

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

SEPTEMBER 11, 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
Dan M. Offret, Member

Board Members Not Present: 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
John Hinderaker, 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, Dan M. Offret and Judy Scrivener were present. Helen Ireland was not present.

II. General Comments from the Public

There were no comments by the public.

III. Consent Agenda

- A. Approval of Minutes – August 14, 2017 Board Meeting**
- B. Ratification of Billing Adjustments**
- C. Ratification of Bill of Sale – Starbucks – SWC – Orange Grove and La Cholla (M-16-015)**

- D. Ratification of Bill of Sale – Hacienda Sisters CCRC – Offsite Water Extension (M-16-001)**
- E. Ratification of Bill of Sale – Hacienda Sisters CCRC, Phase 1 (M-16-006)**

Mr. Olsen explained why the Hacienda Sisters required two separate ratification of bills of sale stating that when there is any development work, the engineering staff hydraulically models the system to ensure there is adequate flow in the system for both domestic and fire flow requirements. This can be obtained with the existing infrastructure and additional onsite distribution or with offsite upgrades, if required, most commonly in the form of upgrading the mains or boosters. This project required both onsite and offsite water infrastructure to ensure planned demand and fire flows are met.

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

IV. General Business - Items for Discussion and Possible Action

A. Monthly Status of the District

Mr. Olsen stated that the total fiscal year-to-date consumption for all service areas is 2.5% higher than last fiscal year-to-date. As reported during the monthly status in August, the fiscal year-to-date consumption numbers then varied by upwards of 30% but that disparity was likely caused by variations in meter read cycles.

Utilities team repaired a main break on Old Nogales Highway. This 4-inch CA waterline is prone to failure and frequently breaks along a roughly 1-mile section that the Utility team demonstrates expeditious mainline infrastructure repair skills on a monthly basis. The replacement of this line is being prioritized for the capital improvements program in the future.

The E&T 22 well was pulled due to a drop in production numbers from roughly 250 gallons per minute (gpm) to less than 100 gpm over a relatively short duration. The cause for this decline was determined to be a large crack in the column pipe that pumps water up the well, resulting in the majority of the flow leaking out of the column pipe. The column pipe was replaced and it was determined that the overall condition of the well will necessitate replacement in a future capital improvements program.

Last month, there were a number of above ground fire hydrants and drain valve assemblies that were hit by vehicles and repaired. If the responsible driver was determined, the repairs are reimbursed to the District via the at-fault driver's insurance.

As part of a broader effort to enhance recharge capacity in the District's Avra Valley Recharge Project (AVRP) facility, initial survey work will commence this fiscal year at AVRP with a

potential to initiate design in Fiscal Year 2019. The conceptual plan is to convert the existing four basins into two larger basins to increase the total area of recharge along with new delivery piping to enhance the total flows into the facility. AVRVP has historically operated at 7,000 – 8,000 acre-feet (AF) annually and it is anticipated that these upgrades would enable AVRVP to operate at the permitted capacity of 11,000 AF.

Mr. Offret asked if Basin 4 has had some rehab work and if it will cause any problems if combined with another such as Basin 3. Mr. Olsen stated that the biggest challenge is the amount of water actually delivered to the basin, the recharge capabilities, and the infiltration points. The designed upgrades will hopefully get us up to more functional capability and open the door for other storage partnerships.

On August 22, 2017, Ms. Bowen and Mr. Olsen had a productive meeting with Arizona State Land Department (ASLD) that addressed many of ASLD's concerns regarding the Northwest Recharge, Recovery, and Delivery System (NWRDRS) proposed well sites and requested pipeline easements on State Land. As a result of that meeting, the updated application was submitted which modifies the existing State Land right-of-way lease to include these properties. The review process is now proceeding.

B. Financial Report

Ms. Bracken stated that revenue and expenditures for July are both favorable with revenue \$539,430 dollars over budget and expenditures of \$142,850 dollars under budget using a straight-line projection resulting in a favorable revenue in excess of expenditures total of \$682,280. The largest increase in revenue is from Metered Water Sales, which has exceeded a straight-line projection by \$502,567 and Water Resource Utilization Fees which is \$45,842 stronger than a straight-line projection for the month of July. All expenditures are under budget with the exception of Purchased Power that is over budget when compared to a straight-line projection, however, it is normal for the months of June, July, and August to have higher power usage. When comparing revenue to the prior fiscal year, revenue in July is \$142,076 higher than it was in July 2016. The total operating expenditures for July are \$10,576 lower than they were in July 2016. When comparing revenue in excess of operating expenditures the current year is favorable by \$152,652.

