

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

May 14, 2007

**** 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
Lauretta Ovsevit, Member
James Tripp, Member

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

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 6:00 p.m. Judy Scrivener, Dan M. Offret, Jim Doyle, Lauretta Ovsevit, and James Tripp were present.

II. General Comments from the Public

Frank Schnur, Utility Worker, thanked the Board of Directors for their willingness and time in listening to employee concerns.

III. Consent Agenda

- A. Approval of Minutes – April 9, 2007 Board Meeting.**
- B. Approval of Minutes – April 23, 2007 Study Session.**
- C. Ratification of Billing Adjustments.**
- D. Ratification of Bill of Sale – Orange Grove & La Cholla Blvd Shopping Center.**
- E. Ratification of Bill of Sale – Waterline Extension for 1920 W. Las Lomitas.**

- F. Approval of Water Service Agreement – Riverside Crossing Corporate Center.
- G. Approval of Water Service Agreement – Riverside Crossing, Lots 1-122.

Mr. Tripp made a motion to approve the consent agenda. Ms. Ovsevitze 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 water usage continued to be down during April 2007 compared to water usage during the same time period in 2006. Tucson experienced cooler temperatures in April 2007 compared to the past several years. With the rise in temperatures over the summer, it is anticipated that revenues will go up.

Mr. Stratton said the work on the new well at Riverside Crossing continues.

Mr. Stratton explained that it is anticipated the cable wrap work will begin next week on the Northeast Reservoir. The work on the Northeast Booster Station is also moving along.

B. Financial Report.

Mike Land, Chief Financial Officer, said revenues continue to be under budget; however, it is anticipated that they will pick up somewhat in May 2007. He noted that expenditures are also under budget. Mr. Land said the District recently received an additional \$41,000 from the State Treasury for the bankruptcy.

C. Discussion and Direction for Legislative Issues 2007.

Susan Charlton, Gallagher & Kennedy, explained that the Senate and House budgets are out and it appears that the Senate budget will have a larger amount of monies designated for the Arizona Department of Water Resources (ADWR). Ms. Charlton provided an update of the remaining water bills.

HB 2039 State Trust Lands - Bill Revisions: It appears that this bill is moving forward. This bill would allow parties to purchase certain trust lands designated for conservation for appraised value of the land without having to go to auction. The bill also allows parties to purchase right-of-ways on State Trust Land for utilities for appraised value, not auction.

HB 2484 Well Impacts - Contamination: Allows ADWR to prohibit drilling of a well in a superfund site if it was determined that the well will likely cause migration of contaminated groundwater to another well. This bill passed the House and Senate.

HB 2488 Groundwater Transfers - Drought Emergency: There were no changes to the current statutes regarding interim groundwater transfers for true emergencies. This bill was signed by the Governor and self-repeals April 30, 2008.

HB 2489 Special District Amendments: This bill verifies how special districts are formed and expanded. There will be a study committee meeting this summer to address Title 48 Special Taxing Districts. This bill is anticipated to pass the House.

HB 2636 Improvement Districts - Maricopa Surplus Funds: The Senate amendment dissolved the population threshold and the bill now applies to all counties. The bill would allow any remaining money from an improvement district that has been dissolved for two years to be transferred to the county general fund. This bill was signed by the Governor.

HB 2692 Water Supply Development Revolving Fund: This bill would establish a fund to provide financial assistance to water providers in areas that lack sufficient water supplies to meet their long-term demands. The bill passed the Senate Rules Committee.

SB 1119 Water - Overlapping Service Area Providers: This bill was vetoed by the Governor.

SB 1557 Water - Municipal Conservation Requirements: Signed by the Governor.

San Pedro Bill –Rob Dalager, Gallagher & Kennedy, said this bill remains controversial. It would create a district to manage the use and development of water resources within the San Pedro River area.

D. Discussion of Consumer Confidence Report / Water Quality Report.

Mr. Stratton explained that drafts of the publications were provided with the staff report. The publications will be mailed to District customers later this month. Mr. Offret said the publications were well done, and Mr. Tripp agreed.

