

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

November 9, 2015

**** 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
Helen Ireland, Member
Dan M. Offret, Member

Board Members Not Present: Jim Doyle, Member

District Staff: Joseph Olsen, General Manager
Diane Bracken, Chief Financial Officer
Charlie Maish, District Engineer
Tullie Noltin, Recorder
Steve Shepard, Utility Superintendent
Warren Tenney, Assistant General Manager
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. Bryan Foulk, Helen Ireland, Dan Offret and Judy Scrivener were present. Jim Doyle was not present.

II. General Comments from the Public

Ingrid Saber, a resident of the District, expressed concerns about a black substance found in her faucet and sink area. Mr. Olsen said corrosion and buildup regularly occurs in private plumbing. Mr. Foulk said medical providers clean their fixtures regularly and even then, buildup is common. Mr. Olsen explained water sampling is regularly done throughout the system in accordance with Arizona Department of Water Quality and Environmental Protection Agency's Safe Drinking Water Act requirements to ensure the District delivers safe water.

III. Consent Agenda

A. Approval of Minutes – October 14, 2015 Board Meeting.

B. Ratification of Billing Adjustments.

C. Ratification of Water Service Agreement – Sonora Behavioral Health.

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

Ms. Ireland asked about the billing adjustment policy for lost water. Mr. Olsen explained the policy is based on the same tier, same month, same year concept. When a customer experiences high water use, they can request an adjustment once every three years. Once the usage returns to normal, a Customer Service Representative compares the high consumption with the same month in the previous year and the customer pays for the water according to their normal billing tier.

Motion passed unanimously.

IV. General Business - Items for Discussion and Possible Action

A. Monthly Status of the District.

Mr. Olsen said fiscal year to date consumption in Metro Main is about 1% less than the previous fiscal year to date. Metro Hub is trending at an 8% decrease over the previous period. Indicators of the El Niño weather phenomenon point to likely higher than usual precipitation over the next few months so that may result in further demand decreases moving forward.

All of the District's scheduled water has been recharged for 2015 at the Avra Valley Recharge Project and the District is presently recharging 1,500 acre-feet of the Arizona Water Banking Authority's water.

The remaining tenant on the Oracle Jaynes property has surpassed the October 25, 2015 deadline to vacate and is still on the property. The current property owner is considering legal action to remove the tenant prior to finalization of the sale to the District scheduled for February 2016.

Appraisals for key properties to support the CAP Recharge, Recovery, and Delivery System are expected by the end of November, which will lead to individual acquisition discussion with property owners. Property acquisitions will come before the Board for consideration.

The advertisement for construction bids for the Lazy B wheeling interconnect commenced November 9, 2015.

Construction on the District office sign will commence this month.

B. Financial Report.

Ms. Bracken said revenue and expenditures through September are both favorable with revenue of \$916,327 over budget and expenditures of \$81,228 under budget using a straight line projection, resulting in a favorable revenue in excess of expenditures totaling \$997,555. Increases in revenue are largely attributed to metered water sales and development revenue. Historically, metered water sales in September would equal 9% of the total budgeted revenue.

September revenue is equal to 8.85% of the total metered water sales for a year to date percentage of 29.17% and a ten year average of 30%. Development revenue year to date totals \$226,861 and expenditures were under budget on a straight line projection with the exception of power purchased and regulatory fees. A prior year comparison of revenue shows a current year higher at \$289,531 which is largely attributed to the Water Resource Utilization Fees and development revenue. Total operating expenses this fiscal year when compared to the prior fiscal year are higher by \$214,335. When comparing revenue in excess of operating expenditures to the prior year, the current year is unfavorable by \$75,196. The Arizona State Treasurer's pooled collateral program statement for September includes \$1,824,758.89 of collateralization coverage in addition to the \$500,000 FDIC coverage. All banking fees continue to be covered with earnings credits. A total of 12 meter applications were received in October compared to 8 in October of the prior fiscal year, for a total of 64 meter applications received so far this fiscal year compared to 29 meter applications in the prior fiscal year.

C. Employee Medical and Dental Insurance Coverage.

Mr. Olsen said in working with Crest Insurance Group, the District's medical and dental insurance broker, it was determined that the renewal of the current Blue Cross Blue Shield medical plan would result in a cost increase of 23.7%. As the approved financial plan factored in only 15% for anticipated increases, staff asked Crest to research other medical insurance options. United Healthcare provided a quote for similar coverage to what Blue Cross Blue Shield presented with less than a 15% increase. As staff had previously expressed a desire to have stability in insurance providers, Mr. Olsen took the question to staff, asking if the District should continue with Blue Cross Blue Shield at exceedingly higher costs, or transition to United Healthcare for lower premium increases. After that dialogue and the realization that the provider networks were similar, staff overwhelmingly supported the recommendation to move forward with United Healthcare. The increases, just under 15%, would be split relatively evenly between the District and the employees.

Dental insurance plans that the District offers are also showing slight cost increases of 3-4%. As staff is being asked to pay their appropriate share in the increases on medical insurance and the total dental insurance cost increase is roughly \$2,500 total for all employees, it was recommended the District cover the increase to dental coverage and make no change in employee dental insurance deductions.

Ms. Ireland made a motion to approve Crest Insurance to administer a contract for employee medical insurance with United Healthcare and for employee dental insurance with Employers Dental Service and MetLife on the District's behalf for January 1, 2016 through December 31, 2016. The General Manager is also directed to implement the employee deductions and HSA contributions as identified in the attached table. Mr. Foulk seconded the motion. Motion passed unanimously.

D. Amendment No. 1 to Intergovernmental Service Agreement for Interim Remedial Action with the Arizona Department of Environmental Quality or the South Shannon Treatment System.

