

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

**July 11, 2016**

**\*\* 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  
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**

Dan M. Offret, Board Member of the Metropolitan Domestic Water Improvement District (District), called the Board Meeting to order at 6:00 p.m. Helen Ireland, Jim Doyle, and Dan M. Offret were present. Bryan Foulk and Judy Scrivener were not present.

**II. General Comments from the Public**

Randy Collyer, Inventory Specialist, thanked Deputy Harris for his service. He said it has been a rough two weeks and wanted to say thank you.

Mr. Offret stated that Deputy Harris' presence is appreciated.

**III. Consent Agenda**

- A. Approval of Minutes – June 13, 2016 Board Meeting.**
- B. Ratification of Billing Adjustments.**

Ms. Ireland made a motion to approve the consent agenda. Mr. Doyle seconded the motion. Motion passed unanimously.

**IV. General Business - Items for Discussion and Possible Action**

**A. Monthly Status of the District.**

Mr. Olsen stated the consumption for Fiscal Year 2016 compared to 2015 was essentially the same and this is the first year in almost a decade that there has not been a decrease in consumption. While the conservation message is still apparent among the District residents, the higher temperatures and low precipitation at the beginning of this calendar year contributed to higher consumption.

The Oracle Jaynes Exploration well was completed. The final report by Clear Creek Associates was received outlining the aquifer productivity and the proposed well design which is slated to begin later this fiscal year depending the scope and timeframes of the Regional Transportation Authority (RTA) project on La Cholla Boulevard that could significantly impact District infrastructure.

The Metro Hub retaining wall is nearing completion. The concrete pour for the wall is completed and all that remains is final site grating. The project enables future expansion of the reservoir storage at Metro Hub.

Last month, the Board approved an amendment to the Central Arizona Project (CAP) Recharge, Recovery, and Delivery System Booster Station Property Purchase Agreement regarding removal of grazing rights. The final closing on the property on the agreement occurred on June 30, 2016.

**B. Financial Report.**

Ms. Bracken stated the revenue and expenditures through May are both favorable with revenue over budget by \$683,612 and operating expenditures under budget by \$99,946, utilizing a straight-line projection. Development revenue has exceeded the budgeted amount by \$214,071. Metered Water Sales are ahead of the budget by \$217,766 utilizing a straight-line projection. When compared to the budget, actual revenue collected in June will be higher and Metered Water Sales are projected to be \$500,000 favorable. The Water Resource Utilization Fee has exceeded the budget and is projected to be \$83,711 favorable by fiscal year end. Interest income and other income are ahead of the budgeted revenue by \$15,553 and \$61,328 respectively. Five and ten year

historic average of budgeted revenue collected through May is 90% and the District continues to maintain a 2% favorable position at 92%. Revenue in excess of operating expenditures is favorable by \$783,557 as of the end of May compared to the budget. A prior year comparison of revenue through May shows the current fiscal year ahead by \$553,052. Expenditures for power are lower and all other expenditure categories are higher for an overall increase of 9% which is still lower than the adopted budget by \$954,701. The Arizona State Treasurer Pooled Collateral Program for May included \$1,890,364.19 of collateralization coverage. The American Express Corporate Accounts Payable Solution Card was used for a total of \$46,960.15 with a 1% savings of \$469.60 and an inception-to-date District savings of \$16,081.29. Eleven meter applications were received in June compared to seven meter applications received in June of the prior fiscal year. This fiscal year, 148 new meter applications were requested with 80 in the Metro Main and Hub service areas and 68 in the Metro Southwest service area. In the prior fiscal year, a total of 121 new meter applications were received with 38 at Metro Main and Hub and 83 in Metro Southwest. In accordance with Bond resolutions, the District is required to either carry insurance on debt service or maintain a one year debt service payment in a restricted account. In July 2006, the District started making monthly deposits to a debt service reserve account. In March 2014, this account exceeded the required balance and no additional payments were required. At the beginning of fiscal year 2016, the balance in the account was at \$4,818,836. The highest yield in any one of the individual security investments in the current fiscal year was at 1.22%. As of June 30, 2016 the balance in this account was \$5,057,696. By capitalizing on gains during market fluctuations, the earnings on this account totaled \$238,816.36 which is a 4.96% return on this account. Effective cash management will continue to comply with the Arizona Revised Statutes. On July 1, 2016, the Riverside Well Loan for \$400,000 was paid off 16 years early saving the District \$110,084.26 in interest and administrative fees that did not occur on this Water Infrastructure Finance Authority (WIFA) loan. She thanked the Board for adopting the requested debt service budget the past three years which included additional principle payments allowing this District savings to occur.

