

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

MONDAY, APRIL 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
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
Theo Fedele, Clerk of the Board
Jeffrey L. Sklar, Legal Counsel

Executive Session

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, Dan M. Offret, Bryan Foulk, Helen Ireland and Judy Scrivener were present.

I. Executive Session Regarding the Settlement Agreement Offered by Chemetco Site PRP Group

Pursuant to §38-431.01.A.3 and §38-431.01.A.4, this agenda item allows the Board of Directors to discuss or consult with the District's legal counsel for advice and provide direction regarding the District's position on the Settlement Agreement offered by Chemetco Site PRP Group.

Mr. Offret made a motion to adjourn into Executive Session. Mr. Foulk seconded the motion. Motion passed unanimously. The Board adjourned into Executive Session at 6:01 p.m.

The Executive Session concluded at 6:31 p.m.

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 6:32 p.m. Jim Doyle, Bryan Foulk, Helen Ireland, Dan M. Offret and Judy Scrivener were present.

II. Discussion and Possible Action Regarding the Proposed Settlement Agreement with Chemtco Site PRP Group

Mr. Offret moved to accept the settlement agreement in the amount of \$5,000 with Chemtco Site PRP Group. Mr. Foulk seconded the motion. Motion passed unanimously.

III. General Comments from the Public

There were no comments by the public.

III. Consent Agenda

- A. Approval of Minutes – March 12, 2018 Board Meeting**
- B. Ratification of Billing Adjustments**
- C. Ratification of Accounts Removed from Active Accounts Receivable**

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 the combined fiscal year-to-date consumption for all service areas is 10.7% higher than last fiscal year-to-date. Last month the fiscal year-to-date consumption increase was 11.3%. While the consumption increase over last fiscal year-to-date has moderated somewhat, these increases are still significant and match trends of other water providers in the region.

The variable frequency drive at Diablo #1 failed last month but the drive was under an extended warranty and was fully repaired and restored.

The District is on-track to store the entire Central Arizona Project (CAP) order this year between the District's Avra Valley Recharge Project (AVRP) and at groundwater savings facilities (GSF). Additionally the District will store the 3,500 acre-feet (AF) for City of Phoenix water under the inter-AMA agreement. The 2017 annual withdraw and use reports were submitted to Arizona Department of Water Resources (ADWR) on March 27, 2018 for the District's six service areas.

Thanks to Wally Wilson, Water Resources Manager, and other staff for the creation and submission of these reports.

Coordination continues on the Regional Transportation Authority (RTA) project on La Cholla with the relocation plans presently in review with Pima County and Oro Valley. There are also items on the agenda to discuss elements of the Northwest Recharge, Recovery, and Delivery System (NWRRDS).

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 \$1,691,357 dollars and expenditures under budget by \$544,106 dollars when compared to a straight-line projection. Revenue in excess of expenditures are favorable by \$2,235,463. The largest increase in revenue continues to be from Metered Water Sales, which have exceeded a straight-line projection by \$1,113,541. The Water Resource Utilization Fee is \$89,740 ahead of a straight-line projection and development revenue has exceeded the budgeted amount by \$32,624. Interest income and other income have both exceeded the adopted budget amount by \$30,722 and \$78,923 respectively. All expenditures are projected to be under budget using a straight-line projection except for power and regulatory fees. Revenue through February is higher than the prior year by \$1,213,151 or 8.79%. Metered Water Sales are higher by 6.8% or \$773,903. Development Revenue exceeded the prior year by \$228,236. The total operating expenditures are \$553,691 higher than they were at the end of February 2017. When comparing revenue in excess of operating expenditures to the prior fiscal year, the current year is favorable by \$553,691.

The Arizona State Treasurer Pooled Collateral Program provided collateral coverage of \$6,369,182.23 in addition to the \$500,000 FDIC coverage.

Thirty-five new meter applications were received in March compared to 15-meter applications received in March of the prior fiscal year. As of the end of March, 163-new meter applications have been received compared to 88-new meter applications received through March 31, 2017. The projected 84 new meter installations has been exceeded with 107 in Metro Main & Hub and 56 in Metro Southwest so far this fiscal year.

C. Approval of Amended Water Service Agreement Tucson Hacienda Canyon Owner, LLC (M-16-006 – Phase I Onsite), (M-16-001 Offsite)

Mr. Olsen stated that the Board approved a water service agreement (WSA) on March 13, 2017 with Tucson Hacienda Canyon Owner, LLC for the construction of water infrastructure to support multiple assisted living facilities near the northeast corner of River and Sabino Canyon Road. After the construction of the waterline infrastructure, subsequent hydraulic modeling determined that additional upgrades are required to ensure fire flow. This amendment of the WSA is to include the construction of a pressure reducing valve station, at the developer's cost, to ensure fire flow is met.

Additionally, District staff realized that adding a pressure transducer on top of one of the utility poles in this development would enhance operational flexibility in the Metro Hub service area. Staff recommends approval of this amended WSA to ensure reliable water service for this development and current Metro-Hub customers.

Mr. Foulk moved to approve Amendment No. 1 to the Water Service Agreement between the Metropolitan Domestic Water Improvement District and Tucson Hacienda Canyon Owner, LLC, for Construction of a Public Water System and Provision of Water Service for Hacienda Sisters CCRC. Ms. Ireland seconded the motion. Motion passed unanimously.

