

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

February 9, 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
 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 6:04 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 – January 12, 2004 Board Meeting.**
- B. Approval of Minutes – January 26, 2004 Study Session.**
- C. Ratification of Billing Adjustments.**
- D. Approval of Bad Debt Write-offs.**
- E. Approval of Water Service Agreement – Foothills Mall Revision No. 19.**

Mr. Tripp made a motion to approve the consent agenda. Mr. Polley seconded the motion for discussion.

Ms. Downing inquired about the District's method and timing of reporting bad debts, as a write-off, to the credit reporting agency. Mike Land, Chief Financial Officer, explained that whenever a bad debt is 'written off' the debt is taken out of accounts receivable and placed into an expense account. Once the debt is collected the revenue is placed into the miscellaneous income account. Mr. Land said the bad debt write-off is reported to the credit reporting agency after Transworld Systems attempts collection of the debt. Ms. Downing noted that she preferred once the bad debt was considered as a write-off by the District it be immediately reported to the credit reporting agency. She believes that once a write-off is declared it means that all collection efforts have been made, it is cleared off the accounts receivable books, and it is reported to the credit reporting agency. Mr. Land explained that staff is working on expediting the processes involved with collection attempts and the timing of reporting to the credit reporting agency. The new reporting processes should be in place during March 2004.

Mr. Stratton suggested removing item "D. Approval of Bad Debt Write-offs" from the Consent Agenda and continue this item until the March 8, 2004 meeting. He added that staff would prepare additional information on the processes of writing off bad debts for the Boards consideration.

Mr. Tripp made an amended motion to remove item D from the consent agenda and to approve items A, B, C, and E of 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 that because of recording processes of water production the amounts recently recorded on the staff report were slightly off. Water production for the year is still lower than in previous years.

Mr. Stratton said the La Cholla Transmission Main Phase 3 work is moving along quite well. The construction continues at the Mona Lisa well site. Rehabilitation of the Ina/CDO well site is also continuing on schedule.

B. Financial Report.

Mr. Land said that currently the District's expenditures exceed its deposits. This is typical for this time of year and will continue for the next couple of months.

Ms. Downing asked why there was a late fee on the Bank One statement. Mr. Land explained that it was because of the timing of Board members availability to sign checks in time to mail, and because the accounts payable clerk was on vacation. Mr. Offret suggested that he be contacted if an emergency exists to obtain a signature on checks due to his close proximity to the District office.

C. Election of Director to District Municipal Property Corporation.

Mr. Tripp made a motion that the District thank Mike Blakely for serving on the Municipal Property Corporation Board and due to his pending move from the District, elect Suzanne Downing to the District Municipal Property Corporation. Mr. Polley seconded the motion. Motion passed unanimously.

D. Legislative Issues 2004.

Susan Charlton, District lobbyist from Gallagher & Kennedy, said Representative O'Halleran was recently removed as Chairman of the Natural Resources Committee by the Speaker of the House. Representative O'Halleran introduced legislation regarding water issues, but because of disagreements with the Speaker, none of his bills are expected to move forward.

Ms. Charlton said that CAWCD is asking Metro Water to support HB 2277. This bill would prevent the City of Phoenix from taxing the CAP for the acquisition and use of electrical power for delivery of water.

Ms. Charlton explained that HB 2151 (Exempt Wells) will not move forward due to its sponsorship by Representative O'Halleran but the contents of this bill will be introduced in SB 1349 by Senator Hellon and Representative Burns.

HB 2590 (Stored Water) has been introduced. This bill is an amendment meant to ensure that anyone storing water with the Banking Authority can draw that water out. Mr. Stratton said that the amendment is meant to allow a third party who obtains the credit for stored water to recover that water from an area of hydrological impact. It applies only to Colorado River water.

Ms. Charlton said SB 1062 (Water Infrastructure Finance Authority) would extend the sunset date ten years, to July 1, 2014.

SB 1313 (Water Studies Rural) sponsored by Rep. O'Halleran, has been taken up by Senator Binder. It has a very slim chance of moving forward given the tight budget year.

Ms. Charlton said SB 1367 (Municipal Water Services, Lawsuit Limit) would replace the three year statute of limitations to six years for a claim for refund of overpayment for municipal domestic water service providers, was introduced.

SB 2119 (Pesticides) would require that governmental entities receive authorization from ADEQ to spray pesticides or herbicides and that spraying can only be done by a specially licensed individual.

Mr. Stratton explained that on SB 1349 (Exempt Wells), meetings have taken place recently to discuss and improve minor language that ADWR had concerns with. The Cattleman's Association and the Farm Bureau have stated they have problems with the bill but have not come forward to discuss it; however, attempts are being made to contact representatives from both groups. Mr. Stratton said that this piece of legislation would not impact either association.

