

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

**August 9, 1999**

**\*\*Board Room\*\***

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

**MINUTES**

Board Members Present:            Sam Ray, Chair  
   Marlene Wright, Vice-Chair  
   Jim Doyle, Member  
   Dennis Polley, Member  
   Pete Schlegel, Member

District Staff:                      Mark R. Stratton, General Manager  
   Phil Higdon, Legal Counsel  
   Warren Tenney, Clerk of the Board

**I.     Call To Order and Roll Call**

Sam Ray, 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. Jim Doyle, Dennis Polley, Pete Schlegel and Marlene Wright were present.

**II.    Comments From the Public**

There were no comments from the public. Mr. Ray introduced Dennis Polley as the newest member of the Board of Directors. Mr. Polley thanked the Chairman and the Board members for the opportunity to serve on the Board.

**III.   Consent Agenda**

- A.    Approval of Minutes – June 14, 1999 Board Meeting.**
- B.    Approval of Minutes – July 12, 1999 Board Meeting.**
- C.    Approval of Minutes – July 26, 1999 Special Board Meeting.**
- D.    Ratification of Billing Adjustments.**

Mr. Schlegel made a motion to approve the Consent Agenda and Ms. Wright seconded the motion. The motion passed unanimously.

#### **IV. General Business – Items for Discussion and Possible Action**

##### **A. Financial Report.**

Mr. Michael Land, Chief Financial Officer, advised the Board the financial report included an attachment detailing the operating revenues and operating expenditures for the District for the fiscal year ending June 30, 1999. Staff is preparing for the annual fiscal audit later in the month, which may adjust some year-end numbers. The District is presently 1.79% under budget for expenditures. Hub sales decreased 26% for July either because customers are adhering to conservation efforts and/or the effects of the weather.

Mr. Schlegel asked why the wastewater revenue listed for June of 1998 was twice the amount as listed for June of 1999. Mr. Land explained that last year, wastewater was probably billed for the months of May and June in June, 1998 and therefore it is twice the amount as compared to this June when only one month was billed.

##### **B. Approval of Fiscal Year 1999-2000 Budget for Metro's Hub Service Area.**

Mr. Ray asked if the Board Members had any questions concerning the budget for Mark Stratton, General Manager. Mr. Stratton said that a white paper background on the Metro Hub service area was prepared and distributed to the Board members to give them an idea of the scope of the Hub service area, how it was acquired and general information, along with service maps.

Mr. Schlegel questioned why there was not a specific number of meter hook-ups listed in the report. Mr. Land explained that there are actually 1,617 meter connections, but only 1,600 meters were billed last month, thereby leaving 17 inactive accounts. There is a variance each month as some meters are inactive.

Mr. Schlegel pointed out that the report mentioned that the Metro Hub service area was in need of funds for a storage tank and a reservoir and he requested an explanation as to the difference. Mr. Charlie Maish, District Engineer, answered that the difference was in the construction costs as a reservoir was a reinforced concrete structure buried in the ground and a storage tank was a steel structure built above ground. The cost is higher to build a reservoir than a storage tank.

Mr. Schlegel asked why a contingency fund of \$40,000 was needed for merit raises and cost of living raises for a staff of two. Mr. Land stated that the \$40,000 request included any unexpected expenditures that might arise as well as merit and cost of living raises.

Mr. Schlegel questioned the cost of fire hydrant replacement. Mr. Land explained that the \$2,500 requested was for fire hydrant repairs and maintenance rather than just replacement.

Mr. Schlegel requested an explanation for the lease of a new ¾-ton GMC truck at a cost of \$8,000 per year. He advised that he contacted a General Motors dealer and was told that this truck could be leased for \$450 a month. Mr. Stratton stated that the \$8,000 per year was for a lease-purchase on a three-year financing plan. The actual cost of the vehicle is \$22,000 to be financed over three years. Mr. Schlegel pointed out that with \$4,000 listed in the budget for repairs of other vehicles, it might be more cost effective to replace them.

