

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

February 13, 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
Richard Byrd, Member
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

Regular Session

I. Call to Order and Roll Call

Mr. Tenney noted that Richard Byrd had signed his written oath of office and was official as a member of the Board.

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, Jim Doyle and Judy Scrivener were present.

II. General Comments from the Public

Ms. Silvyn spoke in her capacity as Chair of the Imagine Greater Tucson Board, inviting everyone in the region to take part in an online survey about community growth and development. The survey will be open until the end of February.

Mr. Foulk welcomed new Board Member Richard Byrd.

III. Consent Agenda

- A. Approval of Minutes – January 9, 2012 Board Meeting.**
- B. Ratification of Billing Adjustments.**
- C. Approval of Resolution 2012-1 – Authorization of a Premium Only Plan as an Employee Benefit.**
- D. Ratification of Schedule for Regular Board Meetings in 2012.**
- E. Approval of Water Services Agreement – Tecolote Estates, Lots 1-8 and Common Areas A and B.**

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 the downward slide in the amount water consumed continues in Metro Main. Tucson Water staff indicated they are experiencing the same trends. Customers seem to be in the mindset of holding back, which could be due to the increase in wastewater fees. The fees are calculated based on actual usage in the winter months, so customers may have realized this is a good time to cut back water usage. January was a dry month, with consumption about 27 million gallons less than the same time last year, and 20 million gallons less than last month. Metro Hub does not normally follow the same trends as Metro Main but there are signs of reduced usage in both areas, which will impact revenues over the long term.

Water level measurements are complete. Charts show water level declines and will assist in the management of well fields. Staff is working on Arizona Department of Water Resources (ADWR) and Central Arizona Groundwater Replenishment District (CAGR) annual reports due at the end of March. Mr. Offret said he will be glad to see those areas with high percentages of decline receive newer, more accurate meters. Mr. Stratton concurred. The E&T service area has many old meters but once the new meters are installed, there should be an improvement.

Mr. Stratton said the capital improvement projects are progressing well. The La Cañada South mainline relocation work is gradually moving from Orange Grove toward River Road. The work on Magee Phase 2 relocation on Cortaro Road near Thornydale is moving toward Shannon Road. The third waterline relocation project, La Cholla from Magee to Overton awarded to Select

Development, has been delayed because there has been some difficulty acquiring a right-of-way permit. A resolution has been worked out to allow things to move forward. Mr. Maish anticipates a start date of February 27th. A fair amount of design is being done by the District's consultant on the Orange Grove Road, Camino de la Tierra to La Cholla project. The Magee Trail Well is almost complete and final plans are expected this week. Once approved, construction will start.

B. Financial Report.

Mr. Land talked about the wrap-up of Clifton Gunderson's 2010-11 Audit. Operating revenues are \$275,000 over budget but that figure is somewhat misleading because it is on a straight line basis for the first half of the year. Budgeted water sales are falling short but should start picking up as it warms up for the final few months of the fiscal year. Salaries are under due to reimbursements for projects, purchased power is just over budget, and meter applications are still lagging. Solar energy remains positive after seven months.

C. Update and Revision of Customer Deposit Policy.

Mr. Land said the deposit schedule changed back in 2005 to increase customer deposits for renters. The reasoning behind that change was that is easier for renters to leave the premises without notice. A discrepancy on deposits for ¾ inch and 1 inch meters for renters and owners was brought to staff's attention. Larger commercial meters will not change. Customer service staff collects advance deposits on new accounts and deposits are returned with 3% interest after payments have been made on time for 12 months.

Mr. Offret asked how write-offs are recorded and Mr. Land explained that over a customer's account life, the District will sometimes collect additional deposits due to being shut off for non-payment, so some customers accumulate large deposits. For example, if a customer leaves with a \$50 outstanding bill and a \$350 deposit, \$50 would be written off.

Mr. Offret made a motion to approve the schedule for Customer Deposits as proposed by staff and revised by the Board, if applicable. Ms. Scrivener seconded the motion.

Mr. Foulk said he thought the 3% interest rate was higher than most banks and suggested it be lowered to 1%. Ms. Scrivener and Mr. Byrd liked the idea.

Ms. Scrivener offered an amended motion to approve the deposit schedule but reduce the interest rate to 1%. Mr. Byrd seconded the motion. Motion passed 4-1; Mr. Offret voted against.

D. Midyear Review of Fiscal Year 2011-2012 Budget.

Mr. Land said the mid-year report was previously presented to the Finance Oversight Committee (FOC). Revenues are behind but so are expenditures. In prior years, unfunded capital items were funded as part of the mid-year review process with monies reallocated from other categories. This year, expenditures are tighter and most areas are in line with the budget, so no excess monies are available to reallocate. Minor unexpected expenditures can be addressed through the current budget structure. Mr. Land went over the notes and summaries in the report. Mr. Foulk asked if there is a certain goal for transfer to the reserve fund. Mr. Tenney and Mr. Land said no number is set; the transfer amount is based on what is available at the end of the fiscal year.

