

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

January 11, 2016

**** Board Room ****

**Metropolitan Domestic Water Improvement District
6265 N. La Cañada Drive
Tucson, AZ 85704**

MINUTES

Board Members Present: Judy Scrivener, Chair
Jim Doyle, Member
Bryan Foulk, Vice-Chair
Helen Ireland, Member
Dan M. Offret, Member

District Staff: Joseph Olsen, General Manager
Diane Bracken, Chief Financial Officer
Charlie Maish, District Engineer
Tullie Noltin, Clerk of the Board
Steve Shepard, Utility Superintendent
Warren Tenney, Assistant General Manager
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 Offret and Judy Scrivener were present.

II. Appointment of Clerk of the Board

Mr. Olsen said the District is unfortunately losing Mr. Tenney after 22 years of service to the District, including his role as Clerk of the Board. The recommendation is for Ms. Noltin to fill the role, as she has had six years of experience as alternate Clerk of the Board. Mr. Olsen has the utmost faith in her ability to carry out the duties.

Mr. Offret made a motion to appoint Tullie Noltin as the Clerk of the Board, effective immediately. Mr. Foulk seconded the motion.

Mr. Foulk asked Ms. Noltin if she would be attending meetings and participating in committees, as Mr. Tenney had previously done. Ms. Noltin said the appointment to Clerk of the Board will entail Board meeting duties and the rest is up to the discretion of the General Manager. Mr.

Olsen explained this is an interim solution since Mr. Tenney's surprise announcement. In order to continue serving the needs of the District, Mr. Tenney's tactical duties, including Clerk of the Board, the conservation program, coordinating Board reports, etcetera, will be handled by Ms. Noltin. Mr. Tenney's other duties will be considered as part of position reclassifications and right-sizing of the organization based on the current needs of the District.

Motion passed unanimously.

Executive Session

Consideration of Action to go into Executive Session for the following purpose: Pursuant to A.R.S. §38-431.03.A.3 and §38-431.03.A.4 to discuss the notice of claim made by Donovan Hemway.

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 5:33 p.m. The Executive Session concluded at approximately 6:02 p.m.

Resume Regular Session

III. 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 6:05 p.m. Jim Doyle, Bryan Foulk, Helen Ireland, Dan Offret and Judy Scrivener were present.

IV. Possible Action Regarding Notice of Claim made by Donovan Hemway

Mr. Foulk made a motion to deny the notice of claim by Donovan Hemway for \$1,346,280 and to direct Legal Counsel and the General Manager to proceed as discussed in the Executive Session. Motion seconded by Mr. Offret. Motion passed unanimously.

V. Election of Chair and Vice-Chair for the Board of Directors

Mr. Offret made a motion to continue the present Chair (Judy Scrivener) and Vice-Chair (Bryan Foulk) through the next year. Mr. Foulk seconded the motion. Mr. Offret said the Chair and Vice-Chair have been doing such a wonderful job, he does not see the need for a change at this time. Motion passed unanimously.

VI. General Comments from the Public

There were no comments by the public.

VII. Consent Agenda

A. Approval of Minutes – December 14, 2015 Board Meeting.

B. Ratification of Billing Adjustments.

C. Ratification of Approval of Regular Board Meetings in 2016.

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

VIII. General Business - Items for Discussion and Possible Action

A. Monthly Status of the District.

Mr. Olsen said fiscal year to date consumption for all service areas has held steady at about 3.5% below last fiscal year to date. These numbers are very important as revenue is projected for the next year. The kick-off of the priority driven budget process will help isolate the appropriate revenue projections and identify requirements the District will be able to accomplish in the capital improvement program. These numbers are a key factor in helping the District plan.

The Utility Team is wrapping up painting and rehabilitation work on the Las Palmas tank and work has commenced on the Alcott storage tank.

Staff has completed approximately half of the annual static water level measurements and this effort will help determine any changes in aquifer productivity or static levels in the aquifer throughout the District's service area. The results of this effort will be presented at the March Board meeting as has been the annual tradition.

Staff is awaiting the purchase documents for the booster and forebay parcel for the Central Arizona Project Recharge, Recovery, and Delivery System (CAP RRDS). This purchase, pending receipt of the documents, could be brought to the Board as early as February.

The Casas Adobes and Shannon water line project was scheduled to be advertised for bids later this month with construction anticipated to occur in the last quarter of the fiscal year.