Mr. Doyle made a motion to approve the budget for the District's Hub service area for Fiscal Year 1999-2000. Mr. Polley seconded the motion. The motion passed unanimously.

### **C. Approval of Accounting Software.**

Mr. Land informed the Board that staff had looked at four accounting software packages to replace the existing TAABS accounting software. In 1996, the District replaced the TAABS utility billing system with Data West's Billmaster software and needed to replace the accounting software. Mr. Land explained that staff looked at different software. The District's auditing firm recommended Great Plains Micro Information Products (MIP) and the District's network administrator was impressed with the knowledge and expertise presented by MIP.

Ms. Wright made a motion to approve the purchase of the Micro Information Products financial accounting software in the amount of \$7,780 and authorize staff to enter into a one-year maintenance and support agreement with MIP for a cost of \$1,968 and Mr. Schlegel seconded the motion.

Mr. Ray asked if the software acquired two years ago was for billing and not accounting. Mr. Land explained that the software acquired two years ago did not have an accounting program and the software being discussed today is for accounting.

Mr. Ray called for a vote to approve the motion for the purchase of the Micro Information Products financial accounting software and to enter into a one-year maintenance and support agreement with MIP. The motion passed unanimously.

### **D. Appointment to the Bond Oversight Committee.**

Ms. Wright made a motion to appoint Robert Carstens to the District's Bond Oversight Committee. Mr. Doyle seconded the motion.

Mr. Schlegel asked Ms. Wright to explain her reasons for this appointment. Ms. Wright explained she supported Mr. Carstens appointment based on the fact that he had experience overseeing budgets, contract negotiations, and appears to understand the legal field. He has spent 10 years serving on the Arizona Peace Officers Memorial Board chaired by Janet Napolitano, which oversees the expenditures of the Memorial Fund. He has lived in the District for over 25 years and has observed the water company's growth. She felt that after comparing his resume with the others he possessed the best ability to oversee the budget. Mr. Polley stated that it did impress him that Mr.

Carstens has been a resident of the District for 25 years and therefore understands what the District's needs are.

Mr. Ray called for a vote on the motion that Robert Carstens be appointed to the District's Bond Oversight Committee. The motion passed 4-1, with Mr. Doyle, Mr. Polley, Mr. Ray, Ms. Wright voting in favor and Mr. Schlegel opposed.

**E. Election of Director for Municipal Property Corporation.**

Ms. Wright made a motion to elect Pete Schlegel as a director to fill the vacancy on the District Municipal Property Corporation Board of Directors. Mr. Polley seconded the motion and it passed 4-0 with Mr. Doyle, Mr. Polley, Mr. Ray and Ms. Wright voting in favor and Mr. Schlegel abstaining.

**F. Approval of Contract for Water Policy Consulting.**

Mr. Stratton advises the Board members that the Business Advisory Board Member Committee met prior to this item being placed on the agenda. Their recommendation was included in the staff report and it is also staff's recommendation to extend Mr. Myers contract for water policy consulting.

Mr. Schlegel made a motion to approve a one-year contract extension with Mark Myers for the period of July 1, 1999 to June 30, 2000 for an amount of \$20,000, which will be paid monthly. Ms. Wright seconded the motion. Mr. Schlegel and Mr. Ray stated that Mr. Myers' work has been beneficial to the District.

Mr. Ray called for a vote on the motion to approve a one-year contract extension with Mark Myers. The motion passed unanimously.

**G. Status of District's Water Conservation Efforts.**

Warren Tenney, Assistant to the General Manager, updated the Board as to the District's water conservation efforts. As of December 1998, the District is now regulated by the Arizona Department of Water Resources (ADWR) under the Non Per Capita Conservation Program. The District has been meeting those requirements. The District has been doing this through its toilet rebate program, publishing periodic newsletters with conservation information, and providing welcome packets to new customers that contain a low-flow shower head and two aerators. The District recently mailed outdoor water self audits to all customers and, as of this date, received a 2-1/2 percent return – ADWR has set a goal of getting a 5% return. With the Board's authorization of amended water service agreements, the District was able to comply with four reasonable conservation methods (RCM's) under the Non Per Capita Program. These include requiring multi-family complexes to utilize low water use landscaping and large developers to submit a water use plan. Two projects that are in the process of being implemented are the toilet leak detection and landscape watering advice programs. These are expected to be finalized by the end of the year.

