

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

July 10, 1995
Wilson Room
Tohono Chul Park
7366 North Paseo del Norte
Tucson, Arizona 85704

MINUTES

Board Members Present: Marty Cramer, Vice-Chair
Jim Doyle, Member
Pete Schlegel, Member

Board Member Not Present: Barbara Johnson, Chair
Herb Johnson, Member

District Staff: Mark Stratton, General Manager
Phil Higdon, Legal Counsel
Michael Land, Chief Financial Officer
Warren Tenney, Clerk of the Board

I. Call To Order and Roll Call

The meeting was called to order at 5:04 p.m. by Ms. Marty Cramer, Vice-Chair of the Board of Directors of the Metropolitan Domestic Water Improvement District (District). Mr. Jim Doyle and Mr. Pete Schlegel were present. Ms. Barbara Johnson was not present due to a family medical emergency. Mr. Herb Johnson was out-of-town on vacation.

II. Comments From The Public

Nine people were in the audience.

Mr. Joe Murray, District customer, said that District staff had checked the pressure at his residency due to his concern about low pressure. Mr. Christopher Hill, Utilities Superintendent for the District, noted that Mr. Murray's neighborhood could receive more pressure if a line connected the area to another service area. Staff would investigate and discuss the plan with the neighbors to determine its feasibility.

Mr. Schlegel thanked Mr. Hill for helping to alleviate the water pressure problem in his neighborhood.

III. Financial Report

Mr. Michael Land, Chief Financial Officer for the District, explained that he provided a budget summary report for the 1994-1995 Fiscal Year as of June 1995 to the Board. The preliminary revenue and expenses for June 1995 need to be finalized, and then probably adjusted by the

revenue and expenses for June 1995 need to be finalized, and then probably adjusted by the annual audit. The financial report shows the revenues to be over budget and the expenditures under budget, which is primarily due to capital projects earmarked but not yet spent. Mr. Mark Stratton, General Manager for the District, said that staff will provide a listing of those capital projects to the Board of Directors. Although meter sales were under budget, meter sales were still higher than the previous year. The District appears to be financially strong.

Mr. Schlegel questioned the large difference in projected interest income and the actual amount as well as the difference in bond service reserve fund interest. Mr. Land said that the District earned more interest income because monies earmarked for capital projects had not been yet spent. The higher amount under bond service fund interest was likely attributed to higher interest rates and monies not spent.

Mr. Schlegel said that if the unspent capital projects were removed from the budget, the District may be over budget. The financial report should provide an explanation along with the excess monies spent above what had been allocated during June 1995. Mr. Land said he would examine that matter.

IV. Consent Agenda

- A. Approval of Minutes - June 12, 1995 Board Meeting.**
- B. Approval of Minutes - June 26, 1995 Special Board Meeting.**
- C. Ratification of Billing Adjustments or Small Damage Claims.**
- D. Financial Issues - Update on Revenues, Checks and Warrants.**
- E. Ratification of Contract with JCS Engineering.**
- F. Approval of Bills of Sale.**
 - 1. Hardydale, Phase I, Lots 1-22.**
 - 2. Montebella, Lots 1-42.**
- G. Approval of Water Service Agreements.**
 - 1. Las Lomitas Estates, Lots 1-9.**
 - 2. Luna Vista Estates, Lots 1-36.**

Mr. Schlegel made the motion to approve all of the items on the Consent Agenda except Item IV.E. Mr. Doyle seconded the motion and it passed unanimously.

Ms. Cramer said that the Board would discuss Item IV.E. under New Business.

V. Old Business -- Items For Discussion and Possible Action

- A. Status Report of Negotiations regarding Boundaries between District and Tucson Water Service Areas.**

Mr. Stratton reported that Brown & Bain filed the declaratory judgment with the City of Tucson regarding Rancho Arboleda subdivision on June 30, 1995. The Director of Tucson Water, Kent McClain, said Tucson Water was deferring the issue to the developer. They have given no other response.

Ms. Cramer inquired to why Tucson Water would defer to the developer when Tucson Water is still a party to the declaratory judgment. Mr. Phil Higdon of Brown & Bain said that if Tucson Water feels that the developer has more responsibility in the case, then they defer to the developer to expect them to argue the primary defense. However, Tucson Water is still involved as a party in the declaratory judgment.

Ms. Cramer asked when Tucson Water has to respond. Mr. Higdon said they have twenty days.

