

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

November 10, 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
 Jim Doyle, Member
 James Tripp, Member
 Sue Downing, Member

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

Executive Session

Call to Order and Roll Call

Dennis Polley, Chair of the Board of Directors of the Metropolitan Domestic Water Improvement District, called the Board Meeting to order at 5:07 p.m. Dennis Polley, Suzanne Downing, Jim Doyle, Dan M. Offret and James Tripp were present.

Mr. Tripp made a motion for the Board to convene into Executive Session. Mr. Offret seconded the motion. Motion passed unanimously. The Board convened into Executive Session at 5:09 p.m.

Executive Session pursuant to A.R.S. § 38-431.03 (A)(1) (discussion or consideration of personnel matters) regarding the following:

A. General Manager's Quarterly Review.

The Board returned from Executive Session at 6:04 p.m.

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 6:06 p.m. Dennis Polley, Suzanne Downing, Jim Doyle, Dan M. Offret and James Tripp were present.

II. General Comments from the Public

There were no comments from the public.

III. Consent Agenda

- A. Approval of Minutes – October 15, 2003 Board Meeting.**
- B. Approval of Minutes – October 27, 2003 Joint Study Session.**
- C. Ratification of Billing Adjustments.**
- D. Approval of Bad Debt Write-offs.**
- E. Approval of Water Service Agreement – Canyon Ranch Estates II, Lots 1-20.**
- F. Approval of Water Service Agreement – Cortaro 1, Revision 1.**

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

Ms. Downing questioned if the bad debt write-offs had been reported to a credit reporting agency. Mike Land, Chief Financial Officer, said that the individuals listed under the bad debt write offs had not been reported since they were a year old. Ms. Downing said that she felt even small debts should be reported to a credit agency. The customers owe money for the water they use and should be held accountable for the debt. They should be reported to a major credit agency whatever the cost.

Mr. Offret asked what time and money is involved with staff reporting the bad debts to a credit agency. Mr. Land said that preliminary information indicated a \$35 process fee. Ms. Downing questioned that number and requested that staff gain more information on reporting to a credit agency individuals who owe the District money. Other Board members agreed.

Mr. Land noted that the bad debt write-offs equated to \$8,000 last year. Ms. Downing said that was \$8,000 lost. Mr. Land said that he would get more information and provide a report to the Board.

Mr. Polley called for a vote to approve the consent agenda. The motion passed unanimously.

IV. General Business - Items for Discussion and Possible Action

A. Monthly Status of the District.

Mark Stratton, General Manager, noted that the monthly status report showed the standard water and revenue being produced. Regarding construction projects, TriCon should be done shortly on the La Cañada main line replacement program. Gilbert Pump is moving faster with the Marlene well modification project after the District's attorney questioned their attorney's request for additional days due to work at Thornydale well.

Ms. Downing complimented staff for their thorough reports that have allowed her to become more familiar with the District's projects and their progress.

B. Financial Report.

Mr. Land explained that the issues with the accounting software were resolved now and that the Board had received an update on the District's financial status. The District's revenue is exceeding projections by \$70,000 and expenditures are under \$70,000. Budget is favorable due to the higher amount generated from summer water consumption.

C. Acceptance of Audit for Fiscal Year 2002-2003.

Mr. Tripp made a motion to accept the District 2002/2003 audited financial statements as presented with no further action, unless there are changes material to the final audit document issued by Clifton Gunderson. Mr. Offret seconded the motion.

Mr. Offret said he was pleased to see the physical inventory addressed by the auditors and felt it was wise to have a staff person overseeing the inventory. Mr. Offret asked if Clifton Gunderson's intention to focus on fraud for the next year was based on an overall policy. Mr. Land said that it did apply to all entities.

Mr. Polley called for a vote on the motion to accept the audit. The motion passed unanimously.

D. Approval of Retiree Health Insurance Subsidy.

Mr. Tripp made a motion to approve a health insurance subsidy to District employees that retire under the Arizona State Retirement System (ASRS) for an amount not to exceed the allowable subsidy by ASRS for a single individual or the amount needed to fully fund the insurance premium cost to the retiree, whichever is less and only up to the time period that the retiree becomes eligible for Medicare coverage. Mr. Offret seconded the motion for discussion.

