

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

April 25, 1994
7235 North Paseo del Norte
Tucson, Arizona 85704

STUDY SESSION
MINUTES

ATTENDANCE:

Members: Herb Johnson, Chairman
 Jim Tripp, Vice-Chairman
 Pete Schlegel, Member
 Alex Jácome, Member
 Kate O'Rielly, Member (arrived at 5:20 p.m.)

Others Present: Mark Stratton, MDWID General Manager
 Bud Dooley, Rate Advisory Council Member
 George Good, Rural Metro Fire Department
 Warren Tenney (recording secretary)
 Gary Woodard, Rate Advisory Council Member

I. CALL TO ORDER AND ROLL CALL

- A. The study session was called to order at 5:08 p.m. by Mr. Herb Johnson, Chairman of the Board of Directors. Mr. Jim Tripp, Mr. Alex Jácome and Mr. Pete Schlegel were present.
- B. Mr. Tripp moved that the Board approve the study session notice and agenda for April 25, 1994. Mr. Jácome seconded and the motion passed unanimously with the members present.

II. COMMENTS FROM THE PUBLIC

Comment from the public occurred later in the meeting.

III. DISTRICT PARTICIPATION IN THE NORTHWEST WATER ALLIANCE

Mr. Mark Stratton said that an April 26, 1994 Northwest Water Alliance (Alliance) Organization Subcommittee meeting will provide an opportunity to discuss the organization and financial structure of the Alliance. At the April 11, 1994 Board meeting, the Board requested that an individual be selected to represent the entire Northwest Water Alliance and to address the multi-

level regulations and issues confronting the area. However, one concern is that only Metropolitan Domestic Water Improvement District (District) and the Town of Oro Valley have been aggressively involved in the Alliance. Cañada Hills Water Company's present status is questionable due to reorganization in their company. Rancho Vistoso Water Company wants to participate and views positively the replenishment program, but it wants to know first the cost involved. The Town of Marana has indicated that it wants to be involved but the advice of its legal counsel is not known. Cortaro-Marana Irrigation District wants to be involved but is uncertain about its financial involvement. Saddlebrook has not responded to inquiries about the Alliance. Private water companies often do not want to be involved with groups that require extra financial participation. Mr. Stratton requested Board discussion regarding District involvement in the Northwest Water Alliance if other parties do not provide equal participation.

Mr. Johnson asked about the Town of Oro Valley's participation in the Alliance if both Rancho Vistoso and Cañada Hills Water Companies are participating. Mr. Stratton said that the Town Manager of Oro Valley has indicated that the Oro Valley Town Council wants to remain involved in water related issues to ensure if they are successful in acquiring either or both of the private water companies that they have been involved with an assured water supply, recharging for potential credits and eventually bringing wet water into the Cañada Del Oro Basin. The Town of Oro Valley is concerned that the lack of participation by the water providers could impede the future development of the Town.

Mr. Jácome said that the Town of Oro Valley may have the biggest stake in the Northwest Water Alliance and the District and the Town may be the primary participants in the Alliance for awhile.

Ms. Kate O'Rielly arrived at 5:20 p.m.

Mr. Schlegel noted that the City of Tucson wants to seek more CAP water reallocation. The Northwest Water Alliance needs to be united to obtain its water because the Phoenix region does not want more water to go south. Mr. Stratton said that the District is requesting CAP reallocation as are other water providers. Mr. Schlegel said that the District or Alliance needs a turnout for untreated CAP water to guarantee water during a shortage.

Mr. Johnson said that the sharing of costs for the Northwest Water Alliance could be fairly distributed by establishing the costs according to population projections; however, the population projections seem change with each study. Mr. Stratton noted that the most recent projections were probably done by the Arizona Department of Water Resources for its financial impact analysis of the proposed Assured Water Supply Rules.

Mr. Johnson, Mr. Stratton and Mr. Tripp noted that the proposed replenishment program will become attractive with the establishment of the Avra Valley Pilot Recharge Project. If entities that are not initial participants want to become involved later, they will have to pay more.

Mr. Jácome inquired if Rancho Vistoso and Cañada Hills Water Companies were not more involved in regional issues because they anticipate being acquired by the Town of Oro Valley.

Mr. Stratton said he was not certain but noted that Metro Water Company did not actively participate in its final years. Cañada Hills Water Company's reorganization does not indicate commitment to long-range water resource issues in the area.

