

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

MONDAY, JUNE 10, 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
Cindy Schmidt, 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 – May 13, 2019 Public Rate Hearing**
- B. Approval of Minutes – May 13, 2019 Board Meeting**
- C. Ratification of Billing Adjustments**
- D. Approval of Amendment No. 5 to the Contract for Land Acquisition Services for the Northwest Recharge, Recovery and Delivery System**

- E. Approval of Amendment No. 1 to the Well Maintenance 2018 Contract with Smyth Industries, Inc.**
- F. Approval of Amendment No. 2 to the Miscellaneous Water Resources Consulting Services Contract**
- G. Approval of Amendment No. 1 to the Professional Services Agreement for Miscellaneous Design Services with WestLand Resources, Inc.**
- H. Approval of Amendment No. 1 to the Miscellaneous Survey Services Contract with WestLand Resources, Inc.**
- I. Approval of Amendment No. 1 to the Miscellaneous Geotechnical & Material Testing Services Contract with Western Technologies, Inc.**
- J. Approval of Amendment No. 1 to the Miscellaneous Real Estate Consulting Services Contract with Tierra Right of Way Services, Ltd.**
- K. Approval of Amendment No. 2 for the Analytical Laboratory Services Contract for Inorganic Chemical (IOC) Analyses**
- L. Approval of Amendment No. 2 for the Analytical Laboratory Services Contract for Volatile Organic Chemical (VOC), Total Trihalomethane (TTHM) and Haloacetic Acid (HAA5) Analyses**
- M. Approval of Amendment No. 2 for the Analytical Laboratory Services Contract for Unregulated Contaminant Monitoring Rule (UCMR) Analyses**
- N. Approval of Amendment No. 2 for Analytical Laboratory Services Contract for Synthetic Organic Chemical (SOC) Analyses**
- O. Approval of Amendment No. 2 for the Analytical Laboratory Services Contract for Radiochemical Analyses**
- P. Ratification of Bill of Sale Saguaro Station, Lots 1-28 (M-18-022)**

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 fiscal year-to-date combined consumption for all service areas is approximately 10% lower when compared to the same period last year but only 4% lower when compared to the same period in Fiscal Year 2017.

An update on the District's water resources portfolio is included in the Monthly Status of the District Board Report. In calendar year 2018, Metro Main's water portfolio increased by 4%, which consisted of 6,421 acre-feet (AF) of accrued Central Arizona Project (CAP) long-term storage credits, 264 AF of recycled water, and 274 AF of groundwater allowance credits. The

District presently utilizes approximately half of the CAP allocation to meet demands on an annual basis and stores the other half for future needs. The 6,421 AF represents the portion stored for the future. The amount of CAP water accrued for future use will decrease once the Compensated System Conservation agreement goes into effect but will still result in water stored for future needs, just at a reduced rate.

The lost and unaccounted for water in 2018 for Metro Main and Hub was 2% of the water produced and the Southwest service areas averaged 3.5%.

Mr. Shepard stated that staff did the granular activated carbon (GAC) changeout of the lead vessel at Shannon. Twenty thousand pounds of GAC was replaced, the lead and lag are now switched, and Shannon is back in service. One of the 80 cubic foot arsenic treatment vessels at Hub #3 exhausted and the treatment media was sent for regeneration. This vessel is one of three vessels that are alternated so when the treatment media is shipped back, the vessel can return to standby status for future operations. The Riverside Crossing well was pulled for maintenance due to a loss of production and Smyth is scheduled to pull out the well's inner casing. The well was constructed with a casing path well so it went from a 20 inch down to a 16 inch to create a vacuum effect to pull water from different parts of the aquifer. The challenge is this configuration does not allow for maintenance of the well because the inner casing blocks access to the exterior casing.

Mr. Offret asked how long that well will be down. Mr. Shepard stated that the plan is to pull the inner casing out permanently to have a 20 inch standard well, which will allow for staff to maintain and operate the casing. By the time the casing is pulled out and the video inspection occurs, it will be about the second or third week of July by the time the well is pumping again.

