

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

June 10, 2013

**** Board Room ****

**Metropolitan Domestic Water Improvement District
6265 N. La Cañada Drive
Tucson, AZ 85704**

MINUTES

Board Members Present: Judy Scrivener, Chair
Richard Byrd, Member
Jim Doyle, Member
Bryan Foulk, Member

Board Members Not Present: Dan M. Offret, Vice-Chair

District Staff: Christopher W. Hill, Deputy Manager
Michael Land, Chief Financial Officer
Charlie Maish, District Engineer
Abbe Goncharsky, Legal Counsel
Warren Tenney, Clerk of the Board

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. Judy Scrivener, Bryan Foulk, Richard Byrd, and Jim Doyle were present. Dan M. Offret was not present.

II. General Comments from the Public

Ingrid Saber, who resides at 6322 N. Barcelona Lane #157, Tucson, Arizona, 85704, said she understood that Mark Stratton was away vacationing and conferencing in Denver, Colorado for a week. She asked if the precise nature of this conference and why funds were being used for Mr. Stratton to be at this conference. Mr. Hill said Mr. Stratton is at the AWWA annual conference in Denver. AWWA is professional organization for water professionals attended by thousands of operators and vendors across the country. Mr. Stratton has attended most of those annual conferences and has also done a lot to support Water for People and other organizations. His attendance is well received there. Ms. Saber asked about the nature of the conference. Mr.

Tenney explained the AWWA stands for American Water Works Association. The workshops and sessions include information about improving water utilities. Ms. Saber asked if Mr. Stratton will give a report when he returns. Mr. Hill said he will share his knowledge and implement what he learns. Ms. Saber expressed concern that he would not provide a written report after being gone a whole week. She said a conference is a big investment.

III. Consent Agenda

- A. Approval of Minutes – May 13, 2013 Board Meeting.**
- B. Ratification of Billing Adjustments.**
- C. Ratification of Bill of Sale – Orange Grove Casitas.**
- D. Amendments to Miscellaneous Water Resources Consulting Services Contracts.**
- E. Approval of Amendment No. 1 to the Miscellaneous Geotechnical & Material Testing Services Contract.**
- F. Approval of Amendment No. 1 to the Miscellaneous Survey Services Contract.**
- G. Approval of Amendment No. 1 to the 2012 Well Maintenance Contract.**
- H. Approval of Amendment No. 2 for the Analytical Laboratory Services Contract for Radiochemical Analyses.**
- I. Approval of Amendment No. 2 for the Analytical Laboratory Services Contract for Inorganic Chemical Analyses.**
- J. Approval of Amendment No. 2 for the Analytical Laboratory Services Contract for Synthetic Organic Analyses.**
- K. Approval of Amendment No. 2 for the Analytical Laboratory Services Contract for Volatile Organic Chemicals, Total Trihalomethanes & Haloacetic Acid Chemical Analyses.**
- L. Approval of Amendment No. 1 for Professional Services Agreement for Miscellaneous Water Distribution Design Contract.**

Mr. Byrd asked if the District could utilize procurement agreements to piggyback off larger municipalities' contracts for laboratory services. He realized it was a little late for this year but asked if staff can look into it for next year. Mr. Hill believes it is possible such as with the agreement with Tucson Water. Mr. Byrd said it is possible they could at least match others' pricing. Mr. Hill said staff will follow up with price comparisons.

Mr. Foulk made a motion to approve the Consent Agenda. Mr. Byrd seconded the motion. Motion passed unanimously.

IV. General Business - Items for Discussion and Possible Action

- A. Monthly Status of the District.**

Mr. Hill said consumption in May 2013 was a little higher than the same period last year. Revenues are a little higher too but he did not want to give false hope because the trend of decline is expected to continue over the long term. The year to date revenue analysis matches the same 10 month period in 2012. A loss greater than 2% is anticipated for this period. Mr. Land said the month of May was very positive for revenues.

B. Financial Report.

Mr. Land said revenue and expenditures figures are shown through April. For the first 10 months of the fiscal year, budgeted operating revenue is \$46,700 over budget. Water sales were slightly under budget but that is expected to be made up in May. Operating expenses are under budget by \$374,000. The only categories over budget were CAP water purchased and salaries/benefits reimbursed for projects. The District is \$420,000 ahead of the budget with two months to go. Compared to last April, revenues are \$17,000 greater than the prior year. Operating expenses are \$99,000 more than last year. Revenue in excess of operating expenditures is still slightly above last year by \$126,000. Cash accounts are very positive but \$2,800,000 in checks written will eat into that balance. There are some large checks this time of month. Meter applications are now up to 67, compared to 25 this time last year. The majority of meter applications were in Metro Southwest but there were also a few large meters in Metro Main. Mr. Maish said the large meters brought in over \$193,000. Solar power still only costs the District \$2,195 on the monthly lease.

