MEMORANDUM

Date: January 10, 2013

To: The Honorable Chairman and Members
Pima County Board of Supervisors

From: C.H. Huckelberry
County Administrator

Re: Settlement Discussions with the Town of Marana Regarding Wastewater Litigation

Attached is a December 28, 2012 letter from Marana Town Manager Gilbert Davidson indicating the Mayor and Town Council have directed that the Town pursue settlement in accordance with Settlement Option A provided by the Pima County Board of Supervisors.

I recently met with Marana Councilmembers Jon Post and Dave Bowen to clarify the following issues:

(a) **Environmental issues or clearances regarding operation of the Rillito Vista Treatment Facility.** The County provided the Town of Marana with the property lease for this facility and will advise the Town 1) the County has not received any regulatory actions associated with our operation of the facility from the Arizona Department of Environmental Quality (ADEQ), and 2) based on our knowledge and operation of the facility, there are no known environmental hazards or liabilities.

(b) **The Town requested that supplemental language be included in the provision for accepting the County's conditionally approved Aquifer Protection Permit (APP) amendment allowing expansion of the plant.** The County will add clarifying language that allows the Town to either operate under our proposed amended APP or reach a suitable arrangement with ADEQ to expand the plant in a manner and schedule different than the already approved County modified APP for the facility.

(c) **Slightly adjusting the language regarding the repeal of Senate Bill (SB) 1171 and House Bill (HB) 1152 to indicate a settlement agreement can be entered into and executed, but final transfer of the plant will not occur until the legislation has been repealed.** This allows both parties sufficient time to work in concert to repeal the legislation.

(d) **The Town would like to pay the $18.2 million for the facility based on the debt schedule of the County by paying semiannual principal and interest payments, including adjusted additional payments for the expanded buffer.** Such is acceptable to the County provided:
1. The payments are provided through a trust or escrow agreement;

2. The Town pays all principal and interest payments that are scheduled to be paid upon their assumption of plant operation on January 3, 2012;

3. The Town pays the County interest on the monies advanced by the County to make the Town’s payments since January 3, 2012; and

4. The County will require security for the facilities, plant and property being conveyed and will require that if the Town fails to make payments as scheduled, the facilities, improvements and property would revert to the County.

I have asked Deputy County Attorney Charles Wesselhoft to draft a preliminary settlement agreement containing these terms and all terms and modifications approved by the Board of Supervisors. As soon as a draft settlement agreement has been prepared, it will be transmitted to the Town of Marana for their consideration.

We are hopeful this settlement agreement can be crafted quickly and entered into by the parties as soon as possible and that appropriate repeal legislation for SB 1171 and HB 1152 can be introduced as directed by the Town of Marana and concurred by the County as soon as possible, perhaps within the next two weeks.

CHH/dph

Attachment

c: John Bernal, Deputy County Administrator for Public Works
   Jackson Jenkins, Director, Regional Wastewater Reclamation
   Charles Wesselhoft, Deputy County Attorney
December 28, 2012

Chuck Huckelberry  
County Administrator  
Pima County  
130 W. Congress Street  
Tucson, Arizona 85701

Re: Pima County’s December 18 Offer

Dear Mr. Huckelberry:

On December 27, the Marana Town Council authorized the Council negotiating team to work with town staff to pursue settlement with Pima County on the terms of Pima County’s December 18 Option A settlement offer, provided that certain details of the offer can be worked out and subject to the Town’s due diligence in connection with some of the terms.

To begin the process of formalizing the settlement, the Council negotiating team and town staff representatives will be meeting with the County to discuss some of the details.

We look forward to bringing this settlement to a prompt and mutually beneficial resolution. I hope the new year provides us with opportunities to strengthen our working relationship and advance the great work being done around the region.

Sincerely,

Gilbert Davidson  
Town Manager

C: Marana Town Council  
Del Post, Deputy Town Manager  
Frank Cassidy, Town Attorney  
John Kmiec, Director Marana Utilities