

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

March 13, 1995
7235 North Paseo del Norte
Tucson, Arizona 85704

MINUTES

Board Members Present: Barbara Johnson, Chairman
 Marty Cramer, Vice-Chairman
 Jim Doyle, Member
 Herb Johnson, Member
 Pete Schlegel, Member

District Staff Present: Mark Stratton, General Manager
 Michael Block, Hydrologist
 Scott Eisenfeld, Development Supervisor
 Alan Forrest, District Engineer
 Christopher Hill, Utility Superintendent
 Steve Shepard, Back Flow Specialist
 Warren Tenney, Clerk
 Sheila Willis, Administration Manager

Others Present: Bob Iannarino, Cella Barr
 Shawn LaBonde, Black & Veatch
 Michael McNulty, Brown & Bain
 Dan Meyer, Black & Veatch
 Mark Myers, Consultant
 Dan Offret, Customer
 Jim Peterson, Town of Oro Valley
 Bill Smith, Customer
 Jim Spain, JCS Engineer
 Ron Wong, Customer

I. Call To Order and Roll Call

- A. The meeting was called to order at 5:00 p.m. by Mr. Herb Johnson, Chairman of the Board of Directors of the Metropolitan Domestic Water Improvement District (District). Ms. Marty Cramer, Mr. Jim Doyle, Ms. Barbara Johnson and Mr. Pete Schlegel were present.

- B. Mr. Schlegel moved that the Board approves the meeting notice and agenda for March 13, 1995. Ms. Cramer seconded and the motion passed unanimously.

II. Comments From The Public

There was no comment from the public.

III. Consent Agenda

- A. **Approval of Minutes - February 13, 1995 Board Meeting.**
- B. **Ratification of Billing Adjustments or Small Damage Claims.**
- C. **Financial Issues - Update on Revenues, Checks and Warrants.**
- D. **Ratification of Bill of Sale - Sheva Vistas, Lots 1-138.**
- E. **Ratification of Bill of Sale - Sunstone Estates, Lots 1-51.**
- F. **Ratification of Bill of Sale - Country Club, Lots 1-221.**
- G. **Ratification of Bill of Sale - Rancho Escondido, Lots 1-198.**
- H. **Ratification of Bill of Sale - Sunnyvale, Lots 1-145.**

Mr. Doyle made the motion to approve all of the items on the Consent Agenda. Ms. B. Johnson seconded the motion and it passed unanimously.

IV. Presentation by Black & Veatch - Design of the Linda Vista Reservoir

Mr. Dan Meyer of Black & Veatch reported to the Board about the status of the Linda Vista Reservoir's design. The first stage has been determining the site layout for the project. Several site constraints had to be considered including leaving 75 feet available for the extension of the Linda Vista Boulevard right-of-way, buffer requirements, drainage and retention, noise considerations, and future considerations such as possible expansion. Two site layouts were evaluated. The first alternative maximized future consideration by placing the reservoir at the far east part of the property and provided minimal existing buffer to south property. The second alternative rotated the position of the reservoir in order to maximize the buffer to the south property, centered the booster station between properties north and south, and located the booster station out of view from south property. The second alternative is the preferred site layout. Specifications for the reservoir are a five million gallon capacity, 24 foot water depth, concrete hopper bottom, unlined and a precast roof system. The booster station details provide a firm capacity of 7 mgd and a total capacity of 9 mgd through the use of three 1 mgd pumps and three 2 mgd pumps. A combination of variable and constant speed pumps will be used along with one recirculation pump.

Mr. Mark Stratton questioned the recommendation for a precast roof system rather than the originally discussed aluminum roof. Mr. Meyer said different roof structures were studied. Although construction cost is similar, the aluminum roof has a continuous rib system that with expansion and contraction the fasteners can eventually loosen and the steel structure supporting the roof is susceptible to corrosion. The precast roof has less maintenance trouble because the structural members do not corrode.

