

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

April 12, 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
 James Tripp, Member
 Jim Doyle, Member

District Staff: Mark Stratton, General Manager
 Michael McNulty, 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 5:02 p.m. Dan M. Offret, Suzanne Downing, James Tripp, and Jim Doyle were present.

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

II. General Manager's Evaluation

Executive Session pursuant to A.R.S. § 38-431.03 (A)(1) (discussion or consideration of personnel matters) regarding the following:

A. General Manager's Evaluation

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 6:05 p.m. Dan M. Offret, Suzanne Downing, James Tripp, and Jim Doyle were present.

II. General Comments from the Public

There were no comments from the public.

III. Presentation to Dennis Polley

Mr. Offret presented a plaque to Mr. Polley and thanked him for his contributions to the District while serving on the Board of Directors for the Metropolitan Domestic Water Improvement District. Prior to serving on the Board of Directors, Mr. Polley served on financial committees for the District. Mr. Polley resigned his position on the Board during March 2004 due to relocating his residence outside of the District. Mr. Offret noted that Mr. Polley served as Chair of the Board for two years.

Mr. Polley thanked the Board of Directors and District staff for their assistance and professionalism during his term on the Board. He said that he was proud to be able to make contributions to his community by serving as a Board member. Mr. Polley noted that during his time serving on the Board very few complaints were received which indicated that the District is well organized and conscientious of the well-being of its staff and customers.

IV. Consent Agenda

- A. Approval of Minutes – March 8, 2004 Board Meeting.**
- B. Approval of Minutes – March 22, 2004 Study Session.**
- C. Ratification of Billing Adjustments.**

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

V. General Business – Items for Discussion and Possible Action

- A. Monthly Status of the District.**

Mr. Stratton, General Manager, provided an update on projects for the District. He said as of the end of March 2004 revenue is currently ahead of projections for this fiscal year. There may be a decline in revenues for the month of April due to the recent rains.

Mr. Stratton said the Capital Improvement Projects (CIP) are moving along well. There were some problems noted with the start-up at Mona Lisa well. Steve Shepard, Utility Superintendent said the Mona Lisa well was started up today and should be back on line within one week.

There was a problem with the motor at the Ina/CDO well. Mr. Stratton said the repairs are being made and the well should be on line within a few weeks.

Mr. Stratton said it is anticipated that Hub Well No. 4 will be ready to place on line within a few weeks.

Mr. Stratton said it is also anticipated that the La Cholla transmission main, water line lowering, should be completed this week. Charlie Maish, District Engineer, said the transmission main work is currently taking place on Orange Grove, east of Corona. This project will move toward La Canada on Orange Grove. The pipeline work should be completed about the end of May, and the re-vegetation should take place during June.

Mr. Stratton explained that the cost of pvc, ductile iron, and gasoline prices have been substantially increasing, potentially affecting the cost of some projects. Mr. Doyle asked how the contractors are coping with the prices going up. Mr. Stratton said the pipe for the La Cholla transmission main was purchased and delivered some time ago so the increase in prices did not affect this project. The price increases could have the potential of affecting other projects.

B. Financial Report.

Mike Land, Chief Financial Officer, noted that March revenues were slightly higher than for the same time period last year. The District is only 23 installs short of the 200 new installs projected for the 2003/2004 fiscal year.

C. Discussion and Possible Action to Fill Director Vacancy.

Mr. Tripp made a motion to appoint Reb Guillot to fill the vacancy created by Dennis Polley's resignation for the remainder of that term, which ends December 31, 2004. Ms. Downing seconded the motion. The motion passed unanimously.

Mr. Guillot was present and said he was honored to be offered the opportunity to serve on the Board of Directors and hopes that he can make contributions to the betterment of the District. He believes it is a positive step to have a representative from the Hub Service Area serving on the Board. He would like to see other Hub Service Area customers become more involved with the District.

