

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

January 10, 2011

**** Board Room ****

**Metropolitan Domestic Water Improvement District
6265 N. La Cañada Drive
Tucson, AZ 85704**

MINUTES

Board Members Present:

Bryan Foulk, Chair
Dan M. Offret, Vice-Chair
Jim Doyle, Member
Helen Ireland, Member
Judy Scrivener, Member

District Staff:

Mark R. Stratton, General Manager
Christopher W. Hill, Deputy General Manager
Michael Land, Chief Financial Officer
Charlie Maish, District Engineer
Warren Tenney, Clerk of the Board
Tullie Noltin, Recorder

Regular Session

I. Call to Order and Roll Call

Jim Doyle, Chair of the Board of Directors of the Metropolitan Domestic Water Improvement District (District), called the Board Meeting to order at 6:00 p.m. Jim Doyle, Bryan Foulk, Helen Ireland, Dan M. Offret, and Judy Scrivener were present.

II. General Comments from the Public

Mr. Stratton called for a moment of silence for the victims of the Saturday, January 8, 2011 shooting. There were no comments from the public.

III. Consent Agenda

A. Approval of Minutes – December 13, 2010 Board Meeting.

- B. Ratification of Billing Adjustments.**
- C. Approval of Water Service Agreement – Arowesty Waterline Extension.**
- D. Approval of Water Service Agreement – Orange Grove Waterline Extension.**

Mr. Offret made a motion to approve the Consent Agenda. Mr. Foulk seconded the motion. Motion passed unanimously.

IV. General Business - Items for Discussion and Possible Action.

A. Election of Chair and Vice-Chair.

Mr. Offret nominated Mr. Foulk for Chair of the Board of Directors. The nomination was seconded by Ms. Scrivener. The motion passed unanimously.

Mr. Doyle nominated Mr. Offret for Vice Chair of the Board of Directors. The nomination was seconded by Mr. Foulk. The motion passed with 4 in favor. Mr. Offret abstained.

Mr. Doyle handed Mr. Foulk the gavel and Mr. Foulk chaired the remainder of the meeting.

B. Monthly Status of the District.

Mr. Stratton said that for the first time in a long time, there was an increase in usage from the previous year in both Metro Main and Metro Hub. December was very warm before turning colder at the end of the month and overall usage was higher, resulting in increased revenues.

The land acquisition from TUSD for the Fruchthendler school site is complete. Staff is preparing to begin work on the Hub No. 1 replacement well as soon as school is released for summer break.

Hydrology staff is working on annual static water level measurements and well performance testing and draft results will be coming out in a couple of months.

The Matter Well replacement site is still being discussed with the County. There were issues with the property owner of the first location and the County is now talking to the developer on the west side of the street. Until the actual site choice is confirmed, preparations cannot progress. The County is aware that the previous assumption of completion by July 1st was contingent upon having site access by February 1st. If the first deadline is delayed, the second must also be delayed. Mr. Offret asked about the financing of the replacement of Matter Well. Mr. Stratton explained the intergovernmental agreement with Pima County is being drafted quickly. There will be a short timeframe for carrying the costs. The District will be reimbursed for costs

associated with relocating the well, excluding the land acquisition. The District will retain control of the expenditures of funds with a \$1 million ceiling.

The capital improvement project associated with Oro Valley on Lucero Road is being performed by staff and is expected to be complete by the end of the month.

Mr. Offret said that over the holiday there was a line break in Northern Hills, and he wants to make sure costs will be charged back to the contractor who just completed work there. Christopher Hill, Deputy General Manager, confirmed the break was an SQP issue. Mr. Maish added the District owes SQP somewhere in the neighborhood of \$125,000.

C. Financial Report.

Mike Land, Chief Financial Officer, said he will soon have signature cards from the bank to allow all Board Members to become signers on the accounts.

Revenue and expenditures through November show positive water sales \$400,000 above what was budgeted. Operating expenditures are \$225,000 under budget. Only a couple of categories are exceeding the budget; purchased power and purchased water at Metro Southwest. Compared to last year, water sales are \$670,000 ahead, making up virtually all of the \$683,000 in additional revenues. Expenditures compared with last year are \$144,000 higher as a result of purchased power and purchased water. Cash on hand is strong at \$2,150,000. Meter applications are still lagging at 16 to date; that is two behind last year, which was the worst year ever.

