

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

**May 10, 2010**

**\*\* Board Room \*\***

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

**MINUTES**

**Board Members Present:** Jim Doyle, Chair  
James Tripp, Vice Chair  
Bryan Foulk, Member  
Reb Guillot, Member

**Board Members Not Present:** Dan M. Offret, Member

**District Staff:** Mark R. Stratton, General Manager  
Michael McNulty, Legal Counsel  
Warren Tenney, Clerk of the Board  
Tullie Noltin, Recorder

**Regular Session**

**I. Call to Order and Roll Call**

Jim Doyle, 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, James Tripp, Reb Guillot, were present. Dan M. Offret was not present. Bryan Foulk was not present at the time of roll call but arrived at 6:04 p.m.

**II. General Comments from the Public**

There were no comments from the public.

**III. Consent Agenda.**

- A. Approval of Minutes – April 12, 2010 Board Meeting.**
- B. Approval of Minutes – April 26, 2010 Study Session.**
- C. Ratification of Billing Adjustments.**

Mr. Tripp made a motion to approve the Consent Agenda. Mr. Guillot seconded the motion. The motion passed unanimously.

#### **IV. General Business: Items for Discussion and Possible Action.**

##### **A. Monthly Status of the District.**

Mr. Stratton said although people are using slightly more water than last month, usage levels remain low. The financial report goes through the end of March but since April has been relatively cool, the trend is expected to continue.

The La Cañada Road waterline relocation work will be finishing up in May. The Northern Hills mainline replacement project is still going strong. It should be completed sometime in August. Meanwhile, design of the Shannon Road transmission main will hopefully be submitted to Pima County in May. Once the District has the County's approval, the project will be underway before roadway construction starts. The water supply exploration project at Hub is moving along. Consultants have been given permission to schedule pilot hole drilling and will begin to determine aquifer limitations.

Matter Well needs to be relocated due to the planned La Cholla Road improvements. The District is expecting Pima County to pay the majority of associated costs of relocation. Pumping limitations placed on replacement wells will result in a reduction of pumping potential. Mr. Guillot asked if there is any way to "grandfather-in" rights. Mr. Stratton said if the County condemns a well, it may be viewed as taking over the historical rights of the well.

Mr. Foulk arrived at 6:04 p.m.

McNulty added that when the District is asked to move a well, it is required that the well not produce more than its maximum historical pumpage. He said this is uncharted territory, so the task is to assign a value to the loss of potential pumpage. Mr. Guillot said he is concerned about the possibility of the District needing to exceed historical pumpage in the future. Mr. McNulty said the District can certainly drill new wells but they would have limitations too.

##### **B. Financial Report.**

Mr. Land said the District is running slightly above budget revenue projections. Expenditures are \$212,000 under budget through the end of March. Compared to last year the revenues are just over \$1 million ahead but about \$600,000 of that is due to the RTA fee. Expenditures are running \$616,000 below last year. The District has had only two meter applications this month, bringing the total to 49. The target for meter applications this fiscal year is 50.

**C. Fiscal Year 2010-2011 Budget.**

Mr. Stratton recalled the Board study session covered funded and unfunded capital equipment and projects. Items on the funded list are essential to meeting the District's needs. The Board looked at prioritizing items on the unfunded list with a recommendation to fund them as monies become available. There were only minor changes to the operating expenditures. More detail will be provided at the June meeting. It was decided that a study session in May was not necessary.

**D. Funding Options for Near-Term Capital Projects.**

Mr. Stratton said it is critical to meet the obligations relating to roadway projects in the District. The roadway improvements, while funded by the Regional Transportation Authority (RTA), are being accelerated by Pima County. Mr. Maish provided an update of estimated costs based on the limited information provided to the District. Costs for the upcoming four projects are estimated to be approximately \$6 million.

Staff looked at Water Infrastructure and Finance Authority of Arizona (WIFA) stimulus financing for the waterline relocations, continuing to collect the RTA fee to pay the debt service on the funding. As of October 1, 2010 new federal monies for the WIFA revolving fund were allocated but they come with restrictions including Davis-Bacon wage determinations. In addition, the project is required to use more expensive materials made in America. Mr. Maish considered prevailing wages in his estimation and concluded that WIFA financing would increase project costs by about 10%, which amounts to a \$600,000 increase in capital costs. These additional requirement costs outweigh the benefits of the lower interest rates offered in WIFA financing. Mr. Stratton recently inquired about RTA financing and the discussions are ongoing. Other options include private financing and typical bond financing.

Mr. Stratton said there are some capital projects that need to be accomplished because of the roadway projects. Those costs are approximately \$5 million. Staff has considered postponing the last mainline replacement project along with a portion of the Shannon Road transmission main and utilizing the Repair and Replacement fund to pay for those capital projects now, and seek funding later. It is not the best scenario but keeps potential rate increases at bay until a later date. All options and impacts will be considered before recommendations are made to the Board.

Mr. Land said he is in the process of finding out whether Build America bonds also require Davis-Bacon wages. Build America bonds have a 35% federal subsidy and are available until December 31, 2010.

Mr. Foulk asked how the District would ensure wage requirements are met, especially when working with subcontractors. Mr. Stratton said there is an audit process during the project that

verifies subcontractors are meeting the obligations. That audit process adds to costs because if the District does not provide staff to do the audit, someone must be hired to perform the audit. WIFA also verifies the audits. Many water entities have turned away from WIFA financing because they simply do not have the means to accomplish the additional requirements. Financing options with higher interest rates end up being more attractive in the end, due to the cumbersome restrictions.

