

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

April 8, 1996
Wilson Room
Tohono Chul Park
7366 North Paseo del Norte
Tucson, Arizona 85704

MINUTES

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

District Staff: Mark Stratton, General Manager
 Phil Higdon, Legal Counsel
 Michael Land, Chief Financial Officer
 Michael McNulty, Legal Counsel
 Warren Tenney, Clerk of the Board

Call to Order and Roll Call

Ms. Marty Cramer, Acting Chair of the Board of Directors of the Metropolitan Domestic Water Improvement District (District), called the regular Board meeting to order at 5:02 p.m. Mr. Jim Doyle, Mr. Herb Johnson, Mr. Pete Schlegel, and Mr. Jim Tripp were present.

Executive Session

Mr. Johnson moved that the Board of Directors hold an Executive Session. Mr. Schlegel seconded the motion and it passed unanimously. The Board went into Executive Session at 5:03 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) 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) and/or executive session pursuant to A.R.S. § 38-431.03 (A)(7) (to negotiate for the purchase or lease of real property) regarding the following:

- A. Litigation with the City of Tucson.
- B. Revised Intergovernmental Agreement for the Settlement of Service Area
 Boundaries Issues with the City of Tucson
- C. Green Valley Water Company.

The Board returned from Executive Session at 6:22 p.m.

Regular Session

I. Call To Order and Roll Call

Ms. Marty Cramer, Acting Chair of the Board of Directors of the Metropolitan Domestic Water Improvement District (District), called the regular Board meeting to order at 6:24 p.m. Mr. Herb Johnson, Mr. Pete Schlegel, Mr. Jim Doyle and Mr. Jim Tripp were present.

Ms. Cramer noted that to accommodate members of the audience, agenda item IV.L., Revised Intergovernmental Agreement for the Settlement of Service Area Boundaries Issues with the City of Tucson, and agenda item IV.J., Status of Cobo Catalina, Lot #39, would be discussed after Item III, the consent agenda.

II. Comments From The Public

Ms. Marilyn Devore, District customer, stated that she and her husband owned rental property. They evicted a renter for not paying rent. It was learned then that the renter had not paid any utilities either. Ms. Devore said that water cannot be turned on at the property because the District requires the Devores to pay for the tenant's debt to the District. This policy does not seem fair because they are unable to rent the property to gain income. She questioned why the District did not receive a deposit from the tenant. Mr. Michael Land, Chief Financial Officer, explained that the District adopted the policy of requiring the landlord to be responsible for any overdue accounts at their property at the November 13, 1995 Board meeting. The District told the tenant a \$30 deposit was required to establish service. When the deposit and the first months bills was not paid, the District sent notices that the bill and deposit were due.

Ms. Cramer asked when service was turned off. Mr. Land answered on March 20, 1996 after two months of delinquent bills, which was approximately \$150 per month including a \$25 reconnection fee for the turn off. Mr. Land noted that he told the Devores that the District is willing to waive the reconnection fee because they were the landlords. Ms. Cramer what the District is asking that the Devores pay. Mr. Land answered \$132.92.

Mr. Stratton asked Mr. Land what did the District do to contact the tenant. Mr. Land answered that staff had made numerous attempts to contact the tenant at work and home. The District learned from the Devores via the media that the tenant still lives within the District, but staff has not been able to locate any record of the person. If the tenant still resides within the District, the District would attach the delinquent bills to that new account.

Mr. Schlegel noted that the Board could not take action on the matter, but appreciated being made aware of it. If a problem occurs in the future, hopefully the Devores will contact the Board before going to the media. Mrs. Devore said that she spoke with Mr. Michael , Legal Counsel, and was told to come to the Board meeting but was not told that the Board could not act if the matter was not on the agenda. Knowing the next Board meeting was not until May, they decided to contact the media.

Mr. Stratton suggested that the Devores schedule a meeting with him to determine if they can make an arrangement to resolve the overdue account but still establish service to the property so the Devores can rent it. Mr. and Ms. Devore said that was acceptable.

Ms. Cramer said that the District is faced with the problem of allowing concessions in one case sends the message to other renters in the District that they can forfeit their bills and could potentially make problems for every landlord. The District adopted this policy due to the bad debts it was incurring.

III. Consent Agenda

- A. Approval of Minutes - March 11, 1996 Board Meeting.**
- B. Ratification of Billing Adjustments.**
- C. Ratification of Technical Services Contract with Malcolm Pirnie, Inc.**

Mr. Tripp made the motion to approve the consent agenda. Mr. Johnson seconded the motion and it passed unanimously.

