

MARANA DOMESTIC WATER IMPROVEMENT DISTRICT
Official Board of Directors Regular Meeting Minutes
April 12, 2010

The Board of Directors of the Marana Domestic Water Improvement District met in session at the Marana Domestic Water Improvement District Office 16560 West El Tiro Road Marana, Arizona at 7:00 p.m. on Monday, April 12, 2010.

1. Call to Order and Pledge of Allegiance

Chairperson Teresa Ball-Cummings called the meeting to order at 7:00 p.m.

Ms. Ball-Cummings asked Mr. Sostarich to lead the Pledge of Allegiance.

2. Roll Call

Upon roll call, those present were as follows:

Board Members Present were:

Teresa Ball-Cummings, Chairperson
Anthony Sostarich, Vice Chairman
Donald Peetoom
Michael Young
Gary Kendrick

Staff Members present were:

System Manager, Sig Danielson
Acting Clerk, Theresa Hicks
Accountant, Wes Addison

No members of the general public are present.

3. Consent Items:

A. Approval of March 8, 2010 meeting minutes.

Ms. Ball-Cummings said is there any addition or corrections from the Board?

Mr. Peetoom said Chair I didn't find anything.

Mr. Sostarich said nor did I.

Ms. Ball-Cummings said neither did I.

Mr. Peetoom said I make the motion that we approve the March 8, 2010 minutes.

Ms. Ball-Cummings said ok I'll second the motion. So moved, all in favor?

It was moved by Mr. Peetoom, Seconded by, Ms. Ball-Cummings and carried unanimously that; **The minutes of March 8, 2010 meeting of the Marana Domestic Water Improvement District shall be approved as presented.**

5 ayes

0 opposed

0 abstentions

4. System Manager's Report.

Mr. Danielson reported:

1. We have not had any problems with the system since the last B.O.D. meeting.
2. On April 5th we received a visit from Deputy Youmans of the Pima County Sheriff's Department who told us that our tagger was taken into custody on the 4th. He would not release the name because the person was a minor. He also provided us with information on our victim rights. He also informed us that the adult tagger who was doing all the road signs was in jail as of the 3rd.
3. Stephen Deveraux of the Arizona Department of Environmental Quality conducted a periodic inspection of our facilities on March 16. I have a copy of Steve's written report if anyone wishes to review the report. We passed with flying colors.
4. March billing included 130 late notices, which is lower than average.
5. We did 10 shutoffs in March for nonpayment, which is higher than average.

Accounts Payable	\$ 50,190.32
Accounts Receivable	\$ 35,406.21
Difference	-\$ 14,784.11
MDWID Balances Brought Foreword:	
County Balance	\$ 48,387.66
WIFA Reserve	\$ 31,198.00
RD General Account	\$ 211.41
RD Reserve Account	\$ 14,275.68
RD O&M Account	\$ 9,203.30
RD Replacement Account	\$ 7,764.18
RD Bond Account	\$ 16,510.15
Carry over	\$ 2,108.24

Mr. Danielson said quick comment on the financials. We paid Mr. Addison last month. Your bill was a little over \$9,000.00 I believe.

Mr. Addison said yeah.

Mr. Danielson said we also paid \$3,000.00 to Westland for the Preliminary Engineering Report and Environmental Assessment and we also bought a new copier for the office, that's basically the \$14,000.

Ms. Ball-Cummings said yes.

Mr. Young said we're doing better than the Federal Government.

Mr. Danielson said well we're still in the black \$27,000.

Mr. Peetoom said how much was the printer.

Mr. Danielson said 1500 bucks by the time you add everything.

Mr. Peetoom said ok.

Mr. Sostarich said is it capable of handling the. The last time we talked about copiers you mentioned printing the water bills and letters. This could handle the letters too.

Mr. Danielson said it's essentially the latest version of the printer we've had for about 8 years.

Ms. Ball-Cummings said yeah I agree.

Mr. Danielson said the printer we've had for about 8 years Mr. Addison. Not Mr. Addison, I'm looking at Mr. Addison. Joe Busboom is trying to find somebody to repair it. There is an internal drum on that thing which he thinks is bad. He says heck you've only run 166,000 copies on that

printer, he says that's not that much. He says you should be good for three quarters of a million to a million before it totally dies. So we'll see if we can get that one printer as a, or repaired at a reasonable cost. We bought it in March no May of 2001.

Mr. Sostarich said well I've got a couple of questions to ask the, your managers report didn't address.

Mr. Danielson said ok.

Mr. Sostarich said would it be proper to ask them?

Ms. Ball-Cummings said yes.

Mr. Sostarich said question #1 is what's that dumpster doing out there. What's the story behind that?

Mr. Danielson said we're gonna do some major spring cleaning here. Get rid of a bunch of older records, trash.

Mr. Sostarich asked how long is it going to be out there?

Mr. Danielson said 30 days. It's been here for four.

Mr. Sostarich said next question, have you completed the emergency response plan?

Mr. Danielson said working on it. We have to do it. We have to complete it by December 10th.

Mr. Sostarich said 3rd question, are you aware that the MDWID logo well out there is damaged.

Mr. Danielson replied yes the wind got it.

Mr. Sostarich said well my wife's got a well similar to that and the last time that big wind blew up I had to take it apart to keep it from destroying itself.

Ms. Ball-Cummings said yeah.

Mr. Danielson said we'll pick another one up the next time we're in town and this would be the third or fourth replacement on it.

Ms. Ball-Cummings said yeah, yeah I noticed it myself. I looked at it.

Mr. Danielson said we've tried everything. We've tried axial grease, we've tried oiling it, we've tried.

