

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

May 8, 1995
Wilson Room
Tohono Chul Park
7366 North Paseo del Norte
Tucson, Arizona 85704

MINUTES

Board Members Present: Barbara Johnson, Chairman
 Marty Cramer, Vice-Chairman
 Jim Doyle, Member
 Herb Johnson, Member
 Pete Schlegel, Member

District Staff: Mark Stratton, General Manager
 Michael Land, Chief Financial Officer
 Michael McNulty, Legal Counsel
 Warren Tenney, Clerk of the Board

I. Call To Order and Roll Call

- A. The meeting was called to order at 5:00 p.m. by Ms. Barbara Johnson, Chairman of the Board of Directors of the Metropolitan Domestic Water Improvement District (District). Ms. Marty Cramer, Mr. Jim Doyle, and Mr. Herb Johnson were present. Mr. Pete Schlegel was not present, but arrived later in the meeting.
- B. With no objection, the meeting notice and agenda for May 8, 1995 was considered approved.

II. Comments From The Public

There was no comment from the public. Approximately nineteen people in the audience.

III. Financial Report

Mr. Mark Stratton, General Manager of the District, noted that staff distributed an updated budget summary report to the Board that included figures for April 1995. The updated report clarifies some issues that may have been confusing in the report given to the Board in their Board meeting notebook.

IV. Consent Agenda

- A. Approval of Minutes - April 10, 1995 Board Meeting.**
- B. Approval of Minutes - April 19, 1995 Special Board Meeting.**
- C. Ratification of Billing Adjustments or Small Damage Claims.**
- D. Financial Issues - Update on Revenues, Checks and Warrants.**
- E. Ratification of Bills of Sale.**
 - 1. Desert Rose Care Center.**
 - 2. Maravilla, Lots 1-42.**
- F. Approval of Water Service Agreement - Montebella Apartments.**

Ms. Cramer made the motion to approve all of the items on the Consent Agenda. Mr. Doyle seconded the motion and it passed unanimously with the members present.

V. Old Business -- Items For Discussion and Possible Action

- A. Negotiations regarding Boundaries between District and Tucson Water Service Areas.**

Mr. Michael McNulty, Legal Counsel for the District, said that the City of Tucson's attorney has posed some questions regarding "trading customers" between the District and Tucson Water. Tucson Water and District staff prepared a plan for resolving the twelve different boundary disputes. The City attorney wants verification that the District can serve outside our boundaries, which Mr. Fred Rosenfeld says he will write a letter stating that the District can.

Ms. Cramer asked what customers are to be traded and if the homes are similar in size. Mr. Stratton said that the primary area is the Rancho Arboleda subdivision that is being developed. In exchange, the District would receive an area north of Magee between La Cholla and Northern that has the same number of homes, but the lots are a little larger with mature vegetation. The Rancho Arboleda subdivision has smaller lots. Besides the Rancho Arboleda subdivision, the District is trying to resolve some of the areas that Tucson Water services but had been within the boundaries of the Metropolitan Water Company.

Mr. H. Johnson asked if the new area will have a hearing and a levy assessed against them. Mr. Stratton said that since the existing District customers provided the support for the original bond issue, that new assessments would not be necessary. Mr. H. Johnson, Mr. McNulty, and Mr. Stratton discussed the assessment amount for Rancho Arboleda subdivision, receiving assurance for collecting the monies, and other monies such as for necessary infrastructures that they would need.

Mr. Schlegel arrived at 5:11 p.m.

Mr. H. Johnson said that the District should be cautious about the resolution of this issue but still ensure that it benefits the District.

B. Northwest TAMA Replenishment Program

Mr. Mark Myers, Consultant for the Northwest TAMA Replenishment Program, reported that the Pima County Board of Supervisors approved the intergovernmental agreement between the County and the Bureau of Reclamation. Mr. Myers recounted the various funding sources that are being secured for the feasibility study. Site work for the feasibility study should be completed by the end of 1995. A manager for the study will be hired shortly. Various activities are occurring to ensure that all components of the feasibility study will be funded.

