

MARANA DOMESTIC WATER IMPROVEMENT DISTRICT
Official Board of Directors Meeting Minutes
February 10, 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, February 10, 2014**

1. Call to order and Pledge of Allegiance

Chairman Mr. Sostarich called the meeting to order at 4:03 P.M.

Mr. Sostarich ask Mr. Sniffen 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 (absent)
Teresa Ball-Cummings (absent at Roll Call)
Michael Sniffen

Staff Members present were;

System Manager, Sig Danielson
Clerk, L. Katy Walker

Wes Addison, District Accountant

No Members of Public Present.

3. Consent items

A. Approval of meeting minutes from the January 13 and 27, 2014 meetings

Mr. Sostarich: The only thing that I saw that might be a problem, on the January 13 minutes, page 7, it was moved by Mr. Young, seconded by Mr. Young and unanimously carried that, is that correct?

Mr. Sniffen: No.

Mr. Sostarich: Okay that's the only thing I noticed.

Mr. Sniffen: That's the only I seen in it.

It was moved by Mr. Sostarich, seconded by Mr. Sniffen, and carried that; **The minutes of the January 13 and 27, 2014 meeting of the Marana Domestic Water Improvement District shall be approved as presented/amended.**

3 Ayes

0 Opposed

2 Absent

4. System Manager's Report

1. We have not had any problems with the system since the last BOD meeting. We have repaired four (4) service line leaks.
2. When we were taking our annual well samples on January 16, 2014 the IM Well did not act normally when it was shut down after the sample was taken. I went back a day or so later and discovered that the check valve was leaking by and allowing water to be pumped back into the ground from normal system pressure. We are in the process of reversing the flow meter so that we can estimate the amount of loss that is occurring. This problem will be reported to ADWR when we have an estimated amount for the loss that is occurring.
3. On February 5 Jim carpenter who is the Town of Marana's Principal Waste Water Operator stopped at the office. He wanted to introduce himself and he wanted some information on the system and what upgrades we have performed over the years since the District began operations. He stated that he was the Circuit Rider for this area for the Rural Water Association several years ago. Prior to him leaving he complimented me personally and asked me to convey to the Board his thoughts that the District appeared to

be well run and that all of the upgrades, performed and planned, showed a progressive and forward thinking operation.

4. January billing included 165 late notices, which is higher than normal.

5. We did four (4) shutoffs in January for nonpayment.

Accounts Payable \$ 47,581.76

Capital Expenditures \$ 0.00

Accounts Receivable \$ 32,331.95

Balance -\$ 15,249.81

MDWID Balances Brought Forward:

MDWID Balance at Pima County \$ 63,285.56

N B of AZ Checking \$ 10,000.00

WIFA Reserve Account \$ 76,042.94

RD General Account \$ 182.04

RD Reserve Account \$ 14,683.63

RD O&M Account \$ 9,466.26

RD Replacement Account \$ 7,986.08

RD Bond Account \$ 12,923.38

Bills Pending Balance \$ 2,176.53

Mr. Danielson: That concludes the Manager's Report other than as I was walking out and coming over here the property over on the corner of Sandy and Carbine which we've had a lien against for several years, it has a new owner and he was settling up the lien of several hundred dollars with us, as I walked over here.

Mr. Sniffen: Sig I don't know if this is appropriate at this time to bring this up, are you aware of they're about ready to do some gas lines in my neighborhood and they're Bluestaking and everything just so you got crews to stand by when they break it? I just want to make sure you're aware of it.

Mr. Danielson: Yeah your street is the worse one, I wish they would run a gas line right down the middle because whenever Cottonwood Ranch gets built, which is North of Lambert Lane, there is a ten or 12 inch line, I believe it's a ten inch line going up your street. We're gonna run it in the median for the main and simple reason that there's nothing there other than telephone lines and water lines that we have to cross, there's nothing that we have to parallel. So all you need to do is find them and then you're good to go.

Mr. Sniffen: Well presently right now their gas lines runs through the Ames Property and then goes all the way through all the way to the wash and then it comes back to the wash before I get it to my property.

Mr. Danielson: Uh-huh, yeah it's kind of goofy.

Mr. Sniffen: Yeah so I don't know how far down Feldman they're gonna go.

Mr. Danielson: Well they ask me to start Bluestaking at Garvey and then coming this way, and Garvey is the road off Avra Valley and then if you go down there a couple of miles is where Trico built that Solar Farm.

Mr. Sniffen: Yeah right, yeah, but is that ours, is that Marana Water District all the way down to Garvey?

Mr. Danielson: No but that's where the first ticket that came in. It was down to Trico Road and Trico Road is ours.

Mr. Sniffen: Okay just so you know.

