

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

**March 16, 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  
Warren Tenney, Clerk of the Board  
Alice Stults, Recorder

**Study 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 5:30 p.m. Board members Jim Doyle, James Tripp, Reb Guillot, and Dan M. Offret were present. Bryan Foulk was not present at roll call but arrived at 5:37 p.m.

**II. General Comments from the Public**

There were no comments from the public.

**III. Discussion of Draft Fiscal Year 2009-2010 Budget**

Mark Stratton, General Manager, explained that staff had prepared two draft budgets for fiscal year 2009/2010. One of the drafts was completed with conservative cutbacks, while the other draft contained additional cutbacks with a worst-case scenario in mind if fewer revenues are available.

Mike Land, Chief Financial Officer, said metered water sales are the District's largest source of revenue. These sales continue to be down; however, staff will review them each month and if they go up prior to the end of the current fiscal year, the projected revenue and ending fund balance will

be adjusted in next year's budget. Mr. Land explained the fiscal year 2009/2010 anticipated revenue amounts and how they compared to project revenues for the current 2008/2009 fiscal year. Currently, revenues for 2009/2010 are projected to be \$1,287,047 less than for the previous fiscal year. Mr. Land briefly reviewed all the revenue sources, noting that there was a decline in all areas of revenue sources. Due to the decline in revenues, Mr. Land said there was a need to complete the two draft budgets, which are both conservative.

Mr. Guillot asked if once the 2009/2010 fiscal year begins and things take a turn for the better, how we will proportionately allocate the additional revenue. Mr. Land said it is typically applied to projects that were previously identified but unfunded, and prior to any decisions being made, staff would come back to the Board for approval. Mr. Stratton said that if the revenue was to increase after the beginning of the 2009/2010 fiscal year, a study session would be scheduled with the Board to prioritize adding the cutbacks to the budget that were made, along with capital projects that are unfunded. Mr. Stratton said that cutbacks were made primarily in the Utility Division.

Mr. Land talked first about the Consultant/Contract Services line items for the General Manager/Administration 2009/2010 budget. He reviewed each line item, noting that the Legal/Lobbying cost saw the biggest increase. The largest decrease was in the Matching Funds USGS Study line item, and the Miscellaneous Consulting Services. The Water Quality Testing Services line item was moved to the Utility Division and remained at the same budgeted amount as in 2008-2009. Mr. Land explained that the Personnel Temp Services was dropped from the reduced budget, along with Well Abandonment/Wellhead Protection.

Mr. Guillot asked if the District received good public relations out of the hiring of students from San Miguel. Mr. Stratton explained the District did receive some notoriety, but not a lot. Mr. Guillot asked who would do the work if the temporary students were no longer with the District. Mr. Stratton said the work completed by the students is more menial administrative support that is sometimes put on the back burner if time does not allow full time staff to complete those tasks. He noted that it is a benefit to have the position that is split between two students each week. They are both currently doing a good job.

Mr. Land reviewed all the line items under the General Operating Expenses category for the General Manager/Administration budget. The budgeted amount for the Water Efficiency Program was increased, while money for Education/Training/Travel was reduced along with Education Reimbursement/Professional Development. No amount was budgeted for Election/Survey Costs, as an election during 2009-2010 is not anticipated.

Mr. Offret asked for staff to provide the Board with a report showing how many employees use their Education Reimbursement/Professional Development funds allotted each year. Mr. Stratton provided a brief explanation of how the money is being used by employees.

Mr. Land said the general liability insurance is anticipated to increase by 10%. Vehicle insurance is also anticipated to increase.

Mr. Foulk asked if the interest paid by the District on customer deposits could be revisited since interest rates are currently low. Mr. Land said that staff would look at this item.

Memberships & Subscriptions, Vehicle Fuel Expense, and Vehicle Maintenance Allowance were all decreased somewhat. There are currently 28 District fleet vehicles. Mr. Land said Office Utilities increased, along with the line item for postage. Mr. Foulk said he has some concerns as he believes that the cost of gasoline will be increasing again during 2009-2010, and thought we should consider budgeting more for this line item. Mr. Stratton explained that the amount budgeted was using a \$3 per gallon estimate.

Mr. Land said in the Supplies category the largest noted decrease was in Materials & Supplies due to Hydrology supplies being moved to the Utility Division. Computer Related Software/Equipment was decreased.

Under the category of Other Expenditures, Mr. Land explained that the CAP Water Purchase/Allocation was lowered considerably. Mr. Stratton and Warren Tenney, Assistant General Manager, explained how the CAP water credits work, and noted that that the District could purchase less water in 2009/2010 as a way to reduce the impact on the budget. The remaining items were budgeted at or close to 2008-2009 amounts.

Mr. Land said the line items under the Debt Service remained close to the same as the 2008-2009 amounts, as did the Other Budget Items. The Total Funded Budget Expenses for the General Manager/Administration in 2008/2009 was \$11,121,948. For the draft 2009/2010 budget, the amount projected is \$10,542,130, and in the draft reduced budget the amount is \$9,968,380.

