

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

February 14, 2011

**** 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
Jim Doyle, Member
Helen Ireland, Member
Judy Scrivener, Member

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

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 5:30 p.m. Jim Doyle, Bryan Foulk, Helen Ireland, Dan M. Offret, and Judy Scrivener were present.

Mr. Offret made a motion to adjourn into Executive Session at 5:31 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. Quarterly Appraisal of the General Manager.

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 6:03 p.m. Jim Doyle, Bryan Foulk, Helen Ireland, Dan M. Offret, and Judy Scrivener were present.

II. General Comments from the Public

There were no comments from the public.

III. Consent Agenda

- A. Approval of Minutes – January 10, 2011 Board Meeting.**
- B. Ratification of Billing Adjustments.**
- C. Approval of Water Service Agreement – Thornydale Office Park.**

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.

Mr. Stratton said water produced in the three various service areas was close to last year's levels. Metro Main was not far off and Metro Hub used a little more. Metro Southwest used a significant difference this year but the Tucson Water purchases account for some of that; it will be another few months before Metro Southwest's actual usage becomes obvious. Mr. Stratton said the media will be changed out at the South Shannon treatment facility in another month or so. Meanwhile, staff is looking at possible modifications to put the old air strippers into operation so that a dual phase treatment process is in place. The use of the air strippers in conjunction with the existing GAC would extend the life of the media and minimize operating costs. Mr. Doyle asked if an air quality permit would be required and Mr. Stratton said not at this time. Mr. Stratton said system maintenance is ongoing and valves are being exercised due to County roadway projects. The Hydrology staff has completed its annual static water level testing. Staff is looking at ways to maximize the use of effluent from the Ina Road treatment plant so the District can get more credits without expending a lot of money. The newly-acquired Avra Valley Recharge Project (AVRP) is up and running and recharged over 600 acre feet in January. Capital projects underway relate to County roadway projects. Mr. Foulk asked about the

timing of the Shannon Road project from Thornydale to Magee. Mr. Stratton said it would be part of Phase II. Mr. Maish added Phase II bids are scheduled for late summer.

B. Financial Report.

Mr. Stratton said that Mike Land, Chief Financial Officer, was unable to attend the meeting but had provided the financial report. Revenues are looking fairly well and expenditures match anticipated levels. Salaries and benefits are slightly higher due to overtime related to County roadway relocation work. Purchased power spending peaks in July, August and September.

C. Midyear Review and Possible Adjustment of Fiscal Year 2010-2011 Budget and Establishment of Reserve Fund.

Mr. Offret made a motion to approve a mid-year adjustment to the fiscal year 2010-2011 budget, in which a reserve account of \$430,500 is established for the purpose of funding unfunded or emergency capital equipment and projects there approved by the Board. The Board also approves the funding of the capital equipment and the project identified in this report with the use of the reserve account. Ms. Scrivener seconded the motion.

Mr. Offret said although this is a lot of money, he believes in what the District is doing in establishing the reserve fund. Mr. Offret asked for Mr. Stratton's assurance that the District's operating fund will still be in the black by year end if this account is established; Mr. Stratton confirmed, barring any emergencies. Mr. Stratton said the reserve will be funded on a regular basis according to priorities. The midyear budget review is a good opportunity to identify areas where monies are not going to be spent and allow unexpected capital projects to be paid for without the need for financing. The reserves could be used to offset capital expenses as monies are available. He said he has always been a proponent of a pay-as-you-go construction format, if at all possible, but with the way the capital program was expedited that was not feasible. Mr. Offret asked if the reserve would be funded twice a year. Mr. Stratton said there is still a need to have a healthy carryover balance at the end of the budget year and the reserves provide a cushion for unknown circumstances that may crop up. Mr. Offret stated he is a proponent of large end-of-year carryover balances but this reserve fund also satisfies that need to be ready for emergencies. Mr. Foulk said he likes the midyear review process, where funds can be reallocated and applied where they are needed. Mr. Stratton said the Board still has a contingency fund, which for the most part is left untouched and has never been depleted in a single year.

