

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

April 11, 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
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. Jim Doyle, Bryan Foulk, Helen Ireland, Dan M. Offret, and Judy Scrivener were 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.1 (discussion or consideration of personnel matters), regarding the following:

A. Amendment to the General Manager's Contract.

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. Jim Doyle, Bryan Foulk, Helen Ireland, Dan M. Offret, and Judy Scrivener were present.

II. General Comments from the Public

There were no comments from the public.

III. Consent Agenda

- A. Approval of Minutes – March 14, 2011 Board Meeting.**
- B. Approval of Minutes – March 28, 2011 Study Session.**
- C. Ratification of Billing Adjustments.**
- D. Ratification of Bill of Sale – Capilla Del Sol Christian Church.**

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

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

A. Monthly Status of the District.

Mr. Stratton said the past three months have shown higher water production than the same time in the previous year, a trend he hopes will continue. This is a positive indicator for future revenue generation. Projects related to RTA roadway projects are ongoing.

Hydrology staff has done a good job with the Avra Valley Recharge Project (AVRP) agreements. AVRP is now recharging and the Basin 4 soil depth analysis revealed the District may be able to get by without permit modification. Once the consultant's options and cost figures are certain, the matter can be brought to the Board.

Staff has been working on the Diablo Village I (DVI) arsenic vessel. Christopher Hill, Deputy General Manager, said arsenic levels meet MCL requirements. Mr. Doyle asked how many arsenic treatment systems the District now operates. Mr. Hill said there are four total: two at Metro Hub, one at Lazy B, and the one under construction at DVI.

Mr. Foulk said his biggest concern is the Matter Well. Mr. Stratton said that Mr. Matter had responded to the counter-offer on his property; he came down \$6,500 but the County still feels the price is too high. Mr. Maish has been communicating with the new owners of the property on the west side of the street through an individual who works for them about purchasing a portion of their parcel. The nearby La Cañada/Magee Neighborhood Association had previously asked that a piece of County property on the corner of Magee and La Cholla be off-limits for building. Mr. Stratton contacted one of the Association Board Members that the District would like to place the well on that portion of land and explained why that location made sense. He suggested to them that the walls surrounding the well could blend in with the County's roadway designs. The individual he spoke with was in general agreement and asked Mr. Stratton to present the idea to the entire Association on April 26, 2011. Bruce Ellis, Deputy Director of the Pima County Department of Transportation will also attend that meeting. That site is the simplest and most advantageous because it is County property and it would offer greater capacity than a replacement well. Mr. Offret asked if the wall barrier could be built with transportation funds under the County aesthetic program. Mr. Stratton said that negotiations and paperwork could begin if the Association supports the idea. Mr. Foulk pointed out it will ultimately be good for customers if the District is allowed to use the property with the lowest associated costs.

B. Financial Report.

Mr. Land said that compared to the budget, revenues are more than \$1 million over budget, most of which is due to water sales. Operating expenditures are about \$90,000 under budget, including the salaries and benefits category. Revenues exceeding expenditures are \$1,125,000 to date. Revenues are up \$1,105,000 over last year, bolstered by the \$348,000 water rights sale at Arboles Viejos and the \$82,000 arbitrage refund from the IRS. Expenditures are about \$966,000 above last year, primarily due to CAP water purchased and water purchased at Metro Southwest. Salaries and benefits are \$75,000 over last year. There were seven new connections in March, bringing the total to 32; the District will need a strong three months to reach the 50 budgeted.

Mr. Land pointed out that \$25,000 of bad debt was incurred when the owners of a hotel walked out with an unpaid balance. Bad debt is somewhat higher at Metro Southwest because there were no deposits on account when we acquired the area.

C. Discussion and Direction regarding the Continuation of the County/RTA Waterline Relocation Fee.

Mr. Offret said he did not favor the three different options outlined in the staff report. Instead, he prefers a temporary continuation of the RTA Fee until a full understanding of the costs associated with the relocations can be brought forward. He said he was uncomfortable continuing

the fee for a ten year period and also uneasy about stopping or incorporating it into the rate structure. He said he would like to have all the facts and costs before making a permanent decision. Mr. Stratton agreed there are waterline relocation projects that have not been bid on, so it is difficult to determine how close to \$6.6 million the project costs will be. Under the original intent, the fee was to be collected for two years and the Board was to make a determination pending final costs. The two years would be up in June 2011. The District still has 10 years of bond monies to pay the debt service, and that \$6.6 million may not be enough to cover the relocations.

Based upon discussion of what the appropriate action should be, Mr. Offret made a motion to continue the present use of the \$3.00 per month RTA Fee until the District is certain of what the total costs are, and will re-evaluate the fee in one year. Mr. Doyle seconded the motion. The motion passed unanimously.

Mr. Tenney asked how the Board would like this decision conveyed to District customers. Mr. Foulk said it should be explained that the Board intends to keep reviewing the RTA Fee and that as the projects are completed and costs are certain, a termination date can be determined. The Board agreed it should be included in the next Splash Newsletter.

