

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

May 8, 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
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
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, Helen Ireland, Dan M. Offret and Judy Scrivener were present.

II. General Comments from the Public

There were no comments by the public.

III. Consent Agenda

- A. Approval of Minutes – March 27, 2017 Board Study Session**
- B. Approval of Minutes – April 10, 2017 Board Meeting**
- C. Ratification of Billing Adjustments**
- D. Ratification of Bill of Sale – Sage Desert Senior Living (M-16-005)**
- E. Approval of Amendment No. 2 to the Well Maintenance 2015 Contract with Smyth Industries, Inc.**

Ms. Ireland made a motion to approve the consent agenda. Mr. Offret 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 fiscal year-to-date consumption continues to track with last year's fiscal year-to-date numbers.

Progress on the Lazy B well repair continues with the well prepped for the installation of a new smaller diameter casing. The hope is that the smaller casing will extend the life of the well for many years. The pressure regulating valve (PRV) manhole cover replacement lids are almost completed with only one of the recalled lids remaining to be replaced.

Stewart Brothers has completed the drilling of the Oracle Jaynes Replacement well and is conducting the development of the well and various pumping tests. Once the pumping tests are completed, the well design will be finalized and work will then shift to the well equipping and other site improvements.

Staff continues to coordinate with Pima County and Oro Valley regarding the upcoming Regional Transportation Authority (RTA) work on La Cholla. The relocation of the District's water lines is still anticipated to occur next fiscal year.

Information including historical easements, leases, and overlay maps were recently submitted to the Arizona State Land Department (ASLD) to assist in their deliberative process regarding the District's request for ASLD easements and properties associated with the Northwest Recharge, Recovery, and Delivery System (NWRRDS).

B. Financial Report.

Ms. Bracken stated that revenue and expenditures through March are both favorable with revenue of \$260,793 over budget and expenditures of \$904,674 under budget using a straight-line projection. The revenue in excess of expenditures is \$1,165,467, which is favorable. Metered Water Sales are ahead of the budget by \$229,354 using a straight-line projection. Interest income and development revenue have exceeded the budgeted amount. All planned expenses are under budget with the exception of regulatory fees which continue to be over budget when compared to a straight-line projection. Revenue through March is \$863,114 higher than it was in March 2016 with an increase of \$848,481 from Metered Water Sales, an increase of \$187,770 from Water Resource Utilization Fees, a decrease of \$156,409 in development revenue, and a decrease in other income. The total operating expenditures as of March are \$242,855 higher than they were in March

2016. When comparing revenue in excess of operating expenditures to March 2016, the current year is favorable by \$620,259.

The Arizona State Treasurer Pooled Collateral Program Statement for March provided the District with insurance and collateralization coverage of \$4,094,112.10 in addition to the \$500,000 FDIC coverage.

The American Express Accounts Payable Card was used for normal business purchases totaling \$65,015.10 in April. The inception-to-date purchases since March 2014, have generated a savings of \$21,906.07.

A total of ten meter applications were received in April compared to 17 meter applications received in the April 2016. As of the end of April a total of 98 meter applications have been received compared to 127 meter applications as of April 2016.

C. Amendment No. 1 to the Agreement for Tucson Area Reliability among the Central Arizona Water Conservation District, the City of Tucson, Flowing Wells Irrigation District, Metropolitan Domestic Water Improvement District, the Town of Marana, and the Town of Oro Valley

Mr. Olsen stated that reliability during planned maintenance outages of the southern reach of the Central Arizona Project (CAP) canal, referred to as the Tucson aqueduct, and has been an issue of concern since the 1980s. In 2011, CAP partnered with the Tucson Area reliability partners, Tucson Water, Oro Valley, Marana, Flowing Wells Irrigation District, and the District, in the creation of a reliability agreement to address planned maintenance outages. A portion of that agreement created a reliability fund of \$6 million that would be used to construct various recharge and recovery infrastructure that would both firm and enhance utilization of this renewable water resource. After over a year of negotiations, the Tucson Area reliability partners have arrived at a proposed amendment to disburse the remaining funds. \$2.4 million of the funds will go to the northwest providers, toward the cost of the NWRDSS forebay facility, and the District's portion is \$924,000.

Central Arizona Water Conservation District's (CAWCD) Board unanimously approved the amendment and Flowing Wells approved the amendment last week. The other parties have the item scheduled for approval in May or early June. This is an exceedingly positive resolution to an issue that has been present for over 30 years.

Mr. Offret moved to approve Amendment No. 1 to the Agreement for Tucson Area Reliability among the Central Arizona Water Conservation District, the City of Tucson, Flowing Wells Irrigation District, Metropolitan Domestic Water Improvement District, the Town of Marana, and the Town of Oro Valley. Mr. Foulk seconded the motion. Motion passed unanimously.

D. Approval of Amendment No. 3 to the Professional Services Agreement for Miscellaneous Design Services Contract with WestLand Resources, Inc.

Mr. Olsen stated that the District uses the miscellaneous design service contract to support smaller professional service efforts without soliciting separate advertisements for each work task. WestLand Resources has served as the District's Miscellaneous Design Services Contractor since 2015. This amendment is to extend the contract through Fiscal Year 2018 and to increase the contract total by \$175,000 to a total 3-year contract amount of \$300,000. This increase is for both planned and unanticipated support the District will require in Fiscal Year 2018 including various support on the NWRRDS, finalizing design components of the Oracle Jaynes Replacement Well, potential inspection support on the District's Capital Improvement Program, and other as needed studies and engineering services. WestLand has been responsive and has successfully completed many design efforts for the District over the previous years, therefore, staff recommends the Board approve the amendment.

