

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

February 9, 2009

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

MINUTES

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

District Staff: Mark Stratton, General Manager
Linda McNulty, Legal Counsel
Warren Tenney, Clerk of the Board
Alice Stults, Recorder

Executive Session

I. Call to Order and Roll Call

Jim Doyle, Chair of the Board of Directors of the Metropolitan Domestic Water Improvement District (District), called the Board Meeting to order at 5:00 p.m. Jim Doyle, James Tripp, Reb Guillot, and Dan M. Offret were present. Bryan Foulk was not present at roll call, but arrived at 5:25 p.m.

Mr. Tripp made a motion to adjourn into executive session. Mr. Offret seconded the motion. Motion passed unanimously.

Executive Session pursuant to A.R.S. § 38-431.03 (A) 3 (consultation for legal advice with District Legal Counsel), A.R.S. § 38-431.03 (A) 4 (consultation regarding contracts that are in pending or contemplated litigation or in settlement discussions) and A.R.S. § 38-431.03 (A) 7 (consultations regarding negotiations for the purchase, sale or lease of real property) regarding the following:

- A. Acquisition of Diablo Water Company, Thim Water Company, and Thim Water Corporation.**
- B. Contract Dispute for Tucson National Mainline Replacement Project.**

II. Adjournment

The executive session adjourned at 6:05 p.m.

Regular Session

I. Call to Order and Roll Call

Jim Doyle, 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. Jim Doyle, James Tripp, Bryan Foulk, Reb Guillot, and Dan M. Offret were present.

II. General Comments from the Public

There were no comments from the public.

III. Consent Agenda

- A. Approval of Minutes – January 12, 2009 Board Meeting.**
- B. Approval of Minutes – January 26, 2009 Study Session.**
- C. Ratification of Billing Adjustments.**

Mr. Tripp 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.

Mark Stratton, General Manager, said the District continues to produce less water than amounts recorded the previous fiscal year. Mr. Stratton explained that he asked staff to look at customer accounts to determine if there were accounts that were still active but no longer use water, or are only using the base rate. He noted that the amount of these accounts has nearly doubled over the last year. Tucson Water is also experiencing the same thing, with residences being vacated, or not being used by seasonal residents.

Mr. Stratton said the GAC carbon at the South Shannon treatment facility was changed out last month. The Arizona Department of Environmental Quality (ADEQ) is funding the GAC treatment at South Shannon through the end of this fiscal year. The levels of the constituents are slowing coming down at this facility; however, they are still higher than what the District would like them to be.

The District is nearing completion of the Oracle Foothills No. 6, Phase I Mainline Replacement project. Mr. Stratton said we are currently waiting for comments from Pima County on the plans

for the La Cañada Drive "C" Zone Transmission Main and La Cañada Drive, Calle Concordia to Ina Road Waterline Relocations.

B. Financial Report.

Mike Land, Chief Financial Officer, said revenues are slightly under budget, and the expenditures continue to be under budget also. He explained that the District may need to hold off on some of the capital projects for the rest of this fiscal year. Mr. Stratton said that he has asked staff to look at what could be cut out of the current budget, or where possibilities exist that can potentially save money for the District.

Mr. Offret asked about the carry-over revenues currently being less than during the prior fiscal year. Mr. Land explained that New Development Revenue shortfalls are the main reason.

C. Discussion and Direction for Legislative Issues 2009.

Mr. Tripp made a motion to direct staff and our lobbyist to oppose HB 2176. Mr. Offret seconded the motion.

Robert Dalager, Lobbyist from Gallagher & Kennedy, provided an update on the legislative issues. He noted that there have been a number of bills that have been dropped. However, the focus of the legislative session has been on 2009 budget issues, and the 2010 budget. There are not any bills moving through the legislature until the budgets for 2009 and 2010 are approved.

Mr. Dalager said that HB 2176 dealing with domestic water improvement districts rate setting has been filed.

SB 1288 CAGRD (Central Arizona Groundwater Replenishment District) Revenue Bonding; Sustainability Policies, would allow for the CAGRD to have revenue bonding authority to purchase water rights to meet its replenishment obligation. There is no significant opposition to this bill at this time.

SB 1323 AZ WARN addresses the ability for cities and towns to enter into agreements with private entities and special districts to provide aid during emergency situations.

