

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

**December 8, 2014**

**\*\* Board Room \*\***

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

**MINUTES**

**Board Members Present:** Judy Scrivener, Chair  
Dan M. Offret, Vice-Chair  
Jim Doyle, Member  
Bryan Foulk, Member  
Richard Byrd, Member

**District Staff:** Joseph Olsen, General Manager  
Diane Bracken, Chief Financial Officer  
Charlie Maish, District Engineer  
Tullie Noltin, Recorder  
Steve Shepard, Utility Superintendent  
Warren Tenney, Assistant General Manager  
John Hinderaker, Legal Counsel

**Regular Session**

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

Judy Scrivener, 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. Richard Byrd, Jim Doyle, Bryan Foulk, Dan Offret, and Judy Scrivener were present.

**II. General Comments from the Public**

There were no comments by the public.

**III. Consent Agenda**

- A. Approval of Minutes – November 10, 2014 Board Meeting.**
- B. Ratification of Billing Adjustments.**

**C. Schedule of Regular Board Meetings in 2015.**

Mr. Offret made a motion to approve the Consent Agenda. Mr. Foulk seconded the motion. Motion passed unanimously.

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

**A. Monthly Status of the District.**

Mr. Olsen said the fiscal year to date consumption for both Metro Main and Metro Hub is roughly 8 percent less than the previous fiscal year to date, same period. These reductions in demand are following a similar trend experienced by other Southern Arizona water providers.

Media installations for arsenic treatment at Hub 3, vessel 1 and Diablo Village, vessel 2 have been completed. All of the 2014 planned deliveries of water to the Avra Valley Recharge Project (AVRP) have been delivered and recharged. Applications for Designation of Assured Water Supply at Metro Main and Metro West, which the Board approved at the November meeting, will be submitted this month. Final drafts of the long range Water Resources Plans for each of the six service areas have been completed and will be presented at a future meeting. The pre-construction meeting for the Ranch House Estates waterline project was held on December 3, 2014 and construction is anticipated to begin after the holidays.

Mr. Offret asked why there were no Engineering or Utility reports in the Board packets this month. Mr. Olsen said the Engineering and Utility reports were found to be a duplication of efforts and the salient points have now been incorporated into the Monthly Status Report.

**B. Financial Report.**

Ms. Bracken said revenue and expenditures through October are both favorable with revenue of \$631,564 over based on a straight line projection. Increases are largely attributed to water sales being \$434,304 ahead of the budgeted amount with other income also ahead on a straight line projection of \$116,160. Operating expenditures are under budget by \$373,908 using a straight line comparison. Revenue in excess of operating expenditures is \$3,078,875, which is favorable when compared to the budget by \$1,005,472 for the first four months of the fiscal year. A prior year comparison of revenue for October 2014 is \$242,656 ahead of October 2013. The increase is mostly attributed to other income, which is \$281,346 higher. Water Resource Utilization Fees are \$91,461 higher from same month of the prior fiscal year. Operating expenditures overall are lower this fiscal year when compared to the prior fiscal year by \$70,466. The largest reduction is salaries and benefits, which are \$117,040 lower. Consulting and contracted services are \$61,340 lower. An increase in CAP water purchases of \$72,152 along with slight increases in operating

expenditures, supplies, and regulatory fees offset some of the reductions. Expenditures to date on the capital improvement program funded with the 2007 WIFA funding total \$12,185,404 pending the final completion of the variable frequency drive at Magee La Cholla and the Hub vessels.

There were a total of 8 meter applications received in November compared to 36 in November the prior fiscal year. Meter applications so far this fiscal year total 37 compared to 100 as of November 2013.

The office solar system continues to generate a savings. Electric costs for the first five months total \$14,036 compared to \$17,442 last fiscal year and \$19,123 for the same period in fiscal year 2011. There is a year to date cost reduction of \$5,087 when compared to Fiscal Year 2011 and \$3,406 when compared to Fiscal Year 2014.

Mr. Foulk asked how many new meter applications were budgeted for this year. Ms. Bracken said this year's budget includes 127 new meter applications in Metro Main and the current total is 37. There was a large development anticipated in Metro Main, making up a large amount of the budgeted meters. Recently, there has been a little activity in that area.

**C. Increase of Maintenance Fee for Public Use of the Board Room.**

Mr. Olsen said in November 2012, the Board established a \$20.00 fee for use of the Board room and associated public areas by tax-exempt community groups and governmental entities. At the time, \$20.00 was determined by the Board to be a balance of making the facilities affordable and accessible, while recovering the majority of the costs of services associated with maintenance of the facility. Three years have since passed, and staff recalculated the costs associated with supplies and services and found that the full cost recovery for each use of the Board room equates to \$34.52. To again balance the availability with capturing the costs of service, staff recommends adjusting the fee to \$30.00 per use.

