

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

February 11, 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
 Lauretta Ovsevitz, Member
 James Tripp, Member

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

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 6:02 p.m. Judy Scrivener, Dan M. Offret, Jim Doyle, Lauretta 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 – January 14, 2007 Board Meeting.**
- B. Approval of Minutes – January 28, 2008 Study Session.**
- C. Ratification of Billing Adjustments.**
- D. Ratification of Bill of Sale – Ina Medical & Dental Center.**
- E. Approval of Water Service Agreement – Villas on Shannon Ridge.**

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 that during the month of January 2008 the District produced more water than in January 2007. The revenues continue to be on track with budgeted amounts, as do expenditures.

Mr. Stratton noted that the carbon change-out at the South Shannon treatment facility has been occurring with less water flow passing through the system. Christopher Hill, Deputy Manager explained why the carbon filter system has not been lasting as long as the first carbon filter. He noted that this is a two-filter system, and when a change-out occurs, there is some residual VOC's in the system that immediately enter the filter system. Mr. Hill explained that this was to be expected.

Mr. Stratton said the only remaining item to be completed at the Northeast Reservoir is the hydro seeding which should be completed within the next few weeks. At the Northeast Booster Station, the bearings on the pumps are being repaired/replaced at this time. Charlie Maish, District Engineer, said the pumps have been repaired and are being re-coated. It is anticipated that the pumps will be re-installed at the end of this week. Testing of the booster station will begin next week. Mr. Stratton said that if all goes well with the testing, the booster station will begin filling up the reservoir.

Mr. Stratton said work continues on the Sabino Vista Mainline Replacement.

Ms. Ovsevitz asked about the water that was originally placed into the Northeast Reservoir for leakage testing, and what became of that water. Mr. Maish said most of the water was used in the backfilling process for covering the Northeast Reservoir. Some of the water was used in construction processes for flushing new transmission pipelines.

Ms. Ovsevitz asked about the remaining District bottled water and the name of the persons within the schools that the water was given to. Randy Collyer, Inventory Specialist, said that he could not immediately recall the names of the persons who took possession of the water; however, that information could be provided at a later date.

B. Financial Report.

Mike Land, Chief Financial Officer, said revenues were slightly over budget at the end of December 2007, and the expenditures were 6.19% under budget.

Ms. Ovsevitv thanked staff for their quick and immediate response to issuing a check in January 2008.

C. Discussion and Direction for Legislative Issues 2008.

Susan Charlton, District Lobbyist from Gallagher & Kennedy, thanked Metro Water for their continued business. She explained that the State Legislators are busy attempting to fix the budget shortfalls. Arizona Department of Water Resources (ADWR) budget will be affected by the anticipated budget cuts. Ms. Charlton said that today was the last day to introduce new bills; however, there are a number of bills that can still be amended as they move through the process.

Ms. Charlton explained that in the House, Representative Mason has decided to place her focus less on water and more on solar energy and encouraging green development; therefore there are very few water bills, if any, in the House that are of concern. Ms. Charlton provided brief updates on the current water legislation.

HB 2141 Home Sales: Water Supply Disclosure, HB 2142 Property: Disclosure, Water, and HB 2144 Land Divisions: Water Requirements, are all introduced by democrats. They all require realtors to disclose to the buyer whether or not there is an adequate water supply on the property. Traditionally, the Realtor Association has killed these bills. However, HB 2141 was held for a time, but is not anticipated to go any further.

HB 2310 Exempt Wells: Active Management Areas – the bill would further restrict exempt wells. Ms. Charlton said this bill will not move forward.

HB 2406 County Auction: Easement Exemption – this bill could be helpful to the District. It allows the unanimous consent of the County Board of Supervisors to grant easements on county property for public purposes to a utility without public auction.

HB 2706 Pricing: Abnormal Market Disruption; Emergencies – would prohibit unconscionable pricing or hoarding of essential goods or services during a declaration of a state of emergency by the president of the United States or by the Governor. This bill would also establish the Consumer Education Revolving Fund, which includes water. Ms. Charlton does not believe this bill will go anywhere.

HB 2771 Interstate Water Transfer Fees – Ms. Charlton said this bill only affects the northern part of the state and would authorize ADWR to charge a fee to transfer water from Arizona to out of the state.

HB 2772 Groundwater Transfers: Drought Emergencies – this bill appears each year.

