

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

September 14, 1998

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

MINUTES

Board Members Present: Jim Doyle, Chair
 Jim Tripp, Vice-Chair
 Martha Cramer, Member
 Herb Johnson, Member
 Sam Ray, Member

District Staff: Mark R. Stratton, General Manager
 Joyce E. Osborne, Recording Secretary
 Lisa Chase, Legal Counsel

Regular Session

I. Call to Order and Roll Call

Mr. Doyle, Chair of the Board of Directors of Metropolitan Domestic Water Improvement District (District), called the regular Board meeting to order at 6:02 p.m. Mr. Herb Johnson, Mr. Sam Ray, Ms. Martha Cramer and Mr. Jim Tripp were present.

II. Comments from the Public

There were no comments from the public.

III. Consent Agenda

- A. Approval of Minutes – August 10, 1998 Board Meeting.
- B. Approval of Minutes – September 2, 1998 Special Board Meeting.
- C. Ratification of Billing Adjustments.

Mr. Tripp made the motion to approve the Consent Agenda Items. Mr. Ray seconded the motion and it passed unanimously.

IV. General Business – Items for Discussion and Possible Action

A. Financial Report.

Mr. Land, Chief Financial Officer for the District, commented that the District was seeing consistent increases in recent months for system development and connection fees, which means growth is continuing.

B. Approval to Extend Liability Insurance Coverage.

Mr. Tripp made the motion to approve the final extension of the District's property/casualty insurance agreement with the Mahoney Group for one year, October 1, 1998 through September 30, 1999. Ms. Cramer seconded motion and it passed unanimously.

C. Approval of Resolution 1998-5 – Adoption of Conflict of Interest Policy.

Mr. Tripp made the motion to approve of Resolution 1998-5 – Adoption of Conflict of Interest Policy. Mr. Johnson seconded the motion.

Ms. Cramer stated that she had a problem with the interest disclosure form and was not sure that they should be prying into financial interests of Board members. Ms. Cramer considered that information personal and private and if Board members have a conflict of interest they need to state it.

Ms. Chase, Legal Counsel for the District, explained that under this statute provision, which includes a felony penalty, the District is to have a full disclosure database available for scrutiny. If in violation, the penalty could be significant enough to potentially revoke any contracts that the District might have. She stated that the intent is not to probe but to make sure that the District is aware of this information should a conflict of interest arise.

Mr. Ray questioned the need to fill in item #3 on the disclosure form regarding all positions held in other organizations. Mr. Ray's contention was that the District did not need that information to operate and he would refuse to do that.

Ms. Chase explained that these are the areas by statute that the legislature has determined are not substantial interest. Ms. Chase said that Brown & Bain would be more than glad to revise and reword the disclaimer statement to clarify what substantial interests need to be disclosed. Ms. Cramer suggested that disclaimer language be used for only non-exempt offices.

Mr. Tenney, Assistant to the General Manager, volunteered to review the current candidate forms to see if any of this information is duplicated on those forms.

Mr. Stratton, General Manager questioned that disclosure by staff at certain staff levels has little or no input into decision making at upper level management or at the Board level and was not required. Ms. Chase said that arguably it could go that far and that Brown & Bain will work with the General Manager to identify types or contacts that are reasonable, i.e. management, or supervisory.

Mr. Doyle called for a vote for the motion to approve of Resolution 1998-5.

The motion failed with 2 ayes, 2 nays and 1 abstention. Mr. Doyle and Mr. Tripp voted aye, Ms. Cramer and Mr. Ray voted nay and Mr. Johnson voted to abstain.

Mr. Ray recommended that staff work with legal counsel to review the suggestions made tonight, and bring those suggestions and revisions back to the Board at a future date.

D. Status of New Office Construction and Selection of Exterior Color.

Mr. Stratton introduced Ms. Barbara Corbett, Interior Designer for the new office, who helped Mr. Maish, District Engineer, explain the two options that had been chosen for exterior colors for the new office. Mr. Ray said staff should decide these details about the new building. Mr. Ray and Mr. Tripp both felt that staff should make the recommendation.

Mr. Maish explained that the block color affected the block at the base of the wall in front of the building, the drive through window area, two patio walls, one at the General Manager's patio and the other at the lunch room. The general plan was to stay with earth tones on the visible part of the building including the small roofing that is visible over the entryway and drive through window. Mr. Maish passed out color samples. After limited discussion, Mr. Doyle took a straw vote and Option #2 (earth tone) was chosen.