Mr. Sostarich said them things are made in China. They are gonna fall apart and in somebody's off hours if they are mechanically inclined you're probably better off sticking an automobile fan on it.

Mr. Danielson said probably.

Mr. Sostarich said kind of available at Don's hotrod shop. I used the one off my wife's BMW. It worked well for a while then we. We actually riveted our together. Just cheaply spot-welded the blades so it won't fly off of there. No further questions on that.

Mr. Young said put a Toyota fan on it, it won't stop.

Ms. Ball-Cummings said Mr. Young, ok. That one. Ok.

5. Call for Public Comment (limit 3 minutes)

Ms. Ball-Cummings said I do not see any public here, so we will move on.

6. Discussion and possible action concerning Audited Financial Statement

Ms. Ball-Cummings said I believe we have Mr. Addison present.

Mr. Addison said thank you for having me here. Thank you for allowing me to do the work last year, I appreciate it. Unfortunately these statements in a lot of ways being 10 months old won't do much good but at the same time you will be able to see what happened last year. Its so far past at this point and speaking to Mr. Danielson earlier when I first got here about making sure that this year we are able to have all the information to us in a timely manner were we could have this done hopefully end of September were it actually would give you some information that might be useful in going forward into the next year rather than this. So again sorry for being so late. I think that we will make sure that the information will move forward with everything here closer to the end of the year and to ensure something quicker so the we have the information and its more informative to you in the future. The statements for last year do reflect a lot of the turmoil done to us. Occurring in the organization, I believe prior to the special election a lot of that being seen in \$27,000.00 in Attorney's fees were in there, additional \$7,000.00 in special election fees, and that's I mean those were just that cost that the, the costs that we actually know about. That

we can count on. You know actual things that happened here rather than hidden costs which might be in here as well. That you can't really qualify very easily. But what we have seen unfortunately is a fairly and that also was not a year in isolation. I mean over the last three years with the new Board member we've seen the cash reserves just dwindle year after year after year. And a lot of it going into in fighting and legal fees.

Ms. Ball-Cummings said I know.

Mr. Addison said associated with him on that. So its nice to have a Board that is decent at this point and we're looking at this year legal fees I think they're about \$6,700.00 and is that as of six months or.

Mr. Danielson said \$6,400 as of six months.

Mr. Addison said yeah, so I mean that's a much better figure than what you've been having in the past.

Ms. Ball-Cummings said yes, yes.

Mr. Addison said so I think you're on the right direction there. The financials themselves if you go to page 2, that's the Statement of Fund Net Assets which basically lays out your assets and your liabilities. What I was looking at was the, again the trend. To look and see what happens in the \$62,000.00 in cash that was available was you know a decent cash position but that's down \$28,000.00 from the year before. So again I think three years ago we were, you guys were close to \$120,000.00 in those accounts so you have lost about 50% of it over the three years prior to this. How the dollar amounts that Mr. Danielson has given me today I think showed a little better position than what you had at this point. The trade accounts receivable were fairly close to the year before. They were down a couple of thousand dollars. So you have a very stable cliental as far as the amount of water usage that they are using maybe paying for the most part, year after year you've been at, with those trade accounts receivable in the \$50,000.00 range or so. That's not really going up or down much at all. It shows a very stable collection as well as receivable balances there. The inventory is not significant, a little under \$10,000.00, that went down a couple of thousand of dollars from last year before and then the accounts payable were actually \$4,000.00 the year before. It was paid down to two or I guess its closer to \$5,000.00 the year before and its down, it's paid down by almost \$3,000.00. So all those, your liabilities were staying very stable, the notes payable were being paid off in a timely basis. The reserves are being handled the way they are suppose to. So from the standpoint of serving your debt, taking care of your equipment and everything. Having inventory around in case

there are emergencies. You've been doing that, a very good job of handling that. Unfortunately again I think that the majority was going on that the decrease in the cash was just due to excessive Attorney fees and special elections fees. If you go to page 3, on there the revenue is almost the same as 2008, down about \$7,000.00. So its very stable and its been close to that for over the last three or four years also. Employee compensation was \$1,200.00 higher. The major change was in the operating supplies and services and those actually dropped about \$46,000.00. I believe that the budget's that were implemented for 2009 were not really geared toward any type of large maintenance expenses or preventing maintenance policies. It was more a matter of just cut, cut, cut rather than what the Water District needed to be done to do preventive maintenance and I think that the operating supplies and service maintenance might be showing some of that. I think that this is an unusual year. Our 2009 was an unusual year that, you know what you had normally in the \$70,000.00 range was probably closer to sort of breaks down to \$34,000.00 that you have in 2009. So I would not expect that to continue into 2010's, is that a fair assessment.

Mr. Danielson said yeah, we deferred some maintenance to enhance cash flow.

