

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

April 11, 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
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 from the public.

III. Consent Agenda

- A. Approval of Minutes – March 14, 2016 Board Meeting.**
- B. Approval of Minutes – March 28, 2016 Board Meeting**
- C. Ratification of Billing Adjustments.**
- D. Ratification of Accounts Removed from Active Accounts Receivable.**
- E. Approval of Water Service Agreement – Sonoran Ranch Estates II, Lots 1-37 and 53-79.**

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

IV. General Business - Items for Discussion and Possible Action

A. Monthly Status of the District.

Mr. Olsen said the average fiscal year to date consumption for all service areas combined compared to last year is 1.5% lower but is still on track with the fiscal year budget.

The Utility team completed the Hub No. 4 well maintenance, worked on a pressure tank replacement at the Moore well site, and also repaired numerous main and service line breaks throughout the District last month.

The design plans for the Cortaro-Marana Irrigation District effluent delivery pipeline and booster pump have reached 90% completion. The Bureau of Reclamation's review of comments on the environmental assessment should be completed soon. Arizona Department of Environmental Quality has also provided a draft permit for the Tres Rios wastewater treatment plant, where the effluent will be delivered to this pipeline. That draft permit will allow the class of effluent water being produced to be used in agricultural applications.

Annual reports for the five service areas were submitted to Arizona Department of Water Resources by the April 1st deadline and were all found to be administratively complete.

The Lazy B Interconnect is nearing completion and it is anticipated that wheeling activities should begin by next month, making a portion of the District's renewable resources available to that service area.

The Oracle Jaynes exploration drilling and the Casas Adobes waterline replacements are expected to begin later this month.

Legal counsel has been working with staff on the draft intergovernmental agreement (IGA) for the CAP Recharge, Recovery and Delivery System and a couple rounds of edits have already occurred. It is anticipated that the draft IGA will be provided to potential partners within the next couple weeks and parties will be able to begin their iterative review process. Flowing Wells Irrigation District will be added as a potential partner, enabling all the Northwest providers to move forward in a unified effort on this project. Last week, at the Central Arizona Water Conservation District's board meeting, CAP staff provided an update to their board on the collaborative partnerships on this project and the CAP expressed support for continued dialogue and negotiations.

B. Financial Report.

Ms. Bracken said revenue and expenditures through February are both favorable, with revenue of \$596,770 over budget and operating expenditures totaling \$406,013 under budget using a straight line projection. Development revenue exceeded the budget by \$116,442. Metered water sales are ahead of budget by \$209,021 using a straight line projection. Water Resource Utilization Fees are

ahead by \$62,337 and other income with the inclusion of private fire riser fees are ahead of budget by \$72,023. A five to ten year historic average would show the District collecting 67% of budgeted revenue at the end of February and we are right on track at 67% this month. Revenue in excess of operating expenditures is \$1,002,790 favorable when compared to the budget as of the end of February. A prior year comparison of revenue through February 2016 is \$266,764 ahead of February 2015. Operating expenses in all categories are higher this fiscal year compared to the last fiscal year with the exception of power purchased.

The Arizona State pooled collateral program for February included \$2,188,815.57 of collateral coverage. The American Express corporate payment solution card was used for a total of \$49,472 in purchases, with a 1% savings of \$494.72.

The investment report reflects that Stern Agee's name recently changed to Prospera Financial Services. A new arbitrage name will appear next to it next month. The District continues to have investments with these companies, as approved by Arizona Revised Statutes.

A total of 8 meter applications were received in March compared to 9 meter applications in the prior fiscal year. Meter applications so far this fiscal year total 110 compared to 85 as of March in the prior fiscal year.

C. Award of the DeConcini Exterior Site Painting.

Mr. Olsen said the current fiscal year budget has a storage tank rehabilitation line item with \$103,000. Earlier this year, both the Alcott and Las Palmas tanks were repainted. Staff is recommending under this line item the repainting of the DeConcini storage tank. The paint on above ground storage tanks ages and weathers with time and it is important they are regularly repainted to prevent rust and corrosion buildup. The DeConcini tank stands 32 feet high and will be painted a color called Desert Sand as opposed to the present white, to enable better blending with the surroundings and conform to paint colors utilized at other sites throughout the District.