Mr. Stratton noted that the District has installed an informational kiosk in the lobby for customer's use. Mr. Tenney stated that the District's continued participation with Water Conservation Alliance of Southern Arizona (Water CASA) helped the District meet ADWR compliance. A demonstration garden will be built at the office campus with an interactive workshop for customers in November.

Mr. Schlegel asked about the status of the ADWR audit. Mr. Stratton replied that the District is awaiting for ADWR to take action regarding their findings and this could some time. The feeling is that ADWR is having difficulties determining our status because of the District's conservation efforts and that ADWR might be reevaluating its target compliance. It will be a few more months before we receive information of the audit from ADWR.

#### **H. Approval of Continued Membership in the Water Conservation Alliance of Southern Arizona.**

Mr. Schlegel made a motion to approve continued funding for the Water Conservation Alliance of Southern Arizona through the contribution \$19,922.32 for Fiscal Year 1999-2000. Ms. Wright seconded the motion. Ms. Wright requested that an accounting of expenditures be provided to the Board members. Val Little, Water CASA Manager, said she would provide a financial report to the Board members.

Mr. Ray called for a vote on the motion to approve continued funding for the Water CASA and the motion passed unanimously.

Ms. Little commented regarding the audit returns, it should be noted that some of the Maricopa cities had hired marketing companies and spent huge amounts of money, and only saw a .2% not 2% return. She further stated that the return of the District's audits didn't seem like much, but were very good. Mr. Ray concurred with her comments.

#### **I. Approval of Cooperative Study to Conduct Remote Sensing Survey of Regional Subsidence in the Tucson Active Management Area.**

Mr. Ray stated that initially the District was asked to contribute \$1,000 towards this study but another group has assumed the entire cost of funding the project. Mr. Stratton said that ADWR has determined to fund the entire project since the study affects the region and would benefit all. He further indicated that Mike Block, District Hydrologist, received a copy of one of the preliminary reports generated about the central well field. He further stated that the study shows a 3-1/2 inch decline caused by subsidence in the central well field area; however they have not calibrated any information in the CDO basin to see how it is affected. Mr. Block explained about the study, its timeframe, boundaries of the central well field, and project imaging.

Ms. Wright asked if the company that did this study would be performing the future study. Mr. Block responded that the same company would be doing the study. Since it was a difficult



procurement process for this study, ADWR elected to fund the study itself instead of seeking contributions. In the future, the District might be approached to contribute to the study and we would be in a better position to determine its worth.

**J. Approval of Funds for Meritorious Awards for Staff.**

Mr. Stratton advised the board that the Business Advisory Committee Board Members met prior to this item being placed on the agenda and members' views are expressed in the report as well as staff's recommendation.

Mr. Doyle made a motion to approve the use of not more than \$51,270 from the contingency fund for staff merit awards based on the discretion of the General Manager. Mr. Schlegel seconded the motion.

Mr. Ray inquired if there was funding from the contingency fund or a budget line item. Mr. Stratton responded that at the recommendation of the Board two years ago, funds for merits were moved from a specific line item and placed into a contingency fund for the Board then to determine if they should be used.

Ms. Wright stated that she is philosophically opposed to merit pay increases because they are subjective and they are perpetuated in an annual budget. She said she felt a bonus or other type of incentive should be developed that would not be so subjective and more equitable. She polled many people in different occupations who expressed that 99% of them did not receive merit increases. She has been involved in developing other pay system, one that was developed was a merit pay system based on giving someone who met adequate criteria a 2-1/2 percent increase – so that all employees would receive at least that increase. Other employees would receive more based on their performance with a top-off level. She proposed establishing a system that is less subjective, maybe a bonus system, and to look at the bottom line for the rate payers.