Mr. Addison said ok the utilities were up by \$7,000.00, insurance premiums were up by 2,600, the consultants and professional fees were up by 16,000, all of that was related to the Attorney's. the general and administrative was up by 6,000 and that would basically be the special elections, special elections was included in that category. I accounted for about \$7,000.00. So your general and administrative expenses and your employee compensation was holding very steady during that time period and Board meetings were up by \$3,000.00. Interest income dropped down by about 6,000 and the interest expense was \$2,300.00 difference there with an increase in the interest expense. What I take a look at is to. If you look at your operating loss it says it's a negative \$101,000.00. That if you look at that in isolation it gives you, it doesn't give you a feel for what's really happening with the District and what you really got to do is to subtract out the depreciation and amortization expense from that which were about \$158,000.00 if you do that you have an operational profit before depreciation and amortization about \$56,000.00. So you're not really running in the red. When it comes to your operations I mean you really are making money from your operations. The depreciation is bringing that down and if you have any interest and compared to the previous year you're actually up from 2008 by about \$4,000.00 and then if you do include the interest expense in there of 46,000 you were still about \$10,000.00. It wasn't a lot but three years ago, four years ago somewhere back then you had really good year with a, you managed to put a lot of money into the cash account and at this point you're pretty

much just to break even in relationship to servicing your debt and expenses that you have with the revenues that are coming in. At the same time unlike most of the water companies in the County you haven't been increasing your rates either 5% every year or more, like Marana, Metro, and most of the other ones. I think your, you're servicing your customers well. Barely breaking even with about \$10,000.00 and unfortunately that tends to put you in a bit of a cash crunch at times, you know if something comes up, emergency comes up and you really need to get in and do some major improvements you don't. Well you have the reserves that you'd like have to do that. I don't remember when the last time was that you had a rate increase.

Mr. Danielson said we had one in July of last year.

Mr. Addison said so that's good. It probably helped out for this year. It was, you were just squeaking by the way things were. That pretty much goes over most of what's in here. We can go into the Statement of Cash Flow, which is the next page if you'd like to. Which you know makes up where your cash comes from and where it goes. From operational standpoints and from debt reserve and various things like that. Yet it is so old that point being 10 months out of date. But I'm not sure you necessarily want to spend the time getting into that.

Mr. Sostarich said may I ask a question at this time?

Ms. Ball-Cummings said yes go ahead.

Mr. Sostarich said before you begin your briefing Mr. Danielson mentioned that we were actually in, not in the red. What, how, how, what was our actual standing.

Mr. Danielson said 27,000.

Ms. Ball-Cummings said this one.

Mr. Danielson said in the, for the year. Accounts receivable vs accounts payable.

Ms. Ball-Cummings said before the beginning of the year, correct.

Ms. Hicks said correct.

Mr. Danielson said as of March 31st.

Mr. Sostarich said and when you brought up depreciation that's, that's all these lawyer fees and all of.

Mr. Addison said no the depreciation is the wear and tear on your facilities. So, your tanks, pumps, and the pipeline system all that has to be. Well what we do is we look at it from a standpoint what's the useful life of that.

Mr. Sostarich said like an automobile in other words.

Mr. Addison said yeah, right. So you see the depreciation dropping in value.

Mr. Sostarich said yeah.

Mr. Addison said and the idea behind it is that. At some point in time those are going to have to be replaced. So from a financial statement purpose we want to reflect that wear and tear on those assets in the financial statements.

Mr. Sostarich said I understand now, thank you.

Mr. Addison said now is that \$27,000.00 before debt services or after debt services.

Mr. Danielson said including debt services.

Mr. Addison said well that's good, that's really good. That's, right now and you have two good months coming up. So.

Mr. Sostarich said so the bottom line is we're not sinking.

Mr. Addison said yes, you're not sinking.

Mr. Peetoom said we're above the water.

Mr. Addison said you're above water and actually it looks like its coming up again because you were at basically \$10,000.00 net profit last year after a full year. You're at 28 right now and you have two of your best months coming up. So I would speculate by the end of the year you're gonna be in a fairly decent position.

Ms. Ball-Cummings said ok, good.

Mr. Sostarich said that's good news as far as I'm concerned.

Mr. Addison said yes, yes.

Ms. Ball-Cummings said very good.

Mr. Addison said very good news. Very good news.

Mr. Sostarich said I'm glad that you explained this because I took one look at this earlier and got a headache.

Mr. Addison said yeah, right. You see that \$101,000.00 in net loss and automatically and actually more than that cause you add debt services and from a financial statement standpoint you're looking at a net loss of \$145,000.00. You might as well turn it over to somebody else. If your not felling very well. But its not really reflecting of what is happening. The other thing is that even from the standpoint of wear and tear on your system. You've been very good as a Board for the District being able to get grants and money in here in the past to do quite a bit of improvements without having to do that. So you know, I can't proceed that in the next five or ten years that you're going to have anything major coming around that can't be handled with a few grants or pretty decent loans through WIFA or whoever. You know it's out there, Rural Development.

Ms. Ball-Cummings said alright, great, any other questions for Mr. Addison, anybody else?

Mr. Sostarich said thank you.

Mr. Kendrick said yeah.

Mr. Sostarich said thank you for your report.

Ms. Ball-Cummings said I guess not.

Mr. Danielson said thanks Mr. Addison.

Mr. Addison said your welcome.

Ms. Ball-Cummings said thank you very much.

Mr. Addison said good seeing you all again.

Ms. Ball-Cummings said you too.

Mr. Addison said hope to see you all a bit sooner.

Ms. Ball-Cummings said drive carefully.

Mr. Danielson said I'll be talking to you.

Mr. Addison said ok.

Ms. Hicks said have a good night.

Mr. Addison said bye.

Mr. Danielson said bye.

Ms. Ball-Cummings said ok.

Mr. Addison said we do need to get those representation letters back. Mr. Ball-Cummings' needs to sign them and then we'll finalize these and bind them up and get them in binders.

Ms. Ball-Cummings said ok, excellent.

Mr. Danielson said did you email this to us.

Mr. Addison said I did but just in case I brought more. I think about three times now.

Mr. Danielson said well some of the things that Joe did that other day when he was here was to put the patch on so that we could now read a office seven document.

Mr. Addison said oh good, so that's it. the representation letter then we'll, we'll finalize it and bind it all up.

Ms. Ball-Cummings said ok.

Mr. Danielson said ok.

