

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

**August 9, 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

**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 6:01 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 – July 12, 2010 Board Meeting.**
- B. 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.**

Mark Stratton, General Manager, said that for the first time in a long time, monthly production surpassed that of its previous year. Production in July 2010 was higher than it was in July 2009; however, year to date production is still 2.5% lower.

Progress is being made on the Diablo Village II well project. The District will continue to blend with water from Tucson Water to reduce arsenic levels in the Metro Southwest area until the Diablo Village II well is up and running. The Diablo Village I well arsenic treatment system drawings are awaiting approval. Monies were apportioned out of Metro Southwest financing.

Exploratory work at the potential well site in Metro Hub is ongoing. Crews have reached a depth of 1000 feet and drilling has been difficult at times because of boulders and cobble. Arsenic and fluoride levels increased with depth but levels are not expected to pose a problem because pumpage will not occur at the deepest point. Indications suggest the well will potentially produce in the 250-300 gallons per minute (gpm) range. Mike Block, District Hydrologist, mentioned some of the technical processes and challenges going on at the site.

Mr. Stratton said the capital improvement projects are going well. The La Cañada waterline relocation transmission work is complete. The Windemere and Northern Hills mainline replacement projects should be finished later this month. The District will have quite a bit of design work associated with the Pima County road projects in the coming months.

Mr. Offret said he had some comments regarding the Northern Hills Mainline Replacement Phase II project, being completed by SQP Construction, LLC (SQP). He said that because he is on the Board of Directors, he has reviewed many similar projects and is familiar with what normal conditions during and after construction should be like. He lives in the Northern Hills neighborhood and has talked with many neighbors who share his concerns about SQP's poor cleanup practices. The contractor represents Metro Water. He said chunks of asphalt are being left behind, intermixed with fill and dirt. Debris left in the right-of-way has been covered with clean fill in several areas. Mr. Offret said his personal opinion is that SQP is trying to save money by not having to haul the debris away. He wanted to allow SQP time to properly clean their worksite but there have been piles of construction debris left all around the neighborhood and they are being covered over with clean fill dirt. Some cleanup has occurred but the project is winding down, yet there are pieces of asphalt and damaged vegetation lying in the right-of-way

and piled in desert areas. Mr. Offret asked what kind of requirements the District states in the contract regarding cleanup, and who is responsible for making sure it is cleaned up correctly before the final payment. Mr. Offret said that as a Board Member, if this company bids on future projects he will not vote to employ them again. He asked how the District can be certain the debris is removed from areas already covered over. He would like the County to know the neighborhood is not happy. Also, tree branches have been knocked down and there have been grading issues. Charlie Maish, District Engineer, said he was aware of the problem and has communicated his concern to SQP but they have been focused on work items that they get paid for. Pima County has not pushed SQP to clean up the right-of-way areas. Mr. Maish said the contract is very clear that it is the contractor's responsibility to make sure the cleanup is done to the acceptance of Pima County. Mr. Maish said all work will have to meet the District's requirements before Pima County is contacted for final approval. Mr. Offret suggested the District should withhold payment to SQP until the cleanup is satisfactory to the residents. He would like the County to know that his neighborhood is not happy. Mr. Doyle asked if there is a Storm Water Pollution Prevention Plan (SWPPP). Mr. Maish confirmed there is a SWPPP posted and that SQP has been completing the required monthly inspection reports associated with it. Mr. Doyle said if a SWPPP complaint is filed, the site must be cleaned up quickly.

**B. Financial Report.**

Mike Land, Chief Financial Officer, said Clifton Gunderson started the 2009-2010 Audit. The unaudited revenues and expenses compared to budget through June 2010 show the operating revenues are more than \$400,000 over budget. Most of that is in positive water sales and a large part of that is from revenues earned over the last six months in the newly acquired Metro Southwest. Operating revenues compared to budget in Metro Main are on target. Operating expenditures are \$462,000 under budget. The revenues over \$424,000 and expenses under \$462,000 combined leave the District \$886,000 over budget in revenues. Compared to last year, revenues are running \$1.6 million over. Last year, the District reported an operating loss for the first time so it appears the District has rebounded quite well; however, half of that revenue increase was the RTA fee which did not exist at the time of the last audit. Operating expenditures are running a little more than \$800,000 less than last year, most of which is CAP water purchases budgeted at half the previous year's level. The cash on hand is \$1.2 million. There were seven new meter applications but compared to zero last year, that marks an improvement.

