

BOARD OF DIRECTORS

METROPOLITAN DOMESTIC WATER IMPROVEMENT DISTRICT PIMA COUNTY, ARIZONA

March 13, 2006

**** Board Room ****

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

MINUTES

Board Members Present: Dan M. Offret, Chair
Suzanne Downing, Member
Jim Doyle, Member
James Tripp, Member

Board Members Absent: Judy Scrivener, Vice Chair

District Staff: Mark Stratton, General Manager
Keri Silvyn, Legal Counsel
Warren Tenney, Clerk of the Board
Alice Stults, Recorder

Regular Session

I. Call to Order and Roll Call

Dan M. Offret, Chair of the Board of Directors of the Metropolitan Domestic Water Improvement District (District), called the Board Meeting to order at 6:02 p.m. Dan M. Offret, Suzanne Downing, Jim Doyle, and James Tripp were present. Judy Scrivener was not present.

II. General Comments from the Public

Mark Stratton, General Manager, introduced Billie Sue Morelli, Metro Water's new Human Resource Specialist. Mr. Offret explained that the District is looking forward to having a Human Resource Specialist and is interested in any new ideas or suggestions Ms. Morelli might have in the future.

III. Consent Agenda

- A. Approval of Minutes – February 13, 2006 Board Meeting.**
- B. Ratification of Billing Adjustments.**
- C. Ratification of Bill of Sale – Paseo Del Rio, Lots 1-80.**
- D. Ratification of Bill of Sale – Paseo Del Rio, Phase II.**
- E. Approval of Water Service Agreement – Alive Church.**
- F. Approval of Water Service Agreement – Mariposa Trail, Lots 1-117.**
- G. Approval of Water Service Agreement – Whalen Parcels Water Plan.**

Mr. Tripp made a motion to approve the consent agenda. Ms. Downing seconded the motion. Motion passed unanimously.

IV. General Business – Items for Discussion and Possible Action

A. Monthly Status of the District.

Mr. Stratton said a high amount of water is still being produced due to the continued lack of rain. This has resulted in higher than normal revenue for this time of year.

Mr. Stratton explained that the water line relocation work being completed by the Utility Division at Horizon Hills is going well. There is still a couple more weeks worth of work to be done to complete the project.

Mr. Stratton noted that the award for the Northeast Water Reservoir Booster Station is one of the agenda items for this meeting. Charlie Maish, District Engineer, said the final plat has been approved by Pima County. It will now go to the Pima County Board of Supervisors for approval prior to finalizing the property purchase.

Mr. Stratton said the District is still waiting for communication from Oro Valley on the 75% plan submittal for the Magee Road Transmission Main. Staff is hopeful that the District will receive a final response from them shortly.

Ms. Downing noted that she was concerned about the District crew working at Horizon Hills being so close to the roadway. She explained that the crews put up additional signs indicating work was being done in the area and felt this made the work site safer.

B. Financial Report.

Mike Land, Chief Financial Officer, said the District revenues are currently 9% over anticipated budget amounts for this time of year. Expenditures are approximately 6.6% under anticipated

budget amounts. Mr. Land said staff would discuss with the Board the purchase of a forklift for use in the Warehouse at the next study session.

C. Legislative Issues 2006.

Warren Tenney, Assistant to the General Manager, said there has been no new development regarding water legislation since the report provided to the Board at its February 2006 meeting. He did note that Senate Bill 1409 passed today in the Natural Resource Committee, and now goes on to the House. Mr. Tenney said small, rural domestic water improvement districts are pushing for this bill, as it would allow these DWID's to have nonresident property owners serve on the board and the potential to provide wastewater services.

D. Award of the Construction Contract for the Northeast Water Reservoir.

Mr. Tripp made a motion to waive the noted bid irregularity and award the construction contract for the Northeast Water Reservoir Booster Station to Currier Construction, Inc. in the amount of \$6,297,498.00. Further, to authorize the General Manager to approve the following changes to the construction contract: 1) allocate additional funding for a cumulative amount not to exceed \$120,000.00 with the stipulation that any single item over \$25,000.00 funded by this additional funding source will be brought to the Board for approval and 2) increase the original construction contract term a cumulative amount not to exceed ninety (90) calendar days. Any changes in excess of the above limits shall be submitted to the Board of Directors for approval. Mr. Doyle seconded the motion.

Mr. Offret asked about the bid irregularity. Mr. Maish explained that the District instructed contract bidders to submit their bid offers in bound book form. The low bidder, Currier Construction, submitted documents that were not bound. Mr. Maish also noted that the second to lowest bidder did not meet specific requirements.

Motion passed unanimously.

