

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

April 10, 1995
Wilson Room
Tohono Chul Park
7366 North Paseo del Norte
Tucson, Arizona 85704

MINUTES

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

Board Member Absent: Barbara Johnson, Chairman

District Staff Present: Mark Stratton, General Manager
Michael Block, Hydrologist
Alan Forrest, District Engineer
Christopher Hill, Utility Superintendent
Warren Tenney, Clerk

Others Present: B.P. Christensen, Arthur Anderson
Bud Dooley, Customer
Kirby Hamby, Rural Metro
Phil Higdon, Brown & Bain
Bob Iannarino, Cella Barr Associates
Mike Land
Michael McNulty, Brown & Bain
Dan Offret, Customer
Jim Peterson, Town of Oro Valley

I. Call To Order and Roll Call

- A. The meeting was called to order at 5:00 p.m. by Ms. Marty Cramer, Vice-Chairman of the Board of Directors of the Metropolitan Domestic Water Improvement District (District). Mr. Jim Doyle, Mr. Herb Johnson, and Mr. Pete Schlegel were present. Ms. Barbara Johnson, Chairman, was not present.
- B. Mr. Schlegel noted that he would like to discuss Item III.D. separate from the agenda. Ms. Cramer noted that there were no changes for the meeting notice and agenda for April 10, 1995.

II. Comments From The Public

There was no comment from the public.

III. Consent Agenda

- A. Approval of Minutes - March 13, 1995 Board Meeting.**
- B. Approval of Minutes - March 27, 1995 Study Session/Workshop.**
- C. Ratification of Billing Adjustments or Small Damage Claims.**
- D. Financial Issues - Update on Revenues, Checks and Warrants.**
- E. Ratification of Bills of Sale.**
 - 1. GHMA.**
 - 2. Ina/La Cholla Commercial Center.**
 - 3. Intergroup/Thomas Davis Medical Center.**
 - 4. Oasis Road Water Line Extension for Otis Parcels.**
 - 5. Saddle Valley II, Lots 1-54.**
 - 6. Saguaro Vista, Lots 1-66.**
- F. Approval of Water Service Agreements.**
 - 1. La Cholla Ridge.**
 - 2. Linda Vista Ridge, Lots 1-77.**

Mr. H. Johnson made the motion to approve all of the items on the Consent Agenda except for Item III.D. Mr. Doyle seconded the motion and it passed unanimously.

Mr. Schlegel said that the financial issues showed a decline in revenue but an increase in expenses. He was concerned about the District spending more than it received and the possible perception that the District is operating in the red. Mr. Mark Stratton said that the District's Account Clerk had been on vacation and a number of items had not yet been posted. The balance sheet notes that it is a "draft." Revenue usually decreases during the winter months, while expenses increase. Staff is working on a number of projects in preparation for the summer. In the summer, revenues increase and expenses generally decrease. This is a normal fluctuation during the year. Mr. H. Johnson noted that the monthly figures for expenditures and revenues on the balance sheet appear to balance. Mr. Schlegel said he was concerned that the report regarding financial issues was inconsistent with the daily deposit report. Mr. H. Johnson suggested the word "increased" in the first sentence of the third paragraph in Ms. Willis' report be changed to "decreased." The Board concurred that would remove the inconsistency in the report.

Mr. H. Johnson made the motion to accept the financial issues with word "increased" in the first sentence of the third paragraph in Ms. Willis' report be changed to "decreased." Mr. Schlegel seconded the motion and it passed unanimously.

Mr. Schlegel said he would like to discuss the spreadsheet entitled Fiscal Year 1994-1995 Budget Summary Report. He was concerned about possible discrepancies in the present budget that then might provide a poor basis for the new one. Different categories have been changed from the

old budget to the new proposed budget. Some items are under budget and others are over budget. The Board should review the budget during the year.

Mr. H. Johnson made the motion to have the District's new Chief Financial Officer provide a recommendation to the Board regarding how the budget summary spreadsheet and the budget can be better reviewed by the Board. Mr. Doyle seconded the motion and it passed unanimously.