D. Approval of Insurance Carrier for Workers' Compensation Coverage.

Mr. Scrivener made a motion to approve and award the Workers' Compensation Coverage to Employers Assurance Company in the amount of \$26,681 for the period of April 1, 2011 through March 31, 2012. Mr. Offret seconded the motion.

Mr. Doyle asked how the carrier was chosen. Mr. Stratton said staff solicited and evaluated the bids. Although Employers was not the low bidder, they have been providing good service to the District. They have also been looking to improve upon their services to help employers prevent fraud. Staff is comfortable staying with Employers even though the cost is slightly higher.

The motion passed unanimously.

E. Discussion and Direction for 2011 Legislation.

Mr. Tenney said the State legislative session could be over by the end of April because a budget was passed. The Arizona Department of Water Resources (ADWR) was granted permanent authority to assess all municipal governments with a fee, and this caused some consternation among the municipalities because some municipalities do not manage a water system, and not all water systems are managed by municipalities as the case with water improvement districts. The District is exempt at this point but it is expected that there will be efforts to modify the language. Drought emergency groundwater transfer requirements could be made permanent in a bill the

District has expressed support of. A bill on water harvesting has been amended to create a study committee before enacting legislation. The language defined macro-harvested water as precipitation captured before reaching a natural lake or pond. Mr. Offret asked whether the water harvesting bill only applied to the Prescott area. Mr. Tenney said the bill was initially related to and supported by the Prescott area but the bill would have applied statewide.

The Legislature passed a change to the Arizona State Retirement System (ASRS) which will modify the contribution rates as of July 1, 2011. Employees will contribute 53% and employers will contribute 47%. This change provides a savings to the District and an increase to employees; however, the employees do receive the money when they retire.

F. Water Resources Update.

Mr. Stratton said that Mike Block, District Hydrologist, and Hydrology staff had provided a good overview in the water resources update. Mr. Block reviewed the statistics and tables from his update report.

Mr. Foulk asked if meters in the Metro Southwest area would be addressed. Mr. Hill said the acquisition of Thim utilities included monies for a fixed based network system. A Statement of qualification is being obtained and he hopes to have a contract by July.

Mr. Offret said he was more concerned about replacing meters at Metro Hub because water loss has an impact on revenues. A meter replacement program at Metro Hub could substantially increase our revenues. Mr. Hill said customers in Metro Hub use more water and some older meters in the area have accumulated 2-4 million gallons. He would like to see meters replaced by the time they reach 1.5 million gallons. Mr. Offret expressed his support for a meter replacement program in Metro Hub.

Mr. Offret thanked Mr. Block for his work on the water resources update. He would like to see the tables featured in the memo about of the update presented in the newsletter, so consumers can see what the District is doing to save them money now and in the future. Mr. Stratton noted the full staff report is visible on website as a link on the agenda. Mr. Offret said he especially liked the fact that the report relates the water savings to dollar amounts. He would like to see the AVRIP incorporated into the report, and Mr. Block said the next annual report would include it.

G. Approval of Amendment to General Manager's Contract.

Mr. Offret made a motion to approve Draft A of the amendment that would extend the General Manager's full time employment through December 31, 2013. Ms. Scrivener seconded the motion. Motion passed unanimously.

V. General Manager's Report

Mr. Stratton said staff has been going through an upgrade to the antiquated phone system. Simply Bits has installed a new system over the past month and has been addressing glitches and staff concerns. The new system offers more flexibility at very little change to cost.

The installation of the solar panels for the office is progressing. The vertical braces and framing are about halfway complete. There have been a couple of issues with neighbors, and some have stopped by for face-to-face visits. For the most part they are supportive of the project but have legitimate concerns about blowing dust and vegetation lining the District fence line.

Mr. Stratton attended the American Water Works Association (AWWA)/Water Education Federation (WEF) Fly-In last week. Eight of the ten Arizona Congressional delegates or their staff members were able to meet to talk about water issues. The primary focus was the Water Infrastructure Finance and Innovation Authority (WIFIA) program, which would provide an additional funding for projects too large for state Water Infrastructure Financing Authority (WIFA) funding. The Navajo Generating Station (NGS) was also a point of discussion. Representatives from irrigation districts were visiting delegates on the same day, voicing their concerns about the NGS too. Brian Biesemeyer, Town of Peoria, said that water rates in Peoria could increase by \$5 per month per user if the NGS is closed down. Central Arizona Project (CAP) staff will be in Washington this week, and they are also in tune with this issue.

VI. Legal Counsel's Report

Ms. Silvyn gave her compliments on the new website. She said she was able to access the agenda and background material online. Ms. Silvyn said there are three agreements in process with Pima County: Matter Well, Lattimore North, and Tucson National. She will make phone calls this week regarding those agreements.

VII. Future Meeting Dates; Future Agenda Items.

Mr. Stratton said that Mr. Doyle received a request from a cell company about using the Magee La Cholla site for a new cell tower. This item will be on the May Board agenda.

Mr. Tenney said a Board study session will be held on Monday, April 25, 2011 at 5:30 pm to continue discussion of the budget. The next regular scheduled session of the Board of Directors will be held on May 9, 2011.

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 6:57 p.m.

Bryan Foulk, Chair of the Board

Warren Tenney, Clerk of the Board