

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

October 9, 1996
Oro Valley Town Hall Council Chambers
11000 N. La Cañada Drive
Oro Valley, Arizona 85737

MINUTES

Board Members Present:	Pete Schlegel, Chair Jim Doyle, Member Herb Johnson, Member
Board Members Not Present:	Marty Cramer, Vice-Chair Jim Tripp, Member
District Staff:	Mark Stratton, General Manager Phil Higdon, Legal Counsel Warren Tenney, Clerk of the Board

Call to Order and Roll Call

The Board of Directors of the Metropolitan Domestic Water Improvement District (District) held a joint study session with the Oro Valley Town Council (Council)/Board of Directors of the Oro Valley Water Improvement District No. 1. (O.V. #1). The joint study session was called to order at 7:13 p.m. Mr. Pete Schlegel, Mr. Jim Doyle and Mr. Herb Johnson were present for the District Board of Directors. Ms. Marty Cramer and Mr. Jim Tripp were not present.

From the Oro Valley Town Council, Mr. Paul Parisi, Mr. Frank Butrico, Mr. Al Jakubauskas, and Mr. Bill Kautenburger were present. Mayor Cheryl Skalsky was not present.

Executive Session

Both the District Board of Directors and Oro Valley Town Council moved into Executive Session at 7:14 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 and Town Council returned from Executive Session at 8:22 p.m.

Study 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 study session of the Board meeting to order at 6:10 p.m. Mr. Jim Doyle, and Mr. Herb Johnson were present. Ms. Marty Cramer and Mr. Jim Tripp were not present.

Mr. Paul Parisi, Vice Mayor of Oro Valley Town Council/Board of Directors of the Oro Valley Water Improvement District No. 1. (O.V. #1), called the study session of the Town Council to order. Council Members Mr. Frank Butrico, Mr. Al Jakubauskas, and Mr. Bill Kautenburger were present. Mayor Cheryl Skalsky was not present.

I. Discussion of Northwest Area Water Issues of Mutual Concern and Interest for Metropolitan Domestic Water Improvement District and the Town of Oro Valley.

Per their agenda, the Town Council wanted to discuss first about the Countryside service area of the Cañada Hills Water Company that the Town purchased. Mr. Mark Stratton, General Manager of the District, noted that the District Board of Directors had understood that a gentlemen's agreement existed between the former Mayor of Oro Valley and the former Chair of the District in which the District would serve the County area of the Cañada Hills Water Company and the Town would serve that area within the Town. The Town Council had asked the District to stop negotiating with the water company since most of Cañada Hills Water Company was located within the Town boundaries. The District understood that same arrangement would exist if the Town purchased the water company; however, to date, the two governing bodies have not addressed that issue.

Mr. Parisi said that he viewed the Town's negotiations to buy Cañada Hills Water Company as independent of past discussions. He did not know of such a gentleman's agreement until a couple of weeks ago when he and Mr. Kautenberger met with Ms. Cramer and Mr. Stratton to discuss the town possibly purchasing from the District 339 acre feet of groundwater savings credits. The Town Council was not aware of such an agreement and it was placed in an unfair position to raise that issue when discussing the 339 acre feet. When the Town considered purchasing Cañada Hills Water Company, Countryside was a significant financial portion of that decision. The Town is not in a financial position to discuss Countryside now and will most likely need that revenue in the future.

Mr. Kautenburger said the Town cannot financially give up Countryside. In the future, the situation may change if the Town can find other means to take care of its current bonds and financial responsibilities, but the Town's water advisors say we are not at the point. Mr. Butrico noted that

as a member of the negotiating team for the water company, the purchase of the Cañada Hills Water Company would not have been possible without the revenue from the Countryside area.

Mr. Parisi noted that it is important for the Town and the District to consider an approach to address large issues such as recharge, conservation, and intergovernmental agreements, then Countryside can probably be included, though it will seem as a small issue then.

Mr. Schlegel asked if when new Council members began their terms, if they were updated as to the Northwest area and water issues. For some time, Town staff had postured that the Town would be getting into the water business. Before the Town became a water provider, the District assisted the Town in many issues, many of which protected the Town's interests. Yet, when the District wanted to discuss Countryside pertaining to those earlier deliberations, the Town Council may have been given a negative impression of the District's intentions. The District Board wants to be certain that the Town Council is apprised of the District's full activities and intentions.

