

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

MONDAY, JULY 9, 2018

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

MINUTES

Board Members Present:	Judy Scrivener, Chair Helen Ireland, Member Dan M. Offret, Member
Board Members Not Present:	Bryan Foulk, Vice Chair Jim Doyle, 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 Jeffrey L. Sklar, 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. Helen Ireland, Dan M. Offret, and Judy Scrivener were present. Jim Doyle and Bryan Foulk were not present.

II. General Comments from the Public

There were no comments by the public.

III. Consent Agenda

- A. **Approval of Minutes – June 11, 2018 Board Meeting**
- B. **Ratification of Billing Adjustments**
- C. **Ratification of Accounts Removed from Active Accounts Receivable**
- D. **Approval of Water Service Agreement for Magee 17, Lots 1-35 (On-Site) – M-16-009**

- E. **Approval of Water Service Agreement for Linda Vista 18, Lots 1-36 – M-16-011 (On-Site) & M-17-007 (Off-Site)**
- F. **Approval of Water Service Agreement for Sonoran Ranch Estates II, Lots 80-128 (Phases 2) – M-18-007**
- G. **Approval of Water Service Agreement for Sonoran Desert Reserve, Lots 1-25 (Phases 1 & 2) – M-18-008**

Ms. Ireland moved 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 2018 has been completed and we have a full picture of the total consumption increases of Fiscal Year 2018 compared to Fiscal Year 2017. Metro Main consumption increased 6.3% and Metro Hub increased 8.3% compared to Fiscal Year 2017. Metro Southwest consumption increased by over 17% in Fiscal Year 2018, which makes sense given the additional customer connections and the increased water utilization associated with numerous construction activities in the Diablo Village Service area.

Last month, the Utility Team replaced a 100 amp breaker at the E&T 23 well site, accomplished the arsenic media change out at Diablo Village #1 and Hub 1A, and repaired two leaking poly service lines in the Diablo Village service area. The poly service lines have had an ongoing maintenance challenge, as they are prone to failure. With a large number of these poly lines in the Diablo Village service area, staff are exploring proactive opportunities to systematically address these service lines, prior to failure, via the Capital Improvements Program.

The Engineering and Utilities Teams worked closely together on the repair of a corrosion test station on a 16-inch ductile iron pipe near La Cholla and Sunset. This multi-craft effort required support from nearly all District Teams due to the requirements for traffic control, corrosion engineering design, electrical expertise, and the extensive Utility skill-set. The effort was successful and staff now have another collaborative experience to draw from.

A total of 418 meters were changed out for the year as part of proactive meter change outs to existing customers which will ensure the accuracy of flow is recorded and captured. As meters age, they become less accurate since they do not pick up as much flows, which can result in additional lost water and lost revenue water. The meter replacements are prioritized not only by age but also by the quantity of flow that goes through the meter to ensure the most accurate recording of usage.

Two variable frequency drives (VFDs) at the Herb Johnson reservoir site shorted out and failed due to an electrical storm in the Metro Main service area. Staff is currently troubleshooting and utilizing other operational workarounds. Fortunately, the VFDs were still covered under the extended warranty and will be returned to service after they are repair hopefully with no impact to the customers. Mr. Shepard stated that we will be keeping an eye on District operations and water demands over the next few days. Mr. Offret asked if the transition to gas power went smoothly at Herb Johnson. Mr. Shepard stated that the transition to back up generation was successful but there was a period where the gas engine overheated. No customers were affected due to low demand and the pump was able to catch up. There does not appear to be any more issues and additional monitoring on the telemetry will be performed.

The complete storage of the annual Central Arizona Project (CAP) order is on track for the end of the calendar year. The underground storage facility and water storage permits will hopefully be deemed correct and complete by mid-July as staff and the water resources consultant has responded to all of Arizona Department of Water Resources' (ADWR) inquiries.

Construction is anticipated to begin this month on the Regional Transportation Authority (RTA) waterline relocations at La Cholla and the design for the Old Nogales mainline replacement is completed and ready for construction as part of the Fiscal Year 2019 Capital Improvements Program.

B. Financial Report

Ms. Bracken stated that the total revenue through the end of May has exceeded the adopted budget by \$382,255 with one month of revenue remaining in the fiscal year. Metered water revenue as of the end of May is \$16,311,785 with \$16.5 million budgeted this fiscal year. Expenditures are under budget by \$689,766 dollars when compared to a straight-line projection. The total revenue in excess of expenditures is favorable by \$2,736,956. The budgeted metered water revenue of \$16,311,785 or 98.9% has been billed with one month or 8.33% of the fiscal year remaining. Historically, 10% of the budgeted metered water revenue is collected in the last month of the fiscal year. Development revenue has exceeded the adopted budget by \$307,204, water storage revenue has exceeded the budget by \$139,798, private fire risers revenue has exceeded the adopted budget by \$5,617, and interest and other income have exceeded the adopted budget by \$88,624 and \$128,153 respectively. All budgeted expenses are under budget using a straight-line projection. Revenue through May is higher than the prior fiscal year by \$1,497,823 or 7.94%. Meter Water Sales are higher by 5.7% or \$885,509, development revenue exceeded the prior year by \$343,635. The total operating expenditures are \$609,751 higher than they were at the end of May 2017. When comparing the revenue in excess of operating expenditures to the prior fiscal year, the current year is favorable by \$888,072.

