

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

January 8, 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
Phil Higdon, 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 5:03 p.m. Ms. Marty Cramer, Mr. Jim Doyle, Mr. Herb Johnson and Mr. Pete Schlegel were present.

Executive Session

Mr. H. Johnson moved that the Board of Directors goes into Executive Session. Ms. Cramer seconded the motion and it passed unanimously. The Board went into Executive Session at 5:04 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. Settlement of Service Area Boundaries Issues with the City of Tucson.
- B. Litigation with the City of Tucson.
- C. Acquisition, Construction, Reconstruction or Repair of Waterworks for the Delivery of Water for Domestic Purposes.

The Board returned from Executive Session at 5:57 p.m.

Regular Session

I. Call To Order and Role 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 6:02 p.m. Ms. Marty Cramer, Mr. Jim Doyle, Mr. Herb Johnson and Mr. Pete Schlegel were present.

II. Comments From The Public

There was no comment from the public. Eight people were in the audience.

III. Consent Agenda

- A. Approval of Minutes - December 11, 1995 Board Meeting.**
- B. Approval of Minutes - December 14, 1995 Special Board Meeting.**
- C. Approval of Minutes - December 20, 1995 Study Session.**
- D. Ratification of Billing Adjustments.**
- E. Approval of Right of Way Easement with Tucson Electric Power Company for Alcott Facility.**
- F. Ratification of Financial Consultant Service Agreement.**
- G. Ratification of Agreement with Micale Regulatory.**

Ms. Cramer made the motion to approve the Consent Agenda. Mr. Schlegel seconded the motion.

Mr. H. Johnson questioned whom the financial consultant service agreement applied to. Mr. Stratton said the agreement is with Mr. Steve Teiper to do preparatory work for a contemplated bond election.

The motion to approve the Consent Agenda passed unanimously.

IV. Finances - Items For Discussion and Possible Action

A. Monthly Financial Report.

Mr. Stratton reported that the numbers for the monthly financial report are preliminary since it is only the first week of the month. The financial report shows an ending balance of more than \$2,000,000. The monthly meter installation was low, and will probably continue to be, since developers bought a number of meters before the rates went up in November.

B. Process for Developing Fiscal-Year Budget.

Mr. Stratton explained that the Management Advisory Committee had recommended the adoption of a budgetary process so that the Board remains aware of the development of the budget. Staff has

presented a recommended process; however, the Board should feel free to establish the format it wants.

Ms. Cramer questioned if the time for submitting the budget to the Town of Oro Valley for its review is realistic for the Town to provide comments by May. Mr. Stratton said that the Intergovernmental Agreement with the Town of Oro Valley allows thirty days for review. If the Town takes no action, the budget still becomes effective. In either case, the District can approve its budget by June.

Mr. H. Johnson made the motion to adopt the process for developing a budget as noted by items one through ten in the January 8, 1996 staff report regarding this matter. Ms. Cramer seconded the motion and it passed unanimously.

C. Competitive Sealed Bidding Procedure.

Mr. Doyle made the motion to approve the competitive sealed bidding procedure as denoted in the January 8, 1996 staff report regarding this matter. Ms. Cramer seconded the motion.

Mr. H. Johnson questioned why the District was wanting to change its present bidding procedure. Ms. B. Johnson explained that some members of the Board had requested staff to reexamine the bidding procedure, particularly the requirement of having two Board members present. Mr. H. Johnson said he did not question staff's integrity; however, he has attended bid openings where people bring two bids and present one depending on who else is present. The District could open itself to some improprieties if Board members are not present.

Ms. Cramer stated that this issue is being discussed partially due to the administrative load placed on Board members during the week. She questioned if part of the problem is the definition of a late bid. Mr. Stratton said that any bids received after the deadline have not been accepted. The call for bids notices the deadline for receiving bids. The bids can be opened any time after that deadline.

Ms. B. Johnson asked if having the bids opened a half hour after the deadline for receiving bids would solve the issue. Mr. H. Johnson said no. Ms. B. Johnson asked how having two Board members present at the opening would avoid problems. Mr. H. Johnson said that staff and contractors often develop a report so that work can be accomplished. If a Board member witnesses any impropriety at a bid opening, they can question it and remove any burden from staff.

Ms. Cramer suggested that under "D" of the competitive sealed bidding process regarding late bids, the words "for bid opening" in the first sentence describing a late bid be changed to read "in the invitation for bids."

