

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

April 8, 2002

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

MINUTES

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

District Staff: Mark R. Stratton, General Manager
Michael McNulty, Legal Counsel
Warren Tenney, Clerk of the Board
Alice Stults, Recorder

I. Call to Order and Roll Call

Dennis Polley, Chair of the Board of Directors of the Metropolitan Domestic Water Improvement District (District), called the Board Meeting to order at 5:01 p.m. Dennis Polley, Dan M. Offret, Jim Doyle, Marlene Wright and Pete Schlegel were present.

Dan M. Offret made a motion for the Board to move into Executive Session. Marlene Wright seconded the motion. The Board went into Executive Session at 5:02 p.m.

Executive Session pursuant to A.R.S. § 38-431.03 (A)(1) (discussion or consideration of personnel matters) regarding the following:

A. General Manager's Evaluation.

II. Adjournment

The Board adjourned from Executive Session at 6:05 p.m.

Regular Session

I. Call to Order and Roll Call

Dennis Polley, Chair of the Board of Directors of the Metropolitan Domestic Water Improvement District (District), called the regular Board Meeting to order at 6:07 p.m. Dennis Polley, Dan M. Offret, Jim Doyle, Marlene Wright and Pete Schlegel were present.

II. General Comments from the Public

There were no comments from the public.

III. Consent Agenda

- A. Approval of Minutes – March 11, 2002 Board Meeting.**
- B. Approval of Minutes – March 25, 2002 Study Session.**
- C. Ratification of Billing Adjustments.**
- D. Approval of Water Service Agreement for Chula Vista Reserve, Lot 1-8 and Common Areas “A” & “B”.**

Ms. Wright moved to approve the consent agenda. Mr. Offret seconded the motion and it passed unanimously.

IV. General Business – Items for Discussion and Possible Action

A. Monthly Status of the District.

Mr. Stratton reported the most notable maintenance issue was a main break at the end of March on La Cholla Blvd near Oracle Jayne Road. He said staff reacted quickly to make the necessary repairs.

B. Financial Report.

Mike Land, Chief Financial Officer, said revenues from new building development continue to dwindle. He noted that at the current fiscal year end, June 30, 2002, it is estimated there will only be approximately 100 applications, compared to 350 applications for the lowest previous year recorded.

Mr. Land explained the District had changed its Workers Compensation insurance carrier as the majority of the insurance carriers had decided not to fund in Arizona. He said the Mahoney Group suggested the District insure through the State of Arizona Workers Compensation Fund. Mr. Land provided the Board members with forms to complete so the Board members would not be considered as employees and carried under the Workers Compensation insurance. He explained the Board members would continue to be covered under the District's liability policy. Ms. Wright asked Mr. Land to provide the Board with a copy of the liability policy.

C. Intergovernmental Agreement with Pima County for November 5, 2002 Election.

Mr. Stratton said the Intergovernmental Agreement with Pima County was to conduct the November 5, 2002 election of three new members to the District Board of Directors.

Mr. Offret moved to approve the intergovernmental agreement with Pima County to conduct the election of three District Board members to be held on November 5, 2002. Ms. Wright seconded the motion.

Mr. Schlegel asked if the election packets were ready at this time. Mr. Tenney explained the packets were ready; however, staff was waiting to hear from Pima County on the number of signatures required for the petitions. Mr. Schlegel also asked how many polling places would be available for voters, and the cost of the election for the polling places. Mr. Tenney said it would be the same as in previous years. Mr. Schlegel asked staff to contact Oro Valley and ascertain how successful the results were from its vote by mail election.

The motion to approve the intergovernmental agreement with Pima County to conduct the election of three District Board members to be held on November 5, 2002 passed unanimously.

D. Election of Directors for the District Municipal Property Corporation.

Mr. Stratton explained the election of Directors for the District Municipal Property Corporation (MPC) was to fill a position held by one of the District Board of Directors. He said currently there are three Board members on the MPC and the bylaws allow for only two Board members. Mr. Stratton said one of the Board members would need to step down. He added that the vacant position was advertised, and a number of qualified persons had responded. Mr. Stratton also said the three year terms for all the members would begin at the same time once the appointment(s) were made.

Ms. Wright asked about current members Scott Eisenfeld and Mike Jacob. She indicated information was not available regarding Mr. Eisenfeld and Mr. Jacob. Mr. Stratton said both members were interested in continuing their participation on the MPC Board.

Mr. Polley agreed to step down from the MPC Board.

Ms. Wright said she was interested in seeing new individuals appointed to the MPC board. She recommended filling the vacant position with one of the new applicants, as well as appointing two other new applicants to fill the positions currently held by Mr. Eisenfeld and Mr. Jacob. She noted that the three new applicants were extremely qualified.