5. Discussion and Possible Action Concerning Audited Financial Statement

Mr. Addison: Okay Thank you again for having me here. You have your draft copies. In general, as far as your statements of assets and liabilities is equivalent to normal balance sheet, it's almost identical to what we had last year. So there's very little change that occurred. The Accounts Receivable are up by about \$3000 but that's probably indicative of late payments more than anything else. If you go to page 3, that's the Statement of Revenues and Fund Net Assets. Here's where we experienced a number of actual changes. Revenues were actually down by about \$15,000 in the 2013 years verses 2012. Employee Compensation was up by 5. Utilities were down by about \$4,000. The Insurance Premiums went up by about 12,000 mainly die to the Health Insurance. Consulting Fees went down by 3000 and the General and Administrative Expenses went up by about 6000. So what that basically meant was the operating expenses went up by about 15,000 or so and Operating Losses increased a year ago being, 1,400 in Operating Losses to Operating Losses this year of about 30,000. What I would like to do is to actually take out some of the District for discussion purposes and to give you a general idea of where

you really stand economically. I would like to take out the Depreciation and the Amortization to get you back to where you are to relationship to the performance of the District without looking to replacements costs for depreciation and Amortization and with that you're at about \$47,000 profit whereas a year ago it was about 77,000. So what we have is a situation is, if this holds up the costs are starting to catch up to you and the revenues are not matching it so you're starting to go negative at this point. You're still got a 47,000 positive cash flow situation but you're gonna have to be careful. I think Sig had mentioned that you instituted a new rate increase and I think that's gonna help out but the general consensus is that there aren't too many costs that are gonna go down from where they are right now and you're probably looking at increases in your operating costs but the 5% increase in revenues you should be okay. It's not gonna be enough to really start setting monies aside for improvement of the District, general system or anything but at least it should continue to cover operational expenses reasonably well.

Mr. Danielson: Wes that was \$5.00 a month, which would translate to about 12%.

Mr. Addison: Oh, \$5.00 a month, yeah, okay.

Mr. Sostarich: This operating lost of \$30,000 that's not counting Depreciation or Amortization?

Mr. Addison: That does count it, there's 115,000 in depreciation included in that and Amortization so if you take those out, you're looking at about \$47,000 net profit from Operations. If you go down to the true net loss, one is a net loss from a net loss from operations which is that 30,000 and then the next lines down are non-operating income and expenses. Those basically is the interest that you're paying on your debt. So your true loss was 67,000 prior, including Depreciation and Amortization. So when you take that out you get back to the 47,000 net loss. And again a year ago it was about 47,000 net income and a year ago it was about 77,000 net income. The majority of that being for the cost which were occurred for additional insurance premiums and a little bit for employee compensation. The rest of it seemed to be fairly under control.

Mr. Sniffen: What you said that is, when you first spoke, you said that doesn't really leave you, looks like you're gonna be not going to be catching up, the bills are gonna catch up. Then Sig told you it was 12%, does that still, are we still on the same?

Mr. Addison: Yeah because 12%, it's still the same.

Mr. Sniffen: You said 5%, but Sig said 12%, are we still shaking the boat?

Mr. Addison: Well the, is it 12% on the 440,000?

Mr. Danielson: I'm looking at the average water bill being about \$40.

Mr. Addison: \$5 per user?

Mr. Danielson: It went up \$5 per user.

Mr. Addison: How many users are there now?

Mr. Danielson: 815, 810.

Mr. Addison: So that gets you about \$4,000 more?

Mr. Danielson: Yes.

Mr. Addison: It doesn't do a lot, I mean it helps but it doesn't really do a lot. I doubt that you'll see insurance premiums increase as much as they did last time with the \$12,000. That's a good 30% increase right there, you know that shouldn't happen again.

Mr. Danielson: It was worse.

Mr. Addison: Oh, it was worse. The rate increase will help some, but again it's not gonna be enough to help out a huge amount cause the rate increase was just on the base fee, right, rather on total revenues?

Mr. Sniffen: Correct.

Mr. Addison: So if it was on total revenues, even if you had 5% on total revenues that would be close to, a little over \$20,000. So that \$5, 4% increase was only, or \$5 increase was only based on these revenues, would have only been about 1-1/2% of your total revenues. I think last time we were talking about trying to get what would be equivalent more to a 5% overall increase in revenues.

Mr. Sniffen: So with the funds that we have, is there room for, the way it is right now, is there room for raises for the employees in here? Or would it not be wise at this time and just wait until we can get more stable with our funds? We need to get more stable, I don't want to see us sink because we give people raises.

Mr. Addison: I always look at it from the standpoint that you, at a minimum unless you're in completely dire straits, at a minimum, you want to at least cover the cost of living increases for your staff because otherwise they're really working for less money than they worked for a year ago. So that would be a fairly minimal increase, even the one last year was \$5000 based on salaries of \$134,00, so maybe about 3- 1/2%, somewhere in that range. But I don't, can't really tell you one way or the other on the direction that you should go with that

Mr. Sniffen: Yeah.

Mr. Sostarich: I got a question for you. What would our situation look like in comparison if this insurance situation didn't come up in to our lap?