The City of Tucson Job Order Contract (JOC) was utilized and two clarifications should be made before the Board's consideration. The report mentions the hourly labor rates on the City of Tucson JOC for AO Painting at \$21.00 per hour and Weiss at \$36.00 per hour. Due to the large disparity in costs, a formal quote was not sought for Weiss because the majority of costs involved in this type of work is labor. A quote was only sought from AO Painting. Also, the initial bid sheet for AO Painting incorrectly showed a labor rate of \$25.00 per hour as opposed to the \$21.00 per hour under the City of Tucson JOC. The updated bid sheets were provided to the Board. This correction adjusts the approval amount from \$17,137.00 to \$15,479.00. AO Painting has done similar work for the District.

Mr. Foulk made a motion to award the DeConcini exterior site painting to AO Painting in the amount of \$15,479.00 and also moved to authorize the General Manager to approve up to an additional amount not to exceed \$2,000.00 for any unforeseen issues. Ms. Ireland seconded the motion. Motion passed unanimously.

D. Award of the Telemetry Historian Software and Hardware.

Mr. Olsen said the current fiscal year capital improvement budget includes \$15,000.00 for the purchase and implementation of Telemetry Historian software. While the current operating control software used to track and run the District's infrastructure provides real time data on tank levels and pressures, it does not provide any sort of historical capture and recordation of the data. Historian software will record this data that can then be utilized during any type of infrastructure failure to determine the conditions in the system at the time of the failure and assist with troubleshooting. This data could also identify trends in operations that may open the door to more efficient procedures.

Mr. Offret asked about the reassignment of tags when something goes wrong in the system. Mr. Olsen and Mr. Shepard briefly explained how the infrastructure is tracked and how data is logged and utilized. The data can be exported and saved, and tags can be reused.

Mr. Offret made a motion to award the purchase of the Historian and VantagePoint software from Border States Electric in the amount of \$8,919.25. Mr. Foulk seconded the motion. Motion passed unanimously.

Ms. Ireland made a motion to award Development and Deployment work for the Historian software to Ripple Industries in the amount of \$6,800.00. Mr. Offret seconded the motion. Motion passed unanimously.

Mr. Foulk made a motion to award the purchase of the server from GHA Technologies Inc. in the amount of \$3,351.11. Ms. Ireland seconded the motion. Motion passed unanimously.

Mr. Offret made a motion to authorize the General Manager to approve up to an additional \$1,000.00 for any unforeseen issues related to this project. Ms. Ireland seconded the motion. Motion passed unanimously.

E. Award of Reliability Centered Maintenance Consulting Services.

Mr. Olsen said in September 2015, the Board awarded as part of the overall asset management implementation process a maintenance management software to keep track of maintenance records, reliability centered maintenance software to ensure the right maintenance occurs at the right time to extend and enhance infrastructure life cycle, and servers to host those two software packages. The current fiscal year budget included \$107,165.00 to accomplish these asset management activities and the previously mentioned items have totaled \$70,358.51. The remaining planned item is to have Reliasoft host a training to facilitate and walk staff through one of the District's infrastructure sites through the entire reliability process so that staff will know how to mimic that process at other sites throughout the District. This will also greatly reduce the implementation schedule. The cost for this portion is available within the \$107,165.00 total budgeted for asset management implementation.

Mr. Foulk asked how RCM is working out so far. Mr. Olsen said data is being gathered and once one site has all of the components functioning, staff can see how it integrates together and duplicate it at other sites.

Mr. Foulk made a motion to award the Reliability Centered Maintenance Consultant Services to Reliasoft in the amount not to exceed \$36,000.00. Mr. Offret seconded the motion. Motion passed unanimously.