Last week, there was a failure at the Wildwood well, which was put back in service in February. The issue of whether the failure is the pump or the motor is currently being evaluated. The goal is for the well to be fixed quickly since this also affects the operation of the Shannon well because we do not have blending capacity without both the Wildwood and Deconcini wells. There was a water main break at Oracle and Chula Vista. Staff was able to shut it down and isolate that 4-inch line. Only one customer was affected so staff was able to put in a temporary line to service that customer during the repair process. This repair is a little more challenging since the water line broke under a 40-inch culvert. Staff is currently working with contractors to address these repairs.

Mr. Olsen stated another complicating factor is that above the culvert rests a rather large communication trunk line and while staff would certainly be able to repair the waterline, the concern is any potential impact to this critical communications infrastructure. Tricon, an on-call contractor through the City of Tucson Cooperative Purchasing Agreement, is able to handle the

emergency repair. In the District's procurement policy, the General Manager's authority is \$15,000 and activity above \$15,000 is brought to the Board for approval. This would be considered an emergency activity because of the exposure to the other infrastructure that may be impacted. However, if the cost goes above \$15,000 the emergency protocol in our procurement policy will be followed, which means to go forward and get the work done then ratify any activity above \$15,000 at a subsequent board meeting.

Ms. Bowen stated that the Hub reservoir is substantially complete and contractors are continuing to work on the remaining items. A final inspection is expected to occur June 13, 2019 and all activity will be completed prior to the end of the fiscal year. For the Diablo Village tank addition, the utility team is working on some remaining work and the tank is already operational. In the Engineering office area, the painting has been completed and carpet will be installed at the end of June. Staff is working on the Diablo Village service line replacement program project survey and also coordinating with the property owner and the utility team for the E&T22 well replacement. The first phase of the Northwest Recharge, Recovery and Delivery System (NWRDRS) project, which is the exploratory wells, was divided into a couple of phases for contracting purposes. One phase is the clearing and grubbing of the access road as well as some site improvements for the Marana access property purchased from the Marana Airport and the other phase is the exploratory wells. The clearing and grubbing will be completed by July 3, 2019 and the exploratory well drilling would commence shortly after that. The next technical team meeting is June 18, 2019 and the next Partner meeting is June 20, 2019. For the Metro only portion of the project, a preliminary alignment survey has been established.

Ms. Schmidt stated that for APN 216-32-025A and 216-32-028A, the easement acquisition is ongoing with no updates. The defendant's expert reports are due at the end of June and we have engaged an appraiser to provide us with an expert opinion by early August.

B. Financial Report

Ms. Bracken stated that revenue and expenditures through April are both favorable when compared to a straight-line projection with the total revenue \$195,046 over budget and expenditures \$593,106 under budget resulting in a favorable revenue in excess of expenditures total of \$788,152. When comparing revenue to the prior fiscal years, revenue through April is lower by \$298,395. The April metered water revenue is \$695,702 lower than the prior fiscal year. Since the budgeted metered water revenue was calculated using consumption data from Fiscal Year 2017, a comparison to Fiscal Year 2017 shows the current year metered water revenue is \$121,253 higher at the end of April. The five and ten year historic average water revenue collection rate, as of the end of April, is 81% of the budgeted metered water revenue and the current year is at 81.05%.

Water Resource Utilization Fees are lower than budgeted with 77.6% of the budgeted revenue realized. With lower water consumption, this revenue source is expected to be lower than budgeted at the end of this fiscal year. The total operating costs through April are \$475,134 higher than they were in April 2018. The revenue in excess of expenditures is \$773,529 lower this fiscal year. The May cash deposit balance is \$6,213,149.60, which is \$7,828,214.16 lower than the prior fiscal year balance with \$9.5 million dollars moved to investments. The investment balance, as of the end of May, is \$14,900,179.33, which is \$11,044,962.10 higher than the May 2018 balance.

Wells Fargo provided \$3,753,410.03 of collateralization coverage in addition to the FDIC coverage of \$250,000.

The Capital One MasterCards were used to purchase \$41,016.72 on the May statement with up to 1.25% cash back earnings. The cash back amount received from transactions processed in the prior month was \$596.88 or 1.1% with a year-to-date cash back total of \$4,219.29.

Thirty-one new meter applications were received in May with 41 new meter application received in May 2018. Twenty-seven new meter applications were for the Metro Main and Hub service areas and four new meter application were for the Metro Southwest service areas. So far this fiscal year, 316 new meter applications have been received compared to 232 at the end of May in the prior fiscal year.

