

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

**September 13, 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  
Warren Tenney, Clerk of the Board  
Tullie Noltin, Recorder  
Michael McNulty, Legal Counsel

**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 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 the subject of negotiation, in pending or contemplated litigation or in settlement discussions), A.R.S. § 38-

431.03.A.7 (consultations regarding negotiations for the purchase, sale or lease of real property) regarding the following:

**A. Acquisition, Construction, Reconstruction and Repair of Waterworks.**

**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**

Janice Mitich of 11115 W. Anthony Drive addressed the Board representing a group of grassroots protesters who oppose the Town of Marana's choice of location for a new landfill in Avra Valley. She provided some documentation about the site to the Board. She feels it is one of the worst possible sites because it is near Brawley Wash, in a flood plain, and over a rising aquifer. She said that according to Tucson Hydrologists, the water table in that area is rising 4-5 feet each year. There are 100 homes and two Tucson Water wells down-slope from the proposed site, and she is concerned about possible contamination. Her group is not opposed to the idea of a landfill, just the proposed location. She said she read about plans for a reservoir near Tangerine Road for the recharge of CAP water. She sent some questions to Sharon Bronson, Pima County Supervisor, District 3, but said she had not received a response yet. She asked the Board of Directors for a letter of support.

Albert Lannon of 13141 W. Camino de Conejo, said that he also came to express his opposition to the location of the proposed landfill in Avra Valley. He said he has been living and hiking in the area since 1967. He learned early on the value of water in the Southern Arizona region. He understands the landfill might not affect Metro Water District directly but he knows everyone living in the region shares the belief that there is no water to waste. He questioned why the proposed site is situated on land the Vice-Mayor of Marana once owned. He talked about logistical inconveniences of the proposed location and EPA requirements regarding leakage of landfill liners. He is concerned about garbage fluids leaching into the aquifer. He conducted his own experiment and estimates fluids will leach into the aquifer in volumes equivalent to the capacity of 30 Olympic-sized pools annually. He said he knows the District Board cares about water and he joins Ms. Mitich in asking questions about the landfill site.

**III. Consent Agenda.**

- A. Approval of Minutes – August 9, 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 there had been less water usage in July than the same period last year. Since 2006 usage has been declining. He said he hopes to see the trend flatten or reverse because the impact on revenues has been great. The South Shannon treatment facility recently had a GAC change out. The Hub Exploration project near Fruchthendler Elementary School is complete, and all the information gathered will be compiled into a final report. He said Hydrology staff is gathering information for the Metro Southwest Assured Water Supply documents for submittal to Arizona Department of Water Resources (ADWR). The Northern Hills project is coming to a close and a fair amount of cleanup will be done. The Windemere Interconnection is in the final stages. RTA – Pima County roadway projects and related waterline relocation designs are ongoing. The next waterline relocation segment will be on Magee Road from Mona Lisa to La Cañada and the District is continuing to coordinate with Pima County.

**B. Financial Report.**

Mike Land, Chief Financial Officer, said the annual audit field work is complete and the final audit report is in process. He said he expects some progress on the financing issues to be resolved in early October. He said the RTA fee established in June 2009 had collected 1 million and the District had spent \$1.5 million on waterline relocations. He said July was a fairly strong revenue period because production was high. There had been few meter applications District-wide and none in Metro Southwest.

**C. Scheduling of a Public Hearing for a Proposed Rate Adjustment.**

Mr. Tripp made a motion to schedule a public hearing on October 25, 2010 at 6:00 p.m. for the purpose of discussing a rate adjustment. Mr. Offret seconded the motion.

Mr. Stratton said the Finance Oversight Committee (FOC) had met prior to the Board Meeting to continue their review of rate adjustment alternatives. Based upon thorough discussions, Alternative #3 is their recommendation to the Board. The FOC felt it was most appropriate to structure the rates so that more of the fixed costs are covered by the base rate. The proposal includes tier restructuring to make gallons and costs more proportionate. Mr. Stratton said he felt

Alternative #3 would be a solid start and the structure could be modified further as economic conditions change.

Warren Tenney, Assistant General Manager, said the FOC recommendation is not the only alternative developed but is the one that would be explained to customers in a billing insert as an example of what the Board would be considering.

