

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

November 13, 2000

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

MINUTES

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

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

I. Call to Order and Roll Call

Pete Schlegel, Chair of the Board of Directors of the Metropolitan Domestic Water Improvement District (District), called the Board Meeting to order at 6:07 p.m. Jim Doyle, Dennis Polley, Sam Ray, Marlene Wright and Pete Schlegel were present.

II. General Comments From the Public

There were no comments from the public.

III. Consent Agenda

- A. Approval of Minutes – October 11, 2000 Board Meeting.**
- B. Ratification of Billing Adjustments.**

Ms. Wright made a motion to accept the consent agenda and Mr. Polley seconded the motion. The motion to accept the consent agenda passed unanimously.

IV. General Business – Items for Discussion and Possible Action

A. Financial Issues.

Mike Land, Chief Financial Officer, reported that revenues and expenditures are up from last year, but are in line with the fiscal budget. He stated that he would provide a written definition of the differences to the Board. He said that 500 new meters have been installed so far this year.

B. Approval of Audit for Fiscal Year 1999-2000.

Mr. Ray made a motion to approve the audited Consolidated Financial Statements of the District for Fiscal Year 1999-2000. Ms. Wright seconded the motion. The motion to approve the audited financial statements passed unanimously.

C. Direction to Staff for Debt Service Deposit Agreement.

Mr. Land stated that per the Board's direction of the September 11, 2000 study session, reference checks as provided by Marion Bass and Feld Winters have been completed and were positive. He stated that staff recommends proceeding with soliciting bids with no obligations involved in order to see what type of opportunities might exist.

Ms. Wright requested a clarification of the one negative comment from a reference check. Mr. Land answered that the fee in question with that company was taken out of the bids, and was higher than anticipated; however, it did not impact the \$500,000 agreement. Ms. Wright said it was her assumption that the fee came from the company's proceeds. Mr. Land clarified that the fee was filtered out of the processing fees, but it was processed as part of the bidding procedure.

Mr. Schlegel asked if an RFP could be issued stating a finite percentage to ensure the District would know the amount of the fee prior to awarding any bids. Mr. Land replied that when the District receives bids, it would know the amount of the bids and percentages applied towards the fees.

Ms. Wright expressed her concerns about impacting future Board's actions and questioned the necessity of pursuing this avenue at this time. Mr. Land explained there was no need to pursue this option, but it was an opportunity to increase revenues from the bonds by getting cash up front and investing it at a higher rate of return. He stated that indications are that the District could earn an additional \$200,000 interest over the life of the bonds, and give the District the benefit of an extra investment tool.

Mr. Ray asked if the Board was under any obligation to accept bids. Mr. Land replied that the Board had no obligation to accept any bids they were not comfortable with as well as bind other Boards to accept any bids.

Mr. Doyle made a motion to direct staff to have Marion Bass pursue no-obligation bids on the Debt Service Deposit Agreement. Mr. Polley seconded the motion. The Motion passed 4 to 1, with Ms. Wright opposing the motion.

D. Request from the Northwest Interfaith Center for Waiver of System Development Fees.

Warren Edminister, representative from Christ the King Episcopal Church, told the Board that the Church had a 6" line installed for a fire hydrant two years ago and that all fees were paid at that time. He asked the District consider waiving the system development fee to have a new line connected from the 6" line to the building to be used by the Northwest Interfaith Center since it is a non-profit organization.

Mark Stratton, General Manager, stated that the on-line service connection at Christ the King Episcopal Church is maxed out and there is not enough capacity for even minimal usage. Mr. Ray asked why the 6-inch line was previously installed. Mr. Stratton responded that it was needed for fire flow, but that the new connection could be connected to it.

Ms. Wright asked what the \$1,100 fee covered. Mr. Stratton explained that it was for a system development fee, not a meter fee.

Ms. June Head, representative from the Northwest Interfaith Center, handed out literature to the Board describing the organization's background and purpose. Mr. Schlegel asked if the Center was part of the Interfaith Council and Ms. Head replied that it was not. Ms. Wright asked for information on its funding sources. Ms. Head responded that some funds were derived from Pima County, but that the majority of funding was from individual donations, grants and fund raisers. Ms. Wright asked for a breakdown of administrative costs for the Center. Ms. Head stated that administrative costs were less than 20%.

Mr. Schlegel expressed his concerns about setting a precedence for waiver of fees for non-profit organizations. Michael McNulty, Legal Counsel, stated that it was a Board policy issue not a legal issue. He said that the Board had made donations before to Tohono Chul Park. Mr. Stratton told the Board that they could consider a donation in lieu of waiving fees.

Mr. Ray made a motion that the District make a \$1,000 donation to the Northwest Interfaith Center with the stipulation that this \$1,000 would be used for system development fees on the new line to their building. Ms. Wright seconded the motion. Mr. Polley stated he would abstain from voting on this motion because he is a member of Christ the King Episcopal Church.

Mr. Schlegel called for a vote on the motion to make a \$1,000 donation to the Northwest Interfaith Center to be used for system development fees. The motion passed 4 to 0 with Mr. Polley abstaining.

