

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

August 8, 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
Tom Caito, Jr., Engineer
Christopher W. Hill, Deputy General Manager
Michael Land, Chief Financial Officer
Tullie Noltin, Recorder
Keri Silvyn, Legal Counsel
Warren Tenney, Clerk of the Board

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, Helen Ireland, and Judy Scrivener were present. Jim Doyle was not present.

II. General Comments from the Public

There were no comments from the public.

III. Consent Agenda

A. Approval of Minutes – July 11, 2011 Board Meeting.

- B. Ratification of Billing Adjustments.**
- C. Approval of Water Service Agreement – McDonald’s Restaurant.**
- D. Ratification of Bill of Sale – Oro Valley Charter School.**

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.

Mr. Stratton said water usage in July was less than the previous year but more than June, for undetermined reasons. Revenue from metered sales in July was fairly close to last year’s levels because the rate increase offset the lower usage. Hydrology staff is looking into effluent options. The Old Magee Trail well is being drilled. Gary Burchard, Hydrogeologist at the District, stated the new well was just shy of 600 feet deep so far. The drilling was somewhat slow at the rate of 6 feet per hour. Old Magee Trail well is the top priority well at this time. EEC Consultants is the engineering firm working on all three new well designs: Riverside Crossing, Old Magee Trail, and Fruchthendler. The various Pima County/RTA projects are progressing. Magee Phase 1 is under construction and there have been a few issues in the field. La Cañada South will soon be advertised for bidding and there is a County issue with abandoned water lines but a resolution is expected soon. Two other projects are pending final approval.

Ms. Scrivener said she had talked with Christopher Hill, Deputy General Manager, about the future of a decommissioned tank near Saguaro Vista. Mr. Hill said that particular tank has lead paint but has been out of service for five years. He will provide the status of all decommissioned sites as next month’s meeting.

B. Financial Report.

Mr. Land said the financial report shows unaudited revenues versus expenditures through June 30, 2011. The auditors have been going over the internal controls and will conclude their field assessment at the District soon. Revenues are over \$1 million ahead of budget due to an increase in metered water sales and higher development revenues from a large multi-family project. Operating expenditures are \$743,000 under budget. Budgeted revenue in excess of operating expenditures came in \$2.6 million over budget. Compared with last year, the District came up \$1.7 million ahead in metered water sales. Revenue in excess of operating expenditures ended up \$1.6 million over last year. Meter applications are off to a slow start for the new fiscal year, with only one so far out of 50 budgeted.

C. Approval of Intergovernmental Agreement with Pima County Regional Flood Control District for the Extension of Public Water System to Omni/Tucson National.

Mr. Stratton said a redline version provided to the Board showed the last-minute changes to the agreement, most of which were done by Michael McNulty, Legal Counsel. Keri Silvyn, Legal Counsel, said there had been an issue with section 4.d. which required the Pima County Regional Flood Control District (RFCD) to enforce the obligations of the Developer under another a Development Agreement between Pima County and the Developer, but it was determined that RFCD could not enforce provisions of an agreement it was not party to. Hal Gilbreath, Deputy County Attorney, Mr. McNulty and Ms. Silvyn offered a potential solution, to include Pima County as party to the new agreement only pertaining to that provision. Pursuant to initial discussions, Legal Counsel inserted the language to be approved by Mr. Gilbreath when he returns from vacation. If Pima County chooses not to approve the language as written, the agreement could be brought back to the Board. As an alternative, the Board could decide to continue the matter until the September meeting, after the language has been approved.

Mr. Offret made a motion to approve the intergovernmental agreement with Pima County Regional Flood Control District for the extension of the District's public water system to Omni/Tucson National. Ms. Ireland seconded the motion.

Mr. Foulk asked how Omni/Tucson National Resort (Omni) will pay the District. Mr. Stratton said it will be nearly a year before completion of the reclaim line and staff will bring forth documentation governing payments to the District before that time. Since this will be the only reclaim customer, the District can treat it as special agreement and will not have the need to establish a reclaim rate structure. Mr. Foulk asked if Omni will be obligated to use the reclaim. Mr. Stratton said the agreement requirements will be enforced.

Motion passed 3-0, with Ms. Scrivener abstaining.

D. Approval of Groundwater Savings Storage Agreements.

Mr. Offret made a motion to approve the amendment between the District and BKW Farms for "In-Lieu Water Deliveries and Storage" and that the agreement is in effect until December 31, 2012. Ms. Scrivener seconded the motion. Motion passed unanimously.

Ms. Ireland made a motion to approve the amendment between the District and Cortaro Water Users' Association for "In-Lieu Water Deliveries and Storage" and that the agreement is in effect until December 31, 2012. Ms. Scrivener seconded the motion. Motion passed unanimously.

Ms. Scrivener made a motion to approve the amendment between the District and Herb Kai for “In-Lieu Water Deliveries and Storage” and that the agreement is in effect until December 31, 2012. Mr. Offret seconded the motion. Motion passed unanimously.

Mr. Offret thanked Mr. Block for providing the tables and reports.

