

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

January 12, 2009

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

MINUTES

Board Members Present: Dan M. Offret, Vice Chair
Jim Doyle, Member
Bryan Foulk, Member
Reb Guillot, Member
James Tripp, Member

District Staff: Mark Stratton, General Manager
Abbe Goncharsky, Legal Counsel
Warren Tenney, Clerk of the Board
Alice Stults, Recorder

Regular Session

I. Call to Order and Roll Call

Dan M. Offret, Vice 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. Dan M. Offret, Jim Doyle, Bryan Foulk, Reb Guillot, and James Tripp were present.

II. General Comments from the Public

There were no comments from the public.

III. Presentation – Michele Von Roth – Employee of the Year

Mr. Offret acknowledged Michele Von Roth as being Metro Water's 2008 Employee of the Year. Michele was presented with a plaque that is on display in the office lobby. Michele was nominated by her peers, and has been with the District for almost 2 years. Working as an Office Assistant in Customer Service, Michele is responsible for being the primary phone receptionist and is typically the first contact for customers coming into Metro's office. The Board thanked Michele for a job well done.

IV. Consent Agenda

- A. Approval of Minutes – December 8, 2008 Board Meeting.**
- B. Ratification of Billing Adjustments.**

Mr. Tripp made a motion to approve the consent agenda. Mr. Guillot seconded the motion.

Mr. Offret asked about the billing adjustments and the broken service line a customer experienced for three months. He asked if the customer was occupying the house during this occurrence. Mike Land, Chief Financial Officer, replied yes, and noted that the customer did not question the amount of usage until the third month. Mr. Land also explained that another customer received an adjustment because the pool in the homeowners association had to be drained for health reasons.

Motion passed unanimously.

V. General Business – Items for Discussion and Possible Action

- K. Election of Chair and Vice-Chair for the Board of Directors.**

Mr. Tripp made a motion to nominate Jim Doyle as Chair of the Board of Directors for 2009. Mr. Foulk seconded the motion. Motion passed unanimously.

Mr. Foulk made a motion to nominate James Tripp as Vice Chair of the Board of Directors for 2009. Mr. Guillot seconded the motion. Motion passed unanimously.

- A. Monthly Status of the District.**

Mark Stratton, General Manager, said water usage continues to be down although the annual rainfall continues to be less than average. He noted that there are a number of vacancies in houses and/or apartment complexes which has brought down the amount of water usage, along with successful conservation efforts. Other local entities are experiencing lower water usage also. Mr. Stratton said District staff will be conducting a study to determine how many residences within the District are empty but have water connections.

Mr. Stratton said the South Shannon Treatment Facility has been temporarily shut down. There was a problem in getting a replacement carbon for the GAC unit. It is anticipated to be brought back on line in the next few weeks.

The Oracle Foothills No. 6 Phase I Mainline Replacement project should be completed by the end of the month. Final paving will wait until this spring.

Mr. Tripp asked what 68 oil was. Christopher Hill, Deputy Manager, explained that it is oil used on the well motors.

B. Financial Report.

Mr. Land noted that the Board was provided with St. Vincent de Paul information regarding how the \$5,000 donated by the District would be used for an assistance program for customers that could not pay all or a portion of their water bill. He explained that St. Vincent de Paul will update the District at six-month intervals on the progress of the assistance program and how the District funds are being dispersed.

Mr. Land said that District revenues are down due to the lack of water sales and new meter connections. Revenues through the end of November are down \$356,000 compared to the amount budgeted for 2008-2009. Expenditures are under budget by approximately \$406,000.

C. Clifton Gunderson Post Audit Letters.

Mr. Land said that Clifton Gunderson provided the District Board with two letters after they had completed the audit. The first letter to the Board indicated that there were no significant issues identified with the budget during the audit. The second letter is a standard letter that would outline any deficiencies in internal controls after completing the audit. Mr. Land reviewed the minor issues and noted that changes will be made prior to next year's fiscal audit.

Mr. Offret asked about the Caselle software program that is used to track customer accounts and financial information, and wants to make sure that in the future if a new program is considered by staff he wants the Board to be notified of any possible problems in advance. Mr. Land said the issue was with the fixed asset portion of the software program, and this will be addressed with an upgrade of the Caselle program.

