

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

July 8, 2013

**** Board Room ****

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

MINUTES

Board Members Present: Judy Scrivener, Chair
Dan M. Offret, Vice-Chair
Jim Doyle, Member
Bryan Foulk, Member

Board Members Not Present: Richard Byrd, Member

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

Executive Session

I. Call to Order and Roll Call

Judy Scrivener, Chair of the Board of Directors of the Metropolitan Domestic Water Improvement District (District), called the Board Meeting to order at 5:00 p.m. Jim Doyle, Bryan Foulk, Dan M. Offret and Judy Scrivener were present. Richard Byrd was not present.

Mr. Offret made a motion to adjourn into Executive Session at 5:01 p.m. Mr. Foulk seconded the motion. Motion passed unanimously.

Executive Session pursuant to A.R.S. § 38-431.03.A.3 (consult with attorneys for the District); A.R.S. § 38-431.03.A.4 (consider the District's position and instruct its attorneys) regarding the following:

- A. Update regarding Claim against Pima County regarding Magee Road Phase I Waterline Relocation Project.**
- B. Update regarding Claim made to the Arizona Department of Occupational Safety & Health Administration.**

The Executive Session concluded at approximately 5:50 p.m.

Regular Session

I. Call to Order and Roll Call

Judy Scrivener, 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, Dan M. Offret and Judy Scrivener were present. Richard Byrd was not present.

II. General Comments from the Public

There were no comments from the public.

III. Consent Agenda

- A. Approval of Minutes – June 10, 2013 Board Meeting.**
- B. Ratification of Billing Adjustments.**
- C. Approval of Water Service Agreement – Mariposa Trail, Lots 118-169.**

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. Monthly Status of the District.

Mr. Stratton said water usage in June, even after a month over 100 degrees, was nowhere near the consumption last year. Mr. Land pointed out that from a financial standpoint, had the rate increase last November not been in place, the District would have lost \$100,000 in revenue. Staff has no reason suspect anything abnormal. People are generally conserving more and a change this significant when temperatures are this hot keeps us wondering where the bottom is with water sales. Metro Hub is also using less than last year.

Various projects are under way. The Riverside well is currently being constructed and the well near Fruchthendler started today. We are still closing out the Ina/Oracle intersection project. Not too much is going on other than trying to keep staff hydrated and out of the heat.

Mr. Offret asked about the effluent recharge project. He is concerned that every week the District is losing effluent credits by not getting this pipeline functioning. Mr. Stratton said staff is trying to find the best solution to clear the line and determine its condition. Mike Block, District Hydrologist, said he has been involved in conversations with Cortaro-Marana Irrigation District (CMID) and the Bureau of Reclamation. CMID very much interested in moving forward but part of the delay is that he has been working on other projects and this is also peak irrigation season, so CMID staff is limited. Mr. Offret urged staff to make progress this month, so the District stops losing credits. Mr. Block explained the integrity of the pipeline north of Ina Road is suspected to have leaks and the quality of effluent would not be allowed to flow through by ADEQ without repairs. Also, south of that there is no pipeline. The District is working with Pima County to eventually design and build one. Mr. Maish said there is also a portion of pipeline under I-10 and that presents a liability. Mr. Stratton assured Mr. Offret that staff will keep moving forward.

B. Financial Report.

Mr. Land passed out the new budget and thanked the Board for their efforts in the study sessions.

Revenue in June and the first week in July is less than last year by about 6% and holding steady. Revenue compared to budget is \$422,000 over what was budgeted but a lot of that was the rate increase. There has been a hefty jump in development revenues over the first 11 months. Expenditures are under budget except salary reimbursements, which are done only twice a year. Compared to last year, the District is \$595,000 over in total revenues. Operating expenditures are \$477,927 more than last year, for a net effect of \$117,000 ahead. Cash on hand ran \$3.2 million, contrasted with \$1.8 million last year. Cash flow was helped by refinancing. The number of meters increased from 32 to 82 this year. Solar costs have increased to about \$1,000 more but overall, solar costs are still \$3,000 ahead compared to costs before installation.

C. Approval of Annual Quotes for Chlorine.

Mr. Offret made a motion to approve the quotes submitted for the purchase of Hypochlorite Tablets, Calcium Hypochlorite Granular, and Sodium Hypochlorite and directed staff to use the lowest responsible bidder with respect to product, price, and availability. Mr. Foulk seconded the motion.

Mr. Offret thanked staff who found this option because this could mean quite a bit of savings. Mr. Hill said staff will be cautious in using this new item because performance is important.

