

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

February 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
 Judy Scrivener, Vice Chair
 Jim Doyle, Member
 James Tripp, Member

Board Members Not Present: Suzanne Downing, Member

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 6:00 p.m. Dan M. Offret, Judy Scrivener, Jim Doyle, and James Tripp were present. Suzanne Downing was not present.

II. General Comments from the Public

Mike Quick, Board Chairman for Old Pueblo District Eagle Scouts, presented a plaque to Metro Water District to show their gratitude for use of the District's Board room. Mr. Quick thanked the Board for allowing the Eagle Scouts to use the room for their meetings and functions.

III. Consent Agenda

- A. Approval of Minutes – January 9, 2006 Board Meeting.**
- B. Approval of Minutes – January 23, 2006 Study Session.**
- C. Ratification of Billing Adjustments.**
- D. Ratification of Bill of Sale – Northwest Community & Aquatic Center (YMCA).**
- E. Approval of Water Service Agreement – A Atlas Magee Rasmussen Self Storage.**

Mr. Tripp made a motion to approve the consent agenda. Ms. Scrivener 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, explained that the District is using approximately 20% more water than one year ago at this time. This has created an increase in revenues received by the District. Mr. Stratton noted that staff would provide a report to the Board regarding the impact of the drought on water levels in District wells.

Mr. Stratton said that construction of the Northeast Reservoir has been sent out for bid. He mentioned that the award of the contract for the Northeast Booster Station is on the agenda tonight for the Board's consideration. The mainline replacement construction for Tucson National/Westward look is continuing. Work continues on the South Shannon GAC treatment system and it is anticipated that the work will be completed late April 2006.

Mr. Offret said the increase in revenue is good for the District and this increase in production of water reinforces the importance of continuing with infrastructure improvements and development.

B. Financial Report.

Mike Land, Chief Financial Officer, said the District is approximately 5% over current fiscal year budgeted revenues, and approximately 6% under for expenditures. There have been 325 new connections during the current fiscal year and the District only budgeted for 250. The District's on-line bill pay was activated today on its website. Mr. Land noted that with the inclusion of the \$1.50 convenience charge some customers have indicated they will no longer pay with a credit card via the telephone but will take advantage of other payment options.

Mr. Offret asked how the Hub auxiliary power was financed. Charlie Maish, District Engineer, said that Hub Well #4 was partially completed under the 1999 bonds, and the remainder of the funds to complete the auxiliary power project was paid out of the 2002 bonds.

C. Legislative Issues 2006.

Susan Charlton, District Lobbyist from Gallagher & Kennedy, provided updates on current legislative issues and bills. Ms. Charlton noted that relationships between legislative members are strained. The State of Arizona is being fined each day until it comes up with an English Learning Program. Legislative members want to have the legislation session over within 82 days of the beginning of the session.

Ms. Charlton reviewed the legislation dealing with water and special districts. She highlighted the following: HB 2159 – Water Infrastructure Finance – has passed through the House. This bill, if passed, would allow municipalities with less than 50,000 in population to borrow money from the Water Infrastructure Finance Authority without first seeking voter approval for the loan application. It would also allow wastewater facilities to apply for financing that was once only for drinking water facilities.

SB 1044 – Water, Wastewater, and Sewer Service Rates – passed out of the Senate. This bill provides that rates for water and wastewater services provided by municipalities must be “just and reasonable”. Sewage system fees charged by counties must also be “just and reasonable”. Ms. Charlton said this bill was approved by the Senate with a floor amendment taking Pima County out of the bill. At its January 9th meeting the Board agreed to oppose this bill.

SB 1334 – Well Drilling and Time Extension – passed out of the Senate. This bill would allow well drillers extensions on applications to drill wells. The bill applies only to nonexempt wells.

SB 1409 – Domestic Water Improvement Districts / Wastewater – would allow the Board of Supervisors to approve a domestic water improvement district to provide wastewater services also. This bill passed the Senate last week. Mr. Offret asked if SB 1409 affects all districts. Ms. Charlton said the bill would apply to all districts throughout Arizona.