E. Discussion of Personnel Issues within Utility Division.

Mr. Stratton explained that some Utility Division staff members were present to address the Board regarding certain issues.

Eric Goodwill, Utility Worker, asked that Utility staff present at the meeting stand with him as he addressed the Board with Utility staff concerns. He explained that it is understood the District conducts a wage comparison that is usually completed every other December; however, the District staff that were present feel that waiting until December 2007 is too long to wait. These employees believe they are under-paid and under-appreciated, and that they are generally better than employees in other utilities are.

Mr. Goodwill mentioned the cost of living adjustment (COLA) and said staff does not see much of the COLA after factoring in increases in health insurance, groceries, gas, etc. Mr. Goodwill said the Utility employees that were present believe they should receive a higher amount.

Mr. Goodwill said several staff have left District employment, and the remaining Utility workers feel a pinch on a daily basis due to the staffing level. Mr. Goodwill indicated that the staffing level in the Utility Division has been down in number.

Regarding compensation time, Mr. Goodwill said that the Utility staffs present at this meeting do not agree with the recommendation that the total hours that can be accrued be held at a maximum of

40 hours per year. They do not want compensatory time to be capped so that more time can be earned and spent with family.

Mr. Goodwill explained that Utility staff study hard to receive their water operator certifications and that the District does pay for the certifications. However, they believe they should also be compensated monetarily for this additional knowledge.

Mr. Goodwill said staff believes the uniform allowance has decreased from previous years, and explained that they cannot purchase the same amount of jeans as the District previously supplied them with.

Mr. Doyle verified that Utility staff are requesting the wage survey to be completed now as opposed to waiting until after the beginning of the new fiscal year (July 1, 2007). Mr. Stratton explained that typically the salary compensation study begins in August, and is generally completed in November. Mr. Doyle noted that the salary compensation does not guarantee a wage increase. Mr. Offret said that most entities give COLA increases July 1, so waiting until after that time would provide the most current wage and salary information from other entities that are surveyed for comparison.

Frank Schnur, Utility Worker, said the District lost two employees and another has submitted his resignation and the remaining staff are frustrated. Mr. Schnur said he cannot wait until December 2007 to get a wage increase. Mr. Doyle said he knows that this is frustrating, and he understands wanting to make more money, but part of doing business is the fact that people come and go.

Mr. Doyle asked how many staff are in the Utility Division. Steve Shepard, Utility Superintendent, said there is 23 staff, and two employees have resigned in the last few months. Mr. Doyle explained that any number of things could determine why people leave their employment. Mr. Goodwill said that the existing employees cannot get their work done because they are understaffed. Mr. Doyle said that adequate staffing is also associated with employees utilizing compensatory time off from work.

Mr. Offret asked if an applicant pool could be created for the Utility Worker position(s). Mr. Stratton explained that when the application process is conducted for Utility workers, if more than one applicant is worthy of consideration staff does go back and contact those previous applicants. Mr. Steve Shepard said there is currently only one opening, and another opening will be coming up in two weeks due to a resignation. Mr. Offret asked if there were previous applicants that are eligible for being considered. Billie Sue Morelli, Human Resource Specialist, said the remaining applicants did not have enough or the right experience for the position that is currently available. Mr. Stratton explained that the current opening is being offered to existing employees as a chance to move up to a higher classification.

Mr. Tripp said he understands about the COLA, and how frustrating this can be. He noted that he has always been supportive of the Utility Division based on his work in the utility industry for many years. Mr. Tripp explained that the Board has a responsibility also to District customers, and must keep what they want and are willing to pay for in mind when the Board makes decisions. He said he believes the Utility workers are lucky to be getting a clothing allowance, as he never received a

clothing allowance, and many other utilities do not provide clothing or uniform allowances. Mr. Tripp added that he would like to give the utility crew what they are asking for, but there has to be a balance in what the Board can approve, and what the crews are asking for.

