

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

September 9, 2013

**** Board Room ****

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

MINUTES

Board Members Present: Judy Scrivener, Chair
Dan M. Offret, Vice-Chair
Richard Byrd, Member
Jim Doyle, Member
Bryan Foulk, Member

District Staff: Mark R. Stratton, General Manager
Christopher W. Hill, Deputy Manager
Michael Land, Chief Financial Officer
Charlie Maish, District Engineer
Tullie Noltin, Recorder
John Hinderaker, Legal Counsel

Executive Session

I. Call to Order and Roll Call

Judy Scrivener, 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, Bryan Foulk, Dan M. Offret and Judy Scrivener were present. Richard Byrd arrived at 5:49 p.m.

Mr. Offret made a motion to adjourn into Executive Session. Mr. Foulk seconded the motion. Motion passed unanimously.

Executive Session pursuant to A.R.S. § 38-431.03, the Board, upon majority vote, may hold an executive session to discuss and consider the terms of a contract extension for General Manager Mark R. Stratton, P.E. and to receive legal advice regarding the contract extension and matters related to it.

Executive Session concluded at approximately 5:50 p.m.

Regular Session

II. Call to Order and Roll Call

Judy Scrivener, 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. Richard Byrd, Jim Doyle, Bryan Foulk, Dan M. Offret and Judy Scrivener were present.

III. Public Hearing regarding Proposed Riverview Annexation

A. Overview of Proposed Riverview Annexation

Mr. Stratton said this annexation area is located along River Road between La Canada Road and La Cholla Boulevard between Tucson Water and Metro Water District boundaries. Staff obtained signatures from all but two property owners. Tucson Water and Pima County were among those who signed the agreement for annexation. The annexation was advertised per statutes and is now ready for Board action.

B. Comments from the Public Regarding Proposed Riverview Annexation

There were no comments from the public.

C. Consideration and Possible Action to Adopt and Approve Resolution 2013-7 to Annex Property within the general vicinity of River Road and just west of Denton Drive known as Riverview Area into the District's Legal Boundaries.

Mr. Offret made a motion to adopt and approve Resolution 2013-7, which would annex the area known as Riverview at the southern Metro-Main boundary into the District's legal boundaries. Mr. Byrd seconded the motion. Motion passed unanimously.

IV. General Comments from the Public

There were no comments from the public.

V. Consent Agenda

- A. Approval of Minutes – August 12, 2013 Board Meeting.**
- B. Approval of Minutes – August 19, 2013 Special Board Meeting.**
- C. Ratification of Billing Adjustments.**

Mr. Offret made a motion to approve the Consent Agenda. Mr. Foulk seconded the motion. Motion passed unanimously.

V. General Business - Items for Discussion and Possible Action

A. Monthly Status of the District.

Mr. Stratton said water consumption for the month of August increased from the previous year. Although this is a nice change of direction, it is just one month and does not necessarily mean the numbers will continue in that direction. It is early in the budget year and staff is monitoring things closely. There was a recent carbon change-out at South Shannon. The Riverside Well improvements should be completed sometime this month. The Hub Well 1A at Fruchthendler School is proceeding, although the contractor is still a little behind on electrical work because they lost their subcontractor. The Ina Road and Oracle Road intersection improvement project has been closed out. Plans for the Freer/Camino de Sur are being updated for resubmittal.

Mr. Stratton said the status of the effluent line is covered in the General Manager's report. Mr. Offret asked what the estimated costs are to complete the effluent project. Mr. Stratton said the video taken of the existing pipeline is being analyzed and there were some areas that could not be televised. Information received from ProPipe will be analyzed with the Bureau of Reclamation to determine the extent of the damage and then costs can be determined. Mr. Offret said this is turning into his pet project because he realizes how many credits the District is losing every week. He believes we could quadruple the District's credits through effluent recharge if this pipeline was operating. Mr. Stratton agreed and said the credit value is going up. Mr. Offret urged staff to keep pursuing this.

B. Financial Report.

Mr. Land said revenues and expenditures for the month of July are \$241,705 over budget on a straight line basis. Compared with last year, total revenues for July are \$146,000 over, mostly due to water sales. The consumption data for August indicates next month water sales should show a tremendous jump. Salaries are down for a couple reasons, as stated in the report. The \$400,000 WIFA loan for the Riverside Well improvements has been used up to \$308,000. Reimbursement is expected next month.

The District had eleven meter applications last month, compared to three in the same period last year. The two month total is now at 19, which is 16 above last year. Most meter applications are occurring in Metro Southwest. Mr. Offret asked how long the District is required to pay a

contractual portion of the meter sale to Mr. Thim. Mr. Land said the District is about half way through the seven year period.