IV. General Business - Items For Discussion and Possible Action

- L. Revised Intergovernmental Agreement for the Settlement of Service Area Boundaries Issues with the City of Tucson.**

Mr. Schlegel made the motion to pass a resolution entitled 1996-3, which would have the same wording as Resolution 1996-1, with the revised language of the Intergovernmental Agreement with the City of Tucson for the settlement of service area boundaries issues with the City of Tucson attached to the resolution and subject to the approval of Tucson Mayor and Council. Mr. Tripp seconded the motion and it passed unanimously.

- J. Status of Cobo Catalina, Lot #39.**

Mr. Tripp made the motion to have an appraisal done for Lot #39 in Cobo Catalina and accept bids for its sale. Mr. Johnson seconded the motion.

Ms. Cramer noted that the alternative to the motion would be to hold onto the property and wait to see what future options exist. She requested a comment from staff. Mr. Stratton said that if the Board approves the motion, official direction should be given to staff to find an alternative site for a northeast reservoir. Mr. Schlegel said he thought staff was exploring alternative sites. Mr. Stratton said that staff has been collecting information about potential alternative sites based on comments by individual Board members; however, the Board as a whole has not given any official direction.

Ms. Cramer called for a vote for the motion to seek an appraisal for Cobo Catalina, Lot #39 so it can be sold. The motion passed unanimously.

Mr. John Nyles said he appreciated the Board's action. Ms. Cramer asked staff to send a letter to Mr. Nyles regarding the Board's action.

Mr. Tripp made the motion to direct staff to pursue actively an alternative site to Cobo Catalina, Lot #39 for a storage facility. Mr. Schlegel seconded the motion and it passed unanimously.

A. Election of Chair and Vice-Chair

Mr. Tripp made the motion that the position of chair should be rotated each year at the January regular Board meeting. Mr. Johnson seconded the motion and it passed unanimously.

Mr. Tripp nominated Mr. Pete Schlegel as Chair of the Board of Directors. The motion passed unanimously.

Mr. Tripp nominated Ms. Marty Cramer as Vice-Chair of the Board of Directors. The motion passed unanimously.

Ms. Cramer handed the gavel to Mr. Schlegel and he chaired the remainder of the meeting.

B. Status of Negotiations for the Purchase of Assets of the Green Valley Water Company.

Mr. Stratton said that during an executive session, Legal Counsel presented issues to the Board regarding the acquisition of the assets of the Green Valley Water Company. Legal Counsel will prepare amendments to the draft contract. A meeting will be arranged for two Board members to meet with members of the Green Valley Community Coordinating Council to address various issues.

C. Monthly Financial Report.

Mr. Land noted that the budget summary provided the percentage as the Board has requested.

Mr. Schlegel questioned the higher amount listed in the checking account versus the savings account. Mr. Land said that November, December and January's interest were all combined. The District is still waiting to receive the figures from the treasurer, which accounts for why the savings account appears smaller.

D. Approval of Financial Agreement with Norwest Investment Services for the Construction of the Linda Vista Reservoir and Booster Station.

Mr. Stratton said that Mr. Land had spoken with Mr. O'Connor of Norwest Investment Services regarding the financial agreement for the construction of the Linda Vista Reservoir and Booster Station; however, Norwest has not provided a final contract. Mr. Land stated that Mr. O'Connor said that Norwest wanted a written legal analysis of the lawsuit from Mr. Higdon and then receive an outside opinion because of concerns about the City's counterclaim for rescission of the District back to the City. Mr. Stratton noted that the District has not signed the contract with Ashton Company due to the pending outcome for obtaining the finance.

Mr. Schlegel asked if this pending decision impacted the hiring of the new construction crew. Mr. Stratton said it did not, but it does impact the new senior engineer position.

Mr. Schlegel asked when Norwest would decide. Mr. Stratton said that he hopes to have something later this month and would request a special Board meeting to finalize the agreement.

Mr. Tripp made the motion to continue the issue of a financial agreement with Norwest Investment Services to the next earliest meeting. Ms. Cramer seconded the motion and it passed unanimously.

E. Award of Contract - Material Testing for the Linda Vista Reservoir and Booster Station.

Ms. Cramer made the motion to approve staff's recommendation to award a contract for Material Testing for the Linda Vista Reservoir and Booster Station to AGRA Earth & Environmental, Inc. in the amount of \$30,005.00, contingent upon financing of funding with Norwest Investment Services, Inc. Mr. Tripp seconded the motion and it passed unanimously.

Mr. Schlegel asked if AGRA Earth & Environmental, Inc. was a licensed contractor? Mr. Stratton said they were professional engineering consultants.

F. Award of Technical Services Contract for Groundwater Mounding Analysis Services for CDO Recharge Project.

Mr. Tripp made the motion to award the professional services contract for groundwater mounding analysis services for the CDO recharge project to Errol L. Montgomery & Associates, Inc. on a time and materials basis not to exceed \$9,902. Ms. Cramer seconded the motion and it passed unanimously.

