

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

July 14, 1997
Wilson Room
Tohono Chul Park
7366 North Paseo del Norte
Tucson, Arizona 85704

MINUTES

Board Members Present: Marty Cramer, Chair
Jim Doyle, Vice-Chair
Herb Johnson, Member
Sam Ray, Member
Jim Tripp, Member

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

Regular Session

I. Call To Order and Roll Call

Ms. Marty Cramer, Chair of the Board of Directors of the Metropolitan Domestic Water Improvement District (District), called the regular Board meeting to order at 6:00 p.m. Mr. Jim Doyle, Mr. Johnson, Mr. Sam Ray and Mr. Jim Tripp were present.

II. Comments From The Public

Mr. Jim Luckow, 3121 W. Appaloosa Place, explained that he recently purchased ten acres near Shannon and Lambert area, which is at the edge of the District's boundaries. However, the District's service line is 1,000 feet away from the property but Tucson Water's service line is only 100 feet away. He had written a letter, but staff responded that he would have to bear the burden of the cost unless the Board approved letting the property be serviced by Tucson Water or the District assists with the cost.

Ms. Cramer noted that such situations have occurred before. Mr. Mark R. Stratton, General Manager, said that all decisions of any adjustment the policy was done at the Board level. The Board had directed staff to work the homeowner to extend a line in a similar situation.

Mr. Luckow showed Board members a map of his property and the District's boundaries.

Ms. Cramer asked if Mr. Luckow was in a hurry to construct. Mr. Luckow said no. Ms. Cramer said staff should review the situation and provide a recommendation to the Board. Mr. Stratton asked what was the intended use of the property. Mr. Luckow said he planned to build eight homes. Mr. Ray asked what would be required for the property to be served by Tucson Water. Mr. Stratton said that the District would need to sign a release for Tucson Water to provide service. Another action could be for the District to fully fund or share the cost for the extension. Or since the property is within the District's boundaries, the owner could be required to bear the cost. Mr. Tripp said that staff's recommendation should include the cost for each option.

III. Consent Agenda

- A. Approval of Minutes -- May 16, 1997 Special Board Meeting.**
- B. Approval of Minutes -- June 9, 1997 Board Meeting.**
- C. Ratification of Billing Adjustments.**
- D. Ratification of Wholesale Water Agreement with the Town of Oro Valley.**
- E. Ratification of Contract with JCS Engineering.**
- F. Ratification of Agreement with Jack Lloyd.**

Mr. Tripp made the motion to approve the Consent Agenda. Mr. Doyle seconded the motion and it passed unanimously.

IV. General Business -- Items For Discussion and Possible Action

- A. Financial Report.**

There was no discussion or action taken under this agenda item.

- B. Establish Revolving Line of Credit with Arizona Bank.**

Mr. Tripp made the motion to direct staff to establish a \$1 million revolving line of credit with Arizona Bank. Upon receipt of a commitment letter from Arizona Bank, the General Manager is authorized to review and accept the terms and conditions with his signature and issue a check for the required commitment fee. Mr. Ray seconded the motion.

Mr. Ray asked if the fee is paid annually whether or not the credit is used. Mr. Michael Land, Chief Financial Officer, said that the fee is equal to 0.5% of the credit line that is available.

Ms. Cramer asked if the District is obligated to pay the fee if the District has paid off that line of credit. Mr. Land said if there is no balance due, the District can always terminate the revolving line.

Mr. Stratton said that Arizona Bank did notify the District that it was eligible for the revolving line of credit.

Mr. Ray asked if staff checked with other banks to see if they would waive the fee or not charge it. Mr. Land said he had conversations with Bank of America who had concerns about the litigation. The District has its major accounts with Arizona Bank, who are willing to work with the District.

Ms. Cramer called for a vote for the motion regarding establishing a revolving line of credit with Arizona Bank. The motion passed unanimously.

C. Resolution 1997-3 -- Declaration of Official Intent to Reimburse Original Expenditures.

Mr. Tripp made the motion to approve Resolution 1997-3 to declare official intent to reimburse original expenditures from the proceeds of bonds of other obligations or for the benefit of the District. Mr. Ray seconded the motion and it passed unanimously.

