

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

MONDAY, JUNE 8, 2020

****BOARD ROOM**
METROPOLITAN DOMESTIC WATER IMPROVEMENT DISTRICT
6265 N. LA CAÑADA DRIVE
TUCSON, ARIZONA 85704**

MINUTES

Board Members Present: Judy Scrivener, Chair
Richard Sarti, Vice Chair (Participated Electronically)
Jim Doyle, Member (Participated Electronically)
Bryan Foulk, Member
Dan M. Offret, Member

District Staff: Joseph Olsen, General Manager
Sheila Bowen, District Engineer (Participated Electronically)
Diane Bracken, Chief Financial Officer (Participated Electronically)
Steve Shepard, Utility Superintendent (Participated Electronically)
Theo Fedele, Clerk of the Board
Jeffrey L. Sklar, Legal Counsel (Participated Electronically)

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, Richard Sarti, and Judy Scrivener were present.

II. General Comments from the Public

Scott Bugental, a District Resident, attended the meeting to express his interest in volunteering to serve on the District's Finance Oversight Committee (FOC) in response to the recent Splash newsletter article looking for new members. The Board appreciated Mr. Bugental's willingness to volunteer to support the District and Mr. Olsen stated he would discuss the FOC roles, responsibilities, and appointment process with Mr. Bugental.

III. Consent Agenda

- A. Approval of Minutes – May 11, 2020 Public Rate Hearing**
- B. Approval of Minutes – May 11, 2020 Board Meeting**
- C. Ratification of Billing Adjustments**
- D. Approval of Amendment No. 2 to the Well Maintenance 2018 Contract with Smyth Industries, Inc.**

Mr. Offret moved 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

Fiscal Year 2020 combined consumption for all service areas compared to last fiscal year-to-date is 5.8% higher and is a trend that has been consistent, particularly given the higher daily temperatures this year than last for April and May.

On June 3, 2020, staff meet with Arizona Department of Environmental Quality (ADEQ) to discuss the District's comments on the Proposed Remedial Action Plan for the Shannon/Camino Del Cerro plume and the future operation of the South Shannon Treatment facility. ADEQ concurred with increased sampling of nearby sentinel wells and is reviewing follow-on actions to accomplish a higher definition ground water model to better predict how the contaminant plume would respond to increased pumping at South Shannon. ADEQ's consultant finished the initial cost estimate for potential advanced oxidation process treatment at South Shannon to mitigate 1,4-dioxane that would allow the well to then operate at a higher capacity versus having to throttle well operations to ensure 1,4-dioxane is blended to below the health advisory level. The cost estimate was approximately \$1 million for the capital construction of the treatment process at South Shannon and initial estimates for 20 years of Operation and Maintenance was \$3.9 million. Staff will continue to work closely with ADEQ exploring additional data and options to capture the contaminant plume before down gradient wells are impacted.

Mr. Shepard stated that the Hardy well was pulled due to loss of production. The supply pump was replaced at the Jim Tripp Reservoir. The media was pulled from the Metro Hub 1A vessel for regeneration. Twenty three feet of cracked A/C main was replaced at Metro Hub and four galvanized steel services were replaced on Giaconda Way.

Ms. Bowen provided an update on the Northwest Recharge, Recovery, and Delivery System (NWRDRS). For the Partner portion, the Water Resources Team completed the bid process for the Recovery Wells. Six drilling companies submitted bids, which will be considered by the Board later in the agenda. The District hosted a workshop to discuss the SCADA system for NWRDRS. Attendees included operations staff from Metro Water, Marana Water, Oro Valley Water, and the Program Support consultant. The final design consultant initiated numerous activities including, field survey, field work to collect information on native plants, geotechnical investigations, and review of the preliminary design for both the transmission main and forebay. The Program Support consultant completed the design of modifications to an existing BKW irrigation ditch to accommodate access to AVRW-02. For the Metro-only portion of NWRDRS, the notice to proceed was issued for the independent cost analysis and work is expected to be complete in early August.

Mr. Sklar stated there are no new updates regarding the condemnation activities. The next hearing in the case will be at the end of June 2020.