Mr. H. Johnson asked the cost for doing a test well or bore hole. Mr. Michael Block, District Hydrologist, said that it is about \$6,500 a piece and eight to nine will be drilled in the Cañada del Oro area. Mr. H. Johnson asked how much money has been spent organizing the program and when the drilling of the test wells will begin. Mr. Myers said that organizing is in the six figures amount and drilling should start in September 1995. Mr. H. Johnson asked how much money will be spent on organizing between now and September 1995, and who is paying for it. Mr. Myers said possibly \$20,000, with the District paying for most of it. Mr. H. Johnson said that the District has borne most of the cost from the beginning. Some resolution of this issue needs to be done. The Northwest area will benefit from the program, but the District is supporting it.

Mr. Myers said that various water entities have been and continue to be solicited for funds. The Town of Marana is attempting to make a significant contribution to participate on the executive committee for the feasibility study. Tucson Water staff has shown support but they have not brought the issue before Mayor and Council. Pima County and the District have assumed most of the financial responsibility.

Mr. Stratton noted that he had met with Marvin Cohen and Hugh Holub to discuss using funds collected from the Northwest Area impact fees as a means for the Northwest Area water providers to support the Northwest Replenishment Program, particularly the Cañada Del Oro project, as an alternative to the direct delivery of treated CAP water. Marvin Cohen is trying to solicit support from City of Tucson for the concept.

Mr. Schlegel said that he understood that the Northwest Area water providers had overpaid Northwest area impact fees. He questioned why the District and other Northwest water providers could not use the collected fees as they want. Mr. Stratton said that until the District began placing the fees in an escrow account, the fees were paid to the City of Tucson and placed in the City's account. Mr. Schlegel said that since the District paid the monies, the District should decide how to use the monies. They should make a resolution to request the monies.

Ms. B. Johnson asked if the four water providers of the Northwest Area Agreement agreed to contribute equally to the proposed consultant that would represent the entities on the executive committee for the feasibility study. Mr. Stratton said yes and that hiring a consultant appeared more feasible since none of the entities had staff that they could assign to such a responsibility.

C. Northwest Area Plan Issues.

Mr. H. Johnson explained that he believed that the discussions with the City of Tucson had not yielded anything beneficial and have only prolonged the resolution of issues vital to the Northwest Area. Mr. Johnson read a drafted letter to the Pima County Board of Supervisors that proposed the expansion of the Northwest Area Plan participants and to allow them to act independent of Tucson. Tucson has tried to adjust the cost to be paid by the Northwest water providers for the CAP treatment plant; however, the plant is currently inoperable. Tucson is including the proposed modification to the Asset Purchase Agreement that the District contributes for additions that may be made to the treating process at the plant. The cost and effectiveness of possible treatment alternatives are unknown. Too many items remain unresolved or unknown, and therefore, the District needs to take action.

Ms. B. Johnson asked if the proposed letter would be more effective if other Northwest entities agreed to it before they send it to the Board of Supervisors. Mr. H. Johnson said that previously other Northwest water providers have not been willing to contribute to issues such as the Northwest Replenishment Program that will benefit the whole Northwest Area. The Pima County Board of Supervisors needs to request legislation that would form a water authority or district. This would ensure that everyone in the Northwest pays their fair share. Ms. Cramer noted that the legislation to form a water authority district will take at least a year to pass.

Mr. Schlegel said that the process for developing and seeking support for such legislation is arduous and time consuming. Other Northwest entities may not be supportive due to taxation issues and may be alienated by the proposal. Gaining approval for the legislation and having it signed into law is questionable. He agreed something needs to be done to ensure equity. It is questionable if the Board of Supervisors would be willing to support and sponsor such legislation. Another approach is to provide a time limit for other entities to commit financially. If other entities do not want to provide funding for the Northwest Replenishment Program, a pipe could transfer the water to a lower, rather than the proposed higher, point on the Cañada del Oro to primarily benefit the District.

