

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

MONDAY, MARCH 11, 2019

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

MINUTES

Board Members Present: Judy Scrivener, Chair
Bryan Foulk, Vice Chair
Dan M. Offret, Member
Richard Sarti, Member

Board Members Not Present: Jim Doyle, Member

District Staff: Joseph Olsen, General Manager
Sheila Bowen, Deputy General Manager / District Engineer
Diane Bracken, Chief Financial Officer
Steve Shepard, Utility Superintendent
Theo Fedele, Clerk of the Board
Jeffrey L. Sklar, 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, Richard Sarti, and Judy Scrivener were present.

II. General Comments from the Public

There were no comments by the public.

III. Consent Agenda

- A. Approval of Minutes – February 11, 2019 Board Meeting**
- B. Ratification of Billing Adjustments**

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

Mr. Olsen stated that the fiscal year-to-date combined consumption for Metro Main and Hub is approximately 10.4% lower and Metro Southwest service areas are 0.7% lower when compared to the same period last year. This continues the trend discussed at Board meetings throughout the Fiscal Year.

The well rehabilitation and maintenance associated with the South Shannon well has been completed. Under the operating agreement with Arizona Department of Environmental Quality (ADEQ) for the South Shannon Treatment system, ADEQ agreed to reimburse half of these costs. An invoice of \$23,394.94 was submitted to ADEQ for payment in addition to the standard monthly invoice for operating costs.

Each year, the Water Sustainability Team, in close partnership with the Utility Team, perform static water level measurements of each of the District wells. This data enables staff to calculate groundwater level changes for each service area. The groundwater level changes between calendar year 2017 and 2018 showed a decline of 0.4 feet at Metro Main, a decline of 2.8 feet at Metro Hub, an increase of 6.5 feet at Diablo Village, and a decline of 1.5 feet at E&T. The five year averages are also below Arizona Department of Water Resources (ADWR) 4-foot maximum annual decline for recovery well use; therefore the District is in compliance at all of the service areas. This information has previously been presented to the Board as a separate agenda item but was included this year as part of the Monthly Status of the District since there was no significant or unanticipated changes and to focus on providing the Board new informational content, such as the presentation from the District's Electrical and Instrumentation Team. Later in the year, there will be presentations from the Construction, Production, and Customer Service Teams, as well as other important topics regarding IT upgrades, Capital Improvement Program (CIP) prioritization process, and succession planning initiatives.

Mr. Shepard stated the E&T 23 well was pulled for maintenance and is currently being cleaned. The column pipe and the well casing had quite a bit of corrosion buildup. Staff is looking at replacing the column pipe with either stainless or another coated material to prevent further corrosion. Staff pulled the Deconcini booster #1 pump for maintenance as there was an issue with the bearings. That booster pump pretty much runs around the clock for blending operations at South Shannon and the goal is to accomplish these repairs before the summer demand picks up.

Staff has been monitoring the pressure tanks for leaks or corrosion and identified necessary repairs at the Wanda well. Production and electrical staff worked together to replace a 4" valve on Hub #4, which is part of a motor operating valve that relieves some of the pressure at start up.

Ms. Bowen stated a couple of land acquisitions are being finalized for the Northwest Recharge, Recovery & Delivery System (NWRD) as well as final preparations for acquisitions of two additional well sites that have not yet been completed. One of the six phases of NWRD is crossing over the Santa Cruz River. Approval from Pima County was received on the request to hang pipeline from the bridge so the preliminary design will move forward with the specifications. Authorization for the Central Arizona Project (CAP) structure crossing is being pursued. The exploratory well package is being worked on to get the specifications and plans ready to go out to the job order contractors (JOC) through the City of Tucson cooperative bid list. Utilizing the JOC is more efficient due to the small size of the project. The record of survey was completed and reviewed by the HDR team. Partner meetings and technical meetings are scheduled to continue coordination of this critical infrastructure initiative.

The La Cholla Boulevard water line relocation was completed on March 4, 2019. The contractor completed all obligations on work performed and is working through the final pay application.

The Hub reservoir tank has been painted the color requested by the residents in the area. The other tank will be painted in the future based on the routine maintenance schedule.

The Diablo Village tank addition, being constructed by the developer to support a development, is done. The next step is the electrical work.

Mr. Sklar provided an update on the following condemnation activities:

- APN 216-31-037D – has been concluded.
- APN 216-31-0380 – is unchanged from last month.
- APN 216-32-025A and 216-32-028A – is looking like it will be ongoing for some time. The issue is the amount of the compensation for the easement.

