

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

MONDAY, MAY 11, 2020

****BOARD ROOM**
METROPOLITAN DOMESTIC WATER IMPROVEMENT DISTRICT
6265 N. LA CAÑADA DRIVE
TUCSON, ARIZONA 85704**

MINUTES

Board Members Present: Judy Scrivener, Chair
Richard Sarti, Vice Chair (Participated Electronically)
Jim Doyle, Member (Participated Electronically)
Dan M. Offret, Member (Participated Electronically)
Bryan Foulk, Member (Participated Electronically)

District Staff: Joseph Olsen, General Manager
Sheila Bowen, District Engineer (Participated Electronically)
Diane Bracken, Chief Financial Officer (Participated Electronically)
Steve Shepard, Utility Superintendent (Participated Electronically)
Theo Fedele, Clerk of the Board
Jeffrey L. Sklar, Legal Counsel (Participated Electronically)

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, Richard Sarti, and Judy Scrivener were present.

II. General Comments from the Public

There were no comments from the public.

III. Adoption of Fiscal Year 2021 Budget

Mr. Olsen stated that since the requested Fiscal Year 2021 budget was discussed extensively with the Board during the March 19, 2020 Study Session, Ms. Bracken would only discuss the items that have been adjusted since that meeting.

Ms. Bracken stated that since the Requested Budget was presented to the Board at the March Study Session, the only change that has occurred is a reduction to the amount planned to be spent on the Northwest Recharge Recovery Delivery System (NWRDRS) project in Fiscal Year 2021. With this reduction, the amount of the Partner project cost reimbursements will also decreased.

The total revenue from operations remains unchanged at \$22,575,716. The proposed outside funding and partner contributions total \$6,100,445 for a total budgeted revenue and projected fund balance amount of \$42,492,784.

The total Operating Budget remains the same at \$18,199,720 and the total O&M and Capital Budget is \$23,900,877, which is a 1.14% increase over the prior fiscal year. With depreciation and amortization added to the budget, the total requested budget disbursement is \$32,167,170, which is \$3,557,437 higher than the prior fiscal year and \$2,711,537 lower than presented at the March Study Session.

Mr. Offret moved to adopt the Metro Water District budget for the Fiscal Year 2021 as presented with the total disbursements not to exceed the budgeted disbursement amount of \$32,167,170. Mr. Sarti seconded the motion. Motion passed by a roll call vote of 5-0.

IV. Consent Agenda

- A. Approval of Minutes – March 19, 2020 Study Session Meeting**
- B. Approval of Minutes – April 13, 2020 Board Meeting**
- C. Ratification of Billing Adjustments**
- D. Ratification of Bill of Sale Thornydale Park, Lots 1-60 (M-18-023)**
- E. Approval of Water Service Agreement for NWMC Post Acute Center of Excellence (M-19-026)**
- F. Approval of Water Service Agreement for Sonoran Ranch Estates II, Lots 170-187, Phase 4 (M-20-003)**

Mr. Offret moved to approve the consent agenda. Mr. Sarti seconded the motion. Motion passed by a roll call vote of 5-0.

V. General Business – Items for Discussion and Possible Action

- A. Monthly Status of the District**

Mr. Olsen stated that Fiscal Year 2020 combined consumption for all service areas compared to last fiscal year-to-date is 6% higher and is a trend that has been consistent for the past few months.

Deliveries of the District's Central Arizona Project (CAP) order have begun with storage at Groundwater Savings Facilities (GSF) and storage of City of Phoenix Inter-AMA firming water continues at the District's Avra Valley Recharge Project (AVRP) facility.

As of the last Board meeting, the Arizona Department of Environmental Quality (ADEQ)'s Proposed Remedial Action Plan regarding the contaminant plume associated with the South Shannon Treatment System had just been received by the District for review. On April 22, 2020, the District provided a letter to ADEQ expressing concern regarding the trend of increasing 1,4-dioxane at and around the District's blend wells and also expressed support to ADEQ regarding the potential construction of advance treatment at the South Shannon facility to address 1,4-dioxane.

