

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

**February 13, 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. General Comments from the Public**

There were no comments by the public.

**III. Consent Agenda**

- A. Approval of Minutes – January 9, 2017 Board Meeting.**
- B. Ratification of Billing Adjustments.**
- C. Ratification of Bill of Sale – Estates at San Joaquin (M-14-010).**

Ms. Ireland made a motion to approve the consent agenda. Mr. Foulk 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 the fiscal year-to-date consumption for all of the service areas is trending 1.5% higher than this time last fiscal year.

The Tucson National West variable frequency drive has been completed and work has begun on replacing the Tucson National East variable frequency drive which was not originally included in the budget but was subsequently approved by the Board based on the savings from the District election cancellation.

The District began storage in January at the Avra Valley Recharge Project (AVRP) for both the District's Central Arizona Project (CAP) storage and a portion of Phoenix's CAP allocation under the Inter-AMA firming agreement.

Lost water is the difference between the amount of water that was produced by the District wells and water delivered to customers. The Arizona Department of Water Resources (ADWR) limits losses to 10%, except for Metro Southwest – E&T, which is limited to 15%. The District's calculated 2016 lost water amounts for all of the service areas are below the regulatory requirements with Metro Main at 8.3%; Metro Hub at 0.8%; Metro Southwest – Diablo Village at 7.7%; Metro Southwest – E&T at 5.7%; and Metro Southwest – Lazy B at 1.5%.

Mr. Offret asked if the 0.8% at Metro Hub was correct. Mr. Olsen stated that 0.8% is correct and there are different reasons for lost water including leaks in the system or meter inaccuracies. The goal is to have the lost water as low as possible to enhance the financial efficiencies of operating the system and to reduce wasting precious water resources.

Mr. Olsen stated that staff is meeting on February 27, 2017 with the Arizona State Land Department (ASLD) regarding the necessary easements and properties for the Recharge, Recovery, and Delivery System (RRDS).

Mr. Offret asked if the other partners were included in the meetings with ASLD. Mr. Olsen stated the other parties are informed of the discussions but that the easements and land are to be acquired by the District as the operating agent and the other parties would be receiving proportional capacity within the RRDS under the Intergovernmental Agreement (IGA). Mr. Offret asked about other well site options if the negotiations with ASLD does not go through. Mr. Olsen stated that the District is considering all options to determine what is most appropriate but so far have had only initial discussions with ASLD and will be providing a formal presentation on the District's needs.

**B. Financial Report.**

Ms. Bracken stated revenues and expenditures through December are both favorable with revenue at \$822,832 over budget and expenditures at \$626,556 under budget utilizing a straight-line projection, resulting in a favorable revenue in excess of expenditures totaling \$1,449,387. The largest increase in revenue is from Metered Water Sales which have exceeded the straight-line projection by \$725,893. All expenses are under budget except regulatory fees which continue to be over budget when compared to a straight-line projection. Revenue through December 2016 is \$684,118 higher than it was in December 2015 with an increase of \$708,275 in Metered Water Sales, an increase of \$147,841 in Water Resource Utilization fees, and a decrease of \$181,436 in development revenue. The total operating expenditures as of December 2016 are \$58,635 lower than in December 2015. When comparing revenue in excess of operating expenditures to December 2015, the current year is favorable by \$742,753.

The Arizona State Treasurers Office pooled collateral program statement for December includes collateralization coverage of \$5,703,164.05 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 \$49,746.94 in January and the inception to date total since March 2014 is over \$2 million which has generated a District savings of \$20,011.23.

A total of nine meter applications were received in January 2017 compared to six received in January 2016. As of the end of January, a total of 61 meter applications have been received compared to 93 meter applications received this time in the prior fiscal year.

On January 31, 2017, the District recovered an additional \$1,279.40 from the local government investment pooled losses from Lehman Brothers Holdings Inc. who filed Chapter 11 in 2008. The District has recovered 41% of the losses with a total of \$28,051.58 remaining unrecovered from the original loss of \$47,300.04.

**C. Mid-Year Financial Review for Fiscal Year 2017.**

Mr. Olsen stated that, thanks to the revenue stability initiatives, the District is capturing 90% of the fixed costs with fixed revenue which allows for the opportunity to refine long-range water resources and capital planning. From the initial budgeted amount, some line items have been exceeded, some line items were below, and additional revenue has been obtained via various partnerships. These minor variations are expected in a utility of this size. The unanticipated expenditures and the additional revenue are anticipated to balance out at the end of the fiscal year.

Since the initial timeframes for the Regional Transportation Authority (RTA) project were unknown at the beginning of the fiscal year and the total costs were between \$1 and \$1.2 million, \$600,000 was budgeted for the RTA project on La Cholla and \$600,000 was budgeted for the

Oracle Jaynes well with the option to shift the money based on the RTA schedule, as needed. With the updated RTA project timeframes, the work will take place in the upcoming fiscal year allowing the District to move forward with the activities of the Oracle Jaynes well. However, the funds for the RTA project will need to be planned for and included in the in the upcoming fiscal year.

As previously mentioned, the Tucson Nation West and East variable frequency drives replacement is moving forward.