Amadeo Villanueva, Utility Worker, mentioned a copy of a letter Pinal County sent to some of its employees, and how Pinal County provides more benefits to its employees. Mr. Villanueva said that District Utility workers are making good wages; however, the cost of family insurance takes too much away from their check, and so does having to pay for some of the clothing. He noted that Utility workers have to buy a second pair of boots each year because they wear out, and they are only reimbursed for one pair of boots yearly.

Mr. Doyle noted these employees wanted to spend time with their families, and verified that the crews do not want the compensation time off capped at 40 hours per year. Mr. Doyle said he does not believe in compensatory time, and that it is an accounting and scheduling nightmare. Mr. Schnur asked if the District's policy on compensatory time is based on comparison with other utilities. Mr. Stratton replied that it is not. Mr. Schnur said that the Town of Marana allows up to 200 hours of compensatory time to be accrued during a one-year period, and that he knows of another utility that will let their employees accrue up to 60 hours. Mr. Schnur does not believe this is a nightmare because there are only about eight District employees that typically accumulate compensatory time.

Mr. Doyle asked about certifications. Mr. Goodwill said District Utility workers believe they are more valuable once they improve themselves and receive water operator certifications. Mr. Doyle asked if the District pays for the costs associated with obtaining certifications, and noted that Pima County does not pay for this. Mr. Schnur replied that the District does pay for this. Chris Hill, Deputy Manager, explained there are costs involved with the certifications. Mr. Doyle asked if the District could check with Pima County to see if it would be possible for District staff to attend the County's training. Mr. Goodwill explained that staffs want more money once they become more knowledgeable. Mr. Doyle asked what kinds of certifications staff are required to have. Mr. Goodwill explained the different certifications available. Mr. Schnur said the Utility staff just found out that they are now held more accountable if they hold CDLs, and asked for more money because of the CDLs. Mr. Doyle noted that the employees also benefit greatly from these trainings and certifications that the District has paid for them to get. He explained that this knowledge helps them to do their jobs better, and makes the person more marketable if they seek a new job or want to be promoted. Steve Woolridge, Utility Worker, said that it was not his choice to have the training he received, that the District required him to receive it. Mr. Villanueva said that now employees have more responsibility even during off work hours if they have CDLs. Mr. Schnur said that the District has a lot of financial investment in its employees and if these employees leave, they take that knowledge with them. He reiterated that Utility staffs want to be compensated for holding any certifications.

Mr. Doyle asked about uniform allowance. Mr. Goodwill said they used to be supplied each year with 7 shirts and 7 pairs of pants. He said now the District gives them \$125 per year to buy their own jeans, and added that they cannot buy 7 pairs of jeans for this little amount of money. Mr. Doyle explained that he gets Wrangler jeans for \$17 per pair at Western Outfitters. Mr. Schnur said

he buys Levi jeans, and they cost him more than \$50 for two pairs. He explained that the Utility crews differ on the brands they want to wear, and that is why they now receive an allowance, as opposed to the District purchasing the pants directly.

Ms. Scrivener asked where the letter came from for Pinal County. Mr. Villanueva said he had gotten it, and noted that Pinal County employees were supplemented for additional costs. Ms. Scrivener noted that the Pinal County employees the letter was addressed to are not in the water industry, and therefore it was not a good comparison to the District.

Mr. Tripp asked how many employees, whether in the Utility Division or other divisions of the District, are involved in the compensatory time issue. Ms. Morelli replied that most of the compensatory time is accrued by employees in the Utility Division. Mr. Stratton added that approximately 40 District employees have the ability to accrue compensatory time.

Ms. Scrivener explained that since this report was not an action item, the Board would not act on the requests of the Utility employees. Warren Tenney, Assistant to the General Manager, explained that the Board could provide direction at its discretion. Mr. Offret said that he believes the Board should consider some alternatives. He suggested that two Board members work with the General Manager to discuss these issues further. Mr. Offret and Ms. Ovsevitiz volunteered to meet with the General Manager to further discuss these issues, and to bring back their findings to the Board as soon as possible.

