

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

November 13, 1996  
Wilson Room  
Tohono Chul Park  
7366 North Paseo del Norte  
Tucson, Arizona 85704

**MINUTES**

Board Members Present: Peter Schlegel, Chair  
Marty Cramer, Vice-Chair  
Jim Doyle, Member  
Herb Johnson, Member  
James Tripp, Member

District Staff: Mark Stratton, General Manager  
Phil Higdon, Legal Counsel  
Michael Land, Chief Financial Officer  
Michael McNulty, Legal Counsel  
Warren Tenney, Clerk of the Board

**Call to Order and Roll Call**

Mr. Pete Schlegel, Chair of the Board of Directors of the Metropolitan Domestic Water Improvement District (District), called the regular Board meeting to order at 5:35 p.m. Ms. Marty Cramer, Mr. Jim Doyle, Mr. Herb Johnson, and Mr. Jim Tripp were present.

**Executive Session**

Mr. Cramer moved that the Board of Directors hold an Executive Session. Mr. Tripp seconded the motion and it passed unanimously. The Board went into Executive Session at 5:36 p.m.

Executive Session pursuant to 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)(4), (to consider the Board's position and instruct its attorneys in pending or contemplated negotiations or litigation) regarding the following:

- A. Litigation with the City of Tucson.

The Board returned from Executive Session at 5:58 p.m.

**Regular Session**

**I. Call To Order and Roll Call**

Mr. Pete Schlegel, Chair of the Board of Directors of the Metropolitan Domestic Water Improvement District (District), called the regular session of the Board meeting to order at 6:04 p.m. Ms. Marty Cramer, Mr. Jim Doyle, Mr. Herb Johnson and Mr. Jim Tripp were present.

**II. Comments From The Public**

There was no comment from the public.

**III. Consent Agenda**

- A. Approval of Minutes -- October 9, 1996 Special Board Meeting.**
- B. Approval of Minutes -- October 9, 1996 Joint Meeting with Town of Oro Valley.**
- C. Approval of Minutes -- October 16, 1996 Board Meeting.**
- D. Approval of Minutes -- October 18, 1996 Special Board Meeting.**
- E. Approval of Minutes -- October 24, 1996 Special Board Meeting.**
- F. Ratification of Billing Adjustments.**

Mr. Tripp did not vote due to a possible conflict of interest pertaining to a billing adjustment.

Ms. Cramer made the motion to approve the consent agenda as recommended by staff. Mr. Johnson seconded the motion and the motion passed with Mr. Tripp abstaining from the vote.

**IV. General Business -- Items For Discussion and Possible Action**

**A. Litigation with the City of Tucson.**

Mr. Michael McNulty, District's Legal Counsel, noted that the arbitration that had been scheduled for November 19, 1996 has been deferred since the City has not produced all the documents that they were required to provide.

**B. Financial Report.**

There was no comment or discussion of this item.

**C. Audit for Fiscal Year 1995-1996.**

Mr. Tripp made the motion to approve the audited Financial Statements that were reviewed by the Business Administration Committee and direct staff to enact the recommendations noted in the Management Letter. Ms. Cramer seconded the motion.

Mr. Schlegel suggested that a new policy be initiated for staff to provide an update or report to show the progress or completion of a Board action. One example would be the status of the new

billing software. Mr. Stratton noted that staff has been keeping the Board apprised through the status reports of each division that is included with the General Manager's report. For example, a report lists the items that have been accomplished pertaining to the recommendations of the completed risk management assessment. Mr. Mike Land, Chief Financial Officer, noted that the new billing software should actually help to speed up the accounting process. The transition to the new billing software is proceeding well, though both the new system and the old one are still being used in tandem. The billing format is being finalized and hopefully in December the transition to Data West should be completed.

Ms. Cramer asked if staff has acted upon any of the recommendations from the auditors. Mr. Land said that staff has begun to address and implement most of the auditors' recommendations.

Mr. Schlegel called for a vote for the motion to approve the 1995-1996 audit. The motion passed unanimously.