D. Compensation for Board Members.

Mr. Offret said he is happy and content serving on the Board on a volunteer basis and does not believe the compensation for attending Board meetings needs to be increased from the current amount of \$25.00. These amounts are allowed for in the Arizona State Statutes. Mr. Tripp agreed, and indicated that he is also happy with the current compensation for attending Board meetings. New Board member Mr. Foulk said he did not realize there would be compensation paid to Board members, and is fine with the amount. Mr. Foulk mentioned that since Mr. Guillot has to drive so far from the Metro-Hub service area it might be considered that he be given an additional amount. Mr. Stratton explained that staff would look at possible compensation for mileage for Board members. Mr. Doyle said he believes mileage compensation may be possible, and is in favor of it. Mr. Stratton said that the Board was originally only allowed \$15.00 per meeting; however, they now receive \$25.00 per meeting. Warren Tenney, Assistant General Manager, mentioned that conference and travel expenses for Board members is allowed for in the statutes and are compensated by the District.

E. Discussion and Direction for Legislative Issues 2009.

Mr. Tripp made a motion to direct staff to support the legislation for CAGR D bonding authority, CAGR D sustainability issues, and excess water for the Arizona Water Banking Authority. Mr. Foulk seconded the motion.

Mr. Stratton explained that the Arizona Department of Water Resources (ADWR) effluent transportation bill has been removed from legislation consideration for this year. ADWR will take up the issue with the Statewide Water Resources Advisory Group of which Mr. Stratton is a member.

Mr. Offret asked about the Arizona Water Banking Authority (AWBA) and how it might impact the District as far as excess water. Mr. Tenney explained that the District has been utilizing Central Arizona Water Conservation District (CAWCD) excess water when it has used all of its sub-contract water. This year the District has placed an order for a small portion of excess Central Arizona Project (CAP) water. This proposed legislation would allow CAWCD to set aside excess water specific for the AWBA so they can firm the Indian Settlement water to meet the State's commitment under the Arizona Water Settlement Act. Mr. Tenney said this legislation will help the District by assuring if there is excess water available, it would be set aside for the AWBA.

The motion to direct staff to support the legislation for CAGR D bonding authority, CAGR D sustainability issues, and excess water for the Arizona Water Banking Authority passed unanimously.

F. Discussion of Rate Structure and Multi-Family Customers and Scheduling of Public Hearing.

Mr. Tripp made a motion to direct staff to ensure that customers with a dual meter known as a fire meter have their water consumption calculated based on the largest meter component of the fire meter. Mr. Guillot seconded the motion.

Suzanne Gilstrap, representative from the Arizona Multi-Housing Association in Phoenix, Arizona, said that the Association had requested District staff to make changes to the rate structure that would make multi-family rates equal to single-family rates. Ms. Gilstrap said she does not believe this motion will accomplish an equitable rate structure and that multi-family communities are paying more for water than they should be paying. They reviewed options with District staff and their preference was an option to change the District's rate structure to be consistent with that of multi-family users in Avondale, Arizona. They understand that this is something this Board cannot do at this time because of fiscal constraints. She asked that staff be directed to continue to work on the equity of the rate structure to provide equity across the classes.

Mr. Stratton explained that District rates were established in 1995, and there is only one rate structure and it does not distinguished between classes. The only difference is determined by the meter size. The rate for single-family dwellings would be different because of their meter size and

flow. However, there is only one rate structure. Mr. Stratton said that he believes there should be additional discussions on rate structures, and that water conservation should be a part of these discussions. He noted that these discussions would occur at a later date.

Mr. Offret said that the Board had previously given District staff three criteria items to be addressed and asked staff to come back with a recommendation. He noted that the current recommendation and motion does not include any of the three criteria outlined by the Board, which were to be revenue neutral, create uniformity among multi-family customers, and promote conservation. Mr. Offret asked what the consulting fee amounts were to date for Gary Woodard. Mr. Land replied that the consulting fees were approximately \$2,000 to date. Mr. Tenney said it was his belief that the recommendation and motion does meet the uniformity criteria among multi-family complexes. Mr. Offret said the promotion of conservation and the revenue neutral are not addressed in the recommendation and motion. He explained that this motion does not fit the Board's requested criteria, and he does not believe the multi-family groups are putting forth any effort or monies towards the resolve of the issue.

