

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

November 13, 2006

**** Board Room ****

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

MINUTES

Board Members Present: Dan M. Offret, Chair
 Suzanne Downing, Member
 Jim Doyle, Member
 James Tripp, Member

Board Members Not Present: Judy Scrivener, Vice Chair

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

Regular Session

I. Call to Order and Roll Call

Dan M. Offret, Chair of the Board of Directors of the Metropolitan Domestic Water Improvement District (District), called the Board Meeting to order at 6:03 p.m. Dan M. Offret, Suzanne Downing, and James Tripp were present. Jim Doyle arrived at 6:06 p.m. Judy Scrivener was not present.

II. General Comments from the Public

There were no comments from the public.

III. Consent Agenda

- A. Approval of Minutes – October 11, 2006 Board Meeting.**
- B. Approval of Minutes – October 23, 2006 Special Board Meeting.**
- C. Ratification of Billing Adjustments.**
- D. Approval of Water Service Agreement – Mariposa Trail, Lots 118-169.**
- E. Approval of Water Service Agreement – Riverside Crossing West Side.**

Mr. Tripp made a motion to approve the consent agenda. Ms. Downing 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 continues to be down compared to the same time period last year. He explained that a memo will be distributed to Division Managers asking them to monitor their budgets closely and hold off on purchases that are not absolutely needed at this point in time.

Mr. Stratton said the Magee Road transmission main has already been completed to east of Oracle Road. He also noted that it is anticipated the Northeast Reservoir and Booster Pump should be completed March or April 2007. The floor of the Northeast Reservoir has been completed, and work will begin on the reservoir wall this week. Mr. Stratton said the District has not received any complaints from the neighbors in the area regarding the construction of the Northeast Reservoir or Booster Pump.

B. Financial Report.

Mike Land, Chief Financial Officer, said District staff is still waiting for a draft of the audit. He will contact the auditors this week to see when a draft of the audit might be available. Mr. Land noted that revenues on seasonal average are down; however, expenditures are also down. Staff will monitor the budget closely to make sure the revenues and expenditures continue to stay in line with each other. Ms. Downing asked if staff could send a fax this week to Board members notifying them of the auditors reply on why the audit has not yet been completed.

C. Approval of Debt Service and Investment Strategies.

Mr. Tripp made a motion to authorize staff to seek investment strategies, which meet all bond requirements, in order to better maximize the rate of return for the District's debt service deposits on the 1999 and 2002 bonds and establish a similar investment program for the debt service funds on the WIFA loan. Ms. Downing seconded the motion.

Mr. Offret asked if this item was something that the District needed to send out to bid. Mr. Land said the District has used Arbitrage Management Group for a number of years. Keri Silvyn said she does not believe this item would be required to go out to bid since it is a professional services contract; however, she will report back to the Board after she has checked into the matter.

Motion passed unanimously.

D. Analysis of Billing Adjustment Policy.

Mr. Tripp, regarding the current billing adjustment policy, commented that if it is not broke, leave it alone. He agrees with the current policy.

Mr. Stratton explained that the current billing adjustment policy process has been in place for a number of years based on previous Board's direction. He noted that consideration should be made to how much you are giving away compared to offering quality customer service. The District has been able to keep a number of customers from filing former complaints with the Board, or commenting in public by offering billing adjustments for legitimate concerns where there has been unexplainable high water usage. Mr. Stratton said customers are still charged for the water, just at a lower rate. There is a fine balance between offering billing adjustments and charging the customers full price for unexplainable water loss. Mr. Stratton said he believes it is important to keep positive relationships with District customers, and the District does not write off extremely significant amounts yearly.

Ms. Downing explained that she is on the side of the customers; however, we still live in the desert and if any amount of water is used it needs to be paid and accounted for. She believes if abnormally high water usage is discovered, the District should respond immediately to determine why. If the water usage is within the control of the customer, it should be their responsibility to pay for that water. Ms. Downing noted that if a person accidentally leaves their lights on, or leaves their gas heat on; those utility companies will not make adjustments to the customer's bill by offering a lower rate. She explained that she does want to have good public relations with District customers but believes they should be held accountable.

Mr. Offret asked if the adjustments reported in the monthly billing adjustment report are one-time only adjustments. Mr. Land said that each case is looked at individually. The District tries to limit adjustments to one time only but that is not always the case. He explained that the customer is still billed for the water used; however, at the lower rate. Even though the customer's bill is adjusted, not all of the customers are completely satisfied with paying the lower amount.