E. Approval of Professional Engineering Services Contract for the Northeast Reservoir.

Mr. Tripp made a motion to approve the Professional Engineering Services contract for the Northeast Reservoir to HDR Engineering, Inc. in the amount of \$113,952. Mr. Polley seconded the motion.

Mr. Offret noted that it appears the actual cost of the Northeast Reservoir may increase significantly by the time the actual work commences. Mr. Stratton said that HDR is being asked to determine five suitable sites and analyze those sites to determine the best possible alternative for the District with its existing infrastructure. Construction cost, as well as operating cost, will be provided by HDR. Depending upon the location of the reservoir, consideration may be given to construct a larger facility to accommodate some of the storage needs identified in the "A" Zone Reservoir plans.

Mr. Offret asked if HDR would identify the site for the Northeast Reservoir. Mr. Stratton said yes, and that in addition to this contract an amendment will be made by the District to contract with HDR to complete the design work for that facility.

Jim Pembroke, HDR Engineering, said they will be looking at public participation when designing the site. Other factors that will be considered are soils issues, rock digs, and possibly incorporating a dual use facility such as a park for the community. Ms. Downing asked if these issues would be taken into consideration with each site considered by HDR. Mr. Pembroke replied yes. He added that preliminary designs will include environmental investigations, pump station design, size of reservoir, etc. Mr. Stratton said all this information will be provided to the Board before the next step of the design contract takes place.

Mr. Offret said he would like to see some valuation if Cabo Catalina Lot 39 is not used by the District for the reservoir. He added that it would be in the District's interest to use the sale of Lot 39 as an offset for the purchase of another reservoir site. Mr. Pembroke said Lot 39 would be factored into any final analysis.

The motion to approve the Professional Engineering Services contract for the Northeast Reservoir to HDR Engineering, Inc. in the amount of \$113,952 passed unanimously.

F. Update on Arsenic Mitigation at Hub Wells No. 1 and 3.

Chris Hill, Deputy Manager, said staff has continued to pursue a reasonably low-cost option to address arsenic issues at Hub Wells No. 1 and 3. In January 2006 the new allowable arsenic level will be 10 parts per billion (ppb). The present allowable level of arsenic is 50 ppb.

Mr. Hill said numerous tests had been completed at both Hub wells. Throughout the testing, the arsenic levels at both wells have continued to increase and decrease sharply. It is believed that due to the swaging that occurred last winter there was a slight decline in arsenic levels. Mr. Hill said

staff also determined that when water flow rates were increased, the arsenic levels declined. Staff will continue monthly testing and monitoring of both wells to determine if the arsenic levels change seasonally. Staff is encouraged that the arsenic levels may be manageable with maintaining higher flow rates.

Ms. Downing asked if other utilities have similar arsenic problems and if so, were they able to identify the reason for the swings in the arsenic levels. Mr. Hill said that similar studies have been done in Phoenix. Mr. Pembroke agreed, and said that it was noted that the same types of increases and decreases in the arsenic levels occurred depending on flow rate amounts. He explained that the wells in the Phoenix area typically remain idle for months at a time until the demand for water increases. As the demand for water increases, the wells are placed in use and the arsenic levels temporarily rise as the water that has been sitting for a period of time contains higher amount of arsenic. The arsenic levels lowered when the water continued to pump from the wells and was blended with other water.

Mr. Hill said if the District can manage the arsenic level with flow rates and blending from the new well, it has the potential of maintaining the arsenic levels below the allowable 10 ppb. It is hoped that the arsenic levels in the new well will also be below the 10 ppb.

Mr. Offret asked where the blending would take place. Mr. Hill said the blending would take place on Cloud Road. He explained that if a reservoir is not constructed, there is still the potential of in-line blending.

G. Status of District's Vulnerability Assessment Efforts.

Mr. Hill provided an update on the status of the District's Vulnerability Assessment (VA). During June 2002, Congress passed HR 3448, the Bio Terrorism Preparedness Act. The Act requires the completion of a VA no later than June 2004, and the certification of an Emergency Response Plan (ERP) no later than six months after the VA is certified to the United States Environmental Protections Agency (USEPA).

Mr. Hill said four District staff have been trained in the RAMw methodology. This methodology was designed by Sandia Laboratories and is sponsored by USEPA and American Water Works Association (AWWA). It is anticipated that the VA will be completed March or April 2004.