Mr. Stratton asked how far above existing ground would the reservoir be. Mr. Meyer said that top edge of the reservoir would be eight feet above existing ground on the north side of the reservoir and twelve feet above on the south side. The sides of the reservoir will be bermed and leave four feet of exposed wall. Mr. Stratton asked if the top elevation of the reservoir allowed for free board. Mr. Meyer said that there will be a four foot free board for overflow and for clearance of the roof structure.

Mr. Schlegel noted that booster pumps can be loud when they turn on. Since excavation will be occurring for the reservoir, the booster station may produce less noise if it is placed primarily underground and covered. Mr. Meyer said that the design of an underground booster station had not been explored since it would cost more. Initially, it was thought that the booster station would be far enough at 250 feet from the homes, along with a noise wall. Mr. Schlegel said it may be worth doing a cost comparison of having an underground booster station in order to demonstrate to the homeowners in that area that the District explored all options.

Mr. H. Johnson suggested investigating the cost for a territorial style wall around an above ground booster station to camouflage the station.

Mr. Stratton noted that Mr. Alan Forrest and Black & Veatch will make a similar presentation at a neighborhood information meeting on March 23, 1995. Direct mailing will be sent to residents within a thousand foot radius of the reservoir site to notify them of the meeting. Mr. Forrest noted that he has already met with two resident from the Mesa del Oro subdivision.

Ms. Cramer asked if the reservoir will be fenced off. Mr. Meyer said it would be.

Mr. Stratton noted that a number of mature saguaro at the site will need to be relocated. Ms. Cramer suggested that the saguaro might be attractive in the nearby neighborhoods and to allow the neighborhoods to suggest sites for relocating the saguaros.

Mr. Forrest said that comments from the Board would be appreciated soon since the project is shifting from preliminary design to formal design. Mr. H. Johnson asked if the project was on schedule. Mr. Meyer said that it is at this point. Ms. Cramer asked how the Board would be informed of the cost comparisons. Mr. Forrest said that information would be disseminated to the Board.

Mr. H. Johnson noted that renderings are a useful tool at public meetings. Mr. Forrest said that renderings are to be developed under the contract, but it was decided that that expense should be made during the final stage of the design when more specifics will have been made. Mr. Jim Spain noted that it was advisable to seek public comments prior to making renderings so that the public knows that its comments will be considered.

Mr. Schlegel asked when construction was scheduled. Mr. Forrest said that since there are no funds in the budget for construction, a time frame has not been designated.

V. Old Business -- Items for Discussion and Possible Action

A. Modification to Asset Purchase Agreement with the City of Tucson.

Mr. Stratton reported that he and Mr. Michael McNulty met on March 7, 1995 with Mr. Kent McClain, Director of Tucson Water, and Mr. Marvin Cohen, Attorney for the City of Tucson, to discuss some remaining issues relative to the modification to the Asset Purchase Agreement. These issues include the size of and the capital cost for the CAP treatment plant, whether to include the \$10 million Clearwell reservoir as part of the cost of the treatment plant, and a guarantee from Tucson Water to provide treated CAP water if in fact the District does want to receive it. The meeting with Tucson Water that was scheduled for March 15, 1995 has been rescheduled for March 20, 1995. The purpose of the meeting is to discuss a cost formula for the components that would be included in the wholesale cost of treated CAP water under such a guarantee. Other entities with agreements or seeking agreements with the City of Tucson need to be aware that the District's negotiations with the City will have long-range implications for them, especially regarding the negotiations of the Northwest Water Agreement.

Mr. McNulty noted that the City had agreed to drop the cost of the treatment plant ten percent from its stated \$103 million. The District continues to make progress while participating in these lengthy negotiations.

Mr. Schlegel asked about the time frame for determining the wholesale cost for untreated CAP water. Mr. McNulty and Mr. Stratton explained that the City no longer requires the District to use eighty percent CAP water of its total usage. The City would like the District to be obligated to take 80 percent between July 1, 1995 through December 31, 1995 since the water has been ordered. However, after July 1, 1996, the District will decide how much to purchase, how we want to use it, and receive all credits. For untreated CAP water, we are obligated to pay our share of the treatment plant, which still is being determined.

