

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

MONDAY, AUGUST 12, 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

Board Members Not Present: 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

Executive Session

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 5:30 p.m. Jim Doyle, Bryan Foulk, Dan M. Offret, and Judy Scrivener were present. Richard Sarti was not present

I. Executive Session Regarding Possible Mediation for the Settlement of the Easement Acquisitions for APN 216-32-025A and 216-32-028A

Pursuant to §38-431.03.A.3 and §38-431.03.A.4, this agenda item allows the Board of Directors to discuss or consult with the District's legal counsel for advice and provide direction regarding Possible Mediation for the Settlement of the Easement Acquisitions for APN 216-32-025A and 216-32-028A.:

Mr. Offret made a motion to adjourn into Executive Session. Mr. Foulk seconded the motion. Motion passed unanimously. The Board adjourned into Executive Session at 5:31 p.m.

The Executive Session concluded at 6:00 p.m.

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 6:02 p.m. Jim Doyle, Bryan Foulk, Dan M. Offret, and Judy Scrivener were present. Richard Sarti was not present

II. Discussion and Possible Action Regarding Possible Mediation for the Settlement of the Easement Acquisitions for APN 216-32-025A and 216-32-028A

Mr. Offret moved to instruct the General Manager to proceed with mediation as discussed in Executive Session. Mr. Foulk seconded the motion. Motion passed unanimously.

III. General Comments from the Public

There were no comments by the public.

IV. Consent Agenda

- A. Approval of Minutes – July 8, 2019 Board Meeting**
- B. Ratification of Billing Adjustments**

Mr. Foulk moved to approve the consent agenda. Mr. Offret 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 2020 combined consumption for all service areas is 2.5% higher compared to Fiscal Year 2019 and 12% lower compared to Fiscal Year 2018. Comparing the fiscal year-to-date numbers for July is more for reference than to determine a trend since there is only the July numbers for comparison. The trends on current and historical water consumption will begin aligning with particular climate and economic conditions further into the fiscal year.

All of the City of Phoenix inter-AMA firming water for 2019 has been delivered to the District's Avra Valley Recharge Project (AVRP) and just under 1,400 acre-feet (AF) of the District's Central Arizona Project (CAP) water will be recharged at AVRP by the end of the calendar year. Staff has been working with the Groundwater Savings Facility (GSF) partners to coordinate the District's calendar year 2020 CAP order. As a reminder, 3,500 AF of the District's 13,460 AF CAP allocation will be utilized in the compensated system conservation agreement, leaving 9,960 AF. The goal is to have the entire 9,960 AF delivered to GSF partners, which is financially beneficial to District ratepayers compared to storing this water in constructed underground storage facilities and helps avoid the need for agricultural mitigation water for agriculture within Pima County under the Drought Contingency Plan (DCP) agreement.

Mr. Shepard stated that due to the requests for additional bulk meter capacity in Metro Southwest, south of Diablo Village, six more meters were installed on the bulk station. At Diablo Village, the meter can, where the electric meter is inserted, had a slight outage due to loose terminal connections. The system was replaced and is back in service. The work continues on the obsolete facilities such as Rasmussen where the pressure tank was moved and the piping was placed below ground to provide necessary fire flow. Staff repaired damage to the trailer at Diablo Village #2 caused by age and wildlife. A poly service line was replaced at Metro Hub.

Ms. Bowen stated that the 30% transmission main design and all the associated technical memorandums for the Northwest Recharge, Recovery, and Delivery System (NWRRDS) partner portion from the AVRP well field to the forebay was received and is being reviewed. The partner comments are being wrapped up and finalized. The preliminary site layout for the forebay and the individual partner booster have also recently been received. The technical group meeting is next Tuesday and the comments received from the preliminary design will be discussed. Staff is coordinating with Carollo, a District consultant, for an independent cost analysis. During the drilling activities, one of the exploratory wells was drilled to depth as of today. The geophysical zonal sampling will continue over the next couple of days. Staff has commenced with the design to 30% for the Metro only piece from the forebay to Herb Johnson as well as proceeding to record of survey, culture topographic surveys, and project comments. The internal process is being reviewed prior to moving to the next step. The public notices were mailed to the customers in E&T for the Old Nogales Highway Mainline replacement since Old Nogales Highway is a primary ingress and egress. Staff is working with the contractor and work is expected to start sometime in September.

