

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

MONDAY, MAY 13, 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
Jim Doyle, Member
Dan M. Offret, Member
Richard Sarti, 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. Adoption of Fiscal Year 2020 Budget

Ms. Bracken stated that the budget presented for adoption is the same budget data presented at the Financial Oversight Committee (FOC) and the Board Study Session meetings with no additional modification.

Metered water revenue was calculated using the customer consumption data from Fiscal Year 2017 since the consumption data for Fiscal Year 2018 was abnormally high. Development revenue was

projected with 288 new meter connections. The total revenue is \$1,391,758 or 6.47% higher than the prior fiscal year with \$371,279 calculated to come from the rate change and the additional \$1,020,479 coming from other sources including the increase in development revenue.

The requested budget for Fiscal Year 2020 included projections for the beginning fund balance, revenue, and Northwest Recharge Recovery and Delivery System (NWRRDS) funding from Partners totaling \$36,460,718 with the total requested budget disbursements of \$28,609,733. The total operating budget is 2.73% higher than the prior fiscal year at \$19,510,242 and the total requested budget disbursements are 3.99% higher than the prior fiscal year.

With the twelve-month all items consumer price index for April at 2% and the Arizona State Retirement and Long Term Disability rates increasing 0.31%, the requested budget included a 2.5% cost of living increase effective in July and a potential 1.5% merit increase for eligible employees in January 2020.

Mr. Foulk moved to adopt the Metro Water District budget for the Fiscal Year 2020 as presented with the total disbursements not to exceed the budgeted disbursement amount of \$28,523,688. Mr. Offret seconded the motion. Motion passed unanimously.

IV. Consent Agenda

- A. Approval of Minutes – April 8, 2019 Board Meeting**
- B. Ratification of Billing Adjustments**
- C. Ratification of Accounts Removed from Active Accounts Receivable**
- D. Ratification of Bill of Sale Paseo at Linda Vista, Lots 65-94, Phase 1 (M-18-015)**
- E. Approval of Water Service Agreement for Thornydale Park, Lots 1-60 (M-18-023)**
- F. Approval of Water Service Agreement for Sonoran Ranch Estates II, Lots 129-169, Phase 3 (M-19-008)**

Mr. Offret moved to approve the consent agenda. Mr. Sarti 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 all service areas is approximately 11.7% lower when compared to the same period last year but only 4% lower when compared to the same period in Fiscal Year 2017.

So far this calendar year, 2,829 acre-feet (AF) of the City of Phoenix's 3,500 AF has been stored at Avra Valley Recharge Project (AVRP) and the remaining portion of Phoenix's inter-AMA firming water, along with the District's planned Central Arizona Project (CAP) storage, is currently on track to be stored by the end of the calendar year.

Design work is continuing for the civil improvements planned for the AVRP facility. These improvements are planned for Fiscal Year 2020 and, when completed, are anticipated to increase the operational capacity of AVRP to 11,000 AF. Staff is also preparing a submittal to Arizona Department of Water Resources (ADWR) for a modification of the AVRP permit. The permit modification is required to obtain approval in advance of the planned upgrades to include metering enhancements to more accurately record water delivered to the storage facility.

Mr. Shepard stated that in April, the painting at five District facilities: South Shannon, Moore, Alcott, Magee/La Cholla, and Hardy was completed. The well maintenance at E&T 23 was completed. Due to the extra corrosion on the column pipe, stainless steel column pipe was put in, however the stainless steel couplings were a little taller than the standard couplings so staff needed to refabricate the discharge assembly so it lines up correctly with the distribution piping. There was a water break on non-District infrastructure at the Hub service area causing a temporary Supervisory Control and Data Acquisition (SCADA) transducer facility, which helps ensure adequate fire flow, to fall over. Staff worked into the night to restore the facility. The secondary electrical from TEP that feeds the Hub reservoir facility was hit by a contractor and the auxiliary pump ran for 24 hours to maintain service to customers. Staff spent numerous hours pulling new wire and making adjustments to restore the electrical service. No customers were impacted thanks to the auxiliary pump.

