

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

March 10, 2003

**** Board Room ****

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

MINUTES

Board Members Present: Dennis Polley, Chair
 Dan M. Offret, Vice-Chair
 Suzanne Downing, Member
 James Tripp, Member

Board Members Absent: Jim Doyle, Member

District Staff: Mark Stratton, General Manager
 Michael McNulty, Legal Counsel
 Warren Tenney, Clerk of the Board
 Alice Stults, Recorder

Regular Session

I. Call to Order and Roll Call

Dennis Polley, Chair of the Board of Directors of the Metropolitan Domestic Water Improvement District (District), called the Board meeting to order at 6:04 p.m. Dennis Polley, Dan M. Offret, Suzanne Downing, and James Tripp were present. Jim Doyle was not present.

II. General Comments from the Public

There were no comments from the public.

III. Consent Agenda

- A. Approval of Minutes – February 10, 2003 Board Meeting.
- B. Approval of Minutes – February 12, 2003 Special Meeting.
- C. Approval of Minutes – February 24, 2003 Study Session.
- D. Ratification of Billing Adjustments.
- E. Ratification of Bill of Sale – Tohono Chul Park, Inc.

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.

Mr. Stratton said utility staff is working primarily on maintenance programs such as the meter rebuild/replacement program and valve exercising. He said the District has been continually adding radio read meters. Eventually the District will convert its meter system to a radio read system entirely.

Mr. Stratton said work has begun on the Ina/CDO, Marlene and Thornydale wells. He noted that the District has received approval from Pima County to begin the Magee Road transmission main. It will go out for bid next week. The District is currently receiving bids on the Mona Lisa well improvements.

Mr. Offret asked for an update on the Lambert/La Cholla well. Mr. Maish said all the data that has been collected through testing at the Lambert/La Cholla well has been submitted to experts who will review the data and provide the District with recommendations. He said it is hoped that the experts can provide recommendations to the District to improve the production at this site. Mr. Maish said the District will wait for the recommendations prior to proceeding with any further work at the Lambert/La Cholla well site.

B. Financial Report.

Mike Land, Chief Financial Officer, said revenues continue to be up. During February 2003, 53 permits were issued.

Mr. Land noted that the District received a letter from the Pima County Treasurer informing the District that some of its operating funds were tied to the National Century Financial Enterprises bankruptcy through the local government investment pool. He explained that \$72,300 from the District's operating fund would be lost.

Mr. Offret asked when a determination would be made on the bankruptcy. Mr. Land said the determination would probably be made within six months. Mr. Offret asked if the shortfall would be budgeted out of fiscal year 2003-2004. Mr. Land replied that the \$72,300 would come out of the fund balance carry over at the end of the current fiscal year.

Ms. Downing asked what the District's refund accounts were for. Mr. Land explained the refund accounts are for instances such as customers moving out of the District that have a deposit refund due them.

Ms. Downing asked about bee removal that was indicated on the list of checks paid. Mr. Stratton explained that bee removal occurs when bees build hives in the meter boxes. He said the District

has worked with a manufacturer to develop a small plug to place in the hole in the meter box that would allow the meter tool to be inserted into the meter box. Mr. Stratton added that one to five meter boxes per month are found to have bees inside them.

Ms. Downing asked why there was a \$10.00 late charge to Home Depot. Mr. Land said he would research the Home Depot account and report back to the Board.

Ms. Downing inquired about a payment made to Qwest for damages in the amount of \$1,502.33. Steve Dean, Utility Superintendent, explained that while doing work in the area, the District inadvertently cut a Qwest line with a backhoe. He noted that the line was marked appropriately.

Ms. Downing asked if the District used a charge card. Mr. Land replied yes, a MasterCard with First USA Bank. Ms. Downing asked that the Board be supplied with a copy of the monthly credit card statement. She added that back-up information for the charges was not necessary.

C. Billing System Hardware/Software Issues.

Mr. Tripp made a motion to approve not more than \$17,000 to be used for the purchase of needed hardware to support the billing software. Mr. Offret seconded the motion.

Mr. Offret asked if the District's computer system was on a server. Mr. Land replied that the District has two servers, and the Data West billing software is running independently on one of the servers. He explained that the majority of computers in the customer service area are approximately five to eight years old and experience continual operating problems. New computers in the customer service area are required to run the new billing software that is scheduled to be purchased in fiscal year 2003-2004. Mr. Offret asked if the District's main server had certain requirements that must be met in order to support the computers. Mr. Land said yes, and noted that it must have adequate power and memory. He explained that a significant amount of information is entered into each customers account and the computers must be able to adequately handle the amount of input, and have the capability to run fairly quickly to provide information in a timely manner.

