

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

**January 14, 2013**

**\*\* 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  
Richard Byrd, Member  
Jim Doyle, Member

**Board Members Not Present:** 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  
Tullie Noltin, Recorder  
Warren Tenney, Clerk of the Board  
Abbe Goncharsky, Legal Counsel

**Regular Session**

**I. Call to Order and Roll Call**

Bryan Foulk, 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. Bryan Foulk, Dan M. Offret, Richard Byrd, and Jim Doyle were present. Judy Scrivener was not present.

**II. General Comments from the Public**

Luis Flores resides at 9840 S. Old Nogales Highway, in the Metro Southwest area. He received the Splash newsletter and read about the Board establishing a resource fee of 10 cents per 1,000 gallons, effective March 1<sup>st</sup>. He requested the Board to delay the fee because it is supposed to pay for CAP water but there are no connections to CAP on the south side. Mr. Stratton explained that although there are no direct plans in place, the fee program will develop renewable supplies

that will secure water resources for the Metro Southwest area as well as the other service areas. The Pima Mine recharge facility to the south was built a number of years ago and is a potential location for CAP water storage and recovery wells. The Pima Mine Recharge facility to the south, built by CAP and City of Tucson a number of years ago, the District would potentially be looking at that as a location to bring in CAP water and then do recovery wells to deliver it to the Metro Southwest service area. Even though you may not see anything right now or in the next couple of years, the fee is to develop enough of a funding source to be able to implement some of these capital programs that would allow us to do that. Mr. Flores asked if the fees collected would be put into the general fund or a separate account. Mr. Stratton said it will go into a separate fund and will identify the projects as they are needed on a prioritized basis. In the Metro Southwest area, near Ryan Airfield, there will also be a recharge-recovery component. At some point, all Metro Water service areas will have some portion of CAP water delivered to them. Mr. Flores referred to a water company that supplies to the far east side near Vail who publicly announced they were going to do same thing but never did. Mr. Stratton explained that what they are looking at in that area is fairly expensive. Mr. Flores said even though 10 cents per 1,000 gallons does not seem like a lot and he can see it is going for a good cause, it is hard when customers do not have a date when they can tap into CAP water. He asked if his neighborhood is located in Metro Water District. Mr. Stratton said the Metro Southwest areas are considered service areas now but at a later date, the District will try to get residents interested in annexing. Annexation would also mean residents would have a chance to vote for Board members and run for the Board. Mr. Flores said the area has no representation. He knows there are others asking questions and wondered if the District could hold a meeting in the Metro Southwest area. Mr. Stratton said the District did hold a meeting in the Metro Southwest area at Summit View Elementary when it was first acquired. Mr. Offret agreed it would be nice to have a meeting there once in awhile. Mr. Foulk said the District will see what can be done to arrange a meeting in the Metro Southwest area.

Scott Oldendorph is the landlord for his stepson's house at 2634 W. Desert Brook Court. He obtained a landlord agreement because he was told it was beneficial to have. After the first renter left, he received a bill for \$49.63 for the period of December 18-31 and a closing bill for \$86.07 in which no water was used. He spoke with customer service staff, who explained the full base rate is charged regardless of how many days an account is open. Mr. Oldendorph feels the District is double dipping. Customer service staff said the only way to address billing policy is by coming to the Board meeting. Mr. Land explained the billing process must occur every time there is a new account holder, so the costs to read the meter and produce the bill are the same regardless of how many days someone is there. The District does make exceptions for less than 10 days. Mr. Oldendorph said customer service staff even felt this was not correct. He suggested bills should be prorated between renters. Mr. Land offered to look into this particular case and follow up with Mr. Oldendorph. Mr. Offret suggested staff should prepare recommendations if

there is any kind of procedural change needed with the billing process. Mr. Foulk said the District must pay the same costs to transfer accounts regardless of the length of time. Staff will look into it.

### **III. Consent Agenda**

- A. Approval of Minutes – December 10, 2012 Board Meeting.**
- B. Ratification of Billing Adjustments.**
- C. Ratification of Schedule for Regular Board Meetings in 2013.**

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

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

- A. Election of Chair and Vice-Chair for the Board of Directors.**

Mr. Offret said he saw a lot of financial challenges for the District as he reviewed the material for tonight's meeting. One thing that came to mind was Ms. Scrivener's background in public sector accounting, budgeting and fiscal control. He is considering nominating her for Chair if she would be willing to accept. Mr. Stratton said he had spoken with Ms. Scrivener last week and she indicated she would gladly accept a nomination.

