

**METROPOLITAN DOMESTIC WATER IMPROVEMENT DISTRICT
BOARD OF DIRECTORS MEETING**

June 14, 1999

****Board Room****

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

MINUTES

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

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

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 5:01 p.m. Jim Doyle, Herb Johnson, Peter Schlegel and Marlene Wright were present.

Executive Session

Mr. Schlegel made the motion that the Board of Directors move to Executive Session. Ms. Wright seconded the motion and it passed unanimously. The Board went into Executive Session at 5:02 p.m.

Executive Session pursuant to A.R.S. § 38-431.03 (A)(3) (consultation for legal advise with the attorney or attorneys of the District) and/or executive session pursuant to A.R.S. § 38-431.03 (A)(7) (to negotiate for the purchase or lese of real property) regarding the following:

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

The Board returned from Executive Session at 5:50 p.m.

Regular Session

I. Call to Order and Roll Call

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

II. Presentation regarding Proposed Wholesale Water Rate

Mr. Mark Stratton, General Manager, advised that there was a need to establish a municipal wholesale water rate based on the termination agreement with Oro Valley. The District will continue to provide water for one cul-de-sac off Northern Avenue since it is presently cost prohibitive for Oro Valley to make the necessary infrastructure change to connect that neighborhood to its system. Staff did try to determine the actual cost; however, due to the short time frame they were unsuccessful. Oro Valley has charged \$1.45 for its wholesale rate. The District is proposing to charge \$1.50. Since the District is to have a uniform rate for all users, Mr. Stratton recommended the establishment of a municipal wholesale water rate that can be used whenever any municipality requests water.

III. Comments from the Public Regarding Proposed Wholesale Water Rate

There were no comments from the public regarding the proposed wholesale water rate.

IV. Consideration and Possible Action to Pass and Adopt Resolution 1999-6 to establish a municipal wholesale water rate for the Metropolitan Domestic Water Improvement District effective June 15, 1999

Ms. Wright moved that the Board of Directors approve Resolution 1999-6 to establish a municipal wholesale water rate. Mr. Doyle seconded the motion.

Mr. Johnson asked if there was any protection for the District to be immune from claims associated with variations in pressure. He wanted to know if Oro Valley is responsible for any problems after they purchase the water. Mr. Schlegel noted this was also an area of concern regarding treatment of the water.

Mr. Stratton advised that the District tries to stay within a certain range of pressure; however, every once in a while the pressure has peaked and in that event, the District does pay for repairs. Past District policy has been to reimburse homeowners if they have a problem with high pressures and in some instances, the District has put in a permanent pressure reduction valve. Ms. Chase advised that in the termination agreement, Metro Water is under no liability for water provided. Oro Valley is responsible for water delivered and they assumed any liability. The District only delivers the water.

Mr. Johnson stated that anyone who purchases the water wholesale should have the same liability no matter what. Ms. Chase said that needs to be remembered when the District has other requests for municipal wholesale water. Ms. Chase advised that the District should have a separate agreement with any municipal provider seeking wholesale water.

Mr. Schlegel asked if notice of this issue was properly given. Mr. Warren Tenney said that per the statutes, a notice was published in the Arizona Daily Star and Tucson Citizen and the Board of Supervisors were informed.

Mr. Ray called for a vote to approve Resolution 1999-6. The motion passed unanimously.

V. General Comments From the Public

There were no comments from the public.

VI. Consent Agenda

- A. Approval of Minutes – May 10, 1999 Board Meeting
- B. Approval of Minutes – May 26, 1999 Special Board Meeting
- C. Ratification of Billing Adjustments

Mr. Schlegel made a motion to approve the consent agenda. Mr. Johnson seconded the motion and it passed unanimously.

VII. General Business – Items for Discussion and Possible Action

A. Financial Report.

Mr. Land, Chief Financial Officer, noted that the District's financial status was positive and staff would continue to provide more background in the financial report.

Mr. Schlegel noted that the report indicated that the District was over budget regarding power by some \$100,000. He asked if there were any particular reason. Mr. Land explained that the year-to-date figures are right in line with last year. Mr. Stratton advised that the District is presently negotiating with Tucson Electric Power (TEP) for uninterruptible rate. Due to turnover of staff at TEP, the negotiations had to start over and the District was not able to utilize the rate during this budget year. Mr. Land indicated that it was hoped during last year's budget process that we would obtain the rate, but we were unable to do so.