Mr. Dalager explained that the Arizona Department of Water Resources has lost a significant amount of funds out of their current years budget, and it is anticipated that their 2010 budget will be significant lower than in past years.

Warren Tenney, Assistant General Manager, said the Board, at its January 12, 2009 meeting, voted to support the CAGRD legislation and the Arizona Water Banking Authority (AWBA) legislation. The Governor has asked that any departmental bills, such as the AWBA bill, that do not deal directly with the budget be held. Therefore, this bill is not moving forward at this time, and it is uncertain if it will move forward this year.

The motion to direct staff and our lobbyist to oppose HB 2176 passed unanimously.

D. Request to Support the Greater Oro Valley Arts Council.

Mr. Tripp made a motion to approve the District becoming a sponsor of the Greater Oro Valley Arts Council in the amount of \$3,000. Mr. Foulk seconded the motion.

Jonas Hunter, Special Events Director for the Greater Oro Valley Arts Council, provided the Board with a brief history of the Arts Council. He explained that the Town of Oro Valley cut some of their funding and now the Arts Council is generating revenue by holding various events to raise money. Some of these events have already moved from Oro Valley into Pima County, and they are looking at expanding these events in the next few years. The Arts Council is requesting the District consider sponsorship in several of its activities in exchange for community notoriety. Mr. Hunter explained that the District's logo will be displayed at these events.

Mr. Offret said he is not opposed to sponsoring the arts, but wants to do it in a manner that would benefit the District and its customers, and would like to see some of these activities taking place near Metro Water. He explained that he would also like the District to have a table with displays so that the District can get its name in front of the public, and that District staff be at those tables to answer any customer questions. Mr. Hunter said that the District can have tables or booths in order to maintain a presence at the various events. Mr. Offret asked that District staff work with the Arts Council to make this possible.

Mr. Foulk asked if the District has done anything like this in the past, and noted his concern about whether the timing is appropriate since we are a monopoly and there are financial and budgetary concerns. Mr. Offret said that for reasons of the District's various activities it is good for staff to be available to talk to the community. Mr. Stratton noted that the District has contributed to other community projects in the past.

Motion passed unanimously.

E. Approval of Reclassification of Positions.

Mr. Tripp made a motion to approve the reclassification of the Water Quality Specialist, the Accounting Specialist, and Utility Technician positions as described in the report. Mr. Foulk seconded the motion.

Mr. Offret said that several years ago a consultant was hired by the District to refine its classification and salary process. He said he wanted to know why, mid-year, District staff are requesting a change in these positions, noting that it was decided that this process would take place bi-annually. Mr. Offret asked why the District was not staying with the two-year pattern. Mr. Stratton said that salary surveys are done every two years, and job descriptions are completed during the off years. Mr. Offret said he believed that during the salary surveys the job descriptions

also needed to be updated so that the information would be more accurate. Mr. Stratton said that recent desk audits have been completed to ensure the information is up-to-date.

Billie Sue Morelli, Human Resource Specialist, said none of the job descriptions have been updated since 2003. After completing the desk audits, it was found that there were changes in some jobs that needed to be addressed. She said in the off years the desk audits will be done. Ms. Morelli said that no one is working out of class, job duties have just changed. Mr. Tenney said two of the positions discussed are a result of re-organization within the District. For example, the Utility Technicians I and II are doing basically the same job, so the classifications were combined into one position.

Mr. Offret noted that he does not want to be in the position of completing the salary survey at the end of the year and having the salary amounts changed. Ms. Morelli said things will be easier by combining the Utility positions for the District since the two positions are doing the same job. Mr. Stratton added that with the incentive program the promotional growth is provided for by combining the two separate Utility positions. He said there was previously not an opportunity for growth with few people leaving the District. Mr. Offret said the incentive program was supposed to be a pilot program. Ms. Morelli said this change would not affect the incentive program. Christopher Hill, Deputy Manager, said that this change also allows for more in-house training.

Mr. Stratton said that with the Water Quality Specialist position, he noticed that the Hydrologist I and Hydrologist II positions were very similar in their duties, but there also was not a promotional opportunity for a long-term employee. Mr. Hill explained that water quality is a big issue, and it is important to have a person in this position specific to Water Quality so the Hydrologist I position would be reclassified. Mr. Foulk asked why they are not both Hydrology II's. Ms. Morelli said one employee is focusing more on the water quality sampling, and the new job title and description better fits what she is doing. Ms. Morelli assured the Board that the salary would not change during the next salary study.

