

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

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

June 20, 2011

MINUTES

Committee Members Present: Sheila Bowen, Chair
Reb Guillot, Member
Lee Mayes, Member
Jim Stevenson, Member
Clare Strom, Member
Tim Thomure, Member
Bernie Wiegandt, Member

Committee Members Not Present: Jeffrey Ratje, Vice-Chair

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

I. Call to Order and Roll Call.

Sheila Bowen called the Metropolitan Domestic Water Improvement District Finance Oversight Committee (Committee, FOC) meeting to order at 4:00 p.m. Ms. Bowen, Mr. Guillot, Mr. Mayes, Mr. Stevenson, Ms. Strom and Mr. Wiegandt were present. Mr. Thomure arrived at 4:03 p.m. Mr. Ratje was not present.

II. Status of Capital Improvement Projects and County Road Projects.

Charlie Maish, District Engineer, said the Magee Phase 1, La Canada to Shannon project is under construction. Ashton Company signed an agreement that they would not drill a well. Two other waterline relocation projects have been submitted to Pima County. Upon approval, the bidding process can begin. Plan changes are being addressed on a third project.

Mr. Thomure arrived at 4:03 p.m.

III. Report of Board Action for Fiscal Year 2011-2012 Budget and Bulk Water Rate.

Mr. Land gave an update on the recently adopted Fiscal Year 2011-2012 Budget. A lengthy discussion was devoted to salaries and benefits. The final amount approved was not far off from the last draft reviewed by the FOC but a few changes were made in the final weeks.

Mr. Land said \$74,000 was included in the budget for a cost of living adjustment (COLA) for staff. The Board seems to favor splitting the adjustment into two parts but has yet to decide whether to give the adjustment as a percentage of gross pay or as a flat \$1,200 to each employee. The specific disbursement will be determined by the Board at their July meeting. Twenty staff submitted comments to the Board regarding salaries and benefits and the Board was supportive of staff's participation. Many of the responses centered on the rising cost of living and the Arizona State Retirement System (ASRS) contributions, which are increasing from 9.85% to 10.85% and also shifting from a 50%-50% employee-employer split to a 53%-47% split, which will result in an employee contribution rate of 11.39%. The Board approved an additional permanent increase of 0.7% to cover the ASRS difference, since the District is not required to pass along the savings to the State. The total disbursement was set at \$17,735,812, to include the \$74,000 one-time COLA and an additional \$24,000 for the 0.7% permanent increase.

Mr. Tenney noted a compensation survey analysis was suggested by one Board Member and later a full compensation and benefit survey was requested. An initial \$10,000 has been included in the budget for this item. Staff will gather cost estimates for a comprehensive survey, to be approved by the Board. Ms. Bowen asked if consultant rate studies include salary surveys and Mr. Stratton said they are not related. AWWA has participated in national salary surveys in the past but such studies would not necessarily be a fair indication of conditions in the Tucson market. Mr. Wiegandt suggested there may be some pertinent information on the Arizona League of Cities and Towns website. Ms. Strom expressed concern about the salary adjustment recommendation turning into discussion of a possible compensation survey. Mr. Tenney said the Board has only decided to gather costs but has not approved a survey to date. Ms. Strom said the FOC recommended a supplemental stipend and she agrees that the additional ASRS adjustment was a good idea.

Mr. Tenney talked about the costs of planned modifications at AVR. Mike Block, District Hydrologist, said staff had been looking at options to make Basin 4 more permeable and ADWR accepted the proposal without requiring a permit. Based on that decision, the District was able to reduce the budget by \$75,000 overall. Twenty holes will be drilled in the basin and refilled with new material to increase the rate of recharge. This is considered maintenance activity.

Mr. Land said the final budget will be printed by July 1, 2011. Staff will continue to make changes through the end of the month to reflect current year projections and the ending fund balance but the budget has been adopted and disbursements set.

Mr. Stratton talked about the Board's approval to the bulk rate. There were substitute motions and differing viewpoints with the final rate reduced from \$16.20 per thousand gallons to \$4.80. The new rate applies to both commercial and residential. Mr. Wiegandt asked if Ashton was satisfied with \$4.80. Mr. Stratton said Ashton was pleased with the Board's decision and had

already begun using the water at the lower rate. Ms. Strom asked if a private company had ever asked the Board to adjust rates before. Mr. Stratton said the issue was not only the high bulk rate but also that Ashton had a permit to drill a well. The rate adjustment was one option discussed in meetings regarding those other issues. The Board had to take everything into consideration, including attracting other potential users and the short term influx of revenue. The Board could change the rate again if they feel it would benefit the District to do so. Mr. Hill noted that when the higher rates were implemented, the system had trouble keeping up with demand. The District is now better equipped to handle the capacity and will benefit from the additional revenue.

