

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

June 13, 2016

**** 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
Mike Block, Water Resources Manager
Diane Bracken, Chief Financial Officer
Theo Fedele, Recorder
Charlie Maish, District Engineer
Tullie Noltin, Clerk of the Board
Steve Shepard, Utility Superintendent
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. Bryan Foulk, Helen Ireland, Dan M. Offret and Judy Scrivener were present.

Jim Doyle arrived at 6:01 p.m.

II. General Comments from the Public

There were no comments by the public.

III. Adoption of the Fiscal Year 2017 Budget

Mr. Olsen said at the March 28, 2016 study session, the Board discussed the requested budget and how the priority driven budget process was used to ensure the most critical needs are addressed.

On May 23, 2016, the Board adopted a rate restructuring, included in the requested budget, to enable revenue stability with a fixed cost recovery at 90%.

Since the Board's discussions, there has been a change in the Capital Program. A couple of fiscal year 2016 capital projects were delayed due to securing of permits, etc. The planned work that was to be accomplished this fiscal year will be accomplished next fiscal year and the \$330,000 of resources allocated for the projects will be carried forward to next fiscal year. The budgetary capacity has been increased accordingly and the budgeted amount of \$24,892,778 includes the carry forward from the Capital Program.

Ms. Scrivener stated there have been lengthy discussions on the budget and thanked staff for their work.

Mr. Offret made the motion to adopt the Metro Water District budget for the Fiscal Year 2017 as presented with the total disbursements not to exceed the budgeted amount of \$24,892,778. Mr. Foulk seconded the motion. Motion passed unanimously.

IV. Consent Agenda

- A. Approval of Minutes – May 9, 2016 Board Meeting.**
- B. Approval of Minutes – May 23, 2016 Rate Hearing.**
- C. Ratification of Billing Adjustments.**
- D. Ratification of Accounts Removed from Accounts Receivable.**
- E. Approval of Amendment No. 2 to the Contract for Miscellaneous Water Resources Consulting Services.**
- F. Approval of Amendments No. 2 & No. 3 to the Intergovernmental Services Agreement for Interim Remedial Action with the Arizona Department of Environmental Quality for the South Shannon Treatment System.**
- G. Approval of Amendment No. 2 for the Analytical Laboratory Services Contract for Inorganic Chemical (IOC) Analyses.**
- H. Approval of Amendment No. 2 for the Analytical Laboratory Services Contract for Radiochemical Analyses.**
- I. Approval of Amendment No. 2 for the Analytical Laboratory Services Contract for Synthetic Organic Chemical (SOC) Analyses.**
- J. Approval of Amendment No. 2 for the Analytical Laboratory Services Contract for Unregulated Contaminant Monitoring Rule Three (UCMR-3) Chemical Analyses.**
- K. Approval of Amendment No. 2 for the Analytical Laboratory Services Contract for Volatile Organic Chemicals (VOC), Total Trihalomethanes (TTHM) and Haloacetic Acid Chemical (HAA5) Analyses.**

- L. Approval of Amendment No. 1 to the Contract for Miscellaneous Survey Services.**
- M. Approval of Amendment No. 1 to the Contract for Miscellaneous Geotechnical & Material Testing Services.**
- N. Approval of Amendment No. 1 to the Contract for Miscellaneous Design Services.**
- O. Approval of Amendment No. 1 to the Contract for Well Maintenance.**
- P. Approval of Contract Renewal No. 1 for Purchase of Positive Displacement Meters.**

Mr. Olsen explained that new contracts are placed on the agenda as regularly numbered items for the Board to consider but amendments can be placed on the Consent Agenda. A majority of the items on the Consent Agenda are amendments for an extension for another year on contracts the Board has already approved. These contracts are typically to accomplish various daily actions that the District needs to provide safe, reliable drinking water.

Ms. Ireland made a motion 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 introduced the District's new Executive Assistant, Board Recorder, and alternate Clerk of the Board, Theo Fedele.

On the monthly status, the Board report typically shows fiscal year to date consumption and how it compares to the previous period. Looking at the calendar year to date in comparison to calendar year to date 2015, there has been a trend of increasing water consumption demand at roughly 1.8% – 1.9% in Metro Main and Metro Hub. A lot of that is reflective of warmer than normal temperatures this year versus last year. This also marks the first period of increasing consumption as opposed to the almost decade of continual decline in consumption. In the approved budget, there is a 1.4% planned decline in consumption. This is to be conservative in the establishment of the budget based on Ms. Bracken's modelling and historical decreases in consumption and will be carefully tracked to see how the trend progresses.

Mr. Foulk inquired about the effects of adding meters for new residents over the last few years.