F. Award of the Hub Reservoir Site Expansion Retaining Wall.

Mr. Olsen said the current fiscal year capital improvements program includes \$185,000.00 to extend the retaining wall at the Hub Reservoir site to enable additional space to be accessible for a future project that removes the existing small tank and replaces it with a larger tank to better meet storage needs in Metro Hub. The project was bid and a total of seven contractors submitted with the low bidder being Grail Construction, LLC at \$138,328.72. The engineer's estimate for this project was \$188,806.00.

There was an anomaly during the bid process. The low bidder provided all the necessary information but the items were not submitted in the original bound contract agreement book as required in the instruction to bidders. The Board of Directors does reserve the right to consider and waive any irregularities when it is in the best interest of the District. Because of the \$24,000.00 difference between the lowest bidder and second lowest bidder, Mr. Olsen felt it was important to bring this to the Board. Mr. Hinderaker said the Board is required to award the contract to the lowest responsive and responsible bidder that complies with all material requirements in the invitation to bid. The question the Board should consider is whether the omission is really a material omission, or whether the submission unfairly disadvantaged the other contractors. If the Board does not consider it material, Mr. Hinderaker suggested the Board has discretion to waive that irregularity. There was a brief discussion of the circumstances.

Mr. Offret made a motion to award the construction contract for the Hub Reservoir Site Expansion, Retaining Wall Phase II to Grail Construction, LLC in the amount of \$138,328.72 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 \$7,000.00 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. Mr. Foulk seconded the motion.

Mr. Offret stated he feels this irregularity is not material to the competitive process.

Motion passed unanimously.

V. General Manager's Report

Mr. Olsen said at the March 28, 2016 Board Study Session, the Board reviewed the proposed rate and revenue adjustments as well as the financial plan, both of which are unanimously supported

by the Finance Oversight Committee (FOC), and authorized the publishing of the rate hearing. Billing inserts have begun going out to District residents informing them of two dates: an Information Meeting on Wednesday, May 18, 2016 at 6:00 p.m. and a Rate Hearing on Monday, May 23, 2016 at 6:00 p.m. The Information meeting will be very similar to previous years, where customers will have opportunities to ask general questions about the District and hear a brief presentation regarding proposed rate and revenue adjustments and recent financial accomplishments by the District. The Information Meeting is not an official Board meeting but is open to the public. Board and FOC members are welcome to attend and both meetings will be announced for potential quorum. The Rate Hearing will also have a presentation regarding proposed rate and revenue adjustments prior to the Board considering those changes. Should the Board adopt the rate adjustments, they would take effect at the beginning of the fiscal year on July 1, 2016. On June 13, 2016, the Board will review the Fiscal Year 2017 Requested Budget that the FOC concurred with at their March 21, 2016 meeting.

On March 31, 2016, Board Chair Judy Scrivener represented the District at a meeting with Senator Jeff Flake that included a tour of the City of Tucson's Southern Avra Valley Storage and Recovery Project (SAVSARP) recharge facilities and the Twin Peaks pumping plant. Updates on regional collaborative partnerships were presented. The visit was very productive and will help Senator Flake as he deliberates on legislation and other measures in response to the ongoing drought in the Colorado River Basin.

Consumer Confidence Reports which provide annual water quality information for all service areas are being finalized and will be sent out in May.

Mr. Offret asked Mr. Olsen to comment on the status of Senate Bill (SB) 1268. Mr. Olsen said SB1268 originally related to providing water for a large new development in Cochise County by allowing municipalities to opt out of hundred-year assured water supply requirements established by counties. There is a companion bill closely related called SB1400. The bill will be in final Senate reading soon. Southern Arizona Water Users Association (SAWUA), which represents water users in the Tucson region, has provided a comment letter for the legislators about to vote on this bill cautioning that this legislation could undermine the 1980 Groundwater Management Act that has been crucially important in creating water stability in Arizona. Ms. Noltin said SB1268 is expected to pass in its amended form, according to the latest SAWUA legislative report.

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 May 9, 2016 at 6:00 p.m.

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