**C. Selection of Insurance Broker for Overall General and Professional Liability.**

Mr. Tripp made a motion to approve the Clements Agency to represent the District as the broker in all liability insurance issues. Mr. Offret seconded the motion.

Mr. Guillot asked about the various broker locations.

Motion passed unanimously.

**D. Approval of Membership in the Water Conservation Alliance of Southern Arizona.**

Mr. Tripp made a motion to approve the District's membership in the Water Conservation Alliance of Southern Arizona (Water CASA) and support the transition outlined by staff for Water CASA. Mr. Foulk seconded the motion.

Mr. Offret asked about the legal fees involved in establishing a 501(c)3. Mr. Stratton said the costs are paid out of the Water CASA membership fees and are only a few hundred dollars.

Motion passed unanimously.

**E. Approval of Groundwater Savings Project Agreements.**

Mr. Tripp made a motion to approve the amendment between the District and BKW Farms for "In-Lieu Water Deliveries and Storage" and that the agreement is in effect until December 31, 2011, unless renewed for an additional year by the District and BKW Farms. Mr. Offret seconded the motion.

Mr. Offret asked if groundwater savings project agreements have to be reviewed every year. Mr. Stratton said the District had preferred to review the agreements frequently so that a future Boards are not encumbered. Mr. Block added the amount of groundwater the farmers take varies from year to year.

Mr. Block pointed out that in preparation of the Board report he made an error on the bottom of Table 1. In the years 2010 and 2011, the Kai, Picacho and BKW Farms numbers are inadvertently reversed. The volumes are described correctly in the text above the table. Mr. Offret asked how much water the District has in storage. Mr. Block said the credits total around 24,000 af not including the amounts to be transferred to Central Arizona Project (CAP) related to the purchase of the Avra Valley Recharge Project (AVRP). He will include the storage totals in next year's report.

Motion passed unanimously.

Mr. Tripp made a motion to approve the amendment 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, 2011, subject to approval by Cortaro's Board. Mr. Offret seconded the motion. Motion passed unanimously.

Mr. Tripp made a motion to approve the amendment between the District and Herb Kai for “In-Lieu Water Deliveries and Storage” and that the agreement is in effect until December 31, 2011, unless renewed for an additional year by the District and Herb Kai. Mr. Offret seconded the motion. Motion passed unanimously.

**F. Amendment No. 18 to Interim Remedial Action Contract with the Contract with the Arizona Department of Environmental Quality (ADEQ).**

Mr. Tripp made a motion to approve Amendment No. 18 of the Interim Remedial Action Contract for the South Shannon Facility between ADEQ and MDWID on reimbursable operational and maintenance costs from July 1, 2010 through June 30, 2011. Mr. Foulk seconded the motion.

Mr. Guillot asked about reimbursement procedures. Mr. Block said the District has been making quarterly payments and is reimbursed quarterly. Mr. Block prepares an invoice to ADEQ composed of several cost elements, including the Water Quality Specialist’s sampling hours, the cost of power to boost water from the treatment system to the reservoir, the laboratory analytical costs, and the GAC replacement cost.

Motion passed unanimously.

**G. Metro-Hub Water Supply Exploration Program Update – Preliminary Phase II Findings.**

Gary Burchard, the Hydrogeologist at the District who is overseeing the project, said the team tested for arsenic at the drilling site in Metro Hub. Levels never exceeded the arsenic standards. Fluoride was found at about 800 ft and reached levels that would require public notification if distributed to consumers. A final well would not need to be deeper than 600 ft so the District plans to abandon the test hole beyond that depth. The District will obtain final water quality results and work is expected to be complete by the end of September. In response to a question from Mr. Offret, Mr. Burchard said the other wells in the area vary in depth due to the varying geographical features. Budgetary information related to the project was distributed. Mr. Burchard said that so far Clear Creek Associates has come in under budget on every task, so contract amendments for increases are not anticipated.