The solar array is still running better than prior to its installation. Mr. Hill and Solar H₂O identified a bank of solar panels that needed to be reset and hope that will improve performance by about 10 percent. Mr. Offret asked if the drainage along the new driveway will run through or impact the solar panels. Mr. Stratton said it does flow through the solar area but it has not increased the amount of drainage coming through. Construction is just relocating the channel further north so there should not be any problem.

C. Selection of Broker for Liability Insurance.

Mr. Foulk made a motion to approve Crest Insurance to represent the District as the broker in all liability insurance issues for a three year period with annual renewals, starting from October 1, 2013 through September 30, 2016, with an option for up to three one-year renewals thereafter. It is further moved that the General Manager be authorized to sign an insurance binder with the selected insurance company prior to October 1, 2013. Mr. Offret seconded the motion.

Mr. Land made a point of clarification. This is a new broker for liability insurance. Crest is handling the District's Workers Compensation and is doing a good job.

Motion passed unanimously.

D. Proposed Rate Adjustment and Scheduling of a Public Hearing.

Mr. Stratton said the revenue analysis provided last month showed the District has a need to increase revenues to meet our debt service and fund operational programs. Staff discussed with the FOC the various scenarios and alternatives, which is detailed in the report. The FOC recommendation was basically 4% but some wanted 6%. Discussions are ongoing about the projection of a continuing 2.1% decline in consumption, although August skews the decline a bit. The Board has the option whether to proceed with a public hearing and which amount they would like to propose. Two different drafts of a billing insert were prepared for 4% and 6% that would be provided to all customers.

Mr. Land said one other thing the FOC was keen on is to make sure we do have revenues for the capital line item. They feel the revenue increase should be dedicated towards bringing capital improvements back up to the million dollar level the District used to have.

Mr. Offret said at this juncture he is for a 3% revenue increase and he feels strongly not to go any higher for three reasons: A) That amount would cover the million dollars and would also be adding 10 cents to the Water Resources Utilization Fee, for other capital projects. B) He does not

believe the decline will continue at the 2.1% rate and wants to avoid ending up with additional money. He would rather do just enough to stay in a good position financially. C) He feels the budget estimates in general are always a little overly inflated. For all those reasons, Mr. Offret does not support going further than a 3% increase plus the 10 cents on the Water Resources Utilization Fee.

Mr. Foulk said he would like to see more than 3% because of CAP. It will cost a lot to get CAP over here and he would rather start chipping away at those costs now and get us in a position to move forward. The way the government is getting with the Navajo Generating Station (NGS) may result in a spike in CAP prices. Along the way, other projects and repairs will arise. He is leaning toward 4% but 6% would be better. The District does have rate hearings periodically and is not moving to CAP in the next year.

Mr. Byrd said he favors a 4% minimum increase. He agreed with Mr. Foulk, the District must address CAP utilization. He has concerns that water and electrical rates with NGS may cost the District more in the short term. His gut says 5% or 6% is more realistic to meet the needs in the near and immediate future.

Mr. Doyle said he could go for 4%, 6%, or in between. The District does have rate hearings periodically. He referred to an article in the paper about the Arizona Corporation Commission, which said it is better for water utilities to continue with nominal increases on a regular basis as opposed to trying to keep them small and then be forced to pass a huge spike. Mr. Doyle could support either 4% or 6%.

Mr. Foulk made a motion to schedule a public hearing for October 28, 2013 at 6:00 p.m. for the purpose of discussing and possibly adopting a rate adjustment as described in this report and as discussed at this meeting. Mr. Offret seconded the motion. Motion passed unanimously.

A public hearing will be held on Monday, October 28, 2013 at 6:00 p.m. Mr. Stratton said it appeared by the Board's comments they are leaning towards 4% and asked if customers should receive an insert based on a proposal of 4%. The Board confirmed.

E. Filling Vacancies on the Finance Oversight Committee.

Mr. Stratton said there are two vacancies on the Finance Oversight Committee (FOC). A third member, Jim Stevenson, has also indicated he will step down when a replacement can be found. Lee Harbers is interested in filling one of the vacancies. Mr. Harbers has been active in the community and Mr. Stratton has known him for quite some time. He is on the La Cañada Magee Neighborhood Association board.

Mr. Harbers said he has lived in the District for 27 years and he is at the point in his career where he is looking at opportunities to serve. He has been in business here since 1971, working in the surveying and mapping community. He is interested in District matters and believes he can bring something of value to the table. Ms. Scrivener and Mr. Foulk thanked him.

Mr. Foulk made a motion to appoint Lee Harbers to the Finance Oversight Committee. Mr. Byrd seconded the motion. Motion passed unanimously.