Mr. Addison: You'd be \$12,000 better off, so you would almost would have made up half of the difference and the increases in expenses went close to about \$15,000 and it pretty much would have taken all of those away so you would have been very close to being, on the expense level, same as you were a year ago. And then the larger loss that you would have incurred would have just been related to the lower number of services

Mr. Sostarich: Well I'm kind, how can I put that in a 5 second sound bite to our average individual can understand? I'm writing the article for the

Mr. Addison: Okay without the increase in medical premiums your staff would have held with operating expenses to the same level that they had in June of 2012 and the increases in losses for the current year relates to the fact service revenues were down by 15,000.

Mr. Sostarich: Without insurance our operating expenses would have been the same as June 2012?

Mr. Addison: Yes.

Mr. Sostarich: Okay.

Mr. Addison: Which meant that your staff would have held fairly constant.

Mr. Sostarich: Staff would have held?

Mr. Addison: Your staff, the operations of your staff would have held your expenses in balance with what you had a year ago, so they wouldn't have increased. It basically means your staff was doing a good job of controlling the costs. There's a concept and you know this is where it gets a little complicated but there's a concept of what are fixed costs and what are controllable type costs. Fixed costs are what you have no control over whatsoever like your utility expense, you know if it goes up or it goes down you really have very little control over that. Somebody else sets the cost for that and you guys pump water so whatever it takes to pump it is what you occur so that kind of expense is the kind that you have no discretion over at all in your control. Whereas the compensation, the supplies, the consulting and general administrative expenses, those type of things are discretionary so it allows you to actually control them. You can cut costs by reducing staff. You can cut consultants, by not using attorneys as much. You can you know cut operating supplies and things by just going in and you know just cutting things here and there in your operations in the way of supplies and things to try to make that a little bit less. So the majority of the expenses that you have here are discretionary types of expenses so if you can control those, it means that your staff, and Sig I guess for that matter and the Board in the decision making had done well in controlling your costs and keeping them from going up very much at all. So if you were to take out the insurance, your costs probably went up less than 1% last year total. So the staff and Board is doing a good job of holding down the escalation of the costs.

Mr. Sniffen: This insurance premium, is that the medical that these guys get, plus auto insurance, plus land insurance, is it all the insurances combined?

Mr. Addison: Yeah all the insurances combined are in there, but the majority of it was, the 12,000 was specifically related to medical.

Mr. Sostarich: Well my principal concern here that I have on the forefront of my mind right now, is just how much damage to this health insurance crisis do to this company, and being able to communicate that, that's what I'm fishing for here, is how I can communicate that, how much damage it did, how much I can communicate it?

Mr. Addison: The damage that it did was about \$12,000 in additional expenses, correct me if I'm wrong on that.

Mr. Danielson: For that year, it's 30,000 this year, this fiscal year.

Mr. Addison: So it's going up from, what is it going up in the current year?

Mr. Danielson: Plus 30,000.

Mr. Addison: An additional 30,000?

Mr. Danielson: Uh-huh.

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Mr. Danielson: We're too early on to, I'd want your input on what you would think. What we're trying to do is, we've got, for instance, Cottonwood Ranch Subdivision when built on it's gonna be 300 plus homes. We've got the Wren's Creek Subdivision sitting over here, fully built out would be about 107 homes. There's 5 homes over there, Cottonwood Ranch there's zero. So and there's a lot of vacant land within the District, you know that there's 2 or 3 here, 2 or 3 lots there.

Mr. Addison: Can you assess those?

Mr. Danielson: That's what we're trying to do, is assess all of that, so that the people that are right now not paying anything to the District are then now picking up some portion of the operating expenses.

Mr. Addison: Okay.

Mr. Sostarich: Excuse me, it's now 4:30, Teresa just arrived at 4:30 which means that both of you were wrong by 5 minutes.

Ms. Ball-Cummings: I'm sorry I am late. Oh very few. I was hoping to be a little bit earlier but the ignition won't turn over, so I need help, if somebody don't mind before they leave, to turn it for me, turn the ignition to start it, I would appreciate it. We think the rod's bad down inside the column so, I need help, it's getting worse.

Mr. Addison: If it's a stick, we can push it.

Ms. Ball-Cummings: Well that's true it does, it has a slant 6 in it.

Mr. Addison: Sig is all prepared for that.

Ms. Ball-Cummings: No he's got a supposedly a bad back so we don't want to do that to him. He's back's all messed up. How are you Wes?

Mr. Addison: I'm fine.

Ms. Ball-Cummings: Good, good, you look great.

Mr. Addison: Well anyway Tony getting back to what you were saying with the 30,000, the 12,000 was bad enough, with the 30, that takes you down to the \$17,000 basic cushion in your basic operations, that's not a lot so I think with the you know \$4,000, \$5,000 increase in revenues will help some but things are really gonna be tight next year unless you can do the assessment that Sig was talking about. I just don't see changes in the revenues, you know with more people moving in or spending more for water. It seems to be everybody's conserving more than anything else so the assessment does seem like a reasonable way to approach it.

