

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

**April 29, 2013**

**\*\* Board Room \*\***

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

**MINUTES**

**Board Members Present:** Judy Scrivener, Chair  
Dan M. Offret, Vice-Chair  
Jim Doyle, Member  
Bryan Foulk, Member

**Board Members Not Present:** Richard Byrd, Member

**District Staff:** Mark R. Stratton, General Manager  
Christopher W. Hill, Deputy Manager  
Michael Land, Chief Financial Officer  
Charlie Maish, District Engineer  
Michael McNulty, Legal Counsel  
Tullie Noltin, Recorder  
Warren Tenney, Clerk of the Board

**Executive Session**

**I. Call to Order and Roll Call**

Judy Scrivener, Chair of the Board of Directors of the Metropolitan Domestic Water Improvement District (District), called the Board Meeting to order at 5:30 p.m. Jim Doyle, Bryan Foulk, Dan M. Offret and Judy Scrivener were present. Richard Byrd was not present.

Mr. Offret made a motion to adjourn into Executive Session at 5:31 p.m. Mr. Foulk seconded the motion. Motion passed unanimously.

Executive Session pursuant to A.R.S. § 38-431.03.A.4 (consider the district's position and instruct its attorneys) regarding the following:

**A. Decision made by the Arizona Department of Occupational Safety & Health Administration.**

## **B. Claim made regarding Matter Well.**

The Executive Session concluded at approximately 5:53 p.m.

### **Study Session**

#### **I. Call to Order and Roll Call**

Judy Scrivener, Chair of the Board of Directors of the Metropolitan Domestic Water Improvement District (District), called the Board Meeting to order at 5:56 p.m. Judy Scrivener, Bryan Foulk, Jim Doyle, and Dan M. Offret were present. Richard Byrd was not present.

#### **II. General Comments from the Public**

There were no comments from the public.

#### **III. Discussion of Draft Fiscal Year 2013-14 Budget**

Mr. Stratton said the draft budget was also presented to the Finance Oversight Committee (FOC). Included in the agenda is a synopsis of the key categories so it is easier to see where the differences are. This draft is fairly consistent with previous years. Capital items and projects are not yet included in the draft budget. Staff is currently developing a list of identified capital projects and items to present to the Board at the May 13<sup>th</sup> meeting. Tonight, the Board is looking at strictly the operational budget.

Mr. Stratton called the Board's attention to information received from our health benefits advisor regarding a potential 50% increase in healthcare costs. Mr. Offret asked if the District would see this increase even with fewer than 50 employees and Mr. Stratton confirmed. The broker is trying to gain some advantage for the District with Blue Cross Blue Shield (BCBS), who said they would minimize the increase if the District agrees to stay with them. This would not be a guarantee but would minimize the increase. Mr. Foulk asked if this increase is a result of the Affordable Healthcare Act, or because staff is getting older. He said his own healthcare costs did not increase by 50%. Mr. Land said the increases are related to age as well as Obamacare issues. The first 6 months of the fiscal year will be status quo and the last 6 months will be increased, since the District renews health insurance on a calendar year. Mr. Foulk asked if the District has big claims. He does not want to raise deductibles but wonders if there is anything we can do to reduce the costs. Mr. Land said the District will obviously have to consider raising deductibles and increasing employee's shares if premiums go up 50%. Mr. Stratton noted the increase this time accounts for only 6 months and next year the District will have to count on 12 months.

Mr. Tenney said the report is similar to what was provided to the FOC last week. Mr. Offret was present and got to hear the FOC comments, which were provided to the Board in the form of the

draft meeting minutes. Overall, the FOC was fairly pleased with the draft budget. There will be one more opportunity in May to hear their thoughts after reviewing the capital component.

Mr. Tenney explained the Water Resources Utilization Fee is expected to bring in \$277,000. Those funds are intended only for CAP and effluent related projects. Development fees are anticipated to bring \$330,000 this year, which is double what we saw this fiscal year. Mr. Offret asked how many hookups are estimated and Mr. Land replied 32 in Metro Main and 50 in Metro Southwest. Mr. Tenney said staff is recommending those fees be set aside for capital projects, not necessarily as a limit but as targeted monies. Revenue is still not certain because we do not know what will happen with water consumption. Mr. Foulk asked if the same average historical percentage decrease was used to calculate the new figures and Mr. Land confirmed.

