

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

June 11, 2012

**** Board Room ****

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

MINUTES

Board Members Present: Bryan Foulk, Chair
Jim Doyle, Member
Judy Scrivener, Member

Board Members Not Present: Dan M. Offret, Vice-Chair
Richard Byrd, Member

District Staff: Christopher W. Hill, Deputy General Manager
Michael Land, Chief Financial Officer
Charlie Maish, District Engineer
Michael McNulty, Legal Counsel
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, Jim Doyle and Judy Scrivener were present. Dan M. Offret and Richard Byrd were not present.

II. General Comments from the Public

There were no comments from the public.

III. Consent Agenda

- A. Approval of Minutes – May 14, 2012 Board Meeting.**
- B. Approval of Minutes – May 29, 2012 Board Meeting.**
- C. Ratification of Billing Adjustments.**

- D. Approval of Water Service Agreement – Sunset Mesa, Lots 1-25.**
- E. Amendments to Miscellaneous Water Resources Consulting Services Contracts.**
- F. Approval of Amendment No. 3 to the 2009-2012 Well Maintenance Contract with Gilbert Pump and Equipment.**
- G. Approval of Amendment No. 1 for the Analytical Laboratory Services Contract for Radiochemical Analyses.**
- H. Approval of Amendment No. 1 for the Analytical Laboratory Services Contract for Inorganic Chemical Analyses.**
- I. Approval of Amendment No. 1 for the Analytical Laboratory Services Contract for Synthetic Organic Analyses.**
- J. Approval of Amendment No. 1 for the Analytical Laboratory Services Contract for Volatile Organic Chemicals, Total Trihalomethanes & Haloacetic Acid Chemical Analyses.**

Ms. Scrivener made a motion to approve the Consent Agenda as presented. Mr. Doyle seconded the motion. Motion passed unanimously.

IV. General Business - Items for Discussion and Possible Action

A. Monthly Status of the District.

Mr. Hill said year-to-date figures for gallons consumed had been added to the Monthly Status. Staff felt this comparison would equal-out better over time and would be helpful in seeing how the revenue stream would be affected each month. Metro Main pumped less water in May but Metro Hub and Metro Southwest each pumped more. Construction activities continue. The amount of reimbursement for South Shannon increased by almost \$34,500 for calendar year 2012 due to Utility Staff's steps to increase well production. As a result, 249 acre-feet of CAP recharge credits could be used in the future rather than having to replenish that pumpage. Savings in 2013 could be almost \$47,000.

B. Financial Report.

Mr. Land said revenues compared to budget are down \$743,000 under budget as of April and declining water sales account for \$741,000 of that. Operating expenditures are under by \$293,000, bringing the net effect to nearly \$450,000 behind budget through April. It is hoped that some of that can be made up in May and June. Compared to last year, revenues are \$733,000 behind. Operating expenditures are \$231,000 below the prior year. Revenues in excess of operating expenditures are \$452,000 behind last year.

Mr. Land noted a correction to the bottom of the CIP section: Total expenditures to date for bonds on RTA projects should be \$4,679,086 instead of \$6,610,524. The corresponding percentage is correct.

Metro Southwest had one meter application, the first one of the year there. Total meter applications are 27 behind last year, with only 25 through May. Solar electricity will be picking up over the summer months and is running at a net positive.

The annual audit will be starting in August. Mr. Land received an engagement letter to be brought before the Board. Staff had discussed staying with recently-merged Clifton Gunderson one more year before going out for competitive pricing next year.

C. Resolution 2012-3 – Authorization of a Deferred Compensation Plan as an Employee Benefit.

Mr. Hill said the District has had trouble reaching Nationwide.

Billie Sue Morelli, Human Resources Specialist, said the District currently has a deferred compensation program through Nationwide. In the past, customer service was provided on site to District employees. Recently, Nationwide experienced a few changes and will be getting rid of some funds, which has disappointed some staff. Ms. Morelli talked to CBIZ and they can offer another 457(b) for anyone who wants to start one or transfer from their Nationwide plan. If approved, the District would carry dual plans and current staff would have the option to stay with Nationwide or go with CBIZ. New hires would only be offered the CBIZ plan. There would be no costs to the District or for staff who wish to transfer. CBIZ is available to hold group meetings with staff.

Mike Block, residing at 5232 E. Holmes Street, spoke in favor of the resolution. He currently has Nationwide but recently suspended contributions. If the resolution passes, he could resume with the flexibility to use the new program if he finds it to be more advantageous. The new system may also be easier to manage for those who are not investment oriented. He feels staff could benefit from the option.

Ms. Scrivener made a motion to adopt and approve Resolution 2012-3 to authorize a deferred compensation plan as a benefit for employees. Mr. Doyle seconded the motion. Motion passed unanimously.