Mr. Olsen said that rather than leaving the debt service reserve funds to accrue with very low interest, Ms. Bracken's proactive approach ensures the best return on those accounts without putting the funds at risk. The two initiatives of active cash management generating \$238,000 and paying off the loan early for a savings of \$110,000 has the same result as a typical rate increase but without the customer impact. Ms. Bracken's attention to the District's resources for these positive benefits is appreciated.

**C. Approval of Quotes for Emergency and Miscellaneous Information Technology Support and Maintenance Services.**

Mr. Olsen stated the District relies heavily on information technology (IT) to serve our customers by processing meter reads, billing, and operating the water distribution system. Emergency services are utilized to ensure rapid restoration of IT services should an outage occur, if the network administrator is unavailable or if there is a unique technical issue where additional support is needed. The use of these services was needed only one time last year to assist with expanding server functionality. The budget includes \$10,000 for this line item and Board approval is required if an emergency exceeds \$15,000.

Mr. Doyle made a motion to approve the quotes and pricing submitted by Nextrio, LLC for Emergency and Miscellaneous Information Technology Support and Maintenance Services. Ms. Ireland seconded the motion.

Mr. Olsen answered questions regarding the original bid selection process and stated that Nextrio was the only entity who submitted a bid.

Mr. Offret asked if the Caselle software system was limiting the bids received. Mr. Olsen stated the Caselle's features that would need additional support includes software integration or hardware and if something happened, Caselle's support could be utilized.

Motion passed unanimously.

**D. Approval of Amendment to Agreement with San Miguel Corporate Internship Program.**

Mr. Olsen stated that in 2007, the District entered into an agreement with San Miguel Corporate Internship Program for two high school students to work one or two days a week during the school year to support the District and gain relevant work experience. The interns have the opportunity to learn skill sets that include supporting customers via the drive-up window, walk-in window, and over the phone as well as scanning and archiving engineering documents and performing data entry tasks such as for tracking water quality results. This amendment is to add a third student to further enhance the services the District receives. The third student takes the total annual contract amount to \$17,250 which is above the \$15,000 threshold. When looking at the option of adding staff, temps or this program to handle the workload, this program is the most financially efficient vehicle and the students are highly motivated to serve the customers.

Ms. Ireland made a motion to approve and authorize the General Manager to sign the amendment to the agreement with San Miguel Corporate Internship Program at a cost not-to-exceed \$17,250.00 as budgeted. Mr. Doyle seconded the motion. Motion passed unanimously.

**E. Approval of Changes to the Public Use of the Board Room Policy**

Mr. Olsen stated that when the District's office building was completed in 1999, the Board room was available for public use outside of normal business hours by tax-exempt groups. After a couple of years, a use fee was implemented to cover the cost of service associated with cleaning the room and administering the program. There has been a trend for the past couple of years, where entities did not clean up afterwards, placing this burden on staff, or did not properly secure the facility, creating a security concern. Current federal guidelines stress the importance of protecting the nation's critical infrastructure and one element of critical infrastructure is the operations and control center for a water distribution center. Allowing entities unescorted access and after-hours poses a security challenge from those using the facility as well as from others if the facility is not secured. Over the years, the number of organizations utilizing the room has significantly and steadily declined and currently there are no pending reservations making it an appropriate opportunity to recommend the removal of this policy and to eliminate renting the Board Room to outside groups for those reasons. The room would still be available to the Pima County Elections Department, since the site is a polling location for District residents to cast their ballot, and for water related business such as the Groundwater Users Advisory Council, Arizona Department of Water Resources, and for Water Harvesting Workshops. These activities typically occur during business hours and staff is also present to ensure the appropriate use of the facility.

Mr. Doyle made a motion to discontinue public use of the District's Board room and adjoining areas, except by government and water entities at the General Manager's discretion and to end the Board Room Fee, effective immediately. Ms. Ireland seconded the motion. Motion passed unanimously.

Mr. Offret stated the new audience chairs for the Board room are nice.

**F. Approval of Changes to the Conservation Rebate Program.**

Mr. Olsen stated that since taking over the District's conservation program, Ms. Noltin has done a systematic review of the program including rebates, forms, structures within the program, and policies.

