

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

December 9, 2013

**** Board Room ****

**Metropolitan Domestic Water Improvement District
6265 N. La Cañada Drive
Tucson, AZ 85704**

MINUTES

Board Members Present: Judy Scrivener, Chair
Dan M. Offret, Vice-Chair
Richard Byrd, Member
Jim Doyle, Member
Bryan Foulk, Member

District Staff: Mark R. Stratton, General Manager
Michael Land, Chief Financial Officer
Charlie Maish, District Engineer
Tullie Noltin, Recorder
Warren Tenney, Clerk of the Board
John Hinderaker, Legal Counsel

Regular Session

I. Call to Order and Roll Call

Judy Scrivener, 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. Richard Byrd, Jim Doyle, Bryan Foulk, 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 – November 13, 2013 Board Meeting.**
- B. Approval of Minutes – November 25, 2013 Special Meeting.**
- C. Ratification of Billing Adjustments.**

- D. Ratification of Bill of Sale – Edgar Heights, Lots 1-42.**
- E. Approval of Water Service Agreement – Mountain View Baptist Church**
- F. Approval of Schedule for Regular Board Meetings in 2014.**

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

IV. General Business - Items for Discussion and Possible Action

A. Monthly Status of the District.

Mr. Stratton said consumption remains consistent for the fiscal year, even though usage is less this month than the previous year. The recent rain had an impact on watering habits outdoors. The trend has been flattening for several months and we hope that trend continues. As a result of the rate increase, revenues are slightly higher than last year.

Staff has been working on the Inter-AMA (Active Management Area) M&I (Municipal & Industrial) Central Arizona Project (CAP) firming concept, which is primarily two AMAs working together to benefit each other. There is a meeting tomorrow with Southern Arizona Water Users Association (SAWUA), Arizona Municipal Water Users Association (AMWUA), Arizona Department of Water Resources (ADWR), Central Arizona Water Conservation District (CAWCD), and the Arizona Water Banking Authority (AWBA).

District staff is working on a CAP Wheeling agreement with Tucson Water for Metro Southwest. The process will start by obtaining ADWR approval for storage for Tucson Water's Southern Avra Valley Recharge and Recovery Project (SAVSARP) facilities. Discussion with the property owners and developers will continue over the next year or so.

The Riverside Well is completed but staff has reduced pumpage based on aeration issues. The amount of entrained air in the water seems to have stabilized. Mr. Offret asked if the District has a plan B. Mr. Maish said there are several air relief valves but they were emitting air and there were still a lot of complaints. With the reduced flow, we are not having any air right now. Staff will wait until after the holidays and then increase the gallons per minute (gpm) to fine tune things. Mr. Doyle asked what the gpm level is and Mr. Maish said we are pumping 540 gpm. The maximum capacity is double that.

Mr. Offret asked Mr. Maish if we have to go through cement to install ductile iron pipe for the Oracle bus pullouts. Mr. Maish said the work will be done on the edge of the pavement and once

it is done, concrete will be poured on top. These lines are being replaced as a precaution. Mr. Offret asked if the work will cost a lot and Mr. Maish said no. This work is being done on a City of Tucson contract, which makes it simpler.

B. Financial Report.

Mr. Land said revenues and expenditures through October are off to a very strong start at \$900,000 over budget. Water sales are \$839,000 ahead but will decline in the winter months when consumption slows. Operating expenditures are under budget by \$21,000. Revenues compared to expenditures are \$919,000 over budget through the first four months. A truer comparison shows total revenues through October 2013 are \$868,000 ahead of October 31, 2012, mostly due to water sales, which are \$580,000 higher. Usage has been consistent. Operating expenses in all categories are over last year except salaries and benefits. The majority overage is in legal fees and CAP water purchased. The Capital Improvement Program (CIP) WIFA loans for Metro Southwest and Riverside Well are both completed. The 2007 WIFA loan for the Hub well and a couple smaller projects is nearing completion. Revenues are up so much that the cash balance is now \$905,000 higher than last year. The District has a strong financial statement at this point. Meter applications so far total 36, compared to zero last November. If the pace of the last three months continues, the District is on pace to reach 400 by the end of the fiscal year. The office solar system continues to save about \$300 per month.

