

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

MONDAY, NOVEMBER 9, 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
Jim Doyle, Member (Participated Electronically)
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 (Participated Electronically)
Theo Fedele, Clerk of the Board
Wally Wilson, Water Resources Manager (Participated Electronically)
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, Richard Sarti, 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 – October 14, 2020 Board Meeting**
- B. Ratification of Billing Adjustments**
- C. Ratification of Bill of Sale for Northwest Medical Center Post-Acute Center of Excellence (M-19-026)**

D. Ratification of Bill of Sale for Sonoran Ranch Estates II, Phase 4 (M-20-003)

Mr. Foulk moved to approve the consent agenda. Mr. Sarti seconded the motion. Motion passed by a roll call vote of 4-0.

IV. General Business – Items for Discussion and Possible Action

A. Monthly Status of the District

Mr. Olsen stated that the Fiscal Year 2021 combined consumption compared to last fiscal year-to-date is 10.5% higher and is a significant uptick compared to last month.

As of the September, only approximately 450 acre-feet (AF) of the District's 2020 Central Arizona Project (CAP) order remains to be stored at Avra Valley Recharge Project (AVRP) with City of Phoenix and Arizona Water Banking Authority planned storage complete.

The Board previously authorized staff to proceed with the necessary steps to “de-enroll” Metro Main from the Central Arizona Groundwater Replenishment District (CAGR) as the District's portfolio of renewable water supplies are projected to meet the long range Metro Main customer demand and the cost of CAGR membership for Metro Main is no longer justifiable. The first step in this process is to modify the District's Designation of Assured Water Supply (DAWS) to remove CAGR as a water resource required to meet the DAWS obligations. Last month, the Arizona Department of Water Resources (ADWR) responded to the District's DAWS modification application with a “Deficiency” letter. This letter requested clarifications that ADWR staff required prior to completing the review of the modification. Staff is in the process of working with the District's Water Resources Consultant, Clear Creek Associates, to compile a response. Once the DAWS modification is complete, then the formal disenrollment request can be made to the Central Arizona Water Conservation District.

Mr. Shepard provided an update on noteworthy maintenance projects. Staff pulled the Escondido Well for maintenance and is evaluating the well to determine the repairs that need to be done. Staff drained the Diablo Village #1 west tank for inspection. Staff completed the replacement of the variable frequency drive (VFD) at the Northeast Reservoir Booster Station #2. The main line on Casas Circle was repaired and staff relocated an Air/Vacuum Release Valve and installed a new sample station at Las Palmas.

Ms. Bowen provided an update on the Northwest Recharge, Recovery, and Delivery System (NWR) Project including the progress on the three recovery wells, the Metro-only portion of NWR, and the progress on the Oracle Road Project.

Mr. Foulk asked how the three NWRD wells compared to the City of Tucson recovery wells. In particular, if the new NWRD wells have great flow, will constant recharge be required or will the flow drop off tremendously.

Wally Wilson stated that the wells constructed for the Central Avra Valley Storage and Recovery Project (CAVSARP) and Southern Avra Valley Storage and Recovery Project (SAVSARP) projects in central and southern Arizona Avra Valley are all built about the same. They are 1,000 feet deep with about 400 feet of screen at the bottom and 20-inch diameter. Those projects did not use the louvered stainless steel screen or the glass beads that were used on the District wells. The geology is a little different where the District wells are located compared to CAVSARP and SAVSARP, which are running a maximum of around 2,000 gallons per minute and a majority are running about 1,500 gallons per minute. The District's wells are in coarser materials associated with the pathways of the Santa Cruz River increasing productivity to over 3,000 gallons per minute. These District wells have better geology and better construction materials which will attest to the lifecycle of the well which will be much longer than with other materials.

Mr. Sklar stated that in October, there was a status hearing with the judge on the one condemnation item. The judge set another status hearing for January 20, 2021, and he expressed the desire to keep this case moving. There was a reasonable likelihood that the construction plan will be submitted to the other side by that date. A proposed schedule will then be agreed on for getting the case prepared for trial, which will most likely occur at the January hearing. With a pretrial schedule, the judge may then provide a date when he will set a trial. The trial will then probably take place next summer or fall.