D. Possible Disposition of the Ina/La Canada Drive Well Site.

Mr. Hill said Mr. Zagorsky, a customer of the District, proposed a property exchange for this property. After reviewing the proposal with Legal Counsel, it was decided the proposal is

problematic. Staff is recommending an appraisal for the property and the property can be put up for public auction if the Board so chooses.

Ms. Scrivener made a motion to direct staff to have an appraisal completed for the Ina/La Canada well site located at 7180 N. La Canada Drive. Mr. Doyle seconded the motion. Motion passed unanimously.

E. Longevity Pay Policy.

Mr. Hill said Mr. Offret sent correspondence indicating his opinion on longevity pay. He shared several suggested options with the Board and staff. Staff awaits Board direction, if any.

Mr. Foulk asked if the longevity pay policy had been suspended. Mr. Tenney said it had not. The policy was instituted in 2008. Mr. Offret had requested information about the longevity pay policy's impact on the budget and then he developed three options for modifying the policy, which was forwarded to the full Board.

Mr. Doyle made a motion to leave the longevity pay policy as is. Ms. Scrivener seconded the motion.

Randy Collyer, who resides at 3435 E. Bellevue, said the Board changed the sick leave pay policy a couple of weeks ago and staff swallowed that. He feels changing longevity pay is picking on seniority. Management had a discussion with staff that morning and tried to stress that customers could see longevity pay as wasteful. Mr. Collyer disagrees. When customers drive up, they see the new parking lot and the solar panels and they ask about those things. Mr. Collyer tries to be positive about the image of the District. He does not want merit raises to come back because he saw favoritism when merits were given in the past. He is in favor of COLAs. When he worked at the gas company, employees were topped out on salary and then were given COLAs every year.

Mr. Foulk said the Board could do a better job of conveying the facts about the solar array. He urged Mr. Collyer to respond to questions about the array with information about how it helps the District generate positive funds. This has been written about in the newsletter.

Mr. Foulk said the District sick payout policy was three times better than every other municipality in the state. He had concerns that when ratepayers heard that staff enjoyed a policy 300% better than all others across the state, when many of them have not had raises for years, they would find that out of line. That one liability has the potential to cause huge challenges financially. Mr. Foulk said the Board has taken these decisions one step at time. Employees with sick pay already banked have a tremendous benefit that was not taken away. Even after the changes to the sick leave payout policy, staff still has it much better than any other group in the

state of Arizona. Mr. Collyer clarified that employees realized that, and that was why there had not been a lot of complaining about changing it.

Steve Glowacka, who resides at 1220 N. Arbor Circle, urged the Board to give customers more credit. He said customers know longevity pay is not impacting rates or having a negative impact on the budget. There are a lot of other things with far more demonstrable effects. He spoke in favor of the existing longevity pay policy, which he feels staff has worked for and earned. He realizes the Board's job is not easy, as they are fighting both ends.

Amadeo Villanueva, who resides at 951 W. Orange Grove, said he had been with the District 12 years. He asked the Board to consider what message they are sending if they change longevity pay. There have been no merits and no COLAs for three years. The incentive program and growth development funds have been taken away, and sick leave payout reduced. He asked why the District is attacking the employees. He suggested maybe the District needs to manage its funds better. When he first started, the message he heard was that the District wanted to keep its employees but now the message is that the door is open, and staff can go if they want.

Mr. Land noted that the District has not had any furlough days, layoffs or decreases in salaries. Mr. Land said the Board did grant staff \$1,400 apiece last year, which was better than a 4% increase for some employees.

Mr. Doyle mentioned the County recently had its first layoffs in 35 years.

Mr. Foulk said his wife had endured annual pay cuts for the last 4 years as a state employee. The District is working with a budget that is \$700,000 less due to dropping water sales, through no fault of its own. People are not using water and the economy is bad everywhere. Nearly everyone has gone without raises or has suffered pay cuts or worse in the past 5 years. This is the reality of America at this time and the District is a drop in the bucket. The Board has stopped buying capital items and cut supplies by 22%. The District is shrinking back but the District has not been shrinking back staff. The Board put the brakes on COLAs but staff is still employed and the Board has been adamant about keeping employees at the pay level they are with good benefits. The roadway improvements have required many relocations and funds have been diverted to pay for those things. Mr. Foulk thinks the District has done a good job, much better than the average municipality. Ratepayers get angry when they see the bills go up, and they do not always understand that the wastewater is also going up. The Board is looking at two separate types of rate increases, just to keep the budget where it is at. The sick leave payout policy would not be stomached well by ratepayers and Mr. Foulk himself is one of them. He does not want the room filled with ratepayers asking why staff gets something they did not get.

Mr. Glowacka said staff has heard a lot about working as a team. He suggested that management and the Board solicit money-saving tips from the employees. Staff would feel they are contributing on a positive note and may have very good ideas about how to save money. Mr. Foulk said his suggestion could be brought up at a future Board meeting. Ms. Scrivener said she liked the idea. Sometimes employees at the ground level see more ways to save, and while it may not be huge savings, it could still be suggested. Mr. Hill said opportunities exist to communicate ideas and it does not need to be a formal process. As an example of staff currently sharing cost-saving ideas, he said the gem car was identified as needing more battery power and the meter readers would be able to put it to good use after modifications. Ms. Scrivener asked that Mr. Hill put together some parameters and information regarding this idea.