Mr. Myers said that different alignments for bringing the water from the CAP canal to the CDO Wash are being considered. An alignment that brings the water directly into the District boundaries could save money and could be considered when the analysis of it is done in the feasibility study. He hoped that the Board would be patient. Despite being constrained and from various sources, funding has been secured for the feasibility study for the Northwest Replenishment Program. Each funding source, grant and other, has different requirements for how the money is to be spent.

Mr. Schlegel noted that the group known as the Drachman Committee has proposed the formation of a water authority to encompass Tucson Water's service area. While people present appeared favorable to the concept, afterwards, most everyone doubted if such an authority could be formed and if various entities would be supportive.

Ms. B. Johnson said that Mr. H. Johnson's ideas should be considered; however, they need a slow, calculated approach and should garner support from other entities.

Mr. H. Johnson said that the problem will not be solved if everyone waits for all the answers. He wrote the draft letter as a means for creating dialogue and to move along the issues. He noted that he had spoken with Mr. C.H. Huckelberry, Pima County Manager, about the concept.

VI. New Business -- Items for Discussion and Possible Action

A. Terminal Storage Reservoir for CAP Water.

Mr. Stratton explained that the City of Tucson has requested that the District provide public comments regarding the proposed terminal storage reservoir for CAP water. The completion of the terminal storage reservoir by the federal government has been in question because Tucson is not utilizing the CAP treatment plant and because of a recent proposal by the U.S. Fish & Wildlife Services to mitigate the disruption of the pineapple cactus. The mitigation of the pineapple cactus would mean a restriction of recreation at the reservoir. The community has been supportive of the reservoir in case of a disruption of the CAP canal and for the recreation the reservoir could provide.

Mr. Schlegel made the motion to adopt a resolution or a letter of support for the terminal storage reservoir. Ms. Cramer seconded the motion and it passed unanimously.

B. Alternates for Board Member Committees.

Ms. Cramer made the motion to appoint alternates for the Board Member Committees to serve on a Committee when a regular member of a Committee is unable. The alternates are as designated on the attached list to the May 8, 1995 staff report. Mr. Schlegel seconded the motion and it passed unanimously.

Mr. Schlegel asked if staff can make the appropriate Committee members aware of reports that deal with the respective committees. Ms. Cramer suggested that reports copied for the Board be footnoted with the appropriate committee name.

C. Appointment of Rate Advisory Committee.

Mr. Stratton reported that in soliciting participation for the Rate Advisory Committee as directed at the April 13, 1995 Board meeting, it was felt the committee size should be kept small in order to be more workable. The proposed members are the two Board members participating on the Financial Board Member Committee, Gary Woodard of the UofA Water Resources Research Center, Bill Carroll, a District customer, and Mike Land, District Chief Financial Officer.

Mr. Schlegel said that a representative from Oro Valley Improvement District #1 should be asked to participate. Mr. Stratton said that he would talk with the Oro Valley Town Manager.

D. Board Members' Attendance at Meetings and Reimbursement.

Ms. B. Johnson said that it would be beneficial if a Board member assigned to a meeting provided a brief report to other Board members as a means for keeping all Board members informed. Mr. H. Johnson asked if Board members should dictate a report. Mr. Stratton said that was one way to provide a report and dictating recorders could be provided to Board members.

Mr. Schlegel said that the District has benefited from having a presence at meetings to ensure that the District's positions are protected.

E. Insurance Coverage for District Employees.

Mr. Stratton reported that Pima County recently solicited bids for the County's medical and dental benefits. Due to receiving a low bid from a new medical provider, the County will change the payment it makes and the employee's contribution. Since the District receives its employee insurance coverage through the County, the Board can decide to have the new employee contributions the same as the County or to maintain the current employee contributions. The rates for Intergroup and Partners did not increase so the premiums that the District would pay remains consistent. If the Board chooses to follow the County's approach of selecting the low bidder to be the basis for the employee contributions, there would be a cost saving of \$7,265 for the next year. The dental program has only had a minor change.