B. Northwest TAMA Replenishment Program.

1. Status Report.

Mr. Mark Myers, Consultant for the Northwest Replenishment Project, noted that he gave the Board a report that assessed the overall progress and status of the Northwest Replenishment Program (NRP). During the past year, funding commitments for the feasibility study have gone from nothing to \$1.1 million, with up to \$2 million agreed upon in funding. The District's resources committed have been \$150,000, which will be higher with the adoption of an overhead factor. Pima County has committed \$150,000. The Bureau of Reclamation has committed verbally twice the \$200,000 they have actually funded. The Town of Marana is trying to commit \$100,000. City of Tucson staff continues to state it wants to participate, but the Mayor and Council have deferred making a decision. The goals for the NRP that were set a year ago remain worthwhile targets. The District has stayed focused on those goals. The grant proposal for the Arizona Water Protection Fund is no longer viable because the Commission decided not to fund phased projects, so the proposal will be changed to focus only on construction and implementation.

Mr. Schlegel asked if the Central Arizona Water Conservation District (CAWCD) had provided reports to the District regarding the Avra Valley Pilot Recharge Project. Mr. Michael Block, District Hydrologist, said he had spoken with Suzanne Ticknor of CAWCD and she said that she would send a status report. The project itself remains on target. Mr. Schlegel asked if permits for the project had been submitted. Mr. Block said that the information from the hydrologic report, groundwater monitoring, and groundwater impact study needs to be completed before submitting a recharge permit to the Arizona Department of Water Resources (ADWR). Mr. Stratton said that ADWR staff has indicated to CAWCD staff that recharge permits for CAP water would be processed expeditiously.

2. Approval of Salary Overhead Factor.

Mr. Myers said that the District has been at a disadvantage in reporting monies spent on the feasibility study because the District does not have a salary overhead factor. An overhead factor is used for calculating the in-kind services performed by staff for the feasibility study or any other similar project. The overhead factor would then be applied to determine the total amount contributed by the District for that project.

Mr. Land said that he had met with Pima County Public Works to review their calculations for an overhead factor. Using a similar calculation, the District's overhead factor would be 105

percent. Mr. Myers and Mr. Stratton said that the District may want to review annually the overhead factor due to possible fluctuations with the office expenses.

Mr. Schlegel made the motion to approve a salary overhead factor of 105 percent for the feasibility study and all other contractual and grant related tasks performed by District staff, which will be reviewed annually. Mr. Doyle seconded the motion and it passed unanimously.

3. Consultant Contract for Northwest TAMA Replenishment.

Mr. Stratton said that Mr. Myers' initial contract has expired and the renewal of his contract had been scheduled for review and possible approval. As the Board has previously discussed, since other entities have not been willing to participate with Mr. Myers' contract, yet benefited from his work, Mr. Myers will be directed to refine his activities to deal with only the District and limit his involvement with other entities on a case by case basis. The intent would be that the other entities would need to provide additional resources themselves to remain current about information gained during the feasibility study stage.

Ms. Cramer asked how the message will be delivered to others. Mr. Stratton said that it will be primarily with Mr. Myers no longer providing information at various meetings or on a one-on-one basis. Mr. Myers said that one example is that when the feasibility study explores the three different possible alignments for the Cañada Del Oro Recharge Project, it would be recommended that only the one that benefits the District be primarily examined. Until now, the District has been promoting all three alignments as possibilities.

Ms. Cramer clarified that the contract with Mr. Myers is for ten hours a week with no more than twenty hours in one week. Mr. Myers said that was to allow some fluctuation in his work schedule with his other clients and if the District needs him to devote more time during a particular week. Mr. Stratton noted that Mr. Myers had worked more than 200 hours in the past year without direct compensation.

Mr. Schlegel said that staff should continue to try to seek other entities willing to support Mr. Myers' contract.

Mr. Schlegel made the motion to approve the consultant contract for the Northwest TAMA Replenishment Program with Mark Myers in an amount of \$40,000, payable biweekly per contract specifications. Mr. Doyle seconded the motion and it passed unanimously.

C. Rate Advisory Committee Update.

Mr. Stratton reported that the Rate Advisory Committee has met frequently to review alternative rate structures. The Rate Advisory Committee is also looking at an increase to the system development fee, bulk water rate, and delinquent accounts. The Committee has stressed a conservation component to encourage conservation. Staff is examining different ratio standards for meters larger than the 5/8" residential to equate the rate increase to those larger meters.

Mr. Schlegel suggested that a study session be held for the Board to look at the issues of a rate increase. He was concerned that the District try to keep its rates lower than the City of Tucson. Ms. Cramer, a member of the Rate Advisory Committee, suggested that any Board member not on the Committee attend the July 12, 1995 Committee meeting as an opportunity to see what the Committee is discussing and express input.

