

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

November 14, 2011

**** 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
Jim Doyle, Member
Helen Ireland, Member
Judy Scrivener, Member

District Staff: Mark R. Stratton, General Manager
Christopher W. Hill, Deputy General Manager
Michael Land, Chief Financial Officer
Charlie Maish, District Engineer
Tullie Noltin, Recorder
John Hinderaker, Legal Counsel
Warren Tenney, Clerk of the Board

Executive 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 5:30 p.m. Bryan Foulk, Jim Doyle, Helen Ireland, Dan M. Offret, and Judy Scrivener were present.

Mr. Offret made a motion to adjourn into Executive Session at 5:31 p.m. Ms. Scrivener seconded the motion. Motion passed unanimously.

Executive Session pursuant A.R.S. § 38-431.03.A.1 (discussion or consideration of personnel matters), regarding the following:

A. Quarterly Appraisal of the General Manager.

The Executive Session concluded at 6:04 p.m.

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 6:06 p.m. Bryan Foulk, Dan M. Offret, Jim Doyle, Helen Ireland, and Judy Scrivener were present.

II. General Comments from the Public

There were no comments from the public.

III. Consent Agenda

- A. Approval of Minutes – October 12, 2011 Board Meeting.**
- B. Ratification of Billing Adjustments.**
- C. Ratification of Bill of Sale – Lulu Walker Elementary.**

Mr. Tenney said Ms. Ireland had requested a more detailed description of the discussion about regarding pump efficiency training in the October 12th meeting minutes. Ms. Ireland listened to the audio recording of that meeting earlier and provided her comments to staff. Mr. Tenney summarized her comments and added responses from Mr. Hill in a revised draft of the meeting minutes, which was provided to the Board.

Ms. Ireland said she wanted to be clear on what the District would be paying for. Mr. Hill explained the scope had three portions: 1) one half-day classroom training seminar, 2) one half-day field training session, and 3) analysis of the results and recommendations. The District is purchasing the first two portions but not the third for \$7,050. Mr. Tenney confirmed the revised draft reflected that information. Mr. Foulk asked Ms. Ireland if she was satisfied with the revised draft and she expressed agreement.

Ms. Scrivener made a motion to remove item I.A., approval of the October 12, 2011 Minutes, from the Consent Agenda and treat them separately, and further moved to approve the October 12, 2011 Minutes of the Board as corrected. Mr. Offret seconded the motion. Motion passed unanimously.

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

Mr. Offret questioned whether the signer of the Ratification of Bill of Sale for Lulu Walker Elementary, Todd A. Jaeger, was authorized to sign as Associate to the Superintendent. Mr.

Hinderaker advised the District should clarify Mr. Jaeger has the legal authority to bind the school district in this bill of sale.

Ms. Scrivener amended her motion regarding item III.C., the Approval of the Ratification of Bill of Sale for Lulu Walker Elementary, to state the approval shall be subject to clarification of Mr. Jaeger's status and authority to sign. Mr. Offret amended his second to coincide with Ms. Scrivener's amended motion. Motion passed unanimously.

IV. General Business - Items for Discussion and Possible Action

A. Monthly Status of the District.

Mr. Stratton said water consumption in Metro Main has been substantially less than last year. Metro Hub was about the same and Metro Southwest was a little higher. The Old Magee Trail Well is complete, and a memo detailing that project has been provided to the Board. The specific pumping capacity is not as good as hoped. Mr. Offret asked if the well has been developed as much as possible. Gary Burchard, Hydrogeologist, said about twice the normal amount of development had been performed. Mr. Stratton said Hydrology will begin winter water level monitoring soon. Almost every current project is related to Pima County road work. Design work on three wells by the District's Miscellaneous Engineering Design Consultant is also under way.

B. Financial Report.

Mr. Land said the Audit for Fiscal Year 2010-2011 by Clifton Gunderson is now complete. Clifton Gunderson notified the District of its coming January 2012 merger with a Minneapolis firm, which should not impact the Tucson office.

Revenues are above budget, with the majority being water sales. Salaries and benefits are ahead because there were three payrolls in September. Operating expenditures are ahead, the majority of that being the CAP water purchase account and the AVR P O&M. Meter applications are lagging but are ahead of last year. Solar energy costs for the office complex remain a positive.

