

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

**February 14, 2000**

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

**MINUTES**

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

Board Member Not Present:       Sam Ray, Member

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

**I.     Call to Order and Roll Call**

Marlene Wright, 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. Sam Ray was not present.

**II.    General Comments From the Public**

There were no comments from the public.

**III.   Consent Agenda**

- A.     Approval of Minutes – January 10, 2000 Board Meeting.**
- B.     Approval of Minutes – January 24, 2000 Study Session.**
- C.     Ratification of Billing Adjustments.**
- D.     Ratification of Bill of Sale for Rosevale Subdivision, Lots 1-137.**
- E.     Approval of Water Service Agreement for Club Carmel Apartments.**

Mr. Polley made a motion to approve the consent agenda. Mr. Schlegel seconded the motion and it passed unanimously.

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

##### **A. Financial Issues.**

Mike Land, Chief Financial Officer, stated that revenues are showing 8% over budget and expenditures are showing 10% under budget based on straight-line projections as of December 1999. He stated that the daily deposit report was expanded to give the Board members more information regarding the checking account categories. He requested that Board members give him feedback to see if they feel this information is beneficial or not.

Mr. Schlegel questioned the transaction listed for Arizona Department. Mr. Land replied that he would need to expand the length of the column to indicate it was for the Arizona Department of Revenue and this transaction was for the collection of sales tax that was forwarded to the State.

Ms. Wright asked why there were no figures in the contingency fund listed on the operating budget summary report. Mr. Land explained that monies from the contingency fund were moved into other categories as they were expended.

##### **B. Discussion of Proposed Rate Adjustment and February 22, 2000 Public Hearing.**

Mr. Stratton indicated that based upon the January 24, 2000 Study Session, the focus of the rate discussions would be on the debt service requirements. He stated the other area to be addressed at the public hearing would be proposed fee adjustments. Mr. Stratton reported that he and Chris Hill met with representatives of Northwest Fire District and Rural Metro Fire District to inform them of the District's recommendations for a fire hydrant fee. The Fire District representatives are concerned and felt that the District should pursue the hydrant charges and include a surcharge in the District's monthly billings to customers since the residents are the same. Mr. Stratton stated that he advised the fire district representatives that they can make a presentation at the rate hearing. He said that staff's position is that the fire districts provide fire protection based on the water service provided by the District and that the fire districts should pay the hydrant fees.

Mr. Schlegel stated the report given in the January 24, 2000 study session the example used was \$50 per hydrant and this report states \$60. Mr. Stratton replied that the previous report actually used the example of \$50 per person per year, not per hydrant per year. He further stated that staff was recommending a \$60 per year charge per hydrant based on historical data including normal discharge rate of 3,000 gallons on flow testing which averaged \$30 per hydrant and maintenance and repair costs on the system including customer service response for customer complaints on cloudy water.

Mr. Schlegel asked if the recommendation of the fire district representatives to add surcharge to the District's customer bills if that included all District customers or only those to benefit from hydrants in the region. Mr. Stratton pointed out that the District does not uniform distribution of fire hydrants in the service areas and it would be difficult to determine which customers benefit from fire hydrant protections and which ones do not.

Ms. Wright asked if the District would charge hydrant fees if the fire district provided the hydrant. Mr. Stratton replied that the fire hydrant fees would be for operating costs not capital costs, this proposal was strictly to cover operation and maintenance costs on the fire hydrants.

**C. Approval of Water Service Agreement for Foothills Mall Revision No. 8.**

Mr. Polley made a motion to approve the Water Service Agreement for the Foothills Mall Revision No. 8 development. Mr. Schlegel seconded the motion and it passed unanimously.

**D. Approval of Water Service Agreements for New World Homes for the Mona Lisa II, Lots 1-75 Subdivision.**

Mr. Polley made a motion to approve the Water Service Agreement with New World Homes for the Mona Lisa II, Lots 1-75, subdivision. Mr. Schlegel seconded the motion and it passed unanimously.

Mr. Stratton clarified that the two previous contracts were back-to-back projects since the Magee/La Cholla system serviced the Foothills Mall and the Tucson National back-up system.

Ms. Wright asked why this agenda item was not included in the Consent Agenda items. Mr. Stratton responded the Board previously passed a resolution that if any item that was not substantive to boilerplate format was to come before the Board. He indicated that this agenda item included substantial issues relating to rebates to developers.

