

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

**December 13, 1999**

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

**MINUTES**

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

District Staff: Mark R. Stratton, General Manager  
Lisa Chase, Legal Counsel  
Warren J. Tenney, Clerk of the Board

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

Sam Ray, Chair of the Board of Directors of the Metropolitan Domestic Water Improvement District (District), called the Board meeting to order at 5:30 p.m. Jim Doyle, Dennis Polley, Pete Schlegel and Marlene Wright were present.

**Executive Session**

Dennis Polley made the motion that the Board of Directors move to Executive Session. Mr. Schlegel seconded the motion and it passed unanimously. The Board went into Executive Session at 5:31 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 pursuant to A.R.S. §38-431.03(A)(4) regarding the following:

- A. Acquisition, Construction, Reconstruction or Repair of Waterworks for the Delivery of Water for Domestic Purposes.

## **Regular Session**

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

Sam Ray, Chair of the Board of Directors of the Metropolitan Domestic Water Improvement District (District), called the Board meeting to order at 6:00 p.m. Jim Doyle, Dennis Polley, Pete Schlegel and Marlene Wright were present.

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

There were no comments from the public.

### **III. Consent Agenda**

- A. Approval of Minutes – November 8, 1999 Board Meeting.**
- B. Approval of Minutes – November 18, 1999 Public Meeting.**
- C. Ratification of Billing Adjustments.**
- D. Approval of Water Service Agreement – Sotomayer Ranch Subdivision, Lots 1-65.**
- E. Ratification of Emergency Contract of District Answering Service.**

Mr. Polley made a motion to approve items A through E of the Consent Agenda. Ms. Wright seconded the motion. Mr. Ray stated that Board Members had previously requested information on the bids received to be included in staff reports and noted that there were no bids attached to the staff report regarding the Ratification of Emergency Contract of District Answering Service. Mark Stratton, General Manager, said that copies of the bids would be provided to Board members.

Mr. Ray called for a vote on the Motion to approve the consent agenda. The motion passed with Mr. Ray, Mr. Doyle, Mr. Polley and Ms. Wright approving and Mr. Schlegel abstaining because he had not been present.

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

#### **A. Financial Report.**

Mike Land, Chief Financial Officer, gave the financial report budget summary. He stated that the District had listed a \$1.9 million balance between revenues and expenditures. Mr. Land reminded the Board that it previously allocated \$1.2 million in funds towards the District's Central Arizona Project allocation project. Those monies would be due beginning year 2000 so staff has earmarked those funds. The actual amount on hand is approximately \$700,000.

Mr. Ray inquired if those monies were deposited in an interest-bearing account. Mr. Land affirmed that the funds are deposited with the County Treasurer in a local investment government pool and earning interest at 5.8%.

Mr. Stratton advised the Board that the District had received notification that ADWR has recommended that its CAP allocation be increased to 4,602 acre feet.

**B. Schedule for Regular Board Meetings in 2000.**

Mr. Schlegel made a motion to approve the dates and times for regular Board of Directors meetings as outlined in the staff's report. Mr. Polley seconded the motion and it passed unanimously.

Mr. Ray reiterated that this schedule was for regularly scheduled Board meetings and study sessions and public meetings would be scheduled on an as-needed basis.

**G. Approval of New Joint Funding Agreement with United States Geological Survey on the Lower Cañada Del Oro Basin Aquifer Storage Monitoring Project.**

Mr. Ray stated that Agenda Item IV. G was being moved up on the agenda. Mike Block, District Hydrologist, explained that the renewal of this contract with the U.S. Geological Survey would continue the monitoring program, which expires December 31, 1999. He further stated that the District would contribute \$15,000 and both Oro Valley and the USGS would also contribute \$15,000 each.