Ms. B. Johnson noted that Tucson Water had previously stressed that the modification needs to be settled by July 1, 1995 or the courts may be involved. She questioned if that was still a concern. Mr. McNulty noted that Tucson Water has not recently engaged in such rhetoric.

Mr. H. Johnson said the negotiations regarding the Asset Purchase Agreement began almost a year ago when the parties involved appointed a Technical Review Committee. Prior to determining the total cost of the plant, Mr. Cohen provided complex computations to determine what the wholesale water cost should be for the District. The cost could be easily figured by knowing the cost per gallon for CAP water and our demand in the year 2025. The District wants the computations based on the treatment plant peak capacity being 225 mgd, while Tucson says it should be 150 mgd. Even with the cost of the treatment plant lowered by ten percent, it could still be argued that the District is paying too much for the peak capacity size. If we pay according to Tucson's calculations, it will be \$36,000 per month for 30 years. If the peak capacity is 225 mgd, it would be \$24,000 per month for 30 years. The Board needs to assume the responsibility of negotiating the modification and appoint a negotiating committee that deals

directly with the Tucson City Council. The City Council needs to understand that the Northwest has been subsidizing Tucson Water, not the other way around.

Ms. B. Johnson said that it had been assumed that Mr. H. Johnson, Mr. Stratton, and Mr. McNulty were acting informally as a negotiating team. Mr. H. Johnson said that the Board needs to become more directly involved in the negotiations because it is unfair to expect staff to make such major decisions. The City needs to know that the District expects the modification to be fair and square. If we pay money, we should have a guarantee that the water will be available since the time may come that we will need it. Mr. Cohen has stated that the City will need the full capacity of the plant by the year 2003.

Ms. Cramer asked who Mr. H. Johnson proposed for such a negotiating committee. Mr. H. Johnson said that it should be the Finance Board Member Committee.

Ms. B. Johnson asked if the Board could appoint a committee if the item was not on the agenda. Mr. McNulty said that if it is an official advisory committee of the Board, it should be placed as an item on the agenda. However, the Chairman can still ask Board members to attend meetings. Mr. Stratton said that waiting to formalize a negotiating committee should not cause a delay in fulfilling the intention of the committee.

Mr. H. Johnson said that he would like the Board to authorize the Chairman to write a letter to the City Mayor to request that the formation of a negotiating team consisting of City Council members and District Board members.

Mr. McNulty said that two important issues remain. First, the amount the District is to pay for the treatment plant and second, a guarantee from Tucson Water to deliver CAP water upon request. The first item will involve lengthy discussions; however Tucson has agreed to the second item regarding the guarantee to delivery CAP water though they want to make a formula. The second issue should be resolved prior to debating the first item. In six weeks, the District may want to demand more from the negotiations since Mr. Cohen said that he will not negotiate the cost of the treatment plant. Mr. H. Johnson said that approach described by Mr. McNulty will give the District more time to obtain answers to some of the alternatives that the District may consider.

Mr. Schlegel asked when the above mentioned letter would be sent. Mr. H. Johnson said that it should be at Mr. McNulty's discretion based on the current negotiations.

Mr. Schlegel made the motion to have the Chairman write a letter to the Mayor to request a joint negotiating committee made up of City Council members and District Board members to make decisions regarding the Asset Purchase Agreement revised as required after legal staff has reviewed them. Ms. B. Johnson seconded the motion and it passed unanimously.

B. Negotiations regarding Boundaries between District and Tucson Water Service Areas.

Mr. Stratton reported that the negotiations regarding boundaries between District and Tucson Water service areas has focused on the 4-D Properties' Rancho Arboleda subdivision at First Avenue and Orange Grove. Mr. McClain, Director of Tucson Water, signed the request to go to arbitration. Mr. McNulty sent a letter to 4-D Properties notifying them that they will need to place substantial monies in escrow until this issue is resolved so that the District is covered with respect to any future cost incurred to provide service to the subdivision.

