

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

February 10, 2003

**** Board Room ****

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

MINUTES

Board Members Present: Dennis Polley, Chair
 Dan M. Offret, Vice-Chair
 Jim Doyle, Member
 Suzanne Downing, Member
 James Tripp, Member

District Staff: Mark Stratton, General Manager
 Michael McNulty, Legal Counsel
 Warren Tenney, Clerk of the Board
 Alice Stults, Recorder

Executive Session

Call to Order and Roll Call

Dennis Polley, 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. Dennis Polley, Dan M. Offret, Jim Doyle, Suzanne Downing, and James Tripp were present.

Mr. Tripp made a motion for the Board to convene into Executive Session. Mr. Offret seconded the motion. Motion passed unanimously. The Board convened into Executive Session at 5:03 p.m.

Executive Session pursuant to A.R.S. § 38-431.03 (A)(1) (discussion or consideration of personnel matters), (A)(3) (consultation for legal advice with the attorney or attorneys of the District), 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) regarding the following:

- A. General Manager's Quarterly Review.**
- B. Acquisition of Green Valley Water Company.**

The Board returned from Executive Session at 6:00 p.m.

Public Hearing

I. Call to Order and Roll Call

Dennis Polley, Chair of the Board of Directors of the Metropolitan Domestic Water Improvement District (District), called the Public Hearing to order at 6:05 p.m. Dennis Polley, Dan M. Offret, Jim Doyle, Suzanne Downing, and James Tripp were present.

II. Presentation about the Possible Addition of a ¾" Meter Category to the Water Rates

Mr. Stratton said the proposed addition of a ¾" water meter category to the District's rate structure was primarily due to fire protection requirements for new residential construction larger than 3,000 square feet. The existing 5/8" meters do not have the capacity to provide the type of flow for sprinkler systems required by the fire districts. Mr. Stratton said the 1" meter is too large for many applications and the base rate could be cost prohibitive. He explained that ¾" meters are commonly used in the utility industry and are readily available. The proposed rates and fees include a \$475 meter fee, \$250 water resource fee, \$1,100 system development fee, and \$14.95 base rate per month which includes the first 2,000 gallons of water.

III. Comments from the Public Regarding Proposed ¾" Meter Category

Dan Drollinger from Northwest Fire District said the fire district supports the use of the ¾" water meter. He explained that the ¾" meter would be beneficial to the addition of residential fire sprinkling systems.

No other comments were made. It was noted that the District did not receive any written comments or telephone calls from the public regarding the proposed ¾" meter category.

IV. Consideration and Possible Adoption of Resolution No. 2003-1 to Add a ¾" Meter Category to the District's Existing Water Rates

Mr. Tripp made a motion to approve Resolution 2003-1 to add a ¾" meter category to the District's established water rates and fees. Ms. Downing seconded the motion. Motion passed unanimously.

Mr. Offret made a motion to close the Public Hearing. Mr. Tripp seconded the motion. Motion passed unanimously. The Public Hearing closed at 6:10 p.m.

Regular Session

The regular session of the Metropolitan Domestic Water Improvement District convened at 6:10 p.m.

I. General Comments from the Public

John Kulakowski said the Hub Service Area residents had gathered 49% of the 51% required signatures to annex the Hub Service Area with Metro Main. Approximately seventeen resident volunteers have been contacting customers in the Hub Service Area to obtain the signatures. Mr. Kulakowski said the volunteers are hopeful they will receive the remaining 2% of the required signatures.

II. Consent Agenda

- A. Approval of Minutes – January 13, 2003 Board Meeting.**
- B. Ratification of Billing Adjustments.**

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

III. General Business – Items for Discussion and Possible Action

- A. Monthly Status of the District.**

Mr. Stratton said revenues are above average due to the dry winter months. Mr. Stratton also said the District continues to work with Pima County Transportation Division to obtain approval for transmission main design plans.

Ms. Downing asked if dollar amounts were available for the January 2003 delinquent accounts. Mr. Land explained that due to the problems with the computer billing system staff was not able to record the delinquent amounts for January.

