

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

MONDAY, MARCH 12, 2018

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

MINUTES

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

Board Members Not Present: 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. Bryan Foulk, Helen Ireland, Dan M. Offret and Judy Scrivener were present. Jim Doyle was not present.

II. General Comments from the Public

Jerry Simmons with the Freedom Foundation presented Brian Foulk with the George Washington Honor Medal for civic virtue in recognition of his volunteerism.

III. Consent Agenda

- A. Approval of Minutes – February 12, 2018 Board Meeting**
- B. Ratification of Billing Adjustments**
- C. Ratification of Bill of Sale Overton Reserve, Lots 1-106 & Common Areas “A” & “B” (M-16-014)**

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 combined fiscal year-to-date consumption for all service areas continues to increase compared to last fiscal year-to-date. Last month the fiscal year-to-date consumption was reported as a 10.8% increase over the prior year and that trend has increased to 11.3%. As discussed at previous Board meetings, the dryer and warmer weather is a significant, contributing factor to these increases in consumption.

The construction of the new bulk meter station and the relocation of the meters in the Diablo Village service area has been completed. This new bulk station now includes a number of meters for previous Tucson Water customers who reside in the Diablo Village service area. Meredith and Magee/La Cholla well motors were both pulled for maintenance and repair activities.

The Underground Storage Facility Permit for the District's Avra Valley Recharge Project (AVRP) was submitted to Arizona Department of Water Resources (ADWR) on March 6, 2018 and was found to be administratively complete. Recharge activities can continue at the facility while ADWR proceeds with the review of the permit. The permit application includes a request to increase the annual recharge limit capacity if additional basins and other infrastructure are constructed.

The waterline relocations associated with the Regional Transportation Authority (RTA) project on Valencia has been completed. At last month's Board meeting, the Board authorized an additional \$10,000 to address any additional unforeseen costs associated with the project to ensure the completion of this relocation effort. Thanks to the diligent efforts of our Engineering Team, the District was able to negotiate the various construction change orders resulting in the expenditure of none of the additionally authorized \$10,000.

The request for qualifications for the Northwest Recharge, Recovery, and Delivery System (NWRDSD) program support services closed on March 5, 2018. The review committee, consisting of representatives from Marana, Oro Valley, and the District, is now reviewing the submittals. The committee will finalize the recommendations by the end of this month and present the recommendations at the April Board meeting.

B. Financial Report

Ms. Bracken stated that revenue and expenditures are both favorable as of the end of February with revenue exceeding the budget by \$1,744,364 and expenditures under budget by \$481,811 when compared to a straight-line projection. Revenue in excess of expenditures is favorable by \$2,226,175. The largest increase in revenue is from Metered Water Sales, which have exceeded a straight-line projection by \$1,217,287. The Water Resource Utilization Fee is \$100,473 ahead of

a straight-line projection and development revenue has exceeded the budgeted amount by \$9,687. Other income has also exceeded the adopted budget amount by \$71,608. All expenditures are projected to be under budget using a straight-line projection except for power, which continues to be slightly high in January, and regulatory fees that include the water credit transfer from Metro Main to Metro Southwest and the inclusion of the Central Arizona Groundwater Replenishment District (CAGR) annual membership fees. Revenue through January is higher than the prior year by \$1,062,938 or 8.62%. Meter Water Sales are higher by \$688,469 and development revenue exceeded the prior year by \$218,303. The total operating expenditures are \$463,357 higher than they were at the end of January 2017. When comparing revenue in excess of operating expenditures to the prior fiscal year, the current year is favorable by \$599,581.

The Arizona State Treasurer Pooled Collateral Program provided collateral coverage of \$6,362,616.07 in addition to the \$500,000 FDIC coverage.

A total of 20 meter applications were received in February compared to 12 meter applications received in February of the prior fiscal year. As of the end of February, 128 new meter applications have been received compared to 73 new meter applications received through February 28, 2017. The budgeted development revenue included a projection of 84 new meter installations and the projection of 45 new meter application in Metro Main and Metro Hub was exceeded with 89 applications, and 39 new meter applications have been received as projected for Metro Southwest as of the end of February.

C. Approval of Insurance for Worker's Compensation Coverage

Mr. Olsen stated that the District carries workers' compensation insurance to cover employees in the event of an on the job injury. The District's insurance broker, Crest Insurance, pursued several options this year for workers' compensation insurance and both Crest Insurance and District Staff recommend the Board select American Mining Insurance Group to provide this insurance coverage. Due to a number of high-dollar workers' compensation claims over the past couple years, the District's premium is increasing by approximately 47% over last year. While the District has an active safety program and a culture of safety, many of the situations resulting in these claims could not have been avoided. Staff also participates in annual training on the most common avoidable work place injuries in an effort to reduce injuries to staff. Additionally, the District's drug free policy reduces the overall workers' compensation insurance premiums.

