

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

January 9, 2012

**** 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
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
Keri Silvyn, Legal Counsel
Warren Tenney, Clerk of the Board

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, Jim Doyle, 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.3 (consultation for legal advice with District Legal Counsel), regarding the following:

A. Investigation by the Attorney General's Office regarding Open Meeting Law.

The Executive Session concluded at 5:55 p.m.

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, Jim Doyle and Judy Scrivener were present.

II. General Comments from the Public

There were no comments from the public.

III. Review of the Open Meeting Law Requirements

Ms. Silvyn gave a detailed PowerPoint presentation regarding Open Meeting Law in Arizona. Printed copies were provided to the Board and Staff.

IV. Consent Agenda

- A. Approval of Minutes – December 12, 2011 Board Meeting.**
- B. Approval of Minutes – December 20, 2011 Board Meeting.**
- C. Ratification of Billing Adjustments.**

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

V. General Business - Items for Discussion and Possible Action

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

Mr. Offret said the Board has fallen into the habit of rotating the positions of Chair and Vice-Chair every year but made a motion that the current Chair, Mr. Foulk, should serve a second year. Mr. Doyle seconded the motion. Ms. Scrivener supported the idea, noting others had served two years consecutively in the past. Motion passed 3-1, Mr. Foulk voted against.

Mr. Foulk made a motion to have Mr. Offret serve a second year as Vice-Chair, unless others would like the position. Mr. Doyle seconded the motion. Motion passed unanimously.

B. Monthly Status of the District.

Mr. Stratton said water usage figures are continuing to be lower than the previous year, which is also reflected in the financial report. Revenues are not where we had hoped them to be, so staff

will be tracking expenditures a lot closer for the remainder of the fiscal year. From staff's perspective, there is a lot of activity with two road projects under construction, and a third beginning soon. Mr. Stratton said Hydrology staff is proceeding with water level monitoring and are recording declines in the area.

Mr. Offret asked if the approximate cost is known for the 1,500 ft of waterlines to be relocated as part of the Orange Grove, Camino de la Tierra to La Cholla project. Mr. Stratton said the largest lines in that area are 12 inch. Mr. Maish estimated about \$100 per foot but costs are unclear on removal of old pavement, cutting, etcetera. Mr. Offret asked if there were any remaining funds left over from the WIFA loan, and Mr. Land said reimbursements for staff time and some design work is remaining on Magee Phase III but that there may be funds remaining. Mr. Offret asked that staff keep the Board updated on the possibility.

Mr. Foulk asked if the Orange Grove Road widening project, being less of an overhaul than some of the other projects, could leave the District vulnerable to a second waterline relocation in the same area a few years down the road. Mr. Stratton confirmed that project is not a full-blown redesign and if future storm drain work is needed, the District may be impacted again.

C. Financial Report.

Mr. Land said operating revenues are dwindling slightly. The financial report says budgeted operating revenues are \$491,000 over budget but that is somewhat misleading when factoring in actual water sales, which are approximately \$58,000 behind the budget projections. Total revenues are \$216,000 over last year's record-setting numbers. Expenditures are \$260,000 over, mostly due to the annual CAP water payment. Revenues in excess of operating expenditures are \$43,000 behind last year. WIFA staff notified the District they did approve the \$300,000 loan increase for the fixed network system at Metro Southwest but there has been no official paperwork yet. There were no meter applications for the month. The office complex solar electricity costs were slightly higher than last year but the six month totals are still positive.

D. Approval of Contract for the Hybrid Automated Meter Reading System for Metro Southwest.

Mr. Offret made a motion to approve the contract with National Meter and Automation, Inc. for the Hybrid Automated Meter Reading System and authorize the Chairman to sign the final contract pending approval of Legal Counsel in the amount of \$413,614.30. He further authorized the General Manager to extend the contract time as needed, not to exceed 60 days and increase the contract amount as required not to exceed \$25,000. Ms. Scrivener seconded the motion.

Mr. Offret said he was a little uncomfortable with National Meter performing the upgrade because he has seen negative effects on system upgrades before. He would like National Meter to do extensive testing of the system afterwards to make sure there are no adverse effects. Mr. Stratton said a letter was received from Itron, guaranteeing they will perform the upgrade and make sure the system is operational. It helps to know other municipalities are in the same position.

Motion passed unanimously.

