

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

January 9, 2006

**** Board Room ****

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

MINUTES

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

Suzanne Downing, Chair of the Board of Directors of the Metropolitan Domestic Water Improvement District (District), called the Board Meeting to order at 5:07 p.m. Suzanne Downing, James Tripp, Jim Doyle, Dan M. Offret, and Judy Scrivener were present.

Mr. Tripp made a motion to adjourn into executive session. Mr. Offret 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 5:55 p.m.

Regular Session

I. Call to Order and Roll Call

Suzanne Downing, Chair of the Board of Directors of the Metropolitan Domestic Water Improvement District (District), called the Board Meeting to order at 6:02 p.m. Suzanne Downing, James Tripp, Jim Doyle, Dan M. Offret, and Judy Scrivener were present.

II. General Comments from the Public

There were no comments from the public.

III. Presentation to Neil Peters, Employee of the Year

Ms. Downing congratulated Neil Peters who was named Metro Water District's 2005 Employee of the Year. Mr. Peters was nominated and named as Employee of the Year by his peers. Ms. Downing explained that Mr. Peters is a Utility Maintenance Worker II who has been with the District for 13 years. Prior to that time, he worked for Metropolitan Water Company since 1987. The Board congratulated Mr. Peters for doing an outstanding job and being an important asset to the District.

V. General Business – Items for Discussion and Possible Action

The order of the agenda was changed by the Board of Directors.

J. Election of Chair and Vice-Chair for the Board of Directors.

Mr. Tripp made a motion to elect Mr. Offret as Chair of the Metropolitan Domestic Water Improvement District for calendar year 2006. Mr. Doyle seconded the motion.

Mr. Offret said that he was willing to serve, but believed that all Board members should have a turn at serving as Chair.

The motion passed with Mr. Tripp, Mr. Doyle, and Ms. Scrivener voting in favor. Mr. Offret and Ms. Downing abstained from the vote.

Mr. Offret made a motion to elect Ms. Scrivener as Vice Chair of the Metropolitan Domestic Water Improvement District for calendar year 2006. Mr. Doyle seconded the motion. The motion passed with Mr. Offret, Mr. Tripp, Mr. Doyle, and Ms. Downing voting in favor. Ms. Scrivener abstained from the vote.

IV. Consent Agenda

- A. Approval of Minutes – December 12, 2005 Study Session.**
- B. Approval of Minutes – December 12, 2005 Board Meeting.**
- C. Ratification of Billing Adjustments.**
- D. Approval of Water Service Agreement – Cortina Terrace.**
- E. Approval of Water Service Agreement – Paseo Del Rio, Phase II, Lots 81-215.**

Mr. Tripp made a motion to approve the consent agenda. Ms. Scrivener seconded the motion. Motion passed unanimously.

V. General Business – Items for Discussion and Possible Action

A. Monthly Status of the District.

Mark Stratton, General Manager, said that according to information provided by water production reports, the District is using more water compared to the same time period last year. As a result, the District has seen an increase in metered water sales and revenue. Mr. Stratton explained that ground water levels are impacted by the lack of rain. Water utilities will continue to experience declines in water levels unless the Tucson region receives rain, and snow in the higher elevations.

Mr. Stratton said DeConcini and Herb Johnson Reservoirs were recently inspected by divers. Herb Johnson Reservoir appeared to be in good condition with the exception of an aluminum ladder located inside the tank that had corroded. Chris Hill, Deputy Manager, said it is undetermined at this time why the ladder experienced corrosion. Mr. Hill said the DeConcini Reservoir had a few minor areas to touch up with paint; however, overall it looked good. Steve Shepard, Utility Superintendent, explained that the DeConcini Reservoir has been scheduled to receive a new coating of paint during the 2006-2007 fiscal year.

Mr. Stratton said the District has begun advertisement for bids for the Northeast Booster Station and Northeast Reservoir. Mr. Doyle asked what the estimated amounts were for the construction of the booster station and reservoir. Charlie Maish, District Engineer, said the booster station will cost approximately \$2 million, and the reservoir will cost approximately \$6 million.

