

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

May 26, 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 Manger
Michael McNulty, 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 4:00 p.m. Herb Johnson, Peter Schlegel and Marlene Wright were present. Jim Doyle was not initially present.

Executive Session

Mr. Johnson made the motion that the Board of Directors move to Executive Session. Mr. Schlegel seconded the motion and it passed unanimously. The Board went into Executive Session at 4:01 p.m.

Executive Session pursuant A.R.S. § 38-431.03 (A)(3) (consultation for legal advice 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 lease of real property) regarding the following:

- A. Sale of District Property Located at 7235 N. Paseo del Norte.
- B. Acquisition, Construction, Reconstruction or Repair of Waterworks for the Delivery of Water for Domestic Purposes.

Mr. Doyle arrived at 4:23 p.m.

The Board returned from Executive Session at 5:18 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 6:03 p.m. Mr. Jim Doyle, Mr. Herb Johnson, Mr. Pete Schlegel and Ms. Marlene Wright were present.

II. Comments from the Public

There were no comments from the public.

III. Approval of the Sale of District Property Located at 7235 N. Paseo del Norte

Mr. Mark Stratton, General Manager, noted that the Board had received one purchase proposal from Explorer Newspapers for the District's old office building located 7235 N. Paseo del Norte.

Mr. Doyle moved that the Board of Directors accept Alternative I of the purchase proposal received, and that the environmental study would be done by the buyer. Ms. Wright seconded the motion.

Ms. Wright noted that the proposal was for \$481,911 with a cash down payment of \$24,095.55 and the balance would be financed by a seller carry back. The Explorer would pay 9.5 percent on the balance due and amortize the loan repayment over a 20 year schedule with a three year stop. The balance of the purchase would be evidenced by a promissory note secured by a first deed of trust. Explorer Newspaper would lease from the District the storage building, next to the water tank owned by the District.

Mr. Ray declared a conflict of interest for this agenda item and asked Ms. Wright to chair this item.

Mr. Schlegel asked if Ms. Melanie Larsen of Explorer Newspapers agreed to the modification of the proposal for her to do the environmental study. Ms. Larsen said she would agree to pay for the Phase I of the environmental study. If anything was determined requiring clean up, she would not be able to pay for it. Mr. Michael McNulty of Brown & Bain said that the buyer would be able to withdraw from the purchase if a clean up was required. Ms. Wright and Mr. Stratton noted that the District's well at the property has shown no sign of contamination.

Ms. Wright called for a vote for the motion to accept the purchase proposal Alternative I from Explorer Newspaper. The motion passed with Mr. Doyle, Mr. Schlegel and Ms. Wright voted in favor, Mr. Johnson opposing, and Mr. Ray abstaining.

IV. Discussion and Possible Approval of Resolution 1999-5 – Approval of Agreement to Terminate 1992 IGA with Oro Valley

Mr. Stratton explained that the Board had received the draft resolution and termination agreement for returning Oro Valley Water Improvement District #1 (OV#1) to the Town of Oro Valley. Since the Town of Oro Valley approved the agreement, a change has occurred with the issue regarding meeting gallons per capita per day (GPCD) conservation requirements. The Arizona Department of Water Resources (ADWR) informed the District that it wants the District and the Town to resolve the non-compliance issue between each other since they held the District responsible for operating and maintaining the system. The proposed termination agreement was not clear enough on this issue. However, since the Town needs to expedite the refinancing of OV#1, rather than redo the agreement and send it back to the Town Council, it is recommended that the Board approve the present agreement as well as a letter of agreement between the Town Manager and General Manager that would specifically deal with the ADWR GPCD issue. Legal Counsel feels this would be able to resolve the issue.

Mr. McNulty suggested that the Board approve the resolution, which has attached the termination agreement, subject to the completion of a letter of agreement regarding the GPCD issue.

Ms. Wright moved to approve Resolution 1999-5 to approve the agreement with the Town of Oro Valley to terminate the 1992 Intergovernmental Agreement (IGA) with the Town subject to the requirements noted by Legal Counsel. Mr. Doyle seconded the motion.

Mr. Schlegel asked if Legal Counsel had reviewed all the documents before the Board regarding the termination of the IGA. Mr. McNulty said Legal Counsel had.