Ms. Wright made the motion to approve to elect to the District Municipal Property Corporation the following individuals: Mike Blakley, Manfred Eigenbrod, Izaro Urreiztieta, Dan Offret and Pete Schlegel. Mr. Doyle seconded the motion and it passed unanimously.

E. Update on Legislative Issues 2002.

Mr. Tenney said the only new development regarding legislative issues was the District sponsored bill, HB 2199, passed the House of Representatives. The bill will now move on to the Senate.

Mr. Stratton explained that over the next month there will be considerably more activity in the Legislature as the sessions begin to wind up. He said staff will continue to provide the Board with weekly reports.

F. Establishment of New Conservation Rebate Program.

Mr. Stratton said this item was a continuation of previous considerations by the Board for new water conservation rebate program ideas. Mr. Tenney explained that staff considered water conservation rebate programs that would save water and be financially practical for the District. He explained that research studies indicate the hot water demand unit did not provide adequate savings compared to the money invested. Mr. Tenney said staff is recommending a graywater and water harvesting program. Mr. Schlegel asked if the toilet rebate program would continue in addition to a new rebate program, to which Mr. Tenney replied that it would.

Ms. Wright asked what assurance the District would have that customers actually installed the water harvesting system. She believes if there is not a method to assure compliance with the program that the District should consider conducting graywater and water harvesting workshops as an alternative to offering rebates. Ms. Wright explained that the workshops would benefit a larger number of customers. Mr. Tenney suggested that if the graywater and water harvesting rebate program were to be adopted by the Board, workshops would still be offered to compliment the rebate program. Val Little, of Water Conservation Alliance of Southern Arizona (Water CASA), agreed and said there are no assurances that customers will install the water harvesting items. She noted that it is difficult to determine the amount of savings generated from the water harvesting systems. Items such as a surge tank or a butterfly valve could be required which would allow the water savings to be monitored.

Mr. Tenney said staff would research options for ensuring that customers install and maintain the graywater and water harvesting systems. He added that staff would also determine ways to monitor the amount of water saved and the cost savings to the District.

Mr. Schlegel believed the concept was good, and suggested that there were several ways to monitor the program, such as the meter readers verifying that customers were using the system. He also suggested that perhaps Water CASA would be willing to assist in verifying customers had installed the graywater and water harvesting systems. Ms. Little recommended having the customers provide pictures of their actual systems.

Mr. Offret moved to approve to include in the draft budget discussions a rebate program for graywater and water harvesting systems along with a projected cost to establish the program. Ms. Wright seconded the motion and it passed unanimously.

Mr. Schlegel clarified that the toilet rebate would continue in addition to the new rebate program for graywater and water harvesting.

G. Approval of Janitorial Service Contract.

Mr. Stratton said the current janitorial service company was not performing to staff standards; therefore, a new bid for proposals was initiated. Mr. Offret commented that the request for proposals was well written, but does not believe the response from Sun Valley Janitorial mirrored the request for proposals. Joyce Osborne, Administrative Services Manager, said Sun Valley Janitorial was well aware of the expectations set forth by the District. She believes that even though Sun Valley Janitorial did not list the services to be provided separately in their quote, they would still be qualified to perform the janitorial services. Mr. Osborne noted that if Sun Valley Janitorial did not perform janitorial duties to meet the District's expectations, the contract could be terminated.

Mr. Schlegel moved to approve a janitorial contract with Sun Valley Janitorial and Home Detailing effective May 1, 2002 for a monthly fee of \$1,100.00. Mr. Offret seconded the motion and it passed unanimously.

H. Award of Construction Contract for the Hub Reservoir Site Expansion, New Steel Tank.

Mr. Stratton explained this is the second phase of the Hub Reservoir storage expansion project, and the request is for the Board's considerations on the actual construction of the new storage tank.

Mr. Offret complimented Mr. Maish and his staff for the foresight demonstrated in the considerations of the Hub Reservoir steel tank, the present values, and the rate of return over a thirty year period.

Mr. Schlegel asked when the work would be completed on the Hub Reservoir Site Expansion project. Mr. Stratton replied that it would be completed around the middle of July 2002.

Mr. Offret made a motion to award the construction contract for the Hub Reservoir Site Expansion, New Steel Tank (M-02-01) utilizing Alternate A to Smyth Steel Manufacturing, Inc. in the amount of \$156,400.00. Mr. Offret also moved to authorize the General Manager to approve the following changes to the construction contract: 1) allocate additional funding a cumulative amount not to exceed \$15,000.00 and 2) increase the original construction contract term a cumulative amount not to exceed sixty (60) calendar days. Any changes in excess of the

above limits shall be submitted to the Board of Directors for approval. Mr. Schlegel seconded the motion and it passed unanimously.

