

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

February 12, 2007

**** Board Room ****

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

MINUTES

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

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 5:05 p.m. Judy Scrivener, Dan M. Offret, Jim Doyle, Laretta Ovsevit, and James Tripp were present.

Mr. Tripp made a motion to adjourn into executive session. Mr. Offret seconded the motion. Motion passed unanimously.

Executive Session pursuant to A.R.S. § 38-431.03 (A)(1) (discussion or consideration of personnel matters), A.R.S. § 38-431.03 (A)(3) (consultation for legal advice with District Legal Counsel) and A.R.S. § 38-431.03 (A)(4) (consultation with Legal Counsel regarding contracts that are in pending or contemplated litigation or in settlement discussions conducted in order to avoid or resolve litigation) regarding the following:

- A. Condemnation Action of Property for Metro-Hub Well No. 7.**
- B. Partnership for Acquisition and Construction of Waterworks.**
- C. General Manager's Quarterly Review.**

II. Adjournment

The executive session adjourned at 6:08 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 6:09 p.m. Judy Scrivener, Dan M. Offret, Jim Doyle, Laretta Ovsevit, and James Tripp were present.

II. General Comments from the Public

There were no comments from the general public.

III. Presentation to Dan B. Williams of the Bond Oversight Committee

Ms. Scrivener presented Dan B. Williams with a plaque commemorating his service on the Bond Oversight Committee. Mr. Williams served on the Committee since 1997, and retired his position in January 2007. While serving on the Committee, Mr. Williams oversaw the District's first Capital Improvement Program as well as its most recent Capital Improvement Program. Mr. Williams was one of the original members on the Bond Oversight Committee. Ms. Scrivener thanked Mr. Williams for his service on behalf of the Board, and the District and its customers

IV. Consent Agenda

- A. **Approval of Minutes – January 8, 2007 Board Meeting.**
- B. **Ratification of Billing Adjustments.**
- C. **Ratification of Bill of Sale – C&W National Property, L.L.C.**
- D. **Approval of Water Service Agreement – The Hills at Tucson National, Lots 1-20.**
- E. **Approval of Water Service Agreement – Shannon Estates, Lots 1-56.**

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

V. General Business – Items for Discussion and Possible Action

- A. **Monthly Status of the District.**

Mark Stratton, General Manager, said that water production is down compared to the previous month, or during the same time last year. Therefore, revenues are below projected budget amounts

for the year. Mr. Stratton said staff will continue to keep an eye on the revenues versus expenditures.

Mr. Stratton said work on the Northeast Reservoir is on schedule. Work on the Northeast Booster Station is running a little behind schedule. The District is looking at possibly working with Tucson Water to assist in the completion of this project. Mr. Stratton also explained that the Magee Road transmission main project has been completed. At this point, there is just vegetation work left to complete. The First Avenue transmission main has been sent out to bid, and is anticipated to be on the March 2007 agenda for the Board's consideration.

B. Financial Report.

Mike Land, Chief Financial Officer, said the District is considering changing its third party vendor for on-line payments as staff has located another vendor that would be less expensive. There would be a changeover fee but the cost would be minimal.

Mr. Land said the District is at a break-even point with revenues and expenditures for the first six months of the current fiscal year. Even though revenues continue to be down, they are keeping in pace with expenditures.

C. Appointment to the Bond Oversight Committee.

Mr. Tripp made a motion to appoint Jeffrey Ratje to the Bond Oversight Committee. Ms. Ovsevit seconded the motion. Motion passed unanimously.

D. Discussion and Direction for Legislative Issues 2007.

Susan Charlton, District lobbyist from Gallagher & Kennedy, provided the Board with updates on current legislation issues.

HB 2321 – Water; Adequate Supply; Municipalities. This bill applies to areas outside active management areas (AMAs) and will not affect the District.