B. Financial Report

Ms. Bracken stated that revenue and expenditures through January 2019 are both favorable when compared to a straight-line projection with revenue \$650,138 over budget and expenditures \$650,424 under budget resulting in a favorable revenue in excess of expenditures total of \$1,300,562. When comparing revenue to the prior fiscal years, revenue through January is \$193,670 lower than it was in January 2018. The January water revenue is \$479,464 or 4.42% lower than the prior fiscal year. When comparing the budgeted revenue to a historic average

collection rate, water revenue is 1.51% lower at this point in the fiscal year. The total operating costs through January are \$82,465 higher than they were in January 2018. The revenue in excess of expenditures is \$276,135 lower this fiscal year. The balance of the February combined cash accounts is \$6,996,766.98 lower than the prior fiscal year balance with \$9.5 million moved into investments. The investment balance as of the end of February is \$10,339,890.30 higher than the February 2018 balance.

Wells Fargo provided \$3,887,741.22 of collateralization coverage in addition to the FDIC coverage of \$250,000.

The Capital One MasterCard was used to purchase \$53,754.92 on the February statement with up to 1.25% cash back earnings. The cash back amount received from transactions processed in the prior month was \$493.91 or 1.14% with a year-to-date cash back total of \$2,603.00.

Thirty-two new meter applications were received in February, with 20 new meter applications received in February of the prior year. In February, 31 new meter applications for the Metro Main and Hub service areas were received and one new meter application for the Metro Southwest service areas. The Metro Main and Hub areas have received 158 new meter applications exceeding the budgeted amount of 120 new meter applications this fiscal year. Sixty-three new meter applications have been received for the Metro Southwest service area with 76 planned in the budget. As of the end of February, 221 new meter applications have been received compared to 128 new meter applications at the same point in the prior fiscal year.

On February 28, 2019, Moody's Investor Services issued a press release affirming the District's Aa3 bond rating along with their annual comments. They commented on the financial strengths of the District and analyzed key indicators over a five years period starting with Fiscal Year 2014 through Fiscal Year 2018.

The annual debt service coverage went from 1.59 in 2014 to 1.95 at the end of Fiscal Year 2018. The number of days of cash on hand was 259 days in 2014 and 551 days at the end of Fiscal Year 2018. The amount of debt to operating revenue was 2.9 in Fiscal Year 2014 and improved to 1.2 in Fiscal Year 2018. The District was rated as Aa for Rate Management, and Debt Service Reserve Requirements, and received an A rating for legal requirements associated with prior Rate Covenants, Regulatory Compliance, and Capital Planning. The remaining useful life of capital assets decreased one year in both 2014 and 2015 and has remained steady at 26 years of useful life for the last three fiscal years.

C. Agreement with Central Arizona Water Conservation District for Compensated System Conservation

Mr. Olsen stated with the increasing probability of a shortage declaration on the Colorado River system in 2020, Arizona's Drought Contingency Plan (DCP) steering committee was formed to determine proactive ways for Arizona to mitigate and minimize impacts to the various water sectors resulting from shortage. An article in the current Splash! Newsletter was written to educate District residents on the elements of DCP and what they need to know.

Late fall last year, CAP staff reached out to all municipal and industrial priority subcontract holders, including the District, to gauge willingness to participate in forbearance or compensated system conservation agreement.

The District's present CAP Municipal and Industrial (M&I) allocation is 13,460 acre-feet (AF) annually and about half of that is used to meet current year customer demand and the remaining half is stored to address future needs. In other words, every year approximately a future year of water is stored based on current demands. Options were explored regarding a portion of the water stored for future needs to determine if there was a mutual benefit to the District and Arizona's DCP.

The concept arrived at was a modification of the compensated system conservation vehicle used by CAP. The District's proposal will forbear roughly half of the amount of water that is being stored to meet future needs on an annual basis under a modified compensated system conservation agreement. This would be 3,500 AF annually during the 7-year term of DCP. In return, the District would not pay the \$152/AF delivery fee associated with this water in calendar year 2020, would be reimbursed the \$68/AF capital fee for this water in calendar year 2020, and would be compensated an additional \$50/AF. This results in an agreement that is fair to both parties as the compensation is within the range of the other water purchase agreements throughout Arizona and this new revenue stream will enable additional infrastructure upgrades and investments without impacting ratepayers.

The District would continue to purchase and take delivery of the remaining portion of the CAP allocation of 9,960 AF annually. This would still result in water storage beyond anticipated annual demands to meet future needs.

Last week, the Central Arizona Water Conservation District (CAWCD) Board unanimously approved the creation of an agreement with the aforementioned terms. The Board is requested to authorize the General Manager to sign the agreement once fully drafted, and after legal review. The agreement is anticipated to be ready in the next month as there are numerous DCP related agreements that are all being drafted and coordinated.

