

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

August 25, 2003

**** Board Room ****

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

MINUTES

Board Members Present: Jim Doyle, Member
 James Tripp, Member
 Sue Downing, Member

Board Members Not Present: Dennis Polley, Chair
 Dan M. Offret, Vice Chair

District Staff Present: Mark R. Stratton, General Manager
 Warren Tenney, Clerk of the Board
 Alice Stults, Recording Secretary

STUDY SESSION

I. Call to Order and Roll Call

Jim Doyle, Member of the Board of Directors of the Metropolitan Domestic Water Improvement District (District), called the study session to order at 5:30 p.m. Jim Doyle, James Tripp, and Suzanne Downing were present. Dennis Polley and Dan M. Offret were not present.

II. General Comments from the Public

There were no comments from the public.

III. Discussion of Potential Statutory Changes related to Special Taxing Districts and Title 48 by Domestic Water Improvement Districts

Mr. Stratton explained that the purpose for this discussion was to provide information to the Board regarding potential statutory changes related to Special Taxing Districts and Title 48.

Fred Rosenfeld, Bond Council for the District, Warren Tenney, Assistant to the General Manager, and Mr. Stratton reviewed legislative changes to the statutes that the District has pursued in recent years. They include that a domestic water improvement district (DWID) with more than 10,000

people is not required to have the Board of Supervisors approve the District's financial transactions. Also, DWIDs with 10,000 people or more are not required to notify property owners of an elections as well as DWIDs have more practicable notice requirements for elections. Another statutory change allows DWIDs to have non-contiguous boundaries, which allowed the District to purchase the Hub Service Area. A change made last year was the amount of pay for Board members was increased from \$15 to \$75 for attendance at meetings, with the Metro Water's Board electing to pay its members \$25 per meeting.

Mr. Tripp asked if all of the above statutory changes were in Title 48 and could be viewed on the internet. Mr. Stratton advised they were listed under Title 48 and were available on the internet.

Mr. Stratton said Board members had expressed concern that other municipalities could potentially annex within the District's jurisdictional boundaries. He said the recommendation to previous Boards was not to pursue legislation regarding hard boundaries. Mr. Rosenfeld concurred and explained the issue of hard boundaries was discussed approximately two years ago by the Board.

Mr. Tripp said he had heard there are concerns that Oro Valley may want to annex properties within the District's jurisdictional boundaries. He asked what potential impact this could have on the District. Mr. Rosenfeld said he wondered whether or not Oro Valley could annex without an election. He added there is also a statute which states a city or town cannot compete with a domestic water improvement district and annex an area unless they buy out the entity. This statute is limited to cities and towns only, and not special districts.

Ms. Downing asked how the District would know if an annexation attempt was being made. Mr. Stratton said that in the planning and development process this information would be brought to light during discussions with other entities. Mr. Stratton said he also receives copies of agenda's for Oro Valley that include development plans requiring approval. Through these various means he is able to track Oro Valley information to ascertain if there is cause for the District's concern prior to any action being taken.

Mr. Stratton said the primary area of concern with Oro Valley is the southeast corner of Lambert and La Cholla. This area will be developed in the future. It is part of the District's service area but through annexation efforts it is within Oro Valley city limits. An area of lesser concern is adjacent to the Linda Vista storage and well site, at La Cañada and the CDO. There is approximately 80 acres in this area which is in the flood plane. Mr. Stratton said that at this time there are no plans for development. He said the District is currently tracking both areas at this time.

Mr. Stratton said there are no present concerns with the City of Marana as far as hard boundary issues. The area near River Road west of La Cholla is currently underdeveloped. Mr. Stratton said the City does not have any facilities nearby so there is a good possibility that the District would provide water service to this area if it were to be developed. He also noted the Jack Conrad Driving Range is closing down, and this property will be developed. The well at this site is an agricultural well and cannot be used for potable water, nor does it have the volume to meet demands. Mr. Stratton said the City of Tucson and Metro Water have facilities nearby, but it has not been determined who will supply the water. This property is not within the District's boundaries.

Ms. Downing asked how the District could ensure this area is served by the District. Mr. Stratton said the District would have to make it more financially attractive than that of the City of Tucson. He added that if apartments are built on the property, the District should have the capability to meet the water demands.

Mr. Stratton said staff met with other domestic water improvement district's to discuss Title 48 and to determine if other changes would be appropriate for this legislative session. The consensus was that there does not appear to be any other issues worth addressing at this time. Susan Charlton, lobbyist for the District, said that due to the current budget crisis she believed it would be better not to propose any additional legislation for this year.