Mr. Foulk read Mr. Offret's letter with his three longevity pay alternatives.

Motion passed unanimously.

F. Adoption and Approval of fiscal Year 2012-2013 Budget.

Mr. Tenney said staff had been working on the draft budget for a long time. The year-end balance is much lower than it has been in years past. The FOC did make a recommendation to pass onto the Board with the context that the year-end balance should be closer to historical levels. The FOC recommendation stated, "The FOC recommends that the Board of Directors consider generating revenue by increasing the base rate to cover more of the total operating budget, implement a fee for renewable supplies, give a cost of living allowance to staff, look at alternative outside funding sources for capital improvements, and better educate customers about wastewater charges being separate from water charges". The Fall 2011 newsletter did run a large article explaining the difference between the water and wastewater charges on customer bills. Included in the report was the Board's requested information regarding sick leave payouts under the new policy. There is now a line item in the budget for the sick and vacation payout contingency fund.

Ms. Scrivener made a motion to adopt the Metro Water District operating budget for the 2012-2013 fiscal year as presented with the total disbursements not to exceed the budgeted amount of \$17,781,874. Mr. Doyle seconded the motion.

Mr. Foulk asked if the rate hearing would be in October. Mr. Tenney said rate hearings have traditionally been held in October, with effective date in November. The Board can set rate hearings whenever they decide.

Motion passed unanimously.

G. Contract Award for Miscellaneous Design Services.

Ms. Scrivener made a motion to award the Miscellaneous Design Services Contract to Engineering and Environmental Consultants, Inc. for a not-to-exceed amount of \$100,000.00 and a contract completion date of June 30, 2013. Mr. Doyle seconded the motion. Motion passed unanimously.

H. Contract Award for Miscellaneous Survey Services.

Ms. Scrivener made a motion to award the Miscellaneous Survey Services Contract to Stantec Consulting Services, Inc. for a not-to-exceed amount of \$100,000.00 and a contract completion date of June 30, 2013. Mr. Doyle seconded the motion. Motion passed unanimously.

I. Contract Award for Miscellaneous Geotechnical & Material Testing Services.

Ms. Scrivener made a motion to award the Miscellaneous Geotechnical & Material Testing Services Contract to Western Technologies, Inc. for a not-to-exceed amount of \$50,000.00 and a contract completion date of June 30, 2013. Mr. Doyle seconded the motion. Motion passed unanimously.

Ms. Scrivener asked about the 71% increase in costs for the original firm. Mr. Maish explained the firms provided their criteria and rankings and the District contacted the highest ranking firm. The actual costs were then provided by the firm and when staff saw the amount was much higher, the second highest firm was contacted.

J. Approval of Bids for GAC Replacement at South Shannon.

Ms. Scrivener made a motion to approve the bids submitted for the GAC replacement and direct staff to pursue a Job Order Agreement with the lowest responsible bidder as the first choice and authorize the Chairman to sign the agreement as approved by Legal Counsel. If for any reason the lowest responsible bidder should be unable to perform the work then staff is directed to pursue an agreement with the next bidder. She also moved to authorize the General Manager to approve each carbon change out as needed. Mr. Doyle seconded the motion. Motion passed unanimously.

K. Approval of Miscellaneous Annual Services and Materials Quotes for the Utility Division.

Ms. Scrivener made a motion to approve the annual quotes for barricade rental, chlorine, aggregate, asphalt patching, pump and motor repairs, and analytical services for coliform from the corresponding low bids per items as presented by staff, and direct staff to use another appropriate bidder for a particular service or material if performance or quality of a service of the low bidder does not meet the District's needs. Mr. Doyle seconded the motion.

Mr. Foulk asked why there are so many “no-bids”. Mr. Hill explained obtaining annual quotes is the same every year. Staff does not typically ask why bids are not submitted but his best guess is that some vendors feel the process is not very competitive, so they choose not to bid. Sometimes three bids will be solicited but only one bid will come back.

Motion passed unanimously.

V. General Manager’s Report

Mr. Hill said there was no General Manager’s report. He appreciates the efforts the Board made on behalf of staff. The Board’s attention to staff’s performance was reflected in their decisions.

VI. Legal Counsel’s Report

Mr. McNulty said he had nothing to report.

VII. Future Meeting Dates; Future Agenda Items.

Mr. Tenney said the next regularly scheduled session of the Board of Directors will be held on July 9, 2012.

VIII. General Comments from the Public.

There were no comments from the public.

IX. Adjournment.

The meeting adjourned at 6:49 p.m.

Bryan Foulk, Chair of the Board

Warren Tenney, Clerk of the Board