IV. Items for Discussion and Possible Action

A. Fiscal Year 1995-1996 Budget.

- 1. Adoption of Management Advisory Committee's Recommendations.**
- 2. Approval of Fiscal Year 1995-1996 Budget.**

Ms. Cramer asked if the Board could adopt some of the recommendations of the Management Advisory Committee or make others. Mr. Stratton noted that the Board could accept or not accept what it so desired. The Management Advisory Committee was utilized to help review the budget for the Board's approval. The Management Advisory Committee made recommendations regarding the budget but the Board can act as it chooses.

Mr. H. Johnson made the motion that the adoption of the Management Advisory Committee's recommendations be rejected. Mr. Schlegel seconded the motion.

Mr. H. Johnson said that cooperation is needed from the beginning to the end. He was concerned that the recommendation regarding the proposed Rate Advisory Committee work with the Chief Financial Officer and then provide recommendations through the Management Advisory Committee appeared to circumvent the Board of Directors. Both the Board and the Committee need to be working together from the beginning under the same premise.

Mr. Dan Offret of the Management Advisory Committee said that the Committee's intent was not to create a roadblock for the Board or preclude involvement from the Board. The Committee wanted to provide citizen input to the Board and thought it advantageous to provide feedback to the Board about any recommendations from the Rate Advisory Committee.

Mr. H. Johnson said that both groups should meet to discuss this issue. The Board could then provide direction to staff on the input received from the Management Advisory Committee.

Ms. Cramer said that she had read the recommendation to mean that the Rate Advisory Committee would make a recommendation to the Management Advisory Committee prior to its submittal to the Board of Directors. Nothing prevents the Board from talking with the Chief Financial Officer or the committees. Mr. Offret said that the Management Advisory Committee had only thought it would be advantageous to provide additional information to the Board with the Rate Advisory Committee's recommendations.

Mr. H. Johnson noted that he had attended some meetings of the Management Advisory Committee and has been impressed by the discussion of the Committee. He wanted to be certain that the Committee and the Board are in agreement from the beginning. He had interpreted the recommendation from preventing Board involvement.

Mr. Schlegel said that he was concerned about how a reference to a rate increase could be perceived by the public. He concurred that the Board should discuss such related issues with the Management Advisory Committee.

Ms. Cramer called for a vote regarding the motion to reject the adoption of the Management Advisory Committee's recommendations. The motion passed.

Ms. Cramer asked if the Board wanted to discuss any aspects related to the Management Advisory Committee's recommendation.

Mr. Schlegel said that the recommendation to direct staff to establish an in-house construction crew needed a feasibility study to justify it prior to its establishment. Mr. Stratton noted that justification for an in-house construction crew was provided to the Board verbally and in writing at the March 27, 1995 study session. The in-house construction crew would use the \$500,000 in the construction fund to begin work on the main line replacement program. The justification provided showed that the District could repair and replace more main line with an in-house construction crew than with contractors.

Mr. H. Johnson said he was concerned that a Management Advisory Committee recommendation committed \$500,000 in the construction fund and the revenue from any rate increase for only the main line replacement program when other projects may need funding. The District needs to be cautious of how funds are committed in case of an emergency or needs for capital projects. Issues related to a potential bond program need to be discussed with the Management Advisory Committee.

Mr. Schlegel noted that establishing a Rate Advisory Committee should be considered so that the Rate Advisory Committee could also attend a joint meeting with the Board and Management Advisory Committee. Mr. Stratton noted that the Board could approve the formation of a Rate Advisory Committee and then staff could solicit input from the Board as to members in order to expedite the establishment of the Committee.

Mr. Schlegel made the motion to direct staff to establish a Rate Advisory Committee. Mr. H. Johnson seconded the motion and it passed unanimously.

Mr. H. Johnson noted that the intergovernmental agreement between Oro Valley and the District required the District budget to be submitted to the Oro Valley Town Council by April 30, 1995. Mr. Stratton said that he has contacted Mr. Chuck Sweet, Oro Valley Town Manager, regarding an extension to the submittal deadline. Mr. Sweet indicated that the Town Council would probably be receptive to an extension. Once submitted to Oro Valley, the Town Council has thirty days to approve it. If they do not approve it, it is then sent to the Management

Committee, which has the same membership as the Management Advisory Committee. By having the Management Advisory Committee's participation in the budget process, the Oro Valley Town Council will be more likely to approve the budget.

