

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

October 12, 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: Christopher Hill, Deputy Manager
 Michael McNulty, Legal Counsel
 Warren Tenney, Clerk of the Board
 Alice Stults, Recorder

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 6:02 p.m. Suzanne Downing, James Tripp, Dan M. Offret, and Judy Scrivener were present. Jim Doyle was not present at roll call but arrived at 6:06 p.m.

II. General Comments from the Public

There were no comments from the public.

III. Consent Agenda

- A. Approval of Minutes – September 12, 2005 Board Meeting.**
- B. Approval of Minutes – October 5, 2005 Special Board Meeting.**
- C. Ratification of Billing Adjustments.**
- D. Ratification of Bill of Sale – La Cholla Professional Park.**

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.

Christopher Hill, Deputy Manager, said the amount of water pumped during September 2005 for the Metro Main service area was more than the amount of water pumped during the same month last year. Mr. Offret asked why the amount of water pumped in the Metro Hub service area appeared to be less for the same time period. Mr. Hill said that at this time he was unsure why, and noted that staff would review the information that was used in determining the amount of water pumped for the month.

Mr. Hill said staff has begun work on some of the new capital improvement projects (CIP); including the Northeast Reservoir and Northeast Booster Station design plans. He noted that Phase II of the Shannon Well Head GAC Treatment System has begun.

B. Financial Report.

Mike Land, Chief Financial Officer, said revenues for the first two months of fiscal year 2005/2006 appear to be strong. Expenditures are slightly under budget for this fiscal year. Mr. Land noted there were 44 new connections during September 2005, which is more than the same period during 2004.

(Jim Doyle arrived at 6:06 p.m.)

C. Liability and Property Insurance Renewal.

Mr. Tripp made a motion to approve the insurance proposal by the Rural Special District Custom Insurance Program through the Mahoney Group at a premium cost of \$136,042 for the policy year starting October 1, 2005. Mr. Offret seconded the motion for discussion.

Mr. Offret asked about the Contractual item under the Notable Coverage's that was covered in the insurance policy. He asked Mr. Land if this pertained to the quality of work provided by the contractors. Mr. Land replied that it did not.

Ms. Downing mentioned the recent accidents that occurred to Ashton Construction employees, and asked if the District's insurance company has a safety program that they provide to District employees. Mr. Land explained that representatives from the District's insurance company conducted an audit of the District's safety program, and met with staff to provide ideas and recommendations for safety training. Ms. Downing asked if District staff have a specific number of safety programs that they must attend each year; if so, does this lower the insurance premium for the District. Mr. Land replied that safety training programs do have the potential to lower insurance

premiums. He added that the insurance company itself does not generally conduct the actual training, but could make recommendations.

Ms. Downing asked staff to determine what kind of safety programs the insurance company may offer. She would also like staff to provide the Board with how many training sessions are provided to employees, how often the training occurs, the types of programs or training that are conducted, and which staff is required to attend. Ms. Downing noted that it is her belief that all staff should be required to attend safety training. She suggested that the District consider having OSHA come in to conduct a safety audit. Mr. Land noted that there was a safety session held last week for the utility crews. Mr. Hill said that safety training is held periodically for all staff. Additionally, the District also takes advantage of safety training that is provided by the Tucson Utility Contractors Association (TUCA).

Mr. Tripp suggested also checking with the National Safety Council for training opportunities. He explained that they have a great deal of information available that the District could take advantage of.

The motion to approve the insurance proposal by the Rural Special District Custom Insurance Program through the Mahoney Group at a premium cost of \$136,042 for the policy year starting October 1, 2005 passed unanimously.

D. Discussion of Deferred Repairs and Maintenance for Buildings and Grounds.

Mr. Offret asked staff to explain the District's Repair and Replacement Fund. Mr. Land said it is part of the bond covenants. He said that the maintenance of the office building is covered under this fund. He noted that \$8,500 per month is put into this fund, and it can address items such as carpet, painting, etc. Buildings and grounds are also covered under the General Fund for minor repairs, updates, and repair/replacement of new equipment. Mr. Land added that the new cleaning company began working at the District and is doing a very good job, which may contribute to keeping some maintenance costs down.

Mr. Tripp asked about the wide spread in the amounts quoted for repair or replacement of the air conditioning units as mentioned in the list of repairs/improvements portion of the Board report. Mr. Land explained that the quotes, ranging from \$1,800 to \$8,000, mainly pertain to the air conditioning unit in the warehouse. The District could either try replacing the coil in the air conditioning unit, or replace the entire unit itself. Mr. Land said it is staff's belief that the coil is the only thing wrong with the unit; therefore, staff is going to try replacing the coil.

