

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

MONDAY, DECEMBER 11, 2017

****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
John Hinderaker, 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 5:30 p.m. Jim Doyle, Dan M. Offret, Bryan Foulk, Helen Ireland and Judy Scrivener were present.

- I. Consideration of Action to go into Executive Session for the following purpose:
Pursuant to §38-431.01.A.1 discussion of the annual performance and the
employment contract of the General Manager.**

Mr. Foulk made a motion to adjourn into Executive Session. Mr. Offret seconded the motion. Motion passed unanimously. The Board adjourned into Executive Session at 5:31 p.m.

The Executive Session concluded at 6:03 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 6:04 p.m. Jim Doyle, Bryan Foulk, Helen Ireland, Dan M. Offret and Judy Scrivener were present.

II. Evaluation of Annual Performance and Consideration of Action Regarding the General Manager's Employment Contract

Mr. Doyle moved to approve the appointment of Joseph Olsen to serve as General Manager from February 1, 2018 through January 31, 2026. Mr. Foulk 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 – November 13, 2017 Board Meeting**
- B. Ratification of Billing Adjustments**
- C. Approval of Regular Board Meetings in 2018**
- D. Approval of Water Service Agreement for Copper Health Cortaro Farms (M-17-011)**

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 thanked the Board for their continued trust and faith in his leadership of the District and for approving the employment contract for eight years. It is the teamwork of a very talented group of professionals that enables the District to continue to attain its mission of delivering safe reliable water to our customers.

The fiscal year-to-date consumption continues to trend higher with Metro Main at approximately 8% higher than last fiscal year-to-date and Metro Hub and Metro Southwest are 9.2% and 10.6% higher respectively. The higher than normal temperatures recently are likely a contributing factor to this increase.

The Utility Team had another busy month performing proactive and reactive system maintenance activities including the poly service line replacement in Metro Southwest, which is prone to premature failure. This is another item that will be reviewed by the engineering and utility staff in the Capital Improvement Program (CIP) prioritization for more efficient, proactive measures as opposed to a one at a time emergency replacement.

All but 595 acre-feet (AF) of the District's CAP order has been stored for this calendar year. A minor adjustment in the water order was made for December where 300 AF of the remaining water will be stored in the City of Tucson's Southern Avra Valley Storage and Recovery Project (SAVSARP) facility to support future wheeling agreements to Metro Southwest.

Staff began flushing the new Oracle Jaynes replacement well and the plan is to operate the well for a few weeks prior to the coating and repainting of the onsite storage tank that the Board approved last month.

The Regional Transportation Authority (RTA) projects continue to proceed with the Valencia construction anticipated to commence later this month and La Cholla to start shortly after March 2018 when the right-of-way acquisition is completed.

Coordination continues with the Arizona State Land Department regarding the right-of-way amendment for the Northwest Recharge, Recovery, and Delivery System (NWRRDS) well sites and associated pipeline alignment. The request has passed the Business Review Team and the appraisal process will begin shortly.

B. Financial Report

Ms. Bracken stated that revenue and expenditures as of the end of October are both favorable with revenue exceeding the budget by \$1,553,353 dollars and expenditures under budget by \$421,457 dollars when compared to a straight-line projection. Revenue in excess of expenditures is favorable by \$1,974,810. The largest increase in revenue is from Metered Water Sales, which have exceeded a straight-line projection by \$1,147,202. Water Resource Utilization Fees are \$99,671 ahead of a straight-line projection. Development revenue is \$86,738 ahead of the budget when compared to a straight-line projection. Other income has exceeded the adopted budget amount with the inclusion of \$21,574 from inspection fees, \$29,900 from main service line installations, and \$14,656 from insurance reimbursements for damaged property and vehicles. Expenditures for power continue to be high in October. Regulatory fees are higher than a straight-line comparison with the water credit transfer from Metro Main to Metro Southwest completed for the fiscal year and the inclusion of the Central Arizona Groundwater Replenishment District (CAGRDR) annual membership fees. Revenue through October is higher than the prior year by \$700,077 or 9.32%. Meter Water Sales are higher by \$421,118, development revenue exceeded the prior year by \$134,004, and other income is \$77,112 higher than it was in October 2016. The total operating expenditures are \$133,564 higher than they were at the end of October 2016. When comparing revenue in excess of operating expenditures to the prior year, the current year is favorable by \$566,513.

The October Arizona State Treasurer Pooled Collateral Program provided collateralization coverage of \$6,132,231.56 in addition to the \$500,000 of FDIC coverage.

