

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

March 12, 2001

**** Board Room**
Metropolitan Domestic Water Improvement District
6265 N. La Cañada Drive
Tucson, AZ 85704**

MINUTES

Board Members Present: Pete Schlegel, Chair
 Dennis Polley, Vice-Chair
 Jim Doyle, Member
 Dan M. Offret, Member
 Marlene Wright, Member

District Staff: Christopher W. Hill, Deputy Manager
 Warren Tenney, Assistant to the General Manager
 Lisa Chase, Legal Counsel

I. Call to Order and Roll Call

Pete Schlegel, Chair of the Board of Directors of the Metropolitan Domestic Water Improvement District (District) called the Board Meeting to order at 6:01 p.m. Dan Offret, Dennis Polley, Pete Schlegel and Marlene Wright were present. Jim Doyle was not present at the beginning of the meeting.

II. General Comments From the Public

There were no comments from the public.

III. Consent Agenda

- A. Approval of Minutes – February 12, 2001 Board Meeting.**
- B. Ratification of Billing Adjustments.**

Mr. Polley made a motion to approve the consent agenda. Mr. Offret seconded the motion. Ms. Wright and Mr. Schlegel intended to abstain from voting on this item since neither had attended the February 12, 2001 meeting. As there was no quorum present, this agenda item was tabled until a quorum was present.

IV. General Business – Items for Discussion and Possible Action

A. Financial Issues.

Mike Land, Chief Financial Officer, reported that revenues were slightly ahead of budget; however, he noted that consumption was down 16% in the Metro-Main service area and 39% in the Metro-Hub service area due to recent weather.

Mr. Doyle joined the meeting at 6:05 p.m.

Ms. Wright asked for further explanation detailing specific checks written. Mr. Land, Charlie Maish, District Engineer, and Steve Dean, Utilities Superintendent, explained each check including purchase of a large meter for a water service agreement, maintenance supplies purchased from vendors and District lobbyist contracts.

Ms. Wright asked if the District was pursuing bids from other sources on computer services. Mr. Land stated that at the present time, the District was not pursuing computer service contracts. He added that the funds expended for the recent virus infection of District computer systems was to be reimbursed by insurance coverage.

B. Appointments to Bond Oversight Committee.

Ms. Wright suggested that this agenda item be tabled in an effort to solicit additional letters of interest from customers to serve on the Bond Oversight Committee. She questioned if Metro-Hub area residents had been informed about Committee vacancies and thought those Hub customers who had been interested in the District be informed.

Mr. Offret stated he was concerned with the gender equity of the Bond Oversight Committee and felt that additional advertising for the Committee would be appropriate. Warren Tenney stated that staff would seek additional letters of interest and would appreciate any information on potential applicants that the Board Members could provide.

Ms. Wright made a motion to direct staff to advertise the openings on the Bond Oversight Committee and bring this item back before the Board when other applications are received. Mr. Offret seconded the motion and it passed unanimously.

C. Consideration for Extension of Mortgage on 7235 N. Paseo Del Norte.

Melanie Larson from the Northwest Explorer addressed the Board requesting an extension on the mortgage payments to the District for the purchase of its property located at 7235 N. Paseo Del Norte. She presented a proposal for the Board's consideration for the mortgage extension including financial overviews. During this proposal she detailed the improvements made to the property, indicated that the Explorer is complying with all the terms and conditions of the present contract and proposed altering the advertisement agreement to aid the District in their pursuit of

filling committee openings. She indicated that they are very satisfied with the working relationship with the District. Ms. Larson indicated they would prefer to extend the mortgage payments for a full 20 years at 9.5% interest, but even a 7-year extension would be amenable to their goals.

Lisa Chase, Legal Counsel, suggested that the parties review the contract and try to negotiate an agreement that also looked at the potential alternative scenarios. Mr. Polley indicated he would like to review the existing contract and possible agreement before making a commitment.

Mr. Schlegel directed that the General Manager, Legal Counsel and representatives from Northwest Explorer to review the existing agreement, negotiate possible solutions and present the options to the Board at a future meeting date.

D. Approval of the Metro-Hub Mainline Replacement Project, Stage III.

Mr. Schlegel asked why Stage III would proceed Stage II. Mr. Dean explained that based on cost considerations and the funds available, staff felt it was more appropriate to proceed with Stage III after Stage I.

Mr. Offret made a motion to approve Stage III of the Metro-Hub Mainline Replacement Project and to Purchase the material per Option A from Hughes Supply at an amount not-to-exceed \$32,298.93. Ms. Wright seconded the motion.