Mr. Stratton explained that the District's contractor for the Tucson National/Westward Look and Miscellaneous Areas Mainline Replacement project has been given the notice-to-proceed. The South Shannon Well Head GAC Treatment System is proceeding on schedule. Mr. Maish noted it is anticipated that construction of the treatment system should be completed by the end of February 2006.

Mr. Offret asked about the excavation work around the fire hydrant at Magee Road and Jensen Drive. Mr. Shepard said the excavation work was done when staff noticed the ground was cracking

around the fire hydrant. He explained that when staff excavated down to the water main there were no signs of leaks or problems and it remains undetermined what caused the ground to crack.

Ms. Scrivener asked when customers have received final shut off notices and the water is shut off, do those customers have to pay a deposit to have the water turned back on. Mike Land, Chief Financial Officer, explained that the customers do have to pay a \$70.00 fee. He said out of this amount, \$40.00 is for a reconnection fee, and \$30.00 is a security deposit that will be returned to the customer. Ms. Scrivener asked how long the \$30.00 security deposit was maintained. Mr. Land said the deposit is held for 12 months, and then returned to the customer provided they continue to pay their bill on time. If they do not pay on time during the 12 months the deposit is held for a longer period of time.

B. Financial Report.

Mr. Land said that the revenues continue to increase. It is anticipated that water sales will increase during January 2006 also, due to receiving a full month of payments reflecting the increase in water rates. Development revenues have more than tripled last year's revenues. Expenditures are approximately 10% under budget at this time.

Ms. Scrivener asked if the District was anticipating major expenditures come spring time. Mr. Land said yes, due to projects beginning in the spring.

C. Schedule for Regular Board Meetings in 2006.

Mr. Tripp made a motion to approve the date and time for the regular sessions of the Board of Directors meetings in the year 2006 to be as outlined in this report. Ms. Scrivener seconded the motion. Motion passed unanimously.

D. Approval of Implementing Online Payment Options for Customers.

Mr. Tripp made a motion to approve staff to implement the online pay options for District customers and to implement a convenience charge of \$1.50 for making payments online or over the telephone. Ms. Scrivener seconded the motion.

Mr. Offret noted that he does not like the idea of service charges. However, he added that with the amount of transaction fees that are charged by the bank the District cannot absorb these fees.

Ms. Downing asked what percentage of the bad debt write-offs were for final accounts unpaid by District customers. Mr. Land responded that approximately 1/3 of the total write off amounts were for final accounts. Ms. Downing asked if the District could ask for a credit card number from the customer when they call in to terminate service. Mr. Land replied that the District does not keep that information on record for security reasons. Ms. Downing asked if the District always obtains

the forwarding address information from the customers. Mr. Land said yes, and added that staff could now instruct customers that are finalizing their account to go to the District's website to view their final bill and can make the payment online.

Mr. Doyle asked that with the addition of on-line bill pay, do customers still have the option of payments being taken out of their checking accounts automatically. Mr. Stratton replied yes.

Ms. Downing asked how long it has been since the District received quotes from various banks regarding fees that they charge. Mr. Land replied that it has been approximately 1½ years. He explained that the District's current financial institution, Canyon Community Bank, offers very competitive rates and good service.

The motion to approve to implement the online pay options for District customers and to implement a convenience charge of \$1.50 for making payments online or over the telephone passed unanimously.

E. Discussion and Direction for Legislative Issues 2006.

Mr. Stratton said that since the Legislative Session only began today, discussions have not really gotten underway. One item that staff will be watching is Senate Bill 1044 regarding water rates. Mr. Stratton said the concern is the language being used in the bill which states that rates for water services must be "just and reasonable". This language is not defined in the Arizona State Statutes and makes it uncertain to determine what rate amounts are considered "just and reasonable". Staff is recommending opposition of this bill.

Mr. Tripp made a motion to direct staff to provide opposition to Senate Bill 1044 regarding water service rates. Ms. Downing seconded the motion.