Mr. Offret said he feels the proposed increases are substantial. Economic conditions are hard for ratepayers already and he said he had concerns about raising rates. He would like to consider reducing spending as much as possible, pointing out a projected 5% increase in salaries and benefits to District staff. He said he understands the system needs to be maintained but he would like to see some projects prioritized. He considers the three alternatives to be very good but would like to see everything on the table. Mr. Stratton said the budget has been trimmed but some operating and maintenance items cannot remain on the back burner. The 5% increase in benefits and salaries accounts for rising costs of benefits rather than merit increases. Most assumptions within the budget are conservative to ensure adequate funds. The District must ensure monies are available to meet the required bond debt ratio and there is not a lot of room for error. He reiterated that since 2006 there has been a continual reduction in overall revenues and he is concerned that the trend will continue. Mr. Stratton said he understands Mr. Offret's concern for the ratepayers. Mr. Offret said he would like staff to remember how the system has improved since the District was formed and consider which projects might be simply making a good thing better. He has seen other organizations defer maintenance for 6-8 years, and he would like to see the District make sacrifices. Mr. Offret stated he feels nervous and almost forced into a corner to increase rates at time when customers are hurting.

Mr. Foulk asked if the proposed rate increase and the continuation of the RTA fee are totally separate items. Mr. Stratton said the RTA fee is separate, and the financial team has been investigating short-term financing options to pay for the five waterline relocation projects associated with the RTA – Pima County roadway improvements. Mr. Foulk asked if a rate increase would help the District pay for the waterline relocations and other projects like the NWCAP treatment and delivery system. Mr. Stratton said that until the roadway projects are complete, he cannot see moving forward on the CAP system. All staff and resources will be taken up for the next three years responding to the County's roadway requirements. He said he does not foresee accomplishing anything of substance besides project planning while waterline relocations are underway.

Mr. Guillot said that when he was gathering signatures for the election he heard from many customers about their financial difficulties. He said he understands the reasons for needing more revenue but he would like to find a way to make it more palatable. The system must be taken

care of but he wonders if customers can absorb the District's rising costs. He would like staff to find ways to pitch the rate increase better and show why we must still ask for more money despite efforts to cut costs. Mr. Guillot said he would like people to better understand how much the District has reduced spending. Mr. Foulk said he agreed with Mr. Guillot. He expressed concern about how a rate increase will impact low users and those on fixed incomes.

Mr. Foulk said with Alternative #3 the base rate increases and hits the low users hardest. Mr. Land talked about how Alternative #3 hits low users with a higher percentage increase but the creation of a new tier for under 4,000 gallons allows them to pay a lower commodity rate. He said 25% of customers fall under the 4,000 gallon level. Mr. Guillot said the percentages seem worse than the dollar amounts. Mr. Land concurred. He said comparing the increase to the cost of a bottle of water sounds better than a 16% increase in the base rate. The FOC focused on distributing the rate structure consistently in gallons and dollars. Mr. Foulk said he appreciates the way the tiers have been evened out in Alternative #3.

Motion passed unanimously.

**D. Potential Fee for Private Fire Lines.**

Mr. Tripp made a motion to direct staff to include for the public hearing on the District's rate and fees discussion a monthly Private Fire Line Fee to provide for operating and maintenance costs associated with maintaining fire fighting capacity applicable to District customers. Mr. Foulk seconded the motion. Motion passed unanimously.

**E. Dual Metering Proposal for District Customers.**

Mr. Tripp made a motion to approve a Dual Metering Option for residential single family homes, as outlined in this report and to consider the associated fees with the next rate approval. Mr. Offret seconded the motion. Motion passed unanimously.

**F. Approval of Insurance Company for General and Professional Liability Coverage.**

Mr. Tripp made a motion to approve Glatfelter Public Practice as our insurance company for Property, Automobile, Commercial General and Commercial Liability and Excess/Umbrella Liability coverage for the period of October 1, 2010 through September 30, 2011, which may be renewed on an annual basis for up to three years. Mr. Foulk seconded the motion.

Janet Gallup, Risk Management Specialist, said that two other companies declined to bid due to the flooding at the Northeast Reservoir Booster Station (NERBS). Clements Agency carried the District before. The proposal includes less than a 10% increase, an increase in the deductible and

a change to the underwriting of pumps. Mr. Foulk asked if the NERBS incident will no longer count against the District's record when the litigation is resolved. Ms. Gallup confirmed.

Motion passed unanimously.

**G. Approval of Water Transportation and Non-Exclusive Easement Agreements with B.K.W. Farms, Inc.**

Mr. Tripp made a motion to approve the Water Transportation Agreement and Non-Exclusive Easement Agreement between B.K.W. Farms, Inc. and the District. Mr. Foulk seconded the motion.

