

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

April 26, 2010

**** Board Room ****

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

MINUTES

Board Members Present: James Tripp, Vice Chair
Bryan Foulk, Member
Reb Guillot, Member
Dan M. Offret, Member

Board Members Not Present: Jim Doyle, Chair

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

Regular Session

I. Call to Order and Roll Call

Jim Tripp, Vice Chair of the Board of Directors of the Metropolitan Domestic Water Improvement District (District), called the Board Meeting to order at 5:31 p.m. James Tripp, Reb Guillot, and Bryan Foulk were present. Jim Doyle and Dan Offret were not present.

II. General Comments from the Public

There were no comments from the public.

III. Report on April 19, 2010 Finance Oversight Committee Meeting.

Mr. Stratton acknowledged Clare Strom of the Finance Oversight Committee (FOC) was in attendance. The FOC had a good discussion on April 19, 2010 about the District's budget. They have been provided with a draft financial plan without inclusion of a rate increase. A fair amount of work has been scheduled for them over the next month and they should be ready to provide recommendations to the Board on the budget before June. Mr. Stratton said it is

necessary to start looking at capital needs, and how to go about financing those needs considering financial impacts and rates. Public rate hearings are generally held in October, so recommendations should be given to the Board by September. Ms. Strom said there is an effort on the part of the FOC to understand the full realm and ask a lot of questions, which is why meetings will be held monthly. She said she decided to attend the Board Study Session to hear the Board's comments on the budget in hopes that it would prepare her to make better decisions. Mr. Stratton added that from staff's perspective the budget has adhered to the same format for years, so what seems routine and obvious to the Board and staff may be somewhat foreign to the FOC. Mr. Tripp expressed his gratitude for the FOC's work.

IV. Discussion of Draft Fiscal Year 2010-2011 Budget.

Mr. Stratton said the Board had been provided with a memo drafted by Mike Land covering the financial data narrative. Similar to last year, even though capital items are listed in the budget, the items will not be purchased until about mid-year when the availability of funds is confirmed. District staff will be watching ratios and year-to-date data to make sure sufficient funds are present. Capital improvement projects could be put on the back burner if revenues do not materialize.

However, some of the projects must be completed, such as the Matter Well land acquisition and additional costs associated with the RTA project and waterline relocation. The existing well site is only 685 square feet and the District is asking for a 100x100 site. The District will pay the difference, including additional fencing material. Mike Land, Charlie Maish, and Gary Burchard are working with the Engineer to make sure the District is able to compare costs.

Mr. Offret arrived at 5:40 p.m.

Mr. Tripp asked if \$200,000 will be enough to cover cost of the Matter Well upgrade. Mr. Maish said the District is trying to get the County to pay for the upgrades. The District is losing some of its grandfathered rights. For instance, production is currently unlimited but when the well is relocated the production will be limited to the historical production rate. The value of the loss of potential production must be determined. Mr. Maish added it would be beneficial to have a deeper well. Mike Block, District Hydrologist, said another upgrade being considered is better casing material. Tucson Water has historically used low carbon steel but in the last few years has switched to high carbon steel. Mr. Foulk asked about the reason for relocation and Mr. Stratton said the current well must be moved because it is in the path of planned road improvements.

Mr. Stratton said the communications at Avra Valley Recharge must be functional before we can begin utilizing the system. The purchase price was discounted due to the outdated system. Mr. Land has estimated it will cost about \$80,000 to restore.

Mr. Land said the proposed capital equipment and capital projects were provided to the Board. There is a summary and separate justification of each item. Capital equipment amounts to \$116,158 compared to \$51,608 last year, in large part due to the purchase of vehicles.

Mr. Land explained that principle payments are still being made on a meter reading vehicle, and two vehicles in the Utility Division. Normally the District obtains new vehicles on three-year lease purchases and pays them off in three annual payments. He said that Christopher Hill, Deputy Manager, maintains a matrix on vehicle age, miles and repair costs to help determine which vehicles are ready to replace. Both vehicles ready for replacement were purchased in 2001 and are approaching 100,000 miles. Mr. Offret remembered when the vehicle replacement matrix was created and he has been satisfied with the system. Mr. Land said the District did not gain any vehicles with the purchase of Metro Southwest so one new vehicle would be used by the Metro Southwest technician.

