

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

August 14, 1995
Wilson Room
Tohono Chul Park
7366 North Paseo del Norte
Tucson, Arizona 85704

MINUTES

Board Members Present:	Barbara Johnson, Chair Marty Cramer, Vice-Chair Jim Doyle, Member Pete Schlegel, Member
Board Member Not Present:	Herb Johnson, Member
District Staff:	Mark Stratton, General Manager Michael McNulty, Legal Counsel Michael Land, Chief Financial Officer Warren Tenney, Clerk of the Board

I. Call To Order and Roll Call

Ms. Barbara Johnson, Chair of the Board of Directors of the Metropolitan Domestic Water Improvement District (District) called the regular Board meeting to order at 5:00 p.m. Ms. Marty Cramer, Mr. Jim Doyle and Mr. Pete Schlegel were present. Mr. Herb Johnson was out-of-town.

II. Comments From The Public

There was no comment from the public. Twenty-one people were in the audience.

III. Financial Report

A. Budget Summary Report.

The Board had no comments or questions regarding the budget summary report prepared by District staff.

B. Capital Improvement Projects Carried-Over to Fiscal Year 1995-1996 Budget.

Mr. Stratton noted that Mr. Schlegel had suggested that District staff provide a schedule for when capital improvement projects carried over to the Fiscal Year 1995-1996 budget are to be completed. Staff will develop such information for the Board.

IV. Consent Agenda

- A. Approval of Minutes - July 10, 1995 Board Meeting.**
- B. Approval of Minutes - July 24, 1995 Special Board Meeting.**
- C. Approval of Minutes - July 31, 1995 Special Board Meeting.**
- D. Approval of Minutes - August 3, 1995 Special Board Meeting.**
- E. Approval of Minutes - August 8, 1995 Special Board Meeting.**
- F. Ratification of Billing Adjustments or Small Damage Claims.**
- G. Financial Issues - Update on Revenues, Checks and Warrants.**
- H. Approval of Bill of Sale - Thornydale Terrace, Lots 1-104.**

Mr. Schlegel requested that Item G under the Consent Agenda be continued to the next meeting so that staff can clarify the discrepancies between the financial issues and the budget summary report.

Mr. Schlegel made the motion to approve the consent agenda except Item IV.G. Ms. Cramer seconded the motion and it passed unanimously.

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

- A. Northwest TAMA Replenishment Program.**
 - 1. CDO Basin and Lower Santa Cruz Projects.**
 - 2. Avra Valley Pilot Recharge Project.**

Mr. Mark Myer, Consultant for the Northwest TAMA Replenishment Program (NRP), reported that since writing his report to the Board, some further developments have occurred. First, Suzanne Ticknor of the Central Arizona Groundwater Replenishment District (CAGRD) sent to the Board a memorandum regarding the status of the Avra Valley Pilot Recharge Project. Many aspects of the project will now be moving rapidly. Second, the Bureau of Reclamation has released \$200,000 of the recommended funding for specific aspects of the feasibility study. Third, the Pima County Flood Control District, County Manager's office, Pima County Wastewater Management and the District have scheduled a meeting for August 17, 1995 to ensure that various projects being worked on are shown as an overall integrated program. This will demonstrate to the federal government that the projects are not conflicting or competing programs. Finally, a grant proposal was submitted by Pima County Wastewater Management for an Arizona Water Protection grant to recharge effluent water. While the proposals are competitive, the grant should receive serious consideration.

- B. Rate Advisory Committee Update.**
 - 1. Recommendation for Proposed Rate Structure.**
 - 2. Schedule of Public Hearing.**

Mr. Stratton said that the Rate Advisory Committee (Committee) made a recommendation for a proposed rate structure as detailed in the report received by the Board. The Board of Directors decides whether to support or modify the recommendation. He suggested that the Board discuss its concerns and opinions about the recommended rate structure. A date for a public hearing to present a rate structure should also be considered.

