

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

August 8, 1994
7235 North Paseo del Norte
Tucson, Arizona 85704

MINUTES

Board Members Present: Herb Johnson, Chairman
Jim Tripp, Vice-Chairman
Pete Schlegel, Member
Kate O'Rielly, Member
Alex Jácome, Member

District Staff Present: Mark Stratton, General Manager
Michael Block, Hydrologist
Alan Forrest, District Engineer
Bob Gomez, Construction Supervisor
Christopher Hill, Utility Superintendent
Warren Tenney, Clerk
Sheila Willis, Administration Manager

Others Present: Bill Carroll, Cella Barr
Bud Dooley, Customer
Michael McNulty, Brown and Bain
Dan Offret, Customer
Jim Peterson, Town of Oro Valley
Jim Vandenberg, Arizona Industry
Ron Wong, B.K.W. Farms

I. CALL TO ORDER AND ROLL CALL

- A. The meeting was called to order at 5:01 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 meeting notice and agenda for August 8, 1994. Mr. Jácome seconded and the motion passed unanimously with the members present.

II. COMMENTS FROM THE PUBLIC

Mr. Schlegel requested to speak as a member of the public. Upon submitting a final bill due to moving his residency, he was charged a full month's minimum rate because of what appears to be an unfair policy. The Metropolitan Domestic Water Improvement District (District) arbitrarily assigns customers to a billing cycle. Since his billing cycle starts on the 24th of the month and he moved on the 26th of the month, he was billed a full month minimum use of water for a two day usage. The minimum rate is for a month, not one or two days, use of water. The policy seems unfair to customers and the Board should consider correcting the unfairness.

Ms. Kate O'Rielly arrived at the meeting at 5:03 p.m.

Mr. Jácome asked for an explanation of the billing policy. Ms. Sheila Willis said that there are four billing cycles per month. The District honors the date a customer requests for water to be turned on or off. She noted that she had reviewed Mr. Schlegel's bill. The billing cycle was on the 24th and the meter was requested to be read on July 1st. The bill represents seven days of usage. Mr. Jácome asked if many customers move from one location to another in the District and are placed into another billing cycle. Ms. Willis noted that billing cycles are geographic and that customers have moved from one billing cycle area to another. Mr. Jácome questioned if other similar complaints have occurred. Ms. Willis said that some customers have complained, though it has been explained that it is difficult to advise a customer on waiting a day or a week to have their water turned off due to the billing cycle.

Ms. O'Rielly asked how much money is being discussed. Ms. Willis said that the minimum bill was \$8.50 and the total bill was a little over \$9.00.

Mr. Jácome and Mr. Johnson requested staff to place the issue on the agenda of the next Board meeting. Ms. O'Rielly asked staff to track the number of similar complaints and how often they occur.

III. CONSENT AGENDA

- A. Approval of Minutes - July 11, 1994 Board Meeting.**
- B. Ratification of Billing Adjustments or Small Damage Claims.**
- C. Financial Issues - Update on Revenues, Checks and Warrants.**
- D. Ratification of Contract - On-Hold Phone Communique Service.**
- E. Ratification of Contract - Graffiti Abatement.**

Mr. Jácome requested that Item III.C. regarding financial issues be removed from the Consent Agenda for discussion.

Mr. Tripp made the motion to approve all of the items on the Consent Agenda except for Item III.C. Ms. O'Rielly seconded the motion and it passed unanimously.

Regarding Item III.C., Mr. Jácome questioned three payments totalling \$24,571 to Brown & Bain that are recorded in the monthly check register. Ms. Willis said that the \$7,336 check was for a bill dated May 12, 1994 and the \$16,991 check is a reissuing of two checks for work done in February and March 1994. Mr. Schlegel explained that the bills were lumped into one month because he had previously questioned the bills and the requested justification and reductions were provided by Mr. Michael McNulty. Mr. McNulty has worked well with the District to be certain billing and payment is fair. Mr. McNulty said that the \$16,991 billing included the work done during the legislative session. He had submitted the bills after knowing that the District's legislation passed successfully. Legal cost is often higher during legislative sessions.