Mr. Land said the Engineering Division needs a \$20,000 design jet multi-function color printer. Mr. Offret asked about the size of the printer and operating system compatibility. Mr. Maish explained that staff upgrading to Windows 7 is having difficulty with the current printer and there has been difficulty in pinpointing the issue. Mr. Offret said he was concerned about cost. Mr. Maish said this is a specialized printer that works in conjunction with AutoCAD. Mr. Stratton said staff will obtain three quotes.

There was a brief discussion on the pressure recorder with accessories, Myron L meter and thermal imaging camera. Mr. Hill said he would like to have the thermal imaging camera because the possibility of electrical fire could be eliminated. Mr. Stratton added staff is also looking into the cost effectiveness of leasing items as an alternative. Mr. Foulk wondered if some equipment could be shared between water providers.

Mr. Land said the last capital equipment item is a skid steer, which costs \$40,000. Mr. Hill said the machine allows access to smaller locations and could also serve as backhoe. The attachments can also be used for things like weed control, so while it is not essential, it would be used. He said the item can be rented. Mr. Offret asked for a cost comparison for renting versus owning.

Clare Strom asked if the District has the ability to use governmental pricing, and Mr. Land confirmed. He said sometimes local vendor pricing comes in lower than government contracts because of promotional offers and discounts.

Mr. Land said capital projects on the draft budget total \$860,000. Last year's budget showed \$300,000 for capital projects but the summary sheet shows \$1.6 million. The difference is the \$1.3 million revision for RTA fee revenues.

Mr. Land said the Northwest Central Arizona Project (CAP) water system is budgeted at \$300,000 but the project could use more. Mr. Stratton said with a minimal amount of planning the District will be moving forward with the recharge-recovery concept. The District will need to be looking at well location sites, as well as a short route study for a pipeline from the well field to the transmission main that was done by Westland Resources. Mr. Stratton would like to be in a position to be able to acquire well sites before other water providers so that the District is able to tie into good locations in the future. There will be no matched partnership monies. Mr. Stratton said CAP has fair amount of land and it may be possible to lease land from CAP on fifty year leases. Mr. Stratton said discussions and timing will revolve around financial strength and construction activity.

Mr. Guillot said he thinks it would be beneficial to review the budget down the road and talk about progress and operation and maintenance costs. There are some items can be targeted and identified and revisited later. Mr. Stratton said the FOC will also review the financial status of the District and may give recommendations to the Board regarding future capital funding.

Mr. Land said the replacement of the outdated communications system at the Avra Valley Recharge facility is a capital project with \$80,000 allocated. The purchase price of the facility was discounted \$100,000 on this basis. Mr. Offret asked how the telemetry works. Mr. Block said the current telemetry is powered by solar energy and travels through power lines and fiber optic lines to Phoenix. There is a mountain in the path of signal so the replacement system will have to be capable of overcoming that obstacle.

Mr. Land said the next two capital projects are property acquisition for future wells in the amount of \$200,000 and replacement of the Matter Well as part of the RTA project at \$200,000. Mr. Stratton said the replacement of the Matter Well must be funded, while the other property acquisitions are not set in stone. Mr. Offret asked about the search for a ten acre reservoir site. Mr. Stratton said that is still a top priority. Mr. Maish added the options are very limited and the search has gone from a possible 16 sites down to about 10. Mr. Foulk asked whether any RTA funds are utilized for land purchases. Mr. Stratton said the RTA fee revenues are specifically allocated for relocating water lines due to RTA road improvements.