The Arizona State Treasurer Pooled Collateral Program provided collateralization coverage of \$6,354,216.16 in addition to the \$500,000 FDIC coverage.

After the reports were prepared for this meeting, it was found that one meter application was received and then reversed, so the total included in the Board report was overstated by two meters for the month and in the fiscal year total. There were twenty-nine new meter applications received in June compared to seven-meter applications received in June of the prior fiscal year. As of June 30, 2018, 261 new meter applications were received compared to 123 new meter applications received in Fiscal Year 2017.

On June 28, 2018, the District completed the process of bond defeasance on the 2002 Subordinate Revenue Bonds, satisfying all legal ties to this debt over one year early. Since the bonds are non-callable, the funds for the remainder of the bond life cycle will be held in an escrow account with Wells Fargo Bank acting as the Escrow Trustee. Funds have been invested in State and Local Government Securities with an earnings rate of 2.34%. This process will help to improve the District's debt service coverage ratio by eliminating debt from our books, along with generate a saving of \$16,678.23 in avoided interest payments associated with the 5.25% bond coupon rate

C. Award of the Construction Contract for the Mountain Cove PRV (M-18-009)

Mr. Olsen stated that on April 9, 2018, the Board approved an amendment to the water service agreement with the developer of the Hacienda Sisters Phase 1 development. This amendment was to construct additional infrastructure including a pressure reducing valve (PRV) to ensure adequate domestic and fire flows to the development. The amendment also ensured that the developer would pay all costs associated with the construction of the PRV. This item is to award the construction contract to Action Pipeline, via the cooperative purchasing agreement on the City of Tucson's Job Order Contract. All costs associated with the construction and installation of this PRV will be reimbursed to the District per the amended water service agreement with the developer.

Mr. Offret moved to award the construction contract for the Mountain Cove PRV to Action Pipeline Contractors Inc. in the amount of \$48,247.00, to authorize the General Manager to allocate additional funding in a cumulative amount not to exceed \$5,000.00, and to increase the original construction contract term in a cumulative amount not to exceed twenty (20) calendar days. Ms. Ireland seconded the motion. Motion passed unanimously.

D. Presentation on the District's Water Treatment Systems

Mr. Olsen stated that Mr. Shepard was prepared to provide an educational presentation on the various water treatment systems since the Board regularly approves quotes for the treatment media utilized in these systems. Since two Board members were unable to attend and this is not a time sensitive item, staff requested that the Board move this item to the August 13, 2018 Board Meeting.

Ms. Ireland moved to continue the District's Water Treatment System presentation to the August 13, 2018 meeting. Mr. Offret seconded the motion. Motion passed unanimously.

V. General Manager's Report

Mr. Olsen stated that for over 15 years, Arizona and the southwest states have experienced various stages of drought. This ongoing drought has caused Lake Mead to fall to levels not seen since the Lake was originally filled. While there are numerous aspects to shortage declarations, when the Lake reaches the elevation of 1,075 feet above sea level, the first storage declaration occurs and Arizona bears the majority of the shortage due to our lower priority on the Colorado River system. There are subsequent lower elevations that trigger additional reductions. Under the Bureau of Reclamation modeling, the chance of the first Tier shortage has become increasingly likely in the next two years and further shortages are also likely.

To proactively address this situation, the ADWR and CAP have jointly proposed a Drought Contingency Plan. This plan would not avoid a shortage declaration, but is intended to reduce the likelihood of a more catastrophic shortage declaration at even lower Lake Mead levels. An Arizona Steering Committee has been formed of approximately 40 members consisting of State Legislators, municipal water providers, Tribal representatives, agricultural water users, and developers. The Director of ADWR and the General Manager of CAP have asked that I serve as one of the 40 members of this committee and I am honored to support this critical water initiative. The initial meeting outlined the Drought Contingency Plan that will result in a package that will hopefully be included in the 2019 Arizona Legislative session.

Mr. Offret asked when the approval from the legislature would occur for the Drought Contingency Plan. Mr. Olsen stated that the committee would last through the end of the year and the goal is to have a final package by the start of the next legislative session.

The Northwest Recharge, Recovery, and Delivery System (NWRRDS) received the finalized contract from HDR for the program support services that the Board had previously approved.

VI. Legal Counsel's Report

Mr. Sklar stated that he had reported at the last Board meeting regarding the condemnation actions on easements associated with the NWRRDS. There have been attempts to serve one of the property owners who appears to be out of the region. A hearing date has been set for July 23, 2018 for immediate possession of one of the parcels the Board previously approved condemnation activities to proceed.

VII. Clerk of the Board Updates; Future Meetings

The next regularly scheduled Board meeting will be held on August 13, 2018.

VIII. General Comments from the Public

There were no comments from the public.

IX. Adjournment

The meeting adjourned at 6:20 p.m.

Judy Scrivener, Chair of the Board

Theo Fedele, Clerk of the Board