

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

December 8, 2003

**** Board Room ****

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

MINUTES

Board Members Present: Dennis Polley, Chair
 Dan M. Offret, Vice Chair
 Suzanne Downing, Member
 James Tripp, Member

Not Present: Jim Doyle, Member

District Staff: Christopher Hill, Deputy Manager
 Keri Silvyn, Legal Counsel
 Warren Tenney, Clerk of the Board
 Alice Stults, Recorder

Regular Session

I. Call to Order and Roll Call

Dennis Polley, Chair of the Board of Directors of the Metropolitan Domestic Water Improvement District (District), called the Board Meeting to order at 6:02 p.m. Dennis Polley, Suzanne Downing, Dan M. Offret, and James Tripp were present. Jim Doyle was not present.

II. General Comments from the Public

Mark Myers, water policy consultant for the District, had to leave the Board meeting early and asked the Board if there were questions or concerns regarding his monthly report to the District. Mr. Offret asked when the federal legislation solidifying Indian water rights would occur. Mr. Myers said that it was uncertain at this time since the proposed legislation was complicated. He did note that any proposed legislation would not be approved during this fiscal year.

III. Consent Agenda

- A. Approval of Minutes – November 10, 2003 Board Meeting.**
- B. Ratification of Billing Adjustments.**
- C. Ratification of Bill of Sale – Lantana, Lots 1-28.**
- D. Ratification of Bill of Sale – Sagebrush, Lots 1-39.**
- E. Approval of Water Service Agreement – La Cholla Corporate Center II, Lots 1-77.**

Mr. Tripp made a motion to approve the consent agenda. Mr. Offret seconded the motion. Motion passed unanimously.

IV. General Business – Items for Discussion and Possible Action

A. Monthly Status of the District.

Chris Hill, Deputy Manager, said there was nothing out of the ordinary to report.

Ms. Downing asked why it appeared that water consumption was down compared to the same time period last year. Mr. Hill explained that it was typical for the Hub Service Area to use less water whenever there is rainfall.

B. Financial Report.

Mike Land, Chief Financial Officer, said the final audit document has been completed and noted that there was no change from the draft copies that were provided to the Board in October 2003.

Mr. Offret asked if the Professional Growth Fund (PGF) monies had been placed into a separate fund. Mr. Land explained that the PGF monies are part of the General Fund. The monies have been earmarked and are being tracked separately. Mr. Land said that it would probably be too costly to establish a separate account at the bank for the PGF monies. Mr. Offret said that as long as the interest earned was tracked and credited to the PGF, he believed this would suffice.

Ms. Downing asked why costs would be incurred for having the PGF monies in a separate account at the bank. Mr. Land said that there would be a cost for a checking account, such as a service charge, at Canyon Community Bank. He added that this is a standard practice for business accounts. Ms. Downing said it is her belief that on this type of a small account, Compass Bank would not charge monies for a checking account.

Mr. Offret pointed out that this would not be a small account. Mr. Land explained that currently the interest is being tracked, as well as the monies spent. He said staff will explore the possibility of establishing a separate account at a bank that would not charge the District money for the checking account. Mr. Offret and Ms. Downing agreed that they wanted a separate bank account established for the PGF monies.

Mr. Offret asked why the expenditures were lower this year compared to last year. Mr. Land said it was a timing issue with the billing and payment of the CAP, and that the expenditures would catch up to a comparable amount to last years spending.

C. Schedule for Regular Board Meetings in 2004.

Mr. Tripp made a motion to approve the date and time for the regular sessions of the Board of Directors meetings in the year 2004 to be as outlined in the Board report. Mr. Offret seconded the motion. Motion passed unanimously.

D. Consideration of Membership with Credit Reporting Bureau.

Mr. Tripp made a motion to approve to direct staff to proceed with the steps required to become a member of Trans Union, LLC. Mr. Offret seconded the motion for discussion.

Ms. Downing said if the District were to go directly to Sentinel Recovery Systems with unpaid accounts as opposed to waiting for Trans Union to send out letters to customers, she believes the District would have better than a 50% recovery rate. She is in favor of utilizing the services of Trans Union; however, she would like the District to keep Sentinel Recovery Systems as the first step for collection of unpaid accounts.

