

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

April 28, 2008

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

MINUTES

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

Board Members Not Present: Judy Scrivener, Chair
L.G. Ovsevitz, Member

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

Study Session

I. Call to Order and Roll Call

Dan M. Offret, Vice 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. Dan M. Offret, Jim Doyle, and James Tripp were present. Judy Scrivener and L.G. Ovsevitz were not present.

II. General Comments from the Public

There were no comments from the public.

III. Discussion of Draft Fiscal Year 2008-2009 Budget

A. Capital Items and Capital Projects.

Mark Stratton, General Manager, explained that Mike Land, Chief Financial Officer, would provide information regarding the 2008-2009 Capital Items and Capital Projects draft budget.

Mr. Land explained that new items in the Capital Equipment category for the General Manager/Administration budget included a water level transducer, sand production monitor and control unit, check endorser, and principal payments on two new vehicles. The total proposed budget amount for this category decreased from \$42,635 in 2007-2008 to \$31,245 for 2008-2009.

The only new item in the Engineering Division was a laptop computer for blue staking.

Mr. Land said in the Utility Division the principal payments on existing vehicles were reduced from \$56,649 in 2007-2008 to \$30,202 for 2008-2009. The lease/purchase of the backhoe increased from \$15,432 to \$23,278. The budget amount for the two new vehicles also decreased for 2008-2009. Mr. Land said that \$20,000 was also being proposed for an auto crane that would be placed on an existing District vehicle.

Mr. Land explained that the Total Capital Equipment for the District decreased from \$169,222 in 2007-2008 to \$121,255 for 2008-2009. He noted that the proposed budgeted amount for 2008-2009 could change prior to adoption of the 2008-2009 budget if some of the purchases could be made out of the current fiscal year.

Mr. Land also provided information on Funded Capital Projects. He explained that \$400,000 was being proposed to fund the District's portion of the Northwest CAP Water System. Hydrology requested \$100,000 for property acquisition for new wells. Mr. Land said that for the HUB water supply exploration, Phase II and Phase III of the project was being proposed for the 2008-2009 budget with a total cost of \$305,000. Mr. Stratton explained that the Lower Santa Cruz Recharge Project with CAP was remaining unfunded for 2008-2009, but the District was looking at exchanging value of credits for the project with a potential value of \$270,000. The total General Manager/Administration proposed budget amount for 2008-2009 is \$855,000 which is \$45,000 less than the budgeted amount in fiscal year 2007-2008.

The Funded Capital Projects for Engineering included \$500,000 for the La Cañada Drive water line relocations. This project will continue into 2009-2010. Three more projects that will be funded are the Windermere Street Extension-Orange Tree/Lavery, 8" mainline from Camino Del Plata to Shannon, and pressure reducing valve at La Cholla Hills. Four additional items were identified and these projects remain unfunded at this time. The total proposed budget amount for 2008-2009 is \$1,075,000.

Mr. Land said the Utility Division is proposing funding for pressure tanks, manhole lid replacements, arc flash study, and loop system connection at HUB. Christopher Hill, Deputy Manager, provided a brief explanation for each of these item requests. The total amount for these items has been budgeted at \$320,000.

Mr. Land explained that the Total Capital Equipment/Projects proposed budget amount for fiscal year 2008-2009 is \$2,371,225. The amount budgeted for the current fiscal year was \$1,924,222.

B. Employee Incentives.

Billie Sue Morelli, Human Resource Specialist, provided information about a pilot incentive program for the Utility Division, and a pay plan for longevity for all District employees. She explained that staff has identified specific endorsements for the Utility Division which are various certifications the District can immediately put into place for the incentive program. It is anticipated that staff would receive a \$0.50 per hour increase for these certifications.

Ms. Morelli explained the potential endorsements Utility staff could obtain through in-house training programs and education. Each of these endorsements would also provide \$0.50 cent per hour pay increases; however, the pay increases would be capped at \$1.00 per employee, per year. Mr. Offret said he would like to see included in the pilot program policy how long it is anticipated the program will continue.

Mr. Hill mentioned that many other utilities do not offer incentive programs for their employees, so this would put the District at an advantage when hiring new employees as well as retaining them. The employee and the District would benefit from the additional staff training. Mr. Offret said he hopes that those who will be participating are not getting close to the top of their salary range, so that the employee would not be in jeopardy of losing the incentive pay if it would put them over the salary range cap. Mr. Offret asked if administration employees could benefit from an incentive program as well. Ms. Morelli explained that the District needs to focus on just one department at this time. Mr. Stratton said the number of potential items for endorsements in an incentive program for District employees in other departments is limited.

