

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

May 9, 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
Helen Ireland, Member
Judy Scrivener, Member

Board Members Not Present: Jim Doyle, Member

District Staff: Mark R. Stratton, General Manager
Christopher W. Hill, Deputy General Manager
Charlie Maish, District Engineer
Warren Tenney, Clerk of the Board
Tullie Noltin, Recorder
Keri Silvyn, Legal Counsel

Executive 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 5:30 p.m. Bryan Foulk, Helen Ireland, Dan M. Offret, and Judy Scrivener were present. Jim Doyle was not present.

Mr. Offret made a motion to adjourn into Executive Session at 5:31 p.m. Ms. Scrivener seconded the motion. Motion passed unanimously.

Executive Session pursuant A.R.S. § 38-431.03.A.3 (consultation for legal advice with District Legal Counsel), A.R.S. § 38-431.03.A.4 (consultation regarding contracts that are the subject of negotiation, in pending or contemplated litigation or in settlement discussions), A.R.S. § 38-

431.03.A.7 (consultations regarding negotiations for the purchase, sale or lease of rental property) regarding the following:

A. Acquisition, Construction, Reconstruction, and Repair of Waterworks.

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, Helen Ireland, Dan M. Offret, and Judy Scrivener were present. Jim Doyle was not present. Mr. Tenney said he would have to excuse himself at about 6:45 p.m.

II. General Comments from the Public

There were no comments from the public.

III. Consent Agenda

- A. Approval of Minutes – April 11, 2011 Board Meeting.**
- B. Approval of Minutes – April 25, 2011 Study Session.**
- C. Ratification of Billing Adjustments.**
- D. Approval of Auditing Services Agreement for 2010-11 Fiscal Year.**
- E. Ratification of Bill of Sale – Riverside Crossing Apartments.**

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

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

A. Monthly Status of the District.

Mark Stratton, General Manager, said water production had slowed compared to the last three months. Less water was produced this April than last year but the usage was not far off. Metro Hub consumers continue to use more water. Figures for Metro Southwest over the past year are skewed by Tucson Water purchases in 2010. The data for metered water sales was not available at the time of the report. There has not been much change regarding waterline relocation projects. The Northern Hills Phase 2 project has finally closed.

Mr. Offret noticed the report on decreasing capacity at Oracle Jaynes and asked if there was a backup plan to pump water to customers in that area. Christopher Hill, Deputy General Manager, said there was a redundancy plan using the Herb Johnson Reservoir. Mr. Offret asked whether re-drilling or drilling deeper would be of any benefit. Mike Block, District Hydrologist, said the well could be deepened as one option. Mr. Stratton noted that particular well is very crooked and would require special drilling modifications.

B. Financial Report.

Mr. Land said revenues through the end of March were about \$1 million over budget and expenditures were slightly under; the result being \$1.43 million in favor of the budgeted number. Water sales this year are higher than last. New connections are expected to come up short. He read the highlights of the financial report and there were no questions. The audit should begin August 1st and should conclude by the October board meeting this year.

C. Approval of Intergovernmental Agreement with Northwest Fire District for the Northwest Fire District Station #30 Public Water Main.

Ms. Ireland made a motion to approve the Intergovernmental Agreement with the Northwest Fire for the Northwest Fire District Station #30 Development. Ms. Scrivener seconded the motion.

Mr. Foulk asked if the agreement was reviewed and approved by legal counsel. Ms. Silvyn confirmed. Mr. Stratton said the agreement mirrors a normal water service agreement. Northwest Fire felt this format was more appropriate and the District accommodated the request.

Motion passed unanimously.

D. Approval of Lease Agreement for Lattamore North Well.

Mr. Stratton noted the blank in the distributed draft agreement has been filled in with \$17,322.86. He briefly pointed out the differences between the old and new agreements.

Mr. Offret made a motion to approve the lease agreement with Pima County for Lattamore North Well. Ms. Scrivener seconded the motion.

Mr. Offret asked how the water is accounted for, if not done through Arizona Department of Water Resources (ADWR). Mr. Block said Pima County accounts for the water. Mr. Stratton pointed out that if nitrate drops down to acceptable levels, the agreement can be terminated to use the well as potable water again.