I. Approval of Change Order No. 1 for the Hub Reservoir Site Expansion, Grading, Retaining Wall, and Utility Relocation

The request is for the Board to approve an additional forty-six lineal feet of new retaining wall and related work in order to prepare a construction pad for future auxiliary power improvements at the site. Mr. Stratton said after an analysis of the sound issues and auxiliary power, it was felt the District could save money by constructing a new booster facility now, as part of the project. He added that completing the work at this time would increase reliability for any potential power outages that could occur.

Mr. Schlegel moved to approve Change Order No. 1 to the Hub Reservoir Site Expansion, Grading, Retaining Wall, Utility Relocation project contract with JNJ Engineering Construction, Inc. in the amount not to exceed \$35,370.26. Mr. Offret seconded the motion and it passed unanimously.

J. Acceptance of Sound Enclosure Bids for the Alcott Well, Storage and Booster Facility.

Mr. Stratton said the sound enclosure request was a result of complaints from customers residing around the Alcott Well storage and booster facility. The noise complaints increased after Pima County had completed its road widening project on Shannon Road and installed a masonry screen wall. Mr. Stratton noted that Pima County has agreed to pay the District \$8,000 towards a remedy to the noise issue. The total cost of the sound enclosure is \$20,420.

Ms. Wright moved to accept the sound enclosure bid from Commercial Acoustics in the amount of \$20,420 for the Alcott Well, Storage and Booster Facility and to authorize the General Manager to approve the additional miscellaneous work items in accordance with established District procurement policies. Mr. Offret seconded the motion.

Mr. Schlegel explained that he could not support the motion as stated. He believes the problem was created by Pima County, and the County should be responsible for paying half the cost of the sound enclosure. Ms. Wright said she was sympathetic to the customers living in the area and believes they have been patient thus far and the noise issue should be addressed as soon as possible.

Mr. Maish said that at the time the wall was constructed by Pima County, the automatic control valve, which is one source of the noise, had not yet been installed by the District. Mr. Maish said that Pima County had not been approached to pay an additional amount towards the cost of the sound enclosure for the Alcott Well storage and booster facility as staff did not believe it shared an equal responsibility. Mr. Schlegel said the explanation made him more comfortable with the motion.

The motion to accept the sound enclosure bid from Commercial Acoustics in the amount of \$20,420 for the Alcott Well, Storage and Booster Facility and to authorize the General Manager to approve the additional miscellaneous work items in accordance with established District procurement policies was passed unanimously.

K. Approval of Water Service Agreement with the Lutheran Church of the Ascension.

Mr. Stratton explained that under the service agreement with Lutheran Church of the Ascension, the District would be providing fire flow capabilities only, and not domestic water services. The project would enhance the District's hydrology capabilities in the Magee Road area.

Mr. Schlegel moved to approve the Water Service Agreement to provide fire service to the Lutheran Church of the Ascension project. Mr. Offret seconded the motion and it passed unanimously.

L. Award of Miscellaneous Hydrogeological Services Contract.

Mr. Stratton said that the existing contract has expired and the hydrogeological services contract is to renew services recognized in past years.

Mr. Schlegel suggested that this item be continued until the May 2002 Board meeting to allow staff time to evaluate the cost effectiveness of obtaining services from an outside firm, as compared to perhaps increasing District staff. The Board agreed to continue this item to the May 2002 Board meeting.

M. Approval of a Request for an Easement by Qwest Corporation at the South Shannon Well Site.

Mr. Stratton said Qwest Corporation wants to use the easement between the fence and the block wall at the South Shannon Well site. He noted that the District does not have a need for the easement site.

Ms. Wright moved to approve the \$1,000 compensation offer by Qwest for the 10.5 feet by 60.0 feet easement at the District's South Shannon Well site. Mr. Schlegel seconded the motion.

Mr. Offret asked if language could be included in the agreement to address the responsibility of noise abatement in the event the transformer or other equipment owned by Qwest creates a noise problem in the area. Ms. Wright asked that maintenance and upkeep of the easement also be included in the agreement so that Qwest would be responsible for the easement portion of the South Shannon Well site.

Mr. McNulty, Legal Counsel, suggested staff contact Qwest and have the issue of noise abatement and property maintenance included in the contract.

Ms. Wright moved to amend the motion to approve the \$1,000 compensation offer by Qwest for the 10.5 feet by 60.0 feet easement at the District's South Shannon Well site to include sound abatement and maintenance responsibility. Motion was passed unanimously.

