

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

**October 10, 2012**

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

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

**MINUTES**

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

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

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

**Regular Session**

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

Bryan Foulk, Chair of the Board of Directors of the Metropolitan Domestic Water Improvement District (District), called the Board Meeting to order at 6:00 p.m. Bryan Foulk, Dan M. Offret, and Judy Scrivener were present. Richard Byrd and Jim Doyle were not present.

**II. General Comments from the Public**

There were no comments by the public.

**III. Consent Agenda**

- A. Approval of Minutes – September 10, 2012 Board Meeting.**
- B. Ratification of Billing Adjustments.**
- C. Ratification of Amended Contract for Collection of Sewer User Fees.**

Ms. Scrivener made a motion to approve the Consent Agenda items A and B. Mr. Offret seconded the motion.

Ms. Scrivener asked about a particularly large adjustment on Avenida de Carlota. Mr. Land explained the customer had a major leak while out of town. He noted that fixed network metering is capable of stopping issues like this one.

Motion passed unanimously.

Mr. Offret made a motion to approve Consent Agenda item C. Ms. Scrivener said she would abstain. Mr. Foulk seconded the motion.

Mr. Offret said he read the District would provide no more than two computers to the County but Exhibit A was revised to read four licenses. Mr. Land said it will be adjusted before it is signed to state two licenses. The County will send back the corrected version.

Motion passed with two votes. Ms. Scrivener abstained.

#### **IV. General Business - Items for Discussion and Possible Action**

##### **A. Monthly Status of the District.**

Mr. Hill said Metro Main was still pumping less than the previous year in September. The year to date figures are also short compared to the year before. On a positive note, Metro Hub and Metro Southwest pumped a little more this month than a year ago. The District's CAP order is complete for the year 2013. RTA related and capital projects continue. Magee Phase 2 from Shannon to Thornydale and the Shannon Road transmission main are scheduled to be complete by December 2012. The work along La Canada near the office should be complete towards the end of October. Well improvements at Riverside Well, Fruchthendler Well and Old Magee Trail Well are in various stages.

Mr. Offret asked about the status of the effluent recharge pipeline. Mike Block, District Hydrologist, said all interested parties will meet next week. He estimated it would be quite a long process. Mr. Maish noted the District has not identified how finance the construction.

Mr. Offret asked about the hydrant repair at Northern Hills and Grande, which does not appear to be complete. Mr. Hill said sometimes the construction processes are delayed. Mr. Maish said the installation was scheduled last week but for some reason it did not get done.

**B. Financial Report.**

Mr. Land said revenues and expenditures compared to budget for the first two months of the fiscal year are running \$200,000 over budget. Water sales are down by \$232,000 for this two month period. Operating expenses are over budget by \$281,000 on a straight line basis, in part because there were three payrolls in August and the CAP prepayment was due in August for September. Revenues in excess of operating expenditures are behind last year by \$679,000 for these two months. Water sales were still declining in September. There was one metered application this month and four to date, compared with a total of nine last year. The solar system is running ahead of last year.

Mr. Offret read in a previous status report that many projects were anticipated to be completed in December. He asked if there had been any planning for staff reductions after the capital improvement projects are complete. Mr. Hill confirmed that Mr. Stratton is planning and communicating with affected staff, which includes three individuals. Mr. Hill is relatively certain that when the projects are complete and there is no more capital funding, those positions will go away. Mr. Offret asked if a timeline is known. Mr. Maish said the remaining projects are anticipated to be complete at the end of fiscal year, June 2013. The last two projects, Hub Well and Riverside well, have approximately a six month construction period.

**C. Fiscal Year 2011-2012 Audit.**

Mr. Land said staff did have a management discussion and the analysis of that appears on the first 6 pages of the draft audit. A net income of \$4.3 million income sounds impressive but less so when one considers the District paid out \$3.5 million in payments on municipal bonds. Staff worked with the auditors to better identify sick leave payout since the policy changed May 29<sup>th</sup>. Mr. Foulk asked if the auditors have been easier or more difficult to work with since their merger. Mr. Land said the merger slowed down the process a little bit but the next contract will go out for competitive bid.