B. Disposal of Old Outdated Computer Equipment.

Mr. Johnson made a motion to direct the General Manager to dispose of outdated computer equipment no longer used by the District to Desert Waste Not Warehouse. Ms. Wright seconded the motion and it passed unanimously.

C. Approval of Intergovernmental Agreement with Pima County for the Collection of Sewer User Fees.

Mr. Stratton said that the District established a 5-year agreement with Pima County to collect sewer fees on their behalf. In that agreement, rates can be revisited. In the original agreement, the rate was 48 cents. The District is presently negotiating a new 3-year IGA agreement and is requesting a cost of 58 cents per account per month. Pima County officials will propose this rate to Pima County Board of Supervisors, if the Board approves this rate.

Mr. Ray noted that the District collects the County's fees for them in our user area and in turn give them the fees for which we charge an account fee. Mr. Land said that the revenue received from this is \$105,000 per year.

Ms. Wright made a motion to approve the Intergovernmental Agreement with Pima County for the collection of sewer user fees as for a three-year term from July 1999 to June 2002. Mr. Johnson seconded the motion.

Mr. Schlegel asked what arrangement other entities have. Mr. Land advised that the District is the only water provider, other than Tucson, collecting fees for Pima County Wastewater. Mr. Schlegel asked if this agreement includes the Hub service area. Ms. Chase said that it does. Mr. Stratton noted that Hub customers have been notified that they will be receiving the wastewater bill with their water bill.

Mr. Ray called for a vote for the motion to approve the IGA with Pima County for the collection of sewer user fees. The motion passed unanimously.

D. Status of Sale of Office.

1. Approval of Purchase and Sale Agreement and Authorization of General Manager to Finalize Documents.

Mr. Schlegel moved to approve the Real Estate Purchase and Sale Agreement between the District and Larsen & Brashear, L.L.C., substantially in the form attached, and all incidental documents relating to the sale of the old office building and that the Chairman of the Board is authorized to sign all documents necessary to finalize and close the sale of the office building, including, if necessary, a revised Real Estate Purchase and Sale Agreement, provided such revisions are not substantial. Ms. Wright seconded the motion and it passed unanimously.

2. Approval of Lease of Metal Building at 7235 N. Paseo del Norte.

Mr. Johnson made a motion to approve the leasing of the metal warehouse to Explorer Newspaper or Larsen & Brashear, L.L.C., for (i) no less than \$175 per month payable in cash or by advertising space in the Explorer Newspaper and (ii) such period of time and on such other terms and conditions as the General Manager determines is appropriate, and to authorize the

General Manager to execute such lease agreement. Mr. Schlegel seconded the motion. Mr. Ray called for a vote and the motion passed unanimously.

E. Appointment to Bond Oversight Committee.

Ms. Wright moved that the vacant position by District Bond Oversight Committee be announced to the residents so any or all interested individuals are considered for the position. Mr. Schlegel seconded the motion and it passed unanimously.

F. Approval of Employee Health Insurance Coverage.

Ms. Wright made a motion to approve the proposal from the Mahoney Group to provide staff medical coverage with Intergroup and United Health Care at the lowest co-pay tier under the Mahoney Group's proposal, and furthermore life and dental insurance to remain under Pima County. Mr. Doyle seconded the motion.

Mr. Schlegel asked if two separate motions were necessary. Ms Chase said it was not necessary.

Mr. Ray called for a vote regarding the motion to approve employee health insurance coverage. The motion passed unanimously.

G. Approval of Miscellaneous Annual Services and Materials for Utility Division Fiscal Year 1999-2000.

Mr. Stratton advised the Board members that this is basically an annual bid for purchase of materials by the Utility Division through the year that includes pavement, bedding material, etc. It is generally done on a yearly basis in order to lock in the cost for a year, including rental costs, and staff then knows which vendor to use for a particular item.

Mr. Doyle moved to approve the annual quotes for barricade rental, chlorine, aggregate, paving and equipment rental from the corresponding low bids per items as presented by staff, and directed staff to use another appropriate bidder for a particular service or material if performance or quality of a service of the low bidder does not meet the District's needs. Mr. Schlegel seconded the motion and it passed unanimously.

H. Approval of Well Maintenance Contract.

Mr. Stratton explained that this is an annual contract for the maintenance of the annual wells. Historically the District has completed three to eight wells a year, depending on the amount of money available.

