

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

June 14, 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

Not Present Suzanne Downing, Vice Chair

District Staff: Mark Stratton, General Manager
 Keri Silvyn, 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 6:03 p.m. Dan M. Offret, Jim Doyle, Reb Guillot, and James Tripp were present. Suzanne Downing was not present due to illness.

II. General Comments from the Public

There were no comments from the public.

III. Consent Agenda

- A. Approval of Minutes – May 10, 2004 Board Meeting.**
- B. Approval of Minutes – May 18, 2004 Study Session.**
- C. Ratification of Billing Adjustments.**
- D. Ratification of Bill of Sale – Canyon Ranch Estates, Lots 1-20.**
- E. Approval of Water Service Agreement – Ina Corporate Center, Units 1-64.**

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, provided information regarding District affairs. He said water usage has continued to increase during the past month due to warmer temperatures. The Capital Improvement Program continues to move along. The transmission main work on La Cholla/Orange Grove is nearing completion. The District is having difficulties with the Ina/CDO well modifications. A manufacturing representative will be here this week to check the equipment.

Mr. Offret asked for an update regarding the Northeast Reservoir information meeting. Mr. Stratton said the meeting was well attended, with mostly positive responses from the public in attendance. Residents attended the public meeting to obtain information regarding the sites being considered by District staff for the Northeast Reservoir. Mr. Stratton said an analysis of the forms completed by residents and their comments will be presented to the Board of Directors at an upcoming meeting by the public relations firm hired by the District that attended that meeting. Mr. Maish explained that Westward Look has asked that its property not to be considered; therefore, staff has dropped them from the list as a possible reservoir site. The next public meeting is scheduled for June 29, 2004.

Mr. Stratton said the Giaconda Way mainline replacement is almost complete. Regarding the Magee Road transmission main, the Lutheran Church is favorable to negotiate with the District to allow the use of its property. Plans for this project have been sent to Pima County for its approval.

Mr. Tripp asked about the power outage that occurred earlier today. He noted that Catalina Village was affected by the power outage. Steve Shepard, Utility Superintendent, said there were issues associated with the boosters not working due to the power outage. Numerous District sites were out of power during the approximate 45 minute power outage.

B. Financial Report.

Mike Land, Chief Financial Officer, said the Northwest Explorer paid off its note to the District on the previous office location property located on Paseo Del Norte. The District was earning interest on the note and that interest amount has now been backed out of the 2004/2005 budget. The District continues to lease a warehouse to the Northwest Explorer. Mr. Stratton said the District has worked out the issues of being able to access the property on Paseo Del Norte.

Mr. Land said as of April 2004, the District is slightly above anticipated revenues and expenditures. He explained that currently the District is 7/10 of 1% net in favor of the adopted budget.

C. Approval of Fiscal Year 2004/2005 Budget.

Mr. Tripp made a motion to approve to adopt the Metro Water District Operating Budget for the 2004/2005 fiscal year with the total disbursements not to exceed the budgeted amount of \$12,889,295. Mr. Doyle seconded the motion.

Mr. Land noted there are a few minor changes in the 2004/2005 budget since it was last examined by the Board. He explained that salaries and merit increases for new employees had been recalculated and this resulted in the cost of insurance decreasing somewhat. The grand total budget amounts remained the same.

Mr. Stratton said for financing of the Northeast Reservoir the District will look to the Municipal Property Corporation.

Mr. Offret noted that the 2004/2005 budget process was accomplished smoothly and timely, and within the financial expectations of the Board. He commended staff on a job well done.

The motion to approve to adopt the Metro Water District Operating Budget for the 2004/2005 fiscal year with the total disbursements not to exceed the budgeted amount of \$12,889,295 passed unanimously.

D. Consideration of Cost of Living Adjustment for District Staff.

Mr. Tripp made a motion to approve a 2.3% cost of living adjustment for District employees. Mr. Guillot seconded the motion.

Mr. Tripp said that after recently going to the grocery store and gas station he believes employees will need the cost of living adjustment.

Motion passed unanimously.

E. Approval of Miscellaneous Annual Services and Materials Quotes.

Mr. Stratton requested the paving portion of the Miscellaneous Annual Services and Materials Quotes be tabled for one month so staff can examine additional information.

Mr. Tripp made a motion to approve the annual quotes for barricade rental, chlorine, aggregate, oil, and equipment rental from the corresponding low bids per items as presented by staff, and direct staff to use another appropriate bidder for a particular service or material if performance or quality of a service of the low bidder does not meet the District's needs. Mr. Guillot seconded the motion. Motion passed unanimously.