Mr. Offret, referring again to the Board report, asked about the seams in the roof being replaced. Mr. Land replied that staff received a quote of \$5,000 to replace/repair the seams which would be considerably more cost effective than replacing the entire metal roof.

Mr. Tripp said it is his belief that upgrading the security system and adding additional security cameras, and modification of the chain link fencing surrounding the warehouse are important items and would like to see them accomplished as soon as feasible.

Ms. Downing asked how often the air conditioning units in the District offices are serviced. Mr. Land replied quarterly.

Mr. Land noted that recently one night there were Sheriff's Deputies checking the Districts fleet vehicles, and the cleaning crew asked them what they were doing. The Deputies were conducting a check of the Districts fleet vehicles as there have been several thefts in the area recently of larger utility vehicles.

E. Ratification of Loan Agreement with the Water Infrastructure Finance Authority of Arizona.

Mr. Tripp made a motion to approve to ratify the loan agreement with the Water Infrastructure Finance Authority of Arizona. Mr. Offret seconded the motion.

Mr. Tripp asked Fred Rosenfeld, District Bond Counsel, if he had read the document and felt comfortable with it. Mr. Rosenfeld replied yes.

Mr. Offret asked about the interest rate going down from what was originally anticipated. Mr. Rosenfeld said this is a very good rate at 2.87 percent and is very pleased with the amount.

Motion passed unanimously.

F. Approval of Contract Amendment No. 1 with Brown and Caldwell for Northeast Reservoir Booster Station.

Mr. Tripp made a motion to approve Amendment No. 1 to the Professional Engineering Services contract with Brown and Caldwell for the Northeast Reservoir Booster Station in the amount of \$237,538 and establish a new contract completion date of February 28, 2007. Mr. Offret seconded the motion.

Ms. Downing asked Charlie Maish, District Engineer, about the list of projects outlined for the Northeast Reservoir Booster Station and if he had that list. Ms. Downing said she did not recall the amounts for the breakdown for the booster station. Specifically, she wanted to know if the District had a projection of what it would cost for maintenance and to run the booster station on a yearly basis. Mr. Maish said the annual operation of the booster station is not part of the CIP budget, and the District does not have the projected yearly operating cost. Mr. Maish said that estimates of the operating costs over a 20 year period are available however. Ms. Downing noted that she would like to see a list of the operating and maintenance costs for the booster station based on a yearly analysis.

Motion passed unanimously.

G. Update of New Well Installations – Hub No 7 and Tucson National West Replacement Wells.

Mr. Hill explained that Mike Block, District Hydrologist, was present to answer any questions regarding the Tucson National West replacement well and the Hub No. 7 well. Mr. Hill did mention that the Tucson National West well is capable of producing approximately 750 gallons of water per minute. Staff is still hoping that the production capacity at Hub Well No. 7 can be increased.

Mr. Block said the District is proceeding with the construction of the well head at the Tucson National West Replacement Well. He explained that the water quality results at this well look very good.

H. Approval to Purchase Arsenic Treatment System for Hub Well No. 3.

Mr. Tripp made a motion to approve the procurement of the arsenic removal treatment system for Hub Well No. 3 as provided by Mobile Process Technology for the not-to-exceed amount of \$319,527. Mr. Offret seconded the motion.

Mr. Hill noted that George Massey from Malcolm Pirnie was present to answer any questions the Board might have. Ms. Downing asked staff to provide a review of its recommendation that the District contract with Mobile Process Technology (MPT). Mr. Hill said staff was looking at a specialized treatment process that did not include backwash, as was provided by MPT. Staff also wanted to make sure the District received the best arsenic treatment system available for the money. Mr. Hill said Mobile Process Technology has a good reputation and comes highly recommended.

The motion passed unanimously.

I. Status of Lower Santa Cruz Effluent Managed Recharge Project.

Mr. Hill said that Mark Stratton, General Manager, has been intricately involved in the Effluent Managed Recharge Project and the report is only to provide an update for the Board. Ms. Scrivener asked that staff provide the Board with a copy of the Intergovernmental Agreement (IGA) completed on behalf of the multi-partnership associated with the recharge project.

J. Status of Public Hearing for Proposed Rate Structure Adjustment.

Mr. Hill said this report is to provide the Board with an update of the Public Hearing. Mr. Hill provided the Board with a copy of a letter from the Southern Arizona Home Builders Association regarding its thoughts on the proposed rate structure. To date, this has been the only comment the District has received on the proposed rate structure.