C. Approval of Liability Insurance Approval of the Cost Proposal and Award of Work Order for the Record of Survey and Design Survey for the Metro-only Portion of the Northwest Recharge, Recovery and Delivery System

Mr. Olsen stated that the majority of the discussions with the Board on NWRRDS have focused on the infrastructure that will be constructed collaboratively with the Partners from the Towns of Oro Valley and Marana. The Partner portion includes the recovery wells, the transmission main and forebay located near Twin Peaks, and the Lambert alignment. From this forebay, approximately 4.25 miles of transmission main and a booster station is required to convey the recovered water to the District's Herb Johnson reservoir for blending prior to customer delivery. This infrastructure is considered the Metro-only portion of NWRRDS as there is no reimbursement from Oro Valley and Marana since their recovery system takes a different alignment after the forebay site.

To proceed with planning elements and design activities on the Metro-only components of NWRRDS, a record of survey and design survey is required. It is recommended that the District's real property consultant, Tierra Right of Way Services, accomplish these survey tasks due to the beneficial economies of scale since they recently accomplished similar surveys on the Partner components of NWRRDS.

Mr. Foulk moved to approve the cost proposal of \$50,001 and to award the work order to Tierra Right of Way Services for the Record of Survey and Design Survey for the Metro-only portion of the Northwest Recharge, Recovery and Delivery System. Mr. Offret seconded the motion. Motion passed unanimously.

D. Approval of Revised Scope for Program Support Services by HDR Engineering, Inc., for Shared Portions of the Northwest Recharge, Recovery and Delivery System

Mr. Olsen stated that the NWRRDS Partners and the Board previously authorized a contract with HDR to accomplish program support services for the Partner elements of NWRRDS. The original scope of services was based on an assumption of District staff availability and specific support needs. After approximately nine months into this effort with HDR, staff has gained additional perspective on the specific NWRRDS support needs. Various items in the current scope related to the well drilling and equipping would be more efficiently coordinated with in-house staff and the District's water resources consultant. Additionally, some of the overall program support tasks with HDR were overlapping District staff activities. The original packages have been reconfigured to group like items together, such the transmission pipeline now combined into one package versus three separate packages, to gain additional economies of scale.

Over the past month, staff has worked with HDR and the NWRRDS Partners to revise the scope for the program support contract. The NWRRDS Partners have authorized the various scope changes via Memorandum of Agreement (MOA) 18002-02, which reduces the original scope by \$705,843 to \$3,364,157. While the scope is reducing by approximately \$700,000, there is a subsequent item in the agenda to utilize the District's Water Resources Consultant to perform a portion of these services.

It is recommended that the Board approve this revised contract for program support services.

Mr. Foulk moved to authorize the General Manager to negotiate and enter into a revised contract for program support services with HDR Engineering, Inc., for design and construction of the shared portions of the Northwest Recharge, Recovery and Delivery System. Mr. Sarti seconded the motion. Motion passed unanimously.

E. Approval of the Professional Hydrogeological Services for the Northwest Recharge, Recovery, and Delivery System Exploration and Production Well Drilling

Mr. Olsen stated that a portion of the work that was removed from HDR's program support scope was utilizing Clear Creek, as a sub-consultant, to perform water resources services associated with exploratory and production well drilling. It is recommended that the Board award a task directly to Clear Creek, via the District's water resources consulting contract, to accomplish these duties.

This will enable staff to efficiently work directly with Clear Creek in the coordination, planning, and execution of well drilling tasks associated with NWRRDS. Per MOA 19006, 50% of these costs will be reimbursed to the District by Oro Valley.

Mr. Sarti moved to approve using Clear Creek Associates, under the Professional Services Agreement for Miscellaneous Water Resources Consulting Services, LLC, to perform hydrogeological program support for the Northwest Recharge, Recovery, and Delivery System Packages 1 and 2 for the combined not-to-exceed amount of \$337,813. Mr. Foulk seconded the motion. Motion passed unanimously.

