

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

August 11, 1997  
Wilson Room  
Tohono Chul Park  
7366 North Paseo del Norte  
Tucson, Arizona 85704

**MINUTES**

Board Members Present:	Jim Doyle, Vice-Chair Herb Johnson, Member Sam Ray, Member Jim Tripp, Member
Board Members Absent:	Marty Cramer, Chair
District Staff:	Mark Stratton, General Manager Michael McNulty, Legal Counsel Warren Tenney, Clerk of the Board

**Call To Order and Roll Call**

Mr. Doyle, Vice-Chair of the Board of Directors of the Metropolitan Domestic Water Improvement District (District), called the regular Board meeting to order at 4:41 p.m. Mr. Sam Ray, Mr. Johnson and Mr. Jim Tripp were present. Ms. Marty Cramer was not present due to illness.

**Executive Session**

Mr. Tripp made the motion for the Board of Directors to go into Executive Session. Mr. Ray seconded the motion and it passed unanimously. The Board went into Executive Session at 4:42 p.m.

Executive Session pursuant 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) regarding the following:

- A. Litigation with the City of Tucson.

The Board returned from Executive Session at 5:59 p.m.

## **Regular Session**

### **I. Call to Order and Roll Call**

Mr. Doyle, Vice-Chair of the Board of Directors of the Metropolitan Domestic Water Improvement District (District), called the regular Board meeting to order at 6:04 p.m. Mr. Sam Ray, Mr. Johnson and Mr. Jim Tripp were present. Ms. Cramer was not present due to illness.

### **II. Comments From the Public**

Mr. Joe Murray, a District resident, said he had some questions and comments regarding Agenda Items III. B, C, and D. Mr. Michael McNulty, Legal Counsel, said the Board decides if it wants comments from the public when discussing specific agenda item.

### **III. Consent Agenda**

- A. Approval of Minutes – July 14, 1997 Board Meeting.**
- B. Ratification of Billing Adjustments.**
- C. Approval of Bill of Sales – Pads 1-6 at Foothills Mall (Ina Road at LaCholla).**
- D. Approval of Water Service Agreement – Pads 1-6 at Foothills Mall (Ina Road at LaCholla).**

Mr. Tripp made the motion to approve the Consent Agenda. Mr. Ray seconded the motion.

Mr. Murray asked for an explanation of ratification of billing adjustment. Mr. Michael Land, Chief Financial Officer, explained that a billing adjustment is a credit or adjustment made to a customer's account during the month due to a documented leak, apparent meter malfunction and other incidences beyond their control.

Mr. Murray said regarding Item III. C. & D., the Board was aware of water issues, annexations and incorporation efforts concerning Foothills Mall. Before approving the bill of sales and a water service agreement, he wanted to note that the Foothills Mall was notably absent in supporting the District's bond due to objection of the District's water rates. However, the Foothills Mall is then willing to be annexed into the Town of Marana, headquartered 20 miles outside of the District and will charge four percent tax on utilities. Mr. Murray questioned if annexation occurs, will the District incur additional cost if another entity requires the District to tax a certain area within the District. Mr. Ray said that the District will service water to the Foothills Mall whether or not it is annexed by Marana, which is the purpose for Item III. C. & D. The District would have an agreement to be reimbursed for services provided to collect the 4 percent tax. Mr. Murray asked if the District would negotiate an agreement to receive full recovery of cost incurred for collecting the tax. Mr. Tripp said at the minimum. Mr. Murray said that one could sarcastically assume the Foothills Mall thinks it is not charged a high enough water bill and so it is going to an entity 20 miles away to have a utility tax imposed on it.

Mr. Doyle called for a vote for the motion to approve the Consent Agenda. The motion passed unanimously.

**IV. General Business – Items for Discussion and Possible Action**

**A. Financial Report.**

Mr. Land distributed an addendum to the budget summary report. Mr. Land explained that an adjustment was made regarding the design cost for the Linda Vista Reservoir and expenditures for the Camino del Fierro Transmission Main; however, neither changes impacted the ending cash balance. Additionally, capital expenditures are shown over budget due to the purchase of equipment and vehicles that were ordered in 1995-96 but not received and expensed until 1996-97.

**B. Litigation with the City of Tucson.**

There was no discussion or action regarding this item.

**C. Approval of Amended Joint Funding Agreement with United States Geological Survey for the Lower Canada del Oro Basin Aquifer Storage Change Monitoring Project.**

Mr. Tripp made the motion to approve the amendment to the existing joint funding agreement between the United States Geological Survey and the District with the cost not to exceed \$30,000. Mr. Ray seconded the motion and it passed unanimously.