**E. Emergency Well Repair and Maintenance.**

Mr. Schlegel made a motion to approve the allocation not-to-exceed \$50,000 from the contingency fund to make emergency well repairs and maintenance for the remainder of this fiscal year. Mr. Polley seconded the motion.

Ms. Wright asked if the motion to state that the well maintenance contract would be going to Duncan Pumps. Mr. Stratton replied that it would be appropriate based on the discussions at the January 24, 2000 study session.

Ms. Wright called for a vote on the motion to approve the allocation not-to-exceed \$50,000 from the contingency fund to make emergency well repairs and maintenance for the remainder of this fiscal year and it passed unanimously.

Mr. Schlegel made a motion that the well maintenance and repair work contract, not to exceed \$50,000, be performed by Duncan Pump. Mr. Polley seconded the motion and it passed unanimously.

**F. Award and Approval of Telemetry Materials 2000.**

Mr. Stratton told the Board this agenda item was a continuation of a materials supply list for the telemetry program that is funded by the CIP bond program that the Board approved in 1999.

Mr. Schlegel made a motion to approve and award the Telemetry Materials 2000 bid to Border States Electric Tucson and authorize the first purchase of telemetry materials in the amount not-to-exceed \$35,990.67. Mr. Polley seconded the motion.

Ms. Wright asked if the Border States Electric Tucson and the Border States Electric Phoenix were part of a franchise. Steve Shepard, Assistant Utility Superintendent, replied that they are owned by the same company. The District's telemetry system is from Border States in an effort to be consistent with equipment. The District separated other general electrical items from this order so those materials can be procured under the District policy and give other suppliers an opportunity.

Ms. Wright called for a vote on the Motion to award the Telemetry Materials 2000 bid to Border States Electric Tucson and it passed unanimously.

**G. Award of the Construction Contract for the Well Modifications to the Tucson National Well Sites.**

Mr. Doyle made a motion to award the construction contract for Well Modifications for the Tucson National Wells (MW-99-02) to Gilbert Pump and Equipment Co., in the amount of \$963,444.00. I also move to grant the General Manager the authority to approve the following changes to the construction contract: 1) allocate additional funding a cumulative amount not to exceed \$25,000 and 2) increase the original construction contract term a cumulative amount not to exceed sixty (60) calendar days. Any changes in excess of the above limits will be submitted to the Board of Directors for approval. Mr. Polley seconded the motion and it passed unanimously.

**H. Agreement between Metropolitan Domestic Water Improvement District and Pima County for Lease of Lattamore North Well.**

Mr. Schlegel made a motion to approve the Lattamore North Well Lease Agreement between the Metropolitan Domestic Water Improvement District and Pima County. Mr. Polley seconded the motion and it passed unanimously.

**I. Consideration of Purchase of Modular Office for Metro-Hub.**

Mr. Stratton stated that when the District acquired the Metro-Hub service area staff investigated installing a permanent office location. He indicated that after operating that service area for six months, there does not appear to be a dire need to spend a large amount of money for a permanent office. He said that staff was recommending the purchase of a small modular office large enough for a few chairs and a desk and installing this modular unit on the same well lot where the materials are stored. One problem with this situation is there is no sewer available and

the lot is not large enough for a septic system and staff anticipated installing a separate lavatory at another well site where there was access to a sewer system.

Mr. Schlegel asked about the status of the rental unit previously used at the Hardy Well site. Mr. Stratton explained that the District had rented that unit and it had been returned as Pima County had recently enacted septic haulage fees making it too expensive to maintain. Mr. Schlegel asked if the storage unit located at the Northwest Explorer was a viable option. Mr. Stratton explained that it was too large for the District's needs.

Mr. Schlegel made a motion to instruct staff to purchase from Modular Solutions in Phoenix, an 8'x20' modular office unit to be located at Well Lot No. 2, Metro-Hub, for the total price of \$5,310 pending inspection and approval from the General Manager or Deputy Manager. If not acceptable, the District should purchase an 8'x20' modular office from Desert Modulares, Tucson for the total price of \$6,718.00. Mr. Polley seconded the motion.

Ms. Wright asked about warranty on the heat pump and why a modular unit with a restroom could not be purchased and put on Well Lot No. 4. Mr. Stratton answered that Well Lot No. 2 is the largest well lot and all the other well lots are small. He also indicated that Well Lot No. 2 is off the road and out of sight of the neighbors so there would be less complaints. Ms. Wright asked for a description of the building on Well Lot No. 2. Mr. Stratton replied that it was a warehouse for materials so that staff would not need to travel back and forth for supplies. Mr. Schlegel asked if that warehouse could be converted to office space and the District purchase a roll-away mini storage unit. Steve Dean, Utilities Superintendent, stated that the warehouse was a wooden shed in poor condition.

