

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

September 14, 2009

**** 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 Stratton, General Manager
Michael McNulty, 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 5:00 p.m. Jim Doyle, James Tripp, Bryan Foulk, Reb Guillot, and Dan M. Offret were present.

Executive Session pursuant to 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. Notice of Claims by PM Enclave at Foothills and Sonoran Terrace Apartments.

Mr. Tripp made a motion to adjourn into executive session. Mr. Foulk seconded the motion. Motion passed unanimously.

II. Adjournment

The executive session adjourned at 5:55 p.m.

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, Bryan Foulk, Reb Guillot, 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 – August 10, 2009 Board Meeting.**
- B. Approval of Minutes – August 24, 2009 Board Meeting Study Session.**
- C. Ratification of Billing Adjustments.**

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 explained customers used more water in August 2009 than August 2008. The District is looking at a GAC replacement at the South Shannon treatment facility. The District has a bid price for the change out, and that will occur as soon as there has been a breakthrough on the VOCs for that area.

As far as Hydrology projects, the future Hub well site is an item for discussion later in the meeting. Wellhead elevation surveys are ongoing, awaiting information on groundwater level information in the Hub service area.

Construction along La Cañada Road is in process. The mainline replacement along La Cañada Road and Leonardo da Vinci is almost complete. The work with Innova on La Cañada is progressing well. County bid documents for the road widening are to be awarded mid-October, for a November start.

Mr. Hill informed the Board that valves are not being exercised because the machine is in Phoenix for repair. Valves must be turned manually until repairs are complete.

Mr. Foulk asked about the 1006 initial shutoff notices. Mr. Land said even though the number of notices was above average, the District tries to temper the final number of shutoffs per week.

B. Financial Report.

Mike Land, Chief Financial Officer, said in July revenues are exceeding expenditures compared to the budget. July is historically a higher revenue generating month. The revenues are up \$18,000 despite not having any development revenues, which accounted for \$60,000 in July 2008. Expenditures are \$96,000 less than last year. There were four meter applications in August, up from zero.

Mr. Stratton said he and Mr. Land had a conference call with Mark Reader and Fred Rosenfeld and others about refinancing the 1999 bonds. There are ten years remaining, and the numbers are fairly attractive. This would be a refinanced loan, as opposed to a WIFA loan, so it would go on the market with the new bond offering. Mr. Reader has estimated that by January 2011 the District would see windfall of nearly \$800,000 after refinance. Mr. Reader will be present at the October 14, 2009 Board meeting to discuss the details, because the loan would close by December 1, 2009. Mr. Land stated the interest rates range from 2.75% to 4%, whereas the District currently pays around 5%.

Mr. Stratton continued that the financing for the Thim Water Company acquisition is in a holding pattern because WIFA has not determined if the item will be on its September 30, 2009 agenda. WIFA requested more information and is awaiting approval. Mr. Reader, District staff, and Legal Counsel are ready to switch gears if the acquisition does not happen through WIFA. The WIFA is currently bogged down with numerous stimulus funded projects.

Mr. Land said Clifton Gunderson has provided a draft of 2008-2009 audit.

C. Proposed Rate Structure Adjustment and Scheduling of a Public Hearing.

Mr. Tripp made a motion to schedule a public hearing for October 26, 2009 at 6:00 pm to discuss a rate increase. Mr. Foulk seconded the motion. Motion passed unanimously.

Mr. Tenney asked if there might be a particular rate adjustment option the Board wishes to include in the bill insert provided to the public. Mr. Stratton suggested based on the Board's discussion at the August 24, 2009 meeting, the modified rate structure would be appropriate, and the Board agreed.

D. Update on Reduced Staffing under Emergency Operations.

Mr. Stratton said because of a potential flu pandemic, there is a need to have a plan in place to ensure the District is operational if a staff shortage occurs. Chris Hill, Deputy Manager, has assembled a team and initiated a plan. Mr. Hill distributed detailed handouts. The exercise provides an opportunity to cross-train across divisions, which will be beneficial whether or not a pandemic actually occurs. Compensation, sick-leave, and flexible worksite policies are being addressed. Staff with access to high-speed internet, for example, could work from home in the event they had to care for sick family members. Flu prevention protocol is being developed. If there are clusters of high contagions, travel restrictions can be implemented. Supplies to prevent infection and resource information will be provided to staff. The financial impact to the District has been anticipated. There will be an emergency communications drill. Mr. Stratton added the

staff was offered access to \$25.00 standard flu shots but there was not a lot of interest, since free and low-cost shots can be obtained in the community. Mr. Land and Mr. Hill are discussing customer access, and are working on identifying a “trigger level,” or the point at which strict pandemic protocol would be put in effect. There are several ways to modify the way customers are served to better prevent the spread of disease. Since August 25, 2009, the team has met weekly, and they continue to get ideas from staff and other professionals. The Reduced Staffing Matrix identifies “mission critical” items, with decision-making options for Supervisors. Emergency Operations Plans are updated periodically, and this new information will be incorporated. The Board expressed its support.