IV. Overview of District.

Ms. Bowen said she appreciated receiving the District Overview. Mr. Stratton said the Overview is typically provided to new Board Members but staff felt the FOC would find it helpful as well. Mr. Tenney went through the Overview section by section.

Mr. Wiegandt asked if annexation regulations require the extension of contiguous boundaries. Mr. Stratton explained the District is not required to annex contiguously along its existing boundaries but cannot exceed County boundaries. He briefly described the history of Arboles Viejos, otherwise known as Metro West, which is not connected to other service areas and has no customers.

Mr. Wiegandt asked about water credits and Mr. Stratton explained the basic differences.

Ms. Bowen pointed out that the District has been involved in a recharge study with other water providers. Mr. Tenney talked about the basic concept of a future joint-managed recharge project.

Ms. Strom asked about the IGA to deliver reclaimed water to Omni Tucson National. Mr. Stratton said the construction should start in September. The agreement originated back when Omni added the additional 9 holes on the course and only covers those holes. Costs will be shared with the County.

Mr. Wiegandt asked why ADEQ reimburses treatment costs at South Shannon. Mr. Tenney explained South Shannon is covered by the ADEQ Superfund program to clean up previously contaminated groundwater sites. Mr. Block said the State Legislature has to decide whether to fund the program each budget year.

Ms. Strom asked about the pipe tapping team. Mr. Stratton said the District has both a men's and a women's team. They competed at the national level representing the State for three years in a row. The competitions generate a lot of interest and he is very proud of both teams.

Ms. Strom asked about lobbying. Mr. Stratton explained that the Board did not renew the District lobbyist's contract this year; however, the District is a Southern Arizona Water Users Association (SAWUA) member, with the benefit of being represented among other water users by Lobbyist Stuart Goodman. Mr. Goodman is a well-respected, strong advocate for SAWUA members at the legislature. Under the SAWUA structure, the only downside is that if any one

member is not supportive of a legislative position a neutral position is taken, so not to place any one member in conflict with another. The majority of positions are supported by all members. Mr. Stratton noted that as the District grew, State statutes were modified which afforded the District more autonomy from the County as a large DWID. Fred Rosenfeld of Gust Rosenfeld was instrumental in that process.

Ms. Strom asked about the composition of the Board. Mr. Stratton said the Board is regulated by State statutes. Additional service areas have been acquired over the years but the Board Members are elected by the voters in the District service area as a whole. For example, if the Metro Southwest areas are annexed into the District, those residents will have the same opportunity as anyone else living in other District service areas to run for the Board. The different service areas cannot elect their own representatives separately. Mr. Tenney said the Board election process is similar to that of other offices; candidates must turn in petitions with signatures to be on the general election ballot.

Ms. Strom asked about the Water Infrastructure Financing Authority of Arizona (WIFA). The District's first loan with WIFA occurred in 2004. WIFA was established around the year 2000 and it was initially difficult to get onto the priority list but the process has been simplified.

V. Future Meeting Dates; Future Agenda Items.

Ms. Bowen suggested taking a summer break for July. Mr. Stratton said he didn't see any problems with skipping the July FOC meeting. Mr. Wiegandt asked if the FOC will miss any critical information related to the salary benefit study in July and Mr. Stratton said no. The FOC will still receive the July Board meeting minutes. Mr. Stratton said he hoped to have the initial draft policies related to the contingency fund and reserve fund ready for the FOC to discuss in August.

Mr. Land said there is one issue that three of the FOC members may need to address in July outside the scope of the FOC meetings. The Municipal Property Corporation (MPC) has not had any activity since 1999 but has remained current with tax returns and such. Mr. Guillot, Ms. Strom, and Mr. Thomure were part of the last MPC Board and the term expired in 2008, so the District Board of Directors is considering reestablishing the MPC Board. The three former MPC Board members will need to decide whether they want to continue serving in that capacity. Annual meetings will likely be scheduled in February or March.

Ms. Strom made a motion to skip the July meeting. Mr. Wiegandt seconded the motion. Motion passed unanimously.

VI. Adjournment.

Mr. Wiegandt made a motion to adjourn. Mr. Thomure seconded the motion. The meeting adjourned at 5:04 p.m.