

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

August 11, 2008

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

MINUTES

Board Members Present: Judy Scrivener, Chair
Jim Doyle, Member
Reb Guillot, Member
James Tripp, Member

Board Members Not Present: Dan M. Offret, Vice 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

Judy Scrivener, 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. Judy Scrivener, Jim Doyle, Reb Guillot, and James Tripp were present. Dan M. Offret was not present.

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)(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. Acquisition, Construction, Reconstruction, and Repair of Waterworks.

II. Adjournment

The executive session adjourned at 5:40 p.m.

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, Jim Doyle, Reb Guillot, and James Tripp were present. Dan M. Offret was not present.

II. General Comments from the Public

Jeff Bailey, representative for Sonoran Terrace Apartments, provided information regarding the cost of water for this apartment complex under Metro Water District's current multi-family rate structure. Mr. Bailey explained that most of the water used at the complex goes through a 5/8 inch meter. He explained that they had completed a rate analysis study of the District's tier structure and believes they spent \$90,000 more for water under the District's current rate structure for the complex during the period of January 2003 through June 2003. Mr. Bailey believes that if the complex were charged for water usage under the District's Tier 1 rate structure, using a 6-inch meter, and for single families, that the cost would be considerably less. He also believes that apartment dwellers use less water than single-family residents do. Mr. Bailey would like the District to review its current rate structure, as well as provide information as to what any proposed changes to the rate structure might be in the next few months.

III. Consent Agenda

- A. Approval of Minutes – July 14, 2008 Board Meeting.**
- B. Approval of Minutes – July 21, 2008 Special Board Meeting.**
- C. Ratification of Billing Adjustments.**
- D. Approval of Water Service Agreement – Casas Commerce Center, Revision No. 2.**

Mr. Tripp made a motion to approve the consent agenda. Mr. Guillot 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 that there was a substantial decrease in water usage during July 2008 compared to the same time period in 2007 due to the amount of rain received during July 2008. It is anticipated that due to the rains received thus far in August 2008 that the District will also see a decrease in water usage this month.

Mr. Stratton noted that the Oracle Road Corridor Mainline Replacement Project east of Oracle Road is now complete, and work has now begun along Casas Adobes Road west of Oracle Road. The Oracle Foothills No. 6, Phase I Mainline Replacement work is expected to begin later this month.

Mr. Stratton said the La Canada Drive "C" Zone Transmission Main and La Canada Drive, Calle Concordia to Ina Road, waterline relocations will create a substantial amount of relocation work. Staff has had discussions with Pima County regarding the timeframe needed for the District to complete its work prior to Pima County beginning its roadwork in the area. Mr. Stratton explained that the County is sympathetic to the District's concerns and it is believed that the District should be able to complete its project prior to the County's roadwork start-up.

B. Financial Report.

Mike Land, Chief Financial Officer, explained that new signature cards for the District's bank account needed to be signed by the Board at tonight's meeting. The audit conducted by Clifton Gunderson for budget year 2007-2008 will begin on Wednesday August 13, 2008. At year-end close of 2007-2008, revenues are approximately \$22,000 over budgeted amounts. Expenditures ended at approximately \$300,000 under budgeted amounts.

C. Request of Rate Adjustment by Arizona Pistachio Nursery.

Mr. Tripp made a motion to approve an adjustment be applied to the account of Arizona Pistachio Nursery L.L.C. amounting to water charges of \$2,079.65 plus applicable taxes. Mr. Guillot seconded the motion. Motion passed unanimously.

D. Approval of Continued Membership in the Water Conservation Alliance of Southern Arizona.

Mr. Tripp made a motion to approve the member agreement for continued membership with the Water Conservation Alliance of Southern Arizona with the contribution of \$21,539 for Fiscal Year 2008-2009. Mr. Guillot seconded the motion.

Val Little, Water CASA, explained some of the items the organization offers to its membership. She noted that new this year was the toilet leak detection kits that would be provided to all District customers. Ms. Little said that Water CASA would like to monitor the results of using the leak detection kits, if possible, to determine how effective this program might be. Regarding the District's toilet rebate program for customers installing high efficiency toilets, Water CASA would like to further limit the make and models of toilets that would qualify for this program to further reduce the amount of water used. Ms. Little also noted that Water CASA would have a water conservation showcase at the Southern Arizona Home Builders Association fall home show. This showcase will highlight the latest water conservation technology and various information and products from vendors.

Mr. Stratton asked about graywater and water harvesting discussions that have been raised by the regional water/wastewater committee. He noted that in some of those discussions public comments have been in opposition of using graywater. Ms. Little explained that she has been asked to speak at the City/County Water Oversight Committee on September 17, 2008 and will provide information about graywater.

The motion to approve the member agreement for continued membership with the Water Conservation Alliance of Southern Arizona with the contribution of \$21,539 for Fiscal Year 2008-2009 passed unanimously.