The Arizona State Treasurer Pooled Collateral Program Statement for July provided collateral coverage of \$5,248,797.09 in addition to the \$500,000 FDIC coverage.

The American Express Corporate Accounts Payable Solution card was used to purchase \$43,658.10 in August with a 1% savings of \$436.58 bringing the inception-to-date District savings up to \$23,638.72.

Ten new meter applications were received in August, with seven new meter application received in August 2016. All ten new meter applications were for the Metro Main service area. The Fiscal Year 2018 adopted budget includes a projection of 45 new meter applications in Metro Main and

Metro Hub and 39 new meter applications in Metro Southwest for a total of 84 new meter application compared to 78 meter application in the prior fiscal year.

C. Approval of Liability Insurance

Mr. Olsen stated that the District must annually renew its liability insurance coverage for property, automobile, and commercial general. It is recommended that the Board approve the liability insurance coverage with Glatfelter Public Practice, who has provided this service to the District since before 2013. After a careful review of the District's policy, Glatfelter was able to offer a \$1,554 decrease compared to the previous year without reducing any coverage elements.

Mr. Offret asked if the cyber coverage with no deductible was part of the standard package. Mr. Olsen stated that last year Glatfelter updated the cyber security coverage with the standard package and there was no change in cost this year compared to the previous year. Billie Sure Morelli, Human Resources Manager, stated that the cyber security is included in the District's umbrella coverage so the District is not charged an additional rate.

Mr. Foulk moved to approve the Liability Insurance Policy with Glatfelter Public Practice with a total annual premium cost of \$143,894 from October 1, 2017 through September 30, 2018. Mr. Offret seconded the motion. Motion passed unanimously.

D. Analysis of Alternatives Related to Mitigating 1,4-Dioxane

Mr. Olsen stated that a strategy needs to be developed to prevent 1,4-Dioxane from impacting District production facilities beyond the Horizon Hills well site, which was placed offline in May of 2016, and the South Shannon treatment plant. Staff researched cooperative contracts to determine if a professional services consultant with relevant experience was on any existing lists. It was determined that Carollo Engineers, who has numerous staff in the Tucson office with direct expertise in mitigating 1,4-Dioxane, was on the Arizona State Procurement Office annual professional services list..

Over the past month, staff has coordinated with Carollo to develop a scope to identify the best course of action to address 1,4-Dioxane. The scope for the Board's consideration contains two tasks that would be accomplished by Carollo. First, to determine the cost to treat 1,4-Dioxane at the Horizon Hills well. This cost can be used as a comparison to other alternatives and is based on a Time and Materials estimate, meaning that total expense to the District for these analyses could be less based on the actual hours incurred. Second, to determine if an "in-pipe" blend could be achieved by blending Horizon Hills water with other nearby wells, including Ina / CDO, Thornydale, and Marlene. This would enable Horizon Hills to hopefully capture the 1,4-Dioxane prior to impacting other wells while also blending to below the current health advisory levels. The concern is that the longer the Horizon Hills well is off the greater potential the 1,4-Dioxane plume could migrate into other production facilities impacting the overall ability to produce water for our rate payers.

The \$54,877 was not a budgeted expense, however, there are a couple of line items related to unanticipated consultant support services that can be utilized as well as the \$500,000 emergency funds which is typically planned for infrastructure failure but this could be considered a water quality emergency if not proactively addressed.

Mr. Foulk asked if the \$500,000 will be utilized at this time. Mr. Olsen stated that there are funds for unanticipated professional studies or consultant support, however, it is possible there are not adequate funds to achieve this. Ms. Bracken stated that there may be other items in the budget underspent and might prevent utilizing the \$500,000.

Mr. Offret moved to approve utilizing Carollo Engineers to perform professional engineering services related to mitigating 1,4-Dioxane in the amount of \$54,877 using the Arizona Department of Administration State Procurement Office annual professional services list. Mr. Foulk seconded the motion. Motion passed unanimously.

E. Award of the Construction Contract for the Oracle Jaynes Station Well Site Improvements – Grading and Fencing

Mr. Olsen stated that at the July Board meeting, James Lewis, Engineering Manager, gave a presentation on the Oracle Jaynes replacement well (OJ2) along with the remaining items to be accomplished prior to bringing OJ2 online. One of the items was to perform final site grading, to ensure the site drains properly, and perimeter fencing around the new site for security purposes. The lowest responsive bidder to accomplish this work is Day's Excavating in the amount of \$39,999.94.

The current status of OJ2 is that Tricon has begun installing the discharge piping followed by the on-site electrical work, both approved by the Board previously. This work, should the Board approve, will occur after the electrical work is completed.

