

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

November 14, 1994
7235 North Paseo del Norte
Tucson, Arizona 85704

MINUTES

Board Members Present: Herb Johnson, Chairman
 Jim Tripp, Vice-Chairman
 Pete Schlegel, Member
 Kate O’Rielly, Member

District Staff Present: Mark Stratton, General Manager
 Michael Block, Hydrologist
 Scott Eisenfeld, Development Supervisor
 Alan Forrest, District Engineer
 Christopher Hill, Utility Superintendent
 Neil Peters, Utility Maintenance Worker
 Steve Shepard, Back Flow Specialist
 Warren Tenney, Clerk

Others Present: John M. Alexander, Luckow Alexander Engineers
 Marty Cramer, Board Member Elect
 Bud Dooley, Customer
 Jim Doyle, Board Member Elect
 Alex Jácome, Former Board Member
 Mark Myers, Consultant
 Lane Oden, Brown and Bain
 Dan Offret, Customer
 Jim Peterson, Town of Oro Valley
 Tom Piccioli, Kohn Partnership
 William Pritchard, Customer
 Dennis Rule, Tucson Water
 Bob Stubbs, Stubbs Schubart Attorneys

I. CALL TO ORDER AND ROLL CALL

- A. The meeting was called to order at 5:02 p.m. by Mr. Herb Johnson, Chairman of the Board of Directors of the Metropolitan Domestic Water Improvement District (District). Mr. Jim Tripp and Mr. Pete Schlegel were present.

- B. Mr. Tripp moved that the Board approve the meeting notice and agenda for November 14, 1994. Mr. Schlegel seconded and the motion passed unanimously with the members present.

Item I.C. was delayed until Ms. Kate O'Rielly and Mr. Alex Jácome arrived.

II. COMMENTS FROM THE PUBLIC

Mr. William Pritchard, a District customer, expressed concern regarding a whining noise coming from a new pump that was installed at a well-site near his home in Campo Bello Estates. The new pump has also caused problems in scrambling radio frequencies. Mr. Johnson said that the Board appreciates his concerns and that the General Manager would address the matter. Mr. Mark Stratton said that he had been aware of the frequency problem but not the loud noise. He would work with Mr. Christopher Hill, Utility Superintendent, to resolve the matter. The new pump and a variable frequency drive unit were installed to negate well pumping problems.

Mr. Jim Peterson of Oro Valley said that the Town of Oro Valley appreciated Mr. Jim Tripp's efforts as a member of the District's Board and his assistance given to better the relationship between the District and the Town of Oro Valley.

Mr. Tom Piccioli of Kohn Partnership said that he applauded the District's Engineering Division's efforts to develop and define a fair price allocation method for the needed La Cholla Corridor project. He favors proceeding with the one million gallon storage. Staff has been fair in allocating the cost between existing residents and developers. Mr. Johnson said he appreciated Mr. Piccioli's compliments. The District wants an equitable cost between users and developers.

III. CONSENT AGENDA

- A. Approval of Minutes - October 12, 1994 Board Meeting.**
- B. Approval of Minutes - October 24, 1994 Study Session.**
- C. Ratification of Billing Adjustments or Small Damage Claims.**
- D. Financial Issues - Update on Revenues, Checks and Warrants.**
- E. Ratification of Change Order No. 1 for Water System Management Plan Contract - Additional Computer System Model Training.**
- F. Ratification of Contract for Additional Office Parking - K&B Asphalt.**
- G. Ratification of Contract - Capital Improvement Program Project Coordinator.**

Mr. Tripp made the motion to approve all of the items on the Consent Agenda. Mr. Schlegel seconded the motion and it passed unanimously with the members present.

IV. OLD BUSINESS -- ITEMS FOR DISCUSSION AND POSSIBLE ACTION

Mr. Tripp made the motion to postpone Items IV.A., IV.B., IV.C., and IV.D. until after the Executive Session. Mr. Schlegel seconded the motion and it passed unanimously with the members present.