C. Employee Dental Insurance Coverage.

Mr. Stratton said it has been somewhat trying, with all the healthcare changes, getting numbers from the broker this past week. Billie Sue Morelli, Assistant Manager Human Resources/Risk Management, received the final spreadsheet from Crest Insurance and the numbers provided in the Board report are the correct numbers. Crest was unable to go back and ask for more decreased rates from Metlife dental. Mr. Land said Employers Dental (EDS) came back with a 3% rate increase, which equates to less than 50 cents per month. Metlife has a 4.1% increase. The District would pass on part of the increases to the employees, who can select the cheaper EDS or more expensive Metlife. The net impact to the District is only \$500 for the fiscal year. Mr. Foulk pointed out a typo in the total increase in premiums, which read \$500 but should have read \$1,000 for both, based on the numbers in the report.

Mr. Offret moved to approve to have Crest Insurance Group administer for the 2014 calendar year contracts for Employers Dental Service and Metlife for employee dental insurance as presented in the accompanying spreadsheet. Mr. Foulk seconded the motion. Motion passed unanimously.

D. Resolution 2013-12 to Execute Member Service Area Agreement for Metro Southwest – Diablo Village with the Central Arizona Groundwater Replenishment District.

Mr. Foulk moved to approve Resolution 2013-12 regarding membership in the Central Arizona Groundwater Replenishment District for the Metro Southwest – Diablo Village service area. He further moved that the Board of Directors approve the Board Chair to sign the Member Service Area Agreement with the Central Arizona Groundwater Replenishment District upon the successful completion of the advertising of the resolution by the District. Mr. Offret seconded the motion. Motion passed unanimously.

E. Presentation and Discussion of Pipeline Route Evaluation and Overall Project Study for CAP Recharge Recovery System.

Mr. Stratton introduced Tim Thomure of HDR Engineering, who gave a presentation on the CAP Recharge Recovery System Route Study Results.

Mr. Stratton said District staff is working with financial advisor Mark Reader to minimize the future debt retirement as much as possible and minimize the need for rate increases. Discussions with Oro Valley include what portions, if any, we can share and share costs. Oro Valley may have different need for timing of treatment, so those discussions continue. The District will begin looking at the acquisition of a booster site and the most critical easements to that point. This Board envisioned the renewable Resource Fee recently implemented, which will add to the funds. It will take awhile to negotiate acquisition of these properties but it is a part of the puzzle to make sure we can build at these locations.

Mr. Byrd asked Mr. Thomure if the BKW wells he referenced have been video logged. Mr. Thomure said no, just basic information has been gathered before any investment is made to fully assess the wells. The second phase shown in the presentation includes a thorough assessment of the wells. Mr. Byrd asked the age of the wells and Mr. Block said they are in the 50 year range. There was some discussion about the wells' potential useful life.

V. General Manager's Report.

Mr. Stratton said there was no written General Manager's report in the Board packets because he had been out of town.

The Board recently gave direction for staff to obtain an appraisal for the Bell Well site and that has been completed. Coinciding with the Ranch House Estates property, which an adjoining neighbor inquired about, the District is meeting statutory requirements for disposal of assets. Mr.

Hinderaker gave his blessing on the document requiring two 30 day notices and based on Legal Counsel's advice, the District did initiate that notice today. The same action is proposed for the Bell Well site. In that situation, only one adjoining property owner is interested in the land and storage building. There are always some disagreements in appraisal findings but the process to advertise and accept bids will proceed and then it will be the Board's decision whether to sell. An appraisal does not obligate the Board but allows an opportunity to consider moving forward.

Last week, there was an incident at Magee La Cholla whereby both storage tanks overflowed into an adjoining wash. There is erosion in the area; however, several issues have come to light. Pima County rebuilt the area but did not retain the original channel used for years with those tanks. The County is saying the District needs to restore it but they are partly at fault because they did not maintain the existing drainage that was used for years. Discussions will hopefully lead to resolution. One concern is a Tucson Electric Power (TEP) pole that needs protecting to prevent further damage.

The District received final notice from the EEOC dismissing the claim from Donovan Hemway, so another federal issue is no longer on the table.

VI. Legal Counsel's Report

Mr. Hinderaker said depositions in the AECOM case would occur this Thursday and Friday. Mediation is set for January 9th.

VII. Future Meeting Dates; Future Agenda Items.

Saturday, December 14, 2013 beginning at 7:30 am, the Board will hold a special executive session to interview candidates for the General Manager position. The next regular Board meeting will be held on January 13, 2014.

VIII. General Comments from the Public.

The General Manager announced that Diane Bracken has been hired as Chief Financial Officer.

IX. Adjournment.

The meeting adjourned at 6:45 p.m.

Judy Scrivener, Chair of the Board

Warren Tenney, Clerk of the Board