The OJ2 storage tank recoating work will be brought before the Board this year to consider since the existing infrastructure that supported the Oracle Jaynes well is being utilized to support OJ2. Accomplishing the recoating work this year will prevent a future outage.

Mr. Foulk moved to award the construction contract for the Oracle Jaynes Station Well Site Improvements – Grading and Fencing to Day's Excavating, Inc. in the amount of \$39,999.94 and to authorize the General Manager to allocate additional funding in a cumulative amount not to exceed \$3,000. Mr. Offret seconded the motion. Motion passed unanimously.

F. Northwest Recharge, Recovery and Delivery System Request for Approval to Proceed with Condemnation

Mr. Olsen stated that last month the Board was informed of two property owners who had not responded to the District's real property consultant, Tierra Right of Way Associates, regarding the

easement request for the NWRRDS recovery pipeline. In August, a letter was sent to each of these property owners and a certified letter again on August 8, 2017 informing them of the desire to resolve any concerns and that if no response is received, that the District would be forced to proceed with condemnation for the easement. One owner did respond to set up a meeting but no resolution was obtained. While similar issues may arise with other easements, it is prudent for the Board to consider condemnation on these parcels due to the timeline associated with this process.

Mr. Offret moved to authorize the General Manager to proceed with condemnation of waterline easements on Parcels 216-32-025A, 216-32-028A and 216-31-0380 as deemed necessary. Mr. Foulk seconded the motion. Motion passed unanimously.

G. Approval for the Purchase of a Small Utility Tractor, Attachments, and Trailer

Mr. Olsen stated that one of the capital equipment items the Board approved in the current fiscal year budget was the purchase of a small tractor, with various attachments, and a trailer to tow the tractor. Purchase of this small tractor would allow access to underground District water infrastructure in areas with limited access and reduce the amount of required hand dig labor. Additionally, the smaller total gross vehicle weight compared to a full-size excavator, would enable staff without a commercial driver's license to tow this equipment, enhancing the expeditious response to after-hours infrastructure failures. The attachments, such as a tow behind gannon, would assist in maintaining District properties.

This small tractor would support the activities of many areas within the Utilities Team. To ensure that the product recommended for purchase would meet the District's needs, a demo was set up with various manufacturers that enabled equipment operators to perform applicable tasks. Based on staff feedback, the Board is requested to approve the purchase of a Kubota Tractor. Separate quotes were received for the trailer and the lowest responsive bid was from Carson Trailers. The purchase of both the Kubota and trailer is within the budgeted amount of \$36,500.

Mr. Foulk moved to approve the purchase of the utility tractor from Bingham Equipment Company in the amount of \$32,508.32. Mr. Offret seconded the motion. Motion passed unanimously.

Mr. Offret moved to approve the purchase of the trailer from Carson Trailers in the amount of \$3,369.97. Mr. Foulk seconded the motion. Motion passed unanimously.

Mr. Offret moved to authorize the General Manager to approve additional funds not to exceed \$1,000 for any issues relating to the purchase of the tractor or trailer. Mr. Foulk seconded the motion. Motion passed unanimously.

V. General Manager's Report

Mr. Olsen stated that the Bureau of Reclamation released the results of their 24-month study which projects Lake Mead levels. The great news is that the results show a 0% chance of shortage in

2018 and a reduced chance of shortage in 2019 and 2020. The improvement in Lake Mead levels is the result of improved hydrology due to higher than average inflows along with proactive contributions to Lake Mead by the Basin states. While there are longer-term structural issues presently being discussed regarding Lake Mead, this is certainly positive news in the short-term.

Early registration has begun for the Colorado River Water Users Association annual conference that will be held December 13-15. The attendees to this conference include water professionals, regulators, and industry leaders from all the seven Colorado River Basin states, the 10-Tribe partnership, and international delegation from Mexico. This conference is a great opportunity for southwestern water collaboration and to gain relevant perspective. If any Board member wishes to attend to enhance their water knowledge skill-set, please let Ms. Fedele or me know.

The 25th anniversary of the District is on October 2, 2017. To celebrate, staff is hosting an event at Wildwood Park on September 30, 2017 from 11:00 a.m. to 1:00 p.m. There will be food, fun, and prizes so please attend and join us in celebrating 25 years of delivering safe, reliable water to our customers.

VI. Legal Counsel's Report

Mr. Hinderaker said he had nothing to report.

VII. Clerk of the Board Updates; Future Meetings

The next regularly scheduled Board meeting will be held on October 11, 2017 which is a Wednesday due to the Columbus Day holiday.

VIII. General Comments from the Public

There were no comments from the public.

IX. Adjournment

The meeting adjourned at 6:33 p.m.

Judy Scrivener, Chair of the Board

Theo Fedele, Clerk of the Board