

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

**May 9, 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  
Dan M. Offret, Member

**Board Members Not Present:** Helen Ireland, Member

**District Staff:** Joseph Olsen, General Manager  
Mike Block, Water Resources 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, Dan M. Offret and Judy Scrivener were present. Helen Ireland was not present.

**II. General Comments from the Public**

There were no comments from the public.

**III. Consent Agenda**

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

Mr. Offret 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 compared to last year at this point is about 1% lower and right on track with current fiscal year budgets.

The Utility Team accomplished several significant items at the Metro Hub service area, including replacement of the variable frequency drive at Hub 5A well, installation of a 6 inch waterline to the Hub reservoir for future site enhancements, and repair to a broken mainline that resulted in some damage to a customer's landscape but staff worked to fully restore it.

Design plans for the Cortaro-Marana Irrigation District effluent delivery system are at 90% and staff has provided review comments to Bureau of Reclamation on April 29, 2016. The District has drafted a bid package for the work, to move forward once design and environmental assessment has been completed.

The Oracle Jaynes exploration well is complete and is presently undergoing a 24 hour stress pump test to determine capacity.

The Board previously approved funding to rehabilitate the Rasmussen well and turn it into a monitor well. Unfortunately after many attempts, even with specialized drilling bits, the District was not able to move past a blockage and complete the conversion. Work has stopped and the District will move forward with proper abandonment procedures for the well.

Wheeling activities began at the Lazy B service area on April 27, 2016 to provide a redundant and renewable source of water to that area. So far there have been no issues reported and it is working as intended.

The Hub retaining wall project began on May 9, 2016. Shannon Road waterline project is projected to start May 11, 2016, and the Casas Adobes waterline replacements are scheduled to start May 25, 2016.

##### **B. Financial Report.**

Ms. Bracken said revenue and expenditures through March are both favorable with revenue of \$493,850 over budget. Operating expenditures at \$495,507 under budget using a straight line projection. Development revenue has exceeded the budget amount by \$138,317. Metered water sales are ahead of the budget by \$109,992 using a straight line projection. Water Resource Utilization fees are ahead of budget by \$59,645 and other income is projected to be ahead of budget using a straight line projection of \$72,638. A five and ten year historic average of budgeted revenue collected as of the end of March has been 73%. This year, the District has collected 75% of budgeted revenue as of the end of March. The historic average of revenue collected in March is 6% and this year the District collected 7.6% of the budgeted revenue. Revenue in excess of operating expenditures is favorable by \$1,231,636 when compared to the budget. As of the end of March, a prior year comparison of revenue through March 2016 shows the current fiscal year ahead

by \$423,237. Expenditures for operations and supplies are lower in the current fiscal year and all other expenditure categories are higher the current fiscal year with an increase of 6.2% while still being lower than the adopted budget for the current fiscal year. The final account at Canyon Community Bank has been closed; all outstanding checks have been stale dated and the balance has been transferred. The Arizona state pooled collateral program for March includes \$1,846,283.42 of collateralization coverage. The American Express corporate accounts payable solution card is used for a total of \$56,949 with a 1% savings of \$569.49. A total of 17 meter applications were received in April compared to 11 meter applications in the prior fiscal year. Meter applications so far this fiscal year total 127 compared to a total of 96 in 2015.

**C. Resolution 2016-1 Call for November 8, 2016 Election for Board of Directors.**

Mr. Olsen said terms for two of the Board Members will conclude at the end of the calendar year and statutes require the District to call an election to fill the two seats. The cost of the election is roughly 90 cents per registered voter within District boundaries and the election will be held November 8, 2016 in conjunction with other local, state, and federal elections.

Mr. Offret made a motion to approve Resolution 2016-1 to call an election for November 8, 2016 for the purpose of electing members of the Board of Directors to fill two seats for a four year term beginning January 1, 2017. Mr. Foulk seconded the motion. Motion passed unanimously.

Mr. Foulk asked about the deadline to apply and turn in signatures. Ms. Noltin said there is only one deadline for filing the \$500 threshold exemption statement and turning in petitions and that date is August 10, 2016. Ms. Noltin confirmed the exemption form must be filed before collecting signatures but there is not a separate deadline for filing the form. Mr. Olsen said Ms. Noltin had previously confirmed with the Elections Department that July 11, 2016 is the earliest date candidates can file signature petitions and August 10, 2016 is the final day.

**D. Approval of Amendment to Contract for Collection of Sewer Fees.**

Ms. Scrivener recused herself from voting on this item.