Mr. Offret asked about the depreciation schedule for meters. They are being depreciated in the 25-30 year bracket but it seems to him they might be better off in a lower bracket. Mr. Land said he would speak to the auditors about changing that for next year.

Mr. Offret made a motion to accept the fiscal year 2011-2012 audit. Ms. Scrivener seconded the motion. Motion passed unanimously.

**D. Renewal of Insurance Company for Property, Automobile, Commercial General & Professional Liability Coverage and Excess/Umbrella Liability Coverage.**

Ms. Scrivener made a motion to approve the renewal of Glatfelter Public Practice as our insurance company for Property, Automobile, Commercial General & Commercial Liability and Excess/Umbrella Liability coverage for the period of October 1, 2012 through September 30, 2013. Mr. Offret seconded the motion.

Mr. Offret asked how long the Northeast Booster Station incident will impact insurance rates. Mr. Land said the claim will be recognized through next year and then the District should be able to possibly reduce the liability. Insurance will be bid through the competitive process next time.

Motion passed unanimously.

**E. Vacancy on the Finance Oversight Committee.**

Mr. Tenney said Clare Strom had resigned for personal matters. Staff has a letter for the Chairman to sign thanking her for her service and will also send a few things from the 20<sup>th</sup> anniversary to her. This leaves the FOC with seven participating members. When established, no set number of members was required for the Committee. Staff is recommending the FOC continue as is with the current membership and if a customer expresses interest, the matter could be brought to the Board. Nobody has expressed interest at this time. The Board agreed with the recommendation to leave the FOC as is.

**F. Status of Public Hearing for Proposed Rate Structure Adjustment.**

Mr. Tenney said the District has met all notification requirements for the upcoming rate hearing. Customers are currently receiving an insert explaining what is proposed. As had been requested by Director Offret, the agenda was set up such that each aspect of the proposed rate increase could be discussed and acted upon separately. The rate hearing will be held on October 22, 2012 at 6:00 p.m.

Ms. Scrivener noted the FOC had a wonderful discussion on the rates. Mr. Foulk said three FOC members attended 20<sup>th</sup> anniversary events and he personally thanked them for their work on the Committee. Mr. Tenney said the FOC will meet next Monday and he will report their positions.

Mr. Land said there have been very few comments from customers about the insert. Most inquiries have been from customers who did not realize they were in a tiered structure and were curious about which tier they are currently in.

**G. Analysis of Employee Benefits.**

Mr. Tenney said the analysis provides an overview of the benefits provided to employees. This year close to \$960,000 is budgeted for benefits and of those the largest categories are health

insurance and the Arizona State Retirement System (ASRS) contributions the District makes. The District matches the ASRS contributions employees pay. The District pays more as ASRS costs go up and as salaries increase. Table 4 shows how staff benefits have changed over the past 10 fiscal years, with the biggest factors being increases in insurance costs and ASRS contributions. Medical insurance costs are expected to continue to rise and \$380,000 is budgeted for this fiscal year. That figure includes a projected 10% increase but it is possible that 10% will not cover all the increases. The District has made many efforts to minimize the impact of increases by changing providers, adjusting the packages and negotiating with providers. Staff has been paying a relatively stable premium for the last six years. Comparing with other public entities' benefits, one noticeable difference is the District utilizes Blue Cross Blue Shield of Arizona which is a top of the line provider. Mr. Tenney said with the District's current financial status and knowing insurance costs are going up, it will be important to reduce the medical insurance impact to the budget. There is a lot of uncertainty but we will have a better understanding in a couple of months when costs come from the insurance broker. The District will need to primarily address this as a budgetary issue in order to stay within the amount budgeted.