Mr. Offret said he was trying to understand how the subsidy would work. Mr. Land said that the District offers employees an excellent benefit program, but upon retirement, former employees have to assume a large medical insurance cost. The District approached Pima County about

being under its coverage for retirees; however, the County would not agree to that. Other options were looked at including working with Blue Cross Blue Shield; however, that would drive up rates considerably. The subsidy was then another alternative.

Mr. Offret said he was supportive of the concept but wanted a little more investigation. He suggested that since the County has a better rate so that they do not need any subsidy can something similar be considered or check with another entity such as the City of Tucson. Mr. Land said that he was not certain what the City offered. He noted that an article in the *Arizona Daily Star* highlighted retiree health insurance as a large issue for employees and employers.

Mr. Offret said he would like more time to look at the option by canvassing other entities. Ms. Downing said she agreed and would also like to see other options.

Mr. Tripp said that he was willing to continue the motion to another meeting. Mr. Offret agreed.

Mr. Stratton explained that the rationale for the recommendation was that some employees have indicated that the lack of health benefits after retirement has kept them from the retiring. Knowing that an employee was at the high end of the salary range, if the employee retires it would more than likely be filled at a lower salary and the District would save money in the long run. The subsidy matches the one from the ASRS and assists the employee with health insurance cost until the retiree qualifies for Medicare at age 65. The District and employee would be in a win-win situation.

Mr. Tripp noted that under normal circumstances, this would only apply for three years since age 62 is the earliest an employee will retire. Mr. Land noted that for the first 18 months of retirement, the retiree would fall under COBRA.

E. Approval of Analysis and Recommendation for District Staff Compensation.

Mr. Tripp made a motion to approve the salary ranges for the District's positions as established in the November 10, 2003 report. Mr. Offret seconded the motion.

Warren Tenney, Assistant to the General Manager, said that the Board of Directors had received the report on the compensation survey. The compensation survey found that the District's salary ranges were competitive with the labor market.

Mr. Offret questioned why the maximum salaries for a majority of positions had been increased. Mr. Tenney explained that in conducting the compensation survey, it was noted that most entities had a larger spread between minimum and maximum salaries than those of the District. In general, the average salary of a position based on the comparative entities was used to recommend a higher maximum salary range for that position. Mr. Tenney gave the Civil Engineer position as an example.

Ms. Downing questioned why the Customer Service Representative position had a higher maximum salary than the average provided in the report. Mr. Tenney noted that the Customer

Service Representative I and II positions were combined into one position and the existing Customer Service Representative II position's maximum was then used for the new position. Each position was looked at individually and the salary range recommendation was based on the individual analysis.

Mr. Offret questioned why the receptionist position's salary range was then lowered. Mr. Tenney said that the compensation survey was indicating that the District was paying much more than the labor market. Mr. Stratton noted that Fox Lawson had recommended the District look to the local market when doing a compensation survey, particularly for positions that would be filled from the local market.

Mr. Offret asked how the salary ranges would affect employees. Mr. Tenney explained that the recommendation only applies to the salary ranges. Since the individual salaries fall within the recommended salary ranges, individual salaries would remain the same and not be affected except in one case involving a Civil Engineer position. With the increase to the minimum salary for the Civil Engineer position, one employee who had recently been placed in the Civil Engineer position would have his salary adjusted by approximately \$700 annually.

Mr. Tenney noted staff had received a summary memorandum of the compensation survey's findings and were given the opportunity to see the complete report. One employee had commented also about the maximum salaries but had suggested that in order to better retain the District hydrologists, the positions' maximum salaries should be increased and made closer to the high end of Tucson's salary ranges for hydrologists. Mr. Tenney said he and Mr. Stratton agreed that the recommendations presented should remain. The maximum salaries were increased based on the average salary ranges of the survey and an effort was made to be conservative with the increases. Also, when an employee reaches the maximum end of the salary range, the employee can still receive a merit award through a one-time payment.

Ms. Downing questioned why that was being done since if an employee is at the maximum salary that should be sufficient. Mr. Tenney said that when an employee reaches the maximum salary, the employee is unable to receive any more salary unless there is a cost of living adjustment. However, that is balanced with the need to provide an incentive for an employee to perform beyond the position's basic tasks. If an employee does exceed in his or her performance, then a merit award is still available but it is in the form of a one-time payment. Ms. Downing asked how many employees were in that situation. Mr. Tenney said there were three with the possibility of another three in the next two to three years.

Mr. Polley called for a vote on the motion to approve the salary ranges for the District's positions as established in the November 10, 2003 report. The motion passed unanimously.