Regarding the Accounting Specialist position, Mr. Offret asked who previously had been completing the necessary accounting duties. Mr. Land said that the employee being recommended for the re-classification had been doing more difficult tasks, and he and Controller Sheila Willis were doing some of those jobs. This classification does come with a higher salary. Mr. Offret said that in other entities people are typically allowed to apply for a new position that has been created to be fair to all employees. Mr. Morelli said that since this person has been working out of class, the District needed to change her classification.

The motion to approve the reclassification of the Water Quality Specialist, the Accounting Specialist, and Utility Technician positions as described in the report passed unanimously.

F. Approval of Professional Services Agreement for the Arc Flash Study of District Wells.

Mr. Tripp made a motion to approve the Professional Services Agreement with Apex Engineering and Automation, LLC, for a three-year term, approved annually by the Board of Directors to perform ARC Flash Hazard Analysis in an amount not-to-exceed \$50,000 for fiscal year 2008/2009. Mr. Foulk seconded the motion. Motion passed unanimously.

G. Approval of Bids for GAC Replacement at South Shannon.

Mr. Tripp made a motion to approve the bids submitted for the GAC replacement and direct staff to pursue an agreement with the lowest responsible bidder as the first choice and authorize the Chair to sign the agreement upon review of legal counsel. If for any reason the lowest responsible bidder should be unable to perform the work then staff is directed to pursue an agreement with the next bidder. Mr. Tripp also moved to authorize the General Manager to approve each carbon change out as needed. Mr. Foulk seconded the motion.

Mr. Stratton noted that this bid was good through June 30, 2009.

Motion passed unanimously.

H. Consideration of Asset Purchase Agreements for Diablo Water Company, Thim Water Company, and Thim Water Corporation.

Mr. Tripp made a motion to approve the asset purchase agreement between the Metropolitan Domestic Water Improvement District and Thim Utility Company, Diablo Village Water Company, and Mr. Robin M. Thim, a married man dealing with his sole and separate properties subject to the direction discussed in executive session, and to authorize the Chair to sign this agreement. Mr. Offret seconded the motion. Motion passed unanimously.

V. General Manager's Report

Mr. Stratton said Oro Valley has opted not to pursue the geophysical study with Metro Water. District staff feels this study will greatly benefit the District, and would like to proceed with the study. Staff are looking at using the District's miscellaneous hydrology consulting contract to complete this work. Mr. Offret asked if Oro Valley would benefit if we completed the study. Mr. Stratton replied yes. Mr. Foulk asked if there was any necessity in getting this information at this time. Mr. Stratton said no, there is not. Mike Block, District Hydrologist, said the advantage is that we have \$20,000 at this time in the budget to complete the project. The total cost to complete the study is estimated to be \$25,000. Mr. Offret asked why our findings from the study would be a public document. Mr. Stratton said a draft only copy might not be considered a public document.

Mr. Stratton said that the Tucson Unified School District (TUSD) parcel in the Metro Hub service area being considered for a well site would not be considered further. They have a potential project identified for this site for an environmental park sometime in the future. Mr. Stratton said it is not in the best interest of the District to pursue this parcel, but to rather step back and look at a new location at a later date.

District staff are staying on top of the proposed stimulus bill to see if some of our projects may be funded. Mr. Stratton said staff are hoping that the District receives some funding for the Linda Vista Transmission Main project, and have submitted a request.

Mr. Stratton noted that there will be a public meeting about the City/County Water Study in Metro Water's Board room on Wednesday evening, February 11, 2009. Board members are invited to attend. The study only includes the District from a wastewater standpoint.

The Board was provided with a document that covers repairs, etc., for the Northeast Booster Station. Mr. Stratton said that staff want to make sure the District's position on repairs and any future issues is solid and protected.

VI. Legal Counsel's Report

Michael McNulty, Legal Counsel, said other than the Thim acquisitions there is nothing further to report.

VII. Future Meeting Dates; Future Agenda Items

The next regular meeting of the Board of Directors is Monday, March 9, 2009 at 6:00 p.m. A special meeting may be called if a contract is made available on the Thim acquisitions.

VIII. General Comments from the Public

There were no comments from the public.

IX. Adjournment

The meeting adjourned at 7:12 p.m.

Jim Doyle, Chair of the Board

Warren Tenney, Clerk of the Board