Warren Tenney, Clerk of the Board, provided Mr. Guillot an Oath of Office form which Mr. Guillot signed. Mr. Guillot took his place with the other Board members.

D. Compensatory Time Policy / Overtime Analysis.

Mr. Shepard said since the start-up of the Utility Division Second Shift position in December 2003, the overtime cost and compensatory time has been reduced. Mr. Offret noted this is the result the District was hoping for. Mr. Land said that from a financial standpoint, there is not a need to make changes to the current District policy on compensatory time and overtime.

Ms. Downing suggested the compensatory and overtime issue be revisited again in three months to determine the dollar amount actually being saved. Mr. Doyle asked if there is a shift differential pay for this second shift position. Mr. Stratton replied yes. Mr. Offret suggested that when this item is revisited in three months the shift differential be reflected in that report.

E. Legislative Issues 2004.

Susan Charlton, District lobbyist from Gallagher & Kennedy, referenced the legislative update report provided to the Board and noted that all of the bills are moving along fine with the exception of the Exempt Well Bill, Senate Bill 1349. She explained that Southern Arizona Water Users Association (SAWUA) and Metro Water have worked in support of this bill. Ms. Charlton said the bill was heard in the Senate by the Natural Resources Committee where it passed. When SB 1349 got to the Senate Rules Committee, Senator Blendu did not want to hear the bill due to numerous objections. He eventually agreed to hear the bill and it passed out of the Senate 28 to 2. Ms. Charlton said when SB 1349 got to the House of Representatives Natural Resources Committee, Representative Chuck Gray, Chair of the Committee, refused to hear the bill. He noted numerous reasons for not wanting to hear the bill.

Ms. Charlton said after unsuccessful lobbying for SB 1349, the bill was attached as an amendment to HB 2590, Stored Water Recovery Wells. Senator Blendu refused to hear the new bill after approved by the Senate Rules Committee. However, today he said he would hear the bill if a floor amendment is supported to limit these bills to only the Tucson Active Management Area (AMA). Ms. Charlton said that Senator Blendu's proposed amendment must be voted on and approved. It is unknown if this amendment will receive enough votes to move forward.

F. Findings of District Survey.

Mr. Stratton said that at the March 8, 2004 meeting the Board approved Primary Consultants to conduct a survey of District customers to determine how the District is perceived and how a proposed new Capital Improvement Program (CIP) would be received. Paul Ulan of Primary Consultants said the survey has been completed and provided the Board with a presentation regarding the results of the survey. In general, the results were favorable for the District. Mr. Ulan said 401 telephone surveys were completed out of the nearly 6,000 attempts that were made. Approximately 98% of the customers surveyed believe the District's current water delivery system provides a reliable source of water, and their water system needs are being met. Approximately 95% of customers believe that new development should pay its fair share of water construction improvement costs. Mr. Ulan noted that 93% support the District's conservation efforts, and 85% are pleased with the customer service provided. Approximately 84% are happy with the quality of

water, and 80% believe their water bill reflects a fair price for that water. Mr. Ulan said 68% of District customers do not object to paying a few dollars more per month if the money is used to upgrade the system and improve reliability. Approximately 72% of the respondents said they would approve a \$28 million bond proposal to support the CIP.

Mr. Offret asked what would be Mr. Ulan's recommendations on approaching customers so they would be more responsive to a proposed CIP. Mr. Offret also asked if enough time would have passed if the District held its election in March 2005 with Pima County's bond election being held in May 2004. Mr. Ulan explained that if the only issue on the March 2005 ballot is the District's request for bond funds it will have a better chance of passing. Mr. Offret suggested the District contact customers by going door to door to educate users and encourage passage of the bond proposal, as was done prior to the last bond election. He asked if Mr. Ulan supported this concept. Mr. Ulan replied yes, noting that the more information people are provided with, the more likely they will be to support the bond proposal.

