

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

JUNE 12, 2017

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

MINUTES

Board Members Present:

Judy Scrivener, Chair
Bryan Foulk, Vice-Chair
Jim Doyle, Member

Board Members Not Present:

Dan M. Offret, Member
Helen Ireland, 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
Jeffrey L. Sklar, 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 6:01 p.m. Jim Doyle, Bryan Foulk, and Judy Scrivener were present. Helen Ireland and Dan M. Offret were not present.

II. General Comments from the Public

There were no comments by the public.

III. Proposed Adjustments to Rates and Fees

Mr. Olsen stated that at the March 21, 2017 Finance Oversight Committee (FOC) meeting, the Committee voted 5-0 to recommend a 0% adjustment to the rate structure for Fiscal Year 2018 based on the progress of numerous financially related initiatives over the past three years. This recommendation was discussed with the Board during the March 27, 2017 study session.

An information meeting with District residents was held on June 7, 2017 to highlight various financial accomplishments including the implementation of the priority driven budget process, attainment of revenue stability goals, collaborative infrastructure partnerships, and obtaining other non-customer revenue streams which has kept rates 21% lower than they otherwise would be had these initiatives not been accomplished. This is equivalent to preventing a \$10 increase on the average customer's monthly water bill. The customer consensus was in support of the proposed 0% adjustment with the understanding that there are some costs the District does not control including energy costs, Central Arizona Project (CAP) water, and inflationary impacts, and that future rate increases will be needed but are anticipated to be lower than otherwise required without these positive financial activities.

Mr. Foulk moved to approve a 0% adjustment in rates and fees for Fiscal Year 2018. Mr. Doyle seconded the motion. Motion passed unanimously.

IV. Adoption of Fiscal Year 2018 Budget

Mr. Olsen stated that at the March 21, 2017 FOC meeting, the Committee discussed the proposed budget, reviewed financial projections, and voted 5-0 to recommend the Board adopt the Fiscal Year 2018 budget. At the March 27, 2017 study session, the Board also discussed the proposed Fiscal Year 2018 budget that includes a projected beginning fund balance and revenue total of \$27,050,394 that supports disbursements of \$25,095,869 and is projected to cover 89.95% of fixed costs with the water availability rate. The goal was for a 90% revenue stability initiative which has been essentially met based on projections in the Fiscal Year 2018 budget.

Mr. Foulk moved to adopt the Metro Water District budget for the Fiscal Year 2018 as presented with the total disbursements not to exceed the budgeted expenditure limitation amount of \$25,095,869. Mr. Doyle seconded the motion. Motion passed unanimously.

V. Consent Agenda

- A. Approval of Minutes – May 8, 2017 Board Meeting**
- B. Ratification of Billing Adjustments**
- C. Ratification of Billing Adjustments**
- D. Ratification of Accounts Removed from Active Accounts Receivable**
- E. Ratification of Bill of Sale – Tucson Orange Grove Self Storage (M-09-011)**
- F. Approval of Water Service Agreement for Montaretto Estates, Lots 1-95 (M-16-012)**
- G. Approval of Amendment No. 2 to the Miscellaneous Survey Services Contract with Rick Engineering Company**

- H. Approval of Amendment No. 2 to the Miscellaneous Geotechnical & Material Testing Services Contract with Western Technologies, Inc.**
- I. Approval of Contract Renewal No. 2 for the Positive Displacement Meters 5/8" – 2" with FWC Waterworks LLC.**

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

VI. General Business - Items for Discussion and Possible Action

A. Monthly Status of the District

Mr. Olsen stated that fiscal year-to-date consumption continues to track with last year's fiscal year-to-date numbers.

There was 76 Water Quality samples taken in May for various constituents beyond microbiological sampling including unregulated contaminants, such as 1,4-dioxane where the sampling frequency has been increased to ensure safe, reliable water to customers. Also, numerous analytical services contracts will be considered by the Board later in the agenda, which support these water quality tests.

The painting of the New Linda Vista and Horizon Hills tanks is completed, including the new District logos. Feedback received from our customers was that the logos on the storage tanks looks professional and brings a sense of District pride to residents. The new pressure tank has been placed at E&T22 and well maintenance has been completed at the Tucson National East and Alcott wells.