E. Approval of Professional Services Contract for the Pantano Road Transmission Main.

Mr. Offret made a motion to approve the Professional Services Contract for the Pantano Road Transmission Main to WestLand Resources, Inc. in the amount of \$110,000.00. Ms. Scrivener seconded the motion.

Mr. Offret asked if WestLand Resources is also working on the new well at Metro Hub. Mr. Stratton said no, WestLand is designing the Riverside Transmission Main, and EEC Consulting is working on Fruchthendler Well in Hub. Mr. Maish said the Pantano Road Transmission Main is going to happen after the Riverside Transmission Main, and the Professional Services Contract is for the design portion only.

Motion passed unanimously.

F. Appointment to Fill Director Vacancy.

Mr. Offret said he felt the Board was fortunate to have such good candidates wanting to fill the vacant Board seat. At the last meeting, he stated he preferred not going outside to the community in general but rather drawing from the FOC. The one person from community who has responded made him change his view because that individual's qualifications may be needed on this Board. He is considering how technical qualifications balance with strong financial backgrounds.

Mr. Foulk said he understands why the District would like to have a member of the FOC on the Board but he saw an opportunity to appoint someone with technical knowledge from the public. Two candidates stood out for him: the person not on the FOC, and the person on the FOC residing in Metro Hub. He was also very pleased to have four people with knowledge of water and financial issues to choose from.

Ms. Scrivener said she was impressed with the outside person's credentials and experience. The FOC provides in-depth analysis of District finances that is also very helpful. She remained undecided and was eager to hear from the other Board members.

Mr. Doyle said he has been on the Board for more than a few years and has seen many different Board members. He feels any of the four applicants have the potential to be good.

Ms. Scrivener made a motion to appoint Richard Byrd to fill the vacancy on the Board of Directors for the remainder of the position's term that ends December 31, 2014. Mr. Offret seconded the motion. Motion passed unanimously.

Ms. Scrivener wanted to thank Clare Strom, Bernie Wiegandt, and Reb Guillot for submitting letters of interest. Mr. Foulk directed staff to compose letters to Mr. Byrd and all of the other applicants indicating the Board was very pleased with their responses. Mr. Offret suggested a copy of Ms. Silvyn's Open Meeting Law presentation could be included with Mr. Byrd's packet.

G. Discussion and Direction for Optimizing the District's Water Resources.

Mr. Stratton said staff had prepared a detailed long term water resource portfolio.

Mr. Offret asked for a quick update on the Northwest water providers. Mr. Stratton said all of the providers are looking at ways to recharge their CAP allocations. Flowing Wells Irrigation District has indicated they would like to do recovery in their own service area, unless their Board decides otherwise in the future. Marana will do recovery in their service area east of I-10 but there are some uncertainties regarding capacity and they still do not have a Utility Director. Oro Valley's Utility Director very much wants to work with the District, sharing a pipeline before it diverges into the two service areas. One question is how to make the water more palatable. Oro Valley may want to move more quickly than the District, so they would like to have the flexibility to do the treatment and deliver the water without worrying when the District will do the same. There remains a strong benefit to the District in cost sharing, primarily with Oro Valley, as Marana will need more time to arrive at their decisions.

Mr. Tenney said the Optimizing Water Resources Report had been prepared for the Board so that the Board could provide direction to staff. The District has a long history of working towards a renewable supply incorporating its allocation of CAP water. The Northwest CAP utilities have been looking at collectively using CAP water. The District has also been looking at what can be done independently through recharge, groundwater savings projects, and accumulating valuable credits. The District's three resources are groundwater, CAP water, and effluent. Groundwater levels have declined an average of 2.5 ft per year over the last ten years. In order to be good water stewards the District should rely on a renewable supply and not only groundwater. The

Board provided direction last year that the District should pursue recharge of the CAP allocation at AVRP and work towards the recovery and delivery of that water to the Northwest service area, with wheeling possibilities through Tucson Water as a transition before a direct utilization system is in place. He proceeded to review the three scenarios and their costs, which are estimations: Scenario 1 is to continue using only groundwater; Scenario 2 is to recover CAP from AVRP and blend it with District groundwater at Herb Johnson Reservoir; Scenario 3 has CAP water wheeled from Tucson Water's system blended with District groundwater. Mr. Tenney pointed out that even if the District continued to rely solely on groundwater, as in Scenario 1, there are significant costs. Wells will have to be replaced under all three scenarios and as time goes on, deeper drilling may be necessary. Scenario 2 presents significant capital costs and a larger upfront expense. Scenario 3 allows limited volumes of CAP water to be brought in at lower costs than Scenario 2, but as a long term solution ends up the most expensive with no capital assets and a dependence on Tucson Water. Staff feels a recharge recovery scenario would be the best approach. It would be prudent to look at incrementally moving the project forward, securing recovery well agreements and storing at AVRP. It would be advantageous to have a consultant's analysis, and consider whether it would be worthwhile to enter into a wheeling agreement with Tucson Water, after determining the financial impact involved. It may be possible by wheeling some water to begin to introduce CAP water into system and bridge the time, taking some of the demand away from our wells. Later, the money used for wheeling could go towards paying for capital costs at AVRP.

