

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

December 8, 2008

**** Board Room ****

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

MINUTES

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

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

Executive Session

I. Call to Order and Roll Call

Judy Scrivener, Chair of the Board of Directors of the Metropolitan Domestic Water Improvement District (District), called the Board Meeting to order at 5:32 p.m. Judy Scrivener, Dan M. Offret, Jim Doyle, Reb Guillot, and James Tripp were present.

Ms. Scrivener noted that the Board called an emergency executive session per A.R.S. § 38-431.02.J. She asked Mark Stratton, General Manager, if he waived his rights to have a 24-hour advance notice for the executive session. Mr. Stratton replied yes.

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)1 (discussion or consideration of personnel matters), regarding the following:

A. Revised Employment Agreement with the General Manager.

II. Adjournment

The executive session adjourned at 5:58 p.m.

Regular Session

I. Call to Order and Roll Call

Judy Scrivener, Chair of the Board of Directors of the Metropolitan Domestic Water Improvement District (District), called the Board Meeting to order at 6:01 p.m. Judy Scrivener, Dan M. Offret, Jim Doyle, Reb Guillot, 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 – November 10, 2008 Board Meeting.**
- B. Ratification of Billing Adjustments.**
- C. Ratification of Bill of Sale – NWC River Road and La Cholla Blvd.**

Mr. Tripp made a motion to approve the consent agenda. Mr. Guillot 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 customer water usage continues to decline. It is unknown if the decline is due to conservation efforts, or vacated houses due to the economy. However, there has not been a significant decrease in the amount of meters served.

The Oracle Foothills No. 6, Phase I Mainline Replacement is moving along quite well. Charlie Maish, District Engineer, said the mainline work will be completed by the end of December 2008, and paving will begin after the first of January 2009.

Mr. Stratton said Hydrology staff is working on synthetic organic chemical (SOC) waivers from Arizona Department of Environmental Quality (ADEQ) to save District money that would otherwise be spent on monitoring for SOCs. Hydrology is also still having discussions with Oro Valley regarding a proposed scope of work for the gravity studies to better characterize the subsurface geology and faults within Oro Valley and the District's service area. Monies saved from the SOC waivers would be used to fund these studies.

Mr. Stratton explained that he, Mr. Doyle, Ms. Scrivener, and Tom Caito, Senior Civil Engineer, attended the recent award ceremony wherein the contractor, Currier Construction, HDR Engineering, and the District received the Southwest Contractor's Best Award of 2008 for the James M. Tripp Reservoir. This award was one of 20 awards given to businesses within Arizona. Mr. Stratton thanked staff and the contractor for their hard work on the reservoir project.

Ms. Scrivener said that when the award was being presented Mr. Stratton described how hard staff and contractors worked with the homeowners in the area, and how happy the homeowners were to be included in the operations of the project. Ms. Scrivener also thanked staff for their hard work.

B. Financial Report.

Mike Land, Chief Financial Officer, said revenues are currently under budgeted amounts by approximately \$90,000. He noted that the three payroll periods in October played a part in reducing the revenues. Mr. Land also explained that the final audit document had been provided to the Board.

Mr. Guillot asked for an explanation regarding the revenues. Mr. Land said revenues did slightly increase during the month of October; however, water sales continue to be under budgeted amounts. Mr. Maish explained also that the Shannon Ridge subdivision project has been put on hold, and the District had projected revenues from that project which were included in the current fiscal year budget. It is unknown when this project will be completed and the District will begin to realize revenues from the project.

C. Approval of Low-Income Assistance Program.

Mr. Tripp made a motion to approve the formation of a low-income program for District customers by contributing \$5,000 to the Society of St Vincent de Paul, who will administer and control the distribution of the funds. Mr. Offret seconded the motion.

Bryan Foulk, District customer and newly appointed Board member as of January 1, 2009, asked if St Vincent de Paul had screening efforts in place for people to qualify for program assistance. Mr. Land replied yes, and by referring District customer's to St Vincent de Paul the District would not have the responsibility of completing background information for making determination on the qualifications. This would also give District Customer Service Representatives someone to refer customers to if they indicated they needed assistance or could not pay their water bill.