Mr. Tenney went over the major expenditure categories, including salaries and benefits. That category is still roughly \$80,000 less than the current fiscal year. One thing impacting the figures this year is the loss of salary reimbursements from the capital improvement program. There was a short discussion about how the reimbursements worked. In addition to the three staff positions that were bond funded, other staff time spent working on those projects was reimbursed.

Mr. Tenney explained the increase in purchased power is due to a Tucson Electric Power (TEP) rate increase. Mr. Foulk asked how the TEP 15% increase works out to a 7.2% increase in the District budget. Mr. Hill explained the District is identifying more areas to be put on the interruptible rate and Mr. Tenney added the District is working on getting that done before June.

Mr. Tenney said CAP water purchases reflect a 5% increase. There may be further discussion on CAP rates because they may increase by 15% rather than 5%. The District could purchase less water or put more in that line item. Mike Block, District Hydrologist, said he calculated allocations and there would be a little less than a 2,000 acre-feet difference. Mr. Stratton said historically the District has tried to increase this line item by 5% annually to keep up with CAP cost increases the best we can and use more of our allocation. Mr. Block said if the Central Arizona Water Conservation District (CAWCD) adopts the 2014 proposed rates, the District will be able to have 11,698 acre-feet. Mr. Offret said we will have to lobby our Representative.

Mr. Tenney said another item related to the CAP water plan, is the lease for state land at the AVRP location. The current 10 year lease expires at the end of 2014 and was calculated based on the appraised value of the land. We anticipate the value is not much different than it was 10 years ago, so \$100,000 is being projected. Staff is recommending we set aside \$50,000 this fiscal year and the remaining \$50,000 the following year.

Legal fees are increasing by a recommended \$25,000 because of the current lawsuit with Pima County. The District wants to be prepared but there is a good chance this will not be enough and we will have to add extra.

The contracted electrical services category is increasing up to \$65,000 this year, compared to \$20,000 last year. One position is filled and a second position is currently vacant. Even if the District fills the second position, we will still want to have contracted help to make sure some of the upgrades to electrical systems we need are completed and brought up to compliance.

Well maintenance is increasing by \$40,000. The District has targeted 6 wells and would like to increase that by one in Metro Southwest, for a total of 7. Usually, maintenance costs average about \$35,000 per well but some well costs are going up, so the figure has been adjusted to \$40,000 per well to be on the conservative side.

Miscellaneous consulting services are increasing by approximately \$30,000 to be able to continue work on the productivity improvement project. This is an effort to improve how communication occurs within the District, both in the field and in the office.

The sick and vacation payout contingency must be increased, now that we have a better understanding of who will be retiring this year. The amount has been increased to \$163,000 for the coming year. Mr. Foulk asked how we are doing with setting aside funds for this. Mr. Land said the District set aside \$129,000 this year but has not been used since the recent retirements were paid through salary savings. \$163,000 probably funds about 65% of the liability of those expected to retire in a three year window. Mr. Tenney said staff anticipates after this fiscal year, we should not see that high an amount. Mr. Foulk said the amount may go down but the original goal is to have that contingency fully funded.

Mr. Tenney said capital expenditures are not included in the draft budget yet but staff will provide a list at the May Board meeting. Funds from the Water Resources Utilization fee and development fees could be used for capital items and projects.

The FOC met and reviewed the draft budget. Their draft meeting minutes were given to the Board so they can see specifically what was said. Overall, there were no specific requests to change anything. Questions were asked and answered for further clarification. Different members made comments and the FOC Chair summarized he thought the budget was reasonable and was pleased to see funds included for merit awards. The FOC shares the concern about revenues that we all have. Mr. Offret said he thinks everyone on the FOC seemed pretty satisfied with the draft budget. They asked a few questions but seem to better understand our budget as years go by.

Mr. Offret asked if contractual payments to Robin Thim, former owner of Metro Southwest, are included in projections of development fees. Mr. Land said the payments to Mr. Thim are factored out of revenue.

Mr. Land said the bottom line shows the District is a little over \$2 million stronger than last year, because of the debt refinancing and restructuring. Debt service is down \$500,000 and would have been \$500,000 higher, so that represents a \$1 million turnaround.