B. Financial Report.

Ms. Bracken said revenue and expenditures through November are both favorable with revenue of \$955,456 over budget using a straight line projection. Increases are largely attributed to water sales being \$608,628 under budget on a straight line projection and development revenue that has exceeded the fiscal year budget by \$44,754 as of November. With five months or 41.67% of the fiscal year completed, the District has collected 46.81% of total budgeted revenue. Operating expenditures are under budget by \$262,612 using a straight line comparison. Revenue in excess of operating expenditures are \$4,676,490, which is favorable when compared to the budget by \$1,218,068 for the first five months of the fiscal year. A prior year comparison of revenue for November is higher by \$512,960, largely coming from development revenue, water resource utilization fees, and metered water sales. Total operating revenue expenses this fiscal year are higher in all categories by \$255,365. The Arizona State pooled collateral program statement for November includes \$2,179,497.54 of collateral coverage in addition to the \$500,000 FDIC insurance coverage. All banking fees continue to be covered with the earnings credits from the merchant and checking account. The American Express corporate accounts payable solution card

was used for total purchases of \$77,335.56 with 1% savings of \$772.36 this month. The exception to date total savings \$12,921.42. A total of 13 meter applications were received in December compared to seven meter applications in December of the prior fiscal year. Meter applications so far this fiscal year total 84 compared to 44 during the same period last fiscal year.

C. Award of Construction Contract for the Lazy B Wheeling Agreement Connection.

Mr. Olsen said this project will create a connection between the Lazy B distribution system and the adjacent Tucson Water infrastructure in order to facilitate a wheeling agreement that the Board approved in April 2015. In that wheeling agreement, the District will take a portion of its renewable CAP allocation and deliver it and have it stored at City of Tucson recharge facilities in Southern Avra Valley. Tucson Water would then recover that renewable water resource through recovery wells and convey it through their transmission infrastructure to the Lazy B service area, providing a renewable source of supply to that service area that otherwise would not be able to access renewable water. Additionally, it provides resiliency and reliability in that service area as the District would still maintain the operation of the single well in that system as a backup source. Three bids were received and the low bidder was within the engineer's cost estimate and is recommended for the Board's approval.

Mr. Offret made a motion to award the construction contract for the Lazy B Wheeling Agreement Connection to Tricon Contracting, Inc. in the amount of \$49,295 and to authorize the General Manager to approve the following changes to the construction contract: 1) allocate additional funding a cumulative amount not to exceed \$3,000 and 2) increase the original construction contract term a cumulative amount not to exceed sixty (60) calendar days. Any changes in excess of the above limits will be submitted to the Board of Directors for approval. Ms. Ireland seconded the motion. Motion passed unanimously.

VII. General Manager's Report

Mr. Olsen said representatives from the Bureau of Reclamation, Arizona Department of Water Resources, Central Arizona Water Conservation District, City of Phoenix, City of Tucson, and the District met in Phoenix to discuss Inter-AMA (active management area) Firming and the associated phase two next steps relating to recharge and recovery activities. Mike Block, Water Resources Manager, attended that meeting, which overlapped with the District Board meeting. Based on Mr. Block's report, the conversation was very positive and the mechanism and methodology the entities pushed forward to deal with Inter-AMA Firming and wheeling agreements on the CAP canal proved to be realistic and appears to satisfy any legal or operational concerns. Staff is hoping this allows movement into phase two with final details of agreements defined. There will still be a couple months of discussion of translating this onto pertinent documents but this was good news.

Previous Board meetings have included discussions regarding changes to the billing statement. Bills will now break out the line that previously read "water" into fixed and variable components labeled "Monthly Water Availability," otherwise known as the service fee or fixed portion, and

“Water Consumption” or the variable portion. In order to educate customers on fixed and variable costs of operating a water system, Administration and Information Technology staff devoted time and effort to reconfigure the billing program so those charges are broken out on the bill. During future rate hearings and information meetings, this breakout will allow staff to speak on the common framework and stay on the same page with fixed and variable costs.

Warren Tenney has been selected as the new Executive Director of the Arizona Municipal Water Users Association, which is an entity that works with water providers and elected officials in the Phoenix valley to speak with a unified voice on water policy. This is an excellent opportunity for Warren to influence statewide water policy and work with many water entities across the Phoenix valley and the State. Staff will miss Mr. Tenney’s 22 years of expertise and service to the District, where he has filled numerous roles. Many of his tactical duties in the interim will be assigned to Ms. Noltin, such as Clerk of the Board, Board reports, and the conservation program. Ms. Noltin’s experience over the past six years doing many of these duties as an alternate has led to Mr. Olsen having the utmost faith in her abilities as the District goes through this transition.

Ms. Scrivener acknowledged Mr. Tenney’s well-deserved opportunity and welcomed Ms. Noltin.

VIII. Legal Counsel’s Report

Mr. Hinderaker said he had nothing further to report. He wished Mr. Tenney well.

IX. Future Meeting Dates; Future Agenda Items

The next Board meeting is scheduled for Monday, February 8, 2016.

There is a Finance Oversight Committee (FOC) meeting scheduled for Monday, January 25, 2016 at 4:00 p.m. discussing the Mid-Year Budget Review. The outcome of that discussion will be whether the District is moving forward on the Hub retaining wall as was discussed when the budget was approved. That capital project was scheduled for review mid-year. The following Board meeting will move those FOC discussions forward.

X. General Comments from the Public

Ingrid Saber, a resident of the District, expressed her appreciation for Mr. Tenney’s help answering her questions.

XI. Adjournment

The meeting adjourned at 6:20 p.m.

Judy Scrivener, Chair of the Board

Tullie J. Noltin, Clerk of the Board