

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

September 9, 1996
Canyon Room
Westward Look Resort
245 East Ina Road
Tucson, Arizona 85704

MINUTES

Board Members Present: Peter Schlegel, Chair
Jim Doyle, Member
Herb Johnson, Member
James Tripp, Member

Board Member Not Present: Marty Cramer, Vice-Chair

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 5:31 p.m. Mr. Jim Doyle and Mr. Herb Johnson were present. Mr. Jim Tripp arrived at 5:48 p.m. Ms. Marty Cramer, Vice-Chair, was not present due to a family emergency.

Executive Session

Mr. Johnson made the motion that the Board of Directors move to Executive Session. Mr. Doyle seconded the motion and it passed unanimously. The Board went into Executive Session at 5:32 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 6:08 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 6:10 p.m. Mr. Jim Doyle, Mr. Herb Johnson, and Mr. Jim Tripp were present. Ms. Marty Cramer, Vice-Chair, was not present.

II. Comments From The Public

There was no comment from the public.

III. Consent Agenda

- A. Approval of Minutes - August 12, 1996 Board Meeting.**
- B. Ratification of Billing Adjustments.**
- C. Ratification of Bills of Sale**
 - 1. Casa Dorina Apartments.**
 - 2. La Cholla Ridge, Lots 1-77.**
 - 3. Las Lomas Estates.**
 - 4. Panorama Drive Water Line Extension - La Cresta, Parcel 1.**
- D. Approval of Change Order No. 1 Contract with The Ashton Company for Water Facility Upgrades at Magee/La Cholla Site.**
- E. Approval for Change Order No. 2 Contract with Farwest Pump Company for Addition of Pump to Alcott Booster Stations with VFD Control.**

Jim Tripp made the motion to approve the items listed under the consent agenda. Mr. Johnson seconded the motion and it passed unanimously.

IV. General Business - Items For Discussion and Possible Action

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

Mr. Stratton noted that per the executive session, the Board may want to pursue some additional consultant work.

Mr. Tripp made the motion to grant authority to the General Manager and Legal Counsel to negotiate the necessary contracts to move forward the litigation with the City of Tucson. Mr. Johnson seconded the motion and the motion passed unanimously.

- B. Monthly Financial Report.**

Mr. Michael Land reported that he had finished the monthly financial budget summary. Power costs projected were noticeably under budget. An in-depth, first-quarter analysis of the budget will be prepared.

C. Adoption of a Policy for Investing Financial Assets.

Mr. Tripp made the motion to approve the investment policy for the District as presented to the Board in the staff report. Mr. Johnson seconded the motion and it passed unanimously.

D. Authorization to Participate in the State's Local Government Investment Pool.

Mr. Tripp made the motion to approve the formation of a District account with the State of Arizona Treasurer's Office of Local Government Investment Pool. Mr. Doyle seconded the motion and it passed unanimously.

E. Approval of Mail Service Agreement Selection.

Mr. Tripp made the motion to direct staff to draft a mail service agreement with Digitgraph Computer Systems (DGS) and then have it ratified by the Board. Mr. Johnson seconded the motion and the motion passed unanimously.

F. Ratification of Agreement with Southwest Gas Corporation for Southern Arizona Seniors Program.

Mr. Tripp made the motion to approve the agreement with Southwest Gas Corporation for Southern Arizona Seniors Program. Mr. Johnson seconded the motion.

Mr. Stratton said that the staff report denotes the importance and overall impact of the program. The District deems the program successful and hopes more senior citizens will participate this year. He also stated that the program has provided useful information about water conservation.

Mr. Schlegel called for a vote for the motion to approve the agreement. The motion passed unanimously.

G. Approval of Contribution to Southern Arizona Water Resources Association (SAWARA).

Mr. Tripp made the motion to authorize a contribution of \$5,000 to Southern Arizona Water Resources Association (SAWARA) for fiscal year 1996-1997. Mr. Doyle seconded the motion and it passed unanimously.

Mr. Schlegel noted that the District has provided such a contribution annually.

H. Survey of District Residents.

1. Presentation by the Summit Group of Survey Findings.

Mr. Paul Ulan of the Summit Group presented a report detailing the results from the survey his firm conducted. Mr. Ulan also noted that the report provides a more comprehensive analysis of the survey results. A presentation regarding the initial data was made to the Bond Advisory Committee. Mr.

