

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

August 8, 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
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. Jim Doyle, Bryan Foulk, Helen Ireland, Dan M. Offret and Judy Scrivener were present.

II. General Comments from the Public

There were no comments by the public.

III. Consent Agenda

- A. Approval of Minutes – July 11, 2016 Board Meeting.**
- B. Ratification of Billing Adjustments.**

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 stated water consumption for this fiscal year is essentially the same as the previous fiscal year to date so consumption levels are trending the same.

Last month the Utilities team accomplished the Granular Activated Carbon (GAC) change out at the South Shannon treatment site which is reimbursed by Arizona Department of Environmental Quality (ADEQ). Repairs were completed for a leak on the Lazy B arsenic treatment vessel and numerous expeditious repairs were accomplished for main breaks throughout the system to ensure minimum customer impact.

Activities at the Avra Valley Recharge Project (AVRP) are on track to recharge all the planned District water as well as 1,500 acre-feet (AF) of City of Phoenix water under the Inter-AMA (Active Management Area) Firming agreement and 1,500 AF of Arizona Water Banking Authority water. A meeting was recently held with the City of Phoenix to discuss moving into phase two of the Inter AMA partnership. An amendment to the Intergovernmental Agreement (IGA) is planned for the Board to discuss at the September meeting. This Agreement will show the District and the City of Phoenix moving forward with regard to water resource based reliability partnerships as well as serve as a model for other water providers.

Central Arizona Water Conservation District (CAWCD) and Arizona Department of Water Resources (ADWR) recently held a forum to discuss the drought contingency plan which is a proactive series of measures the State is looking to incorporate prior to Lake Mead's surface elevation reaching a critical point. The plan proposes voluntary cuts earlier to prevent shortage impacts but the details have not been finalized yet and the costs are unknown. ADWR's goal is to bring the plan to the State Legislature in early 2017 and to begin stakeholder discussions over the next few months to ensure everybody is on the same page. The District is staying engaged with the plan.

The Nanini Drive and Casas Adobes Drive waterline installations have been completed and the work continues on Andrea Doria Drive. The Hub retaining wall is essentially complete with only a few items to be addressed. Easement acquisitions continue for the Central Arizona Project Recharge, Recovery, and Delivery System (CAP RRDS).

B. Financial Report.

Ms. Bracken stated the unaudited revenue and expenditures for Fiscal Year 2016 are both favorable with revenue exceeding the budget by \$1,116,689 and operating expenditures under budget by \$844,247. All revenue categories except for Notes Receivable exceeded the adopted budget.

Metered Water Sales ended favorably by \$498,493 or 3% above the budget. Water Resource Utilization Fees exceeded the budget by \$110,846. Development revenue was stronger than planned with \$693,863 of revenue which passed the budgeted amount by \$246,260. Other Income surpassed the budgeted revenue by \$193,328 with increases from Private Fire Risers, the sale of vehicles, and new sources of water storage. All expenditures were under budget with the exception of regulatory fees which advanced beyond the budget by \$28,204. Revenue in excess of operating expenditures ended the fiscal year favorably by \$1,960,936. A prior year comparison of revenue shows Fiscal Year 2016 revenue ahead by \$1,017,225 and Metered Watered Sales accounting for \$818,278. Metered Watered Sales increased in Metro Main and Metro Southwest and decreased by \$141,231 in Metro Hub. Operating expenditures in Fiscal Year 2016 were \$61,320 lower than operating expenditures in Fiscal Year 2015. The reduction is largely attributed to staff hours being captured for time spent working on capital projects.

The Arizona State Treasurer Pooled Collateral Program for June included collateralization coverage of \$3,204,398.49 which accounts for a balance totaling \$3,141,567.15 in coverage. This fiscal year all banking fees, checks, deposit slips, and wire transfer fees were provided at no cost to the District because they were covered by earnings credits on the merchant account and the operating account. This saved the District a total of \$4,488.68 this fiscal year. The American Express Corporate Accounts Payable Solution Card was used for a total of \$85,639.22 in July with a 1% savings of \$856.39 the inception-to-date District savings is \$16,937.68. In Fiscal Year 2016, this card earned a 1% total of \$6,935.40, an increase of \$213.26 over Fiscal Year 2014.

Seven new meter applications were received in July compared to five new meter applications received in July 2015. Three new meter applications in the Metro Main service areas and four in the Metro Southwest service area. The Fiscal Year 2017 adopted budget included a projection to receive 15 new meter applications in the Metro Main and Metro Hub and 63 new meter applications in Metro Southwest for a total of 78 new meter applications.

On June 29, 2016, the District recovered \$1,457.59 of the Local Government Investment Pool (LGIP) losses from Lehman Brothers Holdings who filed Chapter 11 in 2008. The District has recovered 38% of the losses with the remaining portion of unrecovered losses totaling \$29,330.98 of the original total of \$47,300.04.

On June 29, 2016, the auditors from HintonBudick CPA and Advisors completed testing of inventory, internal controls, and risk assessments. Steve Palmer, Audit Partner, McKay Hall, Audit Manager, and the auditing team are here this week to do the field work for the 2016 audit and answer any questions. Mr. Palmer stated they are here conducting the 2016 audit and would be happy to address any questions or concerns. He expressed appreciation for the opportunity to provide the services and stated that staff has been wonderful and are doing a great job.

