

MARANA DOMESTIC WATER IMPROVEMENT DISTRICT
Official Board of Directors Meeting Minutes
January 13, 2014

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, January 13, 2014

1. Call to order and Pledge of Allegiance

Chairman Mr. Sostarich called the meeting to order at 4:10 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;

Anthony Sostarich, Chairman
Don Peetoom, Vice-Chairman
Michael Young
Teresa Ball-Cummings (absent at Roll Call)
Michael Sniffen

Staff Members present were;

System Manager, Sig Danielson
Clerk, L. Katy Walker

3 Members of Public Present.

Joe & Lana Korff
Annette Sostarich

3. Consent items

A. Approval of meeting minutes from the December 9, 2013 meeting

Mr. Sostarich: I didn't see anything noteworthy, anybody else?

Mr. Young: I didn't.

Mr. Peetoom: I didn't see nothing.

It was moved by Mr. Sniffen, seconded by Mr. Young, and carried that; **The minutes of the December 9, 2013 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

1. We've had one major problem with the system since the last BOD meeting. We had a partial system shutdown on January 9 in the Saddle Club area. We had to repair two leaking saddles and one leaking repair clamp. A total of sixty customers lost service for about five (5) hours. We also repaired one (1) service line leak, while we're working on the second one right now.
2. We received a letter from the Department of Water Resources Concerning our high water loss. I telephoned the DWR and discussed our losses and the efforts that we have made over the years to control the losses. They requested that I write them letter in January summarizing the conversation for their records. I am in the process of writing a memo to file detailing all of our effort which I will excerpt for this letter. I will also share the memo with the Board.
3. December billing included 142 late notices, which is normal.
4. We did no shutoffs in December for nonpayment.

Accounts Payable	\$ 40,814.81
Capital Expenditures	\$ 0.00

Accounts Receivable	\$ 36,009.31
Balance	-\$ 4,805.50
MDWID Balances Brought Forward:	
MDWID Balance at Pima County	\$ 75,782.82
N B of AZ Checking	\$ 10,000.00
WIFA Reserve Account	\$ 75,068.05
RD General Account	\$ 14,678.04
RD Reserve Account	\$ 14,678.04
RD O&M Account	\$ 9,462.66
RD Replacement Account	\$ 7,983.04
RD Bond Account	\$ 10,820.98
Bills Pending Balance	\$ 2,253.07

Mr. Danielson: That concludes the Manager's Report other than the error in the, it is the General Account that is in error on the Manager's Report. That should be \$ 18,070.31.

Mr. Sniffen: 18,071?

Mr. Danielson: 18,070.31.

Mr. Sniffen: Thank you.

Mr. Young: Which account?

Mr. Danielson: RD General.

Mr. Young: RD General.

5. Discussion and Possible Action Concerning Financial Sub-Committee

Mr. Danielson: We sat down and met this afternoon again. We did a, we looked over where we're at through six months out of this years year and we're doing fairly well. We're not in that

great of shape. We're still in the black for the year by about \$4000, but we're in a bad time of the year where our costs exceed our sales. The individual budget items, there's only two areas that are really standing out and one of them is field labor and that's just because we did not hire a second field technician, so we've chewed up the labor budget, but we haven't spent anything on a second field tech, so between the two of them, we're having the field help Tony, we're doing okay. The other item is the medical, we're quite far over on the medical but what we budget, if you will recall, we did the budget, and adopted the budget, we did not nail down a final cost on the medical until sometime in August, some 5 or 6 weeks after the budget was adopted. So that is what it is. We discussed the potential rate increase and I know we've been discussing it for the last several months and if we were to raise the base rate \$5 per month, which would result in an overall average bill increase of about 12%. We would generate, after we took out the additional cost for the medical, we would still have right at about \$20,000 per year to spend on whatever other administrative functions were necessary plus continue on with the valve replacement program. So our recommendation, based on the meeting this afternoon, was to increase our base rate by \$5 and if the Board would approve that today, we could possibly schedule a Public Hearing on that for two weeks from tonight. We didn't get that calendar changed, did we? We could schedule that Public Hearing two weeks from tonight which would be the

Mr. Sniffen: 27th

Mr. Danielson: the 27th and we could put it in to effect at the end of the month on that billing on the following Friday on the 31st. The other area that we have discussed back and forth is the, we raised the Security Deposit to \$200 some 18 months ago but we're not really seeing, I don't know if our drop in our customer base is because, I'm seeing a lot of houses that the renters have trashed and the owners have just boarded up and walked away from. So I don't know if that's due to causing the drop in customers or not. I just really don't know.

Mr. Sniffen: What was it before you raised it to 200?

Mr. Danielson: It was 50.

Mr. Sniffen: Take it to 100?

