

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

**March 27, 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

Board Member Not Present:       Marlene Wright

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

**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 5:33 p.m. Dennis Polley, Sam Ray and Pete Schlegel were present. Marlene Wright did not attend. Jim Doyle was not present, but arrived later.

**II.    Discussion of Draft Fiscal Year 2000-2001 Budget**

Mark Stratton, General Manager, told the Board that this study session was intended to present a detailed overview of budget issues and to encourage dialogue between Board members and staff. He stated the biggest increase was \$827,000 under the debt service category. He said this increase was in conjunction with the capital improvement program, bonds, refinancing, junior bonds and the Tucson Water settlement. All the financial plans indicated that the budget for 2000-2001 would be tight until the District's rate increases helped to build up the revenue base. Mike Land, Chief Financial Officer, added that pursuant to the debt service payment schedule, payments on the principal amount of the bond funds would be owed beginning this year and continuing for several years.

Jim Doyle joined the meeting at 5:37 p.m.

Mr. Stratton pointed out another part of the debt service included the acquisition of the Hub Water Company and that staff had separated the Hub-Metro service area from the regular District budget in order to ascertain an accurate interpretation of the true cost of that acquisition. He said that another increase in the budget concerned the disbursement of restricted funds under the CAP allocation. Mr. Stratton told the Board that \$1.2 million had been set aside for the additional acquisition of 4,602 acre-feet of CAP water the District is set to acquire. The CAP line item will increase over time. He said that the long-range plans included increasing the CAP allocation line item at the rate of 5 percent a year.

Mr. Land explained the two areas for discussion at this meeting included the Engineering and Utility Divisions. Staff was not requesting any new positions under the 2000-2001 budget and that the total increase for this year's budget was \$62,000. He stated merit awards and cost of living adjustments were listed as line items in the salary category. Mr. Land stated that through negotiations last year, the cost for health insurance has decreased and will hopefully continue to remain low. Mr. Stratton added that increased employee contributions for co-pay fees also helped to keep insurance rates down.

**A. Budget Items for Engineering/Hydrology Division.**

Mr. Land explained the Engineering and Hydrology budget figures. He indicated that the salaries and benefits category would remain relatively the same and the supplies budget would increase slightly. He stated that the vehicle maintenance costs would decrease because of the addition of new trucks but that they anticipated fuel costs to be increased. Mr. Land stated that the regulatory fees category increased because staff planned to file an ADWR permit for assured water supply for the Metro-Hub service area and may amend the Metro-Main assured water supply status to include the CAP allocation and/or remediation water treatment. He stated that blue stake transmission and blue stake supplies categories had been transferred into the Engineering & Hydrology Division budget beginning this year.

Mr. Land said that staff has increased the Well Abandonment category. Mr. Ray asked if that would be attributed to the Sumaya Well abandonment project as discussed at the last regular Board meeting. Mr. Land affirmed that it would and indicated that there were a number of wells within the District that needed to be identified as non-usable and abandoned.

Mr. Schlegel asked about the status of the well at La Cholla and Magee and whether the District would need to provide funds for proper abandonment or if staff could negotiate with Pima County. Mr. Schlegel requested that staff investigate the possibility of establishing a well in the Westward Look area.

Mr. Land detailed the individual categories contained in the annual service contracts section of the Engineering & Hydrology Division budget. He explained that most of the categories would remain stable with no increases, except for the Survey Services line item, for which staff was requesting a \$10,000 increase. Mr. Ray inquired as to the types of surveys this would cover. Mr. Maish responded that the situations would vary, but surveys were needed to determine where water lines were located in property easements. Mr. Ray asked if these surveys were related to

CIP projects and if bond funds could be expended. Mr. Maish replied that most of the survey projects were not CIP related.

Mr. Maish explained that the Water Quality Testing Services category was increased to cover the cost of unregulated inorganic reports and Consumer Confidence Report (CCR) publications that the District is required to provide to be in compliance with federal regulations. He stated that this item was subject to change from year to year. He also stated that there is a new line item requested in this category was to provide for staff to investigate and comply with newly established radon and arsenic rules.

Chris Hill, Deputy Manager, stated that the costs associated with compliance of radon rules would not be as cost intensive as the costs associated with compliance of arsenic rules. He said that the City of Tucson was looking at a total of \$70 million, the City of Scottsdale figured \$95 million and Albuquerque, New Mexico estimated \$160 million to be expended to comply with arsenic rules. Mr. Hill estimated that the District considered it would take \$6-8 million to be in arsenic rule compliance. However, he cautioned these expenditures were not expected to be encountered immediately.

Mr. Ray asked why the same amount of funds were allocated for Water Quality Testing Services in the Metro-Main and Metro-Hub service areas. He stated that the Metro-Hub service area did not have the same amount of wells as the Metro-Main service area. Staff and Board members discussed the differences in sizes of the service areas and EPA requirements for monitoring. Mr. Schlegel requested staff to investigate this issue and report back to the Board. Mr. Stratton indicated that staff would discuss this matter and determine the water quality needs.