Mr. Sostarich: Yeah, well I'm not happy about this. This is not a localized, this problem is not localized.

Mr. Addison: Yeah it's not but let me say this and that's with the Affordable Care Act coming in to existence you guys are not big enough to be penalized as being large employers. You don't have over the 30 people or 50 people that you have to have in order to incur those penalties. Which what you may end up having to do is actually having employees try to go that route rather than go private insurance with them.

Mr. Sostarich: Let me stop you there for a moment. I've actually thought about bringing that idea up myself but the problem is, according to our contract with our employees, we're obligated to keep them on the same level as Pima County has.

Mr. Addison: Well there are different plans that are available through the Affordable Care Act and it may be that there are some, you know maybe not the bronze plan but silver. I don't have the specifics of all those plans but there may be one or two in there that are actually comparable and might cost you less than what you have. The smaller your plan with employees who are not the healthiest you end up paying a premium for coverage on them. So you may work a better situation with your insurance if you go through that instead. It would probably, I would think that you might want to talk to an insurance agent who actually deals with those kind of plans and see what they could suggest but it's really not sustainable to be spending an additional \$30,000 a year on medical insurance. I mean you need to cover your employees but you can't break, it will break you to do that.

Mr. Sostarich: Yeah. May I quote those words, it is not to be sustained to, that's the five second sound bite I was looking for.

Mr. Addison: Oh, okay.

Mr. Sostarich: I knew that as soon as I watched the Congress vote this in, I knew this was coming.

Mr. Addison: Uh-huh.

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Mr. Sostarich: It's not gonna be sustainable for the country either. All that will occur, if we invite our employees to become slaves of the Federal System, which is what they would be doing, is they would be putting all their private information in to a data pool which has already been hacked by other people and the system is gonna collapse anyway. I've been reading about it, I haven't heard a single good thing about it at all.

Mr. Addison: Well without knowing specifically about each of the various plans that are available, with the kind of rate increases that you're looking from a District wide basis, it actually might be beneficial. So it is again something that, yeah, it's a complicated system, it's not something that we can discuss very easily at this kind of a Board Meeting. But there are alternatives available, depending on what the, when we get in to the actual economics of your employees, some of them may be able to get on the State Plan. Some may be able to get subsidies from the Feds and the Association with that with the rates that they have to pay and I think that, since you can't sustain it from the District standpoint of these kind of increases, I think you have to at least look at it regardless of the impalpable taste you might get by having to accept that and you're going that direction.

Mr. Sostarich: Right, well you're not the first one to think about this and too, because you're a professional financial man of sorts, speaking a professional capacity, you cannot afford to speak like a nattering neigh bob of negativism like I can. I can afford to be hostile and it's not gonna hurt me, but you can't. So I can see that but I can say this and I'm gonna be very charitable about this. This situation has made me very angry.

Mr. Addison: Yeah, well you're in there with a lot of other people that are angry also.

Mr. Sostarich: Well I'm, as I open this line of questioning with, we're gonna have to present this information to the customer base, and that's gonna happen in the next billing cycle, we're gonna sent out a newsletter . One of the things I didn't say earlier was, I've been carrying around a 9-volt battery with me to use on my tongue when I've been tempted to say things that are less than noble, less than edifying.

Mr. Addison: 18 works better.

Mr. Sostarich: I was gonna use, my wife has one of them zappers that are visually intimidating you know.

Mr. Addison: Taser works really well.

Ms. Ball-Cummings: You bet it does.

Mr. Sostarich: Well resume with your presentation.

Mr. Addison: Well basically we're about at the end of it. Generally, even though there was a major decrease last year in revenue and expenses, the control of the expenses were being controlled as well as possible except for the insurance. Unfortunately going forward with what you said, it drives you down closer to a true break-even point from cash flow situation, you get closer to break even. And again, as I said last year, that gets you back to having to do rate increases and unfortunately, \$5 per user a month is not enough, based on the number of users that you have. I know your customers don't want to hear that but that just it.

Mr. Sostarich: Hey they're voters you know. As a professional financial advisor who thinks outside of the small box of my capabilities, I hate to bring your name up here Sig, but Sig had thought that it was possible that we may have been, we had set up a deposit system of \$200, I believe and he thought that might have been preventing renters from coming in here. Do you think that if that is possible that having this tax proposal that we're considering, that might do the same thing for owners of properties out here, that their properties have become a tax liability and they just walk away from it?

Mr. Addison: I would tend to think not because happens is, right now your user base is based on people who are actually using your system and there are probably a lot more people out there, especially with the 2 sub-divisions that are out there, where the lots are there but they're not generating any revenue for you. So if you were able to put a lien, or not a lien, if you were able to assess the properties that are not participating at this point, the assessment would probably be a lot less that if all the burden fell upon your actual users. So I think if that is a legal means by which to get some revenues, that seems like a good way to go and I doubt that it would have a negative effect on the people owning property because you wouldn't really be talking about a huge amount per property because there are so many more properties to be included in the pool.