Mr. Jácome said that he was concerned that legal fees cost \$8,000 per month.

Mr. Tripp made a motion to accept the financial reports presented. Ms. O'Rielly seconded the motion and it passed unanimously.

IV. OLD BUSINESS -- ITEMS FOR DISCUSSION AND POSSIBLE ACTION

A. Status of Renegotiations with the City of Tucson regarding the Asset Purchase Agreement and the Northwest Area Agreement.

Mr. Mark Stratton reported that an August 2, 1994 meeting was held to discuss the Northwest Area Agreement. Mr. Johnson, Mr. Schlegel, Mr. McNulty and Mr. Stratton attended the meeting along with representatives from the City of Tucson, Rancho Vistoso Water Company and Cañada Hills Water Company. Mr. McNulty requested that the City of Tucson provide information regarding what it would take to "buy out" the contract. The discussion centered on the criteria in which the wholesale water price structure was to be developed. On August 9, 1994, Mr. Stratton, Mr. Hugh Holub of Cañada Hills Water Company and Mr. Jim Peterson of the Town of Oro Valley will meet to hire a consultant to work with the City's rate consultant. The City of Tucson is to provide the criteria for evaluating the wholesale water pricing structure by August 16, 1994. On September 2, 1994, the City's rate consultant, R.W. Beck, is to present draft wholesale water rates.

Mr. Schlegel said that he was pleased with the outcome of the August 2, 1994 meeting because the City began to express some urgency to resolve the matter and committed to some deadlines for providing requested information. Decisions have to be made and we need to resolve matters with the City of Tucson because July 1, 1995 is approaching. Mr. Johnson said that the City was attempting to postpone providing the draft rates, but after our insistence, they agreed to provide the criteria and draft rates within a month.

Mr. Jácome said that even if each party has a rate consultant, it does not guarantee that an agreement will be found. Mr. Schlegel said that the issue of a facilitator was not discussed because the City's consultant agreed to work with our rate consultant.

Ms. O’Rielly asked how the District would select a rate consultant. Mr. Johnson and Mr. Stratton said that the Northwest Water Alliance had suggested a rate consultant that had done previous work for Rancho Vistoso and Cañada Hills Water Companies.

Mr. Stratton noted that the City of Tucson has given the impression that if the pricing structure is resolved, then everyone should be satisfied with the amendment to the Northwest Area Agreement. However, other important issues have not been addressed such as assured water supply, points of delivery, and 90 percent acceptance.

Mr. Jácome said he was concerned that the focus of the discussions regarding the Northwest Area Agreement are currently too narrow. More than just wholesale water rates need to be discussed. The District should consider a facilitator to guarantee that the Agreement is favorable for the District. Mr. Johnson noted that the District and the Town of Oro Valley have to carry most of the responsibility to resolve the matter. Ms. O’Rielly questioned if Mr. Mark Myers might be appropriate for this role since he was already consulting for the District’s Northwest Replenishment Program.

Mr. Jácome said that the District needs to start the process for finding a facilitator, whether or not the District solely pays for the individual, because the District has the most to lose. Staff should begin the process of seeking for a facilitator. Mr. McNulty questioned if the Board was seeking a facilitator to bring all parties together or to advocate for the District. Mr. Jácome said that the focus should be the completion of a renegotiated Northwest Area Agreement.

Mr. Schlegel asked if Brown and Bain could perform this role. Mr. McNulty said that his firm’s loyalties are to the District; however, it appears that the Board wants to find someone to represent all parties involved. The District needs to realize that it will probably pay the cost. The District is competently represented, though an accountant is needed to work with their rate consultant. Once the District knows what the City’s assumptions are for charging the wholesale water rate, then we are in a better position to deal with them.

Mr. Jácome said that the Northwest Area’s future is at stake due to what the Arizona Department of Water Resources (ADWR) will allow for an assured water supply. Someone is needed to champion the cause.

Ms. O’Rielly said that it is a good idea but the District needs to place its interests first and we need to have our interests represented.

