

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

May 18, 2004

**** Board Room ****

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

MINUTES

Board Members Present: Dan M. Offret, Chair
 Suzanne Downing, Vice Chair
 Jim Doyle, Member
 Reb Guillot, Member
 James Tripp, Member

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

STUDY SESSION

I. Call to Order and Roll Call

Dan M. Offret, Chair of the Board of Directors of the Metropolitan Domestic Water Improvement District (District), called the meeting to order at 5:34 p.m. Dan M. Offret, Suzanne Downing, James Tripp, Jim Doyle, and Reb Guillot were present.

II. General Comments from the Public

There were no comments from the public.

Mark Stratton, General Manager, said Mary Schuh, a District customer, called him to discuss the District's fiscal responsibility. He noted that overall Ms. Schuh was pleased with how the District administers its budget and how the District functions as a whole.

III. Discussion of Draft Fiscal Year 2004-2005 Budget

Mr. Stratton explained there had been two previous study sessions to discuss the draft fiscal year 2004-2005 District budget. At the study session on April 26, 2004, Ms. Downing asked staff to provide information and analysis on personnel, salaries, benefits, and trends. Ms. Downing wanted to see how the District's budget would be affected by personnel services in future years.

Mike Land, Chief Financial Officer, provided an overview of the changes that were made to the budget after its last review by the Board on April 26, 2004. He said the proposed 2004-2005 draft budget had been decreased approximately \$70,000. The majority of the money was for mainline replacement projects. Mr. Land said the projected ending fund balance for 2003-2004 is \$1.6 million. Liability insurance was projected to have a 20% rate increase; however, staff has learned there will only be a 9% rate increase for the upcoming fiscal year.

Mr. Land said the new intern position for Hydrology was not built into the 2004-2005 budget so it will be added. The vacant receptionist position will be eliminated from the budget. Funds for the administrative services manager position will remain in the 2004-2005 budget. The funds from this unfilled position will possibly be used to fund a customer service representative/receptionist position.

Ms. Downing asked about professional growth funds. Mr. Land explained that employee use of professional growth monies was down and the reason was not known. Mr. Stratton noted that employee performance evaluations indicate and promote employees to use their professional growth funds.

Mr. Offret said the District has done well in tightening its spending, but the Board wants to determine ways of increasing additional savings for the District. He noted Ms. Downing wished to discuss ways to save money in the future that included looking at personnel services.

Ms. Downing said she believed that the District must protect staff and also protect the interest of the District. She wanted to look at benefits and salaries, and how changes in those areas might create a savings for the District. Ms. Downing noted that merit increases for staff are important and should continue, if at all possible. Mr. Stratton explained that merit increases and cost of living adjustments (COLA) are only paid if funds are available.

Mr. Land said staff reviewed projected employee health benefits and salaries for the next seven years and their impact on future budgets. He provided the Board with an overview of the findings. Mr. Land explained that the District would remain financially sound during those years even with no projected rate increases, a 5% annual increase to salaries, and a 10% annual increase to health insurance. Staff also reviewed options such as changing employee deductibles for health care benefits.

From the information provided by Mr. Land, the Board discussed employee merit increases, COLAs, one time bonus, and health benefits. Mr. Offret asked the Board members to provide feedback on which of these items, with the exclusion of health benefits, they believed would best benefit the employee and which item(s) could be eliminated or decreased in the event of a budgetary crises. Mr. Offret said the items he believed would be the most beneficial to employees, in order of importance, are COLA's, one time bonus, and merit increases. Mr. Doyle and Mr. Tripp said they believed COLAs, merit increases, and one time bonus. Ms. Downing said she believed merit increases, one time bonus, and COLAs. Mr. Guillot said merit increases, COLAs, and bonus. The

Board agreed that if a budget crisis were to develop in future years employees should be surveyed to determine what they view as the most important benefit, and what they feel would be the least important.

Ms. Downing said that staff's analysis was helpful and gave her a better idea of the District's finances.

IV. General Manager's Report

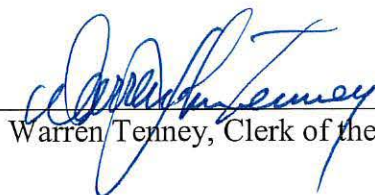
Mr. Stratton mentioned there was a transformer fire at the well site at Magee/La Cholla. Steve Shepard, Utility Superintendent, explained that the transformer belongs to Metro Water and is used for noise reduction. It will take at least three to four weeks to receive a new transformer. Mr. Shepard said customers in the area may experience lower pressure until the transformer is replaced.

Mr. Stratton said he and Mr. Tenney attended a meeting in Phoenix regarding water shortages on the Colorado River. Participants at the meeting discussed what/who would be affected by the shortage and determined that the agricultural community would be the first to be affected. Mr. Stratton said the group will be meeting regularly to discuss options for keeping the water flowing. He will keep the Board apprised of the results from those discussions.

V. Adjournment

The meeting adjourned at 7:00 p.m.



Dan M. Offret, Chair of the Board

Warren Tenney, Clerk of the Board