Mr. Stratton noted that the Cañada Hills Water Company placed its monies for Northwest Water Agreement in an escrow account. The District should consider doing the same for future payments to the City of Tucson until the Northwest Water Alliance is renegotiated. Mr. Jácome requested that the issue be placed on the agenda for the May 9, 1994 Board meeting.

Mr. Schlegel asked if the District could take legal action to have its monies returned from the City of Tucson especially if the District takes untreated CAP water. Mr. Stratton and Mr. Johnson noted that the City of Tucson would probably find something that they spent the money on. Upon request, Mr. Michael Tubbs, former Director of Tucson Water, provided a letter outlining how the monies had been spent. Tucson Water could convey raw CAP water from Star Pass through its system to irrigate golf courses. That concept could be developed as a means to get raw water to parts of the Cañada Del Oro basin for recharge.

Mr. Jácome noted the possibility of shared storage. Mr. Stratton said that the Oasis Reservoir and Naranja Reservoir were built with the District's monies.

Mr. Johnson said many unanswered questions need to be addressed by the region. The District needs to select a representative to the Northwest Water Alliance to begin addressing the primary issues. Ms. O'Rielly and Mr. Tripp suggested that Mr. Johnson should be the representative. Mr. Johnson declined due to personal commitments. Mr. Johnson suggested that Ms. O'Rielly would be a good representative with her political knowledge and numerous contacts throughout Pima County. Ms. O'Rielly said that she would be able to participate if the meetings are not on Tuesdays.

IV. MAY 16, 1994 PUBLIC HEARING AND THE PROPOSED 1994 WATER RATES

Mr. Johnson noted that the Rate Advisory Committee included Mr. Bud Dooley, Mr. Gary Woodard, Mr. Tripp and Mr. Stratton, and all were present at the meeting. At the April 11, 1994 Board meeting, the Board accepted the Rate Advisory Committee's recommendation to increase the rates by approximately eight percent. The base rate would be raised from \$8.50 to \$9.00 and the commodity rate would raise from \$1.35 to \$1.50. The rate increase would accommodate operation and maintenance costs for the District, but it does not take into account the Capital Improvement Program. It was thought that higher rates should be implemented when winter usage is lower. At the April 11, 1994 Board meeting, the Board also approved the expenditure of \$800,000 to address the immediate needs regarding the Capital Improvement Program due to the projected high number of new residencies being built within the District. A public hearing for the District's proposed rate increase was planned for May 16, 1994. However, it might be advantageous to change the May 16, 1994 meeting to an information meeting and hold a public hearing after the results of the May 17, 1994 bond election are known and because the City of Tucson Budget Advisory Committee recommended increasing water rates by 1.5 times for non-city water users. At the June hearing, the Board could take a vote

on increasing the rates to \$10.50 minimum and \$1.65 per one thousand gallons, which would be a 23 percent increase. Mr. Chuck Huckelberry had recommended to the Board that a sizeable increase would be advantageous at this time in order to prevent receiving treated CAP water. The District's recharge program should save the District \$1.5 million per year, and prorated, it would save the City of Tucson \$23 million. The District could contend that a rate increase is needed in order to start the five year Capital Improvement Program and to avoid treated CAP water. The \$10.50 base rate and \$1.65 commodity rate would pay for the \$12 million bond issue. The Board must decide if it will be responsible and finance the issues confronting the District.

Mr. Schlegel asked if Mr. Woodard thought there was any validity to Mayor George Miller and Tucson Water's Acting Director John Jones statement that if the Tucson bond election does not pass, water rates would increase by three hundred percent. Mr. Woodard said he doubted such a statement. In the past three years, the Tucson Mayor and Council has not agreed with the Citizen Water Advisory Council's proposals for a rate increase, but have kept increases low.

Mr. Woodard and Mr. Johnson noted that Tucson's Budget Advisory Committee's recommendation to increase water rates higher for non-city water users will work against Tucson Water. However, due to recent state legislation, Tucson Water will probably not be able to implement the recommendation.

Ms. O'Rielly said that postponing the rate hearing is a good idea. The rates suggested by Mr. Johnson would be well advised if the public is informed about the reasons for the need to improve the District's infrastructure.