Mr. Olsen said staff has been working with Pima County to arrive at a new billing rate based on a cost of service analysis. The current fee of \$1.14 per month per account is recommended to increase to \$1.25 per month per account effective July 1, 2016 and moves the District toward cost of service recovery. This would generate approximately \$23,800 in additional revenue and would extend the current agreement with Pima County to June 30, 2017. Mr. Olsen thanked Ms. Bracken for all her work on this item to provide transparent information about the District's costs incurred for performing this service.

Mr. Offret asked how this rate compares to other entities who are doing similar billing for Pima County. Ms. Bracken said she did some research and the least expensive outside billing service was about \$3.00 per account plus software setup fees. One provider charged \$6.00 per account for metered billing, which is what the District provides, and \$3.00 for non-metered billing. That information was presented to Pima County at a recent meeting.

Mr. Foulk asked what Oro Valley is currently collecting from Pima County and Ms. Bracken said somewhere between \$1.00 and \$1.14 per month per account. Mr. Olsen said the original \$1.14 was based on the City of Tucson's rate but the District now has its own cost of service analysis justifying \$1.25. Ms. Bracken presented compelling facts about the District's exceptional collection rate, which is over 99%.

Mr. Offret made a motion to approve the attached one-year amendment to the contract with Pima Regional Wastewater Reclamation Department for collection of sewer user fees at the rate of \$1.25 starting on July 1, 2016 with an expiration of June 30, 2017. Mr. Foulk seconded the motion. Motion passed 3-0.

**E. Approval of Quotes for Emergency and Miscellaneous Electrical Services.**

Mr. Olsen said the wells and booster facilities that provide water to District residents is dependent on electrical systems and equipment for operation. These systems require regular maintenance and can fail at all hours of the day, necessitating repair. While the District has two full time electrical staff, this job order agreement provides both the emergency support capability as well as the ability to augment District staff based on the particular level of electrical need or subject matter expertise. Staff recommends authorizing job order agreements with both Sabino Electric and Sturgeon Electric to provide flexibility based on responsiveness and the electrical needs of the District.

Mr. Offret asked if any vendors were available through the City of Tucson's contracts. Mr. Shepard said the City of Tucson does have an electrical contractor and the District could also utilize that. Mr. Olsen said there is an additional process on the cooperative contract. This approval would give the District the ability to have quotes established particularly for the District's utilization. The time frame to restore electrical outages is of utmost urgency and this approach saves time while still obtaining Board approval when it is required.

Mr. Foulk made a motion to approve the quotes submitted by Sabino Electric and Sturgeon Electric for the Emergency and Miscellaneous Electrical Services for use in Fiscal Year 2017 and authorize the General Manager to enter into job order agreements with each contractor. Mr. Offret seconded the motion. Motion passed unanimously.

**F. Approval of Quotes for Auxiliary Power Preventative Maintenance Service and On-Call Service Repairs.**

Mr. Olsen said should any electrical systems fail as discussed in the previous item, the District still needs to have some kind of power generation to be able to deliver water to customers. The District operates several natural gas backup generators to provide power and service at key areas during a power outages. These generators require regular preventative maintenance and servicing to ensure they are functioning properly when they are needed. Having quotes in place to provide this work allows the District to have greater operational flexibility, efficiency, and resiliency.

Mr. Offret asked if the District would need to obtain bids for these services if they are needed. Mr. Olsen said this item is consideration of approval of bids. The District would need preventative

maintenance on these generators so that we know they function when they are needed. These quotes allow the District to use the contract throughout the year.

Mr. Foulk made a motion to approve the quotes submitted for the Auxiliary Power Preventative Maintenance Services and On-Call Service Repairs for use beginning July 1, 2016 through June 30, 2017 and direct staff to utilize the low bidder. If the low bidder is unable to perform the work staff is directed to use the next lowest bidder. Mr. Offret seconded the motion. Motion passed unanimously.

#### **G. Annual Subsidence Monitoring Update.**

Mr. Olsen showed the map provided by Arizona Department of Water Resources (ADWR) on Annual Subsidence. The District has an intergovernmental agreement with ADWR to monitor regional subsidence in the District's service areas and each year, ADWR provides an update of subsidence in the Tucson region. The ADWR map shows no measurable subsidence between 2010 and 2016. Additionally, the map shows uplift occurred in all of the District's Southwest service areas.

#### **H. Annual Water Resources Portfolio Report.**

Mr. Olsen said back in 2014, the District created a mechanism for communicating its portfolio of water resources to include balances of groundwater, CAP credits, effluent credits, and remediated water allowance. This portfolio is updated annually to share how the District is investing in and enhancing its portfolio. This discussion is of particular interest, given the continued concerns of the ongoing drought in the Colorado River Basin and what the District is doing to try to fortify our water resources prior to any shortage declaration.

