

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

**December 9, 2002**

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

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

**MINUTES**

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

District Staff:                Mark Stratton, General Manager  
                                      Phil Higdon, Legal Counsel  
                                      Warren Tenney, Clerk of the Board  
                                      Alice Stults, Recorder

**Executive Session**

**Call to Order and Roll Call**

Dennis Polley, Chair of the Board of Directors of the Metropolitan Domestic Water Improvement District (District), called the Board Meeting to order at 5:03 p.m. Dennis Polley, Dan M. Offret, Jim Doyle, Marlene Wright, and Pete Schlegel were present.

Mr. Offret made a motion for the Board to move into Executive Session. Ms. Wright seconded the motion. Motion passed unanimously. The Board went into Executive Session at 5:04 p.m.

Executive Session pursuant to A.R.S. § 38-431.03 (A)(3) (consultation for legal advice with the attorney or attorneys of the District), A.R.S. § 38-431.03 (A)(4) (consultation with legal counsel regarding contracts that are in pending or contemplated litigation or in settlement discussions conducted in order to avoid or resolve litigation) regarding the following:

**A.     Acquisition of Green Valley Water Company.**

The Board returned from Executive Session at 6:10 p.m.

## **Regular Session**

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

Dennis Polley, Chair of the Board of Directors of the Metropolitan Domestic Water Improvement District (District), called the Board meeting to order at 6:14 p.m. Dennis Polley, Dan M. Offret, Jim Doyle, Marlene Wright, and Pete Schlegel were present.

### **II. Presentation to Pete Schlegel and Marlene Wright**

Mr. Polley thanked Mr. Schlegel and Ms. Wright for their commitment and dedication while serving on Metro Water District's Board of Directors. Mr. Polley presented gift certificates and plaques to Mr. Schlegel and Ms. Wright whose Board terms expire December 31, 2002. Suzanne Downing and James Tripp were elected in the November 2002 election. Mr. Doyle was also re-elected to serve another four year term.

### **III. General Comments from the Public**

There were no comments from the public.

### **IV. Consent Agenda**

- A. Approval of Minutes – November 13, 2002 Board Meeting.**
- B. Ratification of Billing Adjustments.**
- C. Ratification of Bill of Sale – Tecolote De Oro Subdivision.**
- D. Approval of Water Service Agreement – Appian Estates, Lots 1-10 and Common Areas "A", "B", and "C".**

Ms. Wright noted that the dollar amount was missing on the Affidavit of Cost document for the ratification of bill of sale of Tecolote De Oro Subdivision. Ms. Wright also asked if the installation of the distribution system had been completed. Mr. Maish said the seller had completed the installation of the distribution system, and the dollar amount would be included on the affidavit and re-submitted to the Board.

Ms. Wright made a motion to approve the consent agenda, excluding of the Ratification of Bill of Sale for Tecolote De Oro Subdivision. Mr. Schlegel seconded the motion. Mr. Schlegel asked that the minutes from the November 13, 2002 Board meeting be revised to reflect that he was absent due to illness. Motion passed unanimously.

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

#### **A. Monthly Status of the District.**

Mr. Stratton noted that a main break repair had been made at 850 W. Las Palmas during November and asked Mr. Dean if this was part of the new mainline that had been constructed.

Mr. Dean replied it was not. Mr. Offret said it was his understanding that a new main had been installed on Las Palmas. Mr. Dean said the location of the main break was in a section that ran north and south and intersected with Las Palmas which is not part of the new main.

Mr. Schlegel said that Metro Main's water consumption for the month of November 2002 compared to the same month in 2001 was approximately the same. However, Metro Hub's consumption for the same time periods increased. He believed this was the first time this had happened. Mr. Dean noted that this has happened previously, and that there was not an immediate explanation for the higher water consumption.

**B. Financial Report.**

Mr. Land said that District water sale revenues continue to be strong. Meter applications also increased during the month of November. Ms. Wright asked who Western Warehouse was, listed on the financial expenditure reports. Mr. Land explained the District purchased its work shirts and jeans from Western Warehouse.