Ms. Cramer said that the District should not follow the County's approach of cutting benefits for its employees due to finding a lower bidder. She strongly supports maintaining the current level of benefit for the District employees.

Mr. Stratton said that the District gained substantial cost savings when it joined the County's health benefit program. Since there is no financial impact to the District other than what it is currently paying, he would recommend that the District provide benefits at the current contribution level. However, if any employee wants to change to Humana, there would be an indirect savings to the District.

Mr. Schlegel made the motion that the District continues paying the same premiums that it presently pays to Intergroup and Partners and any employee can join Humana, which would indirectly benefit the District because of its lower premiums. Mr. H. Johnson seconded the motion and it passed unanimously.

F. Summer Water Conservation Program.

Mr. Warren Tenney as the Water Conservation Coordinator reported that staff had developed a summer water conservation program in order to increase awareness among customers about peak demand and educate about water conservation. A conservation survey conducted by the District showed that many customers were not aware of peak demand. In order to avoid distribution problems experienced last summer, it was important to request customers to use

water for only one activity at a time during peak demand. Staff developed a brochure to be inserted with the May 1995 billings. The brochure requests observance of peak demand and provide conservation tips. To reinforce the message, a poster was designed for distribution throughout the District. Personalized letters were mailed to District's highest water using customers, both residential and commercial. The District has applied for conservation assistant grants with the Arizona Department of Water Resources (ADWR) to seek funding for the District's toilet rebate program and a proposed graph of water usage to be included on customers' billings.

Mr. Stratton said that the focus of the summer water conservation program is to minimize the peak demand usage and avoid last summer's problems. The District will need to continue to promote conservation in order to meet long-range goals. He noted that the District appears to have met its compliance status for 1994 with ADWR Second Management Plan Target; however, the new target for per capita consumption for 1995 is much lower and will be a challenge to reach. The Rate Advisory Committee will probably be considering a conservation fee.

Ms. Cramer noted that the water usage graph on customer billings is a good idea. She suggested that the current year's usage be superimposed on the previous year's.

Mr. Schlegel said that he was not against the idea of the summer water conservation program, but that he was upset that the conservation program and the image it creates for the District were done without Board knowledge or approval. Ms. B. Johnson noted that the Business Administration Board Member Committee had provided input. Mr. Schlegel said that the matter is a decision for the Board as a whole. All Board members should have a say in an item that the District is sending to customers. Additionally, the Board needs to be informed if the District is possibly out of compliance with ADWR and we should seek an appeal to avoid potential penalties. The conservation program is needed, but it is an issue of policy that should have been done with the Board's awareness and consideration as a whole.

Ms. Cramer said that she had provided input regarding the brochure as a member of the Business Administration Board Member Committee. The Board does not have clear guidelines about what should be brought before the whole Board. If guidelines are to encompass this matter, Board should define them before staff is chided.

Mr. Doyle noted that he also provided input as a member of the Business Administration Board Member Committee and believed that the proper procedure had been followed.

Mr. Tenney explained that staff had attempted to keep the Board informed of the development of the summer water conservation program, particularly a memorandum dated March 29, 1995 that discussed the brochures. No remarks were received, and so staff continued to develop the program as part of ensuring that the day-to-day operations were completed.

Ms. B. Johnson said that staff did a good job in developing the conservation insert. She does not believe that the Board needs to see all items mailed out. A clear policy does not exist about

this matter. The Board should address it if a Board member has a strong opinion regarding the issue.