The technical memo for the Oracle Jaynes Replacement (OJ2) well was submitted to the District from Clear Creek Associates on May 25, 2017 and equipment for the pump installation has been ordered.

Easement and real property acquisitions continue for the Northwest Recharge, Recovery, and Delivery System (NWRD) with one easement recently closed and ten nearing the completion stages. A letter was sent to the Arizona State Land Department (ASLD) that included substantial information to assist in the deliberative processes for the District's real property request.

B. Financial Report

Ms. Bracken said revenue and expenditures through April are both favorable with revenue of \$382,017 dollars over budget and expenditures of \$929,072 dollars under budget using a straight-line projection. The revenue in excess of expenditures balance is favorable by \$1,311,089. Metered Water Sales are ahead of the budget by \$318,600 using a straight-line projection. Interest income and development revenue have both exceeded the budgeted amount and all other revenue with the exception of Marana Water Storage are favorable when compared to the budget using a straight-line projection. All planned expenses are under budget with the exception of regulatory fees that continue to be projected over budget when compared to a straight-line projection. Revenue through April is \$1,010,771 higher than it was in April 2016 with an increase of \$985,006 from Metered Water Sales and an increase of \$212,217 from Water Resource Utilization Fees. Although development revenue has exceeded the budgeted amount in Fiscal Year 2017, it is \$157,845 lower than the prior fiscal year. The total operating expenditures as of April are \$334,110 higher than they were in April 2016. When comparing revenue in excess of operating expenditures for April 2016, the current year is favorable by \$676,661.

The Arizona State Treasurer Pooled Collateral Program Statement for April provided the District with FDIC and collateralization coverage on \$3,903,013.12.

The American Express Accounts Payable Card was used to pay for normal business purchases totaling \$44,570.58 in May. The inception-to-date purchases since March 2014, has generated a District saving of \$22,351.78.

A total of 18 meter applications were received in May compared to 10 meter applications received in the May 2016. As of the end of May a total of 116 meter applications have been received compared to 137 meter applications as of May 2016.

C. Appointment to the Finance Oversight Committee

Mr. Olsen said that over the past year there have been three resignations from the FOC due to various reasons. The FOC now consists of five members though historically the desire has been to have seven members to ensure a broad spectrum of financial perspective and advice to staff and the Board. Fortunately, two inquiries were received from interested District residents who wish to serve on the FOC. Richard Sarti has over 25 years of water industry experience from both public and private sector perspectives, serves as an Engineering Manager at Tucson Water, and has already embraced the personal knowledge gain of the District's financial activities by attending last week's information meeting. Charlie Maish has over 40 years of water and wastewater

experience from his time at the Bureau of Reclamation, Pima County, and having served as the District Engineer for over 20 years. Both gentlemen are uniquely qualified to add valuable perspective to future FOC deliberations and their appointment is highly recommended.

Mr. Foulk moved to appoint Charlie Maish and Richard Sarti to the Finance Oversight Committee. Mr. Doyle seconded the motion. Motion passed unanimously.

D. Approval of Amendment to Contract for Collection of Sewer User Fees

Mr. Olsen stated that as part of the billing service agreement with Pima County, the District collects sewer fees on behalf of Pima County and is reimbursed for the cost of performing this service. Over the past few years, the cost per monthly bill has increased to better reflect the true cost of service in performing this activity. This amendment is to increase the cost per monthly bill from \$1.25 to \$1.34. When taking the total increases over the past three years, the District is collecting \$75,000 in additional cost of service recovery than three years prior.

Mr. Foulk moved to approve the attached one-year amendment to the contract with Pima County Regional Wastewater Reclamation Department for the collection of sewer user fees at the rate of \$1.34 starting on July 1, 2017 with an expiration of June 30, 2018. Mr. Doyle seconded the motion. Motion passed unanimously.

