

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

April 24, 2006

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

MINUTES

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

Board Members Not Present: Suzanne Downing, Member
 Jim Doyle, Member

District Staff: Mark Stratton, General Manager
 Warren Tenney, Clerk of the Board

Study Session

I. Call to Order and Roll Call

Dan M. Offret, Chair of the Board of Directors of the Metropolitan Domestic Water Improvement District (District), called the Board Meeting to order at 5:40 p.m. Dan M. Offret, Judy Scrivener, and James Tripp were present. Suzanne Downing and Jim Doyle were not present.

II. General Comments from the Public

There were no comments from the public.

III. Discussion of Draft Fiscal Year 2006-2007 Budget

A. Budget Items for Administration Division & General Manager's Office.

Mark Stratton, General Manager, said staff would provide information on the operation and maintenance budget items as well as the capital improvement projects for the Administration Division and General Manager's Office.

Metropolitan Domestic Water Improvement District
Board of Directors Study Session
April 24, 2006
Page 2

Mike Land, Chief Financial Officer, gave a brief presentation of the draft budget for 2006-2007. He noted that salaries are up from 2005-2006, partly because two new positions (Human Resource Specialist and Risk Management Specialist) were added. Mr. Land noted that there will be an increase in cost for health insurance and the Arizona State Retirement.

Mr. Land reviewed the Consultant/Contract Services line items and noted that Computer Support has dropped slightly for 2006-2007. It is anticipated that Legal/Lobbying expenses will also drop slightly. Mailing Services will see a slight increase due to an increase in cost from the company providing mail services and an increase in the number of billings mailed each month to the District's customer base. Mr. Land said the Miscellaneous Consulting Services draft budget amount has increased \$30,000 from 2005-2006 due to the Renewable Supply Utilization Study. Outside Services, including Bee Removal will also increase slightly.

Mr. Land noted that in the 2006-2007 draft budget \$23,000 was again budgeted for Payroll/Personnel Services. He explained that this amount may be reduced or eliminated at a later date due to the addition of the Human Resource Specialist position. Mr. Stratton said staff is reviewing options for Human Resource needs, and as duties for the position are further identified, it is anticipated that changes will occur to this line item.

Mr. Land explained that a line item has been added for Radon/Arsenic Compliance Investigation at a cost of \$2,500. Water Quality testing has been increased from \$112,000 to \$152,674. Chris Hill, Deputy Manager, noted that ADEQ is requiring additional sampling at wells and staff is working with them to determine the necessity of the additional testing.

Mr. Land said that total cost for Consultant/Contract Services will increase from \$496,228 in 2005-2006 to \$567,352 for 2006-2007.

Mr. Land said for General Operating Expenses, most line items are staying at or near the budgeted amounts for 2005-2006. The expense for Board Reimbursements/Seminars has increased by \$2,000. Also, the amount for Education & Training has increased from \$30,875 to \$234,265 due to changes in statewide water issues and the need to keep abreast of these changes. A line item amount of \$15,000 has been added for Election/Survey Costs for elections. Mr. Land said the cost of purchased insurances for the District has increased slightly over 2005-2006. Postage has increased from \$65,000 to \$80,000 due to the increase in postage and a larger customer base. The Travel line item has been increased in part due to the increase of airfares and the price of gasoline. Vehicle Fuel Expense has also increased from \$2,000 to \$5,500. Total cost for General Operating Expenses increased to \$537,359 for 2006-2007, up from \$493,611 in 2005-2006.

Mr. Land also provided line item information for Supplies for the General Manager and Administrative Division budget. Maintenance costs for Buildings and Grounds increased slightly over the previous year. Credit Reporting Bureau costs also increased slightly, as did Safety Supplies. Mr. Land explained that budget amounts for Computer Related Software/Equipment was

combined into one line item, and increased to \$31,985. A committee has been assigned to review computer needs and upgrades for the District. The total amount for Supplies increased from \$81,000 to \$106,460 for 2006-2007.

Under Other Expenditures, Mr. Land noted that the amount budgeted for Regulatory Fees dropped \$11,000. The amount for CAP Water Purchase/Allocation increased from \$1,254,797 to \$1,343,377. All other costs remained the same for the Other Expenditures category.

Mr. Land briefly reviewed the District's Debt Service line items, which will see an increase from \$4,604,847 to \$5,532,168, mostly due to the loan agreement with WIFA for the new Capital Improvement Program. The Capital Equipment line items decreased by almost half over the amount for the previous year. The amount for Capital Projects (Funded) decreased from \$1,125,000 to \$694,000. Mr. Land said that an item not included on the draft budget worksheets was \$255,000 for Non-Bond Projects, and \$75,000 for the updating of the 1994 Water System Management Plan. Mr. Stratton noted that staff is still working on the extent of the exploration needed in the Hub Service area for a new well(s).

B. Review of Overall Draft Budget.

Mr. Land briefly reviewed the 2006-2007 Draft Summary Budget for all District divisions. The Beginning Operating Fund Balance for 2006-2007 is projected to be \$2,748,895, which is over \$300,000 more than in 2005-2006. Revenues are anticipated to be slightly lower in 2006-2007 than the current budget year. The total Operating Funds Available for 2006-2007 will still be higher than in 2005-2006. Mr. Land said the Projected Ending Operating Fund Balance for 2006-2007 is \$1,366,399, compared to \$2,748,895 in 2005-2006.

Mr. Offret noted that the draft budget for 2006-2007 appears to be solid. Mr. Tripp agreed.

IV. General Manager's Report

Mr. Stratton said that Steve Shepard, Utility Superintendent, noting the issues with arsenic in the Hub Service area and the need to meet increased demand, looked at options to address these issues. Mr. Stratton said that what Mr. Shepard is proposing is to put Hub Well No. 1 back into service. Staff could do the installation work and purchase the vessels and media. Mr. Stratton said that one of the issues in dealing with Hub Well No. 7 is the condemnation issue. It was suggested to put any further improvements on hold at Hub Well No. 7, and use the remaining monies to purchase and install arsenic treatment at Hub Well No. 1.

Mr. Shepard explained that staff's focus turned to Hub Well No. 1 and the blending concepts and capacity of this well as opposed to further considerations of Hub Well No. 7. He noted that just 50% of the water at Hub Well No. 1 would need to be treated only during yearly peak demand periods in order to adequately supply the Hub Service area. Mr. Shepard said that for

approximately \$75,000 Hub Well No. 1 could be made functional for 165 days of the year to meet peak demands. Mr. Stratton explained that this money could come out of the \$300,000 that was originally intended for completion of Hub Well No. 7. Completion of this well could be postponed for approximately one year. Mr. Stratton suggested that bids be solicited and this item be included on a future Board meeting agenda.

Mr. Offret asked about safety concerns at Hub Well No. 7. Mr. Shepard said that the well facility itself is protected; however, measures will need to be considered to keep garbage, etc from being placed on the site. It was noted that Pima County at this time is using property adjacent to the site as a place for dumping items.

VI. Adjournment

The meeting adjourned at 6:38 p.m.

Dan M. Offret, Chair of the Board

Warren Tenney, Clerk of the Board