Mr. Foulk asked if the fee was not previously set higher to avoid excluding groups. Mr. Olsen explained that in 2011, the true cost of service was higher than \$20.00 as well but a discussion by the Board at that time was to try to make sure the facility was accessible. While an increase is warranted under cost of service, the intent is to make sure it is balanced where groups are still able to use the space. In the comparative analysis, the Board room would still be cheaper than similar locations in the area except Pima County libraries, which are free. Staff believes \$30.00 is appropriate but the Board could also move to do a full cost recovery.

Mr. Foulk asked how many of the groups that use the facility are within the District's service area. Mr. Olsen handed the question over to Tullie Noltin, Executive Assistant, who did the research and prepared the report. Ms. Noltin said the community groups do typically include an organizer or members who reside in the District and living nearby makes the facility a convenient place to hold meetings.

Mr. Offret asked if certain groups still have the opportunity to have their fee waived. Mr. Olsen confirmed there are certain situations with significant benefit to the community when the fee is waived, such as elections.

Mr. Offret made a motion to set the maintenance fee at \$30.00 per meeting and the updated agreement for public use of the Board room, effective January 1, 2015. Mr. Byrd seconded the motion. Motion passed unanimously.

**D. Approval of License Agreement with Jonathan Zagorsky for Use of Ingress/Egress at Ina/La Canada Well Site.**

Mr. Olsen said since October 2000, the District has granted an ingress/egress license agreement for the District's Ina/La Cañada well site to Jonathan Zagorsky, who owns the adjacent property. Ina/La Cañada is no longer in service as a production well and is instead being used as a monitor well to allow staff to obtain annual groundwater measurements. The most recent license agreement is set to expire in 2015 and this item is to extend the agreement by five years and modify the licensed area authorized for ingress/egress, which will not impact current use of the well site.

Mr. Offret asked if the site is simply a monitoring well with no reservoir. Mr. Olsen confirmed that the only active infrastructure on the site is a monitoring well and the reservoir is no longer in service. The infrastructure in use on the site does not conflict with the ingress/egress area.

Mr. Offret made a motion to approve the license agreement with Jonathan Zagorsky for ingress/egress across the District's Ina/La Cañada well site property. Mr. Foulk seconded the motion. Motion passed unanimously.

**E. Approval of Agreement for Southwest Gas Service and the Generator Installation at Diablo Village No. 2 Well Site.**

Mr. Olsen said included in the Fiscal Year 2015 budget is \$60,000 to move a natural gas generator from the recently decommissioned Bell Well site to the Diablo Village No. 2 well site. This backup power will allow resilient water production for Metro Southwest – Diablo Village. To complete the installation, an upgraded gas service line is required and needs to be installed by

Southwest Gas to ensure adequate supply to the generator. To do so, Southwest Gas has a facilities extension agreement that requires District Board approval and would fix the extension costs at \$37,156, a portion of which may be recouped by the District under a protected facilities arrangement if any future Southwest Gas customer subsequently connects to that upsized service line. When including the estimates for the other associated items, such as relocating the generator and constructing the concrete pad, the total costs to relocate and install the generator still remained below the budgeted \$60,000.

Mr. Offret asked if there are two connected wells serving Metro Southwest – Diablo Village. Mr. Shepard said Diablo 1 and Diablo 2 wells serve the same service area. Mr. Olsen said this would provide for resilient production capabilities with backup generation that the District currently does not have.

Mr. Foulk made a motion to approve the installation of the natural gas generator at the Diablo Village No. 2 well site and the necessary Southwest Gas facility extension for that installation including approval of the agreement with Southwest Gas. Mr. Offret seconded the motion. Motion passed unanimously.

#### **F. Personnel Policy for Sick Leave.**

Mr. Olsen said at the October 2014 Board meeting, the Board directed the General Manager to replace the personnel manual with individual policies that could be flexibly modified and adjusted as needed. It was noted that any policy that directly involved the Board or had a potential financial impact would be brought to the Board for consideration. The current sick leave policy allows up to the first 40 hours of unused sick leave in any given year to be transferred to vacation on the employee's anniversary date. Both Pima County and the City of Tucson have similar policies that allow the transfer of the first 56 hours of unused sick leave. This provides an incentive for employees who carefully manage their sick leave while also discouraging excessive use of sick leave; therefore, it is recommended the District modify its sick leave policy to allow the transfer of the first 56 hours of unused sick leave to vacation time each year.

Mr. Offret asked for clarification on the first 56 hours of unused time. Mr. Olsen gave an example in which an employee earned 100 hours of sick leave in a given year and used seven sick leave days. In that example, because 56 hours of sick leave were used, the employee would not qualify to transfer any sick leave to vacation time. If the employee had only used one sick day, or eight hours, they would be able to transfer the remaining unused 48 hours to vacation.

Mr. Offret made a motion to approve as part of the sick leave personnel policy that any unused portion of the first 56 hours earned during a year can be transferred from sick leave to vacation time at the employee's request. Mr. Byrd seconded the motion. Motion passed unanimously.