Mr. Sostarich: So that's twice you've alluded to the Property Tax concept being a viable and a good idea.

Mr. Addison: I think it is and the basis for doing that is again, those properties can't be habituated without having water and right now they're bearing any expense associated

with the maintenance with the District that will service them at some point in the future where they will have homes placed on them so it does make sense to me that all property owners should be sharing in the burden of maintaining the water system which will benefit them at some point in time.

Mr. Sostarich: You had mentioned something like that last year I believe about something like that. I haven't got the terminology where I can have this conversation easily but you said something along the lines of spreading out the financial load and those that are actually using the water now, I believe you compared them to renters, so to say, where they're actually paying for this and these guys are kind of be freeloading when they get on because these guys had to bear the burden, follow me?

Mr. Addison: Especially when you go through the whole process of upgrading the system. You know for all property owners to not be responsible for the costs associated with the upgrading the system is not fair to you.

Mr. Sostarich: Right those are the terms I was looking for. I recall from your last year's presentation you were alluding to that and actually brought it out.

Mr. Addison: Because if there are lots there and the intention is to put something on them, a house and they need water to able to put the house there and they have to drill their own well. I don't think they're allowed to drill their own wells any longer with the water loss that we have. So they can't drill their own well, they can't sell their lot without water being available to it. They rely on you, they're part of the District, they're just not using the District at this point but they will at some point in time. So you can charge them a fee which is what happened in the past is there are hookup charges and other fees when people would come in to establish service, but again all the burden for paying for the improvements has come down to your existing customers in the past and that's not a fair, especially when you're doing improvements, that's not a fair means by which to allocate the costs. Everyone who has the ability to use the District should be responsible for paying for the District.

Mr. Sostarich: I think I'm finished asking questions, does anybody else have anything?

Ms. Ball-Cummings: I'm okay.

Mr. Sniffen: No, I'm with you, with him.

Mr. Peetoom: Does that mean when this thing comes in from Washington D.C. that we should get one of the insurance and let them talk to us?

Mr. Addison: Yeah what should happen is, and I'm not sure who the, I think there are people that are called facilitators with the system, with the Affordable Care Act and what would be

good is to try to contact one of the facilitators and see how that would work out for a district like this. I'm sure that it's all on an individual basis, such as what Tony was saying as far as each individual having to give over their financial information to them to make an assessment of who qualifies for any kind of stipends or rebates and what the cost would actually be to the employees in order to come up with a plan that would at least match with what they have at the County. So at a minimum I think somebody has to go and check that out. If you need some help I'll try to help you out with that. I think that's the first step and it may be that they don't qualify and that the County plan is so good that it ends up costing up a lot more. I'm not sure if you have the ability to change your charter or wherever that was written that you have to have an equivalent insurance policy.

Mr. Sostarich: It's in our employee handbook.

Mr. Addison: Well you can change that any time you want to.

Mr. Sniffen: Yeah.

Mr. Danielson: No, that's not quite that easy because benefits and all that kind of stuff, I've been told are basically a contract between the District and the employees on what the District will provide as far as insurance benefits.

Mr. Addison: How often, if that's a contractual obligation, then how often would the renewal of that contract occur? I see this as 2 things, because you are a part of Pima County, you do have to abide by their rules normally. So the first thing to do is probably to check and see what your obligation really is. Not what's in your employee manual but what is your obligation under the fact that you are covered as a County District and if it the case that you have to have the same insurance that the signature being excessively overcharged for being in a group which should cover thousands of people.

Mr. Sostarich: We were dumped from out of their loop and like everybody else with a small business we have woke up 1 bright sunny day only to discover that the health insurance costs have skyrocketed beyond a sustainable level.

Mr. Addison: Okay. With that being the case if the County has cut you loose from their plan that it would seem that you should be able to negotiate contractually with your employees on what would be acceptable insurance.

Mr. Sostarich: Well that may be but I have no desire to throw them under the bus or say, hey you're gonna have, I'm just 1 guy though.

Mr. Addison: Tony, but the idea, it's like all these numbers and everything, all that they're there for is just for the most part is just to deliver information that you guys can use to make decisions and if you find out, you know if you have it down on what your alternatives are

you may have means by which to give them reasonable insurance and still cut your costs either by going with The Affordable Care Act or I'm not sure what the other alternatives would be. The 4 person plan with individuals who are not healthy is a very expensive plan.

Ms. Ball-Cummings: Son of a gun.

Mr. Sostarich: Well those on our staff, we have a Financial Sub-Committee and Sig and they looked in to, they did look in to this and they you know, Sig has something personal to gain out of this so he's gonna get what, if for no other reason than personal interest, he's gonna get the best deal that he could. I mean what I'm trying to say is, this has been looked in to.

