

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

December 20, 2001

**** Board Room****

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

Special Meeting

MINUTES

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

District Staff: Mark Stratton, General Manager
 Phil Higdon, Legal Counsel
 Warren Tenney, Clerk of the Board
 Alice Stults, Recording Secretary

I. Call to Order and Roll Call

Pete Schlegel, Chair of the Board of Directors of the Metropolitan Domestic Water Improvement District (District) called the Board Meeting to order at 5:35 p.m. Dennis Polley, Pete Schlegel, Dan M. Offret, Jim Doyle and Marlene Wright were present.

II. Award of Contract for the La Cholla Transmission Main

Mr. Stratton said to date, staff has not received the right of way permits from Pima County for the La Cholla Transmission Main, Phase 2 project and Pima County has not identified the project requirements to the District. The low bidder for the District's transmission main project was KE&G Development, LLC. This development company has indicated it will provide a bid for the Pima County roadway improvement project as well.

Mr. Schlegel asked if the District had full capabilities of mapping interfacing via computer with Pima County. Mr. Stratton replied that both entities use the GIS mapping system data base and are able to share information. The County has not completed the La Cholla roadway

improvement project on its computer system at this time. Charlie Maish, District Engineer, explained the process consists of the County mapping out its design first, with the District using overlays on the computer to outline District water lines.

Mr. Offret moved to award the construction contract for the La Cholla Boulevard Transmission Main, Phase 2 (M-96-12B) to KE&G Development, LLC in the amount of \$921,524.00 (Alternate B) 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 \$50,000.00 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 will be submitted to the Board of Directors for approval. Mr. Polley seconded the motion.

Mr. Offret confirmed that the La Cholla Boulevard transmission main would connect with the main running south, and asked what the diameter of the existing pipeline was. Mr. Maish said one reach of the pipeline was 30", and the rest of the existing pipeline is 24". The new La Cholla Boulevard transmission main will be installed with 24" pipeline. Mr. Offret asked if KE&G had operated in the Tucson area previously. Mr. Stratton replied that KE&G has had an office in the Tucson area for a number of years and has completed numerous projects in the area.

The Board approved unanimously the motion to award of the contract for the La Cholla Boulevard Transmission Main, Phase 2 to KE&G Development, LLC.

III. Approval of Proposed Payment Modification Agreement with City of Tucson to Accelerate Payment Schedule under 1998 Settlement Agreement

Mr. Stratton explained that the proposed payment modification to the settlement agreement with the City of Tucson has been developed based on Tucson's willingness to discount the principal balance amount by 9%. The proposed Payment Modification Agreement has been put on Tucson City Council's January 7, 2002 meeting agenda, pending approval by the District Board of Directors. If approved, the lump sum payment of \$9,303,264.30 plus contractual interest would be due to the City of Tucson January 31, 2002. Mr. Stratton said that interest would be added or subtracted if the payment is made prior to or after the January 31, 2002 date.

Phil Higdon, Legal Counsel, provided a summary of the history regarding the settlement between Metro Water and City of Tucson. In 1998 an agreement was reached to settle litigation involving the District's contractual commitment to purchase treated Central Arizona Project (CAP) water from the City for a period of at least twenty years. Included in the agreement was a provision in which the City transferred 8,858 acre feet of the City's entitlement to CAP water to the District in exchange for payment of \$11,466,401.38 over a twenty-one year period. Mr. Higdon said per the 1998 agreement with the City of Tucson, the District may purchase treated CAP water from the City if it is available, or have the City treat CAP water provided by the District at a price to be determined. The City may make elect to make language changes in the proposed Payment Modification Agreement prior to the final version being presented to the City Council. If this were to occur, Mr. Higdon advised the Board it would be notified.

Mr. Offret moved to approve the payment modification agreement to the 1998 settlement agreement between the District and the City of Tucson. The motion was seconded by Mr. Polley. The motion to approve the payment modification agreement was passed unanimously.

Ms. Wright asked if the Saint John's Apartments purchased water from the District. Mr. Stratton replied yes, however, they have an exempt well for irrigation purposes.

IV. General Manager's Report

Mr. Stratton reported that a meeting was held with the entities interested in the managed recharge project for storing effluent. It was previously believed that the interested parties would submit permit applications jointly; however, Cortaro/Marana Irrigation District (CMID), Cortaro Water Users and the Town of Marana submitted a draft application to ADWR for a permit from Ina Road to the Pinal County line. Mr. Stratton said that the interested parties have agreed to work together to develop an IGA for everyone to participate as a facility permit holder for the area of Ina Road to the Pinal County line. CMID will be the operating agent for submitting the report requirements to ADWR.

Mr. Schlegel asked District staff to keep apprised of the actions taken by CMID and the costs involved in regards to the managed recharge project. Mr. Stratton said the IGA is being created to protect all parties involved.

Mr. Stratton reported that Steve Dean, Utility Superintendent, was recognized as Employee of the Year at the District's annual Christmas luncheon.

Mr. Stratton and Mr. Tenney met with representatives Hoffman and Hershberger and Senator Hellon and said the legislators are supportive of the Districts expenses bill.

Mr. Land reported on the trip staff, Mr. Schlegel, and Mark Reader made to New York to meet with bond rating agencies and insurance companies. He said the meetings went well, and the timing for the bond market in January 2002 looks very good. Mr. Schlegel asked if the District had prepared the additional information requested by some of the parties in New York. Mr. Land said the information was being prepared and would be sent as soon as possible.

V. General Comments from the Public

There were no comments from the public.

VI. Executive Session

Pursuant A.R.S. § 38-431.03 (A)(1) (discussion or consideration of personnel matters) regarding personnel matter with the General Manager.

Mr. Polley made a motion to adjourn to executive session. Mr. Offret seconded the motion. Motion to adjourn into executive session was passed unanimously. The Board adjourned into executive session at 6:00 p.m.

The Board returned from Executive Session at 6:33 p.m. Mr. Offret made the motion to direct staff and legal counsel to follow through as directed in Executive Session. Mr. Polley seconded the motion and it passed unanimously.

VII. Adjournment

The meeting adjourned at 6:36 p.m.



Clerk of the Board

Peter H. Schlegel, Chair of the Board