

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

October 4, 2004

**** Board Room ****

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

MINUTES

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

District Staff Present: Mark R. Stratton, General Manager
 Michael McNulty, Legal Counsel
 Warren Tenney, Clerk of the Board
 Alice Stults, Recording Secretary

STUDY SESSION

I. Call to Order and Roll Call

Dan M. Offret, Chair of the Board of Directors of the Metropolitan Domestic Water Improvement District (District), called the meeting to order at 5:35 p.m. Dan M. Offret, Jim Doyle, Reb Guillot, and James Tripp were present. Suzanne Downing arrived at 5:39 p.m.

II. Presentation of HDR Engineering's Northeast Reservoir Site Evaluation Study

Mark Stratton, General Manager, explained that HDR Engineering representative, Jim Pembroke, was present to provide information to the Board on the results of the Northeast Reservoir site evaluation study.

Mr. Pembroke explained that the Northeast Reservoir would provide increased storage capacity for the northeast area of the District. He noted that the three areas HDR Engineering would be involved with would be to first identify the possible reservoir locations, followed by the design of the reservoir, and finally the construction.

Mr. Pembroke said the five viable sites initially identified for the location of the Northeast Reservoir were considered based on monetary and non-monetary evaluation considerations. Non-monetary

evaluations included environmental and public impacts, land acquisitions, traffic impacts, landscape, and site evaluation. Monetary evaluations included the cost of items such as the reservoir, pump station, site work, off-site piping, land, and annual operating and maintenance costs. Based on the ranking structure for each of the five sites considered, Site E, the Cobo Catalina site, was ranked as the most desirable site.

Mr. Pembroke provided information on the reservoir if in fact it would be placed on the Cobo Catalina site. He explained that the reservoir would be completely buried underground, the site would be landscaped with native plants, a decomposed granite access road would be placed on the site, and a small building approximately 20' x 10' for disinfection purposes would be constructed that would blend in with the neighborhood. No pumping equipment would be required on the site itself. Reservoir mixing of water would be via internal piping. Site visits consisting of one to two times per week would be conducted mainly for chlorination. There would be two small hatches for access to the reservoir, which would be fully secured. Mr. Pembroke also explained that the District and HDR would work closely with Cobo Catalina homeowners during the design and construction to minimize traffic disruptions. Public participation during design and construction would be maintained. He added that the Cobo Catalina Homeowners Association would like the District to enter into a Memorandum of Understanding to establish future site restrictions. It is anticipated that final design plans would occur from October 2004 to April 2005. The construction bidding phase is anticipated to take place from May 2005 to July 2005, with construction occurring from August 2005 to July 2006.

III. Discussion of Recommendations for Northeast Reservoir Site

Mr. Guillot asked what type of construction material would be placed on top of the reservoir. Mr. Pembroke replied that concrete is placed directly on top of the reservoir, and three to eight feet of dirt placed on top of the concrete.

Ms. Downing asked about security since there would not be any fencing. Chris Hill, Deputy Manager, said the hatches and doors can be equipped with alarms, motion detectors, and an invisible fence can be installed around the perimeter. Ms. Downing asked if the cost of insurance would increase since a contemporary fence would not be placed on the property. Mr. Hill said he did not believe so, but noted that staff would check into this further.

Mr. Offret asked if the estimated funds to complete the landscaping were adequate. Charlie Maish, District Engineer, replied yes, and added that \$100,000 for the landscaping is a fair estimate.

Ms. Downing asked how often a site was preferred both for monetary and non monetary evaluations. Mr. Pembroke explained it is not common but for the Cobo Catalina site, it showed that previous engineering analysis of the site was correct.

Mr. Tripp noted that he was pleased with the results of the Northwest Reservoir study, and was happy to see that the Cobo Catalina site had been the recommendation.

Joe Frannea, Cobo Catalina Homeowners Association President, said he lives directly across from the proposed Cobo Catalina site. He thanked the District and HDR for providing him with a copy of the Northeast Reservoir report to review and noted that the Homeowners Association appreciated the dialogue with the District and HDR. Mr. Frannea said some residents from the area were not happy with some of the findings in the report. One item of concern for the residents is the amount of traffic currently in this area. Unsuccessful attempts have been made to address the volume of traffic, and new concerns with construction traffic have emerged. The residents feel more emphasis should have been placed on the traffic concerns for the site rating process. Mr. Frannea said that multi-use of the site was also not given a high enough priority, and they are concerned about future use of the lot by the District. The residents want to ensure the lot looks natural with appropriate landscaping in place. Also of concern is the use of this lot going against the Homeowners Association covenants where the property is to be used for residential purposes only, and not for commercial purposes or for placement of a water reservoir. Mr. Frannea indicated the area residents do not want a large fence placed on the lot.