Mr. Olsen responded that a lot of the growth has been in Metro Southwest and that area has sustained a 1% increase in consumption per year. Metro Main and Metro Hub have a large customer base and even with the additional meters there have been decreases in consumption that have overridden any increases from higher accuracy meters. This could be due to a lot of overlaying factors, including weather and is something that will be tracked. The 1.4% decrease in consumption was planned within the budget but the 0.1% growth in new customer accounts was also factored in.

The Utilities Team continues to complete various planned infrastructure efforts within the Fiscal Year 2016 budget, including pressure tank replacement at the Moore wellsite and moving forward on the Frazier waterline construction.

Draft Central Arizona Project (CAP) rates were distributed to all of the municipal, industrial, and agricultural users with higher than anticipated capital costs per acre foot. The reason for the increase is the CAP's effort to accelerate reaching the strategic reserve goal. Based on the feedback from subcontractors, CAP revised their proposal to phase-in the increase in line with subcontractors' fiscal year approach, as opposed to tying it to the calendar year. Mike Block, District Water Resources Manager, spoke at the last CAP Board meeting in support of the increase as a way to balance the strategic reserve goal with the budgeting needs of subcontractors. It also minimizes the impact on municipalities so the next increase would happen in the next fiscal year, giving entities a chance to plan their respective budgets.

Construction on the Casas Adobes Mainline Project began on June 2, 2016 and the Shannon Road Interconnect was completed on June 2, 2016.

B. Financial Report.

Ms. Bracken said revenue and expenditures through April are both favorable with revenue \$609,213 over budget and operating expenditures \$538,714 under budget using a straight line projection. Development revenue has exceeded the budgeted amount by \$138,317. Metered Water Sales are ahead of the budget \$585,406 using a straight line projection. Water Resource Utilization fees are projected to be stronger than budgeted by \$71,950. Other income is projected to be ahead of budget \$102,091. A five and ten year historic average of budgeted revenue collected as of the end of April is 81%. This year, at the end of April, the District was up to 83% of the total budgeted revenue. Revenue in excess of operating expenditures is favorable by \$1,147,927 compared to the budget as of the end of April. A prior year comparison of revenue through April shows the current fiscal year ahead \$584,916. Expenditures for operations and purchased power are lower in the current fiscal year and all other expenditures categories are higher this fiscal year, for an overall increase of 5% which is still below the adopted budget amount for the current fiscal year. The Arizona State pooled collateral program for April includes \$1,984,555.93 of collateralization coverage. The American Express Corporate Accounts Payable Solution card was used for a total of \$71,625.65 in purchases with a 1% savings of \$716.26. Inception to date District savings on this card is now \$15,611.69. A total of 10 meter applications were received in May compared to 18 meter applications the same period in the prior fiscal year. A total of 137 meter applications have been received this fiscal year compared to 114 meter applications received as of May 2015.

Mr. Olsen elaborated on the over \$15,000 American Express card savings. The savings has been regularly used for technological tools, such as iPads, to help staff in the daily course of serving customers.

C. Approval of Amendment to the Acquisition Agreement for the CAP Recharge, Recovery, and Delivery System Booster Station Site Property.

Mr. Olsen explained the reason for not placing this item on the consent agenda was due to the importance and visibility of the CAP Recharge, Recovery, and Delivery System. This is an amendment to the purchase agreement the Board approved at a previous meeting for the Booster Station Site Property and removes established grazing rights on the property which is required prior to the close of escrow.

Mr. Foulk made a motion to approve the Amendment to the Booster Station Site Property Acquisition Agreement. Ms. Ireland seconded the motion. Motion passed unanimously.

D. Approval of Amendment No. 2 to the Contract for Land Acquisition Services for the CAP Recharge, Recovery and Delivery System.

Mr. Olsen said on June 8, 2015, the Board approved an amendment with Tierra Right of Way Services to accomplish land acquisition activities in support of the CAP Recharge, Recovery, and Delivery System including a 13 mile pipeline, three wells, and the Booster Station Site, all of which must be within the right-of-way, established easements or District owned property. Last year, the Board was informed that due to the scope of this project and the real estate actions that need to occur, an additional amendment would be needed to extend Tierra's contract. This includes working with the Arizona State Land Department and crossing railroads and the CAP canal which requires a long lead time. This amendment extends the contract through the June 2017 but does not increase the contract cost. Last year involved surveys for easements and the various research activities. This year will involve moving into negotiations with property owners to start securing the easements. The property has been secured for the Booster Forebay Site.

Mr. Olsen answered questions regarding the length of the extension to the contract. It is for one fiscal year, through the end of fiscal year 2017. The goal, this year, is to get the majority of the easements secured. Items like State land or major crossings will take longer but the bulk of the work will be to obtain the other easements associated with this project.

Mr. Maish stated the approvals with Arizona Department of Transportation property and railroad will not be secured until further in the process including reviewing design plans. It is a long-term process that could take several more years.

