

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

June 8, 2015

**** 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, Recorder
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. General Comments from the Public

There were no comments from the public.

III. Adoption of the Fiscal Year 2016 Budget

Mr. Olsen said the proposed Fiscal Year 2016 budget is the same as what was discussed at the March 30, 2015 study session and unanimously recommended (8-0) by the Finance Oversight Committee.

There is one slight modification to the execution strategy for one of the projects on the planned capital improvement program (CIP) but it does not result in a change to the proposed budget. In

May, the Board approved an adjustment to the water service connection fee to bring the fee into alignment with cost of service methodology. The previous mechanism, which charged additional amounts based on the number of units a meter would serve in a multi-unit development, was replaced with a new fee, which charges according to appropriate cost of service based on the capacity the different meter sizes provide. Previous to the adoption of the revised fee, a multi-unit development paid meter fees in advance but has yet to obtain and install all the associated meters. Any meters acquired and installed after July 1, 2015 will pay the current water service connection fees. Multi-unit developments will no longer be charged that extra amount and depending on the number of meters installed after July 1, 2015, the refund to this developer could be sizable. The District's capital program is supported by developer paid connection fees. The execution strategy modification will take a current project, the Metro Hub storage retaining wall, move forward with design activities the first half of the fiscal year, then determine at the mid-year budget review if the fees collected to date support construction within Fiscal Year 2016. If fees received are inadequate for staff to recommend moving forward, it will be brought before the Board and FOC at the mid-year budget review with a recommendation to delay construction until the following fiscal year. There is no change to the proposed budget but this execution strategy is an exercise in fiscal caution. Mr. Offret asked if the developer knows about the situation. Mr. Olsen said yes, staff informed the developer that there may be a refund for meters obtained and installed after July 1, 2015. Any meters taken before then reduces the refund. The dollar figure of the refund will not be known until July 1, 2015.

The proposed Fiscal Year 2016 operating budget is approximately \$125,000 less than the current Fiscal Year 2015 operating budget, which is a direct testament to the priority driven budget process that staff has embraced. The CIP, including water resource utilization projects, is over \$3.1 million in proposed investments in key infrastructure construction and recapitalization efforts.

Mr. Foulk made a motion to adopt the Metro Water District Budget for the Fiscal Year 2016 as presented with the total disbursements not to exceed the budgeted amount of \$24,098,376. Ms. Ireland seconded the motion. Motion passed unanimously.

IV. Consent Agenda

- A. Approval of Minutes – May 11, 2015 Board Meeting.**
- B. Approval of Minutes – May 18, 2015 Public Hearing.**
- C. Ratification of Billing Adjustments.**
- D. Ratification of Bill of Sale – Avilla Sabino West, 1-53, Phase 1&2.**
- E. Approval of Amendment No. 1 to Miscellaneous Water Resources Consulting Services Contract.**
- F. Approval of Amendment No. 1 for the Analytical Laboratory Services Contract for Inorganic Chemical Analyses.**
- G. Approval of Amendment No. 1 for the Analytical Laboratory Services Contract for Radiochemical Analyses.**

- H. Approval of Amendment No. 1 for the Analytical Laboratory Services Contract for Synthetic Organic Chemicals (SOCs) Analyses.**
- I. Approval of Amendment No. 1 for the Analytical Laboratory Services Contract for Unregulated Contaminant Monitoring Rule Three (UCMR-3) Chemical Analyses.**
- J. Approval of Amendment No. 1 for the Analytical Laboratory Services Contract for Volatile Organic Chemicals, Total Trihalomethanes and Haloacetic Acid Chemical Analyses.**

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 fiscal year to date consumption for Metro Main is down approximately 6% over the same period last year and Metro Hub is down 9%. Even with these demand reductions, the revenue stability adjustments adopted by the Board have enabled the District to proactively operate in an era of continually declining demands. It poses a challenge but it is much more manageable with the revenue stability initiatives.

The Utility Team fabricated and installed chlorine enclosures at Metro Hub Wells No. 3 and 4, installed additional security measures at Metro Southwest – Diablo Village No. 2, and fabricated the Hardy No. 2 booster replacement.

Avra Valley Recharge Project (AVRP) has recharged over half the planned water for 2015 and includes portions of water for the pilot of inter-active management area (Inter-AMA) firming and for Arizona Water Bank.