Mr. Foulk asked how many other entities in the state are entering into the same type of agreement. Mr. Olsen stated that the District is the first to step forward with this type of agreement and this will likely be a template for other such agreements.

Mr. Offret moved to authorize the General Manager to enter into a compensated conservation agreement with CAWCD to forbear 3,500 acre-feet of the District's CAP allocation for the years 2020 through 2026. Mr. Sarti seconded the motion. Motion passed unanimously.

D. Authorizing an Agreement with the Town of Oro Valley to Adjust, Modify, Install or Remove District Facilities to Accommodate the La Cholla Boulevard, Phase II Roadway Improvement Project

Mr. Olsen stated that, as discussed in the Monthly Status of the District, the La Cholla Regional Transportation Authority (RTA) project has been completed. As with other RTA projects, there are often various elements of District infrastructure that need to be adjusted after the completion of the roadway modifications, such as adjusting valves and hydrants. Instead of having the District's contractor remobilize to accomplish this work, the District has typically entered into an agreement with the municipality overseeing the roadway work to have their contractor perform the adjustments to save the District on these additional mobilization and contract retainer fees. This agenda item is to authorize the District to enter into an agreement with the Town of Oro Valley for their contractor to accomplish adjustments to District infrastructure upon the completion of the La Cholla roadway improvement project.

Mr. Foulk moved to authorize the General Manager to negotiate and execute an agreement with the Town of Oro Valley to adjust, modify, install or remove District facilities as necessary to accommodate the La Cholla Boulevard, Phase II roadway improvement project in the amount of \$197,475.72 and to authorize the General Manager to approve additional funds up to \$10,000.00 for any unexpected issues related to the work. Mr. Sarti seconded the motion. Motion passed unanimously.

E. Authorization of the Miscellaneous Design Services for the Avra Valley Recharge Project Upgrades

Mr. Olsen stated that the District's Avra Valley Recharge Project (AVRP) facility has a permitted recharge capacity of 11,000 AF annually but is operationally limited to under 8,000 AF. During the review and issuance of AVRP's 20-year permit renewal, ADWR correctly stated that the District has never reached the permitted capacity operationally and only issued the 11,000 AF permit based on plans in the District's CIP to upgrade the facility. One of the initial items to achieve this goal is to obtain professional design support for the reconfiguration of the basins,

refined canal connections, associated piping, and new electronic controls. The Board is requested to authorize the District's miscellaneous design consultant, Westland Resources, to provide this design support for a not to exceed amount of \$50,000.

Mr. Sarti moved to authorize WestLand Resources to complete Tasks 1 through 3 for the design of the Avra Valley Recharge Project Upgrades under the Professional Services Agreement for Miscellaneous Design Services for a not-to-exceed fee of \$50,000.00. Mr. Foulk seconded the motion. Motion passed unanimously.

F. Approval of Insurance for Worker's Compensation Coverage

Mr. Olsen stated that the District carries workers compensation insurance to cover employees in the event of an on the job injury. The District's insurance broker, Crest Insurance, pursued several options this year for workers compensation insurance though all but one carrier declined to provide a quote based on a couple of recent workers' compensation claims due to on the job injuries. While the District has an active safety program and a culture of safety, many of the situations resulting in these claims could not have been avoided. CopperPoint Casualty Insurance has provided worker's compensation coverage for the District in the past and quoted coverage with a 32% increase over last year's premiums. Board is recommended to approve the workers' compensation coverage with CopperPoint.

Mr. Foulk moved to approve the workers' compensation policy with CopperPoint Casualty Insurance Company for a coverage period of April 1, 2019 to March 31, 2020 at the amount of \$112,513. Mr. Offret seconded the motion. Motion passed unanimously.

G. Approval to Utilize the City of Tucson Cooperative Purchasing Contract for Residential and Commercial Water Meters

Mr. Olsen stated that in 2015, the Board authorized an agreement with FWC Waterworks LLC. to supply the District with a Zenner positive displacement meter. District staff has been notified by FWC Waterworks that there is presently a two month back order for the Zenner meters. With the expected new meter installations, meter replacement program, and ongoing meter maintenance, the District's existing stock of Zenner meters will be rapidly exhausted and the District would not be able to move forward on these key tasks. To ensure that the District has an alternative pathway to purchase meters, the City of Tucson Cooperative Purchasing Contract was reviewed to determine if the City's meter replacement contract, that utilizes a Badger Meter, could be utilized. The District has extensive experience with Badger meters and a large stock of these Badger meters are in Metro Main. While working with Badger to determine the ability to utilize this contract, the Board is requested to authorize use of the cooperative purchasing contract for Badger meters.