Mr. Land explained that with Trans Union mailing five letters to the customer for a total cost of \$7.50, this would be a cost effective means to collect unpaid accounts. However, if the account were turned over to Sentinel first, the cost to the District would be 40% of the collected monies would go directly to Sentinel. Once unpaid accounts were listed on credit reports through Trans Union, customers would have to pay the District any unpaid balances in order to have the information removed from their credit report.

Ms. Downing said if Sentinel were to not receive the collection notice for 60 to 90 days after payment of the account was past due because of Trans Union's mailing of the five letters, it would probably be too late for further recovery attempts and the accounts would remain unpaid. She agreed with obtaining credit reporting services from Trans Union, but would like to maintain the current services of Sentinel. Ms. Downing added that she wanted staff to carefully track the chain of events provided by Trans Union that were listed in Board report, and requested that the Board be provided monthly status reports on recovery attempts and unpaid accounts.

The motion to approve to direct staff to proceed with the steps required to become a member of Trans Union, LLC passed unanimously.

E. Consideration for Retiree Health Insurance Subsidy.

Mr. Tripp made a motion to approve to establish a \$125 monthly subsidy for health insurance to retired District employees under the Arizona Sate Retirement System. The subsidy would be paid only up to ten years after retiring from the District or until the retiree becomes eligible for Medicare. Mr. Offret seconded the motion for discussion.

Mr. Offret said he believes this would be a great benefit to District employees and feels that the District is competitive in the benefit package made available to its employees. He disagrees with the specific subsidy being made available for a period of ten years, and would prefer that it be made available for five years after retiring from the District or until the retiree becomes eligible for Medicare. He clarified that this benefit would also only be made available for District employees that go directly into retirement, and that the employee must be employed by the District for at least ten years prior to retirement.

Ms. Downing asked if an employee could retire at an early age after twenty years of service with the District. Mr. Land said employees are not eligible to retire under the Arizona State Retirement System (ASRS) until at least age fifty. He added that no one had retired from the District as of this time; however, there are three employees that are or soon will be eligible for retirement. Ms. Downing asked what the average age was for retirement. Mr. Land replied that the average age under the ASRS is between mid fifties to early sixties. Ms. Downing explained that she preferred the subsidy be made available for only three years, plus the eighteen months of COBRA benefits, for a total of five years.

Mr. Offret agreed with Ms. Downing's suggestion of a total of five years health insurance subsidy.

Mr. Tripp amended the motion to approve to establish a \$125 monthly subsidy for health insurance to retired District employees under the Arizona State Retirement System. The subsidy would be paid only up to five years after retiring from the District or until the retiree becomes eligible for Medicare, providing the employee was employed by the District for a minimum of ten years. Mr. Offret seconded the motion. Motion passed unanimously.

F. Compensatory Time Policy.

Mr. Tripp made a motion to approve that compensatory time be accrued to a maximum of forty (40) hours during a fiscal year. Any accrued compensatory time remaining at the end of the fiscal year will be recalculated to be paid to the employee as one and one-half times the regular rate of pay at which such a person is employed. Mr. Offret seconded the motion for purposes of discussion.

Mr. Offret said he had a concern that the compensatory time could only be accrued until the end of a fiscal year.

Mr. Tripp said that from his personal experience there had not been a problem with the proposed compensatory guidelines, with the exception of employees rushing to take the same time period off at year's end. He explained that with the amount of taxes paid on overtime, he personally preferred the option of taking compensatory time off from work rather than collect wages for overtime. Mr. Tripp added that he believed employees currently enjoy the ability to take compensatory time off when they have a need to do so.

Ms. Downing agreed; however, she believes compensatory time is a source for potential problems. She said that while she was suppose to be receiving compensatory time in previous jobs that she never received all compensatory time that was due to her. Ms. Downing explained that in her

experience other employees would complain that they had to do the work of the person whom was off work due to compensatory time. She believes that compensatory time should not be allowed, and any overtime hours should be compensated in pay only.

Warren Tenney, Clerk of the Board, noted that employees utilize compensatory time for such things as leaving work early to attend functions with their children, taking classes, and for emergencies. Mr. Hill said that compensatory time has been a successful program. While it is noted that some productivity may be lost, allowances are built in to accommodate the flow of work while employees are off work due to vacations and sick time, as well as compensatory time.

Mr. Offret asked if the recently filled second shift would eliminate or reduce some of the overtime. Mr. Hill replied yes, noting that it would take a few months to accurately determine the impact that the second shift would have on the amount of overtime received by Utility Division employees.