The motion passed unanimously.

E. Avra Valley Recharge Project Update.

Mr. Stratton said Mr. Block had done a very good job of transitioning the Avra Valley Recharge Project (AVRP) from Central Arizona Project (CAP) to the District.

Mr. Block went over his written report. Performance at AVRP has been better than expected. The District has spent a little over \$10,000 on the telemetry system replacement so far. CAP had discounted the purchase price by \$100,000 for the obsolete SCADA system, so the District is doing well. Modifications to Basin 4 are moving along. ADWR has determined a permit modification will not be required, saving the District an additional \$25,000 in consulting fees.

Mr. Offret asked where the excavated material from Basin 4 will be placed. Mr. Block explained that since AVRP sits on state land, all materials belong to the state and if any is removed from the property the District is financially obligated to reimburse the state. The District plans to store the excavated material in a depression close to one of the basins. There was a brief discussion on the modification specifications and projected costs.

F. Approval of Meter Replacement Program for Metro-Hub Service Area.

Mr. Stratton said staff spent time fine-tuning this topic since the last meeting. Mr. Hill explained the four options and the costs associated with each one. He said there is a challenge with regards to staff resources because other work would have to be sacrificed to get the replacements completed in one year. The benefits include a reduction of read times, data logging capabilities, and enhanced customer service.

Mr. Foulk asked about the lifespan of AMI/AMR meters. Mr. Hill said the existing batteries are good for 10 years but the new models are improved and the batteries now last 20 years. Portions of the meters can be replaced independently as needed. Meters tend to read inaccurately after about 1.5 million gallons.

Mr. Offret asked if the program could be phased in over a two year period. Mr. Foulk asked if it would be easier or quicker to complete in-house. Mr. Hill said the District could efficiently handle the replacement of 75-80 meters per month, or 800 meters per year for two years. Metro Southwest is on track to receive a fixed network but one has not been priced for Metro Hub. Mr. Stratton said Hub fixed network costs would probably be comparable to that of Metro Southwest.

Ms. Ireland had a question about software integration. Mr. Hill said the meters operate on proprietary software but it is compatible with the District's billing software.

Mr. Foulk asked if all of the AMRs in operation are manufactured by the same vendor. Mr. Stratton said the reading mechanisms are all made by Itron but the meter bodies are made by various manufacturers.

Mr. Offret made a motion to approve a meter replacement program for the Metro Hub system at a cost not to exceed \$332,208.00 and appropriate funding for this through the District's Capital funding for Fiscal Year 2011-2012. Ms. Scrivener seconded the motion.

Mr. Foulk said he would prefer to spread the costs over a two year period and perform the work in-house. He does not want to pass along the expense to the ratepayers and the \$50,000 in savings by doing the work in-house will help pay for the program. Ms. Ireland said the total cost of doing the work in house drops to \$268,167.50. Ms. Scrivener asked if the District is capable of performing the work in house, and Mr. Hill confirmed staff can accomplish 800 this year and 800 next year. Option 1A install AMR-AMI in house split out in two years.

Mr. Offret made an amendment to his motion to specify Option 1A: Installation of 1,601 AMR/AMI meters in-house at a cost of \$268,200, to be split over two years. Ms. Scrivener seconded the amended motion. Motion passed unanimously.

G. Update and Direction on Replacement Matter Well.

Mr. Stratton said staff has made substantial progress with the Matter Well replacement. The neighborhood association meeting went very well. The residents provided good input and want to be involved with the aesthetic design of the wall surrounding the future well site. The District will be responsible for the majority of the wall because the new well site will be much larger than the current one. Mr. Offret said he was pleased with the positive history between the District and residents during the construction of the James Tripp Reservoir. Mr. Stratton indicated staff was working on obtaining the legal definition of the proposed well site.

Mr. Stratton said the Ashton Company plans to drill a temporary well next to the proposed well site but the District has concerns about well impact. Ashton has applied for Type 2 rights with ADWR. Mr. Stratton met with Bill Vail from the Ashton Company to discuss alternatives to Ashton's temporary well and lowering the bulk rate is one option. Mr. Vail was present in the audience to answer any questions.