Mr. Foulk asked if the recent freezing temperatures affected the emergency repair budget. Christopher Hill, Deputy General Manager, said the cold weather resulted in about \$10,000 in equipment damages but the emergency repair budget line item is primarily used for on-call

contractors and was not utilized. Mr. Stratton said there is enough cushion in material supply to handle most small repairs.

Mr. Stratton also noted Mr. Hill will prepare a report for the Board on anticipated usage for the skid-steer with hoe and attachments, so the purchase cost can be compared with rental costs.

The motion passed unanimously.

D. Appointment to the Financial Oversight Committee.

Mr. Stratton said he had spoken with Reb Guillot and he would be honored to serve on the Finance Oversight Committee if the Board chooses to appoint him. Mr. Offret said Mr. Guillot has a great command of the budget.

Mr. Offret made a motion to appoint Reb Guillot to the Finance Oversight Committee. Ms. Ireland seconded the motion. The motion passed unanimously.

E. Discussion and Direction for 2011 Legislation.

Mr. Tenney said the District has been tracking State legislation. This year there are a number of vehicle bills that could be used as strikers with a complete amendment, so the District is monitoring activity closely. Mr. Tenney mentioned a few bills that have to do with water issues but do not directly affect the District. Staff is recommending the District remain neutral on SB 1171, dealing with the acquisition of wastewater utilities and primarily affecting Marana and Pima County.

HB 2527 has to do with well ownership and transfer. This bill was approved in committee and is moving forward. An amendment was created that clarified the bill deals with potable water. Staff recommends supporting this bill.

SB 1566 deals with exempt wells and emergency uses. Several years ago the District and Southern Arizona Water Users Association (SAWUA) pushed for the prohibition of any new exempt wells within a service area of a designated provider within an active management area (AMA). This bill is an odd attempt to allow for emergency livestock uses. SAWUA is taking a position of opposing this legislation, and staff recommends opposing it as well.

SB 1219 / HB 2393 are items proposed every year by the Arizona Department of Water Resources (ADWR) regarding drought emergency transfer requirements. There is an effort to make this permanent so there is no need to go back to the Legislature every year. There would be strict rules allowing the ADWR Director to allow groundwater transfers during a drought. Mr. Offret noted the Groundwater Users Advisory Council (GUAC) is supporting this legislation.

Mr. Tenney said everyone in the water community supports the bill and he recommends the District support it as well.

Mr. Tenney described recent and ongoing changes in how ADWR is funded. There is a recommendation by the Governor's office that would establish a fee by municipalities but it is unclear how this would affect water providers who are not part of a municipality.

Mr. Offret asked how the Board's position on legislation would manifest itself. Mr. Tenney said letters would be sent to the bill sponsors expressing the Board's position.

Mr. Offret made a motion to show support for HB 2527, well ownership and transfer, as well as SB 1219 and HB 2393, drought emergency groundwater transfer. Ms. Scrivener seconded the motion. Motion passed unanimously.

Mr. Offret said he was not sure about SB 1566, exempt wells and emergency use. Mr. Foulk said he does not think people should be drilling wells within municipalities for emergency agricultural use. Mr. Foulk agrees with staff's decision to oppose SB 1566.

Mr. Offret made a motion to oppose SB 1566, exempt wells and emergency use. Ms. Scrivener seconded the motion. Motion passed unanimously.

F. Award of the Construction Contract for the Drilling, Installation, and Testing of the Matter Well No. 2 Production Well.

Mr. Offret made a motion to award the construction contract for the Drilling, Installation, and testing of the Matter No. 2 Production Well to Arizona Beeman Drilling in the amount of \$508,584.76 (Alternative B). He also moved to grant the General Manager authority to approve the following changes to the construction contract: 1) allocate additional funding accumulative amount not to exceed \$25,000 and 2) increase the original construction contract term to accumulative amount not to exceed 60 calendar days. Any changes in excess of the above limits will be submitted to the Board of Directors for approval. Ms. Scrivener seconded the motion.