Mr. Shepard stated that this month staff completed the installation of a disconnect switch on the electrical service at the Lattamore well site. Staff replaced a leaking steel manifold with a copper service line at Richardson Elementary. Staff painted the hydro tank and piping at the Metro Hub Reservoir. A broken valve was replaced on Mystic Mountain Drive and a galvanized service was replaced on Old Vail in the E&T service area.

Ms. Bowen provided an update on the Camino del Fierro vacuum valve, the advertisement for the consultant solicitation for the Miscellaneous Design and Survey contract, the NWRRDS kickoff meeting with the District's consultant and the NWRRDS Partners, the bid notice for the recovery wells, and the District consultant and District staff's activities regarding the Metro-only portion of NWRRDS.

Mr. Sklar stated there are no new updates regarding the condemnation activities. The next hearing in the case will be at the end of June 2020.

B. Financial Report

Ms. Bracken stated that revenue and expenditures for March are both favorable when compared to a straight-line projection with revenue \$794,831 over budget and expenditures \$632,701 under budget. The revenue in excess of expenditures is favorable by \$1,427,532. When comparing the total revenue to the prior fiscal year, revenue in March was 9.62% or \$1,578,486 higher than it was in March 2019. The March Metered Water Revenue is 6.89% or \$881,193 higher than the prior fiscal year. The historic average of budgeted revenue collected as of the end of March is 81% and District has billed 84.76% of the budgeted revenue as of the end of March. The total operating expenditures through March are \$610,875 higher than they were at the end of March 2019. When comparing revenue in excess of operating expenditures, the current year is favorable by \$967,611. The April cash deposit balance was \$13,303,097.30, which is \$99,371.34 lower than the March

balance. The investment balance as of the end of April was \$11,685,848.36, which is \$289,980.75 higher than the March balance. As of March 31, 2020, the District had 424 days or 14 months of unrestricted, unallocated cash and cash equivalents on hand when compared to the planned operating expenses in the adopted budget less the \$500,000 contingency.

The Arizona State Treasurer Pooled Collateral Program Statement for March includes \$5,928,585.56 of cash on deposit with collateralization coverage of \$5,792,157.27 and \$250,000 FDIC coverage.

The Capital One Bank MasterCard's were used to purchase \$35,311.65 on the April statement with up to 1.25% cash back earnings. The cash back amount received from transactions processed in March was \$454.82 or 0.87% with an inception-to-date cash back total of \$9,241.45.

Thirty-one new meter applications were received in April with 18-meter applications for the Metro Main service area and 13-meter applications for the Metro Southwest service area. There were 35 new meter applications received in April of the prior fiscal year. As of the end of April, 342 new meter applications have been received with 285 applications received by the end of April 2019.

C. Approval of the Intergovernmental Agreement for Sewer Billing and Collections

Mr. Olsen stated that since 1994, the District has had an Intergovernmental Agreement with Pima County Regional Wastewater Reclamation Department to perform billing and the collection of sewer revenue. As part of this Intergovernmental Agreement, the District receives payment on a per account per month basis to reimburse the District for the costs associated with performing this service. The current Intergovernmental Agreement was effective July 2014 and expires June 30, 2020 as all the associated annual extensions have been utilized. Over the past few months, staff have worked with Pima County to update various elements of the Intergovernmental Agreement to match how the associated items are actually accomplished. Additionally, the per account per month amount that Pima County will pay the District to perform this service will increase from \$1.52 under the current Intergovernmental Agreement to \$1.60 effective July 1, 2020 and will generate approximately \$365,000 in revenue for the District. This increase also moves the District toward full cost of service recovery.