HB 2484 – Well Impacts; Contamination. This bill came from the Statewide Water Resources Advisory Group (SWAG). The bill would give the Director of the Department of Water Resources the authority to deny drilling of wells if they would likely cause migration of contaminated groundwater. This bill has been introduced in the House and Senate.

HB 2486 – Special Districts; Road Improvements. A strike everything amendment has been prepared, and it does not look like this bill will move forward.

HB 2625 – Water Supply; Residential Property; Disclosure. This bill provides that prior to the close of escrow, sales agents must let the buyer know the water status on the property. It appears that this bill is dead.

HB 2664 – Water; Interstate Transportation. This bill addresses pumping water from one state to another, across borderlines. It has passed out of the House Water and Agriculture Committee.

HB 2692 – Water Supply Development Revolving Fund. This bill would provide financial assistance to water providers in areas that lack sufficient water supplies. It has been referred to the House Water and Agriculture Committee.

HB 2693 – Water Adequacy Provisions. Subdivisions would not be able to sell lots if there were inadequate water supplies. This bill would allow a municipality or county to decide if they want to require an adequate water policy. The bill has been referred to the House Water and Agriculture Committee.

SB 1077 – Property Tax Valuation; Water utilities. This bill would cap the property tax valuation for private water providers. Ms. Charlton said the bill will probably not go anywhere.

SB 1119 – Water; Overlapping Service Area Providers. Prohibits a city or town to regulate or establish ordinances for a landowner if the water service is overlapping. The bill will probably not go forward.

SB 1182 – Summerhaven Fire; Assured Water Supply. This proposed legislature would establish that subdivided lands in Summerhaven would be exempt from the requirement that a certificate of assured water supply be necessary. This bill has passed the Senate.

SB 1193 – Water; DWR; Adjudication Support; Appropriation. This bill would appropriate \$1 million plus money for 12 full time employees from the general fund to specifically work on the Indian adjudication process. It has passed the Senate.

SB 1441 – Water Quality Assurance Revolving Fund (WQARF). This bill would result in additional funding for WQARF. It has been referred to the Senate NRRA.

SB 1508 – Water Resources; Regional Planning. Currently working on amendments for this bill.

SB 1557 – Water; Municipal Conservation Requirements. This bill would revisit the ADWR requirements for water conservation for municipal water providers. This bill is moving along.

SB 1570 – Water Critical Area Pilot Districts. This bill has been turned over to a study committee.

SB 1608 – Water Supply Development Fund Committee. The bill is in debate.

SB 1609 – Water; Adequacy Program Provisions. This bill is also in debate.

SB 1638 – Water ; Wells; Groundwater Contamination. This bill allows that ADWR must not approve an application to drill a well if it will likely cause migration of contaminated groundwater from a remedial site. The bill has been introduced in the House.

HB 2489 – Domestic Water Improvement District. This bill clarifies the statutes regarding domestic water improvement districts (DWIDS). It would allow DWIDS to become a wastewater improvement district after holding a hearing and receiving 51% approval from the property owners. The bill is currently moving along.

Mr. Tripp made a motion to approve support of HB 2489 regarding DWIDS, and SB 1577 regarding the municipal provider conservation program. Ms. Ovsevit seconded the motion. Motion passed unanimously.

E. Office Hours.

Mr. Tripp made a motion to approve the business hours for the District office to be 7:30 a.m. to 5:30 p.m. Monday thru Thursday and 7:30 a.m. to 12:00 p.m. on Friday beginning April 5, 2007 and to adopt the policies regarding business hours and holidays as described in this report. Ms. Ovsevit seconded the motion. Motion passed unanimously.

Mr. Stratton noted that after review of the proposed policy there would be minor changes affecting the language only of the policy. The meaning and intent of the policy would not be altered.

F. Authorization to Condemn Property for the Purpose of Gaining an Easement to Install a 16-inch Transmission Main along the Northerly and Easterly Edges of 7600 North Avenida De Lisa.

