

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

September 21, 1992
5:00 P.M.
245 East Ina Road
Tucson, Arizona

MINUTES

ATTENDANCE: Members: Alex Jacome, Chairman
 Herb Johnson, Member
 Kate O'Rielly, Member
 Pete Schlegel, Member
 Jim Tripp, Member
 Jane S. Williams, Clerk
 Guests: Robert Logan, Consultant to MDWID
 Jim Peterson, Oro Valley
 David R Furrey, Flowing Wells Improvement Dist.
 Paul Cella, Cella Barr Associates
 Bud Dooley, Oro Valley
 Fred Rosenfeld, Bond Counsel
 Mike McNulty, Brown

A. CALL TO ORDER AND ROLL CALL

1. The meeting was called to order by Alex Jacome, Chairman. All members were present.
2. Jim Tripp moved that the Board approve the meeting notice and agenda for September 21, 1992. Kate O'Rielly seconded. The motion passed unanimously.
3. Jim Tripp moved that the Board continue the consideration for approval of the minutes of the September 15, 1992 regular meeting to September 28, 1992. Herb Johnson seconded. The motion passed unanimously.

B. PRESENTATION OF INFORMATION AND DISCUSSION

1. Report and discussions on meetings and negotiations with Oro Valley.

Robert Logan presented a draft of an Intergovernmental Agreement (IGA) with the Town of Oro Valley. Both bodies must approve the text of the IGA by Monday, September 28, 1992 or the closing cannot proceed on October 1, 1992.

Fred Rosenfeld informed the Board that they may not meet any later than 4:00 p.m. on September 28, 1992. The assessment diagram must be approved, recorded and delivered to the Superintendent of Streets before 5:00 p.m. on September 28, 1992 so that the date of the assessment hearing can be set.

The next meeting of the MDWID was scheduled for Monday, September 28, 1992 at 12:00 p.m. at the Westward Look. Mr. Rosenfeld will provide the agenda item for the September 28, 1992 meeting concerning the IGA.

Mike McNulty gave an update of the Town of Oro Valley's approval of MDWID review of their draft. Most of the contents outlined in the proposal are workable. On Wednesday, September 23, 1992 he should have a counter proposal ready for the Board's review and by Monday, September 28, 1992 an agreement that will be fair for both sides. Draft of the document is to be delivered at this meeting for review.

2. Report on draft of Memorandum of Understanding with Arizona Department of Water Resources.

Mr. McNulty restated the position of the Arizona Department of Water Resources (DWR) citing that they will not provide a Memorandum of Understanding. In correspondence from Ms. Richmonds, Department of Water Resources, it was stated that the DWR will review the purchase contract, IGA and other documents and will "describe by letter what additional commitments DWR will need from the districts regarding an assured water supply." They also indicated it would be appropriate to do nothing at the present time.

It was decided at this time to send a copy of the meeting minutes to DWR to keep them abreast of the districts progress.

C. ITEMS FOR DISCUSSION AND POSSIBLE ACTION

1. Forum for real estate, financial and title companies doing business in Metropolitan Domestic Water Improvement District - September 21, 1992 at 10 am at Oro Valley Town Hall.

Mr. Logan gave the floor to Mr. Schlegel who was present at the Oro Valley Town Hall meeting. Mr. Schlegel explained that the forum provided information on the impact of the assessment on future sales and tax reports in the market place. The overall meeting results were positive.

Mr. Rosenfeld proposed a meeting with the title companies to work out the taxation of the assessment for the district. Mr. David Furrey from the Flowing Wells Improvement District cited an example for handling the assessment agreement. No action was taken.

