Oh my.

Mr. Sostarich: We've certainly had a mouth full of that earlier today, didn't we?

Ms. Ball-Cummings: So we did.

Mr. Sostarich: Yes.

Mr. Danielson: Mr. Chair, Elizabeth Coffman who lives right over here, known as Libby, has spent most of her life chasing Federal dollars, and she called me just shortly before the meeting, she wanted to attend the meeting tonight but she's feeling ill and she's asking that if that with the Board's consent, or without the Board's objection if she can take this on and go out and see if there's some Federal dollars somewhere that we have not found yet in order to try to get some of the infrastructure repairs done through Federal Grants, money rather than through increased user fees and I told her that I would bring it up to the Board and, my personal feeling is that every time that I say anything about Grant money, they tell me to go see Rural Development, well they've got a grant request sitting on their desk, they've had one for almost 3 years so everybody says go to WIFA. I don't know if there's any other programs to go through or whatever. You talk to anybody in water in the State of Arizona either with RD or WIFA, they're just referring you to each other. So if there's other Federal dollars out there that she can grab and I recall when we did the initial upgrades to the system back in 2003-2004 that the hydrology study for the possibility of drilling a well right here was funded 100% by GADA which is Greater Arizona Development Authority so there may be some dollars out there that might be uncovered.

Mr. Sostarich: Everybody understands what Sig is describing, correct?

Mr. Young: Correct.

Mr. Kendrick: Yeah

Mr. Sostarich: He's saying that there's somebody out there that knows where more Federal money may be available, he's asking us if we would approve her looking in to that, seeing if we can get some Grant or loan money, Grant money.

Mr. Kendrick: Well the Board's been asking that for the last couple of years to look elsewhere.

Mr. Sostarich: Yeah well he's got somebody that stepped forward that has had a career of that.

(Inaudible, overlapping statements)

Mr. Danielson: I have been looking elsewhere and I keep getting referred back to WIFA or RD. I don't know if she'll be any more successful.

Mr. Young: Can we vote on it?

Mr. Kendrick: It's not a line item, we can't do anything about, have to bring it up at the next Monday's meeting.

Mr. Danielson: I believe it comes under actions concerning rates and fees because the rate increase has been to do new infrastructure repair.

Mr. Kendrick: It's up to you guys, I'm going to abstain from it because I think it needs to be a line item.

Mr. Sostarich: All he's asking is if we approve of this woman doing that, I approve.

(Inaudible, overlapping statements)

Ms. Ball-Cummings: Mr. Chairman, just a second, just a second, Mr. Chairman?

Mr. Sostarich: Yes.

Ms. Ball-Cummings: Sig, what's the lady's name?

Mr. Danielson: Elizabeth Coffman.

Ms. Ball-Cummings: And she is what, just a

Mr. Danielson: She's one of our customers.

Ms. Ball-Cummings: One of our customers does she have a profession?

Mr. Danielson: She is medically retired right now

Ms. Ball-Cummings: Okay, that's a good thing.

Mr. Danielson: I don't know exactly what she did beforehand, but I know that her and Mr. Flood had worked together doing some of the work and some of the funding work for the Asset Center at Pima College. She was also instrumental in getting some Pima County funding in here for the Neighborhood Watch Program a few years ago.

Ms. Ball-Cummings: I remember that, that's correct, that's excellent, okay, okay, thank you.

Mr. Young: So we approve her looking for grant money?

Mr. Sostarich: Yeah, he was just asking if we approve her stepping forth with this effort. I mean all she's doing is

Mr. Young: Out of the goodness of heart, is that the way I understand it?

Mr. Sostarich: Yeah.

Mr. Young: Okay, I have no objection to that.

Mr. Sostarich: Doesn't mean that she's acting in our behalf or putting us under any liability or anything like that.

Mr. Young: She's just gonna steer us, that's all she's gonna do.

Mr. Kendrick: I have no quarrel with, the only problem I had with it, I have not problem with her, more power to her.

Mr. Young: Yeah.

Mr. Kendrick: But it's not a line item and I'm not gonna vote on it because it's not a line item, because I don't want to take a chance of getting in trouble.

Mr. Sostarich: That's fine Gary, we all have a conscience.

Ms. Ball-Cummings: You want to look at this Gary?