E. Update regarding the Northwest TAMA Replenishment Program.

Mr. Mark Myers reported that the Northwest TAMA Replenishment Program (NRP) continued to garner support and progressively move forward. The Avra Valley Pilot Recharge Project will probably not be completed by July 1, 1995. A draft copy of the proposed contract between the Central Arizona Water Conservation District (CAWCD) and the District regarding the Avra Valley Pilot Recharge Project continues to be developed by CAWCD staff. The State Land Department has granted the right-of-way permit to allow soil characterization of the site. CAWCD's commitment to the NRP feasibility study should be resolved in January 1995. The feasibility study for the NRP has been drafted and defines the tasks required for the feasibility study, the level of effort and expected cost of each task, and establishes a time line and critical path for completion of the study. The Groundwater Users Advisory Council (GUAC) for the Tucson Active Management Area voted on November 2, 1994 to support the use of funds originating with the Arizona Department of Water Resources (ADWR) as part of the non-Federal match and to have ADWR staff participate in the feasibility study planning and oversight process. Funds for the feasibility study should exceed \$400,000 for the local match, not including a contribution from the City of Tucson. Specifics regarding Tucson's contribution are being discussed before Tucson staff presents it to the City Council. Oro Valley Planning and Zoning Commission and the Oro Valley Town Council approved the parks, recreation and open space master plan for Oro Valley, which identifies the Cañada Del Oro Project. Pima Trails Association and the Regional Council of the Pima Association of Governments and Westinghouse Communities have given support. General community support continues to be positive.

Mr. Schlegel said he wanted to be certain that CAWCD would prioritize the Avra Valley Pilot Recharge Project before the City of Tucson's Three Point and Pima Mine Road projects.

Ms. Kate O'Rielly arrived at 5:22 p.m.

Mr. Myers said that he would work closely with CAWCD to ensure that the Avra Valley Pilot Recharge Project is kept at the forefront of their projects. Other projects must complete the same process as the District's.

The Board decided to address Item I.C.

I. CALL TO ORDER AND ROLL CALL

C. Special Presentation - Recognition of Jim Tripp, Kate O'Rielly and Alex Jácome for their service as members of the Board of Directors.

Mr. Johnson noted that Mr. Tripp, Ms. O'Rielly and Mr. Alex Jácome worked many hours as members of the District's initial Board of Directors. They were also involved extensively with the organization of the District. These three members of the Board, whose terms expire the end of December 1994, contributed many hours and hard work and have earned the recognition given to them by the District. Mr. Johnson presented Mr. Tripp, Ms. O'Rielly and Mr. Jácome with a plaque, which stated, "In sincere appreciation for your dedicated efforts in the formation of the Metropolitan Domestic Water Improvement District and your conscientious services as a member of the District's Board of Directors."

A photograph of the initial Board of Directors (Mr. Johnson, Mr. Tripp, Ms. O'Rielly, Mr. Schlegel and Mr. Jácome) was taken by Mr. Neil Peters.

V. NEW BUSINESS -- ITEMS FOR DISCUSSION AND POSSIBLE ACTION

A. Administration and Management

1. Approval of Audit for Fiscal Year 1993-1994.

Mr. Stratton reported that Mr. Tripp, Ms. O'Rielly, Ms. Sheila Willis and he had met with representatives of Cotton Parker Johnson regarding the audit for Fiscal Year 1993-1994. The financial sheet dated June 30, 1994 was reviewed in detail. The General Manager's report regarding the audit details the items discussed by Cotton Parker Johnson.

Mr. Tripp made the motion to approve the audit as prepared by Cotton Parker Johnson for Fiscal Year 1993-1994; direct staff to hire a consultant to perform the bond arbitrage rebate calculation; and direct staff to delete hydrant charges from water customer billings.

Mr. Schlegel said he had questions for a representative from Cotton Parker Johnson. Mr. Stratton said that a representative was not in attendance; however, Ms. O'Rielly, Mr. Tripp, or himself could respond to any question since the audit was reviewed in detail with them.

Mr. Schlegel questioned how the recommendations made by Cotton Parker Johnson would be dealt with if the Board approves the audit. Mr. Stratton explained that staff is correcting the problems encountered by the general ledger system conversion. Segregating the duties in the accounting department should be considered if the District grows, though Cotton Parker Johnson understands the District's current staffing limitations. It will take time to complete a physical inventory of the property plan and equipment in order to designate the age of value of the infrastructure. The concerns about bond arbitrage rebate calculation and hydrant charges are addressed in the motion regarding the approval of the audit.

Mr. Schlegel questioned how many audit problems could be associated with the District's computer software (TAABS). The software continues to have more problems than acceptable and TAABS does not seem to be providing the proper assistance. Mr. Stratton said many of the early problems with the software have been corrected; however, as staff becomes more familiar with the software, they will encounter new features that creates questions.

Mr. Johnson noted that the auditors' recommendation for a complete inventory will take time to accomplish as the District itself learns more about the infrastructure it has acquired.

Mr. Johnson called for a vote for the motion regarding the approval of the audit. The motion passed unanimously.