Planned maintenance activities on the Central Arizona Project (CAP) resulted in downtime, which allows the scraping of the recharge basins. The basins fill with debris over time and that precludes their efficiency. The basins were last scraped about 4.5 years ago.

The flow test began on the Cortaro-Marana Irrigation District (CMID) effluent delivery pipeline to determine its usability and feasibility. Around 900 gallons per minute is flowing and the test is intended to last for around five days to determine any leakage rates. Mr. Offret asked how leakage rates are determined. Mr. Olsen said a meter measures the outflow and the weir measures the volume on the other side after it has flowed under Interstate-10.

Staff has been working with groundwater storage facility partners on an initiative to leverage a grant from Arizona Department of Water Resources (ADWR) to implement the irrigation conservation assistance program to gain an increase in agricultural water use efficiencies. There is also the potential for a grant with the Department of Agriculture. If irrigation on farmlands is enhanced, that is water savings for the active management area.

Progress continues on land acquisitions for the CAP Recharge, Recovery, and Delivery System (RRDS). Two of the three well sites have been identified. Discussions are underway on the third site to identify and refine the size of the property needed for the booster, forebay, reservoir, facility, and future treatment site. The contract amendment with Tierra Right of Way Services on the agenda reflects the work needed to secure the 40 to 60 easements needed for the 13 mile pipeline.

B. Financial Report.

Ms. Bracken said revenue and expenditures through April are both favorable with revenue of \$302,946 over budget and expenditures of \$1,004,288 under budget using a straight line projection, resulting in a favorable revenue in excess of expenditures totaling \$1,307,234. Increases in revenue are largely attributed to development revenue of \$349,005 and water resource utilization fees being \$271,426 over the total budgeted revenue for each category. The largest reduction in expenditures is in consultant and contracted services which is \$517,033 under budget on a straight line comparison. Water sales are under budget on a straight line by \$610,743. The ten year monthly consumption average would predict the District at 81% of revenue at this point in the fiscal year and the District is actually at 79% so there is a consistent 2% decline. Historic consumption in April averaged 8% and metered water seals in April were 8.07% so the District is on target in that area. Prior year comparison of revenue through April is \$358,310 higher than April 2014. Total operating expenses this fiscal year when compared to the prior are lower by \$167,883. When comparing revenue in excess of operating expenditures to the prior fiscal year, the current year is favorable by \$526,193. A total of 18 meter applications were received in May compared to 11 in May of the prior fiscal year. Meter applications through May total 114 compared to a total of 286 as of May 2014.

C. Contract Award for Miscellaneous Survey Services.

Mr. Olsen said the next three contracts are for on-call professional services for the District in the way of surveying, geotechnical and material testing, and design services. At the May Board meeting, the Board approved selection of Rick Engineering Company, Inc. for survey support, Western Technologies, Inc. for geotechnical and material testing, and WestLand Resources, Inc. for design. The associated contracts are now before the Board.

Mr. Offret made a motion that the Board of Directors award the Professional Engineering Services for Miscellaneous Survey Services Contract to Rick Engineering Company, Inc. for a not-to-exceed amount of \$50,000, and a contract completion date of June 30, 2016. Mr. Foulk seconded the motion. Motion passed unanimously.

D. Consultant Award for Miscellaneous Geotechnical & Material Testing Services.

Mr. Foulk made a motion that the Board of Directors award the Miscellaneous Geotechnical & Material Testing Services Contract to Western Technologies, Inc. for a not-to-exceed amount of \$25,000 and a contract completion date of June 30, 2016. Mr. Offret seconded the motion. Motion passed unanimously.

E. Consultant Award for Miscellaneous Design Services.

Ms. Ireland made a motion that the Board of Directors award the Miscellaneous Design Services Contract to WestLand Resources, Inc. for a not-to-exceed amount of \$50,000, and a contract completion date of June 30, 2016. Mr. Foulk seconded the motion. Motion passed unanimously.

F. Amendment to Contract with Tierra Right of Way Services for Land Acquisition Services for the CAP Recharge, Recovery, and Delivery System.

