

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

December 14, 2015

**** Board Room ****

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

MINUTES

Board Members Present: Judy Scrivener, Chair
Jim Doyle, Member
Bryan Foulk, Vice-Chair
Helen Ireland, Member
Dan M. Offret, 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

Executive 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 5:00 p.m. Jim Doyle, Bryan Foulk, Helen Ireland, Dan Offret, and Judy Scrivener were present.

Consideration of Action to go into Executive Session for the following purpose: Pursuant to A.R.S. §38-431.03.A.1, §38-431.03.A.3, §38-431.03.A.4 to discuss the annual performance of the General Manager and to consult with attorney regarding pending litigation.

Mr. Foulk made a motion to adjourn into Executive Session. Mr. Offret seconded the motion. Motion passed unanimously.

The Executive Session concluded at approximately 5:45 p.m.

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 Offret and Judy Scrivener were present.

II. Possible Approval of Settlement for Litigation with Red Mountain Group

Ms. Scrivener said no action or discussion by the Board was required at this time.

III. Evaluation of General Manager's Annual Performance

Ms. Scrivener thanked Mr. Olsen for doing an awesome job. The Board fully supports Mr. Olsen and is pleased and excited about his leadership and ability. The trajectory for the District's future is bright.

IV. General Comments from the Public

There were no comments by the public.

V. Consent Agenda

- A. Approval of Minutes – November 9, 2015 Board Meeting.**
- B. Ratification of Billing Adjustments.**
- C. Approval of Regular Board Meetings in 2016.**
- D. Ratification of Bill of Sale – Tecolote Estates, Lots 1-8.**

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

VI. General Business - Items for Discussion and Possible Action

A. Monthly Status of the District.

Mr. Olsen said average fiscal year to date consumption among all service areas is approximately 3% lower than the same time last year. While this decline continues, last week at the Water Resources Research Center External Advisory Committee, his peers were talking about their similar declines and across the state and region, some entities are seeing far in excess of 3% declines. Some entities are reporting double digit decreases over the previous fiscal year.

The last tenant on the Oracle Jaynes property has relocated and the final closing documents have been crafted with a proposed finalization date of January 1, 2016. The property acquisition was previously approved by the Board.

The Board also previously authorized moving forward with analysis of financial requirements for acquiring an additional pool of Central Arizona Project (CAP) Non-Indian Agricultural (NIA) priority water, which is water that is a lower priority than the District's current CAP allocation. The earliest delivery would be 2017. Staff is partnering with the Bureau of Reclamation and other providers who are potentially seeking a portion of this pool on the required environmental assessments. The plan is to make the final recommendation on whether or not to participate in

acquiring the additional pool of CAP NIA water in the fall of 2016, upon the completion of environmental assessments.

Discussions have been positive on the acquisition of the booster and forebay parcel for the CAP Recharge, Recovery, and Delivery System (RRDS) with Redpoint Development. Required appraisals and surveys have been completed and the purchase documents are projected to be ready for District review at an upcoming Board meeting.

The bid opening for the Tucson Water wheeling interconnect is scheduled for December 16, 2015 and is anticipated to appear on the January Board meeting agenda. Mr. Offret asked about the engineer's estimate for this item and Mr. Olsen said \$55,000.

New office sign construction is expected to begin in the next few weeks.

B. Financial Report.

Ms. Bracken said revenue and expenditures through October are both favorable with revenue of \$1,040,562 over budget using a straight line projection. The increases are largely attributed to water sales being \$689,838 ahead of budget on a straight line projection. Development revenue has been exceeded with only five months of the budget completed. The number of connections planned and budgeted for this fiscal year have been met at this point. Operating expenditures are under budget by \$171,061 using a straight line projection. Revenue in excess of operating expenditures is \$3,978,361, which is favorable when compared to the budget of \$1,211,623 for first five months of the fiscal year. A prior year comparison of revenue for October shows the current year is higher by \$520,459 which is mostly attributed to an increase in metered water sales, development revenue, and water resource utilization fees. The total operating expenses are higher in all categories, except for contracted services for an overall increase of \$169,085. The Arizona state pooled collateral statement for October included \$2,047,516.95 of collateral coverage in addition to the \$500,000 FDIC insurance coverage. All banking fees continue to be covered by the earnings credits in checking and merchant accounts. A total of ten meter applications were received in November, compared to eight meter applications in November of the prior fiscal year. A year to date total of 74 meter applications have been received compared to 37 in November of fiscal year 2014.

