

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

**May 20, 2002**

**\*\* Board Room \*\***

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

**Study Session and Special Meeting  
MINUTES**

Board Members Present:	Dennis Polley, Chairman Dan M. Offret, Vice Chair Pete Schlegel, Member Marlene Wright, Member Jim Doyle, Member
District Staff Present:	Mark R. Stratton, General Manager Warren Tenney, Clerk of the Board Joyce Osborne, Acting Recording Secretary Michael McNulty, Attorney Doug Lemke, Attorney

**I. Call to Order and Roll Call**

Dennis Polley, Chair of the Board of Directors of the Metropolitan Domestic Water Improvement District (District), called the Study Session and Special Meeting to order at 5:30 p.m. Dennis Polley, Dan M. Offret, Marlene Wright and Pete Schlegel were present. Jim Doyle was not present at call to order but came shortly afterwards.

**II. Discussion of Acquisition of Assets for Green Valley Water Company and Assured Water Supply Credits**

- A. Approval of Asset Purchase Agreement with Green Valley Water Company for the Purchase and Sale of Certain Assets of the Green Valley Water Company.**
- B. Approval of Asset Purchase Agreement with Fairfield Canoa Ranch, L.L.C. for the Purchase and Sale of Assured Water Supply Credits.**

**C. Approval of Asset Purchase Agreement with Canoa Ranch Golf Course, L.L.C. for the Purchase and Sale of Assured Water Supply Credits.**

Mr. Stratton explained that there have been some minor changes to the acquisition contracts with Green Valley Water Company, but basically everything is complete and correct. Mr. McNulty said there were only two issues that showed up last Friday when David Williamson was preparing to sign the contracts. One was the CAP transfer which poses an endless process that could take up to 6 months and then the US Bureau of Reclamation could say no. One proposal was to hold funds back but Mr. Williamson was opposed to the proposal. He suggested instead that stocks be transferred out of his corporation to Metro Water District so the District would hold the corporation. Mr. Williamson's council had issues and they would have to strip everything but the CAP. Mr. McNulty said the parties agreed to provide a mutual agreement by mid-June 2002.

Mr. McNulty explained that the second issue was a warranty representation for pipe locations and easements that Fairfield Homes was being required to make. This representation was not originally proposed; however, Fred Rosenfeld advised that the warranty should be included based on a dispute that occurred with Oro Valley. This item had not been required when Metro Water or the Hub Service area was purchased. As a result, Mr. McNulty suggested not signing the agreement on Friday.

Mr. Stratton said he had spoke with Manny Oros regarding the warranty issue, and Mr. Oros said the majority of all water lines are within public right-of-ways, in common areas of private streets, or in gated communities. Mr. Oros said very few water lines exist in easements. All other water lines are 98% within public right-of-ways.

Mr. Schlegel asked if the District is inheriting any contamination from the Green Valley Water Company acquisition. Mr. McNulty explained that before any costs are released, the due diligence study will itemize the real estate assets, and the General Manager will proceed based on the results of the due diligence report.

Mr. McNulty said that Brown & Bain believes the District is in good shape in regards to the contract, and recommended proceeding to the next phase of the negotiations. He added that there would not be any money exchanged until June 14, 2002. Mr. McNulty also said that Mr. Oros has been working to bring together some 25 exhibits and is currently about 1/3 complete.

Mr. Offret moved to approve the Asset Purchase Agreement with Green Valley Water Company for the purchase and sale of certain assets of the Green Valley Water Company. Ms. Wright seconded the motion and it passed unanimously.

Mr. Offret moved to approve the Asset Purchase Agreement with Fairfield Canoa Ranch, L.L.C. for the purchase and sale of assured water supply credits. Ms. Wright seconded the motion and it passed unanimously.

Mr. Offret moved to approve the Asset Purchase Agreement with Canoa Ranch Golf Course, L.L.C. for the purchase and sale of assured water supply credits. Mr. Schlegel seconded the motion and it passed unanimously.

Mr. Stratton said that there would be a Board of Directors meeting with the Municipal Property Corporation (MPC) for approval of the transfer of documents on June 6, 2002.

### **III. Discussion and Approval of Employee Health Insurance Coverage**

Mr. Stratton said that a staff meeting had been held on May 13, 2002 to discuss the possibility of changing insurance to Blue Cross Blue Shield (BCBS) as the District's health services provider. He explained that all primary physicians currently used by staff, with the exception of one physician, are included in the BCBS health plan. He said employees were supportive of the District's long term efforts for providing health benefits, and understood the recommendation to go with the BCBS medical plan for the year 2002-2003.

