

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

January 8, 2001

**** Board Room****

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

MINUTES

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

District Staff: Mark R. Stratton, General Manager
 Warren Tenney, Clerk of the Board
 Lisa Chase, Legal Counsel

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 Board Meeting to order at 6:10 p.m. Mr. Schlegel, Mr. Polley, Mr. Doyle, Mr. Offret and Ms. Wright were present.

Mr. Schlegel introduced Mr. Offret as the newest Board Member and welcomed him to the Board. He stated that Mr. Offret had been instrumental to the formation of the District and a very active participant on various committees. Mr. Offret thanked Mr. Schlegel and stated he hoped to continue the tradition of Sam Ray's dedication.

II. General Comments From the Public

There were no comments from the public.

III. Presentation to Mark Michael – Employee of the Year

Mr. Schlegel presented the award of Employee of the Year to Mark Michael, Draftsperson in the Engineering Division. He commended Mr. Michael on his recognition as Employee of the Year.

IV. Consent Agenda

- A. Approval of Minutes – November 27, 2000 Study Session.**
- B. Approval of Minutes – November 29, 2000 Joint Study Session.**

Mr. Doyle made a motion to approve the approval of the minutes of November 27, 2000 and November 29, 2000. Mr. Polley seconded the motion. The motion passed 3-0, with Ms. Wright and Mr. Offret abstaining.

- C. Approval of Minutes – December 11, 2000 Board Meeting.**

Mr. Doyle made a motion to approve the minutes of the December 11, 2000 meeting. Mr. Polley seconded the motion. The motion passed 4-0, with Mr. Offret abstaining.

- D. Ratification of Billing Adjustments.**
- E. Approval of Bad Debt Write-Offs.**
- F. Approval of Water Service Agreement for Foothills Mall Revision No. 12.**
- G. Approval of Water Service Agreement for NWMC/Cotlow Administration Building.**
- H. Approval of Water Service Agreement for Turner Parcel Waterline Extension.**

Mr. Polley made a motion to approve the ratification of billing adjustments, approval of bad debt write-offs and approval of water service agreements for Foothills Mall Revision No. 12, NWMC/Cotlow Administration Building and Turner Parcel Extension. Ms. Wright seconded the motion and it passed unanimously.

V. General Business – Items for Discussion and Possible Action

- A. Election of Chair and Vice-Chair for the Board of Directors.**

Ms. Wright nominated Pete Schlegel to serve as Chair of the Board and Mr. Polley seconded the nomination. No other nominations were made. The motion to appoint Pete Schlegel as Chair of the Board passed 4-0 with Mr. Schlegel abstaining.

Ms. Wright nominated Dennis Polley to serve as Vice-Chair of the Board and Mr. Schlegel seconded the nomination. No other nominations were made. The motion to appoint Mr. Polley as Vice-Chair of the Board passed 4-0 with Mr. Polley abstaining.

- B. Schedule for Regular Board Meetings in 2001.**

Ms. Wright made a motion to approve the dates and times for the regular sessions of the Board of Directors meetings as submitted. Mr. Offret seconded the motion and it passed unanimously.

C. Financial Report.

Mike Land, Chief Financial Officer, stated that there were two big cash transactions last month, the debt service on the municipal bonds and the capital charges due for the Central Arizona Project (CAP) water allocation. He indicated that the settlement payment to City of Tucson is due prior to February 1, 2001, but that a check has been deposited on a monthly basis in an escrow account to cover this debt.

Ms. Wright asked for information regarding the refund to NAC. Mr. Land replied that NAC placed a deposit for a bulk water meter and the amount in question was their refund.

D. Approval of Quit-Claim Agreement with Wilbur L. and Carol L. Campbell for Abandoned Sumaya Well Property.

Ms. Wright made a motion to approve the Quit-Claim Agreement between the Metropolitan Domestic Water Improvement District and Wilbur L. and Carol L. Campbell (the Campbells) to transfer title of the unused Sumaya well site. Mr. Polley seconded the motion. The motion to approve the Quit-Claim Agreement passed unanimously.

E. Approval to Purchase 2,500 Gallon Hydropneumatic (Surge) Tank.

Mr. Doyle made a motion to award Brown Tank & Steel the 2,500-gallon Surge Tank Bid for an amount of \$9,678.15. Mr. Polley seconded the motion and it passed unanimously.

F. Status of Proposed Hub Reservoir Site Expansion.

Mark Stratton, General Manager, stated the Metro-Hub area needed 1.5 million gallons storage capacity for that service area, which the District was aware of prior to the purchase of the Hub Water Company. Staff has investigated available sites and determined the best site to construct additional storage tanks is the existing storage tank area. He stated that the Engineering Division has prepared diagrams and configurations and decided that 1.25 million gallons of storage could be installed on the existing site that now has a 186,000 gallon storage tank.

Charlie Maish, District Engineer, displayed an enhanced photograph of the storage tank site. He explained that the plan calls for the construction of two storage tanks. A tank would be built next to the existing one. The existing tank would then be replaced by a second storage tank. He said that staff felt this would be the most cost effective solution to the storage tank and that the \$500,000 of the \$900,000 previously transferred from OV#1 projects to the Metro-Hub area for storage tank construction will not be adequate to complete this project. Staff suggested holding a meeting to explain the proposed reservoir expansion to the Metro-Hub service area residents.

Mr. Polley asked what the construction timeframe would be. Mr. Maish replied that it would take 4-5 months to complete the construction of the tank.