F. Approval of Revisions to the District's Personnel Manual.

Mr. Tripp made a motion to table this item until the Utility Division personnel issues are resolved. Ms. Ovsevitiz seconded the motion. Mr. Doyle asked that staff also review the manual to clean up any typographical errors such as page numbering. Motion passed unanimously.

G. Approval of Amendment No. 5 to the Professional Engineering Services Contract for the Northeast Water Reservoir.

Mr. Tripp made a motion to approve Amendment No. 5 to the Professional Engineering Services contract with HDR Engineering, Inc. for the Northeast Water Reservoir that establishes a new contract completion date of August 31, 2007. Ms. Ovsevitiz seconded the motion. Motion passed unanimously.

H. Approval of Professional Service Agreement with Datacom International, Inc.

Mr. Tripp made a motion to approve the Professional Services Agreement with Datacom International, Inc. in the amount not-to-exceed \$20,000 for professional services needed in the installation of the Broadband Radio Network at the District Office. Ms. Ovsevitiz seconded the motion. Motion passed unanimously.

I. Approval to Purchase 100 Foot Tower for Installation at District Office.

Mr. Tripp made a motion to approve the purchase of the office broadband tower from Sabre Solutions in the amount of \$18,629, and to authorize the General Manager to approve changes not-to-exceed \$2,000. Ms. Ovsevitz seconded the motion.

Mr. Offret asked if any neighbors in the vicinity of the District offices were aware of the proposed tower, and if not, was there a plan to notify these neighbors. He explained that he would like a meeting scheduled with area residents to receive their comments prior to the placement of the tower. Mr. Stratton suggested that District staff hold a meeting with the surrounding neighbors.

Mr. Shepard provided the Board with additional information that clarified the quotes that were provided with the report. He noted that Saber Solutions was the lowest bidder. Ms. Scrivener recommended that staff check and verify the cost of the grounding units because of the significant difference in the quotes provided by the bidders.

Mr. Offret said he had concerns with the potential building and fencing for the tower. Mr. Shepard explained that the location of the tower would determine what would be required for a possible exterior building and fencing. Mr. Offret asked if it would be a block fence. Mr. Shepard replied that it would probably be metal fencing. Mr. Stratton noted that planting material could be placed around the fencing to make it more aesthetically appealing.

Motion passed unanimously.

J. Update on Well Rehabilitation and Development at Lambert / La Cholla Well.

Mike Block, District Hydrologist, provided an update on rehabilitation and development efforts at the Lambert / La Cholla well. He explained that the District has received some of the testing results. Capacity is currently at half the amount as before this testing began. Mr. Block said that a video of the well was made after the testing was conducted. He explained that there is still quite a bit of scaling. Mr. Doyle asked what the composition was of the scale present in the well. Mr. Block noted that it is mostly rust and bacterial growth. He added that District staff is going to contact Tucson Water to determine if they have data from their testing that might assist the District.

Gary Burchard, District Hydrogeologist, said that since this well has been inactive buildup of scaling has occurred more quickly. Mr. Hill said the information the District receives from Tucson Water will help staff to determine what action should be taken next. Mr. Burchard explained that if the aquifer yields a lot of water easily, the well can probably be cleaned up.

K. Approval of Lobby Area Remodel.

Mr. Tripp made a motion to approve the selection of Canyon Building & Design to remodel the lobby at a cost not-to-exceed \$12,368, and to authorize the General Manager to sign change orders up to \$2,632 for a total of no more than \$15,000 for the entire project. Ms. Ovsevitz seconded the motion.

Mr. Offret asked if this cost included the cost of the furniture. Mr. Land replied that the furniture was not included.

Motion to approve the selection of Canyon Building & Design to remodel the lobby at a cost not-to-exceed \$12,368, and to authorize the General Manager to sign change orders up to \$2,632 for a total of no more than \$15,000 for the entire project passed unanimously.