Mr. Frannea said that through his scoring process he believes that the Cobo Catalina and Immaculate Heart properties more closely competed with each other. Through a poll of the residents conducted by the Homeowners Association, 60 percent still do not want to see the reservoir in their area. Mr. Frannea summed up by saying the residents do not want to see fencing, no continuous burning nighttime lights, no future placement of a larger reservoir, and no large equipment left on the site.

Mr. Offret asked if the recommendations in the report mentioning working with the residents are adequate for the Homeowners Association. Mr. Frannea reiterated their items of concerns. He also mentioned that the report did not take into consideration the pumps or generators needed for the reservoir.

Mr. Offret asked where the pumps and generators would be placed. Mr. Maish said they would be placed at another location for a future booster station. The cost for pumping water would be less expensive at the Cobo Catalina site compared to other sites that were evaluated.

Mr. Offret inquired about lights being used on the site. Mr. Maish said there may be some lights placed at the site that would only be activated when there was an intrusion. There would not be lights on continuously during the hours of darkness.

Mr. Frannea asked about the Immaculate Heart site, and how serious the Sisters were about having the reservoir placed on this site. Mr. Stratton said some geo-technical work was previously completed at this site; however, it did not appear to be a priority for the Sisters at that time. Mr. Maish agreed, and noted Immaculate Heart did not initially seem interested; however, lately there are some financial concerns for Immaculate Heart and they appear to be more interested. Immaculate Heart indicated they would entertain an offer from the District.

Mr. Offret asked what the time table was for making a decision on the site for the Northeast Reservoir. Mr. Stratton said the sooner the District could begin the process for construction of the

Northeast Reservoir, the better. He added that the District can continue to operate in the current mode if need be; however, fire flow requirements are limited and construction cost also increase if the project is delayed.

Mr. Offret inquired about the design phase of the project. Mr. Stratton said the full analysis has been completed at this time by HDR Engineering and a recommendation made. Therefore, the Board could select the site, and a design contract can be negotiated immediately with HDR. Mr. Stratton noted that the report clearly identified Cobo Catalina as being the best, all around site for the District. There is very limited property available for projects such as this, and less property for the District is available as time passes. Mr. Stratton said based upon the analysis, staff concurs with HDR's recommendation of constructing the Northeast Reservoir on the Cobo Catalina site.

Ms. Downing asked about the traffic situation in the area. Mr. Pembroke said these specifications and limitations will be addressed prior to construction. He explained that for long term concerns, once completed, the reservoir does not require many site visits and should not affect traffic in the area.

Mr. Offret said he believes the recommendation of Cobo Catalina as the preferred site for the Northeast Reservoir is in the best interest of the District. The Board agreed to provide direction for staff to begin the design phase of the Northeast Reservoir, with the understanding that the Homeowners Association be involved with all phases of design and construction.

Michael McNulty, Legal Counsel for the District, suggested that this decision by the Board be ratified at the next regular meeting of the Board.

IV. Discussion of Funding for 10-Year Capital Improvement Program

Mr. Stratton said a list of the projects and potential recommendations from staff was indicated in a report previously provided to the Board regarding funding for the 10-year Capital Improvement Program (CIP). This CIP is a continuation of the recommendations of the 1994 Water System Management Plan as well as needed improvements in the expanded Metro-Hub service area. Previously, the 10-year CIP indicated the total cost of projects was \$28 million. The two main projects identified in the CIP were the Northeast Reservoir and the Linda Vista Renewable Supply Line. The cost of steel and concrete has substantially increased since this estimate was first determined. Mr. Stratton said staff went back through the projects and revised the costs. He noted that staff also included future and inflation costs in the new estimate. There was an \$11 million increase in the revised estimated cost.

Mr. Stratton explained that the Board will need to decide how much money it wishes to consider for funding the 10-year CIP. The amount of funding will determine the number of projects that can be completed. Mr. Stratton said calling the November 8, 2004 Board meeting would be the deadline for an election to be held in March 2005. If the 10-year CIP amount were to be established at \$28 million, there are two projects that could be placed on hold for the time being as well as a reduction

in mainline replacement projects. The first project is the Northeast Transmission Main, and the other is the Shannon Transmission Main.

Mr. Stratton said when financing \$28 million, the rate increase to customers would be approximately 4 percent annually for five years. When considering financing for all the projects identified at \$39 million, the rate increase would be 5.25 percent.

Mike Land, Chief Financial Officer, said if the District financed the projects through Water Infrastructure Financing Authority (WIFA) the District has greater flexibility and the interest increase on the projects could be as low as 3.5 percent.

