

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

November 13, 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
Richard Byrd, Member
Jim Doyle, Member
Bryan Foulk, Member

District Staff: Mark R. Stratton, General Manager
Michael Land, Chief Financial Officer
Charlie Maish, District Engineer
Tullie Noltin, Recorder
John Iurino, Legal Counsel

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 5:00 p.m. Richard Byrd, Jim Doyle, and Judy Scrivener were present.

Executive Session pursuant to A.R.S. § 38-431.03.A.3, (consult with attorneys for the District); and 38-431.03.A.4 (consider the District's position and instructs its attorneys) regarding the following:

- A. Claim against Pima County and AECOM regarding Magee Road Phase I Waterline Relocation Project.

Mr. Byrd made a motion to adjourn into Executive Session. Mr. Doyle seconded the motion. Motion passed unanimously.

Executive Session concluded at approximately 5:25 p.m.

Regular 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 6:00 p.m. Richard Byrd, Jim Doyle, Bryan Foulk, Dan M. Offret, and Judy Scrivener were present.

II. General Comments from the Public

Ruppenthal here in case need...

III. Consent Agenda

- A. Approval of Minutes – October 16, 2013 Board Meeting.**
- B. Approval of Minutes – October 28, 2013 Special Board Meeting.**
- C. Ratification of Billing Adjustments.**
- D. Ratification of Bill of Sale – Riverview Commons, Lots 1-101.**

Mr. Offret made a motion to approve the Consent Agenda. Mr. Byrd seconded the motion.

Mr. Offret noted that Riverview Common lots are not master metered, so the District will not have the problems it has had with multi-family users in the past. Mr. Maish said every unit is metered for water consumption.

Motion passed unanimously.

IV. General Business - Items for Discussion and Possible Action

A. Monthly Status of the District.

Mr. Stratton said for second month this fiscal year, customers consumed more water than they did last year. August was a large month and October is slightly above normal. Staff will continue to monitor consumption and it would be nice to see an upward change in the trend. The arsenic treatment vessels were changed out at Lazy B. The new system for arsenic, when completed, will result in significant operation and maintenance costs. Mr. Offret asked how many connections are at Lazy B. Steve Shepard, Utility Superintendent, replied there are about 32 connections. Mr. Stratton said the South Shannon GAC change out was done at the end of October.

Mr. Stratton reported the Cortaro-Marana Irrigation District (CMID) effluent pipeline analysis determined that Arizona Department of Transportation (ADOT) excavation for installation of a sign did puncture the pipeline. Repairs will be done on that portion to unblock the flow. Next on the schedule, is enticing CMID and Pima County to connect to Ina Road facilities. District staff hopes to facilitate those discussions.

Initial operation of Riverside Well has resulted in a lot of entrained air. Staff is currently running the well at 300 gallons per minute and gradually increasing the production capacity, as they evaluate. Most improvements have been completed. The Hub Well #1A is delayed due to the electrical work. Staff is getting contract documents ready for the Freer/Camino del Sur waterline.

Mr. Offret asked Mr. Block about the additional bore holes being drilled at Avra Valley Recharge Project (AVRP). Mr. Block said 24 boring holes were completed today. The District did not get the same outstanding price we did the previous time; the bid this time was around \$12,000 with some contingency, so the final cost was essentially twice the initial work, around \$16,000 to \$18,000. The definitive costs will be known by the next meeting.

B. Financial Report.

Mr. Land said the first quarter revenues through September are over budget by \$748,000, mostly due to water sales. Operating expenditures are \$16,000 over budget to date, primarily in CAP water purchased and purchased power. All expenditure categories are exceeding the same point last year except salaries and benefits, which are under budget by \$48,000. Budgeted revenue in excess of operating expenditures are favorable compared to budget by \$731,000. The majority of overage is related to legal fees on the Pima County issue. Capital improvement projects are winding down and are 100% and 91% funded. It has been a banner month for meter installations in October, with a total of 32. This is the highest number since July 2008 and attributable to growth in the Metro Southwest service area. The solar array is running positive.

C. Fiscal Year 2012-2013 Audit.

Mr. Foulk moved to approve the audited Financial Statements of the District for Fiscal Year 2012-2013 as presented, with the understanding that minor changes may be made before the statements are issued. Mr. Offret seconded the motion.

Mr. Offret asked if as soon as the final documents are issued, the audit would be put online. Mr. Land said yes. The delay was due to the differing refinancing confirmation dates. There were no problems but a single audit was necessary because of the use of WIFA monies. Mr. Offret asked if the single audit added to the price and Mr. Land confirmed.

Motion passed unanimously.

D. Appointment to the Finance Oversight Committee.

Mr. Offret made a motion to appoint Tom Ruppenthal to the Finance Oversight Committee. Mr. Byrd seconded the motion.

Mr. Offret commented that the FOC is accumulating quite a bit of expertise. He was impressed with Mr. Ruppenthal's credentials and thanked him. Mr. Ruppenthal said he has served on boards before and understands the funding. He is a licensed water operator and feels he can bring some knowledge to the table. Mr. Stratton noted Mr. Ruppenthal lives in the Metro Hub service area and Jim Stevenson previously said he would be stepping down if the District found another representative from the Metro Hub service area. Staff will include another vacancy announcement in the next newsletter.