B. Financial Report

Ms. Bracken stated that revenue and expenditures for September are both favorable when compared to a straight-line projection with revenue \$1,510,448 over budget and expenditures \$411,850 under budget. The revenue in excess of expenditures is favorable by \$1,922,298. When comparing the total revenue to the prior fiscal year, revenue in September was 5.39% or \$395,677 higher than it was in September of the prior year. The Metered Water Revenue is 5.04% or \$286,769 higher than the prior fiscal year. The historic average of budgeted water revenue collected at the end of September is 30% and the District has billed 30.49% of the budgeted water revenue as of the end of September. The operating expenditures in September were \$61,056 higher than they were in September of the prior fiscal year at \$2,951,780. The October cash deposit balance was \$18,257,890.59, which is \$1,236,196.67 higher than the September balance. The investment balance as of the end of October was \$11,387,311.51, which is \$877,584.86 higher than the September balance.

The Arizona State Treasurer Pooled Collateral Program Statement for September includes \$8,144,498.36 of cash on deposit with collateralization coverage of \$8,144,498.37 in addition to the \$250,000 FDIC coverage.

The Capital One Bank MasterCards were used to purchase \$37,248.82 on the October statement with up to 1.25% cash back earnings. The cash back received from transactions processed in September totaled \$252.55 or 1.01% with an inception-to-date cash back total of \$11,601.71.

Twenty new meter applications were received in October with 6-meter applications for the Metro Main service area and 14-meter applications for the Metro Southwest service area. There were 36 new meter application received in October of the prior fiscal year. Year-to-date, 176-meter applications have been received compared to 145 at the same time in the prior fiscal year.

On November 4, 2020, the Customer Service staff resumed the process of turning off customers' water for non-payment. One week prior to the actual disconnection date, letters were mailed, notices were added to the normal shut-off notifications that have continued to be mailed, and automated calls and text messages were sent to all of these customers requesting that they make payments or contact the office to make payment arrangements. The first billing cycle had 167 past due accounts prior to sending out the electronic messages. On the scheduled disconnection day, 39 outstanding customers remained without payment arrangements. After the revenue enforcement, all but four customers either made payments or payment arrangements. This morning, the District has established 45 customer payment arrangements related to the COVID-19 pandemic. The second cycle customers will have their first disconnect for non-payment this week and after sending out the phone and text messages, the counts are near the pre-COVID disconnect numbers with 70 in Metro Southwest and 49 in a section of Metro Main.

Mr. Foulk clarified that the counts were the same pre-COVID but some customers are on payment arrangements to keep them current. Mr. Olsen stated that was correct. Mrs. Bracken stated that the payment arrangement required some money down and an agreement to pay over a period of time until they are paid-in-full.

C. Authorizing Pipe Loop Testing for the Northwest Recharge, Recovery, and Delivery System (NWRRDS) Metro-only Project

Mr. Olsen stated that two of the key considerations of the Northwest Recharge, Recovery and Delivery System (NWRRDS) program is ensuring that water that is recovered and delivered meets all water quality requirements and does not cause unintended impacts to customers and the distribution system. Over the past six years, the Board has been informed that extensive water

quality testing will need to be performed, including bench-scale tests, to ensure unintended outcomes from the delivery of NWRRDS water are able to be identified and mitigated. Carollo previously accomplished a blend study for the District that recommended blend ratios of NWRRDS water and groundwater based on various scenarios. This study also identified various corrosion indices that require further exploration. The best way to test these blend ratios and corrosion indices is to actually run recovered NWRRDS water through our system. As that is not practical nor wise on a test basis, the next most appropriate method is to perform pipe loop testing where galvanized service lines are harvested from our system and set up in a controlled environment where various blends of NWRRDS water are run through these loops over the course of many weeks. At regular intervals, water quality analyses would be conducted to determine what impact the NWRRDS blend has on our distribution system and if any additional water quality treatment, such as pH adjustment, is required prior to delivery of the recovered NWRRDS water to the District's Herb Johnson reservoir.