#### **D. Financing for Linda Vista Reservoir.**

Mr. Tripp made the motion to direct the General Manager to proceed with the funding of the Linda Vista Reservoir as outlined in the staff report, which involved the District paying from its revenues to the Ashton Company for the construction of the reservoir. Mr. Johnson seconded the motion.

Mr. Johnson noted that he understood that the motion would result in using existing funds and any remaining amount would be financed through a lending institution. Mr. Stratton said Mr. Chilton recommended the requested reserve account if the District pursued a short-term loan through Chilton & Associates be increased to \$650,000 annually for five years. The reserve fund would either pay the principle or revert to the District when the litigation with the City of Tucson was resolved. Staff examined what funds were required to put together a short-term loan as well as the District's cash reserve and concluded that the District could pay directly for the reservoir. One financing institution was comfortable with arranging to pay for any remaining amount. If the motion is approved, the District would issue a notice to proceed to the Ashton Company.

Mr. Schlegel asked if the Ashton Company is willing to carry-back any of the amount. Mr. Land said that staff would be meeting with the Ashton Company to see if they would be able to do this. Mr. Johnson noted that using a bank would be better to avoid any additional obligation to the contractor and so the contractor does not have to absorb any cost. Mr. Land concurred and said staff is examining different options, though securing a line of credit would be the safest and surest way to proceed.

Mr. Schlegel called for a vote for the motion regarding the approval of financing the Linda Vista Reservoir. The motion passed unanimously. It was noted that the Board had already approved the contract with the Ashton Company.

#### **E. Consideration and Possible Election of the Directors for the Municipal Property Corporation.**

Mr. Stratton explained that Mr. Fred Rosenfeld, Bond Counsel, had recommended that the majority of directors for the Municipal Property Corporation differ from the make-up of the

District Board. Mr. Stratton also noted that he had discussed the issue of potential candidates with some of the Board members.

Mr. McNulty explained that a municipal property corporation is a common means for governmental agencies to finance projects by forming a nonprofit subsidiary. Many Arizona entities use non-profit municipal property corporations to sell bonds to pay for an needed infrastructure and then uses a lease purchase agreement to pay for it. The parent entity then pays for the bond so that they have title to any infrastructure that was built. It is another form of revenue bond financing where you pay with revenues from what you are purchasing. The District originally formed the Municipal Property Corporation in an effort to purchase a water company or finance the construction of the Linda Vista Reservoir, neither of which have been needed. However, to keep the Municipal Property Corporation viable, an annual meeting needs to be held with new directors elected.

Ms. Cramer suggested that Mr. Schlegel and Mr. Johnson as possible members of the Municipal Property Corporation Board. Mr. Tripp noted that he had spoken to Mr. Mike Jacob and he expressed a willingness to serve on the Municipal Property Corporation Board.

Mr. Tripp asked how many directors should be appointed to the Municipal Property Corporation. Mr. McNulty said three or five. Mr. Tripp noted that he preferred three directors. Mr. McNulty said that the by-laws for the new directors can be modified.

Mr. Schlegel asked if there was insurance coverage for the Municipal Property Corporation directors. Mr. Stratton said that can be examined when a project is being financed.

Mr. Stratton asked if the Municipal Property Corporation must follow the open meeting laws. Mr. McNulty said that the statutes do not require open meeting laws, but Mr. Rosenfeld has suggested that the by-laws include having the meetings noticed and open to the public.

Mr. Johnson expressed concern about how the Municipal Property Corporation would function if more than one project transpired at a time as well as its relationship with the District Board. Bookkeeping would be quite detailed as well as processing payments. The District would need to provide staff support to the Municipal Property Corporation. Mr. McNulty stated that the Municipal Property Corporation would not be active unless an actual project exists that would be placed under a lease-purchase agreement. The Municipal Property Corporation could be then assisted by District staff, such as by appointing Mr. Warren Tenney to serve as Secretary or Clerk of the Municipal Property Corporation.

Mr. Johnson said he wanted to be certain that the Municipal Property Corporation's primary role is to finance a project. Mr. McNulty said that is correct. The Municipal Property Corporation would only enforce the conditions of the lease agreement and would not need to become involved with other District issues.