Mr. Addison said thank you again.

Mr. Danielson said I'll get it to you later this week.

Mr. Addison said ok that's great.

Ms. Ball-Cummings said thank you Mr. Addison.

Mr. Peetoom said hey Mr. Danielson.

Mr. Danielson said yes sir.

Mr. Peetoom said that paper work its got to be in by September.

Ms. Ball-Cummings said yes, what you needed for Mr. Addison.

Mr. Danielson said for.

Mr. Peetoom said for Mr. Addison, not be late like we were before.

Mr. Danielson said yeah, you've been on the Board long enough to know this was what had happened when Mr. Sostarich was originally on the Board. We had to, our financial statement had to be to the County no later than, I'm gonna say mid to late September.

Ms. Ball-Cummings said yeah.

Mr. Danielson said because we were included in the over all County budget and it had something to do with Gads bee 16. I called Mr. Addison when the County came out with that ruling in 2002 and I said do you know what Gads bee 16 is. He says sure. I said well glad one of the two of us does. Didn't then and still don't, but it's the County's method. That the County uses and we had to conform to that and they dropped that requirement a couple of years ago and we've been into the first or we've been into the third or even the forth quarter of the fiscal year before we've gotten it out and for a variety of factors. His work load, our work load, etc. but he did hire some new people this year. So.

Ms. Ball-Cummings said ok, alright.

7. Discussion and possible action concerning Helen Meadors property at 12622 N. Springfield

Ms. Ball-Cummings said and I still feel very strongly that if the water leak is inside the property then it should be her responsibility.

Mr. Kendrick said absolutely.

Ms. Ball-Cummings said she can work out some type of payment to pay monthly for her bill. That's the way I feel about it and that's what the company policy is.

Mr. Sostarich said how you feel isn't a great as a concern as what the policy is. I believe we decided to adhere the company policy in matters like this.

Ms. Ball-Cummings said yes, that's correct and that's what I said and that's what the policy states, so.

Mr. Young said and I'd like to add that she admitted that her renter told her that they had a leak and she didn't act upon it.

Ms. Ball-Cummings said that's correct, so as the way it stands right now, she will have to go by company policy. And so if she calls you just let her know that the Board decided. You know.

Ms. Hicks said that she will need to pay it.

Mr. Peetoom said that she will have to work with Mr. Danielson.

Mr. Danielson said she will have to follow the Outstanding Balance Policy that has been in place.

Mr. Sostarich said is that like company policy.

Ms. Ball-Cummings said no, right.

Ms. Hicks said what's that.

Ms. Ball-Cummings said we don't have to do a vote since its already company policy, no.

Mr. Danielson said no.

Ms. Ball-Cummings said no I didn't think so.

Mr. Danielson said we have an outstanding balance policy that's been in affect since 2002, 2003 area that this Board approved. That was right in the same area of time that the Board first discussed the you know do we give somebody a break because they got a leak and that original Board, or that Board that was in place back then was Bob Flood as the Chairman, I think Mr. Sostarich was the Vice-Chairman, and Mr. Peetoom was on the Board, Tom Knagge, and Lil Payne.

Mr. Sostarich and Mr. Peetoom said Lil Payne.

Ms. Ball-Cummings said yeah.

Mr. Danielson said if the water passes through the meter you pay for it.

Ms. Ball-Cummings said that's the way its always stood.

Mr. Young said I also feel that as a rental property and the renter moved out and the owner of the property could have called here and asked the, asked the water company to turn the meter off.

Ms. Ball-Cummings said that's correct.

Mr. Young said and she didn't act on that, so I.

Mr. Danielson said and we do that all the time without a charge.

Ms. Hicks said I had told the renter to call the owner and let her know.

Mr. Kendrick said we're all ready giving her a break by letting her make payment arrangements.

Ms. Ball-Cummings said that's true.

Mr. Danielson said um hum.

Ms. Ball-Cummings said ok said and done that when she calls we're gonna let her know, ok.

8. Discussion and possible action concerning applying to USDA-Rural Development for a grant to implement Option 3 of the Preliminary Engineering Report

Ms. Ball-Cummings said is that right yeah. That would be Mr. Danielson.

Mr. Danielson said we're dead in the water until October 1st. President Obama has thrown stimulus money all over the place but he never threw a penny into the Colonia Fund. We need a little bit over a million dollars out of the Colonia Fund in order to make this project go. Otherwise we're looking at a loan in excess of million-dollars, which would raise our rates up to by about \$8.00 per month for the average bill. I tend to, I fully agree with Thom Martinez when he read the email he looked at me and he says you're gonna have a lynch mob out there if that occurs.

Ms. Ball-Cummings said yeah, no doubt about that.

Mr. Danielson said and I'm sorry we did a very modest increase for the first time in eight years last year.

Mr. Peetoom said four years I think.

Mr. Danielson said and we've had two modest decreases during that eight year period and we went, you know we went back to our base rate, we went up \$2.00 with a \$1.00 of it is what we've taken off the base rate on the previous, so. You know we're, we're way behind what other utilities are doing on raising our rates because we've just tried to keep managing this company and watching our expenses and everything like that so that we don't put our customers and our residents at a

disadvantage or you know hit them with that. I know my water company at my house they're raising rates. The electric companies raising rates.

Ms. Ball-Cummings said yeah and that they did.

Mr. Danielson said gas companies raising rates.

Mr. Sostarich said are there other options that we can consider besides President Obama or any of his, the trillions he's shoveling out.

Mr. Danielson said no but its gonna, what the best thing for us to do is wait until October 1st when they refund, when they put additional funding into the Colonia and since its sitting on Jeff's desk he can start working on it on October 1st.