Mr. Jim Peterson of the Town of Oro Valley indicated that the Town Council would be receptive to an extension to the submittal deadline for the budget. He asked if a public hearing would be held on the budget. Mr. Stratton noted that the public process involved the study session and the Board meetings at which the budget was noticed as an item for discussion at open meetings.

B. Safety Policy.

Mr. Stratton noted that the main purpose of the safety policy that was prepared by staff was to have staff operating safely and to avoid any liability for the District. Upon subsequent reviews, a few typographical and minor corrections are needed.

Mr. Schlegel said he had requested the item on the agenda because policies should be approved by the Board and such approval would also provide support to staff. Under the list of accident prevention policy for supervisory personnel, a seventh item should be added regarding testing of staff for proper and safe method of performing any new tasks to ensure that the instructions of such tasks have been properly communicated to staff. Mr. Stratton concurred that testing would ensure proper training. He noted that staff is encouraged to receive training from outside sources such as the Pima County Asset Center. Daily measures are taken to ensure that staff is properly trained in safety.

Mr. Schlegel made the motion to approve/ratify the safety policy for District personnel with the addition of a seventh item as noted above. Mr. H. Johnson seconded the motion and it passed unanimously.

C. Northwest TAMA Replenishment Program.

Mr. Stratton said it had been recommended that the Board should request Central Arizona Water Conservation District (CAWCD) to provide a monthly status report regarding the progress of the Avra Valley Pilot Recharge Project. While some updates have been provided by CAWCD, a monthly status report might encourage CAWCD to expedite the project forward.

Mr. Schlegel noted that at the joint meeting between CAWCD and the Tucson City Council, Mr. Grant Ward of CAWCD, indicated that the Avra Valley Pilot Recharge Project would be completed by Fall 1995. Mr. Ward has been supportive of the District and noted to the City of Tucson that in the City's report regarding Tucson's recharge efforts that responsibility of the Avra Valley Recharge Project should be cited as CAWCD's and initiated by the District.

Mr. Stratton noted that Mr. Mark Myers is continuing to try to receive a commitment from the City of Tucson for the Northwest TAMA Replenishment Program. Tucson Water's Director

says the City Council will be asked to endorse and approve funding for both the Lower Santa Cruz Recharge Project and the Cañada Del Oro Recharge Project.

Ms. Cramer said that she was supportive of having the Program proceed quickly.

Mr. H. Johnson made the motion to request from CAWCD a monthly status report on the Avra Valley Pilot Recharge Project. Mr. Schlegel seconded the motion and it passed unanimously.

Mr. Schlegel noted that he had asked Mr. Ward if CAWCD would object to exploring a pilot treatment plant at the same site as the pilot recharge project and that Mr. Ward said there would be no objection. Mr. Schlegel requested that staff explore the feasibility of having a pilot treatment plant considered at the Avra Valley Pilot Recharge Project site.

D. Northwest Water Alliance Issues.

Mr. Stratton reported that the Northwest Water Alliance was considering taking a position on the use of CAP water and the Board may want to consider providing direction on the use of CAP water. Additionally, the Board may want to request the Northwest Water Alliance to participate in Mr. Mark Myers' contract for the Northwest Replenishment Program (NRP). The District has funded Mr. Myers' contract; however, entities in the Northwest Area have benefited from his efforts. Mr. Peterson, Chairman of the Northwest Water Alliance, has indicated a willingness to discuss the issue with the Alliance.

Mr. H. Johnson said that Mr. Myers' contract was completely funded by the District and that it should be reviewed. The District, Oro Valley, Rancho Vistoso Water Company and Cañada Hills Water Company could each pay \$10,000 to the contract. Mr. Stratton noted that the Town of Marana also benefits from the NRP and if they contributed, Mr. Myers would be able to complete the work on funding the feasibility study and then proceed with the initial solicitation of funds for the actual construction.