**C. Approval of Fiscal Year 2001-2002 Audit.**

Mr. Land said the final audit document for fiscal year 2001-2002 has not yet been completed by Clifton Gunderson, L.L.P. The final report has been delayed due to the implementation of Governmental Accounting Standards Board (GASB 34). Mr. Land said the final report should be completed and available for the January 13, 2003 Board meeting.

**D. Analysis of In-house Job Compensation Assessment.**

Mr. Stratton said Fox Lawson and Associates was retained by the District to conduct an audit and analysis of the District's in-house compensation assessment that was completed in December 2000. Fox Lawson and Associates submitted its final report to the District. Mr. Stratton said the report indicated that the in-house compensation assessment was fairly good. He noted that the consultant provided good recommendations for future assessments.

Carol Mercer of Fox Lawson presented a brief overview of its findings, conclusions, and recommendations. Ms. Mercer said the overall processes and procedures implemented by the District were appropriate. Some areas of recommended improvement for a future study were study frequency, relevant labor market definition, and changes in the process currently used by the District. Ms. Mercer said that currently the District looks at base salaries only, and recommended it also consider total compensation, including benefits. She indicated that it needs to be known if salaries used in the survey have had cost of living adjustments (COLA's) applied to them or not. To assist the District in improving in these areas, Ms. Mercer explained that the District may want to consider developing a compensation philosophy. She noted that areas to be covered should include the current state of the District's compensation plan, defining labor markets, base salary versus total compensation, job evaluation methodologies, and performance plans. Other areas that should also be considered in a strategy building session are developing formal data collection forms to track information, using spreadsheets to organize and analyze the

data, apply geographical differentials when gathering information, and using published data as needed for classification and salary comparisons. Ms. Mercer said performance plans should connect to salaries and surveys, and the District may want to consider how employees are moved throughout established salary ranges. She explained that by law the District must find five or more data matches for each classification for comparison. Mr. Offret asked if the District should stay within the western region when collecting data for classification and salary comparisons. Ms. Mercer said that whenever possible, the District should seek comparisons within Arizona or surrounding states.

Mr. Offret noted that Ms. Mercer had indicated that a formal job evaluation methodology could ensure internal equity, and asked if this would be different from a study on internal equity, or if they were the same. Ms. Mercer said they were different and explained the formal job evaluation methodology is a particular formal documentation that assists in applying a hierarchy for individual classifications. She said that it is achieved on a point evaluation plan which will also assist in establishing the best fit for a job classification and determining an equitable salary structure. Mr. Offret asked Ms. Mercer to define an internal equity analysis. Ms. Mercer said this relates to pay equity, such as gender issues. Mr. Schlegel asked how long it would take to Fox Lawson to prepare a document for the District containing their recommendations. Ms. Mercer indicated it would take approximately one week to provide the information.

**E. Consideration of Cost of Living Adjustment for District Staff.**

Ms. Wright said she believed the information provided by Fox Lawson is valuable, and that the District should take a look at how employees are currently compensated. She suggested when considering compensation and salaries that benefits also be included in the total overall package. Ms. Wright recommended that the work load of some positions should be evaluated as it appears there are some employees not being properly compensated. She believes the COLA should be postponed until the District takes a closer look at the job classifications and considers any necessary adjustments to the salaries, and then initiate the COLA. Ms. Wright said this could help to establish a process which could be continued until the job descriptions are made clearer, job titles are determined, and a new salary level is established.

Mr. Schlegel said he concurs with Ms. Wright. He was impressed with the report submitted by Fox Lawson and thought the Board should take this opportunity to ensure salaries are fair. Mr. Schlegel suggested that the Board schedule a study session and engage Fox Lawson to define answers and solutions to implement their recommendations. Ms. Mercer clarified that it would take a number of weeks to complete an entire salary study. She explained that Fox Lawson could provide the District with the data collection forms and an outline of the process in approximately one week.