C. Approval of Agreement for Telecommunication and Internet Services.

Mr. Olsen said the District's Telecommunication and Internet Services contract will expire on February 8, 2016 and proposals for a new contract were requested August 20, 2015. Five proposals were submitted and a five member team of staff selected the top three to give presentations on how each firm could meet the District's needs. They were provided a series of questions in advance and allotted 45 minutes to present to a cross-functional team of District staff, which included Engineering, Administration, Utility, and the General Manager's office to help select the best firm. Based on unanimous decision and recommendation by the District selection committee, Simply Bits was selected because they most thoroughly addressed specific

questions and demonstrated the best ability to provide redundancy and reliability within the District system. Simply Bits will provide a fiber internet upgrade at the District office, which will coincide with the maintenance of the current dish on the roof of the facility to provide redundancy. Fiber will also enhance the speeds and capabilities of the District's telecommunication uses. Currently, the District's phones are voice over internet protocol (VoIP) phones so losing internet means part of the core business is impacted and customer calls cannot be answered. Simply Bits will also provide customized phone solutions, host a wide area network, and provide extended support.

Mr. Foulk made a motion to approve the agreement with Simply Bits for telecommunication and internet services for a five-year term. Mr. Offret seconded the motion. Motion passed unanimously.

VII. General Manager's Report

Mr. Olsen said on November 19, 2015, Arizona Department of Water Resources (ADWR) published the proposed Fourth Management Plan. After review, the targets on gallons per capita per day and conservation goals were very similar to what ADWR previously unofficially provided. Based on historical demand trends, staff believes the District will not have any difficulty meeting the goals. The draft Fourth Management Plan also includes multiple references to how the Tucson Active Management Area has either come close, or in many cases, met safe yield by bringing balance water pumped out of the aquifer and recharge activities. This is in large part due to providers across the Tucson region embracing and putting to beneficial use the renewable water resources, including Colorado River allocation and effluent entitlement. The Fourth Management Plan is anticipated to go into effect in 2018, after the public comment period.

Staff is moving forward with customer bill design changes to provide greater transparency on fixed and variable portions of the bill. The water portion will be broken out to read "water availability rate" and highlight the fixed charge portion as well as the water portion to show the actual consumption. This is to educate customers and to further illuminate discussions on fixed versus variable that has taken place at rate hearings the past couple years.

A recent study in Nature Geoscience, a scientific journal, analyzed tens of thousands of data points to determine the amount of groundwater stored across the entire planet. The results show that if all the stored groundwater in the Earth's crust was extracted, and then placed on top of the land surface, it would create a wall of water 600 feet deep. Looking at the tritium signature and recharge rates, only 5.6% of all water in the Earth's crust has been recharged in the last 50 years, showing how slow the process is, if not helped along to enhance aquifer recharge, as is done in the Tucson area. Groundwater is truly a precious resource.

VIII. Legal Counsel's Report

Mr. Hinderaker said he had nothing further to report.

IX. Future Meeting Dates; Future Agenda Items

The next Board meeting is scheduled for Monday, January 11, 2016.

X. General Comments from the Public

Ms. Scrivener presented Mr. Offret a pin honoring his 15 years of service to the District. Mr. Offret said it was a pleasure see the District grow and become a leader in the area. He said he was glad to have had a small part in that success. He thanked District employees for bringing such wonderful ideas to the Board of Directors for consideration in order to enhance the District.

XI. Adjournment

The meeting adjourned at 6:16 p.m.

Judy Scrivener, Chair of the Board

Warren Tenney, Clerk of the Board