

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

October 11, 2006

**** Board Room ****

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

MINUTES

Board Members Present: Judy Scrivener, Vice Chair
Suzanne Downing, Member
Jim Doyle, Member
James Tripp, Member

Board Members Absent: Dan M. Offret, Chair

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, Vice Chair of the Board of Directors of the Metropolitan Domestic Water Improvement District (District), called the Board Meeting to order at 5:37 p.m. Judy Scrivener, Suzanne Downing, and James Tripp were present. Jim Doyle arrived at 5:45 p.m. Dan M. Offret was not present.

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

II. Executive Session

Executive Session pursuant to A.R.S. §38-431.03 (A) (1) (discussion or consideration of personnel matters) regarding the following:

A. General Manager's Quarterly Review.

The executive session adjourned at 6:10 p.m.

Regular Session

I. Call to Order and Roll Call

Judy Scrivener, Vice Chair of the Board of Directors of the Metropolitan Domestic Water Improvement District (District), called the Board Meeting to order at 6:11 p.m. Judy Scrivener, Suzanne Downing, James Tripp, and Jim Doyle were present. Dan M. Offret was not present.

II. General Comments from the Public

Mr. Tripp explained that he could not attend the Study Session held on September 25, 2006 in the Metro-Hub service area and apologized for not being able to attend.

III. Consent Agenda

- A. Approval of Minutes – September 11, 2006 Board Meeting.**
- B. Approval of Minutes – September 25, 2006 Study Session.**
- C. Ratification of Billing Adjustments.**
- D. Approval of Water Service Agreement – Panorama Court.**
- E. Ratification of Bill of Sale – La Cholla Corporate Center II, Phase 1 & 2.**

Mr. Tripp made a motion to approve the consent agenda. Mr. Doyle 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 production decreased during September 2006 from that of the previous year due to the increased rainfall. Mr. Stratton explained that other Arizona water utilities have indicated their overall water production is approximately the same as it was five years ago, even though their respective areas have seen growth. He noted that he has asked staff to review the District's statistics to determine if the District's production levels have remained close to the same amount over the past five years, and if conservation efforts have played a role in reducing water usage for the District as it has for other Arizona utilities.

Mr. Stratton explained that as work continues, the Northeast Reservoir, Northeast Booster Station, and the Magee Road Transmission Main projects are taking a lot of Engineering Division staff time. Chip sealing will take place next Monday at Tucson National/Westward Look and this will complete the work on this project.

B. Financial Report.

Mike Land, Chief Financial Officer, said revenues are slightly down due to the amount of recent rainfall. Water sales are down approximately \$100,000 compared to the same time period in 2005. Expenditures are down by that same approximate amount. Mr. Land said that the District's cash-on-hand remains strong. The District filed for more reimbursement monies today from WIFA for current Capital Improvement Program (CIP) projects. Mr. Land added that the auditors have indicated the District should have a first draft audit report sometime next week.

Ms. Downing asked about the amount of billing adjustments the District makes each month. She believes the water that is used should be paid for and there should not be so many billing adjustments provided by the District. Mr. Land said that customers are generally charged for all the water used; however, some billing amounts are adjusted at a lower rate after looking at the circumstances. Ms. Downing said she can understand a water leak, but does not think we should write off so much water if it is clearly the customers fault. She suggested the Board revisit its policies on billing adjustments. Ms. Downing noted that amounts for materials and services for the District continue to increase, and believes the District should do all it can to maintain its financial stability. Mr. Land explained that other local utilities offer even larger billing adjustments; therefore, customers expect the adjustments from the District also. Ms. Downing noted that she believes if the District were to establish a new policy other utilities will follow suit, and that the District should not continue the current policy on a monthly basis. She believes customers need to be more accountable, and again requested that the Board revisit its current policies. Mr. Land explained that adjustments are given to residential accounts only, and not to commercial accounts.

Ms. Scrivener asked how many adjustments are allowed for each customer. Mr. Land said only one adjustment per customer is allowed in a lifetime.

Chris Hill, Deputy Manager, explained that many times the customer disputes a large consumption bill because they do not know where the water has gone. He noted that making a one time billing adjustment builds good will, and the District does not write off a significant amount per year. Mr. Hill said he will be doing a presentation on meters at the November 13, 2006 regular Board meeting and believes that the presentation may explain some of the need for the billing adjustments.

Mr. Doyle said he supports billing adjustments, and when considering the billing adjustments there are many variables to look at. Mr. Doyle mentioned the recent Metro-Hub meeting at which a customer addressed the Board to complain about his high water usage while he was away from his residence on vacation. Mr. Doyle noted that the individual received the sympathy from the 25 or so people present at that meeting, and also believes that good will is important to customers. Ms. Downing said she would support the customer in many instances, but still wants the current Board to review this policy again. Mr. Land said the current policy was established in 2001. Ms. Downing indicated that she wants a report detailing how much money the District actually writes off per year and the reasons why.

C. Approval of Liability and Property Insurance Renewal.

Mr. Tripp made a motion to approve the insurance proposal by the Rural Special Districts through The Clements Agency, LLC at a premium cost of \$124,558 for the twelve month period from October 1, 2006 through October 1, 2007. Ms. Scrivener seconded the motion. Motion passed unanimously.

D. Analysis of District Rates and Status of Public hearing for Proposed Rate Structure Adjustment.

Mr. Stratton explained that at a previous Board meeting, Chairman Offret asked staff to contact Gary Woodard, Consulting Natural Resource Analyst, to do an analysis of the District rates and its rate structure. Mr. Woodard completed the analysis and the Board was provided with a copy of his report on the analysis of the rates.