Ms. Wright called for a vote on the motion to instruct staff to purchase a modular unit. The motion passed unanimously.

#### **J. Recommendation for Performance Awards.**

Mr. Stratton stated that an employee Incentive Committee was developed in September 1999. He stated that the recommendation before the Board tonight was based on substantial dialogue between the staff Incentive Committee and the Board Member Business Administration Committee consisting of Marlene Wright and Jim Doyle.

Ms. Wright stated that staff did quite a bit of research on merit and performance awards. She explained that the Board Member Business Administration Committee (Committee) utilized almost all of the employee suggestions. Ms. Wright indicated that from employee comments, it was determined that employees did not understand the process for merit awards. She stressed that the Committee and Incentive Committee felt it was important for supervisors to give performance appraisals to employees so everyone knows where they stand. After a period of adjustment to get this program started, everyone would benefit. She stated the performance award should be based on the consumer price index plus up to a cap of 3% for performance.



Mr. Stratton added that the other change the Committee requested was that this award should be awarded on the anniversary hire date of the employee, not every July.

Mr. Polley stated that he felt the cost of living adjustment is a separate issue than a meritorious award. The cost of living adjustment, based on the CPI, tries to maintain a salary base that is competitive with other industries and a merit award is based on meritorious service that is over and beyond the basic requirements of the job description. He indicated he would like to separate the cost of living adjustment from a merit award as well as not limit the merit award cap at 3%.

Ms. Wright responded that the Committee was not looking at establishing a whole new package for performance awards by combining COLA and merit awards. All employees would need to meet the objectives of their job description before they would even be awarded a CPI, and anything above that would be considered a merit award. She also stated that another suggestion was for the District to evaluate salaries every two years to determine if salaries needed to be adjusted to the mean salary range. She felt it would be easier to make the performance awards a line item in the budget and distributing them on the employee's anniversary date. This would also be easier for supervisors to administrate.

Mr. Polley reiterated that it was philosophically difficult for him to see a combination of the cost of living adjustment based on the consumer price index and economy and the merit award, which is based upon the employees performance as determined by his/her supervisor. He felt these two should be separated as COLA has nothing to do with rewarding for job performance, COLA is for survival, and merit is for performance. Mr. Schlegel noted that he agreed that it seemed better to separate the COLA and merit awards.

Ms. Wright felt that the performance award should be tied into the CPI instead of a base percentage for every employee and if the employee is performing below standard, they do not deserve a merit increase. She stated the performance award needed to be based on something.

Mr. Polley indicated that every employee should receive a COLA. Mr. Doyle stated that perhaps there should be a transitionary period where all employees are given a COLA on their anniversary date even though their performance is substandard. Mr. Polley answered that if an employee was substandard, they should be dealt with before their anniversary date.

Mr. Stratton said that part of the recommendation for performance awards included evaluations between supervisors and employees on a semi-annual or quarterly basis and if all the documentation was in place, the employee might not be employed at the time of their anniversary date. Ms. Wright supported that six months evaluations were beneficial in order to give the employees and supervisors opportunities to increase job performance.

Warren Tenney, Assistant to the General Manager, pointed out that staff had been surprised to learn of the recommendation of combining COLA with merit awards since it had not been discussed with the Incentive Committee. He noted that another main concern of employees was the implementation of anniversary date and that employees hired during the latter part of the fiscal year would have to wait at least one and one-half years before they saw any type of

increase. A suggested compromise was to have a sliding scale in place for the first year transition.

Mr. Schlegel suggested that perhaps the cost of living adjustment based on the CPI might be awarded at the same time each year and then do a merit increase on the employee's anniversary date. Mr. Polley suggested the Board consider giving the COLA effective January 1<sup>st</sup> of each year.

Mr. Schlegel and Mr. Polley commended the Incentive Committee members and the Board member committee for all their hard work and effort. There was further discussion amongst the Board members and staff concerning the cost of living adjustment and merit increases and the possibility of making these two categories separate line items in the budget.

Mr. Doyle suggested that this item be tabled and decision made after further discussion. Ms. Wright suggested a study session be scheduled in March to hold a more concentrated discussion among the Incentive Committee, Board members and review the employee responses to the survey.