Ulan said that 401 registered voters completed the phone survey. The survey included a cross section of District residents.

Mr. Ulan noted that the survey shows that residents are generally positive toward the District. The survey results show that residents, including those most likely to turn out and vote, would support a proposed bond election. However, the survey also indicates the need to continue to inform about the District's needs and how a proposed bond program would impact water bills the next few years.

Mr. Schlegel asked Mr. Ulan how he perceived the District residents would react to a proposed bond issue based on his previous experience. Mr. Ulan said that he prefers to have a base line of support at sixty percent. The District has above that, which is positive. The residents will be receptive if the District can demonstrate it is a reasonable request. Mr. Ulan noted that the survey contains much information and he would be glad to discuss any questions Board members may have about the report after they have had a chance to review it.

2. Recommendation of the Bond Advisory Committee regarding Survey Findings involving Finances, Capital Projects, and Informing the Public.

Mr. Tripp made the motion to approve the recommendation of the Bond Advisory Committee that the District's contract with the Summit Group be modified to include providing support of information issues to assist in educating the public about a contemplated bond election both before and after the call of an election. Additionally, the General Manager is authorized to sign the contract after it meets the approval of the two Board members assisting the Bond Advisory Committee and that it be brought before the whole Board for its ratification at the October 16, 1996 Board meeting. Mr. Johnson seconded the motion.

Mr. Schlegel asked if the Board can approve the contract without going out to bid. Mr. Stratton noted that with a professional contact, it is not necessary to bid, based on qualifications. Based on the original proposals received, the Summit Group was hired because of their qualifications and not necessarily their cost. Mr. McNulty also noted that the State's procurement code pertains specifically to the City and County, not special improvement districts.

Mr. Stratton said that based on the discussion at the August 29, 1996 Bond Advisory Committee meeting, the consensus was that due to the short time-frame for the call of election time-frame, the District should start utilizing the Summit Group's expertise in this field and start assimilating the information. Once an election is called, the District is unable to campaign any position per the election. The Bond Advisory Committee has started to meet every two weeks.

Mr. Schlegel called for a vote for the election to modify the contract with the Summit Group. The motion passed unanimously.

I. Discussion of Water Resources Issues.

1. Approval of Flowing Wells Irrigation District CAP Transfers.

Mr. Stratton reported that since writing the staff report regarding the Flowing Wells Irrigation District CAP transfer, a new situation has arose that impacts the issue. Both the Arizona Department of Water Resources (ADWR) and the Central Arizona Water Conservation District (CAWCD) have finalized their transfer policies. Both policies impact the draft transfer agreement between Flowing Wells Irrigation District and the District. CAWCD's policy allows that the only cost involved in reimbursement of CAP capital charged paid by the transferring entity and five percent for administrative/legal costs. Mr. David Furrey, General Manager of the Flowing Wells Irrigation District, and his board need to decide how they want to pursue this issue, which could include litigation based on past transfers CAWCD has allowed for profit. Meanwhile, the District has indicated to Mr. Furrey that it is willing to develop an agreement to lease Flowing Wells Irrigation District's CAP allocation.

Mr. Tripp made the motion to continue this item. Mr. Johnson seconded the motion and the motion passed unanimously.

2. Utilization of CAP Water - CAP Subcontracts & Lease.

Mr. Stratton said that his report provided an update explaining staff's efforts to utilize CAP water. At the August 14, 1996 meeting, the Board approved an agreement with CAWCD for excess CAP water. The District is also trying to work the State Land Department to develop an agreement that would utilize CAP water. The Flowing Wells Irrigation District's allocation is equal to the amount of water needed for the Avra Valley Recharge Project. Other water obtained can be used with groundwater savings projects.

3. Groundwater Savings Projects

Mr. Stratton reported that the District is trying to pursue three different groundwater savings projects. The District is trying to continue to work with BKW Farms, though those efforts have been somewhat frustrated due to their agreement with the City of Tucson. The status remains the same with Cortaro-Marana Irrigation District as noted in the staff report. The District has also begun discussions with Mr. Herb Kai for a groundwater savings project near Red Rocks. The District is trying to diversify its options regarding CAP water.