Mr. Sostarich: Anything else under rates and fees, we kind of discussed everything that was available when Mr. Addison was here, it appears we didn't get anywhere with that.

Mr. Kendrick: I think we need to look at merging.

Mr. Sostarich: That was brought up earlier too and it was also brought up too that, that will have to be a line item issue.

Mr. Kendrick: Correct.

Mr. Sostarich: We're gonna have another meeting on Monday.

Mr. Kendrick: That's something that can be discussed.

Mr. Sostarich: You think it would be a good idea to put that on the agenda for Monday? Yes?

Mr. Danielson: We also need to research that, because on a merger it may require voter approval.

Ms. Ball-Cummings: That's correct, Mr. Chairman.

Mr. Sostarich: I had made a point of asking earlier, somebody that knows more than I do, how would we go about this?

Mr. Kendrick: Call the elections.

Mr. Sostarich: What are the steps that we would have to go about doing something like this?

Mr. Kendrick: You just call the Pima County Elections Supervisor.

Mr. Sostarich: No?

Mr. Danielson: No I think if we were going to entertain the possibility of a merger that we have to have Mr. Frazier take a lead on what we have to do.

Ms. Ball-Cummings: Yeah.

Mr. Sostarich: That's the lawyer, right?

Mr. Danielson: That's correct, that is correct.

(Inaudible, overlapping statements)

Mr. Sostarich: How much is that gonna cost?

Mr. Danielson: Couple hundred bucks an hour.

Mr. Young: Not by the minute?

Ms. Ball-Cummings: Mr. Chairman, it may not take him very long, I mean that's

Mr. Sostarich: We'll we'll have to take that out of that Vermeer Vac machine of yours, budget, it's got to come from somewhere.

Mr. Young: We can afford that.

Ms. Ball-Cummings: Oh my, oh my goodness.

(Inaudible, overlapping statements)

Mr. Kendrick: Have we talked about maybe looking, never mind.

Mr. Danielson: Let me research the law and I'll have that available Monday.

Mr. Sostarich: Should we call it a merger or call it a sell out or what?

Mr. Young: Possible.

Mr. Danielson: I believe it has to be a merger

Mr. Kendrick: Possible bail out?

Mr. Danielson: I believe it has to be a merger by law.

Mr. Sostarich: Don't use four letter words here please. We have to fail before we're eligible for a bail out and we haven't failed yet.

Mr. Young: We have to have Solar Panels.

Mr. Kendrick: That still hasn't been looked in to.

Mr. Young: Maybe we can get a grant.

Mr. Sostarich: Okay I'll make a note of that for our next agenda meeting. You're gonna be on the road by then aren't you?

Mr. Kendrick: Oh yeah.

Mr. Sostarich: Okay well, do you think that, we'll discuss that under Administrative Details, your future interaction with phone calls and that sort of thing, we'll discuss later. Anything else under item 6 right now? Okay I'd like to close item 6 by saying that we'll put the possibility of a discussion of a merger, a sell out or whatever on the next agenda meeting, that way we can all talk about it, the freedom that it so richly deserves.

7. Discussion and Possible Action Concerning Board of Directors Officer Elections.

Mr. Sostarich: This was mentioned last week under Administrative Details. Gary is gonna take a job that will preclude or postclude him from being Vice-Chairman, so the position is open.

Mr. Kendrick: Mr. Chair?

Mr. Sostarich: Yes.

Mr. Kendrick: I, the only person I see taking this place is Mike Young. I would nominate him, because of the other 2 having health care problems you know. I think Mike Young is really the only feasible choice.

Mr. Sostarich: Would you be interested in the position of Vice-Chairman, Mike Young?

Ms. Ball-Cummings: You never wanted to but there's always a first time.

Mr. Young: Do I get a hat or a whistle or anything?

Mr. Kendrick: We'll buy you both.

Mr. Young: Huh?

Mr. Kendrick: We'll buy you both.

Ms. Ball-Cummings: That's what they all want so go for it Mike. I've done been voted out by my Vice-Chairman here so knock yourself out.

Mr. Young: Can they make you Vice-Chair?

Ms. Ball-Cummings: Yeah they can make me Vice-Chairman, that wouldn't be a problem, it's only once a month except for this month.

Mr. Young: Will you be on time?