Mr. Stratton explained that Senate Bill 1044 includes water, wastewater, and sewer. Pima County Wastewater is the only wastewater entity affected by this bill. Warren Tenney, Assistant to the General Manager, said he spoke with Susan Charlton, District lobbyist, who indicated the bill is coming from the west valley and it is the Apartments Association that are pushing this bill. Everyone agrees that this will be challenged in court as to what is "just and reasonable". Mr. Tenney also explained that House Bill 2159 addresses Water Infrastructure Finance Authority (WIFA) financing. Basically, the bill states that any city, town, or domestic water or wastewater improvement district, with a population of less than 50,000, could enter into a loan contract with WIFA without holding an election for approval by the voters.

The motion to direct staff to provide opposition to Senate Bill 1044 regarding water service rates passed unanimously.

F. Ratification of Professional Services Agreement for South Shannon Wellhead GAC Treatment System.

Mr. Tripp made a motion to approve to ratify the Professional Services Agreement with Malcolm Pirnie, Inc. for Phase 2 construction related services at the South Shannon Wellhead GAC Treatment System in the amount of \$20,609.00. Ms. Downing seconded the motion. Motion passed unanimously.

G. Overview of Safety Requirements on District Construction Contracts.

Mr. Stratton said at the request of the Board, staff reviewed the language in the District's construction contracts with legal counsel. Mr. Maish noted that when preparing a construction contract, staff puts together a report for legal counsel's review. Ms. Silvyn said legal counsel looked closely at the District's contract language. She explained that the language has not changed in the last 3 years, and added that the District has some very strong language that protects it.

Mr. Offret questioned the adequacy of the last sentence under Section 30.1 in the contract document. Ms. Silvyn explained that the language is the best that can be provided that is permitted. If a person is injured, they typically file suit against everyone. The language in Section 30 of the contract document provides the District with the ability to say the injured person has sued the wrong party, thus shifting the liability without going to court. Lawsuits that end up in court have to be decided in the court in order to render a decision that the District is not liable. Ms. Silvyn said it is her law firm's belief that the language used by the District in its contract documents is the firmest and tightest language possible. She added that a good lawyer will look closely at any negligence or wrong doing on the side of the District, as well as looking for any prior problems that the District may have been aware of with a contractor and can place blame on the District if due diligence is not completed.

Ms. Downing asked what the District could do to ensure that potential contractor's have not acted irresponsibly and had numerous complaints filed against them. Mr. Maish explained that the District does complete reference checks on all its contractors, but is not always made aware of law suits or problems. Ms. Silvyn said the Registrar of Contractors is the best place to search for information. Ms. Downing asked if the Registrar of Contractors has knowledge of Occupational Safety and Health Association (OSHA) accidents or incidents. Mr. Tripp replied no. Ms. Sylvan noted that it is not customary industry standards to check with all possible resources when completing background checks on contractors.

Ms. Downing said she would like the District to do more, and noted that she wants staff to check with OSHA for previous accident histories on contractors. She added that she wants safety information to be made a part of the contract. Mr. Doyle said all OSHA information is public record. Ms. Scrivener said OSHA investigates accidents and unsafe work sites and believes that it may be worth it to check with them. Mr. Doyle said accidents are contingent upon numerous

contributing factors such as safety equipment, workers, training, etc. He explained that if the District were to go with the lowest bidder, there is a greater risk of an accident occurring. If companies want to ensure better safety, they will have to pay higher costs.

Mr. Stratton said the Northeast Booster Station is going out to bid shortly, and explained that staff will make checks with OSHA and the Registrar of Contractors on this and any future contractors being considered by the District.