N. Direction to the District Municipal Property Corporation for the Acquisition of the Green Valley Water Company.

Mr. Stratton recommended that the Board turn over the acquisition of the Green Valley Water Company (GVWC) to the Directors of the Municipal Property Corporation for financing considerations and contract negotiations.

Mr. Offret moved to direct the Municipal Property Corporation Board of Directors to move forth in the sale of the Municipal Property Corporation bonds for the purpose of financing the purchase of the Green Valley Water Company, which will be leased to and operated by Metro Water.

Ms. Wright asked if it was a conflict of interest for Mr. Offret to make a motion as he is a Director on the Municipal Property Corporation (MPC) Board. Mr. McNulty said it is not a conflict as Mr. Offret was not making a decision on behalf of the MPC and is only authorizing the MPC Board to begin discussions. Mr. McNulty recommended that the motion also include language to include all the assets as listed in the term agreement and that the Board authorizes, and not direct, the MPC.

Mr. Offret amended the motion and moved to authorize the Municipal Property Corporation Board of Directors to move forth in the sale of the Municipal Property Corporation bonds and all the assets as listed in the term agreement for the purpose of financing the purchase of the Green Valley Water Company, which will be leased to and operated by Metro Water. Ms. Wright seconded the motion and it passed unanimously.

O. Discussion of Current Negotiates for Multi-Partnership Effluent Managed Recharge Project.

Mr. Stratton said the last meeting of the Multi-Partnership Effluent Managed Recharge Project held on April 5, 2002 went very well. He noted that one of the key issues raised by ADWR was that the applicant for the facility permit needs to show ownership of effluent to be utilized in that facility. Mr. Stratton said CMID has surface water rights, but not effluent rights. The negotiating power has been placed back into the control of the entities which do own effluent. Mr. Stratton said it is expected that at the next meeting, which will be held on April 12, 2002, the parties should agree to the final draft. Only the issues outlined in the Memorandum of Agreement (MOA) will be carried forward to the Intergovernmental Agreement (IGA). Mr. Stratton noted that the process should be completed by the end of June 2002.

Mr. Schlegel said he was uncomfortable with CMID taking a lead role in this process, and suggested that Legal Counsel for the District examine the MOA. Mr. McNulty replied that he had looked at the document and explained that at this point the MOA is nothing more than a handshake agreement as there has not been any particular terms drawn up. He noted that once the IGA is complete, the District would still have the opportunity not to sign and walk away if the Board were not agreeable to the terms of the contract. Mr. Stratton said that staff will continue negotiations with the other parties and will keep the Board apprised of any issues or concerns.

P. General Manager's Evaluation.

Mr. Polley said this item would be continued until the next meeting of the Board of Directors.

V. General Manager's Report

Mr. Stratton said the District sent a letter to ADWR stating the District's opinion regarding the Canyon Ranch Estates II agreement with CAWCD for assured water supply requirements. He noted that Mr. McNulty has been in contact with ADWR's legal counsel and believes that the District's position is fairly solid in leaving the Hub Service Area undesignated. Mr. Stratton said that development planned by Canyon Ranch Estates II is being held up at this time; however, staff is attempting to expedite the matter and show ADWR that Metro Water and the Hub Service Area are two separate operating systems.

There was a harassment workshop held for District staff on April 3, 2002 and Mr. Stratton noted that it was received quite well by staff. He said that Sally Simons from Brown & Bain assisted Mr. Tenney in presenting the information.

Mr. Stratton said that at the Study Session, which will be scheduled later in April, information would be presented to the Board regarding security issues. Staff will report to the Board what security items have been put into place and what is planned for the future.

VI. Legal Counsel's Report

Mr. McNulty recommended the Board schedule a Study Session to discuss the terms of the agreement for the acquisition of the Green Valley Water Company once the District is closer to completing the terms of the contract. Mr. Stratton agreed.

VII. Future Meeting Dates; Future Agenda Items


The Board scheduled a Study Session for April 29, 2002 at 5:30 p.m. to continue budget discussions, security issues, and the General Manager's appraisal. The next regular meeting of the Board is scheduled for May 13, 2002 at 6:00 p.m.

VIII. General Comments from the Public

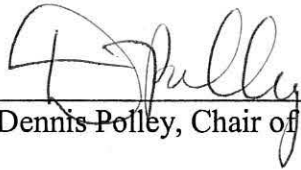
There were no comments from the public.

IX. Adjournment

The meeting adjourned at 7:15 p.m.



Clerk of the Board



Dennis Polley, Chair of the Board