

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

June 13, 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: Christopher W. Hill, Deputy General Manager
Charlie Maish, District Engineer
Warren Tenney, Clerk of the Board
Tullie Noltin, Recorder
John Hinderaker, Legal Counsel

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, Dan M. Offret, Jim Doyle, Helen Ireland, and Judy Scrivener were present.

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

Executive Session pursuant A.R.S. § 38-431.03.A.3 (consultation for legal advice with District Legal Counsel), A.R.S. § 38-431.03.A.4 (consultation regarding contracts that are the subject of negotiation, in pending or contemplated litigation or in settlement discussions) regarding the following:

A. Ruling Related to Failures at Northeast Reservoir Booster Station.

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, Dan M. Offret, Jim Doyle, Helen Ireland, and Judy Scrivener were present.

II. General Comments from the Public

Ingrid Saber, 6322 N. Barcelona, unit #517, said she had previously inquired about the District's bidding process with Warren Tenney, Assistant General Manager. She also asked how the District would notify customers if the water was unsafe to drink. She suggested a way to contact customers by telephone or email. Christopher Hill, Deputy General Manager, said the District is required to notify customers electronically within 24 hours by federal law for the most serious situations. Systems similar to what Ms. Saber described were not cost-effective about ten years ago but prices may have come down.

III. Consent Agenda

- A. Approval of Minutes – May 9, 2011 Board Meeting.**
- B. Approval of Minutes – May 23, 2011 Study Session.**
- C. Ratification of Billing Adjustments.**
- D. Approval of Water Service Agreement – Lulu Walker Elementary School.**
- E. Approval of Water Service Agreement – Oro Valley Charter School.**
- F. Approval of Agreement for Sewer Billing and Collection Services.**

Mr. Offret made a motion to approve the Consent Agenda. Ms. Scrivener seconded the motion. Mr. Offret asked if the rate for sewer billing was equal to that being charged to other entities. Mike Land, Chief Financial Officer, confirmed. Motion passed unanimously.

IV. General Business - Items for Discussion and Possible Action.

A. Monthly Status of the District.

Mr. Hill noted the reported usage for May reflects a five week period. Metro Main customers used less than the previous year. Mr. Offret asked about the timeline for the Riverside Well project. Mr. Maish said three wells are slated for improvements in the near future but roadway project timing is unpredictable. Once the Magee Trail Well is completed to replace Matter Well, staff will be able to determine which well improvement to do next.

O. Installation of Covered Parking for Motorcycles.

Mr. Foulk said he was moving Agenda Item IV.O. regarding motorcycle parking. Mr. Tenney informed the Board that a television reporter from KVOA Channel 4 News had contacted the District about this item. Mr. Hill had been interviewed and took the opportunity to talk about some of the larger issues the District is currently facing. Mr. Offret noted he saw the report about motorcycle parking on television at 4:00 pm.

Sharon Woolridge of 1449 W. Cool Drive said she decided to come to the meeting after seeing the news report. As a ratepayer, she believes the District could find better use for the money. She would like to see the money distributed among everyone and those who want to purchase motorcycle covers with their own money could. She was concerned that covered motorcycle parking would not benefit all staff. If the news story had aired after working hours, she believed more people would be present to voice their opposition to covered parking.

Mr. Foulk said it was unfortunate that the Board had not even had the chance to discuss the issue before it was on the news. The Board tries to be upfront and is willing to hear staff suggestions and concerns. He feels the District and staff has done a fabulous job over the last couple of years, balancing roadway construction, bond restructuring, and postponing capital projects. He agreed that the District cannot afford to install covered parking for all staff and he would not consider doing something that would benefit only a handful of staff.

Ms. Ireland agreed this was a bad time to be putting money into something that does not have anything to do with the operation of the District. In this economy and while considering a cost of living allowance (COLA) for staff, she felt covered parking was not a good idea.