Mr. Offret said that it was his understanding that the Fox Lawson study revealed that the compensation process used by the District did not need complete revamping, only minor adjustments. He did not believe that this would warrant a study session. Mr. Offret said that some changes would be required, and suggested that a new Board could perhaps discuss the items further.

Mr. Tenney said he believed the analysis of the in-house compensation assessment and the COLA are two separate issues. He noted that Fox Lawson found the in-house compensation recommendations for District salaries were appropriate. He explained that the suggestions and recommendations made by Fox Lawson should be used in future salary compensation analysis. Mr. Tenney noted that a COLA is separate from a salary compensation range study. Ms. Mercer agreed and recommended that the District implement the COLA in January 2003, and retain a consultant to assist the District in organizing a strategy session focused on building a compensation philosophy.

Ms. Wright said she believes it is one issue and a new compensation study should be conducted prior to implementing the COLA in January 2003 to ensure adequate and equitable compensation. She explained that it has been two years since the last compensation study and a new study would allow the new Board to make educated recommendations. Postponement of the COLA would also afford the new Board to make decisions regarding the budget they would be overseeing.

Mr. Doyle made a motion to approve a 2% cost of living adjustment for District employees. There was no second to the motion.

Mr. Offret said that the public sector gives employees a COLA from July 1 through June 30, and asked what the time period was for the majority of public agencies. Ms. Mercer said that it depends on the individual organizations budget constraints. She explained that some organizations often times split the COLA up during the year for budgetary purposes, awarding employees an amount in July followed by an equal amount in January. Mr. Land noted that the recommended 2% is based on the last 12 months of the consumer price index. Mr. Stratton said that a resolution of the Board states that the General Manager will present a recommendation for a COLA each December.

Ms. Wright said the District is already over budget for salaries, and asked why. Mr. Stratton said that much of it is due to overtime. Ms. Wright said that conducting another compensation survey at this time would allow for more accurate budgeting of salaries for the upcoming fiscal year, and that future COLA's could also be more accurately determined and built into the budget. She noted that a compensation survey conducted at the end of 2003 would not be effective until 2004, and salaries and compensation are a large part of the District's budget. Ms. Wright recommended that the new Board re-visit this item in January 2003. The Board agreed to postpone this item until its January 2003 meeting.

**F. Award of Contract for the Casas Adobes Reservoir Roof Structure Repair.**

Mr. Stratton said bids were solicited for the Casas Adobes Reservoir roof structure repair in November 2002. He explained that the improvements will extend the life of the structure for approximately 10 years. Mr. Stratton said there are some structural repairs needed to the steel beams, and termites have infected the untreated wood. Increasing the thickness of the roof to reduce the amount of condensation inside the reservoir will help prevent oxidation of the steel beams. Mr. Offret asked if there were plans to treat the termites and ground around the reservoir.



Mr. Stratton said that chemicals cannot be used inside the reservoir due to the potable system. He noted that around the exterior of the building some pesticides may be used. He said that the wood used during construction in 1994 was not treated wood. Ms. Wright asked if lead paint was used in the building. Mr. Stratton said that the areas identified as having lead paint were sandblasted and repainted.

Ms. Wright made a motion to award the contract for the Casas Adobes Reservoir Roof Structure Repair to Environmental Strategies, Inc., in the amount of \$119,619.00. Mr. Offret seconded the motion. Motion passed unanimously.

**G. Status of Intergovernmental Agreement for Effluent Managed Recharge Project.**

Mr. Stratton said it was anticipated that by the end of November 2002 an IGA would have been completed; however, this is not the case. The Bureau of Reclamation has indicated that they have several issues with the IGA, and also have not formally agreed to participate and be an applicant on the facility permit. Mr. Stratton said an additional issue surfaced last week regarding CMID and the surface water rights. CMID is also concerned they may lose control as the facility manager. Mr. Stratton said the District does not want to agree to the surface water rights proposed by CMID as it is a separate issue from the effluent managed recharge. The next meeting is scheduled for December 11. Marana and CMID have indicated that if an agreement is not reached by December 27, they would file objections to the facility permit.