Mr. Block gave a presentation on the District's Water Resources Portfolio. The District has four water resources available for use: groundwater, remediated water from South Shannon, CAP water, and reclaimed water. The Metro Main checkbook balance is projected to have increased in 2015 by about 3,500 acre-feet (ac-ft) of CAP water, 639 ac-ft of recycled water, and 287 ac-ft of groundwater in the form of ADWR groundwater credits, for a total of almost 4,500 ac-ft. Staff is projecting the value of renewable supplies until the actual ADWR accounting of 2015 recharge credits is received, sometime after July.

ADWR tracks water loss and Metro Main continues to see a decline in well production which is aligned with consumption data from the billing records. Metro Main saw about an 8% loss in 2015 but that value should not be considered absolute because it may be a reflection of when the wells are read versus when the customer meters are read. Metro Hub also saw declines in both consumption and gpcd. Metro Southwest – Diablo Village is experiencing an increase in well production which is related to the number of new connections. Metro Southwest – E&T is seeing a trend of declining well production and consumption.

Mr. Block talked about some of the partnerships currently underway to continue effectively managing its water resources in 2016, including working on the CAP Recharge, Recovery, and Delivery System to leverage renewable supplies, construction of a pipeline to deliver effluent to Cortaro-Marana Irrigation District's groundwater savings facility, continuing to leverage the remediated water supply at the South Shannon treatment system, enhancing the amount of CAP water stored annually, increasing Inter-AMA Firming with the City of Phoenix, and continuing the water conservation program.

Mr. Olsen said the partners with the groundwater storage facilities, or the farmlands that the renewable resources are delivered to, provide a financial benefit to the District equivalent to about 400 ac-ft per year of additional water to add to the portfolio. This year, the District has stored about 4,450 ac-ft beyond what was planned for 2015 recovery. Based on current demands, the District is storing one year of future supply every two years. The District has about 20 years of supply stored to insulate against future CAP shortages.

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

Mr. Olsen said each year, CAP reconciles the amount that subcontracts have paid for CAP water with actual revenue and costs. When excess water is used, the amount of revenue received exceeds the planned projections, resulting in a refund to subcontract holders. This year, the District has been informed that approximately \$137,000 will be refunded back to the District. Last year, there was about \$60,000 refunded back but the District took part in a rate stabilization fund where CAP matched funds at a certain rate for a fund that would help insulate against rate shock, in the event of a future shortage. That program was not offered this year. This year's refund will go towards paying down future CAP water purchases.

CAP canal maintenance outage will occur between October 12, 2016 and November 9, 2016 and will not substantially impact the District's recharge activities.

Rate inserts have been sent to all District residents informing them of the Information Meeting on May 18, 2016 and the Rate Hearing on May 23, 2016, both at 6:00 pm. A small number of customers inquired about the rate inserts. Ms. Bracken has been handling those inquiries and once she explains how the proposed adjustments will impact them, they are satisfied and generally supportive. The Information Meeting will be another opportunity for customers to ask clarifying questions.

Senate Bill 1268 and SB 1400 were water related bills closely tracked by Southern Arizona Water Users Association (SAWUA) as they threatened the 1980 Groundwater Management Act. Those bills passed through the Legislature but were vetoed by the Governor after SAWUA sent a veto letter in opposition. Mr. Olsen read a portion of the veto letter from the Governor. Mr. Foulk asked who was behind the bills, which was primarily the developer of a large subdivision.

**VI. Legal Counsel's Report**

Mr. Hinderaker said he had nothing to report.

**VII. Future Meeting Dates; Future Agenda Items**

Although not an official meeting of the Board, an Information Meeting is scheduled for Wednesday, May 18, 2016 at 6:00 p.m. The Rate Hearing is scheduled for Monday, May 23, 2016 at 6:00 p.m. The next regularly scheduled Board meeting will be held June 13, 2016 at 6:00 p.m.

**VIII. General Comments from the Public**

Ingrid Saber, a resident of the District, asked how much of the subsidence information is shared with other providers. Mr. Olsen explained the information is compiled by ADWR and shared publicly. Area providers typically do not hold meetings about this annual report. The results really are good news for District.

**IX. Adjournment**

The meeting adjourned at 6:41 p.m.

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Judy Scrivener, Chair of the Board

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Tullie J. Noltin, Clerk of the Board