Randy Collyer, Utility Maintenance Worker I, said that he personally appreciates the compensatory time off and noted that he uses this time to attend doctor appointments as well as various other reasons. He said that he wanted the Board to know that he was in support of compensatory time off from work, and that he did not believe it was not being abused.

Mr. Offret asked Mr. Collyer how he felt about being paid monetarily at the end of the fiscal year if indeed he had compensatory time left on the books. Mr. Collyer responded saying that he was agreeable to being paid monetarily for the overtime. Mr. Collyer said that if he is called out for overtime during the night and is unable to work the following day for lack of rest, he cannot use sick time as he would lose the overtime. Therefore, he uses compensatory time to take off work the following day. He added that job safety is affected if he is suffering from sleep deprivation and driving or operating District vehicles and machinery.

Mr. Polley asked Mr. Collyer if he anticipated problems with having a maximum of 40 hours per year accrual of compensatory time. Mr. Collyer said he would like to see more hours. Mr. Polley clarified that employees already receive 12 days sick time, as well as 12 days vacation time per year. Mr. Collyer suggested having a maximum monthly accrual of compensatory time, as opposed to yearly.

Mr. Offret noted that employees do not have the same freedom utilizing sick or vacation time as they do with using compensatory time. Mr. Offret said employees enjoy the ability to take compensatory time in smaller increments if they so desire. Steve Shepard, Interim Utility Superintendent, explained that sick time is not as flexible as compensatory time.

Mr. Tripp said it was his understanding from his motion that employees would be allowed to have a maximum of 40 hours of compensatory time on the books at any given period. For example, if an employee uses some or all of the 40 hours, they would then be allowed to accrue up to 40 more hours during the same year. Any hours remaining at the end of the fiscal year would be converted to overtime pay. Mr. Tenney said that he interpreted the proposed motion as stated to mean that an employee could not accrue and use more than 40 total hours per year. Mr. Tripp said that this was not his intent in the motion he made.

Greg Hopkins, Utility Maintenance Worker II, said he had used approximately 100 to 120 hours of compensatory time during the last fiscal year. He said employees struggle with a maximum being placed on the amount of compensatory time that could be earned and used during the year. Mr. Hopkins said that employees use the compensatory time in order to allow sick and vacation banks to build. He added that large amounts of overtime when paid monetarily are taxed heavily. Mr. Hopkins explained that he has taken classes during the work week that benefited the District and for which the District paid, but he had to take compensatory time off from work to attend the classes. If the compensatory time were not available, he would have had to use vacation time. Mr. Hopkins asked that the Board consider allowing a larger number of compensatory hours to be accumulated and used during the fiscal year. He also commented that he believed the guidelines for using compensatory time, as well as sick and vacation time, should be defined more clearly so that all managers and supervisors treat requests for usage of time off from work in the same manner.

Mr. Tenney said that more recently supervisors and managers have reviewed requests for time off more closely to follow the guidelines in the District's personnel manual.

Ms. Downing asked how much time was spent by management to track compensatory time. Mr. Land said this information was incorporated into bi-weekly time sheets, and he believed the amount of time currently spent by staff for calculating the time was minimal. Mr. Shepard agreed.

Mr. Hill said that since the second shift in the Utility Division has just recently been implemented, he suggested waiting for several months to determine exactly how the overtime will be impacted.

The Board agreed to table the motion at this time and asked that staff bring information back to the Board at its April 2004 Board meeting.

G. Human Resources Assistance Program.

Mr. Tripp made a motion to approve the District's utilization of the Paychex Administrative Services to assist the District's human resources and benefits. Mr. Offret seconded the motion for purposes of discussion.

Mr. Offret asked if the payroll service would track the compensatory time. Mr. Tenney said yes. He explained that staff's recommendation of Paychex Administrative Services (PAS) was to have more frequent training and to ensure uniformity amongst supervisors and managers. He noted that PAS currently processes the District's payroll. Under this program, PAS would also provide the District with an Employee Assistance Program (EAP). Mr. Offret noted the importance of an EAP.

Mr. Offret asked how much staff time would be saved by utilizing PAS. Mr. Land said that it would lighten the workload for several staff. He said that the Administration Division is currently looking at restructuring and assignment of tasks.

Ms. Downing clarified that the cost of PAS would be \$15,000. Mr. Land said that the District would see a total of \$12,000 to \$13,000 in addition to the monies already paid to PAS each year for payroll services.

