

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

**MONDAY, AUGUST 16, 2021**

**\*\*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  
Jim Doyle, Member (Participated Electronically)  
Lee Jacobs, Member (Participated Electronically/arrived at 6:09 p.m.)

**Board Members Not Present:** Bryan Foulk, Member

**District Staff:** Joseph Olsen, General Manager  
Sheila Bowen, District Engineer (Participated Electronically)  
Diane Bracken, Chief Financial Officer (Participated Electronically)  
Steve Shepard, Utility Superintendent  
Theo Fedele, Clerk of the Board  
Mark Patton, 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, Richard Sarti, and Judy Scrivener were present. Bryan Foulk and Lee Jacobs were not present.

**II. General Comments from the Public**

There were no comments from the public.

**III. Consent Agenda**

- A. Approval of Minutes – July 12, 2021 Board Meeting**
- B. Ratification of Billing Adjustments**
- C. Ratification of Accounts Removed from Active Accounts Receivable**

**D. Approval of Water Service Agreement for Overton Self Storage (M-21-002)**

Mr. Sarti moved to approve the consent agenda. Mr. Doyle seconded the motion. Motion passed unanimously. Motion passed by a roll call vote of 3-0.

**IV. General Business – Items for Discussion and Possible Action**

Note: Lee Jacobs arrived at 6:09 p.m.

**A. Monthly Status of the District**

Mr. Olsen stated that Fiscal Year 2022 consumption compared to last fiscal year-to-date is 5% lower but only includes one month of data. Fiscal Year 2021 experienced noticeably higher demands than previous years and we will see how this trend unfolds as we navigate further into Fiscal Year 2022.

A total of 634 acre-feet (AF), of the City of Phoenix's water under the inter-AMA agreement, has been delivered to Avra Valley Recharge Project (AVRP). The remainder of Phoenix's 3,500 AF order will be stored at AVRP by the end of the calendar year.

On August 5, 2021, the Central Arizona Water Conservation District (CAWCD) Board approved the District's request to remove the Central Arizona Groundwater Replenishment District (CAGR) member service area status from Metro Main. The CAWCD Board made multiple complimentary statements regarding the District's actions, including that they hope other entities review their water resource portfolios and follow the District's leadership example. This last step now formally completes the multi-year journey to de-enroll Metro Main from CAGR.

Mr. Shepard provided an update on noteworthy maintenance projects.

Ms. Bowen provided an update on the Northwest Recharge, Recovery, and Delivery System (NWR) Project including the Metro-only portion of the project.

**B. Financial Report**

Ms. Bracken stated that revenue and expenditures for Fiscal Year 2021 were both favorable. Unaudited Revenue was \$3,527,205 higher than budgeted. This is largely attributed to Metered Water Revenue exceeding the budget by \$2,017,569 and with higher water usage, the Water Resource Utilization Fees were higher than budgeted by \$206,368. Development revenue also exceeding the budgeted amount by \$1,101,154 with 596 new meter connections. Expenditures for

Fiscal Year 2021 were \$1,582,604 lower than budgeted. The cost of purchasing Central Arizona Project (CAP) water was \$841,960 lower than budgeted with a shortage rate included in the adopted budget. Wages and benefits were \$352,954 lower than budgeted with additional engineering hours charged directly to Capital Improvement Program (CIP) projects, no increase in dental insurance rates, and the 20% increase budgeted for workers compensation did not occur. Consulting services were \$298,175 lower than budgeted and operating costs were \$160,518 under the budgeted total. The fiscal year ended with the revenue in excess of expenditures exceeding the budget by \$5,109,809. When comparing the fiscal year total revenue to the prior fiscal year, revenue was higher by 5.58% or \$1,378,879. Metered Water Revenue was 7.3% or \$1,348,133 higher than metered water revenue in the prior fiscal year. The total operating expenditures for Fiscal Year 2021 were \$407,124 higher than the prior fiscal year with wages and benefits making up \$385,413 of this increase. The July cash deposit balance was \$23,192,750.19, which is \$282,321.35 higher than the June deposit balance. The investment balance as of the end of July was \$12,211,257.18, which is \$983,122.54 higher than the June balance.