#### **K. Possible Action on Proposed Contract with TEP for Interruptible Rate.**

Mr. Stratton reminded the Board that this item was on the December 1999 agenda before being pulled at the last minute due to Tucson Electric Power Company's (TEP) unwillingness to take the issue of their surcharge to the Arizona Corporation Commission (ACC). He indicated that TEP is still unwilling to go before the ACC; and therefore the District has not reached an agreement with TEP. Mr. Stratton stated that based on discussions with legal counsel, Doug Lemke recommended that the Board members allow staff to approach the ACC regarding TEP's unwillingness to provide interruptible rate service under Tariff No. 43. Mr. Stratton reported that he would be meeting with representatives from Touchstone Energy to discuss potential service options with them.

Mr. Schlegel made a motion to direct staff to go to the ACC to protest TEP's unwillingness to provide interruptible rate service under Tariff No. 43 and to direct staff to investigate additional alternatives to lower the overall power costs the District currently pays and bring back detailed information on all possibilities related to electric service. Mr. Polley seconded the motion and it passed unanimously.

#### **L. Legislative Issues.**

Mr. Stratton stated that Warren Tenney had provided a fairly detailed description of the outstanding bills pending in the legislature. He noted that there is no legislation of significance to the District, but SAWUA has indicated those bills that they were recommending support, opposition or remaining neutral.

Mr. Stratton noted that previous to the meeting, he and Mr. Schlegel had a discussion regarding Mr. Stratton's role with SAWUA and the possibility of appointing a legislative committee for the

Board to support or oppose recommendations as the District responds to legislation. He stated that should any Board member have questions to contact Warren Tenney or Cathie Fendley as they are tracking the legislative bills.

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

Mr. Stratton stated that he is expecting a letter back from Catalina Estates Village to request addressing the Board in March regarding the mainline replacement project. The residents want the mainline put in the roadway to preserve natural vegetation. He said that Charlie Maish has substantive numbers indicating that the District will incur more costs by keeping the mainline replacement out of the right-of-way.

Mr. Stratton stated that the Board received copies of the effluent settlement agreement between the City of Tucson and Pima County. He has had additional discussions with Dennis Rule, Tucson Water, to further review and define the effluent agreement between the City and the District. He said he hoped to have an agreement on effluent placed on the April agenda for the Board's consideration.

Ms. Wright asked if the District included the cost of road replacements in projects. Mr. Stratton responded that the District had to move their own lines but a new line item in the budget would include relocations should the District need to move out of the County's right-of-way. Ms. Wright asked if the District could negotiate with bidders to have this included in the cost. Mr. Stratton indicated that staff would lose control on what the true low bid is because some bidders might bid low for the water works and bid high for the road replacement with the County and vice-versa.

Ms. Wright asked if the turbine pump recently replaced at the Herb Johnson Reservoir was under warranty. Mr. Stratton responded that the warranty had expired and staff was trying to get information from the design engineer and pump installer as to the cause of the pump failure. Steve Dean stated that the initial findings indicated that the line that NAC installed south of the pump may have had air in it and that air had migrated into the pump.

Mr. Schlegel asked if the Board members could receive a report from the lobbyist regarding pending legislation. Mr. Tenney replied that he would request one be forwarded to the District for distribution to the Board members.

Mr. Stratton stated that staff was rechecking water levels and have not received the results. He indicated that based on the historical perspective and depending on rainfall events, and the fluctuations on the Rillito there could be a steep decline in water levels over the next 4-5 year period. He stated that the recovery criteria to recover CAP water in Avra Valley and Kai Picaccho is a four feet decline and the District is approaching that level. He indicated that if declines in water levels persist and ends up being system-wide, the District would be hurting. He added that there are projections for a 20-year drought and that they are not seeing natural recharge from the mountains.



**VI. Legal Counsel's Report**

Lisa Chase, Legal Counsel, stated that the mediation agreement had been received from Fast Fabs in regards to the Martin C. Lang arbitration issues and will be signed shortly. She further stated that there has been no response from Tim Esser, legal counsel for NAC Construction, identifying all their issues.

**VII. Future Meeting Dates; Future Agenda Items**

The Public Rate Hearing will be held February 22, 2000 at 7:00 p.m. The next regular scheduled Board Meeting is Monday, March 13, 2000 at 6:00 p.m.

**VIII. Adjournment**

The meeting was adjourned at 7:30 p.m.



Chair of the Board



Clerk of the Board