Mr. Murray suggested that the District consider an impact fee on development in order to avoid any potential fines from ADWR for the District not lowering water usage. Ms. Cramer said that the Committee was examining ways to make development accountable.

Mr. Schlegel suggested that the Committee also examine wholesale water rates.

D. Revised Personnel Manual.

Mr. Stratton said that the Board of Directors received copies of the revised personnel manual at the June 12, 1995 Board meeting. Subsequently, Board members provided comments to staff. Mr. Doyle has indicated that he had few more questions that would be beneficial for the whole Board to discuss.

Mr. Doyle asked if the issue with changing the vacation days from 20 to 18 that can be acquired during a year for employees with more than 10 years employment had been resolved for the one employee who does have more than 10 years employment. Mr. Stratton asked if the Board wants to have a lesser impact over a two year period for the one employee. Ms. Cramer noted that the transfer of sick leave for annual leave is a new benefit that would offset the lost of the two days for the employee. Mr. Schlegel said that perhaps rather than taking away a benefit from one employee, the District could leave it in place for that particular employee. Mr. Higdon said that a problem does arise when you adopt a policy to be uniformly applied but then make an exception. The exception could be done if the Board specifically adopts it. Ms. Cramer said that the second option is to phase out the vacation time, and they would have the sick leave.

Mr. Doyle questioned if the five days of accrued sick leave that can be used for funeral arrangement or attendance was for five days per year or per incident. Mr. Stratton said that it should be per year.

Mr. Doyle noted that the compensatory time described on page 3 differed from the compensatory time described on page 6. Mr. Stratton said that the compensatory time described on page 6 should be retitled flexible time in order to avoid possible confusion.

Mr. Doyle said that the personnel manual states that vacation hours will not be counted as hours worked for purposes of calculating overtime compensation. He was concerned that an employee returns from vacation and is asked to work overtime, but will not be willing to provide the extra work because he or she will not be paid overtime. Mr. Stratton noted that the policy as presently described in the manual is similar to the practices of the private sector; however, a public utility is more dependant upon employees responding to an emergency requiring overtime. Ms. Cramer said that she was familiar with overtime being credited to vacation time if an employee had taken vacation time during that work period and earned overtime. Mr. Doyle noted that Pima County

used vacation time and compensatory time for computing overtime hours besides hours worked. Mr. Stratton said that sick leave would then not be counted. Ms. Cramer and Mr. Schlegel said the District should have a similar policy as the County. Mr. Doyle said that he did not believe that the District should follow all of Pima County's policies, but that this specific issue needed to be discussed.

Mr. Higdon said that if flexible time and compensatory time are designated, then the compensatory time needs to state that it is to be taken within the same work period. Mr. Doyle said that he understood it that compensatory time was cumulative. Mr. Higdon said he would research the issue.

Mr. Doyle questioned the rationale of the grievance process for not allowing the employee to have legal counsel present. Ms. Cramer said that handling a grievance issue informally would be best. Mr. Higdon said that it is not a legal question, but an administrative decision. Allowing a lawyer to be present might be advisable in order to avoid claims that they did not follow that due process. Ms. Cramer asked if the grievance process would differ from an appeal process. Mr. Higdon noted that Pima County is under the merit selection process due to the statutes but the District does not fall under those requirements. The District can adopt such a process, but it can set any grievance process as it decides.

The Board and Mr. Stratton decided that considering the comments made about the personnel manual before approving it was prudent.

Mr. Schlegel made the motion to continue the item of the personnel manual. Mr. Doyle seconded the motion and it passed unanimously.

IV. Consent Agenda

E. Ratification of Contract with JCS Engineering.

Mr. Schlegel made the motion to ratify the contract for Fiscal Year 1995-1996 with JCS Engineering in a not to exceed amount of \$9,500. Mr. Doyle seconded the motion and it passed unanimously.

Mr. Stratton asked if the Board preferred having contracts, no matter the amount, ratified separately from the Consent Agenda. Mr. Schlegel said he preferred it done that way in order to allow for possible public comment about a particular contract.

VI. New Business -- Items for Discussion and Possible Action

A. Status of Discussions with the Town of Oro Valley regarding Cañada Hills Water Company.

Mr. Stratton said that Mr. Schlegel, Mr. Doyle and he had met with two council members of the Town of Oro Valley, two members of the Town's Assured Water Supply Task Force, and the town manager to discuss Cañada Hills Water Company.