**G. Personnel Policy for Issue Resolution & Appeal Procedures.**

Mr. Olsen said while the previous item was brought to the Board due to its financial considerations, the Policy for Issue Resolution is being brought due to the Board's direct involvement in its implementation. This policy is intended to formalize the process to resolve issues and provide standardization and clarity. This five step process was defined with the goal of resolving issues at the lowest level possible. First, the issue is brought to the immediate supervisor. If unresolved, the issue is brought to the team manager or human resources. If still unresolved, it could be elevated to the General Manager. If the matter is still unresolved, the employee can submit formal documentation in writing to the General Manager, who will respond and communicate the appropriate decision. If the employee still does not feel the issue is resolved, it can be further elevated and brought to the Board. To do so, the employee would attend the next scheduled Board meeting and speak at the public call to the audience. The Board would then direct the General Manager to place the item on the next Board meeting agenda. The General Manager would provide a report to the Board and the employee would be afforded the opportunity to speak to the Board on any additional context and consideration. The Board would render a decision at that meeting, which would be final. The process is in line with current practices and provides a clear, standardized guidance for employees.

Mr. Offret made a motion to approve the personnel policy for issue resolution and appeal procedures. Mr. Byrd seconded the motion.

Ms. Scrivener asked what if the personnel issue at stake is sensitive. Mr. Olsen said depending on the issue, the next Board meeting may need to include an executive session but the employee would still have opportunity to address the Board.

Motion passed unanimously.

**V. Recognition of Board Member Byrd.**

Ms. Scrivener thanked Board Member Richard Byrd for his service and honored his service with a plaque. His input and knowledge of the water industry has been invaluable to the District. Mr. Byrd said he enjoyed serving and would love to come back someday.

**VI. General Manager's Report**

Mr. Olsen said the District has begun a new tradition to recognize years of service. District staff and those who serve the District receive service pins beginning with one year of service, and again at every 5-year milestone. Mr. Olsen presented a one year service pin to Mr. Byrd.

Mr. Olsen said over the past two years, the Southern Arizona Water Users Association (SAWUA) has been working with Gary Woodard of Montgomery & Associates to perform a water demand study, which identified historic trends and projected them forward to predict future water consumption. The study has been completed and finds that the District's demand has declined an average of 2.2 percent annually, from 2000-2013. The study also found that toilets are no longer the largest indoor water use component due to the prevalence of more efficient toilets. The largest indoor water use category is now showers and baths. The study predicts the District will continue to see declines in water use for at least the next seven years at approximately 1 percent each year.

During the initial design and coordination activities of the Oracle Jaynes well redrilling, which is included in the Fiscal Year 2015 budget, the existing site was determined to be too small to facilitate redrilling. The adjacent property to the west is presently for sale and initial negotiations are underway with the property owner. Should the negotiations be successful, and if the due diligence turns up no significant issues, the purchase will be considered at a future Board meeting. In the current budget, there is approximately \$177,000 for the initial design and activities for the Oracle Jaynes redrilling.

Mr. Offret asked if it is possible tell the Board a little more about the expansion going on at Metro Hub near Sabino Canyon Road. Mr. Offret wondered how many connections will be needed and what it means for the District. Mr. Olsen said there are two developments between River Road, Cloud Road, and Sabino Canyon. Mr. Maish estimated the number of units involved were smaller on the west side, perhaps 120, and approaching 200 on the east side. Mr. Offret asked if any storage challenges remain in Metro Hub and whether the District has the infrastructure to handle that kind of expansion. Mr. Maish said the District did a hydraulic analysis and determined it can accommodate the development. The developer is building a number of additional water lines in order to have two sources of water. The developments will have large meters rather than individual meters at each unit. Issues regarding storage capacity are not yet resolved because the District has not finished the capital improvement program established for Metro Hub. There was a 1 million gallon storage tank projected for construction on the existing reservoir site. Mr. Olsen said each development project that comes in is reviewed with computer hydraulic modeling to make sure that peak day demands and projected fire flow needs are met for the new development without any deleterious impact to existing customers. In the long term, storage in Metro Hub still needs to be addressed via a capital upgrade.

**VII. Legal Counsel's Report.**

Mr. Hinderaker said he had nothing to report.

**VIII. Future Meeting Dates; Future Agenda Items.**

Mr. Tenney said the next regular meeting is scheduled for January 12, 2015.

**IX. General Comments from the Public**

Randy Collyer, Inventory Specialist, thanked the Board for passing the policies regarding sick time and issue resolution. He is glad he will now be able to transfer 56 hours of sick time to vacation. He expressed his gratitude for the job the General Manager and Board are doing.

**X. Adjournment.**

The meeting adjourned at 6:30 p.m.

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Judy Scrivener, Chair of the Board

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Warren Tenney, Clerk of the Board