

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

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

Mr. Foulk made a motion to adjourn into Executive Session at 5:31 p.m. Mr. Offret 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. Quarterly Appraisal of the General Manager.

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, Helen Ireland, 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 – June 6, 2011 Public Hearing.**
- B. Approval of Minutes – June 13, 2011 Board Meeting.**
- C. Ratification of Billing Adjustments.**
- D. Approval of Water Service Agreement – Edgar Heights, Lots 1-42.**
- E. Ratification of Property Acquisition for Future Flowing Wells Irrigation District Metering Station.**
- F. Approval of Agreement with San Miguel Corporate Internship.**

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

Mr. Offret asked where information about fire hydrants is located in the Edgar Heights water service agreement. Charlie Maish, District Engineer, said Edgar Heights is a small subdivision with no fire hydrants. Local fire jurisdiction indicates how many hydrants are required and where they should be located.

Mr. Offret asked why the closing costs of the property for the future Flowing Wells Irrigation District metering station were so high. Mr. Maish said the figure should be considered a not-to-exceed amount. A maximum figure was used but actual closing costs should be lower.

Mike Land, Chief Financial Officer, let the Board know that an unusually large adjustment will appear on the next Ratification of Billing Adjustments report. The customer at 6338 N. Carapan has been out of town for the summer and an unreported irrigation leak resulted in the loss of over 900,000 gallons. There were no wet spots on the property so the leak went unreported. Staff is working on a fair approach to adjust their bill, which is more than \$6,500.

Motion passed unanimously.

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

A. Monthly Status of the District.

Mr. Stratton said the Monthly Status Report will now show the amount of water consumed, rather than the amount of water produced. The reason for the change is because production read dates vary from month to month. Hydrology staff provides a monthly consumption update, so the amount of water purchased should be easier to track and match to revenues. Water consumption increased slightly compared to last month and last year in both Metro Hub and Metro Main. Consumption decreased in Metro Southwest. Recharge rates at Avra Valley Recharge Project (AVRP) is slightly ahead of pace. Hydrology staff is currently working on the contracts for Old Magee Trail Well, which will replace Matter Well. The most recent South Shannon Treatment System GAC change-out occurred at the end of June. Engineering staff continues to be tied up with Pima County RTA project waterline relocations.

Mr. Offret asked about the status of the Fruchthendler Well. Mr. Maish said site improvements are being engineered by EEC Miscellaneous Consulting. The same firm is working on all three future well sites: Riverside, Old Magee Trail, and Fruchthendler. Construction will be staggered and Old Magee Trail will begin first. Mr. Stratton said the design is completed for Fruchthendler and the original intent was to drill the new well over the summer while school was not in session but the work has been reprioritized. Some of the construction, such as building the surrounding wall, can be done during the school year without interrupting classes.

B. Financial Report.

Mr. Land said revenues exceeded budget through May. Water sales were a little more than \$1 million ahead of budget. There were a large number of meter application fees in May, mostly due to a multi family commercial project. Revenues are \$278,000 over budget and are \$2.4 million ahead of last year. Other income is \$329,000 ahead due to a jump in development revenues. Expenditures are \$794,000 ahead of last year. Due to the increase in water purchases, revenues in excess of expenditures are \$1.6 million over last year. Meter applications for the fiscal year total 57, which is 3 less than the prior year. Metro Main came in slightly better than expected with 55 meter applications but Metro Southwest came in far short with only 2.

C. Election of Directors for the District Municipal Property Corporation.

Ms. Scrivener made a motion to elect Jim Doyle, Dan Offret, Reb Guillot, Clare Strom and Tim Thomure to the Municipal Property Corporation. Ms. Ireland seconded the motion. Motion passed 4-0, with Mr. Offret abstaining.

D. Consideration of Pay Supplement.

Mr. Offret made a motion to approve a pay supplement of \$600 per employee on July 22, 2011 with further consideration in January 2012. Ms. Scrivener seconded the motion. Ms. Scrivener noted the motion matches the suggested Option 2.

Ms. Ireland asked if a discussion should be had regarding part-time and short-term/new-hire employees. Mr. Foulk noted the report indicated part-time employees would receive a prorated amount, which is what he understood from previous discussions. Mr. Stratton said historically COLAs are given to all permanent employees, without regard to when they were hired. Mr. Offret asked if new hires have a probationary period. Mr. Tenney said there is a six month probationary period but in the past, all staff received approved COLAs. Mr. Offret said he favors handling this supplemental pay the same way it has traditionally been done; however, he would like to see a policy spelled out to address receiving COLAs in a probationary period. Mr. Foulk said this is something staff could clarify in updates to the policy manual.

