

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

February 14, 2005

**** Board Room ****

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

MINUTES

Board Members Present: Suzanne Downing, Chair
 James Tripp, Vice Chair
 Jim Doyle, Member
 Dan M. Offret, Member
 Judy Scrivener, Member

District Staff: Mark Stratton, General Manager
 Michael McNulty, Legal Counsel
 Doug Metcalf, Legal Counsel
 Warren Tenney, Clerk of the Board
 Alice Stults, Recorder

Executive Session

I. Call to Order and Roll Call

Suzanne Downing, Chair of the Board of Directors of the Metropolitan Domestic Water Improvement District (District), called the Board Meeting to order at 5:04 p.m. Suzanne Downing, James Tripp, Dan M. Offret, and Judy Scrivener were present. Mr. Doyle was not present for roll call but arrived a few minutes after.

Mr. Tripp made a motion to adjourn into executive session. Mr. Offret seconded the motion. Motion passed unanimously.

II. Executive Session

Executive Session pursuant to A.R.S. § 38-431.03 (A)(1) (discussion or consideration of personnel matters), and A.R.S. § 38-431.03 (A)(3) (consultation for legal advice with District Legal Counsel), and A.R.S. § 38-431.03 (A)(4) (consultation with legal counsel regarding contracts that are in pending or contemplated litigation or in settlement discussions conducted in order to avoid or resolve litigation) regarding the following:

- A. Well Maintenance Contract with Duncan Pump.
- B. General Manager's Quarterly Review.

III. Adjournment

The executive session adjourned at 6:01 p.m.

Regular Session

I. Call to Order and Roll Call

Suzanne Downing, Chair of the Board of Directors of the Metropolitan Domestic Water Improvement District (District), called the Board Meeting to order at 6:04 p.m. Suzanne Downing, James Tripp, Jim Doyle, Dan M. Offret, and Judy Scrivener were present.

II. General Comments from the Public

Ms. Downing, noting that persons from the public wished to address the Board, asked that comments be kept to a maximum of five minutes.

James Schuh, District customer, commented on the bond election to be held March 8, 2005. He discussed the increased fire protection mentioned in the bond election information flyers provided by the Metro Water Bond Promotion Committee. Mr. Schuh said he was not aware there was a fire problem within the District, that emergency services is far more important and this is where the focus should be. He felt the District bond election was providing indirect support to NW Fire District. Mr. Schuh also said he believed that 70% of funds from the bond election, if passed, would be funneled into the Town of Marana, and the foreseen annexation.

Mr. Schuh asked when the hydrants from bond monies would be installed, and how many had been installed to date. Mr. Stratton, General Manager, replied that approximately 60 hydrants had been installed. Mr. Schuh said that Northwest Fire District is also installing fire hydrants within Tucson Water's boundaries and that Tucson Water is not providing funding for the hydrants. It is his belief that the District keeps asking for more bond money, but does not provide enough information on what is actually being done with the money. Mr. Schuh said the Board should be aware of where the money will actually be spent. He said there seems to be no end to the amount of money taken from citizens for taxes, fees, licenses, bonds, etc. Mr. Schuh believes that the fire district should provide money for their fair share of the hydrants to the District.

III. Presentation to Kim McClure, Employee of the Year

Ms. Downing congratulated Kim McClure for being chosen by her peers as the District's Employee of the Year for 2004. She noted that Kim is an Administrative Assistant for the Utilities Division and provides clerical support for the entire division. Kim, who was acknowledged at the Christmas luncheon for her award, has been employed by the District for almost nine years. Ms. Downing

provided Kim with a trophy, and said that Kim has been an asset to the District and thanked her for her contributions.

IV. Consent Agenda

- A. Approval of Minutes – January 10, 2005 Board Meeting.**
- B. Ratification of Billing Adjustments.**

Mr. Tripp made a motion to approve the consent agenda. Mr. Offret seconded the motion. Motion passed unanimously.

V. General Business – Items for Discussion and Possible Action

A. Monthly Status of the District.

Mark Stratton said the amount of water produced during January 2005 was substantially less than the same month in the previous year. This was due to the amount of rainfall received during January. Mr. Stratton said four of five wells in the Hub service area showed an increase in water levels.

