

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

April 30, 2001

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

MINUTES

Board Members Present: Dennis Polley, Vice-Chair
Jim Doyle, Member
Dan M. Offret, Member
Marlene Wright, Member

Board Member Not Present: Pete Schlegel, Chair

District Staff: Mark R. Stratton, General Manager
Warren J. Tenney, Clerk of the Board
Doug Lemke, Legal Counsel

I. Call to Order and Roll Call

Dennis Polley, 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. Jim Doyle, Dan M. Offret, Dennis Polley and Marlene Wright were present. Pete Schlegel was not present.

Executive Session

Mr. Doyle made a motion for the Board of Directors to move to Executive Session. Mr. Offret seconded the motion and it passed unanimously. The Board went into Executive Session at 5:12 p.m.

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

- A. General Manager's Evaluation.

The Executive Session adjourned at 6:50 p.m.

Regular Session

I. Call to Order and Roll Call

Dennis Polley, Vice-Chair of the Board of the Metropolitan Domestic Water Improvement District (District) called the Board Meeting to order at 6:52 p.m. Jim Doyle, Dan M. Offret, Dennis Polley and Marlene Wright were present. Pete Schlegel was not present

II. Approval of Contract with Tucson Electric Power Company for Interruptible Rate

Chris Hill, Deputy Manager, stated two issues remained outstanding and needed to be addressed. He stressed that these two issues were minor and still being negotiated and requested that Board consider approval of the contract pending legal counsel's approval and recommendations. Doug Lemke, Legal Counsel, said one provision that was still being negotiated with Tucson Electric Power (TEP) relates to scheduled maintenance. He stated that a provision should be included in the contract that if one of the District's five well sites were down for scheduled maintenance, TEP would not make a demand to interrupt service at that site for the reason that electricity might still be needed at that site for maintenance purposes, and that maintenance of these five well sites would be scheduled during off-peak periods of time.

Mr. Offret asked if this issue has been addressed with TEP. Mr. Hill replied that it has been discussed verbally with TEP and at this time, they are amenable to this request, but contract language has not been finalized. He also emphasized that negotiations with TEP have improved and that communications are positive and it is anticipated that the finalized contract will be completed soon.

Mr. Polley asked if the language relating to scheduled maintenance were included in the contract if it were staff's recommendation to approve this contract. Mr. Hill and Mr. Lemke concurred that was the recommendation.

Mr. Lemke explained that legal counsel is reviewing a potential penalty provision that TEP wants to include in the contract for failure to interrupt. He stated that TEP previously proposed a \$5 per kilowatt surcharge but now have substituted a proposed payment of three previous bills at firm rate instead of interruptible rate, while the District's position is that TEP cannot charge anything that is not in the tariff and the tariff does not contain that provision. Mr. Lemke stated that in order for TEP to implement the penalty clause, it will need to obtain ACC approval.

Mr. Stratton asked if this process would delay the implementation of the contract. Mr. Lemke responded that it should not unless express language prohibited it. He suggested that the contract could be structured to ensure that the District received interruptible rate service, but penalties would not be enforceable until the ACC approved the entire contract.

Mr. Hill stated that staff and legal counsel are comfortable with contract negotiations and are impressed with TEP's responses to date. He said it was staff's recommendation, contingent upon legal review and approval, the Board approve the contract with TEP for interruptible rate. He

added that once the contract is signed, TEP is not obligated to appropriate the interruptible rate later than 60 days and there will still be a time lag.

Ms. Wright asked if legal counsel should be given authority to make changes to the contract language if they find it not acceptable after review. Mr. Lemke stated that it was anticipated that any changes that might be made would be minor. Mr. Hill added that the Board would be apprised of any changes that take place as they happen.

Mr. Offret and Ms. Wright asked if Mr. Schlegel's concerns about TEP having the authority to shut down the District's power at their will had been addressed. Mr. Hill stated that TEP will advise the District by telemetry of impending shut downs so that the District will have notice and staff will have the opportunity to shut down the power at the well sites.

Mr. Hill noted that power interruptions will occur, but he did not know by how much they would increase. Mr. Stratton added that the contract will address only the five well-sites affected.

Ms. Wright asked if the contract will be reviewed and approved by legal counsel prior to next Board Meeting. Mr. Hill replied that he anticipates it will be ready to be reviewed by legal counsel and prepared for the Board's signature by the May 14th meeting.

Ms. Wright made a motion to approve the contract with Tucson Electric Power Company for an interruptible rate based on legal counsel's review and approval. Mr. Offret seconded the motion and it passed unanimously.

