

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

November 8, 1993
5:00 P.M.
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 5:05)
Alex Jacome, Member

Others Present: Charles Huckelberry, General Manager
Mark Stratton, MDWID Engineer
Mike Block, MDWID Hydrologist
Sheila Lewis, MDWID Office Manager
Lane Oden, Brown & Bain
Jim Peterson, Town of Oro Valley
Bud Dooley, MDWID Advisory Committee
Dan Offrett, MDWID Advisory Committee
Mike Fleury, Camp, Dresser & McKee
Debbie Smith, Northwest Fire District
Julie Johnson, MDWID Employee (recording
secretary)

A. CALL TO ORDER AND ROLL CALL

1. The meeting was called to order at 5:00 p.m. by Herb Johnson, Chairman of the Board of Directors. Herb Johnson, Jim Tripp, Pete Schlegel, and Alex Jacome were present.
2. Jim Tripp moved that the Board approve the meeting notice and agenda for November 8, 1993, Pete Schlegel seconded and the motion passed unanimously.
3. Jim Tripp moved that the minutes of the October 13, 1993, meeting be approved, Alex Jacome seconded, and the motion carried unanimously; Jim Tripp moved that the minutes of the October 25, 1993, special meeting be approved, Pete Schlegel seconded, and the motion carried unanimously.

B. COMMENTS FROM THE PUBLIC

Introduction of Guests. (See above list of attendees.)

OLD BUSINESS

C. ITEMS FOR DISCUSSION AND POSSIBLE ACTION

1. Santa Cruz Valley Water District Permanency - Discussion/Direction to Staff.

Mr. Huckelberry directed the Board's attention to the report provided in their binder materials. He believes the issue of permanency of the Santa Cruz Valley Water District is coming to closure, with the general consensus that the Santa Cruz Valley Water District should be a permanent entity. He notified the Board that Michael Brown, City Manager, had communicated with the Tucson City Council, relating what has been occurring. The City Council was to discuss the issue at their Council meeting of November 8, 1993.

Mr. Huckelberry indicated one issue still being discussed is governance. Presently in place is a 13 member elected Board. Another form of governance emerging from Water Caucus discussions is similar to that which currently exists, with the addition of a consumer/business member, a representative of the smaller municipalities, and a representative of the smaller water providers. He informed the Board that the governance issue can be resolved on the last day a bill can be introduced to the Arizona legislature.

Mr. Huckelberry feels that if a vote were taken today, permanency of the Santa Cruz Valley Water District would be established. He explained that the position the Metropolitan Domestic Water Improvement District Board of Directors takes on the issue of permanency should be conveyed to the Santa Cruz Valley Water District interim Board of Directors on or before December 7, 1993, because that is the date they are going to meet to decide on the issue of permanency.

At this time, 5:06 p.m., Kate O'Rielly arrived at the meeting.

Mr. Tripp asked Mr. Huckelberry if a Board that large would be able to accomplish anything. Mr. Huckelberry indicated that governance is difficult when more people get involved, however, to include all of the interests, additional members are necessary.

Mr. Johnson stated that the Metro Water District Board had previously delegated Mr. Schlegel as a representative on the Santa Cruz Valley Water District Advisory Council and asked if he would like to address the Metro Water District Board on the subject.

Mr. Schlegel indicated a joint meeting of the Santa Cruz Valley Water District Board of Directors and the Santa Cruz Valley Water District Advisory Council had been held. He explained that Michael Brown serves on both the Board of Directors and the Advisory Council. He indicated that Mr. Brown was very comfortable with accepting the Santa Cruz Valley Water District on a permanent basis, with the inclination of both the Board of Directors and the Advisory Council towards changing governance. Mr. Schlegel stated that it was at Mr. Brown's insistence that a motion include a deadline of February, 1994, for establishing a new configuration for governance. He explained that would be the latest time possible to introduce legislation that would change the current governance structure. He also stated that everyone at that joint meeting felt comfortable with the deadline and permanency, with the effort towards changing governance.

Mr. Schlegel indicated that the Metropolitan Domestic Water Improvement District does not need to do anything as far as permanency of the Santa Cruz Valley Water District. He felt the Board should send a letter of support to the Santa Cruz Valley Water District. Mr. Johnson suggested that Mr. Schlegel and Mr. Huckelberry compose such a letter.