E. Approval of Quotes for Emergency and Miscellaneous Information Technology Support and Maintenance Services

Mr. Olsen stated to ensure our Information Technology (IT) resilience in the event of a failure, an on-call miscellaneous IT services support contract was established to augment District capability. Over the past year, Nextrio has performed critical support for the District by accomplishing a comprehensive IT audit of the District's systems that provides a list of recommended upgrades and solutions, helped facilitate the transition of the new IT professional following the retirement of the District's network administrator, and performed various server maintenance activities. A solicitation process was held for the next fiscal year and Nextrio was found to have the most responsive and qualified response.

Mr. Foulk moved to approve the quotes and pricing submitted by Nextrio, LLC. for Emergency and Miscellaneous Information Technology Support and Maintenance Services for one year with renewal options for up to four additional years, for a total of five years, if both parties agree with revised pricing provided prior to the start of each fiscal year. Mr. Doyle seconded the motion. Motion passed unanimously.

F. Approval of Sick Leave Policies

Mr. Olsen stated that recent changes in the Arizona Revised Statutes now require that part-time employees are afforded sick leave. To ensure compliance, the District has created a part-time sick leave policy. With the creation of this policy, it was realized that certain language needed to be changed to the sick leave policy for full time employees. Clarifications were made regarding the sick leave payouts following retirements and separations from the District to follow the practice that has been in place for the past five years. Creating and implementing employee policies had been delegated by the Board to the General Manager except those with financial implications. As such, these policies are for Board consideration.

Mr. Foulk asked what the District is required to do. Mr. Olsen and Ms. Morelli stated that all part-time, seasonal, and temporary employees will earn one hour of sick leave for every 30 hours worked.

Mr. Foulk moved to approve the updated sick leave policy and the new earned sick leave for part-time, seasonal, and temporary employees policy. Mr. Doyle seconded the motion. Motion passed unanimously.

G. Approval of Amendment No. 3 to the Contract for Land Acquisition Services for the Northwest Recharge, Recovery and Delivery System

Mr. Olsen stated that a critical path item of the Northwest Recharge, Recovery and Delivery System (NWRRDS) is the various land acquisitions, including Arizona State Land Department (ASLD) coordination and this amendment is not to increase the contract amount but to extend the contract for another fiscal year and to change the name from the Central Arizona Project Recharge, Recovery and Delivery System (CAP RRDS) to the NWRRDS.

Mr. Foulk moved to approve Amendment No. 3 to the contract with Tierra Right of Way Services for Land Acquisition Services for the Northwest Recharge, Recovery and Delivery System, recognizing the project name change and extending the contract term to June 30, 2018. Mr. Doyle seconded the motion. Motion passed unanimously.

H. Approval of Analytical Laboratory Services Contract for Inorganic Chemical (IOC) Analyses

Mr. Olsen stated that items H – L on the agenda are the various analytical laboratory services contracts to ensure water quality standards are met. These include testing for inorganic chemicals

(IOC), radiochemicals, synthetic organic chemicals (SOC), unregulated contaminant monitoring rule (UCMR), and disinfection by-products. Due to the varied nature of these water quality constituents, one lab may be more responsive or more accurate than another, therefore, five separate laboratory services contracts are created to ensure the most responsive support to the District's water quality needs. Historically a separate arsenic testing contract was awarded, however, arsenic is an inorganic chemical and the selected inorganic chemical lab services laboratory quoted a significantly lower cost for the arsenic analysis than the stand-alone arsenic proposals that were received with the same testing method.

Mr. Foulk moved to approve the Analytical Laboratory Services Contract for Inorganic Chemical Analyses with Eurofins Eaton Analytical, Inc., for Fiscal Year 2018 in the amount of \$45,000, with an option to renew the contract for up to two additional years and to authorize the General Manager to negotiate and enter into a contract for these services with the second ranked Laboratory in the event Eurofins Eaton Analytical, Inc., is unable or unwilling to perform.. Mr. Doyle seconded the motion. Motion passed unanimously.

I. Approval of Analytical Laboratory Services Contract for Radiochemical Analyses

Mr. Foulk moved to approve the Analytical Laboratory Services Contract for Radiochemical Analyses with Turner Laboratories, Inc., for Fiscal Year 2018 in the amount of \$15,000, with an option to renew the contract for up to two additional years and to authorize the General Manager to negotiate and enter into a contract for these services with the second ranked Laboratory in the event Turner Laboratories, Inc., is unable or unwilling to perform. Mr. Doyle seconded the motion. Motion passed unanimously.