Mr. Kendrick said madam Chair, are we gonna have to spend all that money again October 1st that we had just spent on this.

Mr. Danielson said no.

Mr. Kendrick said oh that's good.

Ms. Ball-Cummings said Mr. Kendrick.

Mr. Danielson said also if we pay our total bill at Westland between the Preliminary Engineering Report and the Environmental Assessment its just over \$18,000.00. Jeff says when the loan goes through, he says you submit me the invoices the P.E.R. and Environmental Assessment copies of those reports and I'll approve you writing yourself a check to put back in your general fund for that \$18,000.00.

Ms. Ball-Cummings said oh, that will be, excuse me in October.

Mr. Danielson said that will be in October.

Ms. Ball-Cummings said ok.

Mr. Young said will he put it in writing?

Mr. Danielson said Ms. Ball-Cummings listened to the telephone conversation or no Mr. Peetoom listened to the telephone conversation.

Ms. Ball-Cummings said yeah.

Mr. Young said well my understanding that we went after this Colonia grant and then what I'm understanding that it was never even funded, so.

Mr. Danielson and it was funded but they spent all the funds.

Mr. Young said and we worked at the pace they gave us. Applying for September 10th, did everything they wanted and then.

Mr. Danielson said yeah, um hum, and Thom and I sat down and we sat down and realistically said what could we have done to speed that project up and we looked at everything we did and we would have gained 2 ½ to 3 weeks.

Mr. Young said and this is putting America back to work.

Mr. Sostarich said if we lets just say that we decided to raise the rates by \$8.00 and apply for a loan. Does anybody consider the option of getting a second opinion on that Lawyer bill which was what \$75,000.00 or something outrageous like that, if we find another means of going through this.

Mr. Danielson said and when this fell through I did not question the Attorney. That email that I got from the Attorney, which brought some questions to my mind. I think that the Phoenix office of Gust Rosenfeld who was the one that prepared that response even though it was, Roger Frazier's name was on it. Was looking at what they would have to do if they were our Bond Attorneys. That we were issuing revenue bonds as we did the last time around for the upgrades in '03 or '04 that were done through Rural Development. We issued four hundred and four hundred thousand, \$397,000.00 worth of revenue bonds.

Ms. Ball-Cummings said it was four thousand.

Mr. Danielson said so this time they are letting us have a different financing option and that financing option. All we did originally, what I originally looked at was hopeful of a 90/10. Which means we would barrow \$230,000.00 and the remaining 2 million and change would have come from Rural Development in a form of a loan and a grant. Didn't factor in Avra Vista the cost of those homes, the income level down there everything like that change the demographics of the District enough so that 90/10 was available. We ended up with a 45/55. But then, he talked about a million-dollar Colonia Grant on top of that. Then he turned around and says rather than \$230,000.00 I want you to repay \$305,000.00 but over a 40 year period of time. I'll lower your interest rate so that your net payments after 40 years is the exact, is within a few dollars because of the low interest rate and a higher loan rather than a higher interest rate and a lower loan amount. It worked out about the same. I'm, then we found out that, that money was not available so we

could not we would then end up having to do over a million-dollar loan. Now one thing that has changed since we did this back in '03 and '04, and by the way the bond election date was September 11, 2001. The day the terrorist attacks on the World Trade Center. That special election, bond election authorized us to do a million-dollars in bonds by the voters of this District. The way Jeff has worked it out and with some of the changes they've made in Rural Development. What they would want to do is put a lien on our physical property for the outstanding amount. Therefore not requiring us to go to the voters, not requiring us to issue revenue bonds. Now with all that said and have I got everybody thoroughly confused.

Mr. Peetoom said um hum.

Mr. Danielson said ok.

Mr. Sostarich said you've got me thinking, understanding why accountants wear lampshades on their heads when they go to a party.

Ms. Ball-Cummings said Mr. Sostarich, I understand.

Mr. Danielson said by the way Jeff is an Accountant.

Ms. Ball-Cummings said well maybe we could just kind of put a bug in his ear.

Mr. Danielson said I've already put a bug in his ear and we're.

Ms. Ball-Cummings said ok.

Mr. Danielson said we're gonna be good to go October 1st hopefully the money's there.

Ms. Ball-Cummings said ok I was thinking the same thing Mr. Sostarich, there's got to be some other doors that we could possibly open, somehow or another. I mean I've done approached that to Mr. Danielson.

Mr. Danielson said WIFA's got some money but not much.

Mr. Sostarich said one time my wife sucked me into going to a Julio Eglasious concert and I was about half way through that they had a, they also had a convention at the Convention Center. They had an Accountants Convention. Half way through the Julio Eglasius concert I got to thinking oh they're probably wearing lampshades by now, so. That's how exciting the Julio Eglasius concert was.

Ms. Ball-Cummings said really.

Mr. Sostarich said some people found it extremely exciting and the guy did a good job but just didn't ring my bell you know.

Ms. Ball-Cummings said yeah I agree.

Mr. Peetoom said hey Mr. Danielson.

Mr. Danielson said yes.

Mr. Peetoom said how are you doing on that Thom Martinez deal, paying him off.

Mr. Danielson said I paid him about \$3,000.00 last month and we will look at our cash flow at the end of this month and if the cash flow, that's what you and I and Mr. Young can talk about if the cash flows there we'll send him a maximum of \$3,000.00 a month until we've paid we've got him paid off. If the cash flow is not looking real good he may get only a \$1,000.00.

Ms. Ball-Cummings said yeah.

Mr. Peetoom said its cause he didn't work and you did.