Mr. Offret asked if the computers from the customer service area would be recycled and placed into another division within the District. Mr. Stratton said that District computers are recycled into other areas, and that most of the computers used by staff in customer service have been handed down to them from other divisions. For this reason most of the computers in the customer service area are typically the oldest in the District.

Mr. Land said the District is considering the purchase of five new computers. He noted that the \$17,000 requested includes new software and licensing, and a new tape drive back-up. Mr. Stratton explained that the back-up system the District currently uses does not have the capability to back-up all of the files due to the amount of volume of programs and files. Mr. Offret asked if the new back-up system would handle the District's entire file load. Mr. Stratton replied yes, and noted that it does have the capability for future expansion.

The motion to approve not more than \$17,000 to be used for the purchase of needed hardware to support the billing software passed unanimously.

D. Participation in Class Action Suit regarding National Century Financial Enterprises Bankruptcy.

Mr. Tripp made a motion to approve the District being part of the class action suit regarding the bankruptcy of the National Century Financial Enterprises. Mr. Offret seconded the motion. Motion passed unanimously.

E. Appointment to the Bond Oversight Committee.

Mr. Tripp made a motion to appoint Jim Stevenson to the Bond Oversight Committee. Ms. Downing seconded the motion.

Mr. Offret noted his appreciation that a customer from the Hub Service Area was interested in being on the Bond Oversight Committee. Mr. Stratton said that Mr. Stevenson's background made him a good choice for the Bond Oversight Committee.

Motion passed unanimously.

F. Update on Legislative Issues 2003.

Ms. Charlton reported that the Legislature is very close to balancing the 2003 budget. It will not be able to complete the 2004 budget in May, so Legislators are considering taking the summer off and reconvening in September and completing the 2004 budget at that time.

Ms. Charlton said that Representative O'Halloran has continued with the monthly study sessions regarding water issues. Last weeks meeting was on rural water issues. Ms. Charlton noted that ADWR was sending a questionnaire to rural water utilities to solicit feedback that will be used to study rural water issues.

Ms. Charlton said HB2480, Multi-Jurisdictional Water Facility District, raised some concerns with the Arizona Corporation Commission (ACC) regarding user fees. The ACC was concerned that user fees would be passed by private water companies without going through the ACC for prior approval. Ms. Charlton said ACC provided an amendment that was agreeable to all parties. The bill has moved forward to the Senate.

Mr. Offret asked about the amendment to HB2480. Mr. Stratton said the amendment provides that all private water companies that are going to be part of the Multi-Jurisdictional Water Facility District must receive prior ACC approval to participate in the water facility. He added that no district can be comprised of only private water utilities.

Ms. Charlton said SB1059 addresses trespass issues for critical public service facilities. It raises the penalties for criminal trespass as long as the fenced structure is marked with appropriate signage

indicating that it is a felony to trespass. Ms. Charlton said this bill has been referred to the House Judiciary Committee.

SB1147 is a special district election bill. Ms. Charlton explained that if there was only one person running for a vacant board seat this bill would allow for the election to be canceled.

Ms. Charlton said HB2088 raises the processing fee for a notice of intent to drill a well to \$50. The Arizona Department of Water Resources (ADWR) has said that it costs approximately \$70 to process the fee and it does not gain anything with the \$50. Ms. Charlton said she is unsure as to the future of this bill.

HB2115 also proposes imposing a \$120 filing fee that would accompany the notice of intent. Ms. Charlton said it is believed that this bill will be dropped.

Ms. Charlton said HB2119 reverses the process for annexation by allowing the county to file a petition for annexation versus property owners. This bill would eliminate the problem of county islands. Mr. Tenney pointed out that this legislation would specifically apply to land parcels that are 10 acres or less. Ms. Charlton noted that HB2383 would allow cities to file the petition. She said the fate of HB2383 is also unknown at this time.

G. Discussion of Water CASA Outdoor Water Use Ideals and Research Project.

Val Little, Director for Water Conservation Alliance of Southern Arizona (Water CASA), provided information to the Board regarding Water CASA's development of ideals for outdoor water usage, and a major research project it recently launched. She explained that Water CASA's Board wanted to present the new list of ideals for outdoor watering to board's of Water CASA members to solicit feedback, suggestions, and support prior to making the ideals public. Ms. Little said they have carefully evaluated the new set of ideals which they believe will help bring about more conservation than what is currently occurring. The new ideals are: grass would only be for functional or physical use; no lawns just for looks; grass on large turf facilities would be watered with reclaimed water only; no over-seeding; utilizing Mother Nature as the primary irrigator; and the use of low water using plants only.