Mr. Tenney explained that when the Metropolitan Domestic Water Improvement District Municipal Property Corporation was formed March 1, 1996, the present District Board of Directors were named the directors for the Municipal Property Corporation Board. Mr. Rosenfeld had suggested that the directors for the Municipal Property Corporation be changed from the District Board of Directors; however, the current articles of incorporation for the

Municipal Property Corporation requires the District Board of Directors appoint the directors for the Municipal Property Corporation. Once the District Board has appointed new directors for the Municipal Property Corporation Board, then the Board for the Municipal Property Corporation can meet for the annual meeting and formally adopt by-laws.

The Board decided to continue this item until the January 13, 1997 Board meeting since there was no immediate need now that the Board had decided to finance the Linda Vista Reservoir without using the Municipal Property Corporation. Mr. Stratton said that in the meantime he would ensure that by-laws were being drafted for the Board's review.

**F. Disbanding of the Bond Advisory Committee.**

Mr. Tripp made the motion for the Board of Directors to recognize the contributions of the Bond Advisory Committee to the District with individual certificates of appreciation. Also, the Bond Advisory Committee has completed its responsibility and is hereby disbanded as an official committee of the District. Ms. Cramer seconded the motion and it passed unanimously.

**G. Award of VOC and THM Laboratory Services.**

Mr. Tripp made the motion to split the award of the VOC and THM contract, by awarding the VOC analytical services contract to Aqua Lab and the THM analytical contract to Aqua Tech with the total between the two contracts not-to-exceed \$35,000. Ms. Cramer seconded the motion and it passed unanimously.

**H. Status of Well Rehabilitation -- Stiller and Alcott Wells.**

Mr. Johnson said that upon review of staff's report to rehabilitate both Stiller and Alcott wells, staff made recommendations that provide the best deal at the least cost for the District and appear to comply with what the Arizona Department of Water Resources (ADWR) will approve. However, these wells are important to the District's system, especially if a shortage occurs. The wells should not be rehabilitated at a minimal cost that will leave the wells producing under capacity. Additionally, the wells should be designed for the purpose of recovering water recharged at the Oasis recharge area. The Capital Improvement Program shows new wells at a cost of \$350,000 and that is the estimate we should use for these wells in order to obtain the greatest amount from the aquifer. The Alcott well cannot be rehabilitated due to the large slots in the sides of the casing; however, if you start by pulling the casing out and drill the well down to the depth preferred by staff, a well of maximum capacity would be achieved as well as provide a recovery well. The replacement well for Alcott should be constructed at the same location, install a 12 inch liner, stainless screen, with a hole depth to 500 feet, which means spending much more than staff's recommendation but was the preferred recommendation of Groundwater Resources Consultants. The same reasoning should be applied to Stiller well.

Mr. Stratton noted that staff had not considered the recovery possibility for these wells, which he agreed is a valid aspect.

Ms. Cramer asked if money was currently available for such rehabilitations. Mr. Stratton said yes. Mr. Johnson suggested that the Municipal Property Corporation could be used to finance the well rehabilitations.

Mr. Johnson, Mr. Mike Block, District Hydrologist, Mr. Chris Hill, Utility Superintendent, and Mr. Stratton discussed the technical aspects of rehabilitating the wells, including the possibility of removing the casing and drilling to the original depth. It was also uncertain what ADWR would require for the District to obtain permits for the rehabilitated wells.

Mr. Johnson made the motion to direct staff to construct the Alcott and Stiller wells for maximum capacity and install pumps that are in compliance with ADWR requirements. At a later date, the District should apply for a permit to increase the size of the pumps of the well capacity for a recovery well to recover water recharged in the CDO wash. Both wells should be bid at the same time. Mr. Tripp seconded the motion and it passed unanimously.

