

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

September 8, 2008

**** Board Room ****

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

MINUTES

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

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

Regular Session

I. Call to Order and Roll Call

Judy Scrivener, 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. Judy Scrivener, Dan M. Offret, Jim Doyle, Reb Guillot, and James Tripp were present.

II. General Comments from the Public

There were no comments from the public.

III. Consent Agenda

- A. Approval of Minutes – August 11, 2008 Board Meeting.**
- B. Approval of Minutes – August 25, 2008 Study Session.**
- C. Ratification of Billing Adjustments.**
- D. Approval of Water Service Agreement – Ironwood Ridge Estates, Lots 1-8.**

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

IV. General Business – Items for Discussion and Possible Action

A. Monthly Status of the District.

Mark Stratton, General Manager, said water production remains typical for this time of year. He also explained that the District is approximately half way through the current carbon treatment unit at the South Shannon well site. Staff has focused on bringing more activity from this well.

Mr. Stratton said that the notice-to-proceed has been received on the Oracle Foothills Stage I Mainline Project. The Oracle Road Mainline Replacement is ongoing, and should be completed at the end of September 2008.

B. Financial Report.

Mr. Stratton said Clifton Gunderson has completed their in-house audit of the District's 2007-2008 budget. It is expected that a draft audit should be ready for the October 2008 Board meeting, with the final audit being completed by the November 2008 Board meeting.

C. Approval of Renewal of Revolving Line of Credit with Bank of America.

Mr. Tripp made a motion to approve the renewal of the District's \$1,000,000 Revolving Line of Credit with Bank of America, to be in effect from July 1, 2008 through June 30, 2010. Mr. Offret seconded the motion.

Mr. Offret asked about the \$1,000,000 line of credit, and if the District should consider changing this amount to \$2,000,000. Mr. Stratton said the District has never used this line of credit, and it is kept basically for emergencies. He noted that if the Board thought there might be a need to increase the amount, staff could check on this and get back to the Board. He also explained that the amount could be increased at a later date. Mr. Offret was comfortable with leaving the amount at \$1,000,000.

Motion passed unanimously.

D. Approval of New Utility Division Supervisor Position.

Mr. Tripp made a motion to approve the creation of the Electrical Instrumentation Supervisor position for the Utility Division. Mr. Offret seconded the motion. Motion passed unanimously.

E. Northwest Water Treatment and Delivery System.

1. Current Status.

Mr. Stratton explained that a number of issues have recently come to light on the need to move more quickly on the Northwest Water Treatment and Deliver System, and that the Board will need to make some decisions fairly soon to proceed within an appropriate timeframe. One of the issues is the need for an environmental study or assessment. It is unknown if the Bureau of Reclamation will take the lead on this issue, and the time it will take for them to secure financing. Mr. Stratton said that there has been a significant amount of inquiries regarding public/private sector partnership arrangements. Several groups have expressed an interest in participating in a partnership investment for the project. Mr. Stratton said he is cautious about entering into a partnership with the private sector from the standpoint of diverging interests of what they are trying to accomplish. However, the District's percentage of costs for the project is going to be relatively high, and the District will need to make some decisions on financing options for the project.

Mr. Stratton said that during the recent branding exercise they did discuss the Northwest Water Treatment and Delivery System. It was determined that this major capital project could be a separate focus for branding. Mr. Stratton said that at the meeting of the Northwest partners on Thursday they will discuss the branding, and how it could include the four partners. Staff will be coming back to the Board for recommendations on where and how quickly to proceed on this project.

Mr. Offret said he was initially shocked at the \$130,000 requested for the route analysis. However, after reading all the material he realized that this is a significantly large project. Mr. Stratton replied that this is indeed a significant process, and covers a large distance. Mr. Offret asked if timelines would be required of the consultants conducting the route analysis, and if the District could get estimates in case the study takes two years or longer to complete. Mr. Stratton said yes, and noted that Oro Valley wants to move as quickly as possible, and Marana and Flowing Wells are being somewhat hesitant as their need to get off groundwater supplies is not as significant. However, the support from the governing bodies of Marana and Flowing Wells has been there.

2. Approval of Intergovernmental Agreement with Flowing Wells Irrigation District, Marana, and Oro Valley for Route Analysis and Additional Future Studies.