Mr. Olsen said this amendment enables Arizona Department of Environmental Quality (ADEQ) to reimburse the District for granular carbon change outs at the South Shannon treatment system from the Water Quality Assurance Revolving Fund. ADEQ anticipated using another funding source to pay for the carbon change outs but requested this amendment so they could use another appropriate fund. This amendment results in no difference to the District.

Mr. Offret made a motion to approve Amendment No. 1 to the Intergovernmental Services Agreement for Interim Remedial Action at the South Shannon Facility between the Arizona Department of Environmental Quality and the Metropolitan Domestic Water Improvement District with a contract amount of \$59,000. Mr. Foulk seconded the motion. Motion passed unanimously.

E. Overview of Utility Team.

Mr. Olsen said last month, Ms. Bracken provided a presentation on the Administration Team as the first in a series of presentations about District staff's tasks and accomplishments and that Mr. Shepard would give a presentation about the Utility Team.

Mr. Shepard said the Utility Team accounts for 26 of the District's 49 full time employees. They maintain the District's infrastructure assets and water quality to deliver nearly 3 billion gallons of water a year.

Mr. Shepard said 21 utility staff work in the field to maintain and operate the five service areas. Currently, the District serves a total of 21,195 meters connected with approximately 392 miles of water main, ranging in size from two inch to 30 inch. The mains have a number of valves, hydrants, and drain valve assemblies to maintain. The service areas also include a number of well and booster facilities. The sites are configured with storage tanks, pressure tanks, treatment systems, and about a hundred motors and pumps. Each piece of equipment is operated and monitored by numerous electrical systems and equipment. Field staff faces all kinds of weather and wildlife challenges in addition to normal work-related hazards.

Administrative staff within the Utility Team provides resources, support, and guidance on current priorities and overall objectives. They develop and implement the team budget, provide policy and regulatory oversight for District, state, and federal regulations, purchase materials and equipment, track inventory, manage the backflow prevention program, manage the asset management program, and plan staff coverage for the five service areas around the clock.

Electrical/Instrumentation staff maintains and repairs District electrical equipment to keep the facilities in operation. The majority of equipment is electrical-based and a failure in any part can hinder operation of the facility. Electrical staff upgrades older systems to achieve more reliable operation. They program and maintain the District's telemetry system, which allows control of

the system with alarm notifications. Electrical staff maintains the security equipment and also works closely with production staff to isolate equipment so it can be safely maintained.

The Customer Service section of the Utility Team serves primarily the Metro Main service area, providing field customer service to approximately 17,879 customers. Their duties include starting and stopping service, shutting off past due accounts, and responding to a variety of complaints. They handle the meter replacement program, installation of new meters, valve exercises and inspections, and manage several pressure zones and backup systems. In addition, they perform certain mainline repairs, service line repairs, hydrant repairs, meter testing, and installation of hydrant locks. Each month, they read in excess of 17,000 meters that are not part of the fixed network.

Production staff's primary responsibilities involve the operation and maintenance of the well booster sites within the Metro Main service area. They monitor and maintain the chlorination systems, collect monthly microbiological and regulatory samples, test and service the wells and boosters, collect flow rates and reads, test backup generators, inspect and repair the storage and pressure tanks, collect static and pump levels, and check efficiencies of wells and boosters. Production staff is also talented at modifying and fabricating alterations of existing facilities and equipment, saving the District from having to hire the services of other shops.

Maintenance and Outlying Facilities are two sections under one Supervisor and they provide cross coverage and assistance to each other on a daily basis and during emergencies. The Maintenance crew typically repairs mainline services, fire hydrants, valves, and distribution system components, including new services, mainline extensions, and facility upgrades. Many of their tasks are unplanned and require prioritization of scheduling. Outlying Facilities staff maintain Metro Hub and Metro Southwest, with one staff assigned to each service area. They perform the same duties as Production and Customer Service specifically in those outlying areas.

Mr. Shepard concluded by saying the Utility Team is a team of dedicated, resourceful, and skilled individuals that work together to meet the needs of the District. Everything the Utility Team does is with the customer in mind. Mr. Olsen said the Utility Team is an integral part of providing reliable customer service across five geographically separated service areas, 24 hours a day, 7 days a week. Ms. Scrivener expressed gratitude for the Utility Team's hard work.

V. General Manager's Report

Mr. Olsen said in an effort to proactively manage the District's water resources and infrastructure, a leak detection survey for the Metro Southwest - E&T service area has been initiated. That area was chosen for its relatively small size and unique infrastructure components. The District does a lot of reactive work and this is an effort to focus some of the capital initiatives in a proactive manner to identify issues and plan for further investigation. Depending on the results of this survey, these efforts may be mirrored in other service areas.

On November 6, 2015, the Water Resources Research Center and Central Arizona Water Conservation District hosted a public forum on sustainable water for Southern Arizona, which included numerous perspectives from water providers, state regulatory agencies, environmental groups, and the business community. The bottom line message for the public is that Arizona is not in a water crisis but is at a critical juncture and now is the opportunity to look at various solutions moving forward for the next five, ten, and twenty years.

VI. Legal Counsel's Report

Mr. Hinderaker said he had nothing further to report.

VII. Future Meeting Dates; Future Agenda Items

The next Board meeting is scheduled for Monday, December 14, 2015. There will be an Executive Session at 5:00 p.m. immediately preceding the Regular Session.

VIII. General Comments from the Public

There were no comments by the public.

IX. Adjournment

The meeting adjourned at 6:37 p.m.

Judy Scrivener, Chair of the Board

Warren Tenney, Clerk of the Board