SB 1029 AMA Water Districts: Conflicting Versions – repeals a 1993 law regarding the election of the at-large member of active water management areas that conflicts with another law passed that

year. Ms. Charlton said that they will be watching this bill to make sure that no amendments are placed on it as it moves through the process.

SB 1298 Well Driller: Continuing Education – this bill was killed last year in the Senate because they did not believe well drillers needed any education.

SB 1326 Exempt Wells; Internal Reference Corrections – fixes incorrect statutory references.

SB 1391 CAP Revenue Bonds – would authorize the CAP to issue revenue bonds to cover the costs of replenishment, including acquisition of water, water rights and effluent. Ms. Charlton said this may turn into a two-session issue, as there are several water utilities that have concerns with the logistics of how this will be done.

SB 1403 County Water Adequacy Standards: Vote – this bill would create a requirement that a unanimous vote of a County Board of Supervisors would be necessary to adopt water adequacy standards outside of AMAs. This bill was introduced last year.

SB 1404 Water Resources: Regional Planning – this bill was also introduced last year.

SB 1439 Water: Industrial Use Permits – this bill has to do with dairy farms. Basically, if a dairy farm is located within 3 miles of a water provider's district, they have the right to come to the water provider and ask that they be provided water. The water provider would determine what the cost would be to supply the water to the dairy farm. The dairy farmers believe they are being left in limbo and that the water providers do not want to provide water to them. This bill says that water providers must respond to the dairy farmers one way or another of their intentions within a certain time frame. If water is not provided, the dairy farmers would be able to withdraw their own groundwater. Ms. Charlton said this bill in particular affects areas surrounding Phoenix, and will get a hearing.

SCR 1009 Public Agency Lobbyists – this bill prohibits the state and its departments and all political subdivisions, including DWIDs, from hiring lobbyists. This bill will not move forward.

D. Dedication Ceremony for the James M. Tripp Reservoir.

Mr. Stratton said that Wednesday, March 26, 2008 has been chosen for the dedication ceremony. Immaculate Heart School will be on spring break during this time, allowing the District to utilize its parking lot for the attendees. He explained some of the details of the dedication ceremony, and who the potential invitees would be. The Board agreed to keep the ceremony simple. Ms. Ovsevit asked about the width and circumference of the driveway. Mr. Maish replied that he did not know. Ms. Ovsevit asked how many guests could be accommodated at the school parking lot. Ms. Maish said there were approximately 100 parking spaces. Ms. Ovsevit asked about seating and Mr. Stratton explained that chairs would be provided. He noted that a tent would also be available for refreshments. The ceremony will take approximately one hour and it is anticipated that it will begin at 10:00 a.m. Mr. Tripp noted that he would like the ceremony to be kept simple. Mr. Stratton

explained that if Board members have a list of persons they would like invited, to provide that information to Alice Stults. Ms. Ovsevitz said she would like to see a brochure provided to attendees that contained pictures of the site.

E. Update and Direction Regarding Office Building Improvements and Maintenance.

Warren Tenney, Assistant General Manager, noted that staff has been working on addressing concerns regarding the District's office building. One of the concerns was regarding storage space and the records retention program. Mr. Tenney said that a records retention program has been submitted to the State of Arizona Library for comments and final approval. Only records that are required will be kept.

Mr. Offret asked if the back-up server would be put in a potential storage room. Mr. Tenney replied no, and noted that the back-up server needs to be kept in an environmentally controlled area. Mr. Tenney noted that it is staff's recommendation to put the back-up server in a manufactured office building that would be placed inside the warehouse, which would also provide an office space for the Inventory Specialist. The total cost would be approximately \$11,000. Mr. Tenney also noted that staff is currently working on ideas on how to better utilize the crew room located in the warehouse.

Mr. Tenney said that the roof of the office building has also been discussed, mainly due to problems with it leaking. The roof is a flat metal roof. Staff has had a difficult time finding companies that would be willing to work on the roof. Mr. Tenney said that several companies that provided information suggested that the building be re-roofed. The proposal that was received from Roof USA, the company that would be willing to do the work, indicated the cost would be \$78,154 and would come with a 20-year warranty. Ms. Ovsevitz asked how old the current roof is. Mr. Stratton explained that the building and roof is approximately 9 years old, and the current roof had a 2-year warranty. Mr. Tenney noted that the new roof would come with a 20-year warranty because they would be constructing a build-up of the current roof, which would not be metal. Mr. Offret said he had concerns with a new roof leaking. Mr. Land explained the process involved with the construction of a new roof. Staff will continue to check alternatives and references for Roof USA.