Mr. Tenney said a public hearing regarding the rates is scheduled for October 23, 2006 at 6:00 pm. The hearing has been noticed, and an insert has been sent out in the bills notifying customers. The proposed increase in rates is to pay for the debt retirement of the current CIP projects. Mr. Tenney explained that Mr. Woodard examined how the District's rates compare with those of other utilities in Tucson and Phoenix, as well as its tiered structure. Changes in the District's rate structure and tiers in past years were noted and taken into consideration, as well as changes in rate amounts. Mr. Woodard, in his report, indicated that District rates are in line with the other utilities. Rates in the Phoenix area are lower because of the larger customer base. Tucson Water does have a steeper curve in its tiers, and a larger jump between tier amounts. Mr. Woodard indicated that the District's tiers are typically comparable, and the ratio between its tiers is common. He also noted in his report that outside influences, such as weather, impacts our water usage, as well as fewer people in typical households, and the decrease in growth within the District's area. Mr. Woodard suggested that in order to receive the necessary revenues, the District needs to keep a straight across the board rate increase for all tiers using the same percentage. He noted that the consistent rate increases also avoids rate shock from occurring. Mr. Woodard indicated the District has done a good job in its budget and fiscal approach with its rates. Mr. Tenney noted that the rates might also provide a conservation incentive for customers.

Mr. Tripp commended Mr. Woodard on a thorough job and was happy to hear the good report. He also commended staff for a job well done with its fiscal appropriateness and accountability. The Board requested that Mr. Woodard be available at the public rate hearing to answer any questions the public or Board may have.

E. Discussion and Possible Approval of Lobby Renovation and Office Expansion.

Mr. Stratton said Terry Armstrong was commissioned to complete an office design to accommodate for additional staff growth and expansion. Mr. Land provided information regarding the proposed

expansion which was pre-programmed when the building was originally designed. Mr. Land explained the office expansion plans include additional office space, storage, outdoor courtyard area, and additional parking. Mr. Land said the total cost of the proposed expansion is \$730,000, which includes plan design, and construction and materials costs. He briefly discussed the various financing methods.

Mr. Tripp made a motion to approve that staff move forward with the expansion project. Mr. Doyle seconded the motion. Motion passed unanimously.

Mr. Land noted that Ms. Armstrong, per staff request, is also looking at re-design for the front lobby area but has not completed the plan design as of this meeting.

F. Interim Remedial Action Contract between the Arizona Department of Environmental Quality and the District for the New South Shannon Treatment System.

Mr. Tripp made a motion to approve Amendment No. 6 of the Interim Remedial Action Contract at the South Shannon Facility between the Arizona Department of Environmental Quality and the District with an expiration date of June 30, 2007. Mr. Doyle seconded the motion. Motion passed unanimously.

G. Approval of Capacity Development Plan for submittal to Arizona Department of Environmental Quality for Metro Water – West.

Mr. Tripp made a motion to approve the Board Chair to sign the Capacity Development Plan for Metro Water-West for submittal to the Arizona Department of Environmental Quality. Ms. Scrivener seconded the motion. Motion passed unanimously.

V. General Manager's Report

Mr. Stratton said that on September 26, 2006, he and Mr. Offret attended the Effective Utility Management Collaboration focus group workshop in Las Vegas. The group was brainstorming on what items make an effective utility. Mr. Stratton said that he and Mr. Offret both agreed the District currently has many of the qualities mentioned in the workshop, and noted the areas where the District could improve upon. There will now be another focus group meeting on the East Coast, after which a final report will be sent to all attendees on the outcome of the meetings.

Mr. Stratton explained that the Northwest YMCA has indicated they will request a waiver of their fire flow impact fees. Staff will be discussing the impact fees with representatives from the YMCA and it is anticipated that this may be a future Board item.

Mr. Stratton said that a few months ago an alternative work schedule for staff was mentioned to the Board. A committee made up of District staff has been meeting to discuss an alternative work schedule and is currently finalizing a report for the Board's consideration. Mr. Stratton noted that he is pleased with the efforts of this committee.

The Western Coalition of Arid States will meet again at the Westward Look on Nov 1-3, 2006. The program this year tends to lean toward the wastewater industry; however, Kathy Jacobs will be presenting a talk on water issues that should be interesting. If any of the Board members would like to attend, please contact Alice Stults.

Mr. Stratton said that the Colorado River Water Users Association would hold its annual meeting December 13-15, 2006 in Las Vegas on various water basin issues. This is typically a good meeting; therefore, if any Board members would like to attend, please contact Alice Stults.

There will also be a Multi-State Salinity Coalition meeting in early January 2007 in San Diego regarding new research and technologies related to salinity management, water treatment design, and water supplies.

Mr. Stratton noted that safety policy and procedure updates currently being reviewed and updated by Janet Brown, Risk Management Specialist, are very well done. He commended Ms. Brown on a job well done.

Staff recently attempted to schedule an open house regarding the South Shannon treatment system with the Arizona Department of Environmental Quality Director speaking at the open house. Mr. Stratton said the open house had to be canceled due to the Director's schedule; however, staff is trying to reschedule that date. Mr. Stratton asked if Board members would also be interested in participating at this open house. He will be available if any Board member would like to discuss the open house further.

Mr. Stratton noted that the Pima County Board of Supervisors did cancel the District's election.

VI. Legal Counsel's Report

Michael McNulty, Lewis & Roca, said there are no outstanding issues to report on at this time.

VII. Future Meeting Dates; Future Agenda Items

The next regular meeting of the Board of Directors is November 13, 2006 at 6:00 p.m. A public hearing will be held on October 23, 2006 at 6:00 p.m.

IX. General Comments from the Public

There were no comments from the public.

X. Adjournment

The meeting adjourned at 6:59 p.m.

Dan M. Offret, Chair of the Board

Warren Tenney, Clerk of the Board