

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

May 9, 1994
7235 North Paseo del Norte
Tucson, Arizona 85704

MINUTES

ATTENDANCE:

Members: Herb Johnson, Chairman
 Jim Tripp, Vice-Chairman
 Pete Schlegel, Member
 Kate O'Rielly, Member (arrived at 5:13 p.m.)
 Alex Jácome, Member (arrived at 5:05 p.m.)

Others Present: Mark Stratton, MDWID General Manager
 Mike Block, MDWID Hydrologist
 Bill Carroll, Cella Barr & Associates
 Bud Dooley, Oro Valley
 Scott Eisenfeld, MDWID
 Sheila Lewis, MDWID Administration Manager
 Michael McNulty, Brown and Bain
 Dan Offret, Citizens Watch Committee
 Steve Shepard, MDWID
 Peggy Slater, La Cholla Hills
 Warren Tenney (recording secretary)

I. CALL TO ORDER AND ROLL CALL

- A. The meeting was called to order at 5:00 p.m. by Mr. Herb Johnson, Chairman of the Board of Directors. Mr. Jim Tripp and Mr. Pete Schlegel were present.
- B. Mr. Tripp moved that the Board approve the meeting notice and agenda for May 9, 1994. Mr. Schlegel seconded and the motion passed unanimously with the members present.

II. COMMENTS FROM THE PUBLIC

There was no comment from the public.

III. CONSENT AGENDA

- A. Approval of Minutes - April 11, 1994 Board Meeting.**
- B. Approval of Minutes - April 25, 1994 Study Session.**
- C. Ratification of Billing Adjustments or Small Damage Claims.**
- D. Financial Issues - Update on Revenues, Checks and Warrants.**
- E. Answering Service Contract.**
- F. Mail Service Contract.**

Mr. Schlegel made the motion to consider items III.E. and III.F. separate from the consent agenda. Mr. Tripp seconded the motion and it passed unanimously with the members present.

Mr. Schlegel made the motion to approve items III.A., III.B., III.C., and III.D. on the consent agenda. Mr. Tripp seconded the motion and it passed unanimously with the members present.

Items III.E. and III.F. were moved under Item IV - Old Business.

IV. OLD BUSINESS -- ITEMS FOR DISCUSSION AND POSSIBLE ACTION

A. Northwest Water Alliance - Report on Status.

Mr. Mark Stratton noted that the recent status of the Organization Subcommittee is highlighted in the May 9, 1994 report to the Board of Directors regarding the Northwest Water Alliance (Alliance). A meeting of the initial members of the Alliance to discuss the Alliance's organization is being scheduled for May 18, 1994, 11:00 p.m. Mr. Jim Peterson is drafting a letter to the representatives of the Alliance. Discussion has occurred regarding the need for the Alliance to be truly organized with strong leadership to continue programs initiated by the Metropolitan Domestic Water Improvement District (District). The Alliance needs a full-time person to attend to the replenishment programs, legislative issues, assured water supply rules, and other matters. Each member of the Alliance needs to determine if it wants to provide funds.

Mr. Alex Jácome arrived at 5:05 p.m.

Mr. Johnson said that each member of the Northwest Water Alliance needs to be involved at the beginning of formal organization. If someone decides to participate in a project after it has begun, they should pay a prorated cost. Exact bookkeeping of projects will need to be kept. In a month, it should be clear if members of the Alliance will be willing to participate financially in order to receive the benefits of the Alliance.

B. Proposed 1994 Water Rates; May 16, 1994 Information Meeting, 7:00 p.m., Cross Middle School; June 13, 1994 Public Hearing.

Mr. Schlegel inquired if staff has prepared the presentation and material for the May 16, 1994 information meeting and if the Board will have an opportunity to see it before the meeting. Mr. Stratton said that an outline of the presentation has been distributed to the Board. Various

charts, maps, photographs and overheads will be used for the meeting. As suggested by the Board at the April 25, 1994 study session, staff will make the presentation but Board members can address questions, if necessary. Mr. Schlegel said that the information meeting was a new experience for the District and he wanted to be certain the meeting was well prepared. It would be helpful to the Board to be familiar with the material prior to the meeting. Mr. Stratton said material can be provided to the Board by May 12, 1994.