2. Cost of Living Adjustment for District Staff.

Mr. Schlegel requested that the discussion regarding the cost of living adjustment for District staff be moved to Executive Session. Mr. Lane Oden of Brown & Bain said that discussions by the Board regarding salary come within the purview of an open meeting or executive session. Those discussions generally pertain to specific individuals. Items to be discussed in executive session must be noticed. Mr. Johnson asked if Mr. Schlegel's discussion involved particular people. Mr. Schlegel said that it could.

Mr. Schlegel requested that the discussion be continued to the next Board meeting since there was no pressure to take action and in the meantime a proper legal opinion could be obtained regarding the discussion of staff in an executive session.

Ms. O'Rielly said she did not understand the need to postpone the item because the cost of living adjustment was included in the 1994-1995 budget, which was already approved by the Board. Mr. Stratton noted that Resolution 1994-3 directed the General Manger to bring before the Board a proposed cost of living increase in November of each year. Ms. O'Rielly said she needed a reason why the item should be postponed. Mr. Schlegel said he did not want to state it in public.

Mr. Johnson noted that a request has been made by a member of the Board and that it should be honored. He asked which Board members were in favor of deferring the item until the next Board meeting. Mr. Schlegel, Mr. Tripp and Mr. Johnson said they were in favor of deferring. Ms. O'Rielly was opposed. The item was to be scheduled for the next regular Board meeting.

3. Sale of District Property on Oracle Road.

Mr. Tripp made the motion to direct staff to advertize the sale of surplus property and to receive sealed bids for the property in the minimum amount of ninety percent of the appraised value. Ms. O'Rielly seconded the motion and it passed unanimously.

B. Engineering and Planning

1. Request to Bid - Booster Facilities at Alcott Storage for Casas Adobes Terrace.

Mr. Stratton explained that Cella Barr Associates provided a booster pump analysis of the requirements that would be necessary to meet the overall fire flow and water demand needs for the Alcott facilities and recommended that a 250 horsepower pump be used to meet the water demand for the service area, including the Casas Adobes Terrace Development. A VFD unit is recommended due to the size of the pump. The pump can also be used to transfer water from the Alcott system to the DeConcini-Bell-Blackwell network. Ina/Shannon Property Limited Partnership, the developers of Casas Adobes Terrace Development, will reimburse the District approximately \$20,000 of the estimated \$77,000 for the construction of the booster facilities. Mr. Johnson noted that the pump will relieve some of the pressure problems in the Westward Look area.

Mr. Tripp made the motion to authorize staff to receive bids on the installation of a 250 horsepower pump and variable frequency drive unit at the Alcott facility. Ms. O'Rielly seconded the motion and it passed unanimously.

2. Draft Report Regarding Improvements for the La Cholla Corridor.

Mr. Alan Forrest said that staff has been exploring ways to improve the water system facilities necessary to meet fire flow requirements for the La Cholla Corridor area, which extends from the Northwest Hospital area northerly to Magee Road. Planned development in that area has raised concerns about the fire flow capabilities of the system. Staff has met with developers, who have specific projects for the La Cholla Corridor area, to discuss an approach that distributes a fair cost equitably to all parties that would benefit from the fire flow capabilities. Increased storage in the area of Magee and La Cholla has been the primary focus.

Mr. Forrest explained that the La Cholla Corridor impact area covers approximately 3,000 acres. The boundaries were determined by considering well service areas, physical boundaries such as the Cañada Del Oro Wash, and elevation. The general boundaries include Magee Road to the north, Mona Lisa Road to the west, La Cañada to the east, and Oracle Jaynes Station to the south. Existing zoning was identified within the impact area as well as the undeveloped and developed properties. Single family residency is the primary zoning. Multi-family and commercial zoning also exists. It was recognized that the developed properties would also benefit from improvements because fire flow would be enhanced throughout the area.

Mr. Forrest said a fire flow factor was determined for each of the zonings based on their maximum fire flow demands in order to distribute fairly the potential cost for the fire flow requirements. The total cost for these improvements was determined and then each zoning category with their fire flow factor was tallied and then equated to the total cost. Developers would be responsible for those areas already developed, which could benefit from the new reservoir. Staff recommends that a 1,000,000 gallon storage tank would better meet future

demands and it would be more cost effective than building a smaller size to meet only near term needs.

Mr. Schlegel asked how the La Cholla Corridor improvements were part of the Capital Improvement Program. Mr. Forrest said that the storage tank was not identified specifically in the CIP. The CIP did not provide storage for the Z Zone. By bolstering storage in the Z Zone, it would make the infrastructure less dependent upon solely the A Zone storage system. The CIP did include much of the transmission improvements noted for the La Cholla Corridor.