The cost provided by Carollo is to conduct the pipe loop testing with staff harvesting and replacing the various service lines to be tested. There are also additional water quality parameters that will need to be tested throughout the duration of this study, many of which require the support of a state certified lab to accomplish. There will be a future Board agenda item regarding these water quality analyses once the scope and scale is finalized.

Ms. Scrivener stated she recalls concerns in the past at other utilities when these kinds of tests were not performed. Lessons were learned from those experiences and supports the pipe loop testing.

Mr. Foulk moved to authorize the General Manager to execute an agreement with Carollo Engineers, Inc., to complete Pipe Loop Testing for the Northwest Recharge, Recovery, and Delivery System Metro-only project in the amount of \$182,027.00 using the Professional Services Agreement for Miscellaneous Water System Design and to authorize the General Manager to increase the scope and fee by \$5,000.00, if necessary, to accommodate unforeseen conditions encountered during the evaluation. Mr. Sarti seconded the motion. Motion passed by a roll call vote of 4-0.

D. Authorizing the General Manager to Execute Amendment No. 1 to the Contract for Final Design Services for Shared Portions of the Northwest Recharge, Recovery and Delivery System

Mr. Olsen stated that on February 10, 2020, the Board authorized a contract with Carollo for final design services for the transmission main and forebay facility. Since that time, the NWRRDS cost share Partners of the Towns of Oro Valley and Marana, along with the District, have realized that there would be economies of scale if the final design of the well equipping was also included.

Additionally, the Partners have agreed with the wisdom of accomplishing the design for a chemical storage and feed system as modifying the completed design to include this water quality treatment capability would cause significant design changes if performed later. The chemical storage and feed systems may not ultimately be constructed, pending the results of pipe loop testing, but having the design complete enables appropriate scenario planning.

Also, the Partners concurred that the diameter of the transmission main should be reduced from 30-inches to 24-inches based on the results of a life cycle analysis that showed this reduction in pipeline diameter would save \$3.3 million in upfront capital costs and save approximately \$652,000 over a 20-year period while still enabling the deliveries per the intergovernmental agreement.

The Partners executed the Memorandum of Agreement 20007-00 to formally concur with the amendment and their respective cost share. The total amendment for Carollo is \$1,050,109 with the District's portion of \$495,259.86

Mr. Sarti moved to authorize the General Manager to execute Amendment No. 1 with Carollo Engineers, Inc., for shared components of the Northwest Recharge, Recovery, and Delivery System in an amount-not-to exceed \$1,050,109. Mr. Foulk seconded the motion. Motion passed by a roll call vote of 4-0.

E. Authorizing the General Manager to Execute an Agreement for Land Acquisition Services for E&T 22 Well Replacement

Mr. Olsen stated that the E&T 22 Well is 31 years old and is planned to be replaced in Fiscal Year 2022 to enhance the reliability of the E&T service area as the existing casing is experiencing severe deterioration. The new well is planned to be drilled on the property where the District has an easement but does not own the property. It is recommended that the Board authorize the District's Miscellaneous Real Estate Consultant, Tierra Right of Way Services, to proceed with land acquisition and a potential property swap with the owner so the new well would be drilled on District property. The current year Capital Improvement Program (CIP) includes \$20,700 for this property acquisition activity.

Mr. Foulk moved to authorize the General Manager to execute an agreement with Tierra Right of Way for land acquisition services to support the future E&T 22 Well replacement utilizing the District's Professional Services Agreement for Miscellaneous Real Estate Consulting in an amount-not-to exceed \$22,240.00. Mr. Sarti seconded the motion. Motion passed by a roll call vote of 4-0.