Ms. Kate O'Rielly arrived at 5:13 p.m.

Mr. Jácome said that staff should handle the meeting and the Board can provide minimal comments. Mr. Johnson said the meeting should be chaired and moderated by Mr. Jim Tripp, the Vice Chairman, since Mr. Johnson will be out of town. Mr. Stratton noted that the actual presentation will be kept simple and brief and will highlight the District's accomplishments and objectives.

The Board discussed having at the meeting handouts, visual displays, name tags for Board members and staff, and cards available for people to write their questions. The moderator should discourage side questions, and precise answers need to be provided.

Mr. Schlegel said that charts showing the proposed rates should include the percentage increase. Mr. Jácome said that the actual dollar amounts should be emphasized because percentages can skew the discussion and give the impression that the rate increase is much larger. Mr. Johnson suggested that the percentage and dollar increases could be included on the graphs.

Mr. Stratton and Mr. Johnson suggested presenting to the public two different rate increases. The first option would be the Rate Advisory Committee's recommendation of \$9.00 for the base rate and \$1.50 for the commodity rate. The second option would be \$9.83 for the base rate and \$1.55 for the commodity rate. The second option should be presented as more monies than suggested in the first option are needed to improve the system and to assure water for the future. The Board will not vote on the actual rate increase until the June 13, 1993 public hearing.

Mr. Schlegel asked if the bond prospectus prevented raising rates higher or lower than eight percent. Mr. Johnson said that an eight percent rate increase was included in the prospectus for after the first year. Mr. Michael McNulty said that rates must be sufficient to pay the bond.

C. Status of Renegotiations with the City of Tucson regarding the Asset Purchase Agreement and the Northwest Area Agreement.

Mr. McNulty said that the District has tried formally and informally to obtain from Tucson Water a concept for amending the Asset Purchase Agreement as Tucson Water staff was authorized by the Mayor and Council. After requesting specific proposals for a month, the General Manager drafted an amendment and sent it to Tucson Water. Mr. John Jones, Acting Director of Tucson Water, said in a phone conversation on May 5, 1994 that Tucson Water planned to hire a rate analyst to develop a new rate structure for the District that could constitute a blended rate for untreated CAP water or effluent and treated CAP water. The new rates would

be retroactive. The District's request for a separate CAP contract has been reiterated. No renegotiations have really begun. One suggestion is to ensure that the water quality and corrosion problems with CAP water are detailed and identified by Tucson Water. This may require the District to decline taking the water in order to prevent damage to the District's infrastructure. A second option is to request an audit of Tucson Water.

Mr. Johnson said that the blending of the rates appears to be an attempt to recoup the capital investment in Tucson Water's treatment plant at the District's expense. The District could approach the situation by questioning the validity of the cost. The contract was written before Tucson Water decided upon a chemical treatment plant that was decided without consulting the parties of the Northwest Area Agreement. The agreement was also written so that the District does not receive water in time of shortage despite District participation in the capital investment. By the year 2003, Mr. Marvin Cohen anticipates that the City of Tucson will use all the water from the treatment plant; however, the District will be without water but will still have twelve years to pay on the capital retirement.

Mr. McNulty said there is a distinction between the Northwest Area Agreement and the Asset Purchase Agreement. The District is in a position to argue that the Northwest Area Agreement does not pertain any more because the location of the treatment plant was altered, cost has dramatically increased, and other plans were changed without any input from the District despite the annual consultation requirement. The Asset Purchase Agreement does not agree to a set price for receiving CAP water, except for \$348 acre foot for the first nine months. Mr. Johnson noted that the Asset Purchase Agreement refers to the original contract. If it is not valid, then the Asset Purchase Agreement should be invalidated.