Mr. Offret said that he would have been more comfortable if there would have been criteria attached to the report from St Vincent de Paul on how they determined qualifying persons, and asked if this could be done in the future. Mr. Land explained that this information could be provided to the Board at its January 2009 meeting. The District decided not to set qualifications or establish a dollar limit on the amount District customers could receive because St Vincent de Paul had the experience and expertise to better work with District customers.

The motion to approve the formation of a low-income program for District customers by contributing \$5,000 to the Society of St Vincent de Paul, who will administer and control the distribution of the funds passed unanimously.

D. Schedule for Regular Board Meetings in 2009.

Mr. Tripp made a motion to approve the dates and times for the regular sessions of the Board of Directors meetings in the year 2009 to be as outlined in the report. Mr. Offret seconded the motion. Motion passed unanimously.

E. Employee Medical/Dental Insurance Coverage.

Mr. Tripp made a motion to approve (1) the 2009 calendar year contract with Blue Cross Blue Shield of Arizona and have the Fringe Benefit Company serve as broker; (2) changing the dental insurance from a fiscal year enrollment to a calendar year basis and contract with MetLife and Employers Dental Service for 2009; and (3) the premium rates, employee deductions, and HAS contributions as reflected in the attached spreadsheets for medical and dental insurance. Mr. Offret seconded the motion.

Mr. Stratton said that administrative staff did meet with employees to discuss the recommendations, and that the employees understood they would have to pick up some of the additional cost for the insurance since there was a slight increase. Mr. Stratton said he was pleased that staff was supportive of the recommendations.

Mr. Offret asked how many employees are covered under the health insurance policies. Mr. Land said there are 50 employees that are included in the insurance.

Motion passed unanimously.

F. Status of Payroll Services and Employee Assistance Program.

Billie Sue Morelli, Human Resources Specialist, explained that the District currently uses Paychex to provide its payroll services. Paychex does not provide human resource benefits for the employees. Mr. Morelli said that she met with representatives from PayChoice and learned that in addition to payroll services it also offers a program called HR Suit which would enable the District to check on human resource functions for each employee. PayChoice's entire package is also more cost effective than the more expensive Paychex services.

Mr. Offret asked if the vacation and sick accrual pools could be checked. Ms. Morelli said that these accruals could continue to be done by staff on excel spreadsheets, or PayChoice could track this information. Employees would also be able to access their own payroll information on-line under PayChoice's website.

Ms. Morelli also explained that the District is currently using Aetna for its Employee Assistance Program. She briefly explained what was available for employees through this program, and noted that five employees utilized this program during the current year.

G. Discussion and Direction for Legislative Issues 2009.

Warren Tenney, Assistant General Manager, said there appears to be quite a bit of interest in water legislation this year. He briefly explained the three proposed legislative items that could affect the District. Mr. Tenney noted that one of the concerns is that the Arizona Department of Water Resources (ADWR) wants to regulate wastewater and it is uncertain at this time why they are considering this. Mr. Stratton said District staff wants to voice its concerns to ADWR. Mr. Stratton also said the Arizona Municipal Water Users Association (AMWUA) cities are quite concerned about this item; however, it appears to be more focused on the Prescott area. It is unknown the long-term affect of this legislation.

Mr. Offret asked about the exportation of groundwater and if it is permitted to move water from one basin to another. Mr. Tenney replied that it is not permitted. Mr. Offret asked about the Arizona Water Banking Authority (AWBA) proposed legislation and if the District should support it. Mr. Tenney said at this time staff wants to wait and watch what impact it might have, and the District will have a better idea in January 2009 of the affects of this legislation.

Mr. Guillot asked about AWBA making available Central Arizona Project (CAP) water for certain purposes including firming Indian Settlement water to meet the State's commitment under the Arizona Indian Settlement Act, and if this would affect the District's allocation of CAP. Mr. Tenney said the District would receive the amount that has been projected for 2009. He explained that if water was not taken after it is requested, it would be made available as excess water by CAP.

