

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

October 25, 1999

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

MINUTES

Board Members Present: Sam Ray, Chair
 Marlene Wright, Vice-Chair
 Jim Doyle, Member
 Pete Schlegel, Member
 Dennis Polley, Member

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

I. Call to Order and Roll Call

Sam Ray, Chair of the Board of Directors of the Metropolitan Domestic Water Improvement District (District), called the Board meeting to order at 5:03 p.m. Jim Doyle, Marlene Wright and Pete Schlegel were present. Dennis Polley was not present at the beginning of the meeting.

Mr. Ray stated that the Board would address first agenda Item IV.

IV. General Manager's Report

Mark Stratton, General Manager, said that prior to the Board meeting the Business Administration Board Member Committee met to review a preliminary audit conducted by Cotton, Parker & Johnson. The Committee requested Tom Johnson of Cotton Parker & Johnson to report briefly to the whole board on an issue related to the audit.

Mr. Polley joined the Board meeting at 5:05 p.m.

Tom Johnson, from the firm of Cotton, Parker & Johnson, explained the portion of the audit regarding the payment of settlement fees to the City of Tucson. He stated that it was acceptable under general accounting procedures to create a regulatory asset category for the payment of these expenses over a period of 20 years, the same length of time covering the note owed to the City of Tucson. He indicated it would take the approval of the Board of Directors to establish

this procedure. Mr. Johnson reiterated that regulatory assets are permissible to be established by the Board through a resolution and amortized over a period of time, during which time water rates would be used to pay off the settlement expenses.

Mr. Stratton asked if a resolution was not passed, would this expense be shown as a liability. Mr. Johnson answered that if the asset category is not set up and amortized over the period of time and water rates used for the payoff, that it would be reflected as a \$12.9 million loss.

II. Discussion of Long Range Water Resources Plan

Mr. Stratton told the Board that the District's groundwater supply is obtained from the CDO Basin and the Rillito area. The Rillito's southern boundary is significant because of the number of production wells, but the quality is slightly lower than the CDO Basin mainly due to commercial industry in the area. He stated that groundwater is the primary source and the only source of domestic water in use in the District. No CAP water is being used for domestic use other than storage credits. The District has been actively involved in the recharge of CAP water. Mr. Stratton detailed the three phases under the Northwest Replenishment Program, the first being Avra Valley Recharge that CAWCD constructed; the second phase being the Lower Santa Cruz Recharge Project in the Santa Cruz flood plain north of the Avra Valley Airport; and the third phase being the CDO Recharge and Recovery Project.

Mr. Stratton outlined the recommended alignments for the CDO Recharge and Recovery Project. In addition to looking at delivering CAP water for recharge, the U.S. Bureau of Reclamation is investigating treating and delivering potable water from CAP and looking into the costs of a regional or sub-regional facilities, treatment and delivery responsibilities, governmental policy, raw water alternative supplies and providing alternatives. Mr. Stratton stated that the Bureau's recommendation was for a regional facility.

Mr. Stratton updated the Board on efforts to work with the Towns of Oro Valley and Marana including CAP water and effluent use. He stated that there are other issues to consider related to recharge groundwater savings with Kai Farms and Cortaro-Marana Irrigation District (CMID). Discussions include the possibility of recovering wet water vs. paper water, utilization of CMID wells as recovery wells, and utilization of CAP allocation.

Mr. Stratton noted that effluent is another water resource that the District is considering. Pima County has discussed constructing a reclaimed system in the Northwest in an attempt to utilize more effluent for turf. Mr. Stratton said that the District and the Town of Marana are exploring other possibly ways to use effluent. Mr. Stratton and the Board discussed the pros and cons surrounding the use of effluent.

Mr. Stratton indicated that the second bond issuance included \$1 million for infrastructure dedicated to the delivery of CAP water and this is five years away. He explained that the purpose of this water resource plan was to look at the future. Most of these projects would not materialize until after at least five or more years. He further stated that the AWWA Research Foundation declared that within 20 years everyone will be using membrane filtration of some

sort in order to meet EPA requirements. The timeframes for implementation of these projects will be 10 to 15 years in the future. The point is to be aware of the various options the District should consider for its water resource plan.

III. Overview of Joint Appraisal with Town of Oro Valley of Adjacent Tucson Water Service Area

Mr. Stratton told Board members that he has had brief conversations with David Hook of Oro Valley regarding the possible acquisition of Tucson Water service area adjacent to the District. He indicated staff had investigated reservoir sites and storage facilities within this area. It appears that Oro Valley would only be interested in acquiring the portion of the Tucson Water service area within its town boundaries and the District could acquire that portion adjacent to the c, d, and e zones. This would involve a 50-50 split of customers. Mr. Stratton told the Board that he would obtain more detailed information on Oro Valley's intentions and hopefully have it presented at the November 8, 1999 meeting.

Mr. Ray asked if this proposition would be an all or nothing venture. Mr. Stratton affirmed that it would not be in the District's interest to piecemeal the Tucson Water service area into the District. If the District did not choose to pursue this acquisition, then Oro Valley could be in a position to acquire the entire service area.

Mr. Ray asked about the cost of this appraisal. Mr. Stratton replied that the total cost would not exceed \$25,000, with the District to pay only its portion.

IV. General Manager's Report

Mr. Stratton updated the Board on customer service issues. He said that staff had implemented some new programs, including looking at high users and rereads of meters. He stated that seven customers were notified they had high reads on their meters and of those customers, three found toilet leaks and one had a leak in a flower bed, but all were pleased that they were contacted. He stated that hopefully this program will improve customer relations.

Mr. Stratton told the Board that Mr. Land had provided them with the budget summary from September. He stated that he provided them with a copy of a letter from the House of Representative that appointed him to a legislative water committee. He had little information on this committee but would keep the Board informed.

Mr. Stratton said that Ms. Jacobs of ADWR had responded to the District's inquiry regarding utilizing the Third Management Plan numbers for its GCPD program violations. He stated that he would be discussing this issue with legal counsel.

Mr. Stratton told the Board that the radon rule has been issued and that he and Chris Hill had participated in lengthy discussions regarding it at the recent WestCAS seminar. He further advised that he and Mr. Hill would be consolidating comments regarding the radon rule on

behalf of WestCAS. They will keep the Board apprised of any major developments and Mr. Hill will contact ADEQ for status information.


Mr. Stratton also indicated that he provided the Board with copies of the ADWR task force package on all issues identified to date. He stated that recovery of recharge water was a major issue and they could determine what would be passed on to the state-wide task force. He indicated that if any of the Board members had concerns about these issues, he would be available for input.

V. Adjournment

The meeting was adjourned at 6:28 p.m.



Sam E. Ray, Chair of the Board



Clerk of the Board