H. Status of Hub Well #3 Arsenic Treatment.

Mr. Hill provided a power point presentation regarding the progress of the arsenic removal at Hub Well #3, and the processes involved with the treatment system. The new federal arsenic rule was finalized in early 2001 requiring water utilities to comply with the new mcl amount of 10 ug/l by January 23, 2006. Hub Well #7 was identified as being needed due to the arsenic levels in Hub Well # 3, and the District acquired property for the drilling of Hub Well #7. The arsenic levels at Hub Well #7 are well within the acceptable range, so water from Hub Well #3 and Hub Well #7 will be blended. There are four basic methods of arsenic treatment. Mr. Hill said the District chose the absorption process, with no backwash allowed. Mobil Process received the arsenic treatment bid at \$319,572. The approval-to-construct has not been completed as of this date by ADEQ. However, it is anticipated to have this system up and running within the next couple of months.

I. Status of Science and Technology Grant for Pilot Study of Treatment of Central Arizona Project (CAP) Water.

Mr. Hill said the grant for the first pilot study for the treatment of CAP water was applied for in 2004. That study took place during 2004 and 2005. A new grant was applied for and received during 2005 for the current pilot study. It is anticipated that larger sums of money will be needed for the current slow sand filtration and reverse osmosis pilot study. Mr. Hill explained that concentrate management focuses on halophyte irrigation of salt tolerant plants. He noted that the participants are trying not to overload the soil with salt. Mr. Hill gave a brief explanation of how the treatment system works.

Mr. Hill said the partners involved in this current study are Bureau of Reclamation, University of Arizona, Metro Water District, Town of Marana Water, Oro Valley, Flowing Wells Irrigation District, and Tucson Water. Mr. Hill provided information on the dollar amounts provided by each entity. Approximately \$65,000 has been spent to date. It is anticipated that the study will continue through December 2007; however, the partners would like it to run longer, if possible.

VI. General Manager's Report

Mr. Stratton said staff is ordering materials needed to construct a new flag pole that will be located at the front of the District office, near the site of the old flag pole. District staff will construct the flag pole and it is anticipated that the construction will be complete by the middle of February 2006.

Mr. Stratton explained that Southern Arizona Water Users Association (SAWUA) would like to make a presentation to the Board at its February 13, 2006 regular meeting on Regional Water Issues; specifically, a regional water entity. The presentation will focus on a regional water entity whose primary focus is the acquiring of additional renewable supply waters to meet the Tucson area needs.

Mr. Stratton said that staff is currently working with BKW Farms in researching alternatives to utilize the District's 3,000 acre feet of reclaimed water. Additional information will be provided to the Board as it becomes available.

Mr. Stratton said that on January 11, 2006 the managers group will be meeting again to further discuss issues related to the overall aspect of CAP utilization. The technical groups are continuing to meet as well, although they are waiting to hear responses from the managers group regarding the level of treatment and the capacity related issues so that they can continue looking at treatment alternatives, and sizing of the treatment plant and reservoir.

Mr. Stratton noted that he attended the Colorado Water Users Association's annual meeting in Las Vegas during December 2005. The discussions centered around the need for the basin states to come to an agreement on water shortage criteria so that recommendations can be submitted later this calendar year. Arizona has begun establishing a defense fund that entities will pay into. The District's amount would be approximately \$700 for three years.

Mr. Stratton explained that staff would like a study session later this month to discuss employee health care benefits for the upcoming 2006/2007 fiscal budget year.

VII. Legal Counsel's Report

Ms. Silvyn, Lewis & Roca, said Mr. Michael McNulty is preparing a letter to send to Green Valley Domestic Water Improvement District (GVDWID) as it does not have all its golf courses off potable groundwater as stipulated and agreed to in the Settlement Agreement dated February 24, 2003 between the District and GVDWID. Ms. Silvyn indicated that GVDWID did not drill wells as it had indicated it would in the agreement. Lewis & Roca will keep the District apprised of any information as it develops.

VIII. Future Meeting Dates; Future Agenda Items

The next regular meeting of the Board of Directors is February 13, 2006 at 6:00 p.m. A Study Session is scheduled for Jan 23, 2006 at 5:30.

IX. General Comments from the Public

Mr. Peters said he found the Board meeting to be very informative.

X. Adjournment

The meeting adjourned at 7:19 p.m.

Dan M.Offret, Chair of the Board

Warren Tenney, Clerk of the Board