Mr. Stratton said there was a problem with the scheduling of one of the contractors for the IMT well modification project. Delivery of the new equipment for the well was received on January 20, 2005 and installation is expected to be completed later this month or first of March.

Mr. Stratton said the design of the Northeast Reservoir is continuing. He said staff is meeting with the Cobo Catalina Foothills Homeowners Association regarding some of the requirements that they wish to include in their agreement with the District. Staff will try to resolve any issues with the HOA regarding the work on the Northeast Reservoir.

Mr. Stratton said KE&G continues to move along with the Magee Road Transmission Main, Phase 2.

Mr. Stratton noted the Board was provided an update on the District's bottled water status. He explained where some of the bottled water had been donated. Mr. Stratton said Project Graduation was provided eight cases of bottled water for a golf event. Volunteers for Project Graduation commented to Mr. Stratton that they had a large turnout for the event and were pleased with the water provided. Additional bottled water will be provided for Project Graduation night for two high schools in the District, along with Oro Valley also providing water. Mr. Stratton said bottled water was also provided to events such as the Halloween volunteers at the El Con Mall, ROTC program, and WestCAS conference. Harrelson Elementary School has requested, and will be provided, bottled water for some of the student class functions.

B. Financial Report.

Mr. Land, Chief Financial Officer, said two District staff members are currently in Utah receiving

training on the new billing account computer software. It is anticipated the new billing software will be implemented and functional during March 2005.

Mr. Land said revenues continue to run slightly above budgeted amounts for this time of year. However, with the amount of rain received recently in the area the revenues may come down somewhat. New connections are still down compared to previous years.

C. Discussion and Direction for Legislative Issues 2005.

Susan Charlton, Gallagher & Kennedy, provided brief updates on the current legislative issues. She began with HB2169 Land Use Planning. Ms. Charlton said this water resources bill failed.

Ms. Charlton said HB2174 Drought Emergency Water Transfers, which is commonly called 'session law', is presented every year and is only applicable to the current year. She explained this legislation allows that groundwater can be transferred from one district to another during times of need.

HB2177 Water Permits & Fees, will ensure more money for Arizona Department of Water Resources (ADWR) through permits and fees. Ms. Charlton said this bill has been referred to the House.

Ms. Charlton said that HB2273 Water Studies Appropriation was heard today and passed. It will still need to pass through appropriations.

HB2277 Water Providers-Water Plans, if passed, would require all water providers to supply ADWR with a drought management plan, a water supply plan, and a water conservation plan. Ms. Charlton said Metro Water already files this information with ADWR; however, it would be required to supply additional forms and reports. She noted that thus far the bill does not appear to be doing well. Ms. Charlton said that Representative O'Halleran and the Governors office came up with some amendments to the bill, one of which would allow the District to be exempt from some of the requirements of the bill.

Ms. Downing asked if it was probable that this bill would go through the legislative process without these amendments. Ms. Charlton replied no. She explained that Representative O'Halleran is requesting that the District support the bill with the amendments. After short discussion, the board agreed to support HB2277. Mr. Stratton said that there may be additional amendments and the Board will be provided this information as it occurs.

Ms. Charlton said HB2314 Drought and Lawns, will probably not move forward.

Ms. Charlton said HB2323 Tax Credits, was heard today and passed. It will be heard in Natural Resources next Monday. The Senate version will be heard in committee this week.

HB2371 Special Taxing District, will not move forward, said Ms. Charlton.

Ms. Charlton said SB1190 Exempt Wells, passed the Senate National Resources Committee unanimously, and now goes to the entire Senate.

SB1235 CAGRD Omnibus Bill, there is no opposition and the bill is moving along.

Ms. Charlton said that SB1334 water study of the Benson water shed, has passed the Senate unanimously.

Ms. Charlton said there is no opposition to SB1336 Rural Water Legislative Committee.

There is also no opposition to SB1460, which allows two domestic water improvement districts to merge.

Ms. Downing asked when the bills would become effective if passed. Ms. Charlton replied in August 2005. She explained the public will know by the end of April 2005 on whether or not they pass.

Mr. Tripp made a motion to put on record the Board's support of the above recommended bills. Mr. Offret seconded. Motion passed unanimously.

