

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

June 10, 2002

**** 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
Jim Doyle, Member
Pete Schlegel, Member
Marlene Wright, Member

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

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 6:00 p.m. Dennis Polley, Jim Doyle, Dan M. Offret, Pete Schlegel, and Marlene Wright were present.

II. General Comments from the Public

There were no comments from the public.

II. Consent Agenda

- A. Approval of Minutes – May 13, 2002 Board Meeting.**
- B. Approval of Minutes – May 20, 2002 Study Session.**
- C. Ratification of Billing Adjustments.**
- D. Approval of Water Service Agreement for LaCholla Medical Park.**

Ms. Wright made a motion to approve the consent agenda. Mr. Schlegel seconded the motion. Mr. Stratton said there was a grammatical error on the May 20, 2002 and noted that it would be corrected. The motion to approve the consent agenda passed unanimously.

IV. General Business – Items for Discussion and Possible Action

A. Monthly Status of the District.

Mr. Stratton reported that Tucson National North well was placed back into service on June 3, 2002; however, it is not operating at normal capacity levels. Hub Well #5 is currently being worked on and is projected to be back on line by the end of the week.

B. Financial Report.

Mr. Land said that there was nothing significant to report other than revenues from new meter connections continue to decline.

C. Approval of Budget for Fiscal Year 2002-2003.

Ms. Wright said she is not comfortable adopting the fiscal year 2002-2003 budget due to the expenditures exceeding the revenues. Mr. Land explained that the budget report is an operating income statement that is used as a budget tool and may have been confusing. If the ending cash balance from the prior year was included in the revenues, it would reflect a more positive financial position. Budget documents from prior years have shown the expenditures exceeding the revenues, and during those years the revenues have been consistently higher than the budgeted expenditures. Mr. Land provided Board members with a copy of the fiscal year 2002-2003 budget in a different format which indicated cash flows exceeded the cash outflow.

Mr. Schlegel noted he is comfortable that District auditors would come forth with any concerns. He said the manner in which the report is designed is somewhat confusing and suggested that a written explanation be included with the report. Mr. Land suggested that in the future reports staff consider including the prior year balance carryover in the revenues.

Mr. Doyle made a motion to adopt the Operating Budget for Metro Water District for the 2002-2003 fiscal year as presented in this report with the total disbursements not to exceed the budgeted amount of \$10,950,317. Mr. Schlegel seconded the motion.

Mr. Offret asked for an explanation regarding the system development fees, and asked if this was perceived by staff to be a permanent decline. Mr. Land said that the number of connections could increase in the next year, and there continues to be more commercial connections which generate higher development fees. Mr. Schlegel noted that there is new home construction planned for Orange Grove and First Avenue.

Mr. Doyle, Mr. Schlegel, Mr. Offret and Mr. Polley voted in favor of the motion to adopt the Operating Budget for Metro Water District for the 2002-2003 fiscal year. Ms. Wright voted against the motion. Motion passed with 4 ayes, and 1 nay.

D. Approval of Contract to Continue Small Meter Replacement Program.

Mr. Doyle made a motion to approve the contract agreement with Badger Meter, Inc., for the purchase of 5/8, 3/4, and 1 inch meters for the fourth of five years, which will remain in force until June 30, 2003 for an amount not-to-exceed \$20,000. This agreement will be reviewed again next fiscal year. Ms. Wright seconded the motion. Motion passed unanimously.

E. Approval of Miscellaneous Annual Services and Materials Quotes for the Utility Division.

Mr. Doyle made a motion to approve the annual quotes for barricade rental, chlorine, aggregate, paving, oil, and equipment rental from the corresponding low bids per items as presented by staff, and to direct staff to use another appropriate bidder for a particular service or material if performance or quality of a service of the low bidder does not meet the District's needs. Mr. Offret seconded the motion. Motion passed unanimously.

F. Award of Material Purchase for Stage IV of Metro-Hub Mainline Replacement Project.

Mr. Stratton explained that Stage II of the Metro-Hub Mainline Replacement Project is currently underway. Staff is seeking approval from the Board to purchase the materials needed for Stage IV of the mainline replacement project so that crews have the materials available when they are ready to proceed. The project was previously approved by the Board.

Mr. Doyle made a motion to approve Stage IV of the Metro-Hub Mainline Replacement Project and purchase the material from US Filter at an amount not-to-exceed \$38,068.89. Ms. Wright seconded the motion. Motion passed unanimously.

G. Approval of New Joint Funding Agreement with United States Geological Survey and Update on the Lower Cañada Del Oro Basin Aquifer Storage Monitoring Project.

David Schmerge, project chief from the United States Geological Survey, provided the Board with an update and handouts on the Lower Cañada Del Oro Basin Aquifer Storage Monitoring Project. He explained that since 1998, overall there has been a water storage decline.

Mr. Doyle made a motion to approve the new joint funding agreement between the United States Geological Survey (USGS) and the Metropolitan Domestic Water Improvement District that will expire on June 30, 2003. The District's contribution will not exceed \$15,000 and will be contingent upon \$30,000 in matching funds from the USGS and the Town of Oro Valley. Ms. Wright seconded the motion. Motion passed unanimously.