Mr. Schlegel asked if the staff's written report was to be considered sufficient for presenting the proposed rate structure to the Board. He questioned if a study session was to be planned for the Board to review the rate structure as done in the past. Ms. Johnson noted that two Board members had been members of the Rate Advisory Committee. The Rate Advisory Committee frequently met and developed the recommended rate structure. However, if a majority of the Board wants a study session, then one can be scheduled.

Mr. Schlegel said that the staff report discusses a proposed overall 19 percent rate increase, but does not discuss the reasoning for that amount of an increase. Ms. Cramer noted that members of the Rate Advisory Committee are present and prepared to answer such questions. Mr. Michael Land, Chief Financial Officer and a member of the Rate Advisory Committee, said that the Committee calculated the revenue required to meet the District's current and future needs, including revenue necessary for a bond ratio coverage. A 14 percent overall increase was determined. Since the Committee also wanted the rate structure to encourage conservation, the conservation message could decrease the water usage by four to five percent, which meant that the District needed a 18 to 19 percent increase to achieve the 14 percent overall revenue increase.

Mr. Schlegel said he was concerned about the high percentage and that it might jeopardize the District being able to gain support for a bond in the future because people might not be supportive of what may be perceived as a cumulation of sharp rate increases. He said the reason for a rate increase has not been adequately explained to him.

Ms. Cramer noted that the report about the recommended rate structure denotes that the average residential customer will only be impacted by an eight to ten percent increase. The Rate Advisory Committee was trying to develop a rate structure that generated additional revenue, encouraged conservation, and did not impact the average user the most. The Committee's recommendation successfully accomplishes that.

Ms. Johnson said that during the budget process, the Board had reviewed different comparable rate increase scenarios based on needed expenditures. Mr. Stratton noted that during the budget process, the Board had discussed pursuing a 12 percent rate increase and to also look at being able to justify financially a bond issue. Mr. Schlegel said that it now appears that the Board is pursuing a much larger rate increase. Ms. Cramer noted that if the District decides to pursue bonds, a rate increase needs to be considered to generate revenues so the District can sell bonds. Mr. Stratton agreed that to issue bonds, the District will need to have a bond debt ratio of 1.2, which was a key factor in analyzing the overall rate increase needed.

Ms. Johnson noted that the Committee expects the overall 18 percent increase to only net a 14 percent increase due to the conservation factor. Mr. Land noted that the Rate Advisory Committee was concerned about encouraging conservation to avoid a \$10,000 fine from the Arizona Department of Water Resources.

Ms. Cramer asked what would happen if the District did not achieve the correct bond debt ratio at this time. Mr. Stratton said that another rate increase would be necessary. Ms. Cramer noted that if the District is considering pursuing a bond, then this is the time to obtain a rate increase.

Mr. Stratton noted that the average residential user will experience an 8 to 10 percent increase. The high end users, the ones who use a significant amount of water, will have a greater increase. The proposed rate structure is to encourage them to conserve so the District can meet the Arizona Department of Water Resources' (ADWR) requirements.

Mr. Schlegel questioned the interchanging usage of the words "typical" and "average" in the report. Ms. Johnson and Mr. Land noted that the Committee had discussed that issue and the terminology of the billing insert that describes the proposed rate structure was corrected.

Mr. Land noted that the Committee was dedicated to achieve a rate structure that was conceptually sound. The actual amounts of the rates could be reexamined.

Mr. Schlegel said he was not questioning the structure, but was concerned about the increase. The percentage for the increase is an amount that he has not heard discussed at different water meetings. It will be difficult to get Oro Valley Town Council to approve the rates for Oro Valley Improvement District #1. Ms. Cramer questioned why Mr. Schlegel had not registered a complaint about the increase when he attended the Committee meetings at which the rates were discussed. Mr. Schlegel said he was only raising questions.

Ms. Johnson noted that some members of the Committee were in the audience, Mr. Gary Woodard and Mr. Bill Carroll, and asked if they had any comments. Mr. Woodard briefly described the usage of "average" and "typical" in discussing rates. He noted that a water provider should raise rates higher than the needed revenue because like other commodities, when water rates are increased, people buy less. Due to the higher income level of District customers and that water does not have the elasticity of other commodities, rates need to be higher to generate the necessary revenue and to decrease water usage.