Mr. Stratton explained that Ashton estimates about 20 million gallons will be needed and they have budgeted \$90,000, or close to \$4.50 per thousand gallons. This is an opportunity for the District to bring in a significant amount of revenue and a lower rate could also attract other contractors. From staff's perspective, the positives outweigh the negatives. The District has traditionally discouraged the use of water for dust control but this particular project requires a lot

of water for soil cement channeling. The water is drawn from the same aquifer regardless of which provider sells it. While it will have an impact on the aquifer, there is enough capacity to pump the needed volume.

Mr. Vail reasoned that Ashton has to spend the money on water either way, so they would rather see the District benefit. Ashton would prefer to stay out of the way of the District's well replacement project but they only have a fixed amount of money to spend, and the current rates are unaffordable. Ashton plans to begin excavation the second week in June.

Mr. Stratton said a public hearing is required for the Board to consider changing rates. Mr. Tenney said it is necessary to post a notice of public hearing in the newspaper, so about three weeks will be needed to prepare. A public hearing could be arranged for June 6, 2011. Mr. Tenney added the rates could be made effective retroactively June 1st if needed.

There was some discussion about whether the commercial bulk rate should be lowered to match the residential bulk rate of \$5.40 per thousand gallons. Mr. Foulk said he would like to know how many commercial and residential bulk users the District currently has. There was some question about whether the District could establish temporary rates for certain projects or customers. Mr. Tenney warned against it and Mr. Foulk agreed. Mr. Offret said he would like more information on setting the rate on a temporary basis and other providers' rates.

Mr. Land was concerned about dropping the rate and not gaining Ashton's business. He asked if the commercial bulk rate were to be lowered to \$5.40 would Ashton still consider purchasing water from the District. Mr. Vail replied that if the District could get in the \$4.50 range, they would not drill a temporary well and he offered to provide a written statement to that effect.

Mr. Offret asked how drilling wells would work with the County's project schedule. Mr. Stratton said the schedule would not be affected but the current Matter Well will remain in operation until the new well is in operation and the old can be abandoned. The Board agreed with staff to schedule a public hearing for June 6, 2011.

V. General Manager's Report

Mr. Stratton said a public meeting is scheduled for May 19, 2011 at 6:30 p.m. at Fruchthendler Elementary to update nearby residents on the Metro Hub No. 1 replacement well. Staff will show attendees what the well site will look like, talk about the process of drilling, and hear their comments. The recently approved meter replacement program for Hub will also be mentioned.

Mr. Stratton gave a brief update on the solar panel project next to the District office. Workers are trenching across the parking lot to install the electric lines. There will be a ribbon-cutting presentation after completion but the date has not been set yet.

Mr. Stratton attended the AZ Water Annual Conference, which enjoyed record attendance. Several District staff members presented. District Electrician Frank Gallego received the Electrician of the Year Award. Mr. Stratton was honored to have received the Kachina Award for Outstanding Service. Ms. Scrivener had been in attendance at the Conference and District staff is proud to have five staff chairing AZ Water committees.

Next month Mr. Stratton will ride his motorcycle to the American Water Works Association (AWWA) Annual Conference in Washington DC to raise money for Water For People. He will miss the June 13, 2011 Board Meeting. He will also be on vacation the last week in May.

VI. Legal Counsel's Report

Ms. Silvyn said three agreements with Pima County are nearly finished but there have been delayed responses from the various County departments.

VII. Future Meeting Dates; Future Agenda Items.

A study session will be held on Monday, May 23, 2011 at 5:30 p.m. to continue discussion of the budget. The Public hearing for the bulk water rate will be held on June 6, 2011 at 6:00 p.m. The next regular scheduled session of the Board of Directors will be held on June 13, 2011. Mr. Land indicated he would be out of town for the May 23, 2011 study session.

Ms. Ireland suggested covered motorcycle parking for staff be discussed. Mr. Foulk asked if other staff has covered parking; Mr. Stratton said no. The item will be on the June 13th agenda.

VIII. General Comments From the Public.

There were no comments by the public.

IX. Adjournment.

Mr. Foulk made a motion to adjourn. The meeting adjourned at 7:10 p.m.

Bryan Foulk, Chair of the Board

Warren Tenney, Clerk of the Board