Ms. Ball-Cummings: Well I was always on time before I mean I've been in this water company a long and I haven't always been late I mean I was very adamant and on time.

Mr. Young: I'm going to decline for this period, the next go-around I may.

Mr. Sostarich: How about you Don?

Mr. Peetoom: I'll do it.

Mr. Young: Okay.

Mr. Sostarich: Teresa?

Ms. Ball-Cummings: Well if Don thinks that it's feasible and it won't create a problem with him with his wife at home when she's in need of him.

Mr. Peetoom: She's already said I could do it.

Ms. Ball-Cummings: You know and you feel good about it all the way around and you've thought it out thoroughly which I'm sure you have, you've already been asked in advance, I know this I can feel it from the whole Board so you know if that's your choice, you know go for it, more power to you.

Mr. Kendrick: Motion has been made.

Mr. Sostarich: I vote for Don.

Mr. Kendrick: A motion needs to be made before the vote.

Mr. Sostarich: A motion has been made for Don to be Vice-Chairman. All in favor?

It was moved by Mr. Sostarich; seconded by Mr. Young and unanimously carried that; **Mr. Peetoom to be Vice-Chairman.**

2 Ayes

1 Opposed

1 Abstain

Mr. Sostarich: Okay.

Ms. Ball-Cummings: I don't feel it's right.

Mr. Danielson: Mr. Chairman?

Mr. Sostarich: Yes.

Mr. Danielson: In order to stay straight with the law, we should re-elect you as Chairman or elect a Chairman at this meeting also.

Ms. Ball-Cummings: Yeah that's correct.

Mr. Danielson: Plus we need to do it once a year.

Ms. Ball-Cummings: That's correct.

Mr. Sostarich: Mike you want to be Chairman?

Mr. Young: No.

Ms. Ball-Cummings: there's not very many choices, Mr. Sostarich so I guess you are in the court again. Everybody bravo about that, go ahead.

Mr. Kendrick: Well a motion need to be made.

Ms. Ball-Cummings: Yeah cause either way I'm good with it.

It was moved by Mr. Young; seconded by Mr. Peetoom and unanimously carried that; **Mr. Sostarich be Chairman of the Board again for another year.**

5 Ayes

0 Opposed

0 Absent

9. Discussion and Possible Action Concerning Administrative Details.

Mr. Sostarich: The phone business, you're gonna be on the road a lot now so.

Mr. Kendrick: Let's hold that for a second though.

Mr. Sostarich: Okay.

Mr. Kendrick: If you don't mind. In April, March or April, me and Teresa sat down with you for a hiring committee.

Mr. Danielson: Uh-huh.

Mr. Kendrick: Has that labor ad been posted except for in the Newsletter?

Mr. Peetoom: It was in there.

Mr. Danielson: We posted it at the Hardware Store also.

Mr. Kendrick: I'm talking about publication, free publication.

Mr. Danielson: \$275 to put it in to the Territorial, the Marana News, I called them 3 times, they never returned my telephone call and it's \$355 to put in in the Territorial.

Mr. Kendrick: What about the Explorer?

Mr. Danielson: Explorer was, what I say, 275?

Ms. Ball-Cummings: No

Mr. Young: And in the water bill when you had it posted, in the newsletter, have you had any?

Mr. Danielson: I've got 2 applications sitting on my desk right now and 3 more out.

Ms. Ball-Cummings: Is that it?

Mr. Young: I think before we go any farther, check that out and go from there before we spend money on publications.

Mr. Kendrick: Yeah, plus I mean Trico Electric since we're a member, put it in their Trade Post for free.

Ms. Ball-Cummings: Yeah. I mentioned that too Sig, Mr. Chairman.

Mr. Danielson: Yeah I tried to get it done I don't know how to get it done, otherwise I would have.

Mr. Kendrick: Just go on the internet and go to Trade Post, take about 5 minutes.

Ms. Ball-Cummings: It's right at the bottom of the news that you get in the bills, right there on the back page.

Mr. Kendrick: Is there anything else to discuss besides my future?

Ms. Ball-Cummings: This is sad.

Mr. Sostarich: I don't have anything right now. I am totally swamped with this rate increase and budget business is kind of overwhelming you know.

Ms. Ball-Cummings: Totally sad. We're losing a good Vice-Chairman. Why don't you state that, cause that's a fact?