Mr. Jácome said that the District could "refloat" the bond issue in order to pay off the old bonds through lower interest rates and thus removing liens on homes in the District. Mr. Johnson noted that the approval of the District's legislation will provide the District with such opportunities.

Mr. Schlegel and Mr. Woodard discussed Tucson Water's process for proposing rate increases.

Mr. Jácome questioned who was responsible for the \$900,000 error in the bond prospectus. Mr. Stratton said that Cella Barr & Associates prepared the bond prospectus but it is not certain how it happened. It seems there was a misunderstanding of how the first year of payment was to occur.

Mr. Tripp questioned the reason for the Northwest Hospital having only one service line. Mr. Stratton said that the engineer for the hospital designed it with one meter. Staff is discussing with the hospital the possibility of having an alternate connection to the hospital. Mr. Johnson asked if there was a problem with the availability of water for the new Thomas Davis Medical Center. Mr. Stratton said that water is available, but the problem is a severe lack of fire flow for the area. Discussions have occurred to arrange for the developers to assume the cost for a storage tank that will meet the fire flow requirements. An assessment is being made specifically

for this area requiring developers to fund their own fire flow capabilities. Developers want to proceed with their construction without assurance that fire flows currently exist.

Mr. Johnson noted that another problem confronting the District is that one well may have to be taken out of service. Mr. Stratton explained that the December 1993 quarterly monitoring done at South Shannon well noted a trace of PCE. Subsequent samples were fine, but the March 1994 sample indicated trace levels of PCE and TCE. Testing will be done monthly. Tucson Water had indications of higher levels at their wells across the river and have shut those wells down. Mr. Stratton recommended that if the District reaches the same level as Tucson Water's wells, then South Shannon should be shut down before it reaches the maximum level of allowable contamination. To construct a new well could cost between \$200,000 to \$350,000. An existing but abandoned well in the area could be used. The Casa Adobe Park well was constructed in the mid-1980s and has a sixteen inch diameter well approximately 550 feet deep. This well could be investigated as to the feasibility of refurbishing it with a submersible pump. The main problem is that it is located in the backyard of a residence. An easement exists, but its access is almost nonexistent. Mr. Johnson suggested exploring the possibilities of utilizing the well and determine if it might be cheaper to purchase the house in order to gain access to the abandoned well rather than build a new well. As part of the Rillito Creek aquifer, the life-time of the well could not be guaranteed with the number of landfills in the area.

Mr. Stratton noted that another option is a well site that is part of the Casas Adobes Terrace property being annexed. Mr. Jácome and Mr. Stratton discussed the advantage and need to recharge in the Cañada Del Oro Basin because of the relative absence of landfills. Mr. Schlegel questioned if the Catalina Landfill would be a problem. Mr. Jácome, Ms. O'Rielly and Mr. Stratton noted that the Catalina Landfill is a transfer station that is highly regulated and the landfill portion only deals with green waste.

Mr. Johnson noted the benefits of a well site that is half a mile east of the southeast corner of Linda Vista Estates and that it is close to high growth areas and could serve both A and Z pressure zones. All of these various situations need to be analyzed in order to determine the best course for the District; however, something needs to be done immediately and finances are needed.

Mr. Stratton inquired if the Board preferred that the public hearing regarding a rate increase be planned for June 1994. The May 16, 1994 meeting could be advertized as an information meeting to provide the public with information about the Capital Improvement Program, infrastructure needs, an overview of the replenishment program and the use of untreated CAP water. The meeting would provide an opportunity to explain how the District has used its monies. While it has tried to control expenditures, extra financial impacts do confront the District such as water quality sample and the purchase of CAP water. Visual aids could be utilized such as maps and photos. Mr. Schlegel agreed with utilizing visual displays. Mr. Stratton said that the outline for the presentation that was attached to the April 22, 1994 memo could be modified. The Board agreed that the presentation should be simple.

The Board discussed a date for the public hearing and suggested that the public hearing could be held at 7:00 p.m. on June 13, 1994 following the Board meeting on that date. Mr. Jácome suggested that a moderator could be considered for the public hearing. The meetings would probably proceed better if the Board was not involved. Mr. Jácome and Ms. O'Rielly said that staff should conduct the May 16, 1994 information meeting with the Board members in attendance.