Mr. Offret nominated Judy Scrivener for Chair, effective at the February meeting. Mr. Foulk seconded the motion. Motion passed unanimously.

Mr. Foulk nominated Dan Offret for Vice-Chair. Mr. Byrd seconded the motion. Motion passed unanimously.

- B. Monthly Status of the District.**

Mr. Stratton talked about a slight rebound in consumption for the month. Mr. Foulk asked if this reflects a long or short time frame and Mr. Stratton said this one was close to normal. The freeze over the weekend did not bring too many issues, as District customers were educated quite well on protecting their pipes this time around. Mr. Foulk asked if there had been an uptick in calls regarding breakage from the freeze. Mr. Land said the District received few calls compared to Tucson Water's reports. Mr. Hill added there were a few minor impacts to facilities but it was nothing like the damage seen in the 2011 freeze. Mr. Stratton said the Avra Valley Recharge Project (AVRP) was down for maintenance in November and part of December. Media replacement at South Shannon will be done later in the year because water usage was down. The

District is waiting to hear back from the Bureau of Reclamation regarding storing effluent at the Cortaro-Marana Irrigation District (CMID) project. Staff is completing aquifer levels and well testing. We hope to have that information to the Board during the early part this year but we lost the student intern, so it will take a little longer. The La Cañada Drive project is complete. The Magee Phase 2 project (Magee Road, Shannon Road to Thornydale Road) was also finished this month and the last few issues are being handled. The Old Magee Trail Well is undergoing testing. Matter Well is now out of service and has been formally abandoned per Arizona Department of Water Resources (ADWR) requirements. Work on the Magee Phase 3 project (Magee Road, La Cañada Drive to Oracle Road) can begin as soon as the crew and equipment is freed from Magee Phase 2. Work will soon start on the Orange Grove Road, Camino de la Tierra to La Cholla project. The preconstruction meeting for the Oracle Road/Ina Road intersection is scheduled. The Riverside Transmission Main is 40-50% complete.

### **C. Financial Report.**

Mr. Land said the midyear review was included in the Board meeting packets. The current financial report reflects a fairly positive picture for the period between July and September. Revenues in excess of operating expenditures are \$700,000 over budget. Through the first five months of the fiscal year, compared with the same period last year, the District is running \$415,000 behind in total revenues. Expenditures are \$315,000 better than last year at this point. Revenues in excess of operating expenditures are \$100,000 behind last year. Cash reserves are around \$2 million and steady. There were two new meter applications in December, which is two more than the same period last year. That brings the total to 11 with the potential for more on the horizon. The office solar system is consistently averaging a savings of \$400 per month over the costs prior to installation.

Mr. Foulk said he received a letter from a District customer. Mr. Sedory, who resides at 8885 N. Sunridge Place, had been calling various places around the state and eventually contacted the Governor's office. The Governor's office encouraged him to send a letter to the District. The District has a record of complaints from Mr. Sedory since about 2006, generally regarding sewer charges. It appears he does not understand how the sewer charges work. Mr. Sedory has a large area of landscaping with multiple trees and hedges. He does not want to spend money to have dual metering, an option the District offers. Mr. Sedory used to pay \$11.00 or \$12.00 per month for sewer and wants to pay that now. It has been explained the sewer charges are set by Pima County. Mr. Foulk asked if Mr. Sedory understands the sewer charges are based on a three month period of water usage and watering could be reduced to impact that calculation. Mr. Land replied yes. Mr. Foulk said he appreciates the diligence of District staff in trying to appease this customer.

**D. Refunding 2002 Senior Water Revenue Bonds, Restructuring the Debt on the 2002 Subordinate Obligation Revenue Refunding Bonds, and Authorize Water Infrastructure Finance Authority (WIFA) Loan.**

**1. Approval of Resolutions to Finalize the Refunding, Restructuring, and WIFA Loan.**

Mr. Fred Rosenfeld, Bond Counsel at Gust Rosenfeld has represented the District since its inception. He briefly explained each of the three resolutions.

Mr. Offret made a motion to approve Resolutions 2013-1 to refund the 2002 Senior Water Revenue Bonds and Resolution 2013-2 to restructure the debt on the 2002 Subordinate Obligation Revenue Refunding Bonds. Mr. Byrd seconded the motion. Motion passed unanimously.

Mr. Offret made a motion to approve Resolution 2013-3 authorizing the execution of a loan agreement with Water Infrastructure Financing Authority of Arizona (WIFA). Mr. Byrd seconded the motion. Motion passed unanimously.