Mr. Olsen said as mentioned in the Monthly Status, work continues on the land acquisition phase of the CAP RRDS. Tierra Right of Way Services was previously awarded the contract to perform various surveys and assessments on the four properties the District intends to purchase: three well sites and one future treatment reservoir and booster parcel. This item amends the contract to extend the duration through June 30, 2016 and increase the amount by not-to-exceed \$700,000. This amount is broken down to include analysis on approximately 48 permanent easements, 25 required construction easements along a 13 mile recovery pipeline, 42 cultural resource assessments, 40 title reports and appraisals, and numerous environmental site assessments, and negotiations with individual property owners. While this work could potentially be delayed until the design phase, accomplishing the analysis and securing the easements will prevent issues and add fidelity to the overall project particularly since some of the easements have a longer lead time coordination, ie. the State Land Department, Union Pacific Railroad, Arizona Department of Transportation for Interstate-10, and the crossing of the CAP canal.

Mr. Offret asked if the Board can expect another time extension and Mr. Olsen said while much of the work will be front loaded, there is a potential for some of the longer duration easements and coordination activities to go into the following year. The goal is to have the vast majority of work accomplished in Fiscal Year 2016. Mr. Maish said another extension is very likely because some of the agencies have a two to three year process to finalize easements.

Ms. Scrivener asked if the cultural resource assessments are only on the easements the District is looking at right now. Mr. Olsen confirmed they are required for Arizona State land and other parcels for easements the District is looking to secure.

Mr. Offret made a motion that the Board of Directors approve Amendment No. 1 to the Land Acquisition Services for the CAP Recharge, Recovery, and Delivery contract with Tierra Right of Way Services, which extends the contract deadline to June 30, 2016 and provides for additional compensation in an amount not-to-exceed \$700,000. Mr. Foulk seconded the motion. Motion passed unanimously.

G. Intergovernmental Services Agreement for Interim Remedial Action with the Arizona Department of Environmental Quality for the South Shannon Treatment System.

Mr. Olsen said the intergovernmental agreement with Arizona Department of Environmental Quality (ADEQ) provides for the reimbursement for costs associated with the operation and maintenance of the South Shannon treatment facility for a five year term and provides reimbursement for up to \$39,000 each year. Previous agreements were a one year term amended annually. Should any year exceed that amount, the District is able to reach out to ADEQ and amend the contract to provide full reimbursement. Mr. Offret asked if that has been the average amount for change outs and Mr. Olsen confirmed none have exceeded \$39,000. Mike Block, District Hydrologist, noted the granular activated carbon change outs are included.

Mr. Offret made a motion to approve the Intergovernmental Services Agreement for Interim Remedial Action at the South Shannon Facility with the Arizona Department of Environmental Quality with an expiration date of June 30, 2020. Ms. Ireland seconded the motion. Motion passed unanimously.

H. Approval of Bids for GAC Replacement at South Shannon.

Mr. Olsen said granular activated carbon, or GAC, is used at the South Shannon treatment system to remove volatile organic compounds from groundwater. GAC absorbs volatile organics to the point where no more can be absorbed on the media, requiring it to be changed out about three to four times per year. Quotes for GAC replacement are obtained on a fiscal year basis to minimize facility downtime. Costs are reimbursed by ADEQ. Staff recommends Carbon Activated Corporation for GAC replacement.

Mr. Foulk made a motion to approve the bid submitted by Carbon Activated Corporation for the GAC replacement and to authorize the General Manager to approve each carbon change out as needed with utilization of the District's Job Order Agreement. Mr. Offret seconded the motion. Motion passed unanimously.

I. Approval and Award of Well Maintenance Contract.

Mr. Olsen said the District has 36 active wells that require regular proactive maintenance and emergency work to continue operation and production in order to meet demand. Four contractors submitted bids to provide well maintenance for Fiscal Year 2016. Smyth Industries, Inc. is recommended by staff based on the overall low bid as seen on the bid tabulation page.

Mr. Foulk made a motion to approve and award the Well Maintenance Contract for Fiscal Year 2016 to Smyth Industries, Inc., in the amount not-to-exceed \$270,000 and that the contract be brought back to the Board for approval each year for the term of the contract. Ms. Ireland seconded the motion. Motion passed unanimously.

J. Approval of Miscellaneous Annual Services and Materials Quotes for the Utility Team.

Mr. Olsen said on a regular basis, the Utility Team requires outside services and materials to maintain the District's water distribution system. These items include traffic control, chlorine,

aggregate, asphalt repair, coliform analytical services, and pump and motor repairs. Individual purchases on these items rarely exceed \$15,000; however the cumulative annual total may exceed that threshold, so in order to adhere to the procurement policy, the quotes are brought to the Board on an annual basis.

