

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

January 9, 2017

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

District Staff: Joseph Olsen, General Manager
Sheila Bowen, Deputy General Manager / District Engineer
Diane Bracken, Chief Financial Officer
Steve Shepard, Utility Superintendent
Tullie Noltin, Clerk of the Board
Theo Fedele, Recorder
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. Jim Doyle, Bryan Foulk, Helen Ireland, Dan M. Offret and Judy Scrivener were present.

II. Election of Chair and Vice-Chair for the Board of Directors

Mr. Offret moved for Judy Scrivener to continue as Chair through 2017. Mr. Foulk seconded the motion. Motion passed unanimously.

Mr. Offret moved for Bryan Foulk to continue as Vice-Chair through 2017. Ms. Ireland seconded the motion. Motion passed unanimously.

III. Consideration of Action Regarding the General Manager's Employment Contract Discussed in Executive Session on December 5, 2016

Mr. Doyle moved to approve a performance based merit increase of 3% to the base compensation in the General Manager's contract effective February 3, 2017. The performance based merit was budgeted for all District employees. Mr. Offret seconded the motion. Motion passed unanimously.

IV. General Comments from the Public

There were no comments by the public.

V. Consent Agenda

- A. Approval of Minutes – December 5, 2016 Board Meeting.**
- B. Ratification of Billing Adjustments.**
- C. Ratification of Bill of Sale - Sonoran Ranch Estates II, Lots 1-37 and 53-79 (M-15-009).**

Ms. Ireland 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 stated that the fiscal year-to-date consumption at Metro Main was approximately 1% higher and Metro Hub was 7.7% higher than last fiscal year-to-date, however, both service areas are on track for the second lowest demand period on record.

The Lazy B well was pulled for maintenance after discovering substantial deterioration on the well casing. The necessary quotes will be obtained to move forward with the repair. This highlights the importance of the proactive wheeling agreement with Tucson Water to continue to meet customer demands during the repair.

All of the District's planned Central Arizona Project (CAP) storage has been completed for calendar year 2016 which includes the District's full allocation of 13,460 acre-feet (AF) as well as 1,500 AF for the City of Phoenix under the Inter-AMA (Active Management Area) Firming agreement and 1,100 AF for the Arizona Water Banking Authority. Storage for 2017 began on January 1, 2017 at the Avra Valley Recharge Project (AVRP) where 3,450 AF of the District's CAP allocation will be stored as well as 3,500 AF for the City of Phoenix. The District's remaining CAP water will be stored at groundwater savings facilities (GSF) and the Lower Santa Cruz Recharge Project.

The CAP system use agreement, which is the vehicle for the Inter-AMA firming agreement going forward, was approved by the CAP Board. The Bureau of Reclamation raised some concerns on behalf of various tribes which are currently being worked out to create a final system use agreement in the near future.

B. Financial Report.

Ms. Bracken stated revenues and expenditures as of November are both favorable with revenue at \$854,874 over budget and expenditures at \$453,067 under budget utilizing a straight-line projection, resulting in a favorable revenue in excess of expenditures totaling \$1,307,941. The largest increase in revenue is from Metered Water Sales which have exceeded the straight-line projection by \$772,197. All expenses are under budget except regulatory fees which continue to be over budget when compared to a straight-line projection. Revenue through November 2016 is \$508,402 higher than it was in November 2015 with an increase of \$568,635 in Metered Water Sales, an increase of \$122,082 in Water Resource Utilization fees, and a decrease of \$178,625 in development revenue. The total operating expenditures in November 2016 are \$171,779 higher than in November 2015 while remaining under budget in the current fiscal year. When comparing revenue in excess of operating expenditures to November 2015, the current year is favorable by \$336,623.

The Arizona State Treasurers Office pooled collateral program statement for November includes collateralization coverage of \$3.3 million in addition to the \$500,000 of FDIC insurance coverage.

The American Express Corporate Accounts Payable Solution card was used for normal business purchases totaling \$43,709.03 in December and the inception to date total is \$1,951,375.59 which has generated a District savings of \$19,513.76. Another benefit for using the Corporate Accounts Payable Solution card is American Express is responsible at fiscal year-end to send out 1099-K forms to the vendors that were paid using this payment process in lieu of the District having to send out 1099-MISC forms.

A total of 12 meter applications were received in December 2016 compared to 13 received in December 2015. As of the end of December, a total of 52 meter applications have been received compared to 87 meter applications received this time in the prior fiscal year.

C. Approval of Composite Manhole Cover Replacements.

Mr. Olsen stated the District has historically used 32" diameter cast iron manhole covers for underground vaults that house pressure reducing valves. These covers can weigh up to 250 pounds which can lead to potential staff injuries. In 2009, the District purchased 20 composite manhole covers that were lighter in an effort to prevent injuries. McGard LLC, the distributor of the composite covers, recently issued a recall of the composite covers due to failures in traffic areas.

