

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

MONDAY, MAY 14, 2018

****BOARD CONFERENCE ROOM**
METROPOLITAN DOMESTIC WATER IMPROVEMENT DISTRICT
6265 N. LA CAÑADA DRIVE
TUCSON, ARIZONA 85704**

MINUTES

Board Members Present:

Judy Scrivener, Chair
Bryan Foulk, Vice-Chair
Jim Doyle, Member
Helen Ireland, Member
Dan M. Offret, Member

District Staff:

Joseph Olsen, General Manager
Sheila Bowen, Deputy General Manager / District Engineer
Diane Bracken, Chief Financial Officer
Steve Shepard, Utility Superintendent
Theo Fedele, Clerk of the Board
Cindy Schmidt, Legal Counsel

Regular Session

I. Call to Order and Roll Call

Judy Scrivener, 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. Jim Doyle, Bryan Foulk, Helen Ireland, Dan M. Offret and Judy Scrivener were present.

II. General Comments from the Public

There were no comments by the public.

III. Adoption of Fiscal Year 2018 Budget

Ms. Scrivener announced the correction to the agenda. It should state Adoption of the Fiscal Year 2019 Budget instead of 2018.

Ms. Bracken stated that it was discussed at the study session that the consumer price index (CPI) is monitored to determine the cost of living increase. As of April, the CPI was at 2.4%, therefore, staff is recommending a 2.5% cost of living increase at the beginning of the fiscal year and then a potential 1.5% merit increase in January for eligible employees.

The total planned revenue from operations and fund balance is \$32,379,603. With the Northwest Recharge Recovery and Delivery System (NWRRDS) partner contributions of \$620,000, the total available funding is \$32,999,603. The requested operating expenditures are \$11,981,575, and debt service is requested in the amount of \$6,421,609, with a \$500,000 contingency for emergencies and a set aside funds for sick and vacation payouts of \$89,212, for a total Requested Operating budget of \$18,992,396. Requested capital equipment purchases total \$362,870 and this budget includes \$4,093,340 of cash funding for capital projects including \$900,000 from Water Resource Utilization Fees for the District's portion of the NWRRDS project. Depreciation and amortization of assets are requested in the amount of \$3,443,103. The total requested cash and non-cash expenditures equal \$27,511,709.

Mr. Olsen stated that the priority driven budget process is important particularly on items such as the capital equipment list where feedback from all staff is obtained on the various items required to better accomplish the District's mission. The list is then organized based on how the items would the impact to the District's mission if the item is not funded in the upcoming fiscal year budget. The items not funded will remain on the list for future consideration. These items may require additional analysis or review to determine the correct pathway and will hopefully be funded at the mid-year budget review or in the next fiscal year budget.

Mr. Offret moved to adopt the Metro Water District budget for the Fiscal Year 2019 as presented with the total disbursements not to exceed the budgeted expenditure amount of \$27,511,709. Mr. Foulk seconded the motion. Motion passed unanimously.

IV. Consent Agenda

- A. Approval of Minutes – April 9, 2018 Board Meeting**
- B. Ratification of Billing Adjustments**
- C. Ratification of Bill of Sale La Cholla Station, Lots 6-35 (Phase M-17-010)**

Ms. Ireland made a motion to approve the consent agenda. Mr. Foulk seconded the motion. Motion passed unanimously.

V. General Business - Items for Discussion and Possible Action

A. Monthly Status of the District

Mr. Olsen stated that the fiscal year-to-date consumption for Metro Main is approximately 6% higher than last fiscal year-to-date while Metro Hub and Metro Southwest are 11% and 17% higher respectively. The significant increase in demand in Metro Southwest service areas can be attributed to higher construction water usage for the substantial construction activities along with the warmer and drier weather that has increased demand for water providers throughout the Tucson region.

The external painting of the Oracle Jaynes storage tank is complete except for the District logo, which will hopefully be completed this week. The arsenic media at Hub #1A and Diablo Village #1 has been removed for regeneration.

The bid opening for the waterline relocations associated with the La Cholla Regional Transportation Authority (RTA) project is scheduled for May 31, 2018 and will be on the June Board agenda for consideration. This will hopefully be the last substantial RTA project for a while in the District's service areas, beyond small efforts associated with bus pull-outs or sidewalks, so the limited Capital Improvement Program (CIP) funds can be focused on other infrastructure replacement initiatives.