Mr. Polley made a motion to approve the new joint funding agreement between the United States Geological Survey and the Metropolitan Domestic Water Improvement District, which will expire on December 31, 2000 with the District's contribution not to exceed \$15,000 and be contingent upon \$30,000 in matching funds from the USGS and the Town of Oro Valley. Mr. Schlegel seconded the motion and it passed unanimously.

**C. Approval to Amend Fund Allocations for Capital Improvement Program.**

Ms. Wright made a motion to approve \$900,000 in bond funds from phase one of the capital improvement program be allocated to the Hub service area for funding of a storage tank, auxiliary power and telemetry. Mr. Polley seconded the motion.

Mr. Schlegel questioned if the Metro Hub service area does not need the entire amount for capital improvements, would anything preclude returning the unused funds to the District budget for reallocation. Mr. Stratton replied that the costs of the projects had not been identified, that this motion was intended to make the funds available but it does not prohibit the return of funds to the District's CIP budget to be reallocated.

Mr. Ray called for a vote on the motion to approve \$900,000 in bond funds from phase one of the capital improvement program be allocated to the Hub service area. The motion passed unanimously.

**D. Consideration of Joint Appraisal with Town of Oro Valley for Audit of Tucson Water Service Area in the Northwest.**

Mr. Polley stated that based on numerous previous discussions at Board meetings and study session, he felt the Board should approve the cost sharing of a professional services contract with the Town of Oro Valley in the appraisal of the Tucson Water system adjacent to the District service area and inclusive of the Catalina service area. Mr. Polley made a motion to approve such a cost sharing up to \$25,000; however, the motion was not seconded. Mr. Schlegel proposed the District not pay any funds for an appraisal if the Town and District did not enter negotiations with the City.

Mr. Polley asked if the Town of Oro Valley had taken any action on this venture. Mr. Stratton answered that a draft appraisal report was delivered to the Town of Oro Valley. Mr. Polley asked if the Town of Oro Valley took any action to establish a not-to-exceed the cost of \$25,000 agreement with the District. Mr. Stratton replied that he did not know what the contract stated, but that the appraisal from Camp, Dresser & McKee cost around \$21,000.

Mr. Stratton explained that the District and the Town of Oro Valley have reached only a verbal agreement regarding the breakdown of costs. Mr. Polley asked if the Board could proceed with approval of this agenda item without a written contract in place with Oro Valley. Mr. Stratton replied that it would depend on if the Board is interested acquiring the appraisal and entering into negotiations with Oro Valley and the City of Tucson for acquisition of any of the property and if negotiations were unsuccessful, then the District would lose the cost of half of the appraisal. Mr. Stratton said that Oro Valley has decided it wants to pursue the Tucson Water service area adjacent to the Town; however, the District has not reached a similar decision. He could not make a recommendation at this time on the matter until further information is known.

Mr. Schlegel expressed his concern that the Board's decision is going to be on a dollar amount before the District decides whether or not it would be in its best interest to pursue negotiations for the Tucson Water service area. Mr. Ray stated he is concerned that Tucson Water has a report that indicates what they think the fair value and Oro Valley has an appraisal that they think shows a fair value and that the District would need to contribute funds before it reviews the reports.

Mr. Polley asked if the report were a public document. Mr. Stratton replied that once the Town of Oro Valley accepts the report, it is a public document.

Mr. Ray suggested that the Board defer this agenda item until the next regular Board meeting. Mr. Polley said he preferred that the Board proceed to vote on this item at this time and he would support a motion for the Board to approve to provide funding of an appraisal contingent on the District's fair share of any future acquisition. The Board members, staff and legal counsel discussed the wording of a motion.

Mr. Polley made the motion to approve the District's payment of a pro rata share of the appraisal of the Tucson Water system adjacent to the District service area and inclusive of the Catalina

service area contingent upon the District's acquisition of a portion of the previously mentioned system. Mr. Schlegel seconded the motion and it passed unanimously.