**E. Midyear Review of Fiscal Year 2012-13 Budget.**

Mr. Stratton said staff prepared the midyear review for the Board. This is a good exercise to go through, especially under a tight budget.

Mr. Land said the report reflects lower than budgeted revenues because usage is down. The District did implement an adjustment to the base rate and the upper three tiers beginning effective November 1<sup>st</sup>. A 2% reduction in revenues due to the trend of reduced usage was factored in. It is difficult to predict exactly what the reduction will be because although the average is 1.7%, it has been as high as 7% in previous years. Team Managers each looked at ways to reduce expenditures in small and large categories. Not having to hold an election resulted in a savings. The salaries and benefits category has been lower than expected, in part because two positions are being held vacant. These two categories leave a projected savings of \$160,000 in operating expenditures. Debt restructuring will produce savings that will increase in future years.

Mr. Land said one deficit the District must address is the County/RTA project overruns. Once bond funds are used, we will have to come up with the remaining funds or use repair and replace funds to cover the \$300,000 plus shortfall. The final overrun figures are not yet known. Mr. Offret asked why the County/RTA waterline relocation projects exceeded budget. Mr. Maish explained some projects went over initial cost estimates and there were also more projects added that were not foreseen, such as the Ina Road/Oracle Road intersection and work on Orange Grove Road.

Mr. Land said it helped to have the \$400,000 WIFA loan for Riverside Well. The District ends up net \$800,000 under budget for the midyear review.

Mr. Offret said he understands there might be about \$40,000 left over from the WIFA loan that could be applied to the cost of the proposed storage tanks. Mr. Land confirmed. Staff contacted WIFA regarding this question and they had no problem with the District utilizing the additional funds for this purpose. Mr. Land was assured nothing more than the email was needed. Mr. Offret would like to see that happen.

Mr. Offret said the picture this month is looking a little brighter than two months ago. He is glad the District now has a little breathing room.

Mr. Land said the repair and replace fund was implemented with an \$800,000 level in mind but has grown to \$1.2 million. A portion of the fund can be used for projects but will need to be built back up to \$800,000. As Mr. Rosenfeld said, the District experiences changes in needs over time but the outlook seems positive going into next year's budget, considering the opportunity to reduce the debt service.

Mr. Foulk said he is glad the District is headed in the right direction.

**F. Financing the CAP Water Utilization Program.**

Mr. Stratton said this agenda item was included at the request of Mr. Offret. Last month, questions were raised about how to bolster the CAP utilization program. Mr. Tenney went through the background options.

Mr. Tenney said in the development of the budget, capital projects were identified to help move forward with CAP utilization. Specifically, \$150,000 was identified to select a consultant to perform a route analysis for the pipeline from AVRFP to the Herb Johnson Reservoir. In October 2012, the Water Resource Utilization Fee was put in place to help move the CAP water utilization program forward. Money is to be put into a separate fund and used for development and design of renewable water supplies, such as CAP and effluent. Staff expects to generate \$80,000 this year and \$269,000 over the next full year. In addition, the financial refinance and restructure relieves some of the pressure on the District. Staff does believe CAP utilization is something we need to start focusing on, as it is critical to the District's success. It will be important to think about how to set aside funding for various projects and identify the steps forward. Based on that, staff would like to work on identifying the structure and ways to implement full financing. This process may require a study but there are some things we can identify before that in the next few months. He suggested holding a special February study session to look at CAP utilization more in depth, if that is what the Board would like.

Mr. Offret expressed his appreciation for the recognition and the recommendations brought forward. He said he would like to see things move faster but he understands the constraints. He suggested the Board discuss this every two months so that it stays fresh in everyone's minds because he believes this needs to be our primary goal. Mr. Foulk suggested meeting quarterly instead and Mr. Offret agreed.

**G. Award of the Construction Contract for the Riverside Well Site Improvements.**

Mr. Offret said he did not realize general contractors would install water pumps and motors and also components like security equipment. He asked if staff has confidence in a general contractor to complete this job. Mr. Stratton replied he does have confidence in The Ashton Company because they did the Old Magee Trail well, which is very similar to the Riverside Well.

Mr. Offret pointed out the bid was a little more than the District's estimate. Mr. Maish said there was an error in the engineer's estimate. This project requires a \$40,000 sound enclosure but staff adjusting the engineer's estimate did not realize that. Had that been added in, the District's estimate would have been close to The Ashton Company's.

Mr. Offret made a motion to award the construction contract for the Riverside Well Site Improvements to The Ashton Company in the amount of \$608,500.00, contingent upon the closing of the WIFA loan for this project, 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 \$30,000 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. Mr. Byrd seconded the motion. Motion passed unanimously.