Mr. Doyle said that any evaluation process is as subjective or objective as the management. Employees are expected to do their job and if problems occur, they should be addressed in a timely manner. He further expressed that if merit increases are offered, then employees should "sell themselves" to receive an increase. He stated that bonuses are a one-shot deal that does not help the economic standing of lower-end employees whereas merit raises are perpetual and a reward. Mr. Doyle indicated that employees should be advised ahead of time that merit increases may not be available and that it is not right to change the merit awards at this time. We should look at this issue for the next fiscal year and get employees involved in the process.

Mr. Polley stated that he agreed with Mr. Doyle that employees should be advised up front so they can sit down with management and identify areas in which to succeed. He felt that if an employee was not doing the basic job, they should not be employed. Mr. Polley said that employees and supervisors should sit down and identify how to succeed in their job and be rewarded.

Mr. Ray added that he had experience with both merit increases and bonus. It is his opinion that merit increases are more coveted. He suggested appointing a committee made up of one or two board members, one or two staff members, and one or two employees to determine a solution. Mr. Ray agreed with Mr. Doyle that employees who don't get bonuses won't be around because they don't want to be around.

Mr. Ray calls for a vote on the motion to approve funds for staff merit awards. The motion carried 4-1, with Mr. Doyle, Mr. Polley, Mr. Ray and Mr. Schlegel approving it and Ms. Wright opposing it.

#### **V. General Manager's Report**

Mr. Stratton reported to the Board that the ADWR task force are ongoing through this month and on into September. Additionally, the Southern Arizona Water Users Association (SAWUA) is formalizing its structure and plans to meet on the task force. Mr. Stratton informed the Board that he and Mr. Tenney have talked to some legislators. Legislators are watching how the Governor's task force would be appointed since the Auditor General's report had recommended a legislative task force. Mr. Stratton advised that they would be working with legislators on proposed legislation and provide comments, with input from other water providers, on the Auditor General's report.

Mr. Stratton reported that staff has had preliminary discussions with Tucson Water regarding acquisition of water systems adjacent to the District and in Catalina..

Mr. Stratton advised that staff provided inserts into the Metro Hub customers billing last cycle detailing conservation alternatives, tier structures, and issues with ADWR.

Mr. Stratton informed the Board that staff and NAC, the contractor on the Camino del Fierro Project, had some disagreements over the bedding material to be used for the pipe installation. To avoid delay to the project, NAC did use the bedding material we required and simultaneously filed a claim against the District for \$108,000. Staff will be reviewing the claim and respond to it; but it will probably result in being addressed in arbitration. Mr. Stratton indicated that the claim would add 25% onto the project just for bedding material.

Mr. Ray asked if the bedding material specifications changed from the time of quote to the time of order. Mr. Stratton answered that the bedding material specification did not change. Mr. Maish added that the District included a consultant's soil report in information documents indicating that native materials could be used in bedding materials but that was not in the bid specifications. Mr. Schlegel asked if NAC using local soil so that the District might end up with a product markedly different than what was ordered? Mr. Maish responded staff rejected their positions and NAC eventually used the requested materials.

Mr. Stratton mentioned that the EPA would be issuing its proposed rule on radon later this month and indicated that he and Mr. Hill would be involved through WestCAS. He indicated that he would

keep the Board apprised of developments.

Mr. Ray inquired about the possibility of a change in the parts per million (ppm) of arsenic in our water? Mr. Stratton replied that was correct and the proposed rule will be out in January 2000. Mr. Ray and Mr. Schlegel discussed televised reports about arsenic levels in Africa, India and United States. Mr. Stratton pointed out that most of the studies conducted in the United States were done at 150ppm and those in Asia, India and Africa were in the 1,000-2,000 ppm range. The standard range is 50ppm and none of the test results have shown what effect arsenic has at that range.