Steve Glowacka of 1220 N. Arbor Circle, said staff is grateful there have been no furloughs. He expressed concern about public perception of covered parking, even if it was done for all staff.

Ms. Ireland made a motion to not approve covered parking for motorcycles at any cost. Mr. Offret seconded the motion. Motion passed unanimously.

B. Financial Report.

Mr. Land said revenues compared to budget for the first 10 months of the fiscal year are \$1.5 million over budget, mostly in metered water sales. Expenditures are \$70,000 under budget through April. Compared to last year, the District is \$2 million over in revenues, primarily due to water sales, the unexpected sale of water rights, and the arbitrage rebate from the Internal Revenue Service. The financial report includes the new \$920,000 in bond funds for waterline relocations but does not include the La Canada portion covered by the RTA Fee. Mr. Land noted

there had been several calls about the RTA Fee since it was in the newsletter. Connections are four behind the same time last year.

Ms. Ireland asked about the annual audit. Mr. Land said the auditors do a detailed audit every year and have staff complete a risk assessment to check the internal controls for accounting for revenues and billings. Ms. Ireland asked if inventory is also examined as part of that process, and Mr. Land confirmed. Inventory is managed using a Caselle database.

C. Billing Complaint for 2356 W. Ian Place.

Mr. Tenney said the customer residing at 2356 W. Ian Place had been informed his complaint would be discussed by the Board tonight but he was not present. Mr. Land said the customer had requested a waiver of \$525 in fines and fees.

Mr. Offret said he would agree to his request waiving the \$525 but would also like a letter explaining the Districts rates and penalties to be provided to him. He wants to make sure the customer is aware that all charges will be enforced if this happens again. Mr. Foulk agreed the customer should now be very familiar with the system. Considering the verbal abuse to staff, he would like to make it very clear the Board will not be lenient in the future. Ms. Scrivener said she would like him to have clarification about the exact definition of tampering because turning water off to make repairs is not the same as turning it off for non-payment.

Mr. Offret made a motion to waive the \$525 with the understanding this would not be waived again. Ms. Scrivener seconded the motion. Ms. Ireland said she did not think the Board should change policy and waive the cost of the lock. Mr. Hill confirmed it is District policy to place a lock on meters when they are shutoff for non-payment.

Ms. Ireland made a substitute motion to approve waiving the \$500 fine but not the \$25 lock charge. Mr. Doyle seconded the motion. Motion failed 4-1, with Ms. Ireland voting for.

Mr. Foulk called for the question on the original motion. Motion passed 4-1, with Mr. Doyle voting against.

D. Fiscal Year 2011-2012 Budget.

Mr. Tenney said the budget was discussed at the previous Board study sessions and the final draft is a culmination of those discussions. The agenda allows for separate discussions on the final revisions and then the Board can take action on all of them at once.

1. Avra Valley Recharge Project Basin 4 Modification.

Mr. Tenney said Mike Block, District Hydrologist, had been working on this issue. Arizona Department of Water Resources (ADWR) determined the District will not need a permit to complete the modifications to Basin 4 and the consulting fees will also be under budget, resulting in a net savings of \$50,000. Mr. Offret asked if modifications will make the basin more productive. Mr. Block said staff is hopeful for a 30% improvement. Mr. Hill noted the Utility Division will perform some of the labor to keep costs down.

2. Cost of Living Adjustment.

Mr. Tenney said a recommendation was made by the Finance Oversight Committee (FOC) to budget some type of COLA for staff, generally described as a one-time COLA bonus. At the May 23rd study session, the Board did direct staff to include \$74,000 for a one-time COLA, to be determined at the midyear review. The GM staff thought it would be beneficial to allow staff to provide comments and additional feedback to the Board. Twenty staff submitted comments and management found the information very helpful.

