

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

July 12, 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
Dan M. Offret, Member

District Staff: Mark R. Stratton, General Manager
Christopher W. Hill, Deputy General Manager
Michael Land, Chief Financial Officer
Charlie Maish, District Engineer
Keri Silvyn, Legal Counsel
Warren Tenney, Clerk of the Board
Tullie Noltin, Recorder

Executive 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 5:30 p.m. Jim Doyle, James Tripp, Reb Guillot, Bryan Foulk and Dan M. Offret were present.

Mr. Tripp 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), A.R.S. § 38-431.03.A.3 (consultation for legal advice with District Legal Counsel), A.R.S. § 38-431.03.A.4 (consultation regarding contracts that are in pending or contemplated litigation or in settlement discussions) regarding the following:

- A. Claims Related to Failures at Northeast Reservoir Booster Station.**
- B. Quarterly Appraisal of the General Manager and Possible Amendment of General Manager's Contract.**

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 6:06 p.m. Jim Doyle, James Tripp, Reb Guillot, Bryan Foulk and Dan M. Offret were present.

II. General Comments from the Public

There were no comments from the public.

III. Consent Agenda.

- A. Approval of Minutes – June 14, 2010 Board Meeting.**
- B. Ratification of Billing Adjustments.**
- C. Approval of Water Service Agreement – Waterline Extension for La Cresta Road.**

Mr. Tripp 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 May's water production data spans five weeks, whereas June represents four weeks. Production is slightly lower than last year but revenues are slightly higher. The South Shannon carbon change-out will occur in the next couple of weeks and about 70 million gallons will have flowed through the system by that time. The exploratory drilling at Metro Hub has reached a depth of about 500 feet and has not yet reached fine sand or clay layers. Production is still in the 200-250 gallons per minute range. Water quality samples have been collected and results are pending. The La Cañada Drive waterline relocation is complete and the contractor, Innova Environmental, is now working on the Windemere Street Interconnection. Design is ongoing for the Magee Road waterline relocation from Mona Lisa Road to La Cañada Drive. There have been discussions about the location of Matter Well with regards to the La Cholla road improvements. The Northern Hills mainline replacement project should be complete in August.

B. Financial Report.

Mr. Land said the budgeted operating revenues are 1% over budget on a straight line projection eleven months into the fiscal year. Budgeted operating expenditures are \$172,000 under budget. Spending was curtailed for the month of June so expenditures should improve from the May level. District revenues are rebounding from last year, in part due to the RTA fee. This year there were only 60 new connection applications compared with 77 last year but only 30 were budgeted, so expectations have been surpassed. There have been no new applications in the Metro Southwest area for the second month in a row.

Mr. Offret asked for more information on a \$8600 check payment to W.W. Williams. Mr. Land said it was payment for preventative maintenance, to check the functionality of generators at nine well sites. Mr. Offret thanked him for the information.

Mr. Offret asked if the District attempts to locate customers before reporting them to the credit bureaus. He noted two businesses appear on the list. Mr. Land said the District utilizes a collection agency and the District tries to locate customers using credit bureau records before reporting unpaid accounts. Some businesses no longer exist so efforts to locate are unsuccessful.

C. Approval of Line of Credit with Bank of America.

Mr. Tripp made a motion to approve amending the District's \$1,000,000 revolving line of credit with Bank of America, to be effective from July 1, 2010 through June 30, 2013. Mr. Offret seconded the motion. Motion passed unanimously.

D. Approval of Amendment No. 1 to the Well Maintenance Contact with Gilbert Pump and Equipment.

Mr. Tripp made a motion to approve the Amendment #1 to the Well Maintenance 2009-2012 Contract to reauthorize its use in fiscal year 2010-2011 and to increase the not-to-exceed amount of the contract to \$210,000. Mr. Foulk seconded the motion. Motion passed unanimously.

