

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

October 15, 2008

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

MINUTES

Board Members Present: Dan M. Offret, Vice Chair
Jim Doyle, Member
Reb Guillot, Member
James Tripp, Member

Board Members Not Present: Judy Scrivener, Chair

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, Vice 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, Reb Guillot, and James Tripp were present. Judy Scrivener was not present. Jim Doyle arrived at 5:03 p.m.

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

Executive Session pursuant to A.R.S. § 38-431.03 (A)1 (discussion or consideration of personnel matters), A.R.S. § 38-431.03 (A)(4) (consultation regarding contracts that are the subject of negotiation, in pending or contemplated litigation, or in settlement discussions), A.R.S. § 38-431.03 (A)(7) (consultations regarding negotiations for the purchase, sale, or lease of real property) regarding the following:

- A. General Manager's Quarterly Review.**
- B. Acquisition, Construction, Reconstruction, and Repair of Waterworks.**

II. Adjournment

The executive session adjourned at 5:55 p.m.

Regular Session

I. Call to Order and Roll Call

Dan M. Offret, Vice Chair of the Board of Directors of the Metropolitan Domestic Water Improvement District (District), called the Board Meeting to order at 6:00 p.m. Dan M. Offret, Jim Doyle, Reb Guillot, and James Tripp were present. Judy Scrivener was not present.

II. General Comments from the Public

There were no comments from the public.

III. Consent Agenda

- A. Approval of Minutes – September 8, 2008 Board Meeting.**
- B. Approval of Minutes – September 22, 2008 Special Board Meeting.**
- C. Ratification of Billing Adjustments.**

Mr. Tripp made a motion to approve the consent agenda. Mr. Guillot seconded the motion.

Mr. Tripp asked if the Prince Road address mentioned in the billing adjustment report was in the District. Mr. Land explained that it is in the Hub service area.

Motion passed unanimously.

IV. General Business – Items for Discussion and Possible Action

A. Monthly Status of the District.

Mark Stratton, General Manager, said the water usage for September 2008 is fairly close to the amounts used during September 2007. If the weather continues to stay warm, the usage amounts should remain the same. Mr. Stratton explained that other water service providers in Arizona indicated their water usage amounts continue to decline due to water conservation efforts, much like the District's.

Mr. Stratton said the lawsuit with Sun Western/Mariacher continues and depositions are scheduled to begin in the next few weeks.

The Oracle Foothills Mainline Replacement project continues and the project is going very well. Mr. Stratton noted that the District had received positive feedback from a customer regarding the work being done in the area.

B. Financial Report.

Mike Land, Chief Financial Officer, said Canyon Community Bank sent out a letter to its customers indicating the strength of their bank. The District has \$47,000 invested with Lehman Brothers which has been put in a special pool to protect those monies. A draft 2007/2008 audit has been received and we should have the final audit by the November 10, 2009 Board meeting. Mr. Land explained that revenues and expenditures remain on target for the first two months of the current fiscal year.

C. Status of Public Hearing for Proposed Rate Structure Adjustment.

Warren Tenney, Assistant General Manager, said the District residents received an insert in their monthly bill notifying them of the public rate hearing scheduled for October 20, 2008 at 6:00 p.m. The hearing has been noticed, and the District has not received any feedback from customers to-date. Mr. Stratton also noted that there was an article in the Daily Star regarding the rate hearing.

D. Update by United Geological Survey on the Lower Canada Del Oro Basin Aquifer Storage Monitoring Project.

This item has been postponed by the Board, as the United States Geological Survey is still integrating data that has been collected, per Mike Block, District Hydrologist. Mr. Offret said this item would be rescheduled.

E. Amendment of Groundwater Savings Project Agreement.

Mr. Tripp made a motion to approve Amendment No. 1 between the District and the Herb Kai for "In-Lieu Water Deliveries and Storage" and that the agreement be in effect until December 31, 2009, unless renewed for an additional year by the District and Herb Kai. Mr. Guillot seconded the motion.

Mr. Offret asked if the 2,000 ac-ft reduction by Kai had been transferred and accepted by Cortaro, and if this was included in the agreement. Mr. Block replied yes.

Motion passed unanimously.

F. Approval and Award for Paving of the James M. Tripp Reservoir Driveway.

Mr. Tripp made a motion to award the paving of the James M. Tripp Reservoir driveway to Pro Trenching for the amount of \$15,972.50 and authorize the General Manager to authorize additional funds not to exceed \$2,000. Mr. Guillot seconded the motion.

Chris Hill, Deputy Manager, said that after further consideration, staff would like to do additional research of securing funding for the project, and to also research the various types of paving material that may last longer, look better, and that would garner approval from homeowners in the area. Mr. Hill said he will check into these items and bring back the information to the Board at its November 10, 2008 meeting.

Mr. Tripp agreed and withdrew his motion and recommended tabling this item until the November 2009 meeting. Mr. Guillot withdrew his second to the motion.

Mr. Guillot suggested that if pavement is used, to try a light brown colored surface to better fit the landscaping. Mr. Offret asked if asphalt is used, could District staff do the maintenance. Mr. Hill explained that asphalt maintenance is contracted out by the District.