Ms. Downing said the Board wants to schedule a time to tour the legislation. Ms. Charlton said she will set up a time for the Board to tour the legislation, accompanied by Warren Tenney, Assistant to the General Manager.

D. Status of March 8, 2005 Bond Election.

Mr. Tenney explained that regarding the March 8, 2005 bond election the District has met all the legal requirements for the election process. Mr. Offret asked about the political action committee formed by customers and citizens to promote the bond election. Mr. Tenney said the political action committee is disseminating information to customers. The District newsletter has also provided information to citizens and reminded everyone to vote.

E. Purchase of Real Estate Property for Well Site.

Mr. Tripp made a motion to approve the initiation of negotiations with property owners for La Colina Lot No. 19 for the purpose of purchasing that property. The results of the negotiation will be brought to the Board of Directors for final approval. Ms. Scrivener seconded the motion.

Mr. Offret asked where the money would come from to purchase Lot No. 19. Mr. Stratton said it is staff's recommendation the money be taken from the contingency fund. Mr. Offret asked how much would be needed. Mr. Stratton said the listing price for the property is \$125,000. Mr. Offret said he believed that the District needs to have a plan in place for purchasing other sites as well. Mr. Stratton said that District staff will plan to undertake a well site study to identify zones. He noted the District does have older wells and it is unknown how long they will last, so the District will establish priorities and develop a plan for the new replacement wells.

Ms. Downing explained that the market analysis of wells completed in 2002 is no longer relevant. She added that she does not want new appraisals done, but does want to know what each well site's current market value is. Ms. Downing asked about the inactive well sites, and why the District has them. Mr. Stratton said they were inherited from the previous water company. He explained that most of the inactive wells are extremely small, with very few of them meeting the size requirements the District currently has. Ms. Downing noted that some of them are still maintained, and asked why. Mr. Stratton said some are used for water level testing or title issues; however, some of the surplus property can be disposed of in the future. Ms. Downing said she wants information on the District properties that have liens on the titles.

Ms. Downing asked staff to secure a preliminary title report on La Colina Lot #19. The motion to approve the initiation of negotiations with property owners for La Colina Lot No. 19 for the purpose of purchasing that property, of which the results of the negotiation will be brought to the Board of Directors for final approval, passed unanimously.

F. Consultant Selection for Engineering Design Services for Northeast Reservoir Booster Station.

Mr. Tripp made a motion to approve the Engineering Consultant ranking and direct District staff to proceed with developing an acceptable design contract agreement (Scope of Services, schedule, contract and fee) with the top ranked firm, Brown and Caldwell, for the Northeast Reservoir Booster Station design. If staff is unable to negotiate an acceptable design contract agreement with Brown and Caldwell, then staff has the authorization to negotiate with the next highest ranked firm, and continue the process, if necessary, until an acceptable design contract agreement is obtained. Staff shall submit the final negotiated design contract agreement to the Board of Directors for approval. Mr. Offret seconded the motion. Motion passed unanimously.

G. Well Maintenance Contract with Duncan Pump.

No action taken on this item at this time.

H. Update of Meter Replacement Program.

Chris Hill, Deputy Manager, provided the Board with an update on the meter replacement program. He said the initial water losses in excess of 10% prompted staff to look at random testing of meters. Staff determined that the meters were not registering accurately. Mr. Hill said a meter replacement bid was approved in 2002 by the Board. The goal was to replace meters that were greater than 10 years of age. Mr. Hill said staff wanted to reduce the apparent losses of water and increase revenue recovery equity. He explained that a data base was established to record all pertinent meter information and to assist in determining an ideal replacement program. It was determined that meters should be replaced based on consumption, not age. Mr. Hill said that Malcolm Pirnie looked at all the Districts meter data information and recommended that meters be replaced at 1,420,000 gallons. Currently, the District is at half the amount of water losses that it experienced during 1999. Mr. Hill noted the meter replacement program is paying for itself.