Mr. Doyle amended his motion to approve the Competitive Sealed Bidding Procedure with the words "for bid opening" in the first sentence under "D - late bids" be changed to "in the invitation for bids." Mr. H. Johnson seconded the amended motion.

Mr. Schlegel noted that Pima County was revising its procurement policy. Before the Board approves this bidding procedure, the District should examine the work Pima County has put together.

Mr. Mike Land, Chief Financial Officer, noted that the District's competitive sealed bidding process was based on the Pima County draft document. The District is presently working on an entire procurement policy package.

Ms. B. Johnson called for a vote on the amended motion to accept the competitive sealed bidding procedure. The amended motion passed with four votes, with one abstention. Ms. B. Johnson, Ms. Cramer, Mr. Doyle and Mr. Schlegel voted in favor of the motion. Mr. H. Johnson abstained from the vote.

V. General Business - Items For Discussion and Possible Action

A. Groundwater Savings Program.

Mr. Stratton noted that the groundwater savings program was discussed by Mr. Mark Myers, Consultant for the Northwest Replenishment Program, at the December 11, 1996 Board meeting. Mr. Stratton and Mr. Myers have met with BKW Farms and Ms. Suzanne Ticknor of the Central Arizona Water Conservation District (CAWCD). Although the District is trying to deal with three entities, the District's involvement is progressing well. The agreement would allow the District to recharge at BKW Farms a 1,000 acre feet of unreserved capacity from CAWCD. Mr. Phil Higdon of Brown & Bain is reviewing a draft contract submitted by the City of Tucson to purchase CAP water.

Mr. Stratton said that the situation became more complex with Rancho Vistoso Water Company deciding not to use its allocation of 1,000 acre feet that it had contracted from CAWCD. CAWCD has stated that the District can use it. The issue is confusing because agreements with three entities need to fall into place for the District's participation in the groundwater savings program to succeed. BKW Farms would like an agreement signed soon to pay for the canal to transport the water. However, before signing that agreement, the District wants to see CAWCD's language in its contract. It appears the District can use CAWCD's storage permits to accrue the recharge credits. While an agreement with BKW Farms and CAWCD seems simple, the purchase of the CAP water from the City of Tucson is the main question.

Mr. Schlegel asked at what cost the City of Tucson would sell the water. Mr. Stratton said that the District would purchase the water from the City at its cost of buying it from CAWCD, which is \$93 per acre foot. Mr. Myers noted that the net cost to the District would be \$89 per acre foot. The District should try to obtain all 2,000 acre feet. The contractual agreements are subject to all three signatures and if one fails to sign, the District would not have to pay.

Mr. Higdon explained the City's obligation to mitigate its damages.

Mr. Schlegel made the motion for the District to pursue a contract to utilize the full 2,000 acre feet capacity that could be recharged at BKW Farms. Ms. Cramer seconded the motion.

Mr. Stratton asked for clarification of the motion. He questioned if once the agreement is secured for purchase of water from the City of Tucson, if the Chair is authorized to sign the agreement or

should it be brought back before the entire Board. Ms. B. Johnson said that due to all the legal issues involved, it would be in the interest of the District to have the full Board authorize this agreement.

Mr. Schlegel asked if there was any urgency regarding this issue. Mr. Stratton said that BKW Farms is presently irrigating with CAP water. It is uncertain if that water will be considered part of the 2,000 acre feet that we will purchase from the City of Tucson or will be part of CAWCD's water allocation.

Mr. Myers noted that the water is ordered monthly and the District pays monthly for only what it uses. This allows for the different variables surrounding the Avra Valley Pilot Recharge Project but still shows the District's effort to purchase the water.

Mr. H. Johnson questioned what would happen if the District did not use all of the water. Mr. Stratton said that the District would be trying to use as much of the 6,000 plus acre feet to mitigate damages with the City. The District can use the water if delays continue with the Avra Valley Pilot Recharge Project. This is why participation in the groundwater savings program would provide another means for using as much water to mitigate damages. Mr. Myers noted that by exploring different recharge options, the District will have more options to use the most cost effective ones.

Mr. Schlegel asked if pursuing this action would interfere with options involving the lawsuit. Mr. Higdon said it should not be a factor.