G. Resolution 2004-2 – Funding for Slowsand Filtration / Membrane Treatment Pilot Study.

Mr. Tripp made a motion to approve Resolution 2004-02 in support of the Water 2025 Challenge Grant Program for fiscal year 2004/2005. Implementation of this resolution will be predicated on approved funding by Metro Water District's Board of Directors for fiscal year 2004/2005 and legal counsel's approval. Mr. Doyle seconded the motion.

Mr. Hill said this study will be a two year program. It is anticipated the results will assist in determining the efficacy of the slowsand filtration/membrane treatment method. There will be two (2) slowsand filtration units built and once the filtration water is collected it will be taken to the University of Arizona lab to be membrane treated. Mr. Stratton said another component of the study is to determine if the amount of waste created using this method can be reduced.

The motion passed unanimously.

H. Consultant Selection for Professional Services for Auxiliary Pumping and Power.

Mr. Tripp made a motion to approve the Professional Consultant ranking and direct District staff to proceed with developing an acceptable design contract agreement (scope of services, schedule, contract, and fee) with the top ranked firm, Kennedy/Jenks for auxiliary power. If staff is unable to negotiate an acceptable design contract agreement with Kennedy/Jenks, then staff has the authorization to negotiate with the next highest ranked firm, Stantec. Staff shall submit the final negotiated design contract agreement to the Board of Directors for approval. Mr. Doyle seconded the motion for discussion.

Mr. Offret noted the disparity between the scores of the two highest ranked firms and asked if there were any other vendors that would be interested in the contract. He noted his hesitancy in utilizing the second highest ranked company. Mr. Stratton explained that the District has used both

companies and they both understand the expectations and needs of the District. He said the Board can amend the motion to note that only the highest ranking firm be utilized and if for some reason they cannot, the contract can then be sent out for re-bidding.

Mr. Doyle said this is a relatively small project. He said he has had experience with both firms and would not have a problem with either company and felt they could both do a good job. Mr. Maish agreed, noting the District has worked well in the past with Stantec. Mr. Doyle said that staff could let the Board know if any problems develop.

The motion passed unanimously.

I. Approval of Giaconda Way Mainline Replacement Project.

Mr. Tripp made a motion to approve the purchase of materials for the 1,100 feet of mainline replacement for Giaconda Way from National Waterworks in the amount not to exceed \$25,000. Ms. Downing seconded the motion for discussion.

Mr. Tripp asked if District employees would be doing the work. Mr. Shepard replied yes. Mr. Doyle noted how prices were rising rapidly for pipe and asked how long the price quotes from National Waterworks would be good for. Mr. Shepard said the quote would be good for thirty (30) days on all the materials except for the pvc. He also said the District is reducing the amount of pvc it will be ordering. Mr. Doyle recommended being cautious as many companies are only quoting for ten (10) days due to the rising and fluctuation costs of some materials, including steel.

The motion passed unanimously.

J. Status of April 14, 2004 Public Hearing.

Mr. Tenney said a public hearing is scheduled for 6:00 p.m. on Wednesday, April 14, 2004. An insert was mailed out to all District customers notifying them of the public hearing. The Board is looking at three (3) specific items at the public rate hearing. Mr. Tenney said the first item is the elimination of the 1,000 gallon allowance; the second item is to consider a change to the tier rate structure; and the last item is an increase in the system development fee. The Board previously asked staff how changes in the tier structure would potentially affect customers with a meter size greater than 5/8 inch. Mr. Tenney said this information was included in the report to the Board.

Mr. Offret asked who is included in the District's 273 customers with meter sizes greater than 5/8 inch. Mr. Land said they are multi family, commercial, irrigation, or homeowners associations (HOA).