Ms. Bowen stated that the Diablo Village storage tank and the Hub reservoir applications for approval of construction were submitted and approved and are both storage facilities are eligible to be put into service. The NWRD partner project is continuing to move forward with the exploratory wells currently out for solicitation of quotes from the City of Tucson Job Order Contractors, which closes on May 24, 2019. The clearing and grubbing at the well sites and the access roads is in process so the quotes can be solicited and presented to the Board. On the Metro recovery system, which is the NWRD Metro only booster station to the Herb Johnson, staff is working through data needs and analysis and preliminary alignment.

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

- APN 216-31-0380 – is now complete; the final order of condemnation has been received from the court.
- APN 216-32-025A and 216-32-028A – remains unchanged and is still in litigation.

B. Financial Report

Ms. Bracken stated that revenue and expenditures through March are both favorable when compared to a straight-line projection with revenue \$260,164 over budget and expenditures \$856,192 under budget resulting in a favorable revenue in excess of expenditures total of \$1,116,356. When comparing revenue to the prior fiscal years, revenue through March is lower by \$161,173. The March water revenue is \$556,633 or 4.17% lower than the prior fiscal year. The budgeted metered water revenue was calculated using consumption data from Fiscal Year 2017 and a comparison to Fiscal Year 2017 shows the current year metered water revenue is \$267,757 higher as of the end of March. The five and ten year historic average water revenue collection rate, as of the end of March, is 73% of the budgeted metered water revenue and the current year is at 73.5%. The total operating costs through March are \$209,974 higher than they were in March 2018. The revenue in excess of expenditures is \$1,183,298 lower this fiscal year. The total of the April cash deposits is \$6,306,939.57, which is \$7,668,162.45 lower than the prior fiscal year balance with \$9.5 million moved to investments. The investment balance as of the end of April is \$14,363,503.09, which is \$10,803,168.97 higher than the March 2018 balance.

Wells Fargo provided \$3,650,648.03 of collateralization coverage in addition to the FDIC coverage of \$250,000.

The Capital One MasterCard was used to purchase \$54,184.68 on the April statement with up to 1.25% cash back earnings. The cash back amount received from transactions processed in the prior month was \$507.17 or 1.13% with a year-to-date cash back total of \$3,622.40.

Twenty-five new meter applications were received in April with 28 new meter application received in April 2018. Seventeen new meter applications were for the Metro Main and Hub service areas and 18 new meter application were for the Metro Southwest service areas. So far this fiscal year 285 new meter applications have been received compared to 191 at the end of April in the prior fiscal year.

C. Approval of Water Service Agreement with Vahalla Ranch Estates, LLC for Diablo Village Estates DBA Vahalla Ranch Estates, Phase 2 & Phase 3 (M-17-017 – Phase 2 On-Site), (M-17-018 – Phase 3 On-Site), (M-19-010 – Off-Site)

Mr. Olsen stated that normally water service agreements (WSA) are placed on the Consent Agenda, but this agreement has been placed on General Business to enable a discussion of the unique nature of the agreement. Last May, the Board approved a WSA with the developer of the Diablo Village Estates for Phase 1. That WSA included the additional infrastructure requirement of a new 182,000 gallon storage tank at the Diablo Village #1 well site. The developer now wishes

to pursue phases 2 and 3 of the planned development but additional infrastructure beyond on-site distribution is required. Based on hydraulic modeling, additional well production capacity is needed to support the development. This capacity could be obtained through upgrades to the District's existing Diablo Village #2 well. Given that the infrastructure to be upgraded is an existing District asset, and the limited window for when the well can be taken down for maintenance, it is recommended that the well upgrades be accomplished by the District's well maintenance contract and reimbursement for this work provided by the developer in accordance with the water service agreement. Additionally, the agreement contains stipulations that the developer would reimburse the District for any water received from the City of Tucson's emergency interconnect should this be necessitated by an infrastructure outage or emergency during the Diablo Village #2 well upgrades.

Mr. Offret asked if due to the redundancy between the two wells if Diablo Village #2 was shut down would the emergency interconnect then be utilized. Mr. Olsen stated that during the upgrades one well will be in production. That one well should be able to meet our needs during a low demand period. The issue is if an infrastructure outage occurred during the well upgrade then the emergency interconnect would enable continuity of service.

Mr. Foulk moved to approve the Water Service Agreement with Vahalla Ranch Estates, LLC, for the Diablo Village Estates DBA Vahalla Ranch Estates (Phase 2 & 3) subdivision. Mr. Offret seconded the motion. Motion passed unanimously.