Mr. Offret had questions about water loss. Mr. Block said recharge projects always have a certain amount of loss, estimated at about 1%. When water is drawn out of the CAP canal for recharge the greater surface area results in evaporation. He said the idea is to recharge as fast as the water is delivered. Water being pulled from the canal is metered so it is known how much is going into the basins. Leakage can also add up and historically leakage is less than 1%. Mr. Offret asked if leakage occurs from canals. Mr. Block said the same minimal losses are estimated from canals but the BKW canal should not lose any more than the CAP canal.

Motion passed unanimously.

**H. CAP Water Credit Transfer Agreement with Town of Marana.**

Mr. Tripp made a motion to approve the Agreement to Sell and Assign CAP Long-term Storage Credits in the Tucson Active Management Area (TAMA) with the Town of Marana. Mr. Offret seconded the motion.

Mr. Stratton said Director Dorothy O'Brien was present to answer any questions the Board might have. Ms. O'Brien said the Town of Marana was pleased the District could assist in this interim solution for Marana.

Mr. Offret asked how the revenues brought in from the Town of Marana would be utilized. Mr. Stratton said the Town of Marana would be paying for the credits but the District will be ordering the water but Marana will be paying for it.

Mr. Guillot said he read the language several times and was uncertain about what would happen if the District agrees to a certain number of transfers but supplies fall short. Mr. Stratton said

orders would only be made after availability is verified. If shortages occur, the transfer of money and credits will not occur. He said credits will not be transferred until six months after payment is made. Mr. Guillot asked if the District will be guaranteeing a certain transfer rate. Mr. Stratton said when the District makes an order CAP will guarantee delivery based on that schedule and it will be known in advance if water is not available. Mr. Foulk said he had also been uncertain after reading the language. Michael McNulty, Legal Counsel, said section 9.3 of the agreement refers to this question.

Motion passed unanimously.

#### **V. General Manager's Report**

Mr. Stratton said RTA - Pima County roadway projects are requiring many meetings and scheduling will be coordinated.

Utility staff is restructuring on the upper management level due to Frank Fotta's retirement. Utility Supervisors had been taxed and the need for more delegation led to the creation of two Lead positions.

Mr. Stratton said there are two upcoming meetings that may be of interest to the Board of Directors. The Western Coalition of Arid States (WESTCAS) Conference will be held in Tucson October 27<sup>th</sup> -29<sup>th</sup> and the Colorado River Water Users Association (CRWUA) Conference will be held in Las Vegas December 15<sup>th</sup> - 17<sup>th</sup>. Reservations can be made if Board Members would like to attend.

Mr. Stratton said the Regional Water Task Force (RWATF) meeting had occurred earlier that day, September 13, 2010. The RWATF is contemplating using a process the RTA staff calls a "think tank" where participants' ideas are entered into a computer and then evaluated by the other members. The RWATF is developing a list of appropriate questions and is shooting for think tank workshops in October and November and a final report in the first part of 2011.

Mr. Stratton said the District's Wellness Committee has been involved in a number of activities. The fruit basket has been very successful. Billie Sue Morelli is organizing a team of walkers to participate in the Making Strides Against Breast Cancer Walk on October 31, 2010. He complimented the Committee in keeping staff interested in wellness.

#### **VI. Legal Counsel's Report**

Mr. McNulty said most of the legal work done in the previous month had been related to the recharge agreements. As far as the pending NERBS litigation, for which Robert Roos is Counsel,

he had no new information. Mr. McNulty had been unable to reach Mr. Roos but will make sure an update is provided to the Board by the next meeting.

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

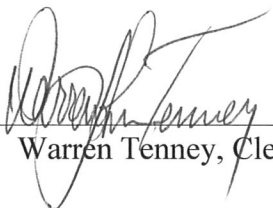
Mr. Tenney said the next regular session of the Board of Directors will be on Wednesday, October 13, 2010 due to the Monday holiday. The Public Hearing will be held on October 25, 2010 at 6:00 p.m.

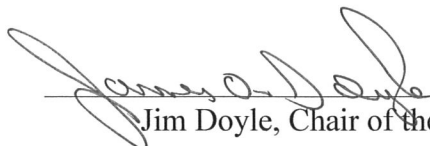
**VIII. General Comments From the Public.**

There were no comments from the public.

**IX. Adjournment.**

Mr. Tripp made a motion to adjourn. Mr. Offret seconded the motion. The meeting adjourned at 6:57 p.m.

  
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Warren Tenney, Clerk of the Board

  
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Jim Doyle, Chair of the Board