**E. Approval of Contract with Tucson Electric Power for Interruptible Rates.**

Mr. Stratton requested that this agenda item be continued until the January 10, 2000 Board meeting because of pending contract language changes. Chris Hill, Deputy Manager, provided the Board with an overview of the District's power systems. He explained that the District has been in the process of negotiating with Tucson Electric Power Company (TEP) for over a year regarding obtaining an interruptible rate for our electricity. Mr. Hill stated that it has been a lengthy process since it is the first contract of its kind and the entities are negotiating the terms. He said one major issue involved a \$5 surcharge penal rate to the District if it cannot comply with a 10-minute timeframe for shutting down interruptible sites as would be required. Mr. Hill feels that under normal operating circumstances, the shutdown during the 10-minute window is achievable by the District. He stated that TEP is not comfortable with the language of the contract that reflects needing Arizona Corporation Commission (ACC) and the District's legal counsel are debating on if such a surcharge need ACC approval, that TEP would like to bypass ACC and have a direct contract with the District without ACC approval. However Mr. Hill indicated that legal counsel has concerns and would like to continue negotiations.

Mr. Ray stated he was concerned about entering into a long-term contract with a provider when there may be opportunities for comparable electrical availability from other providers. Mr. Hill responded that there was a termination clause in the contract upon 60-days written notice. The contract would afford a 30% savings over what is presently being paid for those sites listed. Indications are that with electrical deregulation, a savings may be gained but there is more certainty of savings through this contract with TEP.

Mr. Polley inquired if the delay was requested to provide counsel adequate time to review the contract to see if TEP has authority to circumvent the ACC process on the surcharge. Lisa Chase, Legal Counsel, responded that there is concern about TEP having the authority to bypass the ACC.

Mr. Hill told the Board that if they have any reluctance in entering into a contract with TEP for interruptible rates, staff can continue to investigate other options.

Mr. Schlegel made a motion to instruct staff to continue negotiations with Tucson Electric Power and look at other alternatives to report at the next Board meeting. Mr. Polley seconded and the motion passed unanimously.

**F. Approval of Easement Acquisitions for the La Cholla Boulevard Transmission Main Phase II Project.**

Mr. Doyle made a motion to approve the acquisition of the permanent water easement and temporary construction easements related to the construction of the La Cholla Boulevard Transmission Main – Phase II project in the amount of \$11,990 and to direct District staff to



proceed with finalizing these easement acquisitions. Ms. Wright seconded the motion and it passed unanimously.

#### **H. Approval of Agreement between Metropolitan Domestic Water Improvement District and the Cortaro Water Users' Association.**

Mr. Doyle made a motion to approve the revised agreement between the Metropolitan Domestic Water Improvement District and the Cortaro Water Users' Association for In-Lieu Water Deliveries and Storage and that the contract be in effect until December 31, 2000, unless amended in writing by the District and the Cortaro Water Users' Association. Mr. Polley seconded the motion.

Mr. Doyle asked for clarification regarding the Sections 2.6, 2.7, 2.10 and 2.11 of the contract regarding the District delivery charge of \$44 per acre foot and Cortaro's charge of \$5 per acre foot. Mr. Stratton replied that the contract provided an out for Cortaro to not accept water scheduled for delivery and then they would not be obligated to pay the \$5, but it does not preclude the District from utilizing CAP water elsewhere.

Mr. Ray stated he was concerned about the quality of water delivered. Ms. Chase responded that there is not a defined term for quality of water. The assumption is that if the water is not acceptable to the Arizona Department of Environmental Quality for irrigation of crops, it is not acceptable for delivery to other providers. The Cortaro-Marana Irrigation District Groundwater Savings Project in-lieu project using CAP water in lieu of irrigation for crops recharge is similar to the Avra Valley Project.

Mr. Doyle asked if CMID is basically a broker for CAWCD. Mr. Stratton replied that is not correct as the agreement is to exchange future water groundwater rights for using CAP water at this time. Ms. Chase said that the District has a contract with CAWCD that gives it the ability to use incentive water as an inducement to the farms or others to store that water and the District is in a position to benefit from the discount price.