Mr. Schlegel asked why Option A, the use of ductile iron pipe, was preferred since it cost more than Option B. Mr. Offret replied he considered the ductile iron pipe would provide more long-term durability given the amount of line breaks that have been experienced in that area. He would like the District to move towards longevity of continuous, uninterrupted service in the Metro-Hub service area.

Mr. Schlegel called for a vote to the motion to approve Stage III of the Metro-Hub Mainline Replacement Project using materials from Option A. The motion passed unanimously.

E. Approval of Change Order No. 2 to the Contract with Gilbert Pump for the Well Modifications to the Tucson National Well Sites.

Mr. Polley made a motion to approve Change Order No. 2 to the Well Modifications for the Tucson National Wells (MW-99-02) contract with Gilbert Pump and Equipment Co. in the Amount of \$100,296. Mr. Doyle seconded the motion.

Ms. Wright asked if the work requested in the change order was completed. Charlie Maish, District Engineer, responded that not all the work had been completed. Ms. Wright stated she understood that the General Manager was authorized to approve a certain monetary amount and anything exceeding that amount would be brought back to the Board for approval before any work would be completed. It appeared that had not been followed. Mr. Maish explained that because of the extensive repairs and replacement of the well materials, staff negotiated with the

contractors for change orders to be paid for by line items. He stated that Mr. Stratton requested a report to the Board detailing the extensive activity and negotiations of the contractor and District staff to describe the work that has been done and still needs to be completed in order to satisfy this contract. He reiterated that not all the work has been performed and was pending approval by the Board of Directors.

Ms. Wright asked if the noise levels had been verified due to the change order request to mitigate the noise. Mr. Maish stated that the noise levels had been investigated and verified. Mr. Offret added that the noise level was indeed very loud based on his visit to the site. Ms. Wright asked how this problem was to be corrected. Mr. Maish replied that staff and the contractor had consulted specialists to determine the most effective noise reduction system.

Ms. Wright asked if the time extensions in the change order were consecutive or simultaneous. Mr. Maish replied they were simultaneous, but even with time extensions approved; the contractor would not complete the work on time. Unless he brings new evidence for staff to consider, the contractor would face substantial fines so it would be in his best interest to complete the contract in a timely manner.

Mr. Schlegel said he was concerned that staff was not addressing all potential problems when they presented a contract for approval to the Board. He stated he thought there was a lot of change orders once the project got underway and that staff could be more diligent during the design process. Mr. Maish stated that it has been the District's experience that it is rare to have a flawless plan. He noted the accumulation of changes beyond the identified line items was about 4%, which is good considering the complications of this project. He reiterated that staff could not know the condition of the wells until they were pulled and that staff had to make the decision to replace some of these wells and make extensive repairs. Mr. Schlegel cautioned staff to anticipate and investigate all potential problems before presenting the Board with a contract for approval. He stated that the District was under scrutiny for all items put out for bid and he felt it was his obligation to correct any discrepancies for the benefit of the District.

Ms. Wright asked if the sound enclosure work would be performed by this contractor or subcontracted out to another. Mr. Maish replied that this change order provides for the purchase of three sound enclosures and that the contractor and staff would do the necessary work to install them, including concrete and electrical modifications. Mr. Schlegel questioned the expense for the structures and wondered why laborers could not be found to build the structures at a much lower cost. Mr. Maish explained that the structure needs to be removal so that the well can be reached if problems arise as well as the structure's material is specially constructed to reduce the noise. Mr. Schlegel wondered if the District would need to respond to any noise complaint. Mr. Maish said that Pima County's new noise abatement ordinance has made it difficult. Mr. Schlegel said the complaints could be challenged in court.

Mr. Offret asked if a different type of motor would be used in the future to prevent the District from having to install sound-proof enclosures. Mr. Maish stated that staff intended to include sound-proof enclosures in bid requirements for all future well sites in order not to encounter complaints about noise levels.

Ms. Wright asked that information be provided to her regarding the sound-proof enclosures so that she could understand how it works. Mr. Maish indicated he would provide her copies of the brochure for her review.

Mr. Schlegel asked about the status of the IGA with Pima County to reimburse the District for costs as it was not mentioned in the report. Mr. Maish answered that the first reimbursement request could be made within a month upon completion of the project and he would provide Mr. Schlegel with a copy of the IGA.

Mr. Doyle called for a vote on the motion. The motion to approve Change Order No. 2 to the Well Modifications contract with Gilbert Pump and Equipment Co. in the amount of \$100,296 was called for a vote. The motion passed 4-1, with Mr. Doyle, Ms. Wright, Mr. Polley and Mr. Offret voting in favor and Mr. Schlegel voting against.

