

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

February 12, 1996
Wilson Room
Tohono Chul Park
7366 North Paseo Del Norte
Tucson, Arizona 85704

MINUTES

Board Members Present: Barbara Johnson, Chair
 Marty Cramer, Vice-Chair
 Jim Doyle, Member
 Herb Johnson, Member
 Pete Schlegel, Member

District Staff: Mark Stratton, General Manager
 Michael McNulty, Legal Counsel
 Michael Land, Chief Financial Officer
 Warren Tenney, Clerk of the Board

Call to Order and Roll Call

Ms. Barbara Johnson, Chair of the Board of Directors of the Metropolitan Domestic Water Improvement District (District), called the regular Board meeting to order at 5:05 p.m. Ms. Marty Cramer, Mr. Jim Doyle, Mr. Herb Johnson and Mr. Pete Schlegel were present.

Executive Session

Ms. Marty Cramer moved that the Board of Directors goes into Executive Session. Mr. Herb Johnson seconded the motion and it passed unanimously. The Board went into Executive Session at 5:06 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 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) and/or executive session pursuant to A.R.S. § 38-431.03 (A)(7) (to negotiate for the purchase or lease of real property) regarding the following:

- A. Litigation with the City of Tucson.
- B. Acquisition, Construction, Reconstruction or Repair of Waterworks for the Delivery of Water for Domestic Purposes.

The Board returned from Executive Session at 6:06 p.m.

Regular Session

I. Call to Order and Roll Call

Ms. Barbara Johnson, Chair of the Board of Directors of the Metropolitan Domestic Water Improvement District (District), called the regular session of the Board meeting to order at 6:08 p.m. Ms. Marty Cramer, Mr. Jim Doyle, Mr. Herb Johnson and Mr. Pete Schlegel were present.

II. Comments From the Public

Ms. Marty Cramer complimented staff for its quick and expedient response when her neighborhood experienced low pressure. The on-call worker called back, without knowing she was a Board member, to verify that the problem had been rectified.

III. Consent Agenda

- A. Approval of Minutes - January 8, 1996 Board Meeting.**
- B. Approval of Minutes - January 25, 1996 Study Session.**
- C. Approval of Minutes - February 6, 1996 Special Board Meeting.**
- D. Ratification of Billing Adjustments.**
- E. Ratification of Agreement with Attention Bench Advertising.**
- F. Ratification of Professional Service Agreement with Dames & Moore, Inc.**

Mr. Schlegel said that the second sentence of the last paragraph on page 3 should begin with "Before the Board..." rather than "If the Board..."

Mr. Schlegel made the motion to approve Items A through C with the noted correction. Ms. Cramer seconded the motion. The motion to approve the Consent Agenda Items A through C was passed unanimously.

D. Ratification of Billing Adjustments.

Mr. Schlegel said that one of the billing adjustments was quite high. He questioned if the District's software could note when a customer's water consumption begins to increase suddenly. Mr. Michael Land, Chief Financial Officer, said that the District's policy was to adjust a customer's bill, usually dividing it in half, if there has been a sudden increase to their bill due to a leak or another reasonable explanation. Staff is exploring software that would indicate a sudden increase in a customer's water consumption.

Mr. Schlegel made a motion to approve Item IV.D, Ratifications of Billing Adjustments. Mr. H. Johnson seconded the motion and it passed unanimously.

E. Ratification of Agreement with Attention Bench Advertising.

Ms. Cramer questioned if promoting water conservation by advertising on bus stop benches would benefit the District and if its benefit can be evaluated. Mr. Stratton said that the District had been exploring different ways to promote its conversation program. By advertising on the bus stop benches for a relatively inexpensive price, the District can increase the exposure of its conservation message to customers and others in the public.

Mr. Schlegel said he agreed with exploring new ways to advertise. He suggested that different messages be used on the benches and to rotate them periodically. Mr. Stratton said staff would be working with Attention Bench Advertising to develop an appropriate, effective message.

Mr. Schlegel made the motion to ratify the contract as submitted with Attention Bench Advertising. Mr. Doyle seconded the motion and it passed unanimously.

F. Ratification of Professional Services Agreement with Dames & Moore, Inc.

Mr. Schlegel said he was interested in seeing the report done by Dames & Moore under the professional service agreement. Mr. Stratton said he would provide the report to Mr. Schlegel once Mr. H. Johnson was finished reviewing it. Mr. Stratton and Mr. H. Johnson noted that the report was encouraging in noting that infiltration rates for recharge in the Cañada Del Oro Basin are quite exceptional.