Mr. McNulty suggested that the District incorporate with the adoption of any rate structure the District's resolution that states the fining of individuals who illegally take water.

Ms. Johnson noted that the staff recommendation under Item V.B.1. and V.B.2. were similar. Mr. Stratton noted that staff had analyzed that if the proposed rate structure is to become effective

by November 1, 1995, a public hearing should be scheduled for the end of September. The Cross Middle School is available for the dates noted in the staff report.

Ms. Cramer asked if the Board presents the proposed rate structure at the public hearing, if it can decide at the public hearing regarding the rates. Mr. Stratton said that a decision can be made at that time or at another scheduled meeting. The Rate Advisory Committee made a recommendation. The Board can hopefully reach a consensus about the recommendation, either through acceptance, substitution or an alternative.

Ms. Cramer made the motion to schedule a public hearing regarding the rates on September 21, 1995 at Cross Middle School. Mr. Doyle seconded the motion.

Mr. Schlegel asked if the Board will schedule a study schedule. He said he was unprepared to vote on the motion and questioned if the Board understands the impact the District may face if

the District must pay the \$2.4 million to the City of Tucson. Ms. Johnson said that she believed the members of the Board understood the issues related to the proposed rate structure as well as with the City of Tucson. Ms. Cramer said she did not oppose holding a study session; however, the public should receive information about the public hearing. Ms. Johnson said the information to present to the public may change based on the study session. Mr. Doyle said that he was not opposed to a study session and changes can be made to the proposed rate structure if necessary. Ms. Cramer said that the members of the Rate Advisory Committee should attend the study session.

Ms. Cramer amended her motion to schedule a public hearing for the proposed rate structure on September 21, 1995 and to hold a study session prior to the public hearing. Mr. Doyle seconded the amended motion and it passed unanimously.

C. Revised Personnel Manual.

Mr. Stratton clarified that the personnel manual stated 40 hours of compensatory time can be accrued. The 40 hours are not meant to be an annual limit, but up to 40 hours of compensatory time at a given time.

Mr. Schlegel made the motion to approve the revised personnel manual. Mr. Doyle seconded the motion and it passed unanimously.

D. Status of Discussions with the Town of Oro Valley regarding Cañada Hills Water Company.

Mr. Stratton said that his report to the Board was self-explanatory and he was seeking direction from the Board to ensure that staff was moving in the right direction.

Mr. Schlegel said that the process regarding the possible acquisition of Cañada Hills Water Company has been lengthy. The District and the Town of Oro Valley have moved toward a consensus so that a plan can be formulated. Staff should continue negotiations with Cañada Hills Water Company and Oro Valley's staff to reach some form of agreement to act upon. Ms. Cramer concurred with Mr. Schlegel's comments.

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

A. Approval of Contract with ADWR for Conservation Assistance Program Grant for Toilet Rebate Program.

Mr. Schlegel asked how the toilet rebate program has progressed since it began. Mr. Warren Tenney, Water Conservation Coordinator, said that 162 toilets have been retrofitted at a cost of approximately \$7,500. Mr. Stratton noted that the additional funds from the grant will allow the program to be further promoted.

Mr. Schlegel made the motion to approve the contract with Arizona Department of Water Resources for a conservation assistance program grant for the District's toilet rebate program. Ms. Cramer seconded the motion and it passed unanimously.

B. Approval of Agreement with Southwest Gas for Southern Arizona Seniors Program.

Mr. Stratton noted that Ms. Marty Looney of Southwest Gas Corporation, Ms. Celeste Corlett, Director of Southern Arizona Seniors Program, and Mr. Gary Bahman of Community Home Repair were present and could answer any of the Board's questions regarding the Southern Arizona Seniors Program.