E. Approval of First Amendment to Purchase and Sale Agreement for the Lutheran Church of the Ascension Property.

Mr. Tripp made a motion to approve the First Amendment to the Purchase and Sale Agreement between Title Security Agency of Arizona, Inc., and the Metropolitan Domestic Water Improvement District and direct staff and legal counsel to finalize the closing of the sale once the Pima County Board of Supervisors approves the new plat for the property. Ms. Downing seconded the motion.

Ms. Downing asked if the District should have the Board of Supervisors approval prior to approving this Board agenda item. Mr. Maish replied no, and explained that staff did not want the contract to terminate before it went before the Board of Supervisors for their consideration.

Motion passed unanimously.

F. Approval of Amendment No. 1 to the Electric Service Agreement with Tucson Electric Power.

Mr. Tripp made a motion to approve Amendment No. 1 of the Electric Service Agreement with Tucson Electric Power extending the agreement for two additional years. Ms. Downing seconded the motion.

Mr. Tripp said that on the Electric Service Agreement, Amendment No. 1, there were only 12 District sites listed. However, on the additional sheet attached there were 15 sites listed. Chris Hill, Deputy Manager, said that staff would look at it more closely and revise the Amendment prior to obtaining signatures on the document.

Motion passed unanimously.

G. Approval of Amendments to Contracts for Hub Well No. 7.

Mr. Tripp made a motion to approve the Contract Amendment No. 4 with Layne Christensen for an additional \$40,000.00 with a new contract amount of \$586,064.00. Additionally, to approve Contract Amendment No. 3 with Brown and Caldwell for an additional \$9,990.00 with a new contract amount of \$114,514.00. Funding for these added expenditures will come from the contingency fund. Ms. Downing seconded the motion.

Mr. Land said the District would probably not have to use the contingency fund since the District is under budget at this time for expenditures.

Mike Block, District Hydrologist, explained there are four phases planned for Hub Well No. 7 and the objective is to increase the productivity of the well. The first phase was swabbing and pumping. The second phase was acid treatment. The third phase was to pump and surge. The result of the first three phases was that productivity was below the anticipated rate. Mr. Block said the fourth phase would be the installation of the casing path liner and disinfection of the well.

Mr. Hill said the District still has a productive well with low arsenic levels; however, the well has a lower capacity than was originally anticipated. Hub Well No. 7 can still meet some capacity requirements if it runs 24 hours per day. Mr. Hill explained that there are no guarantees when drilling a new well. Hub Well No. 7 will be equipped and become functional in the near future.

Arsenic treatment will occur with the new arsenic treatment equipment and with blending water from Hub Well No. 7 with that of Hub Well No. 3.

Ms. Downing asked how much total was spent on Hub Well No. 7. Mr. Block said approximately \$400,000.00, in addition to the acquisition cost for the property.

Ms. Downing said she is concerned about the cost of this well. She wondered if there was a way to know when the District has reached the point that any additional funds would not be spent on a well that was not meeting expectations. Mr. Hill said that the District approached the well with the knowledge that one phase could lead to another, which may have ultimately worked to enable the well to produce the amount of water anticipated. He explained that not all wells are as challenging as Hub Well No. 7, and noted that the Tucson National West Well produced much more water than what staff had originally anticipated.

Ms. Downing asked that the Board be provided an itemized list of the costs associated with Hub Well No. 7. She asked that for future wells the cost be tracked and also provided to the Board. Mr. Stratton suggested that staff could also provide the Board with the financial information for previous wells that were drilled and placed into service.

The motion to approve the Contract Amendment No. 4 with Layne Christensen for an additional \$40,000.00 with a new contract amount of \$586,064.00 passed unanimously. Additionally, to approve Contract Amendment No. 3 with Brown and Caldwell for an additional \$9,990.00 with a new contract amount of \$114,514.00. Funding for these added expenditures will come from the contingency fund.

H. Selection and Acquisition of Hydrant Locks.

Larry Brown, Assistant Utility Superintendent, provided a presentation of hydrant locks that were being considered by the District for purchase. He explained that some of the locks had controlled tools which vendors would only supply to the purchaser, making those locks more secure. Mr. Brown also provided information on locks that would have the greatest ease for removal by fire department personnel. He noted that only the fire trucks that service areas within the District would have keys to the hydrant locks.

Ms. Downing asked if the keys would be purchased by the District or the fire departments. Mr. Stratton replied that the District would purchase both the locks and the keys.

Mr. Tripp noted that the Town of Marana also uses the lock that was recommended by staff. Mr. Stratton explained that any new future hydrants constructed by developers would be required to have the same lock approved by the Board.

Ms. Downing asked how many hydrant locks were needed. Mr. Brown replied that the District has approximately 1,300 hydrants. Mr. Stratton explained that the District would purchase 100 hydrant locks to begin with, and each new fiscal year more locks would be budgeted for. Ms. Downing asked where the \$24,000.00 would come from for the first 100 hydrant locks. Mr. Stratton said there are funds in the current fiscal years budget to pay for the locks.