III. Discussion of Draft Fiscal Year 2001-2002 Budget

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

Mike Land, Chief Financial Officer, gave an overview of the Administration/General Manager's Office fiscal year 2001-2001 budget. He stated that the General Manager's budget appears to have actually decreased, but with the reflection of an additional \$1.75 million in CAP allocation funds from the current budget, the new budget shows a small increase.

Mr. Land summarized the different line items contained in the budget. He stated that indications are that health insurance costs are projected to increase up to 30% and staff is investigating different health insurance plans. He stated that the computer support line item is projected to decrease with the approval of a position in the Utility Division to incorporate telemetry/computer technician.

Mr. Stratton added that regarding computer services, staff has been exploring different internet service technologies to determine what is most efficient to the District, as the 56K telephone line modem is outdated. He stated that broadband providers could provide a higher level of service with better speed and access and cost about the same or less than the District pays now. He stated that he is also meeting with a consultant to assess the District's network support issues and

get his recommendations on various service providers. Mr. Stratton stated he hoped to present a proposal to the Board in June for competitive bids on computer service needs.

Mr. Land noted that the legal/lobbying category decreased. Mr. Offret asked for clarification on the amount spent between legal and lobbyist fees. Mr. Land responded that \$10,000 was attributed towards the lobbyist, and the remaining funds were for legal fees. Mr. Stratton added that legal fees have been reduced due to the Engineering Division having standard contracts thereby reducing review time of the attorneys. The increased lobbyist needs for 2002 can still be met within the budgeted item because legal fees are anticipated to be less.

Mr. Land stated that the Public Relations category was increased. Mr. Stratton said that Mr. Schlegel had requested that \$10,000 be reflected in the budget for an automated phone dialing system to make mass phone calls to customers to alert them to outages, repairs, conservation notices and other information as an alternative to mass mailings. He indicated that there was still more research to be done on this request and he would prefer to discuss this matter in depth prior to any approval by the Board. He indicated there was time to determine the need for this item prior to the finalization of the budget and he felt there were potential benefits for this format, yet there were also many unknowns. Mr. Stratton suggested the Board defer action on this line item until Mr. Schlegel was present to discuss it in more detail.

Ms. Wright asked if any other utility used an automated phone system. Mr. Stratton replied that it was a fairly new concept and he was not aware of any other utilities utilizing its capabilities. Mr. Offret and Ms. Wright suggested that this category be reduced and defer any spending from that category until more information could be obtained. Mr. Stratton stated that the contingency fund could also be used if the Board felt automated phone messaging was necessary.

Ms. Wright asked the public relations category be reduced to \$2,000 and tagged for further information and discussion. Mr. Stratton said if more information on this system were received he would ask to have the line item reinstated and have Mr. Schlegel explain the system.

Mr. Land stated that \$15,000 was transferred from the Engineering Division budget to the General Manager's budget to handle Radon/Arsenic Compliance investigations as the staff of the General Manager's Office was more informed on this issue. Ms. Wright asked if any of those funds had been expended. Mr. Stratton replied that they were not spent because EPA has not taken final action. The funds are there for when the rules are finalized. Mr. Polley and Ms. Wright asked that the category be reduced to \$10,000.

Mr. Stratton stated that the Water Policy Consultant Services line item was increased because Mark Myers has been very effective in representing the District on water policy issues and has not had an increase to his fees for 5 years. Ms. Wright commented that Mr. Myers provided comprehensive reports and was available at all meetings to give reports.

Mr. Land explained the Board Attendance, Board Meeting Expense and Board Reimbursement/Seminars categories and stated funds were available for Board members to attend seminars. Mr. Stratton invited the Board members to the WestCAS meeting in October.

Mr. Land continued with the conservation category. Mr. Offret asked for information concerning WaterCASA. Warren Tenney, Assistant to the General Manager, stated he would provide that information to Mr. Offret.

Mr. Land stated that the tuition reimbursement fund had been transferred into the General Manager's budget. Mr. Stratton explained the current tuition reimbursement policy for District staff. Mr. Doyle asked if a certain percentage was allowed per employee. Ms. Wright asked about provisions for employee to pay back the District should they terminate employment. Mr. Stratton replied that such a guideline existed.

Mr. Offret and Ms. Wright asked why the District leased the Deputy Manager's vehicle instead of having a lease/purchase agreement. Mr. Stratton, Mr. Land and Mr. Hill explained that the option to lease instead of purchase was determined at the time of the original lease as the cheapest approach; however, the lease agreement is up in March, 2002 and District staff would pursue a lease/purchase of an appropriate vehicle at that time.

