

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

April 9, 2012

**** Board Room ****

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

MINUTES

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

Board Members Not Present: Jim Doyle, Member

District Staff: Mark R. Stratton, General Manager
Christopher W. Hill, Deputy General Manager
Michael Land, Chief Financial Officer
Charlie Maish, District Engineer
Tullie Noltin, Recorder
Keri Silvyn, Legal Counsel
Warren Tenney, Clerk of the Board

Executive Session

I. Call to Order and Roll Call

Bryan Foulk, 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. Richard Byrd, Bryan Foulk, Dan M. Offret and Judy Scrivener were present. Jim Doyle was not present.

Mr. Offret made a motion to adjourn into Executive Session at 5:01 p.m. Ms. Scrivener seconded the motion. Motion passed unanimously.

Executive Session pursuant A.R.S. § 38-431.03.A.1 (discussion or consideration of personnel matters), regarding the following:

A. General Manager's Annual Performance Review.

The Executive Session concluded at approximately 5:45 p.m.

Regular Session

I. Call to Order and Roll Call

Bryan Foulk, 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, Bryan Foulk, Dan M. Offret and Judy Scrivener were present. Jim Doyle was not present.

II. General Comments from the Public

There were no comments from the public.

III. Consent Agenda

- A. Approval of Minutes – March 12, 2012 Board Meeting.**
- B. Ratification of Billing Adjustments.**
- C. Approval of Water Service Agreement – Tucson Memory Care.**

Mr. Offret made a motion to approve the Consent Agenda. Ms. Scrivener 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 a slight positive upturn in consumption from the previous year in Metro-Main. Mr. Foulk said he noticed that Metro-Southwest, which normally produces a little more than the other service areas, had dropped slightly this month. Mr. Stratton said there was no known explanation for the reduction but Metro-Hub generally has higher usage and was also lower this past month. Mr. Offret expressed approval that the District's good conservation efforts are working.

Mr. Stratton said staff has been very active with the County road projects and utility relocations. A few waterlines have been hit by various entities. The GAC change-out was performed on schedule at South Shannon. Avra Valley Recharge Project (AVRP) continues to do well and Basin 4 continues to show higher infiltration rates over time. Mr. Offret asked about the bids on replacement gates at AVRP and Mr. Block said bids are due tomorrow. The Magee Phase 2

project is on schedule and contractors are ahead of schedule on the La Cholla project north of Magee. A couple of new projects have been submitted to the County. Well designs for the Old Magee Trail well are complete.

B. Financial Report.

Mr. Land said revenues and expenditures compared to budget are down significantly, \$427,000 and \$548,000 under budget, respectively. Budgeted revenues in excess of operating expenditures are \$120,800 over. Compared to last year, revenues are down due to not only a reduction in metered water sales, but also a water rights sale and IRS refund last year. To get a truer picture, the District is \$147,000 behind last year in revenues specifically related to metered water sales and is \$46,000 under last year in operating expenditures. The daily deposit cash balance is really down but some reimbursements are expected, so that is an area Mr. Land is keeping close track of. Meter applications are still lagging. Solar energy activity is still positive and a possible increase in efficiency is expected in the warmer months.

C. Call a Board of Directors Election for November 6, 2012.

Mr. Tenney said this item fulfills a statutory requirement. Two Board members' terms will end this year, so an election is needed.

Ms. Scrivener made a motion to approve Resolution 2012-2 to call an election for November 6, 2012 for the purpose of electing members of the Board of Directors to fill the seats currently held by Bryan Foulk and Dan M. Offret. Mr. Offret seconded the motion. Motion passed unanimously.

D. Legislative Issues 2012.

Mr. Tenney said there has been no new movement in the Legislature since the report was drafted. He is waiting to see how the State budget ends up between the Legislature and the Governor, with regards to Arizona Department of Water Resources (ADWR). The bills the District are supporting are moving forward but there is no new information to convey.

Mr. Offret asked about the Painted Hills Tucson Water issue. Mr. Stratton said the developer is trying to work out a deal so that legislation does not need to proceed but if a settlement is not reached the bill will likely be resurrected next legislative session.