E. Award of Contract for Construction of Office Site Improvement at Orange Grove Road/La Canada Drive.

Mr. Tripp made the motion to award the Contract for Construction of Office Site Improvements at Orange Grove Road/La Cañada Drive to Tricon Contracting, Inc.. Ms. Cramer seconded the motion.

Mr. Johnson expressed his concern that there would be heavy traffic coming in over those pipes and did that justify the use of ductile iron pipe.

Mr. Maish said that both alternatives (A & B) use ductile iron pipe for the position that crosses the

road. The alternate bids for PV and ductile iron pipe were for the portion of the waterline that runs parallel to La Cañada Drive.

Mr. Doyle called for a vote for the motion to award the Contract for Construction of Office Site Improvements at Orange Grove/La Cañada to Tricon Contracting, Inc.

The motion passed unanimously.

Mr. Tripp then made a second motion to authorize the General Manger to approve changes to the contract in funding not to exceed \$5,000 and the length of contract not-to-exceed sixty (60) days. Ms. Cramer seconded the motion. The motion passed unanimously.

F. Approval of Amendments No. 3 to the Miscellaneous Survey Services II Contracts with DJA Engineering and Alpha Engineering.

Mr. Tripp made a motion to approve Amendment No.3 to the Miscellaneous Survey Services II Contracts with DJA Engineering and Alpha Engineering. Ms. Cramer seconded and it passed unanimously.

G. Award of Contract for Radiochemical Analytical Services.

Mr. Tripp made a motion to award the Contract for Radiochemical Analytical Services to Radiation Safety Engineering, Inc. for an amount not-to-exceed \$3,500. Mr. Ray seconded the motion and it passed unanimously

H. Performance Appraisal for the General Manager.

Mr. Stratton asked the Board to review the performance appraisal and pursue the same process they did last year and bring the same agenda item up at the October Board of Directors meeting. The Board said that was fine.

I. Approval of Amendments to the Capital Improvement Program.

J. Discussion of Financial Issues related to the Capital Improvement Program.

Mr. Stratton suggested that based on the following items, the Board could possibly discuss both agenda items I & J in the same context since they are interrelated. There are also some issues that certain Board members may want to clarify to other Board members as to the direction the Board will be taking. Mr. Stratton explained that some Board members had wanted to discuss proposals for the BOC and financial issues with the CIP.

Mr. Tripp wanted to clarify that his recollection was that when the Board appointed the Bond Oversight Committee (BOC) it was to make sure that the bonds were expended as intended. Mr. Tripp said he understood that the Board approved a Capital Improvement Program (CIP) program, which is what we told the general public and that changes are inappropriate at this time.

Mr. Stratton explained that based on the time frame of the CIP and recent events with the City of Tucson settlement, changes needed to be made to the CIP. The BOC have concurred that the CIP changes be made in recommendation form to the Board. The added benefit is that the BOC understands the rationale for the changes to the CIP.

Mr. Ray asked why the BOC felt the need to increase the CIP from 5 years to 8 years? Mr. Stratton said that the rationale was that if the program is extended 3 additional years, staffing levels can remain where they are and with the uncertainty of the impact of OV#1 being removed from the District for financial reasons, it could possible alleviate the necessity to increase rates.

Mr. Johnson was concerned that if the Board extends the CIP another 3 years, the District will be running into increased construction costs and funding will not be available. Mr. Johnson is in favor of doing another analysis of the pipes sizes of the District and to get staff busy on obtaining bids on the main line construction to avoid future price increases in construction. Mr. Stratton explained that an analysis has already been done and that once the transmission design work is complete, the majority of the bond monies will have been spent. If increased staffing is needed for expedient construction and that becomes a financial drain, bond funds can help fund staff positions related to the CIP. The extension of the CIP to 8 years was a way to keep current staff in the work load as opposed to hiring additional staff, possibly making the public concerned with how many employees the District hired.

Mr. Ray made the motion that the Board amend the CIP to delete the Cortaro Road Farms transmission main and add the modifications necessary to Tucson National, Thornydale, Ina/ CDO and Marlene wells be added to the CIP. Ms. Cramer seconded the motion. The motion passed with 3 ayes and 2 nays. Ms. Cramer, Mr. Ray and Mr. Doyle voted aye and Mr. Johnson and Mr. Tripp voted nay.

