

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

November 8, 2004

**** 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
 Reb Guillot, Member
 James Tripp, Member

District Staff: Mark Stratton, General Manager
 Keri Silvyn, Legal Counsel
 Doug Metcalf, Legal Counsel
 Warren Tenney, Clerk of the Board
 Alice Stults, Recorder

Executive 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 5:05 p.m. Dan M. Offret, Suzanne Downing, Jim Doyle, Reb Guillot, and James Tripp were present.

Mr. Tripp made a motion to adjourn into executive session. Mr. Guillot seconded the motion. Motion passed unanimously.

II. Executive Session

Executive Session pursuant to A.R.S. § 38-431.03 (A)(1) (discussion or consideration of personnel matters) and A.R.S. § 38-431.03 (A)(3) (consultation for legal advice with District Legal Counsel) regarding the following:

- A. General Manager's Quarterly Review**
- B. J&A Acquisitions, L.L.C.**

III. Adjournment

The executive session adjourned at 5:55 p.m.

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 6:00 p.m. Dan M. Offret, Suzanne Downing, Jim Doyle, Reb Guillot, and James Tripp were present.

II. General Comments from the Public

There were no comments from the public.

III. Consent Agenda

- A. Approval of Minutes – October 13, 2004 Board Meeting.**
- B. Ratification of Billing Adjustments.**
- C. Approval of Water Service Agreement – Block 3, Riverside Crossing, Lots 1-87.**

Mr. Tripp made a motion to approve the consent agenda. Mr. Guillot seconded the motion. Motion passed unanimously.

IV. General Business – Items for Discussion and Possible Action

A. Monthly Status of the District.

Mark Stratton, General Manager, said water production and usage is running about average for this time of year. Revenues are up compared to the same time period last year.

Mr. Stratton said multiple repairs have been made on Lucero Lane where several breaks have occurred on the District's water line due to the contractor working in the area. The District also inadvertently struck a sewer line when making repairs on Lucero Lane. Staff contacted Pima County and the repair was made today. Mr. Stratton said staff strives to make repairs as quickly as possible.

Mr. Stratton said the work on La Cholla and Orange Grove continues to be done in stages. The intersection will be closed shortly in all directions to complete the work in the middle of the intersection. Work is also continuing on Oracle Road.

Mr. Stratton noted that Charlie Maish, District Engineer, provided the Board with an updated list of the proposed CIP projects.

Mr. Offret asked what kind of development is occurring on Cresta Loma. Mr. Maish said two office buildings are being constructed on this commercial site.

Ms. Downing asked if the District has added any new commercial accounts during the last year. Mike Land, Chief Financial Officer, said he will check on the total number of commercial accounts and report back to the Board. Ms. Downing asked if any customers were calling the District regarding their high water usage costs due to the rate adjustment that occurred in May 2004. Mr. Land said the Customer Service Division had not received any comments by customers regarding their monthly bills due to the rate adjustment.

B. Financial Report.

Mr. Land said the District is currently running about 4% over budgeted revenue costs for this time of year. The total number of new connections is down compared to the same time period last year. Mr. Land explained that there has been a steady increase in the cash balance.

C. Adjustment to Customer Accounts Receivable.

Mr. Tripp made a motion to approve crediting the balance in the Customer Accounts Receivable by a total of \$8,012.24 with the offsetting entry being to Bad Debt Expense. Mr. Guillot seconded the motion.

Mr. Land noted that the District received a statement from Trans Union. Originally Trans Union would not accept accounts with a balance under \$50; however, they have recently changed this policy and are now accepting accounts where the total amount due is under \$50.

Ms. Downing asked how many collection vouchers the District currently has left to use up with Trans World. Mr. Land said about 70-80 vouchers. He explained that this system is working well for the District. Ms. Downing asked if customers are continuously late, why does the District give these customers additional time to pay their bill whenever they are late. Mr. Land explained these customers do get charged late fees and shut-off fees. Ms. Downing noted that she believes the customer should be turned over to the credit agency immediately after the due date of the bill if they are continuously late paying the bill.

Mr. Stratton suggested that staff track those customer accounts that have a tendency to be paid late. He explained that staff could develop a policy so that the problem late payers are only given a certain number of chances and after that they would immediately be turned over to the credit bureau. Mr. Stratton said staff will develop a policy to bring back to the Board for its approval.

Mr. Guillot asked if a policy could also be established requiring habitually late paying customers to pay a higher deposit. Mr. Land noted that the District already has such a policy in place.

The motion to approve crediting the balance in the Customer Accounts Receivable by a total of \$8,012.24 with the offsetting entry being to Bad Debt Expense passed with Mr. Offret, Mr. Doyle, Mr. Guillot, and Mr. Tripp voting in favor of the motion. Ms. Downing voted against the motion.

D. Approval of Audit for Fiscal Year 2003-2004.

Mr. Tripp made a motion to approve the audited Consolidated Financial Statements of the District for fiscal year 2003-2004. Mr. Guillot seconded the motion.

The motion passed unanimously.

E. Approval of Lobbyist for 2005 Legislative Session.

Mr. Tripp made a motion to approve the hiring of Gallagher & Kennedy as the District's lobbyist for the 2004 Arizona Legislative Session. Mr. Guillot seconded the motion.

Mr. Offret asked if this would be a monthly fee. Mr. Stratton explained it is a monthly fee of \$3,000. If the District asks Gallagher & Kennedy to represent the District for legislation proposed by the District, there will be an additional cost.

Ms. Downing asked what services the District receives monthly. Warren Tenney, Assistant to the General Manager, explained that Gallagher & Kennedy monitors and tracks water legislation as well as special districts legislation, and provides reports to the District.