Mr. Land stated that CAP allocations were budgeted for a 5% increase every year. Mr. Stratton said he was working on a report to the Board discussing the financial situation with respect to water resource issues. This would include information on how to meet the District's assured water supply status as well as the options in meeting that, including recharge, GRD and effluent.

Mr. Stratton stated that the computer related equipment budgeted for this fiscal year included purchase of hardware for fire wall protection, router for additional ports, and a backup tape drive system. He indicated that that category could be reduced to \$20,000. This would cover the purchase of about 8-10 new computers and the District was implementing a recycle program, wherein high-end users would receive new computers and their computers would then be recycled to lower-end users. It would also cover the purchase of an e-mail server. Ms. Wright asked for a copy of the staff's recommendations on computers.

There was a discussion held amongst the Board Members and staff regarding the use of budget monies for parking lot sealing. Mr. Stratton stated that funds from the MPC fund could be used for the installation of an audio system for the Board Room. Based upon discussion amongst the Board Members, it was felt there was no need for an audio system in the Board Room at this time. Ms. Wright and Mr. Offret suggest deleting the budget line item for parking lot resealing and consider funds from the MPC bonds be used for the resealing of the parking lot.

B. Budget Items for Utility and Engineering/Hydrology Divisions.

Mr. Land stated that based upon the direction of the Board at the March 26, 2001 Study Session, the Engineering, Utility and Metro-Hub budgets had been revised. He indicated that the Utility Maintenance I position had been eliminated, the telemetry/computer technician position had been consolidated, rental equipment had been reduced and the vehicle requested for the Utility Maintenance I position had been eliminated. Regarding the Metro-Hub budget, the request for a welding unit and A-zone reservoir had been eliminated.

Ms. Wright asked for clarification on the need for two whacker compactors. Steve Dean, Utility Superintendent stated that one was fairly old and in need of replacement with maintenance costs almost equaling that of a new one.

Mr. Offret asked what was next in the budget process. Mr. Stratton stated there was an agenda item set for the next Board meeting that would allow for continued discussion of the proposed budget and another study session could be scheduled to allow for even further discussion. Staff anticipates the budget would be presented at the June Board meeting for final approval, pending review of the Board Members.

Mr. Offret asked for the status of the Metro-Hub storage issue and whether financing would be addressed in the budget or another option. Mr. Stratton replied that based upon previous discussion of the Board, a survey is proposed to send to the residents of the Metro-Hub service area. A draft was distributed for Board input. He stated that he met with John Kulakowski and Reb Guillot of the Sabino Vista Homeowners Association to discuss potential annexation of that area and they expressed that the majority of residents were concerned with having more water available than having an aesthetically pleasing reservoir. Mr. Offret asked if the District was taking action on the storage issue this summer and stated his concerns about how to finance the project. Mr. Stratton replied that there was \$450,000 previously budgeted for that project and could be used if the Board wanted to pursue a 250,000 gallon tank that would provide immediate help. To do something larger meant a possible increase that could mean as much as \$10 or more monthly to the Metro-Hub service area customers.

IV. General Manager's Evaluation

Ms. Wright made a motion to set quarterly Executive Sessions for the General Manager's review beginning on July 9, 2001 and to increase the deferred compensation of the General Manager to the maximum limit as prescribed by law for the remainder of the present contract. Mr. Offret seconded the motion and it passed unanimously.

V. General Manager's Report

Mr. Stratton advised that he would be at the Arizona Water and Pollution Control Association's annual conference for the remainder of the week.

He stated that the Wildwood subdivision had experienced a PRV failure and the resulting water pressure in that area resulted in a number of service line breaks on customer's property. District staff is working with the insurance company to take care of those issues and claims.

He stated that arbitration proceedings with NAC had been set for July 24-26, 2001. The attorney for NAC has approached legal counsel to see if there was a possibility for staff and NAC representatives to sit down and discuss settlement. Ms. Wright and Mr. Offret both stated that the District was beyond that point and that staff and legal counsel should proceed with arbitration.


Mr. Stratton stated that the Board Members should have received correspondence from Michael McNulty, Legal Counsel, regarding the Gila River adjudication and settlements. He suggested that a study session could be scheduled later this year to discuss the background and implications of this situation with Mr. McNulty.

VI. Adjournment

The Study Session adjourned at 8:48 p.m.



Peter H. Schlegel, Chair of the Board



Clerk of the Board