Mr. Bud Dooley said that he concurred that all terms of the Northwest Area Agreement need to be examined and that a facilitator would be appropriate.

Mr. Johnson, Mr. Jácome and Mr. Schlegel discussed how such a facilitator would be found and paid and the need of having someone familiar with water issues. Mr. Stratton said that a person is needed that knows regional water issues, able to see the complete picture, and will move forward. The District needs to proceed with the Northwest Replenishment Program, but also

know that CAP water will be available for the recharge projects. Some possible people could be Mr. Myers, Ms. Sharon Megdal or Mr. Bob Logan.

Mr. Johnson said that someone other than District staff needs to try to resolve this matter since District staff is busy with many other items.

Mr. Schlegel made the motion to direct staff to investigate a facilitator for negotiations regarding the Northwest Area Agreement. Ms. O'Rielly seconded the motion and it passed unanimously.

B. Northwest TAMA Replenishment Program Report.

Mr. Stratton noted that Mr. Mark Myers had prepared a report of recent activities related to the Northwest TAMA Replenishment Program; however, Mr. Myers was unable to attend the meeting. Both the Town of Oro Valley and the Northwest Water Alliance adopted resolutions supporting the Northwest Replenishment Program.

Mr. Schlegel asked if the permit process had begun and the time involved. Mr. Michael Block said that a right of entry permit has been submitted for the Avra Valley Pilot Recharge Project to allow entrance to the site for soil testing. Staff is preparing the permit applications for easement and recharge. Once submitted, the permit process is at least six months.

Mr. Jácome commented that the July 19, 1994 letter from Lawrence Hancock, Regional Director of the U.S. Bureau of Reclamation, was positive about the Replenishment Program and asked about the Bureau's financial involvement. Mr. Stratton said that the Bureau of Reclamation recognizes many benefits for itself by supporting a project that combines CAP water and environmental enhancement. As of July 1, 1994, any local funds, including state monies, that are contributed to the Program, the Bureau of Reclamation will match. The Bureau is scheduling to set aside monies for the Program. Mr. Block noted that the Bureau's consultant, CH2M Hill, will be developing the scope of work for the feasibility study.

C. Avra Valley Pilot Recharge Project.

Mr. Stratton explained that he had received a phone call from Mr. Grant Ward, Assistant Director of Central Arizona Water Conservation District (CAWCD). Mr. Ward proposed that the District allow CAWCD to fund and construct completely the Avra Valley Pilot Recharge Project. CAWCD has monies and staff available and they need recharge projects for expected customers of the Central Arizona Groundwater Replenishment District (CAGR). CAWCD would take over all permitting requirements and would meet the District's requirements under the Asset Purchase Agreement with the City of Tucson. District staff would then have time to concentrate on the Cañada Del Oro Recharge Project of the Northwest Replenishment Program and capital projects for the infrastructure as well as free more funds for the District. However, CAWCD would have administrative, operation and maintenance control of the project.

Ms. O'Rielly asked if guarantees can be placed in a contract to have CAWCD meet District's requirements under the Asset Purchase Agreement. Mr. McNulty said that it can be done.

Ms. O'Rielly made the motion to authorize staff to negotiate a contract with the Central Arizona Water Conservation District for full funding of the construction cost for the Avra Valley Pilot Recharge Project. Mr. Jácome seconded the motion.

Mr. Jácome said he concerned about loosing B.K.W. Farms' support. Mr. Stratton noted that B.K.W. Farms originated the concept and they would benefit by having an access point to the CAP canal for irrigation of their lands for indirect recharge project. The District should ensure in any contract with CAWCD that B.K.W. Farms is still a participant based on getting water to their properties. Mr. Ward thought that could be put into the contract. Mr. Ward said that any construction, operation and maintenance of the project should go through public participation with licensed contractors.

Mr. Tripp asked if it was the intention of B.K.W. Farms to do the actual construction of the canal. Mr. Stratton said that B.K.W. Farms would have contracted out for the construction since it is a project that involves specialized equipment.

Mr. Schlegel said that the Board has little background information to be able to decide an important issue. The issue should be brought before the Board at the September 12, 1994 Board meeting with representatives from CAWCD and B.K.W. Farms in attendance.

