

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

April 11, 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
 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 5:00 p.m. Suzanne Downing, James Tripp, Jim Doyle, Dan M. Offret, and Judy Scrivener were present.

Mr. Tripp made a motion to adjourn into executive session. Mr. Doyle 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), regarding the following:

A. General Manager's Annual Evaluation.

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 6:05 p.m. Suzanne Downing, James Tripp, Jim Doyle, Dan M. Offret, and Judy Scrivener were present.

II. General Comments from the Public

James D. Schuh, District customer, provided comments to the Board regarding his concerns on issues surrounding the campaign for the new District bonds. He said one of his main concerns was the Bond Promotion Committee's initiation of advertisements indicating Northwest Fire District was in support of the Districts bond election. Mr. Schuh said he contacted Pima County Elections Division and inquired as to who gave Northwest Fire District the authority to support and influence the bond election openly in the advertisements. The advertisement included a quote from a letter signed by the Fire Chief addressed to Mr. Stratton. Mr. Schuh explained that he believed it was illegal for the Northwest Fire District to use its resources to influence the outcome of the District's bond election.

Mr. Schuh noted that he had several questions he wanted answered by the Board after an inquiry and/or investigation was made into this matter. Particularly, how did a copy of a letter from the Northwest Fire District Chief, addressed to Mr. Stratton, get to the Bond Promotion Committee? How did the Bond Promotion Committee presume to use the letter to identify Northwest Fire District's support for the Metro Water bond? Why did not the Northwest Fire District immediately request the Bond Promotion Committee to cease using the Fire District as a source of support to influence the Metro Water bonds from the first ad or mailer that came out, and they were aware of it? Did the Northwest Fire District Chief give the permission to the Bond Promotion Committee to use a direct quote from the letter that you have-from his letter to Mr. Stratton? Was Mr. Stratton aware that the quote in that ad came from the letter written to him by the Fire Chief?

III. Consent Agenda

- A. Approval of Minutes – March 14, 2005 Board Meeting.**
- B. Approval of Minutes – March 28, 2005 Board Meeting.**
- C. Ratification of Billing Adjustments.**
- D. Approval of Water Service Agreement – Cresta Loma.**
- E. Approval of Water Service Agreement – River Crossing Retail Center.**

Mr. Tripp made a motion to approve the consent agenda. Mr. Offret 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 that water production continues to be down from the same time period last year. He noted that all current water samples taken are in compliance with regulatory requirements.

Mr. Stratton said that on the CIP projects the District has had success in getting the Ina/CDO well back in operation and on line. The Magee Road Transmission Line, Phase II is nearing completion. Work is currently finishing up on the vegetation portion of the project. Mr. Stratton said the open house for the Northeast Reservoir took place last week.

Mr. Stratton said there are two mainline replacement projects left in the current CIP which are being advertised for contractors at this time.

B. Financial Report.

Mike Land, Chief Financial Officer, said revenues have subsided. There were only three new connections last month. Staff has been able to successfully hold the line on expenditures.

C. Performance Appraisals and Merit Awards.

Mr. Stratton said the Board report provided follow up background information to the Board regarding performance appraisals and merit awards. The Board thanked staff for the information and provided no further discussion or direction.

D. Legislative Issues 2005.

Susan Charlton, Gallagher & Kennedy, provided brief updates on the current legislative issues. Currently there are five bills that have the most impact on the District.

Ms. Charlton said HB2277, Water Providers Plan, has been cleaned up and narrowed down. She explained that the District will not be affected by the bill. Some of the same members of the House who are opposed to the Exempt Wells bill are also opposed to this bill.

House Bill 2323, Tax Credits for Water Conservation Systems, has passed the House and Senate Natural Resources Committee. Ms. Charlton said the bill was withdrawn from the Finance Committee. However, it will be reviewed during the overall budget review as it will have a financial impact.

Ms. Charlton said SB1190, Exempt Wells, is supported by a large majority and is waiting for the third reading.

SB1336, Rural Water Legislative Committee, passed the Senate and is awaiting the House Committee of the Whole.

Ms. Charlton said SB1460, Domestic Water Improvement District's, passed the Senate un-amended, and has passed out of the house. The bill has been sent to the Governor for signature.

SB1483, Tax Credits for Water Conservations Systems, passed out of the House committees but probably will not move forward because the companion bill HB2323 is moving forward at this time.

E. Resolution 2005-2 – Modification to Assured Water Supply Designation.

Mr. Tripp made a motion to approve Resolution 2005-2 to authorize the General Manager to sign and submit to the Arizona Department of Water Resources the Assured Water Supply Modification application for Metro-Main to include the Arboles Viejos subdivision. Mr. Offret seconded the motion. Motion passed unanimously.