Mr. Stratton explained that if the Board feels the District should not support the ADWR legislation, staff needs to know at this time so that it knows how to respond. The Board agreed with staff and directed staff not to support the ADWR legislation at this time.

H. Approval of Rights-of-Use Intergovernmental Agreement with Pima County.

Mr. Tripp made a motion to approve the Rights-of-Use Intergovernmental Agreement with Pima County. Mr. Offret seconded the motion.

Mr. Offret asked if other entities have agreed to this proposal by Pima County. Mr. Stratton said Qwest is the one utility that is still objecting at this time. Flowing Wells Irrigation District did have issues; however, their staff are now in acceptance of the agreement and it will be taken to their Board for official acceptance of the agreement. Mr. Offret asked about the portion of the agreement that addresses the District's established prior rights and what this means. Mr. Stratton said this means that if the District had prior ownership of a right-of-way it would remain the District's property. Mr. Offret asked if Pima County, as a result of the agreement, will provide the District

with additional and quicker information on its planned projects in the future. Mr. Stratton said he believes that we are on our way with this issue.

The motion to approve the Rights-of-Use Intergovernmental Agreement with Pima County passed unanimously.

I. Approval and Award for the Arc Flash Study of District Well Sites.

Mr. Tripp made a motion to approve the selection of Apex Engineering, Chandler, AZ to do the Arc Flash Hazard Evaluations of District Facilities Project. A professional services agreement will be drafted with Apex Engineering for an amount not to exceed \$50,000 for fiscal year 2008/2009 pending Board approval. In the event that an agreement cannot be reached with Apex, then an agreement should be pursued with Sabino Electric. Mr. Offret seconded the motion.

Chris Hill, Deputy Manager, explained that the intent of this agreement is to select a vendor with the Board's approval. This will be a multi-year analysis due to new legislation. The District's existing facilities need to be analyzed, and as the process begins to occur, staff will know better what is needed in the way of improvements. Mr. Hill noted that the money has been budgeted for this item.

Mr. Guillot explained that he believed staff's recommendation of a vendor was confusing. Mr. Hill said the District's Risk Management Specialist had a specific scoring system and Apex Engineering was the vendor chosen after receiving a higher score.

Motion passed unanimously.

J. Approval of Additional Analysis with Water CASA.

Mr. Tripp made a motion to approve the Water Conservation Alliance of Southern Arizona (Water CASA) to review and research alternatives to enhance the conservation and water efficiency component of the District's current rate structure. This project will cost no more than \$10,000 and will be paid through the 2009 contract with Water CASA. Mr. Offret seconded the motion.

Mr. Offret asked why the gallons per capita per day (GPCD) are so high in the Metro-Hub service area. Mr. Stratton explained that the Metro-Hub service area has more outdoor vegetation that is being watered by customers. In the Metro-Main service area there has been more construction but with smaller homes and less vegetation. Lifestyles differ significantly between Metro-Main and Metro-Hub. Mr. Offret asked if figures were also available for Tucson Water. Mr. Stratton replied yes, and noted that Tucson Water's usage ran higher in certain areas also. Val Little, Water CASA, is being asked to educate the Metro-Hub service area customers on using less water for landscaping, and she will be providing an analysis on what the District should consider with its current rate structure. Mr. Offret noted that the District has paid a considerable amount of money in the past for analysis of its rate structure. He asked if Gary Woodard, rate structure analyst, would need to be consulted again. Mr. Stratton said the District wants to first see what the recommendations are from

Water CASA. Perhaps the District would benefit from developing a long-term plan depending on the results of the study.

Mr. Guillot, who lives in the Metro-Hub service area, noted that most of the homes in the Metro-Hub service area are single-family dwellings and that there is more outside vegetation. He also noted that in his own home the hot water has to travel a long distance through his house before it reaches certain areas of the home. He asked about a surcharge in this area. Mr. Stratton said that staff will review this suggestion further and bring that information back to the Board.

Mr. Tenney said that Metro-Hub falls into ADWR's Best Management Practices if the District so decides. Also, the meter replacement program has been a benefit in the Metro-Hub service area in reducing water losses. Mike Block, District Hydrologist, said ADWR relies on the consensus data to do their calculations, and these numbers could be affected for a variety of reasons when considering the amount of water used in Metro-Hub.