D. Southern Arizona Water Utilities Association Proposal for Cooperative Water Supply Organization.

Mr. Stratton explained that over the last year the Board has been kept apprised of the progress for the creation of a regional water entity. This cooperative water supply organization would seek to obtain and use renewable water supplies for southern Arizona. The entity would have a stronger voice in dealing with water acquisitions on a state and federal level rather than if water providers in the region were individually competing for those supplies. Southern Arizona Water Users Association (SAWUA) has been discussing the specific details of creating and developing a cooperative water supply organization. They have developed a presentation that is being provided to the Tucson region utilities Board of Directors.

Warren Tenney, Assistant to the General Manager, and Karen La Martina, Tucson Water, provided the presentation completed by SAWUA. The presentation includes an overview of the proposal for a cooperative water supply organization. The purpose of the presentation is to solicit support from the participating entities which are members of SAWUA. SAWUA is non-profit organization consisting of public water providers, private water providers, wastewater, and local community farms. Discussions regarding a regional water entity first began in 2003 with a small number of entities, and have continued since that time within the SAWUA organization. Challenges during discussions of developing a regional water entity included factors such as drought, ground water rights, environmental issues, surface water rights, competition for water, assured water supplies, and growth in population. SAWUA participants agree that each member of the cooperative water supply organization would retain complete control over their individual service areas, and members will not seek additional water supplies outside the organization. Each member would have one vote, but major issues would require a majority of the voters. The proposed organization would act as a wholesale water provider for its members.

The Board agreed unanimously in support of moving forward with the creation of a cooperative water supply organization.

E. Water Conservation Alliance of Southern Arizona Presentation of Its Evaluation and Cost Benefit Analysis of Municipal Water Conservation Programs.

Val Little, Water Conservation Alliance of Southern Arizona (Water CASA), provided a presentation regarding the Evaluation and Cost Benefit Analysis of Municipal Water Conservation Programs (ECoBA) study. Ms. Little said the three-year study was in response to the need for a comprehensive and comparative evaluation to determine cost benefit of actual water conservation programs. Funding for the study came from various sources such as Water CASA, University of Arizona, Bureau of Reclamation, and the Arizona Department of Water Resources. Ms. Little provided detailed information on comparisons of current water conservations programs, and what those programs are achieving in water surveys and at what cost. She noted that actual water savings for a given conservation measure is almost impossible to find. It is hoped that the study will be useful for municipal providers to improve conservation programs and efforts.

F. Appointment to the Bond Oversight Committee.

Mr. Tripp made a motion to appoint Claire Strom to the Bond Oversight Committee. Ms. Scrivener seconded the motion.

Mr. Offret noted that he personally knows Ms. Strom and that she will be a good addition to the committee.

Motion passed unanimously.

G. Award of Contract for Northeast Reservoir Booster Station and Pump.

Mr. Tripp made a motion to award the construction contract for the Northeast Reservoir Booster Station to SunWestern Contractors in the amount of \$1,982,955. Also, to authorize the General Manager to approve the following changes to the construction contract: 1) allocate additional funding a cumulative amount not to exceed seventy-five thousand dollars (\$75,000); and 2) increase the original construction contract term a cumulative amount not to exceed ninety (90) calendar days. Any changes in excess of the above limits shall be submitted to the Board of Directors for approval. Ms. Scrivener seconded the motion.

Mr. Offret asked if noise from the booster station and pump would be an issue. Mr. Stratton explained that the booster station would be enclosed.

Motion passed unanimously.

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

Mr. Tripp made a motion to award the Storage Tank Coatings 2005-2006 contract to State Painting for the amount of \$75,810 and authorize the Chair to sign the contract upon review by legal council. In addition, to authorize the General Manager to approve change orders as required so long as the total contract amount does not exceed \$78,000. Ms. Scrivener seconded the motion. Motion passed unanimously.

I. Approval of Amendment No. 1 for Analytical Laboratory Services Contract for Synthetic Organic Chemicals with Aqua Tech Environmental Laboratories, Inc.

Mr. Tripp made a motion to approve contract Amendment No. 1 for the Analytical Services Contract for Synthetic Organic Chemical Analyses with Aqua Tech Environmental Laboratories, Inc., to increase the total contract amount to \$35,000. Ms. Scrivener seconded the motion.

Mr. Hill explained that it did take more than two weeks for Aqua Tech Environmental Laboratories, Inc. to respond back to the District with sample results from a well site where an intrusion had occurred. It was important to receive those samples as soon as possible due to the potential health hazard of the water. He said the District would re-bid this contract in June 2006.

Motion passed unanimously.

