

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

March 10, 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
 L.G. Ovsevitz, 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, L.G. Ovsevitz, and James Tripp were present.

II. General Comments from the Public

There were no comments from the general public.

III. Consent Agenda

- A. Approval of Minutes – February 11, 2008 Board Meeting.**
- B. Ratification of Billing Adjustments.**
- C. Ratification of Bill of Sale – Alive Christian Church.**

Mr. Tripp made a motion to approve the consent agenda. Ms. Ovsevitz 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 usage was down during February 2008 compared to February 2007. Mr. Stratton briefly explained a recent report prepared by the District that was provided to Arizona Department of Water Resources (ADWR) which outlined the District's 2007 water usage, and the source of the water that was used.

Mr. Stratton explained how the carbon change-out process works at the South Shannon Treatment Facility, and why less water is currently being treated between carbon change-outs than when the treatment facility was first started up. Mr. Stratton said that as time goes by and more water is treated, there is the potential for materials to build up on the treatment system.

Charlie Maish, District Engineer, said the Northeast Reservoir still needs to be filled up with water. Most of the work has been completed at the reservoir, with some landscaping still taking place. Mr. Maish said that at the Northeast Booster Station, 3 out of the 4 booster pumps were functioning after they were re-constructed. The 4th pump failed and it was determined that a rag was lodged in the booster so it will be sent back to the supplier for repairs. It is anticipated that this will cause a delay in filling the Northeast Reservoir by 2 to 4 weeks.

Mr. Stratton said the Sabino Vista mainline replacement project is moving along quite well, with the major pipeline construction being completed next week. Once completed, staff will begin work on customer hookups.

Mr. Offret asked about the Hub No. 7 well abandonment. Mike Block, District Hydrologist, explained that ADWR has new staff that processed the District's well abandonment application and a rejection letter was mailed to the District after being verbally advised that it would be approved. Staff contacted ADWR and will be re-submitting the well abandonment application. Mr. Block said it is anticipated that the District will receive approval in 2 to 4 weeks.

Ms. Ovsevit asked whose water would be used to fill the Northeast Reservoir. Mr. Maish replied that the reservoir would be filled using Metro's water.

B. Financial Report.

Mike Land, Chief Financial Officer, explained that revenues are running slightly over projected amounts, while operating expenses are slightly under budget at this time. New meter applications continue to be down.

Ms. Ovsevit asked about the District's gasoline budget. Mr. Land said that thus far the District is still within budgeted amounts.

C. Change in Check Signing Limit.

Mr. Tripp made a motion to authorize a single signature of the General Manager, or a Board Member, be accepted on Metro Water District checks up to an amount of \$2,000. Ms. Ovsevitze seconded the motion.

Mr. Offret asked if in the future staff could provide statistics, such as the number of checks that fall into the category of \$2,000 and under. Mr. Land said approximately 50% of all checks processed by the District fall into that category.

Motion passed unanimously.

D. Discussion and Direction for Legislative Issues 2008.

Warren Tenney, Assistant General Manager, said the budget is currently taking most of the attention of the Legislature. However, legislation regarding SB 1326 to make a technical correction to the exempt well statute language is moving forward.

SB 1391 – CAP Revenue Bonds legislation is not moving forward.

HB 1044 – Underground Storage Facilities – is a striker that would allow ADWR to suspend or revoke a previously issued permit if it is found that the hydrology report for an underground storage facility or groundwater savings facility is flawed. This bill is not moving forward.

SB 1046 - Development Fees – requires that any develop fees put in by a municipality says the fee cannot be raised for 24 months. There is support for this bill; however, some of the municipalities are questioning this. This bill does not affect domestic water improvement districts.

E. Discussion of Possible Policy for Board Members Unable to Attend a Meeting.

Mr. Stratton said this discussion is to provide information on possible methods available for Board members to attend meetings when they are out of town.

Steve Glowacka, District Information Systems Analyst, explained that the first option would be to use a conference phone, without video. The second option is webcams, which requires a computer and high-speed internet connection be available to the Board member that is out of town. Option three would be to combine the videoconferencing with the ability to webcast the Board meetings, such as what Oro Valley currently has. This would be the most expensive of the options, and would have an initial cost of approximately \$30,000, with a monthly support cost of \$1,250. Mr. Glowacka noted that the first option of using a conference phone would be the most cost effective as it only requires a telephone by the absent Board member, and a new phone for the Board room. Mr. Offret asked who would be responsible for paying the cost of the call. Mr. Stratton said that the District could initiate the call and it would appear on the District's phone bill. Ms. Ovsevitze suggested that a phone card could also be used.