Mr. Foulk asked about the health insurance comparison with Pima County. Ms. Scrivener explained Pima County contracts with United and the amount contributed for family coverage varies based on which program the employee chooses. Ms. Morelli confirmed the Pima County tiered structure has one premium but several levels of costs.

Mr. Offret said he liked the graphs and they reflect the District's benefits very well. He pointed out that comparisons with other entities are not the same in terms of things like budget size and number of employees. Another statistic he thought was helpful was the percentage of benefit costs with total costs and he would like to see those numbers compared with other entities. Mr. Tenney thanked him for the good suggestions. He said the main reason comparisons are done with entities like Pima County, Oro Valley, and Tucson is because those are the entities the staff pool would be shared with.

Mr. Offret asked if employees can belong to ASRS and also participate in the deferred compensation plan. Ms. Morelli said yes. The ASRS deductions are mandatory but the deferred compensation plans are voluntary. The District offers 457B plans through two different companies as an option.

Mr. Tenney said the District is not currently funding merit awards. Staff did have a pay supplement, or a cost of living allowance (COLA), last year, and a COLA is in this year's budget. There have been no layoffs or furloughs.

Mr. Offret asked about the structure of performance appraisals. Ms. Morelli said the District changed performance appraisals to a conversational planning map. Appraisals have been simplified but still include goals and objectives. The manager and employee sit down and fill out the form together three times a year. A team conversation is also encouraged to set team goals. Mr. Offret asked if there are ramifications if employees do not succeed. Ms. Morelli said management will have the first follow-up conversations in May.

Mr. Tenney said the District offers one more administrative holiday that most other entities do not have on the day after Thanksgiving. He explained vacation leave and sick leave, including payout policies.

The District's professional growth program is unique in the region though the District has not funded it since 2009. Existing monies are still available to those employees who had accumulated funds prior to that. Mr. Offret said he would like to revisit professional growth again in the future. He remembered when the program was initiated, it was seen as a way of spreading budgeted funds for educational opportunities and conferences over all employees, rather than a few.

Mr. Tenney explained the Employee Assistance Program (EAP). Almost all entities have this type of benefit and it has such a minimal cost it did not show up on the graph. Mr. Offret said he was supportive of the program. Ms. Scrivener asked if the provider was local. Ms. Morelli explained the initial phone interview is connected out of state but all of the referrals are providers in Tucson. The program is well used.

Mr. Tenney said Longevity Pay is a relatively new benefit. The Board discussed it a couple of months ago. The annual budgeted amount fluctuates according to how many employees are having anniversaries. The program is unique; staff was unable to find anyone else offering this benefit. Life insurance of \$50,000 is provided for staff with the option to add to the policy. Also provided are uniform reimbursements and safety shoes for employees who work in the field. The District also provides flexible schedules when the position allows and there are currently 19 employees on a flex schedule.

Mr. Foulk thanked staff for a very thorough report.

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

Mr. Hill said that Mr. Tenney was recently given an award for outstanding achievement by the Nature Conservancy. Mr. Hill mentioned a few leaks in the roof of the warehouse are being dealt with but were unbudgeted.

**VI. Legal Counsel's Report**

Ms. Goncharsky said legal counsel had been working on a contract review regarding effluent with Omni Tucson National. The Attorney General's office dismissed both open meeting complaints. ADOSH continues its investigation.

**VII. Future Meeting Dates; Future Agenda Items.**

Mr. Tenney said there will be a Rate Hearing on Monday, October 22, 2012 at 6:00 p.m. The next regularly scheduled session of the Board of Directors will be held on Wednesday, November 14, 2012 due to Veterans Day.

**VIII. General Comments from the Public.**

There were no comments by the public.

**IX. Adjournment.**

The meeting adjourned at 6:50 p.m.

---

Bryan Foulk, Chair of the Board

---

Warren Tenney, Clerk of the Board