**D. Request by Jim Luckow to Receive Service from Tucson Water or for the District to Construct Offsite Water Line to Mr. Luckow's Property.**

Mr. Tripp made the motion to deny the request by Mr. Jim Luckow to connect to Tucson Water and the District not to construct the offsite water line. Mr. Ray seconded the motion and it passed unanimously.

**E. Acceptance of Purchase Offer for Oracle Road Property.**

Mr. Tripp made the motion to accept the \$25,000 offer from Auto Executives for the Oracle Road Property. Mr. Ray seconded the motion.

Mr. Ray asked if District staff would retype a clean agreement without handwritten comments. Mr. Mark Stratton, General Manager, said yes.

Mr. Doyle called for a vote for the motion regarding accepting the offer for the Oracle Road Property. The motion was passed unanimously.

**F. Policy regarding Contracting Services to Private Systems**

Mr. Ray made the motion to accept the policy to provide contracting services to private systems. Mr. Tripp seconded the motion.

Mr. Tripp asked if District staff could provide the service without compromising the District's own work. Mr. Chris Hill, Utility Superintendent, said it could be done. Mr. Tripp asked if Mr. Hill was comfortable with the policy. Mr. Hill said he was not.

Mr. Tripp said he wanted some clarification regarding the proposed policy. He understood that Sunset Ridge Town Homes had requested the District to assist with changing their meters. Mr. Tripp questioned if Mr. Pete Schlegel was asking the District to provide this service. Mr. Stratton said that was correct.

Mr. Tripp and Mr. Ray asked Mr. Hill what his concerns were. Mr. Hill said the District is to provide in-house work for its customers and should not be providing services for a fee or profit. The specific request involves a customer that has a master meter for the water going to all of the town homes. District staff would be involved with working on private property and assuming liabilities for the work performed. Mr. Ray stated that the District does have to egress on private property to do its work. Mr. Hill said that happens when it is in the District's interest.

Mr. Tripp questioned if the town homes would still be on a master meter or if the District would then bill each resident. Mr. Stratton said that the customer would remain on a master meter. Mr. Tripp said he had thought that the system would be converted to the District. Mr. Stratton said that if the customer was to turn over the system and allow the District to individually bill each resident, then it was understandable for the District to consider changing the meters since the system would be the District's. However, presently Sunset Ridge Town Homes is only seeking the District to change out the meters, such as a plumbing contractor. Staff is concerned about competing with other contractors for doing work with a private system.

The Board asked for clarification of the motion that was made. Mr. Warren Tenney, Clerk of the Board, said he understood the motion to be as it is stated above.

Mr. Doyle called for a vote for the motion to approve a policy to perform contracting services. The motion failed with Mr. Doyle, Mr. Johnson and Mr. Tripp voting not in favor of the motion and Mr. Ray voting in favor of the motion.

Mr. Tripp made the motion that the Board's policy regarding contract services be that the District does not perform such services for private systems. Mr. Ray seconded the motion and it passed unanimously.

**G. Appointment of Bond Oversight Committee**

Mr. Tripp made the motion to appoint C. Wesley Addison, Ben B. Baker, Barbara S. Gelband, Stephen B. Hildebrand, Dan M. Offret, Clifton J. Smith and Dan B. Williams to the Bond Oversight Committee. Mr. Ray seconded the motion.

Mr. Tripp asked if the District was required that committee members be a resident or business owner in the District. Mr. Stratton said that selecting Committee members was at the Board's discretion. Mr. Tripp noted that one of the Committee members owned a business in the District and the District serviced his residency, which was within Oro Valley Water Improvement District #1.

Mr. Doyle called for a vote for the motion to appoint the members to the Bond Oversight Committee. The motion was passed unanimously.

**H. Approval of Contract – Water Policy Consulting by Mark Myers.**

Mr. Tripp made the motion approve the contract with Mark Myers in an amount not to exceed \$38,000 for the year. Mr. Ray seconded the motion.

Mr. Stratton noted that the contract was to pay Mr. Myers \$3,200 a month, which would be \$38,400 for a year.

Mr. Tripp amended the motion to change the amount of the contract to \$38,400. Mr. Ray seconded the amendment and it passed unanimously.

Mr. Doyle called for a vote for the amended motion to approve the contract with Mark Myers in an amount not to exceed \$38,400 for the year. The motion passed unanimously.

**I. Approval of Intergovernmental Agreement with La Cañada Fire District for the Installation of Fire Hydrants.**

Mr. Tripp made the motion to approve the intergovernmental agreement with La Cañada Fire District for cost sharing of fire hydrants in their district. Mr. Ray seconded the motion.

Mr. Ray questioned La Cañada Fire District's expertise for approving the design of the work that the District will perform. Mr. Charlie Maish, District Engineer, said they would be using the typical fire hydrant design for installing the hydrants where they want them located. Mr. Ray asked if the technical responsibility is standard. Mr. Maish said yes.