Ms. Downing asked what specific benefits the District would receive from PAS. Mr. Tenney said the District would receive more frequent training for supervisors and employees, PAS could be contacted in lieu of legal counsel for general advice, COBRA assistance would be provided, and the EAP. This would allow the District to be proactive as it has wanted to be in human resources. Ms. Downing asked where the additional money would come from for PAS, and what legal counsel thought of its services. Mr. Land said the money would come from the salary line item for the two vacant positions. Ms. Silvyn said that she would caution the District from taking legal advice from a non-attorney; however, most companies generally refer clients to seek legal advice when appropriate.

Lynn Cozier, PAS representative, said their role is not to provide legal advice but to provide what the law states and the options available. She said the PAS program is a pro-active program to help an organization have greater consistency in the area of human resources.

Mr. Offret asked if PAS has a local office. Ms. Cozier replied yes.

Ms. Downing commented she believed that the District is currently doing everything that PAS included in its list of services. Ms. Cozier said there are some items listed that the District currently does not have, such as computer support and tracking. Ms. Downing believes the cost of \$15,000 for PAS services is a significant amount of money compared to what the District would receive.

Mr. Polley called for a vote on the motion to approve the District's utilization of the Paychex Administrative Services to assist the District's human resources and benefits. The motion passed with Mr. Polley, Mr. Tripp, and Mr. Offret in favor of the motion. Ms. Downing opposed the motion.

H. Update on Arsenic Issues in Metro-Hub Service Area.

Mr. Hill said the purpose of this agenda item was to inform the Board of the siting of a potential new well in the Hub service area, update on arsenic issues, and reservoir capacity.

Gary Burchard, Hydrologist II, explained that approximately one year ago staff was asked to look for potential new well and reservoir sites in the Hub service area. Staff looked at only vacant parcels and current well lots. Hydrogeological data was gathered, reviewed and analyzed to assign values and prioritize the sites. The site strongly considered is next to Hub Well #3. Mr. Offret asked if there were arsenic problems at Hub Well #3. Mr. Burchard said yes. He added that there are also arsenic issues at Hub Well #1, which was also considered as a potential new well site.

Mr. Hill said that under the present arsenic rules and standards, Hub Wells #1 and #3 are below the maximum allowable arsenic levels. However, the wells will exceed the new allowable arsenic amounts that will be in effect January 2006. Mr. Hill noted that the arsenic levels in these two wells fluctuates and it is believed this is a result of the District's mitigation efforts. Mr. Hill said the Hub Well #3 lot is large enough to accommodate improvements. The cost per year to treat arsenic in a single well is \$107,000. If the District could find options other than arsenic treatment, this would be the preferred option. Mr. Hill said the wells in the Hub service area are old. Exploratory drilling

alone would cost between \$125,000 and \$150,000. To equip and complete a well would cost approximately \$208,500 to \$266,000. If an exploratory well were drilled and did not produce or there were high levels of arsenic, the District would have to walk away without anything to show for the money spent.

Mr. Hill said in addition to locating a potential new well and reservoir site, options being considered for arsenic treatment are to pump the water from the new well to a new reservoir containing water that does not contain arsenic. Blending brings the arsenic levels in the water to acceptable standards. The blended water would then be distributed to customers in the Hub service area.

V. General Manager's Report

Mr. Hill said the Asset Management Training hosted by the District on Wednesday, December 3 was well attended and provided valuable information regarding effective management for water providers.

Friday, December 19, 2003 is the date scheduled for the Utility Superintendent oral interviews.

Mr. Hill reminded the Board that the employee Christmas luncheon is planned for Tuesday, December 23, 2003 at 12:00 p.m. Board members and guests are welcome to come. Employees with ten years of service will be recognized at the luncheon, as well as the Employee of the Year.

VI. Legal Counsel's Report

Legal Counsel had nothing further to report.

VII. Future Meeting Dates; Future Agenda Items

The next regular meeting of the Board is January 12, 2004 at 6:00 p.m.

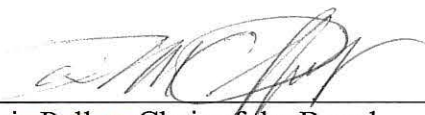
VIII. General Comments from the Public

There were no comments from the public.

VIII. Adjournment

The meeting adjourned at 7:41 p.m.


Clerk of the Board


Dennis Polley, Chair of the Board
Dan M. O'Grady