Mr. Offret wanted to clarify that by passing this item, the District would secure a driller but would still have no confirmed location at which to drill. Mr. Stratton agreed and said the Contractor is willing to hold their price for six months and the District also hopes to have a confirmed location within six months. Mike Block, District Hydrologist, verified the Contractor is holding the price. Gary Burchard, Hydrogeologist for the District, said the Contractor told him they would hold the price until May. Mr. Foulk said he would like to have a concrete date, such as May 31st. He asked what would happen if there was still no location by May. Mr. Burchard said in that case, the District is at the mercy of the Contractor and he does not know whether they will continue to hold prices or not. Mr. Foulk asked if the District would have to go through the

bidding process again if there is no location decision by May, and Mr. Burchard said that is his assumption.

Mr. Offret asked about payment of costs and reimbursements. Mr. Stratton the County will reimburse the District for the costs of drilling the new well but there is no draft intergovernmental agreement yet.

Mr. Offret asked who will be the responsible party if the yield is not up to standards. Mr. Stratton said that risk will fall to the District but Hydrology staff is fairly comfortable about capacity estimates because of the close proximity to the existing well and supporting data from the nearby Mona Lisa and Tucson National well sites. The new site will also be close to the Cañada del Oro Wash. Mr. Block said there have been discussions with Clear Creek Associates about the most ideal placement of the screen to maximize production.

Mr. Offret asked why only three bids were submitted after eight contractors submitted bid documents. Mr. Burchard said he was also surprised by that. Only one non-bidder asked about the results and mentioned he intended to bid but did not get the paperwork in on time.

Motion passed unanimously.

G. Approval of Professional Services Contract for the Riverside Well Transmission Main.

Mr. Offret made a motion to approve the Professional Services Contract for the Riverside Well Transmission Main to Westland Resources, Inc. in the amount of \$107,000. Ms. Scrivener seconded the motion. Motion passed unanimously.

H. Approval of Construction Contract for the Riverside Apartments 12” Offsite Waterline Extension.

Ms. Ireland made a motion to approve the Construction Contract for the Riverside Apartments 12” Offsite Waterline Extension to Borderland Construction Company, Inc. in the amount of \$56,209.12 and to authorize the General Manager the authority to approve the allocation of additional funding up to a cumulative amount not to exceed \$2,800.00. Ms. Scrivener seconded the motion. Motion passed unanimously.

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

Ms. Scrivener made a motion that the Metropolitan Domestic Water Improvement District approve Amendment No. 6 to the Professional Services Agreement with HDR Engineering, Inc.

for an additional amount not to exceed \$60,000.00, and to authorize the General Manager to extend the contract termination date up to an additional 60 days to complete the design due to unanticipated delays. Ms. Offret seconded the motion.

Mr. Offret asked if the contract amount is now twice the original amount, and Mr. Maish explained there are two separate projects: the original design of La Cañada, Orange Grove to Roller Coaster, and the design related to waterline relocations due to road improvements from Ina to Roller Coaster. He said this agenda item is related to water relocations.

Motion passed unanimously.

J. Approval of Lease Agreement of Solar Equipment for Office Complex.

Mr. Offret said he had some concerns that he would like addressed before the Board decides on the Solar Agreement. He said he supports the idea itself because it aligns with the Board's values of conservation and saving customers money. He had concerns about the actual location of the array, and whether it will fit into the plans for the future parking lot expansion. In addition, he would like to see the array enclosed in a fenced area. He would like to know the estimated costs to protect the array, such as insurance and maintenance. Mr. Foulk asked how and when the solar energy would be used.