E. Legislative Issues and Approval of District Lobbyist for 2001 Legislative Session.

Mr. Stratton stated that these two issues were combined because they were interrelated. He stated that the District had not looked at introducing any legislation, but upon Mr. Schlegel's request, legal counsel had investigated introducing legislation to "hard-zone" District boundaries

to prevent condemnation from neighboring entities. Mr. Stratton indicated that it was legal counsel's opinion that the District would prevail against condemnation proceedings in a court based upon the District's purpose as a water provider and its boundaries being established.

In the meantime, he stated that it was staff's recommendation to hire Dana Stagg Belknap of Gallagher & Kennedy, to serve as a lobbyist for the District to monitor pending legislation.

Ms. Wright asked if the \$2,000 fee covered only the legislative session. Mr. Stratton replied that it covered monitoring for the legislative session, but when the District introduced legislation two years ago, that fee totaled about \$4,000-\$5,000, which was about \$3,000 in addition to the regular service contract. Mr. Ray asked if the District set forth certain criteria in its agreement with lobbyists. Mr. Stratton responded that lobbyists are advised what to monitor as they are aware of all pending legislative issues and they are required to keep staff informed and up-to-date on legislation.

Mr. Doyle made a motion to approve the hiring of Gallagher & Kennedy as the District's lobbyist for the 2000 Arizona Legislative Session and Mr. Polley seconded the motion. The motion passed unanimously.

F. Discussion and Direction to Staff on Annexation of District Properties.

Mr. Ray made a motion that the District Chair send a letter to the City of Tucson and Towns of Marana and Oro Valley requesting consent for annexation of District properties to the District. Ms. Wright seconded the motion and it passed unanimously.

G. Award and Approval of Contract for Maintenance & Painting of Storage Tank.

Mr. Doyle made a motion to award the storage tank maintenance contract for Fiscal Year 2000-2001 to Desert Mobile, Inc., for an amount not to exceed \$22,000. Ms. Wright seconded the motion.

Mr. Ray asked how many hours were required for additional work beyond the scope of the previous contract. Steve Dean, Utility Superintendent, replied that there were four additional hours needed.

Mr. Schlegel called for a vote on the motion to award the contract for maintenance and painting of storage tank. The motion passed unanimously.

H. Approval to Purchase Truck Mounted Valve Operator.

Mr. Doyle made a motion to award Balar Equipment Corporation the Truck Mounted Valve Operator and Hydraulic Liquid/Air Cooler Bid for an amount of \$14,834.20. Mr. Polley seconded the motion.

Mr. Ray asked how much of the \$21,000 budget line item has been expended. Mr. Dean replied that approximately \$2,100 has been spent to date.

Ms. Wright asked how often the District's truck mounted valve operator had been used and what condition it was in. Mr. Dean replied that the existing valve machine had not been used as often as would be liked since staff has been focusing on the ongoing meter replacement program. He stated that once the meter replacement program was completed, crews would focus on valve maintenance. Ms. Wright questioned the need for a truck mounted valve operator at this time. Mr. Doyle responded that the District customers would suffer if the District was not proactive on this program.

Ms. Wright asked how valves were turned if the existing truck mounted valve operator was not functioning. Mr. Dean stated that some of the valves would be turned off manually, but others needed to be turned by machine. Mr. Doyle explained the necessity of turning valves annually to ensure water can be turned off quickly and limit the impacted area.

Ms. Wright asked if a valve machine could be rented when necessary. Mr. Dean explained that this type of equipment is not readily available for rent. He further stated that Oro Valley and Marana have borrowed the District's machine and that the City of Tucson has 10 valve machines. Mr. Stratton added that many water companies do not prioritize their valve programs and that the District wants to be very proactive so as not to have to deal with expensive repairs later.

Mr. Polley asked if this item was previously approved during the budget process. Mr. Stratton affirmed that it was.

Mr. Schlegel called for a vote on the motion to award Balar Equipment Corporation the truck mounted valve operator and hydraulic liquid/air cooler bid. The motion passed 4 to 1, with Ms. Wright opposed to the motion.

I. Approval of Analysis and Recommendations for Compensation of District Staff.

Mr. Doyle made a motion to approve the recommendations as outlined in the November 2000 compensation analysis of District positions and individual salaries and that the contingency fund be used to pay for any increase to the Budget. These recommendations would become effective January 1, 2001. Mr. Polley seconded the motion.

Mr. Doyle stated regarding the Utility Supervisor position that exempt employees should realize that part of their responsibility includes working overtime without pay. He indicated that when possible, staff should adjust their work schedules in order to be compensated for working overtime. Mr. Doyle also said he realized that it was important not to have disparity by having subordinates making more than a supervisor as it does not promote growth.

Mr. Ray noted that the motion on the floor was for approval of recommendations and he recalled there being more than one option to consider. Warren Tenney, Assistant to the General Manager, noted that the recommendation presented on pages 38-39 of the report referred to the option presented during the study session; however there were alternative options listed on page 37. He clarified that the motion presented was to accept the recommendation from the report, but the Board could choose another option.

