

**METROPOLITAN DOMESTIC WATER IMPROVEMENT DISTRICT  
FINANCE OVERSIGHT COMMITTEE**

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

**October 15, 2012**

**MINUTES**

Committee Members Present: Jeffrey Ratje, Chair  
Sheila Bowen, Member  
Reb Guillot, Member  
Lee Mayes, Member  
Jim Stevenson, Member

Committee Members Not Present: Bernie Wiegandt, Vice Chair  
Tim Thomure, Member

Board Members Present: Dan M. Offret, Board Vice Chair

District Staff Present: Mark R. Stratton, General Manager  
Christopher W. Hill, Deputy General Manager  
Mike Land, Chief Financial Officer  
Charlie Maish, District Engineer  
Tullie Noltin, Recorder  
Warren Tenney, Assistant General Manager

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

Mr. Ratje called the Metropolitan Domestic Water Improvement District Finance Oversight Committee (Committee, FOC) meeting to order at 4:00 p.m. Mr. Ratje, Ms. Bowen, Mr. Guillot, Mr. Mayes and Mr. Stevenson were present. Mr. Wiegandt and Mr. Thomure were not present.

**II. Approval of Minutes – September 17, 2012.**

Mr. Ratje made a motion to approve the September 17, 2012 Minutes. Ms. Bowen seconded the motion. Motion passed unanimously.

**III. Status of Capital Improvement Projects and County Road Projects.**

Mr. Maish said active construction on La Canada Drive from Ina Road to River Road is winding down. Magee Phase 2 from Shannon Road to Thornydale Road is continuing and the contractor is almost to the CDO wash bridge. Relocations at the river crossing are a major task. Old Magee

Trail Well work is ongoing and should be complete by the end of the year. In September, the District awarded the Orange Grove Road and Magee Phase 3 projects, combining the two. Currently out to bid is the Riverside Well transmission line. Approval was recently received for work on Oracle Road and work is anticipated to start February 2013. Riverside Well and Hub Well improvements will wait until inspection staff is available to oversee the work full time. Water Infrastructure Finance Authority of Arizona (WIFA) loan approval is expected in December.

Mr. Ratje asked if WIFA operates in the same fiscal year as the State or on a calendar year. Mr. Land said they go by the state schedule and must have everything by October 26<sup>th</sup> to make their December board meeting. Mr. Ratje asked if once awarded, the District would be immediately obligated to begin repayment of funds and Mr. Land confirmed. The District is asking for a \$400,000 loan award and once approved, funds will be available by request.

#### **IV. Proposed Rate Adjustment and Scheduled Public Hearing**

Mr. Tenney gave an update on the Board's discussion of Clare Strom's resignation from the FOC. The Board felt it was alright to leave the FOC at seven members. There is no specified number of members for the FOC. If a customer steps forward with an interest in the FOC, it will be brought to the Board to consider.

A Rate Hearing has been scheduled for October 22<sup>nd</sup> at 6:00 pm. All FOC members are invited to attend. All statutory requirements have been met and the District is sending customers an insert that describes what is being proposed.

At a prior meeting, Mr. Wiegandt had requested some information comparing some things over the years. He had asked for the number of metered sales and employees and that information appears on the last page. Comparisons prepared for the 20 year anniversary are also included.

Mr. Land noted staff has not received any customer calls for or against the proposed changes. Several calls have come in from people who were not aware they were in a tiered structure and they were curious which tier they are in.

Ms. Bowen asked about the difference in the water resource utilization fee and the water resources fee under connection fees. Mr. Tenney explained the water resource utilization fee came about in discussions about establishing a designated fee specifically for putting to use our CAP and effluent resources. The water resource fee is in place also to help in that direction but over the last few years, the District has not had anything going towards that with new connections down. Mr. Stratton added the water resource fee is a one-time charge to developers, whereas the water resource utilization fee will be based on usage.

Mr. Ratje said he likes the idea of creating a structure that covers the fixed costs because the District must provide water even if customers do not use it. He prefers this concept over commodity pricing. Mr. Guillot agreed and noticed in looking at the 20 year data that a lot less

water is flowing through per connection. He is concerned that if customers do not pull water, the District does not have enough funds.