A total of 13 meter applications were received in November compared to 8 meter applications received in November of the prior fiscal year. As of the end of November, 59 new meter applications have been received compared to 40 new meter applications as of November 30, 2016.

C. Acquisition of Property Rights through Administrative Settlement

Mr. Olsen stated that, as discussed at previous Board meetings, there are around 70 easements that need to be acquired along the roughly 13 mile NWRRDS pipeline alignment. The normal process to acquire the easement involves an appraisal and then paying the appraised easement value to the property owner in exchange for the easement. In some cases, a property owner may present additional material regarding property valuation and suggest a modification of the easement costs. These increases are small in dollar amount but may exceed the appraised value if the request is deemed reasonable, prudent, and in the public's best interest. The formal name for these adjustments are Administrative Settlements. Due to the number of easements being acquired and the desire to maintain constant progress on these easement acquisitions, staff recommends that the Board authorize the General Manager to accomplish such administrative settlements with authority levels as stipulated in the District's procurement policy. Should any administrative settlement exceed the General Manager's authority in the procurement policy, the proposed settlement would be brought to the Board for consideration.

Mr. Foulk moved to authorize the General Manager to acquire property rights through administrative settlement when deemed reasonable, prudent, and in the public interest, subject to purchasing limits established in the District's current Procurement Policy. Mr. Offret seconded the motion. Motion passed unanimously.

D. Northwest Recharge, Recovery and Delivery System Request for Approval to Proceed with Condemnation of Waterline Easement on Parcel 216-31-037D

Mr. Olsen stated that staff and the District's real property consultant have been working diligently to acquire all the necessary easements associated with the NWRRDS project. In some instances, multiple efforts to contact the property owners fail. When this occurs, communication is sent via certified mail with a requested response date to avoid condemnation proceedings. While this has been successful in making contact with some property owners, there are times when the only course of action for the District to take is to proceed with condemnation.

Multiple attempts to contact the property owner on parcel 216-31-037D were made, including certified mail with a request to contact District staff by October 5, 2017. No such response has been received and the District is forced to proceed with the condemnation request.

Mr. Offret moved to authorize the General Manager to proceed with condemnation of a waterline easement on Parcel 216-31-037D as deemed necessary. Mr. Foulk seconded the motion. Motion passed unanimously.

V. General Manager's Report

Mr. Olsen stated that as mentioned previously, Kevin Westbrook, Assistant Utility Superintendent, is retiring on January 5, 2018. To ensure continuity of operations, an interview was performed to select Mr. Westbrook's replacement. Cameron Meyer has been selected as the new Assistant Utility Superintendent.

Last month, the Arizona Department of Environmental Quality (ADEQ) accomplished their once every three year sanitary survey of Metro Main, Metro Hub, Diablo Village, and Lazy B. The Utility Team worked closely with the ADEQ inspectors and after four days of inspections, only minor observations were made including labeling the entry point to the distribution system (EPDS) sample point locations and ensuring vent screens are mesh with the proper screen intervals. Staff have either resolved these items on the spot or were able to rectify and provide photographic documentation back to ADEQ. Thanks to Mr. Shepard and his team for ensuring District infrastructure is maintained and operated in such a way that only these minor observations were made.

Earlier this month, the Metropolitan Pima Alliance (MPA) held their annual common ground award dinner honoring projects that are collaborative in nature and beneficially impact the Tucson Region and beyond. Due to the collaboration between the Town of Marana, Town of Oro Valley, and the District, the NWRRDS project was selected as one of the 20 finalists and was ultimately chosen as one of the ten awardees. At the ceremony, Mr. Olsen stated that not too long ago when one would state the words multi-jurisdictional water, the last word you would say next is collaboration. The NWRRDS project is another example of how the Tucson Region is the benchmark for water collaboration. A brief video was shown that included excerpts from the nomination interview with the partners.

VI. Legal Counsel's Report

Mr. Hinderaker said he had nothing to report.

VII. Clerk of the Board Updates; Future Meetings

The next regularly scheduled Board meeting will be held on January 8, 2018. The next Finance Oversight Committee meeting will be scheduled in January for the mid-year budget review. The Board is welcome but not required to attend.

VIII. General Comments from the Public

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There were no comments from the public.

IX. Adjournment

The meeting adjourned at 6:28 p.m.

Judy Scrivener, Chair of the Board

Theo Fedele, Clerk of the Board