H. Approval of Contract for Water Policy Consulting.

Mr. Doyle made a motion to approve a one-year contract extension with Mark Myers for water policy consulting for the period of July 1, 2002 to June 30, 2003 for an amount of \$25,000, which will be paid monthly. Ms. Wright seconded the motion. Motion passed unanimously.

I. Approval to Purchase One 2,500 Gallon and One 5,000 Gallon Hydropneumatic (Surge) Tanks.

Mr. Stratton explained that the request to purchase the two new tanks is to replace two older pressure tanks in the system. The new tanks were included in the District's annual budget.

Mr. Doyle made a motion to award Brown Tank & Steel the 2,500-gallon and 5,000-gallon hydropneumatic tank bid for an amount of \$23,751.73. Ms. Wright seconded the motion.

Mr. Schlegel suggested that staff retain one or both of the old tanks to be used in the event damage occurs to one of the new tanks. Mr. Doyle explained that if the older tanks have extended their life expectancy, they could pose a potential hazard and would need to be retested periodically. Staff will research the pressure testing of the older tanks to determine if it is cost effective.

Motion passed unanimously.

J. Approval of the Continuation of the Three-Year Contract of Laboratory Services of Coliform Analysis.

Ms. Wright made a motion to approve the continuation of the three-year contract of laboratory services for coliform analysis to Precision Analytical Lab, Inc., at the cost of \$8.00 per sample, for a period beginning July 1, 2002 and ending June 30, 2003. Mr. Offret seconded the motion. Motion passed unanimously.

K. Approval of Amendment No. 1 for Microscopic Particulate Analysis Analytical Services with Legend Technical Service of Arizona, Inc.

Ms. Wright made a motion to approve the contract Amendment No. 1 for the Microscopic Particulate Analysis analytical Laboratory Service contract with Legend Technical Services of Arizona, Inc. (Formerly Bolin Laboratories, Inc.) to extend the contract expiration date to June 30, 2003. Mr. Offret seconded the motion. Motion passed unanimously.

L. Award of Contract for Synthetic Organic Chemicals (SOC's) Testing Services.

Ms. Wright made a motion to approve the award of the analytical services contract for Synthetic Organic Chemicals to Aquatech Laboratories for a not-to-exceed amount of \$30,000. The contract will expire on June 30, 2003. The contract may be extended for an additional two years

at the same unit cost as noted in the attached proposal with the Board of Directors approval. Mr. Offret seconded the motion.

Mr. Schlegel noted his concerns that District staff had advertised request for proposals through one local newspaper only, and suggested that in the future staff consider other newspapers for greater exposure. Mr. Stratton explained that in addition to the newspaper advertisement, proposal packages were also sent to five laboratories that perform SOC testing. There are only a small amount of laboratories that perform SOC testing.

Motion passed unanimously.

M. Award of Analytical Testing Services Contract for Volatile Organic Chemicals (VOC's), Total Trihalomethanes (TTHM's), Maximum Total Trihalomethanes (MTP's), Total Trihalomethane Formation Potential (TTHMFP), Disinfectant By-Products (DBP's), and Unregulated Contaminant Monitoring Chemicals (UCMR's).

Mr. Doyle made a motion to award the analytical services contract for Volatile Organic Chemicals and Total Trihalomethanes contract to Precision Laboratories for a not-to-exceed amount of \$25,000. He also made a motion to award the analytical services contract for Maximum Total Trihalomethanes and Total Trihalomethane Formation Potential, Disinfection By-Products and EPA Unregulated Contaminants to Aquatech Laboratories for a not-to-exceed amount of \$45,000. These contracts will expire on June 30, 2003. The contracts may be extended for two additional years with additional costs to the contracts due to unit price changes and/or increased monitoring upon Board of Directors approval. Ms. Wright seconded the motion. Motion passed unanimously.

N. Award of Analytical Services Contract for Inorganic Chemicals.

Ms. Wright made a motion to award the analytical service contract for Inorganic Chemical Analyses to Turner Laboratories for a not-to-exceed amount of \$30,000. The contract will expire on June 30, 2003. The contract may be extended for two additional years at the same unit price, but with additional costs added to the contract per year per Board approval. Mr. Offret seconded the motion. Motion passed unanimously.

O. Status of Green Valley Water Company Acquisition and Review of Assets.

Mr. Stratton said the results of the due diligence efforts indicate Green Valley Water Company (GVWC) records are in relatively good shape. There have not been any issues or items discovered at this point that would warrant halting the acquisition process. Staff has given consideration to target November 1, 2002 as the date to transition the GVWC customer account system to that of the District's. Mr. Stratton said District's legal counsel is aware that GVWC has not made its 2002 second half CAP allocation payment to date, and that the payment will probably be prorated.

Mr. McNulty said Friday, June 14, 2002 is the due date for the escrow money to be tendered. He explained that at the meeting on Friday, GVWC may have changes to the purchase contract and asked that someone be available to approve any changes that may occur. Mr. McNulty said from the results of the due diligence findings to date the assets were proving to be very positive.

