

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

January 10, 2005

**** Board Room ****

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

MINUTES

Board Members Present: Dan M. Offret, Chair
 Suzanne Downing, Vice Chair
 Jim Doyle, Member
 Judy Scrivener, Member
 James Tripp, Member

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

Regular Session

I. Call to Order and Roll Call

Dan M. Offret, Chair of the Board of Directors of the Metropolitan Domestic Water Improvement District (District), called the Board Meeting to order at 6:02 p.m. Dan M. Offret, Suzanne Downing, Jim Doyle, Judy Scrivener, and James Tripp and were present.

II. General Comments from the Public

Mark Myers, Water Consultant, explained that due to recent rains and snow in northern Arizona the Salt River project system picked up about 12% to 13% additional capacity of water. Most of this water came from the Verde River Reservoir which recently released water due to the fullness of the reservoir. The snow packs and head waters are over 100% in the Colorado River. Mr. Myers explained that this does not mean the drought is over, but if this same amount of precipitation were to keep up during the coming weeks it would have a definite impact on the effects of the drought.

III. Consent Agenda

A. Approval of Minutes – December 13, 2004 Board Meeting.

- B. Ratification of Billing Adjustments.**
- C. Approval of Water Service Agreement – Sun Professional Center.**

Mr. Tripp made a motion to approve the consent agenda. Ms. Downing seconded the motion. The motion passed unanimously.

IV. General Business – Items for Discussion and Possible Action

A. Monthly Status of the District.

Mark Stratton, General Manager, said water usage was down last month compared to the same month last year. He noted that this has had a slight impact on District revenues.

Mr. Stratton said utility staff is working again on the North Oracle project. With other utilities working in the area, District staff is limited somewhat in completing the work quickly.

Mr. Stratton said staff completed a line extension for a property on Thornydale near Cortaro Farms Road. This project had been on-going for quite some time and residents in the area were using their own wells.

Staff responded to a number of frozen water lines due to the cold weather, Mr. Stratton said.

Mr. Stratton said that regarding the IMT well modification, the pump supplier still has some work to do before the pump can be installed by the contractor.

Ms. Downing asked how many requests the District received for water to be turned off during November 2004. Mike Land, Chief Financial Officer, said approximately 198 meters were turned off. Most of these meters however, were turned back on within a short period of time. There were only six new meter installations for the month of November 2004.

B. Financial Report.

Mr. Land explained that signature cards are being provided to the new Board members. Once signed, the cards will be forwarded to the bank.

Mr. Land said revenues are running 9% above budget, and expenditures are 9% below budget. He noted that new meter installations continue to be down. The six new meter installations included residential and commercial accounts.

C. Policy for Final Account Payments.

Mr. Tripp made a motion to approve the recommendation by staff outlined in this report for the process to be followed for final uncollected accounts, including increasing the security deposit for renters to \$100. Ms. Downing seconded the motion.

Ms. Downing commended staff for a job well done on revising the policy for final account payments, and she was pleased with the recommendations made by staff.

The motion to approve the recommendation by staff outlined in this report for the process to be followed for final uncollected accounts, including increasing the security deposit for renters to \$100 passed unanimously.

D. Discussion and Direction for Legislative Issues 2005.

Susan Charlton, District lobbyist from Gallagher & Kennedy, provided an update of the current information regarding the Legislative Sessions. She noted the 2005 Legislation Session began today in Phoenix. Ms. Charlton said that the Exempt Wells bill is basically the same bill as was presented in 2004. Senator Jake Flake is sponsoring the bill. It is anticipated that there will not be any problems with the bill this Legislative Session. Ms. Charlton explained that this proposed legislation does not have any impact on existing wells; however, it will limit the ability to drill new exempt wells within a service area of a municipal provider with an assured water supply designation.

Mr. Stratton explained that some private water companies want the exempt well legislation to apply to them despite not having an assured water supply designation. He explained that Stuart Goodman of SAWUA is working with these private water utilities to convince them to let the current bill go through the process of being approved, and address their concerns after the bill passes.