Mr. McNulty said that 4-D Properties has contacted Tucson Water to express its alarm of having to place \$450,000 in escrow and has threatened to sue Tucson Water. The City will have to consider making an offer to the District to resolve the issue, which will become more global and should provide different proposals for the District to entertain.

Mr. H. Johnson requested Mr. McNulty to provide to the Board the consequences for the District if it loses any potential law suit related to this matter. Mr. Stratton noted the District had initially notified the engineer of the project of the District's position.

C. Update regarding the Northwest TAMA Replenishment Program.

Mr. Mark Myers explained that since his March 2, 1995 report regarding the Northwest TAMA Replenishment Program (NRP), some additional events have occurred. The geotechnical report for the Avra Valley Pilot Recharge Project has been completed. The infiltration test will need to be redone due to some problems with the initial test; however, it does not prevent applying for the permit nor slows down the permit process. Regarding the feasibility study, the Central Arizona Water Conservation District (CAWCD) Board is considering a motion to devote \$30,000 to the Lower Santa Cruz Replenishment Program. This will be another formal contribution to the NRP. Mr. Bob Lane will meet this week with Commissioner Dan Beard of the Bureau of Reclamation to seek a firm commitment to the Bureau's verbal pledge of \$400,000. It is unclear if existing funds will be decreased by the new Congress; however, the Arizona Congressional delegation and the Bureau's staff are supportive. State Technical Assistance monies are being pursued to match the Arizona Department of Water Resources' (ADWR) three augmentation grants plus the legislative appropriations. Funds are also being requested to be set aside for when construction might begin upon approval of the feasibility study.

The Board agreed to tour the NRP sites on April 5, 1995 at 7:30 a.m.

Mr. Schlegel said he appreciated Mr. Myers' efforts, but he was concerned about some developing perceptions. The District conceived the NRP and agreed to fund it in order to have control due to the NRP's importance to the District's future. However, a letter dated February 6, 1995 from Mr. C.H. Huckelberry included in Mr. Myers' report gives the perception that Pima County, not the District, is in control of the NRP. Mr. Myers explained that the Lower Santa Cruz and Cañada Del Oro projects of the NRP are being supervised by the District,

Bureau of Reclamation and Pima County. The feasibility study includes both projects and Pima County has been supportive of the continued tie between the Lower Santa Cruz project and the CDO project. Pima County will serve as the project manager for the feasibility study due to its greater staff and financial resources as well as its experience with similar studies. The study will be governed by an executive council represented by those who have committed over \$100,000, which presently includes the District, Pima County, the Bureau and ADWR. The City of Tucson has voiced support, but has not made any financial commitment. All parties involved have been receptive and supportive of the District. The NRP has become a cooperative effort because of the difficulty for one entity to control a \$1.2 million project.

Mr. Schlegel said he was concerned that the Board was becoming removed from making decisions about the NRP. The Board has not seen the geotechnical report for the Avra Valley Pilot Recharge Project. The Board was not told why problems existed with the first study, which appears to have been glossed over. The Board needs to know the facts as it debates its financial involvement. A single hard report has not been received in a year. Mr. Myers noted that the geotechnical report was received a week ago. The results were positive, except the infiltration test had not been appropriately administered. Mr. Schlegel said that information is important to know so that the Board is not blamed for anything that goes wrong. The Board needs to know all the information. Nothing has been mentioned of the negotiations with BKW Farms. Mr. Myers noted that BKW Farms is negotiating with the City, which the District is not privy too. Mr. Schlegel said the City wants control of all indirect recharge. The Board must fight for the 40,000 people in the District to have water to live. Mr. Myers said that he could revise his reports. He has sought to provide the highlights and has always noted when a problem has arisen. To date, there has been no major difficulty with the NRP.

Mr. Michael Block noted that in reviewing the infiltration test results, there was a concern that the test had not been conducted for the appropriate length of time. CAWCD asked for the District's input. Since the test had not followed the scope of work, it will be done again to receive the proper information; however, it is not a fatal flaw and everything is proceeding well.