Mr. Sostarich: We haven't lost him yet.

Mr. Kendrick: I'm not a Vice-Chairman anymore.

Ms. Ball-Cummings: No.

Mr. Sostarich: Well that's not gonna slow you down none.

Mr. Kendrick: Well if there's nothing else I'd like to present to the Board, to the Chairman To the Chairman of the Marana Domestic Water Improvement District and the Clerk of the Board of the Pima County Supervisors, I, Gary Kendrick, have decided to resign of the Board of Directors of the Marana Domestic Water Improvement District. I am saddened to do so but with being, with not being able to be present at all the meetings I feel I would be doing the District injustice by communicating via telephone conference. With being, with that being said, I pray for our District and hope that the Board of Directors would seriously think about appointing in my replacement, as my replacement Mr. Mike Sniffen. He is one of the few customers that shows up, that shows interest in the Districts wellbeing and one of the few that actually shows up to our meetings.

Mr. Sostarich: Well said. You're not out of the door yet. I second his motion. He's asking us to accept his resignation, he gave his reasons and he ask that we appoint a certain individual whom I also agree with.

Mr. Young: Did I misunderstand it, you're resigning as a Chairman, Vice?

Mr. Kendrick: I'm resigning as a member, period.

Ms. Ball-Cummings: As a member of the Board.

Mr. Young: Oh okay, I was just as a Vice-Chairman.

Mr. Kendrick: No. Mr. Chairman?

Mr. Sostarich: Yes.

Mr. Kendrick: To do this, you would have to put a special line item, you can do that next Monday with the Special Meeting.

Ms. Ball-Cummings: Excuse me, Mr. Chairman and Vice-Chairman? The meeting I thought if I remember Katy saying it's on the 17th.

Mr. Kendrick: It is, next Monday the 17th.

Ms. Ball-Cummings: July?

Mr. Danielson: June.

Mr. Kendrick: June, next Monday.

Mr. Young: Next Monday.

Mr. Kendrick: Seven days.

Ms. Ball-Cummings: Oh wrong calendar, excuse me, my mistake.

Mr. Kendrick: You have to put a line item on the agenda.

Mr. Sostarich: Yeah but as long as Mike Sniffen is present we can ask him if he would be interested before we put it on the agenda. Would you be interested?

Mr. Young: If he would be interested, yeah, before you put it on the agenda.

Mr. Sniffen: Yes I would.

Mr. Sostarich: Okay thank you for your service.

Mr. Young: Yes I agree.

Mr. Kendrick: Thank you.

Mr. Sostarich: For keeping us on our toes and out of trouble.

Mr. Kendrick: I still will be doing that as a water paying customer.

Ms. Ball-Cummings: I didn't expect that.

Mr. Danielson: Gary thank you.

Ms. Ball-Cummings: Yeah Gary thank you very much.

Mr. Kendrick: Thank you.

Mr. Sostarich: You want to take that clock with you when you leave? I noticed you've been watching it a lot. We can't afford a golden watch.

(Inaudible, overlapping statements)

Ms. Ball-Cummings: this is serious stuff.

Mr. Sostarich: At least you can have your name tag.

(Inaudible, overlapping statements)

Mr. Kendrick: I'll take it.

Ms. Ball-Cummings: Jiminy Christmas.

Mr. Sostarich: This is shocking Gary.

Mr. Young: Yes it is.

Ms. Ball-Cummings: No it's devastating, it ain't shocking, it's devastating, there's no call for this. None of you have been encouraging at all. I'm disappointed in every one of you. It's just horrible.

(Inaudible, overlapping statements)

Mr. Kendrick: That needs to be faxed over to the clerk of the Board

(Inaudible, overlapping statements)

Ms. Ball-Cummings: Not overall.

Mr. Kendrick: My resignation

Ms. Ball-Cummings: I read between the lines, you only see what you want to see.

Mr. Kendrick: I talked to her today to make sure what needs to be done to be official.

Mr. Sostarich: Okay well I'll give it to our clerk to fax to their clerk.

Mr. Kendrick: Correct.

Mr. Sostarich: May I have a copy of this so I can have something to read? Nobody has ever written me a letter for a long time. I got 1 personal phone call this year.

Ms. Walker: You can have that one.