F. Status of Northeast Reservoir Design.

Charlie Maish, District Engineer, said the neighborhood meeting for the Northeast Reservoir at Immaculate Heart Hospital took place last week. He noted that there were only 15 residents in attendance, mostly residents affected by the new reservoir. Mr. Maish said District staff was able to address most of the resident's major concerns and they seemed pleased with the designs that have been completed to date. At the present time the District is attempting to secure a site to store some of the materials that will be used during construction of the reservoir. Mr. Maish said 90% of the design plans should be available during May 2005, with the final designs being presented to the District in June 2005. He explained that the president of the neighborhood association has been attending monthly meetings the District has had with its consultant. Mr. Maish said a letter was sent to the president of the neighborhood association assuring them of the District's intentions to comply with the CC&R. To date, the District has not had a response from the neighborhood association. Mr. Offret said he was pleased with the way the District has communicated its intentions with the neighborhood association.

G. Approval of Amendment No. 3 to the Miscellaneous Survey Services Contract with Castro Engineering Corporation.

Mr. Tripp made a motion to approve the contract Amendment No. 3 with Castro Engineering Corporation. The contract amendment will increase the contract amount by \$35,000. Mr. Offret seconded the motion.

Ms. Downing asked for an explanation of the amendment. Mr. Maish said the purpose of the amendment was to allow the District to begin the design of the Magee Road Transmission Line, Phase III. This is the last leg of the Northeast Reservoir and Transmission Main project.

Motion passed unanimously.

H. Approval of Amendment No. 2 to the Storage Tank Coating 2004-2005 Contract with State Painting Co., Inc.

Mr. Tripp made a motion to approve Amendment No. 2 to the Storage Tank Coating 2004-2005 for the addition of the interior recoat and solids product installation for the New Linda Vista Reservoir in the amount not to exceed \$93,523 and further authorize the General Manager to authorize additional funds not to exceed \$2,000. Mr. Offret seconded the motion. Motion passed unanimously.

I. Agreements with Metropolitan Water Company for Property in Exchange for Free Water.

Mr. Stratton said the Board previously requested information on the agreements made by the Metropolitan Water Company for property in exchange for free water. He explained that there were originally five agreements; however, only three agreements remain in place at this time. The most familiar of the agreements is the agreement with Henry and Eve Retz. This relates to the Las Palmos well. Mr. Stratton said that replacing the Las Palmos well with a new well in the future may be an option.

Mr. Offret asked if the Retz' had to accept a quit claim deed. Michael McNulty, Legal Counsel, said there has to be an agreement between both parties. Ms. Downing noted that the easement to the property is not in the District's name. Mr. McNulty said the title to the property has not changed. Mr. McNulty said he would check on this issue and provide the Board with updated information.

Mr. Stratton said there is confusion over the parcel numbers in the agreement with Fred and Linda Matter. The District has been unable to sort out the two parcel numbers that are on file with the Pima County Assessor's Office. Staff cannot locate where the Matter's currently reside in relation to the two parcels mentioned in the agreement. Ms. Downing asked about contacting the title company and researching the agreements. Mr. McNulty said he would also check into this agreement and provide the Board with any information he obtains.

Mr. Stratton said that the agreement with Douglas H. Clark, Jr. is the third remaining agreement. Mr. Offret noted that the agreement only exists while Ms. Clark is alive and suggested waiting on this agreement for the time being.

Mr. Stratton said that with the Matters there is an issue with water consumption, which has been running fairly high each month. Mr. Stratton suggested that staff put a data logger on the Matter property meter.

J. Status of Agreement with Green Valley Domestic Water Improvement District.

Mr. Stratton said the Board requested an update on this item. He explained that repeated attempts to contact the operations manager from Green Valley Domestic Water Improvement District (GVDWID) has been met with no response. Mr. Stratton said he had conversations with Mr. Ken

Seasholes from the Arizona Department of Water Resources (ADWR) who said that GVDWID has indicated they will be doing annual storage and recovery for providing non-potable water to the golf courses. Mr. Stratton said the Board will be updated as soon as more information has been gained on this item.

Mr. Offret requested a letter be addressed to GVDWID to let them know that the District is still aware of their contractual obligations and that the District would be interested in learning what their current plans are. He would like the letter sent so they know the District is serious and are still taking a look at what they are doing and congratulate them on their current progress.

K. General Manager's Annual Evaluation and Possible Merit Award.

Mr. Tripp made a motion to grant the General Manager a 4% merit award. Mr. Offret seconded the motion. Motion passed unanimously.

V. General Manager's Report

Mr. Stratton noted that Mr. Hill has been serving as chair on the distribution committee for the Arizona Water and Pollution Control Association (AWPCA). As chair, Mr. Hill has planned and organized three seminars in 2005. These seminars will meet or exceed the total dollar amount of what the other committees combined are bringing in for the association. AWPCA is extremely pleased with the response to the training seminars and the type of program that Mr. Hill was able to develop. The last of these seminars is scheduled for Friday, April 15, 2005 in Flagstaff.

Mr. Stratton explained that due to a new software billing system used by the District, the monthly Status of the District Board report does not reflect the number of customers separated out in the Metro main and Hub service areas. Staff is experimenting with the software in order to separate the number of customers in the Metro main and Hub service areas for use in future reports.

