

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

June 12, 2000

**** Board Room****

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

MINUTES

Board Members Present: Pete Schlegel, Chair
 Jim Doyle, Vice-Chair
 Dennis Polley, Member
 Sam Ray, Member

Board Member Not Present: Marlene Wright, Member

District Staff: Christopher W. Hill, Deputy Manager
 Michael McNulty, Legal Counsel
 Warren J. Tenney, Clerk of the Board

I. Call to Order and Roll Call

Pete Schlegel, Chair of the Board of the Metropolitan Domestic Water Improvement District (District), called the Board meeting to order at 6:00 p.m. Jim Doyle, Dennis Polley, Sam Ray and Pete Schlegel were present. Marlene Wright was not present.

II. General Comments From the Public

There were no comments from the public.

III. Consent Agenda

A. Approval of Minutes – May 8, 2000 Board Meeting.

Mr. Doyle made a motion to approve the Minutes of May 8, 2000 Board Minutes. Mr. Polley seconded the motion and it passed unanimously.

B. Ratification of Billing Adjustments.

Mr. Polley made a motion to approve the ratification of billing adjustments. Mr. Doyle seconded the motion and it passed unanimously.

IV. General Business – Items For Discussion and Possible Action

A. Metro-Hub Water Hydrology Study and Consideration of Pursuing Assured Water Supply Designation for Metro-Hub Service Area.

Mike Block, District Hydrologist, introduced Dr. Leo Leonhart of Hargis+Associates. Dr. Leonhart gave a presentation to the Board members detailing three results of the nine original tasks as charged in the assured water supply designation study for the Metro-Hub service area. Dr. Leonhart explained that the first task was to compile and evaluate existing data which they acquired from Arizona Department of Water Resource data base and copies of driller's logs for wells in and around existing Metro-Hub boundaries, information from Tucson Water and provided by the Metro-Main records. They also conducted literature surveys from University of Arizona, Arizona State University and the U.S. Geological Survey and file reports. With this information they created a GIS data base, topography maps, groundwater maps, AutoCAD maps and digital geological maps.

Dr. Leonhart described the second task involving water demand and analysis based upon what is known about the Metro-Hub service area and possible future demand. He stated they based their future growth findings on projections by the Pima County Planning and Zoning Commission. Dr. Leonhart stated the estimated increased water production would be about 62-73 acre feet annually.

Dr. Leonhart said the third task involved impact analysis on the current operations. He said they looked at the historical water records for the production wells in the Metro-Hub service area and calculated the long-term annual water level compliance. He explained their conclusions were based on long-term draw downs in the central well field due to pumpage by Tucson Water, and long-term draw down pumpage due to Metro-Hub system wells and recharge along the mountain front. He explained the method they used is the same method commonly used for assured water supply designations.

Mr. Doyle made a motion to approve staff's recommendation for the District to delay a designation of assured water supply at Metro-Hub Water pending a change in water level declines and/or availability of renewable water supplies and directing staff to provide annual updates to the Board on this matter. Mr. Polley seconded the motion.

Mr. Ray asked why the reason for the delay in getting the assured water supply and why it was needed when the preliminary findings indicated there was plenty of water based on ADWR guidelines. Mr. Block replied that there is no question about the physical ability to find water, but two other components of this application involve financial capabilities and capital improvement programs in the development and demonstration of renewable supplies. He further explained that groundwater can be pumped but it must be replaced and the District's water portfolio has enough CAP water for the estimated demand at Metro-Main. The study showed a high amount of water loss. Staff felt funds should be used to reduce the water loss before exploring renewable supplies. Mr. Block indicated the recommendation for the delay in

pursuing an AWS designation was also to see if the City of Tucson's converting to blended CAP water will help the Central well field recover and then in turn slow down the reduction in water levels in the Hub area.

Mr. Block added we assumed we had enough water but this study provides invaluable and comprehensive data base that will be used extensively by District staff and consultants.

Mr. Ray said he wanted to see the water loss percentage reduced.

Mr. Schlegel called for a vote on the motion to delay designation of assured water supply at Metro-Hub pending water level declines and/or availability of renewable water supplies and direct staff to provide annual updates. The motion passed unanimously.