Motion passed unanimously.

D. Renewal of Interim Remedial Action Contract with Arizona Department of Environmental Quality for South Shannon Treatment System.

Mr. Foulk made a motion to approve Amendment No. 24 of the Interim Remedial Action Contract at the South Shannon Facility between the Arizona Department of Environmental Quality and the Metropolitan Domestic Water Improvement District to renew the contract period from July 1, 2013 through June 30, 2014. Mr. Offret seconded the motion. Motion passed unanimously.

E. Consideration and Direction Regarding Additional Facilities to the Electric Services Agreement with Tucson Electric Power for Interruptible Service.

Mr. Foulk made a motion to approve Amendment No. 4 of the Electric Service Agreement with Tucson Electric Power with the following modifications: only Alcott, Horizon Hills, and Lattamore to be added to the interruptible service and authorize the Chair of the Board to sign the amendment following the modification. Mr. Offret seconded the motion.

Mr. Offret asked if this precludes the District from adding other wells, and Mr. Hill said no.

Mr. Hill said recent discussions prompted staff to remove Lattamore from the list and replace it with Meredith. Due to the District's obligations with Pima County involving irrigation uses at the park, it was decided that placing Lattamore on an interruptible rate could put us in violation of that agreement.

Ms. Scrivener asked if the motion should be amended to replace Lattamore with Meredith well. Mr. Foulk agreed to the amendment and Dan agreed as the person seconding the motion. Motion passed unanimously.

F. Approval of Revision to 2007 WIFA Loan.

Mr. Foulk made a motion to approve the revision to the 2007 loan with the Water Infrastructure Financing Authority of Arizona as identified in this report and to direct staff to work with WIFA to ensure that the identified additional projects are included as part of the 2007 loan. Mr. Offret seconded the motion.

Mr. Offret said the projects submitted are great. He asked why the well drilled at Metro Hub is called Hub #1A and not Fruchthendler. Mr. Stratton said #1A is replacing Hub #1 well.

Mr. Offret thought both wells would remain in service and the water blended but Mr. Stratton explained the well spacing criteria required that well #1 be shut down.

Mr. Offret said if expenses at well #1A come out lower, the District could have \$100,000 left to add to another project. Mr. Stratton said conversations with staff at WIFA confirm the process must be done in a timely manner. Mr. Land said WIFA has been accepting of the Hub meter replacements because the well is in the same area but they are not as apt to accept the other two projects submitted. Mr. Offret hopes staff will work hard to include an acceptable project.

Motion passed unanimously.

G. Fiscal Year 2012-13 Annual Report.

Mr. Stratton said staff thought it appropriate to include an annual report covering the past fiscal year's major issues and the financial status of the District. Mr. Foulk commented on how nice the staff group photo looks. Mr. Offret asked how the annual report is being distributed and Mr. Stratton explained it will be on the website but hard copies will not be printed.

V. General Manager's Report.

Mr. Stratton has been gone a good portion of the past month. A significant amount of work has occurred near our office complex. Staff had to stop construction crews from putting in a curb line at our entrance and the contractor has been informed numerous ways that our existing entrance must not be closed until a new functional entrance is completed.

Mr. Stratton is serving on a committee developing the plan of operations for Central Arizona Groundwater Replenishment District (GRD). The committee is finalizing the numbers and costs will escalate quite a bit next several years. The District does not see a need to rely on the GRD at this time. The development community is concerned about the financial impact primarily on member lands. There has been little if any discussion so far on the actual water supplies required to meet the obligations, so after taking this month off that topic will become the focal point of the August meeting in Tucson. The committee will have a draft for the CAP Board by the end of September. Board members may be interested in attending that discussion.

Staff thought both parcels had been approved by Pima County for the River Road annexation but only one had been sent. We hope to have the River Road annexation signatures by the August meeting.

The remaining piece of office security is the installation of security glass in the lobby at the Customer Service and Engineering areas.

Mr. Stratton will be on vacation all next week visiting family in New York.

VI. Legal Counsel's Report.

Ms. Goncharsky said Lewis & Roca is working on the AECOM litigation, which now has a scheduling order implemented. The outstanding claims with ADOSH and other government agencies are working their way through the process.

VII. Future Meeting Dates; Future Agenda Items.

The next session of the Board of Directors will be held on Monday, August 12, 2013.

VIII. General Comments from the Public.

There were no comments by the public.

IX. Adjournment.

The meeting adjourned at 6:27 p.m.

Judy Scrivener, Chair of the Board

Warren Tenney, Clerk of the Board