**H. Avra Valley Recharge Project Update.**

Mr. Block said there are seven tasks outlined in the contract that have to be completed to transfer assets from CAP to the District. The District is transferring recharge credits to CAP and will obtain the recharge facility in return. Most tasks are going better than expected. The Arizona Department of Water Resources (ADWR) recharge permit that will be issued to the District has been pre-approved. The transfer of the facility should occur at the end of December 2010 or early January 2011, a year earlier than first expected. The State Land Department is the owner of the property the facility is on and they, too, have said they would expedite the transfer of the lease to the District. Originally, the District hoped to have a water transportation agreement with BKW Farms (BKW), which is the entity that lifts the water out of the CAP canal and delivers it to the entrance of the recharge facility. Parties are still working on contract language. The non-exclusive lease agreement has been finalized. In order to gain access to the recharge project, the District must traverse across part of BKW's property so the existing agreement will be redrafted. Staff hopes to present those agreements to the Board of Directors in September. Within the CAP contract there is a provision that states if the District has any unused capacity, the Central Arizona Groundwater Replenishment District (CAGR) and the Arizona Water Banking Authority (AWBA) would get first right of refusal and would each be limited to 50% of that unused capacity. Staff has contacted CAGR, and they are not interested at this time in utilizing the anticipated unused storage for next year. AWBA is interested in that storage capacity. In addition, the Town of Marana has shown interest in using the remaining storage capacity, so that is another agreement in the works for September. Staff has been working on a data sharing agreement with Pima County, such as the one CAP has to help meet ADWR permit requirements. There have been discussions with CAP related to reliability of the CAP system, and having part of the District's reliability at AVR. Discussions are ongoing but an agreement should be reached soon. Mr. Offret asked why the City of Tucson retains a right to revoke consent for using BKW's delivery system. Mr. Block explained the City of Tucson originally funded construction of that irrigation canal. The City has an agreement with BKW, as the District does, for groundwater savings. The City of Tucson wanted to utilize part of their allocation and the cheaper option for them was to do storage with the farmers. BKW was interested in doing storage but did not have funds to construct the pump station and the canal, so Tucson Water struck a contract with BKW to fund construction and over time BKW has had to reimburse Tucson Water for their capital investment resulting in BKW owning the facility. Part of that agreement stipulated the City of Tucson would retain first right of refusal for the capacity. The canal goes to the Avra Valley site and then continues on to other farm fields. Even though there has been no conflict for 16 years, the City of Tucson wanted to prevent a conflict in the event the AVR was expanded.

**I. Amendment to the Professional Services Agreement for the La Canada Drive Transmission Main, Phase I Project.**

Mr. Tripp made a motion to approve Amendment No. 4 to the Professional Services Agreement with HDR Engineering, Inc. for an additional amount not-to-exceed \$70,000 and to authorize the General Manager to approve additional funding in a not-to-exceed amount of \$5,000 in the event of continued delays in obtaining the necessary design data from Pima County and to extend the contract termination date up to 60 days to complete the design due to the delays. Mr. Foulk seconded the motion.

Mr. Offret asked for clarification about the location of work.

Motion passed unanimously.

**J. Cooperation with Pima County for Waterline Relocations Associated with the Magee/Cortaro Road Widening Projects.**

Mr. Stratton said that because of the short time frame and complexity of work, he and Mr. Maish met with Priscilla Cornelio and Robert Johnson of Pima County Department of Transportation to discuss ways to cooperate during construction. It was suggested to let the County include the District's waterline relocations included in their contract. If that occurred, the District would need to negotiate an intergovernmental agreement (IGA) with Pima County, so it is hoped that discussions can yield a recommendation to the Board. The primary concern is the work at the Magee Road - La Cholla Boulevard intersection because the District has major infrastructure in that area. The District prefers the work be completed by a utility contractor and not a general contractor. Mr. Stratton said the District would still submit the design specifications if the County managed the work. Mr. Offret expressed concern about how to ensure the work is done according to the District's specifications if the County controls the project. Mr. Stratton agreed the roles would have to be clearly defined. The County has historically done Tucson Water's (TW) relocation work under an IGA so there have been some discussions with TW staff about how it works. Mr. Stratton said he would like to make sure the Board was comfortable with exploring this option. Mr. Foulk said the preliminary plans are complex and he is worried about how to determine who pays for what. He was also concerned the County may not always look out for the District's best interest when relocating the waterlines. He would like staff to pursue the information but would like to see concrete numbers to make sure the District is not paying more than it normally would. Mr. Stratton pointed out that Rick Ellis, Deputy Director at the Pima County Department of Transportation was present. Mr. Ellis said he feels it will be possible to reach a compromise that all parties can be satisfied with. He recognized the District's concerns and encouraged open communication. He talked about the current low cost of construction and believes market conditions can benefit both sides.