Mr. Ray called for a vote for the motion to approve Resolution 1999-5. The motion passed unanimously.

V. Approval of Policy for Public Use of New Office Building

Mr. Stratton explained that based on the Board's discussion at the May 10, 1999 meeting, staff evaluated different issues pertaining to the public use of the new office building. Staff is recommending that the facility's use be limited to twice a week. There has been discussion on whether to limit the use to only non-profit youth groups or to any non-profit group. Staff is seeking clarification from the Board. Legal Counsel noted that the District cannot discriminate the use of the facility. The Board needs to decide if a rental fee should be charged. The janitorial service cleans whether or not the building is used, an exempt staff would be used to monitor the use of the building. The District's insurance provider states that the District is covered regardless of who uses the building.

Mr. Ray noted that the staff's report answered the Board's concern about the maximum capacity of the room, which is 90, and the room meets the requirements of the American Disability Act.

Mr. Schlegel declared a conflict of interest regarding the issue.

Mr. Doyle moved to adopt a policy that would allow the Board room to be used. Mr. Johnson seconded the motion.

Mr. Doyle said he would prefer to see the Board room made available to other organizations. Ms Wright said that she preferred allowing its use by non-profit organizations; however, most non-profit organizations would have difficulty paying a few.

Mr. Ray said that the Board should decide first upon the motion of whether to make the Board room available to the public then discuss other issues such as fees.

Mr. Ray called for a vote for the motion to allow the Board room to be used. The motion passed. Mr. Doyle, Mr. Johnson, Mr. Ray and Ms. Wright voted in favor and Mr. Schlegel abstained.

Mr. McNulty said that the Board may want to consider instead of the term "non-profit" entities use "tax exempt" organizations and governmental entities.

Ms. Wright made the motion that the Board establishes guidelines for the use of the Board room. Mr. Doyle seconded the motion.

The Board discussed with staff and Legal Counsel different aspects for using the Board room including entities allowed to use the building, fees, and frequency of the use of the building.

The Board agreed that the guidelines should be: 1) The Board Room's use is allowed for by a tax-exempt organization or other governmental entity; 2) The Board Room would be available during normal working hours if there is no conflict with a District activity; 3) The Board Room would be available Tuesday and Thursday evenings. It would be available other evenings if a staff member or Board member would be present because of participation in the organization to use the building; 4) No fee will be charged for use of the Board Room; 5) A responsible person from the organization must agree to the District's Regulations for Use of the Board Room including evidence of liability insurance.

Mr. Ray called for a vote for the motion to establish guidelines for the use of the Board room. The motion passed. Mr. Doyle, Mr. Johnson, Mr. Ray and Ms. Wright voted in favor and Mr. Schlegel abstained.

VI. Discussion and Possible Approval of Fiscal Year 1999-2000 Budget

Mr. Stratton said that staff was prepared to highlight issues pertaining to the fiscal year 1999-2000 budget as well as answer any questions.

Mr. Doyle moved to approve and adopt the fiscal year 1999-2000 budget for the District as presented to the Board at the May 26, 1999 meeting. Mr. Johnson seconded the motion.

Mr. Schlegel said he felt that the Board should be able to ask general questions without any motion being made. Mr. Ray said that under Robert's Rules of Order, discussion of a subject cannot be done without a motion.

Ms. Wright asked what was the criteria used for the in-house construction crew. Mr. Chris Hill, Deputy Manager, explained that the District has had an in-house construction crew since 1996 that is funded annually by \$500,000 to replace water mains. The crew works in existing subdivisions where the water lines need to be upgraded or replaced to provide adequate fire flow. Mr. Stratton said that when the in-house crew was approved, the District was in litigation with the City of Tucson and the District needed to still make necessary improvements before the Capital Improvement Program was implemented. The in-house construction crew has done a number of projects.

Ms. Wright asked why engineering consultants were needed when the District had engineers in-house. Mr. Stratton said the scope of projects are often too extensive for staff to do on its own. The engineering consultants put together a team to expedite the process, which is a main reason for using consultants. Staff does smaller projects, which can be done less expensive than if sent to a consultant.

