

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

**March 26, 2001**

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

**STUDY SESSION - MINUTES**

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

Board Members Not Present:       Jim Doyle, Member  
  Marlene Wright, Member

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

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

Pete Schlegel, Chair of the Board of the Metropolitan Domestic Water Improvement District (District) called the Board Meeting to order at 6:04 p.m. Dan M. Offret, Dennis Polley and Pete Schlegel were present. Jim Doyle and Marlene Wright were not present.

**II.    Discussion of Draft Fiscal Year 2001-2002 Budget**

**A.     Budget Items for Utility Division.**

Mark Stratton, General Manager, gave a brief summarization of the budget prior to staff giving detailed information on the operating budget and capital items. Mr. Stratton stated that Mr. Offret had inquired as to the status of the District's revenue receipts versus projections and he advised that the District is on target, but reminded the Board that revenue receipts were also dependent upon weather related conditions. He said that the projected metered sales did include the proposed 4% rate increase and development fees and that revenues should be greater than what was projected last year. Mr. Stratton stated that on the operating side of the budget, salaries and benefits have increased. Staff estimated health benefits to be increased at a cost of 15%-30%. He indicated that the general operating expenses are slightly higher than budgeted last year.

Mr. Stratton explained the projections for purchased power costs which are dependent upon establishment of interruptible rates and auxiliary sites. He indicated that the CAP water purchases were historically increased every year at an estimated 5% as either the operating or capital costs have increased. The District wanted to maintain a similar rate of recharge per year, with funds being set aside to be applied towards future reallocation capital costs and recharge. Mr. Stratton noted that the contingency fund allocation had not changed. He stated that staff wanted to discuss with the Board each budget item to determine if they should be deleted or modified and open the process up to have division manager's justify their needs so that the Board might have a better understanding of the overall District operations.

Mr. Schlegel asked if division manager's based their positions on their needs or budget set at zero. Mr. Stratton replied he advised staff to determine what the needs were for this year, their projected programs, and to develop from that. Staff would go through each line item to discuss how their projections fit into the program. He noted that in June 1999 the District acquired the Hub Water Company and in July 1999 OV#1 was transferred to Oro Valley. Metro-Hub is shown under a separate budget. He said that expenditures were higher for the Metro-Hub service area than the OV#1, but on the other hand, revenues are higher as well.

Mike Land, Chief Financial Officer, provided a summary page narrative on the status of the budget requests. He explained that the budget sheets reflect the actual totals for the last two years and expenditures through the first six months of this fiscal year as well as the FY 2001-2002 requests. The Board and staff reviewed each budget item. The items that were discussed in greater detail or to clarify are detailed.

Steve Dean, Utility Superintendent, stated that three new positions were being requested for the Utility Division. The first is for a laborer, to help with landscaping, weeding, trash pickup, help fill the void caused by injuries or sickness, and to work as a part-time warehouseman to do inventory and receiving. Mr. Polley asked if this position would help alleviate overtime costs. Mr. Dean replied that overtime costs were incurred primarily during emergency situations like mainline breaks and this laborer position would not alleviate overtime costs for those situations. Mr. Schlegel asked if the position of laborer would reduce the need for outside temporary help. Mr. Dean replied affirmatively. Mr. Stratton pointed out that the Utility Division once had a laborer position that had been previously upgraded by the Board to Utility Maintenance Worker I position about three years ago.

Mr. Polley asked if the laborer had the ability to perform utility maintenance functions or would they need to be certified? Mr. Dean replied they did not need to be certified. Mr. Stratton noted that questions may arise if the laborer fills in often out of classification in the meter reader or maintenance worker duties. Mr. Stratton indicated that historically the District used the Meter Reader position as a starting block for advancement and in the last two years, meter readers have been promoted and staff had to recruit, hire and train new personnel for meter reading positions on a continual basis. Mr. Offret asked for the starting salary ranges for meter readers and Utility Maintenance I positions. Warren Tenney, Assistant to the General Manager, said it was \$23,000 and \$25,000, respectively.

Mr. Dean stated another position being requested was for an additional Utility Maintenance I to help with the proactive maintenance programs, including valve maintenance and flushing. He indicated the only time there is flushing done at present is when a customer complaint is received. He added that fire hydrant maintenance activities have also increased based on requests from the fire districts. Mr. Schlegel asked if flushing required specialized skills or if a college or summer student could perform that task. Mr. Dean and Mr. Stratton responded that this could be performed by temporary help or interns, though summer may not be the most opportune time for an active flushing program.

Mr. Dean explained that the last position requested is for a Telemetry Technician because right now all telemetry programming, troubleshooting and maintenance is being performed by the Assistant Superintendent. Mr. Stratton stated that with the increase of computer-related issues, he is investigating the possibility of a position that combines computer technician with telemetry technician. This position would do programming and maintenance for the telemetry program and maintain software and hardware issues with the District's computer network. He further explained that partial funding could be found within the telemetry program and computer maintenance line item, but would have more information to present during the study session discussion on the General Manager's Office budget to be scheduled next month.