Mr. Jácome said that an original stipulation in the original Asset Purchase Agreement was the renegotiation of the Northwest Area Agreement. If they refuse to renegotiate the cost of the CAP water despite the District's efforts, that should bring the Asset Purchase Agreement into question. Mr. McNulty said that the Asset Purchase Agreement stated that when the District had the technical capability to address the financial issues of the Northwest Area Agreement, the District would commence renegotiating the Northwest Area Agreement. The District should state that it is ready to do that now and thereby demonstrate the District's compliance. Mr. Jácome said that the correspondence will show that the District has been trying to solve the problems.

Mr. Schlegel made the motion that the Chairman should write a letter stating that the District is commencing the renegotiation of the Northwest Area Agreement. Mr. Tripp seconded the motion and it passed unanimously.

Mr. McNulty questioned if the Board would be willing to entertain bids from accounting firms for an audit of Tucson Water. The audit should be done under the direction of legal counsel in order for the work-product privilege to apply to the audit in the event the Board proceeds with anticipated litigation against the City. Mr. Jácome questioned who would do the RFP for the accounting firms. Mr. McNulty said that District staff could help develop it. Mr. Schlegel

asked if Pima County might assume some of the cost in order to protect one of its entities. Ms. O’Rielly doubted the likelihood of Pima County being willing to pay for such an audit.

Mr. Jácome made a motion to authorize the request for bids for an audit of Tucson Water. Mr. Tripp seconded the motion and it passed unanimously.

Item V.A. was discussed at this time while Mr. McNulty was present at the meeting.

V. NEW BUSINESS -- ITEMS FOR DISCUSSION AND POSSIBLE ACTION

A. Opening of an Escrow Account for Monies Collected for the Northwest Area Agreement.

Mr. Johnson noted that at the April 25, 1994 study session, the Board learned that Cañada Hills Water Company had placed monies for the Northwest Area Agreement in an escrow account. Mr. Jácome suggested that the District follow the same practice.

Mr. McNulty said that opening an escrow account for monies collected for the Northwest Area Agreement demonstrates that the District is taking a comprehensive reevaluation of the Northwest Area Agreement. The City of Tucson will complain but it should not create a problem. The escrow account is less threatening than stating that the District will not pay the monies.

Mr. Tripp made the motion to authorize the opening of an escrow account for monies collected for the Northwest Area Agreement. Mr. Jácome seconded the motion and it passed unanimously.

Mr. Jácome questioned if any special bookkeeping needs to be done for the escrow account. Mr. McNulty said that the account should not be specified but kept as a segregated account. Mr. Schlegel and Mr. Jácome said that it should be a separate escrow account. Mr. McNulty said that the City of Tucson also needs to account for the tax issue. Once the money is taken, two percent of it is taken by the City Treasurer to use for the City.

IV. OLD BUSINESS -- ITEMS FOR DISCUSSION AND POSSIBLE ACTION

D. Concept of District Newsletter and Direction to Staff.

Mr. Stratton noted that the concept of a District newsletter has been discussed at recent Board meetings. District customers would like to receive information about the District. Mr. Schlegel presented ideas about a newsletter at the April 11, 1994 Board meeting. Staff would like to formalize a process for a routine newsletter to be produced by the District.

Mr. Jácome made the motion that District staff generate a quarterly newsletter that is one page and simple. Ms. O’Rielly seconded the motion.

Mr. Schlegel said that the newsletter is important to the District's success. Expertise is needed to produce a professional newsletter. Monies will be spent for a newsletter so spending a little more would help produce a better image. Other utilities produce professional newsletters. The District should follow a similar standard.

Mr. Jácome said that the information should be provided to the public without spending too much money. The District does not have to purport the same professional image as Tucson Water and other utilities. The newsletter can be included with the billings. Ms. O'Rielly said that a positive one page newsletter can be produced by staff. Tucson Water's materials often look too expensive. The District's newsletter should be constructive, friendly and incorporated as part of the billings.

Mr. Schlegel said he supported a more professional approach because of the importance of the image presented by the newsletter. District staff is already busily involved with other projects.

Mr. Johnson noted that a member of the Board should review the newsletter before it is sent. Mr. Jácome volunteered to review the newsletter.

Mr. Johnson called for a vote regarding the motion to have a quarterly newsletter. The motion passed three to one. Mr. Schlegel voted against and the Chairman abstained.