C. Public Use of the Board Room including Implementation of a Maintenance Fee.

Mr. Offret made a motion to approve making the Board room available to tax-exempt organizations or other governmental entities if they are willing to agree to the District's Policies and Conditions for Use of the Board Room, including paying a maintenance fee of \$20 per usage. Ms. Scrivener seconded the motion. Motion passed unanimously.

D. Employee Medical / Dental Insurance Coverage.

Mr. Stratton introduced Chris Gordon of CBIZ. Mr. Gordon said the current volatility of the market seems to work to the District's advantage. Last year the District moved to HealthNet for a savings of \$70,000 and the service was adequate. After being with Blue Cross Blue Shield (BCBS) for five years, conversations with staff included the possibility that BCBS might offer a lower rate in order to entice the District back, and that is what has happened with BCBS offering coverage at a rate much less than HealthNet. HealthNet has proposed a 30-35% increase, which is in line with what many employers are facing this year. Most employers are looking at alternative carriers. Some employer groups look for savings by switching every year, sometimes decreasing coverage or increasing deductibles to keep costs under control. The District is in an advantageous position. In addition, CBIZ has been able to secure an additional percentage point since the Board report was distributed, so the figures are slightly better. There is no difference in medical plans but employees will notice changes in the District's costs and contributions to achieve equal footing between the HSA and PPO. Mr. Gordon said there is little change to the dental benefits. The District has opted to increase the dental maximum from \$1,000 to \$1,500 per year. For additional vision coverage, CBIZ will be providing information about a staff-paid vision plan. At least ten employees will have to apply for the vision plan in order to start it.

Mr. Offret asked how employees feel about moving back to BCBS. Mr. Stratton said a notice about the recommendation was enclosed with the most recent paycheck but there had not been any feedback. He is aware of some staff's displeasure with HealthNet and he believes staff generally prefers BCBS. Mr. Gordon noted that District employees have had about twice as many issues with HealthNet than they had with BCBS. Most issues have been related to billing claims. HealthNet does not offer as many providers. Mr. Stratton noted the one negative from some perspectives might be the effort to equalize the PPO and the HSA options by decreasing the District's contributions to the HSA, so that one plan is not more advantageous than the other.

Ms. Scrivener made a motion to approve to have CBIZ administer contracts for the 2012 calendar year with Blue Cross Blue Shield of Arizona for employee medical insurance and Employers Dental Service and MetLife for employee dental insurance with the premium rates, employee payroll deductions and District Health Savings Account contributions not to exceed those noted in the accompanying spreadsheets. Mr. Offret seconded the motion.

Ms. Ireland took issue with the following statement in the background section of the report: "...CBIZ did point out that one of the benefits of switching to HealthNet might be that BCBS would offer more competitive premium costs in future years." In her opinion, the wording did not match with the meeting minutes from last year. She said those minutes showed BCBS might have a lower cost but did not say that this was strategy of switching to HealthNet. Mr. Gordon replied that he had explained last year how carriers will sometimes reduce their rates in order to earn business back but that is not always true. Ms. Ireland said her point is that the minutes are

wrong. Mr. Gordon said the scenario the District is experiencing this year is the result of volatility in the insurance market. There have been times he hoped this situation would occur and it did not. Mr. Gordon is very happy BCBS was interested in earning the District's business back but it is tough to call it a strategy. He is a data-driven person and the premiums have in fact gone backwards this year. Ms. Ireland reiterated her feeling that what was quoted in the report is not what was said at the meeting last year. Mr. Land said he had written the report summarizing the background and current recommendations and that part was probably taken from staff discussions with Mr. Gordon rather than from a Board meeting or staff meeting.

Motion passed unanimously.

E. Approval of Joint Conservation Education Effort with Tohono Chul Park.

Mr. Tenney said Marsha Ring was present from Tohono Chul Park. The two of them have been working together on the concept of a tab insert, of which Mr. Tenney showed an example. The District would provide content for the publication in collaboration with Tohono Chul Park.

Mr. Offret made a motion to approve working with Tohono Chul Park to develop an 8-page "tab" insert in the Arizona Daily Star for distribution to District customers in March 2012. Ms. Scrivener seconded the motion.

Mr. Offret said he would like to know how to measure the effectiveness of this expenditure. Mr. Tenney said as with most education efforts, it can be challenging to measure the effectiveness. Ms. Ring said some feedback could be gathered by measuring the number of people who use the plant sale discount coupon featured in the insert or other measures.