Mr. Schlegel wanted to know if there were any serious concerns raised by staff. Mr. Stratton said there were none indicated after staff understood the inevitable increase in insurance costs, and that out of pocket expenses for staff was less with BCBS.

Mr. Offret moved to approve the proposal received from the Mahoney Group to provide staff health insurance coverage through Blue Cross Blue Shield for the one year period of July 1, 2002 through June 30, 2003 with the option to renew for future years. Ms. Wright seconded the motion with the amendment that the District funds the employee contribution 100% and that the employees pick up 25% of the cost for dependent coverage. Mr. Offret agreed with the amendment to the motion.

Mr. Schlegel asked if any of the District employees were insured with another health insurance carrier. Mr. Stratton said that Theresa Lutz is insured with her husband's insurance. Mr. Schlegel asked if the District had offered to reimburse Ms. Lutz and Ms. Wright said she had not heard of such a policy. Mr. Schlegel wanted to go on record as stating that he thinks the District should consider possible reimbursement for those employees who are insured outside the District.

The motion passed unanimously.

### **IV. Review and Consideration of Contract for Water Policy Consulting**

Mark Myers explained that his work as a consultant with the District typically includes attending meetings state wide, working with federal agencies to establish policy and set goals, and occasionally providing reports using a white paper approach. An example of his white paper approach was the effluent utilization options completed last summer. He said that transferring effluent to the District involved a great deal of time spent approaching the Board with managed recharge permits, etc. Mr. Myers noted that he acts as an additional voice in the GAGRD and it is critical to have more than one voice to keep southern Arizona represented. He said he is the

only person in Tucson since Sharon Megdal that has followed policy issues to trace out and see where they are leading. Mr. Myers added that he no longer does work for CMID, but that he does work with the Town of Marana and occasionally Metro and Marana's issues are the same. He said he has a vested interest in both Marana and Metro, and considers his role as that of a dealmaker. Mr. Myers noted that his role is to make sure both parties understand all aspects regarding recharge and boundaries. Mr. Myers explained he takes his professional ethics seriously, and has reduced his public client base to only Marana and Metro.

Mr. Stratton said that Mr. Myers' areas of expertise include covering state wide issues where there are multiple players and oftentimes separate agendas and personal goals. He noted that Mr. Myers has been able to advise the District of individuals who are trying to maneuver, and who has the strength and politics behind them, so that Metro can anticipate the direction in which to proceed. Pete Schlegel complimented Mr. Myers on his skills and intellect and said he is a truly gifted person who looks beyond to see what everyone is trying to do. He has earned a good reputation and when Mark Myers talks, people listen.

Mr. Stratton said that the way Mr. Myer's contract is structured; he is available to meet with the Board at any time to clarify statewide issues in which the District is involved.

**V. Approval of Change Order No. 4 to the Contract with Miura Contracting, Inc. for the Thornydale Transmission Main.**

Mr. Stratton explained he had spoken with Mr. Schlegel and Mr. Doyle since the May 13, 2002 meeting, and based on their comments, had decided to bring this agenda item back for Board discussion.

Mr. Offret said he noticed the consultant for the District on the design of the project, had overlooked a cement apron that was part of the excess, and asked if there was a way to notify the consultant regarding the District's disapproval over the missed item. Ms. Wright said she believed the consultant could be held liable.

Mr. Schlegel suggested creating a database for the District to utilize to complete the equivalent of a de-briefing and evaluate consultants and contractors at the end of each project. Mr. Stratton said that in the current evaluation process, the District considers previous work experience with the District. As of yet, the District has not contracted with the same consultants due to others stepping up with stronger proposals.

Ms. Wright agreed with Mr. Schlegel and said the more documentation the District has the better its credibility would be.

Mr. Offret suggested that a letter to be sent to the consultant, as well as District policy, be developed. Mr. Stratton said that the District could provide a follow-up status of consultants and contractors that included the number of change orders, i.e., was the work completed on time, were budget overrides necessitated, and were the contractors or consultants cooperative.