G. Workers Compensation Insurance.

Mr. Tripp made the motion to approve the annual workers compensation insurance coverage, with a current year premium of \$15,659, be carried through the Golseth Gregson Insurance Services, Inc. Ms. Cramer seconded the motion.

Ms. Cramer asked if the \$1,700 deposit was per employee. Mr. Land answered it was for all District employees. Ms. Cramer asked if the \$15,669 premium was for all District employees. Mr. Land said it was. Ms. Cramer asked if these costs were the same as State Compensation Fund and if the District could use State Compensation Fund in the future. Mr. Land said there is no change in the premium but Golseth Gregson Insurance Services require no deposit, and the District can change in the future.

Mr. Schlegel asked Legal Counsel if the District needs to advertise for this service. Mr. McNulty answered that the state procurement code would not need to apply to this coverage unless the Board decides it wants it to. Mr. Stratton noted that the coverage is a service rather than an issue of cost since the cost remains the same among the carriers.

Mr. Schlegel called for a vote for the motion regarding the annual workers compensation insurance coverage. The motion passed unanimously.

H. Fiscal Year 1996-1997 Budget.

Mr. Tripp made the motion that the item of the Fiscal Year 1996-1997 budget is continued to a special meeting to allow the Board to review the draft more thoroughly. Mr. Johnson seconded the motion. The motion passed unanimously.

Mr. Tripp noted that he had many questions regarding the budget. For example, page 2 of the budget refers to reclassification of some positions though the Board took no action. Mr. Stratton said that two Board members had asked to include the proposed reclassified positions' salaries in the budget for if the Board approves the reclassifications. Mr. Stratton encouraged Board members to meet with Mr. Land or Mr. Stratton to answer questions about the budget. The District is trying continually to be fiscally responsible for its revenue and how it is expended. Mr. Stratton said that he has stressed to staff the importance of not becoming complacent and using the previous year's budget to add a percentage to make the current budget. Instead, they should examine each item carefully to find new ways to save. Staff recognizes that expenditures may change, but has tried to focus on what the District can truly accomplish within the fiscal year.

I. Purchase of Office Site.

Mr. Stratton said that the owner of property on Mona Lisa, north of Ina, had yet to provide the information requested to allow the Board to discuss further consideration of that property as a potential office site. Based on discussions with Board members, the District needs to keep all options open and continue to look at alternate sites. Staff and Board members have been looking at various available sites. Mr. Stratton said he met with a contracting firm for pre-manufactured building. They estimated that the District needs at least a three acre site; however, staff believes five acres would be more appropriate when considering potential growth. The firm and staff have drafted some preliminary floor plans to better understand the needs of the District's sites.

Mr. Tripp said that this property owner told him that they may purchase a 12.5 acre site on Mona Lisa and then sell the District the front five acres. Obviously, cost will be a deciding factor. He agreed with Mr. Stratton that various options must continue to be examined.

Mr. Cramer asked the estimated cost to expand the current office site as discussed last year. Mr. Stratton answered \$300,000. Mr. Stratton said that the discussion to expand the current office site was viewed as a quick remedy that still did not resolve the major problem of parking nor a suitable space to meet the needs of staff, particularly the Utility Division.

K. Discussion of Countryside Area of Canada Hills Water Company.

Mr. Schlegel asked if the residents of the Countryside area have to pay a two percent sales tax to the Town of Oro Valley with the purchase of their water. Mr. Jim Peterson of the Town of Oro Valley said that he did not know. Mr. Stratton noted that he had raised the same question about Oro Valley

Improvement District #1 with Mr. Chuck Sweet, Town Manager, about raising revenues for the Town. The Town could impose the two percent sales tax on the sale of water within the Town limits for Oro Valley Improvement District # 1, as well as for Cañada Hills and Rancho Vistoso Water Companies. Mr. Sweet said the Town had opted not to do that presently, but may consider it in the future as a supplement for the general fund. Mr. Peterson said there were no present plans to do that.

Mr. Stratton said he noted in the staff report concerns regarding communication between the Board and the Oro Valley Town Council about the Countryside area. Mr. Stratton asked if the Board wanted staff to schedule a meeting between two Board members and two Council members. Mr. Johnson said that he was stood up already for two such meetings and not favorable to the idea. Mr. Peterson said that the Town Manager and Council Members have discussed having a joint meeting with the District Board of Directors to cover many issues. Mr. Schlegel said that he had requested at a Town Council meeting to know the Town Council's overall plans regarding the District and Oro Valley Improvement District #1, yet the Town has not given any information.