Mr. Sarti moved to approve the Intergovernmental Agreement between Pima County and Metropolitan Domestic Water Improvement District for the provision of wastewater billing and collection services, at the rate of \$1.60 per account per month, through June 30, 2021, effective the first billing cycle in July 2020, with a termination date of June 30, 2021. This Intergovernmental Agreement may be extended up to four (4) additional one-year periods if agreed upon by both parties. Mr. Offret seconded the motion. Motion passed by a roll call vote of 5-0.

D. Authorizing the Hydraulic Analysis and Cost Estimate for the Northwest Recharge, Recovery, and Delivery System (NWRRDS) Metro-only Transmission Main

Mr. Olsen stated that one element of the District's Debt Management Policy is to ensure that an independent cost estimate is accomplished for capital projects or initiatives that would be funded by debt financing to ensure adequate financial resources are secured to successfully accomplish the effort. While independent cost estimates were accomplished for the components of NWRRDS shared with the Towns of Marana and Oro Valley, an independent cost estimate has yet to occur for the Metro-only infrastructure, which includes the booster station and the transmission main from the shared forebay to the District's Herb Johnson Reservoir. The design for the Metro-only NWRRDS effort has now progressed to the level of detail where an independent cost estimate can be performed to refine anticipated costs in advance of debt issuance. This effort will also include a hydraulic analysis to validate the diameter of the proposed transmission main. It is recommended that the Board award this work to Carollo Engineers via the Arizona Department of Administration State Procurement Office annual professional services list. Carollo has previously performed similar independent cost estimates for the District including the shared components of NWRRDS and the proposed second expansion of the Herb Johnson reservoir.

Mr. Offret moved to authorize the General Manager to execute an agreement with Carollo Engineers to complete an evaluation and recommendations for pipeline sizing and the development of an opinion of probable costs for the Metro-only transmission main in the amount of \$49,719 using the Arizona Department of Administration State Procurement Office annual professional services list and to authorize the General Manager to increase the scope and fee by \$5,000.00, if necessary, to accommodate unforeseen conditions encountered during the evaluation. Mr. Sarti seconded the motion. Motion passed by a roll call vote of 5-0.

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

Mr. Olsen stated that the District uses iron oxide adsorption media to remove arsenic at four production sites. The media can be regenerated by chemically stripping the adsorbed arsenic ions as opposed to purchasing new media each time a change out is required. Purolite is the only known vendor to possess the required Gold Seal certification to accomplish this media regeneration process. Purolite was also the only respondent to submit a bid request. As such, it is recommended the District approve the arsenic media regeneration quote with Purolite.

Mr. Sarti moved to approve the annual quote for Water Treatment Media Regeneration and award Purolite the regeneration of the District's Arsenic Treatment Media. Mr. Offret seconded the motion. Motion passed by a roll call vote of 5-0.

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

Mr. Olsen stated that 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 and one telemetry and instrumentation specialist, this job order agreement provides both emergency support capacity and the ability to augment District staff based on the particular electrical need. Staff recommends the Board authorizing a job order agreement with Sabino Electric to provide as-needed electrical support to the District.

Mr. Offret moved to approve the pricing submitted by Sabino Electric Inc. for the Emergency and Miscellaneous Electrical Services for use in Fiscal Year 2021 and to authorize the General Manager to enter into the job order agreement. Mr. Sarti seconded the motion. Motion passed by a roll call vote of 5-0.

G. Approval of Bids for Granular Activated Carbon (GAC) Replacement at the South Shannon Facility

Mr. Olsen stated that the District uses Granular Activated Carbon (GAC) at the South Shannon treatment facility to remove volatile organic compounds from the groundwater as part of an ADEQ funded cleanup initiative. This item is to approve job order contracts with the submitted GAC vendors. Staff will use the lowest available bidder as needed for each change out and will coordinate reimbursement for such change-outs with ADEQ.

Mr. Sarti moved to approve the bids submitted and authorize staff to enter into the Job Order Agreements as appropriate with the vendors submitting bids and to authorize the General Manager to approve each GAC change-out to the lowest available bidder, as needed. Mr. Offret seconded the motion. Motion passed by a roll call vote of 5-0.

