

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

September 13, 2004

**** Board Room ****

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

MINUTES

Board Members Present: Dan M. Offret, Chair
 Jim Doyle, Member
 Reb Guillot, Member
 James Tripp, Member

Board Members Absent: Suzanne Downing, Vice Chair

District Staff: Mark Stratton, General Manager
 Keri Silvyn, 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 5:03 p.m. Dan M. Offret, Jim Doyle, Reb Guillot, and James Tripp were present. Suzanne Downing was not present.

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

II. Executive Session

Executive Session pursuant to A.R.S. § 38-431.03 (A)(3) (consultation for legal advice with District Legal Counsel) and A.R.S. § 38-431.03 (A)(4) (consultation with legal counsel regarding contracts that are in pending or contemplated litigation or in settlement discussions conducted in order to avoid or resolve litigation) regarding the following:

- A. Agreement by Metropolitan Water Company to Acquire Property in Exchange for Free Water.**
- B. Acquisition of Property for New Hub Well Site.**
- C. Acquisition of Waterworks for the Delivery of Water for Domestic Purposes.**

III. Adjournment

The executive session adjourned at 5:58 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 6:01 p.m. Dan M. Offret, Jim Doyle, Reb Guillot, and James Tripp were present. Suzanne Downing was not present.

II. General Comments from the Public

There were no comments from the public.

III. Consent Agenda

- A. Approval of Minutes – August 9, 2004 Board Meeting.**
- B. Ratification of Billing Adjustments.**
- C. Approval of Water Service Agreement – Cortaro Crossing, Lots 1-119.**

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

Mr. Offret inquired regarding the billing adjustments. Mark Stratton, General Manager explained that billing adjustments are provided to customers on a one time only basis per property. Adjustments are sometimes made after a review of the billing indicates that a higher than normal water usage takes place due to causes such as water leaks.

The motion passed unanimously.

IV. General Business – Items for Discussion and Possible Action

A. Monthly Status of the District.

Mr. Stratton noted that the amount of water production was up for the month of August; however, it was substantially lower than last year during the same time period.

Mr. Stratton said the District continues to do work on the La Cholla Road improvements. He noted there are still issues with Pima County Transportation regarding right-of-way permits. Mr. Stratton said Pima County did not notify the contractor for the La Cholla project of certain requirements even though it was the District's contractor that applied for the permit. As a result, Pima County held up other District permits. Mr. Stratton said he is planning to talk to the Pima County Transportation Director regarding the right-of-way permits issues.

Mr. Stratton said the District received the permits for the Oracle Road 12 inch mainline replacement project. There was just one change and that was regarding the mainline replacement under driveways which the District will incorporate.

Mr. Offret commented that the landscaping completed on Orange Grove as part of the La Cholla transmission main project looks exceptionally well. Mr. Stratton said there is a replacement requirement of 3 to 1 for trees, and agreed that the new landscaping was an improvement over what was there originally.

B. Financial Report.

Mike Land, Chief Financial Officer, explained that in the Monthly Status Report there is occasionally a distortion between the monthly gallons pumped versus revenues received. This is due to the billing dates and the actual dates the District receives revenues after the gallons pumped is recorded.

Mr. Land noted that auditors reviewed the District files last week, and were completed with the audit by the end of the week. It is hoped the preliminary reports will be completed by the September 24, 2004 deadline established by Pima County.

Mr. Land said metered sales were higher during August 2004 compared to the same time period the previous year. He added that the amount of new connections was down compared to the same time period last year.

C. Approval of Business Loan Agreement with Bank of America.

Mr. Tripp made a motion to approve the July 1, 2004 Business Loan Agreement with Bank of America for a \$1,000,000 Line of Credit, which supercedes the Fourth Amendment to the February 29, 2000 Business Loan Agreement that was approved at the August 9, 2004 meeting. Mr. Guillot seconded the motion.

Mr. Land said this item was voted on during the August 2004 Board meeting; however, Pima County's attorneys decided they wanted more control on this agreement. Therefore, the agreement needed to be resigned. Mr. Land explained that he has also asked Canyon Community Bank to research what they could offer the District in the way of a line of credit and interest rate.

The motion passed unanimously.

D. Telephone System Upgrade.

Mr. Tripp made a motion to approve the purchase of the Avaya Office Messaging and Call Handling phone system from BLS Communications at a price of \$22,590. Mr. Guillot seconded the motion.

Mr. Offret asked if the cost of the telephone system upgrade was included in the current fiscal year budget. Mr. Stratton replied no, but explained there will be a cost savings over the current phone system and a reduction in the amount paid to the answering service. He added that there are funds available in the existing budget.

Mr. Offret asked if there was a trade-in value for the current phones. Mr. Land said the trade-in value was only \$500, so staff will look at other options such as selling the system.