Mr. Land said there are some smaller capital projects listed, such as a pressure reducing valve for Casas Adobes at a budgeted cost of \$15,000. Two pressure tank replacements are listed at \$25,000 each. Mr. Stratton added the District recently had to replace the tank at Hardy due to a bulge at the bottom of the tank. The Blackwell site tanks were moved to Hardy to resolve the issue there but a similar situation is occurring at the Horizon well site. Staff is looking at a more aggressive approach on pressure tanks because the potential damage is tremendous in residential areas. Mr. Land said those items were in the budget two years ago and had been carried over.

Mr. Offret asked about the cause of high pressure in Casas Adobes and Mr. Hill explained the problem stems from the construction of the Jim Tripp Reservoir. A pressure reducing valve will reduce pressure where it is high and satisfy the requirements of others who would like a little more pressure.

Mr. Land said the last capital project listed is the Valencia/Iberia connection at Metro Southwest in Diablo Village I. Mr. Hill said it will provide some redundancy between Diablo Village I and II. This project is listed at \$15,000.

Mr. Maish had provided some estimates on the design and survey of RTA projects. The remaining monies from RTA revenues were called capital costs so it offsets RTA revenues.

Mr. Land talked about the operating budget summary. The capital components pull down the projected ending fund balance to \$335,000. Mr. Tripp asked if that amount is acceptable. Mr. Land said \$500,000 is held in contingency and normally is not spent. If some monies are set aside it would be “legal but limited”. Mr. Stratton reiterated that not all capital projects will be completed.

Mr. Foulk asked about the jump in meter sales in Metro Southwest. Mr. Land said about half is the increase on meter sales and half is the rate increase.

Mr. Land said he would like to continue reviewing items so the latest forecast can be addressed for revenues. An audit of workers compensation recently revealed savings. Those types of items will be examined before final adoption.

Mr. Land pointed out that under general operating expenditures the toilet rebate program was increased from \$5,000 to \$10,000 due to the popularity of the rebate. He added rebate funds for the current fiscal year have been exhausted and rebate applications are being held until the new fiscal year begins.

Mr. Land said there had been one change to the Engineering Division’s budget. An increase of \$1400 for Ortho-photo maps through Pima Association of Governments (PAG) was made. Mr. Maish said that every five years or so PAG tries to get communities to contribute to the effort to take aerial photographs in return for access to them. The program aids utilities in the accurate identification of property lines. As an alternative, the map sections are also available for purchase but the District uses the maps enough to make a contribution more cost-effective than individual purchases.

Mr. Land explained costs for an election are projected to be \$20,000; however, if there are not at least three people running for the Board of Directors an election will not be necessary.

Mr. Stratton recommended not having a study session in May unless there is a substantial need. The FOC will continue discussions at their May meeting and have recommendations and changes ready for the Board in June, when the Board considers adoption. If while reviewing the FOC comments the Board has additional questions, they are welcome to ask.

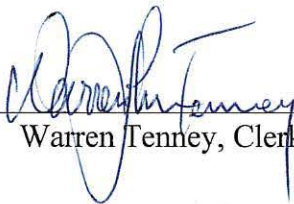
V. General Manager's Report

Mr. Stratton said he be attending the CAP Water Forum in Tucson on April 28, 2010. Board Members are welcome to attend. He will attend the AZ Water Annual Conference in Glendale, Arizona the first week in May. Warren Tenney, Chris Hill, Janet Gallup, and Steve Shepard will also attend.

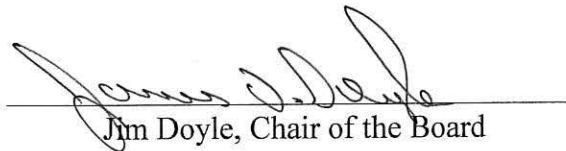
Mr. Stratton said there have been continuing discussions about regional water issues with regional water stakeholders, Clare Zucker of Pima Association of Governments (PAG), and members of Southern Arizona Water Users Association (SAWUA), among others. Conversations will continue and he feels the District should continue to

VI. Adjournment

Mr. Foulk made a motion to adjourn. Mr. Offret seconded the motion. The meeting adjourned at 6:25 p.m.



Warren Tenney, Clerk of the Board



Jim Doyle, Chair of the Board