Ms. Wright made a motion to award Duncan the contract for Well and Maintenance Contract for the fiscal year for an amount not to exceed \$45,000. The motion was not seconded.

Mr. Johnson made a motion that Farwest Pumps, Inc., be awarded the well and maintenance contract for the fiscal year 1999-2000 for an amount not to exceed \$45,000. Mr. Schlegel seconded the motion.

Ms. Wright indicated the staff report expressed a concern about the service and quality received by Farwest. If they are awarded the contract, they are supposed to be qualified to provide the service expected and staff should not have to hold their hands throughout the contract. She further indicated that it sounds like it will cost more than what was in the contract. Contractors should be competitive to provide good service.

Mr. Schlegel said that Ms. Wright made a good point. He reminded the Board that Farwest has been in business for a long time and sometimes they need a gentle reminder to do basic things. Farwest has worked well in the past and he is comfortable with having staff work with Farwest from time to time to check on them.

Mr. Johnson said that staff has over seven years of experience working with various well contractors and that relationships with well contractors go beyond the unit price, it is also based on their experience and ability to get the job done. He felt staff has evaluated this and felt Farwest should be awarded the contract.

Mr. Ray called for a vote on the motion to approve awarding Farwest Pumps, Inc., the Well and Maintenance contract. The motion passed with Mr. Doyle, Mr. Johnson, Mr. Ray and Mr. Schlegel voting in favor, and Ms. Wright voting against.

Mr. Ray directed that the General Manager provide a quarterly report on the company's performance so the Board will be notified if they need to take additional action. Mr. Stratton advised that since the District does not generally begin well maintenance until the weather cools off, it would be more efficient to provide monthly updates during the well maintenance season.

I. Approval of Amendment No. 1 to the Miscellaneous Water Distribution Design Services III Contract with Cella Barr Associates.

Mr. Schlegel moved to approve Amendment No. 1 to the Miscellaneous Water Distribution Design Services III Contract with Cella Barr Associates, which provides an additional not-to-exceed \$100,000 compensation and a new contract expiration date of June 30, 2000. Mr. Johnson seconded the motion and it passed unanimously.

J. Award of Miscellaneous Survey Services III Contract for Fiscal Year 1999/2000.

Mr. Johnson made a motion to award the Miscellaneous Survey Services Contract for Fiscal Year 1999/2000 to both Collins/Piña Consulting Engineers and DJA Engineering Corporation and to direct staff to secure contracts with each consultant, on a time and material basis, not-to-exceed \$100,000 each. These contracts will expire at the end of the fiscal year or when the money budgeted is exhausted. Mr. Schlegel seconded the motion and it passed unanimously.

K. Approval of Amendment No. 2 to the Miscellaneous Geotechnical Services Contract with AGRA.

Mr. Schlegel made a motion for approval of Amendment No. 2 to the Miscellaneous Geotechnical Services Contract with AGRA Earth & Environment, Inc., providing a new contract expiration date of June 30, 2000. Ms. Wright seconded the motion. The motion passed unanimously.

L. Award of Contract for Volatile Organic Chemicals (VOCs), Total Trihalomethanes (TTHMs) and Other Disinfectant By-Products Analytical Testing Services.

Mr. Doyle made a motion to award the analytical services contract for Volatile Organic Chemicals, Total Trihalomethanes, Maximum Trihalomethanes, Haloacetic Acids, Bromate and Chlorite to Acquatch Laboratories for a not-to-exceed amount of \$41,500, (subject to lab license renewal by the Arizona Department of Health Services). The contract expiration date will be June 30, 2000 with an option to renew for one year. Mr. Johnson seconded the motion.

Mr. Schlegel asked whether the District has done any study as far as to what the breakeven period would be to do our own testing. He noted that the City of Tucson has its own testing service. Mr. Stratton explained that the District has not done a specific study but knows that laboratory equipment for the testing methods is quite expensive. Mr. Doyle said that Pima County was still paying for its machines, trying to recover the cost. Mr. Ray added that doing our own testing would require certification of the lab and equipment, which is an additional cost as well as adding personnel.