Mr. Stratton noted that at this time staff was just seeking direction on whether the Board was interested in pursuing the concept of a cover or new roof for the office building. The Board agreed that staff should pursue roofing options.

F. Status of Treatment Grant Studies for the Northwest Central Arizona Project Water System.

Mr. Hill explained that Wendell Ela of the Chemical and Environmental Engineering Department at the University of Arizona, was present to provide an update of the Science & Technology (S&T) project and grants. Mr. Ela noted that eventually all of the Tucson area will have to use its full allotment, or 100%, of CAP water in order to meet growing demands. The purpose of the project is

to address the salt in the CAP recharge and groundwater. For inland areas, the only option at this point in time to eliminate the salt is reverse osmosis membrane. Mr. Ela explained the reverse osmosis membrane process. Using the current reverse osmosis processes, only about 85% of recovery is obtainable, and the remaining 15% of water is not usable. The biggest challenge is being able to recover 100%, and the current pilot study is being conducted to address this issue. Mr. Ela also explained the various membrane treatment studies previously conducted, noting what worked and what did not work, and the grant monies that were provided for those studies.

Ms. Ovsevitz asked about the halophyte plants that are used in the treatment process. Mr. Ela explained that a variety of salt tolerant plants can be used, and provided information on who Ms. Ovsevitz could contact in order to receive additional information on the plants.

Mr. Ela said the newest technology being considered and grant money provided for is Vibratory Sheer Enhanced Process (VSEP). He explained how this process works, and that by using VSEP approximately 90% of the reverse osmosis waste would be utilized. It is anticipated that VSEP should be up and running at the S&T site in approximately one month. Mr. Ela briefly explained the current and anticipated studies that will be conducted at the site. He also indicated that studies will be done to determine if the salts that are extracted may be able to be put to use in other areas. Studies will also be conducted to determine if corrosion may be a factor in affecting infrastructure.

V. General Manager's Report

Mr. Stratton provided an overview of the functions of the Municipal Property Corporation (MPC). He noted that staff will be bringing information to the Board on its recommendation for renewing the leadership for the Municipal Property Corporation in anticipation of potential financing of other assets the District may be interested in acquiring. Mr. Stratton asked that Board members provide him with recommendations of persons with financial backgrounds that may be interested in serving on the MPC.

Mr. Stratton said there are a number of various state and regional meetings taking place. Staff is attempting to either attend these meetings or at least monitor them so that the District has an information highway to keep abreast of current issues.

Mr. Stratton said the AWPCA Training Session that occurred this past week focused on "branding" and helped to put things into context regarding utilities and where the focus should be for the future of the AWPCA organization. Mr. Stratton said the potential exists to have a person look at "branding" for Metro Water to provide feedback on its potential and the direction it is headed. Staff will keep the Board informed as to any progress in this area.

VI. Legal Counsel's Report

Andrea Gonzales, Lewis & Roca, said she had nothing new to report at this time.

VII. Future Meeting Dates; Future Agenda Items

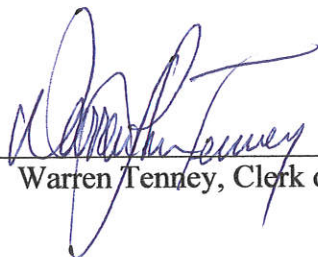
The next regular meeting of the Board of Directors is Monday, March 10, 2008 at 6:00 p.m. The Board agreed to take a tour of the S&T site on Wednesday, February 20, 2008 at 9:00 a.m.

VIII. General Comments from the Public

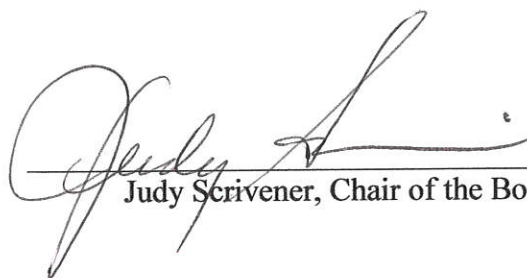
There were no comments from the public.

IX. Adjournment

The meeting adjourned at 7:32 p.m.



Warren Tenney, Clerk of the Board



Judy Scrivener, Chair of the Board