The Arizona State Treasurer Pooled Collateral Program Statement for June includes \$12,197,130.39 of cash on deposit with collateralization coverage of \$11,931,073.00 in addition to the \$500,000 FDIC coverage.

The Capital One Bank MasterCards were used to purchase \$46,014.41 on the July statement with up to 1.25% cash back earnings. The cash back amount received from transactions processed in June was \$483.09 or 1.05%. The inception-to-date cash back total is \$15,317.34.

Twenty-one new meter applications were received in July with 8 meter applications for the Metro Main service area and 13 meter applications for the Metro Southwest service area. There were 53 new meter application received in July of the prior fiscal year.

On June 30, 2021, the District recovered \$171.66 from the local government investment pooled (LGIP) losses that were tied to the Lehman Brothers Holdings Inc. who filed Chapter 11 in 2008. The District has recovered 66.5% of these losses with a remaining unrecovered balance of \$25,238.68 of the original loss of \$75,351.62.

**C. Special Pay for Arizona Department of Environmental Quality Operator and Other Certifications**

Mr. Olsen stated that the number one Board assigned specific performance objective for the District for calendar year 2021 is to “continue succession planning activities on planned and unplanned retirements and separations.” Recently, the District hired five external candidates to fill the Utility Technician I and II vacancies. While these new employees are highly qualified and we

are fortunate that they have joined the District family, it is unfortunate that we did not have more in-house candidates who possessed the required Arizona Department of Environmental Quality (ADEQ) Operator Certifications to interview for some of these promotional opportunities. While the District successfully cross-trains staff to perform both current and potential future responsibilities, helping staff obtain the required ADEQ operator certifications for promotional opportunities has been an ongoing goal. In addition to the succession planning benefit, each additional operator certification held by staff enhances the knowledge and capability of our overall team.

To support succession planning, and increase the collective knowledge base of District staff, a policy regarding special pay for ADEQ operator certifications was drafted. The policy, if approved by the Board, would compensate staff 25-cents per hour for each operator certification beyond what is required for their current classification. The reason this policy is being brought to the Board for consideration is because the Board previously authorized the General Manager to only implement personnel policies that do not have a financial impact to the District.

As there are other special pay categories for tasks that benefit the District, i.e. Commercial Driver's License, crane certification, or welding certification, it is recommended that the Board authorize the General Manager to implement special pay for these duties so long as no individual special pay category, except Special Pay for ADEQ Operator Certifications, exceeds the authority per the District's Procurement Policy.

Ms. Scrivener and Mr. Jacobs voiced their support of the District's ongoing training and the special pay policy.

Mr. Sarti moved to authorize the General Manager to approve the Special Pay for Arizona Department of Environmental Quality Operator Certifications Personnel Policy and to revise the policy as necessary to ensure the goals of this policy are achieved. I also move that the General Manager shall be authorized to approve special pay for other certifications beneficial to District operations so long as the total annual financial impact for each special pay category is less than the General Manager's authority in the District's Procurement Policy. Mr. Jacobs seconded the motion. Motion passed by a roll call vote of 4-0.

**D. Northwest Recharge, Recovery and Delivery System Acquisition of Property Rights through Negotiated Settlement on Parcels 216-32-025A and 216-32-028A**

Mr. Olsen stated that last month the Board directed the General Manager to proceed with coordinating the acquisition of easements on Parcels 216-32-025A and 028A in support of the Northwest Recharge, Recovery and Delivery System (NWRDRS). Over the last month, staff have reached an agreement with the developer who acquired property rights and easements that the

District is seeking. After negotiation, the Developer is asking for a total compensation of \$48,000 to grant the District these easements as well as securing a temporary construction easement for the District that is located on property the developer has not purchased. As the District has already placed a deposit for these easements, the District would only owe the developer the difference of \$48,000 and the deposit amount. This equates to \$36,310.18 that the District would pay the developer. If this settlement is approved by the Board, this would complete the condemnation matter that has been pending for over two years and would avoid the trial that was also pending.