Regarding bond projects, Mr. Land explained that District staff determined the percentage of time they dedicated for CIP projects, which in turn is calculated for reimbursement by bond monies. He said that all salaries are paid through the operating fund and reimbursed from CIP bond funds. He pointed out that there were no requests for new capital items.

Mr. Schlegel asked why less money was budgeted for this fiscal year as compared to last fiscal year. Mr. Maish responded that the major difference is that staff would not be working on as many in-house design projects for the CIP projects, the focus would be shifting to less expensive non-CIP projects.

Mr. Ray asked what happened to any surplus funds. Mr. Land responded that surplus funds were returned to the cash account. Mr. Ray asked who controlled the contingency fund. Mr. Stratton replied that staff made formal requests to the Board, who in turn, had to approve expenditure of contingency funds.

Mr. Stratton told the Board that division managers get monthly budget reports and are very conscientious about the funds available in their prospective budgets.

Mr. Doyle left the meeting at 6:22 p.m.

**B. Budget Items for Utility Division.**

Mr. Stratton explained that staff decided to keep the Metro-Main and Metro-Hub service area budgets separate in order to become more familiar with the impact of the acquisition of the Hub Water Company. He said that by keeping the budgets separate, staff could determine the amount of expense and the amount of revenue in order to calculate future projected budgets.

Mr. Land detailed the Utility Division salaries and benefits category and noted that it increased slightly. He stated that the components of the supplies category had shifted concerning the flushing hydrants, fire hydrants and valves categories. Mr. Schlegel noted that materials and supplies line item increased substantially. Mr. Ray asked if staff was increasing their inventory. Stephen Dean, Utility Superintendent, affirmed that was true.

Mr. Land said the supplies budget remained consistent with last year's budget concerning the service lines, main repairs, small emergency well repairs and pressure tank repairs categories. He pointed out that there was an increase in the chlorine supply category. Mr. Dean attributed this increase to fluctuations in water demands resulting in the need for more chlorination and higher chlorine costs.

Mr. Land stated that the largest line item increase was for meter purchase and stated one reason for this is that the District is requiring all new meter installations to be a radio-read frequency meter. He said that this has also resulted in increased revenues and those revenues will offset the increased costs. Mr. Stratton stated that the Board had previously approved fees for radio-read meters effective in March.

Mr. Land continued explanations regarding the remainder of the supplies budget, and stated that the majority of the increase in this category was related to the increased meter purchases, but that the District could recoup this cost through an increased revenue source.

Mr. Land discussed the other operating expenses categories. He stated that the vehicle maintenance line item decreased because of the acquisition of three new vehicles thereby reducing the maintenance and upkeep costs of some of the older vehicles. He did note that fuel expenses and uniforms would increase. He said that the blue stake transmission and blue stake supplies categories were eliminated because they were transferred under the Engineering & Hydrology budget.

Mr. Land stated the District was still trying to obtain some type of uninterruptible rate for purchased power. Mr. Stratton informed the Board that the ACC did meet with TEP. Mr. Hill said that ACC recommended to TEP to allow the District to go on an uninterruptible rate per the letter of the law or have both parties enter into a contract. Mr. Stratton added that staff was still investigating other energy sources.

The Board Meeting recessed at 7:00 p.m. for a short break.

The Board Meeting reconvened at 7:15 p.m.



Mr. Land explained that four items under the consultant/contract services category were interlinked, that being maintenance of motors and pumps, wells, storage tanks and pressure tanks and, as a whole, they have decreased slightly. He added that the well maintenance category increased based on the District's current year of emergency well repair costs.

Mr. Land noted that a percentage of two employees' salaries were reimbursed from bond monies. Mr. Ray asked for explanation of the percentage of reimbursement. Mr. Dean answered that the employees' hours dedicated to the telemetry, auxiliary and other CIP projects were reimbursed.

Mr. Land said that the capital expenditures category included lease payments on existing vehicles and planned lease/purchases of new vehicles. He stated that staff requested funds for a valve machine in efforts to increase the valve exercise program. Other requested funds were for the possible acquisition of a generator, a fold-up hoist system, OSHA required safety equipment and an aeration unit pump.

Mr. Land stated that funds were being requested for Capital Projects for the District's meter replacement program and for refurbishment of the Shannon booster station. He concluded that the Utility Division budget was slightly increased this year due to meter purchases for the radio-read frequency program that should be recouped by increased revenue.

Mr. Land briefly explained the Utility Division budget for the Metro-Hub service area. He said that the line item for the disposal cost for the modular unit should be removed. He also stated that the bond debt retirement category was transferred into the Administration Budget.

Mr. Polley left the meeting at 7:51 p.m.

Mr. Land stated that the capital expenditure category in the Metro-Hub service area included the installation of 25 additional fire hydrants.

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

Mr. Stratton stated that the General Manager and Administration budgets would be discussed at the next study session to be held in April.

### **IV. Adjournment**

The meeting adjourned at 8:03 p.m.

  
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Clerk of the Board  
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Peter H. Schlegel, Chair of the Board