Mr. Stratton added that the motion provided for an increase to the Utility Supervisor's salary range and individual salaries instead of call-in pay for the Utility Supervisors.

Ms. Wright made a substitute motion to continue this agenda item to the December Board meeting in order to give the Board members more time to look over the information. Mr. Ray seconded the motion.

Mr. Tenney noted that staff would be pleased to give any additional information Board members may request prior to the next meeting.

Mr. Schlegel called for a vote on the motion to continue the agenda item to December. The motion passed 3 to 2 with Ms. Wright, Mr. Schlegel and Mr. Ray in favor and Mr. Polley and Mr. Doyle opposed.

J. Consideration of Cost of Living Adjustment for District Staff.

Ms. Wright made a motion to continue the consideration of the Cost of Living Adjustment to the December meeting. Mr. Ray seconded the motion. The motion passed 3 to 2 with Ms. Wright, Mr. Schlegel and Mr. Ray in favor and Mr. Polley and Mr. Doyle opposed.

K. Approval of Revisions to Personnel Manual for District Employees.

Mr. Polley made a motion to approve the revised Personnel Manual presented November 13, 2000. Mr. Doyle seconded the motion.

Mr. Doyle stated that he felt sick leave was a benefit and not earned and should not be included in the calculation of hours worked in a week as proposed in the revised manual. Ms. Wright agreed. Chris Hill, Deputy Manager, stated that this charge was recommended because staff experienced some problems with losing overtime pay when they were sick in the same pay period. He expressed that some staff were reluctant to work overtime based on this. Mr. Doyle responded that staff had the responsibility to work overtime. Ms. Wright stated that those willing to work overtime should be compensated in the form of their merit increases and there was a potential for abuse by staff if this provision was approved.

Mr. Schlegel asked if the tuition reimbursement formula was included in the personnel manual. Mr. Stratton stated that tuition reimbursement formulas were provided as a directive from the General Manager's Office. Mr. Schlegel suggested that the formula be included in the manual.

Mr. Polley made an amended motion to approve all the revisions to the Personnel Manual as presented to the Board in the October 11, 2000 staff report, with the exclusion of Item No. 7, regarding sick leave and overtime. Mr. Doyle seconded the motion and it passed unanimously.

V. General Manager's Report

Mr. Stratton stated that an agreement with the County on the Sonoran Desert Conservation Program would be presented on the December Board agenda. He said that other jurisdictions have also wanted to secure a cooperative agreement with more control, but staff sees the District's role as minimal. The only impact it should have would be on the capital program and future construction related issues and recovered CAP water, but that the District would be covered under the County's umbrella.

Mr. Stratton said that Customer Appreciation Days were held at the beginning of November. He reported that there were not a large number of customers who participated, except for the two conservation workshops were well attended.

Mr. Stratton told the Board that Mr. Tenney had identified the top 5% of residential high-usage customers and letters were mailed to them. These letters included information on how to reduce water consumption and would help the District meet ADWR's non-per capita conservation requirements.

Mr. Stratton stated that District staff, Mr. Schlegel and Mr. Polley attended the Lower Santa Cruz Recharge dedication. The District was recognized as being an active participant in the recharge projects with CAWCD at that facility.

Mr. Stratton indicated that he provided information about an upcoming joint Oro Valley/Marana/MDWID study session on November 29, 2000. He stated that Eric Holler with the Bureau of Reclamation would be presenting information on the SAWRMS report. Mr. Stratton told the Board that he would like to schedule a detailed study session to discuss regional issues that are pertinent to the District prior to the joint OV/Marana study session.

Mr. Stratton invited the Board to the District's annual Thanksgiving luncheon to be held on November 21, 2000.

Mr. Ray noted that the carpeting was looking worn out and asked what groups utilized the Board Room for meetings. Mr. Stratton stated that the Republican Club, the Girl Scouts and two Arizona Youth Soccer Organization committees had been using it. Mr. Ray suggested that the rental policies might be reviewed in the future.

Mr. Stratton told the Board that a rate hearing would need to be scheduled sometime in January in order to meet the statutory requirements of the District's bond issuance. This would be discussed at the December 11, 2000 meeting.

VI. Legal Counsel's Report

Mr. McNulty advised that Ms. Chase has been working on the effluent agreement with the City of Tucson. Negotiations have been slow, but are progressing. Mr. McNulty introduced Doug Lemke, an associate of Brown and Bain, to the Board Members.

VII. Future Meeting Dates; Future Agenda Items

The next regular scheduled Board Meeting will be held Monday, December 11, 2000 at 6:00 p.m. There will be a Board Study Session on Monday, November 27, 2000 at 5:30 p.m.

Mr. Ray requested information on parliamentary procedures and that future chairs attend a workshop on it.

VIII. Adjournment

The meeting adjourned at 7:51 p.m.



Peter H. Schlegel, Chair of the Board



Clerk of the Board