Mr. Offret asked if WIFA would be interested in financing the projects for the District. Mr. Land said they have sounded positive during recent conversations. The District would have to wait until after a bond election and voter authorization approval to apply for funding through WIFA.

Mr. Doyle asked if the Board would need to make a decision prior to November 2004 on the amount of funding for the 10-year CIP. Mr. Stratton replied yes, and indicated that this matter could be discussed at the October 13, 2004 Board meeting.

Mr. Tripp said that he feels the District should stay at \$28 million instead of asking for voter approval for more. He explained that \$28 million was what the customers were asked if they would approve on the survey completed by the District in March 2004. Mr. Tenney said he talked to Paul Ulan, consultant that conducted the survey, and his comment was that the survey indicated there was support for the District as a whole. Mr. Ulan said not to take advantage of that fact, but not to hesitate if the amount required for financing the 10-year CIP needed to be increased due to inflation.

Mr. Stratton explained that if the District were to finance the CIP through WIFA, the Board would have more control over the projects and the amount of rate increases to customers. He noted that with bonds the District has to complete all the indicated projects within a certain amount of time. With WIFA, the District could seek funding project by project, allowing the Board to control the level of debt service. Mr. Stratton added that either way, the amount for the CIP needs to be established now in order to seek voter approval in March 2005.

Ms. Downing agreed with Mr. Tripp. She does not believe the District should ask the voters for more than the \$28 million indicated in the survey.

Mr. Guillot said if the District lets the customers know that it cannot accomplish as many projects as it would like with the \$28 million, but that the District will do all that it can with that money, the customers may be more supportive of approving additional funds at a later date.

Mr. Offret asked that staff review the projects listed in the CIP and indicate those projects that could be taken off the list and placed on hold, and the order in which they are taken off. Mr. Stratton said that the report does list the projects that could be placed on hold for the time being; however, staff would review the report again more closely.

Mr. Stratton explained that the District cannot become involved in campaigning for voter approval of the bond election. In 1997 a political action committee was formed consisting of District customers that campaigned in support of the election. Mr. Stratton said he has begun a potential list of individuals that would be interested in facilitating the campaigning issues. The District newsletter will also encourage citizens to vote.

V. Approval and Award of Construction for the La Cholla Boulevard and Orange Grove Road Intersection Mainline Replacement

Mr. Tripp made a motion to approve the mainline replacement for the La Cholla Boulevard and Orange Grove Road Intersection and award the project to the Ashton Company for \$44,124.00 and that the General Manager be authorized to approve additional funding of a cumulative amount not to exceed \$10,000.00. Mr. Guillot seconded the motion.

Mr. Tripp asked how staff felt about the Ashton Company doing the work. Mr. Stratton noted the Ashton Company built the Herb Johnson Reservoir and there were no concerns. He explained that this work is needed due to the weight of the construction equipment in the area breaking the existing pipe. The mainline replacement will ensure the integrity of the system in the middle of a busy intersection.

The motion passed unanimously.

VI. General Manager's Report

Mr. Stratton said a number of years ago the District entered into an annexation agreement with Diamond Ventures Riverside Crossing. As part of that agreement, Diamond Ventures was to donate a well site to the District. Mr. Stratton said staff will meet with Diamond Ventures tomorrow to discuss acquiring a new parcel for a potential future well site.

Mr. Stratton said work continues on Oracle Road. The District is trying to stay out of the way of the other utilities working in the area, and District staff worked last Saturday. The District is attempting to have its work completed by October 7, 2004, which is the date the District's permit expires.

Mr. Stratton explained that regarding Treasure Drive, the contractor, at the engineer's request, built the sewer line where it was originally designed as opposed to what was agreed upon by the District, engineer, owner and contractor. After discussions with ADEQ, the engineer paid for the contractor to relocate the District's water line. It is uncertain at this point what will transpire regarding the costs involved.

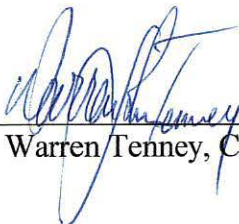
Mr. Stratton will be traveling out of the country on vacation next week.

VII. General Comments from the Public

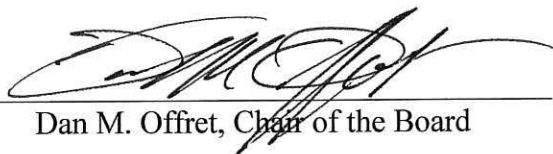
There were no comments from the public.

VIII. Adjournment

The meeting adjourned at 7:03 p.m.

A handwritten signature in blue ink, appearing to read "Warren Tenney", is written over a horizontal line.

Warren Tenney, Clerk of the Board

A handwritten signature in black ink, appearing to read "Dan M. Offret", is written over a horizontal line.

Dan M. Offret, Chair of the Board