Ms. Cramer questioned if the \$250 for Community Home Repair is for any plumbing repair or only what may be caused when the volunteers visit the homes. Ms. Looney said that the \$250 is to cover repairs that may occur when the senior volunteers are installing a conservation device. The Southern Arizona Seniors Program will pay for repairs if the \$250 is expended, just as it has been doing in the past for all repairs. The District is only asked to assist for any possible repairs that may be necessary, up to \$250.

Mr. Schlegel said that he believes the program is a good one. He said it was strange that he had not heard any praise about the program in the public or media. The program should try to better voice its achievements. Ms. Corlett said that the evaluations that people complete after having the volunteers finish the retrofit has expressed specific positive comments about the water conservation devices they received.

Ms. Cramer made the motion to approve the agreement with Southwest Gas for the Southern Arizona Seniors Program. Mr. Schlegel seconded the motion and it passed unanimously.

B. Design for Linda Vista Reservoir - Final Report by Black & Veatch

Mr. Stratton said that representatives from Black & Veatch and Cella Barr were in attendance to present to the Board the design for the Linda Vista Reservoir.

Mr. Dan Meyer of Black & Veatch noted that the Board had received a rendition of the design for the Linda Vista Reservoir. In designing the reservoir, two primary areas were considered, the arrangement of the reservoir and the design for the pump station. The reservoir was placed at the rear of the site to diminish the visual impact to surrounding areas. The reservoir will be concrete, partially buried. The pump station originally was to be an open type pump station with a simple block wall. Based on comments from the public meeting and the Board, the pump station was designed as an enclosed pump station and located to reduce noise. The site design includes a retention facility. They also designed the reservoir to receive water at the south and east end. They will submit the final design to the Arizona Department of Environmental Quality for review. A permit will be issued for one year, with extensions possible depending on construction schedule.

Mr. Stratton asked about the location determined the set back requirements. Mr. Bob Iannarino of Cella Barr & Associates said that the guidelines from Pima County Developmental Services were followed for the set back. From either street, there is more than a 75 foot set back, which is more than enough for safety factor and for zoning purposes. Mr. McNulty noted that when referring to Pima County zoning, water utilities are exempt; however, the District observed the

zoning, though it is not required, in order to demonstrate its willingness to be a good neighbor.

Mr. Schlegel noted that the Board had discussed a less expensive way to cover the booster facility. The aerial of the site showed many neighbors with metal structures and questioned if the booster facility could be a metal fabrication. Mr. Meyer said that they explored most alternatives for the booster facility structure, though metal was not considered due to aesthetic concerns. The block structure was chosen as the best means to reduce noise along with a quiet motor. Mr. Stratton noted a nursery is the primary structure with a metal cover near the site, but those structures do not create noise. Mr. Schlegel questioned if the metal structure can be custom made to reduce noise and be a means to reduce the cost. Mr. Stratton said that though they have designed the facility, they can still explore alternatives.

Ms. Cramer asked if the concerns of the neighbors have been met. Mr. Meyer said that the primary concerns were visual and noise. The structure had been placed on the site to diminish its visibility as much as possible. The noise problem has been addressed with the booster pump facilities.

Mr. Schlegel asked what will be done with the excavation fill. Mr. Meyer said that the contractor hauls away the dirt and can usually sell it to someone. Mr. Schlegel asked if the excavation dirt could be used to create another berm on the north side of the reservoir to reduce visibility and noise. Mr. Alan Forrest, District Engineer, said that issue had been examined. To create a berm high enough would require the width to be set at 75 feet wide, which would interfere with the potential right-of-way. Mr. Meyer said that the issue of a large berm was discussed at the public meeting, but the public was concerned that it would have a minimal effect on dampening the noise.

Ms. Johnson thanked Mr. Meyer for the presentation.

D. Magee/La Cholla Reservoir.

1. Approval of Site Acquisition through Sales Agreement with TNR&S Acquisition, Inc.

Mr. Stratton noted that the staff report clarifies how the site is to be paid for with the higher impact fee as well as system development fees. The cost for the property was calculated in an appraisal in February 1995. The agreement is straightforward.