Ms. Wright made a motion to approve Change Order No. 4 to the Thornydale Transmission Main (M-96-11) contract with Miura Contracting, Inc. in the amount of \$37,589.08 with a contract completion date of March 22, 2002. Mr. Offret seconded the motion and it passed unanimously.

## **VI. Discussion of Draft Fiscal Year 2002-2003 Budget**

Mr. Stratton said the revisions to the budget had been discussed with the Board in previous sessions and that the budget will be on the June 2002 Board meeting agenda for approval.

Mr. Land explained that included in line item adjustments were salaries and payroll taxes, updated merit increases, changes in staffing, new hires, and the differences in salary costs. He said health care was reduced from an increase of 52% to 13%, and the compensation study that was originally budgeted for \$15,000 has been reduced to \$12,000. The Casas Adobes roof construction will be continued from the current year's budget to the 2002-2003 budget. Mr. Land referred to an item on page 3 of the budget, Account #52270, and said the \$11,000 reflected under surveys should be placed under the quality testing account line item. Survey service will remain at \$20,000, and the amount required for water quality testing estimated at \$153,500, will be firmed up before the budget is finalized.

Mr. Stratton discussed the replacement of the 1993 Jimmy whose engine had failed. Mr. Hill had been utilizing this vehicle, and Mr. Stratton said an alternative option would be to provide Mr. Hill with a car allowance. After completing research and comparisons with other vehicles within the District, and based on the cost per month for gas and maintenance for two similar vehicles, Mr. Stratton's recommendation was to allow \$425 to \$450 to Mr. Hill for auto allowance. This would equate to a savings for the District of \$125 to \$150 per month. Mr. Stratton suggested that the auto allowance be part of and included in the District's 2002-2003 budget, and the Board agreed.

Mr. Stratton discussed the District's 10 Year Anniversary Celebration and said staff had checked with Tohono Chul Park and the cost of hosting an event (\$3,800) for approximately 200 people, was almost half of what the other available locations would charge. Mr. Offret asked if the remainder of the \$12,500 would be spent on District customers. Mr. Stratton said he wanted to include what staff thought would be a reasonable amount for all aspects of the 10 year anniversary even though it was difficult to predict the actual cost at this time.

Pete Schlegel explained that this type of celebration happens once in a decade and he would like to do something nice and appropriate. He added that if the Board's decision is to spend more than the original \$12,500, he would be supportive of staff asking the Board to approve additional funding.

Mr. Schlegel voiced concern regarding each division of the District proposing a balanced budget, and asked if the capital improvement budget will be balanced and then all the pieces put together for a total balanced budget. Mr. Stratton explained that the Board approved a maximum spending amount, and last year's expenditures exceeded revenues. Revenues may increase, but Mr. Stratton said he wanted the revenues to be conservative. Mr. Schlegel also asked if the



District had a line of credit. Mr. Land responded by saying the District has a \$2,000,000 line of credit with Bank of America that the District can draw upon at any time.

## **VII. General Manager's Report**

Mr. Stratton said he wanted to make the Board aware that problems existed with Hub #5 well where a seal needed some leak cement. The contractor who oversaw the grouting was cautioned about grout seeping down into the casing. Mr. Stratton said when the seal was done, and the pump was turned on, the pump did not work. He also noted that when the column pipe was pulled, 120 feet of the column had cement on it. A video was taken earlier this week. Mr. Stratton explained that this well is crucial to capacity requirements, and there may be legal issues with the contractor. He said staff has provided documentation that the contractor was informed and that the liability lies with the contractor.

Mr. Offret asked if it was a possibility the District could loose this well. Mr. Stratton said it was a possibility, and that with the current consumption being quite high, the District is struggling to keep the well at current levels. The Board requested that staff advise Hub customers about voluntary conservation measures to address the peak water consumption periods. Mr. Stratton explained he had received a request from the Arizona Daily Star to do a story on the drought and water consumption.

Mr. Schlegel asked if the District could purchase a water truck for 90 days and have it parked at the reservoir in the event of an emergency. Mr. Stratton said that due to testing requirements of providing water from a water truck, a tie-in with the City of Tucson Water would be less expensive and more practical.

## **VIII. Adjournment**

The next meeting of the Board of Directors will be Thursday, June 6, 2002 at 5:30 p.m. The regularly scheduled Board meeting will be on June 10, 2002 at 6:00 p.m.

The meeting adjourned at 6:52 p.m.

  
Clerk of the Board  
Dennis Polley, Chair of the Board