Staff have been continuing the coordination on easement and property acquisitions associated with the NWRRDS and met with the property owners of two parcels that the Board authorized condemnation actions to proceed. Hopefully a mutually agreeable solution can be reached. Staff have also completed the evaluation and recommendation associated with the pipeline alignment near I-10 and Avra Valley Road. This work was authorized by the NWRRDS committee and included proportional reimbursement from Oro Valley and Marana.

The designs for the Old Nogales mainline replacement and Metro Hub reservoir expansion, which was authorized by the Board during the mid-year budget review, are proceeding with both designs at approximately the 30% stage.

B. Financial Report

Ms. Bracken stated that revenue and expenditures are both favorable as of the end of March with revenue exceeding the budget by \$1,627,996 dollars and expenditures are under budget by \$649,822 dollars when compared to a straight-line projection. Revenue in excess of expenditures are favorable by \$2,277,818. The largest increase in revenue continues to be from Metered Water Sales, which have exceeded a straight-line projection by \$978,744. The Water Resource Utilization Fees are \$71,061 ahead of a straight-line projection. Development revenue has exceeded the adopted budget by \$221,812, water storage revenue has exceeded the budget by \$88,034, interest and other income have both exceeded the adopted budget amount by \$42,279 and \$84,035 respectively. Regulatory fees continue to be slightly higher than a straight-line projection; however, all expenditures are expected to be under budget by the end of the fiscal year. Revenue through March is higher than the prior year by \$1,337,492 or 8.76%. Metered Water Sales are higher by 6.6% or \$824,390, development revenue exceeded the prior year by \$278,577. The total operating expenditures are \$573,400 higher than they were at the end of March 2017. When comparing revenue in excess of operating expenditures to the prior fiscal year, the current year is favorable by \$764,092.

The Arizona State Treasurer Pooled Collateral Program provided collateral coverage of \$6,570,816.33 in addition to the \$500,000 FDIC coverage.

Twenty-eight new meter applications were received in April compared to ten-meter applications received in April of the prior fiscal year. As of the end of April 191 new meter applications have been received compared to 98 new meter applications received through April 30, 2017. We have exceeded the projected 84 new meter installations with 124 in Metro Main and Metro Hub and 67 in Metro Southwest so far this fiscal year.

C. Approve the Amended Contract for Collection of Sewer User Fees

Ms. Bracken stated that since 2014, the cost for processing Pima County sewer billing to District customers has increased from \$1 per account per month to the requested amount of \$1.42 per account per month. If the Board elects to approve this request, in Fiscal Year 2019 the annual revenue collected for providing this service to Pima County will increase by about \$17,540 compared to revenue collected in Fiscal Year 2018. When adding the cumulative revenue realized by these small incremental increases, the District is realizing additional revenue of about \$274,600 over a five-year period ending with projected revenue for Fiscal Year 2019. In Fiscal Year 2019, these incremental increases will result in about \$91,900 of additional annual revenue. The requested budget does not include this additional revenue.

Mr. Olsen stated that with total revenue from just the increases over the 5-year period is roughly equivalent to the revenue generated from a customer rate increase and is one of the many examples shared with customers at the information meeting on the ability to keep rate increases lower than what would otherwise be possible.

Ms. Ireland moved to approve the one-year amendment to the contract with Pima County Regional Wastewater Reclamation Department for the collection of sewer user fees at the rate of \$1.42 starting on July 1, 2018 with an expiration of June 30, 2019. Mr. Offret seconded the motion. Ms. Scrivener and Mr. Doyle recused themselves from voting on this item. Motion passed 3-0.

D. Leak Adjustment Policy Revision

Mr. Olsen stated that the Board authorized a new leak adjustment policy in 2014 which standardized the leak adjustments process while also ensuring equitability and fairness by ensuring customers paid for the water that passed through the meter at their historic tier of consumption. After the four years of implementing the policy, there has been two recommendations to adjust the policy to further streamline the process.

Ms. Bracken stated that the changes being requested to this policy are to remove the example from the policy since it is out of date with prior changes to District rate structures, and to add a condition for calculating leak adjustment when a customer has high water usage in the same month of the prior year. The standard practice has been to calculate the water usage at one tier lower than the highest billed tier in the prior year, with the approval of the General Manager. Adding this

guideline to the policy would reduce the number of policy exceptions and officially document the calculation process.

Mr. Offret moved to approve the Leak Adjustment Policy as presented and that it be effective May 17, 2018. Mr. Foulk seconded the motion. Motion passed unanimously.