D. Approval of Consultant Selection and Authorizing the General Manager to Negotiate a Contract for Program Support Services for Shared Portions of NWRRDS

Mr. Olsen stated that on January 10, 2018, the Northwest Recharge, Recovery, and Delivery System (NWRRDS) Committee, comprised of the Town of Marana, Town of Oro Valley, and the District, signed a Memorandum of Agreement (MOA) to solicit for Program Support Services for a consultant to assist in numerous activities, including initial conceptual design and construction management for the shared components of the NWRRDS. Fifteen entities expressed interest in responding to the request for qualifications that was posted on February 5th and 12th. Of these 15 firms, some were marketing entities that collect various Requests for Proposals (RFPs) to provide to their clients.

A key component of the Program Support Services is that the selected consultant would not be accomplishing the full design of the various NWRRDS components. This was done to ensure an independent validation of the critical design. As such, a number of engineering consulting firms informed us that they would not be responding to the solicitation and were looking forward in responding to the engineering design solicitations.

Two firms submitted a response to the Request for Qualifications (RFQ) and the review committee, consisting of two members each from Marana, Oro Valley, and the District scored the solicitations based on a matrix that was created prior to the solicitation. The Committee then unanimously signed the MOA recommending the award to HDR Engineering, Inc. The underlying intergovernmental agreement requires that the first substantial financial investment in the NWRRDS requires all three parties to concur with the obligation of resources and this process was followed.

From the District's perspective, over the next five fiscal years, the partnerships with Marana and Oro Valley will save District ratepayers \$2.32 million based on the other partner contributions to just the Program Support Services contract.

This is a huge milestone for the NWRRDS and, if approved, will allow the continued planning and implementation of this strategic infrastructure and water resource utilization initiative.

Ms. Ireland asked if the District is taking the lead on the NWRRDS project. Mr. Olsen stated that the District would own the infrastructure and the Town of Manana and the Town of Oro Valley will have contractual capacity.

Ms. Ireland asked for clarification of the Addendum. Mr. Olsen stated the Addendum was the method to share with all applicants the clarifying questions that were asked by some applicants.

Mr. Foulk moved to authorize the General Manager to negotiate and enter into a contract for program support services with HDR Engineering, Inc., for design and construction of the shared portions of NWRRDS and to authorize the General Manager to negotiate and enter into a contract for these services with the second ranked firm in the event HDR Engineering, Inc., is unable or unwilling to perform. Mr. Offret seconded the motion. Motion passed unanimously.

E. Approval of Consultant Selection and Authorizing the General Manager to Negotiate a Contract for Program Support Services for Metro Water Only Portions of NWRRDS

Mr. Olsen stated that the previous agenda item was for Program Support Services for the shared components of the NWRRDS, including the three recovery wells, approximately seven miles of pipeline, and the forebay. After the shared forebay, each Partner will be responsible for their own booster and transmission infrastructure to their respective services areas. The District has approximately five miles of transmission infrastructure to accomplish from the shared forebay to the District's Herb Johnson reservoir. As such, similar Program Support Services are needed. To integrate these efforts most efficiently, and to select the most qualified candidate as a result of the multi-entity review process, it is recommended that the Board approve Program Support Services for the District's only infrastructure components of the NWRRDS with HDR Engineering, Inc.

Mr. Doyle asked for additional information on the forebay. Mr. Olsen stated that water is pumped out of the wells and conveyed through the transmission line to a large storage tank where any required water treatment actions will take place. There are boosters from Oro Valley, Marana, and the District that tie into that forebay and pump water out of the storage tank to their respective service areas. This storage tank is also referred to as a forebay.

Mr. Offret moved to authorize the General Manager to negotiate and enter into a contract for program support services with HDR Engineering, Inc., for design and construction of the Metro Water only portions of NWRRDS and to authorize the General Manager to negotiate and enter into a contract for these services with the second ranked firm in the event HDR Engineering, Inc., is unable or unwilling to perform. Mr. Foulk seconded the motion. Motion passed unanimously.

V. General Manager's Report

Mr. Olsen stated that on March 13, 2018, Tucson Water, the Marana Water Department, and the District met with Arizona Department of Environmental Quality (ADEQ) to discuss respective concerns and challenges with 1,4-Dioxane and perfluorinated compounds. The meeting was very productive and concurrence from ADEQ was received in support of the six items that were requested: testing water quality samples in various waste water treatment plant effluent streams, providing supporting information on various emerging contaminants on their website to link to and reference, sampling stormwater for the emerging contaminants in question, partnering with the Arizona Department of Health Services to accomplish a location specific health consultation, centralized data aggregation of the water quality results of these unregulated constituents, and agreeing to hold quarterly meetings to ensure these items are tracked to completion.

Arizona State Land Department has been reviewing the District's application for a right-of-way lease amendment to include the three NWRRDS wells and various pipelines. The Department has informed us that they are analyzing the appropriate recovery fee for the District to recover our stored CAP water from State Land. The Department stated that they had not faced this particular situation before and have engaged with a water resources consultant to address this issue. Hopefully, an outcome to those discussions will be received this month as then the remaining elements to this application, such as the appraisal, can be completed.

VI. Legal Counsel's Report

Mr. Sklar said he had nothing to report.

VII. Clerk of the Board Updates; Future Meetings

An Information Meeting is scheduled for Tuesday, May 8, 2018 at 6:00 p.m. The next regularly scheduled Board meeting will be held on May 14, 2018 and will begin at 5:30 p.m. with the rate hearing and the regular meeting will begin afterwards.

VIII. General Comments from the Public

There were no comments from the public.

IX. Adjournment

The meeting adjourned at 7:02 p.m.

Judy Scrivener, Chair of the Board

Theo Fedele, Clerk of the Board