E. Approval of Emergency and Miscellaneous Electrical Services.

Mr. Tripp made a motion to approve the quotes submitted for the Emergency and Miscellaneous Electrical Services, and direct staff to pursue agreements with both contractors in an amount not-to-exceed \$10,000. Further direct staff to select the appropriate contractor based on the requirements and scope of the job in addition to cost. Mr. Offret seconded the motion. Motion passed unanimously.

F. Approval of Bids for GAC Replacement at South Shannon.

Mr. Tripp made a motion to approve the bids submitted for the GAC replacement and direct staff to pursue a Job Order Agreement with the lowest responsible bidder as the first choice and authorize the Chairman to sign the agreement as approved by Legal Counsel. If for any reason the lowest responsible bidder should be unable to perform the work then staff is directed to pursue an agreement with the next bidder. Further, we authorize the General Manager to approve each carbon change-out as needed. Mr. Offret seconded the motion.

Mr. Stratton said the previous comment he made about the carbon change-out at South Shannon was based on last year's contract because it was ordered in June.

Motion passed unanimously.

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

Mr. Tripp made a motion to approve Amendment #17 of the Interim Remedial Action Contract for the South Shannon Facility between ADEQ and Metropolitan Domestic Water Improvement District with an expiration date of June 30, 2011. Mr. Foulk seconded the motion. Motion passed unanimously.

H. Approval and Award of Arsenic Treatment System for Diablo Village Well No. 1.

Mr. Tripp made a motion to approve the purchase of a new Arsenic Treatment System for the Diablo Village Well No. 1 facility and award the purchase to Layne Christensen for the amount of \$190,675 and authorize the General Manager to approve up to an additional funding in a cumulative amount not-to-exceed \$20,000. Mr. Offret seconded the motion.

Mr. Offret had questions about Diablo Village Well No. 2 and its possible arsenic issues. Mr. Hill said initial testing showed relatively low arsenic levels. Also, the internal temperature of the well is high, about 90 degrees, suggesting geothermal activity, which means a better chance of minerals and elements being dissolved. Mr. Hill is optimistic about future arsenic levels but there is never a guarantee until it is in operation. Mr. Offret expressed concern about what the District would do if arsenic levels are high once Well No. 2 is in operation. Mr. Hill said the designs include a connection point to install a treatment system if one is ever needed. Gary Burchard, Hydrologist, agreed with Mr. Hill. The initial water production of a well comes from a very small area, and over time the supply will be drawn from an area farther away. Mr. Stratton said wells located near each other can have very different characteristics. Mike Block, District

Hydrologist, said there are many factors affecting water quality, including depth. Mr. Hill reiterated he is encouraged about the quality of Well No. 2.

Motion passed unanimously.

I. Approval of Intergovernmental Agreement with Town of Oro Valley to Provide Water Service at Northern Avenue and Placita de la Poza.

Mr. Tripp made a motion to approve the Intergovernmental Agreement with the Town of Oro Valley for the District to provide water service to Town customers at the turnout at Northern Avenue and Placita de la Poza. Mr. Foulk seconded the motion.

Mr. Offret asked if the water is accounted for by a District meter, and Mr. Stratton confirmed.

Motion passed unanimously.

V. General Manager's Report

Mr. Stratton said the Avra Valley Recharge Project transfer is progressing. State agencies are moving along quicker than anticipated. The transfer should occur at the end of the year or early 2011. A complete update will be provided to the Board of Directors at the August meeting.

Mr. Stratton said that utility staff has been busy with the Diablo Village No. 2 well site improvements. The well should be in operation by early August.

Mr. Stratton said the Pima County road projects are moving very quickly. When the District receives plans from the County, a specific process must be followed. The District is not being afforded enough time and the County is having difficulty accepting the fact that the District cannot shorten the process. The District must follow a more lengthy approval process because government agencies like the Arizona Department of Environmental Quality (ADEQ) must approve the designs. Mr. Stratton said time frames on the Magee Road project overlap. District staff is documenting the process to show that there is no physical way it could be done quicker.