E. Answering Service Contract.

Mr. Tripp questioned if a bid was received from the answering service presently used by the District. Ms. Sheila Lewis said there was not.

Ms. Lewis said that four quotes were received. Home Office gave the lowest bid and can provide the desired service. A recorded message can be made to supply information to a customer but the service would also allow the customer to speak to an operator.

Mr. Jácome asked how fast the answering service can react when there is an emergency. Ms. Lewis said that normally, a customer would report the problem and then the answering service contacts the on-call person. The on-call person determines the problem and provides the information as soon as possible to the answering service. Mr. Jácome asked if someone could be appointed to record the information. Mr. Stratton said he was hesitant to leave that responsibility to the on-call person because the on-call person would need training as well as the on-call person's time is needed to correct the problem. Assigning another person could be difficult due to not always knowing if the person will be in town during an emergency.

Mr. Tripp said the a thirty day escape clause should be included in the contract.

Mr. Tripp made a motion to authorize a one year contract with a thirty day escape clause included at an amount not to exceed \$3,000 to be signed with Home Office for the answering service contract. Mr. Jácome seconded the motion.

Ms. O’Rielly asked if direct voice mail was considered. Ms. Lewis said it had not been checked.

Mr. Johnson called for a vote regarding the motion to authorize a contract with Home Office. The motion passed unanimously.

F. Mail Service Contract.

Ms. Lewis reported that two quotes were received from mailing services. Bills would be processed by the mailing service four times a month. The District will provide the bill forms, envelopes and postage. The mailing service contract provides for processing, inserting a flier, and mailing.

Mr. Jácome asked the cost of the mailing service. Ms. Lewis said it is \$3,000 for six months. Mr. Tripp asked if the contract was for a three month trial. Ms. Lewis said that she thought six months would provide more time to evaluate the service. She said that a thirty day escape clause can be included in the contract. Ms. O’Rielly asked the monthly cost for Digitgraph, the lowest bidder. Ms. Lewis said it is \$500.00.

Mr. Jácome made the motion to authorize a six month contract with a thirty day escape clause at an amount not to exceed \$3,000 to be signed with Digitgraph for mail service. Mr. Tripp seconded the motion and it passed unanimously.

V. NEW BUSINESS -- ITEMS FOR DISCUSSION AND POSSIBLE ACTION

B. Engineering and Planning

1. Avra Valley Pilot Recharge Project - Ownership and Central Arizona Water Conservation District.

Mr. Stratton noted that the Board has previously discussed ownership of the Avra Valley Pilot Recharge Project. The Board of the Central Arizona Water Conservation District (CAWCD) has indicated that if CAWCD funds more than fifty percent of the construction, then CAWCD should have control of the project. To control the project’s operations and maintenance costs, the District or Northwest Water Alliance may want to consider spending fifty-one percent or more of the cost of the project in order to retain ownership. The District or Northwest Water Alliance could keep operation and maintenance costs lower than CAWCD could with its large overhead.

Mr. Jácome questioned how much the District would need to pay to maintain control. Mr. Stratton said that the project will cost approximately between \$400,000 and \$500,000. However, others in the Northwest Water Alliance, Pima County and CAWCD have indicated a willingness to be involved in the project, which would lower the District’s cost. Arrangements need to be formalized with those entities. Mr. Johnson estimated that if CAWCD pays almost fifty percent of the project and members of the Northwest Water Alliance contribute, the

District's cost could be \$50,000. Mr. Stratton noted that \$50,000 has been spent already on consultants regarding the project.

Mr. Jácome inquired about the involvement of others in the Northwest Water Alliance. Mr. Stratton said that the Town of Oro Valley supports the project but is already included due to the intergovernmental agreement. The Town of Marana is waiting because it will benefit from the project one way or the other. Rancho Vistoso and Cañada Hills Water Companies are waiting to determine the potential profit.

Mr. Johnson questioned what costs would be involved if CAWCD had ownership. Mr. Stratton and Mr. Michael Block noted CAWCD has offered to construct a hundred percent of the project. Although the exact operation and maintenance cost that CAWCD would charge is unknown, CAWCD's overhead will dictate a higher cost than what could be arranged with B.K.W. Farms. Mr. Tripp asked if staff would be able to deal with the operation and maintenance of the project. Mr. Stratton said B.K.W. Farms could do it with Mr. Block monitoring the project.