Mr. Offret asked for a total cost estimate of this project. Mr. Maish responded that the combination of site preparation work and construction of the first tank should be around \$650,000.

Mr. Stratton stated that this project would need to be completed in phases and since the high demand for water is in the summer, it should be started as soon as possible with at least the smaller tank. Staff would be able to investigate if there is a need for an alternative site if input from residents indicates that need.

Mr. Schlegel asked if a developer could donate land for construction of storage tanks. Mr. Stratton and Mr. Maish explained land acquisition is expensive, neighborhood acceptance and building ordinances for the sloping areas are just a few of the issues that make it difficult to obtain another site. Mr. Stratton stated that staff wanted to have a public meeting with Hub residents in order to apprise them of District plans and possibly get their consent.

The Board directed staff to hold a public meeting with Metro-Hub residents and obtain bids on grading quotes and building of the smaller proposed storage tank.

F. Legislative Issues.

Mr. Stratton advised that staff had met with Dana Belknap, District lobbyist, to review potential legislation for the upcoming legislative session. One proposal being developed would allow counties to form community facilities districts. Mr. Stratton stated that Ms. Belknap would follow this legislation closely and would keep staff updated on its progress. He added that if this provided for multi-jurisdiction districts it would be a very good working mechanism and allow more flexibility in financing needed infrastructure.

Southern Arizona Water Users Association (SAWUA) is interested in legislation to limit the number of exempt wells to be drilled and would address concerns of the District in the planning of new wells in order to replace old, outdated wells. However, all indications are that the legislature would not consider water-related legislation this year because of the Governor's Water Commission's activities.

Mr. Stratton indicated he had previous discussions with several Board members regarding the issue of hard zoning boundaries to protect the District against annexation from cities or towns. Mr. Schlegel expressed his concerns regarding hard boundaries, annexation by surrounding towns and cities and protection of District boundaries. He suggested that the District hire Ted Poelstra to explore the issue of hard boundaries to see if there is an interest from other special districts in the state.

Mr. Polley indicated he supported the idea of exploring to see if other special districts had interest in hard boundaries, but did not want the District to take a hard stand on the issue. Ms. Wright asked if a study session could be scheduled to explore this topic. Mr. Schlegel stated that action needed to be taken soon due to the legislative session under way.

Mr. Doyle stated that he would support the idea of exploration, but not to have the District directly involved in lobbying for any legislation. Mr. Stratton advised that this matter was not on the agenda for an action item, but if a contract for less than \$10,000 were involved, the Board could direct the General Manager to proceed with investigation of such potential legislation.

Ted Poelstra addressed the Board of Directors detailing his experience, goals and objectives. He indicated that a great deal of research would be needed on the issue of hard zoning. In response to Mr. Schlegel, Mr. Poelstra indicated his fee would be \$1,800 per month for five months, not to exceed \$9,000. He stated he would like to meet with staff and board members to discuss their views.

Mr. Offret agreed that there is a need to explore hard boundaries, but was concerned about the District taking the lead on this issue. Ms. Wright and Mr. Doyle stated they would support the hiring of a consultant.

The Board directed staff to hire a consultant to investigate the issue of hard zoning. Mr. Stratton replied that he would hire a consultant to explore this issue and advised that the District had a lobbyist in place to address any legislative issues.

Mr. Schlegel asked Mr. Poelstra to investigate pursuing legislation to increase the Board Member compensation fee of \$15 to a more realistic amount. Mr. Doyle noted for the record that he did not accept any money for his participation in Board activities.

H. Status and Implications of EPA's Arsenic Ruling.

Mr. Stratton stated that EPA wants to finalize the new Arsenic Rule before President Clinton leaves office. He said that indications are that the rule will be set at 10 parts per billion (ppb). He stated that some entities associated with WestCAS were discussing the possibility of filing a lawsuit against the EPA should the ruling be finalized at 5 ppb. He also added that the National Resource Defense Council (NRDC) indicated that they would file a lawsuit against the EPA if the limit was more than 3 ppb.

Chris Hill, Deputy Manager, stated that if the Arsenic Rule was finalized at 10 ppb, two wells in the Metro-Hub area and one well in the Metro-Main area would be affected. He stated that cost of treatment would be approximately \$333,000 to \$1.5 million. He said that treatment options were the worst case scenario and that arsenic levels are moving targets as levels tend to fluctuate and different results are obtained.

Mr. Stratton emphasized that staff is not seeking direction from the Board at this time. Mr. Offret asked how much money the District might be asked to contribute to a lawsuit. Mr. Stratton said that the cost would depend upon how long litigation is pursued and how many other parties are participating.

VI. General Manager's Report

Mr. Stratton stated that he updated the Board on various issues in his written General Manager's Report and he had nothing to add.

VII. Legal Counsel's Report

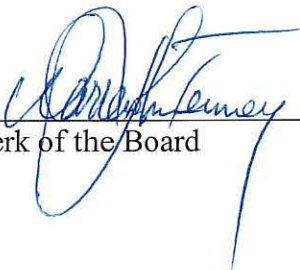
Ms. Chase advised that Phil Higdon has not heard from any representatives from NAC regarding the terms of the pending arbitration case.

VIII. Future Meeting Dates; Future Agenda Items

There will be a Public Hearing on rates held January 23, 2001 at 7:00 p.m. The next regular Board Meeting will be held February 12, 2001 at 6:00 p.m.

IX. Adjournment

The meeting adjourned at 7:47 p.m.


Clerk of the Board


Peter H. Schlegel, Chair of the Board