Motion passed unanimously.

E. Approval of Intergovernmental Agreement with Pima County for Relocation of the Matter Well.

Mr. Offret made a motion to approve the intergovernmental agreement with Pima County for the relocation of Matter Well. Ms. Scrivener seconded the motion.

Mr. Offret asked how big the well site construction area will be. Mr. Maish said the District will have one quarter acre to work with and the finished site will be 100x110 feet.

Motion passed unanimously.

F. Bid Award for Avra Valley Recharge Project Borings Project.

Mr. Offret made a motion to approve the bid award of the Borings Project at Avra Valley recharge Project to Sierrita Mining & Ranching Company. Ms. Ireland seconded the motion.

Mr. Foulk noticed there was huge difference in bids. Mr. Offret said he wondered why the standby time for Sierrita Mining & Ranching Company is 2½ times that of Hark Drilling. Mike Block, District Engineer, said standby time is time spent waiting for the installation of temporary casings in the event material starts collapsing when the boring is open.

Motion passed unanimously.

G. Approval of Amendment No. 2 to the 2009-2012 Well Maintenance Contract with Gilbert Pump and Equipment.

Mr. Offret made a motion to approve Amendment No. 2 to the Well Maintenance 2009-2012 Contract for use in fiscal year 2011-2012 and to increase the not-to-exceed amount of the Well Maintenance Contract to \$460,000.00. Ms. Scrivener seconded the motion.

Mr. Offret asked if staff is expecting to increase well maintenance this year. Mr. Stratton said an increase was budgeted. Chris Hill, Deputy General Manager, said well maintenance will be done in all areas but Metro Southwest is a priority due to poor conditions inherited at Diablo Village. He gave a brief status of work at Diablo 1 and 2.

Motion passed unanimously.

H. Renewal of Interim Remedial Action Contract with the Arizona Department of Environmental Quality for the South Shannon Treatment System.

Mr. Offret made a motion to approve Amendment No. 19 of the Interim Remedial Action Contract at the South Shannon Facility between the Arizona Department of Environmental Quality and the Metropolitan Domestic Water Improvement District to renew the contract period from July 1, 2011 through June 30, 2012. Ms. Scrivener seconded the motion. Motion passed unanimously.

I. Award of Analytical Laboratory Services Contract for VOCs, TTHMs, and HAA5.

Ms. Scrivener made a motion to award the Analytical Laboratory Services contract for Volatile Organic Chemicals, Total Trihalomethanes and Haloacetic Acids Analyses to TestAmerica Laboratories for a not-to-exceed amount of \$53,000.00. The contract may be extended for two additional years, pending Board's annual approval. In the event that TestAmerica Laboratories cannot perform these necessary analyses, MWH Laboratories, Inc. shall be the back-up laboratory. Ms. Ireland seconded the motion.

Mr. Offret suggested the ability to provide a five day turnaround should carry more weight in future selections. Mr. Hill noted Mr. Offret's suggestion and said the ability to provide a 24-48 hour turnaround is important, especially for South Shannon samples, but typically five days is adequate.

Ms. Ireland pointed out the contract copies provided to the Board included only a blank page for Appendix A. Mr. Tenney said full contract copies are available in the office if any Board Member would like to see them.

Motion passed unanimously.

J. Award of Inorganic Chemical Analytical Services Contract.

Mr. Offret made a motion to award the Analytical Laboratory Services Contract for Inorganic Chemicals to Turner Laboratories, Inc. for a not-to-exceed amount of \$44,000.00. The contract will expire on June 30, 2012. The contract may be extended for an additional two years, pending the Board of Directors approval. In the event that Turner Laboratories, Inc. cannot perform these necessary analyses, TestAmerica Labs shall be the back-up laboratory. Ms. Scrivener seconded the motion. Motion passed 4-0. Mr. Doyle abstained.

K. Approval of Contract for Synthetic Organic Chemicals Analysis.

Mr. Offret made a motion to award the analytical services contract for Synthetic Organic Chemicals to MWH Laboratories, A Division of MWH Americas, Inc. for a not-to-exceed amount of \$15,000.00. The contract will expire on June 30, 2012. The contract may be extended for an additional two years annually with the Board of Directors' approval. In addition, TestAmerica Laboratories, Inc. shall be the back-up laboratory to MWH Laboratory in the event they are unable to perform their contracted duties. Ms. Ireland seconded the motion. Motion passed unanimously.