F. Approval and Award for Storage Tank Coating

Mr. Olsen stated that the Magee/La Cholla South Storage Tank has a capacity of one million gallons and the interior coating has not been fully replaced since the tank's construction 24 years ago. Replacement of the interior coating on steel tanks such as these is an important maintenance activity to reduce corrosion potential and extend the life of the tank. Interior coatings typically last up to 20 years and deferring coatings increases corrosion and premature wear on these key infrastructure assets in our water distribution system. Quotes were sought from the City of Tucson Cooperative Purchasing Contract for Painting and Other Related Services and AO Painting was the only respondent. AO Painting has performed similar internal coatings for the District in the past and their quote is \$265,733. The adopted budget has \$291,000 allocated for this effort.

Mr. Sarti moved to approve the internal coating of the Magee La Cholla South Storage Tank and to award the work to AO Painting in the amount of \$265,733 and to authorize the General Manger to approve up to an additional \$2,500 for any necessary repairs that may be required. Mr. Foulk seconded the motion. Motion passed by a roll call vote of 4-0.

G. Approval for the Purchase of a Variable Frequency Drive and Related Materials for Installation on the South Shannon Well

Mr. Olsen stated that the number five District priority in the current fiscal year adopted budget for investments to support the District's mission is the installation of a VFD at the South Shannon well. The District operates a Granular Activated Carbon (GAC) treatment system at South Shannon to treat regulated contaminants, the operation of which is reimbursed by Arizona Department of Environmental Quality (ADEQ). There also contains unregulated contaminants in the groundwater plume, such as 1,4-dioxane, that is not removed via the GAC treatment. The District blends well water from South Shannon with Wildwood and DeConcini Wells to ensure the unregulated contaminants are blended to below health advisory levels. The challenge is that if one of these two blend wells are offline for any reason, then the South Shannon well also needs to be offline as there would be inadequate blend capacity. When the South Shannon well is offline, the contaminate plume is not being pumped and treated, increasing the potential for the plume to impact down gradient wells. Also, water pumped from South Shannon is considered remediated water by ADWR and does not require long-term storage credits or annual storage and recovery of CAP water. Given that South Shannon pumpage ranges between 300-700 AF annually, and each AF of CAP water is approximately \$200, even having the ability to pump an additional 100 AF a year when one of the two wells is down would save approximately \$20,000 in water resources costs.

Installing a VFD at South Shannon will allow the flow to throttle based on the blend capacity available to ensure that the well can remain pumping, albeit at a lower volume, when one of the two blend wells are down. Also, the VFD enables the blend to be adjusted should unregulated contaminants in one of the blend wells continue to increase. Given the number of supporting items that require purchase beyond the VFD to ensure installation and functionality, including an analog output card for SCADA, service disconnect, and steel rack fabrication, it is recommended that the Board authorize a total not to exceed amount of \$22,500 for this effort, which is the same that was included in the adopted budget.

Mr. Foulk moved to approve the purchase of the variable frequency drive and related materials for the South Shannon Well following the District's Procurement Policy as a not to exceed the total budgeted amount of \$22,500 and direct staff to use the lowest responsive bidders in the best interest of the District. Mr. Sarti seconded the motion. Motion passed by a roll call vote of 4-0.

VI. General Manager's Report

Mr. Olsen stated that the District has a tradition where when an employee reaches a year of service milestone at 1, 5, 10 years and beyond, the employee's team gets together and celebrates the employee's dedication to the District mission. One Board Member who is actually about to hit their 2-years of service milestone but, due to COVID, we were delayed in issuing the 1-year of service pin. As such, Richard Sarti was congratulated on his 1, almost 2, years of service to the District as a Board Member.

VII. Legal Counsel's Report

Mr. Sklar said he had nothing to report, except to introduce his partner, Mark Patton, who is a real estate lawyer and will be providing back up support for the District.

Mark Patton stated he looked forward to working with the Board and District staff and he is happy to answer any questions as needed.

VIII. Clerk of the Board Updates; Future Meetings

The next regularly scheduled Board meeting will be held on December 7, 2020 at 5:30 p.m.

IX. General Comments from the Public

There were no comments from the public.

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X. Adjournment

The meeting adjourned at 6:36 p.m.

Judy Scrivener, Chair of the Board

Theo Fedele, Clerk of the Board