Mr. Jacome expressed concern about "how level the playing field is going to be" due to the City of Tucson's involvement. Mr. Huckelberry defined the "playing field" today as the current Board with the addition of two members. It does not introduce the concept of weighted voting. He indicated the City has discussed weighted voting, but individuals have advised that discussions on weighted voting have not fared well in the past. Mr. Huckelberry feels the City is favoring, in lieu of weighted voting, a concept that would prohibit the Santa Cruz Valley Water District from imposing unwanted expenditures on the City for things they do not desire. Mr. Huckelberry feels this is something that could be arranged.

Mr. Schlegel indicated that originally the City was concerned that a tax could be created by the Santa Cruz Valley Water District that would be passed on to their customers. He indicated that since the Santa Cruz Valley Water District has given up their taxing authority, that issue is no longer a threat. He explained that the Santa Cruz Valley Water District is currently maintaining its augmentation tax, which is being phased out because it is imposed only on groundwater that is being pumped.

Mr. Jacome asked about benefits to the Metro Water District by using the Santa Cruz Valley Water District rather than dealing directly with the Central Arizona Water Conservancy

District (CAWCD). Mr. Huckelberry explained that the Santa Cruz Valley Water District has revenue bonding authority to build water replenishment projects. They have the authority to bond a project with participants or benefactors, each paying a proportionate share. He indicated that CAWCD can do the same thing, but that they are controlled by the popular vote in Maricopa County. Representation from the Tucson area is only 4 out of 15 members.

He also indicated that since the Santa Cruz Valley Water District has given up their taxing authority, they have no ability to raise money other than by keeping their customers happy. That alone will ensure that they perform efficiently.

Mr. Jacome then asked what benefit the Metro Water District would realize by belonging to a permanent Santa Cruz Valley Water District rather than seeking our own allocation of Central Arizona Project water. Would the District then buy Central Arizona Project water through the Santa Cruz Valley Water District or direct?

Mr. Huckelberry indicated the District could attempt to secure its own allocation, either for our own use or to market it to a variety of customers. He explained that the District could always fall back on the CAWCD and still have a groundwater replenishment district, giving the District the opportunity to pick and choose among the entities that can best perform replenishment functions.

Mr. Jacome expressed concern about the District not actively pursuing its own allocation of CAP water independent of other entities. Mr. Huckelberry agreed that the District pursuing an allocation independent of either the Santa Cruz Valley Water District or CAWCD is something that must be done. He stated that in attempting to interest the Bureau of Reclamation in the Cañada del Oro Demonstration Recharge Project, the first question they asked was what CAP water the District has access to. Mr. Jacome asked if Santa Cruz Valley Water District permanency would imperil the District's ability to get its own allocation. Mr. Huckelberry stated it will be an additional option for acquiring CAP water.

Mr. Schlegel stated that the Santa Cruz Valley Water District "went to bat" for a replenishment program for the northwest area and Santa Cruz River, whereas the City of Tucson has been against it. Mr. Schlegel referred to the makeup and tone of the CAWCD Board, and recounted an instance when the City of Tucson wanted a certain rate phased in in a certain manner, and was denied. He feels the Santa Cruz Valley Water District will be more understanding to the needs of this area.

NEW BUSINESS

D. ITEMS FOR DISCUSSION AND POSSIBLE ACTION

1. Administrative and Management

- A. Ratification of Billing Adjustments or Small Damage Claims.

Mr. Johnson indicated he feels staff has been fair in making adjustments for the water users. Ms. O'Rielly made a motion to approve the adjustments, Mr. Tripp seconded and the motion carried unanimously.

- B. Financial Reports - Update on Revenues, Deposits, Checks, Warrants and Projected Expenditures.

Mr. Huckelberry brought the Board's attention to the fact that the District had more incoming water sales in October than in September. New connections were down to 19, but Mr. Huckelberry stated that 2 or 3 subdivisions will be opening soon and as a result new connections will climb significantly in the next couple of months.

Mr. Huckelberry explained that he had hoped to provide the Board with the first quarterly budget review, but that the County had requested the District to revise its budget reporting format. He indicated Sheila Lewis would be meeting with County staff the next day to determine the revisions the County is requesting.

Mr. Johnson referred to a cost projection the District had Cella Barr prepare in order to sell bonds. Cella Barr tabulated the anticipated income according to the rates that were proposed. Part of that money was allocated for construction work or repair. Mr. Johnson requested a tabulation of the Cella Barr projections, to be compared with the actual expenditures. He asked Mr. Huckelberry to direct staff to prepare such a tabulation and keep it up to date so that each month the Board knows exactly where the District stands.

Mr. Tripp made a motion to accept the financial report as presented, Ms. O'Rielly seconded, and the motion carried unanimously.