Mr. Jacobs moved to authorize the General Manager to acquire property rights on parcels 216-32-025A and 216-32-028A, through negotiated settlement, to support the Northwest Recharge, Recovery, and Delivery System. Mr. Sarti seconded the motion. Motion passed by a roll call vote of 4-0.

**E. E&T 22 Well Replacement Request for Approval to Proceed with Condemnation on Portions of Parcel 303-12-138E**

Mr. Olsen stated that in November 2020, the Board authorized the General Manager to proceed with land acquisition services to support the E&T22 well replacement. As part of this effort, adjacent property would be acquired by the District to ensure the new well is located on District property and access easements would be formally secured. Unfortunately, the adjacent property owner has been unable to negotiate the property transaction due to illness. A family member that our real property consultant has been in contact has recently passed away. As such, it is recommended that the Board authorize condemnation actions so this acquisition can proceed. Authorizing condemnation does not change the property valuation nor reduce ultimate compensation to the current property owner, but enables us to proceed with the land acquisition for a critical well replacement in the E&T service area.

Mr. Sarti to authorize the General Manager to proceed with condemnation of property and easements on portions of Parcel 303-12-138E as deemed necessary. Mr. Jacobs seconded the motion. Motion passed by a roll call vote of 4-0.

**F. Approval of Amendments to Groundwater Savings Storage Agreements with BKW Farms, Inc., Cortaro Water Users' Association, and Kai Farms Red Rock**

Mr. Olsen stated that the Groundwater Saving Facilities are a critical water resource management strategy for the District where a portion of the District's CAP allocation is delivered to farmlands near the CAP canal in-lieu of the farms pumping ground water. The District also receives equal water credits in return along with a Groundwater Savings Facilities (GSF) rebate of \$12/AF. Each year, these mutually beneficial relationships provide additional financial resources equivalent to

approximately 600 AF of CAP water. It is recommended that the Board approve a GSF storage amendment with BKW Farms, Inc., Cortaro Water User's Association, and Kai Farms Red Rock for the storage of 500 AF, 7,960 AF, and 1,500 AF respectively. After 3,500 AF is taken into account for the Compensated System Conservation agreement, the goal is that the remaining 9,960 AF of the District's 2021 CAP allocation is stored in GSFs. This would generate approximately \$120,000 in revenue for the District in GSF storage rebates and save approximately \$170,000 than if this water was otherwise stored in constructed recharge projects.

Mr. Sarti moved to approve Amendment No. 3 between the District and BKW Farms, Inc. for "In-Lieu Water Deliveries and Storage" for calendar year 2022. Mr. Jacobs seconded the motion. Motion passed by a roll call vote of 4-0.

Mr. Jacobs moved to approve Amendment No. 3 between the District and Cortaro Water Users' Association for "In-Lieu Water Deliveries and Storage" for calendar year 2022. Mr. Sarti seconded the motion. Motion passed by a roll call vote of 4-0.

Mr. Jacobs moved to approve Amendment No. 3 between the District and Kai Farms Red Rock for "In-Lieu Water Deliveries and Storage" for calendar year 2022. Mr. Sarti seconded the motion. Motion passed by a roll call vote of 4-0.

**G. Approval and Award for Variable Frequency Drive Replacements at the Northeast Reservoir Booster Station**

Mr. Olsen stated that one of the Investments to Support the District's mission in the Fiscal Year 2022 adopted budget is the replacement of two variable frequency drives at the Northeast Reservoir Booster Station. The existing drives have aged beyond their effective life and repair parts are significantly more costly than a replacement drive. As such, these drives are being replaced proactively as opposed to incurring higher emergency repair costs. It is recommended that the Board award the purchase of the drives to the low bidder, IEC supply, and award the installation to SMS Construction, who was the lowest bidder on the District's Emergency and Miscellaneous Electrical Services job order contract. The total amount requested for this work is approximately \$38,000 and the adopted budget allocated \$44,000 for this effort.