G. Magee/La Cholla Reservoir - Selection of Consultant and Possible Site Acquisition.

Mr. Stratton reported that staff has been working to acquire the land for the Magee/La Cholla Reservoir. A right-of-entry is being prepared with the owner of the land that the District wishes to acquire. In order to expedite the actual completion of the reservoir, staff solicited four design proposals for the reservoirs. An addendum to the May 8, 1995 staff report was provided to the Board at the meeting. The addendum includes the scores of the four proposals received. One engineering firm, David Evans & Associates, provided an alternative to a conventional steel tank, which consisted of a prestressed concrete tank. Staff recommends that a contract and scope of work for the reservoir be negotiated with David Evans & Associates, which would include exploring the prestressed concrete tank alternative. If negotiations are unsuccessful, then staff would negotiate a contract and scope of work with Malcolm Pirnie. In order to expedite the design process, the Chairman should be authorized to negotiate and sign the contract and scope of work following legal counsel's review.

Mr. Schlegel questioned why staff requested the Board to act on an issue in which the information had just been provided to the members of the Board. Mr. Stratton said that Mr. H. Johnson had requested that the District's capital projects be expedited. Due to the time frame between Board meetings, if they had postponed this item, the schedule for the reservoir would have been further behind. Staff has tried to advance the project to ensure that the reservoir can service the area as soon as possible.

Mr. H. Johnson and Mr. Stratton discussed the potential construction cost for the reservoir. A one million-gallon steel tank was estimated at \$255,000 and a one and a half million-gallon concrete tank was estimated at \$305,000. Mr. Stratton noted that David Evans & Associate is to provide an analysis of a concrete tank versus a steel tank prior to the design to ensure that it is cost effective and feasible. David Evans & Associates showed an understanding of the District's needs and listed a short time frame for completing the project. Mr. H. Johnson said that the concrete tank was a good approach.

Mr. Schlegel said that it is an important, multi-million dollar decision to make without having more detail provided and without having a representative present from David Evans & Associates. The reports provided by staff are incomplete.

Mr. Stratton explained that the Board had expressed concern to have infrastructure improvements done as soon as possible. Staff made the recommendation about the design for the Magee/La Cholla reservoir in order to move the process quickly. The engineering fees will be less than \$100,000 and the construction cost will be approximately \$450,000.

Mr. Doyle made the motion to authorize staff to negotiate a contract and scope of work for the Magee/La Cholla Reservoir with the firm of David Evans & Associates. If negotiations are

unsuccessful with David Evans & Associates, staff would then be allowed to negotiate a contract and scope of work with Malcolm Pirnie. Upon finalization of the contract and scope of work, and legal counsel's review of said contract, that the Chairman of the Board is authorized to negotiate and sign a contract in order to expedite the design process. Ms. Cramer seconded the motion.

Mr. Schlegel questioned giving the Chairman the authority to decide the contract. He was against a policy of giving an important decision to one member of the Board. Such practice leaves the Board susceptible to scrutiny. Mr. Stratton said that the Board has previously set a precedent of having the Chairman authorized to sign a contract.

Ms. B. Johnson called for a vote for the motion regarding the design of the Magee/La Cholla reservoir. The motion passed three to one. Ms. Cramer, Mr. Doyle, and Mr. H. Johnson voted in favor of the motion and Mr. Schlegel opposed the motion.

H. Award of Contract - Twelve Inch Water Main on Ina Road from Shannon to Mona Lisa.

Ms. Cramer made the motion to award the contract to B&M Construction for the construction of a twelve inch transmission main in Ina Road from Shannon to Mona Lisa in the amount of \$184,740.42. Mr. H. Johnson seconded the motion and it passed unanimously.

I. Award of Contract - Booster Facility at Alcott Storage for Casas Adobes Terrace.

Mr. Doyle made the motion to authorize a contract with Far West Pump Company in the amount of \$137,184 for the installation of a booster pump and variable frequency drive unit at the Alcott storage facility and direct staff to evaluate an alternative pump configuration with Cella Barr Associates to reduce the time considerations for completion of this project. Ms. Cramer seconded the motion and it passed unanimously.