F. Amendments to Miscellaneous Survey Services Contracts.

1. Approval of Amendment No. 2 to the Miscellaneous Survey Services Contract with AMEC Infrastructure, Inc.

Mr. Tripp made a motion to approve the contract Amendment No. 2 to the Miscellaneous Survey Services IV Contract with AMEC Infrastructure, Inc., which establishes a new contract expiration date of June 30, 2005. Mr. Guillot seconded the motion. Motion passed unanimously.

2. Approval of Amendment No. 1 to the Miscellaneous Geotechnical Services Contract with ConformaTech, Inc., formerly AMEC Earth & Environmental, Inc.

Mr. Tripp made a motion to approve the contract Amendment No. 1 to the Miscellaneous Geotechnical Services Contract with ConformaTech, Inc., which establishes a new contract expiration date of June 30, 2005. Mr. Guillot seconded the motion. Motion passed unanimously.

3. Approval of Amendment No. 1 to the Miscellaneous Survey Services Contract with Castro Engineering Corporation.

Mr. Tripp made a motion to approve the contract Amendment No. 2 to the Miscellaneous Survey Services IV Contract with Castro Engineering Corporation, which establishes a new contract expiration date of June 30, 2005. Mr. Guillot seconded the motion. Motion passed unanimously.

G. Approval of Amendment No. 4 to the Miscellaneous Water Distribution Design Services IV Contract with Stantec Consulting, Inc.

Mr. Tripp made a motion to approve the Amendment No. 4 to the Miscellaneous Water Distribution Design Services IV Contract with Stantec Consulting, Inc., which extends the contract expiration date to June 30, 2005. Mr. Guillot seconded the motion. Motion passed unanimously.

H. Approval of Amendment No. 3 to Miscellaneous Hydrogeological Services Contract.

Mr. Tripp made a motion to approve the contract Amendment No. 3 for the Miscellaneous Hydrogeological Services with Clear Creek Associates. The contract amendment will extend the expiration date to June 30, 2005 and with no additional increase in the total contract amount of \$341,322. Mr. Guillot seconded the motion. Motion passed unanimously.

I. Amendments to Analytical Laboratory Services Contracts.

1. Approval of Amendment No. 2 for Inorganic Chemical Analytical Services with Turner Laboratories, Inc.

Mr. Tripp made a motion to approve the contract Amendment No. 2 for the Analytical Laboratory Services Contract for Inorganic Chemical Analyses with Turner Laboratories, Inc., to extend the contract expiration date to June 30, 2005, and increase the contract amount to \$37,200.00. Mr. Guillot seconded the motion. Motion passed unanimously.

2. Approval of Amendment No. 2 for Analytical Laboratory Services Contract for Disinfection By-Product Analyses with Aqua Tech Environmental Laboratories, Inc.

Mr. Tripp made a motion to approve the contract Amendment No. 1 for the Analytical Laboratory Services Contract for Disinfection By-Products and Unregulated Contaminant Monitoring analyses with Aqua Tech Environmental Laboratories, Inc., to extend the contract expiration date to June 30, 2005, and increase the total contract amount to \$60,500.00. Mr. Guillot seconded the motion. Motion passed unanimously.

3. Approval of Amendment No. 2 for Analytical Laboratory Services Contract for Synthetic Organic Chemicals with Aqua Tech Environmental Laboratories, Inc.

Mr. Tripp made a motion to approve the contract Amendment No. 2 for the Analytical Services Contract for Synthetic Organic Chemical analyses with Aqua Tech Environmental Laboratories, Inc., to extend the contract expiration date to June 30, 2005, and retain the total contract amount of \$47,500.00. Mr. Guillot seconded the motion. Motion passed unanimously.

4. Approval of Amendment Nos. 2 and 3 for Analytical Laboratory Services Contract for Volatile Organic Chemical and Total Trihalomethane Analyses with Aerotech Environmental Laboratories.

Mr. Tripp made a motion to approve the contract Amendment No. 2 for the Analytical Laboratory Services Contract for Volatile Organic Chemicals and Total Trihalomethanes Analyses with Aerotech Environmental Analytical Laboratories, a Division of Aerotech Laboratories, Inc., to increase the FY 2003/2004 contract amount to \$57,800. Mr. Guillot seconded the motion. Motion passed unanimously.

Mr. Tripp made a motion to approve the contract Amendment No. 3 for the Analytical Laboratory Services Contract for Volatile Organic Chemicals and Total Trihalomethanes Analyses with Aerotech Environmental Analytical Laboratories, a Division of Aerotech Laboratories, Inc., to extend the contract expiration date to June 30, 2005, and increase the contract amount to \$96,700 for FY 2004/2005. Mr. Guillot seconded the motion. Motion passed unanimously.