E. Amendment No. 2 with Arizona Department of Water Resources for Subsidence Monitoring in the Tucson Active Management Area

Mr. Olsen stated that each year the subsidence maps are received from the partnership with Arizona Department of Water Resources (ADWR) showing changes in ground elevation throughout the Tucson Region. These maps show the District's service areas and are helpful in addressing customer inquiries regarding subsidence. The most recent subsidence mapping shows no subsidence in the District's service areas. The partnership with ADWR to create these maps for the District and to assist in the overall program is the result of an Intergovernmental Agreement (IGA) where the District contributes \$1,500 annually. This IGA is set to expire and staff recommends that this IGA be renewed for another five years given the importance of this program and the relevance of the associated data.

Mr. Offret moved to approve Amendment No. 2 of an Intergovernmental Agreement with the Arizona Department of Water Resources with an expiration date of December 31, 2023 and the District's annual contribution will not exceed \$1,500. Mr. Foulk seconded the motion. Motion passed unanimously.

F. Approval of Water Service Agreement with RB Price and Company, Inc. for Valhalla Ranch Estates/Diablo Village Estates (Phase 1 M-17-016 On-Site) and (M-18-010 Off-Site)

Mr. Olsen stated that as with all developer financed projects, upgrades to District infrastructure are required to be paid for by the developer to ensure that growth pays for itself. Normally new subdivisions have water infrastructure that is built then accepted and incorporated into District assets but in this case, the developer's contractor will be building a new storage tanks, variable frequency drives, and other associated upgrades for the first phase of the Diablo Village development on an existing District production site. Staff is coordinating with the developer on the associated upgrades for the subsequent phases and any water service agreements for those phases will be brought as a future Board agenda item.

Mr. Foulk moved to approve the Water Service Agreement with RB Price and Company, Inc., for the Valhalla Ranch Estates/Diablo Village Estates (Phase 1) subdivision. Mr. Offret seconded the motion. Motion passed unanimously.

G. Agreement between Metro Water District and Tucson Water for Emergency Water Service

Mr. Olsen stated that the water providers throughout the Tucson region are fortunate that the various service areas are often directly adjacent to each other which presents an opportunity for enhanced reliability through regional collaboration. In particular, the City of Tucson would benefit from an emergency interconnect with District facilities in the event of an outage to their far northwest customers and the District would benefit from an emergency interconnect with the City near the Metro Hub storage tank. The latter would provide redundancy not only during the construction of the new storage tank but also in the event of an infrastructure emergency in Metro Hub. Approval of the IGA is recommended to add additional resilience to both the City of Tucson and the District's ability to deliver water to our respective customers.

Mr. Foulk moved to approve the Intergovernmental Agreement between Metro Water District and Tucson Water for Emergency Water Service. Mr. Offret seconded the motion. Motion passed unanimously.

H. Authorizing an Agreement with Pima County for Infrastructure Associated with the Ina Road Sidewalks Improvement Project

Ms. Bowen stated that this item is similar to those done in the past where, at the conclusion of that project, the existing facilities are impacted and will need to be adjusted including existing waterlines and other appurtenances. The sidewalk project planned along Ina Road between Shannon Road and La Cholla Boulevard has 13 valves and meters that will be adjusted as part of the project. The original estimate for Valencia Road project was actually 46% higher so adjustments were made to more accurately reflect the costs.

Mr. Foulk asked when the project was to begin. Ms. Bowen stated within the next few months.

Mr. Offret moved to authorize the General Manager to negotiate and execute an agreement with Pima County, acting through its contractor, to adjust, modify, install and/or remove Metro Water District facilities as necessary to accommodate the Pima County Ina Road Sidewalks Improvement Project for an estimated amount of \$7,500 and to authorize the General Manager to approve additional funds up to \$1,000 for any unexpected issues related to the work. Mr. Foulk seconded the motion. Motion passed unanimously.

I. Approval of Bids for Granular Activated Carbon (GAC) Replacement at South Shannon

Mr. Olsen stated that the District uses Granular Activated Carbon (GAC) at the south Shannon treatment facility to remove volatile organic compounds (VOC) from the groundwater as part of

an Arizona Department of Environmental Quality (ADEQ) funded cleanup initiative. This item is to approve job order contracts with the submitted GAC vendors. Staff will use the lowest available bidder as needed for each change-out and will coordinate reimbursement for such change-outs with ADEQ.

Mr. Foulk moved to approve the bids submitted and authorize staff to enter into the Job Order Agreement with Carbon Activated Corp. and Prominent Systems and to authorize the General Manager to approve each GAC change-out to the lowest available bidder, as needed. Mr. Offret seconded the motion. Motion passed unanimously.