E. Discussion and Direction for Legislative Issues 2012.

Mr. Tenney provided a detailed report to the Board on legislation important to the District or pertaining to the water community. He described SB 1288, which funds ADWR from the general fund, and SB 1417, which allows mines in Green valley an exception to acquire long term storage credits. Staff recommended supporting both. There was a brief discussion on how these bills might impact the District, the active management area, and the region as a whole.

He also noted a proposed bill that would require any municipality with service areas outside the city limits, like the City of Tucson, to be under the Arizona Corporation Commission's jurisdiction. A striker bill was also introduced this afternoon that would require the City of Tucson to serve water in areas outside its own service areas. Both bills appear to be targeting the City of Tucson. A development west of Tucson called Painted Hills would benefit from such legislation. The bills are scheduled to be heard this week. Mr. Stratton noted these bills do not currently contain language affecting water districts but staff is monitoring them closely because there is a potential for impact to areas like Metro Southwest. Mr. Tenney said the Southern Arizona Water Users Association (SAWUA) would be discussing whether to take a formal position on the bills on Wednesday. Mr. Offret expressed a desire to continue monitoring the bills closely.

Mr. Hill mentioned a piece of legislation increasing Arizona Department of Environmental Quality (ADEQ) fees, charging per well and per pump. He calculated the increased fees would cost the District roughly \$4,000 per year. Staff is watching the bill closely.

Ms. Scrivener made a motion that the Board request and direct staff to support in appropriate ways SB 1288 and SB 1417. Mr. Offret seconded the motion. Motion passed unanimously.

F. Approval of Vacuum Unit Purchase.

Mr. Offret made a motion to approve the purchase of a new Air Vacuum Excavator Model FX25 from Ditch Witch of Arizona including optional accessories and spare parts selected in the amount not to exceed \$35,777.22. Ms. Scrivener seconded the motion.

Mr. Offret asked if there was a preference for diesel units or gas units. Mr. Hill said he did not. The first unit is diesel and it has been provided with the proper maintenance as assigned in the manual without issue. Mr. Offret asked if the old unit could eventually be rebuilt. Mr. Hill said it would be worthwhile to refurbish and update the older unit and he would like to see the District pursue that avenue after purchasing the new one.

Motion passed unanimously.

G. Update by United States Geological Survey on the Lower Cañada del Oro Basin Aquifer Storage Monitoring Project.

Robert Carruth of the United States Geological Survey gave a PowerPoint presentation on the Lower Cañada del Oro Basin Aquifer Storage Monitoring Project.

V. General Manager's Report

Mr. Stratton said staff had an opportunity to participate in a debriefing meeting on the Northeast Reservoir Booster Station case with Legal Counsel Robert Roos. It was very worthwhile to discuss how the District can learn from the case to strengthen its position in the future. Mr. Offret thanked Mr. Stratton for following up on the case with staff.

Mr. Stratton said there have been copper thefts at Metro Southwest. Thieves are stealing service lines on vacant lots, sometimes digging trenches four feet deep. Staff is monitoring the situation and taking steps to make it a little more difficult to access the service lines.

The Wellness Program is having great success. Nearly half of the District's employees participated in a weight loss challenge over the holidays. Billie Sue Morelli is doing a good job of Chairing the Committee. Janet Gallup is also doing a really good job overseeing the District's Safety Program. Ms. Morelli and Ms. Gallup organized a breakfast to hand out awards to staff for both safety and wellness achievements.

The reclaimed water agreement with Omni Tucson National is being drafted. Pima County has not initiated discussions with the District regarding their agreement and staff is uncertain about the reason for delay. Mr. Foulk asked if the reclaimed water will be used on the fields above the YMCA. Mr. Stratton confirmed the fields and the linear park along the river will be receiving reclaimed water as part of the pending agreement.

Mr. Tenney has been collaborating with Tohono Chul Park to create the Arizona Daily Star insert. He showed the Board a sample of the layout. Mr. Offret said he would like a few extra copies once it is complete. The inserts will be in the newspaper on March 14th.

Mr. Stratton mentioned a recent ruling in which the Arizona State Retirement System may issue refunds for monies collected after the Legislature changed the employee/employer percentages from 50%-50% to 53%-47%. Percentages will return to 50%-50%. The District will update the Board when more details are released.

VI. Legal Counsel's Report

Ms. Silvyn said Counsel would be filing the District's response to the Attorney General's office this week regarding Open Meeting Law. New Board Member Richard Byrd confirmed receipt of the Open Meeting Law training materials.

VII. Future Meeting Dates; Future Agenda Items.

Mr. Tenney said the next regularly scheduled session of the Board of Directors will be held on March 12, 2012.

X. General Comments from the Public.

There were no comments from the public.

IX. Adjournment.

The meeting adjourned at 7:09 p.m.

Bryan Foulk, Chair of the Board

Warren Tenney, Clerk of the Board