D. Amendment No. 5 to Miscellaneous Water Resources Consulting Services Contract.

Mr. Offret made a motion to approve Amendment No. 5 to increase the not-to-exceed amount to \$124,420 with Clear Creek Associates, LLC for Miscellaneous Water Resources Consulting Services. Mr. Doyle seconded the motion. The motion passed unanimously.

E. Approval of Amendment No. 3 to the Miscellaneous Water Distribution Design Contract with Engineering and Environmental Consultants, Inc.

Mr. Offret made a motion to approve Amendment No. 3 to the Professional Services Agreement for Miscellaneous Water Distribution Design Contract with Engineering and Environmental Consultants, Inc., which provides for an additional \$50,000 to the contract amount. Mr. Doyle seconded the motion.

Mr. Offret asked how the native plant survey and the 401 permit application are paid for. Mr. Maish said they are paid by the District as part of the designs. The survey is approved by the County and the permit is approved by the Army Corp of Engineers.

Motion passed unanimously.

F. Consultant Selection for Engineering Design Services for Riverside Well Transmission Main.

Ms. Scrivener made a motion to approve the Engineering Consultant ranking and direct District Staff to proceed with developing an acceptable design contract agreement (Scope of Services, schedule, contract, and fee) with the top ranked firm, Westland Resources, Inc., for the Riverside Well Transmission Main design. If staff is unable to negotiate an acceptable design contract agreement with Westland Resources, Inc., then staff has the authorization to negotiate with the next highest ranked firm, and continue the process, if necessary, until an acceptable design contract agreement is obtained. Staff shall submit the final negotiated design contract agreement to the Board of Directors for approval. Mr. Doyle seconded the motion.

Mr. Offret said he believes this is a very important project and he is very pleased to see nine organizations competing for the job. Judging by the scores, he feels Westland Resources is the cream of the crop. Mr. Stratton noted Westland Resources has a lot of experience with this type of project and it showed in their proposals.

Motion passed unanimously.

G. Award of Construction Contract for the Magee Rd., Shannon Rd. to La Cañada Dr., Waterline Relocations, Phase 1.

Mr. Doyle made a motion to accept the withdrawal of LB3 Enterprises bid without forfeiture of the Bid Surety, to award the construction contract for the Magee Rd., Shannon Rd. to La Cañada Dr., Waterline Relocations, Phase 1 to Innova Environmental Engineering in the amount of \$2,047,411.00 and to authorize the General Manager to approve the following changes to the construction contract: 1) allocate additional funding a cumulative amount not to exceed \$80,000 and 2) increase the original construction contract term a cumulative amount not to exceed sixty (60) calendar days. Any changes in excess of the above limits will be submitted to the Board of Directors for approval. Ms. Scrivener seconded the motion.

Mr. Offret said the \$80,000 may seem steep when taken at face value but is a hair over 4% of the construction amount which is less than what the District usually allocates. Mr. Stratton noted the original estimate was closer to \$1.5 million but with additional changes by the County, additional relocation work must be done. Changes have a significant impact and the District has conveyed to the County how it relates to total bond funding. If future projects turn out to be more than anticipated, the District will end up short and unable to complete the relocations. If the District cannot complete its projects, the County cannot begin theirs. Mr. Foulk asked if the County is

willing to coordinate with the District and adapt to keep costs down. Mr. Stratton said County staff has alluded that they want to work with the District to minimize changes but it is hoped that the actions match that intent. Mr. Foulk asked if any other utilities are having the same issues. Mr. Stratton said he was not aware of any but utilities are grumbling about costs. The District is unique in that it is a much smaller utility sustaining a larger impact on its operating budget. Mr. Maish said the additional funding is usually estimated at around 5% but was dropped down to 4% due to the size of the job.

Motion passed unanimously.

V. General Manager's Report

Mr. Stratton said some backflow devices had recently been stolen from within the District. In some cases, the water meter was also taken and the thief did not bother to turn the water off first, making it necessary for District staff to respond after hours. One utility in northern California said they are experiencing the same problem. Tucson Water has had a few similar cases, although being a larger utility they had not yet realized the severity of the issue. District staff has contacted other water utilities in the region. The FBI caught the person allegedly involved in the District thefts. It is believed the stolen equipment was to be sold in Mexico but the motive has not yet been determined. If the accused is found guilty, the District will ask for a reimbursement for costs, such as staff time and the value of the meters.