Ms. Scrivener asked if a Board member called in on the telephone to participate in a Board meeting how would it be recorded that the Board member participated. Andrea Gonzales, Legal Counsel, said that the meeting minutes would reflect that the absent Board member participated via telephone conferencing. She noted that the minutes should also indicate that there was a quorum without the out of town Board member's participation. The agenda would also need to notice that the Board member intends to attend the meeting via telephone.

Ms. Ovsevitv asked who would write the policy for Board members that were unable to attend a meeting. Mr. Stratton said staff would draft a policy at the Boards direction and submit the final document for Board approval.

Mr. Offret noted that he preferred the telephone option. Mr. Stratton suggested having both the telephone and the basic video conferencing available.

Mr. Tripp asked about the Attorney General's legal issues with webcams, and if there are any other problems that might arise. Ms. Gonzales explained that the use of any of the options may be abused, and the District needs to make sure that it is not. Mr. Offret suggested placing a limit on the amount of times during a year that a Board member could utilize the absenteeism participation in a meeting. Ms. Ovsevitv said she does not want this restriction placed in a policy.

Mr. Stratton said a draft copy of the policy would be sent to the Board members prior to the Board meeting to draw responses from the Board members to see if there are any conflicting issues. A final draft will be ready for the Board at its April 14, 2008 meeting.

F. Appointment to the Bond Oversight Committee.

Mr. Tripp made a motion to appoint Lee Mayes, Tim Thomure, and Bernie J.E. Wiegandt to the Bond Oversight Committee. Ms. Ovsevitv seconded the motion.

Mr. Offret said he was pleased to see a good response and interest from District customers regarding community involvement.

Motion passed unanimously.

G. Election of Directors for the District Municipal Property Corporation.

Mr. Tripp made a motion to elect Reb Guillot, Claire Strom, Tim Thomure, and District Board members Dan Offret and Jim Doyle to the District Municipal Property Corporation. Mr. Doyle seconded the motion.

Mr. Offret noted that he was honored and happy to be nominated to be on the Municipal Property Corporation committee.

Ms. Scrivener asked if the Board members that were nominated to be on this committee could vote on this item. Ms. Gonzales replied yes.

The motion to elect Reb Guillot, Claire Strom, Tim Thomure, and District Board members Dan Offret and Jim Doyle to the District Municipal Property Corporation passed unanimously.

H. Approval of Backhoe Purchase.

Mr. Tripp made a motion to approve the lease purchase of the new backhoe from RDO Equipment utilizing the HGACBuy program. Also, to authorize that the Ford Backhoe and the Liftall Fork Lift be used as trade-ins. Ms. Ovsevitze seconded the motion.

Mr. Offret asked if this backhoe would fit on the District's present trailer. Chris Hill, Deputy Manager, replied yes, and explained that the trucks have the capability of pulling the trailer. Mr. Offret asked what was budgeted this year for this item. Mr. Land said the District included monies in the budget for a payment structure during this fiscal year. Mr. Offret asked how the backhoe would get to the District. Mr. Land explained that RDO Equipment would deliver the backhoe and that the delivery price was already included. Mr. Stratton said when considering future vehicle and equipment purchases the District will be looking at this program more closely as it appears that it offers substantial savings.

Motion passed unanimously.

I. Approval of Funding Agreement with the Arizona Department of Water Resources for Subsidence Monitoring in the Tucson Active Management Area.

Mr. Tripp made a motion to approve the Intergovernmental Agreement between the Arizona Department of Water Resources and the Metropolitan Domestic Water Improvement District. The contract will expire on December 31, 2013. The District's contribution would not exceed \$1,000 annually. Ms. Ovsevitze seconded the motion. Motion passed unanimously.

V. General Manager's Report

Mr. Stratton reviewed some of the details regarding the recent break-in at the District. Janet Brown, District Risk Manager, is working closely with the insurance company to receive reimbursement for the damaged/stolen property. The vehicle that was stolen sustained damage. Staff has looked at additional security measures, and stepped up purchase/enforcement of those items that were identified. Staff has also reviewed security at the District well sites. Mr. Stratton noted that Tucson Water was also recently a victim of a break-in with a substantial amount of items taken. Mr. Stratton said staff is somewhat frustrated with the Sheriff's Office for their lack of and/or slow response in addressing the District's break-in.

Mr. Offret said it is frustrating that the quality of the District's video may not be what it could be. Mr. Stratton said staff is looking closely at the equipment the District is currently using. Mr.