D. Authorizing a Construction Contract for Anode Installs – Fiscal Year 2019

Mr. Olsen stated that since 2003, the District has utilized a regular testing program to ensure functionality of the large diameter transmission main cathodic protection system. This program aims to prevent early corrosion-based failure of these critical transmission lines. To enhance the protection of these assets, it is recommended to install sacrificial anodes along the transmission mains that would corrode first instead of corrosion taking place on the main. The condition of the anodes could be regularly inspected to determine the level of corrosion activity on the main and to plan future maintenance related actions. It is recommended the Board authorize the use of the City of Tucson Cooperative Purchasing Contract to award this work to Peak Corrosion Control Inc.

Mr. Sarti moved to authorize the General Manager to execute an agreement for Anode Installs for Fiscal Year 2019 with Peak Corrosion Control, Inc., utilizing the City of Tucson Cooperative Purchasing Agreement, in the amount of \$20,000.00 and to authorize the General Manager to allocate an additional \$3,500.00 for unforeseen conditions. Mr. Offret seconded the motion. Motion passed unanimously.

E. Approval of Purchase Agreements for the Acquisition of Two Well Sites

Mr. Olsen stated that an essential part of NWRRDS involves drilling up to three wells to recover stored CAP water near the District's AVRP. While the District has acquired rights to drill three wells on Arizona State Land Department (ASLD) property via an amendment to the District's AVRP lease with ASLD, additional well sites are recommended to ensure greater flexibility when selecting the particular drilling location following the results of exploratory drilling. The District has been coordinating with the Town of Marana to acquire two wells sites, approximately three-quarters of an acre each, from the Marana Regional Airport located within the area of hydrologic impact of storage activities at AVRP.

It is requested that the Board approve the purchase of these two well sites from the Town of Marana and to authorize prefunding the escrow to reduce required time to close on the property. An additional authority of \$5,000 is recommended to cover any increased costs that may be associated with closing.

Mr. Foulk moved to approve two purchase agreements with the Town of Marana for the acquisition of two well sites on Marana property in the vicinity of the Marana Regional Airport, to authorize the General Manager to prefund Escrow in the amount of \$26,800.00, and to authorize the General Manager to allocate up to \$5,000.00 for increased costs that may be associated with closing. Mr. Offret seconded the motion. Motion passed unanimously.

F. Authorizing Activities Related to Vegetation on Certain State Trust Lands to Support the Northwest Recharge, Recovery and Delivery System

Mr. Olsen stated that as part of the right-of-way lease agreement with ASLD, any actions that would remove protected plant species from State Land requires an inventory of plants to be removed, valuation of these protected plants determined, and payment to ASLD. For the three potential well sites, collector pipelines, and access roads on State Land, a native plant inventory and assessment was approved by the NWRRDS partners per the Memorandum of Agreement 19002 and accomplished by Westland Resources. The total valuation of plants to be removed is \$20,874.21 which will be split with the Town of Oro Valley per the NWRRDS intergovernmental agreement. Additionally, ASLD authorizes only a few ways that plants can be removed from the disturbed land including transplanting onto State Land and irrigating for three years, working with the Arizona Department of Administration (ADOA) to notify nurseries of available plants for sale or transplanting onto private land. Due to the costs associated with the first two options, staff coordinated with the Tucson Cactus and Succulent Society and confirmed that they would be able to obtain the necessary tags from ADOA and salvage plants without any financial impact to the District or the NWRRDS partners.

Mr. Offret moved to authorize the General Manager to submit payment of \$20,874.21 to the Arizona State Land Department based on the total valuation of vegetation affected by the three well sites and associated collector pipelines/access roads located on State Trust Lands and to authorize the General Manager to engage the Tucson Cactus and Succulent Society to permit, tag, collect and transplant protected plants from the three well sites and collector pipelines/access roads located on State Trust Lands. Mr. Sarti seconded the motion. Motion passed unanimously.

G. Authorizing Clearing and Grubbing of Two Exploratory Test Well Sites, Associated Access and Fencing Northwest Recharge, Recovery and Delivery System

Mr. Olsen stated that after the Board packets were distributed, additional information was obtained. Rather than requesting the Board authorize to proceed with a “not to exceed amount”, staff requests the item be continued to the June meeting and for the Board to award a dollar amount based on quotes that will be received.