At the January 24, 2017 Finance Oversight Committee (FOC) meeting, the FOC discussed the mid-year budget and had no recommended changes for the Board to consider.

Ms. Bracken stated that as of December 31, 2016, 54% of the total budgeted revenue has been accounted for with 54% of the budgeted Meter Water Sales billed and 58% of development revenue received. Development revenue is projected to exceed the budget by \$57,300 with the inclusion of the Avila Pima Canyon Project. Private fire riser revenue was \$44,716 in the first half of the fiscal year and this revenue is expected to exceed the budget by \$14,400. Fees for processing the Regional Wastewater Reclamation Department sewer bills were increased from \$1.14 to \$1.25 per month per account effective July 1, 2016 and based on the cost of service calculation this revenue should be favorable by \$25,000. Interest income and Water Resource Utilization Fees are both expected to be stronger than budgeted. Marana will not be storing any water in calendar year 2017 creating a decrease in budgeted revenue of \$164,195. In calendar year 2017, the 1,500 AF of water stored by the City of Phoenix will increase to 3,500 AF which will increase the planned revenue by \$43,568. The 1,500 AF budget to be stored for the Arizona Water Banking Authority is decreased to 1,150 AF reducing the budgeted revenue by \$5,737. With all of the revenue increases and decreases, the total revenue is expected to be close to the budgeted amount by the end of the fiscal year.

Salaries and benefits are expected to be on budget with various increases and decreases throughout the year. Consultants and contracted services are expected to be under budget by more than \$57,414. Water quality testing is are projected to be under budget by \$17,800 which allows for the estimated need of \$35,000 and \$5,000 for extra additional testing that may be needed. Engineering does not have plans to spend \$5,000 of budgeted miscellaneous design services. The audit cost \$3,499 less than the contracted price. There has been an increase in the number of payments received by credit cards as well as the fees associated with these payments. When cards offer points and cash back savings to the card holders the costs of these transactions are higher to the District. In December, 4,650 credit card payment transactions were processed compared to 4,234 in November for an increase of 416 in one month. If these trends continue, the projected fees will be \$40,000 higher than budgeted. The Board election was canceled reducing expenses by \$23,802. Postage expenses are projected to be \$8,000 lower than budgeted as long as no unplanned mailers need to be mailed out. With fuel prices lower, the fuel savings is projected to be \$16,000. Overall

general operating expenses should be near or under budget by \$13,000. Power purchases are projected to be \$75,000 lower based on the first half of the fiscal year. Chlorine feeders should be under budget by \$9,864 as long as no unplanned treatments are needed. Electrical supplies are to be about \$10,000 under budget. CAP water purchase expenses are expected to be \$37,154 lower than budget based on the current calculations. Capital equipment is planned to be about \$1,500 over budget which is a balance of items that were under budget as well as items such as the Board room air conditioner and Tucson National East variable frequency drive that were not budgeted. Overall Operating expenses are expected to be \$703,000 under budget including \$500,000 contingency. Capital project expenses are planned to be \$509,000 under budget by the end of the fiscal year.

Mr. Foulk asked what percentage of customers are paying with a credit card and how many pay direct payments through a bank account. Mr. Bracken stated that about 25% of customers pay with a credit card and not very many make direct payment. There has been an increase in the credit cards payments.

Ms. Ireland moved to accept the recommendation of the Financial Oversight Committee to have staff proceed with the modifications to the Fiscal Year 2017 Adopted Budget as presented in the Mid-Year Financial Review. Mr. Foulk seconded the motion. Motion passed unanimously.

#### **D. Legislative Issues 2017.**

Mr. Olsen stated that during the State Legislative Session, staff reviews and closely tracks proposed Senate and House Bills that might either beneficially or negatively impact the District. One such bill being tracked this year could have a significant impact on the District's long-range financial planning, operations, and water resource planning.

Ms. Noltin stated this bill is House Bill 2179 which affects Intergovernmental Agreements (IGA) and while it does not specifically list the District as a regulated entity it does list cities, counties, and towns who enter into IGAs with the District. Staff recommends registering opposition on the State's legislature website.

Mr. Offret asked for clarification on House Bill 2010 on the difference between political subdivision and political subdivision entity. Ms. Noltin stated that a political subdivision entity is an association formed around a government entity. The District is a political subdivision and is not included on the Arizona State Retirement System (ASRS)'s list of 15 agencies affected by the bill.

Mr. Offret asked if House Bill 2330 Water Augmentation Systems; Tax Credit is being supported by SAWUA or other political subdivision or should the District register support. Ms. Noltin stated it is the Board's discretion to register support or opposition to any bills and AMWUA is registering support for the bill. This legislation would offer an incentive for water harvesting system tax credit. Mr. Olsen stated that the SAWUA lobbyist is also positively speaking on this bill.

Mr. Offret moved to direct the General Manager to submit a statement of formal opposition on House Bill 2179 on behalf of the Metropolitan Domestic Water Improvement District. Ms. Ireland seconded. Motion passed unanimously.