B. Financial Report

Ms. Bracken stated that revenue and expenditures for April were both favorable when compared to a straight-line projection with revenue \$1,035,500 over budget and expenditures \$785,867 under budget. The revenue in excess of expenditures is favorable by \$1,821,367. When comparing the total revenue to the prior fiscal year, revenue in April was 11.03% or \$2,000,252 higher than in April 2019. The April Metered Water Revenue is 6.71% or \$946,965 higher than the prior fiscal year. The historic average of budgeted revenue collected as of the end of April is 81% and the District has billed 84.53% of the budgeted revenue as of the end of April. The total operating expenditures through April are \$237,665 higher than they were at the end of April 2019. When comparing revenue in excess of operating expenditures, the current year is favorable by \$1,762,587. The May cash deposit balance was \$14,415,622.17, which is \$1,112,524.87 higher than the April balance.

The Investment balance as of the end of May was \$11,977,450.20, which is \$291,601.84 higher than the April balance.

As of April 30, 2020, the District had 433 days of unrestricted, unallocated cash and cash equivalents on hand when compared to the planned operating expenses in the adopted budget less the \$500,000 contingency. This is a 9-day increase when compared to the March balance.

The Arizona State Treasurer Pooled Collateral Program Statement for April included \$6,269,466.67 of cash on deposit with collateral coverage of \$6,139,856.00 in addition to the \$250,000 FDIC coverage.

The Capital One Bank MasterCards were used to purchase \$43,001.45 on the May statement with up to 1.25% cash back earnings. The cash back amount received from transactions processed in April was \$380.42 or 1.08% with an inception-to-date cash back total of \$9,621.87.

Thirty-six new meter applications were received in May with 17-meter applications for the Metro Main service area and 19-meter applications for the Metro Southwest service area. There were 31 new meter applications received in May of the prior fiscal year. As of the end of May, 378 new meter applications have been received, with 316 applications received by the end of May 2019.

The Customer Service staff will start using an automated calling software this week for higher than normal water usage calls. The “Call-Em-All” software will cost the District about \$150 per year and will save about ten hours of staff time per month, paying for itself in one month. Staff will record the message and write the text message that customers will receive. Customers will have an option to opt out of the text message and receive telephone calls in the future if that is their preference. There will be an article about this initiative in the upcoming newsletter.

C. Approval of the Purchase of the Dell VxRail E560 Server with VMware Enterprise Licensing

Mr. Olsen stated that the Fiscal Year 2021 #3 priority in the “Investments to Support the District’s Mission” is the purchase and installation of a new VXRail server to add to the existing VMware server farm cluster. This would enable replacing three obsolete Windows 2008R2 servers with Windows 2019 virtual servers and would eliminate the risk posed by these obsolete servers to the District’s cyber infrastructure. This solution would also provide an additional 192-gigabytes of random access memory (RAM) and 12-terabytes (TB) of storage.

Mr. Foulk moved to approve the purchase of the VxRail E560 Server with VMware Enterprise Licensing from CDW-Government in the amount of \$33,470.76, with Board approval to the General Manager to increase the total scope and fee up to \$35,000, if necessary, to accommodate unforeseen costs encountered during the purchase and installation process. Mr. Offret seconded the motion. Motion passed unanimously.

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

Mr. Olsen stated that as mentioned during the Monthly Status of the District, the District operates the South Shannon Treatment System on behalf of ADEQ to treat and mitigate the Shannon/Camino Del Cerro plume. ADEQ reimburses the District for the costs associated with

the operation of the facility to include replacement of the granular activated carbon treatment media. It is recommended that the Board approve this intergovernmental agreement as this would enable the District to continue operating the treatment facility while obtaining reimbursement from ADEQ.

Mr. Foulk moved 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, 2025. Mr. Offret seconded the motion. Motion passed unanimously.

E. Award and Approval of Miscellaneous Water Resources Consulting Services Contract

Mr. Olsen stated that the District has utilized the water resources consulting services contract to assist staff in areas such as water resources supply, planning, and permitting since Fiscal Year 1997. The current contract expires at the end of this fiscal year and the request for statements of qualifications for Miscellaneous Water Resources Consulting Services was published in the Daily Territorial on April 6th, 7th, and 13th. Nineteen consultants expressed interest and five statement of qualifications (SOQ) were received by the due date. A three person review committee, comprised of two District staff and one external reviewer, scored the SOQs and recommended that the Board award this work to the highest ranked consultant; Clear Creek Associates. LRE Water was the next most qualified consultant.