Mr. Foulk moved to continue this item to the June 10, 2019 meeting. Mr. Offret seconded the motion. Motion passed unanimously.

H. Approval and Award for Water Treatment Media Regeneration Annual Quotes for the District’s Arsenic Treatment Media

Mr. Olsen stated that the District uses iron oxide adsorption media to remove arsenic at four production sites. The media can be regenerated by chemically stripping the adsorbed arsenic ions as opposed to purchasing new media each time a change out is required. Purolite is the only known vendor to possess the required Gold Seal certification to accomplish this media regeneration process and was also the only respondent to submit a bid request. As such, staff recommends the Board approve the arsenic media regeneration quote with Purolite.

Mr. Sarti moved to approve the annual quote for Water Treatment Media Regeneration and award Purolite the regeneration of the District’s Arsenic Treatment Media. Mr. Foulk seconded the motion. Motion passed unanimously.

I. Approval of Quotes Submitted for the Emergency and Miscellaneous Electrical Services

Mr. Olsen stated that the wells and booster facilities that provide water to District residents are dependent on electrical systems and equipment for operation. These systems require regular maintenance and could fail at all hours of the day, necessitating emergency repairs. While the District has two full time electrical staff and one telemetry and instrumentation specialist, this job order agreement provides both emergency support capacity and the ability to augment District staff based on the particular electrical need. Staff recommends the Board authorize the job order

agreements with Sabino Electric and Commonwealth Electric to provide as-needed electrical support to the District.

Mr. Foulk moved to approve the pricing submitted by Sabino Electric Inc. and Commonwealth Electric for the Emergency and Miscellaneous Electrical Services for use in Fiscal Year 2020 and to authorize the General Manager to enter into job order agreements with each contractor. Mr. Sarti seconded the motion. Motion passed unanimously.

J. Approval of Bids for Granular Activated Carbon (GAC) Replacement at South Shannon Facility

Mr. Olsen stated that the District uses Granular Activated Carbon (GAC) at the South Shannon treatment facility to remove volatile organic compounds from the groundwater as part of an Arizona Department of Environmental Quality (ADEQ) funded cleanup initiative. This item is to approve job order contracts with the submitted GAC vendors. Staff will use the lowest available bidder, as needed, for each change out and will coordinate reimbursement for such change-outs with ADEQ

Mr. Foulk moved to approve the bids submitted and authorize staff to enter into the Job Order Agreements as appropriate with the vendors submitting bids. It is also recommended that the Board authorize the General Manager to approve each GAC change-out to the lowest available bidder, as needed. Mr. Offret seconded the motion. Motion passed unanimously.

V. General Manager's Report

Mr. Olsen stated that each year the subsidence maps are received from ADWR showing changes in ground elevation throughout the Tucson Region. These maps show the District's service areas and are 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.

Last month, I had an opportunity to address numerous questions and inquiries from a reporter with the Arizona Republic regarding the District's proactive efforts regarding emerging contaminants. The conversation centered on District actions such as taking the Horizon Hills out of service in 2016 out of the abundance of caution once 1,4-dioxane was discovered, informing customers of emerging contaminants with three Newsletter articles focusing on 1,4-dioxane and perfluorinated chemicals, an extensive water quality blend study, creation of an internal water quality group comprised of cross-functional subject matter experts to determine appropriate courses of action, additional non-compliance sampling, and numerous public discussions at Board meetings. The published article acknowledged that while emerging contaminants were detected at the District,

the District wells were not being used at the time the constituents were detected over the health advisory levels. The District remains committed to ensuring that all water delivered to customers is in accordance with our District mission of safe, reliable water.

Mark Michael, Drafting Specialist with the Engineering team, has announced his retirement. Mr. Michael has spent over 25 years with the District and his extensive dedication to ensuring accurate as-builts and valve maps will certainly be missed.

VI. Legal Counsel's Report

Mr. Sklar said he had nothing to report.

VII. Clerk of the Board Updates; Future Meetings

The next regularly scheduled Board meeting will be held on June 10, 2019.

VIII. General Comments from the Public

There were no comments from the public.

IX. Adjournment

The meeting adjourned at 6:40 p.m.

Judy Scrivener, Chair of the Board

Theo Fedele, Clerk of the Board