Ms. Charlton said the Graywater/Water Harvesting Tax Credit bill is being promoted by Water CASA (Water Conservation Alliance of Southern Arizona). If passed, this bill will provide a tax credit for persons installing a graywater or water harvesting system. This bill would have a fiscal impact on the general fund and due to the budget deficit it may be harder to get the bill passed, regardless of its merit. At the present time, there appears to be no opposition to this bill.

Ms. Charlton said there also appears to be no opposition to the CAGR legislation. This bill is also being sponsored by Senator Flake. The bill would update the statutes based on Water Commission Recommendations and includes an upfront assessment, 100 year planning horizon, change in water mix, and shorter term resources put in CAGR inventory.

Ms. Charlton said the Governor has indicated that money needs to be given back to ADWR which has seen drastic budget cuts during the last several years. The Governor has pledged to help restore funding to ADWR. Additionally, SRP has been actively lobbying to increase ADWR's budget.

Ms. Charlton explained that the Multi Species Conservation Program was negotiated with Nevada and California and it requires upfront remediation to lessen exposure to environmental lawsuits on the Colorado River. If passed, this bill would protect the 26 wildlife species in the Lower Colorado River area. It is a 50 year program funded in part by the federal government, states of California, Nevada and Arizona, SRP, and recreational users through established fees. Ms. Charlton said that CAP has asked the District to support this bill; however, it does not have a direct impact on Metro Water. Mr. Myers noted the bill could impact the District through CAP if enough monies are not collected from outside agencies to fund the program.

Ms. Charlton said a legislative resolution proposed to urge Congress to reprioritize CAP water to put it on par with other Colorado River users in times of drought.

Regarding the Gila River Indian Community Settlement Act, Ms. Charlton said this is the federal legislation that was negotiated during last year's session. She explained that Arizona State Legislation will be needed to enact portions of that bill. SRP and ADWR are taking the lead on this and the proposed bill is currently being written. Ms. Charlton said that it is recommended that this legislation, as well as all of the above mentioned legislation items, be supported by the District.

Ms. Charlton recommended the District remain neutral on the Adequate Water Supply/Well Impact legislation. She also suggested that the District remain neutral on the Land Use Planning/Water Resources legislation. There are no bills that Gallagher & Kennedy recommend the District oppose.

Mr. Tripp made a motion to support the legislation outlined in the report submitted by Gallagher & Kenney. Ms. Downing seconded the motion. The motion passed unanimously.

E. Status of March 8, 2005 Bond Election and Mailing of Voter Guide.

Mr. Tripp made a motion to approve the District printing and mailing of a voter guide to inform residents about the March 8, 2005 election and to include the attached statement from the Board of Directors. Mr. Doyle seconded the motion.

Mr. Stratton noted that the cost of the election to the District was going to be substantially higher than originally anticipated. The Pima County Division of Elections has indicated the cost for the bond election could be as much as \$38,575. However, this does not include the cost for the voter guide or additional minimal costs from the Recorder's office. Mr. Stratton said a small public committee is being formed to raise funds to support the bond election. This committee will be meeting later this week.

Warren Tenney, Assistant to the General Manager, said the District has mailed letters to the homeowner associations to ask if they would be interested in having District staff speak to their association regarding any water issues, including the bond election. He noted that some associations have requested presentations. Mr. Tenney and Mr. Stratton also attended a Chamber of Commerce meeting last week. Mr. Tenney explained that there will be public meetings held by the District to discuss the Hub No. 7 well and Tucson National.

The motion to approve the District printing and mailing of a voter guide to inform residents about the March 8, 2005 election and to include the attached statement from the Board of Directors passed unanimously.

Pete Schlegel, District customer, asked how the voter information would be disseminated. Mr. Tenney said the District will mail a voter guide to all registered voters of the District.