The 20 lids purchased by the District were not located in any traffic areas and none had failed. McGard was going to replace the composite covers with cast iron covers but the cast iron covers still carry the concern for staff injuries. Through staff negotiations with McGard, the District would receive a check \$5,995.50 that can be used towards the purchase of hinged covers which are found to be a safer alternative. This item was presented for informational purposes and action is not required from the Board since the final purchase costs are within the General Manager's authority under the procurement policy.

Mr. Foulk asked if the District has manhole covers in high traffic areas. Mr. Shepard stated that there are manhole covers in traffic areas which are cast iron covers, not composite covers. Mr. Foulk asked if there will be hinged covers put in high traffic areas. Mr. Shepard stated that none of the hinged covers will be in traffic areas for this replacement process but adding them would be a discussion for the future.

Ms. Ireland asked how much the hinged covers weigh. Mr. Olsen stated that the hinged covers are still heavy but the hinged feature assists in the process so staff does not need to lift the whole 250 pounds. Ms. Ireland asked if the cover is opened with a machine or if it requires man power. Mr. Shepard stated that man power is required to open it but the hinged cover provides extra leverage.

Mr. Offret thanked staff for finding four hinged covers in working condition from road projects and site modifications which saves the District money.

D. Effluent Reuse Update and Possible Action on the Intergovernmental Agreement Regarding Funding, Planning, Construction, and Operation of the Effluent Interconnect Pipeline Project and Associated Construction Contract.

Mr. Olsen stated that for three years the District has partnered with the Bureau of Reclamation (BOR), Cortaro-Marana Irrigation District (CMID), and Pima County to deliver a portion of the District's effluent to the CMID farmlands to obtain 100% effluent credits as opposed to the 32% effluent credits from the Santa Cruz River. An Intergovernmental Agreement (IGA) was approved by the District and CMID. The Pima County Board of Supervisors (PCBOS) did not act on the IGA at their October 18, 2016, meeting citing concerns raised by the Community Water Coalition (Coalition). Staff met with the Coalition on November 16, 2016 to address their concerns and to elaborate on the plan under the IGA, to which the Coalition's response appeared favorable. However, the coalition submitted a letter to the PSBOS with conditions recommending no extension beyond March 19, 2019 and a limit of 2,200 AF per year. At their December 13, 2016 meeting, the BOS changed the term of the IGA from three years to two years resulting in the project no longer being financially beneficially to the District's ratepayers and staff recommends not moving forward with this effort.

Mr. Foulk asked what happens next with the BOR if the District does not continue with the project. Mr. Olsen stated that while he cannot predict what BOR's next step will be, the BOR has stated they are considering other methods to utilize their 28,200 AF entitlement.

Mr. Offret expressed his disappointment with the outcome. For more than three years, time, energy, and effort was invested. While difficult to quantify, the PCBOS has taken potential annual revenue away from District ratepayers who are also County taxpayers.

Mr. Foulk made a motion to reject the amended terms of the Intergovernmental Agreement Regarding Funding, Planning, Construction, and Operation of the Effluent Interconnect Pipeline Project and to not move forward with the construction of the CMID Effluent Pipeline Project. Ms. Ireland seconded the motion. Motion passed unanimously.

VII. General Manager's Report

Mr. Olsen stated that he was interviewed on January 4, 2017 by KXCI community radio as part of a podcast regarding the Inter-AMA efforts. Tim Thomure, City of Tucson Water Director and Katherine Sorenson, City of Phoenix Water Director, were also interviewed. This provided an opportunity to cast a positive light on the collaborations to weather the ongoing drought and supply changes. The podcast will be published in the near future.

After over 23 years of service to the District, Mike Block, Water Resources Manager, has announced his retirement effective March 31, 2017. His decades of support including designation of assured water supplies, creating and enhancing a water resource portfolio, and behind the scenes efforts on Inter-AMA firming have been instrumental to the District. The advertisement to fill the Water Resources Manager position was posted today to allow enough time for Mr. Block to bestow his knowledge to his successor before he departs.

VIII. Legal Counsel's Report

Mr. Hinderaker said he had nothing to report.

IX. Clerk of the Board Updates; Future Meetings

The next regularly scheduled Board meeting will be held on February 13, 2017. The next Financial Oversight Committee (FOC) meeting is scheduled for Tuesday, January 24, 2017 for a mid-year budget review.

X. General Comments from the Public

There were no comments from the public.

XI. Adjournment

The meeting adjourned at 6:23 p.m.

Judy Scrivener, Chair of the Board

Tullie J. Noltin, Clerk of the Board