

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

November 6, 1996

Wilson Room
Tohono Chul Park
7366 North Paseo del Norte
Tucson, Arizona 85704

MINUTES

Board Members Present: Pete Schlegel, Chair
 Marty Cramer, Vice-Chair
 Jim Doyle, Member
 Herb Johnson, Member
 Jim Tripp, Member

District Staff: Mark Stratton, General Manager
 Lisa Chase, Legal Counsel
 Fred Rosenfeld, Bond Counsel
 Warren Tenney, Clerk of the Board

I. Call To Order and Roll Call

Mr. Pete Schlegel, Chair of the Board of Directors of the Metropolitan Domestic Water Improvement District (District), called the special meeting to order at 3:00 p.m. Ms. Marty Cramer, Mr. Jim Doyle, Mr. Herb Johnson and Mr. Jim Tripp were present.

Seven people were in the audience. Mr. Schlegel asked if the public had any comments. There was no comment.

II. Resolution 1996-8 -- Determining the Amount Necessary To Be Raised for the Cost of Designing, Constructing and Reconstructing the District's Waterworks; Ordering and Calling a Special Revenue Bond Election to be Held In and For the Metropolitan Domestic Water Improvement District of Pima County, Arizona, on March 11, 1997, to Submit to the Qualified Electors thereof the Question of Authorizing the Issuance and Sale of Domestic Water System Revenue Bonds.

Mr. Tripp made the motion to adopt Resolution 1996-8. Ms. Cramer seconded the motion.

Mr. Stratton noted that Mr. Joe Murray, Vice-Chair of the Bond Advisory Committee, Mr. Paul Ulan, of the Summit Group and Ms. Letha Gardner, all who had been involved in the process were in attendance. The material given to the Board includes the recommendation of the Bond Advisory Committee and information material about the proposed bond. The primary addition to the bond program is the \$5.5 million increase in the bond to initiate a more aggressive main line replacement program. Mr. Stratton noted that the displayed map showed the priority areas targeted for main line replacement. The accelerated main line replacement program is a capital improvement project in addition to the ones adopted by the Board under the five-year Capital Improvement Program.

Mr. Schlegel said he was concerned that the bond program did not address looping or tying the system together to be able to accept water from the City of Tucson, if the litigation is not favorable for the District. Mr. Stratton noted that a capital project is scheduled for a tie-in with Tucson Water's system at Cortaro Farms Road. The replacement of old main lines will improve the systems ability to take water. Mr. Schlegel stated that in less than five years, the District will need to have its system tied together so it is interconnected with the City of Tucson.

Mr. Schlegel said he did not understand the Bond Advisory Committee's recommendation for a citizens' committee to oversee the bond program. Mr. Stratton explained that the Bond Advisory Committee felt voters would be more likely to approve a project that an oversight committee would oversee that the monies were spent as promised. This will avoid concerns that have been caused by other entities that have spent their monies differently than originally proposed.

Mr. Schlegel asked if the oversight committee was part of the resolution. Mr. Stratton said it was not, but was a recommendation for the Board to consider if the bond election was successful. Mr. Schlegel said that the District was small in comparison with other public entities and the Board has always tried to be open about its dealings. The Board has been forthright in keeping its promises. He did not understand the need for such a committee. Ms. Cramer said that even if the District has not acted wrongly in the past, an oversight committee would show that the District is trying to ensure the bonds will be spent as proposed.

Mr. Johnson noted that Bond Counsel had recommended that the Bond Advisory Committee be disbanded after making their recommendation because individuals in the Committee would not be able to promote a position regarding the bond election. This oversight committee would be a completely different committee.

Mr. Stratton said that based on the District's history, an oversight committee does not appear necessary; however, an oversight committee would only meet when the District was to issue bonds in order to ensure that the bonds were being spent on the projects targeted. The committee would have a specific purpose and probably not become an overly active committee. Mr. Schlegel noted that if the Board forms an oversight committee, it would be hoped that the committee will keep abreast of all items related to the bond monies and not just how much money is spent.

Mr. Rosenfeld said that the Bond Advisory Committee should be disbanded now that they have made their recommendation to the Board and are no longer an advisory committee. The individual members and others in the District can form a separate political action committee if they are interested in passing the election, which would not be associated with the Board of Directors.

Mr. Murray said that the Bond Advisory Committee's sole purpose for recommending the formation of an oversight committee, if the bond election is successful was to ensure that the governmental body does not use monies from the bond election elsewhere. This was of particular concern for the \$5.5 million designated for fire protection be used specifically for that purpose. No personal attack against the Board was intended; however, if the Board has nothing to hide, it should not be concerned with forming such a committee.

Mr. Schlegel called for a vote for the motion to approve Resolution 1996-8. The motion passed unanimously.

III. Discussion and Possible Approval of the Agreement with Kai Farms for Groundwater Savings Facility Project.

Mr. Tripp made the motion to approve the agreement with Herb Kai for the Groundwater Savings Facility Project. Mr. Johnson seconded the motion.

Mr. Schlegel asked if the District would have claim to the recharge credits despite the litigation with the City of Tucson. Mr. Stratton said that the District has a contract with the Central Arizona Water Conservation District (CAWCD) to purchase the water to be recharged at the groundwater savings facility project. The City of Tucson has no claim to the water that the District buys from CAWCD. The District will be the first entity to have an agreement with Mr. Kai for a groundwater savings project; therefore, the first 2,000 acre feet recharged will be for the District. Ms. Lisa Chase of Brown & Bain noted that the contract is only for excess CAP water. Mr. Schlegel said he was concerned because of questions that arose about ownership of credits due to the Indian Water Settlement. Ms. Chase noted that the Indian Water Settlement was to provide effluent in exchange for CAP water. The City of Tucson was a party to the issue and that is why they raised concerns.

Mr. Schlegel called for a vote for the motion regarding the agreement with Herb Kai. The motion passed unanimously.

IV. Executive Session.

Mr. Johnson made the motion for the Board of Directors to hold an Executive Session. Ms. Cramer seconded the motion and it passed unanimously. The Board went into Executive Session at 3:24 p.m.

Executive Session pursuant to A.R.S. § 38-431.03 (A) (3) (consultation for legal advice with the attorney or attorneys of the District) and/or executive session pursuant to A.R.S. § 38-

431.03 (A) (4), (to consider the Board's position and instruct its attorneys in pending or contemplated negotiations or litigation) regarding the following:

A. Litigation with the City of Tucson.

The Board returned from Executive Session at 4:10 p.m.

V. Adjournment.

The Board adjourned the meeting at 4:11 p.m.



Peter H. Schlegel, Chair

ATTEST:



Clerk of the Board