Mr. Foulk asked about the District's effluent. Mr. Stratton explained the quality of effluent is suitable for irrigation only and not for human consumption. The District is working with the Cortaro-Marana Irrigation to maximize credits as a future water resource. The level of treatment required for human consumption quality and the likelihood of public acceptance is far off.

Mr. Foulk asked about the long term use and availability of CAP water during periods of drought. Mr. Tenney said CAP shortage declarations will not be happening in the near future as were previously thought. It's important to note that under shortage declarations, as they are currently set up in first, second and third levels, there is no direct impact on municipal customers with CAP allocations, and they would continue to receive their water under a shortage declaration. If a fourth level is defined 25-50 years from now, more negotiations would take place. Managers of the Colorado River say it is not going to dry up anytime soon, even though we are in a situation we are not used to. Mr. Block added that the District currently stores more than what is used and is banking for the future in case of unforeseen circumstances 1, 2, or 5 years out.

Mr. Offret said he really appreciated the report but he does not care for the numbers. He wondered if more options need to be presented. He cited an example of a solution proposed years

ago involving a pipeline down Tangerine Road to the CDO basin. He would like to hear more new ideas. Mr. Stratton recalled the proposal was abandoned because of endangered species issues and the fact that water of a lesser quality would be introduced into the aquifer. Over time, the aquifer would become CAP water. Mr. Doyle noted that no matter how local providers handle it, the aquifer will eventually be influenced by CAP water. Mr. Tenney noted the biggest cost in a solution such as that would be moving the water such a far distance and pipeline construction costs are expected to rise over time. The District is looking at how to combine all three scenarios to help transition to utilizing a more renewable supply. The only certainty is that the District will have to have a healthy well field moving forward.

Mr. Stratton said last year the Board elected to recharge effluent and work towards building a reverse osmosis facility to remove salinity and sulphates not removed in the recharge process. The reason the District is not focusing on the second phase is the significant cost of removing salts. Deciding not to remove salts would grow into a regional problem, as it ends up at wastewater treatment plants and rivers. Higher salinity is being seen in other regions, where brackish water is increasing along with total dissolved solids. Mr. Doyle would like to make sure that part continues to be discussed.

Mr. Foulk thanked staff for the informative report.

VI. General Manager's Report

Mr. Stratton apologized about there not being a written report but there was not very much new information since the Board last met. He recently received the latest water consumption report, prepared by Mike Block, District Hydrologist, and staff. Since 2006, the District has experienced a decline in annual water consumption and production. The report provides valuable information that will help both staff and the Board move forward.

When the Board recently approved dates for the 2012 regular meetings, a mistake was made on the November meeting date. The Veteran's Day office closure falls on the second Monday of the month, so this will be on next month's agenda.

The Arizona State Legislature began the new session this morning, and Mr. Tenney is preparing a full report on anticipated water-related activity with potential impact to the District. Mr. Tenney said he had attended a meeting last week at which representatives of several regional and statewide water associations were present. Mr. Tenney represented Southern Arizona Water Users Association (SAWUA). Nine legislators were also in attendance. He will provide a full report to the Board next month.

Mr. Stratton will be attending the WRRC Annual Conference on January 24th and the MSSC Annual Conference on January 25th-27th.

VII. Legal Counsel's Report

Ms. Silvyn said the settlement agreement for Northeast Booster Station (NERBS) case has been signed by all parties. One entity experienced a delay over the holidays and the District is awaiting the final check.

VIII. Future Meeting Dates; Future Agenda Items.

Mr. Tenney said the next regularly scheduled session of the Board of Directors will be held on February 13, 2012.

IX. General Comments from the Public.

There were no comments from the public.

X. Adjournment.

The meeting adjourned at 7:36 p.m.

Bryan Foulk, Chair of the Board

Warren Tenney, Clerk of the Board