Discussion followed regarding modeling criteria, changes on pipe sizing, maximum demands at full build out in the year 2025, analysis that have been done regarding pipe sizing, and the effect of OV#1's affect on the system. Ms. Cramer asked that Mr. Johnson to work with staff to refine the above referenced changes and bring those changes to another Board meeting.

Mr. Stratton and Mr. Johnson have discussed concerns about refinancing and if it is advisable to go ahead after the expenditures of monies, specifically to get assessments released from all properties. If the District refinances the original bonds, are we actually spending more for the end product. Mr.

Stratton said that a study session has been scheduled to have experts address these concerns.

Mr. Ray expressed that whatever the District needs to do to alleviate liens for homeowners, the District should do. The tax payers have given us 6 years, and he feels the District is capable of doing it now.

Mr. Johnson gave a brief summary of what has happened with the development of MDWID as a water utility and that he is concerned that if we refinance the bonds today it will cost an additional \$1.7 million plus the cost of issuing new bonds. Although he feels strongly about eliminating the assessments, he is concerned about how the District will pay for the additional funds required to refinance the bonds.

Mr. Stratton said he felt it would be beneficial to see what bond counsel has to say regarding refinancing based on Mr. Johnson's concerns.

IV. General Manager's Report

Mr. Stratton said due to the present time frame he wanted to recommend a Board study session for input on issues related to the rate hearing, including the possibility of multi-family base rate, conservation rate and a recommended 4th tier for high end users. This item could be included as part of the study session to be held on September 22, 1998.

Ms. Cramer and Mr. Ray voiced concerns about contract status with Black and Veach and Bolin Laboratories. Ms. Chase said Bolin Laboratories has performed tests for the District that were not requested and resulted in an overcharge of \$720.00. She has made an arrangement in the form of a credit with a balance due of approximately \$300.00 and had sent a letter Friday requesting payment.

Ms. Cramer asked about the shop drawing review in relation to the permit for the new building. Ms. Maish said that shop drawings were submitted two weeks ago to the structural engineer for rechecking so we can do a re-submittal for approval. Mr. Stratton gave an update on the rezoning of the existing office and said that a neighborhood meeting was held at the District offices to answer any questions on the rezoning but no one came. Mr. Stratton has had phone conversation with several neighbors who have no objections to the rezoning but would like to have their property rezoned the same way. Mr. Stratton will be attending the September 30, 1998 Board of Supervisors meeting where he will be available for any questions regarding our rezoning request.

V. Legal Counsel's Report

Ms. Chase said that the US Bureau of Reclamation was to sign the transfer of CAP allocation which

will finalize the settlement. Phil Higdon is working with the City to file the settlement for its final approval before the US Superior Court. Mr. Higdon thinks the petition can be filed in 2 weeks, with a court date in 60 days or the middle of November.

Mr. Johnson requested that Mark Myers, Consultant for the District, explain the status of the ADWR grant to study the CDO. Mr. Myers said that he was no longer under contract with the District for that particular project but said that the purpose of the work was to make a final determination that a recharge project was feasible by testing the ability of water to infiltrate across the boundary of Ft. Lowell. The scope of work is approximately 12 months and will involve a analysis of surface manifestation of Ft. Lowell formation plus modeling. Mr. Stratton explained that ADWR wanted a commitment from the District to pay overruns and Mr. Stratton told ADWR that there should not be any overruns if the project was managed properly. He explained that the District has already spent a fair amount of money on this project and to spend more he would need to go before the Board. When ADWR has decided what they are going to do, Mr. Stratton will send something formally to the Board. All Board members agreed with this idea.


Mr. Stratton said he is working closely with Mr. McNulty of Brown & Bain, to draft a white paper for legislative changes to create a special district to have a tax base to fund the cost of the transmission system from the CAP canal to the District boundaries.

VI. Future Meeting Dates; Future Agenda Items

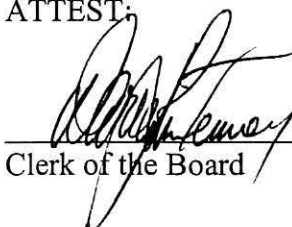
A study session is scheduled for Tuesday, September 22, 1998 at 4:30 p.m. in the District Conference Room. Ms. Cramer asked that the candidates for the Board be invited to this session.

VII. Adjournment

The meeting was adjourned at 7:40 p.m.


James O. Doyle, Chair of the Board

ATTEST:


Clerk of the Board