Mr. Schlegel stated he is concerned with the word "indemnification". Ms. Chase explained that the previous contract originally provided for indemnification but the new contract provides for reciprocal indemnification.

Mr. Ray called for a vote on the motion to approve the revised Agreement between Metropolitan Domestic Water Improvement District and the Cortaro Water Users' Association for In-Lieu Water Deliveries and storage. The motion passed unanimously.

#### **I. Approval of Contract for Metro-Hub Water Hydrology Study.**

Mr. Polley made a motion to approve the Metro-Hub Water Hydrology Study contract with Hargis + Associates, Inc., for a not-to-exceed amount of \$48,221.40. Ms. Wright seconded the motion.

Mr. Ray asked about the extra 3% listed for commission fees that is added to the labor costs for communication fees. Charlie Maish, District Engineer, stated that this fee includes data processing and telephone costs and that a number of larger firms implement these costs into their contracts as a line item. The fee is typical on most similar contracts.

Mr. Ray called for a vote on the motion to approve the Metro-Hub Hydrology Study contract with Hargis + Associates. The motion passed unanimously.

Mr. Ray directed that staff provide information regarding the 3% communications costs at the next regularly scheduled Board meeting.

**J. Discussion of Possible Negotiations for Acquisition of Waterworks for the Delivery of Water for Domestic Purposes.**

The Board took no action on this agenda item.

**K. Consideration of Cost of Living Adjustment for District Staff.**

Mr. Doyle made a motion to approve a cost of living adjustment of 2.6 percent but not less than \$947 effective for District employees the first payroll in January 2000. Mr. Polley seconded and the motion passed unanimously.

**V. General Managers Report**

Mr. Stratton told the Board that staff is working on putting together background information regarding the annual budget as well as potential rate hearing. He wanted to inform the Board members that there would be meetings scheduled to discuss these items and that information regarding these issues would be forthcoming. Mr. Stratton stated that he has instructed staff to provide detailed information.

Mr. Stratton indicated that the District Y2K staff committee has been working to complete preparations for any emergencies. He said that staff would be available to address any customer concerns and that the District is taking precautions without expending a large amount of money. Mr. Stratton told the Board that staff has back up provisions in the event there is no electricity or gas service and that the District has worked out a partnering arrangement with Marana to combine our three potable water trucks and their providing a diesel generator.

Mr. Stratton stated that the ad hoc legislative committee meeting that was scheduled for December 13, 1999 had been cancelled. He said that there is some disparity in the agenda of the committee members and there was no consensus of this committee. Mr. Stratton stated that the committee was not as productive as it could have been because the late start injured productivity.

Mr. Stratton explained that the ADWR Sunset Review was held December 8, 1999 and the District was the only municipal provider to speak at the review but that the agricultural

community was very vocal. The result of the review was to recommend that ADWR be extended for a five-year period.

Mr. Stratton advised that a majority of the participants in the Southern Arizona Water Users Association (SAWUA) had indicated they had received concurrence from their governing bodies to participate in this organization and that incorporation papers should be filed shortly. He indicated that this association should be a functioning organization after the first of the year.

Mr. Stratton mentioned that two Governor's Pride in Arizona awards were recently presented to District staff. He said that an Honorable Mention was awarded to the District for the wellhead protection program and an award presented to Water CASA for excellence in conservation. He noted that Mr. Tenney was the chairman of Water CASA.

Mr. Stratton noted that an agenda item for the next regular Board meeting would be election of officers.

**VI. Legal Counsel's Report**

Ms. Chase reported she had no legal report.

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

The next regular scheduled Board Meeting is Monday, January 10, 2000 at 6:00 p.m.

**VIII. Adjournment**

The meeting adjourned at 7:20 p.m.

  
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Clerk of the Board

  
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Chair of the Board