Ms. Wright asked how many employees are on the construction crew and if the full \$500,000 is used annually. Mr. Hill said that four employees are on the in-house construction crew. Under the Capital Improvement Program, the larger mainline replacement projects will be done by contractors. Mr. Land noted that those projects are being funded by the bond program so the full \$500,000 has not been used.

Mr. Johnson explained that engineering consultants are used because we could not afford a full-time staff that specialized in all necessary aspects, such as having surveyors on staff or designers for a large reservoir.

Mr. Schlegel commended staff on the budget; however, he would like in the future a verbal presentation of the budget by staff in which questions can easily be asked by the Board.

Mr. Schelgel questioned in the budget where it appeared that bond projects allowed for staff to receive an additional 20 percent. After discussion with staff, it became clear that a misunderstanding had occurred from a report to include funding for a possible in-lieu recharge project called BKW Siphon Project. Mr. Stratton noted that in the case of bond funded projects that staff's salaries are paid from those projects and staff receives only its designated salary and no more. Mr. Michael Block, District Hydrologist, explained that the BKW Siphon Project is not part of the bond program. It would be a cost sharing recharge project with BKW Farms and the Town of Marana. Staff felt funding should be set aside in case the District needs a site other than Avra Valley Recharge Project.

Mr. Schlegel said some of the numbers in the budget for certain periods seem to differ from the annual report. Mr. Land said that the annual report's numbers are from the audited financial statements. Mr. Schlegel suggested that the numbers for revenue should be reviewed.

Mr. Schelgel said he was concerned that the miscellaneous projects category was as much as ten percent of the budget. Mr. Land said that the term "other" would have been more appropriate than "miscellaneous." The category is for capital projects that are not funded by the bond proceeds.

Ms. Wright said she would like more information about the BKW Siphon Project. Mr. Block responded that the main advantage to the project is to reduce the cost, which is tied with the expense of the energy to get CAP water to the site. Since the Central Arizona Project's overhead is higher than the District's, the cost should be less than what it has cost at the Avra Valley Recharge Project. Much is dependant upon if the District is able to renew its contract for the Avra Valley Recharge Project. Mr. Schlegel added that from the District's experience with the Avra Valley Recharge Project, if the District can do a recharge project on its own, the cost should be less.

Mr. Johnson said that he felt that the Board had been approving the budget in April since it needed to forward it to the Town of Oro Valley under the 1992 Intergovernmental Agreement. That is no longer required. Staff has done a good job of putting together the budget; however, he felt that the Board needs to be more involved in reviewing it. While the Board member committees work well if there is a problem or disagreement, it is probably not the best approach for the budget. Each Board member needs to examine the budget. The budget should be given to the Board April 1 so it can review it until May. Any specific questions should be put in writing and staff could then discuss the issues. The budget is the most important policy set by the Board and the Board should review it thoroughly.

Mr. Stratton noted that the Board had set a few years ago a process for adopting the budget, which involved having it reviewed by the Business Administration Board Member Committee before going to the full Board. However, he agreed that it would be advantageous to have the full Board review the budget, have staff make a formal presentation of the budget, have individual members submit questions to staff, and have staff respond to them. This would ensure that all issues and questions are covered.

Ms. Wright requested clarification on the meter replacement program and the plan to install radio read meters. Mr. Hill explained that for new subdivisions, the developer would pay for the meter to be installed. The District wants to require radio read meters for new subdivisions. Radio read meters are also planned for in hard-to-access easements and when there are main line replacement projects. Mr. Stratton said that for new subdivisions, a meter fee is charged for the meter and its installation and this is done separate from the whole infrastructure.

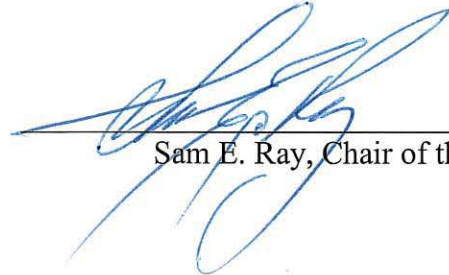
Mr. Ray called for a vote for the motion to approve the fiscal year 1999-2000 budget. The motion passed unanimously.

VII. Adjournment

The Board adjourned the meeting at 6:38 p.m.



Clerk of the Board



Sam E. Ray, Chair of the Board