- B. Financial Report.**

Mr. Land said that for the first half of the fiscal year, the revenues were approximately 8% over projected amounts. He noted that this could change over the next couple of months if there were to be measurable amounts of rain. The expenditures are approximately 2% under budget.

Mr. Land said that in consideration of the securities bankruptcy with the State Treasurer, the District has set aside \$350,000 which is in jeopardy of being lost due to the bankruptcy.

- C. Approval of Fiscal Year 2001-2002 Audit.**

Mr. Tripp made a motion to approve the audited Consolidated Financial Statements of the District for fiscal year 2001-2002. Mr. Offret seconded the motion. Motion passed unanimously.

- D. Approval of Amendment to Line of Credit with Bank of America.**

Mr. Tripp made a motion to approve to temporarily increase the Line of Credit with Bank of

America to \$7.5 million dollars. Mr. Offret seconded the motion.

Ms. Downing asked if the phrase 'temporarily increase the Line of Credit' should be amended to more accurately identify the period of time being considered. Mr. Land said the loan agreement with Bank of America stated the Line of Credit would be extended through August 31, 2003. Mr. Stratton said he believed it would be appropriate to include the ending date of August 31, 2003 for the increase in the Line of Credit.

Mr. Tripp amended the motion to approve to temporarily increase the Line of Credit with Bank of America to \$7.5 million dollars to include the ending date of August 31, 2003. Motion passed unanimously.

E. Appointment to the Bond Oversight Committee.

Mr. Tripp said he hoped that a District customer from the Hub Service Area would consider joining the Bond Oversight Committee. He said the District has an excellent committee and explained that he had served for a short period of time on the Bond Oversight Committee. The vacancy occurred with Mr. Tripp's election to the Board of Directors. Mr. Kulakowski asked if it was possible from someone from the Hub Service Area to serve on the Bond Oversight Committee. Mr. Tripp replied yes.

Warren Hook, Bond Oversight Committee member, said he is unsure how much longer he too will be serving on the committee. Mr. Hook has plans to sell his home and move out of the District. Mr. Stratton said this would potentially create another opening on the committee.

Mr. Offret recommended that District staff seek Mr. Kulakowski's assistance in determining if someone from the Hub Service Area would be willing to serve on the committee.

F. Update on Legislative Issues 2003.

Susan Charlton, District lobbyist with the firm of Gallagher & Kennedy, explained that the \$120 fee mentioned in HB 2088 and HB 2115, Water Well Administration, would be amended to \$150.

Ms. Charlton said SB 1147, Special District Elections, is important as it addresses statutes governing special taxing districts and elections of persons to their board of directors. Ms. Charlton explained that this bill would allow the cancellation of elections for which there is no competition by candidates for votes. The Board agreed to support the bill.

Ms. Charlton said Representative O'Halleran, Chair of the House Natural Resources Committee, has begun hosting monthly water meetings to establish long term water policies and strategies. District staff and Ms. Charlton will attend those monthly meetings. Ms. Charlton noted that Arizona Department of Water Resources (ADWR) has been gathering water information from water utilities throughout the state. Ms. Charlton said the Governor wants to focus on conservation issues. There are concerns that ADWR may not have the resources to carry out their statutory

responsibilities due to budget cuts and restraints. The Governor has been asked to provide two million dollars in additional funds to add to ADWRs budget to relieve some of the financial burden.

Ms. Charlton said she attended a lunch meeting with Mr. Stratton, Mr. Tenney, Representative Hershberger, Representative Huffman, and Senator Hellon to discuss numerous water bills. She said these legislators are supportive of Metro Water District.

Mr. Tenney said that Rep. O'Halleran introduced the Water Infrastructure Financing Bill to the Legislature. Mr. Tenney said that last week Rep. O'Halleran reviewed the compromises reached by the large utilities who had been opposing the legislation. The main concern of the larger utilities was the use of General Obligation Bonds. Mr. Tenney said that User Obligation Bonds were considered; however, Rep. O'Halleran is reluctant to introduce a new bonding mechanism to the Legislature at this time, but the concept will be worked on this year. Mr. Tenney explained that GO Bonds were excluded from the legislation but revenue bonds and grants can be utilized.