Mr. Offret asked if the insert will be delivered to all District service areas. Mr. Tenney explained the Metro Southwest zip codes were omitted from the plan due to the distance from Tohono Chul. Mr. Offret would like to see education materials that customers in all service areas can benefit from in the future. He hopes regional conservation efforts can be developed by regional providers for the greater basin population eventually.

Motion passed unanimously.

F. Award of the Construction Contract for the La Cholla Blvd., Magee Rd. to Overton Rd., Waterline Relocations.

Mr. Stratton noted Mark Campbell of Select Development was present in the audience.

Mr. Offret made a motion to award the construction contract for the La Cholla Blvd., Magee Rd. to Overton Rd. waterline relocations to Select Development and Construction, in the amount of

\$717,652.59, contingent upon the company's settlement of their account balance of \$19,260.63 by Monday December 5th 2011, and also moved to authorize the General Manager to approve the following changes to the construction contract: 1) allocate additional funding a cumulative amount not to exceed \$30,000 and 2) increase the original contract term a cumulative amount not to exceed sixty (60) calendar days. Any changes in excess of the above limits will be submitted to the Board of Directors for approval. Ms. Scrivener seconded the motion.

Mr. Offret said he wanted to make this motion to provide an option for Select Development to demonstrate their corporate integrity so both parties can move forward. Mr. Campbell stated, "Acknowledged and appreciated." Ms. Ireland asked if the debt would be paid. Mr. Foulk confirmed the motion calls for the past due amount to be paid prior to moving forward with the contract. Mr. Offret said he selected the December 5, 2011 deadline so that if the amount is not paid, the matter can be brought back to the Board at the December 12, 2011 meeting.

Motion passed unanimously.

G. Renewal of Right of Entry Agreement for Monitoring Access by the Arizona Department of Environmental Quality.

Mr. Offret made a motion to approve Amendment No. 2 of the Access Agreement between the Arizona Department of Environmental Quality and the District with an expiration date of June 30, 2012. Ms. Scrivener seconded the motion. Motion passed unanimously.

H. Status of Avra Valley Recharge Project.

Mr. Block went over the highlights of his status report on the Avra Valley Recharge Project (AVRP) and answered a few general questions. Mr. Offret thanked him for a well done report.

V. General Manager's Report

Mr. Stratton said staff is in the process of finalizing the AMR-AMI meter installation contract for Metro Southwest. The Sensus iPERL meter has been selected and a trial is being monitored at Mr. Stratton's home. Staff is ready to purchase the replacement meters at Metro Hub. Improved accuracy and the ability to read meters remotely will be a great benefit to the District.

Mr. Block, Mr. Tenney and Chris Ward, President of Southern Arizona Water Utility Association (SAWUA) will be meeting with the Deputy Commissioner of the Bureau of Reclamation about increasing the utilization of effluent. SAWUA members are supportive.

There have been recent thefts of bulk hydrant meters in use by two companies. Both were chained and locked but the thieves were able to break them off. The District is working with contractors to better secure the meters. They were likely stolen for the value of the metal.

Mr. Stratton will meet with the La Cañada Magee Neighborhood Association again on December 1st to discuss the aesthetics of the recently drilled Old Magee Trail Well. The Colorado River Water Users Association (CRWUA) Conference in Las Vegas is right after the December Board meeting. Several Board Members are attending. In January, the University of Arizona Water Resources Research Center (WRRC) will hold their annual one day conference in Tucson, if any Board Members are interested. The annual Thanksgiving Luncheon will be held on November 22, 2011. Board Members are welcome to attend.

VI. Legal Counsel's Report

Mr. Hinderaker said he had nothing further 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 December 12, 2011.

Ms. Ireland said she would like to propose specific changes to the District's procurement policy. Mr. Stratton suggested she share her ideas with him in advance of the next Board meeting. Ms. Ireland said she has input regarding the specific verbiage in the proposed changes to the handbook and she would like to discuss rewarding staff members who save the District money as part of merit awards. Mr. Stratton noted merit awards will be covered in the discussion on the personnel manual changes. All comments on the personnel manual should be given to Mr. Stratton or Ms. Morelli by December 5, 2011.

VIII. General Comments from the Public.

There were no comments from the public.

IX. Adjournment.

The meeting adjourned at 7:07 p.m.

Bryan Foulk, Chair of the Board

Warren Tenney, Clerk of the Board