J. Update of Linda Vista Reservoir.

Mr. Alan Forrest, District Engineer, explained that the Board and residents near the reservoir site had expressed concern about the possible noise level from the booster pumps of the Linda Vista Reservoir. The design consultant for the Linda Vista Reservoir explored possibilities for mitigating the noise. Burying the pump facility would be too expensive. Another alternative suggested involved creating an actual block wall enclosed structure with a roof. This would add approximately \$150,000 to the total construction cost.

Ms. Cramer asked if the consultant could measure decibel levels to determine how much differences between designs of the enclosure and roof make upon the noise level. Mr. Forrest said that the consultant can do that. The area is a quiet neighborhood with not much background noise. Ms. Cramer questioned if something more reasonable can be done for less than \$150,000 to mitigate the noise.

Mr. Schlegel noted that the Board had wanted to mitigate the noise level; however, he did not understand why staff supports a concept that could cost an additional \$150,000 and did not provide more justification. Staff and the consultant firm should seek an approach that is less expensive. Even if the Board supports the idea of mitigating the noise level, it does not mean that the District will do it at any cost.

Mr. Forrest agreed that \$150,000 is a substantial sum; however, the District had made a commitment to work with the residents in the area to find the best design to mitigate the noise. An analysis of the structure along with associated cost was done.

Mr. H. Johnson and Mr. Forrest discussed the vertical pumps and the maintenance for the pumps. The pumps are twenty feet deep. The roof structure would have retractable panels. The additional cost would be incremental to the originally proposed perimeter wall. The additional cost would be 6 percent of the total project cost.

Mr. H. Johnson, Ms. Cramer and Mr. Forrest discussed that a proposed berm to the north of the reservoir would probably not mitigate enough noise to justify the cost. The berm may have to be removed if Linda Vista Boulevard is extended to Shannon Road. Increased vegetation may provide better sight and noise protection for Linda Vista Estate residents to the north of the reservoir.

Mr. Schlegel said that the Linda Vista Reservoir was a type of project that the District has not done before and should be cautious in its approach. Efforts should be made to reduce the noise, but within reason and at less expense.

Mr. Michael Lesem of Mesa Del Oro subdivision said the reservoir, with its noise, will affect the neighborhood. He feels as if the District has intruded into their backyard where they do not need the reservoir since they obtain their water from their own wells.

Ms. B. Johnson asked the life expectancy for the reservoir. Mr. Forrest said that fifty years is nominal.

Mr. Doyle made the motion to direct staff to instruct Black & Veatch to design the booster facility for the Linda Vista Reservoir to incorporate the reduced building alternative for enclosing the pumps. Mr. H. Johnson seconded the motion.

Ms. Cramer noted that the \$150,000 is an estimate and the District will solicit bids for the complete construction project.

Mr. Schlegel made a motion to place the item on a future agenda due to the amount of money involved. No second was made.

Ms. B. Johnson called for a vote for the motion regarding the incorporation of the booster facility in the design. The motion passed three to one. Ms. Cramer, Mr. Doyle, and Mr. H. Johnson voted in favor of the motion and Mr. Schlegel opposed the motion.

K. Arizona Department of Water Resources - Groundwater Investigation Consent Order.

Mr. Stratton explained that Mr. McNulty had recommended a minor change on the Stipulation and Consent order from ADWR for the District's failure to install and properly utilize measuring devices on the majority of the District's 36 wells during calendar year 1993. The change was to clarify that the order referred only to groundwater measurement. Based on what could have been assessed, the penalty is favorable.

Mr. Schlegel asked if the District can comply. Mr. Stratton said it can. Since the District learned that it was not in compliance with well measurement, it retrofitted the wells that did not have adequate flow meters. At the time, seven of the wells did have recording devices. It was difficult to ascertain from staff why the water company and then the District had been out of compliance. Mr. Schlegel asked why the District had been out of compliance. Mr. Stratton said that the Board had been informed of the matter a year ago when it became known that the District was not in compliance and a penalty would be issued. The District took steps to immediately address the problem; however, ADWR took a year to issue a penalty.