F. Authorizing Clearing and Grubbing of Two Exploratory Test Well Sites, Associated Access and Fencing Northwest Recharge, Recovery and Delivery System (continued from the May 13, 2019 meeting)

Mr. Olsen stated that this item was continued from last month's Board meeting as staff wanted to obtain fidelity in the bid numbers for Board consideration. A bid was received for the clearing and grubbing on the two exploratory well sites, access road, and associated fencing that was approximately 22% above the engineer's cost estimate. Upon reviewing the scope, it was determined that a number of items could be removed without substantively impacting the end product including barbed wire that was removed from the plans but not removed from the bid request and a couple of pads at the well site, which reduces the cost to \$119,064 or 13% above the engineer's estimate. Staff is also working with the Town of Marana to determine if various asphalt paving, curbs, and a concrete header is required for the access road entrance. Should Marana concur, this would further reduce the scope by an additional \$11,000.

The NWRRDS Partner's authorized this work for \$119,064 in MOA 19003 as an answer from Marana on the requirements for the entrance to the access road was still pending.

Mr. Sarti moved to authorize the General Manager to execute an agreement for construction of the Northwest Recharge, Recovery and Delivery System Package 1A – Site Access and Exploratory Test Well Site Improvements to Granite Construction Company in the amount of \$119,064.00, and to authorize the General Manager to increase the original construction contract term in a cumulative amount not to exceed twenty (20) calendar days. Mr. Offret seconded the motion. Motion passed unanimously.

G. Award of Contract for Northwest Recharge, Recovery, and Delivery System Exploration Drilling and Testing

Mr. Olsen stated that once the two well sites are clear per the previous agenda item, the exploratory well drilling can commence. Exploratory wells provide crucial information on aquifer capacity, water quality, and lithology to enable the design of the production wells. Per MOA 19003, the Partners authorized drilling of two exploratory wells. The City of Tucson Cooperative Purchasing agreement was used to request bids. It is recommended to award to the low bidder, Yellow Jacket Drilling Services, in the amount of \$391,832 and 50% of this work would be reimbursed by Oro Valley.

Mr. Offret moved to authorize the General Manager to execute an agreement with Yellow Jacket Drilling Services for an amount not to exceed \$391,832 for NWRDSS exploration drilling and testing and to grant the General Manager authority to approve the following changes to the construction contract: to allocate additional funding in a cumulative amount not to exceed \$25,000 and to increase the original construction contract term in a cumulative amount not to exceed 60 calendar days. Mr. Foulk seconded the motion. Motion passed unanimously.

H. 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. Offret 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 2020 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. Sarti seconded the motion. Motion passed unanimously.

I. 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 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. Foulk 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. Doyle seconded the motion. Motion passed unanimously.

J. Approval of the Strategic Alliance for Volume Expenditures (SAVE) Cooperative Purchasing Agreement and the District's Participation and Use of SAVE Cooperative Contracts

Mr. Olsen stated that per the District's Procurement Policy, cooperative purchase contracts are utilized to efficiently accomplish work via contractors and consultants that have already been vetted through a formal selection process. Examples include the City of Tucson Cooperative Purchasing agreement and the State's cooperative bid list. In preparation for the meter replacement activities in Metro Southwest next fiscal year, staff explored various procurement options to obtain the most efficient contract to replace these meters and assist in the data integration of the new meters.

During this research, the SAVE program was discovered. The SAVE program, administered by the City of Mesa, enables additional contract options for the District and, as there is no cost to be a member of SAVE, it is recommended the Board authorize the District's participation in the SAVE program for relevant procurement activities.

Mr. Foulk moved to approve the Strategic Alliance for Volume Expenditures (SAVE) Cooperative Purchasing Agreement and approve the District's participation and use of the SAVE contracts in accordance with the District's procurement policies. Mr. Offret seconded the motion. Motion passed unanimously.

K. Approval of the Purchase and Replacement of Meters for the Metro Southwest Meter Replacement

Mr. Sarti stated that as a City of Tucson employee who was heavily involved in the Tucson Water meter study program he would recuse himself.

Mr. Olsen stated that the meters in Metro Southwest and Hub are Sensus iPerl meters that utilize a magnetic read technology to determine the quantity of water that passes through the meter versus a more traditional positive displacement that mechanically measures water use. Over the past seven years, the District has experienced a high failure rate with the Sensus iPerl meters. While these failed meters have been replaced under warranty, there is concern regarding the long-term viability of these meters. As such, the approved Fiscal Year 2020 budget capital equipment list includes \$247,520 to replace these meters in Metro Southwest. The goal is to also replace these meters in Metro Hub, pending future budget discussions and approval, in Fiscal Year 2021.