Mr. Hill said staff raised the issue of Arizona State Retirement (ASRS) contribution ratio. Starting in July, there will be a gap in compensation created by ASRS changing the contributions from a 50%-50% split to a 53%-47% split, whereby the District will save money. Although the overall percentage of contributions is also going up, management discussed the idea of utilizing that savings to augment staff's pay and close the gap. It was calculated that staff will be paying 0.7% more due to the change with the District saving 0.7%. The cost of shifting 0.7% back to staff would total \$24,000.

Mr. Foulk thanked staff for submitting their comments. He especially appreciated the way the comments were worded. He read some feedback online by teachers across the country regarding salary adjustments and they were very harsh. By contrast, District staff's comments were very polite, nicely worded, instructive, and did not vilify the Board. Mr. Foulk said the District has dealt with many challenges in recent years, such as the loss in revenue and the RTA fee. Similar municipalities have also had their wages frozen to make things work but he believes the District has done a nice job overcoming challenges. Some vacated positions have not been filled and there are fewer employees doing the same or more work. He would like to see the employees happy and motivated. Many of the challenges have been beyond the District's control and the Board has tried to minimize the impact to the ratepayers. Staff has stepped up to the plate in difficult times and kept the District functioning at a high level with less. He feels the proposed COLA is justifiable.

Mr. Offret said he reviewed staff comments and was generally pleased with the transparency and commitment. The Board has previously stated it is in favor of a one-time payroll adjustment and

the \$74,000 has been included in the budget but he would like to find a way to do a little more than that. He hopes the future discussions will include the possibility of at least 1% more.

Ms. Ireland said she found some of staff's suggestions very interesting, such as an extra vacation day and kicking back the ASRS savings. She had a question about one comment which said funds are spent at the end of the fiscal year just to use up remaining balances. Mr. Hill said he read that comment as well, and has trouble understanding what it was referring to. He assured the Board staff does not spend just for the sake of spending. The purchasing procedures require approval by at least two individuals so he cannot see how that would happen.

Mr. Tenney said when management began to consider ways to shift the ASRS savings back to staff, it was discovered the amount averages out to be about \$12.50 per paycheck per employee. That may not seem like a lot but it adds up. Mr. Land also looked at the current consumer price index, which is 2.7%. The budgeted 2% COLA added to the proposed 0.7% ASRS shift reaches that 2.7% level. Mr. Land noted the .07% would be a permanent adjustment, whereas the 2% COLA would be a one-time allowance.

Mr. Offret said he agreed with everything that Mr. Land said. He asked if the 0.7% factored in taxes because he wants this effort to translate into cash in pocket. Mr. Land explained deductions like Medicare and FICA were factored in but taxes were not because employees fall into different tax brackets. The original figure was .064% and it was rounded to 0.7%.

Mr. Foulk said he does not feel all of the COLA needs to wait until January. He thinks the District can do half of the \$74,000 in July and the other half in January. It was originally going to be discussed during the midyear budget review but he thinks it is more appropriate to split it up.

3. Analysis of In-House Process to Complete Compensation Survey.

Mr. Tenney explained that staff had been asked at the last study session to gather information about the cost of a third-party analysis of how compensation surveys are handled. Staff experienced some difficulty in obtaining specific information in the short time period but was able to provide a rough estimate of \$10,000, which has been included in the draft budget.

Mr. Offret said he realized the cost would be much higher if an extensive review of job descriptions, salaries and benefits was included. After some thought, he would like to see how much the comprehensive package would cost. His goal is to make certain District salaries stay more than competitive compared with others in the area.

Mr. Offret said he would also like COLAs to be adjusted to the consumer price index annually. Mr. Tenney noted that when the Board has approved COLAs in the past, salary ranges have been

adjusted to reflect the new percentage as part of the recommendations by Fox Lawson in 2002. Mr. Offret expressed concern that a compensation survey has not happened in three years.

Mr. Offret said he would like to see more than \$10,000 put aside for this item and hopes there can be incremental changes in benefits. He understands some employees are not happy and he would like to be able to demonstrate how the District measures up to other entities.