Mr. Schlegel asked if Arizona Department of Environmental Quality (ADEQ) has the same requirements of all water providers, both large and small, and do they enforce the regulations on all water providers, regardless of size. Mr. Stratton said that ADEQ does have the same requirements and enforcement procedures for all. The only variance is the number of samples required based on the number of point of entries. We have 23 points of entries that we test for. Hub has 1,500 connections with 5 wells, and they have 5 points of entry.

Mr. Ray called for a vote for the motion to approve the award of the contract for Volatile Organic Chemicals (VOCs), Total Trihalomethanes (TTHMs) and Other Disinfectant By-Products Analytical Testing Services. The motion passed unanimously.

M. Award of Contract for Synthetic Organic Chemicals (SOCs) Testing Services.

Mr. Schlegel moved to award the analytical services contract for Synthetic Organic Chemicals (to include Dioxin) to Acquatch Laboratories for a not-to-exceed amount of \$45,800 (subject to lab license renewal from the Arizona Department of Health Services). The contract expiration

date will be June 30, 2000 with option to renew for one year. Ms. Wright seconded the motion. The motion passed unanimously.

N. Award of Analytical Services Contract for Inorganic Chemicals.

Mr. Schlegel made a motion to award the analytical service contract for Inorganic Chemical Analyses to Turner Laboratories for a not-to-exceed amount of \$6,500 (subject to lab license renewal from the Arizona Department of Health Services). The contract expiration date will be June 30, 1999. Mr. Johnson seconded the motion.

Ms. Wright noted that the date of the contract expiration should be 2000. Mr. Schlegel moved to amend his prior motion by stating that contract expiration date will be June 2000. Mr. Johnson seconded the amendment. The amendment passed unanimously. Mr. Ray called for a vote for the amended motion to award the analytical contract for inorganic chemical analyses to Turner Laboratories. The amended motion passed unanimously.

O. Award of Contract for Radiochemical Analytical Services.

Mr. Johnson made a motion to award the analytical services contract for Radiochemicals to Acculabs, Inc., for a not-to-exceed amount of \$8,900 (subject to lab license renewal by the Arizona Department of Health Services). The contract expiration date will be June 30, 2000 with option to renew for one year. Mr. Schlegel seconded the motion. The motion passed unanimously.

P. Award of Miscellaneous Hydrogeological Services Contract (III).

Mr. Johnson made a motion to award the Fiscal Year 1999/2000 professional services contract for Miscellaneous Hydrogeological Services to Groundwater Resources Consultant, Inc., on a time and materials basis not-to-exceed \$25,000. Ms. Wright seconded the motion and it passed unanimously.

Q. Approval of Agreement with Bureau of Reclamation for the Southern Arizona Regional Water Management Study.

Ms. Wright moved to approve the Intergovernmental Agreement with the U.S. Bureau of Reclamation, the District, Marana and Oro Valley for the Southern Arizona Regional Management Study. Mr. Johnson seconded the motion.

Mr. Stratton advised the Board Members that this has been an ongoing project with the U.S. Bureau of Reclamation. Pima County Flood Control District had been the managing entity and the District had an agreement with them. Due to the change in focus, PCFCD determined they should no longer be in the lead. Therefore, it resulted in the District, Oro Valley and Marana each negotiating an IGA with the U.S. Bureau of Reclamation.

Mr. Johnson said he was concerned about the portion of in-kind efforts that this calls for to be paid by our District, Oro Valley and Marana. He felt it was an expensive project and the cost should be allocated according to the projected population for 2005 of the respective three parties. Mr. Ray noted that this contract does not address the percentage or portion of costs.

Mr. Eric Holler, from the U.S. Bureau of Reclamation explained that the contract is not rigid from the federal perspective. The Bureau is wanting to work with the entities to see their long-range needs for integrating CAP water into their systems. The study is examining individual and regional approaches for distribution and treatment. The District, Oro Valley and Marana are asked to each provide 33% in-kind service. Most of the matching in-kind dollars has already been spent by the entities. Some of the studies included as in-kind are studies that have been done for assured water supply designations, hydrological studies and northwest replenishment studies.

Mr. Johnson asked what was the total money involvement by the District. Mr. Holler stated that after talking to Mr. Stratton, it was determined that the money involvement with the District would be minimal. What the Bureau is seeking is assistance to determine the needs of our distribution system and integration of long term goals in the existing infrastructure.

Mr. Johnson asked about the design populations of the three parties involved. He indicated he did not want to pay for census for Marana and Oro Valley. Mr. Holler said that the Bureau is using existing census data from ADWR and using existing studies.