Mr. Stratton asked how the Board would like Staff to go about filling the remaining vacancies. Ms. Scrivener suggested inclusion of a flier in bills or writing a small blurb about the vacancies on the rate inserts. She would like to invite more participation from people who live here and let the customers know the Board welcomes that. The other members agreed. A brief announcement with contact number will be placed on the rate inserts that will go out to District customers in the next few weeks.

F. Approval of Amended Contract for Collection of Sewer User Fees.

Mr. Foulk made a motion to approve the attached amended contract with Pima County Regional Wastewater Reclamation Department for the collection of sewer fees at the monthly rate of \$1.00 per account, extending the termination period to June 30, 2014. Mr. Offret seconded the motion.

Mr. Offret asked if the District is making as much as some of the other local entities. Mr. Land said they have they been consulted and this amount is in line with Oro Valley and Marana.

Motion passed 3-0, with Ms. Scrivener and Mr. Doyle abstaining.

G. Approval for the Purchase of Meters and Endpoints for the Hub Fixed Network.

Mr. Foulk made a motion to approve the purchase of Sensus iPERL meters from Dana Kepner for the Hub Fixed Network Installation in the amount of \$189,009.61. Mr. Offret seconded the motion.

Mr. Offret asked if expenses will be taken out of the 2007 WIFA loan for Metro Hub, just as was done for Metro Southwest, and Mr. Stratton confirmed.

Motion passed unanimously.

Mr. Offret made a motion to approve the purchase of the Itron endpoints and antennas from National Meter and Automation, Inc. for the Hub Fixed Network installation in the amount of \$121,748.07. Mr. Byrd seconded the motion. Motion passed unanimously.

H. Approval and Award for the Purchase of Arsenic Treatment Vessels for Hub 1A and Hub 3 Wells.

Mr. Offret made a motion to approve the purchase of five arsenic treatment vessels from Smyth Industries in the amount of \$123,700 and the Board authorizes the General Manager to approve unforeseen modifications not to exceed \$15,000. Mr. Byrd seconded the motion. Motion passed unanimously.

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

Mr. Foulk made a motion to approve Amendment No. 25 to increase by \$70,000 the Interim Remedial Action Contract at the South Shannon Facility between the Arizona Department of Environmental Quality and the Metropolitan Domestic Water Improvement District. Mr. Foulk seconded the motion.

Mr. Stratton said \$70,000 will not cover the entire cost. Budget cuts have made it necessary to approve this lesser amount and an amendment in November is anticipated. Mr. Foulk recalled a similar situation in the past.

Motion passed unanimously.

J. Contract Renewal with United States Geological Survey on the Lower Canada Del Oro Basin Aquifer Storage Monitoring Project.

Mr. Offret made a motion to approve the new agreement between the District and the United States Geological Survey, subject to yearly approval, with an expiration date of September 30, 2016, and the District's annual contribution is not to exceed \$7,500. Mr. Foulk seconded motion. Motion passed unanimously.

K. Amendment No. 1 with Arizona Department of Water Resources for Subsidence Monitoring in the Tucson Active Management Area.

Mr. Foulk made a motion to approve Amendment No. 1 of the Intergovernmental Agreement between the Arizona Department of Water Resources and the Metropolitan Domestic Water Improvement District. The contract amendment will expire on December 31, 2018. It will be renewed annually. The District's contribution will not exceed \$1,500 annually. Mr. Byrd seconded the motion. Motion passed unanimously.

L. Presentation on Reliability Centered Maintenance.

Kevin Westbrook, Utility Program Specialist, gave a presentation on Reliability Centered Maintenance and how it can benefit the District. The presentation was well received. Mr. Stratton said the next step is tasking staff with finding the funds to advertise for a pilot study to get the program underway.

M. Discussion and Possible Action Regarding the General Manager's Contract.

Mr. Offret made a motion to extend the General Manager's contract as was discussed in executive session to March 5, 2014. Mr. Foulk seconded the motion. Motion passed unanimously.

Mr. Stratton said he has provided his notice of retirement with a date of March 5, 2014.

Mr. Offret said he would like to move forward with advertising the position because the process could take several months. He prefers to have the new General Manager hired by February 1, 2014 so that Mr. Stratton will have a chance to work with that person. Mr. Offret pointed out that western water is different from eastern water but would like to advertise the position nationally. He suggested some of the Board members could work with Mr. Stratton and Billie Sue Morelli, Human Resources Specialist, to screen the applications.

Ms. Scrivener said the national organizations mentioned in Mr. Stratton's letter will reach a tremendous pool of applicants far better than a local paper would. She would like applications to go through technical and managerial review to get the significant number of applications down to a short list, as Mr. Stratton described in his letter.