Approving this meter purchasing vehicle is recommended contingent on the completion of review and coordination efforts since waiting until the April Board meeting for an answer from Badger would significantly delay key District tasks.

Mr. Sarti stated that as a City of Tucson employee he would recuse himself from voting.

Mr. Foulk moved to approve utilizing the City of Tucson Cooperative Purchasing contract for Residential and Commercial Water Meters and current amendments to the contract for the purchase of District water meters. Mr. Offret seconded the motion. Motion passed 3-0.

H. Approval for Electrical Upgrade at the Wildwood Well

Mr. Olsen stated that the District's well maintenance program performs significant maintenance activities on approximately 6-7 wells annually. This year, one of the wells that was undergoing maintenance activities was the Wildwood well. As part of this maintenance, electrical tests were performed to determine if there were any other items that need to be addressed. These tests showed that the amp draw on the motor was above the recommended full load amps. This can result in premature motor failure and other undesirable long-term issues. While the motor could be downsized to reduce the amps, this is one of the wells that blends with South Shannon to ensure 1,4-Dioxane below the health advisory levels. As such, staff is recommending that the site disconnect and electrical meter service be upsized along with a softstart to be installed on the well motor. This work will be accomplished with in-house electrical staff though the materials will likely exceed \$15,000 under the District's Procurement Policy. The Board is requested to authorize a not to exceed amount of \$17,500 for the various electrical equipment.

Mr. Sarti moved to approve the Electrical Upgrade for the Wildwood well in the not to exceed amount of \$17,500. Mr. Offret seconded the motion. Motion passed unanimously.

I. Presentation on the District's Electrical / Instrumentation Team

Mr. Olsen stated that this year we are planning a number of educational presentations for the Board to provide insight on how the various teams and staff support the District mission on a daily basis.

Shaun Meehan, the District's Utility Supervisor for Electrical and Instrumentation Controls, provided a presentation on his Team's activities. The Electrical and Instrumentation Team includes Mr. Meehan as well as Clive Pridmore, Telemetry / Instrumentation Specialist, and Christopher Soto, Industrial Electrician. This team is directly involved in all aspects of the District's mission statement to deliver safe, reliable water to our customers. For the "Deliver" aspect, electric pumps deliver all the water the District provides on a daily basis either directly in the mains or in the reservoirs. The next aspect of the mission statement is "Safe" water. The Team is involved in this

by way of electronic monitoring of chlorine levels in the reservoirs and controlling chlorine levels into the delivery system through electrical control valves. The third aspect is “Reliable” water. The Team is often tasked with troubleshooting different types of equipment and completing various system repairs to ensure system reliability.

V. General Manager’s Report

Mr. Olsen said during the GM report last month, an extensive update on DCP was provided. Since then, the final DCP Steering Committee meeting was held where ADWR and CAP shared a list of the 16 DCP related implementation agreements along with the progress on each. Roughly half of these agreements were anticipated to be complete by the Bureau of Reclamation Commissioner’s deadline of March 5, 2019. As such, each of the Colorado River Basin states are now in the process of responding to the federal register on recommendations to conserve and minimize water use during the ongoing drought. CAP and ADWR stated that the goal is to continue executing the DCP related implementation agreements regardless of the March 5, 2019 deadline. Parallel to these efforts, congressional approval is required for the Colorado River Basin DCP with the goal of all Senators and Representatives from the seven basin states voting yes on the proposed federal legislation.

Last week, Alan Forrest from HDR and I had the opportunity to provide a presentation on NWRRDS to a joint AZWater and American Society of Civil Engineers (ASCE) technical luncheon. Mr. Forrest is the Program Manager for the NWRRDS Program Support Contract with HDR. The event was attended by roughly 100 water resource professionals and engineering consultants who were thrilled to see water collaboration among the Town of Marana, Town of Oro Valley, and the District. Based on the feedback and questions during the presentation, there certainly is extensive public support for this critically important water resource initiative.

VI. Legal Counsel’s Report

Mr. Sklar said he had nothing to report.

VII. Clerk of the Board Updates; Future Meetings

The Finance Oversight Committee (FOC) is scheduled to meet on Wednesday, March 27th at 4:00 p.m. to review rate adjustments and the requested 2020 Fiscal Year budget. The Board is welcome but not required to attend.

On Tuesday, April 2nd at 5:30 p.m., the Board will meet for a Study Session meeting to review the outcome of the FOC meeting.

The next regularly scheduled Board meeting will be held on April 8th at 6:00 p.m.

VIII. General Comments from the Public

There were no comments from the public.

IX. Adjournment

The meeting adjourned at 7:03 p.m.

Judy Scrivener, Chair of the Board

Theo Fedele, Clerk of the Board