Mr. Jácome asked if the District had contacted B.K.W. Farms. Mr. Stratton said no because it was an issue that was presented at the last minute.

Mr. Johnson noted that the motion being discussed only authorizes staff to negotiate a contract with CAWCD. He suggested that the motion be amended to include that the contract would be subject to Board approval. Staff should also contact B.K.W. Farms.

Ms. O'Rielly amended her motion to include that the contract with CAWCD for the Avra Valley Pilot Recharge Project is subject to Board approval. Mr. Jácome seconded the amendment and the amended motion passed unanimously.

Mr. Schlegel said that the contract should be brought before the Board at the September 12, 1994 meeting. He was concerned about Tucson Water being able to circumvent the District and use the recharge site for its benefit.

D. Procedure for Employee Grievances.

Mr. Stratton noted that at the July 11, 1994 Board meeting, the Board of Directors discussed a procedure for employee grievances. Mr. McNulty had provided a recommended procedure that has been revised slightly and submitted for the Board's review.

Mr. Tripp made the motion to approve the Employee Grievance Procedure as presented to the Board in the General Manager's August 8, 1994 report as the means for employees to address a grievance. Ms. O'Rielly seconded the motion and it passed unanimously.

V. NEW BUSINESS -- ITEMS FOR DISCUSSION AND POSSIBLE ACTION

A. Administration and Management

1. Board Member Committees - Purpose, Procedure and Organization.

Mr. Stratton said that based on direction by the Board at the August 1, 1994 study session, the August 8, 1994 report and attachment outlines the District committees and the appropriate Board members for the committees.

Mr. Tripp made the motion to approve the purpose, procedure and organization of Board member committees as described in the August 8, 1994 report and the attachment listing the make-up of the committees. Ms. O'Rielly seconded the motion and it passed unanimously.

2. District Representation at Regional Water Meetings.

Mr. Stratton reported that at the August 1, 1994 study session, the Board discussed the issue of District representation at regional water meetings. Legal Counsel researched the issue of reimbursement of expenses by Board members. Staff is recommending that the Board determine how the District should be represented at regional water meetings and provide guidelines regarding such attendance.

Mr. Tripp made the motion that Mr. Schlegel be authorized to attend regional water meetings with a limit placed upon his expenses. The motion was not seconded.

Mr. Johnson said that a monthly limit could be placed on expenses with mileage being a variable. Mr. Schlegel said that there could be certain months when there may be more expenses than other months such as during the legislative session; therefore, it may be difficult to have a monthly limit. Board members should have to provide the same expense report sheet as does employees. Ms. O'Rielly noted that mileage expenses can become quite high for just travel within Pima County. Mr. Schlegel noted that the attendance of meetings by a Board member should be preapproved by the Board.

Mr. Jácome made the motion that the Chairman of the Board will decide which members of the Board of Directors attend certain regional water meetings. Mr. Schlegel seconded the motion.

Mr. Jácome said that assigning one Board member to attend meetings is a large task for one Board member and that each member should have the opportunity to attend a particular meeting. Mr. Tripp said that he was concerned about Board members that do not have the time to attend meetings. Mr. Jácome said that a Board member could respectfully decline the Chairman's request to attend a particular meeting.

Ms. O'Rielly said that it is difficult for her to attend Northwest Water Alliance meetings as she had been previously asked to by the Board, though she is able to attend the Southern Arizona

Water Resources Association (SAWARA) meetings. Mr. Johnson said that Mr. Schlegel should attend the Northwest Water Alliance meetings.

Mr. Schlegel said that any Board member that accepts the responsibility to attend a meeting on behalf of the Board should be reimbursed. Mr. Jácome said that it should be at the behest of the Chairman. No expense cap would be necessary because it would be self regulatory.

Mr. Johnson called for a vote for the motion regarding the Chairman deciding which Board members attend regional meetings. The motion passed unanimously.

B. Engineering and Planning

1. Award of Contract - Errol L. Montgomery and Associates, Hydrological Study in Support of Assured Water Supply Designation.