Previously, such professional services contracts would be renewed by the Board annually up to three years. The Board revised the District's Procurement Policy in November 2018 to authorize professional services contracts to be approved for up to five years in accordance with governing State Statutes. As the contract can be terminated by the Board if the consultant is found to be in default of any provision of the contract, it is recommended that the Board approve a 5-year contract.

Mr. Sarti moved to authorize the General Manager to negotiate and enter into a 5-year contract with Clear Creek Associates for Miscellaneous Water Resources Consulting Services in an amount not to exceed \$500,000. If staff is unable to negotiate an acceptable professional services agreement with Clear Creek Associates, then staff has the authorization to negotiate with the next highest ranked firm, and continue the process, if necessary, until an acceptable contract agreement is obtained. Mr. Offret seconded the motion. Motion passed unanimously.

F. Approval of Consultant Selection and Authorizing the General Manager to Negotiate a Professional Services Agreement for Miscellaneous Survey and Mapping

Mr. Olsen stated that the District has utilized the services of professional, qualified engineering consulting firms for items such as miscellaneous water system design and survey support since 1993. The request for statements of qualifications (SOQ) for Miscellaneous Survey and Mapping professional services was published in the Daily Territorial on April 20th and 27th with eleven professional firms expressing interest and four statement of qualifications were received by the due date. A three person review committee, comprised of District staff, scored the SOQs and recommended that the Board award this work to the highest ranked consultant; Rick Engineering Company. Westland Resources, Inc. was the next most qualified consultant.

Mr. Offret moved to authorize the General Manager to negotiate and enter into a 5-year contract with Rick Engineering Company for Miscellaneous Survey and Mapping Services in the not to exceed amount of \$125,000 and to authorize the General Manager to negotiate and enter into a contract for these services with WestLand Resources, Inc., in the event Rick Engineering Company, is unable or unwilling to perform. Mr. Sarti seconded the motion. Motion passed unanimously.

G. Approval of Consultant Selection and Authorizing the General Manager to Negotiate a Professional Services Agreement for Miscellaneous Water System Design

Mr. Olsen stated that the District has utilized the services of professional, qualified engineering consulting firms for items such as miscellaneous water system design and survey support since 1993. The request for statements of qualifications (SOQ) for Miscellaneous Water System Design was published in the Daily Territorial on April 20th and 27th with eighteen professional firms expressing interest and five statement of qualifications were received by the due date. A three person review committee, comprised of District staff, scored the SOQs and recommended that the Board award this work to the highest ranked consultant; Carollo Engineers, Inc. Westland Resources, Inc. was the next most qualified consultant.

Mr. Foulk moved to authorize the General Manager to negotiate and enter into a 5-year contract with Carollo Engineers, Inc., for Miscellaneous Water System Design Services in the not to exceed amount of \$2,275,000 and to authorize the General Manager to negotiate and enter into a contract for these services with WestLand Resources, Inc., in the event Carollo Engineers, Inc., is unable or unwilling to perform. Mr. Offret seconded the motion. Motion passed unanimously.

H. Approval of Analytical Laboratory Services Contract with Eurofins-Eaton Analytical, Inc.

I. Approval of Analytical Laboratory Services Contract with Turner Laboratories, Inc.

Items H and I are interrelated and were discussed together.

Mr. Olsen stated that the District utilizes laboratory services contracts to accomplish water quality testing for numerous constituents to ensure compliance with the Safe Drinking Water Act, ADEQ Drinking Water Rules, and to ensure delivery of safe, reliable water. Two water quality testing firms Eurofins and Turner Laboratories, Inc. have consistently accomplished this service for the District due to their analysis capability, turnaround time, quality assurance controls, and other factors.

The constituents that are tested via the Laboratory Services Contract can be broken into seven categories: UCMR-3, UCMR-4, inorganic chemicals (IOC), synthetic organic chemicals (SOC), volatile organic chemicals (VOC), radiochemicals, and disinfection byproducts (DPB). While both labs are able to perform the aforementioned testing services, due to factors such as shipping cost and processing times, it is recommended to award the UCMR-3 and UCMR-4 to Eurofins-Eaton Analytical and the VOC, SOC, IOC, radiochemicals and DPBs to Turner Laboratories Inc. It is also recommended that the Board authorize the other lab to serve as a backup in the event the primary is unable or unwilling to perform. This would also be a five year agreement.