Mr. H. Johnson made the motion to ratify the professional services agreement with Dames & Moore, Inc. on a time and materials basis not to exceed \$9,746. Ms. Cramer seconded the motion and it passed unanimously.

IV. Finances - Items For Discussion and Possible Action

A. Monthly Financial Report.

There was no comment or discussion on this item.

B. Second Quarter Financial Analysis.

Mr. Schlegel made a motion to request staff to prepare a financial report regarding areas where the District is either over or under budget projections by ten percent. There was no second to the motion.

Mr. H. Johnson questioned if the meter installation data in the monthly financial report could include a cumulative record from 1992 through the current year. This would provide projections for a contemplated bond election. Mr. Stratton said that information could be obtained.

Ms. Cramer suggested that a short explanation rather than a report could be provided for financial items that were more than ten or fifteen percent in the budget. Ms. B. Johnson noted that under the

agenda item, Mr. Schlegel could ask questions about the budget report at the meeting or a Board member committee could examine the issue. Ms. Cramer said that she did not want Mr. Land to be confronted with a major project, but perhaps Mr. Schlegel could call Mr. Stratton to clarify his concerns. Mr. Schlegel noted that with an upcoming election, candidates running against us will be raising questions about how monies have been spent; therefore, the budget needs to be proper. He said that he would list his questions and talk with staff.

V. General Business - Items For Discussion and Possible Action

A. Survey of Residents' Opinion for Contemplated Bond Election.

Mr. Stratton asked if the Board wanted to proceed with a survey to decide residents' opinion about a potential bond election. Mr. Schlegel asked if requests for proposals would be sought. Mr. Stratton said that could be done with the information provided to a Board member committee for review and subsequent Board direction to staff.

Ms Cramer asked if a telephone survey was a good indicator of residents' opinions. Mr. Schlegel said that a phone survey of 300 to 400 customers would provide an accurate indication.

Ms. Cramer said that the survey should not be delayed and staff should be directed to proceed. Mr. H. Johnson asked what how much the survey would cost. Mr. Stratton said that the estimates are between \$4,000 to \$6,000.

Mr. H. Johnson made the motion to authorize the General Manager to hire a firm or individual to conduct a survey of registered voters within the District regarding their opinion of a contemplated bond election. Ms. Cramer seconded the motion and it passed unanimously.

B. District Newsletter.

Mr. Stratton explained that Mr. Schlegel requested this agenda item to have an opportunity to discuss with the Board the image of the District newsletter. Mr. Schlegel said the District needed to portray its image to customers as effectively as possible. The District needs a professional public relations agency to do the newsletter. He noted concerns about the most recent newsletter that a public relations firm could have improved. Staff does not have sufficient time to devote to the newsletter that a public relations firm could produce. Staff should explore different firms and their cost to assist the District with the newsletter. A professional firm could be certain that the newsletter sells the District's needs to customers so that a negative responses are avoided.

Ms. Cramer said she did not see a need to change the newsletter because the present format was fine. Mr. Warren Tenney has attended a seminar about writing newsletters. Even if someone else is hired, Mr. Tenney would still be expending time to write the stories. Ms. B. Johnson noted that one reason Mr. Tenney was promoted to his current position was to do the newsletter. Mr. Schlegel said that a public relations firm was vital to the District. Staff could investigate firms to decide their capability.

Mr. Schlegel said that the time had come for the District to have a public relations firm to help with the overall image of the District. This would also be helpful in the upcoming bond election. Mr. H. Johnson noted that selling the bond issue will be important. Ms. Cramer and Ms. B. Johnson discussed that the bond issue needs to be explored separately regarding a public relations firm. However, regarding the newsletter, the District should continue to mail its newsletter with the bills because it was doubtful that a separate mailing would not increase readership.

Mr. Stratton noted that staff could talk with some public relation firms to gain ideas on how to enhance the newsletter to increase readership.

Mr. Doyle and Ms. Cramer suggested asking people in the newsletter what they would like to read.

C. Reclassification of Job Positions.

Ms. Cramer agreed with the General Manager's recommendation to reclassify six current positions at the District. The reclassification provides positive motivation to staff and demonstrates that the District notices their efforts. Ms. Cramer noted one employee would take a cut in pay, but he would be eligible for overtime, so that his pay would probably balance.

Ms. Cramer made the motion to approve the reclassification of the following position: 1) Distribution Supervisor & Production Supervisor be classified as exempt positions with the salary range changed to \$31,000 - \$43,500; 2) Backflow Prevention/Safety Inspector position be created with a salary range of \$29,000 - \$40,500; 3) Development Supervisor position be created with a salary range of \$37,000 - \$49,500; 4) Water Line Construction Inspector position be created with a salary range of \$26,000 - \$34,500 and Water Systems project Inspector position be created with a salary range of \$30,500 - \$41,500. Current staff in those positions will have their salaries adjusted accordingly. The motion was not seconded. There was no further discussion of this item.