E. Renewal of Professional Service Agreement for the Arc Flash Study of District Wells.

Mr. Tripp made a motion to approve the renewal of the Professional Services Agreement with Apex Engineering to perform ARC Flash Hazard Analysis in an amount not-to-exceed \$20,000 for the fiscal year 2009-2010. Mr. Offret seconded the motion.

Mr. Offret asked about inspections. Mr. Hill stated inspections are performed once per site, every two years, with a total of about 32 sites. Motion passed unanimously.

F. Award and Approval of Contract for Potable Water Meters.

Mr. Tripp motioned to approve and award the meter bids for the bids positive displacement meters and turbo meters 2” and smaller to Badger Meter for the fiscal year 2009-2010. He further moved that the meter contract be brought back to the Board for approval each fiscal year for the life of the agreement. Mr. Offret seconded the motion. Motion passed unanimously.

G. Approval of Well Site Purchase from Tucson Unified School District.

Mr. Tripp motioned to approve the settlement agreement with TUSD for the purchase of a well site in the Hub Service area. He further moved to approve both the Intergovernmental Agreement and License Agreement with instructions that the Chair of the Board signs them at future dates as appropriate. Mr. Offret seconded the motion. Motion passed unanimously.

Mr. Offret asked for assurance that if the District could only drill in summer months, a six month period would be enough time to drill an exploratory hole. Mike Block explained the three month window is only for the drilling of the actual production well, not the exploratory drilling. The time frame was established because the school was concerned about the noise of drilling for a production well being a disturbance.

H. Approval of Groundwater Savings Project Agreements.

Mr. Tripp motioned to approve the agreement between the District and BKW Farms for “In-Lieu Water Deliveries and Storage” and that the agreement is in effect until December 31, 2010, unless renewed for an additional year by the District and BKW Farms. Mr. Offret seconded the motion. Motion passed unanimously.

Mr. Tripp made a motion to approve the agreement between the District and Cortaro Water User's Association for "In-Lieu Water Deliveries and Storage" and that the agreement is in effect until December 31, 2010, subject to approval by Cortaro Water User's Association's Board. Mr. Offret seconded the motion. Motion passed unanimously.

Mr. Tripp motioned to approve the agreement between the District and Herb Kai for "In-Lieu Water Deliveries and Storage" and that the agreement is in effect until December 31, 2010, unless renewed for an additional year by the District and Herb Kai. Mr. Offret seconded the motion. Motion passed unanimously.

I. Update on Purchase of Avra Valley Recharge Project from Central Arizona Water Conservation District.

Mr. Tripp motioned that the General Manager negotiate a purchase agreement through an exchange of recharge credits for the Avra Valley Recharge Project between the CAWCD & the District for the Board's consideration. Mr. Offret seconded the motion. Motion passed unanimously.

J. EPA Rulemaking on the Navajo Generating Station Emissions.

Mr. Tripp motioned to direct the Chair of the Board to sign a letter to express the District's concerns about EPA rulemaking on the Navajo Generating Station. Mr. Offret seconded the motion. Motion passed unanimously.

K. Notice of Claims by PM Enclave at Foothills and Sonoran Terrace Apartments.

Mr. Tripp directed staff and Legal Counsel to further gather information regarding this issue and to bring that information back to the Board for discussion at a future meeting.

V. General Manager's Report

Mr. Stratton explained the recurring issues at the Northeast Reservoir Booster Station (NERBS) are still in progress. District staff has not been able to finalize the matter with the insurance company, and there has been no further correspondence with the pump manufacturer. There is a timing issue with regards to the warranty side of the pump that must be dealt with before staff can proceed with the electrical side. District is trying to communicate with the pump manufacturer. Mr. Offret asked if there have been three pump problems. Mr. Stratton clarified there have been just two, but the drive unit on No. 4 had an electrical issue caused by condensation running down the cord and burning it up. Mr. Stratton said the drive unit was to be replaced under the insurance claim, but now it is not working. Staff does not want to replace it separate from the insurance claim, so there is a timing issue. Staff has been trying to decide how to use No. 3, the soft-start unit, over to the drive unit for No. 4. Mr. Hill confirmed the District has the supplies on hand. Mr. Offret asked whether there is a problem getting the manufacturer to speak with us about the units. Mr. Stratton confirmed Fairbanks Morse is not responding, and that is the primary concern. Mr. Guillot asked, and Mr. Stratton confirmed the source of condensation was from an air conditioning (AC) unit. Staff is looking at how to modify AC units

and control condensate runoff. The lead time on the variable frequency drive (VFD) is 6-8 weeks.