Mr. Young: May I answer this? The reason we went to 200 is cause so many times, as a water company we've been burned by customers walking away from their liability on water bill. They created this problem by not paying their bill. If they're going to be any kind of a renter, they should be able to put a \$200 water deposit for the Water District instead of costing us money from them walking away, that they would think twice about not walking away from their liability. That's my opinion.

Mr. Sostarich: We went through this last week.

Mr. Danielson: I'll make a comment for your enlightenment. When we were at \$50 on the deposit, if you were late paying you bill 2 or 3 times or you skipped making a payment at all, then we normally would not return your security deposit, because it stated right in there that you had to keep your bill up to date in order to get the security deposit refund. When we went to the 200, the attorney looked it over and made the recommendation that we drop that portion of it out of it. So what it is now is, somebody moves out, we send them the final bill, they have to pay the final bill before they get the 200 back, because if they walk away on the final bill, we'll apply whatever monies it is owed to the final bill and we keep the rest. I think basically we are going to, you know if the renters stay on top of their game, we're gonna lose money on it.

Mr. Sniffen: Well the reason why I'm saying that is because I know when you move in to a place to rent, you have the deposit on the electric, the deposit on the gas, the deposit on the water, your first and last months' rent, you know in advance, the key deposit, the cleaning deposit and by the time you do all that you might as well buy a house, for the money. You just paid all that, it's a lot of money.

Mr. Danielson: I know, it is.

Mr. Sostarich: Don't forget the satellite TV.

Mr. Sniffen: Oh yeah and all them guys too.

Mr. Young: The Circle S budget.

Mr. Sostarich: Yeah.

Mr. Sniffen: I mean I understand your situation with the \$200. It could be stopping some people but I don't know.

Mr. Danielson: Yeah, I don't have a, I ask Tucson Water what they've seen happening, right across the street here, Green Acres and that little Silverbell West Community. They said they really haven't seen anything but you look through there and as a general rule, it's a much newer area overall than what we're looking at.

Mr. Young: Well another thing, if a landlord had faith in his renters, he would have the option of paying the \$200. If he doesn't have faith, in the renters and then have them pay it, this is what we're trying to eliminate.

Mr. Danielson: Well we have several of our rentals, and I can't give you a number off the top of my head, but let's say we've got, for numbers, 100 rentals out here, or even go on the high side, say 150 of these properties out here are rental properties, I'd say 50 to 75 of them remain in the owners name and they just collect the water bill from the renter.

Mr. Sostarich: It seems to me that about 3 months ago we talked about this and one of the customers came in and said that he had the water in his name and he charged the customer and I thought that's what we all agreed would be the best solution over that obstacle there. But anyway, let's see, we're still on item 5, correct?

Mr. Danielson: Yes.

Mr. Sniffen: Yes.

Ms. Ball-Cummings: I apologize for being late.

(Inaudible, overlapping statements)

Mr. Sostarich: It's 4:25 and Teresa Ball-Cummings has just arrived, so we want to wait for item 6 before we actually talk about jacking up the rates, right?

Mr. Danielson: Yes.

Mr. Sostarich: Anything else you want to add to item 5?

Mr. Danielson: I don't know, also in there we've kicked around employee compensation, and I know Mike and Don met privately before the meeting on employee compensation and I don't know if they made any type of decision on making a recommendation to the remainder of the Board or not.

Mr. Young: Well we can't make any recommendations until we find out about this rate increase. It has to happen, we have to have a rate increase to satisfy the employees.

6. Discussion and Possible Action Concerning Water Rates and Fees

Mr. Sostarich: You made mention earlier that you and committee had come up with \$5 as a figure to raise the rates to.

Mr. Danielson: To raise the base rate, yes, to leave commodity charges alone, all other fees alone.

Mr. Sostarich: Okay, anybody want to make a move on that? Making a move now will mean that we're gonna meet on the 27th for The Special Water Meeting where the public is invited.

It was moved by Mr. Young; seconded by Mr. Sniffen and unanimously carried that; **The Board to hold a public meeting on January 27th. to raise water rates with \$5 increase to base rate water bill, temporary until we get the property tax income for The Water**

District, then scale back that base rate where we'll be receiving from all the vacant lots.

5 Ayes

0 Opposed

0 Absent

Mr. Young: Now out of that \$20,000 Sig is talking about, that only covers, helps cover The United Healthcare Act and so that, out of the \$20,000 that money has to come out of that.

Mr. Danielson: No, excuse me, no, that is without The United Healthcare. The United Healthcare was taken off. That's almost \$3, so I just said, okay, what's the impact of a \$2 rate increase to The District and I came up with 20,000.

Mr. Sostarich: It seems last month the idea of \$3.15 rate increase was brought up just to pay for health insurance for the employees.

Mr. Young: Yeah that was my understanding.

Mr. Sostarich: Well we got it right here in writing. That was the figure that Sig had mentioned so then that would mean \$1 out of that \$1.85, will cover employee compensation and improvements for The District, that's pretty skimpy.

Mr. Young: Yeah.