Mr. Sarti moved to approve the Analytical Laboratory Services Contract with Eurofins-Eaton Analytical, Inc., for Fiscal Years 2021-2025 in the amount of \$244,204 to complete analytical services related to UCMR-3 and UCMR-4 constituents and to authorize the General Manager to negotiate and enter into a contract for these services. The General Manager is also authorized to negotiate and enter into a contract for these services with Turner Laboratories, Inc., in the event Eurofins-Eaton Analytical, Inc., is unable or unwilling to perform. Mr. Offret seconded the motion. Motion passed unanimously.

Mr. Foulk moved to approve the Analytical Laboratory Services Contract with Turner Laboratories, Inc., for Fiscal Years 2021-2025 in the amount of \$600,000 to complete analytical services related to volatile organic chemicals (VOC), disinfection byproducts (DBP), synthetic organic chemicals (SOC), inorganic chemicals (IOC), and radiochemicals, and to authorize the General Manager to negotiate and enter into a contract for these services. The General Manager is

also authorized to negotiate and enter into a contract for these services with Eurofins-Eaton Analytical, Inc., in the event Turner Laboratories, Inc., is unable or unwilling to perform. Mr. Sarti seconded the motion. Motion passed unanimously.

J. Award of Construction Contract for Drilling, Installation, and Testing of the Northwest Recharge, Recovery, and Delivery System Recovery Wells

Mr. Olsen stated that a key element to NWRDRS is the new wells that will recover stored Central Arizona Project (CAP) water to be conveyed to the Partner's service areas. On April 13, 2020 the Partner's approved Memorandum of Agreement (MOA) 20001-00, authorizing the solicitation of qualified drillers to drill, install, and test three recovery wells. A public bid notice was published on April 20th, 21st, and 27th with six contractors responding by the bid opening deadline. Contractors were asked to provide two bid alternatives based on whether drilling mud would be disposed off-site or on-site.

The low bidder for both alternatives was Yellow Jacket Drilling Services, LLC. and the second lowest bid was Arizona Beeman Drilling. Yellow Jacket has successfully drilled wells for the District previously including the new Oracle Jaynes Station well and the two NWRDRS exploratory wells. Yellow Jacket's bid of \$1,827,121 is approximately \$804,000 less than the engineer's estimate for this work. On June 1, 2020, the Partner's approved MOA 20001-01 to recommend the Board award this work to Yellow Jacket. Per the NWRDRS intergovernmental agreement, Oro Valley is responsible for 50% of the cost associated with the well drilling.

Mr. Offret moved to authorize the General Manager to execute an agreement with Yellow Jacket Drilling Services in an amount not to exceed \$1,827,121.00 (Alternative 1) for the Northwest Recharge Recovery and Delivery System recovery well drilling, installation, and testing and to grant the General Manager authority to approve the following changes to the construction contract: 1) allocate additional funding in a cumulative amount not to exceed \$50,000 and 2) increase the original construction contract term in a cumulative amount not to exceed 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. Motion passed unanimously.

K. Authorizing Site Preparations for Recovery Well Drilling for Northwest Recharge, Recovery and Delivery System

Mr. Olsen stated that there are various required site improvements in order to accomplish the well drilling activities discussed in the previous agenda item including the construction of a crossing for an existing irrigation canal for the driller to access recovery wellsite AVRW-02. Borderland has accomplished similar work in this area for BKW Farms, whose irrigation canal will be crossed,

and the City of Tucson's Cooperative Purchasing Job Order Contract was used to solicit a bid from Borderland. The engineer's estimate was \$73,580 and Borderland's bid was \$63,540.11. It is recommended that the Board approve this work to Borderland to provide access for the well drilling contractor at AVRW-02. Oro Valley will reimburse the District for 50% of the cost.

Mr. Sarti moved to authorize the General Manager to execute an agreement for construction of the Northwest Recharge, Recovery, and Delivery System Package 2A – Site Preparations for Recovery Well Drilling with Borderland Construction Company in the amount of \$63,540.11, to authorize the General Manager to allocate additional funding in a cumulative amount not to exceed \$5,000.00, and to increase the original construction contract term in a cumulative amount not to exceed twenty (20) calendar days. Mr. Foulk seconded the motion. Motion passed unanimously.

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

Mr. Olsen stated that the District utilizes several natural gas backup generators to enable continuity of operations in key areas during a power outage. These generators require specialized, proactive maintenance to ensure functionality when needed. Approval of these quotes will enable both scheduled maintenance and expeditious response in the case of equipment failures.