Mr. Stratton said that he and Mr. Sweet had a gentleman's agreement not to hold any public meetings with Countryside residents until after the Town had closed on the purchase of the water company. After then, the Board may want to schedule a meeting with the Countryside residents. Mr. Johnson said that he favored all people in the area having a good supply of water at a reasonable cost. The District does not want to oppose anything that would cost the people more money. Countryside residents have asked the District to meet with them; however, the District does not want to create any difficulty for the Town to finance its purchase. The District is concerned about the people in the Countryside area rather than for the individual governing body. After the Town has completed its purchase, the District should discuss with the Town about the acquisition and/or managing of Countryside.

Mr. Peterson said that he would try to continue to provide information to the District. Mr. Johnson and Mr. Schlegel noted that the District has tried to assist the Town with different issues in the past and will continue to do so.

M. Litigation with the City of Tucson.

Mr. Michael McNulty, Legal Counsel, noted that the District is trying to purchase from the City of Tucson 6,900 acre feet of CAP water that would be used for recharge and would be set against any damages that may arise from the litigation. The Board of Directors approved the contract at the February 12, 1996 Board meeting; however, to date, the Tucson Mayor and Council have not taken any action. The Board may want to reconsider that contract if the City continues to delay and it appears that not enough water can be recharged within the time of the contract. Mr. Stratton said that the contract with Tucson was not an obligation to purchase, but an option to purchase up to 6,900 acre feet by June 30, 1996. Mr. McNulty noted that the District should reserve the option to adjust that time frame given that the City is not doing anything with it.

Mr. Stratton said that Kent McClain, Director of Tucson Water, has stated publicly that the City of Tucson has the agreement with us; however, the District does not have a copy with their signature on the document. He would follow up to see what is the status of the contract. Mr. Schlegel said

that since there are meetings before June 30, 1996, staff can determine if the issue needs to be revisited.

V. General Manager's Report

Mr. Stratton noted that his report is self-explanatory. Mr. Stratton said that Mr. Michael Block, District Hydrologist, had recently received completed maps of a study showing the groundwater elevations in the Northwest, including the District's service area. Mr. Block showed the maps to the Board members and explained that the information would be used for the Northwest Replenishment Program. The maps showed District well depths along the CDO Wash and the Rillito varied between the 150 feet and 230 feet. Water depth to the east is approximately 350 to 370 feet. A decline in water levels has occurred.

Mr. Block requested the Board to assist with a water taste test of District water to be entered into a water taste competition held by the Arizona Small Utilities Association.

Mr. Schlegel asked why a 15 percent loss of water was shown for the last month. Mr. Block said monthly recordings are quite diverse, but the District's average last year was only 6.2 percent.

Mr. Tripp asked when the organizational chart mentioned in the General Manager's report was to be completed. Mr. Stratton said it should be done in a week.

Mr. Schlegel asked for an update regarding BKW Farms and the Groundwater Savings Program. Mr. Stratton said that an agreement has been drafted with BKW Farms; however, CAWCD has caused a delay due to first right of refusal. A final draft agreement with CAWCD for the Avra Valley Pilot Recharge Project has been developed and will be brought before the Board for consideration.

Ms. Cramer questioned Mr. Stratton if staff had worked with Mr. Wright to resolve bringing a service line to his property as discussed at the March 11, 1996 Board meeting. Mr. Stratton said staff is in discussion with Mr. Wright about providing the District with an easement to bring the service line to his property. Mr. Charlie Maish, District Engineer, said preliminary cost is \$6,500 for a six inch service line, with a minor cost difference for a two inch service line.

Mr. Johnson said that he visited the northwest section of the District and noted that much land has been cleared for developed. The District will have much demands placed on it in the future. Mr. Johnson suggested that the CDM report be updated so the District has current information for the improvements needed to meet peak demand for the approved infrastructure. This would provide information about why the District needs to fund such projects as the Linda Vista Reservoir.

Mr. Schlegel noted that he reviewed Mr. Mark Myers' report and suggested that the memos be copied to the Board when they are written so that the Board stays aware of the various issues. Mr. Stratton said he met with Mr. Myers about how to improve communication so the District can be focused on issues of the Northwest Replenishment Program. Mr. Stratton suggested that a couple of Board members with interest in this area should work with Mr. Myers to facilitate water resource issues. Mr. Schlegel noted that he would like to participate. Mr. Tripp said he may be available.

Mr. Peterson noted that there will be a Northwest Water Alliance meeting on Friday, April 12, 1996.

VI. Legal Counsel's Report

Mr. McNulty noted that Pima County and Cortaro-Marana Irrigation District have filed an objection to ADWR regarding the City of Tucson's passive recharge project permit.

VII. Future Meeting Dates; Future Agenda Items

The Board decided to hold a special Board meeting to address the budget on April 24, 1996.

Mr. Schlegel thanked Ms. Cramer for serving as interim Chair.

VIII. Adjournment

The Board adjourned the meeting at 7:50 p.m.


Peter H. Schlegel, Chair

ATTEST:


Clerk