E. Presentation on Productivity Improvement Program.

Mr. Stratton said DataWorks, LLC was hired to conduct a discovery of the District to show how daily operation processes could be improved and integrated. The report contains a summary of

findings and also includes a recommendation on how to implement potential improvements. Many things that were discovered were a surprise, such as the realization that three different people were entering the same data into three different databases. Difficulty finding information was a recurring problem reported by staff.

Uday Dalvi, CEO of DataWorks, LLC went over the report highlights. He said he was pleasantly surprised by how engaged, positive and open-minded staff was and he praised Mr. Stratton and the Management team for their efforts.

Mr. Foulk asked about cloud-based processes. Mr. Dalvi explained the IT hardware is already in place, so only a bandwidth adjustment would be needed to use cloud-based tools.

Mr. Offret asked how secure the transfer of information would be using Google applications. Mr. Dalvi said the systems would be very secure. These types of tools are utilized in the healthcare industry, where privacy is of utmost concern and information is heavily regulated. Another good thing about using Google is they upgrade and update their own software regularly.

Mr. Foulk asked how field employees would access centralized information from their vehicles. Mr. Dalvi said options would be discussed on the best possible way of implementing the recommendations, considering budget limitations and other factors. Tablets provide great solutions but at the very least, field personnel would benefit from mobile phones or laptops. Mr. Stratton noted any field application hardware would need to be durable but all of those details would be discussed.

Mr. Foulk asked what the annual software licensing fees would be. Mr. Dalvi said the license fees come to \$51,000 per year. Looking at only the first phase, there are \$36,900 in licensing fees. The District already has ESRI software but a new cloud-based version is due for release soon, and it could turn out to be a good option for the District.

Mr. Stratton closed by saying he would like staff to be able to see small, gradual successes through these changes. The low hanging fruit could be accomplished relatively quickly and efficiently, which would help staff develop a comfort level with the new processes.

F. Water Level Monitoring Program.

Mr. Tenney said the Annual Water Level Report reminds the District how important the groundwater resource is. Here, as with other places, declines in groundwater levels must be monitored and managed. Metro-Main is seeing an average annual decline of 3 feet, which meets the ADWR limit of no greater than 4 feet. Metro-Southwest is seeing the deepest decline, and will be further impacted once Tucson Water starts recovering more actively because those wells

are in close proximity to Tucson Water recharge facilities. Mr. Tenney acknowledged Hydrology staff's efforts. Mr. Foulk complimented Hydrology staff on their maps.

G. Discussion of Proposed Ina Road Gas Station.

Mr. Stratton stated that staff is concerned about a proposed QuikTrip (QT) gas station being built adjacent to the Ina/CDO well. Christopher Hill, Deputy Manager, previously met with QT staff to discuss the concerns and monitoring statutes. He thanked the QT Representatives for coming. Ina/CDO is a production well with a \$1.5 million replacement value, so staff is concerned about the vulnerabilities thereof. QT has been very amenable, showing their monitoring systems are over and above state requirements. QT has also been responsive to District requests to perform additional monitoring and add more protection than required, such as a liner. Mr. Hill is satisfied with the monitoring practices they have planned for this station.

Ms. Silvyn disclosed that Lewis & Roca generally represents QT and Metro Water District, so the firm is not representing either party on this particular matter.

Mike Wooten, Real Estate Project Manager, introduced himself and expressed his thanks for the chance to address the Board. Mr. Wooten said he primarily deals with permitting and development. Drawings of the project site and adjacent well site were displayed for the Board's reference.

Jeff McGuffin of QuikTrip Corporate in Tulsa, Oklahoma, introduced himself and thanked the Board for allowing him to answer questions. Plans for the gas station have been revised following discussions with staff, with the storage tank relocated 300 feet away from the well site. Plans now include an additional impervious liner for the storage tank. QT has been operating under safeguards since it first started in Arizona in 1999, well before state regulation, and there has never been a release into the environment. QT goes above and beyond what is required and has procedures in place in the unlikely chance of a slow release. Sensors would detect leakage and staff is trained to respond to all alarms. All QT stores are corporately owned.