Mr. Addison: Did you guys look at The Affordable Care Act?

Mr. Danielson: It was not available to us at the time, we transitioned over so we got, we always knew that 13-14 fiscal year was gonna be bad and I have been talking with our insurance broker and he says okay we're getting in to February now, we need to look at what we need to do for next year, so.

Mr. Addison: Will they actually help you with the, looking in to The Affordable Care Act?

Mr. Danielson: Yes, I think they will. That's one of the notes I just wrote to myself, to make sure that they will.

Mr. Addison: Okay, all right.

Mr. Danielson: If they won't, we'll find somebody who will.

Mr. Addison: okay, how many staff are you at right now?

Mr. Danielson: There's 3 of us total.

Mr. Addison: Yeah, how can you spend

Mr. Danielson: \$60,000 for 3 people.

Mr. Addison: Yeah, how do you spend \$20,000 a year per person?

Mr. Sostarich: I can answer that. Earlier I said that about your being a professional I notice you were calling it an Affordable Health Care Act, I'm calling it a train wreck, that's what it is. That's how we can afford to pay \$30,000, 20,000 a year. Well we can't afford it, you just said so yourself.

Mr. Addison: You can't afford that.

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Mr. Sostarich: Yeah well it's a good thing nobody reads these other than us, these meeting minutes. I've think I've said enough. Does anybody else got any questions for Mr. Addison?

Mr. Addison: All right, we just need the, you still have the representation letter?

Mr. Danielson: I'll get that to you.

Mr. Addison: So when we get that done we'll final it, (inaudible) audit it, type it up and get it back to you.

Ms. Ball-Cummings: Great.

Mr. Danielson: You need my letterhead, don't you?

Mr. Addison: Yes.

Mr. Danielson: I will have to Email you the letterhead, because I haven't been able to change it to properly fit I'll Email the letterhead in the morning.

Mr. Addison: That's fine. Okay, that sounds good.

Mr. Danielson: If you or Jeri Ann don't see it by noontime, call me and
remind me.

Mr. Addison: Okay, I will. Well thank you again, I do appreciate being associated with the District and working for you guys. If anybody does have any questions after reading the audits or anything, let me know, call me anytime and we'll work it out

Ms. Ball-Cummings: Thank you.

Mr. Sostarich: Thank you for coming.

Mr. Danielson: As a heads-up we are gonna be wanting some good advice on what revenue should we be looking at as far as the Property Taxes, keeping in mind that the valuation of the area between June of 2012 and June of 2013 dropped by a full million dollars, about 7.4 to about 6.4.

Mr. Addison: Okay.

Mr. Sostarich: In other words, the bubble shriveled down to a realistic size.

Mr. Addison: Even more.

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Mr. Sostarich: That place I'm living at wasn't worth no quarter of a million or whatever since that proposed housing district was proposed.

Mr. Addison: Did everything go up when the proposed district?

Mr. Sostarich: Our taxes are still going up because apparently things move slow in the County and they haven't got word yet that there's a recession going on and that the bubble had burst.

Mr. Addison: Actually they've started going back up again.

Mr. Sostarich: What?

Mr. Addison: The Assessments.

Ms. Ball-Cummings: Yeah.

Mr. Addison: As far as the County is concerned, it's over, the recession is over and we're increasing in value again.

Ms. Ball-Cummings: Exactly, that's what they say.

Mr. Danielson: Oh mine went down, but I have the feeling that my mileage is going to go up so I'll still be out of pocket more from December 31st 2014 than I was December 31st 2013.

Mr. Addison: Yeah.

Mr. Sostarich: Let me guess it went up to pay for that proposed hotel business that the County wants to run and the train, the trolley system in Tucson that's going up, right, and all those golfers that are coming and enjoy that as they watch baseball on those empty stadiums down there?

Mr. Addison: Probably, well it gets those students back and forth from downtown to the University.

Ms. Ball-Cummings: Yes it does.

Mr. Addison: Well again thank you guys and call if you need to.

Ms. Ball-Cummings: Thank you Wes. Drive careful.

Mr. Peetoom: Drive careful.

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Mr. Addison: Okay, thank you.

Mr. Sostarich: You mean those students that had a riot on 4th Avenue a few years ago cause the Wildcats lost the game, those students? Yeah they need transportation.

(Inaudible, overlapping statements)

Mr. Addison: I hope everything goes well.

Ms. Ball-Cummings: I think it's a variety of everybody, all the students, not just those.

Mr. Peetoom: Well it was 23 and 1.

Mr. Addison: Have a good meeting.

Mr. Danielson: All right, thank you Wes.

6. Discussion and Possible Action Concerning Financial Sub-Committee

Mr. Danielson: Just an update, yes we did put the rate increase in effect for the in the January billing and we should at least start seeing some revenues coming in and we have had very, very few complaints about the increase. There were people that ask us and we tell them it went up \$5, it's a little high but it's reasonable, we haven't had one in quite a while so the public or our customers appear to be accepting it fairly well.