Mr. Tenney noted that the District's Human Resources Specialist has been successful in the past with doing the investigative work involved in such a survey. Mr. Offret said he would prefer a third party to maintain veracity and objectivity. Mr. Tenney said staff would be happy to gather the figures for a full compensation and benefits survey.

4. Adoption and Approval of Fiscal Year 2011-2012 Budget.

Ms. Scrivener made a motion to adopt the Metro Water District Operating Budget for the fiscal year 2011-2012 as presented, with the total disbursements not to exceed the budgeted amount of \$17,735,812 which will include \$24,000 representing a 0.7% adjustment to wages to cover increases in ASRS contributions by all employees. Mr. Offret seconded the motion. Motion passed unanimously.

Mr. Tenney said during the discussion it was suggested the one-time COLA be divided into two parts. He asked if staff should prepare a report on the disbursement details for the Board's consideration at the July meeting. Mr. Foulk confirmed.

E. Agreement to Outsource Print/mail of Billing Statements.

Mr. Offret made a motion to approve the selection of Datamatx as the provider to print/mail the billing statements and handle other related mailings for the District. The initial agreement will be for a period of twelve months, anticipated to begin by August 1, 2011 with two years of automatic annual renewals, pending satisfactory service. Ms. Scrivener seconded the motion. Mr. Offret asked if the rate is locked in for two years. Mr. Land explained if the rate increases it can be brought back to the Board for decision. Motion passed unanimously.

F. Approval of Temporary Construction and Public Drainage Easements of Pima County for La Canada Drive, Ina Road to River Road Improvements and Compensation for Entrance Signage.

Mr. Tenney said there was one pending detail related to this item. The Municipal Property Corporation (MPC) originally purchased the property in question. During the 2002 transfer of all property debt to the District, there was an oversight and the title was not changed from the MPC

to the District. Staff is working on finding the best way to make the title change. If the easements are approved, the Chairman can sign when the clarifications are brought to the Board.

Mr. Offret made a motion to approve the granting of two temporary construction easements and the two public drainage easements requests from the Pima County for work related to the La Canada Drive, Ina Road to River Road improvements, and to approve Pima County's offer of \$8,222 for compensation of the District's entrance sign. Ms. Ireland seconded the motion. Motion passed 4-1; Mr. Doyle abstained.

G. Approval of Amendment No. 4 to the Miscellaneous Water Distribution Design Contract.

Mr. Offret made a motion to approve Amendment No. 4 to the Professional Services Agreement for Miscellaneous Water Distribution Design Contract with Engineering Consultants, Inc., which will extend the contract completion date to June 30, 2012 and provide for an additional \$150,000 to the contract amount. Ms. Scrivener seconded the motion. Motion passed unanimously.

H. Approval of Amendment No. 2 to the Miscellaneous Geotechnical & Material testing Services Contract.

Mr. Offret made a motion to approve the contract Amendment No. 2 to the Miscellaneous Geotechnical & Material Testing Services Contract with Western Technologies, Inc., which will establish a new contract expiration date of June 30, 2012, and provides an additional \$50,000 to the contract amount. Ms. Ireland seconded the motion. Motion passed unanimously.

I. Approval of Amendment No. 2 to the Miscellaneous Survey Services Contract.

Mr. Offret made a motion to approve the contract Amendment No. 2 to the Miscellaneous Survey Services Contract with Stantec Consulting Services, Inc., which will establish a new contract expiration date of June 30, 2012, and provides an additional \$100,000 to the contract amount. Ms. Ireland seconded the motion. Motion passed unanimously.