IV. Discussion of SAWUA's Legislative Agenda for 2004

Mr. Stratton said Southern Arizona Water User's Association (SAWUA) is currently looking at two legislative items. The first is to add another financing mechanisms, User Obligation Bond, to the multi-jurisdictional financing district that was generated last year. Greg Swartz was to draft a proposal, which has not been done yet and would need to be created from scratch. Mr. Stratton said that staff will monitor the progress and provide the Board with updates.

Mr. Stratton said the second issue SAWUA is working on is the exempt well legislation. He explained that a meeting has been scheduled with Representative O'Halleran and other stakeholders. It is hoped that at this meeting SAWUA members will get a better understanding of where the opposition to the exempt well legislation will come from. Mr. Stratton said the portion of this proposed legislation which will be under scrutiny will be the new wells within service areas. He explained if water service is already provided within a service area, that it is a duplication of the same service; meaning individuals would have to either pay a water company for water or pay electrical cost to pump their own water.

Mr. Stratton said the exempt well legislation states that any wells drilled after a pre-determined date will be exempt from any rules, requirements, and regulations when it comes to well spacing, etc. If a municipality drills a well next to an exempt well the landowner must recognize that his/her well may be affected by the municipality well. All existing wells would be grandfathered, so those wells would maintain the existing rights they currently have.

Mr. Tenney said some water utilities around the Phoenix area and north have expressed an interest in supporting the exempt well legislation. Mr. Stratton noted that it is uncertain at this time if the rural areas will support the legislation.

Mr. Doyle asked what the incentive would be to keep an individual from drilling his/her own well. Mr. Stratton said this has been an issue over the years, and the Board has previously considered higher rate tiers for larger consumption users. However, the District runs the risk of these individuals drilling their own wells to avoid the cost of paying for water to a utility.

Ms. Downing asked why the realtors appear to be in opposition of the exempt wells legislation. Mr. Stratton said it is because of property rights. He explained they have concerns regarding restrictions which may damage sale of certain properties.

V. Discussion of Other Potential Water Legislation

Ms. Charlton briefly explained potential water legislation that is being considered. She said HB 2477 was a bill from last year that had to do with CAGRD reporting requirements. There is a minor technical update being considered to it this fiscal year. Regarding the recovery of stored water, a proposed minor change is being made this year to amend the recovery well statute by the Water Banking Authority. Ms. Charlton said regarding the flood warning system fund, at this time there is no opportunity to fund the operational side.

Ms. Charlton mentioned the repeal of the Tucson AMA Water District was being considered by CAWCD. Mr. Tenney said the Santa Cruz Water District no longer exists and there has been interest to remove the language from the statutes. Mr. Stratton said Tucson Water does not want it removed as it may be used in the future to create an entity that commands the water resources for this area.

Ms. Charlton said another proposed change was that Mojave County wanted to include in the Omnibus Bill a clarification that they can bank water with the CAP and CAWCD. Regarding CAGRD assessments, Mr. Tenney said the counties do not want to collect the CAGRD assessments. The counties currently collect this fee through property taxes. CAGRDs proposal is to have the water utilities collect the fee. However, the Arizona Corporation Commission is saying the water utilities cannot collect this fee unless they proceed with a rate hearing first. Ms. Charlton explained that lastly, CAP is seeking to maintain their police officer status.

Mr. Tenney said Herb Gunther, Director of ADWR, is concerned that ADWR funds continue to be depleted by the legislature. Mr. Gunther would like to have the ADWR funded through a means other than the state general fund. Mr. Tenney said Mr. Gunther is proposing a surcharge through water bills that would fund ADWR, and to also set up a trust fund that would finance infrastructure projects and water right issues. Ms. Charlton noted this proposed legislation was not well received and will probably not move forward.

VI. General Manager's Report

Mr. Stratton said he met with David Modeer, Tucson Water, regarding CMID and Marana's proposed fees for recovery. He wanted to also determine what Tucson Water was proposing for those fees. Mr. Stratton said he will keep the Board apprised of future discussions and/or proposals.

Mr. Stratton noted the auditors have begun their review of the District's financial information. The audit should be completed by the end of September 2003.


Graffiti appears to be on the rise again. Mr. Stratton said the Thornydale well site was damaged by graffiti as well as South Shannon. District staff has taken steps to have the graffiti removed as quickly as possible.

Mr. Stratton said there was power outages associated with the storm on Saturday, August 23, 2003. He said that the District was unaffected by the outages. Mr. Stratton said there are seven additional sites that will be turned over to the TEP interruptible rate in early November, 2003.


Ms. Downing thanked staff for assisting her with answers to questions or concerns she has called the District offices about. She noted that staff is quick to respond and able to provide her with the requested information.

VII. Adjournment

The meeting adjourned at 6:25 p.m.



Clerk of the Board



Dennis Polley, Chair of the Board