Mr. Hill explained that the District has experienced incidents of vandals opening the hydrants. He noted that this is a security issue, as well as large amounts of damage that can occur from the vast amount of water flowing from a hydrant. Ms. Downing asked how often the hydrants are checked. Mr. Hill said the fire department exercises the hydrants approximately once a year. District staff checks the hydrants whenever they are painted; however, there is not a specific schedule for checking the hydrants. Mr. Stratton said the District depends on the public and the fire department to notify the District if there is a problem with a hydrant. A hydrant that leaks is always checked since it could be damaged from vandals. Ms. Downing suggested creating a schedule so that the hydrants could be checked on a regular basis.

Mr. Tripp made a motion to approve the fire hydrant lock bids submitted by staff and select the Custodian to be installed on District fire hydrants. Mr. Doyle seconded the motion. Motion passed unanimously.

I. Arsenic Update.

Mr. Hill said the arsenic treatment system at Hub Well No. 3 is operational and ready for production of potable water. The State has issued the final construction approval. Mr. Hill noted that it is anticipated the process will work very well. Water from Hub Well No. 7 will be blended with water from Hub Well No. 3 to mitigate the arsenic content further.

Mr. Offret asked what the yearly maintenance cleaning cost was for the treatment system. Mr. Hill said the annual cost is contingent upon how much water is run through the system; however, the capsules should be good for approximately eight months if running at full capacity. It is staff's opinion that perhaps they can be ran at only 10% to 20% capacity. The cost for the regeneration is approximately \$27,000. Mr. Offret asked if the three capsules run parallel. Mr. Hill replied that heavier amounts of water will be ran through one capsule at a time, with overflow water running through another capsule. Mr. Brown added that the system was tested last Wednesday and the flows were run through each capsule to make sure the entire treatment system was operational.

V. General Manager's Report

Mr. Stratton explained that Ms. Morelli is setting up the interview process for hiring of the Risk Manager. It is anticipated to have a Risk Manager employed by the middle of April 2006.

Mr. Stratton said regarding the Cooperative Regional Water Supply Organization (CRWSO), all local water utilities with the exception of Tucson Water have been presented with information regarding the plans of the organization. Tucson Water wants to meet with Pima County regarding water/wastewater issues prior to hearing the presentation by Southern Arizona Water Users Association (SAWUA) members. SAWUA will continue to move forward with the CRWSO meetings.

Mr. Stratton said there are two remaining Arizona Water and Pollution Control Association (AWPCA) distribution committee workshops. Approximately 120 attendees have signed up for the workshop to be held in Tucson on March 15, 2006. Mr. Hill chairs this committee which has typically brought in more money for AWPCA than any of its other committees. Mr. Stratton noted that Mr. Hill has received accolades from utilities throughout the state for the success of the committee and the content presented in the workshops.

Mr. Stratton said the Bureau of Reclamation's funding for the S&T Grant Study has not yet been appropriated. The Bureau's staff is working on securing the promised funds out of this year's budget, and also making sure the funding will be there for next fiscal year.

Mr. Stratton explained that he would be going to the AWWA Legislative Fly-In again this year. The Fly-In will be March 29-30, 2006 in Washington DC. He added that at that time he would also talk to Congressmen about the S&T study. Mr. Stratton said the Bureau recognizes the need for the S&T project, and he will be providing the Congressional District with the information. The costs for this workshop, and the WEFMAX meeting held in Bellevue, Washington April 7-8, 2006, will be reimbursed to the District by AWPCA.

Regarding the demonstration garden located at the front of the District offices, Mr. Stratton noted that Mr. Tenney is working with the landscape architect on re-design of the garden. Low maintenance and low water use plants will be the theme for the garden. It is envisioned that there will be a variety of plants providing year round color. Mr. Stratton said the first phase of the landscaping will begin at the end of April or first of May 2006.

Mr. Stratton said staff is working to produce the District's draft budget for 2006/2007. It is anticipated that the Board will begin study sessions later this month to review the Utility and Engineering division budgets. Mr. Stratton said the Administration and General Manager budgets could be presented to the Board in April 2006.

VI. Legal Counsel's Report

Keri Silvyn, Lewis & Roca, said there was nothing new at this time to report.

VII. Future Meeting Dates; Future Agenda Items

The next regular meeting of the Board of Directors is April 10, 2006 at 6:00 p.m. A Study Session is scheduled for March 27, 2006 at 5:30 p.m.

VIII. General Comments from the Public

There were no comments from the public.

IX. Adjournment

The meeting adjourned at 7:11 p.m.

Dan M. Offret, Chair of the Board

Warren Tenney, Clerk of the Board