B. Request to Address the Board by TUCA on Commercial Bulk Water Charge.

There being no representatives from TUCA present to address this agenda item, the Board did not discuss this item.

C. Cabo Catalina Homeowners Association Request for an Easement.

No representatives from Cabo Catalina Homeowners Association were present to address this request.

Mr. Doyle made a motion to table this agenda item until a request was made to put it on a future meeting agenda. Mr. Polley seconded the motion and it passed unanimously.

D. Financial Issues.

Mr. Schlegel asked if there were any questions for Mr. Land regarding his financial report. Mr. Schlegel asked Mr. Land to identify the objectives for using the remaining funds shown as carry over.

E. Discussion of Debt Service Deposit Agreement.

Mr. Ray expressed his concerns regarding pursuing a debt service deposit agreement with Marion Bass. Mr. Land explained this program would utilize the interest earned off the debt service. He stated that the District would make a monthly deposit based off the potential earnings, then Marion Bass would put those funds out for bid at which time the District could either accept or not accept the bids.

Mr. Polley asked if this would affect the arbitrage issue. Mr. Land replied it would not.

Mr. Schlegel asked if bond counsel had given this issue a thorough analysis and if not, requested that it be done.

Mr. Schlegel directed staff to set up a study session with a representative from Marion Bass to discuss all the aspects of the debt service deposit agreement.

F. Approval and Adoption of Fiscal Year 2000-2001 Budget.

Mr. Schlegel moved this agenda item to follow Agenda Item M since the remaining agenda items may impact the status of the budget.

G. Selection of Independent Auditing Firm for 1999-2000 Fiscal Year.

Mr. Doyle made a motion to accept the proposal from Cotton Parker Johnson & Co., to perform the District's 1999-2000 fiscal year audit and accept the option for the following two fiscal years that can be terminated at the Board's direction. Mr. Polley seconded the motion and it passed unanimously.

H. Approval of Employee Health Insurance Program.

Mr. Polley made a motion to approve the proposal received from the Mahoney Group to provide staff medical insurance coverage through Intergruop of Arizona for the one year period of July 1, 2000 through June 30, 2001 with an option to renew for future years. Mr. Ray seconded the motion and it passed unanimously.

Mr. Ray made a motion to approve Option 2 for the distribution of costs in the medical insurance premiums between the District and its employees with the District to pay \$7.26 increase per employee for each of the enrollment categories and the employees to pay the remaining portion of the increase that would be for their dependents to cost the District \$9,438 and the employees contributing \$11,304. The motion was not seconded.

Mr. Polley made a motion to approve Option No. 3 for the distribution of costs in the medical insurance premiums for dependents to be evenly distributed between the District and its employees. Mr. Doyle seconded the motion.

Mr. Ray stated that the Board has approved absorbing the increasing costs of insurance premiums over the last few years and the District's liability also increases. He said the employees should start being responsible for some of these costs as is done in other businesses. Mr. Ray indicated the Board has been generous in the past, but the cost is increasing.

Mr. Polley stated that costs are rising everywhere within the health industry and he felt it appropriate to distribute the burden of costs between the District and employees. He pointed out that the employees would still be paying more than they have been in the area of dependents. Mr. Land agreed that dependant care coverage would be an increased cost for employees.

Mr. Schlegel said that several of the employees would need to change insurance programs to be covered by Intergruop and it was his understanding that the employees agreed to the change. He

felt it only fair that the District pick up at least half of the increased costs. Mr. Ray said he had changed insurance programs twice in five years and that is the nature of dealing with HMO's.

Chris Hill, Deputy Manager, told the Board that there was a meeting held and that employees were receptive to any of the options being chosen and would be very cooperative with any changes. He also expressed the employees' appreciation to the Board for their past generosity to staff regarding health insurance coverage.

Mr. Schlegel called for a vote on the motion to approve Option 3 for the distribution of costs for dependants in the medical insurance premiums between the District and its employees. The motion passed with Mr. Doyle, Mr. Polley and Mr. Schlegel voting for the motion and Mr. Ray voting against the motion.

I. Approval of 2000-2001 Well Maintenance Contract.

Mr. Ray made a motion to award Duncan Pump the Well Maintenance contract for the Fiscal Year 2000-2001, for an amount not to exceed \$85,000. Mr. Polley seconded the motion.