Mr. Tripp made a motion to approve to proceed with condemnation proceedings of the Strober property if easement negotiations cannot be completed prior to the planned construction of the First Avenue Transmission Main. Ms. Ovsevitz seconded the motion.

Charlie Maish, District Engineer, explained that he talked to the property owner last week and that negotiations have begun to move quite well. Mr. Offret noted that there are several saguaro's on the property. Mr. Stratton said they would be taken care of.

Motion passed unanimously.

G. Broadband Wireless Radio Network Implementation Schedule.

Mr. Stratton noted that the Board previously asked to be kept up-to-date on this project. Steve Shepard, Utility Superintendent, provided an update and explained how the wireless communication between the sites would work. There will be five critical path sites (primary sites) with video recorders on the sites. Mr. Shepard said it is possible to incorporate the SCADA system with the wireless radio network. The first phase of this project would begin with installing the system at the District office. As funds become available, it would be extended out to the other hubs and substations. Mr. Shepard explained that in the Metro-Hub service area another transmitter source would need to be established. The District has applied for grant funding from the Department of Homeland Security for the project and should know by July 2007 if it will receive funding.

Mr. Tripp asked if the District receives funding from the grant, would this allow the District to move up project timelines. Mr. Shepard replied yes, the District will move forward as fast as funding allows.

H. Award of the Construction Contract for the Drilling, Installation, and Testing of the Riverside Crossing Production Well.

Mr. Tripp made a motion to award the construction contract for the Drilling, Installation, and Testing of the Riverside Crossing Production Well to AZCA Drilling & Pump, Inc. in the amount of \$474,012.00 (Alternative A). Also, to grant the General Manager authority to approve the following changes to the construction contract: 1) allocate additional funding accumulative amount not to exceed \$25,000 and 2) increase the original construction contract term accumulative amount not to exceed 60 calendar days. Any changes in excess of the above limits will be submitted to the Board of Directors for approval. Ms. Ovsevitz seconded the motion.

Mr. Offret noted that this contractor may need additional oversight. Mr. Stratton agreed. Mike Block, District Hydrologist, said that additional monies may be needed to complete the project; however, since there was such a large difference in bid amounts the project would still be in line with budgeted amounts.

The motion to award the construction contract for the Drilling, Installation, and Testing of the Riverside Crossing Production Well to AZCA Drilling & Pump, Inc. in the amount of \$474,012.00 (Alternative A). Also, to grant the General Manager authority to approve the following changes to the construction contract: 1) allocate additional funding accumulative amount not to exceed \$25,000 and 2) increase the original construction contract term accumulative amount not to exceed 60 calendar days. Any changes in excess of the above limits will be submitted to the Board of Directors for approval passed unanimously.

I. Award of Agreements for Rehabilitation of Lambert/La Cholla Well.

Mr. Tripp made a motion to approve the Agreement with Downhole Fluidics, Inc. for well rehabilitation work at Lambert/La Cholla Well for an amount not to exceed \$4,875. Also, to approve the Agreement with California Well Renovations for well rehabilitation at Lambert/La Cholla Well for up to \$19,250. Ms. Ovsevitv seconded the motion.

Mr. Offret asked about the screen in the well being smeared with clay, and asked if the proposed procedure would still work in spite of the presence of clay. Gary Burchard, Hydrologist, replied yes, and noted that the procedure works with vibration and should shake the clay loose from the screens.

Motion passed unanimously

J. Consultant Selection for Metro-Hub Water Supply Exploration Services Contract.

Mr. Tripp made a motion to approve the selection of Clear Creek Associates for Metro-Hub Water Supply Exploration Services Contract. If contract negotiations are unsuccessful with Clear Creek Associates, then District staff should proceed with contract negotiations with Golder Associates, Inc. A final contract and fee schedule will be presented to the Board for approval. Ms. Ovsevitv seconded the motion. Motion passed unanimously

K. Update of District's Automated Groundwater Level Recording Program.

Mr. Burchard explained how the monitoring equipment works, and showed the Board the equipment that will be used. He noted that the water level recordings will be very accurate. Mr. Stratton said that this will give the District a more accurate picture of the changes in the aquifer. The monitoring equipment will be used in inactive wells only.