J. Award of Miscellaneous Water Resources Consulting Services Contract.

Ms. Scrivener made a motion to approve the award of the annual Miscellaneous Water Resources Consulting Services Contract to both Clear Creek Associates and Golder Associates. Clear Creek Associates' contract will be for not more than \$55,000 and be assigned Task 1 work associated with the Designation of Assured Water Supply application for Metro-Diablo and any assigned work under Tasks 2 (Recharge) and 3 (Groundwater Protection/Abandonment). Golder Associates' contract will not exceed \$70,000 and be assigned Task 1 work to assist the District with Municipal Well Services and any assigned work under Tasks 2 and 3. Clear Creek

Associates and Golder Associates would equally compete for work under Tasks 2 and 3. Both contracts will expire on June 30, 2012 unless one or both are annually renewed by the Board of Directors for up to two years.

Mr. Offret seconded the motion.

Mr. Foulk asked why the contract was split between two firms. Mr. Block explained the Clear Creek Associates proposal did not address municipal well service and the Golder Associates proposal did not include details on assured water supply.

Motion passed unanimously.

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

Mr. Offret motion to approve the bids submitted for the GAC replacement and direct staff to pursue a Job Order Agreement with Siemens, the lowest responsible bidder, and authorize the Chairman to sign the agreement as approved by Legal Counsel. If for any reason Siemens should be unable to perform the work then staff is directed to pursue an agreement with the next lowest bidder, and authorize the General Manager to approve each carbon change-out as needed.

Ms. Scrivener seconded the motion.

Mr. Offret asked how GAC replacement costs are listed in the budget. Mr. Hill said the funds are budgeted and ADEQ reimburses the District. Mr. Block added that ADEQ funds this as part of the Superfund program. Funding is approved on an annual basis but the reimbursements are processed quarterly.

Motion passed unanimously.

L. 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. Offret seconded the motion. Motion passed unanimously.

M. Annual Renewal Agreement for Potable Water Meters.

Mr. Offret made a motion to approve the third year of a five year contract agreement with Badger Meter, Inc. for the purchase of meters up to 2" in size for an amount not to exceed \$74,000. This agreement will be reviewed and renewed annually by the Board of Directors. Ms. Scrivener seconded the motion. Motion passed unanimously.

N. Purchase of Replacement Vehicle.

Mr. Tenney said the employee involved in the crash was injured but is doing well. The injuries could have been much worse, considering the vehicle was totaled. Insurance payments on the vehicle will be \$7,900. Mr. Offret asked if the new vehicle could be purchased by the end of the fiscal year. Staff said the purchase could be expedited and completed in the current fiscal year.

Mr. Offret made a motion to approve the acquisition of a replacement vehicle using the insurance monies received and funds in the current fiscal year budget at a cost estimate not-to-exceed \$25,000. Ms. Scrivener seconded the motion.

Mr. Doyle asked how often the vehicle had been used. Mr. Hill said the Safety Director uses the vehicle frequently to drive short distances within the District.

Motion passed unanimously.

P. Annual Subsidence Monitoring Update.

Mr. Block made himself available for questions on the Subsidence Report. Mr. Offret asked about Metro Southwest. Mr. Block said Metro Southwest data will appear on next year's report.

V. General Manager's Report

Mr. Tenney said the solar array is nearly complete. Invitations for a ceremony to flip the switch will be sent out soon.

Mr. Hill said Utility crews were preparing for a major shut down involving both reservoirs. Mr. Maish noted the shutdown would last approximately six hours while contractors do their work.

VI. Legal Counsel's Report

John Hinderaker, Legal Counsel, said he had nothing further to report.

VII. Future Meeting Dates; Future Agenda Items.

The next regular scheduled session of the Board of Directors will be held on July 11, 2011.

VIII. General Comments from the Public.

Mike Block, 5232 E. Home Street, personally thanked the Board for their inclusion of a \$74,000 salary adjustment plus 0.7% for recovery of lost compensation related to ASRS. He was especially appreciative of the Board's consideration of his suggestion to split the disbursement into two parts.

IX. Adjournment.

Mr. Foulk made a motion to adjourn. The meeting adjourned at 7:25 p.m.

Bryan Foulk, Chair of the Board

Warren Tenney, Clerk of the Board