

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

March 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
 James Tripp, Member
 Dennis Polley, Member
 Jim Doyle, Member

District Staff: Mark Stratton, General Manager
 Doug Metcalf, Legal Counsel
 Keri Sylvan, 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 5:00 p.m. Dan M. Offret, Dennis Polley, Suzanne Downing, James Tripp, and Jim Doyle were present.

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

II. Well Maintenance Contract with Duncan Pump.

Executive Session pursuant to A.R.S. § 38-431.03 (A)(3) (consultation for legal advice with the attorney or attorneys of the District) 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).

III. Adjournment.

The executive session adjourned at 6:01 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 6:06 p.m. Dan M. Offret, Dennis Polley, Suzanne Downing, James Tripp, and Jim Doyle were present.

II. General Comments from the Public

There were no comments from the public.

III. Consent Agenda

- A. Approval of Minutes – February 9, 2004 Board Meeting.**
- B. Approval of Minutes – February 23, 2004 Study Session.**
- C. Ratification of Billing Adjustments.**
- D. Ratification of Bill of Sale – Foothills Mall, Revision #8 – Wal-Mart.**
- E. Ratification of Bill of Sale – Foothills Mall, Revision #9.**
- F. Ratification of Bill of Sale – Foothills Mall, Revision #12.**
- G. Ratification of Bill of Sale – La Cholla Office Center, Lots 1-67.**

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

IV. General Business – Items for Discussion and Possible Action

A. Monthly Status of the District.

Mr. Stratton said the amount of water being produced by the District at this time is comparable to previous years.

Mr. Stratton said the District anticipates beginning start up operations at Mona Lisa well. The Mona Lisa system should be online within a month.

The La Cholla transmission main is slightly behind schedule. Mr. Stratton said by the end of March or the first part of April 2004 the water line relocation work should be completed. It is anticipated the remainder of the work on the La Cholla transmission main will be completed around the first part of June 2004.

Mr. Stratton said the District received approval from Pima County on the Giaconda mainline replacement program. The project is scheduled to begin fairly soon.

Mr. Stratton noted that on the Oracle Road mainline project, Arizona Department of Transportation (ADOT) is currently doing improvements in this area as well. The District is working with ADOT to try to schedule its work to coincide with ADOT.

Mr. Stratton explained that new medical offices are being constructed at Orange Grove and Corona. A medical office is also being constructed at Orange Grove and La Cañada. Mr. Stratton said another medical office building is being constructed at La Cholla and Orange Grove. Additionally, a medical office is going in at Ina west of Shannon.

B. Financial Report.

Mr. Stratton said the District is where it should be with respect to budgeted revenues and expenditures.

Ms. Downing asked for the reason that a check had been written to Concentra Medical Center. Mr. Stratton said two employees were recently injured. He explained that staff would review the documentation to determine who and what the check was for.

C. Bad Debt Write Offs.

Mr. Tripp made a motion to approve writing off nine customer accounts for a total of \$831.44 to Bad Debt Expense. Mr. Polley seconded the motion for discussion.

Ms. Downing said she had concerns on this item and wanted the Board to have a chance to speak to Mike Land, Chief Financial Officer, who was ill and not present. She explained that the language contained in the Board report was not what she expected and is concerned about writing off the bad debt at this time.

Mr. Offret called for a vote on the motion. Mr. Tripp, Mr. Polley, and Mr. Doyle voted in favor of the motion to approve writing off nine customer accounts for a total of \$831.44 to Bad Debt Expense. Mr. Offret and Ms. Downing voted against approving the motion. Motion passed.

D. Legislative Issues 2004.

Susan Charlton, District lobbyist from Gallagher & Kennedy, said all the bills that originated in the house had to be heard by the end of this week or they will not move forward. The same holds true with the senate bills. Ms. Charlton noted that many of Representative O'Halleran's bills did not move forward out of the House of Representatives. Ms. Charlton provided brief updates on the bills that had the potential to affect the District.

Ms. Charlton said HB 2119 Structural Pest Control Commission, did not move forward, which is good for the District.

HB 2190 Water Quality; Aquifer Protection Permit Fee, did not move forward.

HB 2217 Obtaining Utility Services Fraudulently, was successfully passed by the House and will move to the senate.

HB 2278 Water Supply Certificate Assignment, successfully passed the House and will move on to the senate.

HB 2590 Stored Water; Recovery Wells, is awaiting a rules hearing in the House of Representatives.

HB 2633 Water Providers; Reports, did not move forward.

HB 2634 Water Resources; Land Use Planning, did not move forward.

SB 1006 Task Force; Arsenic Standards Implementation, passed the senate and has been referred to the House.

SB 1062 Water Infrastructure Finance Authority, passed the senate and has been referred to the House.

SB 1313 Water Studies; Rural, is presumed to be dead.

SB 1349 Water; Non-Exempt Wells, Senator Blendu is holding the bill up in the Senate Rules Committee. Meetings amongst interested parties and Senator Blendu are continuing to keep the bill moving forward.