Mr. Stratton mentioned that HB 2114, Exempt Wells, is another bill supported by SAWUA. He said that the Arizona Realtors Association and the Cattlemen's Association have concerns about private property rights with the bill. Mr. Stratton said it does not appear that Rep. O'Halleran is willing to push this legislation forward at the present time.

G. Approval of Agreement for Legal Services.

Mr. Tripp made a motion to approve the agreement with Lewis & Roca LLP for legal services. Mr. Offret seconded the motion. Motion passed unanimously.

H. Approval of Access Control System.

Mr. Tripp made a motion to approve the dispersal of \$11,409.36 in funds from the General Operating Fund to purchase an Access Control System from Central Alarm Inc., and have the additional locksmith done by Roadrunner Lock & Safe. Mr. Offret seconded the motion.

Mr. Offret noted that the money for the Access Control System would come from the Municipal Property Corporation and asked if there were sufficient monies still available in that fund. Mr. Land said there are enough monies available to purchase the Access Control System.

Mr. Stratton said since the September 11, 2001 incident, staff has reviewed the District's security issues and measures more closely. Mr. Hill explained that the District is continually looking at new ways to enhance the District's security not only at the well sites but at the District offices as well. He noted that the new electronic access system will enhance security and save the District money. Staff will be able to re-key the security key fobs via an in-house computer software program without having to utilize a locksmith. Persons attending meetings in the Board room, after business hours and on the weekends, will be issued a key fob which will allow access only to the part of the District office building that is appropriate and on the date and time specified via the computer programming. This will negate the need for a staff person to respond to the office to unlock the doors.

Ms. Downing asked if increasing the number of codes for the electronic access system would mean an increase in cost. Mr. Hill said that the majority of cost for the system is determined by the number of doors equipped with the electronic access system. He noted the cost would be minimal for adding additional key fob's for new employees. Mr. Stratton explained that the existing audible alarm system would still be operable and would remain in use.

The motion to approve the dispersal of \$11,409.36 in funds from the General Operating Fund to purchase an Access Control System from Central Alarm Inc., and have the additional locksmith done by Roadrunner Lock & Safe passed unanimously.

I. University of Arizona Water Quality Center Request for Funding.

Mr. Stratton explained that the University of Arizona Water Quality Center contacted SAWUA members to request funding for research related to the quality of effluent within the lower Santa Cruz River basin. Much of the proposed research stems from information made public approximately one year ago by the United States Geological Services (USGS) regarding pharmaceuticals in the effluent discharged into the lower Santa Cruz River. Mr. Stratton said the research conducted by the Water Quality Center would not provide final answers or solutions, but rather only identify constituents in the effluent. He noted that the City of Tucson and the O'Odham Indian Reservation would benefit more significantly from the research than the District. Mr. Stratton said it is staff's recommendation at this time that funding by the District not be provided to the University of Arizona Water Quality Center.

Mr. Offret asked the dollar amount being considered. Mr. Stratton said the approximate amount of the total project would be \$300,000 to \$350,000 over a three year period. He added that it would require a commitment for the full three years. Mr. Stratton said that the research they would provide would not be equal to that received from the slow sand infiltration pilot study conducted approximately one year ago by the District and the Bureau of Reclamation. The cost of this particular study was approximately \$15,000. Mr. Stratton said the research study being conducted by the Water Quality Center is valid, but would not provide the District with information on significant issues at this time.

J. Status of New Well Installations.

Mr. Stratton said that due to the low production capability at the Lambert/La Cholla well, additional procedures have been taken to identify the problem(s). Recent video taken of the well indicated that a fine material was located on the screen in the well causing it to become clogged. Attempts are being made at this time to identify the material found on the screen. Mr. Stratton said staff is attempting to find the cause of the decrease in production.