Ms. Ball-Cummings: No that's not a bad increase considering we haven't had one in quite some time.

Mr. Danielson: That's all I have on Financial Sub-Committee.

Mr. Sostarich: Anybody else got anything on item 6, questions, concerns?

Ms. Ball-Cummings: No, I don't.

Mr. Peetoom: No I was just, somebody next door was stealing my water and they're moved out now so I'll see what my water bill will be.

(Inaudible, overlapping statements)

7. Discussion and Possible Action Concerning District Legal Representation

Mr. Sostarich: Did everybody get, read and understand the letter from the lawyer last

Ms. Ball-Cummings: Correct.

Mr. Sniffen: Yes.

Mr. Peetoom: Yeah.

Mr. Sostarich: Today we're gonna discuss the matter and possibly take a vote on the subject. There's 3 options available. Roger has left, so the option is go with him, remain with the firm or find another firm are the 3 options that were in that letter.

Ms. Ball-Cummings: With the rest of his attorneys, yeah. Oh we can stay with Roger can't we Sig? I mean Roger is going in with his own business so that's my recommendation, stay with Roger. I mean he does an excellent job. I mean I don't know as far as rates go, it's up to you all.

Mr. Sostarich: Well Sig had recommended to me when I ask him personally about this, this isn't a violation of privacy.

Ms. Ball-Cummings: No it's not, jeez.

Mr. Sostarich: I ask him what his recommendations were. He said the wisest course of action would be to stay with the firm.

Ms. Ball-Cummings: With Gust?

Mr. Sostarich: Yeah they've got the paperwork, is that correct?

Mr. Sostarich: Today we're gonna

Mr. Danielson: I'll preface this by saying Roger has been our attorney for over 10 years.

Ms. Ball-Cummings: Yeah.

Mr. Danielson: I know the guy real well and I like the guy. However Gust Rosenfeld was our attorney when we secured the original loan to buy the system

Ms. Ball-Cummings: Correct

Mr. Danielson: Marana Water Service, Inc. and the I M Water Company and they did all the bond work for WIFA and they were the bond attorney for that project. When we did the System upgrades in '03 and '04, they were the bond company then. Most recently when we've been talking about possibilities of proposing property taxes, Roger kept saying was either

well that's something I need to talk over with Fred Rosenfeld or I talked this over with Fred and this is what we feel you know. Going in to the property tax issue, Roger is not familiar with the process, Fred Rosenfeld is.

Ms. Ball-Cummings: Correct, that's right.

Mr. Danielson: My thoughts are is they're already our bond attorneys. They've got every scrap of paper pertinent legally to this District that's possible in their archives because they've been the attorney for the District basically from day one. We're going in to uncharted territory with this property tax thing and Fred is in the expert running force that Roger's written so. You know Roger is putting Fred's conversation on paper for us and Fred is saying okay yes that's how it works, then it gets sent to us. That's my recommendation.

Ms. Ball-Cummings: True.

Mr. Sniffen: What you're saying is, Roger is the guy who went by himself, went out on his own but worked for the same outfit? Between the 2 of them, or the whole outfit, you've never had a problem with them, right?

Mr. Danielson: That's correct.

Mr. Sniffen: Yeah I don't see any reason not to stay with the firm then. Why not stay with the firm then? They've already got all the stuff. You know it would be nice to keep Roger in the loop but hey you know what he's the one that left the firm and we need somebody that's knows what's going on, what we need to do.

Ms. Ball-Cummings: Right. Mr. Chairman?

Mr. Sostarich: Yes.

Mr. Danielson: One last comment, when we had (inaudible) full, the brain-eating amoeba scare back in the middle of 2009, Roger was on a two week vacation (inaudible) The firm had us an attorney to talk to within 15 minutes of things starting to come apart.

Mr. Sostarich: One question, that woman lawyer, what's her name, Lisa, Linda?

Mr. Danielson: Jill Winans

Mr. Sostarich: She was from this firm too correct? So really we're just basically getting another change of lawyers like we were when she moved on.

Mr. Danielson: Correct and just when you came on the Board originally, they had just changed attorneys. Jill had not been the attorney much more than a month or two when I came to work for the district, so it's been the firm the entire time through. Roger is the third attorney that we've had from the firm taking care of our assets.

Ms. Ball-Cummings: Yeah.

Mr. Sniffen: I recommend we stay with the firm.

Mr. Sostarich: Okay, we've got three options, stay with the firm, go with the attorney that's left the firm or find another lawyer.

Ms. Ball-Cummings: No I agree with Sig Mr. Chairman, because Mr. Rosenfeld, when anything was to take place with us, Roger would have to go over with them so I agree, they're the main guys that we should stay with.

Mr. Sostarich: Okay, do we want to take a vote then tonight on the subject?

Ms. Ball-Cummings: I think so.

Mr. Sniffen: I don't see why not.