Ms. Cramer made the motion to approve the sales agreement with TNR&S Acquisition, Inc. for the purchase of property at Magee Road and La Cholla Road. Mr. Schlegel seconded the motion.

Mr. Schlegel asked if Mr. Stratton had talked with Mr. John Strickler about his property near the site. Mr. Stratton said that he had not. Mr. Schlegel asked if any negative results could come from the Magee/La Cholla reservoir site. Mr. Stratton said that the reservoir will provide a sufficient water supply for existing customers and a higher density if property is developed at a future date. The reservoir should not create a greater visual impact because it will be at the same height as the existing reservoir.

Ms. Johnson called for a vote for the motion regarding approval of the sales agreement with TNR&S Acquisition. The motion passed unanimously.

2. Award of Contract with Brown Tank & Steel for Fabrication & Erection of One Million Gallon Steel Tank.

Mr. Stratton noted that the Board had continued this item from the July 10, 1995 Board meeting because the site acquisition had not been secured. Mr. Steve Gregor of David Evans & Associates was here to answer any questions. Mr. Stratton recommended that the Board approve the cathodic protection for proposed tank and the existing tank.

Mr. Schlegel asked if the reservoir has to be certified as does a pressure tank. Mr. Stratton said it does not.

Mr. Schlegel made the motion to award a contract to Brown Tank & Steel in the amount of \$218,688 to fabricate and erect a one million steel tank at the Magee/La Cholla site including cathodic protection for this tank and the existing 200,000 gallon tank at the same site. Ms. Cramer seconded the motion and it passed unanimously.

3. Award of Contract for Site Preparation and Grading.

Mr. Stratton noted that the District received four bids for this site preparation and grading for the Magee/La Cholla reservoir, which indicates that the District is being recognized in the community. The bids received provide competitiveness and shows the cost range.

Mr. Schlegel asked if landscaping had included in the bid proposals. Mr. Gregor said that is was.

Ms. Cramer noted that at the bid opening she was surprised by the range of bids and asked if there was any reasoning for the difference. Mr. Gregor said that in reviewing each of the bid items the big difference appeared to be regarding the earth work. Most likely, the low bidders had a buyer for the dirt and/or could haul it a short distance.

Ms. Cramer made the motion to award a contract to NAC Construction for site preparation and grading for a one million gallon storage reservoir at Magee/La Cholla site in the amount of \$79,977.70. Mr. Schlegel seconded the motion and it passed unanimously.

E. Rehabilitation of Stiller Well and Storage System.

Mr. Christopher Hill, Utilities Superintendent, said the rehabilitation of Stiller well continues to be a worthwhile effort. To determine if it can produce more water than the initial pump test indicated, Far West Pump Company is trying to rehabilitate the well through a surge block and bailing and sonar jetting. Based on the results of another test pumping, a recommendation will be provided to the General Manager.

F. Outsourcing Payroll Services.

Mr. Land explained that he had met with the District's auditor, Cotton Parker Johnson. It is recommended that the District consider outsourcing for the payroll. A letter from Cotton Park Johnson notes that the outsourcing for payroll services improves the internal controls of the District's financial operations. It also reduces staff time, ensures timeliness, and offers to District employees direct deposit.

Mr. Schlegel said that outsourcing for payroll services may have some extra cost, but good benefits are provided. However, his main concern dealt with the District's software, TAABS, which continues to seem ineffective. With the amount of time spent in trying to resolve problems associated with TAABS, it may be worth exploring another software. Mr. Stratton noted that staff had been disappointed with the software but since the purchase of TAABS was a large capital item, justifying the purchase of another software is hard. If the acquisition of Cañada Hills Water Company takes place, their software by Data West could then be used by the District. In fact, Data West is planning to make a presentation to staff.

Ms. Cramer made the motion to authorize the District to enter a nonbinding agreement with Paychex to provide payroll services to the District. Mr. Schlegel seconded the motion and it passed unanimously.