Mr. Johnson noted that the Avra Valley Pilot Recharge Project has been developed and pressed forward the project. After requesting from Tucson Water the use of untreated CAP water at the project, Tucson Water appeared to publicize the project as their recharge project. The project should be portrayed as the District's.

Mr. Schlegel explained that the entity that owns the project will also control the accrued credits, which will become quite valuable in future years. The District should not hesitate to invest enough monies into the construction of the project to ensure District ownership. Mr. Jácome noted that the District's cost could be recovered. The project is one means to demonstrate that the District is an important entity in the region as well as that the District can maintain its resources. Mr. Schlegel said CAWCD will probably not oppose the District owning fifty one or more percent of the project.

Mr. Johnson questioned if it was advisable for the District or the Northwest Water Alliance to own fifty-one percent of the project. Mr. Jácome said that the District should maintain control of the project. Mr. Schlegel agreed, noting that there could be some vulnerability with the Northwest Water Alliance since Tucson Water could participate in the Alliance. The credits will be of value by the year 2010.

Mr. Johnson noted that Mr. Mark Myers has been influential in developing the Avra Valley Pilot Recharge Project. If he is to continue as a consultant, the District will need to authorize a new contract with Mr. Myers. Mr. Jacome said that issue should be placed on the agenda for the next Board meeting.

Mr. Tripp noted that staff should understand from the discussion that the Board wants at least fifty-one percent ownership of the project.

2. Contract for Phase II and V Water Quality Testing.

Mr. Block reported that some initial pricing for the new federally required Phase II and Phase V water quality testing was done in 1993. The water quality testing will cost \$100,000 for the first year, which involves most of the testing required. The cost has generated a lot of complaints; however, the District has to comply until the regulations are amended. The first initial quarter sampling occurred in March 1994. Two laboratories were utilized, one locally for the volatile organic compounds (VOC) and one in Ohio for the synthetic organic compounds (SOC). Four bids were received for the next three quarters. AquaTech in Ohio provided the lowest quote and Copper State provided the lowest quote for VOCs. Based on analysis of the rules, the District might be able to save some money by not being required to test every well, but instead test common storage tanks.

Ms. O'Rielly made the motion to authorize to divide the contracts for analytical services between AquaTech and Copper State Laboratories. AquaTech would be responsible for all SOC organic tests. Copper State Laboratories would be responsible for any VOC organic tests required by Arizona Department of Environmental Quality. Mr. Tripp seconded the motion.

Mr. Jácome questioned which firm lost the District's samples in February 1993. Mr. Block said that firm did not provide a proposal. Mr. Schlegel inquired if Mr. Block was comfortable with AquaTech. Mr. Block said that there were not many laboratories in Arizona that he could recommend; however, AquaTech has a national reputation and has responded quickly with the sample results despite being located in Ohio. Mr. Jácome asked if the testing had been budgeted. Mr. Block said it was included.

Mr. Johnson called for a vote regarding the motion to authorize the contracts for analytical services. The motion passed unanimously.

3. Backflow Program Update.

Mr. Steve Shepard reported that the backflow program is progressing, but not as rapidly as originally anticipated. An updated compliance schedule has been submitted to ADEQ. The new compliance schedule is that high hazard entities will be inspected by July 1, 1994, low hazard areas will be inspected by end of July 1994, and retrofitting will be completed by end of September 1994. Multimeter facilities, such as apartments and business, are to be retrofitted by December 1, 1994. Multimeter facilities as a whole are complying well.

Mr. Tripp noted that compliance can be expensive. Mr. Shepard said he is recommending that people obtain many different bids.

Mr. Jácome asked if installers need to be certified. Mr. Shepard said that many licensed plumbers can do the work; however, the District inspects all work completed.

Mr. Schlegel questioned if summer help could be utilized to make the process move faster. Mr. Shepard noted the work has progressed more since he began utilizing Ms. Ruth Vincent to do more of the data entry work and correspondence involved.