Mr. Foulk moved to approve Amendment No. 3 to the Professional Services Agreement for Miscellaneous Design Services contract with WestLand Resources, Inc., increasing the contract amount to \$300,000 and extending the contract through June 30, 2018. Mr. Offret seconded the motion. Motion passed unanimously.

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

Mr. Olsen requested that the Board move to continue this item to the June Board meeting due to an error in the bid notice closing date which was advertised as May 27, 2017 but should have been April 27, 2017. It is likely that only one entity will have the certification to accomplish this work but the award will wait until after May 27, 2017 to follow the bid notice process.

Mr. Foulk moved to continue the item to the June 12, 2017 meeting. Mr. Offret seconded the motion. Motion passed unanimously.

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

Mr. Olsen stated 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 as well as the ability to augment District staff based on the particular electrical need. Staff recommends the Board authorize the 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 2018 and authorize the General Manager to enter into job order agreements with each contractor. Ms. Ireland seconded the motion. Motion passed unanimously.

G. Award and Approval of Miscellaneous Water Resources Consulting Services Contract

Mr. Olsen stated the District utilizes the water resources consulting services contract to assist staff in areas as water resources supply, planning, and permitting. In Fiscal Year 2018, this vehicle will be used to assist in the renewal of the underground storage facility permit renewal for the Avra Valley Recharge Project (AVRP), review of Arizona Department of Environmental Quality (ADEQ) groundwater remediation plans, and well site support for the NWRDRS. Four firms responded to the solicitation with Clear Creek Associates ranked first and Golder Associates ranked second based on the scoring matrix. Both firms have successfully performed work with the District in the past and it is recommended that staff be directed to negotiate a professional services agreement for the Board to consider at a future meeting.

Mr. Foulk moved to approve the selection of Clear Creek Associates and direct District staff to proceed with developing an acceptable professional services agreement (contract and fees) with Clear Creek Associates for Miscellaneous Water Resources Consulting Services. If staff is unable to negotiate an acceptable professional services agreement with Clear Creek Associates, then staff has the authorization to negotiate with the next highest ranked firm until an acceptable contract agreement is obtained. Staff shall submit the final negotiated professional services agreement to the Board of Directors for approval. Mr. Offret seconded the motion. Motion passed unanimously.

H. Annual Subsidence Monitoring Update

Mr. Olsen stated the District has an intergovernmental agreement with the Arizona Department of Water Resources (ADWR) to monitor regional subsidence in the District's service areas. Each year ADWR provides an updated map of observed subsidence in the Tucson Region over the previous 6-7 years. The map provided by ADWR shows that no measurable subsidence occurred from 2010-2017 in any of the District's service areas and that uplift occurred in all of the District's Metro-Southwest Service areas (Diablo Village, E&T, and Lazy B). This was due to the recharge activities and additional groundwater storage in the area.

I. Annual Water Resources Portfolio Report

Mr. Olsen stated in 2014, the District created a water resource portfolio to convey a snapshot to the public of the District's total water resources among all types. This portfolio continues to show the active approach staff has taken in ensuring that customer demands are met long into the future.

Wally Wilson, Water Resources Director, provided a presentation on the Annual Water Resources Portfolio Report. The District's water resource's portfolio includes groundwater, remediated water, CAP water, and recycled water. Since last year, the portfolio of water resources has increased by 5,810 AF or 4%. In all of the service areas, there was a slight uptake in demand and in gallons per capita per day (GPCD), a pattern shared by other water providers in the Tucson region.

The trajectory for 2017 includes applying for renewal of the Avra Valley Recharge Project (AVRP) USF permit, storing 3,500 AF for City of Phoenix via the Inter-AMA Firming Agreement, maximizing groundwater savings facilities (GSF) storage partnerships, and implementing water conservation programs.

Mr. Olsen stated that the 5,810 AF added to the portfolio is after the demands are taken into account. Looking at the actual consumption in any given year, in less than two years the District is storing a full year's worth of future demands. The goal is to aggressively move forward with this water resource portfolio to ensure future customer demands are met.

V. General Manager's Report

Mr. Olsen stated that each year CAWCD accomplishes a reconciliation process, based on the total amount of water ordered, along with the amount Municipal & Industrial (M&I) subcontractors paid for their CAP orders, to determine if an adjustment is needed. This year approximately \$119,000 will be refunded back to the District go to offset future CAP monthly invoices.

At last week's CAWCD Board meeting, the District's credit purchase agreement with Central Arizona Groundwater Replenishment District (CAGR) was unanimously approved. This agreement will sell 250 acre-feet (AF) of the District's effluent resources, which is less than half of what is currently generated in the managed recharge project. The term of this agreement is 20 years and will generate approximately \$50,000 in revenue for the District annually, or over \$1,000,000 for the full 20-year term. This is a mutually beneficial partnership for both CAGR and the District.

VI. Legal Counsel's Report

Mr. Hinderaker said he had nothing to report.

VII. Clerk of the Board Updates; Future Meetings

Although not an official meeting of the Board, an Information Meeting is scheduled for Wednesday, June 7, 2016 at 6:00 p.m. The next regularly scheduled Board meeting will be held on June 12, 2017 at 6:00 p.m.

VIII. General Comments from the Public

Metropolitan Domestic Water Improvement District
Board of Directors Meeting
May 8, 2017
Page 7

There were no comments from the public.

IX. Adjournment

The meeting adjourned at 6:36 p.m.

Judy Scrivener, Chair of the Board

Theo Fedele, Clerk of the Board