Ms. Cramer made the motion to authorize the General Manager to sign the stipulation and consent order with the Arizona Department of Water Resources and pay the civil penalty in the amount of \$3,600. Mr. Schlegel seconded the motion and it passed unanimously.

VI. Executive Session

Ms. Cramer moved that the Board of Directors goes into Executive Session. Mr. Doyle seconded the motion and it passed unanimously. The Board went into Executive Session at 7:43 p.m.

Executive Session pursuant to A.R.S. § 38-4331.03 (A)(3) (consultation for legal advice with the attorney or attorneys of the District) and/or executive session pursuant to A.R.S. § 38-431.03 (A)(4), (to consider the Board's position and instruct its attorneys in pending or contemplated negotiations or litigation) regarding the following:

- A. Modification to the Asset Purchase Agreement with the City of Tucson and Establishment of a Negotiating Committee.
- B. Acquisition, construction, reconstruction or repair of waterworks for the delivery of water for domestic purposes.

The Board returned from Executive Session at 8:52 p.m.

VII. Modification to the Asset Purchase Agreement with the City of Tucson and Establishment of a Negotiating Committee - Discussion and Possible Action

Mr. Schlegel made the motion that:

1) the General Manager should arrange a joint meeting of the Board of Directors of the Metropolitan Domestic Water Improvement District and the Oro Valley Water Improvement District No. 1 prior to the end of this month for the purpose of formally ratifying a contract to amend the Asset Purchase Agreement for submission to the Mayor and Council of the City of Tucson. Further, he should invite Tucson Water and the City's legal counsel to attend so that any questions that are raised now and then can be addressed.

2) The firm of Arthur Anderson & Co. should meet with Karen LaMartina of Tucson Water prior to that joint meeting to review issues that have been identified in the description of accounts contained in Exhibit "A" to Attachment "2" to the proposed Second Modification. It should also prepare for the joint Board meeting its independent analysis of the equities of requiring the District to pay for 3.871 percent of the treatment plant versus 5.807 percent of the treatment plant.

3) Counsel consult with counsel for the City of Tucson to address some specific concerns: a) If the District is to pay Tucson Water more than \$10 million over the next ten years for the right to take water, not counting the additional costs once the District elects to take treated water, it behooves the District to look for ways to mitigate such expenses. It may someday be feasible to find customers that wish, on an annual basis, to purchase treated CAP water from Tucson Water. Counsel should investigate whether the District's right to buy treated CAP water under the Second Modification could be assigned to third parties. b) At some point in the future, the District may find that by selling revenue bonds, or by refinancing its special assessment bonds, it could reimburse the City of Tucson for the District's share of the capital component of the treatment plant at a lower effective cost than the City's cost of borrowing. Thus, the District's counsel should see the City's consent to a provision that allows the prepayment of such capital costs without penalty. c) If the City later develops a wholesale treated CAP water rate that is more favorable than the rate that would otherwise be calculated by the application of Formula "C" to Attachment "2", the District should be entitled to participate in that rate or the contract rate, whichever is lower.

Mr. Doyle seconded the motion and it passed unanimously.

VIII. Acquisition, Construction, Reconstruction or Repair of Waterworks for the Delivery of Water for Domestic Purposes - Discussion and Possible Action

Due to the time, the Board decided to discuss this item later.

IX. General Manager's Report

Mr. Stratton had not further information to report.

X. Legal Counsel's Report

Mr. McNulty said that he had no additional information to provide to the Board.

XI. Future Meeting Dates; Future Agenda Items

A special Board meeting will be May 12, 1995. The next regular Board meeting is June 12, 1995.

XII. Adjournment

The Board adjourned at 8:56 p.m.


Barbara L. Johnson, Chairman

ATTEST:


Clerk