**K. Approval of Amendment to General Manager's Contract.**

Mr. Tripp made a motion to amend the General Manager's contract per the issues described in the report. Mr. Foulk seconded the motion. Motion passed unanimously.

**V. General Manager's Report**

Mr. Stratton said he is one of a group of five stakeholder representatives meeting frequently to discuss regional water issues. The Safe Yield Task Force has become active once again. He talked about the benefits of forming coalitions to address water related issues for the region. Arriving at solid recommendations for community water resources through open dialogue is the common goal. CAP reliability meetings have been moving along and a report will be provided at the September meeting.

He said there are still some areas to consider on whether or not the District will enter a wheeling agreement with Tucson Water. He said he has plans to meet with the consultant to go through the numbers one more time before moving forward. A recommendation for the Board of Directors should be ready for either the September or October meeting.

A District customer was caught stealing a significant amount of water over several months. He had removed the register on the meter. Authorities were called and a report was filed. The District will install a new meter that features several "alarms" regarding water use at his address. A letter was sent to the customer. He will be billed for averaged usage for the months his meter showed zero reads and a \$500 fine was applied to his account. The customer had stated he was struggling to pay his bills.

Mr. Stratton gave an update on the Northeast Reservoir Booster Station mediation. The District agreed to pay what was held in reserve to Sun Western but declined to pay their attorney fees and interest. If Sun Western continues to press the issue the District may ask for liquidated damages. There were no numbers presented and no resolution so mediation will continue. If mediation is unsuccessful, a court date is scheduled for October 2011. Attorney fees will not get any cheaper but the District's legal counsel has no choice but to defend the District.

There will be an election for three seats on the Board of Directors. Four candidates are running: Jim Doyle, current Board Member; Reb Guillot, current Board Member; Judy Scrivener, former Board Member; and Helen Ireland, former employee.

Chris Hill said that a car hit a hydrant last Thursday, August 5, 2010. The driver was 17 years old and was texting while driving. The hydrant was difficult to shut off because the flow was about 4000 gallons per minute and staff could not gain access to the valve. Water flowed for approximately 1.5 hours.



Mr. Offret asked about the recent Wellness Fair. Mr. Stratton said it was a success. Positive feedback was received from both employees and vendors. Sunflower Market provided a lot of organization support and samples. Most vendors had giveaways. Northwest Medical Center's health screenings were popular and affordable for District employees. Mr. Stratton was pleased with the outcome and the Wellness Committee plans to do it again next year.

**VI. Legal Counsel's Report**

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

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

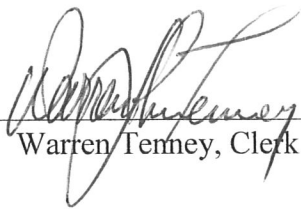
Mr. Tenney said the next regular session of the Board of Directors will be on September 13, 2010.

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

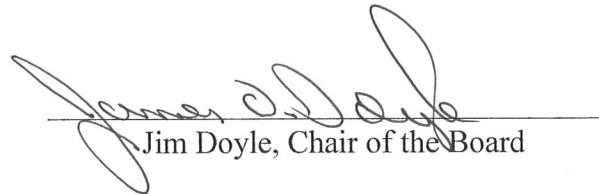
Helen Ireland, residing at 6002 N. Placita Rodeo, is running for the District's Board of Directors and asked for clarification on the number of seats to be decided by the election. Mr. Stratton confirmed there are four people running for three seats. Ms. Ireland also mentioned she had attempted to visit the District's Facebook page and experienced computer problems. Tullie Noltin, Executive Assistant, stated the District's Facebook page had not yet been published.

**IX. Adjournment.**

Mr. Tripp made a motion to adjourn. Mr. Offret seconded the motion. The meeting adjourned at 7:15 p.m.



Warren Tenney, Clerk of the Board



Jim Doyle, Chair of the Board