F. Re-execution of Subcontract for Central Arizona Project M&I Water Service.

Mr. Tripp made the motion to approve the re-execution of the subcontract among the United States, the Central Arizona Water Conservation District and the Metropolitan Domestic Water Improvement District providing for Central Arizona Project M&I water service for the

Metropolitan Domestic Water Improvement District and that the Chair of the Metropolitan Domestic Water Improvement District is authorized to re-execute the subcontract. Mr. Offret seconded the motion. The motion passed unanimously.

G. Award of the Construction Contract for the La Cholla Boulevard Transmission Main, Phase 3 and Miscellaneous Waterline Lowerings.

Mr. Tripp made the motion to award the construction contract for the La Cholla Boulevard Transmission Main, Phase 3 & Miscellaneous Waterline Lowerings (M-96-13) to Dar-Hil Corporation in the amount of \$1,531,606.00 and to authorize the General Manager to approve the following changes to the construction contract: 1) allocate additional funding a cumulative amount not to exceed \$50,000 and 2) increase the original construction contract term a cumulative amount not to exceed sixty (60) calendar days. Any changes in excess of the above limits will be submitted to the Board of Directors for approval. Mr. Offret seconded the motion.

Ms. Downing questioned if this work had been already done. Charlie Maish, District Engineer, said that this project was the next phase of the project and that Phase 2 of the La Cholla Boulevard Transmission Main was completed earlier and extended south to Omar Drive.

Mr. Polley called for a vote for the motion to award the construction contract for the La Cholla Boulevard Transmission Main, Phase 3. The motion passed unanimously.

H. Status of Lambert/La Cholla New Capital Improvement Well and Recoverable Capacity.

Christopher Hill, Deputy Manager, said that this agenda report had been to apprise the Board with the history of the new Lambert/La Cholla capital improvement well. Mr. Offret asked what the capacity level is presently. Mr. Hill said it is 100 gallons per minute. Staff recommends that the well be further developed in hopes of achieving at least 300 gallons more per minute. Ms. Downing said that too much work has been put into the well with not giving it a try to see if it can be improved. Mr. Polley requested that staff provide additional information to the Board as it is received.

V. General Manager's Report

Mr. Stratton reported that staff is working closely with Tucson Electric Power to establish additional sites to be added to the District's interruptible power list, which may occur in the middle of November 2003.

Mr. Stratton said the managed recharge project for the Lower Santa Cruz River is proceeding. A key issue remains on whether the U.S. Bureau of Reclamation will be a participant. The District's share of the annual operating expense should be less than \$2,000. In the capital expenses, the actual cost of the permit application was overlooked including the groundwater monitoring model done by Tucson Water. This cost came to \$120,000, six percent of which the District would need to pay. The IGA should be amended so that if the Bureau participates, it can

pay its prorated share of those costs. The Arizona Department of Water Resources has issued the permit for the project.

Mr. Stratton noted that the Southern Arizona Water Users Association was continuing to move forward with legislation to not allow an exempt well within a designated provider's service area.

Mr. Stratton said that resumes were being received for the Utility Superintendent position and interviews would probably be scheduled the end of November or first of December. Mr. Offret suggested that representatives from other entities participate in the interview process. Mr. Stratton agreed.

Mr. Stratton informed the Board that the Tuesday before Thanksgiving would be the annual staff luncheon and all Board members were invited to attend. He also told the Board that two conferences were being held the week of December 8, 2003 that he would be attending; one regarding salinity and the other being held by the Colorado River Water Users Association.

Mr. Stratton reported that staff had met with representatives from the Arizona Department of Environmental Quality (ADEQ) to discuss funding for water treatment at the South Shannon well. ADEQ wants to consider the site for a larger, regional treatment site. Staff has requested ADEQ to give a written explanation of what they are willing to do.

Mr. Tripp asked if staff was pursuing a location for the northeast reservoir. Mr. Stratton said that the District Engineer had met with the consultant and directed them to look at some additional sites as possibilities. Any site will be difficult due to the rocky soil condition.

VI. Legal Counsel's Report

Keri Silvyn, Legal Counsel, had nothing to report.

VII. Future Meeting Dates; Future Agenda Items

The next regular scheduled Board meeting is December 8, 2003.

VIII. General Comments from the Public

There were no comments from the public.

VIII. Adjournment

The meeting adjourned at 7:01 p.m.


Clerk of the Board
Dennis Polley, Chair of the Board