Mr. Olsen clarified that parallel to the land acquisition process is the start of the initial design phase at the end of the calendar year and into the beginning of next calendar year. The design phase is a number of years before the construction phase so there is adequate time to secure the easements and properties. However, doing so is critical because it closely affects the design.

Mr. Offret made a motion to approve Amendment No. 2 to the Land Acquisition Services for the CAP Recharge, Recovery, and Delivery contract with Tierra Right of Way Services, which extends the contract deadline to June 30, 2017. Mr. Foulk seconded the motion. Motion passed unanimously.

E. Ratification of Amendment to the Intergovernmental Agreement with Pima County for Wastewater Billing and Collection Services.

Ms. Scrivener stated she would preside over the item but will recuse herself from voting.

Mr. Olsen said there is a correction to the start date and end date to the approved Intergovernmental Agreement. The correct start date is July 1, 2016 and the end date is June 30, 2017, the upcoming fiscal year. There is also a correction to the number of renewals remaining under this billing agreement. The original rate of \$1.25 per month per bill has not changed.

Mr. Offret made a motion to ratify the contract amendment with Pima County Regional Wastewater Reclamation Department as presented in its corrected form. Mr. Foulk seconded the motion. Motion passed 4-0.

F. Approval of Bids for GAC Replacement at South Shannon.

Mr. Olsen said this item is to approve bids for the replacement of Granular Activated Carbon (GAC) media that is used at the South Shannon Treatment Site. The GAC media is used to remove volatile organic compounds (VOCs) through adsorption until the GAC can no longer adsorb any more of the VOCs. The site is set up so when the GAC in the lead vessel can no longer adsorb the volatile organics the lag vessel takes over treatment and the media replacement is scheduled. The District is reimbursed for the media change out costs by the Arizona Department of Environmental Quality (ADEQ).

Mr. Foulk made a motion to approve the bids submitted by Carbon Activated Corp. and Prominent Systems, Inc., to authorize staff to enter into the Job Order Agreement with both vendors, and to authorize the General Manager to approve each purchase order to the lowest available bidder for the carbon change outs, as needed. Ms. Ireland seconded the motion. Motion passed unanimously.

G. Approval of Quotes for Water Treatment Media Regeneration Services for Arsenic Removal.

Mr. Olsen said this item is to approve quotes for iron oxide media to remove arsenic that naturally occurs in the groundwater from a number of treatment centers throughout the District to remain at EPA safe drinking water levels. There is an established process to regenerate the iron oxide media by chemically stripping off the arsenic ions so the media can be used again. Purolite is the only known vendor with the Gold Seal Certification to accomplish this regeneration.

Ms. Ireland made a motion to approve the annual quote for Water Treatment Media Regeneration and award Purolite the regeneration of the District's Arsenic Treatment Media. Mr. Offret seconded the motion. Motion passed unanimously.

H. Approval of Quotes for Miscellaneous Annual Services and Materials for the Utility Team.

Mr. Olsen said this is a collection of items utilized on a daily basis by the Utility Team including asphalt, barricade rentals, and chlorine. The purpose of having the quotes in place is to give the utilities team the capability to acquire the resources or services when the need arises.

Mr. Foulk made a motion to approve the annual quotes for barricade rental, chlorine, aggregate, asphalt patching, pump and motor repairs, and analytical services for coliform from the corresponding low bids per items as presented by staff and to direct staff to use another appropriate bidder for a particular service or material if performance or quality of a service of the low bidder does not meet the District's needs. Ms. Ireland seconded the motion. Motion passed unanimously.

V. General Manager's Report

Mr. Olsen said he was interviewed for an article for the Arizona Daily Star regarding the impact to local water entities if CAP shortage occurs due to lower levels in Lake Mead. Metro's collaborative partnership efforts with other entities were positively publicized in the article. The interviewer asked the impact to the District with a theoretical 40% decrease in CAP allocation. While an unlikely scenario, the District would still be able to meet its current and future demands due to its robust and versatile water resources portfolio.

Early registration is open for the Annual Tristate Seminar which will be held on September 20, 2016 with over 200 specialty sessions and eight different technical tracks. District staff regularly uses this seminar to acquire up to 21 professional development hours (PDH) to maintain their ADEQ operator's licenses and certifications. If any Board member would like to attend and earn PDHs, please let Mr. Olsen or Ms. Noltin know.

VI. Legal Counsel's Report

Mr. Hinderaker said he had nothing to report.

VII. Future Meeting Dates; Future Agenda Items

The next regularly scheduled Board meeting will be held on July 11, 2016.

VIII. General Comments from the Public

There were no comments from the public.

IX. Adjournment

The meeting adjourned at 6:27 p.m.

Judy Scrivener, Chair of the Board

Tullie J. Noltin, Clerk of the Board