D. Election of Director for the Municipal Property Corporation.

Mr. Tripp made the motion to appoint Dan Offret to fill the vacancy on the Board of Directors of Metropolitan Domestic Water Improvement District Municipal Property Corporation. Mr. Johnson seconded the motion.

Mr. Ray asked for information about Mr. Offret. Mr. Stratton said that Mr. Offret served on the District's Management Advisory Committee and Bond Advisory Committee. He has been active in the District. He has a strong financial background and is currently the Assistant to the Chancellor for the Downtown Campus of Pima Community College.

Ms. Cramer called for a vote for the motion to appoint Dan Offret. The motion passed unanimously.

E. Board Member Committees

Mr. Tripp made the motion to approve the Board Member Committees as presented in the staff report. Mr. Ray seconded the motion and it passed unanimously.

F. Status of Bond Oversight Committee.

Mr. Stratton said the Board of Directors was given a list of individuals who had submitted letters of interest to serve on the Bond Oversight Committee. The Board had previously discussed having the Committee comprise of seven people. He planned to schedule time with Mr. Ray and Ms. Cramer to review in detail the letters of interest and determine if interviews should be conducted and the selection of the Committee members. The original schedule was to have the members of the Bond Oversight Committee approved by the August 11, 1997 Board meeting in anticipation for a rate increase. Depending on scheduling, it may not be until September. It would be helpful to meet with them to discuss any rate increase to gain the Committee's support.

G. Report on July 10, 1997 Information Workshop and Improvements of South Shannon Well Facility.

Mr. Stratton noted that the Board was aware of the issue involving the improvements made at the South Shannon well facility. He explained that the District held a public workshop on July 10, 1997. Only two customers attended; however, staff and consultants made certain that all their questions were answered thoroughly. One citizen felt that the District should have informed those customers when the constituents were detected at the well. Staff explained that the contaminant was only detected at the well and not detected at the reservoir except twice, just before the well being taken out of service. The customer said that TCE contamination in this area is quite well known and the District should have provided notification to those customers when it was detected.

Mr. Ray asked if the customer understood the District's explanation. Mr. Stratton said yes. It was also explained that the level never went above the minimum contaminant level (mcl) set by the Environmental Protection Agency. Staff received about fifteen phone calls in response to the letters that were sent informing customers of the treatment unit installed at South Shannon well. One call was fairly negative, stating that the well should not be back in the drinking supply. Channel 13 expressed some interest, but there was no other media attention.

H. Award of Contract for Miscellaneous Geotechnical Services.

Mr. Tripp made the motion to award the Miscellaneous Geotechnical Services contract for fiscal year 1997-1998 to Agra Earth and Environmental, Inc. in an amount not to exceed \$25,000. Mr. Ray seconded the motion and it passed unanimously.

I. Amendments for Miscellaneous Survey Contracts for Fiscal Year 1997-1998.

Mr. Tripp made the motion to approve the amendments to the contracts of both Alpha Engineering and DJA Engineering Corporation originally in the amount not to exceed \$12,500

each. The total of each amended contract is not to exceed \$25,000. Mr. Ray seconded the motion and it passed unanimously.

J. Approval of Miscellaneous Services and Materials for Utility Division for Fiscal Year 1997-1998.

Mr. Tripp made the motion to approve the Utility Division Miscellaneous Annual Services and Materials for fiscal year 1997-1998 as presented by staff. Mr. Ray seconded the motion.

Mr. Ray said that the staff report expressed concern about using K&B Asphalt for paving. He asked if staff checked references with others who had used them. Mr. Stratton explained that the City of Tucson has utilized K&B for their repair work. They are a qualified company. Staff's concern was their response time for completing projects. Mr. Chris Hill, Utility Superintendent, said that K&B wanted a five to seven-day turn around time. However, the District is holding them to the 72-hour turn around time as required in the request for bids. The District has tried them on a project and they responded within that time.

Ms. Cramer called for a vote for the motion to approve the Utility Division Miscellaneous Annual Services and Materials. The motion passed unanimously.

K. Approval of Amendment to Agreement with Pima County for the Collection of Sewer User Fees.

Mr. Tripp made the motion to approve the amendment to the agreement with Pima County for the collection of sewer user fees. Mr. Doyle seconded the motion.

Mr. Johnson asked if the District will need another increase in the fees before the five-year contract is completed. Mr. Land said that the intergovernmental agreement allows for an annual review of the cost and allows the District to request an amendment.