Mr. Schlegel asked when this project could be completed. Mr. Forrest said various components will affect completion of the project. A primary factor will be the permitting process and drilling for the new Magee/La Cholla well. Design and construction could take approximately 120 days. Summer is targeted for completion. Mr. Stratton noted that additional land needs to be acquired adjacent to the existing facility. The owner of property directly south of the existing site is interested in making an arrangement since he wants to develop. Mr. Forrest noted that property owners are concerned about visual impact.

Mr. Johnson said that specifics of the CIP cannot be determined until the District determines how much it can afford.

Mr. Schlegel asked if there is a need for this additional reservoir or if it would be more cost effective to build one of the proposed major reservoirs to supply water to the La Cholla Corridor. Mr. Forrest and Mr. Stratton explained that the major reservoirs will be designed and constructed on a slower time scale due to their size and yet to be determined funding. Also, those reservoirs will service different elevation zones. Development is planned for the La Cholla Corridor in a relatively short time frame, the planned improvements for the La Cholla Corridor would improve the water system sooner. Also, developers are willing to agree to the impact fee which would pay for the improvements. While some redundancy may occur once all the planned reservoirs are completed, the draft report provides a means to accommodate immediate needs.

Mr. Schlegel asked if funds were available to start the La Cholla Corridor project. Mr. Stratton and Mr. Johnson said that funds were available.

Mr. Bob Stubbs asked staff to clarify a figure used in the formula to equate the cost among developers. Mr. Stubbs noted that he thought the proposal was a fair and equitable for meeting the needs in the area.

Mr. Tripp made a motion to use Alternative #2 as presented in staff's report to develop the financial requirements for the La Cholla Corridor. Mr. Schlegel seconded the motion and it passed unanimously.

3. Draft Report regarding Policy for Agreement for Construction of a Public Water System and Provision of Water Service.

Mr. Stratton explained that the report was drafted because the District lacks a formal process for obtaining a written agreement between new developments and the District for facilities required for water service due to development projects. Provisions were included for transfer of the infrastructure itself from the Bill of Sale. The report was molded primarily from documents similar to those used by both Pima County Wastewater and Tucson Water. Legal Counsel needs to review the documents as well as comments are sought from the Board of Directors.

Mr. Schlegel asked if SAHBA or developers had an opinion regarding this matter. Mr. Stratton said that the development community has not been involved and they only assume that the District will supply water to them. The documents are similar to other public utilities' requirements.

Mr. Johnson suggested that the inspection fee of 2.5 percent in Article 6 is low. Mr. Stratton noted that the Board had adopted the 2.5 percent inspection fee earlier this year and it is similar to Pima County's inspection fee. Staff is keeping records to determine if the 2.5 percent is adequate for covering costs. Mr. Johnson said that the 2.5 percent is acceptable; however, the Board should be aware that a higher inspection fee may be needed.

Mr. Johnson said that the draft resolution does not clarify who defines protected mains and future funds. Mr. Stratton said that the protected mains are addressed in the next agenda item; however, the language does need clarification.

Mr. Johnson said that since the contracts are over \$10,000, the Board of Directors should ratify the contracts in order to keep all records and procedures proper.

Mr. Schlegel questioned if the policy has been developed with other Northwest water providers' support so that the same policy applies throughout the Northwest Area. Mr. Stratton noted that while equity is sought, the private water companies in the Northwest Area have to comply to regulations set by the Arizona Corporation Commission. Most of the District's fees are consistent with other water providers.

4. Draft Report regarding Protected Main Policy.

Mr. Stratton explained that the concept of a protected main policy would help defray some of the initial developers' cost of the improvements for specific projects as required by the District. The District would ensure that the appropriate parties are assessed fees to reimburse the original developer and that the developer does receive his/her appropriate share of the cost. The policy is similar to those of Pima County Wastewater and Tucson Water. Mr. Forrest said that whenever a protected main is installed, the District would refund a portion of the construction costs to the party that financed the original water main installation the collection of a protected main fee, levied against all non-participating applicants for the service from that particular main.

Mr. Johnson said that Article 2.A of the report needs to clarify the procedure for payment of the fee.

Mr. Schlegel questioned if the issue of interest needs to be addressed. Mr. Forrest said that adjustments are made for inflation, which should offset the issue of interest.