G. Discussion and Possible Direction to Upgrade the 10-Year Capital Improvement Program.

Mr. Tripp made a motion to approve to direct staff to conduct a survey of customers in anticipation of a bond election in 2009 regarding a 10-year Capital Improvement Program for the District. Mr. Guillot seconded the motion.

Mr. Stratton said staff completed a 10-year draft Capital Improvement Program (CIP), which was also extended out for 12 years. Mr. Stratton explained that due to the dramatic change in the stock market during the last several weeks, the Board may want to consider delaying this item in the event a recession is eminent. Under the current financial status, if the District were to hold a bond election in the near future, the public would more than likely give a negative vote. Mr. Stratton noted that staff is still finishing current bond projects, and he recommends putting a new bond election to a vote at a later date, as opposed to next spring. Mr. Tripp agreed.

Mr. Offret said that if the Board wants to continue with a bond election being held in the spring, he would like to know the exact yearly figures that will impact the customers. Mr. Stratton said public acceptance under the current market conditions would not be favorable at this time. The District needs to be good stewards of the money it has received and the projects staff are currently doing. The District also needs to further study what the Northwest Central Arizona Project Treatment and Delivery System will cost so that it could be considered in a total bond election package. Mr. Offret noted that he sees projects on the new draft CIP that need to be addressed now. Mr. Stratton said that we may be able to do these two projects through WIFA.

The motion to approve to direct staff to conduct a survey of customers in anticipation of a bond election in 2009 regarding a 10-year Capital Improvement Program for the District failed 4-0.

V. General Manager's Report

Mr. Stratton said HDR Engineering submitted an application for an award for the James M. Tripp Reservoir and it did receive an award from the Southwest Contractor's Best of 2008 in the category for Civil Infrastructure (water/wastewater/utility). There is an awards ceremony on December 2, 2008 in Phoenix. We need to notify HDR of how many will be attending from the District; therefore, if any Board member is interested in attending, please contact Alice Stults.

On October 22, 2008, the Bureau of Reclamation is hosting an informational meeting on the Science and Technology (S&T) Pilot Study with all the partners that are participating in the project. The meeting will be held in Marana, and lunch will be served. If any Board members are interested in attending, please contact Warren Tenney.

Mr. Stratton said the American Water Works Association (AWWA) has asked him to accept appointment as a member of the AWWA Member Value Restructure Committee that will look at how to better serve its membership. Mr. Stratton has accepted the appointment that will continue through 2010.

Mr. Stratton will be attending the Western Coalition of Arid States (WESTCAS) meeting in Denver, Colorado October 29-31, 2008. He will also attend the Colorado River Water Users Association (CRWUA) in Las Vegas December 15-17, 2008. January 15-16, 2008 is the Multi-State Salinity Coalition (MSSC) annual forum that Mr. Stratton will again attend. If any Board members are interested in attending any of these meetings, please contact Alice.

Mr. Tenney said that the multi-family representatives have met twice with District staff to discuss the District's current rate structure, and offer suggestions on how it might be changed. The representatives are concerned that the rates are not uniform among the dwellings and single-family units. They will be meeting again next week and staff will review with them the District's recommendations. Mr. Tenney said the District received a phone complaint from apartment dwellers who are concerned about the amount of water wasted in the complexes, and also a letter about how much tenants are charged by apartment complexes for their water which they indicate is more than the complexes are being charged.

VI. Legal Counsel's Report

Michael McNulty, Legal Counsel, said the legal issues were discussed during the executive session. He noted that apartment owners can only charge tenants for their fare share of the water usage. He explained that he remembers this from discussions with tenants that were living in mobile homes. Mr. McNulty suggested that he and Mr. Tenney meet to discuss this item further.

VII. Future Meeting Dates; Future Agenda Items

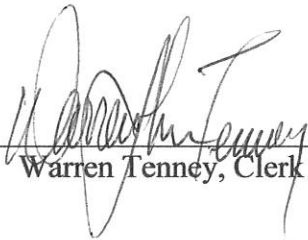
The next regular meeting of the Board of Directors is Monday, November 10, 2008 at 6:00 p.m. A Public Hearing is scheduled for Monday, October 20, 2008 at 6:00 p.m.

VIII. General Comments from the Public

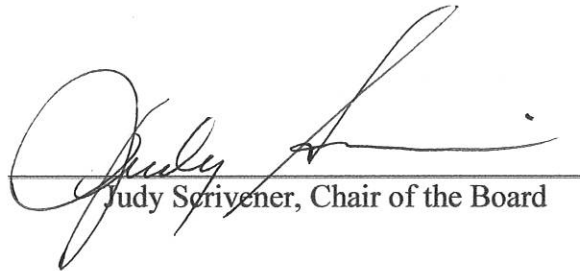
There were no comments from the public.

IX. Adjournment

The meeting adjourned at 6:34 p.m.



Warren Tenney, Clerk of the Board



Judy Scrivener, Chair of the Board