## **VI. Legal Counsel's Report**

Phil Higdon, Legal Counsel with Brown and Bain, introduced his associate, Doug Lemke and advised Mr. Lemke has done real estate work for the District, including handling the sale of the old office building. Mr. Higdon reported that Michael McNulty had instructed him to address the Board members regarding the letter he sent about his representing the Town of Casas Adobes. Mr. Higdon assured the Board that Mr. McNulty's first concern was that this representation would not have any impact whatsoever, real or perceived, on the Board and the District. He further stated that there will be no understandings, agreements or relationships established between Mr. McNulty and the Town of Casas Adobes until the Board members have addressed all their concerns. Mr. Higdon reported that one potential conflict might be over the statute governing municipalities granting water improvement districts the right to exist within its borders; however this normally would occur when you have the town established prior to the formation of a water improvement district. He indicated he didn't feel that this was a realistic issue. He said another area of concern would be the day-to-day intergovernmental agreements that might occur between the Town and the District. Mr. Higdon indicated that Mr. McNulty's first loyalty is to the District and he would not do anything to jeopardize that relationship.

Ms. Wright asked if the Town could make it a condition of Mr. McNulty's employment to sign a waiver of conflict and what happens in the future with newly elected officials. She wanted to know if it were adverse for him to step down. Mr. Higdon responded that Mr. McNulty's loyalties lies with the District and he would therefore sever his relationship with the Town of Casas Adobes. He indicated that they would insist the Town make it a condition that if a conflict arise between the two entities that Mr. McNulty sever his relationship with the Town and they grant him the right to represent the District.

Mr. Ray stated the only conflict he could foresee were if the Town became a legal entity and if so, if they implemented a water district. Mr. Stratton responded that the Town would have to actually be granted the right to be in the water and/or sewer business by their voters. Mr. Ray commented that Oro Valley had to go through that process. If the Town is not a legal entity, it cannot enter into an intergovernmental agreement. Therefore if they are not able to enter into an intergovernmental agreement, he sees no legal conflict. Mr. Stratton stated that the other side of the issue is that this may strengthen the relationship if the Town does become a legal bona fide community and if we worked with them they may look favorably at how the District operates and nominate us to be the



Town's water carrier.

## **VII. Future Meeting Dates**

Mr. Ray said that staff had requested a Board Meeting be set on August 18<sup>th</sup> or 19<sup>th</sup> with the agenda items to include review of bids on auxiliary power installation and discussion of incentive programs. The Board decided to set a special meeting on Wednesday, August 18, 1999 at 5:00 p.m.

Mr. Stratton indicated that during the Business Administration Board Member Committee meeting Ms. Wright addressed the issue of having a monthly study session. Mr. Stratton stated that the staff would support this. He noted that there is always something of interest to different board members and staff strongly supports the concept of monthly study sessions as well as regular board meetings.

Mr. Ray asked if these study sessions were covered by the open meeting laws. Mr. Tenney confirmed they were. Ms. Wright commented that they could set monthly study sessions, but if nothing were on the agenda, they could be cancelled. She further stated it would be helpful to stay current with the issues because sometimes there was a lot of information and questions could be answered.

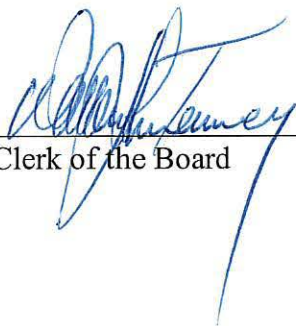

Mr. Schlegel indicated these study sessions might be helpful so that staff can update the Board on progress of projects. He stated that many times the Board requests staff to do something and then the Board members are not advised of the results.

The next scheduled regular Board meeting is September 13, 1999.

Mr. Ray stated to the Board members that he wished to reiterate comments made by a previous Chair of the Board regarding political statements. He reminded Board members that this is a political election season. When Board member comment about political issues, they should state they are speaking as a citizen and not on behalf of the Board. This would avoid comments from being misconstrued, especially in a year when water is a major issue.

## **VIII. Adjournment**

The meeting was adjourned at 7:31 p.m.

  
Clerk of the Board  
Sam E. Ray, Chair of the Board