G. Establishment of a Section 125 Plan.

Mr. Schlegel questioned if a consensus of the employees opinions about participating in a Section 125 Plan should be sought before the Board takes action. Ms. Johnson said she felt comfortable providing authorization to establish a Section 125 plan prior to knowing the District's employees interest.

Mr. Stratton said that over half the District employees pay on the medical plan, so they will probably want to participate. The District will receive a benefit from whatever number of staff participate. The employees will benefit through a tax savings since the medical plans will be considered as a pretax benefit. Mr. Land said that Pima County only offered a premium plan, but the District does not have to do only that plan.

Ms. Cramer asked if the District would still save \$1,400 in taxes if not all of the employees sign up with the plan. Mr. Land said the savings would be less.

Mr. Schlegel made the motion to authorize staff to establish a Section 125 Plan if sufficient interest is shown after polling District employees' desire to participate in a Premium Only Plan or the Flexible Spending Account. Ms. Cramer seconded the motion and it passed unanimously.

H. Annexation Requests.

- 1. Escondido Lane.**
- 2. Foothills West (Thornydale Terrace).**
- 3. Linda Vista Road.**

Mr. Stratton noted that the first two annexation requests are straightforward; however, the Linda Vista Road involves multiple parties. Mr. Scott Eisenfeld, Development Supervisor, said that the Linda Vista Road annexation site includes two platted subdivisions and three different lots yet to be subdivided. The Linda Vista Ridge subdivision has already committed to annexation. The Las Lindas subdivision was originally approved by the District's Engineering Division, and it was assumed the District would serve it because the property fronts the District's service lines. However, the property was sold to a developer who wants Tucson Water to service the site because the owner thought to build an offsite would be less expensive than the District's system development fee. Tucson Water is willing to serve Las Lindas. The cost savings appear to be very minimal. The owners of the other properties have been contacted and it appears that the District can get more than the needed 51 percent consent and appraised value even without the Las Lindas subdivision's approval. Petitions are to be circulated when legal descriptions are obtained.

Mr. Schlegel asked if an inducement could be made to the owners to agree to the annexation by offering that the system development fees be locked at their current rate. Mr. McNulty said that the fees are to be uniformly applied throughout the District, but since the property is not yet officially in the District, the District could offer a separate annexation in order to compete with Tucson Water. Ms. Cramer said she would be opposed to such a plan. District customers are being asked to pay higher rates, which is to be offset through raising the system development fee. Providing such an inducement would be a form of subsidizing the new developers.

The Board directed staff to proceed with the annexation requests.

VII. Executive Session

Mr. Schlegel moved that the Board of Directors goes into Executive Session. Ms. Cramer seconded the motion and it passed unanimously. The Board went into Executive Session at 6:30 p.m.

Executive Session pursuant to A.R.S. § 38-431.03 (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. Asset Purchase Agreement with the City of Tucson.

The Board returned from Executive Session at 7:23 p.m.

VIII. Asset Purchase Agreement with the City of Tucson -- Discussion and Possible Action

Mr. Schlegel made the motion to direct Legal Counsel to prepare an intergovernmental agreement with Pima County regarding the future sale of water to the County for utilizing treated CAP water under the Asset Purchase Agreement with the City of Tucson. The Chairman of the Board is authorized to sign the intergovernmental agreement for the District. Mr. Doyle seconded the motion and it passed unanimously.

IX. General Manager's Report.

Mr. Stratton noted that the General Manager's report included two correspondences received from the Town of Oro Valley. One requests that the District help to pay for the Town of Oro Valley's legal representation regarding the Asset Purchase Agreement. The Town has hired legal counsel because it wants its own legal representation for the issue. Ms. Cramer questioned why the District should pay for an attorney that Oro Valley wants when the District already has its own attorney. Mr. Stratton said that the Town requested that the two Board members that met with two Town Councilmembers regarding Cañada Hills Water Company meet to discuss this issue.