**I. Status of Main Line Replacement Program -- Riverside Terrace.**

Mr. Hill showed the Board of Directors a map of the main line replacement area at Riverside Terrace and distributed a handout listing the material and labor involved with the project. The project began in October and took forty-six working days to complete with an average of 70 feet of main replaced per day. A total of 3,213 feet of water main was replaced. Most of the project took place on Kennebeck and Trinity. The project also included replacing thirty-six services, which meant that a number of meters were brought to the front of properties along the street to eliminate easement lines that were difficult to reach. This will allow for easier meter reading and maintenance. Two fire hydrants were installed in the area. The District received overall positive working relationship with the neighbors. The project cost \$78,000 with \$52,000 spent for materials at an average of \$25.00 per foot for pipe. The Engineering Division is currently working on the remainder of Riverside Terrace.

Mr. Schlegel asked if there was any special assessment related to the installation of the two fire hydrants. Mr. Stratton answered no.

Mr. Tripp noted that staff had done a good job. Mr. Hill agreed that the crew should be commended for the work done and thanked the Board of Directors for instituting the construction crew for the main line replacement program.

Mr. Doyle asked what the cost of the project would have been if a contractor had been used. Mr. Hill said approximately \$120,000.

**J. Resolution 1996-9 -- Requesting the Arizona Water Banking Authority Expend Funds within Pima County.**

Mr. Tripp made the motion to approve Resolution 1996-9 to request that the Arizona Water Banking Authority expend funds within Pima County. Ms. Cramer seconded the motion.

Mr. Schlegel reported that the region had expressed a great concern that \$1.4 million of Pima County tax dollars would be used in another county under the current proposed plan of operation for the Arizona Water Banking Authority. The region has tried to demonstrate to the Arizona Water Banking Authority that recharge is possible in the Tucson Active Management Area. The resolution should include a reference that if recharge is not possible in Pima County in 1997, the monies from Pima County should be placed in a reserve account until they can be used in Pima

County for recharge. Mr. Stratton concurred that a strong message needs to be given to the Arizona Water Banking Authority. Mr. Myers said the Arizona Water Banking Authority was established to ensure that Arizona utilized its full allocation of Colorado River water and not lose any future water to California or Nevada. There is no benefit to Pima County if its funds are being used to recharge water in Pinal County. When a drought occurs, that water will be needed in Pima County, not Pinal County. Meetings have been set with the Director of ADWR and other officials of the Arizona Water Banking Authority to encourage a change in the Authority's plan of operation.

Mr. Tripp amended the motion to approve Resolution 1996-9 to include a statement that if monies obtained from Pima County cannot be used immediately for recharge projects in Pima County, the monies should be placed in a reserve fund until recharge projects in Pima County exist. Mr. Johnson seconded the amended motion and it passed unanimously.

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

Mr. Stratton reported that staff has met with the School of Immaculate Heart representatives regarding the Northeast Reservoir. Another meeting was scheduled to discuss in more detail possible sites for a Northeast reservoir. Cobo Catalina Homeowners Association continues to want to remain aware of the status of the reservoir. Mr. Schlegel had asked if the possibility of trading Lot 39 is being considered. Mr. Stratton said that has been discussed with the Sisters of Immaculate Heart and it is still a possibility.

Mr. Stratton said that the Magee/La Cholla booster facility was turned on yesterday and testing will continue. Temporary fencing has been set around the facility and NAC Construction will be soon constructing permanent fencing for the entire lot.

Mr. Stratton noted that a temporary office site at Hardy Well has been established for the Utility Division's crews. The Utility Division's trucks will be parked there, providing more parking space at the District's office.

Mr. Stratton said that Mr. Schlegel and he will be attending the AWWA teleconference on privatization. This information will be of value should the Board ever be approached on the subject.

Mr. Stratton reported that Mr. Terry Armstrong has met with most of staff to discuss office space requirements to determine the total square footage required for a new office.

#### **VI. Legal Counsel's Report**

Mr. McNulty reported that Mr. Fred Rosenfeld has still not completed preparation for possible legislation. Efforts will be made to have draft legislation prepared soon.

#### **VII. Future Meeting Dates; Future Agenda Items**

The next regular meeting of the Board of Directors will be held on Monday, December 9, 1996 in the Board Room at the Westward Look Resort.

**VIII. Adjournment**

The meeting adjourned at 7:36 p.m.

  
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Peter H. Schlegel, Chair

ATTEST:

  
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Clerk of the Board