The FOC was supportive of having more of the fixed costs captured in the base rate.

**V. Analysis of Employee Benefits.**

Mr. Tenney said the Board is often asked to deal with employment benefit issues one at a time and staff thought it would be useful to have a complete picture of all benefits.

Salaries account for a little over \$3 million and \$960,000 in expenses are associated with benefits. Health insurance is the largest benefit, followed by Arizona State Retirement System (ASRS). An overview of how benefit costs have changed over the last decade shows health insurance and ASRS have also been the two largest increases, rising faster than other costs.

Efforts to stabilize total health insurance costs have been made, including working with a broker to reduce costs through changing carriers and deductions. Employee deductions have been fairly stable for the last six years. Blue Cross Blue Shield is a reputable provider and having the choice of PPO or HSA increases the cost. This year's budget includes a projected 10% increase in healthcare but actual costs will not be known until November and December.

Mr. Ratje asked if the employees are aware how much the District is paying to subsidize their health care. He wants to make sure staff is aware they have a good support structure by seeing the total cost of their premiums compared to their deductions. Mr. Tenney said this information had been presented to staff. When the actual healthcare numbers come in for the coming year, it will be important to do everything we can to stay in budget. We hope it will not be necessary to make any drastic changes but the District needs to approach this from a budgetary view.

Mr. Tenney said staff has received COLAs but merit awards have been unfunded since 2009. Mr. Ratje was very happy to see staff get a COLA but noted other governmental agencies do not give COLAs on a regular basis. His employer, University of Arizona, has not given a COLA in 5 years because of the recession. Mr. Stratton said the Board wanted to give staff a COLA since the economy was down. Mr. Ratje asked if there is a way to make pay more incentive based with a merit component because it seems the District is putting more towards COLAs than merit. He wants to make sure the COLA does not turn into a disincentive. Mr. Tenney said both COLAs and merit awards were stopped when financial conditions became difficult in 2009 and the Board brought back COLAs as a way to help employees get through. The Board felt that was a better approach than bringing back merit awards. Assuming the District has funds in the future, the Board can discuss a better approach during the annual budget cycle.

Mr. Tenney noted ASRS deductions have increased from 2% to almost 10%. While that is a huge benefit for employees, it is tough to have so much taken out of each paycheck. The District matches contributions and this year \$337,000 is being spent on matching contributions to ASRS.

Mr. Tenney went over the holidays, vacation days and sick leave. Employees can transfer some sick leave to vacation. Vacation is paid out according to state law in the event an employee leaves the District. He briefly explained the sick leave payout policy, which was discussed at length and modified earlier this year.

The professional growth program was established in 2002 to give all staff the opportunity to pursue additional education through college or workshops. Annually, \$350 was put into each employee's professional growth fund with a maximum bank of \$1050. The District stopped contributing to the program in 2009, although some employees still have funds banked. In total, \$24,790 is available but not being utilized.

The employee assistance program (EAP) is a benefit offered by all public entities. This benefit is a nominal expense for the District and is well used. Longevity pay is also unique to the District. This benefit was established in 2008 and it fluctuates in amount based on how many employees are hitting their anniversaries each year. The District provides \$50,000 in life insurance, comparable to other employers. Field staff is reimbursed for safety shoes and jeans and the District provides them with shirts. The District also offers a flexible schedule to employees in positions where conducive, which nineteen employees are taking advantage of.

The District has a strong employee benefits package that is, comparable to other public entities with some benefits that exceeded other entities. Mr. Ratje thanked staff for the report.

#### **VI. Future Meeting Dates; Future Agenda Items**

Members agreed to skip November and December. The next FOC meeting will be held on Monday, January 28, 2013 at 4:00 p.m. to discuss the midyear budget review and elect officers for the new year.

#### **VII. General Manager's Update**

Mr. Stratton said there was not much to report, as he had been out of the office last week. Projects are keeping staff busy.

#### **VIII. Call to the Public.**

There were no comments by the public.

#### **IX. Adjournment.**

The meeting adjourned at 4:42 p.m.