4. Northwest Replenishment Program.

Mr. Stratton reported that the District has received the report discussing the alignment route for bringing CAP water to the Cañada Del Oro Wash. Before proceeding, the District needs to know from the Bureau of Reclamation and CAWCD who will be responsible for paying the O&M costs for bringing that water. This information is critical before a final cost can be determined. While the Bureau has stated that it would deliver CAP water to the same elevation that it has already for the City of Tucson, that policy needs to be placed in writing because any change in the Bureau's position

will have a significant impact. The District will need to work with Marana and Oro Valley regarding this issue.

Mr. Mark Myers, Consultant for the District, reported that the Avra Valley Recharge Project has recharged 250 acre-feet of water since early July. The pumping station has been replaced with a permanent station, which should increase the amount recharged. The District is accruing groundwater savings credits through this project. The four recharge basins at the site are recharging differently, with the southern basins infiltrating faster than water can be placed in it. The next important information is to see how the recharge proceeds after the surface sediments are thoroughly saturated. Mr. Michael Block, District Hydrologist, noted that staff visits the site twice a week to observe how much water is covering the basin and also to be certain that the electronic monitoring is accurate.

Mr. Myers reported that he and District staff are focusing on the feasibility study for the Cañada Del Oro Wash. As Mr. Stratton mentioned, the alignment work is being prepared for the final portion of the study being conducted by the Bureau of Reclamation. A facility plan will look at the preferred alternatives that will be developed. Also the mounding analysis will provide important data about how the recharged water will benefit certain locations and wells. After all the different studies and analyses are completed, the information will be assembled for the facility plan and tied with the Lower Santa Cruz Recharge Project information. Uncertainty remains regarding the start funds left in the Bureau's budget. Pima County is still trying to obtain appropriated funds.

5. Other Related Issues.

Mr. Stratton reported that he and Legal Counsel are still pursuing with other entities how the District and other water providers can obtain rights to any effluent the water providers generate. However, this issue is at an impasse while the City of Tucson and Pima County try debate their agreement regarding effluent.

J. Consultant Selection and Award for Cortaro Farms Road 12" Diameter Water Main.

Mr. Tripp made the motion to approve the selection of RS Engineering to design the Cortaro Farms Road 12" diameter water main, and authorization be given for the Chairman of the Board to sign a professional service agreement, which shall not exceed \$40,000.00. Mr. Johnson seconded the motion.

Mr. Schlegel asked if the bidding process was an issue. Mr. Stratton noted that this is a professional services issue, not a construction related project. The project is similar to the three design projects approved at the August 14, 1996 meeting.

Mr. Schlegel called for a vote for the motion to approve the selection of RS Engineering. The motion passed unanimously.

K. Letter of Support on Awarding ADEQ Recycling Grant to Southern Arizona Environmental Management Society and City/County Household Hazardous Waste Program.

Mr. Tripp made the motion to approve sending a letter of recommendation to the Arizona Department of Environmental Quality for the \$30,000 grant submitted by Southern Arizona Environmental Management Society and the City of Tucson/Pima County Household Hazardous Waste Program. Mr. Johnson seconded the motion and the motion passed unanimously.

L. Award of Bid to Auto Executives for Purchase of Vehicle.

Mr. Tripp made the motion to approve the purchase of a 1996 Plymouth Voyager from Auto Executives at a price of \$19,216.05 plus license fees of \$93.50 for a total cost of \$19,309.55. Mr. Johnson seconded the motion and it passed unanimously.

M. Status of Cobo Catalina, Lot # 39.

Mr. Tripp made the motion to hire a Realtor to market the District's property, Lot #39 at Cobo Catalina, to create interest and then request bids again. Mr. Johnson seconded the motion.

Mr. Schlegel questioned if such a motion would limit staff before it has had an opportunity to explore all the alternatives regarding a site for a northeast reservoir. Mr. Tripp noted that the Board had made a commitment to sell the property at the April 8, 1996 meeting. That commitment is the basis for the motion.

Mr. Johnson said that he would like an update regarding the potential site at the nearby school. Mr. Stratton noted that he did have a meeting at the end of July with the Sisters at Immaculate Heart School. While they seemed somewhat receptive, they want to pursue the issue through its committee process, which is a slow, tedious one. It may be six months before they make a decision. Mr. Stratton noted that the District can request bids again but is not required to accept any of the bids.