Mr. Offret noted that the adjustment is approximately 54.5%, and asked if customers are aware of how much the District is actually reducing their water bill. He suggested that District staff make customers aware of the billing adjustment amount of 54.5%, and that the District is meeting them more than half way. Mr. Stratton said billing adjustments generally occur when the customer has been away from the residence and there is no logical explanation for the water usage. The customers are generally still upset that they have to pay the higher bill, even after the billing adjustment is made.

Mr. Doyle said that water is a unique commodity and it is difficult to compare a water utility to other utilities. He explained that a lot of water can be lost and not seen when it disappears into the desert landscapes. With natural gas, it is generally known when it is being used or is leaking, and

the same holds true for electricity. However, a lot of water can disappear very quickly and can be difficult to locate and determine the cause.

The Board agreed to continue the current policy, and to make the customers aware of how much their bills are actually being adjusted.

E. Approval of District Lobbyist for 2007 Legislative Session.

Mr. Tripp made a motion to approve the hiring of Gallagher & Kennedy as the District's lobbyist for the 2007 Arizona Legislative Session. Ms. Downing seconded the motion.

Mr. Offret noted that the District has been very satisfied with Gallagher & Kennedy's performance in the past. Mr. Stratton explained that there are not many water issues anticipated in the coming Legislative year. Warren Tenney, Assistant General Manager, said at this time it appears there may be an ADWR Water Conservation Bill.

Motion passed unanimously.

F. Award and Approval of Contract for Storage Tank Coatings.

Mr. Tripp made a motion to approve to award the Storage Tank Coatings 2006-2007 contract to State Painting for the amount of \$81,465.00 and authorize the Chair to sign the contract upon review of Legal Council and authorize the General Manager to approve change orders as required so long as the total contract amount does not exceed \$87,000.00. Ms. Downing seconded the motion.

Mr. Offret asked if the DeConcini Well could be down for the 45 days it is anticipated to be down for the new tank coating. Steve Shepard, Utility Superintendent, replied yes, noting that water will be supplemented by surrounding wells. In order to preserve the DeConcini Well, it is imperative that the work be done this year.

Motion passed unanimously.

G. Approval of Proceed with the Broadband Wireless Radio Network.

Mr. Tripp made a motion to approve to begin the implementation of the Broadband Wireless Network based on the Engineering Study submitted by Datacom International at a not-to-exceed cost of \$60,000.00. Mr. Doyle seconded the motion.

Mr. Shepard said it is important that staff have the ability to view key well sites from numerous locations. To do this efficiently, security cameras with broadband capability are needed at those key sites. Staff, at the Board's direction, contacted Datacom International to have representatives

examine the sites and complete an engineering study to determine what system would best fit the Districts needs, and how it could be implemented.

Joe Berring, Datacom International, provided information to the Board on the Broadband Wireless Radio Network capabilities. Datacom International is fully aware of the District's concerns with security issues and its need to have wireless capability. Mr. Berring noted that staff expressed an interest in live video feeds as the primary concern for security for the Districts infrastructure. Also important was the ability to manage the system from a desk in the District office building or from a laptop computer in a remote location. Mr. Berring noted that the system would be designed so that it can be updated or added to easily, and with keeping potential future cost constraints in mind.

Mr. Offret said he was concerned with spending this amount of money during the current fiscal year. Mr. Shepard explained that portions of the work could be completed during the current fiscal year, and other items could be completed during next fiscal year. Ms. Downing noted that construction and material costs go up yearly, and asked if this might happen if the District were to hold off on the purchase of some of the items. Mr. Shepard replied yes, but that some of the costs would remain close to the same. The longer the project takes to complete, the more the costs will increase. Mr. Shepard briefly explained what items are included in the current cost estimates. He added that the \$60,000.00 suggested in the motion was included in the budget for this current year.

The motion to approve to begin the implementation of the Broadband Wireless Network based on the Engineering Study submitted by Datacom International at a not-to-exceed cost of \$60,000.00 passed unanimously.

H. Request from the Town of Sahuarita to Exchange Effluent Managed Recharge Credits.

Mr. Tripp made a motion to approve that Metropolitan Domestic Water Improvement District exchange 150 acre-feet of effluent managed recharge credits with the Town of Sahuarita to receive in return 75 acre-feet of effluent credits in 2007 and in 2008. Mr. Doyle seconded the motion.