Mr. Offret asked if any further discussions had occurred regarding the Farmers Investment Company (FICO) agreement. Mr. McNulty said a meeting was scheduled for June 11, 2002 to discuss the financial aspects and consequences of the FICO agreement. He will provide a summary of the agreement to include in the disclosure packets. Mr. Schlegel asked if there was a means by which the FICO agreement could be omitted or phased out of the purchasing agreement with GVWC. Mr. McNulty said the FICO agreement is viewed as a form of protection against the mining companies.

P. Discussion and Direction to Staff regarding Negotiations for Multi-Partnership Effluent Managed Recharge Project.

Mr. Stratton said a Memorandum of Understanding (MOU) between the participants of a managed in-channel effluent recharge project has been developed and from that document an Intergovernmental Agreement (IGA) will be drafted. It is anticipated that the IGA will be completed and ready for Board consideration and approval prior to September 1, 2002. Mr. Stratton said there are concerns with the United States Bureau of Reclamation regarding the recovery aspects of the effluent. A meeting has been planned for later this month and staff will provide the Board with updated information after that meeting. The other participants are moving forward, and if the Bureau drops out of the negotiations it can enter back into agreement negotiations at a later date, once it has reached a resolution to its issues. The Board directed staff to proceed with the negotiations.

(Mr. Doyle left the meeting at 6:58.)

Q. Discussion and Direction to Staff regarding the Hiring of Security Consultant.

Mr. Stratton said staff concurs there is a benefit to hiring a security consultant; however, there are concerns on qualifications and expectations when searching for a consultant. Staff has been researching the suggestions national organizations are recommending. Mr. Hill will be attending an AWWA seminar in August 2002, and the course material focuses on vulnerability assessment for water utilities. It is staff's recommendation the District move forward on the request for proposals process, but postpone advertisement for the consultant and further decisions until Mr. Hill has returned from the seminar with information that may assist staff in making a more informed decision. Mr. Stratton said staff will continue to explore other resources and its research efforts to ensure the District has obtained all available information for consideration when hiring a security consultant.

V. General Manager's Report

Mr. Stratton said water consumption is at a significant level causing strain on some areas of the District's system. Staff is monitoring water levels very closely. A water conservation flyer is being mailed to District customers in their monthly statements. Mr. Schlegel suggested including additional information throughout the summer months in customers statements to keep them aware of the importance of water conservation. Ms. Wright suggested that staff contact the Explorer to place water conservation information in the newspaper.

A Water Education for Teachers (Project WET) seminar was held at the District last week to train teachers how to educate their students on water issues and conservation.

SAWUA recently hired an administrative person to assist in gathering information for meetings and preparing meeting packets for SAWUA members. This has freed up time for District staff who, in the past, have committed a fair amount of time and assistance to accomplish these tasks. SAWUA members, and Mark Myers who is representing the District and Town of Marana, will be attending meetings with the Arizona Water Banking Authority (AWBA) to discuss AWBA's intent to store Tucson Active Management Area water in Pinal County for future firming.

Mr. Stratton said staffs from the Towns of Marana and Oro Valley have been contacted regarding a joint meeting with the District to discuss the CAP transmission and storage facilities. Summer schedules may make it difficult to schedule a meeting; however, District staff will keep the Board advised of any meetings and discussions that take place.

The 1993 GMC Jimmy engine threw a rod and the estimate to repair the vehicle is \$3,500. Mr. Stratton said due to the vehicle being inoperable, it cannot be determined if the transmission has also incurred damage. The Jimmy has been parked at a District site until it is placed up for auction.

There is a Domestic Water Improvement Districts (DWID) meeting on June 14, 2002. Mr. Stratton was unsure if he would be able to attend the meeting. He will be attending the Annual American Waterworks Association conference in New Orleans the week of June 17, 2002.

Mr. Schlegel said he noticed that the Utility Division appeared to be taking more water samples than Engineering/Hydrology. Mr. Stratton explained that the Utility Division has been taking bacterial samples which are taken more frequently than other samples, and the size of the service area determines how many samples are taken.

VI. Legal Counsel's Report

Mr. McNulty said he did not have anything further to report.

VII. Future Meeting Dates; Future Agenda Items

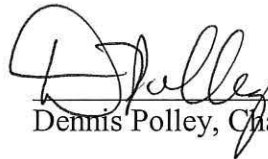
The next regular meeting of the Board is scheduled for July 8, 2002 at 6:00 p.m.

VIII. General Comments from the Public

John Kulakowski, Metro Hub service area resident, thanked staff for the recent information sent to Hub area customers informing them of the status of the Hub Reservoir expansion project. Mr. Kulakowski said approximately 28% of the Hub customers have signed the petitions to annex the Hub service area into Metro Water District's main service area. Efforts are continuing to gather the needed signatures for annexation.

IX. Adjournment

The meeting adjourned at 7:24 p.m.



Dennis Polley, Chair of the Board



Clerk of the Board