D. Discussion of Office Space.

Mr. Stratton reported that in exploring potential new office sites, he and Mr. Jim Tripp had been in contact with the owner and developer of a seven-acre parcel. The developer is to provide a cost proposal for turn key operation that the developer is willing to build and then lease back over a long term. While this one scenario is progressing surprisingly well, other sites are being examined.

Mr. H. Johnson asked if legal counsel would be able draft a municipal property corporation to finance a new office site. Mr. Stratton answered yes. Mr. Schlegel questioned if a municipal property corporation would be needed if it is a turn key operation and the District is leasing. Mr. Tripp noted other options need to be available if the developer's cost proposal is too expensive. Mr. H. Johnson noted that through a municipal property corporation the bonds issued would be tax exempt.

Mr. H. Johnson made the motion to authorize legal counsel to form a municipal property corporation. Ms. Cramer seconded the motion and it passed unanimously.

E. Annexation Agreement - River/La Cholla Property.

Mr. Stratton reported that the Board had received a proposed annexation agreement regarding property at River and La Cholla. Mr. Jim DeGrood of the WLB Group, the engineer firm for the development project, was present to answer any questions. Since last summer, staff and legal counsel have worked with the developer for the River at La Cholla development to draft an agreement. The basis for the agreement is River at La Cholla will agree to annex its properties into Metro Water District boundaries. The District would construct the offsite from Oracle Jaynes facilities to the River and La Cholla intersection, which would cost approximately \$200,000. System development fees charged would be the same as throughout the District except apartment units would be charged \$300. Fees for commercial development, which includes two shopping centers and one office building, will be at the current rate. This agreement will be in effect for five years, after that the District will charge any development the existing fees.

Ms. Cramer questioned why they would reduce impact fees for apartments when the District does not do the same for single family residences; thereby, establishing a precedent. Mr. Stratton answered the River at La Cholla would agree to be readily annexed into the District, thus firming the District's boundaries and encouraging water service to the west of the development.

Mr. Michael McNulty, Legal Counsel, explained that Don Diamond, the developer of River at La Cholla, was concerned that under the service area boundary agreement between the District and the City that the District would be providing the water to his development, which meant he was facing nearly a million dollars in hook up fees. He was determined to circumvent the settlement agreement or create an alternative water supply to avoid paying the fees. The question is if the District wants to not serve the area and not have it annexed within its boundaries or if it would rather serve the area at a lower cost. Mr. Stratton has tried to make an agreement that could still benefit both sides; however, the matter is clearly a large policy decision.

Mr. H. Johnson confirmed that under the proposed agreement, the District would construct for the connecting mains. Mr. Stratton said that was correct, a 16 inch main for 2,000 feet would be needed and would cost approximately \$200,000.

Mr. Schlegel said that he had many concerns about the agreement and wanted more information.

Mr. DeGrood said the Mr. Diamond and his firm have been working with the District since last summer to determine a reasonable solution to receiving water from the District, which would cost \$300,000 to \$400,000 more in hookup fees than if service was received from Tucson Water. Mr. Diamond was surprised to learn of the settlement agreement that removed any option. To date, Mr. Diamond has shown an interest in working with the District, but wants to mitigate additional costs. The District would benefit by having its system extended to River and La Cholla. The purpose of the proposed annexation agreement is to allow a reasonable resolve the problem.

Mr. Schlegel questioned if Mr. Diamond was making similar proposals to receive water from Tucson Water. Mr. DeGrood said no. Mr. Schlegel said that assurance needs to be made the development will be built out so that the District does not expend its monies without receiving the promised

benefit. Mr. Stratton noted that under the proposed agreement, after five years, the developer would have to pay the existing system development fees, which is an incentive for the developer to build. Mr. Schlegel said that perhaps five years was not soon enough.

Mr. H. Johnson and Ms. Cramer discussed when the District could expect to recoup its expenses for constructing the off site mains and the loss in system development fees. Ms. Cramer was concerned about other apartment developers wanting to receive a reduction in system development fees. Mr. Stratton said that for development within the District the system development fees are charged without question; however, River at La Cholla is outside the District's boundaries. Mr. Stratton noted that the developers have water rights that they could use on their own. The District needs to decide if there is a benefit of giving a little now to gain having the development annexed into the District.