Mr. Peterson asked if Mr. Myers' role as a consultant would continue with funding the actual construction of the NRP. Mr. Stratton said that Mr. Myers' initial role has been to obtain funding for the feasibility study from as many entities as possible. With local, state, and federal interest in the NRP gained by Mr. Myers, it is natural that he would provide continuity for additional phases of the NRP. Mr. Peterson noted that the feasibility study could take at least a year and asked what Mr. Myers would do during that time. Mr. Stratton said that Mr. Myers would be providing updates about the feasibility study to the various entities in order to ensure that information is given and interest is maintained. Mr. Peterson asked if upon completion of the feasibility study and it is favorable, if construction would occur shortly thereafter. Mr. Stratton said that the intent is to have wet water recharged as soon as possible.

Mr. Peterson said that the perception of many in Oro Valley is that turf watering should use effluent from Tucson Water and that it can be done quickly and inexpensively. Recharging CAP water and using it for turf is perceived as at least five years away and could cost \$15 million. The Northwest Water Alliance is looking at both alternatives. The utilization of CAP water for

turf appears to be in competition with the use of effluent. Mr. Schlegel noted that the Board is not trying to state what water source must be used, but rather is posturing itself to be able to have various sources available. Numerous aspects, particularly the economics, of using reclaimed water needs to be fully explored. The Northwest Water Alliance may want to consider making Mr. Myers its executive director so he can devote his full-time to Northwest Area issues.

Mr. Schlegel made the motion to request the Northwest Water Alliance to participate in Mark Myers' contract to represent the Northwest Water Alliance in the Northwest Replenishment Program. Mr. H. Johnson seconded the motion and it passed unanimously.

E. Ratification of Contracts and Resolutions Adopted and Approved by the Initial District Board of Directors.

Mr. Michael McNulty explained that at the March 27, 1995 study session, Mr. H. Johnson had requested examination of this item because a former manager for Pima County was denied severance pay because the new Board of Supervisors did not approve his contract. A governmental entity's business contracts should be valid for the term of the contract whether or not there is a change in the makeup of the governing body. However, questions arise regarding contracts that are specifically for personal/professional services. The Board could consider ratifying all personal/professional service contracts approved by the initial District Board of Directors through December 31, 1994.

Ms. Cramer asked how many contracts this would affect. Mr. Stratton said that the General Manager's contract and consultant contracts would be included. Mr. H. Johnson said he had raised the issue because the District had good staff and consultants.

Mr. Schlegel made the motion that the Board of Directors ratifies all personal/professional service contracts as approved by the initial district Board of Directors through December 31, 1994. Mr. H. Johnson seconded the motion and it passed unanimously.

F. Stiller Well and Storage System.

Mr. Stratton explained that the Board of Directors had authorized a drilling contract for Stiller well; however, the budget lacked funds for the project. Staff investigated the background for the shut down of the original Stiller well. The cause was continual bacterial contamination from a surface source based on erosion around the well head. Also, the original well was designed at just slightly above 500 gallons per minute (gpm). In order to drill a new Stiller well, the Arizona Department of Water Resources (ADWR) requirements include receiving approval from a substantial number of well owners in the Stiller site's vicinity. Since the original Stiller well had a good size capacity, staff recommends that the District pursue refurbishing the existing well, which is currently equipped with a motor and pump bowl assembly and to reconstruct the upper thirty feet with a sanitary seal to ensure that contamination would not impact the well's future use. Redeveloping the Stiller well would provide the District with needed water for the

summer. The project could be completed within two to three months. Funding could come from the monies remaining in the fire hydrant, flush hydrant and valve maintenance funds.

Mr. H. Johnson made the motion to authorize staff to pursue the cost associated with redeveloping the Stiller well and storage supply system for incorporation into the existing District water supply system. Mr. Schlegel seconded the motion and it passed unanimously.

G. Approval of Water Service Agreement - Centre Point North Apartments.

Mr. Stratton reported that Mr. McNulty had reviewed the water service agreement for Centre Point North Apartment. Mr. McNulty has suggested a slight modification to one paragraph. The concept remained the same as noted in the staff report that the developer will be credited for a portion of the system development fees in order to reimburse the developer for a change order to the water construction plans requested by the District in lieu of purchasing the necessary 15-foot water easement out right and associated surveying.

Mr. Schlegel made the motion to approve the water service agreement for Centre Point North Apartments with the modification from legal counsel. Mr. Doyle seconded the motion and it passed unanimously.

V. Executive Session

Mr. Doyle moved that the Board of Directors goes into Executive Session. Mr. H. Johnson seconded the motion and it passed unanimously. The Board went into Executive Session at 6:42 p.m.