Mr. Schlegel asked if the Board decided a minimum amount for the bid. Mr. Stratton said that when the District previously requested bids the last recommended minimum amount was \$250,000. This should remain as the minimum. Mr. Schlegel asked if staff will continue to evaluate reservoir sites in the area. Mr. Stratton said staff would.

Mr. Schlegel called for a vote for the motion regarding Lot #39 in Cobo Catalina. The motion passed unanimously.

N. Request by Town of Oro Valley to Purchase Groundwater Savings Storage Credits.

Mr. Tripp made the motion that the Board of Directors continue this item until the Mayor of Oro Valley responds to the District's request for information regarding the District's concerns regarding Oro Valley Improvement District #1 and the Countryside area. Mr. Johnson seconded the motion and it passed unanimously.

Mr. Tripp made the motion to invite the Town of Oro Valley Council to attend a special meeting of the District's Board of Directors at a mutually acceptable time. Mr. Johnson seconded the motion and it passed unanimously.

V. General Manager's Report.

Mr. Stratton noted that the status reports of the division's activities seem to be growing longer due to the extensive daily activity. Mr. Stratton reported that Mr. Johnson, Mr. Land, and he met with Mr. Jim Chilton, an investment banker, to discuss potential funding to construct the Linda Vista reservoir project. Mr. Chilton is aware of the pending litigation with the City of Tucson but he may be able to develop an attractive financing package.

Mr. Stratton said that staff is still working with Pima County regarding the location of a temporary office at the Hardy Road site. The proper permits should be completed by the following week so that the temporary office trailer can be placed there for the Utility Division. The Utility Division has a new administrative assistant.

Mr. Stratton noted that he and Mr. John Almond of Auto Executives were working on the best arrangement for Auto Executives to acquire the District's Northern Avenue property and not create any problems with Mr. Almond's lease agreement. A meeting will be scheduled to discuss the issue further.

Mr. Stratton reported that regarding the potential new office site at Magee/Shannon, he was able to talk with Mr. Charles Huckelberry about his meeting with Mr. Tom Burke of Pima County regarding that property. The alternatives that could be pursued are either the District would need to obtain a unanimous vote from the Board of Supervisors to sell the property to the District or the property will have to go bid through a public auction. Mr. Huckelberry indicated that an unanimous vote would be difficult to obtain and he suggested pursuing a public auction with restrictive requirements that defines the bidding process.

Mr. Tripp asked what the Supervisors were required to public auction the property. Mr. Stratton said that a majority vote of the Supervisors.

Mr. Schlegel noted that he had positive meetings with the existing Supervisors and Supervisor candidates in an effort to continue to pursue a property trade.

Mr. Stratton reported that a contract is being drafted with Terry Armstrong for the design of a new office building.

VI. Legal Counsel's Report.

Mr. McNulty reported that Mr. Fred Rosenfeld has been drafting legislation to address discrepancies in the statutes regarding water improvement districts. The Board will be presented with the draft legislation in the near future. Mr. Schlegel suggested exploring if an improvement district can operate outside a county.

Mr. McNulty also noted frustration with ADWR when it adopted its transfer policy without going through a rule of regulation. He has sent letters to private water companies to determine if water providers want to pursue the issue further. He will keep the Board apprised.

Mr. McNulty said that if the Board pursues constructing the Linda Vista Reservoir or an office building, it will be done under the auspices of the Municipal Property Corporation. The Board needs to hold an annual meeting as the Municipal Property Corporation, which should be done in the next month.

VII. Future Meeting Dates; Future Agenda Items.

Mr. Warren Tenney noted that the Board members had been asked to complete a performance appraisal for the General Manager. A formal performance appraisal could then be scheduled for a special meeting or be done at the October 16, 1996 regular meeting. Additionally, the Board and the General Manager can decide if they want the performance appraisal done in regular session or executive session. The Board decided that it would prefer to hold the performance appraisal in an executive session at the October 16, 1996 meeting.

The next regular Board meeting is scheduled for October 16, 1996 and will be held at the Wilson Room at Tohono Chul Park.

VIII. Adjournment.

The Board adjourned the meeting at 7:24 p.m.



Peter H. Schlegel, Chair

ATTEST:



Clerk of the Board