**E. Discussion and Direction for Legislative Issues 2010.**

Susan Charlton of Gallagher & Kennedy said the State Legislature adjourned April 29, 2010 which is the earliest adjournment since 1999. This has been a contentious session, first marked by budgetary struggles and ending with the passage of the controversial illegal immigration bill, SB1070.

Ms. Charlton said the Central Arizona Groundwater Replenishment District (CAGR) bonding bill passed. In return for Representative Andrew Tobin's support for that bill, HB2661 Statewide Water Augmentation Authority Study was also passed to assess current and future water needs in Arizona with a fifteen member commission appointed by the Director of the Arizona Department of Water Resources (ADWR). Ms. Charlton said the concern is that the majority of staffing is to come from the ADWR but that Department was decimated in the budget, and only one person is assigned to statewide water planning. Ms. Charlton said the other bills potentially pertaining to the District were amended along the way so that Domestic Water Improvement Districts (DWID) would not be impacted.

Robert Dalagher of Gallagher & Kennedy gave more detail about changes to ADWR. He said SB1359 passed, which created a Water Resources fund. This allows certain fees to be collected and allocated specifically to the ADWR rather than the General fund. The Department is considering the additional fees to make up for the lost funding but will still fall short of what is needed to meet core function requirements, so layoffs are likely.

Mr. Dalagher talked about the special election on May 18, 2010. Proposition 100 authorizes a temporary 1% sales tax increase. He also passed out a list of LD26 candidates.

Mr. McNulty asked what the motivation of SB2661 was. Ms. Charlton said the delegate from Prescott was concerned about water issues in his region and wanted more assistance from the CAGR, so the bill was introduced. Mr. Dalagher added that sometimes when a solution cannot be reached a study is ordered.

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

Mr. Stratton said motion to approve Amendment #16 of the Remedial Action Contract at the South Shannon facility between ADEQ and MDWID with a reimbursement cap of \$55,825.00 from 4/1/2010 through 6/30/2010. Mr. Foulk seconded the motion. Motion passed unanimously.

**G. Approval of Pressure Tank Purchase.**

Mr. Tripp motioned to approve the purchase of a new hydro-pneumatic pressure tank for the Horizon Hills Well and booster facility from Smyth Steel Manufacturing for an amount not to exceed \$20,265.10. Mr. Foulk seconded the motion. Motion passed unanimously.

**H. Approval of Change Order #1 for the La Canada Dr. Waterline Relocation, Calle Concordia Dr. to Ina Rd. and La Cañada "C" Zone Transmission Main.**

Mr. Tripp made a motion to approve Change Order #1 to the La Cañada Drive Waterline relocation, Calle Concordia Drive to Ina Road and La Cañada "C" Zone Transmission Main contract with Innova Environmental Engineering, LLC, which increases the contract in the amount of \$272,797.00 and establishes a new contract completion date of 5/8/2010. Mr. Foulk seconded the motion.

Mr. Foulk asked whether other upcoming projects are expected to go over their original bids. Mr. Stratton said the original bid for relocation work came in lower than estimated. The nature of construction sites includes modifications almost daily. Mr. Doyle added the bids came in so low because of the economy and the District is very fortunate to have lower construction costs. It is generally felt that this is a prime time to build.

Mr. Foulk expressed concern about not having funds for unexpected projects such as these, and wishes to set up the finances in such a way that the situation does not repeat itself. He is concerned that even with the RTA fee, it is necessary to borrow additional monies. Mr. Stratton said the District is not controlling the scheduling of the roadway projects. It is difficult to schedule the work until the plans are provided. Issues with Magee Road are expected to arise because the roadway designers are planning to dig at a deeper level, which means more waterlines will need to be relocated. The District is not the only utility affected. Mr. Stratton said under normal circumstances, a project would be held off until funding could be secured, but these projects must be done according to another entity's needs. He attended a neighborhood association meeting where Rick Ellis from the Pima County Department of Transportation said the County was expediting the improvements but did not talk about the impacts to utilities. Mr. Foulk asked if final designs had been provided for any of the road projects, and Mr. Maish said he had only received one set of plans.

Motion passed unanimously.

**V. General Manager's Report**

Mr. Stratton reported staff enjoyed the recent Safety Breakfast, marking six months without injuries. Mr. Stratton attended the Annual AZ Water Conference last week, where Richard Fahrmeyer of the Utility Division took third place in the Gimmicks and Gadgets contest for a truck-mounted unit that allows traffic control signs to be easily removed. The District has four staff serving as AZ Water Committee Chairs and there were some positive comments about that at the Conference. Mr. Stratton is no longer on the AZ Water Board, after serving for 12 years. Chris Hill, Deputy General Manager, is now the Association's Vice President.

**VI. Legal Counsel's Report**

Michael McNulty, Legal Counsel, said he had nothing further to report.

**VII. Future Meeting Dates; Future Agenda Items.**

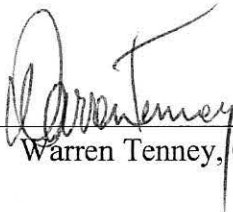
Mr. Tenney said the next regular session of the Board of Directors will be held on June 14, 2010.

**VIII. General Comments From the Public.**

There were no comments from the general public.

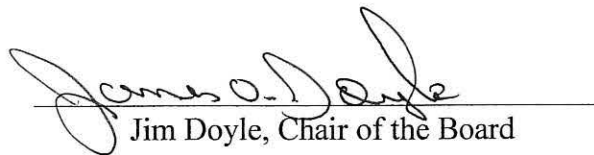
**IX. Adjournment.**

Mr. Tripp made a motion to adjourn. Mr. Foulk seconded the motion. The meeting adjourned at 6:45 p.m.



---

Warren Tenney, Clerk of the Board



---

Jim Doyle, Chair of the Board