Mr. Ray affirmed his support for Duncan Pump based on their performance and service to the District.

Mr. Schlegel called for a vote on the motion to award Duncan Pump the well maintenance contract and it passed unanimously.

J. Award of the Construction Contract for the Orange Grove Road 12-inch Water Transmission Main, Mona Lisa to La Cholla Blvd.

Mr. Doyle made a motion to award the construction contract for the Orange Grove Road 12-inch Water Transmission Main (M-96-04) to Com-Pac, Inc., in the amount of \$299,550 and to authorize the General Manager to approve the following changes to the construction contract: 1) allocate additional funding a cumulative amount not to exceed \$20,000 and 2) increase the original construction contract term a cumulative amount not to exceed 60 calendar days. Any changes in excess of the above limits will be submitted to the Board of Directors for approval. Mr. Polley seconded the motion.

Mr. Doyle asked why ductile iron was quoted lower than pvc. Mr. Hill replied that there was a supply and demand issue with pvc and difficulty obtaining the resin and thereby making the price of ductile iron cheaper.

Mr. Schlegel called for a vote on the motion to award the construction contract for the Orange Grove Road 12-inch Water Transmission Main to Com-Pac, Inc., and it passed unanimously.

K. Award of the Construction Contract for the Catalina Village Mainline Replacement.

Mr. Doyle made a motion to award the construction contract for the Catalina Village Mainline Replacement (M-98-22) to Com-Pac, Inc., in the amount of \$668,445.50 and to authorize the General Manager to approve the following changes to the construction contract: 1) allocate additional funding a cumulative amount not to exceed \$25,000 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. Polley seconded the motion.

Mr. Hill pointed out that the Engineering Department estimated this bid to be about \$1 million, but the actual bids came in much lower. Charlie Maish, District Engineer, affirmed that the costs were very reasonable and cited the recent Cresta Loma project bids in comparison.

Mr. Doyle asked what type of material was to be used. Mr. Hill responded that ductile pipe would be used.

Mr. Schlegel inquired as to the provision of the contract requiring 60% of homeowner approval to install speed bumps. Mr. Maish explained that 60% of the affected subdivision needed to approve speed bumps as a provision of Pima County requirements. Mr. Ray explained the procedures for homeowners and neighborhood associations to approve and arrange for speed bumps and traffic alternations. Mr. Ray said he did not want the District to become involved in this process as too many complications arise when dealing with HOA's.

Mr. Schlegel stated his concerns about setting a precedence in this matter. Mr. Ray asked if the District was proposing to become involved in helping neighborhood associations with their traffic needs. Mr. Maish replied that some homeowners approached staff and asked if the District would add speed bumps into their contract and then the homeowners would reimburse the District. The District had tried to work with the HOA's, but since the HOA's could not secure the 60% approval for the speed bumps, it will try to work directly with the contractor. The option to work with the HOA's has been removed for Board consideration. Mr. Ray said the District should not go above and beyond their responsibility of delivery of water.

Mr. Schlegel called for a vote on the motion to award the construction contract for the Catalina Village Mainline Replacement to Com-Pac., Inc. The motion passed unanimously.

L. Award of Miscellaneous Geotechnical & Material Testing Services Contract with Pattison-Evanoff Engineering, L.L.C.

Mr. Doyle made a motion that the Board of Directors approve the contract for Miscellaneous Geotechnical & Material Testing Services for FY 2000/2001 with Pattison-Evanoff for a not-to-exceed amount of \$50,000. Mr. Polley seconded the motion and it passed unanimously.

M. Award of Miscellaneous Water Distribution Design Service IV Contract with Stantec Consulting, Inc.

Mr. Polley made a motion to award the Miscellaneous Water Distribution Design Services contract for Fiscal Year 2000/01 to Stantec Consulting, Inc., to secure a contract with Stantec Consulting Inc., on a time and material basis, not-to-exceed \$100,000, which will expire at the end of the fiscal year or when the money budgeted is exhausted. Mr. Doyle seconded the motion and it passed unanimously.

F. Approval and Adoption of Fiscal Year 2000-2001 Budget.

Mr. Doyle made a motion to approve and adopt the Fiscal Year 2000-2001 Operating Fund Budget for the District. Mr. Polley seconded the motion.