V. New Business -- Items for Discussion and Possible Action

A. Election of Board of Directors' Officers for 1995.

Mr. H. Johnson noted that under statute, the Board is to elect annually a chairman. He explained that he is not a candidate for chairman or vice-chairman. He enjoyed serving as chairman for two years. He was pleased that the Board has been able to reorganize and hire staff that is second to none. He wants to participate now as a member of the Board and assist the new chairman.

Mr. Schlegel said that there is no real structure provided under the statutes regarding the chairman other than having one election annually. The chairman may have to contribute more time, but no extra money is reimbursed to the chairman. It may be appropriate to have each member of the Board to have an opportunity to serve as chairman by rotating the position every six months. Mr. McNulty said that the statutes only require that a chairman be elected annually

and the Board could chose to elect one more often. Mr. Schlegel noted that rotating the position may prevent politicization and any divisiveness. Ms. B. Johnson said that the District Board is non-partisan and will have less problems like those that the partisan County Board of Supervisors experiences. Ms. Cramer noted that the title of chairman does carry extra responsibility in the community. For the sake of continuity and stability, it is advisable to have a chairman elected for a one year term.

Mr. H. Johnson requested that the members of the Board nominate a chairman by writing down the name of a member of the Board. Paper was distributed and collected. Ms. B. Johnson and Mr. Schlegel were nominated.

Mr. H. Johnson called for a vote for those in favor of Ms. B. Johnson as chairman. Ms. Cramer, Mr. Doyle, and Ms. B. Johnson voted in favor of Ms. B. Johnson. Mr. H. Johnson called for a vote for those in favor of Mr. Schlegel. Mr. H. Johnson voted in favor of Mr. Schlegel. Mr. H. Johnson noted that he had nominated Mr. Schlegel due to his close association with Mr. Schlegel on the Board during the past two years and the large amount of time he has given the Board.

Mr. H. Johnson requested that the members of the Board nominate a vice-chairman by writing down the name of a member of the Board. Paper was distributed and collected. Ms. Cramer was the sole nominee. Mr. H. Johnson called for a vote for those in favor of Ms. Cramer. Mr. Doyle, Ms. B. Johnson and Mr. Schlegel voted in favor of Ms. Cramer.

Mr. H. Johnson turned over the gavel to Ms. B. Johnson. Ms. B. Johnson thanked the Board and said it was an honor serve as chairman.

B. Appointment to Management Committee.

Mr. Schlegel made the motion to name Mr. Kirby Hamby to the Management Committee. Ms. Cramer seconded the motion and it passed unanimously.

C. Alternatives for Additional Office Space.

Ms. Cramer made the motion to authorize staff to negotiate a contract with Tohono Chul Park for the holding of District Board meetings at that location and to support staff in its evaluation of long-term options for additional office space. Mr. H. Johnson seconded the motion and it passed unanimously.

D. Oracle Road Property.

Mr. Stratton noted that the appraisal that accompanied Vadar & Associates' offer for the Oracle Road property was solicited on their own and without verified supporting documents. The appraisal done by the District appeared to be an appropriate appraisal with the assumption that access would be provided at the Northern Avenue right-of-way. If the District requests Pima

County to reestablish the access at the Northern Avenue right-of-way, Vadar & Associates may lose a fair amount of their parking at County's expense.

Ms. Cramer questioned if the bid requirement for 90 percent of the appraised value may have stopped someone from making an offer that would have been greater than the one made by Vadar and Associates. She questioned if there was another way to solicit bids. Mr. Stratton said that the sale followed the directive of statutes for sealed bids that required at a minimum bid requirement of 90 percent of the appraised value. Pima County follows the same procedure, though the County does it more like an auction but 90 percent of the appraised value is established as the minimum starting bid.

Mr. H. Johnson asked what cost would be involved for the District to keep the property. Mr. Stratton said that it costs practically nothing. Mr. H. Johnson noted that it would be a good location for storage. Ms. Cramer said that it could be rented as parking space. Mr. Stratton noted that if the District kept the property, access from Northern Avenue should be pursued.

Mr. H. Johnson made the motion for the District to request Pima County to reinstate the access right-of-way to the District's Oracle Road property. Mr. Schlegel seconded the motion and it passed unanimously.