Mr. Tripp made a motion to approve the intergovernmental agreement between the District, Flowing Wells Irrigation District, Town of Marana, and Town of Oro Valley for Northwest Water Providers Central Arizona Project Water System Route Analysis and Additional Future Studies. Mr. Offret seconded the motion. Motion passed unanimously.

3. Approval of Professional Services Agreement with Westland Resources for Route Analysis.

Mr. Tripp made a motion to approve the professional services agreement with Westland Resources to perform the route analysis for the Northwest Water Providers Central Arizona Project Water Treatment and Delivery System at a not-to-exceed amount of \$130,000. Mr. Offret seconded the motion. Motion passed unanimously.

Warren Tenney, Assistant General Manager, said Flowing Wells Irrigation District approved the intergovernmental agreement last week. Mr. Stratton added that it will be on the Town of Oro Valley's agenda this Wednesday.

F. Approval of Consulting Agreement for Lobbyist for Northwest Water Treatment and Delivery System.

Mr. Tripp made a motion to approve the consulting agreement with J.C. Herrick Consultants, Inc., for a one-year period. Mr. Offret seconded the motion. Motion passed unanimously.

V. General Manager's Report

Mr. Stratton explained that the District's Branding Workshop was held on Thursday, September 4, 2008, and 11 staffs were involved in the discussions. Mr. Stratton said this was a very worthwhile session with a lot of good input from staff. The intent of the branding for the District is to clarify the value that the District delivers to the community and integrating this value into all decisions and communications. John Ruetten, head of the National Water Research Institute's Utility Branding Network, was present to discuss branding and said the District is currently doing a good job; however, he wants to see how the District proceeds with the Northwest Water Treatment and Delivery System. Mr. Ruetten wants to assist the District further define its branding, and that information will be brought to the Board for its considerations. Christopher Hill, Deputy Manager, said he also felt the branding was a good exercise, and believed it will give staff the ability to better understand how the District is perceived by its customers.

Mr. Stratton emphasized that the branding for the Northwest Water Treatment and Delivery System should be a separate branding. Mr. Offret agreed, noting that it is very important to first understand the customer's perception of the District.

Mr. Stratton explained that there will be a Public Hearing on Monday, October 20, 2008 at 6:00 p.m. to discuss the proposed 4% rate increase. A flier is being mailed to District customers explaining the proposed rate increase, and to encourage customers to attend the hearing to provide their thoughts and comments.

Tomorrow morning a meeting is scheduled with representatives of the multi-family complexes. Mr. Stratton noted that Val Little and Gary Woodard will be present to look at any possible alternatives

to the current rate structure for multi-family customers. Letters were sent to all multi-family complexes inviting them to send a representative to the meeting. A follow-up meeting has been scheduled for September 23, 2008.

Mr. Stratton said he received a request from a developer in the western Marana area who wished to annex their complex into the District. If the annexation process moves forward, the District will need the Town of Marana's approval of the annexation. Mr. Stratton said he would keep the Board apprised of any new information.

Mr. Stratton met last week with Robin Thim to discuss the possible acquisition of the Thim Water Utilities. Another meeting is scheduled for this week that will include the attorneys for both parties to further discuss the possible acquisition.

VI. Legal Counsel's Report

Andrea Gonzales, Attorney with Lewis & Roca, said Legal Counsel did not have anything further to report at this time.

VII. Future Meeting Dates; Future Agenda Items

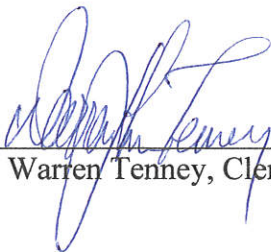
The next regular meeting of the Board of Directors is Wednesday, October 15, 2008 at 6:00 p.m. A study session is scheduled for Monday, September 22, 2008 at 5:30 p.m. to discuss the Capital Improvement Program.

VIII. General Comments from the Public

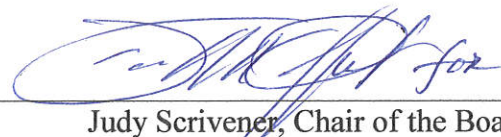
There were no comments from the public.

IX. Adjournment

The meeting adjourned at 6:25 p.m.



Warren Tenney, Clerk of the Board



Judy Scrivener, Chair of the Board