

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

April 25, 2005

**** Board Room ****

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

MINUTES

Board Members Present: Suzanne Downing, Chair
 Dan M. Offret, Member
 Judy Scrivener, Member

Board Members Not Present: James Tripp, Vice Chair
 Jim Doyle, Member

District Staff Present: Mark R. Stratton, General Manager
 Warren Tenney, Clerk of the Board

STUDY SESSION

I. Call to Order and Roll Call

Suzanne Downing, Chair of the Board of Directors of the Metropolitan Domestic Water Improvement District (District), called the meeting to order at 5:32 p.m. Suzanne Downing, Dan M. Offret, and Judy Scrivener were present. James Tripp and Jim Doyle were not present.

II. General Comments from the Public

Ms. Downing presented a thank you letter from the Flowing Wells High School ROTC for receiving bottled water from the District for their functions.

III. Discussion of Draft Fiscal Year 2005-2006 Budget

A. Budget Items for Administrative Division and General Manager's Office.

Mark Stratton, General Manager, noted that at the March 25, 2005 study session, the Board reviewed the budget items for fiscal year 2005-2006 for the Utility and Engineering Division. The purpose of this study session is to review each line item for the proposed budget for the Administration Division and General Manager's Office.

Mike Land, Chief Financial Officer, explained that the General Manager/Administration proposed 2005-2006 budget includes salaries for 17 full time employees. He noted that the Hydrology Section falls under the General Manager's Office. It was projected in the budget proposal that health insurance would increase by approximately 10%; however, Blue Cross Blue Shield recently announced a 17% increase. Mr. Land said that when looking at the actual budget impact, a 17% increase equates to \$14,000 which could be absorbed. The mandatory contributions for Arizona State Retirement will increase 2.55% for the employee and the District.

Mr. Offret suggested that a focused discussion is needed on the cost of living adjustment and for merit awards. He wants the District to look at other economic indicators besides the Consumer Price Index. Mr. Offret said he believed District employees should be held harmless for the increase in health insurance and retirement costs. However, he feels strongly that a discussion by the Board is needed regarding merit increases. Mr. Offret said he was shocked after learning that each District employee received merit increases. He said this was different from any other place he is familiar with. He thought the standard for receiving merit increases should be raised and comparisons made with other organizations, such as the County. Mr. Offret suggested that the frequency of merits to each individual employee should be examined.

Ms. Scrivener related that Pima County typically does performance evaluations; however, there has not been employee evaluations completed for two years.

Ms. Downing said she would like to see the District cover the increase for health insurance and for retirement contributions by employees, but is uncertain how the District can continue to pay for everything.

Ms. Downing and Mr. Offret requested that a study session be set aside at a later date to further discuss merit awards and cost of living adjustments.

Mr. Land reviewed the consultant/contract services budget items. Mr. Stratton noted that a grant study program with matching funds will be used if it is determined that a recharge site can be used to recharge effluent rather than CAP water.

Mr. Offret questioned if more money should be used for public relations. He wondered if the District should be more involved in marketing itself to developers. Mr. Stratton, and Chris Hill, Deputy Manager, both noted that word of mouth and the District's own record of accomplishment is the best type of public relations.

Ms. Downing asked if more should be done to promote conservation, including increased workshops and involvement with Tohono Chul Park. Warren Tenney, Assistant to the General Manager, noted that a separate line item for conservation exists for such projects, in addition to the line item for public relations.

Mr. Stratton noted that he was reviewing the work done by the water policy consultant since Mr. Tenney has been assuming many of the similar duties.

Mr. Land reviewed the general operating expenses and supplies line items with the Board. Ms. Downing noted the rising cost for fuel and questioned if the District should explore alternative fuel and natural gas conversion.

Under other expenditures, Mr. Stratton explained that CAP water purchase and allocation is for projected CAP water costs along with \$400,000 for additional allocations. This is to ensure that money will be available for the additional allocation of CAP water when it is finalized by the federal government. Mr. Stratton said indications from CAP are that the past holding costs will be allowed to be paid in three installments.

Mr. Land reviewed the capital equipment line items in the General Manager/Administration proposed budget. Ms. Downing said that a bar coding system for inventory control would be a wise purchase and noted the importance of monitoring the inventory closely.

Mr. Land explained that the purchase of a forklift has been requested. He said that the existing forklift is primarily used at the Hardy well site for large pipe and other equipment, and moving this forklift to and from the Hardy well site is somewhat difficult. The new forklift would be smaller so that it could be used more efficiently in the warehouse and would be immediately accessible.

Mr. Stratton noted that staff had created a priority list of non-bond funded capital projects. The new Hub well is budgeted for; however, the other projects are prioritized only if funds become available.

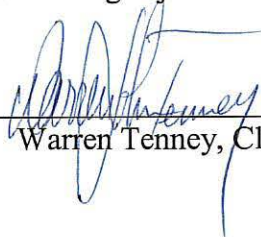
Mr. Offret noted that under other budget items, he would like to see the Employee Growth Fund set aside in a separate account where the interest earned could be used for employee activities. He believes that the Employee Growth Fund is for the employees and should be separate from the rest of the budget.

IV. General Manager's Report

Mr. Stratton reported that he had participated in the American Water Works Association's fly-in in Washington, D.C. last week. He took this opportunity to talk with members of the Arizona Congressional Delegation about the appropriation for a reliability feature for Tucson and keeping it appropriated in the Bureau of Reclamation's budget.

V. Adjournment

The meeting adjourned at 7:26 p.m.



Warren Tenney, Clerk of the Board



Suzanne Downing, Chair of the Board