Ms. Noltin stated the toilet rebate was established in 1995 and the water harvesting rebate that covers rainwater and graywater was established in 2002. Since that time, per gallon flush requirements and some other little things have changed but no adjustments have been made to the rebate dollar amounts. Typically \$10,000 per year is budgeted which is usually broken down to \$8,500 for the toilet rebates and \$1,500 for the water harvesting rebates. This past fiscal year, only \$7,000 was used leaving \$3,000 unused. Some customers commented that water harvesting rebates of \$50 is not compelling enough to really make a difference. Increasing the rebate by 400%, offering up to \$200 for water harvesting, rain water or gray water, is something the budget can support and will further assist customer conservation.

The toilet rebate for installing toilets that are 1.3 gallons of water or less per flush is currently \$50 for the first toilet and \$40 for the second. The recommendation is to offer \$50 per toilet regardless if it is the first or second toilet. The outdated rebate forms were streamlined from two pages to one and a fillable pdf form was created and will be made available online. The questions on the form remain the same so researchers such as the Water Conservation Alliance of Southern Arizona (Water CASA) are able to gather information as needed.

Mr. Olsen stated Ms. Noltin has done an excellent review and has not only streamlined the program but also modernized the rebate structure.

Ms. Ireland said she is pleased that the funds are from the operating budget rather than from a fee charged to the customers. She suggested adding a photo on the website to showcase the graywater harvesting system.

Ms. Ireland made a motion to approve increasing the graywater/rainwater harvesting rebate to an amount up to \$200 for reimbursement of qualifying components purchased and to adjust the toilet rebate to \$50 per toilet, regardless of the number of toilets replaced. Mr. Doyle seconded the motion. Motion passed unanimously.

#### **G. Hoover Power Allocation.**

Mr. Olsen stated in 2014, the Board authorized staff to submit an application to the Western Area Power Administration to seek a portion of Hoover Power that was reallocated from increased turbine efficiencies at Hoover Dam. Western authorized 179 KW capacity which represents roughly 10% of the District's total annual demand. The financial savings were intended to be received in the form of a bill credit from either Tucson Electric Power (TEP) or Trico Electric Cooperative (Trico). Upon reviewing the proposal, staff realized that the cost savings and advantages were not as originally envisioned. The District would pay more in the first couple years until finally a minor positive financial benefit is achieved. As such, staff is recommending the Board decline the 179 KW from Hoover Power. The Arizona Power Authority requires the District's decision by the end of August.

Mr. Doyle made a motion to authorize the General Manager to submit a letter to the Western Area Power Administration and the Arizona Power Authority declining Hoover D-1 Power. Ms. Ireland seconded the motion. Motion passed unanimously.

#### **V. General Manager's Report**

Mr. Olsen stated that the Board previously approved a Sewer Billing Agreement where Pima County pays \$1.25 per customer per monthly bill for billing services. The billing services include collecting sewer revenue for the County, handling customer inquiries, inputting customer consumption for sewer, and collecting on delinquent customer accounts. The additional revenue was not included in the adopted budget and will go towards funding an additional Customer

Service Representative II which ensures the District has the customer service staff needed to fulfill the agreement and support District residents.

One of the assigned goals this year, in addition to revenue stability, was to move forward with succession planning and ensuring proactive steps are taken to train staff from within, particularly growing staff with increasing levels of responsibility. Many adjustments have been made this year and the most recent was in the Engineering Team. There was a gap in the structure between the Civil Engineers and the District Engineer position. Civil Engineers, regardless of time at the District, were unable to obtain the necessary five years of leadership and supervisory experience needed for the District Engineer position. One of the Civil Engineer positions has been reallocated to an Engineering Manager who will lead the other two Civil Engineers, the Waterline Construction Inspector, and the Drafting Technician. The three Civil Engineers applied for the position and James Lewis, who has been with the District for 19 years, was selected as the Engineering Manager.

Mr. Lewis stated he appreciates the opportunity to serve the department, the District, and the customers. Mr. Olsen is doing a wonderful job with succession planning.

Mr. Offret stated he is glad that Engineering has a career ladder to pursue for advancement.

**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 August 8, 2016.

**VIII. General Comments from the Public**

There were no comments from the public.

**IX. Adjournment**

The meeting adjourned at 6:31 p.m.

---

Judy Scrivener, Chair of the Board

---

Tullie J. Noltin, Clerk of the Board