L. Discussion of Draft Fiscal Year 2007-2008 Budget.

Mr. Stratton explained that after further discussions with representatives from San Miguel High School it was his belief that the District would not have enough work for a full time student position. The representatives indicated that they could provide students for a part time position. Mr. Stratton said that after reviewing the needs of the District with division managers, it was determined that a part time position could offer a definite benefit for assisting with projects, etc.

Regarding the staffing needs in the Utility Division, Mr. Stratton said he recommends that the District move forward on Mr. Shepard's recommendations as outlined in his memo dated May 8, 2007.

Mr. Tripp asked how a compensation survey completed in December 2007 might affect the District's budget if there were adjustments made to some of the classifications. Mr. Stratton explained that, if needed, adjustments to the budget could be made at that time.

Mr. Land said that a completed copy of the 2007-2008 budget with updated information would be available for the Board's review at the end of May 2007.

M. Request for Reclaimed Water Utilization at Riverside Crossing.

Mr. Tripp made a motion to direct staff to negotiate for the delivery of reclaimed water for Metro Water to provide service to the Riverside Crossing project. Ms. Ovsevit seconded the motion.

Mr. Stratton said Pima County has extended their line in this area, and explained that the District may be able to work with the County to use their line. Mr. Offret noted that he is afraid this might set a precedent for future use of reclaimed water. Mr. Stratton explained that this is an area that is on the District's boundary, and there is only one other use for reclaimed water near the District's boundaries. Mr. Offret said he believes the District should meet with the City of Tucson to discuss this issue. Mr. Stratton noted that the Internal Governmental Agreement between the District and the City of Tucson clearly states that they cannot deliver reclaimed water to any District customers without our approval. He added that there are probably not any other places in this area where the District could use its reclaimed water. Mr. Tripp mentioned that there is quite a lot of undeveloped property in this area. Charlie Maish, District Engineer, noted there is a science academy being relocated to this area, and also some commercial and housing projects.

Motion to direct staff to negotiate for the delivery of reclaimed water for Metro Water to provide service to the Riverside Crossing project passed with Ms. Scrivener, Mr. Offret, Mr. Doyle, and Mr. Tripp voting in favor. Ms. Ovsevitv abstained from voting.

V. General Manager's Report

Mr. Stratton said the District received the signed Central Arizona Project (CAP) allocation contract. This needs to receive validation through the court system, and then within the next several months this project should be ready to set in motion.

Mr. Stratton said it will be several months before much information will be available regarding the recent Town Hall meeting. He explained that the Southern Arizona Home Builders Association (SAHBA) wanted to present a paper on a regional water authority; however, representatives at the Town Hall chose not to have the paper presented.

Regarding the office expansion plans, Mr. Stratton said this may not be an appropriate time to do this project, and suggested waiting on the expansion. He recommended that the District look instead at renovations and upgrades for the existing office building including an energy audit, new carpeting, painting, and any other needed repairs. He suggested going ahead with the design plans for the office expansion and holding them in abeyance. Ms. Ovsevitv asked who would do the energy audit. Mr. Stratton said staff would contact Tucson Electric and Power for recommendations.

Mr. Hill provided a brief update on the current status of the S&T project. The Board was provided a draft copy of a report completed by the University of Arizona regarding the project.

Mr. Shepard said that after review of the Rasmussen well and the possibility of drilling a new well at this location, that it is staff's recommendation that a complete well abandonment of the Rasmussen well occur and further consideration of a new well be abandoned.

VI. Legal Counsel's Report

Michael McNulty, Lewis & Roca, said he had nothing to report at this time.

VII. Future Meeting Dates; Future Agenda Items

The next regular meeting of the Board of Directors is Monday, June 11, 2007 at 6:00 p.m.

VIII. General Comments from the Public

There were no comments from the public.

IX. Adjournment

The meeting adjourned at 7:58 p.m.

Judy Scrivener, Chair of the Board

Warren Tenney, Clerk of the Board