Mr. Offret asked about over-seeding and why it is wasteful. Ms. Little explained that when grass seeding occurs twice a year it takes a considerable amount of water for the lawn to become established. Mr. Tripp said he thought this information would be valuable to all District customers, including his homeowners association.

Ms. Downing asked if figures were available on the amount of water saved by hand watering as opposed to a drip irrigation system. Ms. Little said that hand watering generally uses approximately 30% less water.

Ms. Little said that Water CASA is looking at promoting these ideals. Mr. Polley asked how the information would be distributed. Ms. Little said that they would provide the new ideals on their

website, through workshops, and news releases. Mr. Tenney suggested that the information be provided in the District's newsletter.

Ms. Little said that Water CASA has also began a major research project to do a comparative cost-benefit analysis of actual conservation programs throughout Arizona with actual water savings data. The Bureau of Reclamation will provide much of the financial support with Water CASA pursuing additional financial support. The research will take approximately three years.

H. Participation in Project Graduation.

Mr. Tripp made a motion to approve that support be given to Project Graduation as a positive means to provide a safe and sober graduation for District residents who are graduating from high school. In addition, the District would contribute \$1,000.00 for the activity and solicit staff to participate if possible. Ms. Downing seconded the motion.

Ms. Downing said she believed that it is important that the District give back to the community. She encouraged more of this type of community support, especially involving the youth.

Mr. Offret said he was also supportive of this project. He explained that he believes the District should advise Project Graduation that District support should not be assumed for future years. Mr. Offret said he has concerns that in the future the District may find itself in the position of continually supporting several organizations. He said that he believes the District cannot be considered as continual supporters due to its own budgetary constraints.

Ms. Downing noted that she would like to see the Board establish a community program that would evaluate various organizations and establish limits for support obligations from the District. She explained that if the District had an established program it could determine exactly whom it would support by allowing associations to apply for program funds. Mr. Offret suggested the Board revisit this issue at a future meeting.

Mr. Stratton said that Project Graduation is a community event as opposed to a team sponsored event which would only benefit a small amount of citizens. He explained that he also believes that it is important to give back to the community and offer support to an event of this stature.

The motion to approve that support be given to Project Graduation as a positive means to provide a safe and sober graduation for District residents who are graduating from high school, and in addition, the District would contribute \$1,000.00 for the activity and solicit staff to participate if possible passed unanimously.

I. Approval of Water Service Agreement with The Family Trust under the Wong Trust for the Oracle Road/Suffolk Drive Off-Site Public Water Main.

Mr. Tripp made a motion to approve the Water Service Agreement with the Family Trust under the Wong Trust for the Oracle Road/Suffolk Drive Off-Site Public Water Main development. Mr. Offret seconded the motion.

Mr. Offret asked for further explanation on the agreement. Mr. Stratton said that currently the development site lies outside the District's legal service area boundaries. He said that Tucson Water's system in this area is sub-standard and the District can provide adequate water for fire flow protection at a lower cost. The two properties will be annexed into the District. Mr. Offret asked what type of development was taking place at the location. Mr. Maish replied that it is two commercial development pads.

Ms. Downing asked if the District had previously considered this agreement within its plans. Mr. Maish replied yes.

Mr. Offret asked if the annexation would create issues with Tucson Water. Mr. Stratton explained that in 1996 when the service area resolution was established, this area was outside the jurisdiction of both Tucson Water and the District. He noted that the properties adjoin the District's service area.

The motion to approve the Water Service Agreement with the Family Trust under the Wong Trust for the Oracle Road/Suffolk Drive Off-Site Public Water Main development passed unanimously.

J. Approval of Water Service Agreement with La Cholla Corridor Limited Partnership for La Cholla Professional Park.

Mr. Tripp made a motion to approve the Water Service Agreement with the La Cholla Corridor Limited Partnership for the La Cholla Professional Park development. Mr. Offret seconded the motion. Motion passed unanimously.

K. Approval of Change Order No. 1 to the Contract with Environmental Strategies, Inc., for the Casas Adobes Reservoir Roof Repair.

Mr. Tripp made a motion to approve Change Order No. 1 to the Casas Adobes Reservoir Roof Repair contract with Environmental Strategies, Inc. in the amount of no more than \$41,877.81 and to extend the contract completion time 60 calendar days. Mr. Offret seconded the motion.