Mr. Stratton reported that the Board received a copy of the contract with Errol L. Montgomery and Associates for the District's assured water supply designation hydrological study with the not to exceed price of \$71,460, which includes a 10 percent supplemental task contingency. Legal Counsel has reviewed the document.

Ms. O'Rielly asked if the hydrological study only addresses the District's boundaries. Mr. Stratton said it does.

Mr. Jácome made the motion that the Board award the contract with Errol L. Montgomery and Associates for the District's hydrological study for assured water supply in an amount not to exceed \$71,460, and that the District staff participate whenever possible in various portions of the project work to help minimize the cost. Ms. O'Rielly seconded the motion and it passed unanimously.

2. Award of Contract - Phase II & V Inorganic and Radiochemical Testing.

Mr. Stratton noted that Phase II and V testing has different facets. The contract to be awarded before the Board is for testing radiochemicals and inorganics. As with previous contracts for Phase II and V testing, the award is to be split between laboratories.

Mr. Tripp made the motion that the Board divide the contract for analytical services between AquaTech, Turner Laboratories and Copper State Laboratories for an amount not to exceed \$18,000. AquaTech would be responsible for nutrient tests. Radiochemical and asbestos would be awarded to Turner Laboratories. Copper State Laboratories would be responsible for metals, major cations/anions and physical parameters. Also 10 percent of District wells (four) will have duplicate samples taken to check the quality control of the laboratory. Mr. Jácome seconded the motion and it passed unanimously.

Mr. Jácome requested information on the monthly rate expended for consultants.

C. Utilities

1. Award of Contract - Fencing of Select Sites.

Mr. Stratton said that he had not brought the issue of fencing previously before the Board because he had anticipated the fencing requirements to be under \$10,000. Since the cost quotes were over \$10,000, he is requesting Board approval. Three sites within the District are in need of new fencing or fencing repairs.

Mr. Jácome made the motion that the Board award the low cost estimate provided by Stark Fence Company to fence the Hardy Road well site, Oasis/Shannon interconnection site and restretch the fence at the Bell well site. Mr. Tripp seconded the motion and it passed unanimously.

2. Request to Lease/Purchase a Backhoe.

Ms. O'Rielly asked if a used backhoe was being considered for purchase. Mr. Stratton said that a used one is only slightly less in cost than a new backhoe.

Mr. Tripp asked if it was more economical to lease rather than buy. Mr. Hill said that a lease adds approximately \$3,000 for 36 months and it has a buy out provision. Mr. Jim Vandenberg of Arizona Industry said that the lease for a backhoe has a lower interest rate than typical leases and after 36 months the District will own the backhoe. If conditions change for the District before the 36 months are over, there is an option to get out of the lease. There is no penalty for purchasing it earlier than 36 months.

Ms. O'Rielly asked how often a rental backhoe was being used. Mr. Hill said the District was renting a backhoe every week. The District needs a good backhoe.

Mr. Jácome said that the lease option was a good compromise between renting or buying.

Ms. O'Rielly inquired if the District has the money for the backhoe. Mr. Stratton said that the budget has \$69,000 for excavating contractors, an amount that will be reduced with a backhoe. The backhoe will be used for main line repair, hydrant installation, valve replacement program and flushing hydrants.

Mr. Schlegel asked if a trailer is needed. Mr. Hill said that because the budget was in place, he would not request a trailer or dump trunk until next year.

Mr. Jácome made the motion for the Board to authorize staff to lease/purchase a backhoe from Earhart Ford in the amount of \$1,325.58 per month for a 36 month lease/purchase agreement. Mr. Tripp seconded the motion and it passed unanimously.

3. Request to Purchase - Valve Installation Equipment.

Mr. Hill said that a valve installation equipment (Hydra-Stop) allows for water to be stopped within the system so that a valve repair or replacement can be made. Mr. Jácome said that the Hydra-Stop would help conserve water by stopping water during a main line break and the water saved would pay for the equipment.

Mr. Schlegel asked how long it would take to obtain the Hydra-Stop. Mr. Hill said it would be approximately twenty days from ordering.