Mr. Offret asked Mr. Dean to prioritize his position requests based on workload. Mr. Dean replied he would select full-time laborer, telemetry technician and then utility maintenance worker I.

Mr. Dean explained the purpose of the preventive maintenance of motors and pumps is to have a consultant perform an analysis of all 1,600 pumps and motors in the District to determine what problems exist so that they can be repaired and corrected prior to a complete failure. He stressed the importance of being proactive and performing preventive and preliminary maintenance.

Mr. Schlegel asked about the status of the pump located at Oracle and Ina Roads. Mr. Dean and Mr. Maish confirmed that pump was not in service at this time. Mr. Schlegel asked if that pump could be abandoned to eliminate liability issues for the District. Mr. Stratton stated that could be addressed in the Engineering Division's well abandonment program.

Mr. Dean stated that staff would like to perform at least one major well maintenance project per year. Mr. Offret agreed that the well maintenance program should be done on a five-year cycle. He also said he would hope the District institute a three-year cycle for it's fleet replacement.

Mr. Land concluded the Utility Division budget with the presentation on the Metro-Hub service area.

#### **B. Budget Items for Engineering/Hydrology Division.**

Mr. Land itemized the different categories of the Engineering/Hydrology Division budget. Mr. Maish added that an increase was proposed in the miscellaneous consulting service category in

anticipation of doing additional monitoring for arsenic levels pursuant to the impending arsenic rule in order to be prepared for any necessary changes. He said that during the course of well corrosion investigation, several holes were discovered in the well casings and staff was trying to determine what caused this corrosion, so a category for well corrosion was added to the budget requests. He stated that a consultant would be hired to take readings on all corrosion test stations to establish a benchmark reading that the District would repeat on a three-year cycle on all underground pipes.

Mr. Schlegel asked if a video monitor was used for the study of the Hub system. Mr. Dean replied that a video monitor was used to investigate Well Nos. 2 and 4. Mr. Maish added that monitoring video is made both before and after well maintenance projects.

Mr. Maish stated that he requested an increase in the regulatory fees based on new state rates for annual report requirements.

He also stated that the District needed to find land and build an A-zone reservoir, which needs to be located at a certain elevation and that the options to locate land for this purpose are diminishing. Mr. Stratton added that creative funding could be used in this endeavor if there were not enough funds in the budget to cover such a project. He indicated there was a definite need for an A-zone reservoir site given that when the remainder of the transmission line is built along Orange Grove Road, the Herb Johnson Reservoir will become overtaxed. He stated there are other issues involved with the need for an additional northeast reservoir and that none of the proposed reservoirs are funded at this time.

Mr. Stratton asked that if any of the Board Members have additional questions, comments or concerns on these two budgets, to please contact him or staff. Mr. Schlegel asked if the budget presented was balanced. Mr. Stratton replied that it was indeed in balance.

Mr. Schlegel asked if there were going to be a lot of refinements made before the adoption of the budget. Mr. Stratton replied that based upon the suggestions of the Board, some refinements could be made and stated that one option is to remove the \$500,000 requested for property acquisition for a reservoir and look for other financing options if suitable land becomes available. He added that he has discussed refinancing options for the Tucson Water settlement with Mark Reader and should have more information available for the next study session.

Mr. Schlegel asked on the status of the reservoir tank at the Metro-Hub service area. Mr. Maish replied that the public meeting with residents was held and that staff gained insight into the resident's concerns and are working on plans to address those concerns and information would be provided at a future Board meeting. Mr. Offret asked for clarification on funding for this project. Mr. Stratton responded that \$500,000 of the funds transferred from OV#1 to Hub were set aside for the reservoir site.

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

Mr. Stratton distributed a newspaper article regarding rate increases in Oro Valley. He stated staff would look at the numbers and see how the Oro Valley rate increase compares to the District rates.

Mr. Stratton gave an update on the status of the Arsenic Rule. He stated that the EPA administration had withdrawn the proposed rule and that the Democrats will be filing legislation in opposition to that position. He said that WestCAS will be filing legal briefs in opposition to the proposed rule on their position that the rule is not based on sound science and studies.

Mr. Stratton said he would be attending the Arizona Utilities Leadership Workshop at the end of April with leaders in the water industry from Phoenix and Tucson. He is a speaker regarding the CAP M&I Subcontractors.

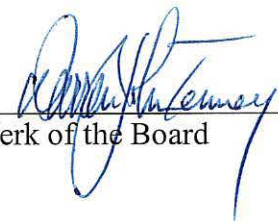
Mr. Stratton distributed a memorandum in response to some of the issues raised in the March 13 2001 Board Meeting. He stated the purpose of this memorandum was to provide clarification on some of the issues raised at that meeting.

Mr. Schlegel stated he had attended an all-day seminar last week regarding the energy crisis hosted by the Arizona State Chamber of Commerce. He said over 200 people attended and that he would provide Mr. Stratton with a written report.

### **IV. Adjournment**

The study session adjourned at 8:25 p.m.

  
\_\_\_\_\_  
Peter H. Schlegel, Chair of the Board

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