

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

January 23, 2002

**** Board Room ****

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

**Public Hearing
MINUTES**

Board Members Present: Pete Schlegel, Chair
 Dennis Polley, Vice-Chair
 Dan M. Offret, Member
 Jim Doyle, Member
 Marlene Wright, Member

District Staff: Mark R. Stratton, General Manager
 Warren Tenney, Clerk of the Board
 Alice Stults, Recorder

I. Call to Order and Roll Call

Pete Schlegel, Chair of the Board of Directors of the Metropolitan Domestic Water Improvement District (District), called the Public Hearing to order at 7:05 p.m. Pete Schlegel, Dan M. Offret, Jim Doyle, Dennis Polley and Marlene Wright were present.

II. Presentation Regarding the District and the Proposed Water Rates

Charlie Maish, District Engineer, began the presentation by discussing the Capital Improvement Program (CIP) accomplishments. During the year 2001, the Thornydale Transmission Main, which extended from LaCholla near Magee to Thornydale just north of Ina, was completed. This constituted approximately three miles of transmission system. Approximately 7 miles of transmission line has been completed extending up to Shannon and Linda Vista Boulevard in the CIP.

Plans for the upcoming fiscal year include the completion of the LaCholla Transmission Main Phase II, which is scheduled to begin within a couple of weeks. Construction of the Magee Road transmission system is also scheduled for 2002. Mr. Maish said the District is currently working on updating the plans for Magee Road to incorporate Pima County's policies initiated in regards

to archeology and native plants. Mr. Maish said that plans for 2002 year end include transmission line replacement on LaCholla near Orange Grove.

Mr. Maish also said that in 2001 well modifications were completed at Tucson National Well, and existing well sites were improved to allow connection into the new transmission system. During 2002 three additional well sites will be improved for the same purpose. Two new production wells are scheduled to be drilled in 2002 as part of the CIP. The first site is located on Mona Lisa just south of Magee, and the proposed additional new well site is at Lambert and LaCholla. On Magee east of Oracle, the CIP program identified the need for another large reservoir and design for this project is scheduled to begin this year.

The CIP also includes two new projects in the Hub Service Area system. The first project will be the completion of improvements to the existing storage facility. Mr. Maish said the second project will be to expand storage facilities at the existing site by adding a 250,000 gallon storage tank. The bidding process for this project will begin next week, and it is anticipated the storage tank will be in service during July 2002. Also in the Hub Service Area two sites have been identified to have backup power supplies added to the systems.

During 2001, the District completed two major mainline replacement projects, the Catalina Village subdivision, and the Tangerine Acres project. With the completion of these projects, and a planned mainline replacement project near Rollercoaster Road in the Northern Hills subdivision, the money issued during the first bond issuance will be expended. When funds become available from earned interest by the District, the monies will be allocated to finance additional mainline replacement projects that have been previously designed.

Steve Dean, Utility Superintendent, provided information on two programs also being funded by the CIP. The telemetry system, which allows the District to monitor and control the systems at the well sites, has been installed at 35 well booster stations. The auxillary power program included installation of four backup booster generators at the well sites.

Mike Land, Chief Financial Officer, explained that the public hearing is being held to request approval from the Board of Directors for the last of the five, 4% rate increases, presented to the voters in 1997 for the Capital Improvement Program. The operating fund is helping to fund the CIP. Mr. Land also explained that there has not been a rate increase for operating expenses since 1995. He said it is critical the Board approve the rate increases because: 1) the District must maintain a bond ratio of 1.2 debt service over net revenues; 2) the bond companies have been advised that we would receive the rate increases; 3) the operating funds have in the past helped to subsidized the bonds; however, the new construction development has declined in the past several months by 77% resulting in a loss of revenues which has an impact on operating expenses.

Mr. Land said the monthly impact on a customer using 12,000 gallons would be \$1.26. The average customer would recognize an increase of \$1.17 per month. He added that the District's rates are competitive with other water utilities in the area.

III. Comments from the Public Regarding Proposed Water Rates

Ludwig Hill, Metro Water District customer, requested the Board to consider leaving the base rate the same, and adjust the commodity, summer conservation, and high user rates upward to match the requested 4% rate increases. Mr. Hill explained that his concern was for the long range impact regarding conservation, and a means to encourage customers to reduce the amounts of water they use. He believes the rate structure should be used as a tool for conservation efforts.