Mr. Offret said he would like to bring up an old issue, even though he realizes the District is managing its resources well. He agrees with keeping staff under 50 and he is pretty sure management is correct in consolidating positions so that some wear two hats; however, he would like to have a third party look into these job descriptions to make sure we have enough people to take care of everything and make sure the salaries are correct. With this kind of consolidation, the District ought to be certain it is handling positions correctly. Mr. Offret suggested a third party Human Resources expert be brought in, especially now that positions are being consolidated, to see if it is too much or too little for one person who is trying to put 2 or 3 caps on. He wants to make sure salaries are in line with differing responsibilities.

Mr. Stratton asked if Mr. Offret was thinking about doing this for just those positions identified, or a full comprehensive analysis. Mr. Offret said he was thinking of a comprehensive analysis of the entire organization but if costs are too high, we could at least look at the people we are trying to consolidate. It has been 10-12 years since Fox Lawson went through this process. Mr. Offret would like to keep an eye on it before this actual budget is approved. The District is undergoing a lot of changes, so he would like to see something like that done as a safeguard for the organization.

Mr. Foulk questioned how an outside group could come in and tell the District this job should pay little more or a little less. He does not want to see turnover here but wonders how such an assessment could be made by people unfamiliar with the District.

Mr. Stratton pointed out the District is a little different from other water providers in size and structure. The District is unique in that we cover all our operations under one roof, unlike a city or municipality that has centralized control. California has numerous water districts that operate like ours. Mr. Foulk said he is not sure he wants to compare with anything California is doing.

Mr. Tenney said the District looks at where the main competition is when looking to fill our positions. Other Southern Arizona providers' salaries are easy to compare. Mr. Stratton noted some positions in the water community are advertised statewide.

Mr. Offret said the analysis should not be based only on salary but also positions that have been split up or consolidated. They could look at our needs and see if the consolidation of duties will

cause problems. Mr. Offret said he does not think District management has the expertise in Human Resources to evaluate this.

Mr. Foulk said he has a hard time hiring another entity to look at our organization. He does not see how they could give a definitive opinion because of the uniqueness of the District. He understands that if someone is wearing two hats there should be a bump in salary but he is not sure about outside entities coming in when management has a better feel for what going on.

Mr. Tenney suggested staff could prepare a list of employees who have left and the reason they left, perhaps over the past 5 years, to show the District's turnover. Ms. Scrivener said she would be very interested in that type of information.

Ms. Scrivener had to leave at 6:29 p.m. so Mr. Offret took over leading the meeting.

Mr. Offret asked if the leased vehicles are included in the draft budget. Mr. Land said new vehicles are not listed as capital until they are here.

Mr. Stratton said he was asked by the FOC what he would cut if he had to. He would develop a list and show how much each cut would save the District but there are also intangibles to consider, such as how the District is impacted from an operational standpoint, from a customer service standpoint, and from a staff morale standpoint.

#### **IV. General Manager's Report**

Mr. Stratton said the District received the filing against the County today. He will forward the information to the Board. The AECOM dismissal claim will be heard around May 28<sup>th</sup>. AECOM asked the judge to dismiss the claim against them and our attorneys responded to that.

A few staff are attending the AZ Water conference in Glendale this week. Mr. Hill has done an outstanding job as the current President of the Association but will hand over the gavel. Next year, he will be in charge of the Annual Conference. Mr. Tenney is moderating a panel discussion on sustainability. Mr. Shepard is running a security track on Friday, as Chair of the AZ Warn committee. AZ Warn hopes to have 20 members by Thursday, so they can establish a board of directors and move in a clearer direction. Mr. Block is giving a presentation. Gary Burchard, Hydrogeologist, will attend too. Cindy Martinez, Engineering Administrative Assistant, handles registration.

Mr. Foulk said the District is doing a great job. He reads national reports about how states are running out of water but Arizona is not even mentioned. He thanked staff for their work and said we must be doing something right. Mr. Stratton said there are battles between basin states in which Arizona is accused of not doing enough in the areas of conservation and future planning.

The Director of Arizona Department of Water Resources (ADWR) is not happy with the accusations because the Arizona water community is leading the nation. Many other states are trying to catch up to Arizona.

**V. Adjournment**

The meeting adjourned at 6:37 p.m.

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Judy Scrivener, Chair of the Board

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Warren Tenney, Clerk of the Board