

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

March 13, 2017

**** Board Room ****

**Metropolitan Domestic Water Improvement District
6265 N. La Cañada Drive
Tucson, AZ 85704**

MINUTES

Board Members Present: Jim Doyle, Member
Helen Ireland, Member
Dan M. Offret, Member

Board Members Not Present: Judy Scrivener, Chair
Bryan Foulk, Vice-Chair

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
John Hinderaker, Legal Counsel

Regular Session

I. Call to Order and Roll Call

Dan M. Offret, Member 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, Helen Ireland, and Dan M. Offret were present. Bryan Foulk and Judy Scrivener were not present.

II. Appointment of Clerk of the Board

Mr. Olsen stated that Tullie Noltin, Clerk of the Board, resigned from the District to pursue other career opportunities. Ms. Fedele has extensive experience having served as alternate Clerk of the Board since June of 2016 and five years of experience in the Tucson City Clerk's Office in numerous positions including leading the agenda coordination for all Mayor and Council items.

Ms. Ireland made a motion to appoint Theo Fedele as the Clerk of the Board. Mr. Doyle seconded the motion. Motion passed unanimously

III. General Comments from the Public

There were no comments by the public.

IV. Consent Agenda

- A. Approval of Minutes – February 13, 2017 Board Meeting**
- B. Ratification of Billing Adjustments**
- C. Approval of Water Services Agreement for Hacienda Sisters CCRC**
- D. Approval of Water Services Agreement for Overton Reserve Subdivision**

Mr. Doyle made a motion to approve the consent agenda. Ms. Ireland 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 average for all service areas continues to trend at 1.5% higher than last fiscal year-to-date.

The Tucson National East variable frequency drive and the Jensen internal tank coating were both completed.

After significant coordination between the Central Arizona Water Conservation District (CAWCD) and the Tucson area water providers, including Marana, Oro Valley, Tucson Water, Flowing Wells, and the District, a proposal was created to disburse the remaining \$5.3 million of reliability funds set aside under a reliability agreement. The proposed distributions of funds includes \$2.4 million to the northwest water providers and will contribute to the cost of the Northwest Recharge, Recovery, and Delivery Systems (NWRRDS) forebay. The amendment to the agreement is to be considered by respective governing bodies in April.

The NWRRDS Intergovernmental Agreement (IGA) is nearing final draft form and is planned to be considered by the governing bodies of Oro Valley, Marana, and the District in April. Once the IGA is completed, the next step is to move into the design phase. Staff met with the State Land Department on February 27, 2017 to discuss easements and properties associated with the NWRRDS. The meeting was beneficial and staff is preparing the additional information requested by the State Land Department.

Mr. Offret asked what additional information the Arizona State Land Department (ASLD) has requested. Ms. Bowen stated that State Land Department is looking at the existing lease at the Avra Valley Recharge Project (AVRP) facility and have asked for some clarification. ASLD also asked where the pipeline alignment bisects some of the state land parcels and what existing leases

exist in those areas. Mr. Offret asked if ASLD understands the importance of the aquifer underneath their land. Mr. Olsen stated that the presentation to ASLD demonstrated how the aquifer levels and the static water levels have drastically changed for 20 years of recharge activities and ASLD acknowledged the fact that this project is multifaceted.

B. Non-Indian Agricultural (NIA) Priority CAP Water Reallocation

Mr. Olsen stated that in May 2013, the Board directed staff to submit an application for NIA priority Central Arizona Project (CAP) water under the reallocation process. The Secretary of the Interior granted the District 299 acre-feet (AF) of NIA water under the reallocation that would be used for Metro Southwest – Diablo Village. The District has yet to finalize the new allocation as an environmental assessment has been delayed while the Bureau of Reclamation works with various concerns from other parties.

The concern with NIA priority water is that it is of lower priority than the District's current Municipal and Industrial (M&I) allocation of 13,460 AF and is subject to reductions under various shortage tiers in the proposed Drought Contingency Plan – Plus. Also, NIA water has an upfront cost that needs to be paid on the back capital charges, equating to roughly \$385,000. Due to these factors, it is recommended that the Board not proceed with the 299 AF reallocation, continue the current water resource management processes and to re-evaluate the situation when the second reallocation process occurs.

Ms. Ireland made a motion to direct staff not to obtain a NIA Priority CAP Water allocation subcontract with the Central Arizona Water Conservation District and to update the Board when Arizona Department of Water Resources' (ADWR) second reallocation process occurs. Mr. Doyle seconded the motion. Motion passed unanimously.

C. Financial Report.

Ms. Bracken stated revenues and expenditures through January are both favorable with revenue at \$658,318 over budget and expenditures at \$697,409 under budget utilizing a straight-line projection, resulting in a favorable revenue in excess of expenditures totaling \$1,355,727. The largest increase in revenue is from Metered Water Sales which have exceeded the straight-line projection by \$587,151. Salaries and benefits are slightly higher this month with inclusion of the February insurance premiums. All expenses are under budget except regulatory fees which continue to be over budget when compared to a straight-line projection. Revenue through January 2017 is \$739,564 higher than it was in January 2016 with an increase of \$765,743 in Metered Water Sales, an increase of \$162,794 in Water Resource Utilization fees, a decrease of \$163,124 in development revenue, and a decrease in total income. The total operating expenditures in January 2017 are \$114,503 higher than in January 2016. When comparing revenue in excess of operating expenditures to January 2016, the current year is favorable by \$625,061.