Mr. Hill explained there are approximately fifteen components of the VA. The first component was to define the mission of the District in a statement. That mission statement was approved by the Board at its January 12, 2004 meeting. Mr. Hill noted that the District's objectives will be put into a narrative that will be sent to the USEPA, along with critical criteria. The District also must identify who its adversaries might be and how they could defeat the District's mission of providing water. Mr. Hill said all District's sites and facilities, as well as its systems, are examined for possible vulnerabilities. These are ranked in order by priority and importance. From this and other information, an ERP will be developed. A five year plan will also be developed to identify future VA needs.

Ms. Downing asked if there were any surprises as staff went through the VA. Mr. Hill said that several items were identified as being crucial; however, they are low cost items. ADEQ has also allocated funds for consultants to assist utilities with their VA and ERP. Mr. Hill said a consultant has been assisting the District with its VA.

H. Proposed Rate Structure Adjustment and Scheduling of a Public Hearing.

Mr. Tripp made a motion to schedule a public hearing for April 14, 2004 at 6:00 p.m. for the purpose of discussing the District's rate structure including the phasing out of the 1,000 gallon allowance to the base rate, modifying the tier structure, and increasing the system development fee. Mr. Polley seconded the motion.

Mr. Stratton said the issue of whether or not to proceed with a rate increase was recently brought to the attention of the Board by staff. In order to accomplish the timing sequence and the thirty day notification period, it is recommended that the Board establish a date for the public hearing. Mr. Stratton said that it is also recommended a study session be scheduled for later this month to discuss in greater detail any proposed rate adjustments, impacts, and final results.

Mr. Offret said that a potential bond election should be included in the study session and discussed in context with the rate adjustments. Mr. Stratton agreed. He added that even if the public hearing was scheduled, it could be canceled if the Board decided at a later date not to proceed.

The motion to schedule a public hearing for April 14, 2004 at 6:00 p.m. for the purpose of discussing the District's rate structure including the phasing out of the 1,000 gallon allowance to the base rate, modifying the tier structure, and increasing the system development fee passed unanimously.

V. General Manager's Report

Mr. Stratton said recent court cases have determined that random drug testing of public employees is not permissible. Staff is working with legal counsel on what this would mean to the District, and to develop any changes that may be necessary to the District's current random drug testing policy.

Mr. Stratton explained that a locked, customer comment box has been placed in the District lobby. Ms. Downing said she would prefer that a Board member have the keys to the comment box so as not to place an employee in an awkward position. The Board agreed to rotate responsibility of the keys amongst the Board members.

Mr. Stratton said a tour of the Hub service area for Board members has been scheduled for February 25, 2004 at 3:00 p.m.

Mr. Stratton said staff has begun working with Paychex regarding supervisory training. A training session has been scheduled for all District supervisors for the morning of February 25, 2004.

Mr. Stratton said he would be attending a Multi-State Salinity meeting on Friday, February 13, 2004. The week of February 16, 2004 Mr. Stratton will be in Las Vegas for a WestCAS conference.

Ms. Downing asked if the newspaper article recently printed was favorable for the District. Mr. Stratton said the article was basically positive. He noted the reporter sought out opinions from the public which were not altogether positive from one individual. Technically, staff was pleased with the article. A copy of the newspaper article will be provided to the Board. Mr. Stratton said a letter of appreciation will be provided to the newspaper reporter.

VI. Legal Counsel's Report

Ms. Downing inquired as to how Legal Counsel is following the drug testing court opinions. Keri Silvyn, Legal Counsel, said another member in her law firm, Sally Simons, is following the various court decisions. She noted there may be a need to eliminate or change the drug testing policy and/or language in the District's personnel manual.

Mr. Tenney explained that recent court rulings only affect random drug testing policies, and does not affect testing based on reasonable suspicion or for post accidents.

VII. Future Meeting Dates; Future Agenda Items

The next regular meeting of the Board is March 8, 2004 at 6:00 p.m. A study session is scheduled for February 23, 2004 at 5:30 p.m. Another study session is tentatively scheduled for March 23, 2004.

VIII. General Comments from the Public

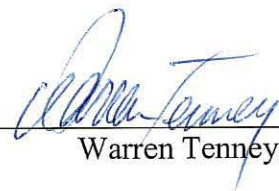
Reb Guillot, District customer, noted that the Hub East storage tank had recently been drained and inspected. He asked what staff found when the tank was drained. Mr. Shepard replied that the tank had not been drained and inspected for many years. Staff noted there was some build up on the walls inside the tank, but very little sand or sediment was located at the bottom of the tank. Mr. Shepard said that during the 2004-2005 fiscal year the tank would be drained and sandblasted. Once the sandblasting has occurred, staff will be in a better position to determine any repairs that the tank may need.

VIII. Adjournment

The meeting adjourned at 7:39 p.m.



Dan M. Offret, Chair of the Board



Warren Tenney, Clerk of the Board