Mr. Foulk agreed the advertisement should be nationwide. His preference is to handle the process the way Tucson Water did, with two Board members serving on a technical panel and two on a managerial panel. He was not sure if all screening should be done publicly. Once the initial screening is done, then maybe the final parts of the process could be done in public.

Mr. Offret offered to work on a committee or panel to develop the job description and advertise it right away in the different professional publications. Ms. Scrivener said she would like to be involved in that step. Mr. Offret and Ms. Scrivener will work with Mr. Stratton and Ms. Morelli on the job description and have the advertisements ready by next Friday, September 20, 2013, to run for two months.

Ms. Scrivener suggested Mr. Byrd and Mr. Doyle would be excellent technical reviewers and Mr. Offret and Mr. Foulk would be well suited to review from a managerial perspective.

There was a discussion about the need to adhere to public open meeting law any time three or more Board members gather throughout this process. Any information that needs to be shared

with all Board members will come from Mr. Stratton or Legal Counsel. The two managerial and technical panels will meet separately after applications are initially screened. Mr. Stratton said the Board would have to decide at some point whether to pay for travel expenses for out of state applicants who are invited to interview. Board Members can begin thinking of questions independently.

VI. General Manager's Report.

Mr. Stratton said the cost of the metering station for the reclaimed water system came in at \$286,000, almost double the original Tucson Water estimate of \$150,000. Staff is still looking at what that means to the District. The District cannot start collecting on the capital investment until we are physically delivering reclaimed water to Omni Tucson National.

Mr. Offret wondered how the District will find another \$136,000. He asked how long it has been since the estimate was made and Mr. Maish said March of last year. Mr. Offret asked what accounts for the increase. Mr. Maish said the explanation given to the District was that some things were overlooked, such as the need for the metering station to monitor both reclaimed and potable water. This detail increased the electrical instrumentation needs substantially. In addition, a retaining wall needs certain structural elements. Mr. Offret asked if the District had any input or oversight during the estimate process. Mr. Maish said the District did have opportunity to review plans as they were developed but never saw their electrical improvements. The District was only provided with a cabinet for our SCADA system. The metering station will go next to the veterinary office on Cortaro Farms Road east of Thornydale Road.

Mr. Stratton said the On-Call field equipment has been upgraded from a laptop to an iPad. The laptop needed replacement and the District is moving toward field applications with more advanced IT technology. The iPad will allow more efficient monitoring of the telemetry system. Staff did meet with Oro Valley, whose field staff is using iPads with success. The monthly expenses for connection can be costly, so District staff is working with contractors on the possibility of fitting trucks with GPS units that offer wifi hotspot capabilities. A cover that absorbs shock was also purchased at a cost over \$100. Mr. Offret asked the cost of the iPad and Steve Shepard, Utility Superintendent, said it was about \$700 through Verizon.

The Tristate Seminar will be held later this month in Las Vegas. The Western Coalition of Arid States (WestCAS) annual meeting will be held at Westward Look here in Tucson and the agenda should be released soon. Staff should also be hearing soon about registration for the Colorado River Water Users' Association (CRWUA) conference, to be held in Las Vegas in December. Board members are invited to attend.

VII. Legal Counsel's Report

Mr. Hinderaker said Donovan Hemway sent correspondence to District Staff, Board Members, and Legal Counsel this week. Legal Counsel in Tempe will direct all future correspondence to their office. The lawsuit that Mr. Hemway filed in August but has yet to serve will be moved to Federal court. Mr. Hemway will not need to serve the Board because Legal Counsel is accepting service on behalf of the Board. That does not mean Mr. Hemway cannot serve or will not serve. Legal Counsel may file a motion to dismiss in the interest of being proactive and getting this resolved. The District's Legal Counsel feels good about the case. The Arizona Civil Rights Division dismissed the charge of discrimination, which means Mr. Hemway can sue the District but the Civil Rights Division itself will not sue the District. If Mr. Hemway pursues that, he will do so as part of the Federal lawsuit, to be heard in United States District Court in Tucson.

VIII. Future Meeting Dates; Future Agenda Items.

The Finance Oversight Committee is meeting next Monday, September 16, 2013. The October Board meeting will be held on Wednesday, October 16, 2013, due to the holiday. The public rate hearing will be Monday, October 28, 2013 at 6:00 p.m.

IX. General Comments from the Public.

There were no comments by the public.

IX. Adjournment.

The meeting adjourned at 7:19 p.m.

Judy Scrivener, Chair of the Board

Warren Tenney, Clerk of the Board