Mr. Danielson said what?

Ms. Ball-Cummings said ok any more discussion with Mr. Danielson on this?

Mr. Peetoom said no not until October.

Ms. Ball-Cummings said ok all right.

9. Discussion and possible action concerning applying to WIFA for a Technical Assistance Grant to perform a leak detection study

Ms. Ball-Cummings said Mr. Danielson you need to speak again.

Mr. Danielson said we actually got technical assistance grant from WIFA back 4 or 5 years ago to perform this same leak detection study. I believe they put it, I have to go and look, half the cost and we did half the cost and the reason to look at a leak detection study again is our water loss is in the north end of the District last year, calendar year were 13.4 % and over all was 12.4%. Department of Water Resources says that anything above 10 is excessive water loss and they come down on us, so we have

been taking, we've already, once we've saw those numbers in early March and finalized them, start looking at them, study them, went through the first couple of months of this year to make sure that there was not a major mistake made somewhere in December that would adversely influence it. We started talking about what do we need to do in order to at least assure the State that we're trying to be proactive in determining where our water loss was and the crazy thing about it is, is this goes back when we first redid these meters one year, we were at a 1% loss or 1 to 3% loss. I'd have to go back and look at the exact numbers. So something happened I can't see the Fire Department using that much water, I can't see us leaking that much water. So later this week we are going to repeat all these.

Ms. Ball-Cummings said all right Mr. Danielson go ahead.

Mr. Danielson said we're back on.

Ms. Ball-Cummings said yes we're back on.

Mr. Danielson said ok as I was saying December of 2008 we did and that's the nice thing of having multiple storage tanks, multiple well sites, is we set the District. The north end of this District to run off the Derringer/IM system. And we completely cut this well tank booster station off from the entire distribution system. We read the water meter, we cranked the well up and then we measured the tank level and just one second. Hello.

Mr. Sostarich said I call it rude. We should have a law about cell phones.

Mr. Danielson said and what we're able to do then was to pump a measured amount of water into this tank by measuring how much the tank level came up and compared that with what the totalized said and of course, naturally we put a stop watch on it on the thing so that we could get the exact gallons per minute. We did the same thing at Derringer we did the same thing down at the South end of pumping and pumping a measured volume into the tank and then knowing what it was. So we're gonna start working on that later on this week. Mr. Griggers' been taking some vacation time and basically all three of us need to be in the field in order to do that. So that's the first place we'll look, we'll look for bad well flow meters.

Ms. Ball-Cummings said ok.

Mr. Young said what about when they flush the hydrants, what kind of control is there on when the Fire Department.

Mr. Danielson said none.

Mr. Young said well that's something we need to.

Mr. Kendrick said there's a counter.

Ms. Ball-Cummings said no.

Mr. Danielson said no they won't flush through a hydrant meter because what they're doing in addition to flushing they're measuring, they've got a pitot tube near, they're measuring flow rates for their insurance rating.

Mr. Sostarich said is there anyway somebody could illegally tape into the system.

Mr. Danielson said hell yes.

Mr. Sostarich said is that idea being considered.

Mr. Danielson said if always has been considered.

Ms. Ball-Cummings said for me, definitely considered it.

Mr. Danielson said McDaniel when he was still alive and running McDaniel Well felt that there was a relatively large illegal tie in somewhere in this system. Which he was never able, he wasn't able to determine were it was. We've never been able to determine were it was. Just by watching and his feeling wasn't, he was just watching tank levels and pumping reads over at the Derringer well site during various parts of the day when they were out here doing repair work. And since we've got the SCADA System and we can monitor pumps on and off, on and off and that it doesn't look like there is a specific time period during the day that this is happening because we can spot every time they fill up at Derringer, every time somebody fills up a water truck, we can sit there and track it on the SCADA System. So I don't know if somebody is still stealing water from us or what Mr. Sostarich, I can't answer that question.

Mr. Sostarich said well if there's a 13% loss you'd think the grass would get greener around here.

Mr. Danielson said you'd think so to but I always think about Eddie Fry's place down here on the corner of El Tiro and Springfield. And he had a major leak, run a hundred thousand gallons of water through the meter. We knew he had a leak. He called his landlord; the landlord came in here, came out here with a contractor and trenched in here a new water line. That's how they found the break. There was not one blade of grass.

It all went straight down. Which is possible because of various portions in this valley is basically alluvial deposits its nothing but gravel. You spring a leak and down it goes.

Mr. Sostarich said if lets say that this 13% figure is accurate. Why would the State be concerned about water loss if its, lets just say its leaking. It's not going off into outer space. It's still within the environment.

Mr. Danielson said yes it is. We're also in the Tucson active management area. One of the battles that Mr. Flood and I decided that we weren't ready to fight yet with the State was to go back to the Department of Water Resources and say hey we are recharging water because of the septic tanks out here. They will not allow septic to be credited on recharged rates. They also will not let, allow leaks to be on recharged rates. So Mr. Flood and I talked about that one and thought about that long and hard if we wanted to start fighting the State on that one and whether we could afford the Attorney's bill to fight the State on the one. And decided to scrap that project.

Ms. Ball-Cummings said so lets me ask you a question Mr. Danielson, when are you going to apply for this assistance grant for the leak detection.

Mr. Danielson said its got to be done by the 30th.

Ms. Ball-Cummings said of April.

Mr. Danielson said right.

Ms. Ball-Cummings said ok.

Mr. Kendrick said do we have to vote on it.

Mr. Danielson said really I'm informing the Board and asking for guidance from the Board if I, the full Board if I need to do, you know that they're aware of what I'm doing. There's really no Board action required until they tell us yeah we'll give you a grant and then the Board gets involved in it.