J. Approval of Quotes Submitted for the Emergency and Miscellaneous Electrical Services

Mr. Olsen stated that the wells and booster facilities that provide water to District residents are dependent on electrical systems and equipment for operation. These systems require regular maintenance and could fail at all hours of the day, necessitating emergency repair. While the District has two full time electrical staff, this job order agreement provides both emergency support capacity and the ability to augment District staff based on the particular electrical need. Staff recommends the Board authorizing job order agreements with Kelly Electric, Sabino Electric, and Sturgeon Electric to provide as-needed electrical support to the District.

Mr. Offret moved to approve the pricing submitted by Kelley Electric, Sabino Electric, and Sturgeon Electric for the Emergency and Miscellaneous Electrical Services for use in Fiscal Year 2019 and to authorize the General Manager to enter into job order agreements with each contractor. Ms. Ireland seconded the motion. Motion passed unanimously.

K. Approval and Award for Water Treatment Media Regeneration Annual Quotes for the District's Arsenic Treatment Media

Mr. Olsen stated that the District uses iron oxide adsorption media to remove arsenic at four production sites. The media can be regenerated by chemically stripping the adsorbed arsenic ions as opposed to purchasing new media each time a change out is required. Purolite is the only known vendor to possess the required Gold Seal certification to accomplish this media regeneration process. Purolite was also the only respondent to submit a bid request. Staff recommends the approval of the arsenic media regeneration quote with Purolite.

Mr. Foulk moved to approve the annual quote for Water Treatment Media Regeneration and award Purolite the regeneration of the District's Arsenic Treatment Media. Mr. Offret seconded the motion. Motion passed unanimously.

L. Resolution 2018-2 Call for November 6, 2018 Election for Board of Directors

Mr. Olsen stated that November 6, 2018 is a regular election cycle for three Board positions up for election. Fiscal Year 2019 budget has funded \$25,000 to accomplish the election. Recommend approval of Resolution 2018-2 to call an election for these three Board positions with terms that would last four years beginning January 1, 2019.

Mr. Offret moved to approve Resolution 2018-2 to call an election for November 6, 2018 for the purpose of electing members of the Board of Directors to fill three seats for a four-year term beginning January 1, 2019. Mr. Foulk seconded the motion. Motion passed unanimously.

M. Appointment to the Finance Oversight Committee

Mr. Olsen stated that the Finance Oversight Committee (FOC) has historically consisted of seven members who provide guidance to the Board and staff on financially related matters. There is currently one vacancy on the FOC. Lee Jacobs, a District resident, has expressed interest in supporting the District residents and the Board by serving on the FOC. Mr. Jacobs currently serves as the Town of Oro Valley Water Utility Division Manager. He has over 20 years of relevant experience in the water and wastewater arena and is a registered professional engineer.

Mr. Offret moved to appoint Lee Jacobs to the Finance Oversight Committee. Mr. Foulk seconded the motion. Motion passed unanimously.

VI. General Manager's Report

Me. Olsen stated he presented at the Arizona Municipal Utility Leadership Institute's (AMULI) annual conference on the history and importance of recharging renewable water resources throughout the Tucson Region along with the various regional collaborations that have occurred on the waterfront including: emergency interconnects, wheeling agreements, and infrastructure financial partnerships such as the NWRRDS. The attendees were impressed that water providers now work so closely together in the Tucson Region.

At the AZ Water Conference Steve Woolridge received the Maintenance Mechanic of the Year Award. Two years in a row, District staff have received the Maintenance Mechanic of the Year Award. Steve Shepard submitted the nomination for that award.

KVOA presented a story relating to a customer's high water bill. This may not have been a very positive story had it not been for how staff proactively works with customers to resolve their particular water issues.

Utility staff recently worked on a rather large leak at Chimayo Place. Staff worked all night to restore service. The residents were so appreciative that they wrote a note thanking staff for the quick response and the time spent repairing the leak.

VII. Legal Counsel's Report

Ms. Schmidt stated she had nothing to report.

VIII. Clerk of the Board Updates; Future Meetings

Ms. Fedele stated that the Arizona Legislature adjourned on May 4, 2018 and the Governor has signed the Fiscal Year 2019 budget. The items that were being tracked that may have impacted the District did not move forward in this legislative session.

The next regularly scheduled Board meeting will be held on June 11, 2018 at 6:00 p.m.

IX. General Comments from the Public

There were no comments from the public.

X. Adjournment

The meeting adjourned at 6:40 p.m.

Judy Scrivener, Chair of the Board

Theo Fedele, Clerk of the Board