Warren Tenney, Assistant to the General Manager, said that the District has met all the legal requirements for noticing the Public Hearing. Mr. Tenney provided the Board with a brief

description of how the Public Hearing will take place. He noted that time during the Public Hearing will be made available to allow for public comments, and copies of any written comments from the public will be provided to the Board.

Mr. Land explained that errors were inadvertently made on the proposed rate structure fees provided on the Board report, and mentioned the corrected fees. He explained that the Board will be provided with the correct amounts.

Michael McNulty, District Legal Counsel, asked Mr. Rosenfeld about any possible litigation regarding impact fees that has occurred during the past several years. Mr. Rosenfeld said he could not answer this question at this time, but would contact his constituents to accurately determine the answer.

Mr. Offret inquired about the water resource fee and asked for the information to be sent to the Board. Mr. Tenney said that prior to the Public Hearing scheduled for October 26, 2005, the Board will be provided with a report which will include that information.

V. General Manager's Report

Mr. Hill said regarding the Science and Technology Grant Program mentioned in the Board report, he would like to provide the Board in the future with a more in depth explanation of what will be achieved and learned with this program.

Mr. Hill explained that the District is looking to update and complete upgrades to the demonstration garden at the front of the main office building.

Mr. Hill noted that many construction materials have become hard to get, and will be hard to find for at least several more months due to the impacts of Hurricane Katrina. These shortages could impact the District and its ability to begin and/or complete projects.

Regarding the Regional Water discussions, Mr. Hill said that Tucson requested the presentations to the Boards of the involved entities be postponed until January 2006. Tucson City Council elections are taking place at the same time as the presentations were originally scheduled.

Mr. Hill said staff has designed a new District web site that is more user friendly. One of the updates that has been made to the web site is the ability for job seekers to post their application and resume on the site so that staff has immediate access to the application. Board members are encouraged to view the updated web site and provide any suggestions or feedback to staff they feel appropriate.

On November 8-9, 2005, there is a Membrane Technology meeting that Mr. Hill and Mr. Stratton will be attending in Mesa, Arizona. Mr. Hill said the Multi-State Salinity Forum will be held in New Mexico on December 8-9, 2005. The annual Colorado Water Users Association Conference will be on December 14-16, 2005 in Las Vegas. If any Board members wish to attend any of these meetings or need additional information, please contact Alice Stults.

Mr. Tenney mentioned that Tony Davis with the Arizona Daily Star is researching an article on the District's future water resource plans, including CAP water. Mr. Hill said he believes that it is positive for the District to be receiving interest from the press, and that it provides an opportunity for the District to educate its customers.

VI. Legal Counsel's Report

Mr. McNulty, Lewis & Roca, explained that discussions are continuing on the potential of expanding the District boundaries and service area. Mr. McNulty noted that his firm is also working on the Lutheran Church item, and on the SBBI issue wherein SBBI dropped out of their bid contract with the District.

VII. Future Meeting Dates; Future Agenda Items

The next regular meeting of the Board of Directors is November 14, 2005 at 6:00 p.m. A Public Rate Hearing is scheduled for October 26, 2005 at 6:00 p.m. A special meeting for discussing the direction and objectives for the District will be scheduled according to the Board's availability. Mr. Tenney will provide the Board with available dates at a later time for its consideration.

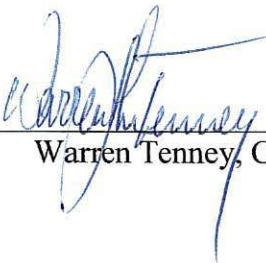
Mr. Tenney said that BKW Farms has invited the Board of Directors to take a tour of its facilities. Additional information will be provided to the Board regarding the tour scheduled for November 3, 2005.

VIII. General Comments from the Public

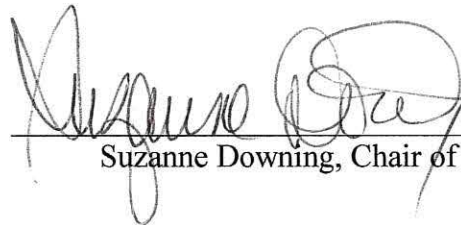
Mark Myers said the CAP Board will be meeting in Tucson at the Westward Look on November 3, 2005 and invited any Board members that are interested to attend.

IX. Adjournment

The meeting adjourned at 6:50 p.m.



Warren Tenney, Clerk of the Board



Suzanne Downing, Chair of the Board