Mr. Sostarich: With insurance getting that big of a

Mr. Danielson: Well one of things we discussed is, this is just a stop-gap measure until we could implement the property tax,

Mr. Young: A year down the road.

Mr. Danielson: Which it would be 2015 would be the earliest we could do it.

Mr. Sostarich: Well if we're lucky, we'll still be alive then and in business.

Mr. Young: Yeah.

(Inaudible, overlapping statements)

Ms. Ball-Cummings: Of course we will.

Mr. Young: Our life comes with no guarantee. Anyway

Mr. Sostarich: Right. Failure is a guarantee under The Federal Government now.

Ms. Ball-Cummings: Yeah, but let's not be negative okay, let's be positive, gracious.

Mr. Young: I just lost my train of thought.

Ms. Ball-Cummings: I would too.

(Inaudible, overlapping statements)

Mr. Sostarich: Maybe it had a train wreck. Been a lot of that going around these days, you know.

Mr. Young: Yeah, I know.

Mr. Sostarich: Okay well if you think of it and it has to do with item 6, and we're even down to item 9, bring it up, all right?

Mr. Young: Okay.

Mr. Sostarich: So we'll retain the option of dipping back in to item 6.

Mr. Young: I know what it is, okay on that \$5.00 base rate increase, it's temporary until we get the property tax income for The Water District and then we can scale back, get it back down since we'll be receiving income from all the vacant lots.

Ms. Ball-Cummings: Yeah, temporary.

Mr. Sostarich: All right, in other words, it's tentative to the potential tax.

(Inaudible, overlapping statements)

Mr. Young: We need to have more income come in right now cause we're not healthy, we're not healthy. To do that increase on that \$5 rate increase, on the base rate til we get to the tax situation where we're collecting from vacant lot people on their tax structure. The Water District gets it and to scale back that \$5 base rate cause the amount of empty lots around here that people will have to pay will bring in a lot of income so we can back off that amount.

Mr. Sostarich: Yeah well a newsletter of course will be going out once we make this decision after the next meeting, right, informing everybody that the rates have been raised 5 bucks?

Ms. Ball-Cummings: Yes.

Mr. Young: And on the employee compensation, I would like to make a recommendation that once, if we get the \$5 base rate increase, that we talk about a 2-1/2% increase on wages to the 3 employees retroactive to when we start collecting, if they pass the increase, retroactive to the time that it's accepted.

Mr. Sostarich: Noted and understood, I thought that was common knowledge by now since we started talking about this, we were kicking around employee compensation.

Mr. Young: Yeah, well I just want to get it all out on the table, so there's no secrets.

Mr. Sostarich: That's cool.

Mr. Danielson: Question, if we hold a Public Hearing on the 27th of this month, then that rate would be in effect before we could publish a newsletter?

Mr. Sostarich: Well sooner or later, the newsletter's gonna be published, right?

Mr. Danielson: Yes.

Mr. Sostarich: The point I was getting at is, if you happen to be the one writing it, that it's loud and clear that health insurance is the primary reason, since it's getting the lions share. We want our neighbors out here to know that what they're seeing on television and what they're hearing about on the computer is now hitting home and the only alternative to that is to fire all the employees and farm this business out to sub-contractors or outsource it. That's the only way we can get out from under doing this.

Mr. Young: Contract labor.

Mr. Sostarich: Yeah and we don't want to do that do we?

Mr. Young: Hell no.

7. Call for Public Comment

Mr. Sostarich: We've got public here, two of them are outside the District and they're all here to observe. None of you got anything to say, right?

Ms. Sostarich: I've got a very brief comment. I think the word you were looking before was contingent. Raise the rates \$5 contingent on the possibility of getting the tax revenue and when the tax revenue comes in start scaling back the base rate increase, right?

Mr. Young: Correct.

Mr. Sostarich: Well by then inflation would have overwhelmed us and we'd have to raise the rates again. That's only a year from now.

Ms. Sostarich: Whatever.

8. Discussion and Possible Action Concerning Administrative Details

Mr. Sostarich: The only thing I have to say is, it's gelled in to a plan now that I'm going to be leaving this job at the end of January. My agency already wants to place me at Bombardier Air in Tucson which will be 12 hour shifts on midnight, 7 to 7, 3 days on, 4 days off, 4 days on, 3 days off, so either way I'll be able to continue doing this cause it's an evening shift job.

9. Announcement of Next Meeting

Mr. Sostarich: As announced earlier we're gonna have a special meeting on the 27th of January, 2014 at 4 o'clock in the afternoon to discuss the raising of the water rates.

10. Adjournment

It was moved by Mr. Peetoom; seconded by Mr. Sniffen and carried that; **This meeting of the Board of Directors of the Marana Domestic Water Improvement District shall be adjourned at: 4:38 P.M.**

5 Ayes

0 Opposed

0 Absent

Minutes prepared by
L. Katy Walker
Clerk of the Board