Mr. Offret made a motion to approve the annual quotes for chlorine, aggregate, asphalt patching, pump and motor repairs, and analytical services for coliform from the corresponding low bids per items as presented by staff, and direct staff to use another appropriate bidder for a particular service or material if performance or quality of a service of the low bidder does not meet the District's needs. Mr. Foulk seconded the motion. Motion passed unanimously.

K. Approval of Quotes for Electrical Services and Construction of Electrical Systems.

Mr. Olsen said the well and booster facilities that provide water to District residents are dependent on electrical systems and equipment for operation. These systems require regular maintenance and require rapid restoration whenever they might fail. While the District now has two full time electricians on staff, the job order agreement provides both emergency support capacity, as well as the ability to augment District staff on planned initiatives or work requiring outside support. Staff is recommending Sabino Electric and Sturgeon Electric to provide as-needed support.

Mr. Foulk made a motion to approve the pricing submitted by Sabino Electric and Sturgeon Electric for the Electrical Services and Construction of Electrical Systems for use through June 30, 2016 and authorize the General Manager to enter into job order agreements with each contractor. Mr. Offret seconded the motion. Motion passed unanimously.

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

Mr. Olsen said the District operates several natural gas generators to provide power and service in key areas in case of electrical outage. These generators require regular preventative maintenance and servicing. Obtaining quotes gives the District greater operational flexibility to ensure crucial pieces of District infrastructure remain operational.

Mr. Offret made a motion to approve the bids and pricing submitted for the Auxiliary Power Preventative Maintenance Services and On-Call Service Repairs 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. Foulk seconded the motion. Motion passed unanimously.

V. General Manager's Report

Mr. Olsen said ADWR Director Tom Buschatzke recently testified to the U.S. Senate Committee on Energy and Natural Resources about the ongoing drought facing the Western United States. He mentioned that any governmental attempt to address the drought should take into account the entire Colorado River system, as opposed to one individual user or state. His testimony also discussed that while Arizona has proactively conserved, stored, and accomplished water planning for many

decades, Arizona would still feel the vast majority of any cuts once a shortage is declared on the Colorado River System. What is compelling is that Director Buschatzke was the only representative from the Colorado River basin states asked to testify. This is likely related to the long lineage of leadership on water issues in Arizona, dating back to the passage of the Groundwater Management Act of 1980 and the efforts which have followed.

While staff would not normally discuss planned outages at a Board meeting, the timing makes it appropriate to mention there is a planned outage tomorrow at Metro Hub to move forward with tying in a valve to facilitate a development. About 105 customers will be without water but the District has used proactive measures to reach out to these customers and explain the situation.

Early registration for the Tristate Seminar is underway. The seminar will be held September 22-24, 2015 in Las Vegas. A number of District staff will be attending and will have an opportunity to earn up to 21 professional development hours (PDH) among the 210 technical sessions. PDH are key for maintaining professional staff and operator certifications. If any Board Member would like to attend and earn PDHs, please let Mr. Olsen or Ms. Noltin know.

VI. Legal Counsel's Report

Mr. Hinderaker said he had nothing to report.

VII. Future Meeting Dates; Future Agenda Items

The next regular Board meeting is scheduled for Monday, July 13, 2015.

Mr. Olsen said on June 15, 2015 at 4:00 pm, the FOC will be discussing security efforts of physical infrastructure, cyber security, water resources, and regional and statewide collaborative efforts. Board Members are always welcome.

VIII. General Comments from the Public

Ingrid Saber, a resident of the District, asked what kind of information the Board considers before approval of bids. She wondered if they have adequate information and time to research. She asked specifically about item VI, the well maintenance contract.

Mr. Olsen explained the process for bid proposal packages, from public notifications to the opening of quotes and bids to be read publicly. Any individual can attend bid openings, and all bids are tabulated and a recommendation is provided to the Board. The Board receives a package of reports several days prior to the meeting, complete with bid information and narratives.

Mr. Foulk said he reads everything in the reports and if he has a comment or question, he writes it down to ask at the Board meeting.

IX. Adjournment

The meeting adjourned at 6:37 p.m.

Judy Scrivener, Chair of the Board

Warren Tenney, Clerk of the Board