Replacing approximately 1,500 meters is most efficiently accomplished with contract support so the District's water professionals can focus on delivering safe, reliable water. Additionally, the meter change out requires a contractor that has experience with integrating data from the new meter read and new meter numbers into the correct account to avoid customer billing errors. It is recommended that the Board approve the meter replacement contract to Metering Services Inc., via the City of Tempe cooperative purchasing contract that is accessible under the SAVE program.

It is also recommended that the Board authorize the City of Tucson cooperative purchasing contract be utilized to purchase the required positive displacement meters. While the Board has previously authorized this vehicle for meter replacements within the District's budgetary line item for regular meter replacements and new installations, it is recommended that the Board also authorize this contract vehicle be utilized for meter replacements associated with this capital equipment investment.

The exact number of meters to be replaced will continue to vary based on failures that may occur prior to change out so it is recommended that the Board authorize a not-to-exceed amount equal to the capital equipment item for meter replacements in Metro Southwest for both meter purchases and meter installation.

Mr. Foulk asked when the meter replacement would begin. Mr. Olsen stated that the meter replacements would begin as soon as possible in Fiscal Year 2020. Mr. Shepard stated that, by the time the new meters are ordered and delivered, the replacement should begin in mid-August. Mr. Foulk stated that during the months with high water usage there may be a number of failures. Mr. Olsen stated that as failures have occurred those meters have been replaced. Mr. Foulk asked if the meters at Metro Hub are the same meters and if they are experiencing as many problems as the meters at Southwest. Mr. Olsen stated that the meters are the same, Sensus iPerl meters in Southwest and the meters at Hub are experiencing similar problems. The failure rate is significantly higher than the industry standard. Mr. Foulk asked if the Hub and Southwest meters were purchased at the same time. Mr. Shepard stated they were different batches but with similar reoccurring issues.

Mr. Offret moved to approve the meter purchase from National Meter & Automation for the Metro Southwest iPerl Meter Replacement utilizing the City of Tucson Residential and Commercial Water Meters cooperative purchasing contract and award the replacement work to Metering Services, Inc. utilizing the City of Tempe Water Meter Exchange Out and Repair Services cooperative purchasing contract, with a total project cost not to exceed the budgeted amount of \$247,520. Mr. Foulk seconded the motion. Motion passed 4-0 with Mr. Sarti recusing himself from voting on this item.

V. General Manager's Report

Mr. Olsen said both the District and the Central Arizona Water Conservation District (CAWCD) Board previously approved an innovative compensated system conservation agreement that deploys a portion of the District's CAP allocation to mitigate the Drought Contingency Plan (DCP) related shortages in return for financial compensation to the District that enables investment in water infrastructure and water resource initiatives. The agreement has remained in draft form since approval due to the need for finalization of other multi-state DCP implementation agreements. These agreements were completed last month and the Bureau of Reclamation (BOR) has now had a chance to review the District's and CAP's innovative agreement. The feedback received is that the BOR is generally supportive of the agreement but will likely need to be added as a signatory to the implementation agreement due to the complexities of how this water will be utilized in a non-shortage year. Staff is working with both BOR and CAP to ensure this agreement is fully executed.

The Annual Tri-State Seminar will be held August 6-8, 2019 at the South Point Hotel in Las Vegas. The Tri-State Seminar is a highly efficient way for operators to gain required professional development hours to maintain their Arizona Department of Environmental Quality (ADEQ) Operator's Certifications. As such, the District regularly sends five or six District staff to gain professional development hours (PDH) and enhance their water operator knowledge. This year's Tri-State seminar provides attendees the opportunity to choose from approximately 200 classes and to earn up to 21 PDHs. Should any of the Board wish to attend to expand their relevant water knowledge, please let Ms. Fedele or me know.

VI. Legal Counsel's Report

Ms. Schmidt said she had nothing to report.

VII. Clerk of the Board Updates; Future Meetings

The next regularly scheduled Board meeting will be held on July 8, 2019.

VIII. General Comments from the Public

There were no comments from the public.

IX. Adjournment

The meeting adjourned at 6:43 p.m.

Judy Scrivener, Chair of the Board

Theo Fedele, Clerk of the Board