It was moved by Ms. Ball-Cummings; seconded by Mr. Peetoom and carried that; **We go ahead and stay with the main attorneys, Gust Rosenfeld.**

4 Ayes

0 Opposed

1 Absent

Ms. Ball-Cummings: Roger will get plenty of customers, he'll do real good, he really will cause he's a good attorney.

8. Call for Public Comment (limit 3 minutes)

Mr. Sostarich: There's no public here.

9. Discussion and Possible Action Concerning Administrative Details

Mr. Sostarich: Anybody got any they want to ask?

Ms. Ball-Cummings: Yeah I wanted to state here before I forget, on January 13th on the minutes, our clerk here, Katy dear, she has me down as absent, so I just want to clarify that up, and here I have my check.

Mr. Sostarich: If you read deeper, you'll find that you showed up, I think on page 7 or something.

Ms. Walker: Page 6.

Ms. Ball-Cummings: Yeah but it'll show up right up on the computer, I've already had 3 calls on it, you were absent on that day, what happened, are you still not on?

Ms. Walker: You ask me not to put up there beside your name what time you arrived. That's what I used to do and you ask me not to.

Ms. Ball-Cummings: That's correct, yeah. Cause Don's been late and you didn't put nothing beside him, even our Chairman has been late and you didn't put nothing beside him and I just kind of felt like you know that's not fair I mean cause you know you were putting me. It's correct.

Mr. Sostarich: I'm not arguing with you.

Ms. Ball-Cummings: I'm stating a fact here and if nobody likes it, I'm sorry. I've been here almost the longest, me and Don.

Ms. Walker: Tell me how you want me to put it in here.

Ms. Ball-Cummings: Just put you know if I'm absent, I'm absent. If I'm late, I'm late. I mean it's that simple. I mean you know because Don's walked in at 4:20 and nobody's put down that Don was late or 4:20 and Mr. Chairman's been late and no one's put it down so

Ms. Walker: I think I have Teresa.

Ms. Ball-Cummings: Well I can go over the minutes and look at them cause I let David look at them all the time and he said you were absent, you were late, how many minutes were you late, I mean he reprimands me even though you know sometimes you know he tries to help me.

Mr. Sostarich: Today you were late 30 minutes.

Ms. Ball-Cummings: Oh no doubt. I had no choice I mean that darn truck I mean.

Mr. Sostarich: That's fine, these things happen you know I even showed up late once.

Ms. Ball-Cummings: I may have to take a leave of absence with my surgeries coming up, maybe I'm hoping it won't go that far I won't have to miss 2 or 3 meetings.

Mr. Sostarich: So essentially you want her to say you were late instead of absent?

Ms. Ball-Cummings: No I was here, I have my check to prove that I was here.

Mr. Sostarich: Just a minute ago you said that, she ask you pointedly, what do you want me to put, you were late or absent?

Ms. Ball-Cummings: No this was prior, no this was prior, I'm talking about the date, January the 13th I was here.

Mr. Sostarich: Yeah, do you want her to put on here, this has already been voted, but it can still be changed. You want her to put late instead of absent, late is that it?

Ms. Walker: You arrived at 4:25, it's on page 6.

Mr. Sniffen: You were absent at Roll Call.

Ms. Ball-Cummings: Yeah just put that I was late, well Mr. I called and Mike had just walked in the door and shut it right behind me and I called and told you that I was gonna be late and then of course there was the time that I called and said I wasn't gonna be here so you know Mike just walked in and he slammed the door and went right in and I just come right in after him so just put late but I'm just stating here that I wasn't absent that day and it shows here on the paper here on the paper that I was absent and I wasn't and I don't want Mr. Kline, George Kline to come in here and do his same old rigmarole, you know, something to moan and groan about. Oh yeah he's the one that does it, oh yeah, there's three others that does it the most in this community, there's three others beside George.

Mr. Sostarich: Getting back to Administrative Details, Mike had a good idea that is a happy medium, absent at Roll Call.

Ms. Ball-Cummings: There you go. That sounds great to me.

Mr. Sostarich: Okay, absent at Roll Call.

Ms. Ball-Cummings: This way if I come in late I'm in the minutes, you know they can see that I spoke or if I haven't spoke well that's tough. I mean I apologize for being late I mean.

Mr. Sostarich: It happens.

(Inaudible, overlapping statements)

10. Announcement of Next Scheduled Meeting.

**The next scheduled meeting of the Marana Domestic
Improvement District Board of Directors shall be on
March 10, 2014 at 4:00 P.M. at the District Office**

**Water
Monday,**

11. Adjournment

It was moved by Mr. Peetoom; seconded by Mr. Sostarich and carried that; **This meeting of the
Board of Directors of the Marana Domestic Water Improvement District shall be
adjourned at: 5:12 P.M.**

4 Ayes

0 Opposed

1 Absent

Minutes prepared by
L. Katy Walker
Clerk of the Board