J. Approval of Analytical Laboratory Services Contract for Synthetic Organic Chemical (SOC) Analyses

Mr. Foulk moved to approve of the Analytical Laboratory Services Contract for Synthetic Organic Chemical Analyses with Eurofins Eaton Analytical, Inc., for Fiscal Year 2018 in the amount of \$40,000, with an option to renew the contract for up to two additional years and to authorize the General Manager to negotiate and enter into a contract for these services with the second ranked Laboratory in the event Eurofins Eaton Analytical, Inc., is unable or unwilling to perform. Mr. Doyle seconded the motion. Motion passed unanimously.

K. Approval of Analytical Laboratory Services Contract for Unregulated Contaminant Monitoring Rule (UCMR) Analyses

Mr. Foulk moved to approve the Analytical Laboratory Services Contract for Unregulated Contaminant Monitoring Rule Analyses with Eurofins Eaton Analytical, Inc., for Fiscal Year 2018

in the amount of \$30,000, with an option to renew the contract for up to two additional years and to authorize the General Manager to negotiate and enter into a contract for these services with the second ranked Laboratory in the event Eurofins Eaton Analytical, Inc. is unable or unwilling to perform. Mr. Doyle seconded the motion. Motion passed unanimously.

L. Approval of Analytical Laboratory Services Contract for Volatile Organic Chemical (VOC), Total Trihalomethane (TTHM) and Haloacetic Acid (HAA5) Analyses

Mr. Foulk moved to approve the Analytical Laboratory Services Contract for Volatile Organic Chemical, Total Trihalomethane and Haloacetic Acid Analyses with Turner Laboratories, Inc., for Fiscal Year 2018 in the amount of \$50,000, with an option to renew the contract for up to two additional years and to authorize the General Manager to negotiate and enter into a contract for these services with the second ranked Laboratory in the event Turner Laboratories, Inc., is unable or unwilling to perform. Mr. Doyle seconded the motion. Motion passed unanimously.

M. Approval of Right of Entry Agreement for Well Monitoring by the Arizona Department of Environmental Quality

Mr. Olsen stated that the District had previously granted an access agreement to Arizona Department of Environmental Quality (ADEQ) to facilitate the water quality sampling / testing and groundwater level measuring at well sites within or near the South Shannon Treatment facility. The data resulting from the access agreement has proven beneficial to the District. This item is to enter into a new 5-year access agreement, with the same previous parameters, that will expire June 30, 2022.

Mr. Foulk moved to approve the Environmental Access Agreement between the Arizona Department of Environmental Quality and the District with an expiration date of June 30, 2022. Mr. Doyle seconded the motion. Motion passed unanimously.

N. Award of Contract for Miscellaneous Water Resources Consulting Services

Mr. Olsen stated that the District utilizes water resources consulting services to assist staff in solving water resources supply and related planning challenges for both anticipated and unanticipated work. At the May Board meeting, the Board directed staff to develop a contract agreement with the selected water resources consultant, Clear Creek Associates. The proposed billing rates are fair and acceptable and staff recommends award of the contract.

Mr. Foulk moved to award Miscellaneous Water Resources Consulting Services Contract to Clear Creek Associates, LLC. in the not-to-exceed amount of \$150,000 to expire June 30, 2018 unless

annually renewed by the Board of Directors for up to two years. Mr. Doyle seconded the motion. Motion passed unanimously.

O. 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 (VOCs) from the groundwater as part of an ADEQ funded cleanup initiative. This item is to approve job order contracts with the submitted GAC vendors and staff will use the lowest available bidder, as needed, for each change out.

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

P. Approval of Quotes for Auxiliary Power Preventative Maintenance Service and On-Call Service Repairs

Mr. Olsen stated that the District utilizes several natural gas backup generators to enable continuity of operations in key areas during a power outage. These generators require specialized proactive maintenance to ensure functionality when needed. Approval of the quotes will enable both scheduled maintenance and expeditious response in the case of equipment failures.