E. Approval of Water Service Agreement - Shalimar Gardens, Lots 1-19.

F. Approval of Water Service Agreement - Hardydale Phase I.

Mr. Doyle made the motion to approve the water service agreements for Shalimar Gardens, Lots 1-19, and Hardydale Phase I. Ms. Cramer seconded the motion.

Mr. Schlegel asked if the water service agreements met Legal Counsel's approval. Mr. McNulty said that the water service agreement is a strong document and was approved in form by Board at the December 12, 1994 Board meeting.

Ms. B. Johnson called for a vote regarding the motion for the approval of the water service agreements. The motion passed unanimously.

VII. General Manager's Report

Mr. Stratton noted that he had provided a memorandum dated March 6, 1995 that included a general summary of various current issues. One of the items mentioned involved working with Amphitheater School District. On March 10, 1995, Mr. Stratton met with Dr. Rick Wilson, Superintendent of Amphi School District, and Mr. Gary Woodard, Amphi School District Board member. A number of areas were identified that would mutually benefit both entities. A discussion paper is to be prepared to detail what each entity could provide to the other, such as their utilization of well capacity and the District's utilization of their storage.

Mr. Stratton noted that he had been contacted about a proposed sale of a water company, which wishes to remain anonymous at this time. The owner is retiring from the business and the sale could have some positive benefits.

Mr. Stratton noted that the Management Advisory Committee will meet on March 15, 1995 to develop a recommendation to the Board regarding the Fiscal Year 1995-1996 budget. Since the draft budget is quite detailed, the Board may want to schedule a study session to discuss it.

Mr. Schlegel questioned why the budget had to be approved at the April 10, 1995 Board meeting when it will not be effective until July 1, 1995. Mr. Stratton said that the intergovernmental agreement between the District and the Town of Oro Valley requires the budget to be submitted to the Oro Valley Town Council prior to April 30, 1995. Mr. Schlegel said that the District should request Oro Valley to allow the budget to be submitted a month later to allow the District's new Chief Financial Officer to review the budget. Mr. McNulty noted that the Oro Valley Town Council could by resolution modify the required date in the intergovernmental agreement for the District's budget to be submitted to them.

Mr. H. Johnson noted that to circumvent any difficulties with Oro Valley, the Management Advisory Committee has been involved with the budget's review. Mr. Stratton said that requesting a later date to submit the budget would be beneficial, but the District should continue to pursue the same course in case Oro Valley does not allow a later date for submittal. Oro Valley is represented on the Management Advisory Committee and that Committee has been active in reviewing the budget. Ms. Cramer noted that a study session would be advisable to review the budget prior to its formal approval.

Mr. Schlegel said that the decision of the budget will be significant and the Chief Financial Officer's expertise should be sought. Mr. Stratton noted that the Chief Financial Officer will probably be on staff within a month; however, the budget can be provided earlier to request his or her analysis of it. Ms. B. Johnson agreed.

VIII. District Legal Counsel's Report

There were no questions from the Board regarding the Legal Counsel's March 13, 1995 report.

IX. Future Meeting Dates; Future Agenda Items

Ms. Cramer asked if the Management Advisory Committee is scheduled to meet again after March 15, 1995. Mr. Stratton said it is anticipated that the Management Advisory Committee will make a recommendation regarding the budget at its March 15, 1995 meeting.

Ms. Cramer made the motion to hold a study session regarding the budget on April 5, 1995 in the early afternoon after the tour of the Northwest Replenishment Program. Mr. Doyle seconded the motion. The motion passed three to one with Mr. Schlegel voting against the motion.

Mr. Jim Peterson noted that the Northwest Water Alliance will be taking a position on various usages of CAP water. The Board may want to consider having the issue discussed as an agenda item. Ms. B. Johnson noted that was a good suggestion.

XIII. Adjournment

Mr. Doyle made the motion to adjourn. Ms. Cramer seconded the motion and the meeting adjourned at 7:17 p.m.


Barbara L. Johnson, Chairman

ATTEST:


Clerk