- C. Preliminary Discussion and Direction to Staff Regarding 1994 Water Rates.

Mr. Huckelberry determined through reconstruction of the records that there was a rate increase of approximately 24 percent approved by the Board in January of 1993. The

Cella Barr prospectus also indicated that in January of 1994 and January of 1995 there would need to be a rate increase of 8 to 9 percent. He explained that the material he provided to the Board was preparatory to discussing the 1994 water rates. He discussed issues over which the District has no control, such as monetary inflation, new regulatory programs, and the actual cost of retaining renewable water supplies. He also brought the Board's attention to the table in his report which compares rates of water providers in the Tucson area.

Establishment of a committee to review the rates was discussed. It was determined that Oro Valley should be involved in the rate discussions as well as a rate specialist to review what the District has done. Gary Woodard of the University of Arizona was mentioned as a possible rate specialist.

Mr. Huckelberry expounded on the four points mentioned in his report as possible sources for rate increases, i.e. minimum monthly bill, bulk water purchase, system development fees, and charging for service line installation, as well as a fundamental commodity charge.

Mr. Jacome inquired if staff had performed any studies to determine what an 8 percent increase would accomplish. Mr. Huckelberry feels 8 percent is low enough so as not to significantly deter consumption, therefore it would be an increase of 8 percent gross revenues. As compared to other water providers, 8 percent will place the District at a rate still below Tucson Water rates. However, Mr. Huckelberry indicated that Tucson Water staff has informed the City Council that they may need a 10 to 12 percent rate increase for 1994.

Mr. Johnson stated that a committee should be formed, to make a recommendation on rates before the next regular Board meeting. Mr. Huckelberry will ask Mr. Sweet of Oro Valley to assist him in developing such a committee. Mr. Schlegel indicated he was very impressed with Gary Woodard when the District worked with him before.

Mr. Jacome stated that a year ago when the Board was establishing rates, it was communicated to the ratepayers what they could expect. He believes it is important to stay within those guidelines and that the committee should be aware of those guidelines. Mr. Johnson indicated that what is not raised in rates must be raised through the Capital Improvement Bond Program, and reiterated again that Oro Valley be included in rate discussions. Mr. Jacome stated that the Board did not make promises about a bond program.

Mr. Schlegel made a motion to direct staff to hire Gary Woodard to act as the District's controller on the rate issue and to direct Mr. Huckelberry to establish a committee of not more than 3 people to review rates, Mr. Tripp seconded and the motion passed unanimously.

D. Casas Adobes Terrace - Petition for Annexation.

Mr. Huckelberry reiterated what he had stated in his memorandum. There is no action required by the District. There is no more action required by the property owners. The next action required is by the Pima County Board of Supervisors, which should be very simple since there is no protest. There is 100 percent agreement by the owners to come into the District.

Mr. Schlegel stated that when the District did this sort of thing before, everything went smoothly until the City of Tucson attempted to block the annexation on the formality of not posting properly. He stressed that the District must officially post everything. Mr. Huckelberry indicated that he and the District Engineer will do affidavits and photos and post more than required. Mr. Schlegel suggested that the Fire District be involved in the posting in order to have a third party verifying that posting requirements are being met. Mr. Huckelberry explained that he would prefer to do the posting inhouse, to which Mr. Schlegel had no objection.

2. Engineering and Planning

A. Water System Management Plan - Water Storage Requirements and Conceptual Design of the Northeast Reservoir - Discussion/Direction to Staff.

Mr. Huckelberry indicated the survey on the Northeast Reservoir has been completed. He explained that one of the next steps would be to obtain soil borings from the property to determine the depth of absolute granite.

Mr. Stratton indicated there is a degree of flexibility as to where the District may need additional storage facilities and where the Northeast Reservoir may not have to service in the near term. He indicated it appears that a facility with an approximate storage capacity of 8 million gallons is required. It is felt the 8 million gallon capacity could be constructed in two 4 million gallon segments so the District's capital costs will not be significant on the initial construction, and the cost of the second phase could be spread over the next five to eight years.

Mr. Fleury of Camp, Dresser & McKee distributed an update of what was discussed at the last Board meeting. He indicated Tasks A, B, C & D are available for the Board's review. Work on Task E, the evaluation of the District's system, is on-going in conjunction with the technical memorandum that will explain the model.

Mr. Schlegel asked Mr. Fleury how many "super reservoirs" he felt the District would need to serve the existing customers. Mr. Fleury answered three. He indicated he will know better after an analysis of where the water will be coming in and how it will be distributed.