Mr. Foulk moved to approve the bids and pricing submitted for the Auxiliary Power Preventative Maintenance Service and On-call Service Repairs for use in Fiscal Year 2021 and to 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.

M. Approval of Quotes for Miscellaneous Annual Services and Material for the Utility Team

Mr. Olsen stated that each year the Board is asked to approve quotes for various services and materials that the Utilities team relies on to ensure deliveries of safe, reliable water to our customers. These quotes include chlorine purchases, rentals of traffic control devices, aggregate purchases, asphalt patching services, analytical services for coliform testing, and pump and motor repairs. The Board is requested to approve these quotes and direct staff to use the lowest quote when possible.

Mr. Offret moved to approve the annual quotes for barricade rental, chlorine purchases, aggregate purchases, asphalt patching services, analytical services for coliform, and pump and motor repairs from the corresponding lowest bids per item as presented by staff, and to direct staff to use the

next lowest bidder for a particular service or material if performance or quality of service from the lowest bidder does not meet the District's needs. Mr. Foulk seconded the motion. Motion passed unanimously.

VI. General Manager's Report

Mr. Olsen stated that the Board has previously discussed how the Central Arizona Water Conservation District (CAWCD) has used primarily the per acre-foot (AF) capital charge to pay for the federal repayment obligation associated with the construction of the CAP canal. Over the past year we have engaged, both on behalf of the District and in my capacity at the Southern Arizona Water Users Association (SAWUA) to advocate a portion of the Ad Valorem Property tax be allocated to assist with the federal repayment obligation as everyone in Maricopa, Pinal, and Pima Counties benefits from the CAP infrastructure. After numerous one-on-one conversations with CAWCD Board members, multiple letters, and many blue card comment submissions at the various meetings, CAWCD has concurred with use of a portion of the property tax for this purpose. The CAWCD Board has formally adopted that in calendar year 2021, 2-cents of the 10-cent tax will be used for this purpose and 2.5-cents will be allocated in calendar year 2022. This results in a \$13 per AF reduction of the capital charge in 2021 and a \$21 per AF reduction in 2022. Based on the District's planned CAP water orders for those two years, that would result in a total savings to District ratepayers of over \$338,000 and ensures all who benefit from the Central Arizona Project pay a portion of the capital obligation.

Each year a subsidence map is received from the Arizona Department of Water Resources (ADWR) showing changes in ground elevation throughout the Tucson Region. The map shows the District's service areas and is helpful in addressing customer inquiries regarding subsidence. The partnership with ADWR to create these maps for the District and to assist in the overall program is the result of an intergovernmental agreement where the District contributes \$1,500 annually.

The COVID-19 pandemic has caused extensive economic impacts to not only individual households but also to municipal budgets. As such, municipalities are struggling with continuing essential services and operations with reduced sales tax revenue. One of the NWRD Partners, the Town of Marana, has asked to delay the construction of the shared recovery pipeline and forebay for one year to provide adequate time to secure the financial resources required. We would still proceed with the shared design and construction on elements where Marana is not a cost share partner, such as the recovery wells. Ms. Bowen reviewed the construction schedule, looked for ways to optimize the construction activities, and updated the schedule based on current project phasing. Ms. Bracken reviewed the financial pros and cons associated with a one year delay of construction. While the costs would escalate due to a one year delay, an additional year of water

resource utilization fees would be collected in advance of construction more than offsetting this increase. Oro Valley also performed an internal review and arrived at a similar outcome. As a result, the District and Oro Valley concurred that a one year delay would not have a negative financial impact and construction is anticipated to be completed by the end of calendar year 2023 with commissioning in the first quarter of calendar year 2024.

Ian Scrimshaw, the District's Lead Utility Technician in the Production Crew, was selected as AZWater's 2020 Maintenance Mechanic of the Year (Small System). Mr. Scrimshaw has served the District since 2008 and was nominated by Mr. Shepard due to his dedication to the District mission of delivering safe, reliable water to our customers.

VII. Legal Counsel's Report

Mr. Sklar said he had nothing to report.

VIII. Clerk of the Board Updates; Future Meetings

The next regularly scheduled Board meeting will be held on July 13, 2020.

IX. General Comments from the Public

There were no comments from the public.

X. Adjournment

The meeting adjourned at 6:58 p.m.

Judy Scrivener, Chair of the Board

Theo Fedele, Clerk of the Board