V. NORTHWEST A/Z ZONE RESERVOIR SITE

Mr. Stratton reported that land has been sought for the construction of a five million gallon underground reservoir in the area that is south of Linda Vista Estates. An April 25, 1994 letter from Mr. Bert Scouten of Eureka Realty indicate that many of the holdings in the letter are large tracts owned by development related interests. A 5.08 acre site directly south of Linda Vista Estates is available at \$25,000 per acre. Some of the other possible parcels are higher in cost because they are developed and with utilities or the owners do not want to split the land.

Ms. O'Rielly questioned if Pima County Flood Control owns any land in the area. Mr. Stratton said he did not believe it did.

Mr. Jácome said that the price for the 5.08 acre site is reasonable, but any offer should be contingent on an appraisal.

Mr. Woodard noted that there are various approaches and tax incentives that can be used to make the selling of land more attractive to the owner.

Ms. O'Rielly asked if four to five acres are needed for the reservoir. Mr. Stratton explained that a five million gallon reservoir will use most of a four to five acre site.

Ms. O'Rielly asked if the District should talk with the Amphi School District about constructing a reservoir on their site with the roof of the reservoir used for recreational purposes. Mr. Woodard and Mr. Stratton said that some discussion has occurred with the Amphi School District about doing that.

Mr. Schlegel asked if there was any property that is the proper elevation and part of Cañada Hills Water Company but in unincorporated Pima County. Mr. Stratton said that there is land that fits that description that would be beneficial for the B/C zone reservoir.

Mr. Stratton said that the 5.08 acres does provide some benefits because directly to the west is an existing pressure reduction valve that can reduce pressures from C Zone down to B Zone, if we need to supply pressures through Linda Vista and then to the B Zone.

Mr. Stratton said that he would like to have an offer and contract prepared for the 5.08 acres prepared for the May 9, 1994 meeting. Mr. Johnson and Mr. Jácome said that the District should offer earnest money for the property contingent upon an appraisal. Ms. O'Rielly suggested offering \$1,000.

The Board accepted public comment at this time.

II. PUBLIC COMMENT

Mr. Dooley said he recognized the problems associated with the District's system and empathizes about the situation. However, a bond issue will not be approved without the public knowing all the issues related to the water involved and how the monies will be spent. Such an education program will take about a year and a half. He suggested that the Board raise the rates to an amount that is legitimately possible and then prepare the public for the major rate increase.

Mr. Woodard said that the Tucson Water bond will not be approved partly because Tucson Water has not been accountable about what it will do with the water. People know monies need to be spent but they want to know how the monies are used. The District needs to have an exact plan to present to the public or else the District will be in the same situation as Tucson Water. The proposed eight percent increase is devised in a way to help implement future rate increases. However, it would be premature to request more at this time without explaining how the monies will be spent. The public will often associate the activities of one utility with another one. The District does not want to appear to be headed for problems like Tucson Water is having with its bond issue. Although there are financial difficulties, the Board should listen to Mr. Dooley.

Mr. Johnson said that if the public is currently against treated CAP water, this may be the time to request a larger increase in order to avoid taking treated CAP water.

Mr. Jácome said that the District should seek an eight percent rate increase now and ask for fifteen percent next year.

Mr. Dooley agreed that the District should seek the eight percent now. Public needs to know more about the District before a large increase is sought. The Board will always have the responsibility to provide water no matter if the public approves or disapproves of a bond issue.

Mr. Johnson asked what the maximum rate increase that the District could presently propose to the public. Mr. Woodard said a nine and half percent increase with the additional increase added to the commodity rate.

The Board of Directors thanked Mr. Woodard and Mr. Dooley for their comments.

The Board went into executive session at 7:04 p.m.

VI. EXECUTIVE SESSION

Pursuant to A.R.S. § 38-431/03 (A)(1) to review and discuss Metropolitan Domestic Water Improvement District's position as it relates to personnel and compensation matters.

The Board returned from executive session at 7:58 p.m.

VII. OPEN SESSION - ITEMS FOR DISCUSSION AND POSSIBLE DIRECTION TO STAFF

A. Civil Engineer Position and Other Personnel Needs.

Mr. Jácome made the motion to direct the General Manager to make appropriate personnel adjustments required at this time for District staff. Ms. O'Rielly seconded the motion and it passed unanimously.

VIII. ADJOURNMENT

The meeting adjourned at 8:00 p.m.


Herb Johnson, Chairman

ATTEST:


Clerk