The motion to approve the Water Conservation Alliance of Southern Arizona (Water CASA) to review and research alternatives to enhance the conservation and water efficiency component of the District's current rate structure passed unanimously. This project will cost no more than \$10,000 and will be paid through the 2009 contract with Water CASA.

K. Approval of Revised Employment Agreement with the General Manager.

Mr. Tripp made a motion to approve the Revised Employment Agreement between the General Manager and the District. Mr. Offret seconded the motion. Motion passed unanimously.

V. General Manager's Report

Mr. Stratton said there are only a few minor electrical connections left to complete the office campus security system. Staff will be available to demonstrate the system to the Board at its leisure.

The Regional City/County Water Resources Management Study, Phase I is not yet completed. Additional meetings will be scheduled in January 2009, with a final report going to the Pima County Board of Supervisors and the Tucson City Council in February 2009. Mr. Stratton explained that this report is pretty much an inventory of what Pima County has. Discussions have included land use management, however this information has not been very helpful, and some of the stakeholders have not been involved in this process; therefore, it is not truly a regional plan. It is anticipated that Phase II will be completed in November 2009. Mr. Stratton noted that other stakeholders are not happy with the study or how it is being conducted.

Mr. Stratton said that staff is working on an Emergency Operations Plan tabletop exercise. These exercises are useful in ensuring that certain processes and procedures are followed when emergency situations arise.

The annual Christmas luncheon will be on December 18, 2008. If any Board members and significant others are planning to attend, please let staff know that you will be attending and what your meal preference is.

Mr. Stratton noted that there have been some high water pressure issues at some of the District sites and staff is working on addressing these issues.

On Thursday morning, December 11, 2008 there will be another multi-family meeting held at the District to discuss water and rate issues.

Mr. Stratton said that Warren Tenney was sworn in as a member on the CAP Board on December 4, 2008.

On Thanksgiving Day, November 27, 2008 a major malfunction occurred causing a mechanical seal to blow on one of the booster pumps at the Northeast Booster Station. Mr. Hill explained that since there are cameras on the pumps, a video was available that showed the seal blowing. The water which came from the 'A' Zone was pumped at 1,000 gallons per minute for an hour and a half flooding the building and street. These booster pumps are used to supply water to the James M. Tripp Reservoir. There is only one pump running at this time. Staff had a review after the incident to determine if there were precautions or different options that could have been done to prevent the incident. The pump continued pumping until staff disabled it. Mr. Hill said a level indicator is going to be placed on the floor of the booster station so that if water builds up on the floor again an alarm will go off. The incident and resulting damage is covered under warranty and the District is waiting for the insurance company to give us the ok to proceed with any type of repairs to the equipment. Mr. Hill said staff was also concerned that electrical wires that were under water could cause a potential electrical hazard and staff will also review precautions in this area.

VI. Legal Counsel's Report

Abbe Goncharsky, Legal Counsel, said that regarding the Sun Western lawsuit, depositions will not be taken at this time from the Board members. An offer of judgment was made and not accepted by Sun Western. Ms. Goncharsky also said legal counsel is continuing to work with representatives from Thim Utilities and Mr. Stratton is planning to meet with Thim representatives on December 9, 2008.

VII. Future Meeting Dates; Future Agenda Items

The next regular meeting of the Board of Directors is Monday, January 12, 2009 at 6:00 p.m.


VIII. General Comments from the Public

There were no comments from the public.


Mr. Offret presented a plaque to outgoing Board Member Judy Scrivener for her service on the Board for the past four years, and thanked her for her dedication to the District and its customers. Ms. Scrivener thanked all District staff for a successful four years, and welcomed Bryan Foulk, the newly appointed Board member. Ms. Scrivener noted that she will remain active and involved in local and community water and wastewater issues.

IX. Adjournment

The meeting adjourned at 7:25 p.m.



Warren Tenney, Clerk of the Board



Judy Scrivener, Chair of the Board