Mr. Stratton said the Town of Marana overwhelmingly approved the District's annexation of the Arboles Viejos subdivision at its Town Counsel meeting last Tuesday, April 5, 2005. This item was placed on the Town Counsel consent agenda and was not discussed during the meeting. Mr. Stratton believes that it is fortunate the District has and maintains a good report with the Town of Marana.

It is anticipated that the Tucson Chamber of Commerce will begin discussions that the once moth-balled Tucson Regional Water Counsel (TRWC) addressed. He said the Counsel was formed as a political action committee to help negate some of the perceived negative campaigning against Tucson Water in the direct use of Central Arizona Project (CAP) water. The Chamber believes that it is appropriate at the present time to generate more dialogue in respect to regional water issues. The first meeting is scheduled for April 28, 2005. Southern Arizona Homebuilders Association (SAHBA) is discussing having their own committee or forum related to regional water authority issues, as is Southern Arizona Water Users Association (SAWUA). Mr. Offret said he applauds the Tucson Chamber of Commerce taking action and becoming involved in regional water issues and

asked if the Northwest Chamber of Commerce has plans to become actively involved also. Mr. Stratton said that it is his understanding that at this time it is only the Tucson Chamber.

Mr. Stratton and Mr. Land met with Mark Reader and Fred Rosenfeldt to discuss issues surrounding funding for the new CIP. Mr. Stratton said he believed that the District had to apply for funding for projects on a case by case basis. However, Mr. Stratton said the District can list several projects it would like to complete for the first two to three years, and then request a second bond issuance for additional projects at a later date. Mr. Stratton and Mr. Land continue to work on the insurance for the bonds. Mr. Offret asked about the interest rate. Mr. Land said the current interest rate is approximately 3.5 percent.

Mr. Stratton noted that he will be out of the office the rest of this week to attend an American Water Works Association (AWWA) fly-in. He will be in Washington, D.C. meeting with some of Arizona's Congressional Delegation. Mr. Stratton said he is attempting to set up meetings with Senator Kyl's staff, and Congressmen Kolbe and Grijalva, to discuss regional water issues and terminal storage, as well as other issues directly related to the District.

Mr. Offret asked about TASRI. Mark Myers, water consultant, said he does not think any issues have been decided at this time. He said a presentation will be made to the CAP Board in May 2005 by Mr. Tenney, Eric Holler of the Bureau of Reclamation, and himself. Mr. Offret asked that the Board be kept apprised of any information that becomes available.

Mr. Stratton explained that at the end of this month he and Mr. Hill will be attending a water networking session in Payson, Arizona for two days. There is an AWPCA conference Mr. Stratton will be attending May 4 through May 7. Mr. Stratton noted that at the end of May and the first part of June he will be on vacation. From June 11 through June 16 Mr. Stratton and Mr. Hill will attend the American Water Works Association conference in San Francisco. Mr. Stratton said that Mr. Hill will be speaking during one of the sessions in San Francisco. Mr. Stratton and Mr. Hill will not be available for the June Board meeting.

Mr. Tripp asked when updated pictures of the current Board would be taken. Mr. Tenney noted that staff will make arrangements for the pictures to be taken.

VI. Legal Counsel's Report

Mr. McNulty said that during the last month the legal services provided by Lewis & Roca were routine. He explained that he was at a social event recently and talked to Michael Reuwsaat, Marana Town Manager, who said Marana was looking closely at the merger legislation and are hopeful that legislation will pass that will be beneficial to area water districts.

VII. Future Meeting Dates; Future Agenda Items

The next regular meeting of the Board is May 9, 2005 at 6:00 p.m. A study session has been scheduled for April 25, 2005 at 5:30 p.m. A separate study session to discuss the goals for the District will be scheduled at a later date.

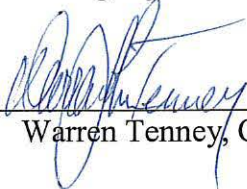
Ms. Downing asked that staff develop a list of current items or issues to provide to the Board so that it can be kept apprised of updated information and the status on outstanding issues. Mr. Tenney said that at one point in time staff provided a bi-weekly status report to the Board and suggested that staff once again prepare a bi-weekly status report to track the progress of items. Ms. Downing noted that she would also like to see items on the list that have recently been completed.

VIII. General Comments from the Public

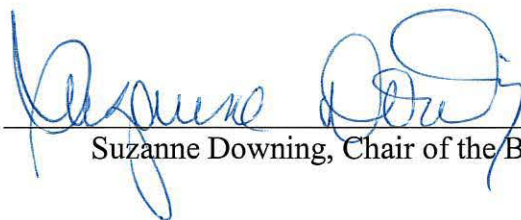
Reb Guillot, past Board member, thanked Mr. Maish for a job well done on educating and informing the Hub area residents on the new well planned at Cloud and Sabino Canyon Roads.

IX. Adjournment

The meeting adjourned at 7:05 p.m.



Warren Tenney, Clerk of the Board



Suzanne Downing, Chair of the Board