Mr. Stratton said the District is waiting for the necessary approval from the Arizona Department of Environmental Quality (ADEQ) prior to putting Hub No. 5 well into service.

Mr. Stratton said staff is preparing the documentation for the infrastructure at the Mona Lisa well site in order to get the well into production.

K. Update of Multi-Jurisdictional Effluent Managed Recharge Project.

Mr. Stratton said the parties involved in the year long development of an Intergovernmental Agreement (IGA) for an effluent managed recharge project on the Lower Santa Cruz River are finalizing the draft document. One minor issue remaining to be resolved is the open meeting law requirements brought to the table by Pima County. Mr. Stratton said there are also some minor grammatical corrections required to complete the IGA. Once the IGA is completed it will be brought to the Board for consideration. Based upon recharge potential, the District will receive approximately 500-600 acre feet of credits per year out of a possible 2,000 acre feet of its effluent allocation. Mr. Stratton explained that some effluent will be lost as it flows down the Santa Cruz; however, the District is working with several neighboring utilities to develop a recharge project that will provide the District with 100% of its credits.

Mr. Stratton said staff has been working with the Bureau of Reclamation (BOR) on water quality issues regarding recovered water. He said that it has been difficult to convince the BOR that effluent is not potable water and there is no guarantee that the effluent which is pumped will be suitable for potable purposes. Mr. Stratton said if the water level exceeds a certain point at the Tangerine Road landfill, the facility permit for managed recharge will be stopped and the participants will not be allowed to gain extinguishment credits within the project limits. He explained that they are looking at pumping from the area of the landfill to keep the water level low so that contaminants will not reach the location of the managed recharge project.

L. Acquisition of Green Valley Water Company and Status of Negotiations with the Green Valley Domestic Water Improvement District.

Mr. Tripp made a motion for the District to negotiate with the Green Valley Water Company as directed in the Board of Directors Executive Session. Mr. Offret seconded the motion. Motion passed unanimously.

IV. General Manager's Report

Mr. Stratton said staff has begun the preparation of the 2003/2004 budget. He explained that study sessions will be scheduled to discuss the line items contained in the budget. These meetings will begin in March.

As previously noted, a special meeting of the Board has been scheduled for February 12, 2003 at 8:00 a.m. Mr. Stratton said the purpose of this meeting is to provide the Board with updates and information on the various projects and issues confronting the District.

Mr. Stratton explained that toilet leak detection kits were recently mailed to District customers with their billings. He said these kits have been used in the past as part of the District's conservation efforts. Mr. Stratton said customers have voiced their appreciation of the kits that the District was able to purchase at a reduced cost.

V. Legal Counsel's Report

Mr. McNulty said he appreciated the Board's decision to retain Lewis & Roca as legal counsel. He explained that he will be identifying which staff at Lewis & Roca will be better suited to assist the District in its various issues to ensure the District receives quality counsel in the most economical manner.

VI. Future Meeting Dates; Future Agenda Items

The next regular meeting of the Board is March 10, 2003 at 6:00 p.m. A study session is scheduled for February 24, 2003 at 6:00 p.m.

VII. General Comments from the Public

Mr. Hook said that he had read the article in the District's newsletter regarding Mr. Stratton's visit to Almaty, Kazakhstan and thought the article was interesting. Mr. Stratton said that the Sister Cities Program sponsored the trip for representatives from Tucson to visit Almaty in November 2002 to exchange information regarding water systems. He explained that Almaty representatives were reluctant to share information regarding their water systems. Mr. Stratton said that one of the Tucson representatives returned to Almaty in January 2003 to discuss items more closely related to emergency preparedness and reported that the dialogue was much better on this second meeting. Representatives from Almaty will be in the Tucson area around March 12. Mr. Stratton noted that the District, along with Tucson Water, will be hosting the Almaty representatives during their stay in Tucson.

VIII. Adjournment

The meeting adjourned at 6:55 p.m.


Dennis Polley, Chair of the Board


Clerk of the Board