Ms. Ball-Cummings said true.

Mr. Danielson said and if they say a yeah we see that you got a water loss but we're gonna fund xyz water District up in Heber instead of you guys then we step back and rethink about it whether we could do it under an operating expense or if we want to say all right lets go out and see if there's any new or used equipment on this leak detection

equipment which is, which we did price out and I can't remember what the price is but it was very pricey brand new. But there maybe some used stuff available out there that would work. Cause its all sound, its all sound related and the unfortunate part is where you're checking for leaks is on customer service records.

Mr. Sostarich said now do you go.

Mr. Danielson said you're not, if you've got a main line leak you can't find it.

Mr. Young said no.

Ms. Ball-Cummings said yeah that's correct.

Mr. Young said unless you could isolate it and shut the valves off, that's the only way you're gonna, you know.

Ms. Ball-Cummings said yeah.

Mr. Young said and you traced it up to this area, this northwest section of the leak, the 13%.

Mr. Danielson said it's in the whole north end of the District.

Mr. Young said the whole south end was about 7.6% loss.

Ms. Ball-Cummings said that's 7.6% at the south end.

Mr. Danielson said um hum, and realized the Fire Department up until probably June or July did the majority of practicing at the south end. Where as they've moved up here probably either late summer or fall, that they moved up here into the.

Mr. Young said do they give you any notice before they start flushing.

Mr. Danielson said normally we know about it especially with the new chief. The old chief wasn't to good about it.

Mr. Young said you're saying that they're using flow meters and all that.

Mr. Danielson said they're not using flow meters.

Mr. Young said well can't we require them to have a flow meter.

Mr. Danielson said well if you require them to have flow meters then they can't.

Mr. Young said we've got to have some kind of estimate of what kind of water they are using.

Ms. Ball-Cummings said that's right.

Mr. Young said they're firemen you know.

Mr. Danielson said yeah if we can get and I'll go back to the chief Layne and tell him hey I don't.

Mr. Young said that we have concerns, we have 13% loss and we need to.

Mr. Danielson said we have a concern, this is what our loss is.

Mr. Young said right.

Mr. Danielson said and I'd like to know having tested it. Whenever you guys run a practice, run a training class or something like that. Ok we've used 5,000 gallons of water or we used 50,000 gallons of water.

Mr. Young said right, we cracked the hydrant open and timed it for 10 minutes at full throttle at 70 pounds, at least we'd get a rough idea.

Mr. Danielson said well yeah we'd get a.

Ms. Ball-Cummings said yeah.

Mr. Danielson said a rough idea of what we're using.

Ms. Ball-Cummings said lets do that.

Mr. Danielson said ok.

Ms. Ball-Cummings said lets see where were at there.

Mr. Danielson said but I will still apply for the grant.

Mr. Young said right.

Ms. Ball-Cummings said correct.

Mr. Young said grants are good.

Mr. Peetoom said how much is this gonna be on the grant.

Mr. Danielson said I was hoping to have an estimate from Bruce Rubin on what the cost would be but a, I didn't get an email from him and a I haven't, he wasn't in the office.

Mr. Peetoom said ok.

Ms. Ball-Cummings said so you missed him.

Mr. Danielson said yeah.

Mr. Peetoom said so all we have to do is tell you go ahead.

Mr. Danielson said um hum.

Ms. Ball-Cummings said and then talk to the chief too.

Mr. Danielson said right.

Ms. Ball-Cummings said yeah, no more questions for Mr. Danielson on this one?

Mr. Peetoom said I make the motion that we tell Mr. Danielson to go take care of this leak detection study and the WIFA grant.

It was moved by Mr. Peetoom, Seconded by, Mr. Sostarich and carried unanimously that; **MR. Danielson take care of the leak detection study and the WIFA grant.**

5 ayes

0 opposed

0 abstentions

10. Discussion and possible action concerning administrative details.

Ms. Ball-Cummings said Mr. Danielson or Ms. Hicks do you have any?

Ms. Hicks said nothing.

Mr. Danielson said is this the proper time to bring up the special meeting?

Ms. Ball-Cummings said yeah it could be its administrative detail.

Mr. Danielson said ok you want to talk or do you want me to talk.

Ms. Ball-Cummings said go ahead.

Mr. Danielson said ok.

Ms. Ball-Cummings said if I need to I will.

Mr. Danielson said Madam Chair and I sat down last week and discussed two items that are not on the on this agenda. One of them was personal policy matters which the Board actually formed a subcommittee composed of Ms. Ball-Cummings and Mr. Kendrick on whether, what is the District, what if anything is the District going to do regarding your two long term employees, myself and Mr. Perry, who have maxed out our long term illness allowance and are basically losing sick leave time every year and have been for a few years now. And Mr. Kendrick actually had a very good idea on it and a we'd like to bring that in front of the, in front of the Board for consideration and discussion. The other item that we would want to look at a special Board meeting for and by the way this meeting would be two weeks from tonight. Is the State of Arizona, Arizona State Retirement System has now implemented a 401K type of a plan that allows employees to make additional contributions over and above what are normal contributions to retirement would be to be kept in a 401K plan. Once again it is your two old time employees who are myself and Mr. Perry, who are both interested in it. Reason being for me is I want to look at it and see what the numbers look like and everything like that because I'm getting ready to retire from Magma Copper Company. I haven't worked there since '93 but I'm getting ready to retire from Magma Copper Company and so I will have an additional source of income which would tell me that I could defer some of my current income into the savings plan if I so desire. Mr. Perry just turned 60, he's a kid.