F. Approval and Award of Contract for Storage Tank Coatings.

Mr. Tripp made a motion to approve the Storage Tank Coatings 2004-2005 contract to State Painting pending verification of paint quality and reference checks. If either does not meet the requirements of the District, I authorize the General Manager to use the next responsive bidder TMI Coatings and authorize the Chairman to sign the contract. The amount of work under this contract shall not exceed \$90,000. Ms. Scrivener seconded the motion.

Ms. Downing asked how often the water storage tanks are inspected. She noted that it appeared to be a long time since the Escondido storage tank had last been done. Mr. Stratton explained that a study was done on the tanks in 1994, ranking and prioritizing them. The maintenance records for the tanks prior to ownership by the District were not what they should have been.

Mr. Offret asked what the total amount was budgeted for the storage tank coatings. Mr. Land said \$90,000 was budgeted for three tanks. Steve Shepard, Utility Supervisor, said the current estimates for the storage tank coatings was higher than anticipated based on 2002 estimates. He said two of the tanks are in critical need of new coatings, while the third storage tank could wait for a new coating. However, the floor of the third tank needs to be repaired in a timely manner.

Mr. Offret asked why the suggested motion is for more money than the actual bid. Mr. Shepard explained that the flooring of the Escondido tank may in fact cost more than what was originally anticipated.

The motion passed unanimously.

G. Approval of Amendment No. 5 to the Miscellaneous Water Distribution Design Services IV Contract with Stantec Consulting, Inc.

Mr. Tripp made a motion to approve Amendment No. 5 to the Miscellaneous Water Distribution Design Services IV Contract with Stantec Consulting, Inc., which extends the contract expiration date to December 31, 2005, and increases compensation under the contract by \$75,000. Ms. Scrivener seconded the motion for purposes of discussion.

Ms. Downing asked for an explanation of the Amendment. Charlie Maish, District Engineer, said the District is using Stantec Consulting as the miscellaneous design consultants on a project at the Hub No. 7 well site and it is preferred to use them again as they are familiar with the District's design criteria for this well and are highly qualified. The design will extend into the end of July, next fiscal year.

The motion to approve Amendment No. 5 to the Miscellaneous Water Distribution Design Services IV Contract with Stantec Consulting, Inc., which extends the contract expiration date to December 31, 2005, and increases compensation under the contract by \$75,000 passed unanimously.

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

Mr. Tripp made a motion to approve the new joint funding agreement between the United States Geological Survey and the Metropolitan Domestic Water Improvement District. The contract will expire on September 30, 2005. The District's contribution will not exceed \$15,000 and be contingent upon matching funds from the USGS, the Town of Oro Valley and the Town of Marana. Mr. Doyle seconded the motion.

David Schmerge and John Hoffman from USGS provided a power point presentation to the Board to explain the monitoring project and provide past history data. Mr. Schmerge explained that the purpose of the monitoring is to determine areas favorable for artificial recharge of CAP water, and to determine the volume of natural stream-flow infiltration occurring from groundwater recharge along the Lower Cañada del Oro (CDO) Wash and from mountain front recharge within the Lower CDO watershed. He explained the change in the aquifer storage and land subsidence monitoring in the Tucson Active Management Area. Mr. Schmerge said the aquifer is suffering a loss of ½ foot of storage water per year. He explained that it is beneficial for all water service providers in the Tucson Active Management Area to participate in monitoring the aquifer storage in the Lower Canada del Oro Basin as all utilities benefit from the information.

Michael McNulty, Legal Counsel, asked how far back the data had been collected and tracked, and what the results were. Mr. Schmerge said very similar data and numbers have been identified since the inception of the program monitoring in fiscal year 1998/1999.

The motion passed unanimously.

I. Election of Chair and Vice-Chair for the Board of Directors.

Mr. Tripp made a motion to nominate Ms. Downing as Chair of the Board of Directors for 2005. Mr. Doyle seconded the motion. The motion passed with Mr. Tripp, Mr. Offret, Mr. Doyle and Ms. Scrivener in favor of the motion. Ms. Downing abstained from voting.