Mr. Offret moved to direct the General Manager to submit a statement of formal support of House Bill 2330 Water Augmentation System Tax Credits on behalf of the Metropolitan Domestic Water Improvement District.

Mr. Foulk seconded. Motion passed unanimously.

**E. Approval of Longevity Pay Policy.**

Mr. Olsen stated that the Longevity Pay Policy was established to retain highly qualified and skilled staff often in critical one-deep positions. At five year intervals, Staff receives \$100 for each year of service and the team the staff is assigned to gathers to acknowledge the service of the staff member, which enhances morale and retention. As the District approached its 20-year anniversary, the policy was modified to include 20-year anniversaries. With the growth of the District to 25 years, and four staff members who have been here since the District was formed, this is an opportunity to restate the policy for Longevity Pay at five year intervals. The board previously granted the General Manager the authority to change all personnel policies as appropriate unless the change has a financial implication. Staff recommends that the Board approve the revised Longevity Pay Policy.

Ms. Scrivener asked where Longevity Pay is listed in the budget. Mr. Bracken stated that it is a separate line item in the wages and benefits category and gets paid out as part of regular wages.

Mr. Foulk moved to authorize the General Manager to approve the proposed Longevity Pay Policy as written. Ms. Ireland seconded the motion. Motion passed unanimously.

**F. District Drought Preparedness Plan.**

Mr. Olsen stated that Ms. Noltin has researched the District's drought preparedness plan, identifying requirements and proposed considerations for the Board to review.

Ms. Noltin stated that in 2006 a drought preparedness plan pamphlet was circulated to customers. Customers would appreciate updated information since conditions have changed. Staff has identified ways to improve the plan but request formal direction from the Board since the Board adopted the 2006 plan.

Mr. Foulk asked if an updated plan was available. Ms. Noltin stated that as the plan is revised updated publications will be created. The plan has four stages and the district has not gone above stage two which is the warning stage.

Mr. Foulk moved to direct staff to reevaluate and update the Drought Preparedness Plan to include all service areas and to provide the updated information to the public. Ms. Ireland seconded the motion. Motion passed unanimously.

**G. Stipulation and Order on Review on Conservation Requirements for Metro Southwest – Diablo Village in the Arizona Department of Water Resources Fourth Management Plan.**

Mr. Olsen stated the Arizona Department of Water Resources (ADWR) recently published the fourth management plan which included mandatory conservation requirements for providers with service areas located within an active management area (AMA). The District's service areas are located in the Tucson AMA. The requirements include targets of gallons per capita per day (GPCD). While reviewing the fourth management plan, staff noted that the goals for Metro Southwest – Diablo Village were very strict at 62 GPCD, a result of inaccurate data reporting for Diablo Village before the District's acquisition. ADWR stated the District could request an administrative review after the fourth management plan was approved. Staff submitted an application with targets utilizing the data since the District acquired Diablo Village. ADWR included a Stipulation and Order on Review for the District's consideration, which requires Board approval, with a more realistic goal of 87 GPCD.

Mr. Foulk moved to agree to the Arizona Department of Water Resource's Stipulation and Order on Review for the Fourth Management Period for Metropolitan Domestic Water Improvement District's Metro Southwest – Diablo Village service area, and to authorize the General Manager to sign the agreement. Mr. Offret seconded the motion. Motion passed unanimously.

**V. General Manager's Report**

Mr. Olsen said that when the Lazy B service area well was pulled for maintenance it was found to have substantial well casing deterioration and the plan is to place a smaller casing as a liner during the restoration. All customer demands are presently being met utilizing the Tucson Water wheeling agreement. The District currently has a well maintenance agreement and adequate funds within the well maintenance account to accomplish the proposed repair. The emergency and contingency budget item of \$500,000 was established to address emergencies such as this and could be utilized if costs exceed current estimates. No action from the Board is required.

Mr. Offret asked how the smaller liner will affect the productivity of the well. Mr. Olsen stated it could reduce the productivity, however, the Lazy B service area well is a low producing well at less than 35 gallons per minute. The smaller casing is the most financially efficient alternative return the well to functioning status.

Mr. Olsen stated that the Board was provided with a map of the RRDS pipeline alignment showing various easements and properties the District has acquired and the properties and easements the District needs to still secure.

Mr. Offret asked if there will be any problems sticking to the timeline to acquire the additional parcels. Mr. Olsen stated that presently there are no concerns with the timeline and the Board will be updated if anything shifts in the schedule.

Mr. Olsen announced that after over 20 years of service to the District, Mike Block is retiring on March 31, 2017. Wally Wilson, presently Chief Hydrologist with Tucson Water, has been selected to replace Mr. Block as the Water Resources Manager and will start March 20, 2017 to ensure overlap and continuity.

**VI. Legal Counsel's Report**

Mr. Hinderaker said he had nothing to report.

**VII. Clerk of the Board Updates; Future Meetings**

The next regularly scheduled Board meeting will be held on Monday, March 13, 2017.

**VIII. General Comments from the Public**

There were no comments from the public.

**IX. Adjournment**

The meeting adjourned at 6:38 p.m.

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Judy Scrivener, Chair of the Board

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Theo Fedele, Clerk of the Board