2. Review and possible action on internal operation of Metropolitan Domestic Water Improvement District.

Mr. Logan addressed the Board regarding materials that were distributed Sept. 15, 1992. The following summarizes the progress and key issues to date:

- a. The Health and Dental benefit for the employees of the Metropolitan Water Company is presently contracted with Intergruop. He proposes that the board keep the insurance for at least the next 90 days by obtaining an extension from Intergruop. Other options would be available at a later date, one being to join the Pima County health plan currently offered to it's employees.
- b. Liability insurance is currently a \$15 MIL umbrella policy with a \$250 deductible and separate liability policy for partners of the Metropolitan Water Co. Logan proposes the Board keep the current insurance for a two to three month period. He also suggested a policy to cover the board members. Mr. Furrey stated that the Flowing Wells Improvement District had dispensed with their Board coverage and adopted language in the bylaws making the directors harmless for any liabilities. Mr. Logan will investigate Board coverage further and stated that the insurance would have to commence at the exact closing date and time.
- c. Metropolitan Water Company currently gives it's employees 10 paid holidays per year and Logan proposes to retain this policy.
- d. The office space that is currently being leased is 2100 square feet at \$1731/month, on a month to month basis. All utilities and property taxes are also paid by Metropolitan Water Company. Logan's suggestion would be to assume this month to month lease agreement. The decor, the fax machine and the copiers will not remain as part of the agreement.
- e. Banking for the Metropolitan Water Company is presently being conducted with National Bank of Arizona. It involves a \$600,000 line of credit and master cards. Propose that the MDWID use either Valley National or Arizona Bank. The Board needs to provide them both with statements from auditors and forecasts for expenditures so that they may submit proposals. Mr. Rosenfeld then informed Mr. Logan that all deposits must be made to the County Treasurer.

Mr. Logan expressed an immediate need for a line of credit for the first month's operational expenses. A figure of \$500,000 was presented, \$150,000 for operational expenses and 350,000 in reserve for emergency situations.

A motion was made by Herb Johnson and seconded by Jim Tripp, to authorize Chairman Jacome and Ms. O'Rielly to negotiate a loan and explore an advance on the projected tax base. The motion carried unanimously.

Mr. Furrey then suggested the Board may wish to pursue establishing a line of credit with the Pima County Treasurer at a very low interest rate.

- f. Electrical power service is one of the larger expenses and Tucson Electric Power may require a deposit. Mr. Logan will investigate this further.
- g. Mr. Logan will prepare a budget and suggests adoption within the next 10 days. It will be needed for the county and the bank. He suggests changing the fiscal year which is currently the calendar year to conform to state law by making it July through June.
- h. A bulk mailing permit is currently held by Metropolitan Water Co. It is paid for the last quarter of 1992 and consideration should be made to transfer the current permit.
- i. The purchase of gasoline for company vehicles is currently being made from the service station across the street from the office building. In discussion with Chuck Huckelberry, Pima County Assistant County Manager, we will be eligible to purchase gasoline from the county at around \$.90 a gallon. Immediate drawbacks to this would be the closure of the closest location at the Ina Road Treatment Plant. Until the location is reopened Logan suggested setting up a short term account at a local service station.
- j. Mr. Logan will also investigate using the current list of vendors and asking for the same terms given to the Metropolitan Water Co., at least for the short term.
- k. Currently Mr. Robeson is taking all office supplies so there is a need to focus on the little things such as the paper for the monthly billing. Mr. Logan will work out these details.

No action were taken on the items presented.

- 3. Review and possible action on Purchase Agreement with City of Tucson for acquisition of Metropolitan Water Company.

Mike McNulty provided a report citing the City of Tucson's approval of the agreement at the September 21, 1992 City Council Meeting. The city documented their position. An alternative to not accepting city's position is condemnation. Reform northwest agreement over the next two years. There is still lingering doubt in city's contract as it does not to date specify assets that are being bought. The Board requested that Mr. McNulty demand copy of asset listing from the city.

Mr. Tripp questioned the agreement, section 4.7 concerning what was promised Mr. Robeson. Mr. McNulty stated that Mr. Robeson had an agreement with the City not with MDWID.