Mr. Offret asked what would happen if the Town of Sahuarita could not pay these credits back in 2007 and 2008. Alan Forrest, CH2M Hill consultant, briefly explained that Sahuarita's planned recharge facility and reclaimed water delivery system is not yet in place. However, the Town of Sahuarita is in the final stages of the Arizona Department of Water Resources permitting process for the recharge facility. With this in mind, Mr. Forrest noted that there should not be any issue with the Town of Sahuarita being able to pay the credits back.

Motion passed unanimously.

I. Update on Meter Replacement Program.

Christopher Hill, Deputy Manager, provided a presentation to the Board on effectiveness of the Meter Replacement Program. The District previously implemented a program in which it was determined that meters should be replaced or rebuilt after approximately 10 years to ensure accurate meter reads. Mr. Hill presented information that indicated with the Meter Replacement Program, the District has been able to track and reduce its water losses, saving the District a substantial amount of lost revenue. Other state water utilities have implemented similar programs based on Mr. Hill's Meter Replacement Program, and have also recognized fewer unaccountable water losses. The Board thanked Mr. Hill for his efforts on reducing water losses, and ensuring accurate meter reads.

J. Status of Northwest Central Arizona Project Water Treatment and Delivery System.

Mr. Tenney provided updated information on the combined efforts of the Town of Marana, Oro Valley, Flowing Wells Irrigation District, and Metro Water in their actions to move forward on the Northwest Central Arizona Project water system. These Northwest entities unanimously passed a Memorandum of Understanding in May and June 2006. Mr. Tenney explained that currently the partners are awaiting bid proposals, due November 15, 2006, for a cost estimate study for treatment and delivery for the Northwest Central Arizona project water system. Once the study has been completed, the partners will be working with Mark Reader, Stone & Youngberg, to conduct a financial analysis so that each entity can determine how to pay for their estimated share of the cost for the project. Mr. Tenney said once the cost estimates are determined, a contract can be established between the entities hopefully in February 2007. A meeting was recently held with mayors and representatives of the involved entities to ensure continued support of the project. Mr. Tenney also noted that the Central Arizona Project (CAP) Board of Directors meeting was held in Tucson on November 2, 2006 at which time an update was provided to the board regarding the project and the cumulative efforts of the partners.

V. General Manager's Report

Mr. Stratton explained that the South Shannon treatment facility has had breakthroughs in the carbon media of VOC's in the treatment system. Staff is reviewing options for replacement/regeneration arm of the carbon media. The South Shannon treatment facility has been temporarily shut down and testing has occurred to determine the amount of VOC's present in the water. Staff is reviewing the media replacement with the engineer, and it appears that the District may not be liable for the costs of the replacement.

The Arizona Department of Environmental Quality (ADEQ) has requested to have an Open House for the South Shannon treatment facility. They are currently looking at late January or February

2007 for the event. ADEQ will be paying most of the cost associated with the Open House, with the District supplying refreshments.

Mr. Stratton said there were five seats up for election on the CAP Board in Maricopa County. Only one incumbent retained her seat. There are concerns about the agenda the new members may have concerning senior CAP staff. The District is maintaining a wait and see attitude. Mark Myers, water policy consultant, briefly explained why the vote may have resulted in the way it did.

The electric car is here and the District has a trailer to move it from one location to another. Mr. Stratton said the Risk Management Specialist has reviewed with staff the safety and operation of the vehicle. The car is ready to go and will be placed in use shortly.

Mr. Stratton reminded the Board that the annual Thanksgiving luncheon will be November 21, 2006. All Board members and their families are invited to attend.

Mr. Stratton is on the Tri-State Board of Directors which oversees water and wastewater operator training in Primm, Nevada each year. He will be attending a Board meeting on December 8, 2006 in Primm, Nevada to plan for next years training.

Mr. Stratton will also be attending the Colorado River Water Users Association meeting in Las Vegas December 13-15, 2006. Mr. Offret and Ms. Scrivener will also be attending, along with Mr. Tenney.

VI. Legal Counsel's Report

Ms. Silvyn, Lewis & Roca, said there is nothing new to report at this time.

VII. Future Meeting Dates; Future Agenda Items

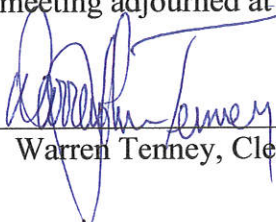
The next regular meeting of the Board of Directors is Monday, December 11, 2006 at 6:00 p.m.

IX. General Comments from the Public

There were no comments from the public.

X. Adjournment

The meeting adjourned at 7:56 p.m.



Warren Tenney, Clerk of the Board



Dan M. Offret, Chair of the Board