Mr. Tripp said that the proposed change to the tier rate structure would create a substantial increase to his HOA. Mr. Land said the proposed change to the tier rate structure would create a 10% increase to those customers with meters greater than 5/8 inches. Mr. Stratton said that if the bottom of the fourth tier were to be raised somewhat the ratio for the outcome of the larger meters would be changed. Mr. Land said staff could produce new reports, after raising the fourth tier, to determine

the impact, noting that the residential customers would also be impacted. He explained that another possibility in re-structuring the tiers would be to lower the base rates for the larger meters. Mr. Land said the base rates are tiered according to meter size.

Ms. Downing said her main concern is the substantial increased amounts that HOA, and the customers within the HOA, would be paying.

Mr. Doyle left at 7:15 p.m.

Ms. Downing said that feasibly sometime in the future another Board will also be faced with making these same types of decisions on the rate structure tiers. She suggested working HOA to promote individual meters. Mr. Stratton said typically the HOA have swimming pools, irrigation, and clubhouses that also use water and those cannot be placed on individual meters. To place existing HOA residents on individual meters would be expensive and may not be possible for some communities.

Mr. Tenney said the District has the same rate structure for residential customers as commercial customers; whereas, the City of Tucson charges commercial users a lesser amount. He suggested that the District modify the AWWA factor currently used by the District for the large meters, which would reduce the amount used on the tiered rate structure for the large meters. Mr. Offret suggested that staff examine this method and provide the Board with the results. Mr. Stratton said this additional information and proposals for various options would be provided to the Board at the public hearing for its considerations.

K. General Manager's Evaluation and Possible Merit Award.

Mr. Tenney said that prior to Mr. Doyle leaving this evenings meeting he said he would support any type of merit award the Board proposed for the General Manager. Mr. Offret noted that the remaining written evaluations for the General Manager should first be completed and that considerations for a merit increase should be made in executive session. Mr. Tenney explained that any decision regarding a possible merit increase for the General Manager must be made in a public session of the Board. Mr. Offret said from the evaluations that were completed the General Manager had received a satisfactory appraisal. He added that the merit should not be higher than the 4% other District employees receive for merit increases.

Ms. Downing said she was uncomfortable making a decision at this time. Ms. Downing made a motion to postpone consideration of a possible merit award for the General Manager until the April 26, 2004 study session of the Board. Mr. Tripp seconded the motion. Motion passed unanimously.

VI. General Manager's Report

Mr. Stratton said supervisory training, through Paychex, has been occurring on a regular basis. A meeting in May 2004 covering harassment will be presented to all staff.

Mr. Stratton explained that the District was the only utility in 2003 with a facility storage permit for the managed recharge effluent project. Therefore, all storage credits were placed into the District's account. The District will reallocate the credits next year amongst all participants.

Mr. Stratton said ADWR is holding a meeting in May 2004 that he will be attending regarding the shortages on the Colorado River. Discussions will include shortages on the river, declines in groundwater levels, and aquifer storage.

Mr. Stratton said the District received a letter from Environmental Protection Agency citing a violation by the District on monitoring requirements for water sample gathering. He said it appears the District did not test a well because the well was not operational. It was staff's belief the District did not have to gather and report samples from a well that was not operational. Mr. Stratton said staff is gathering information and has made attempts to contact EPA without results. He noted the fine for this type of violation is \$32,000 per day that the District is in violation.

VII. Legal Counsel's Report

Legal Counsel had nothing further to report.

VIII. Future Meeting Dates; Future Agenda Items

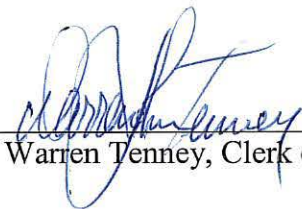
The next regular meeting of the Board is May 10, 2004 at 6:00 p.m. A study session is scheduled for April 26, 2004 at 5:30 p.m. A public hearing is scheduled for April 14, 2004 at 6:00 p.m.

IX. General Comments from the Public

There were no comments from the public.

X. Adjournment

The meeting adjourned at 7:37 p.m.



Warren Tenney, Clerk of the Board

Dan M. Offret, Chair of the Board