Mr. Doyle said he does not believe the current proposed recommendation and motion promotes water conservation. He agrees that sub-metering would be expensive for the multi-family complexes to do, but believes the multi-family groups should be responsible to take action to conserve water.

Mr. Tripp voted in favor of the motion to direct staff to ensure that customers with a dual meter known as a fire meter have their water consumption calculated based on the largest meter component of the fire meter. Mr. Offret, Mr. Foulk, Mr. Guillot, and Mr. Doyle voted against the motion. Motion failed 4-1.

G. Ratification of Professional Services Agreement for Easement Acquisition Services Related to the La Canada Drive Transmission Main, Phase I Project.

Mr. Tripp made a motion that the Metropolitan Domestic Water Improvement District ratify the supplemental professional engineering services agreement for easement of property acquisition services for the la Canada Drive Transmission Main, Phase I project to HDR Engineering, Inc. for an amount not to exceed \$18,294.00. Mr. Offret seconded the motion.

Mr. Stratton said that he talked with HDR Engineering on this project and they are holding back on design of the relocations due to public request for an additional sound wall barrier. Charlie Maish, District Engineer, said that Pima County did recently give staff the approval to proceed with the design relocations.

Motion passed unanimously.

H. Approval and Ratification of Emergency Work at Ina Road & CDO Wash.

Mr. Tripp made a motion to ratify the expenditure of \$14,662.40 for emergency repair work to the Ina Road 8 inch water main as prescribed in the District's Emergency Procurement Policy. Mr. Foulk seconded the motion.

Mr. Offret asked about the indication in the report that staff would work closely with Pima County. Mr. Stratton said that there is substantial structural integrity involved with the bridge at the location of the main break. Mr. Hill said that he believes the County will work to solve the issue with the District, and noted that it is the District's responsibility to repair any damages. Staff is still discussing how the repairs will be permanently addressed. Emergency repairs are what are being considered at this time.

Motion passed unanimously.

I. Metro-Hub Water Supply Exploration Program Including Acquisition of Land from the Tucson Unified School District.

Mr. Tripp made a motion to approve staff to continue negotiations with the Tucson Unified School District to use no more than \$116,012 to acquire real property from TUSD I the Hub service area by using funds in the Property Acquisition budget and New Hub Well bond monies. The General Manager is also authorized to expend up to \$25,000 from the New Hub Well Bond monies for due diligence to complete Phase II of the Metro-Hub Water supply Exploration Program. The final purchase sale agreement is to be brought back to the Board of Directors for consideration to approve. Mr. Offret seconded the motion. Motion passed unanimously.

J. Northwest CDO Basin Bedrock and Geologic Fault Mapping Project.

Mr. Tripp made a motion to approve up to \$18,750 from the SOC Waiver Consultant budget for the District's share of the Northwest CDO Basin Bedrock and Geologic Fault Mapping Project if a satisfactory letter of agreement with Oro Valley Water Utility is reached. When finalized, the letter of agreement will be presented to the Board of Directors for ratification. Mr. Offret seconded the motion.

Mr. Foulk asked what other water utilities are involved. Mike Block, District Hydrologist, said the City of Tucson was not interested, and Marana does not have funds available. Therefore, the agreement is only between the District and Oro Valley. Mr. Block said there are three separate tasks needing to be funded. One item will be split between the District and Oro Valley, one will be paid by the District, and the last item will be paid by Oro Valley. Mr. Block noted that the Board would be provided with a complete copy of the report when it is finished.

Motion passed unanimously.

VI. General Manager's Report

Mr. Stratton said regarding the Northeast Booster Station, we have not had any action presented by the contractor, and Legal Counsel has been assisting the District in trying to resolve the issue regarding repair of the booster pumps. Legal Counsel indicated the District can move forward on the repairs and submit the invoices to the contractor's insurance company. Mr. Maish said staff has questions on how to accomplish securing someone to complete the repairs; i.e., would the District need to go out for bids which would take a considerable amount of time and the repairs need to be completed before summer. Mr. Maish said staff is checking to determine if, under an emergency situation, the District can hire a reliable contractor without going out for bids. However, staff is hoping the insurance company will step forward to pay for the repairs and to insure the repairs once the work is completed. It could take a considerable amount of time to work out who is truly responsible for the damages. Mr. Hill said that two pumps are operational, but they have to be manually turned on and off. Staff is attempting to get a third pump operational. The closer we get to summer, the more critical it is to have the entire system up and functional. Mr. Foulk asked how long it is estimated that it will take a contractor to make the repairs. Mr. Maish said it is unknown how long the repairs will take, but it looks like it will take until the summer months. The board agreed that it is imperative that the District act quickly to make the repairs prior to summer when demand on the reservoir will increase.