**H. Approval of Change Order #2 for the La Cañada Dr., Ina Road to River Road, Relocations and La Cañada Dr. "A" Zone Transmission Main, Phase I.**

Mr. Offret asked what is causing the additional work of almost \$160,000. Mr. Maish explained there are several reasons, which are not surprising. This project is located in the southern portion of our service area, where the oldest infrastructure is. Records are poor, although other utilities' records are much worse than the District's. The designs are the best we can obtain but once excavation starts, changes must be made to the designs and the County implemented a program which says all changes more than 2 feet require a redesign of the project. Contractors have the chance to get extra money when there are a lot of changes. Crews are often either investigating or redesigning these projects. Mr. Offret asked if this relates in any way to a bid from a couple months ago that was much lower than the others. Mr. Foulk also recalled questioning a low bid. Mr. Maish said he could not recall if this was the same bid or not. Other utilities' records are not

very good either but the project for Pima County involves three other utilities as part of the road contract for a joint utility trench. Mr. Foulk asked if valid claims made by the contractor to Pima County are passed on to let the utility be responsible. Mr. Offret noted change orders 1 and 2 total a quarter million dollars compared to what was originally awarded. Mr. Maish said the changes represent about 8-9% of the \$3 million contract and changes less than 10% are not considered expensive.

Mr. Offret made a motion to approve Change Order No. 2 to the La Canada Dr. "A" Zone Transmission Main, Phase 1 contract with Action Pipeline Contractors, Inc. which establishes a new contract amount of \$3,033,785.89 and a new contract completion date of December 31, 2012. Mr. Byrd seconded the motion.

Mr. Foulk echoed Mr. Offret's concerns, saying this money was not budgeted because the District did not want to spend it.

Motion passed unanimously.

**I. Approval of 10,000 Gallon Water Storage Tank for Metro Southwest – Lazy B Service Area.**

Mr. Offret said he was on site when a leak was discovered and it is a very old tank.

Mr. Offret made a motion to approve the purchase of the 10,000 Gallon Storage Tank for Lazy B from Smyth Steel Manufacturing for \$31,520. It is also recommended that the Board authorize the General Manager to approve an additional \$3,000 for unforeseen modifications needed. Mr. Byrd seconded the motion.

Mr. Stratton noted this will be paid for with remaining WIFA loan funds, as discussed.

Mr. Offret asked if there are any guarantees on this unit. Mr. Hill said the typical contractor's warranty period of two years applies. Mr. Maish confirmed this. Mr. Offret asked if composite material is a better choice. Mr. Hill said he prefers steel tanks. Mr. Maish agreed; the District has had some problems with composite tanks even though manufacturers say their longevity is adequate. Mr. Hill considers steel tanks a key to longevity.

Motion passed unanimously.

**J. Approval of Arsenic Treatment Media Purchase.**

Mr. Offret made a motion to approve the purchase of Layne RT Arsenic Treatment Media for Hub 3 from Layne Christensen for the amount of \$29,127.99. Mr. Byrd seconded the motion. Motion passed unanimously.



**V. General Manager's Report**

Mr. Stratton noted the updated District Overview had been provided to the Board. The \$400,000 WIFA loan to equip the Riverside Well is scheduled for closing on January 25, 2013. The debt from this loan will be paid via the reclaimed water agreement with Omni Tucson National. Mr. Stratton congratulated the 2012 Employee of the Year, Tim Dinkel, Development Supervisor. The Employee of the Year is selected by staff and announced at the Christmas Luncheon. Erin Lansey, Student Intern, and Meron Kidane, Civil Engineering Assistant, submitted their resignations and will be moving on to full time positions. The District wishes them success and thanks them for their service. Mr. Hill's knee surgery has been postponed.

**VI. Legal Counsel's Report**

Ms. Goncharsky said the Arizona Division of Occupational Safety and Health (ADOSH) investigation regarding former employee Donovan Hemway continues. The investigator met with District staff last week. Mr. Foulk commented on how long the case was taking. Ms. Goncharsky said the Pima County lawsuit has not yet been served.

**VII. Future Meeting Dates; Future Agenda Items.**

Mr. Tenney said the next regularly scheduled session of the Board of Directors will be held on Monday, February 11, 2013.

**VIII. General Comments from the Public.**

There were no comments by the public.

**IX. Adjournment.**

The meeting adjourned at 7:08 p.m.

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Judy Scrivener, Chair of the Board

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Warren Tenney, Clerk of the Board