Mr. Schlegel suggested to staff that the District newsletter be utilized to provide Mr. Hill and other customers information on why the District makes the decisions it does, and the latest studies showing rates and their effects on conservation. Mr. Schlegel also commented on the managed recharge program currently being planned and explained that in the future water utilities would be putting more water in the ground than they would be taking out. He encouraged Mr. Hill to contact staff regarding questions or comments he may have regarding District conservation efforts.

Dr. Marjorie Smith, Metro Water District customer, addressed the Board concerning questions regarding arsenic issues, and asked when chlorine could be eliminated from the water system. She was concerned about the disinfection by-products from chlorine.

Mr. Schlegel said that the Board prefers not to have chlorine in the water; however, the laws now require the District to deliver water that will not support life to its customer's homes. He explained that years ago the water was pure enough so as not to require substances to clean or purify it, and only occasionally would chlorine be added to the water. Mr. Schlegel said that after the monsoon rains one or more wells would get small amounts of contaminants in the water from runoff at which time appropriate amounts of chlorine would be added. Unfortunately, the District can no longer operate in this manner as the new law states the water must have one of the required chemicals to ensure disinfectant of any contaminant introduced into the water. The District has evaluated the choices of available water disinfectants and from the information available it appears that chlorine is the least problematic. Mr. Schlegel noted that since District water does not have to travel long distances in the pipe lines, smaller concentrations of chlorine can be used. The new equipment currently used by the District is able to add the chlorine evenly and accurately. Mr. Schlegel said the District has concerns with the chlorine also, and if there was another way of disinfecting the water the District would use that method.

Dr. Smith asked what the laws were that required the District to use the chlorine. Mr. Schlegel said the law changed recently. He explained that the District sent water samples out to be tested. The District had just recently changed to a different lab to do the testing, and all the water samples failed. Knowing that this should not have happened, new samples were taken and provided to the same lab. These water tests failed once more and the company assured the District they had not caused the water samples to become contaminated. During conversations with them, they advised they were operating under the new regulations, which were not scheduled to take place for another year. These new regulations stated that water could not be

delivered that could support life. Mr. Schlegel said that the fact the District did not have chlorine in the water caused the unfavorable test results. Therefore, the District was forced into adding the chlorine. Mr. Schlegel advised Dr. Smith that copies of the law could be provided to her. Dr. Smith asked if the law was City, County, or State law. Mr. Schlegel said it was a Federal regulation.

Chris Hill, Deputy Manager, addressed the arsenic issues and commented on the Safe Drinking Water Act of 1996. He said there was a concern on the Federal level of what the health impacts of arsenic in the drinking water was. Research was conducted, and as a result of the studies the recommended maximum levels of arsenic in drinking water was 10 parts per billion (ppb). The present limit, which has been in effect since the 1940's, is 50 ppb. The Environmental Protection Agency, due to recent studies, felt it was advisable to lower the limits to 10 ppb. This new regulation will be effective January 2006. The wells in Metro Water District Main Service Area are not impacted by the maximum contaminant level (mcl) of arsenic as they are safely below the 10 ppb limit. However, in the Hub Service Area, two out of the five wells are over the mcl of 10 ppb. The District is now challenged with deciding the best method of approach to lowering these levels. The cost to lower the mcl in drinking water would be approximately 1.6 million dollars of Capital Investment monies. This cost does not include the treatment, operational, and maintenance costs. In search of alternative methods for removal or treatment of arsenic in the drinking water, the District is participating in a National Research Program pilot study which is currently taking place at one of the District well sites. Mr. Hill reported District water is tested yearly for approximately 85 different constituents, and many of these tests are done on a quarterly basis as well.

Dr. Smith asked about fluoride being added to the water. Mr. Hill said that Arizona does not have a state law mandating the addition of fluoride and the District does not add it to their water system.

Ms. Wright moved to close the comment portion of the public hearing. Mr. Polley seconded the motion. The motion was unanimous.

IV. Consideration and Possible Action Relating to Water Rates

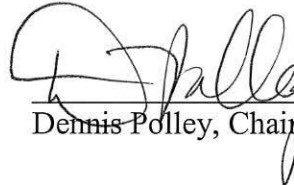
Mr. Offret moved to pass and adopt Resolution No. 2002-3, establishing water rates for the Metropolitan Domestic Water Improvement District effective February 1, 2002. Mr. Polley seconded the motion. The motion passed unanimously.

V. Adjournment

The meeting adjourned at 7:45 p.m.



Clerk of the Board



Dennis Polley, Chair of the Board