

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

March 26, 2007

**** 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
Lauretta Ovseviz, Member
James Tripp, Member

Board Members Not Present: Judy Scrivener, Chair

District Staff: Mark Stratton, General Manager
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 5:10 p.m. Dan M. Offret, Lauretta Ovseviz, and James Tripp were present. Jim Doyle arrived at 5:20 p.m. Judy Scrivener was not present.

II. General Comments from the Public

There were no comments from the public.

III. Approval of Media Regeneration for the Hub No. 3 arsenic Treatment System.

Mr. Tripp made a motion to approve the media regeneration of the Hub No. 3 Arsenic Treatment system with MPT for \$11,076.00 and authorize the General Manager to approve additional funds not to exceed \$3,000.00. Ms. Ovseviz seconded the motion.

Mr. Offret asked about the silica absorption. Steve Shepard, Utility Superintendent, briefly explained the process of using silica to remove the arsenic.

The motion to approve the media regeneration of the Hub No. 3 Arsenic Treatment system with MPT for \$11,076.00 and authorize the General Manager to approve additional funds not to exceed \$3,000.00 passed unanimously.

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

A. Budget Items for Engineering Division

Mark Stratton, General Manager, explained that along with the draft budgets for Engineering and Utility, some capital equipment requests would also be discussed. He noted that Mike Land, Chief Financial Officer, would provide the Board with information on the Engineering and Utility budgets.

Mr. Land provided a line item detail of the proposed 2007-2008 Engineering budget. He explained the increase in salaries and benefits was due mainly to merit increases, and projected increases in medical benefits. It is possible that health care insurance could see a 12% increase. Staff will be soliciting and comparing health care insurance rates within the insurance industry to keep the premiums as low as possible. The Arizona Retirement System contribution is anticipated to rise 1% for 2007-2008. Mr. Land said the cost of living award (COLA) is anticipated to remain at the current level of 2.5%. Salaries and Benefits increased overall from \$811,637 to \$849,058 for 2007-2008.

Mr. Land said the total budgeted amount for Consultant/Contract Services for Engineering decreased by \$1,800. The primary reason for the decrease was that the new copier lease includes maintenance fees.

Mr. Doyle arrived at 5:20 p.m.

The General Operating Expenses line item saw an increase of \$2,749. Mr. Land explained that expenses for travel, education, and training have been combined for 2007-2008.

Mr. Land said the Supplies line item was reduced by \$1,100. It is anticipated that expenditures for office supplies and forms, and tools and equipment will be lower next budget year.

The Other Expenditures line item will see an increase from \$354,895 to \$389,963. This line item is for salaries and benefits that are reimbursed to the District through bond fund reimbursements.

Mr. Land explained that the Engineering budget total dropped from \$766,879 to \$552,646. The La Canada Drive water line relocations capital project has not been included in this amount as of this

date. When the cost for this project becomes available, it will be included in the overall 2007-2008 budget. Mr. Stratton said the preliminary drawings on the La Canada line relocation are being evaluated. This line may need to be placed in a different location than what was previous planned; therefore, the cost may increase.

B. Budget Items for Utility Division

Mr. Land noted that the same increase for the total Salaries & Benefits line item occurred as what was present in the Engineering budget. He explained that there was a new position and an upgrade for an existing position proposed in the 2007-2008 Utility Division budget. Mr. Shepard said these additions were needed to ensure staff would be able to fully implement the various programs instituted by the District the last few years. Mr. Stratton added that at the April 2007 Board study session the duties of these positions would be further defined.

Mr. Land said the Consultant/Contract Services overall budgeted amount will decrease by \$43,000 due to the storage tank rehabilitation being cut back as most of the tanks have now been rehabilitated.

Mr. Doyle left the meeting at 5:53 p.m.

The General Operating Expenses line item increased by \$ 2,789. Mr. Land explained that the increase was due to security improvements at well sites.

Mr. Land said the budgeted amounts for the Purchased Power line item have been kept the same as for 2006-2007.

The Supplies line item increased by \$32,580. Mr. Land said the categories that had increased amounts were Fire Hydrant Supplies/Installation, Supplies for Mainlines, Meters, and Pressure Tank Supplies/Installation.

Mr. Land said the Total Capital Equipment line item increased for 2007-2008 by \$53,418. The increase was due to the proposed replacement of four vehicles per the District's vehicle matrix, and replacement of the 1994 Ford Backhoe. Some of the other larger capital equipment requests included the purchase of a portable insertion flow meter, leak detection microphone, pump and motor efficiency data logger, and leak correlation system.

Capital Projects for the Utility Division included the second phase of the broadband network system with a budgeted amount of \$55,000. Mr. Land said the total Funded Budget amount for the Utility Division increased from \$3,279,925 in 2006-2007 to \$3,440,297 for 2007-2008.

V. General Manager's Report

Mr. Stratton explained that Legal Counsel is reviewing a letter written by District staff to Pima County regarding a damage claim by the County's contractor incurred on the La Cholla roadway. Staff will keep the Board apprised of any new information on this item as it becomes available.

Mr. Stratton noted that staff met last week with Mark Reader, Financial Advisor, to discuss how the Northwest Central Arizona Project (CAP) treatment system will potentially affect the District's rate structure and debt service.

VI. Adjournment

The meeting adjourned at 7:05 p.m.

Judy Scrivener, Chair of the Board

Warren Tenney, Clerk of the Board