The motion to approve the purchase of the Avaya Office Messaging and Call Handling phone system from BLS Communications at a price of \$22,590 passed unanimously.

E. Resolution 2004-6 – Support of Effective Management of Renewable Water Supplies.

Mr. Tripp made a motion to approve Resolution 2004-6 to support the effective management of renewable water supplies in Northwest Pima County. Mr. Guillot seconded the motion.

Mr. Stratton said the Town of Marana is seeking to acquire additional CAP allocations through a transfer of Flowing Wells Irrigation District's CAP allocation. In their venture to acquire these additional CAP supplies, the District, along with other Northwest water service providers, were asked for their support of this endeavor. It is anticipated that this fall the Town of Marana will begin the process to obtain approval from ADWR, Central Arizona Project, and the Bureau of Reclamation. Mr. Stratton explained that there may be other water providers that also want to purchase some of these CAP supplies.

Mr. Offret asked if other Northwest Pima County water service providers have given their approval. Mr. Stratton said he believes that other water entities are seeking approval from their governing Boards also.

The motion passed unanimously.

F. Award of Construction Contract for the Magee Road Transmission Main, Phase 2.

Mr. Tripp made a motion to award the construction contract for the Magee Road Transmission Main, Phase 2 (M-96-12C) to KE&G Development, LLC in the amount of \$905,800 and to authorize the General Manager to approve the following changes to the construction contract: 1) allocate additional funding a cumulative amount not to exceed \$25,000 and 2) increase the original construction contract term a cumulative amount not to exceed sixty (60) calendar days. Any changes in excess of the above limits will be submitted to the Board of Directors for approval. Mr. Guillot seconded the motion. The motion passed unanimously.

G. Approval of Amendment No. 1 for the Professional Engineering Services Contract for the Northeast Water Reservoir.

Mr. Tripp made a motion to approve Amendment No. 1 to the Professional Engineering Services Contract for the Northeast Water Reservoir with HDR Engineering, Inc. Mr. Guillot seconded the motion.

Mr. Stratton said staff is preparing information to provide to the Board at a study session to be scheduled. Staff has received a draft report from HDR Engineering, Inc. A final report will be provided to the District after comments received from District staff are incorporated into the draft report. Mr. Stratton said the consultant is also completing artist renderings of the potential sites.

The motion passed unanimously.

H. Approval of Change Order No. 1 to the Contract with Gilbert Pump for the Well Modifications to the Ina/CDO Wash, Marlene and Thornydale Well Sites.

Mr. Tripp made a motion to approve Change Order No. 1 to the Well Modifications to the Ina/CDO Wash, Marlene and Thornydale Well Sites (MW-99-03) contract with Gilbert Pump and Equipment Company in the amount of \$61,726 and to establish a new contract completion date of December 31, 2004. Approval is contingent upon the successful trial period of the natural gas engine combination gear drive operation. Mr. Guillot seconded the motion.

Mr. Offret asked about storage for the larger pump assembly that is being replaced with a smaller pump assembly. Mr. Stratton said the larger pump will be stored at the Hardy well site. Mr. Maish said everything appears to be going all right with operating the old pump with the gas engine. It is anticipated that a decision on whether to move forward will be reached by the end of this week if the Board approves this item. Staff expects a slightly less flow rate with the smaller pump.

The motion passed unanimously.

I. Approval of Giaconda Way Chip Seal Bids.

Mr. Tripp made a motion to approve the Giaconda Chip Seal bids and award the Chip Seal work to K&B Asphalt. If for any reason K&B Asphalt cannot perform the work to the satisfaction of the District, staff is authorized to use the next bidder. The dollar amount for the Chip Seal shall not exceed \$15,000. Mr. Guillot seconded the motion. The motion passed unanimously.

J. Approval of Purchase of On-Line Nitrate Analyzer.

Mr. Tripp made a motion to approve the purchase of the Hach Company NITRATAX On-line Nitrate Analyzer for the Latamore South well for the total amount of \$12,540.46. Mr. Guillot seconded the motion.

Mr. Offret asked if this item was budgeted for the current fiscal year. Mr. Stratton replied yes.

The motion to approve the purchase of the Hach Company NITRATAX On-line Nitrate Analyzer for the Latamore South well for the total amount of \$12,540.46 passed unanimously.

K. Approval of Groundwater Savings Projects Agreements.

Mr. Tripp made a motion to approve the new agreement between the District and Herb Kai for "In-Lieu Water Deliveries and Storage" and that the agreement be in effect until December 31, 2005, unless renewed by the District and Herb Kai for an additional year. Mr. Guillot seconded the motion. The motion passed unanimously.