Mr. Stratton said that Oro Valley's Assured Water Supply Task Force is scheduling a symposium to discuss water rate increases by the four water providers to the Town. He questioned if the Board was supportive of the General Manager participating. Mr. Schlegel questioned if it could be an embarrassment for the three Northwest water providers, when Tucson Water has already stated there will be no rate increase this year due to the elections. People might have many questions about why the District is raising rates though they still will be lower than Tucson Water. Ms. Johnson said that general information regarding the District's proposed rate structure could be provided. The reasoning for the District considering a rate increase is straightforward and justifiable. Mr. Stratton said that it would be an opportunity to gain information from the other water providers as well as practice for the District's public hearing. Ms. Johnson said she did not see a problem with the General Manager representing the District at the symposium.

Mr. Stratton reported that the hearing for the declaratory judgment with the City of Tucson regarding the boundary dispute is scheduled for August 21, 1995.

Mr. Stratton said that Dr. Tom Bever, who is purchasing a home near the District's Northwest Reservoir site, wants the District to make certain concessions regarding the structure of the reservoir. He is quite determined to see that the District complies with the CC&R of the Cabo Catalina subdivision. He is also questioning the District's right to construction a reservoir in that subdivision. Legal Counsel is exploring these issues.

Mr. Stratton noted that the District had met the customers' demands during the summer; however, the storm on August 11, 1995 caused electrical problems at the Escondido site and for the answering service. Staff was able to work around these problems to ensure delivery of water. A main line break also occurred Sunday night at Riverside Terrace and water was restored by morning. Mr. Schlegel asked if there had been any well contamination. Mr. Stratton said that he was not aware of any. He noted that Mr. Hill maintains a good flushing program after similar storm problems.

X. Legal Counsel's Report.

Mr. McNulty said that he had no additional report to provide.

XI. Future Meeting Dates; Future Agenda Items

Ms. Johnson questioned when the Board wanted to schedule the study session for the proposed rate structure. Mr. Schlegel said he viewed the purpose for the study session is to help the Board understand the rate structure in case Board members are questioned about it. Additionally, the study session is an opportunity to determine the appropriate strategy for presenting the rate structure at the public hearing. Ms. Johnson said she agreed that a study session would be helpful to understand and discuss the proposed rate structure; however, she did not favor starting at the beginning to examine all the issues for the proposed rate structure. Staff has been hired to develop the strategy and to look at the details for the rate structure and for presenting them.

Ms. Cramer asked if the billing insert regarding the proposed rate structure would still be mailed prior to a study session. Ms. Johnson said that the purpose of the billing insert was to provide information to the public about the rates. Mr. Schlegel said that such an insert had not been done before. Mr. Tenney explained that staff had developed the insert with the intent to explain the proposed rate structure to customers prior to a public hearing and hopefully then diminish the natural concern that arises when one hears a rate increase is being considered.

Mr. McNulty suggested that the billing insert state that the Rate Advisory Committee proposes the rate structure, rather than the Board, and then the Board can be open to considering other rate structures. Mr. Schlegel said he could agree to that approach. However, he was concerned that the billing insert did not appear adequately prepared to sell the proposed rate structure. It tells about the rates without selling the proposal. The insert needs to be further developed. Ms. Cramer asked if Mr. Schlegel was primarily concerned about the numbers proposed. Mr. Schlegel said that the insert does not justify the benefits that customers will receive from the proposed rate structure.

Ms. Johnson stated that the Rate Advisory Committee had worked many hours to develop the proposed structure and had reviewed the billing insert. She questioned if the District needs committees if the Board is wanting to reexamine every issue that a committee has worked extensively on.

Mr. Doyle suggested August 28, 1995 as a date for the study session and the other Board members agreed.

Ms. Johnson requested a report regarding the Board's position of having two Board members present at every bid opening. She would like the report to be an agenda item for the September 11, 1995 or October 11, 1995 Board meeting.

XII. Adjournment

The Board adjourned at 7:55 p.m.


Barbara L. Johnson, Chair

ATTEST:


Clerk