Mr. Schlegel said that the meeting had been helpful in allowing both parties to explain their views and to gain understanding. The two groups realized that working together on the possible acquisition of Cañada Hills Water Company would be in the best interest of the customers and the parties. The District explained that although the District is involved with many projects, the acquisition of Cañada Hills Water Company is a unique opportunity to consider. They discussed that the Town would own the part of the company inside the Town and the District might own that part of the company within the unincorporated County. They will arrange future meetings.

B. Magee/La Cholla Reservoir.

- 1. Approval of Site Acquisition.**
- 2. Award of Contract for Fabrication & Erection of One Million Gallon Steel Tank.**

Mr. Stratton reported that the items related to Magee/La Cholla Reservoir needs to be continued to the next meeting. District staff is still trying to resolve questions related to the agreement for the site acquisition. The District received only one bid for the one million gallon steel tank; however, the contractor is reputable and the price was lower than expected. The site acquisition should be approved prior to awarding the construction of the steel tank. The bid for the tank is good for sixty days. Staff anticipates that the issue will be resolved prior to the next Board meeting.

C. Rehabilitation of Stiller Well and Storage System.

Mr. Christopher Hill, Utilities Superintendent for the District, reported that District staff has been trying to rehabilitate Stiller well rather than drill a new well in that area. The initial test for the well's capacity was not as successful as anticipated. A television inspection of the well indicated that the low capacity may be due to clogged perforations. Staff would like to attempt additional well cleaning and well pump tests to determine whether to rehabilitate completely the well. If they can improve the capacity, Stiller Well could be rehabilitated as a good supplemental well for the District. The rehabilitation of the well will cost approximately \$100,000 versus \$240,000 for a new well.

Ms. Cramer asked how much money will be lost if the well cannot be rehabilitated. Mr. Hill said that it would be approximately \$17,000.

Mr. Block noted that rehabilitating the well does not require an approval process through ADWR as drilling a new well. He did not know the requirements involved if the existing well is drilled deeper. Mr. Stratton noted that staff targeted the proposed new well's capacity at 1,000 gallons per minute. If the rehabilitated Stiller well can produce 500 gallons per minute that would still be a significant amount for the District.

Mr. Schlegel asked if the delivery of recharge water in the area would increase the wet water produced from a well. Mr. Block said in theory that could happen. Mr. Schlegel asked the potential time frame for the rehabilitation. Mr. Hill said it could be done in a relatively short time frame. Mr. Schlegel asked if the additional cleaning of the well is beneficial at this time. Mr.

Stratton said that since most of the equipment is at the site from the earlier capacity test, it would be best not to wait.

Mr. Schlegel made the motion to approve the additional well cleaning with Far West Pump Company for the rehabilitation of the Stiller well and to include an additional well pump test to determine the overall capacity of the well. Based on the results of this cleaning and testing, staff will provide the Board with a recommendation for further action regarding the Stiller well and storage system. Mr. Doyle seconded the motion and it passed unanimously.

D. Meritorious Awards for Staff.

Mr. Stratton said that monies had been included in the Fiscal Year 1995-1996 budget for meritorious awards for staff. All District staff received a performance appraisal. In the last two years, staff has developed and excelled in their performance for the District. The meritorious awards would be distributed to the appropriate employees based on the performance appraisals in a total amount not to exceed \$21,683 as approved within the Fiscal Year 1995-1996 budget. The amount was a total of the individual amounts from each division based on the total salaries for the division at a rate of no more than 50 percent of the salaries being increased by five percent. The General Manager and the appropriate division manager will designate the meritorious awards for the division. The meritorious awards provide an incentive for employees to continue to excel.

Ms. Cramer asked if the Division Manager might distribute the amount for the awards differently among the employees, such as one employee rated superior will receive more than one rated standard. Mr. Stratton said that was correct. One division had many superior ratings, and so the monies available will need to be distributed at a lower percentage than the maximum 5 percent.

Mr. Schlegel asked if it would be helpful for the Division Managers to make the recommendation to the Board and then the Board make the final approval in order to remove possible pressure from the Division Managers. Mr. Stratton said that staff had been informed that not everyone will receive a meritorious award. Based on the feedback received from staff, they are encouraged by the opportunity to qualify for a meritorious award. Ms. Cramer noted that the Division Managers would still need to make the recommendation.

Ms. Cramer asked if the General Manager has reviewed all of the performance appraisals. Mr. Stratton said he has reviewed and approved all of them.

Mr. Doyle asked for clarification of what had been approved in the budget for the staff. Mr. Stratton said that the merit increase was designated for July 1995, and a cost of living increase was set for December 1995. Mr. Doyle asked if an employee had to receive a superior performance appraisal to receive a meritorious award. Mr. Stratton said no. This was the District's first attempt at conducting performance appraisals and so staff will continually review the process. In the evaluation process, the supervisor and employee discussed goals and objectives to strive for to improve performance. The performance appraisals provided for good dialogue.