C. Approval for the Purchase and Painting of Two 5,000 Gallon Hydro-Pneumatic Pressure Tanks.

Mr. Olsen stated all capital improvement items are prioritized on the criticality of their need to be accomplished and the top two items this fiscal year are the pressure tank replacements at E&T 22 and Diablo Village No. 1. Since 2009, when Metro Southwest was acquired, all other pressure tanks have been replaced except these two. Since these tanks experience high pressure, staff measured the wall thickness and found that deterioration and corrosion has reduced the wall thickness. Staff recommends selecting Smyth Industries, Inc. for purchase of the pressure tanks and A-O Painting for the tank coating. Both of these contractors have successfully accomplished pressure tank replacements and painting for the District in the past. The combined cost of purchasing and painting the tanks is less than the budgeted amount of \$35,000 per tank.

Mr. Foulk made a motion to approve the purchase of two 5,000 gallon pressure tanks from Smyth Industries, Inc. in the amount of \$47,650.48. Mr. Offret seconded the motion.

Mr. Olsen answered questions regarding a flushing process stating that the tanks will be flushed to ensure all water quality tests come back negative. Staff recommends A-O Painting because they are exceedingly knowledgeable of painting and lining these types of vessels and have expeditiously accomplished these tasks in the past.

Mr. Shepard stated that all the flushing will be completed with the tanks offline and not while connected to the system. Mr. Foulk asked if the water will be dumped offsite or onsite during the flushing process. Mr. Shepard stated the flush would be done either onsite at E&T and Diablo so the new tanks can be delivered at the same time the old ones are pulled out or at Metro Main and then delivered.

Mr. Offret asked if tests were performed only once. Mr. Olsen and Mr. Shepard stated this depends on the test. Mr. Shepard said the test only has to be done once if it passes but multiple times if it does not pass. There is also a final test onsite to ensure no issues or problems occurred during the installation process.

Motion passed unanimously.

Mr. Offret made a motion to approve the pressure tank painting with A-O Painting in the amount of \$10,896.00. Mr. Foulk seconded the motion. Motion passed unanimously.

Mr. Offret made a motion to authorize the General Manager to approve additional funds not to exceed \$3,000 for any unforeseen issues related to the tank purchase and/or painting. Mr. Foulk seconded the motion. Motion passed unanimously.

D. Update on 1,4-Dioxane.

Mr. Olsen presented information on 1,4-dioxane explaining what it is, if 1,4-dioxane has been found at any service areas, and the proactive steps the District had taken to maintain safe, reliable drinking water.

Mr. Foulk inquired about the difference in levels at Lattamore wells that are so close together. Mr. Olsen responded the difference is due to the depth of each well.

Mr. Offret asked the approximate cost of the modifications that will allow for blending other sources of water with water found to have trace amounts of 1,4-dioxane below regulated levels at Horizon Hills. Mr. Olsen stated the approximate cost would be \$10,000 – \$20,000 for the parts including specialized valves and controls to ensure blending results in the right ratios that fall below the United States Environmental Protection Agency's (USEPA) health advisory.

Mr. Doyle asked about the Granular Activated Carbon (GAC) and Volatile Organic Compounds (VOC). Mr. Olsen answered that GAC is media put in the tanks to remove VOC, through a process called adsorption where the compounds adhere onto the small void spaces in the carbon. Breakthrough is when all the spaces are full and it is time to replace the media. The process has been around for years and works great for what it is intended to treat but does not remove 1,4-dioxane.

Mr. Olsen responded to a concern on if 1,4-dioxane was caused by South Shannon stating that the cause or source is unknown but that locations of chlorinated VOC's, Trichlorethylene (TCE), and Trichloroacetic (TCA) is where 1,4-dioxane is typically found. An ADEQ source study is planned to identify the origin. Mike Block, Water Resources Manager, stated ADEQ has sample points located South of Shannon and 1,4-dioxane was found there too.

Mr. Olsen concluded that these proactive efforts demonstrate how the District tracks regulations, looks at tests results, does the right thing out of the over abundance of caution, selects the appropriate measure for long term solutions, and the diligence of staff when it comes to water quality and providing safe, reliable drinking water.

V. General Manager's Report

Mr. Olsen said it was requested at the last Board meeting for the District's website to show an example of rainwater harvesting for customers to have a better understanding of the process. Ms. Noltin has made changes to the website to not only incorporate that change but to also showcase the changes to the conservation rebates approved by the Board.

The District's recent success on obtaining 90% revenue stability has created significant interest from other utilities across the State who are deliberating how they too can achieve similar stability measures. Mr. Olsen has been asked to speak at the Financing Sustainable Water Workshop in Phoenix on September 20, 2016. Utility managers and financial leads from entities throughout the State are planning to attend to determine how they can enhance revenue stability within their organizations. This is a great opportunity to share the message of how the District was able to accomplish revenue stability and hopefully provide a framework for attending entities to follow and be successful. The more entities that achieve revenue stability the better it is for all rate payers, not just Metro Water District customers.

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 September 12, 2016.

Ms. Noltin stated she met with legal counsel this month to discuss Clerk of the Board tasks which resulted in three small but significant changes. Language has been added to the bottom of the agenda regarding access to additional information about the District's public meetings and materials. Staff has implemented a certification of posting of notice which is filled out when an agenda is posted stating the time, date, and location of the posting and it is then filed with the Board packet file. The posting locations of the agendas were also added online to the Meetings / News webpage.

VIII. General Comments from the Public

There were no comments from the public.

IX. Adjournment

The meeting adjourned at 6:48 p.m.

Judy Scrivener, Chair of the Board

Tullie J. Noltin, Clerk of the Board