Mr. Offret asked about the approach to the repairs and the original cost for the repairs. Mr. Maish said he believed the total cost for repairs was \$242,000. He explained that this amount was for the two reservoirs, and did not cover the roof repair for the storage area. Mr. Offret asked what kind of treatment was used for termite control. Mr. Maish said a trap system, as opposed to chemicals, was decided upon. The cost for the termite control system is approximately \$10,000.

Ms. Downing said that she noted when visiting the Casas Adobes Reservoir the front wall of the adobe building is in jeopardy of falling down. She recommended that an adobe expert be contacted to provide an estimate of repairs for the outside walls. Mr. Stratton said staff would bring back cost estimates for the Board's review.

Mr. Dean noted that the repair cost for the pump room is an additional \$30,000.

The motion to approve Change Order No. 1 to the Casas Adobes Reservoir Roof Repair contract with Environmental Strategies, Inc. in the amount of no more than \$41,877.81 and to extend the contract completion time 60 calendar days passed unanimously.

V. General Manager's Report

Mr. Stratton said a hearing for the sale of the Green Valley Water Company (GVWC) has been scheduled for March 26, 2003 by the Arizona Corporation Commission.

Staff met with Northwest Fire District regarding fire hydrants at Barcelona Manor. It is staff's recommendation to obtain a continuation of the easement from Orange Grove Road to Oracle Road through the Barcelona Manor property.

Mr. Stratton said water officials from Almaty, Kazakhstan will be in Tucson on March 12, 2003. Tucson Water and the Sister Cities Program are working on establishing an agenda for the Almaty water officials visit. He noted that they will be visiting the District's South Shannon site on March 19, 2003.

The Intergovernmental Agreement for managed recharge has been completed and is being reviewed by District's legal counsel.

Mr. Stratton said staff continues to work on the District's budget. He noted that the debt service increased by \$500,000 and the budget will be tight until the bonds are paid off in 2019. Mr. Offret asked if staff had included \$350,000 for reimbursement revenue generated from the sale of the GVWC in the 2003-2004 budget. Mr. Stratton replied yes.

The revised performance evaluation form for the General Manager was provided to the Board. Mr. Stratton advised the Board that he would be happy to discuss the evaluation form with them at their convenience.

Mr. Stratton said he had attended a multi-state salinity coalition meeting on March 3, 2003. It was well attended with representatives from across the western states attending. Mr. Stratton said it appears there will be a legislative push to secure funding for the salinity research. The cost to dispose of the brine waste is expensive. The committee is looking at ways in which to reduce the amount of brine created and ways to recycle the brine as opposed to dumping it. Another option being considered is disposing of the brine back into the ocean.

Mr. Stratton will be in Scottsdale, Arizona March 12 through March 14 for a WestCAS conference. The fall WestCAS conference in October will be held again at the Westward Look in Tucson.

The Board room has been reserved for several conferences and seminars by utilities, members in the water utility community, and associations. Mr. Stratton noted that with the meetings being held in our Board room, it has allowed District staff to attend at little or no cost.

Mr. Stratton explained that the District office parking lot will be patched and resealed the weekends of March 15 and March 22, 2003. Mr. Offret asked where the funds for the parking lot would come from. Mr. Land said some of the money would come out of the municipal property fund.

VI. Legal Counsel's Report

Mr. McNulty explained an Arizona Supreme Court opinion called Hohokam Irrigation and Drainage District versus Arizona Public Service Corporation. He said that basically it allows the Hohokam Irrigation and Drainage District to be an electric service provider outside its immediate jurisdiction as long as the activities contribute to the main purpose for which it was created. Mr. McNulty suggested that the District, as a result of the new ruling, consider the possibility of purchasing electricity from them as opposed to Tucson Electric. An evaluation will be considered to ascertain if the electricity can be purchased at a lesser amount.

Mr. McNulty said the private water companies within Pima County have a franchise that allows them to use the right-of-ways. When the District was created, the County Attorney decided that the District did not require a franchise. Now, the County Attorney has suggested that the District apply for a franchise. Mr. McNulty said at this time the District will not apply, but he will keep staff advised of anything further.

Mr. McNulty said that approximately every four years legal counsel reviews the District's Gila River adjudication fillings and assures that they are kept up to date. He noted that his office is in the process of updating the fillings for the District.

VII. Future Meeting Dates; Future Agenda Items

The next regular meeting of the Board is April 14, 2003 at 6:00 p.m. A study session is scheduled for March 24, 2003 at 5:30 p.m. for the 2003-2004 budget.

VIII. General Comments from the Public

There were no comments from the public.

IX. Adjournment

The meeting adjourned at 7:20 p.m.


Dennis Polley, Chair of the Board


Clerk of the Board