Mr. Higdon said that the personnel manual should note that the meritorious awards will be given annually. Mr. Doyle said that it should be at the discretion of the Board of Directors depending on available funds.

Mr. Schlegel made the motion to approve the meritorious award for staff in an amount not to exceed \$21,683. Mr. Doyle seconded the motion and it passed unanimously.

The Board decided to discuss Item IX at this time.

IX. General Manager's Report

Mr. Stratton reported that a water quality sampling had indicated an excessive amount of asbestos in a sample taken in one service area. The Arizona Department of Environmental Quality was notified. The District does need to make public notice of the violation, but is waiting for the second sample to determine if there is a problem in the distribution sample.

Mr. Schlegel asked if any outages could have caused the problem. Mr. Stratton said there were none nor were there any surface leakages. No wells in the area have indicated high levels of asbestos. Mr. Block said that staff sampled vulnerable points in the distribution system and they do not indicate asbestos; therefore, the violation is an isolated case.

Mr. Stratton noted that most likely the second sample will show no problem, and if so, that will be then indicated in the public notice. Mr. Hill noted that it is common for failures of asbestos throughout the country, and what occurred was just an isolated case with the asbestos piping.

Mr. Stratton reported that Mr. Land is investigating the possible cost to the District for providing private water companies services. The construction project at Meredith Extension to Alcott is completed and operational. The construction of the Ina Road Transmission Main is proceeding.

Ms. Cramer asked if the District notified the residents along Ina Road before the construction began. Mr. Scott Eisenfeld, District Development Supervisor, said that the contractor notified the residents as well as a letter was sent.

Mr. Schlegel asked if the site will be cleaned up and possibly reseeded in order to improve its appearance. Mr. Forrest said that Pima County requires the District to revitalize the area to their satisfaction. Mr. Schlegel suggested that letters be sent to homeowners affected by the construction be sent to express our appreciation for them dealing with inconvenience.

Mr. Stratton reported that a Civil Engineer has been hired. Interviews will be conducted soon for the third meter reader position. Barbara Bertolino will be moving out-of-state. In order to address the needs of the customer service representatives, a summer student who has received her GED was offered the position of receptionist. The receptionist then can direct calls to the appropriate person rather than having all the customer service representatives try to answer the phones.

Mr. Stratton noted that Mr. Schlegel had suggested a study session to discuss conservation issues. The Rate Advisory Committee is examining a conservation component for the rate structure. If the Board wants a study session on conservation, the study session would be a good opportunity to discuss the District's conservation program. Despite limited staff resources, the District has moved forward with its conservation efforts. ADWR staff has noted that they were impressed with the District's efforts. Mr. Schlegel said that it would be beneficial at such a study session to have also outside people provide information.

The Board asked when staff can prepare for a study session. Mr. Warren Tenney, Water Conservation Coordinator for the District, suggested after the August 14, 1995 Board meeting. The conservation component in the proposed rate structure will probably be known at that time. Staff could then develop different conservation programs to support the rate structure.

Mr. Stratton reported that the sewer billing with Pima County is to be effective September 1, 1995.

Mr. Stratton and Mr. Hill noted that the motor failed at Matter well, but the realignments in the distribution system prevented a major problem in the service areas served by Matter well. The motor has been pulled and will be worked on immediately.

VII. Executive Session

Mr. Doyle moved that the Board of Directors goes into Executive Session. Mr. Schlegel seconded the motion and it passed unanimously. The Board went into Executive Session at 7:16 p.m.

Executive Session pursuant to A.R.S. § 38-4331.03 (A)(3) (consultation for legal advice with the attorney or attorneys of the District) and/or executive session pursuant to A.R.S. § 38-431.03 (A)(4), (to consider the Board's position and instruct its attorneys in pending or contemplated negotiations or litigation) regarding the following:

- A. Modification to the Asset Purchase Agreement with the City of Tucson.

The Board returned from Executive Session at 8:13 p.m.

VIII. Modification to the Asset Purchase Agreement with the City of Tucson

The Board took no action regarding this item.

X. Legal Counsel's Report

Legal Counsel did not present a report.

XI. Future Meeting Dates; Future Agenda Items

The next regular Board meeting is scheduled for August 14, 1995.

XII. Adjournment

The Board adjourned at 8:17 p.m.


Barbara L. Johnson, Chair

ATTEST:


Clerk