

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

September 22, 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
 Alice Stults, Recorder

Study 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 5:30 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. Discussion and Possible Direction to Update 10-Year Capital Improvement Program including Possible Action for Survey of Customers

Mark Stratton, General Manager, provided a brief synopsis of the 1997 and 2005 bond elections. He explained that if the proposed 4% rate increase to help pay for the 2005 bond election is passed at the October 20, 2008 public hearing, it will be the next to last rate increase to pay for this bond debt.

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Mr. Stratton said staff have identified the projects that are included in the updated proposed ten-year Capital Improvement Program (CIP), which includes projects within Metro's service area. Staff is seeking direction from the Board as to whether all of these items should be packaged together into one bond issuance, or if some of these projects should be eliminated from the current CIP list and addressed at a later date. Staff is also seeking direction from the Board on how these projects should be funded, and when they believe the District should seek voter approval.

The Northwest Renewable Water System (NRWS) is not included in this CIP package as there are still a lot of questions on how this project will be financed, as well as long term debt questions. Additional studies will be needed on the NRWS before staff can make recommendations to the Board on financing options.

Charlie Maish, District Engineer, briefly provided information on the remaining projects in the 2005 CIP which are funded. He then discussed all of the distribution system improvement projects that are included in the proposed 2009 ten-year CIP package, noting that the projects are identified in the order of their importance per staff's recommendations. The Board was previously provided a report detailing each project and the projected cost in 2008 for these projects.

Mike Block, District Hydrologist, explained the anticipated well projects that were included in the 2009 ten-year CIP. It is unknown if some of the existing wells can be drilled deeper, or if replacement wells will need to be drilled. Mr. Stratton noted that how quickly the NRWS is in place will have an impact on how many replacement wells may be needed. Mr. Maish also provided information on the transmission mains that would be needed for any new wells, or for new storage facilities.

Mr. Stratton said that the total cost for the 2009 ten-year CIP projects is \$66,550,000 in 2008 dollars. The total cost could be reduced to \$45,000,000 if some of the projects were to be eliminated. The total cost for the 2005 bond election was \$28,000,000. Mr. Stratton explained that the cost of completing projects can increase dramatically over several years time. He asked for direction from the Board on whether the District should move forward now with a bond election in the spring, or wait until the City of Tucson and Pima County have done their bond elections. The Board unanimously agreed that the spring of 2009 would be the best time to go out for a new bond election. They pointed out that even if the District were to get approval from the voters that the current projects which are funded but not completed could be completed prior to actually spending any new monies. Mr. Stratton added that it would be best to continue funding the projects through the Water Infrastructure Financing Authority (WIFA) as the interest rates are much lower. Issuance of the bonds could occur during the summer of 2010.

Mr. Stratton talked about doing another customer survey to determine if the voters would support another bond election, noting that timing is critical if the Board wants to proceed with the survey. Mr. Offret believes that from prior history of customer support, he does not believe support for a

new bond election should be the primary focus of a customer survey. He would like to also see what the customers think about using Central Arizona Project (CAP) water as a renewable resource. Mr. Stratton explained that a survey regarding CAP may need to be a separate survey that would focus on a broader customer base.

This being the case, Mr. Offret does not feel that a survey just to determine voter approval of a bond election is necessary, and would prefer not to spend the money for the survey. Mr. Tripp said he is in favor of a voter approval survey for the bond election. Mr. Doyle said he believes conducting a survey is a proactive approach and would give the District a pulse on what the voters are thinking, and would like to move forward on the survey. Mr. Guillot was in favor of the survey, and suggested that instead of a telephone survey, a post card could be included in customer's bills for them to fill out and mail back. Ms. Scrivener agreed with Mr. Guillot, and thought that perhaps a mailer would draw more responses as some people hang up the phone when they are told that a survey is being conducted. Mr. Stratton said that a mailer would be far less expensive than a telephone survey, and District staff could analyze the information which would also be more cost effective.

Mr. Stratton asked for the Board's opinion of the dollar amount for the 2009 ten-year CIP, and whether the Board wanted to eliminate some of the projects to lower the amount from \$66.5 million to \$45 million. Mr. Guillot said he believes that the District should go for the full \$66.5 million now due to the increase in cost of materials and labor as time goes by. Mr. Offret asked if doing another five-year CIP would be better than the proposed ten-year. Mr. Stratton explained that due to staffing needs the ten-year CIP plan would ensure the District has enough staff to oversee the projects. Mr. Tripp said that he believes May of 2009 would be a better date for the bond election than March of 2009. Mr. Doyle said that he preferred the March 2009 date. Mr. Offret also agreed with the March 2009 date for the bond election, providing the customer survey could be completed in time. Mr. Stratton said that staff will have a customer survey package ready for Board's approval at the October 2008 meeting. However, the survey would have to be completed in November to call for a March 2009 bond election, and there may not be enough time.

IV. General Manager's Report

Mr. Stratton said depositions are being scheduled again for the lawsuit with Sun Western/Mariacher. Discussions also continue with Sun Western regarding the Northeast Booster station.

Mr. Stratton said District staff have had the first meeting with owners/managers of multi-family units. He was unable to attend the meeting; however, Christopher Hill, Deputy Manager, said the meeting was well attended and the discussions were productive. Having Gary Woodard and Val Little assist in the discussions has been a big asset.

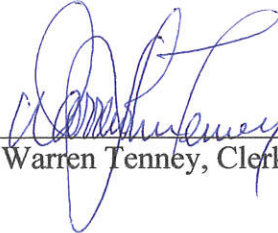
Mr. Offret asked if the Hub Well #7 issues have been resolved. Mr. Stratton replied that this issue has been resolved.

Mr. Stratton said discussion with Thim Water Utilities continue. Robin Thim would prefer that the District handle all of the title issues, and he will pay for the costs involved. The District is still waiting for the water quality test results. Mr. Stratton said a detailed report will be provided at the October 2008 Board meeting.

Ms. Scrivener noted that she may be unable to attend the October 2008 regular Board meeting and public hearing. Mr. Guillot explained that he may not be able to attend the regular Board meeting in October 2008 also.

VI. Adjournment

The study session adjourned at 6:44 p.m.



Warren Tenney, Clerk of the Board



Judy Scrivener, Chair of the Board