**H. Update of District Security.**

Chris Hill said the District is required to complete a Vulnerability Assessment (VA) by the end of December 2003. He explained that in order to accomplish the VA, it is recommended that a consultant be commissioned by the District. The majority of items have already been completed by District staff. Mr. Hill said that the District's overall system is much more secure at this time.

Ms. Wright asked if all District sites had been equipped with telemetry. Mr. Hill said many sites have been completed at this time; however, there are still sites left to be equipped. Eventually all sites will be equipped with telemetry.

Mr. Schlegel thanked staff for their work on the security system, and for the updated security reports provided to the Board. He suggested that staff provide the Board with information regarding security plans and procedures to be implemented by staff in the event of an emergency situation.

**I. Acquisition of Green Valley Water Company.**

Mr. Schlegel made a motion that the Second Amended and Re-stated Asset Purchase Agreement between the Metropolitan Domestic Water Improvement District and Green Valley Water Company for the purchase and sale of certain assets of the Green Valley Water Company be approved in the form provided to the Board tonight by the General Manager and Counsel. The

Chairman of this Board is authorized to sign the agreement in its present form, or with minor, technical changes negotiated by the General Manager and Counsel. Ms. Wright seconded the motion. Motion passed unanimously.

**VI. General Manager's Report**

Mr. Stratton noted that the Christmas luncheon is scheduled for Friday, December 20. The Employee of the Year will be honored at the luncheon.

Mr. Stratton said all the well drilling has been completed. Flow testing at the wells is being conducted at this time. Mr. Maish said flow testing at Hub No. 5 Well began this morning and looks favorable.

Mr. Stratton explained that he and Mr. Polley attended meetings last Thursday with the Bureau of Reclamation Commissioner to discuss the Northwest Replenishment Program through the Southern Arizona Water Resources Management study efforts, and the Managed Recharge Project in the Lower Santa Cruz River. The Commissioner was asked for continued support for these projects.

Mr. Stratton said according to SAWUA's lobbyist, it does not appear at this time that legislation will move forward on exempt wells; however, SAWUA members are continuing discussions on possible compromises. Legislation on infrastructure financing continues to proceed forward.

Mr. Stratton said that the Oro Valley Bobby Sox Association presented the District with a plaque denoting its appreciation of the District for allowing the association to use the Board room for meetings. He noted that various other organizations such as AYSO soccer also use the Board room for meetings.

Mr. Stratton thanked Mr. Schlegel and Ms. Wright for serving on the Board of Directors for Metro Water and wished them well on future endeavors.

**VII. Legal Counsel's Report**

Mr. Higdon explained that Brown & Bain is closing its Tucson office. Most of the attorneys from Brown & Bain have joined the Tucson law firm of Lewis & Roca. Mr. Higdon said that he will continue with Brown & Bain; however, his legal work with the District will terminate at the end of December. Mr. Higdon thanked the Board and staff for the opportunity to work with them.

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

The next regular meeting of the Board is scheduled for January 13, 2003 at 6:00 p.m.


**IX. General Comments from the Public**

Mr. Land wished to clarify earlier discussions in which it was indicated that to-date the District has gone over budget for salaries and compensation, and said that this is due to the unforeseen rise in the cost of health insurance. He noted that salaries at this time are actually approximately \$5,000 under budget to-date. Mr. Stratton said that Arizona State Retirement will be raising the employee and employer contribution portion next fiscal year which will have an impact on the District's budget.

**X. Adjournment**

The meeting adjourned at 7:25 p.m.

  
\_\_\_\_\_  
Dennis Polley, Chair of the Board

  
\_\_\_\_\_  
Clerk of the Board