Mr. Stratton noted the Board had received a map showing District water levels. The Board members expressed their appreciation for the color map by Erin Lansey, Hydrology Intern. Mr. Foulk asked why some areas are gaining and others are declining. Mr. Burchard explained the pattern is a complex interplay between several factors: the nature of the aquifer, the amount of recharge occurring and where it occurs, the amount of pumpage, and how densely spaced wells are. Closely spaced wells compete with each other. Mr. Stratton pointed out Oro Valley has seen declines, and that is reflected on the map. Mr. Block said Hub water level data is available, but there are only five points. Mr. Guillot recalled that years ago Tucson Water well levels were dropping quickly, and he wondered how they are doing now. Mr. Stratton said that since Tucson Water shut off their wells in the Tanque Verde area, there has been a marked increase in levels.

Mr. Stratton said there have been discussions with Jeff Biggs, Director of Tucson Water, along with Oro Valley staff regarding wheeling the recovered Central Arizona Project (CAP) water to the District. Such an agreement would allow the District to turn off some of its wells, allow the aquifer to rest and prevent continued water level decline. There is not an agreement in place yet, so there are discussions about sharing the costs of hiring a consultant. Mr. Offret asked where the District would receive the water. Mr. Stratton said the connection point would be somewhere off of Thornydale Road. He said some of the infrastructure has been in place since 1995, and could easily be adapted, but is in the same area as one of the Regional Transportation Authority (RTA) projects. If conditions are favorable, recovered CAP water could be delivered through the TW system. He hopes to have more information within the next couple of months.

Regarding recharge and recovery, HDR presented preliminary information earlier this year. The other Northwest providers were hesitant to pursue it. The District felt it was necessary to get an apples-to-apples comparison and look at the issues from a business perspective. Mr. Stratton has asked HDR to continue researching. HDR will provide staff with additional information to compare treatment processes, and determine what is best for the District.

Staff will hold a neighborhood meeting about the Fruchthendler property transfer and well site. Mr. Guillot agreed he will attend.

The District received information from Pima County regarding the issue with the Matter Well being within the right-of-way. Charlie Maish, District Engineer, has informed the County that the District has prior rights. The County will need to find a new well location and provide another operational well. The District will negotiate for full replacement rather than market value. Mr. Foulk asked when the improvements will occur, and Mr. Maish said this will be part of the third phase, so the projected date is 2015-2020. Initial studies are now underway. Mr. Offret asked how it will be paid for. Mr. Stratton said the RTA has stated it will fund relocation of infrastructure with prior rights.

Next week is the annual Tri-State seminar in Primm, Nevada. Several staff members are attending, as well as Board Chair Jim Doyle. The WESTCAS conference will be held at

Westward Look from October 28-30, 2009. Board Members can attend the whole session or one or two days. Information on the Colorado River Water Users Association (CRWUA) event at Caesar's Palace in December should be released soon. Early registration is suggested to get the best rooms. If anyone wishes to attend, please let Tullie know.

Val Little of Water CASA will hold a Water Harvesting workshop at the District on Saturday, September 19, 2009, and Board Members are welcome. About 45 people have registered.

VI. Legal Counsel's Report

Mr. McNulty said it appears Mr. Thim has resolved all remaining title issues for his water companies. The acquisition is moving ahead. The multi-family claim was talked about in executive session. The TUSD property acquisition is a gem of a deal, which accommodated for educational issues and utility issues. Spencer Smith, Attorney of Record, was present. Mr. Stratton thanked him for his contribution to such a smooth transaction. The Arizona Corporation Commission (ACC) hearing is scheduled for next week.

VII. Future Meeting Dates; Future Agenda Items

The next regularly scheduled meeting of the Board of Directors will be held on Wednesday, October 14, 2009, due to Columbus Day.

VIII. General Comments From the Public

Mr. Land applauded Randy Collyer for attending the Board meeting on his birthday and day off.

IX. Adjournment

Mr. Tripp made a motion to adjourn. The meeting adjourned at 6:44 p.m.

Jim Doyle, Chair of the Board

Warren Tenney, Clerk of the Board