Mr. Olsen stated that Wally Wilson, Water Resources Manager, Gary Burchard, Hydrologist, and the District's Water Resources consultant have been overseeing the exploratory well drilling activities, including during the weekend and late into the evening, to ensure the drilling meets specifications and to help determine the ultimate capacity of the production wells.

Mr. Sklar stated the only update is on the litigation for parcels APN 216-32-025A and 216-32-028A, which has been set for mediation on September 23, 2019.

B. Financial Report

Ms. Bracken stated that revenue and expenditures for the fiscal year ending June 30, 2019 are both favorable with revenue \$995,117 higher than budgeted and expenditures \$1,393,274 lower than budgeted resulting in a favorable revenue in excess of expenditures total of \$2,388,391. Fiscal Year 2019 total revenue is \$105,680 lower than the total revenue collected in Fiscal Year 2018. Metered Water Revenue is \$743,167 or 4.12% lower. In Fiscal Year 2019, Water Resource Utilization Fees were \$103,101 higher, interest income was \$199,687 higher, development revenue was \$173,770 higher, and other income was \$102,836 higher. The total operating costs for Fiscal Year 2019 were \$68,006 lower than in Fiscal Year 2018. The July cash deposit balance was \$6,827,448.37, which was \$8,007,221.27 lower than the July 2018 balance with \$9.5 million moved into investments. The investment balance as of the end of July was \$13,050,484.56, which was \$9,728,943.20 higher than the July 2018 balance.

Wells Fargo provided \$2,741,500.91 of collateralization coverage in addition to the FDIC coverage of \$250,000.

The Capital One Bank MasterCard were used to purchase \$35,934.99 on the July statement with up to 1.25% cash back earnings. The cash back amount received from transactions processed in the prior month totaled \$460.79 or 1.13% with a cash back total of \$5,146.02 as of July 31, 2019.

Thirty-five new meter applications were received in July compared to 43 new meter application received in July 2018. Nineteen of the new meter applications were for the Metro Main and Hub service areas and 12 new meter application were for the Metro Southwest service areas.

On July 1, 2019, the District recovered \$439.50 of the Local Government Investment Pool (LGIP) losses from Lehman Brother Holding Inc. who filed Chapter 11 in 2008. The District has now recovered a total of \$30,461.70 from the original loss of \$75,351.62.

The District's Independent Audit team, Steve Palmer, Auditing Partner, Crimson Singelton, Senior Manager, Tanner Atkin, and Davis Smith, from Hinton Burdick were at the District completing their audit field work and was available to discuss any items with the Board. Mr. Palmer complimented the District's Finance team on their preparation for the audit including providing everything needed in a timely manner enabling the auditors to get a lot accomplished before arriving onsite. The Finance team was also very responsive to any requests made by the auditors.

C. Amendment of the District's Legal Boundary to include Rancho Despoblado, Lots 1-9

Mr. Olsen stated that Rancho Despoblado Lots 1-9 is an existing residential development, located to the northeast of Hardy Road and La Cholla Blvd. The development is surrounded on all sides by Metro Main's legal boundaries and is served by a single well. The owner of the entire residential development has formally requested that the District's legal boundaries be amended to include Rancho Despoblado. Given the proximity of the development to Metro Main, and that all required infrastructure to serve this development will be constructed by the property owner, it is recommend the Board approve this amendment to the District's legal boundaries.

Mr. Offret moved to adopt Resolution 2019-5 to amend the District's legal boundary to include the Rancho Despoblado, Lots 1-9 development. Mr. Foulk seconded the motion. Motion passed unanimously.