Mr. Doyle called for a vote for the motion to approve the intergovernmental agreement with La Cañada Fire District. The motion passed unanimously.

**J. Approval to Purchase Materials to Complete Casas Catalina Project.**

Mr. Tripp made the motion to approve the purchase of materials for the Casas Catalina Project at a cost of \$37,182.06. Mr. Johnson seconded the motion and it passed unanimously.

**K. Discussion of Approach and Timing for Proposed Rate Increase.**

Mr. Stratton explained that the bond issuance was on hold due to the litigation; however, some discussion had occurred for the District going forward to develop a rate for financing the bond debt.

Mr. Tripp said the Bond Oversight Committee should consider the issues related to the bond and rates. The Committee then could make a recommendation for the September 8, 1997 Board meeting. Mr. Stratton said it may be difficult for the Bond Oversight Committee to understand all the issues well enough to be able to make a recommendation by the September meeting.

Mr. Ray said he did not feel the Bond Oversight Committee was responsible for making a recommendation regarding rates since they are a newly formed committee working on the bond. It seems the intent should be to start a dialogue that will be initiated with a rate increase proposal. Mr. Stratton said that input was needed to determine if the rate increase should be evenly applied, if a change should be made to the base rate, and if the system development fee should be increased. Mr. Ray said that a Committee of the Board should review the rate scenarios. Mr. Stratton asked if such a committee would include others from the community or only the Board.

Mr. Ray made the motion that the Board assigns the task of considering possible rate increases to the appropriate Board Member Committee and have that committee get the necessary input from whomever they wish. Mr. Tripp seconded the motion.

Mr. Johnson said he was concerned that this particular committee would have an overwhelming amount of work and will require outside help. The General Manager should be involved with assisting the Committee. An evaluation should be made including an analysis of the District's cash flow. The complete analysis should be brought to the Board. Mr. Ray said he thought staff was capable of utilizing computer models to conduct much of the analysis required. He agreed that the Committee would need to bring a recommendation to the whole Board.

Mr. Stratton said that staff has analyzed a basic four percent rate increase as noted to customers to fund the bond; however, some adjustments to the rate could provide more revenue. Hiring a consultant would be a long process that would mean the District may not have the information until spring.



Mr. Johnson said that perhaps the 4 percent increase should be pursued with an analysis done of other factors. Mr. Johnson asked how much the 4 percent increase was to generate annually. Mr. Land said approximately \$280,000. Mr. Land noted that the last increase involved changing the whole rate structure, which was done by a Rate Advisory Committee. A model for paying the bond debt determined the 4 percent increase, but other aspects of the rate structure could be examined.

Mr. Doyle called for a vote for the motion to have the appropriate Board Member Committee consider rate increases. The motion passed unanimously. At the meeting, it was not known which Board Member Committee was responsible for rates. (The Financial Board Member Committee is the appropriate committee.)

#### **V. General Manager's Report**

Mr. Stratton introduced Ms. Joyce Osborne as his new Executive Secretary. He noted that his report outlined some of the issues that are currently facing the District.

Mr. Ray asked for clarification regarding the accounting of District requests and total request for blue stake markings. Mr. Maish said that the total request is for the blue stake requests made to the District for the District to locate its pipes before excavation is done. The District requests are for the District calling to have blue stake done by other utilities before District staff begin to excavate at a work site. Mr. Ray noted that dates on the list of contracts needed to be updated.

Mr. Tripp said he was pleased to see that a main line replacement project completed almost \$30,000 under budget.

#### **VI. Legal Counsel's Report.**

Mr. McNulty said he had shared with Mr. Stratton a letter from the Town Attorney of Marana regarding Marana's desire to enter into an intergovernmental agreement that stated the District would continue to serve water to areas in the District that Marana may annex. Businesses within the proposed annexation had expressed concern about not wanting to lose the District as their water provider.

Mr. Stratton asked if the District needed to sign such an agreement since the District was a formal entity before any annexation occurred. Mr. McNulty said the District can wait to determine if Marana approves of a county improvement district within their area. Until it is raised as an issue, it implies they approve. Mr. Ray said he did believe the District needed to enter into any such intergovernmental agreement as noted above prior to annexation.

Mr. Johnson asked if the Town of Marana decided to levy its 4 percent utility tax, who would be responsible for collecting it. Mr. McNulty said the vendor would be. Without researching the issue, he believed the District would be responsible to pass the tax on to the customer and to

collect it from the customer. The District was asked by Pima County to collect the sewer fee, but Marana would require the District to collect the tax.

**VII. Future Meeting Dates; Future Agenda Items**

The next regular meeting of the Board is scheduled for September 8, 1997.

**VIII. Adjournment**

The Board adjourned the meeting at 7:02 p.m.



Martha L. Cramer, Chair of the Board

ATTEST:

  
Clerk of the Board