J. Approval of Change Order No. 3 to the Construction Contract for the South Shannon Wellhead GAC Treatment System.

Mr. Tripp made a motion to approve Change Order No. 3 to the construction contract with The Ashton Company for the completion of the South Shannon Wellhead GAC Treatment System. Ms. Scrivener seconded the motion.

Mr. Offret asked if the project would be completed by April 30, 2006. Mr. Maish said there were previous issues with the manufacturer; however, those have been resolved and it is still hoped that the project will be completed by April 30th.

Mr. Offret asked how much time elapsed from the time the District submitted reimbursement for costs from the Arizona Department of Environmental Quality and the time the District received the reimbursement. Mike Block, District Hydrologist, said the District recently received reimbursement for Phase II of the project, and noted the turnaround time was approximately one month.

Motion to approve Change Order No. 3 to the construction contract with The Ashton Company for the completion of the South Shannon Wellhead GAC Treatment System passed unanimously.

K. Award and Approval of Boreline Installation in the Wanda Well.

Mr. Tripp made a motion to approve the use of the Boreline product for the Wanda Well and award the work to Layne Christensen if the existing equipment is unable to be lowered.

Steve Shepard, Utility Superintendent explained that there were issues with the installation of the pump during 2002. He provided an explanation of the condition of the well, and what is anticipated to be done to the well in order to regain the desired pumping rate. If lowering the pump is not effective, use of the Boreline pipe will be needed.

Ms. Scrivener seconded the motion. Motion passed unanimously.

L. Approval of Extensions of Mobile Process Technology Term.

Mr. Tripp made a motion to approve to extend the contract agreement with Mobile Process Technology for an additional sixty days. Ms. Scrivener seconded the motion. Motion passed unanimously.

M. Update on New Well Installations.

Mr. Block provided updates on Tucson National West Well and Hub Well No. 7. He said Hub Well No. 7 was initially not producing the amount of water that was anticipated. Additional measures

and methods were applied to attempt to increase the productivity with negative results. Layne Christensen, District consultant, was contacted to provide feedback regarding the lack of increase in the productivity. Mr. Block said District staff would attempt chemical treatment this week to increase productivity.

Mr. Offret asked about the probability that this well will produce what was originally anticipated. Mr. Block said it is unknown at this time. Staff will keep the Board apprised as to any new developments with the well.

Mr. Block said staff is waiting for final approval of construction for the Tucson National West Replacement Well from ADEQ. He explained that staff is also waiting for a report from Brown and Caldwell to determine if ADWR will permit the well to pump at a higher level.

V. General Manager's Report

Mr. Stratton noted that the new flagpole was installed today in front of the District office. The new flagpole is much larger than the previous one, and should withstand the higher winds this area sometimes experiences.

Mr. Stratton said staff is in the process of interviewing for the Human Resource Specialist position. Initial interviews occurred last week, and second interviews for finalist have been scheduled for this week. The District received very good applications for this position.

District staff has solicited applications for the Risk Management Specialist position, and is in the process of reviewing the applications. Mr. Stratton noted that the District has not received quite the quantity and quality of applications staff was hoping for. He said the position may be re-advertised in the newspaper if additional applications are not received shortly.

Mr. Stratton said Mr. Hill is representing the Arizona Water & Pollution Control Association again this year by serving as committee chair for coordinating three workshops on Motors, Pumps and Distribution O&M Level II. The seminars are being held in Flagstaff, Scottsdale, and Tucson.

Mr. Stratton said the District still does not know what the cost will be regarding Central Arizona Project water re-allocation for the 4,000 acre feet of additional supply. The capital cost through December 2007 has a total cost of \$3 million. When considering options to pay the \$3 million, staff has looked at staggering payments and interest on loans to determine the best way to minimize the impact. Mr. Stratton said CAP has an additional supply of surplus water available that they can provide; however, the District has to use all of its current allocation. Mr. Stratton said staff would be looking at purchasing this additional, lower cost water and the District's ability to finance and store the water.

VI. Legal Counsel's Report

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

VII. Future Meeting Dates; Future Agenda Items

The next regular meeting of the Board of Directors is March 13, 2006 at 6:00 p.m.

VIII. General Comments from the Public

There were no comments from the public.

IX. Adjournment

The meeting adjourned at 7:41 p.m.

Dan M. Offret, Chair of the Board

Warren Tenney, Clerk of the Board