I. Discussion of Regional Water Issues.

Mr. Stratton said during the past month or so there have been many conversations, some of which have been in the local newspapers, regarding a regional water authority. He explained that last fall four local water entities began discussing a regional water authority, looking at acquisitions in its initial phase and as time passed looking at recharge and/or recovery. All four of these entities had a renewable water supply. Mr. Stratton said it should be noted that no other public entity in the Tucson area has a renewable water supply. When the subject came out in the press recently they referred back to an idea in the early 1990's that one large water utility should be formed in the Tucson area. Mr. Stratton said that having one large water utility is not feasible and has not been considered in the discussions regarding a regional water authority. He asked for the Board's thoughts on pursuing and continuing discussions with the other entities on regional water issues.

Mr. Offret said that he believes it could be beneficial to the four entities, but that he also believes Metro Water is presently doing well on its own and should continue doing what it has been doing.

Mr. Tripp asked if there would be an advantage for Metro Water to participate if a regional water authority were to be formed. Mr. Stratton explained that after the recent newspaper articles the four entities had not been meeting; however, Oro Valley and Marana are interested in continuing discussions. He believes there is an advantage for the District to participate. Mr. Stratton explained that if the District continues to grow it would not need to compete for water supplies and resources with other entities if there was an entity to provide for recharge and recovery and to also help keep the infrastructure costs down.

Mr. Offret said he believes it appears the District would still be in the position of competing for water. Ms. Downing said that perhaps all entities should be included in the negotiations to maintain a good relationship with them.

Mr. Tripp asked if the District participated in a regional water authority would it receive a stronger voice in water issues throughout the state. Mr. Stratton said yes that the potential is there. Individual entities would not be represented, but they instead would be represented as a region and would have more negotiating power.

The Board agreed to allow staff to move forward on discussions for a regional water authority.

VI. General Manager's Report

Mr. Stratton said the District's yearly budget preparation process has begun. As in past years, study sessions will be schedule to discuss the budget.

Mr. Stratton said that at one of the District's construction sites on Magee Road where KE&G is the contractor, a young man's vehicle rear ended another vehicle. He noted that the young man's mother has had contact with the District and it appears that there could be the potential for a legal action brought on by the mother.

The American Water Works Association is having a Fly-In scheduled for April 13-14, 2005 in Washington, D.C. Mr. Stratton noted that he will be attending this workshop.

Mr. Stratton said the District is continuing to work with Diamond Ventures on the Riverside Crossing well site.

Mr. Stratton said that he has had dialogue with La Canada Village Homeowners Association (LCVHA). He said the issue came down to miscommunication with them. Mr. Stratton said that without accepting any blame he suggested to Milo Stauffacher, President of LCVHA, that the District share the cost with them which would amount to \$350 to \$400. Additionally, the customer whose line was broken was not home at the time and Mr. Stratton recommended that the District issue her a credit for that water usage.

Mr. Stratton said that another update on Hub Well No. 7 would be provided to the Board to keep them apprised of its progress. In addition, the Board will also be advised of an update of the arsenic issues with Hub Well No. 3.

Mr. Stratton said the funding for the WQARF Program used for the South Shannon treatment process may be cut by the state. This may impact whether or not the District can meet the agreement that it has with the state to fund the remaining portion of the treatment process scheduled for next fiscal year. Mr. Stratton said that as soon as the District receives more information on this issue it will be passed on to the Board. Mr. Offret asked what the total price for the project is. Mr. Hill replied that it is approximately \$890,000.

Mr. Stratton explained that he will be on vacation March 15 through March 20, 2005.

VII. Legal Counsel's Report

Mr. McNulty said that he has been working on pre-annexation agreements. The information will soon be ready for the Boards review.

VIII. Future Meeting Dates; Future Agenda Items

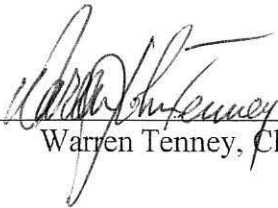
The next regular meeting of the Board is March 14, 2005 at 6:00 p.m. The Board agreed to meet in study sessions two weeks after the regular Board meetings in March, April, and possibly May 2005 to discuss the District's budget.

IX. General Comments from the Public


Mark Myers said that because of the rain the state is seeing water levels increasing in major reservoirs. He said the results of the drought are not over, but recent rains have improved conditions throughout the state.

X. Adjournment

The meeting adjourned at 8:45 p.m.



Warren Tenney, Clerk of the Board



Suzanne Downing, Chair of the Board