D. Approval of Water Service Agreement for Rancho Despoblado, Lots 1-9 (M-19-009)

Mr. Olsen stated that water service agreements are normally placed on the Consent Agenda. Given that the Rancho Despoblado water service agreement was contingent on the Board approving the amendment to the District's legal boundaries, this item was pulled from Consent pending Board action. As the Board has approved the amendment to the District's legal boundaries, approval of the associated water service agreement is recommend.

Mr. Foulk moved to approve the water service agreement for Rancho Despoblado, Lots 1-9. Mr. Offret seconded the motion. Motion passed unanimously.

E. Approval of the Groundwater Savings Storage Agreement with BKW Farms

Mr. Olsen stated that GSFs are a critical water resource management strategy for the District where a portion of the District's CAP allocation is delivered to farmlands near the CAP canal in-lieu of the farms pumping ground water. The District receives equal water credits in return along with a GSF rebate of \$12 per AF. Each year, these mutually beneficial relationships provide additional financial resources enabling the District to purchase approximately 600 AF of additional CAP water. Over the past month, we have been in close coordination with Cortaro-Marana Irrigation District (CMID), BKW Farms, and Kai Farms to determine the Calendar Year 2020 GSF deliveries. Today the Board is being requested to approve the water storage amendment with BKW Farms for 2,000 AF of deliveries to their GSF in calendar year 2020. Discussions are ongoing with CMID and Kai Farms as they determine specific water needs for next calendar year associated with planned planting schedules and specific crops. Those agreements will be brought to the September Board meeting for consideration. With the goal of all 9,960 AF of our remaining 2020

CAP allocation stored in GSFs, this would generate \$120,000 in revenue for the District in GSF storage rebates and save an additional \$170,000 than if this water was otherwise stored in constructed recharge projects.

Mr. Foulk moved to approve Amendment No. 1 between the District and BKW Farms, Inc. for “In-Lieu Water Deliveries and Storage” in 2020. Mr. Offret seconded the motion. Motion passed unanimously.

F. Presentation on the District’s Capital Improvement Program

Mr. Olsen stated that Monica Wilson, Senior Engineering Associate, would provide a presentation on the District’s Capital Improvement Program (CIP) as part of the continued series of presentations highlighting the amazing dedication and contributions of staff to the District mission.

Ms. Wilson provided a presentation on how the District’s CIP is prioritized to ensure the most critical infrastructure needs are addressed within the 10-year planning horizon.

V. General Manager’s Report

Mr. Olsen said the Southern Arizona Water Users Association (SAWUA) will host their annual legislative forum on October 11, 2019 at the Hotel Tucson City Center. The focus of the discussion is the next wave of water policy following DCP. The Arizona Department of Water Resources (ADWR) Director Buschatzke has been confirmed to attend and we are awaiting confirmation from the Bureau of Reclamation (BOR). The elected officials will also benefit from a policy perspective on what other States are doing to address water quality for emerging contaminants. To that end, Tommy Holmes, American Water Works Association (AWWA) Legislative Director, has been confirmed and will discuss various federal and state actions on emerging contaminants.

As of the last Board meeting, the specific wording was still being finalized between the BOR, Central Arizona Water Conservation District (CAWCD), and the District for the compensated system conservation agreement. All parties have been able to resolve the various concerns and the BOR decided to sign as an acknowledging party to the agreement. As of this morning, CAWCD and the District have signed the agreement which is now being routed for BOR’s signature.

The annual Colorado River Water Users Association (CRWUA) Conference will be held December 11–13, 2019 in Las Vegas. The conference enables a conversation among the seven Colorado River Basin States and the 10-tribes partnerships and is an excellent forum to gain perspective on important water policy issues beyond Arizona. Should any of the Board wish to attend this event to enhance their water policy knowledge, please let Ms. Fedele or me know.

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 September 9, 2019.

VIII. General Comments from the Public

There were no comments from the public.

IX. Adjournment

The meeting adjourned at 6:39 p.m.

Judy Scrivener, Chair of the Board

Theo Fedele, Clerk of the Board