Mr. Stratton said the process to begin study sessions with the Board regarding the 2009-2010 budget will begin in March 2009.

Mr. Stratton met with Michael and Linda McNulty, District Legal Counsel, and Timm Water Utility representatives and their attorney to review the asset purchase agreement today. It looks like there will be two separate asset agreements. Mr. Stratton suggested having a study session on January 26, 2009 to discuss this issue with the Board.

Staff would also like to discuss the Northwest CAP Treatment System with the Board at the January 26, 2009 study session to provide an update to the Board.

Mr. Stratton will be in Las Vegas January 15-16, 2009 to attend the annual Multi-state Salinity Coalition conference. The American Water Works Association (AWWA) winter board meeting will be held at the Ventana Canyon Resort in Tucson on January 23-25, 2009, and Mark will be attending this meeting as well. Mr. Stratton said the annual AWWA Washington Fly-In is March 23-26, 2009 and he will be attending again this year and noted that all costs associated with his attendance will be reimbursed by AWWA. Mr. Stratton suggested perhaps having Mr. Tenney attend also, and staff will look at this further.

Mr. Offret asked about shovel-ready projects and the possibility of getting funding from the State of Arizona stimulus package. The stimulus package for infrastructure is being put together comprising a list of projects that are ready within the next six months to begin construction. Mr. Stratton explained that AWWA and other organizations believe that any money that may be available for water infrastructure projects will go to the Water Infrastructure Finance Authority to be distributed,

although it is unknown if this is what will happen for sure. Staff will put together the District's list of projects and be ready to apply regardless. It appears that transportation projects may see most of the stimulus monies. Mr. Stratton said that Oro Valley included the Northwest CAP Treatment and Delivery System in their list of projects that includes all of the Northwest partners.

Mr. Guillot asked about some of projects that the District previously put on hold due to budgetary constraints, and could they be placed in the stimulus package. Mr. Maish said the La Canada Transmission Phase I is the only project that could be placed in the package at this time, as it is the only project that is shovel-ready. Relocations for this project could perhaps be included, although we may be ready to send this out to bid prior to the time of the stimulus.

Mr. Stratton said Pima County Wastewater is having a meeting tonight to discuss possible rate increases. They have several scenarios they will be proposing. Since the District does the wastewater billing, it is certain that District staff will receive comments from the public if rate increases are made.

VII. Legal Counsel's Report

Abbe Goncharsky, Legal Counsel, said Sun Western is the only outstanding issue they are currently working on. Sun Westerns settlement offer on one of the claims is still pending.

VIII. Future Meeting Dates; Future Agenda Items

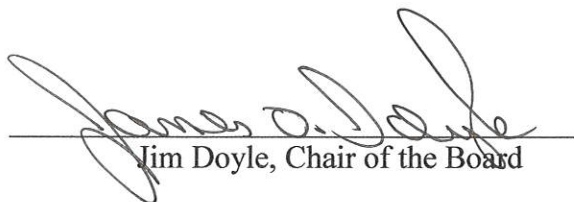
The next regular meeting of the Board of Directors is Monday, February 9, 2009 at 6:00 p.m. A study session is scheduled for Monday, January 26, 2009 at 5:15 p.m.

IX. General Comments from the Public

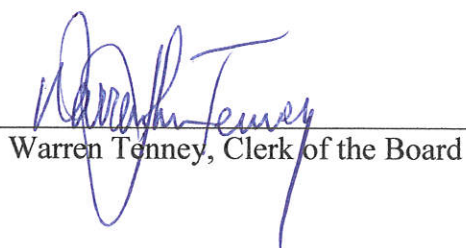
There were no comments from the public.

X. Adjournment

The meeting adjourned at 7:17 p.m.



Jim Doyle, Chair of the Board



Warren Tenney, Clerk of the Board