Glowacka noted that the camera did record items fairly well; however, at one point a tree was partially blocking the view. He explained that the video recording on the cameras has been increased to 30 frames per second which will bring it into real time and make the video clearer. Ms. Ovsevitc also shared her disappointment with the slow response of the Sheriff's Office.

Mr. Stratton said that staff will have a draft budget completed in time for a study session later this month. He explained that staff would like to review all the operating costs at the first study session, and then review all capital items at another study session.

Mr. Stratton noted that representatives from Dana Kepner have asked that they be allowed to demonstrate meters with new technology to staff and the Board. He asked that if any Board members are interested in viewing the demonstration to please contact staff.

Mr. Stratton explained that Pima County and City of Tucson have reached an agreement regarding regional water issues. He said that he has been asked to serve on the Oversight Committee to review the proposed scope of work related to this agreement. Mr. Stratton said at this point in time he has not personally heard from other entities, but it is his understanding that some towns are not happy with being excluded from the discussions between the City and County.

The managers involved in the partnership of a CAP treatment facility continue to meet once a month to discuss issues and planning. Mr. Stratton said discussions have slowed somewhat since the Town of Marana is currently in negotiations regarding the purchase of a water system. The partnership recently learned from the Bureau of Reclamation that property for a treatment facility will have to be purchased. This was an item that was not anticipated.

Mr. Hill mentioned the recent news articles regarding pharmaceuticals being detected in some groundwater. He said that although the District has not detected any in the past, it should test for them, even though the District is not required to provide the information to its customers. Mr. Hill said staff will determine what the costs will be for testing and provide that information to the Board.

Mr. Land explained that the Board had previously asked staff to determine if gasoline cards could be provided to employees so that they could receive the same gasoline discounts that the District receives. He said that because of the federal excise tax laws employees are excluded from the availability of this gasoline discount.

Mr. Stratton noted that the annual review is due in April 2008 for the general manager. Mr. Tenney will provide the Board with the necessary paperwork for the review.

Mr. Hill said the VSEP training is scheduled for March 17-23, 2008. He invited interested Board members to attend and will provide them with additional information when it becomes available.

VI. Legal Counsel's Report

Ms. Gonzales said AzWARN negotiation documents, which were previously approved by the Board, have been brought in for the Board's signature. She noted that the ADWR agreement regarding subsidence monitoring was reviewed by Michael McNulty and he approved of the agreement. Legal Counsel is also working on the asset purchase agreement and will have a draft available soon. Ms. Gonzales said that Legal Counsel will also review the open meeting laws regarding absent Board members.

VII. Future Meeting Dates; Future Agenda Items

The next regular meeting of the Board of Directors is Monday, April 14, 2008 at 6:00 p.m. A study session has been scheduled for March 24, 2008 at 5:30 p.m. Mr. Tenney provided the Board with a draft copy of the proposed 2008-2009 Operating and Maintenance budget.

VIII. General Comments from the Public

There were no comments from the public.

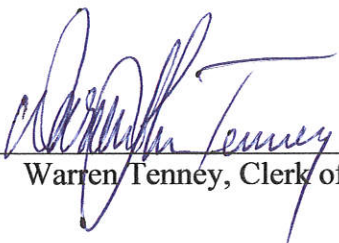
Ms. Ovsevitv said she wanted to comment as a citizen, and apologized for asking about gasoline cards for employees saying she did not want the District to consider or do anything illegal. However, she does want staff to check into this item further.

Ms. Ovsevitv noted that the Board was in receipt of a copy of a letter from a customer dated February 18, 2008. She asked if the District was going to respond to the letter. Mr. Stratton explained that he does not believe the writer was requesting a response, and added that typically the District does not respond unless specific questions are asked.

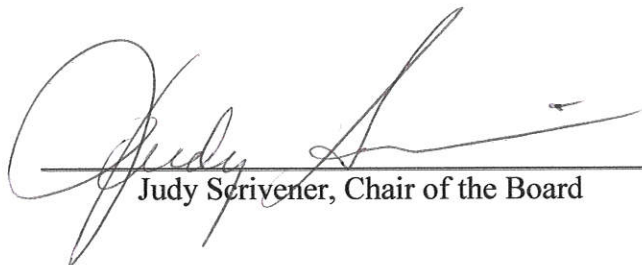
Mr. Offret asked about new water conservation language. Mr. Stratton explained that in the past methods of saving water has been considered as conservation; however, more recently utilities have been looking at ways to be more efficient in using water. Most utilities across the country like this language better, and it makes more sense to get people in the mindset of efficiency in personal water usage.

IX. Adjournment

The meeting adjourned at 7:10 p.m.



Warren Tenney, Clerk of the Board



Judy Scrivener, Chair of the Board