Section 5.2.5 concerning the issue of effluent was addressed. It was suggested that this issue come back again in three to four weeks.

Pete Schlegel questioned section 5.2.1 on the issue of the city or CAP's inability to provide the water to the District. It was decided that it would not have to be paid for if it was not provided.

Mr. Logan addressed section 5.2.2 on the price base for an acre foot of water. The City is requesting a 3% increase over the next three years. Mr. Johnson took exception to the calculations of the rates and Mr. Logan explained that all pricing is subject to renegotiation with the entire Northwest Agreement after the district has been engaged in the water business.

A need to audit and question every cost being put into capitol costs was addressed and also a need to do a detailed rate study after the purchase.

The question of whether there had been any request for an accounting of the monies that have been set aside by the Metropolitan Water users for the reduction of the capitol improvement debt was asked. Mr. Schlegel stated that a request had been made 4 weeks ago. Mr. Logan interjected that he was given a figure of about \$640,000, which is about \$130 per connection. The Board asked that a request for this information also be included with Mr. McNulty's demand of the asset listing.

Pete Schlegel feels that the list of expenditures presented by the City of Tucson is extremely high. Mr. Logan stated that the contract could wait to be approved until next Monday, September 28, 1992 so that a revision to the resolution authorizing the chairman to sign the contract could include language to revisit specific items. Mr. McNulty stated he would have no problem in accepting the numbers now so that the process may proceed, but need to notate that this provision is excessive. Logan and McNulty both feel that action should be taken on the proposed contract. Chairman Jacome addressed the board and stated that the experts have reviewed and make their recommendations to the board and that the board should proceed with some action this evening.

Mr. Rosenfeld agreed that a motion should be made to accept the contract so that it may be presented to the supervisors.

The motion to accept the presented Purchase Agreement with the City of Tucson was made by Jim Tripp and seconded by Kate O'Rielly. The motion carried unanimously.

4. Discussion and possible action on "Recognition Event for Volunteers".

Kate O'Rielly addressed the Board asking what kind of event and at what date would be appropriate to sponsor an event. At this time Coca Cola and the Wild Wild West have offered to provide the place and the refreshments. No action was taken on this item.

D. COMMENTS FROM THE PUBLIC

Mr. Furrey appeared to address his objection of the discussion of scheduled topics for executive sessions. He believes that the topics do not conform to the open meeting law and that finances should be discussed in open session.

Mr. McNulty advised that the personnel discussion scheduled clearly falls under the Board's power to have an executive session.

Mr. Logan stated that the executive item issue is a valid discussion point and that his counsel has so advised.

Mr. McNulty proposed that for the sake of caution, action could be postponed in executive session until next Monday so that discussion could be reviewed over the next week.

On consideration, it was moved by Jim Tripp, seconded by Herb Johnson, and unanimously carried, that the Board of Directors convene to executive session at 7:00 p.m..

E. EXECUTIVE SESSION

Pursuant to ARS §38-431.03 (A) (1) to review and discuss Metropolitan Domestic Water Improvement District Personnel.

1. Review and discussion on Metropolitan Domestic Water Improvement District Personnel.

The Board of Directors reconvened at 7:40 p.m. Upon roll call those present and absent were as follows:

Present:	Alex Jacome, Chairman
	Herb Johnson, Member
	Kate O'Rielly, Member
	Pete Schlegel, Member
	Jim Tripp, Member
	Jane S. Williams, Clerk

Absent:	None
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Without objection, Mr. Logan was directed to place on the next agenda two items for discussion and possible action:

1. Discussion and appointment of an Interim General Manager.
2. Discussion and possible appointment of a Permanent General Manager.

F. ADJOURNMENT

As there was no further business to come before the Board, Jim Tripp made a motion to adjourn the meeting. The motion was seconded by Kate O'Rielly and carried unanimously. The meeting adjourned at 7:42 p.m.

Chair

ATTEST:

Clerk