L. Update on Science & Technology Study of Reverse Osmosis and Halophytes.

Chris Hill, Deputy Manager, provided the Board with the latest information on what is happening at the Science & Technology (S&T) site. He explained that a more in-depth presentation will be provided to the Board at a future date and time.

Mr. Offret asked how the halophytes are disposed of. Mr. Hill said the halophytes could be used as a supplement to cattle feed, and also has the potential to be used for ethanol. Mr. Hill suggested that Board members may want to take a tour of the site again at their convenience.

VI. General Manager's Report

Mr. Stratton said that the dedication ceremony for the South Shannon treatment system will take place tomorrow morning at 10:00 a.m. Parking is limited at the site so Board members that plan on attending may want to take a shuttle bus from the District office.

Mr. Stratton said all the partners are working to keep the Northwest Central Arizona Project Water Treatment and Delivery System project moving along. The partners are hoping to have the cost estimate study completed by May 2007. Funding is a major issue and the District has a consultant looking at what the financial impact would be to the District. Mr. Stratton said he has met with Joe Herrick, consultant, to determine if he would be interested in representing the Northwest Providers in Washington DC to lobby with delegates to secure monies for this project.

Mr. Offret mentioned the tour of the Colorado River and dam that he went on a couple of years ago, and if it would be continued this year. Mr. Stratton said he will keep the Board apprised of any opportunities to attend this tour which should occur later in the spring.

Mr. Stratton said staff is working on the 2007-2008 budget and study sessions will begin in March to review the draft budget with the Board. He noted that on Wednesday District staff will meet with Pima County to discuss road projects they are doing that may affect the District.

Mr. Stratton said regarding the Pima County license agreement, the District did not get everything it would have like, and staff would like to see some language changes in the agreement. Staff and District's Legal Counsel are looking at the statutes to see if there are any provisions that may help or benefit the District.

The District recently received Workers Compensation dividends based upon its safety record. Mr. Stratton said staff is hoping to see additional money in the future. Ms. Ovsevitv asked how the employees have been commended for creating a safe working environment. Mr. Stratton explained that the District has just begun a more formalized safety program and is still in the planning stages. Ms. Ovsevitv suggested using the dividends as incentives for employees to keep the workplace safe. Mr. Stratton said he will provide this information to the Risk Management Specialist.

Mr. Stratton said that during the rehabilitation of the DeConcini storage tank, staff found more deterioration than expected. Mr. Shepard explained that light blasting of the floors produced some holes. Staff is looking at options to repair the floor, and the deteriorating rafters.

VII. Legal Counsel's Report

Michael McNulty, Lewis & Roca, said that Pima County suggested that the District have a franchise with them regarding right-of-way issues. Legal Counsel did not see the need for a franchise. Mr.

McNulty said that two weeks ago, Pima County put this item on the Board of Supervisors agenda, and Mr. McNulty interceded on behalf of the District. He noted that the County has been aggressive on the right-of-way issues and the District does not have a lot of leverage on these issues.

VIII. Future Meeting Dates; Future Agenda Items

A study session will be held on February 26, 2007 at 5:00 p.m. The next regular meeting of the Board of Directors is Monday, March 12, 2007 at 6:00 p.m.

IX. General Comments from the Public

Mr. Burchard mentioned his dissatisfaction with state law preventing entities from considering cost as well as other qualifications when receiving professional service proposals. He noted that he believes public entities should be able to look at cost as well as other qualifications when reviewing bids.

X. Adjournment

The meeting adjourned at 7:28 p.m.

Judy Scrivener, Chair of the Board

Warren Tenney, Clerk of the Board