C. Utilities

1. Status of Projects.

a. Marlene Storage Tank.

Mr. Stratton reported that three quarters of the first coating is completed on Marlene storage tank. After completion of the coating, the tank should be returned to service.

b. Oracle Jaynes Well.

Mr. Stratton explained that Oracle Jaynes was returned to service; however, electrical problems with the motor have since occurred. The Oracle Jaynes service area is still being supplemented by Meadowbrook but the problem should be corrected by the end of the week.

c. Oasis Road Extension.

Mr. Stratton said that the Oasis Road Extension is a construction related project that is a continuation of development in the area north of Linda Vista Estates. All cost for staff time and materials is being recovered from the owner's of the parcels so that these projects do not cost the District. The extension of the line will bring it relatively close to an existing sixteen inch Tucson Water line located in Shannon Road that can be used for future emergency backup from the Tucson Water system.

Mr. Jácome expressed concern about the District's involvement with "wildcat" developers. Mr. Stratton said that staff has discussed the matter with Pima County Development Services.

D. General Manager and Staff Report

1. Casas Adobes Park Well Refurbishment.

Mr. Stratton reported that the District does own the Casas Adobes Park well site including the easement. Staff is investigating the feasibility of refurbishing the Casas Adobes Park well if Shannon well needs to be taken out of service. The site will be upgraded with a wall to provide security for any electrical control boxes, and lower the noise level.

2. Advertisement for Utility Superintendent Position.

Mr. Stratton reported that the District is advertizing for the Utility Superintendent position. The position was advertized in the Tucson and Phoenix newspapers and at the Arizona Water and Pollution Control Association conference. Resumes will be accepted through May 20, 1994. Interviews will then be conducted and the hired Superintendent will start July 1, 1994.

Mr. Stratton also reported a few other matters. He reported that the Cañada Hills Water Company has requested to check the feasibility of tying into the District's system north of the

Rancho Feliz subdivision. They need the water now to meet existing demands but do plan to put in a well in the near future. The District wants assurance that it can meet peak demands. Cañada Hills Water Company would need to purchase a boosting mechanism in order to maintain the District's pressure. The District would bill the water company at a wholesale cost.

Mr. Stratton said that the storage building authorized by the Board at the February 14, 1994 Board meeting is proceeding. The plans for the storage building have been finally approved by the Pima County Development Services. Bids have been received for the foundation work. American Steel Builders provided the lowest bid of \$4824.20.

Mr. Stratton reported that land is being purchased for the Northwest A/Z Zone reservoir site. Due to the sellers' concerns about potential buyers, Mr. Johnson purchased the land in his name. An appraisal will be done on the land. The purchase should be closed by the end of May 1994. Mr. Johnson noted that he signed power of attorney to Mr. McNulty. Mr. Jácome said that the District should have a trust account for similar future situations.

Mr. Stratton noted that Mr. Block, Mr. Neil Peters and himself made presentations at the Arizona Water and Pollution Control Association Annual Conference. The presentations were well received.

Mr. Schlegel inquired about the status of the Escondido pressure tank including the insurance status for the tank. Mr. Stratton said that the makers for the new tank have encountered shipping problems, but the tank will be arriving. Other work needed at the site is being completed. Ms. Lewis said that once the work is completed at the Escondido tank, all repair costs will be sent to the insurance company, though they will probably not pay. A new insurance policy is being investigated to include similar situations.

The Board went into Executive Session at 7:11 p.m.

VI. EXECUTIVE SESSION

Pursuant to A.R.S. § 38-431/03 (A)(1) to review and discuss Metropolitan Domestic Water Improvement District's position as it relates to personnel and compensation matters.

The Board returned from executive session at 7:37 p.m.

VII. FUTURE MEETING DATES; FUTURE AGENDA ITEMS

The next regular Board meeting will be June 13, 1994, prior to the 7:00 p.m. public hearing on the same date.

VIII. ADJOURNMENT

The meeting was adjourned at 7:39 p.m.

ATTEST:


Clerk


Jim Tripp, Vice-Chairman