Ms. Ball-Cummings said he's a kid.

Mr. Danielson said and he is now eligible, since Mr. Perry is a widower he's now eligible to receive half of his wife's social security from now until age 65 or when he decides to retire and then he will get the larger between his and half of his wife's. So we are at least interested in the plan but the District has to agree to allow the employees to do it. I believe it's at no cost to the District but I haven't read through the stack of paperwork yet so.

Mr. Young said he had a senior moment.

Mr. Sostarich said I've got a question for the Chair on this subject. If we have a special meeting to discuss this would it be proper, prudent, or wise to have it in executive session.

Ms. Ball-Cummings said well there's not gonna be no public so we can just have it in a regular meeting like we have right now.

Mr. Sostarich said yeah but these regular meetings.

Ms. Ball-Cummings said lets put it.

Mr. Sostarich said these internal affairs here which is what this would be, that would be out there for the whole world to see.

Ms. Ball-Cummings said that's true.

Mr. Sostarich said we don't need to, this is not a public matter.

Ms. Ball-Cummings said put it on there, their retirement.

Mr. Sostarich said the details of discussing it.

Ms. Ball-Cummings said well that's true.

Mr. Sostarich said I mean for a couple of week ago, a couple of meetings ago Mr. Danielson had mentioned that the perimeters of what can we discuss in executive session and all of that. Now we're discussing something that when that last time this was brought up, I talked to Jim Doyal the friend of mine whose the Chair of the Board over there and he said well in cases like this the best thing to do is to work out what you can with item 1 that you brought up.

Ms. Ball-Cummings said ok.

Mr. Sostarich said you remember me saying that Mr. Danielson.

Mr. Danielson said um hum.

Mr. Sostarich said and a because this could wind up on some computer disk out there for everybody to see I don't think, I'm not sure if it's a good idea that we should have a discussion that would be on public record. That's why I bring up the original question.

Mr. Young said good point.

Ms. Ball-Cummings said yeah, good point.

Mr. Danielson said well it relates, item one that I brought up as far as the changes in the personal policy and what to do with the two long-term employees who have maxed out their sick leave.

Mr. Young said maxed out.

Mr. Danielson said they're just maxed out, yeah. That actually is a, that's an employee compensation issue which is a, which is an executive Board, an executive session subject. The second item which is just saying yes or no for the employees to join this.

Ms. Ball-Cummings said the plan.

Mr. Danielson said should be in a public meeting.

Ms. Ball-Cummings said yeah.

Mr. Danielson said so we can do an executive session, come out of the executive session and then do the regular meeting on the item two.

Ms. Ball-Cummings said yeah we could do that.

Mr. Sostarich said why didn't I think of that.

Ms. Ball-Cummings said well you kind of more or less did.

Mr. Danielson said you did.

Mr. Young said does it have to be a special meeting, could we have it as a regular one then we'll have an executive session at the next meeting or.

Mr. Danielson said yeah we probably can.

Mr. Young said it will save some money.

Mr. Danielson said yeah and we left it off just because with Mr. Addison's here we knew we would run late tonight.

Ms. Ball-Cummings said yeah, that's why we didn't bring, cause we were gonna put it on the agenda but we knew Mr. Addison we gonna be here so that was gonna be a little bit to much but.

Mr. Sostarich said so we don't have to have a special meeting after all then.

Ms. Ball-Cummings said no we can have them with the regular next meeting.

Mr. Sostarich said would that, would your needs being met that fit within that time frame of us having this at a regular meeting.

Mr. Danielson said oh yeah that will be fine that would be fine.

Ms. Ball-Cummings said ok.

Mr. Sostarich said well the only thing I can see then is that I strongly recommend that we bring it up at the next meeting where we fill out the agenda for the next meeting.

Ms. Ball-Cummings said yes, I do agree.

Mr. Danielson said other than that Madam Chair I have no more administrative, no additional administrative details.

Ms. Ball-Cummings said ok.

Mr. Sostarich said I've got an administrative detail that I would like to bring up.

Ms. Ball-Cummings said ok.

Mr. Sostarich said I'm gonna get up so I can impress everybody here. I've got a new idea for your consideration. I call this the bottom of the barrel idea because I had to dig deep for this one. Ok we've all seen what happens when the Board gets out of control right. Have we've given any thought to the possibility of what would happen if the company got out of control of the Board. Would you recognize it in time? What would be our options, what would you do? This loss of control could range from empathy to a full-scale walk out strike. We're suggesting this as a thought exercise here tonight giving you a) something to think about and b) assurance that I'm still in the business of cooking up new ideas. Now in my life I've seen classrooms get out of control of the teacher, marriage spouses get out of control of the spouse and c) I've seen airline companies get out of control and go on strikes with the intent of wrecking the company. I'm not saying this is happening here but it is something to be prepared for and I believe chapter 10 of your Water Board Bible covers the idea of being prepared in an emergency and if something should happen we want to be prepared.

Ms. Ball-Cummings said that's correct.

Mr. Sostarich said and that is all.

Ms. Ball-Cummings said thank you very much, anything else on administrative details? All right.

11. Announcement of next scheduled meeting

The next scheduled meeting of Marana Domestic Water Improvement District Board of Directors shall be on Monday, May 10, 2010 at 7:00 PM, at the District Offices.

12. Adjournment

It was moved by Mr. Peetoom, seconded by Ms. Ball-Cummings and unanimously carried that; **This meeting of the Board of Directors of the Marana Domestic Water Improvement District shall be adjourned.**

The meeting was adjourned at 8:15 PM.

Minutes prepared by
Theresa Hicks
Acting Clerk of the Board