Mr. Stratton talked about historical data on long term water consumption. Since 2006, consumption has been in a downhill slide. When looking at the straight line average over the 10 year period, even with population increases, there has been a positive effect of conservation within the District. Even the Metro Hub service area has slightly reduced consumption but the ADWR reports on total gallons per capita per day (gpcd) usage shows the Hub area is still above target. Staff will be looking at ways to help reduce water consumption. It was noted that the numbers in the ADWR report for Metro Main were not those provided by the District in the 2009 Annual Report, so Mr. Tenney and Mr. Block have written a letter noting the discrepancy. Once corrected, the decline in usage will prove even more positive for Metro Main. Mr. Foulk asked what effect it has on the District for Metro Hub to be over target levels. Mr. Tenney said the targets are for notification purposes only. The District is meeting all of the requirements to educate and provide conservation outreach. Mr. Foulk asked how the Metro Southwest area compares. Mr. Stratton said there has not been enough history from Metro Southwest but he has called Mr. Thim to ask for the last report prior to the property transfer.

Mr. Stratton said the Fruchthendler well site was transferred to the District in mid-December. The Avra Valley Recharge Project (AVRP) acquisition also closed in December and the District

is now operating the facility. Mr. Block and staff have done an admirable job making sure the transition went smoothly. Some fine-tuning is underway on the telemetry system for remote monitoring. The operating agreement with BKW farms will save staff time.

Fred Rosenfeld of Gust Rosenfeld, LLC is present because the bond financing is nearing completion. Signatures will be finalized after the meeting and the actual closing Wednesday, January 12th. Mr. Rosenfeld will take the documents to the bond underwriters to ensure closing so the District can pay for waterline relocations.

Per the recent agreement with Cortessa LLC, the District received \$348,000. Mr. Stratton had been pleasantly surprised at the number of credits Cortessa LLC possessed.

Mr. Stratton said the District has an opportunity regarding the Riverside Terrace well site and transmission main. The contractor working on the apartment complex surrounding the well site will be putting in a deceleration lane and is capable of putting in our 12" waterline simultaneously. The approximate cost savings would be around \$50,000 and Mr. Stratton feels the potential savings is well worth it. The contractor would like to have a contract by the end of month, so that may require a special meeting of the Board. District staff would complete the design work and the contractor would complete the installation. Mr. Maish said the contractor, Borderland Construction, has significant experience installing water systems. The work would be done as part of the District's normal capital project.

Mr. Stratton said the Water Education Foundation is offering a three day tour of Arizona water resource projects, such as the CAP project, the Salt River project, and a review of Native American water rights. The tour begins and ends in Phoenix from February 16-18 and includes hotel, transportation and meals. Board Members are encouraged to attend.

Mr. Offret said on behalf of himself and Mr. Doyle, he wanted to thank Mr. Stratton for hosting them at the CRWUA Conference in Las Vegas. It was extremely interesting and productive. A \$1 billion water settlement was approved with the Navajo and Hopi tribes with the San Juan River in New Mexico. Mr. Offret encouraged other Board Members to attend next year.

Mr. Stratton noted he is beginning his 18th year with the District. Mr. Tenney is beginning his 17th year.

VI. Legal Counsel's Report

Mr. Stratton said that Michael McNulty of Lewis & Roca could not attend the meeting.

VII. Future Meeting Dates; Future Agenda Items.

Mr. Tenney said the next regular scheduled session of the Board of Directors will be held on February 14, 2011 at 6:00 p.m. There could be a special meeting scheduled at the end of January.

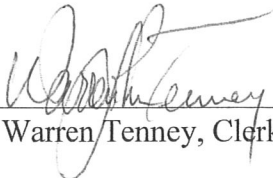
Ms. Ireland said that there had been a GIS developed with the County's databases for valves, meters and pipes. It is still active and functional, and she would like to see a future agenda item dedicated to showing a demonstration. Mr. Stratton and Mr. Foulk confirmed an agenda item for demonstration was possible.

VIII. General Comments From the Public.

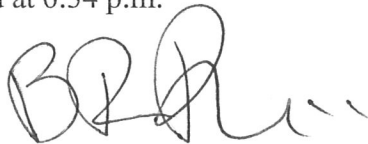
There were no comments by the public.

IX. Adjournment.

Mr. Doyle made a motion to adjourn. The meeting adjourned at 6:34 p.m.



Warren Tenney, Clerk of the Board



Bryan Foulk, Chair of the Board