Mr. Guillot asked if the amount budgeted for fiscal year 2004-2005 was \$2,500 per month. Mr. Stratton explained that this cost is combined with legal costs in the District's budget and that the line item was increased slightly over last year's amount to account for any increases.

The motion passed unanimously.

F. Approval of Amendment No. 2 to the Professional Engineering Services Contract for the Northeast Water Reservoir.

Mr. Tripp made a motion to approve Amendment No. 2 to the Professional Engineering Services contract with HDR Engineering, Inc. (HDR) for the Northeast Reservoir in the amount of \$314,723. Mr. Guillot seconded the motion.

Ms. Downing asked for clarification of the amendment. Mr. Maish said the amendment was for the cost of design because the design could not be completed until the site was established.

Mr. Offret noted that 'other activities' were noted in the amendment and asked what those were. Mr. Maish said other activities include utility coordination, monthly progress meetings and reports, and public meetings with homeowners associations. Mr. Offret asked if the money allocated for Task #5, Supplemental Professional Services, would be refundable if it were not expended. Mr. Maish said yes. Mr. Offret reminded staff that the expenditures must be justified prior to spending.

The motion passed unanimously.

G. Effluent Utilization through Cooperative Effort with Pima County.

Mr. Stratton explained that the Arthur Pack Golf Course has been receiving secondary effluent from the Ina Road facility for a number of years. The existing line from the treatment facility to the golf course is old and problematic. The Arizona Department of Environmental Quality (ADEQ) is taking a hard line approach that the line must be fixed. The new management for the golf course has indicated they would pay to have the line fixed. Mr. Stratton said that the new management is reconfiguring and redesigning the existing golf course. For these reasons, Pima County is anxious to complete construction of the new line from the treatment facility to the new golf course. The District is interested in this line so that it can utilize its effluent in the District's service area.

Mr. Stratton said an Internal Government Agreement (IGA) between the District and Pima County would establish the District as the lead entity to manage the design and construction process of the new line and the District's procurement process is much faster than that of Pima County. The District is also interested in participating in the IGA so that it has the opportunity to determine the sizing of the pipe to ensure that it will be adequate to meet future needs of the District and to bring effluent into the District's service area. The Board is asked for direction to proceed with developing an IGA. Mr. Stratton said after considering the amount of effluent needed for the Omni Tucson National Golf Course, and the feasibility of recharge within the CDO Basin of the excess reclaimed water, staff will provide a recommendation to the Board.

Mr. Offret asked what the cost difference in the pipe sizes was. Mr. Maish said approximately \$10 per linear foot. Mr. Stratton explained that the District will have many factors to consider when determining the financial feasibility for the District to participate. Mr. Offret asked if the District was committing any funds at this time. Mr. Stratton replied no.

Mr. Tripp made a motion to approve to direct staff to proceed with the development of an Intergovernmental Agreement (IGA) with Pima County and to initiate the request for proposals for design consultant's work on the replacement of Phase I of the reclaimed line from the Ina Road Treatment Plant to Arthur Pack Golf Course. The IGA will be presented to the Board at a future meeting for its approval. Mr. Guillot seconded the motion.

Mr. Doyle suggested that he may need to refrain from making comments and voting because of his employment with Pima County. Keri Silvyn, Legal Counsel, agreed that it could be a conflict of interest.

The motion passed with Mr. Offret, Ms. Downing, Mr. Tripp, and Mr. Guillot voting in favor of the motion. Mr. Doyle abstained from voting.

V. General Manager's Report

Mr. Stratton said the District will be hosting a water harvesting work shop the evening of November 9, 2004. There will also be a water-wise landscaping work shop on November 16, 2004. Both workshops will be held in the Board room at Metro Water.

Mr. Stratton said there will be a Thanksgiving potluck luncheon for employees on November 23, 2004 at noon. He invited Board members to attend the luncheon to meet employees and enjoy the luncheon.

Mr. Stratton explained that he had recently attended the Arizona Town Hall meeting at the Grand Canyon. The final report containing the results of this Town Hall meeting should be ready in approximately one month and will be provided to the Board at that time. Mr. Stratton said it was an interesting meeting, and a good opportunity to meet and talk to other professionals from throughout Arizona. The meeting covered a large number of issues regarding a variety of water related topics.

Mr. Stratton said that Chuck Huckleberry, Pima County Administrator, has requested that District's legal counsel assist in creating and writing the development agreement regarding the Omni Tucson National golf course and use of reclaimed water.

Mr. Offret explained that after reviewing a calendar of the Board room he was pleased to see the variety of non-profit groups and organizations using this room. He noted that this is a positive way for the District to give back to its customers.

VI. Legal Counsel's Report

Ms. Silvyn, Legal Counsel, noted that the Board was previously provided a written report from Michael McNulty with the status and current updates of legal issues.

Ms. Silvyn said Lewis & Roca have located the property owner of the parcel of land in the Hub service area that is being considered for the site of a new well. The property owner is in a hospital and his family is handling his affairs. Ms. Silvyn said the family members have not returned phone calls to legal counsel as of this date.

VII. Future Meeting Dates; Future Agenda Items

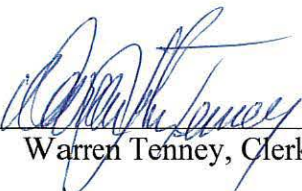
The next regular meeting of the Board is December 13, 2004 at 6:00 p.m.

VIII. General Comments from the Public

There were no comments from the public.

IX. Adjournment

The meeting adjourned at 6:50 p.m.



Warren Tenney, Clerk of the Board



Dan M. Offret, Chair of the Board