Mr. Ray asked what was the difference between the original \$62,000 per year to the amended \$310,000 for five years. Mr. Land explained that the intergovernmental agreement was initiated in 1994 but the District did not start billing for the sewer user fee until a year later. The agreement said the District could not receive more than \$62,000 annually, an amount the District would exceed. However, it is now changed that the District cannot exceed \$310,000 in five years. Mr. Ray asked what was the term of the agreement. Mr. Land said five years.

Ms. Cramer called for a vote for the motion to approve the amendment to the agreement with Pima County. The motion passed unanimously.

V. General Manager's Report

Mr. Stratton reported that he had outlined in his report most of the issues he has involved his attention. Most of the activities have been relatively minor, but there has been a lot. Attached to the report was a project completion schedule for the office building that shows its completion in September 1998.

Ms. Cramer asked if the resolution of the problem with Pima County regarding Linda Vista Reservoir had avoided any delay with construction. Mr. Stratton said he commended Mr. Charlie Maish, District Engineer, and Michael McNulty of Brown & Bain in resolving this issue. The District has been able to establish a better working relationship with Pima County Building Codes' new officer and have reached an understanding. No time delay occurred with our project and Pima County agreed that the reservoir is not a public building.

Mr. Tripp asked what was learned about the gas operated engine as noted in the General Manager's report. Mr. Stratton said that he and a few staff members had gone to Sierra Vista to examine gas operated engines being used. The main concern was the noise level generated. A 13 year old facility next to a mobile home park had its air vents designed away from the development and so the engine noise was fairly low. The other site was much larger and was away from residents. The noise was muffled. Staff was more concerned that the water cooled the engine by having it circulated through the water main from the well. Supposedly ADEQ approved the design, but it would not be how the District would want it designed. Both units had backup electrical engines. Their production was approximately 900 gallons a minute. One engine was rebuilt after ten years of operation. He was pleased that the noise level was as low as it was with the engines.

Mr. Johnson asked what was the horse power of the engines. Mr. Hill said they were 150 and 300. Mr. Ray said that he was aware of gas power engines being used in New Mexico. Mr. Stratton said the representative from Southwest Gas also noted a farmer in southeastern Arizona using a gas operated pump for a booster facility. Mr. Johnson asked if there was any cost comparison with electric. Mr. Stratton said he did not have that information.

Mr. Doyle asked if the engines were naturally aspirated or a turbo charge. Mr. Hill said that the larger horse powered engine was a turbo charge.

Mr. Tripp asked if gas power engines appear viable for the District. Mr. Stratton said yes, but he wanted to examine closer how the engines could be cooled. Additionally, staff needs to look at the capital costs involved to install one, including engineering and conversion cost as well as pay back on savings. Mr. Hill noted that he had reports from Southwest Gas that he would be pleased to share with the Board.

Mr. Doyle noted that natural engines can be bought on the spot market. Mr. Stratton agreed but wondered if for one or two wells, it would be better to utilize Southwest Gas.

VI. Legal Counsel's Report.

Mr. McNulty noted that his firm, Brown & Bain, was retained by a mining consortium to look at the deregulation of electricity. The Arizona Corporation Commission (ACC) wants to allow a free market on electricity. This could bring down eventually the District's power costs.


Mr. McNulty reported that the litigation with the City of Tucson is proceeding. Both sides are to agree in ten days on deposition of witnesses that have been identified. Mr. Johnson will be the first for the deposition. Approximately ten to fifteen people will be deposed. Mr. McNulty noted that Brown & Bain was preparing for the trial regarding substituting groundwater for CAP water. He distributed a couple of client-attorney privilege reports for the Board members to review.

VII. Future Meeting Dates; Future Agenda Items

The next regular Board meeting is scheduled for August 11, 1997.

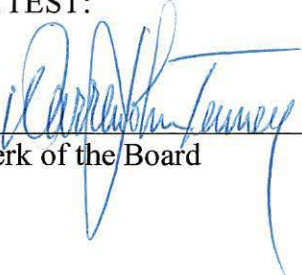
VIII. Adjournment

The Board adjourned the meeting at 7:40 p.m.



Martha L. Cramer, Chair of the Board

ATTEST:



Clerk of the Board