Mr. Huckelberry recommended that Camp, Dresser & McKee be employed to perform preliminary conceptual designs for the Northeast Reservoir. He indicated that this work was contemplated in the contract between the District and Camp, Dresser & McKee as a supplemental service so that conceptual design on the Northeast Reservoir could begin early, rather than waiting until completion of the Water System Management Plan. He indicated it would be in an amount not to exceed \$5,000.

Mr. Jacome alluded to the District's hiring of a District Engineer and an Assistant to the District Engineer to do the planning for the District. He realizes some of the elements being performed by Camp, Dresser & McKee are outside the scope of our existing staff, but he is concerned that the District is becoming dependent on Camp, Dresser & McKee. He is comfortable with using them as a resource and for consulting services, but he wants to ensure that we are performing the engineering tasks. Mr. Fleury indicated that everything they are doing is to be transferred to the District for its staff to utilize.

Mr. Jacome made a motion to employ Camp, Dresser & McKee in an amount not to exceed \$5,000 to perform preliminary conceptual designs for the Northeast Reservoir, Mr. Tripp seconded and the motion carried unanimously.

3. General Manager and Staff Report

A. Hardy Road Main Extension.

Mr. Huckelberry detailed where the District had saved money on the Hardy Road Main Extension project as compared to the original estimate. He expounded on areas in which the District can possibly save additional funds on future projects, i.e. staff will gain experience on such projects as they perform these types of functions on a regular basis and, hence, become more efficient, and also supplies will be purchased through annual bids.

B. 1992 Annual Water Withdrawal and Use Report.

Mr. Huckelberry indicated that the District Hydrologist would be reconciling the District's 1991 and 1992 Annual Water Withdrawal and Use Reports for the Arizona Department of Water Resources. He stated that staff is working on a procedure to enable monthly reconciliation of sales versus production.

C. Cañada del Oro Recharge Demonstration Project.

Mr. Huckelberry stated that he and the District Hydrologist had met with Bureau of Reclamation officials. He felt the meeting was positive and that the Bureau would like to find a demonstration project in the Tucson area to look at alternative uses for Central Arizona Project water.

D. City Manager Meeting Regarding Metro Water District Issues with the Northwest Water Agreement.

Mr. Huckelberry indicated he had met with the City Manager on two separate occasions in the last week, and that the Mayor also attended one of those meetings. He feels there is progress being made towards cooperation as opposed to competition. He indicated discussions would continue between he and City staff.

E. Organizational Development.

Mr. Huckelberry stated he will be meeting with each District employee to receive feedback on organizational development. He hopes to recommend an organizational structure to the Board at the December meeting.

F. Hydrant Flushing Installation Program, Fire Hydrant Installation Program, Valve Location/Inventory and Maintenance Program.

Mr. Huckelberry indicated that programs would be developed for each of the above listed functions so that the functions can be performed in a routine, systematic method. A master plan will be formulated for these programs so that functions can be performed in an orderly manner and work can be scheduled accordingly. Manuals will also be created for each program.

G. Board of Supervisors' Actions.

Mr. Huckelberry brought the Board up to date on the cooperative efforts between the District and the County Board of Supervisors, i.e vehicle maintenance, fuel

purchase, health benefits and legal services. He stated that all of these items have been adopted by both the District Board of Directors and the County Board of Supervisors. Staff of the District has been meeting with County staff to transition these programs to the County. Sheila Lewis has met with County staff on health benefits and had distributed the proper materials to District staff to have them converted to the County health benefits program. Mr. Huckelberry indicated the District continues to use Oro Valley as a backup for fuel purchase, and that he has provided the Oro Valley Town Manager with a form to enable them to purchase fuel through the County's fuel provider and allow them to get gas at the same price as the County.

Mr. Tripp asked the status of the sewer billing issue. Mr. Huckelberry stated that the additional language the District asked to be included into the agreement had been added, but that it had not yet gone to the City Council for action. He is anticipating the issue will be resolved within the next 30 days.

Mr. Schlegel asked if there was anything new to report on the purchase of power. Mr. Huckelberry indicated he is scheduled to meet with staff of the Cortaro Marana Irrigation District to discuss subcontracting operation and maintenance of the well. Mr. Jacome suggested having someone audit the District's power bills. Mr. Huckelberry indicated he would look into it.

E. ADJOURNMENT

Mr. Tripp moved that the open session of the Board meeting be adjourned, Mr. Jacome seconded and the meeting was adjourned at 6:05 PM.



Herb Johnson, Chairman

ATTEST:



Clerk