Ms. Ireland asked why there are a number of claims still open and if they are valid claims. Mr. Olsen and Billie Sue Morelli, Risk Management Specialist, stated that American Mining Insurance Group is ensuring employees are getting the proper treatment. The District is also carrying some claims from a previous insurance carrier and all claims are valid.

Mr. Foulk moved to approve the workers' compensation policy with American Mining Insurance Group for a coverage period of April 1, 2018 to March 31, 2019 at the amount of \$84,999. Mr. Offret seconded the motion. Motion passed unanimously.

D. Partial Release of Easement across Lots 45-55 and Common Area "A" of Vahalla Estates

Mr. Olsen stated that for many years the District has had an emergency interconnect with Tucson Water at the Diablo Village Service area. As part of the Vahalla Estates Development, the developer constructed a new waterline for this interconnect in the right-of-way and removed the old waterline. The District is no longer in need of the easement since no District infrastructure remains. Authorizing a partial release of this easement will enable the developer to proceed with building on this area since they have met their obligations in the construction of the new interconnect waterline.

The Board previously authorized the General Manager to administratively settle easement acquisitions based on the approval thresholds in the District's procurement policy. These easement releases are relatively rare occurrences and it is not recommended to change the practice of having the Board decide such releases at this time.

Ms. Ireland moved that the Board of Directors authorize the partial release of easement across Lots 45 – 55 and common area "A" of Vahalla Estates. Mr. Offret seconded the motion. Motion passed unanimously.

E. Annual Water Level Monitoring Program

Gary Burchard, Hydrologist II, provided an update and a presentation on the results of annual water level measurements below each of the District's service areas.

V. General Manager's Report

Mr. Olsen said, as discussed at Board meetings and in newsletter articles over the past two years, 1,4-Dioxane is one of the unregulated contaminants that is being tracked in an effort to ensure safe, reliable water for our District residents. While the Horizon Hills well continues to remain off, one of the other proactive steps outlined at the January Board meeting was to work closely with State regulators to obtain support in source identification and source mitigation. On March 13, 2018, Marana Water, Tucson Water, and the District will meet with Arizona Department of Environmental Quality (ADEQ) to share information on the current state of 1,4-Dioxane and Perflourinated Compounds in the Tucson Region as well as to chart a trajectory forward with ADEQ support.

As discussed during the monthly status of the District, the selection committee for the program support services for the NWRD is currently reviewing the received statement of qualifications. The goal is to bring a recommendation to the April Board meeting to authorize award to the highest scoring submittal, based on the review by the three partners. This program support services award would be for the shared elements of the NWRD but would not include the District's infrastructure including roughly five miles of water main, boosters, and the tie-in to the Herb Johnson reservoir. Since the most qualified program support services consultant would be identified during this review process, the plan is to have a separate item on the April Board meeting for the Board to consider utilizing the same consultant to accomplish the program support services on the District's infrastructure portion of the NWRD.

VI. Legal Counsel's Report

Mr. Sklar said he had nothing to report.

VII. Clerk of the Board Updates; Future Meetings

The Finance Oversight Committee (FOC) is scheduled to meet on Wednesday, March 14, 2018 at 4:00 p.m. to review rate adjustments and the requested 2019 Fiscal Year budget. The Board is welcome but not required to attend.

On Monday, March 26, 2018 at 5:30 p.m., the Board of Directors will meet for a Study Session meeting to review the outcome of the FOC meeting.

The next regularly scheduled Board meeting will be held on April 9, 2018.

Last month the Board voted to oppose House Bill 2512 and the companion version Senate Bill 1507. These bills are the various water program amendments. Over the past month, House Bill 2512 was amended to clarify some language on various elements including sovereign immunity and negotiations of water deals outside of Arizona but the clarification language did not entirely resolve the reasons for the Board's opposition. House Bill 2512 passed the House on February 28, 2018 and moved to the Senate. The Senate version underwent numerous amendments but was not able to get the necessary votes to pass and as of March 5, 2018, the vote was tied at 15-15. Representative Bowers, the Bill's sponsor has held a series of listening sessions relating to the Bill but the ultimate outcome of the Bill is uncertain, as the priority of the legislature is shifting towards the fiscal year budget discussions.

VIII. General Comments from the Public

There were no comments from the public.

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IX. Adjournment

The meeting adjourned at 6:50 p.m.

Theo Fedele, Clerk of the Board

Judy Scrivener, Chair of the Board