Ms. Schlegel amended his motion for the District to pursue an agreement for the Groundwater Savings Program with BKW Farms in the amount of 2,000 acre feet with the final contract to be reviewed by the entire Board of Directors. Ms. Cramer seconded the amended motion and it passed unanimously.

B. Management Analysis.

The Board had no comments regarding the management analysis nor staff's report regarding the matter.

C. Status of Linda Vista Reservoir and Possible Design Changes.

Ms. B. Johnson asked what the Board's role is for approving design changes. Mr. Stratton explained that Mr. H. Johnson requested a possible design change based on previous comments provided to Black & Veatch that were not incorporated into the design of the Linda Vista Reservoir. The issue is ratification of the design changes that would keep the proposed entrance way from being constructed within the 75 foot right-of-way for Linda Vista Road. Based on the site plan for the project, Cella Barr does not see any significant design change to impact the construction cost.

Ms. Cramer said that since this was an oversight on Black & Veatch's part, they will not charge the District. Mr. Stratton said that is correct.

Mr. Schlegel asked if the building for the booster pumps includes room for upgrading with telemetry. Mr. Stratton said it does.

Ms. Cramer made the motion to approve design changes for the entrance way for the Linda Vista Reservoir project. Mr. Schlegel seconded the motion and it passed unanimously.

D. Magee/La Cholla Reservoir - Request to Bid for Pressure Tank & Phase III.

Ms. Cramer made the motion to accept staff's recommendation to authorize staff to request bids for the 5,000 gallon pressure tank for the Magee/La Cholla project and to request bids for the Phase III portion of the Magee/La Cholla Reservoir upon finalization of design of the project by David Evans & Associates. Mr. Doyle seconded the motion and it passed unanimously.

E. Approval of Purchase of Flat-bed Trailer for Backhoe.

Mr. Doyle made the motion to approve the purchase of a flat-bed backhoe trailer from Tucson Tractor for the price of \$8835.28. Mr. H. Johnson seconded the motion and it passed unanimously.

F. Construction Crew Designated for Upgrading and Improving the Distribution System.

Ms. Cramer inquired if a four person construction crew is typical in the construction industry and can be kept busy full-time. She also asked why staff was requesting two additional backhoes. Mr. Christopher Hill, Utilities Superintendent, said that a four person construction crew is typical. With the District's work load, the proposed construction crew would be consistently busy. Most projects need two backhoes for valve and main repairs, installation of hydrants, and traffic control. Mr. Schlegel asked if both backhoes need to be purchased now. Mr. Hill suggested that capital equipment be purchased out-right, so that the crew can be well equipped. Mr. Doyle noted that the District needs flexibility for when a backhoe requires maintenance.

Mr. Schlegel asked how long it would take to loop the District's system and if such looping would allow the District to take CAP water. Additionally, he asked what time frame is needed for the construction crew. Mr. Stratton said that to have the system looped, construction needs to be completed on transmission mains to be able to handle the flow. Mr. Hill noted that JCS Engineering's findings estimated that the needed main line repairs and replacements are estimated to take eight years. This will need to be done whether CAP water is used or not. Therefore, planning is essential. The transmission mains needed to move CAP water through the system would be included in the Capital Improvement Program, and not done by in-house staff.

Mr. Mike Fleury of Camp Dresser & McKee commented that in the District's water system management plan, most of the District's infrastructure is significantly undersized and is galvanized pipe. It is unable to carry the necessary fire flow. An in-house construction crew provides an economical way to proceed to remedy those problems.

Mr. Schlegel said that the District needs to consider looping its system in case it must accept treated CAP water.

Ms. Cramer asked if a four person crew would be adequate considering vacation and sick time. Mr. Hill said while a five person crew could get more done, but managerially a four person crew is easier.

Ms. Cramer asked how the construction crew will impact the budget. Mr. Hill noted that the line item in the budget for a construction crew has not been used yet. Mr. Stratton said that the first year's outlay for capital expenditures will be significant; however, in each following year, the footage done will be substantial along with the cost savings.

Mr. Doyle made the motion that based on historical data, financial analysis and the obvious infrastructure system requirements, the Board authorizes staff to proceed with the addition of a construction crew dedicated to the purpose of upgrading and improving the distribution system. Further, the Board sets an annual benchmark of \$500,000, with the line item limit not to exceed \$557,000 annually for the sole purpose of distribution system improvements. Mr. H. Johnson seconded the motion and it passed unanimously.