Mr. Johnson stated that the report made to date was quite complete and outlined what needed to be done. He wanted to ensure that the District did not pay more than its prorata share based on population. Mr. Ray pointed out this contract was good for one year and would be revisited at that time. Mr. Johnson explained he was trying to look down the road since the project could cost \$40 million to complete. Mr. Holler noted that for this study, each provider is explaining their present distribution system and their needs. Oro Valley and Marana may need more water in the long term, but that will be identified in the study.

Mr. Ray called for a vote on the motion to approve the Intergovernmental Agreement for the Southern Arizona Regional Water Management Study. The motion passed unanimously.

VIII. General Manager's Report

Mr. Stratton introduced Cathie Fendley as his new Executive Secretary replacing Joyce Osborne since Joyce filled a new position. He advised the Board Members of the Outdoor Self-Audit Report that was designed by Warren Tenney. Mr. Schlegel said that he had not received a copy of the audit and Mr. Stratton promised to deliver one to him.

Mr. Stratton reported that District staff had applied to EPA for a grant involving source water protection.

Mr. Stratton asked Mark Myers to report on an issue that had just developed regarding Indian water settlements and Central Arizona Water Conservation District (CAWCD) pricing of CAP water. Mr. Myers reported that CAWCD was looking at changing the agriculture pool pricing, which would cause a doubling of the cost of water to get groundwater recharge credits. While this change is to benefit the Gila Indian River Community, it would have a negative impact on the Tucson Active Management Area. Inadvertently, the proposed pricing would discourage farmers from using renewable supplies and increase groundwater pumping. A fast response is needed because CAWCD is to act quickly on this issue.

Mr. Ray said a letter should be written and sent questioning the proposed costs. Mr. Schlegel questioned if more action should be done. Mr. Myers said that the District should send the letter to CAWCD since they have yet to adopt the proposed cost and at least get an exemption for the Tucson Active Management Area. This is a regional issue in which local entities need to work together in a coalition effort.

Mr. Christopher Hill, Deputy Manager, distributed a hand-out about proposed new arsenic regulation. Mr. Hill explained that arsenic was one of 80 regulated requirements. EPA is trying to accelerate a new maximum contaminant level (mcl) to 2 to 10 ppb. The mcl has been 50 parts per billion (ppb). Presently, U.S. water providers are paying \$120 million for arsenic treatment. At 20 ppb, it would go up to \$4.2 billion a year to pay for the cost, more than double the investment to implement all other drinking water standards. He said he and Mr. Stratton were involved in WestCAS, which has taken the position to encourage EPA to take a tiered approach rather than the rumored 2 to 10 ppb that they may propose. Staff wanted to make the Board aware to the new EPA ruling may have an impact on District wells after January 2000.

Mr. Schlegel asked where fire hydrants have been installed and requests information concerning that program. Mr. Steve Dean, Utility Superintendent, explained that the District is using some of the CIP monies to install hydrants. They are installed in areas where mainline replacement projects are done. They are going to work on fire flow protection where it is lacking. Mr. Schlegel said he was concerned about how these points are chosen and how they are paid for. Other communities have set up improvement districts while others have charged the customers that would benefit from it directly. Mr. Ray asked if some of the hydrants are being paid for by Northwest Fire District. Mr. Dean indicated that the projects they are working on excluded those.

Mr. Schlegel asked Mr. Stratton if he had contacted any other water providers regarding the ADWR audit. Mr. Stratton advised that he had spoken to some other water providers. Some may pay down the violation, others are not certain what their governing boards will do. He is not sure how many providers received notifications of violations versus flex account balance. ADWR has not made any decision on this issue yet. Mr. Schlegel stated he was concerned with being required to repeat recent audits. Mr. Stratton advised that the District did go through audits in 1995 and 1996 with ADWR. ADWR provided a report of the 1995 audit. An audit was done in 1996, but ADWR says it cannot find the report. The District intends to focus on 1997 when staff attends the audit in July.

IX. Legal Counsel's Report


Ms. Chase reported that she had nothing further to add.

X. Future Meeting Dates: Future Agenda Items


The next scheduled Board meeting is July 12, 1999.

XI. Adjournment

The meeting was adjourned at 7:23 p.m.



Clerk of the Board



Sam E. Ray, Chair of the Board