SB 1367 Municipal Water Services; Lawsuit Limit, did not move forward.

Ms. Charlton said HB 2277 CAWCD/CAGRD Technical Corrections, had been moving along but was halted when supporters decided to add a floor amendment which has caused opposition to the bill. Mr. Stratton said the floor amendment creates a 5% cut to the aquifer; however, the CAGRD would not have to meet that obligation. The municipal providers, when storing water, would have an obligation of 5% to the aquifer. Mr. Stratton noted that this does include the District. Marana is also questioning the language in the amendment. He does not believe that the conceptual plan amendment is equitable. Mr. Stratton said Marvin Cohen has agreed to talk to SAWUA regarding this amendment and the conceptual plan.

Mr. Tenney said the concept in the amendment came up when the CAGRD Stakeholders Working Group reviewed the conceptual plan put forth by CAGRD. The concern of the group was that under the floor amendment CAGRD wanted to go after long term supplies; specifically, CAP water. Mr. Tenney said municipal providers wanted the first option and not to have to compete with the CAGRD. If there is a 5% cut to the aquifer, CAGRD will not need as large of a replenishment obligation and less need for as much long term supply.

Mark Myers, water policy consultant, said he believes it is important to talk to Tom McCann, legal council for CAP, and advise him that the District is uncomfortable with the floor amendment going forward. Ms. Charlton said the same could be conveyed to legislators.

E. Amendment of Drug / Alcohol Free Workplace Policy.

Mr. Tripp made a motion to amend the District's Drug/Alcohol Free Workplace policy to not include random drug testing based on the recent ruling of the Arizona Supreme Court and that an employee would be terminated for a positive drug result at any time following a return to work after an initial positive drug screen that is consistent with the policy. Ms. Downing seconded the motion.

Mr. Doyle asked if the District had employees with a commercial driver's license (CDL). Mr. Stratton replied yes. Mr. Doyle asked how the amended Drug/Alcohol Free Workplace policy would affect those employees with a CDL. Mr. Tenney said he is unsure as this particular item was not discussed with District's legal counsel. He noted that the District's Workers Compensation insurance carrier offers a financial discount if the District has a drug policy in place. Mr. Doyle said he believes it is a federal law that employers have to conduct random drug testing on all employees with a CDL. He suggested that staff check into this further.

Mr. Offret asked if the District is required to abide by the State of Arizona's legal alcohol limit amount of .8%. Mr. Tenney said yes and that legal counsel recommended the District keep the allowable limit at the same amount as the State level to avoid conflicts and lawsuits.

Ms. Downing said she is concerned about approving the District's amended Drug/Alcohol Free Workplace policy without including the CDL language federal law says employers must include.

Mr. Tenney said the basic change in the District's current Drug/Alcohol Free Workplace policy only eliminates the random drug testing, which the District has not been doing for several months due to the court cases.

The motion to amend the District's Drug/Alcohol Free Workplace policy to not include random drug testing based on the recent ruling of the Arizona Supreme Court and that an employee would be terminated for a positive drug result at any time following a return to work after an initial positive drug screen that is consistent with the policy passed unanimously. It was understood that staff will review any federal laws addressing drug testing for employees with a CDL and bring that information back to the Board for its consideration.

F. District Survey.

Mr. Tripp made a motion to have Primary Consultants conduct a survey of District residents. Mr. Polley seconded the motion.

Paul Ulan of Primary Consultants, provided the Board with a brief explanation of the draft survey document. He said the purpose of the survey is to identify customer satisfaction and test the viability of a potential bond election.

Ms. Downing asked if it would be possible to also use the survey to solicit feedback on the District's customer service. Mr. Ulan said that quality of water, deliverability, and reliability, which is related to customer service, is included in the draft survey.

Mr. Offret noted that question #7 addresses support of conservation efforts and asked if question #7 could include if conservation efforts are practiced in the customers own home. Mr. Tenney clarified that this question addresses the support of conservation efforts of the District, by the customer.

Ms. Downing suggested a survey question be included that asked if customers were aware of free workshops and classes offered by the District, and if the customer had previously attended any of the workshops.

Mr. Tripp asked if it was possible to keep customers on the telephone long enough to ask 42 questions. Mr. Ulan said it has been his experience that people will stay on the phone for even longer periods of time when asked more questions during surveys. He believes the questions move fairly quickly and that Primary Consultants would be able to gather the amount of respondents required to complete the survey.

Mr. Stratton said the timing of the survey is important and asked for the Board's recommendation on when it should be conducted. Mr. Ulan explained that the survey would take one week to complete, and two to three weeks to put the final report together. Mr. Ulan said it is important to have the survey fairly close to the election.

Mr. Offret asked if one year is too far away. Mr. Ulan said if the call for the election were to take place in November or December 2004, this timing of the telephone survey would be adequate if the survey were conducted over the next few weeks.

The motion to have Primary Consultants conduct a survey of District residents passed unanimously.