G. Resolution 1996-1 - Settlement of Service Area Boundaries Issues with the City of Tucson.

Ms. Cramer made the motion to approve Resolution 1996-1, subject to resolving any minor issues about that service area within Oro Valley. Mr. Doyle seconded the motion and it passed unanimously.

Mr. Higdon suggested that the Board consider a motion to authorize the General Manager to negotiate and the Chair to sign any agreements necessary to affect the intergovernmental agreement regarding the boundary settlement. Ms. Cramer made such a motion. Mr. Doyle seconded the motion.

Mr. Schlegel questioned if approving such agreements would be more appropriate for the whole Board. Mr. Higdon explained the intergovernmental agreement requires the City to convey a well, which will require the execution and signing of a legal document. The motion would allow for such procedural items to be dealt with and would not change the substance of Resolution 1996-1.

Ms. B. Johnson called for a vote for the motion to authorize the General Manager to negotiate and the Chair to sign agreements required to affect the intergovernmental agreement regarding the boundary settlement. The motion passed unanimously.

H. Litigation with the City of Tucson.

There was no discussion or action regarding this item.

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

Mr. H. Johnson suggested that with the growing needs of the District and the addition of staff, the General Manager should establish a committee to investigate the various aspects of constructing a

new office. This would include analyzing the acquisition of a new site, construction, and turnkey. Such a committee is needed to expedite the process and avoid having to bring every aspect before the Board.

Mr. H. Johnson made the motion to form a committee that would work with the General Manager to address the issues of finding the proper facilities for the District. Mr. Schlegel seconded the motion.

Mr. Stratton noted that securing a proper site needs to be done before considering architecture. Mr. Schlegel suggested that the committee explore trading Lot 39 at Cobo Catalina for a new site. The Board discussed different issues for the committee to consider. Ms. Cramer said that the General Manager should direct the committee without many perimeters. Mr. Stratton said that options would be presented to the Board. Communication needs to be ongoing so that the proper decision is made to ensure that the District never has to locate again another office.

Mr. Higdon suggested that the motion not be passed so that the General Manager will have greater flexibility in working with the committee and not be confined by open meeting laws.

Without an objection, the Board decided to postpone indefinitely the motion.

VI. General Manager's Report

Mr. Stratton reported that at the CAWCD Board meeting on January 4, 1996, some issues were discussed that could impact the District. The withdrawal of an environmental impact statement of terminal storage by the U.S. Bureau of Reclamation basically kills the terminal storage project; however, it is unclear if the withdrawal has occurred or only planned. The other issue is that CAWCD staff has proposed terminating delivery of CAP water at BKW Farms, where the water is currently being used. Additionally, there is a proposal to sell electrical power to a third party, which could escalate the overall cost of CAP water.

Mr. Myers noted that resuscitating the terminal storage proposal will be difficult. Mr. Schlegel said that the Northwest Water Alliance should try to take a position.

Mr. Myers explained that the power cost for CAWCD is 2 cents. If CAWCD sells it as noninterruptible power, the price will go to 5 cents. To buy it back, then it will cost 5 to 8 cents. This increase could raise an acre foot of water to \$125 and dismantle the postage stamp rate, which many interests in Phoenix would support.

Mr. Stratton noted that Mr. Charlie Maish has accepted the position of District Engineer and will start on February 5, 1996.

VII. Legal Counsel's Report

Mr. Higdon said that he had nothing specific to report.

Mr. Schlegel questioned if the District's gallons per capita per day were known for 1995. Mr. Stratton said that Mr. Michael Block, District Hydrologist, will be completing those numbers when he returns from Australia.


VIII. Future Meeting Dates; Future Agenda Items

Mr. H. Johnson suggested that a study session be held to discuss the preparation necessary for a bond election, including public relations. The Board should take advantage of planning now rather than wait three months before an election. Mr. Stratton said that since the District has not been involved in a bond election before, the Board and staff need to discuss the various issues involved.

The Board decided to hold a study session on January 25, 1996 at 7:30 a.m.

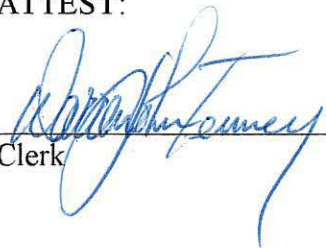
XI. Adjournment

The Board adjourned the meeting at 7:32 p.m.



Barbara L. Johnson, Chair

ATTEST:



Clerk