Motion passed unanimously.

E. Employee Medical Insurance Coverage.

Mr. Stratton said staff was quite pleased with the outcome of the proposals based on moving to a December 1, 2013 renewal date, as opposed to January 1, 2014. The recommended proposal is a reduced cost from this fiscal year with minimal increases to employees. The proposed HSA option includes a 90%-10% split but the current HSA is 100%. The recommendation includes an incentive for employees to move to the HSA because the District's costs for HSA participants are better versus the PPO.

Mr. Stratton introduced Jay Heydt of Crest Insurance. Mr. Heydt explained the reduced rate has to do with avoiding the way 2014 rates are structured under the Affordable Care Act (ACA). In the past, the composite rate offered to employees was the same regardless of age or gender. The ACA in 2014 bases the rate structure on specific ages. There are substantial fees associated with the ACA that add quite a bit to the premium as well. He was not shocked to see the District received a 34% rate increase for renewing January 2014. Many organizations are looking at renewing their current plan or changing to a new carrier. Renewing on December 1st preserves the community rates. If nothing changes with the ACA, rates will go up in 2014. There is movement in the marketplace and substantial changes are expected. Some are favoring small networks and paring down the number of hospitals and doctors available, which does lower the price. Changes will occur in 2014 but changing the renewal date puts off the inevitable for 12 months and gives everyone a chance to form strategies as we observe the marketplace.

Mr. Foulk said his company switched in September for the same reasons. He agrees with seeing how the ACA will affect things. Many will see substantial increases. A lot of positive can

happen as more people are proactive and as the next year passes, it puts pressure on the national front to change, modify, or delete the ACA. He agrees with this strategy. It is positive to buy some time. Next year, the District will be spending a lot more money. Mr. Heydt agreed. Mr. Foulk said he really likes the idea of setting aside the difference in cost of insurance in the budget. If positive things happen, staff can move that money forward, but he thinks we will see substantial increases next year. Currently, working young people are not signing up and opting to pay the penalty. With not enough younger people paying in, the prices are more increased. Mr. Foulk said we could be seeing more than 100% increases. Mr. Heydt confirmed, 20% of people use 80% of the expenses, so if the high users are the only ones enrolling, costs rise.

Mr. Stratton said a meeting has been scheduled with staff to go over the changes in plans and switching to United Healthcare. There is a short window before December 1st. Mr. Heydt said United Healthcare is excellent, so employees are not losing anything.

Mr. Foulk made a motion to approve Crest Insurance to administer a contract for employee medical insurance with United Healthcare for \$312,616 on the District's behalf for the 2014 calendar year per Option #3 as presented. The General Manager is also directed to implement the employee deductions and HSA contributions as identified in the attached table. Mr. Offret seconded the motion. Motion passed unanimously.

F. Update by the United States Geological Survey on the Lower Cañada Del Oro Basin Aquifer Storage Monitoring Project.

Mr. Rob Carruth gave a presentation on the status of the project.

G. Annexation of Property into the District's Legal Boundaries.

1. Resolution 2013-9 – Annex Property within the general vicinity of the southwest corner of Linda Vista Boulevard and Thornydale Road known as the Unocal Linda Vista area into the District's Legal Boundaries.

Mr. Foulk made a motion to adopt and approve resolution 2013-9, which would annex the area known as Unocal Linda Vista at the northwest Metro-Main boundary into the District's legal boundaries. Mr. Offret seconded the motion. Motion passed unanimously.

2. Resolution 2013-10 - Annex Property within the general vicinity of the northwest corner of Cortaro Road and Thornydale Road known as the Hillcrest area into the District's Legal Boundaries.

Mr. Offret made a motion to adopt and approve resolution 2013-10, which would annex the area known as Hillcrest at the northwest Metro-Main boundary into the District's legal boundaries. Mr. Byrd seconded the motion. Motion passed unanimously.

3. Resolution 2013-11 - Annex Property within the general vicinity of the northwest corner of Magee Road and Thornydale Road known as the Mandarin area into the District's Legal Boundaries.

Mr. Offret made a motion to adopt and approve resolution 2013-11, which would annex the area known as Mandarin at the northwest Metro-Main boundary into the District's legal boundaries. Mr. Foulk seconded the motion. Motion passed unanimously.

Mr. Offret said it is great that the District is doing these annexations. New meter applications increase revenue so he hopes the builders will build soon.

V. General Manager's Report.

Mr. Stratton said the staff Thanksgiving luncheon will be held on Tuesday, November 26, 2013, at noon. Board members are welcome. The Colorado River Water Users Association (CRWUA) will be held in Las Vegas in December. Next Thursday, Mr. Stratton is set to speak at the La Cañada Magee Neighborhood Association meeting.

VI. Legal Counsel's Report

Mr. Iurino said nothing further to add.

VII. Future Meeting Dates; Future Agenda Items.

The next Board meeting will be held on Monday, December 9, 2013.

VIII. General Comments from the Public.

There were no comments by the public.

IX. Adjournment.

The meeting adjourned at 6:53 p.m.

Judy Scrivener, Chair of the Board

Warren Tenney, Clerk of the Board