Ms. Morelli briefly explained the proposed longevity pay plan. Basically, the District would pay longevity to employees in increments after each five years of employment. The longevity pay would begin at \$500 after the first five years of continued employment, and increase by \$500 every five years. Mr. Offret suggested that longevity payments be made after December 31 each year for qualifying employees. He also did not agree with beginning the program after five years of employment, but rather after ten years of continued employment. Mr. Stratton explained that the State of Arizona Retirement System recognizes five years as being a milestone and becoming vested in the retirement program. Mr. Tripp noted that he wanted the full \$500 increment amounts be given to the employees after taxes.

C. Operation and Maintenance.

Mr. Land explained the potential budgetary considerations for 2008-2009 if the incentive pay program and the longevity program were to be implemented. The first year would have the highest

cost, as current employees would receive retroactive longevity pay. Mr. Land said cost for the 2008-2009 fiscal year budget for longevity would be \$43,812, and \$56,273 for the incentive pay program.

The District currently receives reimbursement for the cost of the carbon media replacement for the South Shannon Treatment Facility from the Arizona Department of Environmental Quality (ADEQ). However, the District may not receive reimbursements from ADEQ in the future, depending upon ADEQ budget constraints. Mr. Land said \$150,000 has been budgeted for 2008-2009 in the event the District does not receive reimbursement from ADEQ.

Mr. Land said that monies have also been budgeted for a laptop computer that Hydrology can use in the field for well data entry. A laptop has also been budgeted for Engineering's field use. Mr. Land explained that communication cards will also be purchased for these laptops. Mr. Offret noted that he wanted staff to make sure high-end communication cards are purchased.

Total revised Operating Expenditures budgeted amount is \$15,102,313. The Total Capital Budget is \$2,349,725 bringing the Total Revised Budget for 2008-2009 to \$17,452,038. Mr. Land said the revised projected ending fund balance for 2007-2008 is \$1,101,205.

IV. General Manager's Report

Mr. Stratton said he and Mr. McNulty recently met with Mr. Thim and his attorney to discuss the draft purchase agreement. Mr. Stratton explained that a draft agreement should be ready for the Board's perusal at its May 12, 2008 meeting. In addition, staff will provide in-depth information at a future study session.

Mr. Stratton noted that several employees will be attending the Arizona Water and Pollution Control Association (AWPCA) annual seminar in Mesa this week. Mr. Stratton, Mr. Hill, and Mr. Tenney will have cell phones in the event Board members should need to contact them.

Mr. Hill said that the District will begin pharmaceutical samplings at selected well sites this week.

V. Executive Session

Mr. Tripp made a motion to adjourn into executive session. Mr. Doyle seconded the motion. Motion passed unanimously. The executive session was called to order at 6:30 p.m.

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

- A. Discussion or consideration of personnel matters regarding a public officer and consideration of legal advice.

VI. Adjournment

The executive session adjourned at 7:12 p.m.

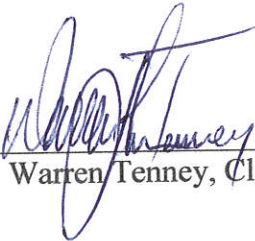
VII. Consideration of Action Related to Item Discussed in Executive Session

Mr. Doyle made a motion to direct the District's Legal Counsel to seek a restraining order that will prohibit Board Member Laretta Ovsevitiz from engaging in the harassment of District employees. Mr. Tripp seconded the motion. Motion passed unanimously.

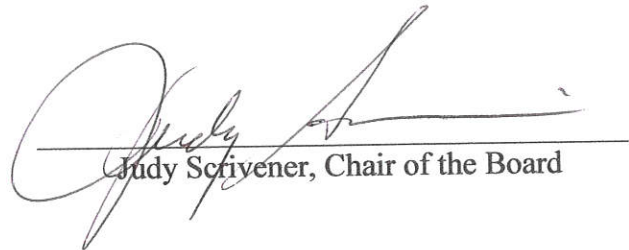
Mr. Tripp made a motion to direct staff to formulate a policy with regard to Board members conduct during Board meetings to be presented at the next regular meeting of the Board of Directors. Mr. Doyle seconded the motion. Motion passed unanimously.

VIII. Adjournment

The meeting adjourned at 7:15 p.m.



Warren Tenney, Clerk of the Board



Judy Scrivener, Chair of the Board