Mr. Parisi said the Town voted in 1993 to get into the water business, but the Town then moved quickly in 1995 when Tucson Water indicated that it intended to purchase the water company. Numerous meetings were held to discuss how the Town could acquire and pay for Cañada Hills Water Company. The Town did not have time to consider removing the Countryside area nor any agreement that a former Mayor may have made with the District.

Mr. Johnson explained that prior to the Town trying to purchase the water company, the District had started negotiations with the Cañada Hills Water Company based on the above-mentioned gentlemen's agreement and in an effort to prevent Tucson Water from acquiring it. The District wanted the residents to be able to have a voice in their water future. The District was prepared to make an offer when Mr. Jim Peterson requested that the District not proceed because the Town wanted to deal with the water company. The District wanted to avoid a bidding war and so it did not proceed with its offer, though it still wanted to acquire the Countryside area. The District's intention has been to preserve the Northwest area from further Tucson Water expansion and the District felt it could protect that portion of the County that is northwest of its boundaries and west of the Town.

Mr. Kautenberger noted that the Town of Marana should be involved with discussions about water service in the Northwest area. Mr. Butrico and Mr. Parisi agreed that a Northwest Regional Water Authority needs to be explored. Mr. Stratton noted that the District would like to discuss further such a concept.

The Town Council and the District Board members agreed to continue to have face-to-face discussions. The issue of Countryside will continue to be discussed. The two governing bodies will seek ways to protect the mutual resource of the CDO Wash from outside political and environmental pressures. The Town and District need to work now to plan for the future.

The Town Council and District Board decided to discuss Oro Valley Water Improvement District #1 (O.V. #1) and capital improvements.

Mr. Kautenberger asked about the status of fire hydrants being installed in O.V. #1 as well as other capital projects to be done there. Mr. Stratton said that the District's Engineering staff has reviewed with the Town's Engineer issues regarding improvements in O.V. #1. Without adequate water flow and storage, hydrants will not work without adequate water flow and storage. The District has rehabilitated those wells that provide water to O.V. #1 as well as made tie overs that provide better service to the area. This year, a construction crew has been dedicated to work solely on the main line replacement program. The Oro Valley Country Club area is a priority area for the main line replacement program. However, due to the physical complexities involved at the Country Club area, using revenue funds set aside for O.V. #1 may be better so that the whole project can be done at once rather than in small portions. Additionally, the District is considering a bond program that may include funds to further expedite the main line replacement program. However, the Town Council would need to support any revenue increases that may be necessary to ensure that the bond program goes forward.

Mr. Peterson asked if Oro Valley would be included in the bond program. Mr. Stratton said that it is hard to assign Oro Valley's portion due to the cost of reservoirs and transmission mains; however, those projects would provide greater reliability and other benefits to O.V. #1. The bond program would not be all inclusive, but an aggressive effort to be accomplished in five to seven years.

Mr. Kautenberger asked if the District will be able to account for the monies spent in a bond program. Mr. Stratton said that the District has a detailed capital improvement program. If funds are available for the Country Club area, the main line replacement would probably be done within two years of issuing bonds.

Mr. Johnson explained that when the District was created, the Board was unaware of the extent of problems associated with the infrastructure. The District commissioned a water systems management plan so it knew what improvements were needed. Also, an engineering consultant studied the amount of main line replacement required in the District. Since the District's utility crews were trying to just maintain the existing infrastructure, the Board decided to create a separate construction crew to work primarily on the replacement program. The District has funded that construction crew with \$500,000; however, the portion set aside for O.V. #1 would only amount to \$35,000. Therefore, the bond program would help to accelerate the main line replacement program.

Mr. Stratton noted that the Council has indicated that the Town wanted to acquire 339 acre-feet of groundwater saving credits from the District or the City of Tucson. The District's legal counsel has reviewed the issue and there is nothing to prevent the District from transferring the credits.

Mr. Schlegel said that if the Town wanted to work with the District, the District would transfer the credits without exchanging money but would only request that the same amount of credits be reimbursed to the District at a later date. Mr. Stratton said that such an arrangement may be less expensive for the Town than purchasing the credits from the City.

The Town Council and District Board agreed that study session should be used more often to resolve pending issues.

II. Adjournment.

The joint study session adjourned at 9:15 p.m.



Peter H. Schlegel, Chair

ATTEST:



Clerk of the Board