Mr. Tripp made the motion to authorize staff to finalize the protected main policy. Ms. O'Rielly seconded the motion and it passed unanimously.

C. Utilities

1. Award of Contract for Well Maintenance Contracts.

Mr. Tripp made the motion to award the contract for well maintenance service to Gilbert Pump Company and Far West Pump Company as recommended by staff. Ms. O'Rielly seconded the motion and it passed unanimously.

2. Request to Bid - Twelve Inch Water Main on Ina Road from Shannon to Mona Lisa.

Mr. Tripp made the motion to authorize staff to request construction bids for a twelve inch transmission main on Ina Road from Shannon to Mona Lisa including all appurtenances. Ms. O'Rielly seconded the motion and it passed unanimously.

3. Request to Bid - Line Replacement for Ranch House Estates.

Mr. Tripp made the motion to direct staff to receive construction bids for the water line replacement at Ranch House Estates involved 2,400 feet of 8 inch main and appropriate appurtenances. Ms. O'Rielly seconded the motion and it passed unanimously.

VI. GENERAL MANAGER'S REPORT

Mr. Stratton noted that he had provided to the Board a General Manager's report that discussed the Tohono Chul Park, status of the District's hydrological study, CAP reallocation process, and the Management Committee. Mr. Stratton noted that the Tohono Chul Park was extremely pleased with the public's response to the District sponsored demonstration project.

Mr. Schlegel asked about the progress of the hydrological study and if studies done by Tucson Water for the Cañada Del Oro Basin can be used. Mr. Stratton noted that the study is progressing along well as detailed in Mr. Michael Block's memorandum dated November 8, 1994 and attached the General Manager's report. Mr. Block said that ADWR has provided favorable responses. Data from Tucson Water studies will be utilized.

Mr. Schlegel said he was concerned that the Management Committee may be assuming more roles than specified by the Intergovernmental Agreement between the District and the Town of

Oro Valley. While he did not oppose the different roles being handled by the Management Committee, he suggested a distinction to avoid setting a precedent that will be expected to continue. Mr. Stratton noted that the Management Committee has discussed changing its name to avoid confusion with the specifications of the IGA and the Committee's advisory role.

VII. DISTRICT LEGAL COUNSEL'S REPORT

Mr. Oden noted that Mr. Michael McNulty was out of town and that he would be pleased to respond to any questions regarding the report.

VIII. EXECUTIVE SESSION

Mr. Tripp moved that the Board go into Executive Session. Ms. O'Rielly seconded the motion and it passed unanimously. The Board went into Executive Session at 6:38 p.m.

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. The Northwest Water Agreement.
- B. Amendment to the Asset Purchase Agreement with the City of Tucson.
- C. District and Tucson Water Service Area Boundaries.

The Board returned from executive session at 7:17 p.m.

Mr. Tripp made the motion for the Board to return to Open Session. Ms. O'Rielly seconded the motion and it passed unanimously.

IV. OLD BUSINESS -- ITEMS FOR DISCUSSION AND POSSIBLE ACTION

B. Negotiations regarding the Northwest Water Agreement.

Mr. Tripp made the motion to approve the letter drafted by Legal Counsel regarding the Northwest Water Agreement (see Attachment #1). Ms. O'Rielly seconded the motion and it passed unanimously.

C. Negotiations regarding the Amendment to the Asset Purchase Agreement.

Mr. Tripp made the motion to present the amendment to the Asset Purchase Agreement as drafted by Legal Counsel to the City of Tucson. Ms. O'Rielly seconded the motion and it passed unanimously.

D. Boundaries between the District and Tucson Water Service Areas.

Mr. Tripp made the motion that the District submit to binding arbitration the District service boundaries between the District and the City of Tucson. Legal Counsel is instructed to draw up the agreement. Ms. O'Rielly seconded the motion and it passed unanimously.

A. District Election.

Mr. Stratton noted that the District may want to investigate amending H.B. 2088, which allows for District property owners living outside of the District to be able to vote in the election. This has created an extra cost to the District due to the notification to all property owners living outside of the District. The District had to send 1,300 notifications for the election to property owners living outside of the District.

Mr. Tripp made the motion to instruct Legal Counsel to investigate the possibility of modifying H.B. 2088. Ms. O'Rielly seconded the motion and it passed unanimously.

X. FUTURE MEETING DATES; FUTURE AGENDA ITEMS

The next regular Board meeting is scheduled for December 12, 1994.

XI. ADJOURNMENT

The meeting was adjourned at 7:21 p.m.


Herb Johnson, Chairman

ATTEST:


Clerk