Executive Session pursuant to A.R.S. § 38-4331.03 (A)(3) (consultation for legal advice with the attorney or attorneys of the District) and/or executive session pursuant to A.R.S. § 38-431.03 (A)(4), (to consider the Board's position and instruct its attorneys in pending or contemplated negotiations or litigation) regarding the following:

- A. Modification to the Asset Purchase Agreement with the City of Tucson and Establishment of a Negotiating Committee.
- B. Negotiations regarding Boundaries between District and Tucson Water Service Areas.
- C. Acquisition, construction, reconstruction or repair of waterworks for the delivery of water for domestic purposes.

The Board returned from Executive Session at 8:17 p.m.

VI. Modification to the Asset Purchase Agreement with the City of Tucson and Establishment of a Negotiating Committee - Discussion and Possible Action

Mr. Schlegel made the motion to direct legal counsel and staff to continue pursuing the modification to the Asset Purchase Agreement in the best interest of the District. Mr. Johnson seconded the motion and it passed unanimously.

VII. Negotiations regarding Boundaries between District and Tucson Water Service Areas - Discussion and Possible Action

Mr. Schlegel made the motion to direct staff and legal counsel to continue negotiations with Tucson Water toward an equitable trade of customers to satisfy the problems related to the boundaries between District and Tucson water service areas. Mr. H. Johnson seconded the motion and it passed unanimously.

VIII. Acquisition, Construction, Reconstruction or Repair of Waterworks for the Delivery of Water for Domestic Purposes - Discussion and Possible Action

Mr. Stratton reported that the Marana Water Service, Inc. had approached the District about the District purchasing the water company. Upon review of the financial services and infrastructure, staff concluded that it would not be in the District's best interest to pursue such a purchase at this time.

IX. General Manager's Report

Mr. Stratton reported that the District has not heard from all of the well owners within the potential impact area of the cone of influence of the new Magee/La Cholla well. Staff has met with one woman and in determining the exact location of her property, the District would still be able to pump more than 1,000 gallons per minute without her consent for us to drill the new well. Staff has been instructed to contact personally the well owners in order to secure their consent. The greater the pumping capacity sought for the new well, the further the zone of influence. Even at 700 gallons per minute, two private wells are in the zone of influence. ADWR will not give the permit to drill until approval is gained from the other well owners. Mr. McNulty noted that when Tucson Water has had difficulty receiving permission from private well owners to drill a well, they have agreed to give the well owner free water.

Mr. Stratton noted that staff is seeking to obtain a written correspondence of requests sought by the owner of the property adjacent to the existing Magee/La Cholla reservoir and well site. The adjacent property is sought by the District as the site for the one million-gallon storage tank reservoir. Staff is trying to expedite the process due to the importance of establishing the well and storage site to meet peak demand. Mr. Schlegel suggested that staff explore the availability of a nearby property as an alternative site.

Mr. Stratton explained that staff will be advertising separately for bids on both the 12" main on Ina Road from Shannon to Mona Lisa and for the Alcott Booster facility. It is hoped that bids will be received so approval of the bids can be given at the next Board meeting. Staff is trying to expedite an extension of a line that crosses the CDO wash from the Meredith well to the

Alcott storage facility in order to supply additional water to the Alcott area. This will provide needed backup while Alcott is out of service.

Mr. Schlegel asked about the status of the South Shannon well. Mr. Stratton noted that the South Shannon well and the Tucson Water well opposite South Shannon have shown the levels of contamination decreasing.

X. Legal Counsel's Report

Mr. McNulty said that he had no additional information to provide to the Board.

XI. Future Meeting Dates; Future Agenda Items

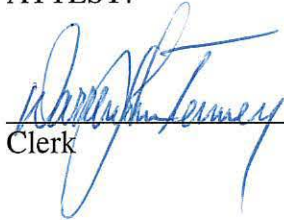
Staff will arrange a joint meeting with the Board of Directors and the Management Advisory Committee as soon as possible. The next regular Board meeting is May 8, 1995.

XII. Adjournment

The Board adjourned at 8:33 p.m.


Barbara L. Johnson, Chairman

ATTEST:


Clerk