Mr. Sarti moved to approve the variable frequency drive replacements at the Northeast Reservoir Booster Station and to authorize the purchases of the variable frequency drives (VFD) from IEC Supply in the amount of \$18,792.68, to award the installation work to SMS Construction in the amount of \$16,845.00, and to authorize an additional \$2,000 for any unforeseen issues related to the project. Mr. Jacobs seconded the motion. Motion passed by a roll call vote of 4-0.

## **H. Approval and Award for the District Office Parking Lot Pavement Replacement**

Mr. Olsen stated that one of the Investments to Support the District's mission in the Fiscal Year 2022 adopted budget is the Metro Main Parking Lot Pavement Replacement. The parking lot still has the original pavement since the building was constructed over 21 years ago. While preventative maintenance was performed to extend the life of the pavement, the pavement has now deteriorated to the point where the large cracks have become a safety issue. The budget allocated \$210,500 for the pavement replacement, and the lowest bid to mill and replace the asphalt 2-inches deep was from Sunland Asphalt and Construction in the amount of \$204,273.48. As there are other minor items that may need to be accomplished during the pavement replacement, such as replacing a to be determined quantity of concrete wheel stops, it is recommended that the Board authorize Sunland Asphalt and Construction to accomplish the preferred Bid Alternative C and authorize the General Manager to approve up to an additional \$10,000 for these minor items.

Mr. Jacobs moved to approve Bid Alternative C Resurfacing and Replacement for the District Office Parking Lot Paving Replacement, to award the work to Sunland Asphalt & Construction, and to authorize the General Manger to approve an additional \$10,000 for any unforeseen costs or work. Mr. Sarti seconded the motion. Motion passed by a roll call vote of 4-0.

## **I. Presentation on the Anatomy of a Main Break Repair**

Mr. Olsen provided an educational presentation to the Board regarding the various steps and uniqueness involved in an emergency main break repair.

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

Mr. Olsen stated that at the June Board meeting, the Board approved the sale of the Lattamore well site to Pima County in a mutually beneficial agreement. The sale of the property has now closed and staff is working the transition of the site over to Pima County ownership including such actions as transferring the ownership of the two wells with Arizona Department of Water Resources (ADWR), transferring the Tucson Electric Power service, physically isolating the site from other District distribution infrastructure, and severing the telemetry connection. While the documents have all been signed and approved, these actions will operationally complete the transfer of the Lattamore well site.

The Bureau of Reclamation has just released their August 24-month projection of the health of the Colorado River system. The August 24-month study is important as that is what is used to determine any shortage conditions in the following calendar year. The Bureau has declared a Tier 1 shortage condition for 2022 based on projected Lake Mead levels. Under a Tier 1 shortage,

Arizona will lose 512,000 acre-feet of its Colorado River water, equating to one-fifth of Arizona's Colorado River allocation or 8% of Arizona's overall water usage. The first shortage Tier predominantly impacts the Agricultural sector; Municipal and Industrial CAP Subcontract holders, such as the District, are not directly impacted until a Tier 3 shortage. Indirectly, the District will be impacted with higher unit costs on CAP deliveries but we proactively planned for a Tier 1 shortage when the Fiscal Year 2022 budget was compiled.

As a reminder, the last couple years, 100% of the District's CAP allocation has been scheduled to either firm Pima County Agricultural activities via mutually beneficial groundwater savings facilities agreements, or to support the Drought Contingency Plan via the compensated system conservation agreement. The District's compensated system conservation agreement is still the only such agreement that CAWCD has executed.

**VII. Legal Counsel's Report**

Mr. Patton stated he had nothing to report.

**VIII. Clerk of the Board Updates; Future Meetings**

The next regularly scheduled Board meeting will be held on September 13, 2021.

**IX. General Comments from the Public**

There were no comments from the public.

**X. Adjournment**

The meeting adjourned at 7:00 p.m.

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Judy Scrivener, Chair of the Board

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Theo Fedele, Clerk of the Board