Mr. Jácome made the motion that the Board authorize staff to purchase a Hydra-Stop unit with expansion capabilities to ten and twelve inches at an approximate cost of \$20,000. Mr. Tripp seconded the motion and it passed unanimously.

4. Request to Purchase - Replacement of Pressure Tank for Catalina Village.

Mr. Stratton said that the hydropneumatic pressure tank at the Catalina Village storage site has begun showing signs of leakage around the tank. With the possible failure of the tank and the inability to repair it, staff is recommending that a new pressure tank for replacement be purchased. Monies were allotted in the Fiscal Year 1994-1995 budget for storage tank repair.

Mr. Tripp made the motion that the Board authorize staff to purchase a hydropneumatic pressure tank for the Catalina Village storage facility. Ms. O'Rielly seconded the motion.

Mr. Jácome asked if the plates can be welded. Mr. Stratton said that welding was not possible.

Mr. Schlegel said that the District should consider purchasing a uncertified tank because of the cost and time involved in the purchase of a certified tank. Mr. Jácome asked if the tank would be permanent. Mr. Stratton said that when the Northeast Reservoir is completed, the tank will not be necessary; however, it will be moved to another site and reused. Mr. Schlegel said he was concerned about the time and money involved to replaced the Escondido tank with a certified pressure tank and did not want that repeated with Catalina Village repairs. Mr. Stratton said that the replacement tank for the Escondido well was delayed due to mechanical problems at the steel mill. The extra \$1,500 expended for a certified tank is important should the tank fail structurally and liability becomes an issue.

Mr. Johnson called for a vote for the motion regarding the purchase of a hydropneumatic pressure tank. The motion passed 4 to 0 with Mr. Schlegel abstaining.

VI. GENERAL MANAGER'S REPORT

Mr. Stratton noted that he had provided to the Board a General Manager's report that discussed the District elections, access to District parcel at 7495 N. Oracle, recommendation from Management Committee regarding Customer Input and/or Homeowner's Association Committee, Maine Course Restaurant and the El Camino Del Cerro Landfill.

The Board and Mr. McNulty discussed the request for damages for lost revenues due to water outages during the weekend of June 23, 1994. Mr. Schlegel requested that Board members be notified whenever a pending lawsuit may face the District.

The Board and Mr. Stratton discussed the recent discovery that EPA was utilizing Pima County Department of Environmental Quality's study area boundaries as the new superfund boundary area without any supporting documentation to have the boundaries consistent with Pima County's study area. Pima County will be working to try to alter the boundaries. The Board directed staff to do monthly testing of the wells within the new boundaries in order to demonstrate to the public that there is no problem.

VII. DISTRICT LEGAL COUNSEL'S REPORT

Mr. McNulty asked if the Board had any suggestions for the format of his report. Mr. Jácome and Ms. O'Rielly requested that percentage of time and money spent towards each category listed in the report.

The Board went into Executive Session at 6:44 p.m.

VIII. 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 relating to Mr. Mark Stratton.

The Board returned from executive session at 6:50 p.m.

IX. REVIEW AND POSSIBLE APPROVAL OF THE GENERAL MANAGER'S CONTRACT.

Mr. Jácome made the motion that the Board accept Mr. Stratton's contract. Mr. Tripp seconded the motion.

Ms. O'Rielly said that from her experience with Pima County, she is philosophically opposed to the concept of contracts. Clever representation can always find a way to negate the contract. Her opinion regarding contracts does not represent her opinion of the General Manager's performance.

Mr. Johnson called for a vote for the motion regarding Mr. Stratton's contract. The motion passed 3 to 0. Mr. Tripp, Mr. Jácome, and Mr. Schlegel voted in favor of the motion. Ms. O'Rielly voted against the motion. Mr. Johnson abstained from the vote.

X. FUTURE MEETING DATES; FUTURE AGENDA ITEMS

The next regular Board meeting will be September 12, 1994.

IX. ADJOURNMENT

The meeting was adjourned at 6:57 p.m.

ATTEST:

Herb Johnson, Chairman

Clerk