L. Approval of Analytical Laboratory Services Contract for Radiochemical Analysis.

Mr. Offret made a motion to award the analytical services contract for Radiochemical Analyses to Turner Laboratories, Inc. for a not-to-exceed amount of \$8,000.00. The contract will expire on June 30, 2012. The contract may be extended for two additional years annually with the Board of Directors' approval. In the event that Turner Laboratories, Inc. cannot perform these necessary analyses, XENCO Laboratories shall be the back-up laboratory. Ms. Ireland seconded the motion. Motion passed 4-0. Mr. Doyle abstained.

M. Discussion and Direction on the Water Wheeling Rate Study.

Mr. Stratton gave a history of the Water Wheeling Rate Study, which is a joint effort between the District, the Town of Oro Valley water utility and Tucson Water. The report provides a cost estimate of approximately \$400 per acre foot for the delivery of the District's CAP water wheeled through the Tucson Water system to Thornydale and Cortaro. Purchasing water this way is much more attractive to a water utility like Oro Valley that has large CAGRDR obligations to meet. The District has more recovery wells to offset CAGRDR charges so it is somewhat less advantageous to purchase wheeled water. Mr. Stratton said the District would benefit from not pumping groundwater in our service area but it comes at an additional cost to us, and that is where the dilemma lies. One long-term benefit to the District would be to have increasing increments of our CAP water being wheeled through the Tucson Water infrastructure but that would require increasing rates to pay for that. When the Northwest Recovery System is eventually ready to be built, the District could be positioned to transfer those costs to the debt

service for the capital side of that recovery system which would diminish the need for potentially large rate increases in the future. There are many unknowns but it would be good to have a structure in place if the Board later decides to do that. Mr. Stratton's recommendation was to continue to look at the financing options of what the cost of the recovery program is going to be, so that we have an idea of how to structure the debt and whether implementing a wheeling agreement short-term could benefit a long-term financing package for the NWCAP system.

Mr. Foulk was concerned that District may not be able to participate without Oro Valley. Mr. Stratton said when the District was considering treatment options years ago, the Board reviewed a feasible scenario in which the District builds its own pipeline without the partners. It would be cheaper to split costs among the partners but the District could do it alone because the pipeline would be shorter and the District could use a smaller diameter pipe.

Ms. Scrivener agreed gathering financing options would be appropriate. Mr. Foulk also agreed staff should collect more information. Ms. Ireland asked if a map could be provided showing all of the CAP sources, connections, and delivery locations in the Tucson region. Mr. Stratton said a map would be provided.

V. General Manager's Report

Mr. Stratton said two intergovernmental agreements had been approved by the Board and there are two more are in process. One is cost-sharing arrangement with Pima County for a reclaimed water line along Thornydale, to serve Omni Tucson National's additional 9-holes, Pima County's linear park, and the nearby ball fields. The agreement says the County will pay half the cost, up to \$400,000. Mr. Offret questioned whether \$400,000 would still be sufficient, or if the outdated figure should be renegotiated. Mr. Stratton said engineering estimates are incomplete but pipe costs appear to be around \$300,000.

Mr. Stratton said staff held interviews with three fixed base metering vendors in late June. The intent is to implement a system at Metro Southwest and expand the program to other service areas in the future. The recommendation will be brought to the Board in August. This type of system will reduce travel and have the capability to send alarms for continual high usage, which can prevent costly leaks. Mr. Offret asked if different vendors' systems would be compatible, if installed in different areas. Mr. Stratton said it would be best to select one vendor and expand to other sites, to avoid software conflicts. Expandability and quality are things staff is looking at first. Preliminary cost estimates and comparisons will be analyzed second. Mr. Foulk asked how widely used such systems are. Mr. Stratton said the systems are becoming popular across the nation, primarily in eastern rural systems. Very large utilities are finding it cost-prohibitive to transition to the fixed base networks but small to medium utilities are seeing cost savings.

Mr. Stratton said staff is beginning the process to update the personnel manual. Lewis & Roca provides relevant legal updates to staff and those will be incorporated into the manual. The information will be gathered and provided to the Board for approval before the end of the year.

VI. Legal Counsel's Report

Keri Silvyn, Legal Counsel, said she had nothing further to report.

VII. Future Meeting Dates; Future Agenda Items.

Mr. Tenney said there would be a Municipal Property Corporation meeting immediately following the Board meeting, if anyone would like to observe. The next regular scheduled session of the Board of Directors will be held on August 8, 2011.

VIII. General Comments from the Public.

There were no comments from the public.

IX. Adjournment.

Mr. Doyle made a motion to adjourn. The meeting adjourned at 6:50 p.m.

Bryan Foulk, Chair of the Board

Warren Tenney, Clerk of the Board