5. Approval of Amendment No. 2 for Analytical Laboratory Services Contract for Radiochemical Analyses with Aerotech Environmental Laboratories.

JT made a motion to approve the contract Amendment No. 2 for the Analytical Laboratory Services Contract for Radiochemical Analyses with Aerotech Environmental Laboratories, a Division of Aerotech Laboratories, Inc., to extend the contract expiration date to June 30, 2005, and retain the total contract amount of \$35,000.00. Mr. Guillot seconded the motion. Motion passed unanimously.

J. Status of Storage of District Effluent at Lower Santa Cruz River Managed Recharge Project and Potential New Storage Projects.

Mr. Stratton explained that Mark Myers' memo to the Board relates to the District's ability to have water resource credits which are essential for the District in order to offset the potential future high costs of CAGRD replenishment water. If the District has to rely on the CAGRD, these costs could be devastating.

Mike Block, District Hydrologist, mentioned the District's managed recharge permit with other local utilities. The facility permit was approved in late 2003. The District's allocation is over 3,000 acre feet per year. The District will not be able to use the allocation because it does not have enough credits. Mr. Block said the District began looking for ways to secure extinguishments credits and contacted local farmers. BKW Farms and Kai Farms are interested in the effluent and came up with a way to extract the water out of the river. They must first obtain environmental permits with the Town of Marana to be able to use the flood plane. A federal permit would also be required since a pipeline would have to be constructed. The cost of these items will be fairly minimal, and the farms would be paying the cost of transmission lines, etc. Kai Farms may also need to construct a storage area. The District's risk in this endeavor is fairly low. The required recharge permits are easily obtainable, but would take a period of six months to a year to obtain.

Mr. Stratton said the effluent does not cost the District any money, but it would benefit from the extinguishments credits. The Board unanimously agreed to direct staff to pursue this proposed option further.

V. General Manager's Report

Mr. Stratton said staff is moving forward on the Hub well site acquisition. Staff anticipates having a recommendation to the Board within the next two months. It is hoped this project can begin this coming winter.

Mr. Stratton said discussion continues with Pima County regarding right-of-way issues.

Mr. Stratton said staff is defining what the \$50,000 will be used for that was budgeted in the 2004/2005 fiscal year budget for vulnerability assessments. The Board will be provided a breakdown of the cost once the report has been completed.

Mark Stratton and Chris Hill, Deputy Manager, will attend the WestCAS seminar next week in San Diego. Mr. Stratton mentioned the fall WestCAS conference and invited Board members to attend the conference being held at the Westward Look in Tucson. Mr. Offret asked if the District would again participate in assisting with the events. Mr. Stratton said staff would assist when and where needed for the conference.

Mr. Stratton said the contractor for Treasure Drive wants reimbursement for his damages. The District will try to assist the contractor by putting the lines up high enough so that repairs can be

made quickly. Mr. Doyle asked if the District had followed up on fire flow requirements. Mr. Stratton replied no, not at this time.

Mr. Stratton said staff has not had contact with Monterey Homes. Tentative plans for development were submitted one week ago.

Mr. Stratton said occasionally staff is contacted by belligerent customers and staff has been directed not to talk to them if the person swears and becomes belligerent. Mr. Offret asked if training for staff on dealing with belligerent customers might be warranted. Mr. Stratton replied yes, and will have staff check into the training possibilities.

Mr. Hill provided an update regarding Arizona Environmental Protection Agency (AEPA) regulatory issues. Regarding the unregulated commandment monitoring rule of March 25, 2004, the AEPA is preparing to terminate that administrative order. The District has some additional sampling it must complete over the next year. Mr. Hill said additionally, the asbestos notification has been taken care of. The final notification involving the District was the VOC's accedence's at South Shannon well, which continues to be shut down due to the accidence.

VI. Legal Counsel's Report

Ms. Silvyn, Legal Counsel, had nothing additional to report. Mr. Stratton said Doug Metcalf, also Legal Counsel for the District, is attempting to set up a meeting with representatives of Duncan Pumps.

VII. Future Meeting Dates; Future Agenda Items

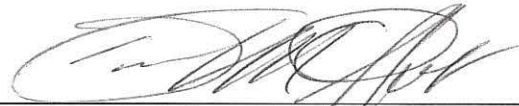
The next regular meeting of the Board is July 12, 2004 at 6:00 p.m.


VIII. General Comments from the Public

There were no comments from the public.

IX. Adjournment

The meeting adjourned at 7:11 p.m.



Dan M. Offret, Chair of the Board

Warren Tenney, Clerk of the Board