Ms. Downing made a motion to nominate Mr. Tripp as Vice Chair of the Board of Directors. Mr. Doyle seconded the motion. The motion passed with Mr. Offret, Mr. Doyle, Ms. Scrivener and Ms. Downing in favor of the motion. Mr. Tripp abstained from voting.

V. General Manager's Report

Mr. Stratton said a burglary occurred at the back of the utility warehouse and two cut saws were stolen from vehicles. Staff is investigating enhancing the District's video ability in that area. Mr. Stratton said lighting is also a problem in this area of the warehouse lot and staff is researching options for installing lighting in the lot area that will not affect the residents whose property abuts that of the District.

Mr. Stratton said the District has not received a response from La Cañada Village Homeowners Association. He explained that staff would like to meet with representatives from the HOA to clear up any misunderstandings. Mr. Stratton noted that the work took place on the customer's side of the meter rendering the District not liable for the proposed damage. He added that there was an indication that someone was out of water for six days but the District was unaware of whom the customer was and has not heard any additional information on this issue.

Mr. Stratton said that Doug Metcalf, Legal Counsel, received a phone call from the attorney for Duncan Pump regarding Hub Well No. 5 and Wanda Well. It is hopeful that a meeting will be scheduled in the near future to work out settlement options between the District and Duncan Pump.

Mr. Stratton reminded the Board that Public Meetings are being held on January 12, 2005 to discuss Hub Well No. 7, and on January 19, 2005 to discuss Tucson National East.

Mr. Stratton explained that the District submitted a grant application, in coordination with other local water entities and the Bureau of Reclamation, and the grant has been accepted. The grant monies will be used for additional studies on CAP water.

This week visitors from Almaty, Kazakhstan are in the Tucson area. Mr. Stratton took the Almaty visitors to lunch and to various sites around the Tucson area earlier today. Mr. Stratton noted that schedules permitting, he will hopefully bring the visitors to the District offices and Pima County Wastewater on Wednesday, January 12, 2005.

Mr. Stratton mentioned that during the annual Christmas employee luncheon an employee was honored by being voted by her peers as Employee of the Year. This years Employee of the Year is Kim McClure. Kim is the Administrative Assistant for the Utility Division and has worked for the District for almost nine years. Mr. Stratton noted that Kim is well liked by peers and customers, and goes above and beyond to assist fellow employees.

VI. Legal Counsel's Report

Mr. McNulty said there has been a lot of new development around Tucson. The City of Tucson has not been consistent in the messages they are conveying regarding a number of issues such as new development and their ability to provide water to the new developments. He noted that he has been assisting Mr. Stratton in dealing with some of these issues.

VII. Future Meeting Dates; Future Agenda Items

The next regular meeting of the Board is February 14, 2005 at 6:00 p.m.

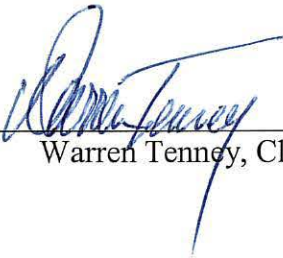
VIII. General Comments from the Public

Mr. Schlegel thanked Mr. Offret for doing a good job on the Board as Chairman. As one of the original Board members Mr. Schlegel said he wanted to appear and thank Mr. Offret. Mr. Schlegel said he could not hear some of the conversation amongst the Board from where he sat in the

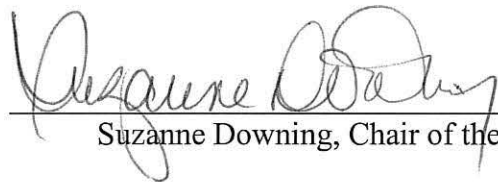
audience. He also noted that residents of his HOA are not receiving District newsletters and asked if staff could check on this.

IX. Adjournment

The meeting adjourned at 7:15 p.m.



Warren Tenney, Clerk of the Board



Suzanne Downing, Chair of the Board