Mr. Sostarich: Well this is, that's 2 items for next week's agenda. Let's see.

Mr. Kendrick: Out of the health insurance that I've been researching, I will have her contact, just fax the information over here.

Mr. Sostarich: How far did you get with that?

Mr. Kendrick: They're doing quotes right now.

Mr. Sostarich: Oh yeah? That ought to be interesting.

Mr. Kendrick: Yeah, I would have liked to have had that today but.

Mr. Sostarich: We'll keep it, you can pick up a free copy of the newsletter on the way out. I guess that box will need to be delivered back here, the drop box for the

Mr. Kendrick: Oh.

Ms. Ball-Cummings: Oh Lord, is that all you care about, Mr. Chairman?

Mr. Kendrick: No they can have, you guys can have it, it's not mine anymore.

Mr. Sostarich: No.

Ms. Ball-Cummings: He can drop the drop box back within the year.

Mr. Kendrick: It's got to go back.

Mr. Sostarich: He's gonna need it.

Ms. Ball-Cummings: I know but it's not like he's gonna steal it. I mean we're all community here, I mean my goodness.

Mr. Sostarich: I'm trying to find a nice way for closure here.

Mr. Kendrick: I will deliver that, I don't know about tomorrow, but this week.

Ms. Ball-Cummings: I'm devastated. I'm broken-hearted.

(Inaudible, overlapping statements)

Mr. Sostarich: Okay well thank you for your service Gary.

Mr. Kendrick: You're welcome.

Mr. Sostarich: This just kind of breaks me up.

(Inaudible, overlapping statements)

10. Announcement of Next Meeting.

The next scheduled meeting of the Marana Domestic Water Improvement District Board of Directors shall be on Monday, June 17, 2013 at 4:00 P.M at the District Office.

Mr. Sostarich: It's not going to be a regular meeting.

Mr. Danielson: The next regular meeting will be July 8th.

Ms. Ball-Cummings: No, Mr. Chairman?

Mr. Sostarich: Yes.

Ms. Ball-Cummings: Next meeting is the 17th, is that correct?

Mr. Young: Yes it is, the regular monthly meeting is July 8th.

Ms. Ball-Cummings: Yes that's correct.

Mr. Sostarich: Yes.

Ms. Ball-Cummings: So we're speaking of the next meeting that we're gonna have?

Mr. Sostarich: That's correct.

Mr. Young: It's the 17th.

Ms. Ball-Cummings: Correct.

Mr. Young: And the regular Board meeting is going to be the 8th.

Ms. Ball-Cummings: Yes.

Mr. Sostarich: Correct. Let's see, so the next 2 main items will be the merging concept and appointing. Everybody's familiar with appointing another Board member, right and the legalities of it?

Mr. Kendrick: The what, I'm sorry?

Mr. Sostarich: The appointing of another Board member as opposed to a vote by the public. It's been done before.

Mr. Kendrick: Correct, he'll just finish out my term.

Mr. Sostarich: Right, but he'll come before the Board, give his reasons which will sound good on paper and we'll just vote him in.

Ms. Ball-Cummings: Yeah, Mr. Chairman?

Mr. Sostarich: Yes.

Ms. Ball-Cummings: He needs to, if possible, like I had done, state on a paper I believe 20 words or less why he would like to be on the Board and you know give your reasons.

Mr. Danielson: There's a, there's also an administrative procedure as far as a Loyalty Oath that has to be signed you cannot participate in a Board meeting until so many hours, 48 hours after the Loyalty Oath is signed I believe or something like that.

Ms. Ball-Cummings: That's correct. Yes.

Mr. Danielson: You can attend the meeting next Monday but you would not be able to vote in the meeting but you can participate until

Mr. Kendrick: The July meeting.

Mr. Danielson: July meeting.

Ms. Ball-Cummings: Yeah that's right.

Mr. Sostarich: Well thank you Mike for your interest.

Ms. Ball-Cummings: Yes.

11. Adjournment.

It was moved by Mr. Peetoom; seconded by Mr. Young and unanimously carried that; **This meeting of the Board of Directors of the Marana Domestic Water Improvement District shall be adjourned at: 6:18 P.M.**

5 Ayes

0 Opposed

0 Absent

Minutes prepared by
L. Katy Walker
Clerk of the Board