Steve Daly of Solar H₂O & Electric said the panels would be storing energy for daytime use only. A five-foot security fence with top rail surrounding the equipment is included in the contract. The energy is measured in debits and credits, and the building will still be tied to grid but when credits outnumber debits the meter will go backwards. Mr. Foulk said he expects there may be technological advances in solar panels and he wondered how upgrades would affect the contract. Mr. Daly said solar panels been around for 30-35 years, and the technology has remained basically the same but the costs have come down. Mr. Foulk asked what would happen in ten years, midway through the contract, if the District wanted to upgrade to panels that could generate twice the amount of energy. Mr. Daly said if that situation occurs we can readjust. He said that Solar H₂O & Electric will stand behind their panels and the promised levels of energy. The average life of a solar panel is 25-30 years and they do wear out, so the level could be more in the beginning and less in end but over 20 years, the average will be what is promised. Mr. Stratton said the location of the array will fit into the parking lot expansion designs. Mr. Foulk asked if covered parking structures had been considered. Mr. Stratton said they had talked about affixing panels to parking structures but did not see a cost savings due to upfront capital costs. Mr. Stratton said there had been discussions about being able to utilize the panels for other high cost facilities not on interruptible power. The ACC currently does not allow a solar field to exist at one location for use at another location but he hopes that changes. The District has enough land to accommodate more panels in the future. Mr. Daly said that Solar H₂O & Electric would

insure the product itself against weather or defect but he could not address how much liability insurance would cost. Mr. Stratton said that since there would be a fence around it, liability insurance should not be an additional cost.

Ms. Scrivener made a motion to approve the lease agreement for solar equipment for the District's office complex with Solar H₂O & Electric, LLC. Ms. Ireland seconded the motion. Motion passed unanimously.

V. General Manager's Report

Mr. Hill distributed a report chronicling the February 3rd-4th freeze and associated repairs. He noted that this freeze was more extreme than previous freezes because of the wind. There was no way to prevent it because even customers with insulated pipes woke up to frozen pipes. Mr. Hill said staff will keep a running tab of all work related to this event so that an insurance claim can be filed. The Lazy B area experienced frozen pumps which left about 28 customers without water for about a day, and a separate flooding event affected three homes. An estimated \$10,000 - \$15,000 in damage and another \$10,000 - \$15,000 in labor costs were incurred but Mr. Hill considers the District fortunate compared to the other utilities in the area. Staff will be reviewing practices and system functions. Customers should know the locations of their house valves and water lines and he recommended customers leave water flowing a little to prevent future problems. Mr. Offret recalled Lazy B was without water a few months ago in an unrelated failure. Mr. Hill said that area is susceptible to outages because there is no redundancy but it is more cost effective to haul in water than to pay base rates to have a secondary source available.

Mr. Stratton said he had been busy addressing Pima County Transportation issues regarding the relocation of Matter Well. Staff is working on the fiscal year 2011-2012 budget in cooperation with the Finance Oversight Committee. The Board will join the process and begin study sessions in March. Mr. Stratton will attend the Multi-State Salinity Conference in San Antonio this week but will be available by phone or email. Mr. Doyle and Ms. Ireland will attend the Water Education Foundation's Arizona Water Resources Tour next week.

VI. Legal Counsel's Report

Ms. Silvyn gave an update regarding NERBS litigation, which is being handled by Lewis & Roca attorneys Robert Roos and Sarah Seltzer. The pretrial conference is scheduled for March 7, 2011. Mr. Roos had spoken to Mr. Stratton about legal action brought by the District's insurance company to recover their output of cash that includes Brown and Caldwell. That action has been consolidated with other actions and the District has been advised to amend its claim to include Brown and Caldwell in litigation.

VII. Future Meeting Dates; Future Agenda Items.

Mr. Tenney said the next regular scheduled session of the Board of Directors will be held on March 14, 2011 and a study session will likely be held on March 28, 2011.

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 7:01 p.m.

Bryan Foulk, Chair of the Board

Warren Tenney, Clerk of the Board