Mr. Stratton said a letter was sent to Priscilla Cornelio, Director of the Pima County Department of Transportation, regarding the County's plans to leave Matter Well in the median. He is hopeful the County is having discussions and preparing a response. He is considering other avenues to raise awareness of the issue if a solid resolution cannot be reached. There is a great contradiction with the design that leaves the well operating in the middle of the median when the County has explicitly stated they do not want District and other utilities' above ground facilities in the County right-of-way. If the District ever needs to deepen well, traffic could be blocked for

three months. Mr. Offret, Mr. Guillot, and Mr. Foulk each expressed concern about the County's current plan and encouraged staff to look at all options to change the County's plan.

Mr. Stratton said the agreement with Pima County Natural Resources for use of the Lattamore North Well has expired. Since nitrate levels have not decreased significantly, staff is recommending the County continue to use it for irrigation. Adjustments have been made, including a rate increase and maintenance requirements. The agreement should be presented to the Board at the August meeting. Mr. Offret asked if periodic rate increases are in the agreement. Mr. Stratton said they are not because the well is shallow and production costs are low. The new agreement will expire in five years rather than ten.

Mr. Stratton said that Tullie Noltin, Executive Assistant, has identified a way for the District to be more accessible to the public. She recommended creating a Facebook page, where information like that in a newsletter or website could be posted in a more interactive format. Mr. Offret asked about access. Ms. Noltin said any Facebook user could access the District's page. Mr. Guillot had some privacy concerns. Mr. Foulk mentioned Facebook gives the District the ability to send out announcements, whereas the website provides information only when people search for it. Mr. Foulk said the page could be useful to customers during waterline relocations.

Mr. Stratton said the first annual Health and Wellness Fair will be held next Tuesday, July 20, 2010. If Board Members would like to take advantage of reduced-cost cholesterol screenings, contact Billie Sue Morelli, Human Resources Specialist.

Mr. Stratton said the Tucson National East Well went down this week. Maintenance and repairs could take a little longer due to the presence of a well enclosure there.

Mr. Stratton said he has been having periodic discussions about regional water issues with Sharon Megdal, Director, University of Arizona Water Resource Research Center (WRRC), and Claire Zucker, Watershed Planning Director, Pima Association of Governments (PAG). He said Groundwater Users Advisory Council (GUAC) is looking at resurrecting the Safe Yield Task Force committee, which will identify the steps required to get the region back to a safe yield level by 2025. Mr. Stratton will also attend a wheeling agreement meeting with Tucson Water and Oro Valley on July 13, 2010.

Mr. Offret said he noticed on the production report that oil levels had to be adjusted on the North East Boosters. Mr. Hill said a couple of the motors that were pulled for inspection came back with too little oil.

VI. Legal Counsel's Report

Keri Silvyn, Legal Counsel, said reminder of the mediation meeting on July 30, 2010 regarding claims related to failures at the Northeast Booster Station.

VII. Future Meeting Dates; Future Agenda Items.

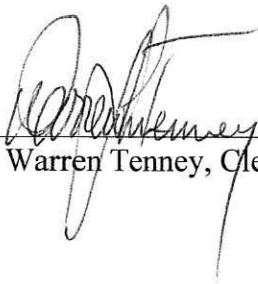
Mr. Tenney said the next regular session of the Board of Directors will be on August 9, 2010.

VIII. General Comments From the Public.

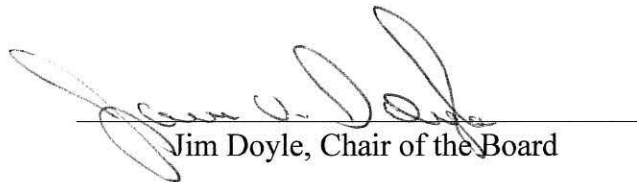
There were no comments from the general public.

IX. Adjournment.

Mr. Tripp made a motion to adjourn. Mr. Offret seconded the motion. The meeting adjourned at 6:50 p.m.



Warren Tenney, Clerk of the Board



Jim Doyle, Chair of the Board