G. Approval of Bid and Purchase of Magnetic Flow Meters.

Mr. Tripp made a motion to approve the bid provided by Badger Meter, Inc. and authorize staff to purchase the remaining Magnetic Flow Meters for Metro Main and Metro Hub with a dollar amount not to exceed \$30,000. Mr. Polley seconded the motion. The motion passed unanimously.

H. Update of Utility Billing Software Purchase.

Mr. Stratton said \$25,000 for the utility billing software upgrades has been included in the budget for the last two years. Data West, the owners of the current utility billing software, has not completed the anticipated upgrades. Mr. Stratton asked staff to look at other utility billing software and to conduct a request for proposals. The prices varied from \$47,000 to \$376,000. One of the recommendations was to have a local company develop a new software program for the District. The cost for this software would be approximately \$90,000. Mr. Stratton noted concerns of if the company would be around for an extended period of time to offer support, and if the District would

have the copyrights to the program. This appears to be the District's best solution, but there is not enough money in the 2003-2004 budget to cover the cost. Mr. Stratton said the District does continue to get support for its current software system.

Mr. Offret noted that the current system does not have the capability to provide any additional fields for expansion. He asked staff to determine the amount of money generated from Pima County that is clear. Staff will continue to gather information on the development of a new utility billing software program for the District.

I. Update on Assured Water Supply Modification for Metro-Main.

Mr. Stratton said that in 1996 when the District applied for its Designation of Assured Water Supply, the District did not have its own Central Arizona Project (CAP) allocation. Since that time the District settled the lawsuit with the City of Tucson and acquired a CAP water contract of 8,858 acre-feet per year. The District also has a portion of reclaimed water as a water resource. Mr. Stratton said staff wanted to update its Assured Water Supply (AWS) Designation and submitted its application to the Arizona Department of Water Resources (ADWR). He explained Metro Hub is not included as a designated system because it is built out. The District has received word from ADWR that it has advertised the legal notice for public comment.

Mike Block, District Hydrologist, said that as of last week ADWR had not received any public comments regarding the District's update. He explained that there are still two issues remaining with ADWR. The first issue remaining is that the District requested a new CAP allocation transfer, and is waiting for a copy of the new CAP contract. The second issue remaining is the District's request for a remediated water exemption. ADWR still has not made a decision on this issue.

V. General Manager's Report

Mr. Stratton explained that staff is in the process of fine tuning the proposed 2004-2005 budget. He suggested scheduling a study session for later this month to review Engineering and Utility's budget. Mr. Stratton said another study session could be scheduled for April to review the Administration and General Manager's office budgets, as well as a final review of the budgets for Engineering and Utilities.

Mr. Stratton said staff has continued discussions on the Northeast booster site facility with representatives of the Lutheran Church. The District will need to submit a development plan to Pima County. The cost for the miscellaneous consultant engineer for this project went up to \$71,000 and the value of the land is only \$63,000. Mr. Stratton said the location of this site is almost perfect. He added that since it is located so close to Magee Road that it makes it financially viable for the District.

Mr. Stratton said staff has been working with the District's consultant to get the South Shannon project moving along. Malcolm Pirnie Engineering said that one of the wells has some vinyl chloride and Mr. Stratton noted that this is not treated under the GAC process. He said this issue will be addressed with ADEQ.

Mr. Stratton said staff met with Monterey Homes representatives and based on staff's number projections, Monterey Homes would receive a cost savings of approximately \$100,000 by opting to receive water from the District. He explained that Monterey Homes has not made a commitment at this time as to whom their water service provider will be.

Mr. Offret asked if the Monterey Homes building site is within the District's boundaries. Mr. Stratton replied no; however, they are adjacent to the District and not within any other municipal water provider's service area.

There is a Joint Management Conference next week in Chandler that Mr. Stratton said he would be attending.

VI. Legal Counsel's Report

Legal Counsel had nothing further to report.

VII. Future Meeting Dates; Future Agenda Items

The next regular meeting of the Board is April 12, 2004 at 6:00 p.m. A study session is scheduled for March 22, 2004 at 5:30 p.m. A Public Hearing is scheduled for April 14, 2004 at 6:00 p.m.

Mr. Stratton suggested holding a future Board meeting in the Hub service area. Mr. Tenney suggested having a study session in Metro Hub as Pima County has previously been notified of the regular meetings of the Board and their location. Ms. Downing suggested that staff plan ahead for next year so that some of the regular Board meetings can be held in the Metro Hub area, and notification can be made to Pima County. Mr. Tenney said he would confirm the actual status to see if regular meetings could be held at a different location.

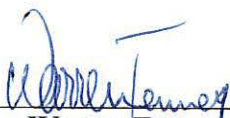
VIII. General Comments from the Public

There were no comments from the public.

VIII. Adjournment

The meeting adjourned at 7:17 p.m.



Dan M. Offret, Chair of the Board

Warren Tenney, Clerk of the Board