Mr. Tripp made a motion to approve the amendment to the agreement between the District and BKW Farms for "In-Lieu Water Deliveries and Storage" and that the agreement be in effect until December 31, 2005, unless renewed for an additional year by the District and BKW Farms. Mr. Guillot seconded motion. The motion passed unanimously.

L. Acquisition of Property for New Hub Well Site.

Mr. Tripp made a motion to direct Legal Counsel to proceed with condemnation of approximately one acre property owned by Sabino Canyon Gateway, LLC, and located near Cloud Road and Sabino Canyon Road for the purpose of acquiring property for a new well site for the Metro Hub water system. Mr. Guillot seconded the motion. The motion passed unanimously.

M. Status of Lambert/La Cholla New Capital Improvement Well and Recoverable Capacity.

Chris Hill, Deputy Manager, provided the Board with an update on the status of the Lambert/La Cholla well. It was noted that the anticipated pumpage value has not been achieved at this new well site. Mr. Hill said staff identified three possible options regarding this well; 1) walk away from the current well; 2) attempt further efforts of redeveloping the current well; or 3) keep the site and drill another well at the same location. Staff recommends the third option due to the well site's optimal location, and because experts have suggested that we should be able to achieve pumpage rates of over 1000 gallons per minute. Mr. Hill explained to the Board that the work on the new well, if approved, could be budgeted for fiscal year 2005-2006. He also noted concerns over the District being forced to abandon eight wells in the last ten years.

Mr. Offret asked how it was determined that drilling a new well, so close to the failed well, would be able to produce larger volumes of water. Mr. Hill briefly explained some of the issues with the existing well, and identified new techniques that would ensure the current problems would not be carried over into the new well.

Gary Burchard, District Hydrologist II, noted that drilling the current well has been a difficult learning experience. After completing considerable studies, staff has determined that the information gained proved to us that the geology looks favorable at this site. Mr. Burchard added that this well site is surrounded by wells that do produce water.

Mr. Guillot inquired about the surrounding wells that belong to Oro Valley and City of Tucson, and asked if these wells were drilled deeper. Mike Block, District Hydrologist said that the City of Tucson has a slightly different design in their well casing. He said staff would use an alternative casing design for this potential new well.

Mr. Doyle explained that he likes the idea of using a different casing, and drilling a new well at the same sight. Mr. Offret noted that the Board agreed on drilling a new well and directed staff to proceed with option three, keeping the site and drilling a new well at the same location.

V. General Manager's Report

Mr. Stratton said the District is continuing to do staff training. On September 8, 2004 staff was provided training on violence in the workplace. Staff was taught how to identify signs of anger or hostility in customers as well as fellow employees. Mr. Stratton said the training went well and the trainer from Paychex was very knowledgeable on this subject. The District will continue to provide employee trainings every two to three months on a variety of subjects.

Mr. Tripp said he would like to see all District employees take CPR training, and believes it should be mandatory, not optional. Mr. Offret suggested that employees be strongly encouraged to take the CPR training. Mr. Stratton noted that not all employees can take the training at the same time; however, the training could be spread out over the next year.

Mr. Stratton said discussions between the District and Pima County have continued regarding the County's requirement of obtaining a franchise/license agreement regarding right-of-ways. He noted that the District is working with other local utilities that are also not in agreement with the current franchise/license agreement requirement. It is anticipated that a meeting will soon be scheduled with Pima County and other local water utilities to discuss this issue.

Mr. Stratton said he was invited to attend the Arizona Town Hall, October 31 through November 3, 2004 at the Grand Canyon. The last Town Hall for water issues resulted in the Governors Water Commission being formed. The topics will probably deal primarily with drought issues.

Mr. Stratton reminded the Board that the WestCAS Conference is October 20-22, 2004. If any Board member would like to attend, please advise Mark Stratton or Alice Stults.

Mr. Stratton will be out of the country for vacation the entire week of October 11, 2004.

VI. Legal Counsel's Report

Keri Silvyn, Legal Counsel, had nothing new to report.

VII. Future Meeting Dates; Future Agenda Items

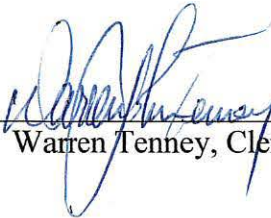
The next regular meeting of the Board is October 13, 2004 at 6:00 p.m. A study session is scheduled for October 4, 2004 at 5:30 p.m.

VIII. General Comments from the Public

There were no comments from the general public.

IX. Adjournment

The meeting adjourned at 6:53 p.m.

A handwritten signature in blue ink, appearing to read "Warren Tenney", is written over a horizontal line.

Warren Tenney, Clerk of the Board

A handwritten signature in blue ink, appearing to read "Dan M. Offret", is written over a horizontal line.

Dan M. Offret, Chair of the Board