

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

April 10, 2006

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

MINUTES

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

Board Members Absent: Dan M. Offret, Chair
Suzanne Downing, Member

District Staff: Mark Stratton, General Manager
Keri Silvyn, 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 5:03 p.m. Judy Scrivener, Jim Doyle, and James Tripp were present. Suzanne Downing and Dan M. Offret were not present.

Mr. Tripp made a motion to adjourn into executive session. Mr. Doyle 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 Annual Evaluation and Employment Agreement.

The executive session adjourned at 5:30 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 6:00 p.m. Judy Scrivener, Jim Doyle, and James Tripp were present. Suzanne Downing and Dan M. Offret were not present.

II. General Comments from the Public

There were no comments from the public.

III. Consent Agenda

- A. Approval of Minutes – March 13, 2006 Board Meeting.**
- B. Approval of Minutes – March 27, 2006 Study Session.**
- C. Ratification of Billing Adjustments.**
- D. Ratification of Bill of Sale – Oracle Road/Suffolk Drive Offsite Water.**

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 the recent rains contributed to lower water consumption during March 2006. However, metered water sales continue to be up from the same time period last year.

Mr. Stratton said a pre-construction meeting was held on March 28, 2006 for the Northeast Booster Station. A pre-construction hearing has been scheduled for April 25, 2006 for the Northeast Reservoir. Bids will be opened the later part of April for the Magee Road Transmission Main, Phase 3.

B. Financial Report.

Mike Land, Chief Financial Officer, noted that revenues continue to be strong due to lack of rain during the winter months. Water sales are approximately \$200,000 higher than last year at this same time. Currently the District is 7% over budget amounts for revenue, and approximately 10% under budget for expenditures. Mr. Land explained that the District received 51 applications for new connections during the past month, up from same time period last year.

C. Legislative Issues 2006.

Susan Charlton, District lobbyist from Gallagher & Kennedy, provided the Board with an update of the latest information regarding legislation. She explained that it has been a relatively quiet year for water legislation. Ms. Charlton reviewed a number of bills, highlighting those having the most impact for the District.

HB 2159 – Water Infrastructure Finance – Has passed the House and the Senate Natural Resources Committee and is awaiting its third read in the Senate. This bill would allow a domestic water improvement district with less than 50,000 total population to sign a long-term loan agreement with the Water Infrastructure Financing Authority without the need for a bond election.

SB 1044 – Water and Wastewater Rates – This bill requires water rates to be just and reasonable. The bill has been signed by the Governor.

SB 1334 – Well Drilling – This bill would allow for extensions of an application to drill a well. It has passed both the House and the Senate.

SB 1409 – Domestic Water and Wastewater Improvement Districts – This bill would allow the Board of Supervisors to approve a domestic water improvement district to provide wastewater services. It has been signed by the Governor.

D. Modification of Fiscal Year 2005-2006 Budget for Purchase of Capital Items.

Mr. Tripp made a motion to approve the modification of the Fiscal Year 2005-2006 budget for the purpose of purchasing capital items as identified in the report. Mr. Doyle seconded the motion. The motion passed unanimously.

E. Proposed Water Resource Fee Adjustment and Scheduling of a Public Hearing.

Mr. Tripp made a motion to approve to schedule a public hearing for May 8, 2006 at 5:30 p.m. for the purpose of discussing and possibly taking action regarding the water resource fee. Mr. Doyle seconded the motion.

Mr. Tripp asked why the District is not currently charging more for its water resource fee. Mr. Stratton replied that previous considerations of increasing the fee were tabled by the Board.

The motion passed unanimously.

F. Summary of New Wells Costs.

Mr. Stratton explained that previously Ms. Downing asked for a breakdown of costs associated with the drilling of the District's most recent wells. Mr. Stratton said the report details the costs involved. He noted that when the District completed exploratory drilling at some of its well sites, it did not recognize a cost benefit as the wells did not produce as expected.

G. Update on Security Enhancements for the District.

Mr. Stratton explained this Board report item is being provided to update the Board on future anticipated security enhancements at District well sites. Mr. Stratton noted the importance of establishing the highest level of security the District can afford at its well sites to protect the District's water resources.

H. Discussion of General Manager's Evaluation and Possible Approval of Employment Agreement.

Mr. Tripp made a motion to approve the Employment Agreement between Metropolitan Domestic Water Improvement District and General Manager Mark R. Stratton for a period of three years. Mr. Doyle seconded the motion. Motion passed unanimously.

VI. General Manager's Report

Mr. Stratton noted that he recently attended the AWWA Fly-In in Washington, D.C. He and Paul Kinshella from the City of Phoenix were able to meet with all the Congressional Delegation from Arizona with the exception of Representative Kolby. Mr. Stratton explained that AWWA was pushing for additional infrastructure funding for the State Revolving Fund. Arizona is currently ranked 53 out of states and provinces for receiving available funding for water infrastructure financing. Senator Kyl is in the process of reviewing this current formula and has vowed that no new funding will be approved until that formula is more representative of the needs of the State of Arizona.

Mr. Stratton explained that while in Washington, D.C. discussions took place regarding the District's need for additional funding for the S&T Grant Pilot Study from the Bureau of Reclamation. Also discussed was the future system reliability feature for the CAP system for the Tucson aqueduct. Mr. Stratton said all the Congressional Delegation they spoke with were supportive of these efforts.

VII. Legal Counsel's Report

Keri Silvyn, Lewis & Roca, said there was nothing new to report.

VIII. Future Meeting Dates; Future Agenda Items

The next regular meeting of the Board of Directors is May 8, 2006 at 6:00 p.m. A public hearing is scheduled for May 8, 2006 at 5:30 p.m. A Study Session is scheduled for April 24, 2006 at 5:30 p.m.

IX. General Comments from the Public

There were no comments from the public.

X. Adjournment

The meeting adjourned at 6:32 p.m.

Dan M. Offret, Chair of the Board

Warren Tenney, Clerk of the Board