F. Legislative Update.

Mr. Schlegel stated he was not pleased with the legislative report. He indicated that the Board adopt a policy to establish how and what legislation to take a position on that will impact the residents of the District. He felt the decisions on those issues are made unilaterally by the General Manager without the direction or instruction of the Board, lobbyists or consultants. He felt this was inappropriate and cited that the Towns of Oro Valley, Marana and City of Tucson all have proposed legislation brought before their governing bodies, who then vote on how to instruct their staffs to proceed. Mr. Schlegel expressed his concern that the General Manager, in his capacity as Chair of the Board of the Southern Arizona Water Users Association (SAWUA), may be speaking on behalf of the District on issues brought before SAWUA. He was troubled by the General Manager, staff, and Legal Counsel meeting with our lobbyist and spending thousands of dollars for lunch. He strongly expressed his sentiments for changes to these actions. He requested that lobbyists be brought before the Board to give updates on pending legislation and keep the members informed of important legislative issues.

Ms. Wright and Mr. Offret asked if it was possible for the District lobbyist to address the Board in a possible study session.

Mr. Tenney stated that it was a good idea to have the District lobbyist discuss the Board's concerns and asked if there is any particular legislation they want to discuss. He noted that the District was only supporting Senate Bill 1388 in an effort to support smaller DWIDS get changes that the District received a couple of years ago. Mr. Tenney stated that Senate Bill 1355 is to allow the formation of community facilities districts in counties and was explored as a possible vehicle to have multi-jurisdictional entities finance need water infrastructure. The effort to amend the bill is dead and more than likely the bill itself will not move forward. Mr. Tenney agreed that it would be positive to have Dana Belknap meet with the lobbyist, but noted that there are very few legislative proposals that affect the District and the legislative session is almost completed. However, with the Governor's Water Management Commission to develop

significant recommendations for next legislative session, it may be more beneficial to meet with the lobbyist prior to the 2002 legislative session.

Mr. Schlegel stated the lobbyist reports attached to the staff reports are not comprehensive and the same information could be gained by just checking the website. He wanted to know who introduced the bills and who sponsors legislation. Mr. Tenney said that Ms. Belknap monitoring legislation was time intensive and included our lobbyist being at appropriate meetings. He said that the reports she provided are similar to what has been given in the previous month as well as last year. He understood the concern expressed to have issues brought before the Board before decisions are made and that concern would be conveyed to the General Manager.

Mr. Schlegel stated that should anything important come up during this legislative session, he would request that staff schedule a special session with the lobbyist to discuss those issues.

V. General Manager's Report

Mr. Hill stated that Mr. Stratton had provided to the Board a General Manager's report and he would be happy to address any questions the Board Members might have.

Ms. Wright asked if there was a condition for the Arizona Corporation Commission (ACC) to approve any contract for auxiliary power. Mr. Hill stated that Tucson Electric Power is requiring a contract with the District for interruptible rate for auxiliary power, but the District has an issue with the language of that contract and is still in the negotiating process. He indicated that the parties are getting close to agreement and that the ACC gives TEP the luxury of having a contract if they so desire.

Mr. Schlegel asked when budget study sessions would be scheduled. Mr. Tenney replied that the General Manager had suggested to hold at least two or three study sessions to discuss each division's budget and the entire budget and to schedule the first one sometime during the last week in March.

III. Consent Agenda

The tabled motion to approve the Consent Agenda was called for a vote. The motion passed 3-0, with Mr. Schlegel and Ms. Wright abstaining from the vote.

VI. Legal Counsel's Report

Ms. Chase had nothing to report.

VII. Future Meeting Dates; Future Agenda Items

The next regular scheduled Board Meeting will be Monday, April 9, 2001 at 6:00 p.m. The Board scheduled a study session for Monday, March 26, 2001 at 6:00 p.m.

Mr. Tenney noted that the General Manager's appraisal would be on the agenda for the April meeting and requested that the Board Members return their appraisals by the end of March so they can be copied and distributed well before the April meeting.

Ms. Wright requested an agenda item concerning the computer inventory. Cathie Fendley, Executive Secretary, stated that the computer inventory and requests would be discussed during an upcoming budget session and she would provide Ms. Wright with a copy of the District inventory. Mr. Tenney added that the budget study session set for March 26, 2001 would deal with the Utilities and/or Engineering Division's budgets.


Mr. Schlegel asked for the status of communications with City of Tucson on their computer and billing systems. Mr. Land responded that staff is working on facilitating those meetings.

VIII. Adjournment

The meeting adjourned at 7:32 p.m.



Peter H. Schlegel, Chair of the Board



Clerk of the Board