Mr. Foulk moved to approve the quotes submitted for the Auxiliary Power Preventative Maintenance Services and On-call Service Repairs for use in Fiscal Year 2018 and direct staff to utilize the lowest bidder. If the lowest bidder is unable to perform the work staff is directed to use the next lowest bidder. Mr. Doyle seconded the motion. Motion passed unanimously.

Q. Approval and Award for Water Treatment Media Regeneration Annual Quotes for the District's Arsenic Treatment Media (continued from the meeting of May 8, 2017)

Mr. Olsen stated that arsenic is naturally found in the groundwater at four of the District's water production facilities. Iron oxide media is used to remove the arsenic to meet safe drinking water requirements. After the iron oxide media can no longer remove any of the arsenic ions, the media needs to be cleaned, regenerated, and replaced into the treatment vessel. Due to the strict water quality gold seal requirements, the District knows of only one vendor that meets these requirements. Purolite was the only respondent to this bid request and has successfully performed this work for the District in the past.

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. Doyle seconded the motion. Motion passed unanimously.

R. Approval of Quotes for Miscellaneous Annual Services and Materials for the Utility Team

Mr. Olsen stated that each year the Board is asked to approve quotes for various services and materials that the Utilities team relies on to ensure deliveries of safe, reliable water to our customers. These quotes include chlorine purchases, rentals of traffic control devices, aggregate purchases, asphalt patching services, analytical services for coliform testing, and pump and motor repairs. The Board is requested to approve these quotes and direct staff to use the lowest quote when possible.

Mr. Foulk moved to approve the annual quotes for barricade rental, chlorine, aggregate, asphalt patching, analytical services for coliform, and pump and motor repairs, from the corresponding lowest bids per item as presented by staff, and to direct staff to use the next lowest bidder for a particular service or material if performance or quality of service from the lowest bidder does not meet the District's needs. Mr. Doyle seconded the motion. Motion passed unanimously.

VII. General Manager's Report

Mr. Olsen stated that he had the privilege of presenting the District's revenue stability journey at the Arizona Municipal Utilities Leadership Institute's (AMULI) annual conference. The presentation included the 10-steps the District followed to attain revenue stability. Attendees included heads of water providers throughout Arizona and many inquired about how the initiatives could be applied to their respective utilities.

The final party, Oro Valley, has approved the amendment for the reliability agreement with Central Arizona Water Conservation District (CAWCD). The District's portion of the funds disbursement will support the NWRD in the near future.

In October, the District will be celebrating its 25th Anniversary. Without the customer support the District would not have reached this milestone and certainly would not have thrived as Arizona's largest Domestic Water Improvement District. As such, the public is invited to a celebration on September 30, 2017 at Wildwood Park from 11:00 a.m. – 1:00 p.m. where there will be festivities, fun activities, and food to thank District residents.

VIII. Legal Counsel's Report

Mr. Sklar said he had nothing to report.

IX. Clerk of the Board Updates; Future Meetings

Ms. Fedele gave an update on the four items of proposed legislation that the Board was briefed on at the February 13, 2017 meeting. Senate Bill 1165 is regarding Exempt Wells and posed no adverse impact to the District. The bill was not heard in committee and did not move forward this session. House Bill 2010 would exclude future employees of political subdivision entities from the Arizona State Retirement System (ASRS). Since the District is classified as a "political subdivision", this bill did not directly apply to the District or its employees. The bill was held awaiting a third reading and did not move forward this session. House Bill 2179 would have placed limits on Intergovernmental Agreements. The Board voted to voice its opposition to the Arizona Legislature on this bill. The bill was held in the Committee of the Whole and did not move forward this session. House Bill 2330 would have incentivized the installation of water harvesting systems with a tax credit. The Board voted to support this bill. The bill was held in the Rules Committee and did not move forward this session.

The next regularly scheduled Board meeting will be held on July 10, 2017 at 6:00 p.m.

X. General Comments from the Public

There were no comments from the public.

XI. Adjournment

The meeting adjourned at 6:42 p.m.

Judy Scrivener, Chair of the Board

Theo Fedele, Clerk of the Board