Mr. Land reviewed the Engineering Division's 2009/2010 budget briefly pointing out the increases and decreases. The most significant increases were made in the line items of Office Equipment Maintenance, Corrosion Monitoring, and Vehicle Maintenance. He explained the most significant decreases were made in Miscellaneous Design Services, Survey Services, and Materials & Supplies. Mr. Land noted that there was not any money budgeted for Funded Capital Projects. The total budgeted amount in 2008/2009 was \$1,379,158. For the draft 2009/2010 budget the projected amount is \$559,460, and in the draft reduced budget the amount is \$547,160.

The 2009/2010 Utility Division budget was reviewed with Mr. Land noting the major increases and decreases made to the budget. Essentially, the largest increases were seen in Storage Tank Rehabilitation, Maintenance of Wells, Maintenance of Aux Power Engines, Water Quality Testing Supplies, Water Treatment GAC Replacement for South Shannon, Equipment Maintenance, Equipment Rental, Purchased Water, Vehicle Maintenance, Building & Grounds, Chlorine Feeders, Electrical Supplies, Fire Hydrant Supplies/Installations, Supplies for Mainlines, Materials & Supplies, Meters Purchased/Installation/Maintenance, and Valve Supplies/Installation. Line items that saw the largest decrease in budgeted amounts were Water Treatment Media Replacement, Vehicle Fuel Expense, New Meter Installations, and Storage Tank Supplies. Mr. Land said the total amount budgeted in 2008/2009 for the Utility Division was \$3,455,853. For the draft 2009/2010 budget the project amount is \$3,708,206, and in the draft reduced budgeted the amount is \$3,287,506.

Mr. Offret asked about the Well Maintenance schedule. Christopher Hill, Deputy Manager, explained how some wells receive more use than others, and this plays a role in when a well is scheduled for normal maintenance. The District is hoping that it will be reimbursed from ADEQ for the water treatment GAC system; however, we may not see a reimbursement and it is not included in the budget for 2009/2010.

(Mr. Doyle left at 6:37 p.m.)

Mr. Stratton noted that next month staff will review with the Board the Capital Projects, and effects of the reduced budget. He explained the District will not have the funds to do the relocation project on Calle Concordia next fiscal year. Mr. Stratton suggested the Board may want to look at a surcharge to pay for the work which is anticipated to cost \$1.2 to \$1.5 million. He briefly explained how the surcharge amounts would be initiated, and securing short time financing to pay for this work. Mr. Stratton added that at the regular Board meeting on April 13, 2009 there will be a report included for RTA financing.

Mr. Stratton mentioned the Salary and Benefits section of the budget, and asked if the Board would like anything else put on the table for consideration. He explained that he discussed with staff the options that were being provided to the Board. Mr. Stratton said that some staff asked if there could be voluntary unpaid furlough days they could take. He noted that nothing is being proposed for merit increases, and incentive programs could be eliminated for the year also. The incentive program is a pilot program at this time. Mr. Offret asked if any District staff would be interested in offering input into ways to possibly provide a savings to the Salary and Benefit line items. Mr. Stratton replied that he would make this suggestion to all District staff.

Mr. Guillot suggested perhaps a bonus check at the end of the year be made available to all staff if funds were available. Mr. Foulk suggested having a percentage of excess funds going to some kind of bonus, and the rest being allocated to unfunded projects or other things that were eliminated. Mr. Foulk said that if there is a freeze placed on additional money paid to District staff that it has to be completely across the board with all employees, so that some employees and not others would receive any kind of pay increase. Mr. Stratton explained that staff are aware of the economy, and the main concern is they want to be assured that they still have a job, even if they do not receive any merit increases, cost of living increases, etc.

Additionally, Mr. Stratton said Val Little is still working on issues involving the evaluation of the District's rate structure so that it can continue to pay operating costs. There is one more rate increase that will occur in October 2009 as part of the 2005 Capital Improvement Program bond approval, and the District may want to include the rate structure study being completed by Val Little at that time also.

**IV. General Manager's Report**

Mr. Stratton mentioned the Oracle Foothills #6 Mainline Replacement memo generated by Charlie Maish, District Engineer. The memo was a result of customers in the area speaking to the Board at the March 9, 2008 meeting regarding their concerns of the roadway pavement project. Mr. Stratton suggested having this item on the agenda for the regular Board meeting in April 2009 as previously suggested by Board Chair Mr. Doyle. The residents will be notified that this will be on the agenda.

Mr. Tenney explained that the Greater Oro Valley Arts Council festival was held this past weekend at the Northwest Pima Community College campus. The District had a booth at the festival and received a good response from the public attending the festival. Mr. Tenney said staff spoke to the public about water conservation and passed out information. Also, the District raffled off some low water use plants.

Mr. Hill said there is a chlorine issue in the Hub service area where one customer has continually had a high chlorine level. He explained that the well sites are putting out the proper amount, and this one house is the only one affected. This customer does have a swimming pool and solar energy power; however, we have still not found the reason for the high chlorine levels detected. Mr. Hill said that a dual check valve for backflow will be placed to determine if there is a backflow issue.

Mr. Stratton will be in Washington, DC March 23-25, 2009 attending the AWWA Fly-In.

Mr. Offret asked if the District had a line item to fund the future Northeast Reliability Reservoir. Mr. Stratton replied no, not at this time.

**V. Adjournment**

The meeting adjourned at 7:17 p.m.

---

Jim Doyle, Chair of the Board

---

Warren Tenney, Clerk of the Board