H. Resolution 2020-2 to Call November 3, 2020 Election for Board of Directors

Mr. Olsen stated that November 2020 is a regular election cycle with two Board positions up for election. The Fiscal Year 2021 budget has funded \$26,000 to accomplish the election. It is

recommended that the Board approve Resolution 2020-2 to call an election for these two Board positions with terms that would last four years beginning January 1, 2021.

Mr. Offret to approve Resolution 2020-2 to call an election for November 3, 2020 for the purpose of electing members of the Board of Directors to fill two seats for a four-year term beginning January 1, 2021. Mr. Sarti seconded the motion. Motion passed by a roll call vote of 5-0.

I. Appointment to the Finance Oversight Committee

Mr. Olsen stated that the Finance Oversight Committee (FOC) has historically consisted of seven District Residents to advise the Board on financially related matters. The current FOC has one opening due to members resigning for various reasons. To seek volunteers, the FOC vacancy was announced in the most recent Splash newsletter.

Monica Wnuk, a District resident, contacted the District in response to the newsletter article and has volunteered to serve on the FOC. Ms. Wnuk possesses both a Bachelor of Science and a Master's Degree in Chemistry as well as a Master's degree in Civil and Environmental Engineering. Ms. Wnuk served as an Environmental Specialist and an Environmental Engineer at the Iowa Department of Natural Resources for over 25 years where her specialization included wastewater, stormwater, groundwater, water use, surface water quality, and review of plans and specifications for public water system projects. Ms. Wnuk has also volunteered her service on Boards, Committees, and initiatives to include serving as a Board member with the Tucson Cactus and Succulent Society. Ms. Wnuk's highly relevant expertise of the Safe Drinking Water Act, knowledge of public water systems, and desire to serve the District will greatly benefit both the District and the FOC.

Mr. Sarti moved to appoint Monica Wnuk to the Finance Oversight Committee. Mr. Offret seconded the motion. Motion passed by a roll call vote of 5-0.

VI. General Manager's Report

Mr. Olsen stated that at last month's Board meeting, the Board authorized an agreement with the District's Real Estate Consultant, Tierra Right of Way Services, to support negotiations and creation of necessary documents to secure the property for a Central A-Zone reservoir in Metro Main. At the kick-off meeting, Tierra informed staff that the schedule associated with property acquisitions and the supporting appraisals has been taking longer than normal. As such, this property acquisition would not be completed by the end of this fiscal year. Given that the Central A-Zone reservoir would not be constructed for at least 10-years, Tierra was issued a formal stop

work notice for the Central A-Zone reservoir property acquisition. Staff will continue to explore options and the Board may be asked to again consider a similar effort in a future fiscal year.

The Bureau of Reclamation (BOR) has recently updated their 24-month projection that models the percent chance for various shortage conditions in the Lower Colorado River Basin for each calendar year. As a reminder, calendar year 2020 is currently in a Tier 0 condition where Arizona is currently managing a 192,000 acre-foot (AF) shortage. The BOR noted in April that snowpack was average but the unregulated inflows to the Colorado River system were only 71% of normal. As such, there remains a 100% chance that a Tier 0 shortage condition will exist for 2021 and there is a 9% chance of a Tier 1 shortage in 2022. The updated model projections also anticipate a single digit percent chance for a Tier 2 shortage in 2023 and 2024 with no chance for a Tier 3 shortage in that horizon.

VII. Legal Counsel's Report

Mr. Sklar said he had nothing to report.

VIII. Clerk of the Board Updates; Future Meetings

The next regularly scheduled Board meeting will be held on June 8, 2020.

IX. General Comments from the Public

There were no comments from the public.

X. Adjournment

The meeting adjourned at 6:35 p.m.

Judy Scrivener, Chair of the Board

Theo Fedele, Clerk of the Board