E. Approval of Emergency and Miscellaneous Electrical Services.

Mr. Offret made a motion to approve the quote submitted for the Emergency and Miscellaneous Electrical Services for use in the Fiscal Year 2010-2011 and authorized the General Manager to approve the use of these services on an as needed basis up to \$10,000 cumulatively. The motion was immediately amended to correct the fiscal year to 2011-2012. Ms. Scrivener seconded the motion.

Mr. Offret asked about Kelly Electric being the single bidder. Mr. Hill said Kelly was the only company to submit a bid. They helped at Diablo Village and even though Davis-Bacon wages had to be paid, their bid was very competitive. They have a good record and are well-staffed.

Motion passed unanimously.

F. Approval to Amend 2009 Loan Agreement with Water Infrastructure Financing Authority for the Assets of Diablo Water Company, Thim Water Company, and Thim Water Corporation.

Ms. Ireland made a motion to approve staff to work with WIFA to take the necessary steps to amend the 2009 WIFA loan for the purpose of purchasing and improving Metro-Southwest water systems with all necessary amendment documentation by WIFA to be brought back to the Board for approval. Mr. Offret seconded the motion.

Mr. Offret said the District has tried to minimize indebtedness. There is a \$500,000 contingency fund that has not been fully spent. He asked how this loan amendment will affect the debt ratio. Mr. Land said the exact needs are not yet known, but as an example, it would cost the District approximately \$15,000 to add \$250,000 to the loan. Mr. Stratton said part of the reasoning behind looking to increase the WIFA loan amount, was that those monies are expected to be paid back under monies generated by that water system and the improvements are associated directly with that system.

Mr. Foulk asked how long the pay back would be for the amended amount and wondered if the improvements could be paid for without financing. Mr. Land said the pay back would take 2-3 years. Mr. Foulk noted the improvements would potentially speed up the payback period with increased accuracy and reduced staff time.

Ms. Scrivener said she was leaning toward supporting the amendment.

Mr. Land said the figures used were based on upper limit estimates. Mr. Stratton said estimated costs had been obtained from three vendors but they are currently revising the numbers based on specific parameters. One vendor came in with higher hardware costs and another came in with higher software costs.

Mr. Offret asked if the actual cost could be more than \$175,000. Mr. Stratton said the actual costs will not be known until negotiations with the contractors occur.

Ms. Ireland said she was leaning toward going with AMI. She asked Mr. Hill about a labor overage but Mr. Hill could not recall the specific details she was referring to. Mr. Stratton noted it is routine practice to be reimbursed from bond proceeds to pay for staff time on bond projects.

Motion passed unanimously.

V. General Manager's Report

Mr. Stratton said Diablo Village #1 arsenic treatment system is almost complete and should be online shortly. Discussions with Mr. Hill about reliability and the cost of power in the Metro Southwest Diablo area have led to an examination of interruptible power options. Mr. Hill is looking into power costs. There are still a few sites in Metro Main not on interruptible power. In exchange for lower interruptible rates, TEP retains the right to interrupt power for up to six hours every day if needed. Although it has not happened, it is possible for frequent interruptions to impact customers. Ideally, the District would like to move more sites to the interruptible rate without impacting customers. Before a recommendation can be made to the Board, more analysis will be done.

There is an issue with Mesaland Water Company irrigating within the District service area. Staff has been in contact with Legal Counsel who has contacted the Arizona Corporation Commission and will keep the Board updated on this matter.

The Regional Water Assessment Task Force (RWATF) released a draft report. Mr. Stratton will forward the draft report to the Board. A public meeting date will be set soon to discuss the issues.

Mr. Stratton touched on the various upcoming meetings. Tri-State will be held in Primm, Nevada near the end of September; Ms. Scrivener has expressed an interest in attending. The Western Coalition of Arid States (WESTCAS) Conference will be held in Las Vegas, Nevada in October. The Colorado River Water Users Association (CRWUA) will also be held in Las Vegas, Nevada in December. Board Members are encouraged to consider attending.

Mr. Stratton said the District received word that the grant application submitted by the UA and Northwest Water Providers was rejected. The UA partners were disappointed because it was felt there was a strong chance to continue the research started with the S&T study. The partners will regroup and decide whether to decommission the site or try to secure other funding.

Mr. Stratton will be gone the last week of August to help drill a well in Nicaragua.

VI. Legal Counsel's Report

Ms. Silvyn said that Mr. Stratton would attend a settlement conference in Phoenix the following day, August 9, 2011, regarding the NERBS lawsuit. Another settlement conference is scheduled for September 20, 2011 in Tucson.

Ms. Silvyn said a terminated employee had filed a grievance and a Grievance Committee had been formed according to District policy. The Committee upheld the termination decision. The employee has the right to appeal the Committee's decision to the Board of Directors. Ms. Silvyn advised the Board and staff not to have discussions about what occurred in case the employee appeals. Now that the policy has been used for the first time, a few details have revealed the need for clarification of the policy.

VII. Future Meeting Dates; Future Agenda Items.

Mr. Tenney said the next regularly scheduled session of the Board of Directors will be held on September 12, 2011.

VIII. General Comments from the Public.

There were no comments from the public.

IX. Adjournment.

Mr. Foulk made a motion to adjourn. The meeting adjourned at 6:38 p.m.

Bryan Foulk, Chair of the Board

Warren Tenney, Clerk of the Board