Mr. Offret asked what the specific responses are to alarms. Mr. Foulk added he would like to know how many gallons triggers an alarm. Mr. McGuffin said the tanks have a double-wall system that is guaranteed for 30 years. If a leak occurs in either the inner or outer wall an alarm is activated. Both inner and outer walls would have to be leaking simultaneously to reach the environment. Leakage at the rate of five gallons per month would change the brine levels and activate an alarm. Once an alarm sounds, staff immediately responds to shut down the tank, empty it, and repair it. He talked about one instance where a pin-hole leak tripped an alarm.

Mr. Foulk asked how much leakage the additional liner can hold. Mr. McGuffin said the liner is not designed to hold the entire contents of the tank but would catch a leakage. Mr. Foulk asked how leaks are prevented in the piping. Mr. McGuffin explained the lines are also double walled, and joint transitions are encased in fiberglass boxes to capture and detect leaks in the lines at the rate of 1 gallon per hour, shutting down at 3 gallons per hour. Systems are tested annually; including an operability test with simulated leak to make sure the system will properly shut down if needed.

Mr. Foulk asked about surface runoff and drainage. Mr. Wooten said site development was in the early stages and grading plans had not yet been proposed. As soon as these issues are resolved, grading and drainage concerns will be addressed according to regulations. Mr. Hill noted surface runoff is not a major concern near other gas stations in the District. Craig Courtney, Owner and managing member of the property, said there is currently a drainage system designed to channel flow south and then east or west, to a storm drain and catch basin near the CDO wash and Ina/CDO well site. QT will redesign drainage based on their needs.

Mr. Byrd asked if QT is aware of recent problems in the Western Region with premature degradation of fiberglass storage tanks. He said Circle K has experienced a tremendous failure and as a result, over 200 tanks have had to be relined or replaced with dual-wall steel tanks. ADEQ might have information to share regarding those issues. Mr. McGuffin said he was not aware of such a problem. He had heard about higher ethanol fuels (85%) causing a few problems but QT does not use that particular grade. QT uses fiberglass tanks here in Southern Arizona and in other markets without issue. He wondered if the situation Mr. Byrd was referring to could be refinery specific. Mr. McGuffin thanked Mr. Byrd and said he would ask ADEQ for more information the following day. Periodic monitoring and interstitial reports could be shared upon request.

Mr. Stratton noted that in the District's discussions regarding ADEQ statutes and regulatory requirements, it was learned that nothing prohibits a gas station from going in next to a well, but water providers cannot drill a well next to existing gas stations. Before the District was formed, the Metro Water Company did have a well adjacent to gas station and some petroleum products were detected. Mr. Byrd asked about surface seal and the screen interval at a well a little further down. Mr. Hill said District monitoring would also increase at that well.

V. General Manager's Report

Mr. Stratton apologized the General Manager's report was not provided with the packet; he lost track of time.

The 2011 Annual Water Quality Reports, or CCRs, are being formatted and will be provided after printing this year because the information is fairly standard.

A County project near Lulu Walker Elementary School will require some utility work by the District. In order to accomplish this in accordance with the County's schedule, the District is looking into issuing a change order on an existing contract, rather than the lengthy bid process.

The District enjoyed over 300 days without any accidents but a few days ago, a meter reader was rear-ended in traffic. Mr. Stratton said the safety training sessions at the District are excellent.

Mr. Stratton and Mr. Land will be attending the next WIFA board meeting because the District is being given an award for the Thim acquisition two years ago.

VI. Legal Counsel's Report

Ms. Silvyn said that on April 5, 2012 she received notification the complaint regarding Open Meeting Law had been closed with no finding of a violation.

VII. Future Meeting Dates; Future Agenda Items.

Mr. Tenney said the next regular meeting will be May 14, 2012 but a budget study session is also necessary on April 30, 2012 at 5:30 p.m.

VIII. General Comments From the Public.

There were no comments by the public.

IX. Adjournment.

Mr. Foulk made a motion to adjourn. The meeting adjourned at 7:03 p.m.

Bryan Foulk, Chair of the Board

Warren Tenney, Clerk of the Board