C. Life Insurance for Employees.

Mr. Tenney said the District has provided life insurance to its employees since the 1990s by partnering with Pima County but they are moving to self-insurance and the District can no longer piggyback. Staff has been exploring coverage through our insurance broker, Donna Trotter of CBIZ. In 2010 Pima County increased coverage to \$50,000 but prior to that, the District offered \$10,000. To be able to offer the same \$50,000 coverage, the cost would increase significantly from \$1,900 to \$7,000 per year. The District obtained costs from MetLife and Mutual of Omaha. Staff feels MetLife is a little better because employees can add on to it without the costs increasing significantly with age. MetLife tapers off with age, whereas Mutual of Omaha increases with age.

Mr. Foulk said tapering off with age is opposite from what insurance usually does. It is basically term insurance. Billie Sue Morelli, Human Resources Specialist, said the MetLife rates taper off after age 70. Mr. Foulk asked if District employees can continue their policies once they retire. Billie Sue Morelli, Human Resources Specialist, said the District does not supplement life insurance after retirement but the coverage would be available to them, probably at a different

cost. Mr. Foulk asked if the District will get a break next year for starting this year and Ms. Morelli said she did not think so. Mr. Land said another benefit to MetLife is the ability to write one check for both dental and life insurance.

Mr. Foulk made a motion to approve life insurance coverage for District employees through Met Life at \$1,684 for Fiscal Year 2013-14. Mr. Byrd seconded the motion. Motion passed unanimously.

D. Adoption and Approval of Fiscal year 2013-2014 Budget.

Mr. Hill said staff feels comfortable with the numbers provided but the Board may still make changes as they see fit. Mr. Tenney said the budget is the same as what was presented to the Board last time, with the addition of two capital equipment items: two handheld meter reading devices and an AC unit for the office.

Mr. Land said the budget does include \$2,000 for the AWWA conference. We did have a question on the travel and education budget and that is grand total of \$44,770 in the General Manager's section of the budget.

Mr. Tenney mentioned there has not been all the fear and worry among staff in preparing the budget this year, as there was last year. This is because the Board took action to make the District more secure by refinancing and restructuring the debt. While the District is in a better place than last year, there is still uncertainty with water sales. Staff hopes the trend has bottomed out but without knowing for certain, it is important to remain fiscally conservative and prudent. Staff is attempting to bring to the Board a picture of what the future looks like and how to better prepare, so we are not caught off guard years from now.

Mr. Foulk asked if capital items are still waiting to be reevaluated at the mid-year point. Mr. Land said yes, the projects awaiting mid-year review are unfunded for now.

Mr. Foulk move to adopt the Metro Water District operating budget for the Fiscal Year 2013-2014 as presented with the total disbursements not to exceed the budgeted amount of \$18,063,303. Mr. Byrd seconded the motion. Motion passed unanimously.

E. Approval of Change Order #2 for the Orange Grove Road, Camino De La Tierra to La Cholla, Waterline Relocations and Magee Road, La Cañada Drive to Oracle Road, Waterline Relocations, Phase III.

Mr. Foulk made a motion to approve Change Order #2 to the Orange Grove Road, Camino de la Tierra to La Cholla Blvd. and Magee Road, La Canada Drive to Oracle Road Waterline

Relocations contract with Innova Engineering, LLC which establishes a final contract amount of \$456,486.61. Mr. Byrd seconded the motion. Motion passed unanimously.

F. Approval of Bids for GAC Replacement at South Shannon.

Mr. Foulk made a motion to approve the bids submitted for the GAC replacement and direct staff to pursue a Job Order Agreement with the lowest responsible bidder as the first choice and authorize the Chair of the Board to sign the agreement as approved by legal counsel. If for any reason the lowest responsible bidder should be unable to perform the work then staff is directed to pursue an agreement with the next bidder. I also move to authorize the General Manager to approve each carbon change out as needed. Mr. Byrd seconded the motion.

Mr. Byrd asked if Siemens responded and Steve Shepard, District Utility Superintendent, said they did not. He explained Siemens has not submitted bids since the carbon material shortage following the tsunami a few years ago.

Motion passed unanimously.