E. Approval of Miscellaneous Water Resources Consulting Services Contract.

Mr. Tripp made a motion to approve the award of the professional services contract for Miscellaneous Water Resources Consulting Services to Clear Creek Associates, L.L.C. on a time and materials basis for a not-to-exceed amount of \$5,000. The contract expiration date shall be June 30, 2009. The contract may be extended at the end of June 30, 2009 for up to two additional years with Board of Directors approval. Mr. Guillot seconded the motion. Motion passed unanimously.

F. Approval of Amendments to Groundwater Savings Project Agreements.

Mr. Tripp made a motion to approve the amendment between the District and Cortaro Water Users' Association for "In-Lieu Water Deliveries and Storage" and that the agreement is in effect until December 31, 2009 subject to approval by Cortaro's Board. Mr. Guillot seconded the motion. Motion passed unanimously.

Mr. Tripp made a motion to approve the agreement between the District and 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. Motion passed unanimously.

G. Discussion of Proposed Rate Structure Adjustment and Scheduling of a Public Hearing.

Mr. Tripp made a motion to schedule a public hearing for October 20, 2008 at 6:00 p.m. for the purpose of discussing a rate adjustment. Mr. Guillot seconded the motion.

Mr. Stratton explained that this public hearing was for the Board and public to discuss specific issues related to the District's rate structure and potential rate increases in relation to the latest bond issue. Staff will attempt to also provide recommendations to the Board based on the outcome of examining the multi-family rate structure. If this information is not available prior to the October 20, 2008 public hearing, another public hearing may need to be scheduled to review the multi-family rate structure.

The motion to schedule a public hearing for October 20, 2008 at 6:00 p.m. for the purpose of discussing a rate adjustment passed unanimously.

H. Discussion of Updating the Capital Improvement Program.

Mr. Stratton said staff is beginning the process of identifying projects for an updated 10-year Capital Improvement Program (CIP). Also included in this process would be the inclusion of the Northwest Central Arizona Project (CAP) Renewable Water Delivery System. It is unknown at this time what the amounts may be for this system. However, the District would again need voter authorization for approval of both these items for bond election. Mr. Stratton explained that it is important to set a date to begin discussions on these items with the Board at its earliest convenience.

Warren Tenney, Assistant General Manager, noted that a draft list of the updated 10-year CIP had been provided to the Board, along with information on the Northwest CAP Renewable Water Delivery System. Mr. Stratton explained that staff will prioritize the list of items based upon need by the District. It is hoped that a study session can be scheduled for September 2008 to discuss these items. Mr. Tenney added that the Board may want to survey District customers prior to a bond election to determine how receptive they may be. Mr. Stratton explained that staff will solicit cost amounts associated with a telephone customer survey from companies that typically conduct these types of studies.

V. General Manager's Report

Mr. Stratton said the litigation has begun on the Tucson National/Westward Look Mainline Replacement Program. Depositions have been scheduled for later this month; however, Sun Western Contractors' attorney has asked for another meeting to discuss the issues prior to moving forward on the litigation process. The meeting has tentatively been scheduled for the afternoon of August 18, 2008 to determine if an agreement can be reached.

Regarding the Northeast Booster Station liquidated damages claim, also with Sun Western Contractors, Mr. Stratton has been meeting with the contractor in hopes of avoiding potential litigation.

Mr. Stratton said the Board previously approved the District's participation in the Utility Branding Network (UBN). Representatives from UBN have contacted staff to schedule discussions to determine what the District does, how it is accomplished, and how the community perceives the District. This meeting has been scheduled for September 4, 2008 and Board members are invited to participate in this process. Mr. Stratton said that members of the AZ Water Association (previously known as the Arizona Water & Pollution Control Association) have also scheduled a more generic branding session on September 5, 2008 in Phoenix. Board members are also invited to attend this session.

Mr. Stratton explained that the San Miguel High School Internship Program was very successful for the District during the last school year. The District will have two new students working on a part time basis again this year from the San Miguel High School.

Regarding the office complex security, significant progress has been made; however, some items have been moving along slowly. Staff would like to offer the opportunity for Board members to tour the site to view the security measures that have been put into place.

Mr. Stratton said the District has had a request from a small water system that the District currently provides water to that is not technically a part of the District. Rancho Despoblado Estates has asked to be incorporated into the District. Staff is currently reviewing improvements that may be needed to their system, and will bring back the information and recommendations to the Board.

VI. Legal Counsel's Report

Michael McNulty, Legal Counsel, said he is reviewing the changes that other legal staff were proposing for AZWARN, and specifically ensuring that domestic water improvement districts are appropriately considered.

VII. Future Meeting Dates; Future Agenda Items

The next regular meeting of the Board of Directors is Monday, September 8, 2008 at 6:00 p.m. A study session has been scheduled for Monday, August 25, 2008 at 5:30 p.m.

Included in the agenda for the study session will be discussions to request that Pima County not hold an election for the upcoming two Board member positions as there were only two candidates running for these positions. The Arizona Statutes allow appointment of the two candidates and cancelation of the election.

VIII. General Comments from the Public

There were no comments from the public.

IX. Adjournment

The meeting adjourned at 6:34 p.m.

Judy Scrivener, Chair of the Board

Warren Tenney, Clerk of the Board