Mr. Schlegel commended District staff on the informative study sessions. Mr. Doyle, Mr. Polley and Mr. Ray thanked staff for their hard work on the budget.

Mr. Schlegel called for a vote on the motion to approve and adopt the Fiscal Year 2000-2001 Operating Fund Budget. The motion passed unanimously.

N. Approval to Submit Application to the Arizona Department of Water Resources to Participate in the Non-Per Capita Municipal Conservation Program.

Mr. Schlegel asked if this was only for the Metro-Main service area and not the Metro-Hub service area. Mr. Tenney indicated it was unclear as to how ADWR would interpret this application in relation to the two service areas we operate. The District's intention is to use the same conservation program for all customers.

Mr. Doyle made a motion to approve the submittal of the application to the Arizona Department of Water Resources for participation in the Non-Per Capita Municipal Conservation Program under the Third Management Plan and the final agreement between ADWR and the District will be brought before the Board of Directors for its approval. Mr. Ray seconded the motion and it passed unanimously.

V. General Manager's Report

Mr. Hill referred the Board to the issues in the report generated by Mark Stratton, General Manager. He stated that the District is in good shape regarding water shortages for the summer as opposed to the well-publicized problems of other water utilities.

Mr. Hill said that Mr. Stratton was attending the AWWA Conference in Denver this week and he would be attending the WestCAS conference in San Diego. He told the Board that a hot topic at the conferences was the issue of arsenic and costs analysis and impacts on water systems were being discussed. Mr. Hill stated that the AWWA and EPA requested standards were diametrically opposed, but it is hoped that during the proposed arsenic rule comment period, the two entities could reach a closer consensus. He told the Board that they would be kept apprised of any and all developments.

Mr. Hill stated that staff was in ongoing talks with Touchstone Energy to determine the best source and rate for interruptible power. He indicated that negotiations are still in the investigation state, but they are proving to be fruitful.

Mr. Hill noted the upcoming SAWUA meeting. He stated that there would be a public meeting to invited residents on June 21, 2000 regarding Well No. 4, in the Metro-Hub service area and invited the members of the Board to attend and participate.

Mr. Hill stated that based on the direction of the Board last month to advertise and open up public bidding for the disposal of six District vehicles, those vehicles have been advertised and bid opening is set for June 16. Mr. Hill said that staff would like to put up 8 vehicles for public bid.

Mr. Schlegel stated that he had read Mark Myers report on CAWCD and concurred with his opinions.

VI. Legal Counsel's Report

Michael McNulty, legal counsel, stated that following the settlement between Pima County and the City of Tucson, the City of Tucson is acknowledging that there are various water utilities throughout the area that contribute effluent. He said that contract negotiations are underway and that the District hopefully will have another commodity for use in the next few months.

VII. Future Meeting Dates; Future Agenda Items

The next regular Board Meeting will be held Monday, July 10, 2000 at 6:00 p.m. Staff will contact Marion Bass and the Board Members to schedule a study session regarding debt service agreement discussions.

III. Consent Agenda

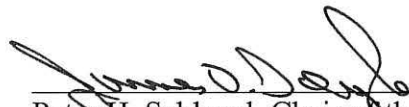
A. Approval of Minutes – May 8, 2000 Board Meeting.

Mr. Ray asked if the motion to direct staff to sell six vehicles should be amended to 8 vehicles. Mr. McNulty replied that no action could be taken on any item that was not noticed on the agenda. He said the intent of that discussion at the May 8, 2000 Board Meeting was not how many vehicles to dispose of, but the process of having the General Manager dispose of old vehicles through a sealed bid process. He said amending the minutes may be the most appropriate, immediate way of dealing with the issue.


Mr. Ray made a motion to amend the minutes of May 8, 2000, under IV. N., to delete reference to six vehicles and have it read "direct staff to dispose of vehicles through a sealed bid process after having the vehicles appraised for a minimum bid price". Mr. Doyle seconded the motion and it passed unanimously.

VIII. Adjournment

The meeting adjourned at 7:32 p.m.



Peter H. Schlegel, Chair of the Board
vice



Clerk of the Board