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

Mr. Hill suggested eliminating the word chlorine from the motion. Staff is reevaluating to get a better price on chlorine and will bring this portion back to the Board.

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

H. Annual Subsidence Monitoring Update.

Mr. Tenney said the District has been participating in this program with ADWR over the last 10 years, which uses earth orbiting satellites to produce radar images to determine if any subsidence is occurring. The program monitors the whole Tucson area and takes a close look at our service areas, including AVR. The update basically says there is no subsidence occurring in any of our service areas. Mike Block, Water Resources Manager, added that if subsidence occurs, it takes a long time to be mitigated.

I. Assured Water Supply Designation for Metro Southwest – Diablo Village.

1. Approval of Assured Water Supply Agreement.

- 2. Approval of Resolution 2013-5 to Submit Application to Arizona Department of Water Resources.**
- 3. Approval of Resolution 2013-6 to Approve Membership in the Central Arizona Groundwater Replenishment District.**

Mr. Tenney said staff has been working on the designation of Assured Water Supply for Metro Southwest - Diablo Village for some time. The District has a designation for Metro Main. Development cannot occur unless the water provider has a designation. If developers do not have a designation, they must apply to join the CAGRDR for each property. By the District having this designation, it streamlines the process and helps development occur a little easier. Mr. Block has been working on this and has resolved differences and saved money by having ADWR accept the documentation that had been previously done to show 100 year supply. The District has worked with all developers, including Tucson Mountain Ranch and Valencia Ranch. Another developer for Pomegranate Farms was unable to submit in time because the property is in escrow. If they want to come back in at a later date, they will have to pay. First, the District needs an agreement with developers that they are turning to us to provide the 100 year supply. After that, we need a resolution to submit with the application to ADWR. The following resolution approves membership by the District for Diablo Village to be a member service area of CAGRDR. It is our intention not to utilize CAGRDR but have it as backup in case we are unable to use our renewable supplies. If the Board takes action tonight, ADWR completes its process.

Mr. Foulk asked about previous discussions about a wheeling agreement between Marris, Tucson Water and/or the District. He asked if Marris was one of the developers mentioned and if the calculations included volumes for groups not identified in the hydrology study. Mr. Block said the Marris property is just outside the Diablo service area. Tucson Water has not had their water service policy adopted by the Mayor and Council, so depending what they do with their policy, some of the Marris property will be included in the Tucson Water policy and some could be outside where the District serves. The Marris property demand is in calculations but submittal is based on the Diablo Village service area. If the Marris property comes back, there will need to be an amendment with ADWR. Mr. Block said the developers are most likely to begin in Sendero Pass, where they could be turning dirt in 2015.

Mr. Foulk made a motion to approve the Tucson Mountain Ranch & Valencia Ranch Assured Water Supply Agreement between Title Security as Trustee for Trusts 913 and 914 and the District. Mr. Byrd seconded the motion. Motion passed unanimously.

Mr. Foulk made a motion to approve Resolution 2013-5 authorizing the General Manager to submit to the Arizona Department of Water Resources the Assured Water Supply application for Metro Southwest – Diablo Village. Mr. Byrd seconded the motion. Motion passed unanimously.

Mr. Foulk made a motion to approve Resolution 2013-6 approving membership in the Central Arizona Groundwater Replenishment District for the Metro Southwest – Diablo Village service area. Mr. Byrd seconded the motion. Motion passed unanimously.

V. General Manager's Report.

Mr. Hill received a call from Mr. Stratton from the Denver AWWA Annual Conference this morning and he said he had nothing to add to the staff reports to the Board.

Mr. Hill said the District has an opportunity participate in a pilot study at South Shannon regarding CVOCs, which is a new category of carcinogens identified by the Environmental Protection Agency (EPA). The District's commitment would be \$10,000 in-kind; no cash out. The District is glad to sponsor any requests for proposals and we have received two, from the University of Arizona and Georgia Tech. He will keep the Board updated on the study.

VI. Legal Counsel's Report.

Ms. Goncharsky said the AECOM litigation continues and a scheduling conference has been set for July 1st. At that point, things will start to move along. The ADOSH citation regarding Mr. Hemway has been resolved. Otherwise, the matters continue.

VII. Future Meeting Dates; Future Agenda Items.

The next session of the Board of Directors will be held on Monday, July 8, 2013.

VIII. General Comments from the Public.

There were no comments by the public.

IX. Adjournment.

The meeting adjourned at 6:43 p.m.

Judy Scrivener, Chair of the Board

Warren Tenney, Clerk of the Board