Ms. B. Johnson asked if a decision had to be made by a certain deadline. Mr. McNulty said no and that further negotiations are possible. Mr. H. Johnson said that Mr. Stratton and Mr. McNulty should provide a detail account of the information regarding the proposed annexation agreement. Mr. Schlegel agreed that more information was needed and that perhaps further negotiation could be done regarding the \$200,000 cost for the off site main. Ms. B. Johnson said that this discussion would be continued at the next Board meeting.

Mr. Schlegel requested that Mr. DeGrood convey to his employer that the District is not against an agreement, but more information is wanted before making a decision.

F. Purchase of CAP Water for Recharge through Contract with Tucson Water.

Ms. Cramer made the motion to approve the contract with Tucson Water for purchase of untreated CAP water. Mr. H. Johnson seconded the motion. The motion passed with four votes in favor and one abstention. Mr. Schlegel abstained because he found the staff report to be confusing.

G. Regional Water Resources Facilities District Concept.

Mr. Stratton reported that a regional water resources facilities district has been discussed at Northwest Water Alliance (NoWA) meetings. Many questions regarding staffing, financing, and concerns of creating another bureaucracy have been raised. The facilities district could provide a mechanism to finance major capital projects. While intergovernmental agreements between entities could help to construct projects, the facilities district could more easily create the debt for entities to pay back rather than directly impacting the participating parties.

Ms. Cramer asked if a facilities district could make decisions binding on all entities. Mr. Stratton and Mr. H. Johnson noted that if an entity did not want to benefit from a capital project, it would not be party to the cost incurred and would not utilize the benefit of this type of district. The concept of a facilities district is still quite preliminary. Mr. Stratton said that he would continue to provide updates as the concept is further developed.

H. Legislative Issues

2. County Water Legislation.

Mr. Stratton reported that legislation proposed by Pima County has been pushed to a committee due to controversy generated by the County wanting to be involved in the water business. The Legislature is frustrated by Pima County and City of Tucson differences being brought to the State to solve. Mr. Schlegel noted that the City's opposition to the legislation questioned the City's references to regional cooperation. Ms. B. Johnson asked if a letter of support is needed. Mr. Schlegel said he did not believe it would be of any assistance.

1. Arizona Water Banking Authority.

Mr. Stratton reported that the Arizona Department of Water Resources is promoting legislation for an Arizona Water Bank Authority. The District may want to consider supporting the legislation based on it being an issue to use more Colorado River water throughout the State. The Board agreed that a letter of support should be drafted.

3. Other.

No other legislation was discussed.

I. Litigation with the City of Tucson.

There was no discussion or action regarding this item.

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

Mr. Stratton asked Mr. Land to provide a report regarding the Town of Oro Valley's meeting about its acquisition of the Cañada Hills Water Company. Mr. Land noted that the Town is considering a 37 percent rate increase. Discussion also occurred about how the Town should develop the rate structure and fess. Mr. Stratton noted that a public rate hearing is scheduled for March 25, 1996.

K. Filling Director Vacancy.

Ms. B. Johnson turned the chairing of the meeting to Ms. Cramer. It was noted that Ms. B. Johnson had submitted a letter of resignation from the District Board of Directors, which was to become effective February 13, 1996. Ms. B. Johnson said she would abstain from the discussion of the item and any possible vote.

Mr. H. Johnson made the motion to appoint Mr. Jim Tripp to fill the director's vacancy for the remaining period of that position's term. Mr. Schlegel seconded the motion.

Ms. Cramer concurred with the motion due to Mr. Tripp being a former Board member, who had indicated his interest in the present Board by being a candidate in the in last election and has remained active in the District.

Ms. Cramer called for a vote for the motion to fill the director's vacancy. The motion passed with four votes and Ms. B. Johnson abstaining.

Mr. Schlegel said that the District should thank Ms. B. Johnson for her service on the Board and as chair.

VI. General Manager's Report

Mr. Stratton noted that most of the issues he has been dealing with were presented in earlier in the meeting. Staff has remained active with the various issues confronting the District. Mr. Stratton introduced Mr. Charlie Maish, the new District Engineer.

Mr. Schlegel said that a progress chart of individual projects would be helpful and he questioned if the Board was still receiving copies of Mr. Stratton's correspondence. Mr. Stratton said that with the District Engineer position now filled, developing a progress chart will be more manageable. Little outside correspondence has occurred lately.

VII. Legal Counsel's Report


Mr. McNulty said that he had nothing further to report.

VIII. Future Meeting Dates; Future Agenda Items

The next regular Board of Directors meeting is scheduled for March 11, 1996.


XI. Adjournment

The Board adjourned the meeting at 8:07 p.m.



Chair of the Board

ATTEST:



Clerk of the Board