In preparation for the NIA, funds were moved from the operating fund into a separate investment account held for the planned purchase of NIA water. In January, the funds totaling \$388,354.19 were moved back in the operating account.

The Arizona State Treasurers Office pooled collateral program statement for January includes collateralization coverage of \$3,972,216.59 in addition to the \$500,000 of FDIC insurance coverage. In addition, all Wells Fargo banking fees continue to be covered with earnings credits reducing operating expenses by about \$12,000 per year.

The American Express Corporate Accounts Payable Solution card was used for normal business purchases totaling \$59,386.45 in February and has generated a District savings of \$20,605.09 since March 2014.

A total of 12 meter applications were received in February 2017 compared to 9 received in February 2016. As of the end of February, a total of 73 meter applications have been received compared to 102 meter applications received this time in the prior fiscal year.

D. Approval of Insurance for Workers' Compensation Coverage

Mr. Olsen stated that the District carries workers' compensation 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. American Mining Insurance Group has experience in providing coverage to numerous industrial customers and also provided the lowest responsive quote for coverage.

Ms. Ireland made a motion to approve the workers' compensation policy with American Mining Insurance Group for a coverage period of April 1, 2017 to March 31, 2018 at the amount of \$57,499. Mr. Doyle seconded the motion. Motion passed unanimously.

E. Approval and Award for the External Painting of New Linda Vista and Horizon Hills Storage Tanks

Mr. Olsen stated that the District has a number of above ground steel storage tanks that require regular external painting to help protect from corrosion. Both the New Linda Vista and Horizon Hills storage tanks and on site above ground infrastructure require repainting. Additionally, the District logo on both tanks has faded significantly. Staff recommends the logos be repainted since it is a nice feature to highlight the storage facilities to District residents. The City procurement contract was utilized to obtain quotes and it is recommended that the Board award to the low bidder, Wiese Painting Contractors.

Mr. Offret asked there were any concerns with the work completed by AO Painting in the past. Mr. Shepard stated that there were no concerns. When comparing the quotes received AO Painting was about twice the cost.

Ms. Ireland made a motion to approve the New Linda Vista and Horizon Hills site painting and award the work to Wiese Painting Contractors in the amount of \$15,415.00. Mr. Doyle seconded the motion. Motion passed unanimously.

F. Award of the Construction Contract for Drilling, Installation, and Testing of the OJ2 Production Well

Mr. Olsen said the number one priority in capital infrastructure projects in the current fiscal year is the re-drilling of the Oracle-Jaynes well that is now 45 years old and has lost 70 percent of production capacity since 1993. Now that it has been determined that the Regional Transportation Authority (RTA) work on La Cholla will occur in the next fiscal year, the focus has been to expeditiously move forward with the Oracle Jaynes drilling activities. Using the City of Tucson Cooperative Purchasing Agreement, three quotes were received to drill, install, and test the Oracle Jaynes replacement well. Staff recommends awarding to the lowest responsive bidder, Stewart Brothers Drilling Company.

Ms. Ireland made a motion to approve the construction contract for the OJ2 Production Well with Stewart Brothers Drilling Company in the amount of up to \$635,416.00, to grant the General Manager authority to approve the following changes to the construction contract: 1) allocate additional funding in a cumulative amount not to exceed \$25,000 and 2) increase the original construction contract term in a cumulative amount not to exceed 60 calendar days and any changes in excess of the above limits will be submitted to the Board of Directors for approval. Mr. Doyle seconded the motion. Motion passed unanimously.

G. 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 stated that Steve Glowacka, the District's Network Administrator for over 13 years, has announced his retirement effective April 5, 2017. Steve has been our single point of Information Technology (IT) support for the District and has been working hard to ensure a smooth transition. The Miscellaneous Support IT contract with Nextrio will be utilized in two different capacities to support the transition. One of their IT professionals will spend roughly 30 hours between helping download Steve's knowledge of the District IT infrastructure and helping the new IT

professional get up to speed. As the District has numerous physical and virtual servers, Nextrio will also be performing critical server maintenance activities going forward to ensure continued IT operations and support.

For the past three years, the mission of the District, and core function has been referred to as “to deliver safe, reliable water to our customers.” However, another version of the mission had been used throughout the years and was “To serve the water needs of our customers through service, reliability, quality, and value.” While both are similar, staff concurs that the version being used the past three years is more succinct in focusing on service to the District and will officially be used going forward.

Early registration for the annual Arizona Water Conference will be opening soon. This year’s conference will be held May 3-5, 2017 at the Phoenix Convention Center and is a great opportunity to earn professional development hours and enhance working knowledge on numerous water and wastewater topics. Should any of the Board wish to attend, please let Ms. Fedele or me know.

VI. Legal Counsel’s Report

Mr. Hinderaker said he had nothing to report.

VII. Clerk of the Board Updates; Future Meetings

The Finance Oversight Committee (FOC) is scheduled to meet on Tuesday, March 21, 2017 at 4:00 p.m. to review rate adjustments and the requested budget. The Board is welcome but not required to attend.

On Monday, March 27, 2017 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 10, 2017 at 6:00 p.m.

At the February 13, 2017 meeting, the Board asked the General Manager to submit a statement of formal support of House Bill 2330 and opposition of House Bill 2179. The process was completed utilizing the State’s online portal.

VIII. General Comments from the Public

There were no comments from the public.

IX. Adjournment

The meeting adjourned at 6:42 p.m.

Theo Fedele, Clerk of the Board

Judy Scrivener, Chair of the Board