

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

**September 12, 2016**

**\*\* Board Room \*\***

**Metropolitan Domestic Water Improvement District  
6265 N. La Cañada Drive  
Tucson, AZ 85704**

**MINUTES**

**Board Members Present:** Judy Scrivener, Chair  
Bryan Foulk, Vice-Chair  
Jim Doyle, Member  
Helen Ireland, Member  
Dan M. Offret, Member

**District Staff:** Joseph Olsen, General Manager  
Diane Bracken, Chief Financial Officer  
Theo Fedele, Recorder  
Charlie Maish, District Engineer  
Tullie Noltin, Clerk of the Board  
Steve Shepard, Utility Superintendent  
John Hinderaker, 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, Helen Ireland, Dan M. Offret 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 – August 8, 2016 Board Meeting.**
- B. Approval of Minutes – August 24, 2016 Special Board Meeting.**

**C. Ratification of Billing Adjustments.**

**D. Approval of Water Service Agreement – Orange Grove Self Storage P1209023-M09-011.**

Ms. Ireland made a motion to approve the consent agenda. Mr. Offret seconded the motion. Motion passed unanimously.

Mr. Offret asked why the Billing Adjustments seemed higher than normal. Mr. Olsen stated the reason for the anomaly is unknown; however, all water and production costs were covered and paid for in the tier the customers historically consume water. Since the Board approved the new leak adjustment policy, customers are more aware they can request adjustments.

Mr. Foulk stated he advised four customers to request adjustments due to leaks.

Ms. Bracken stated that the District historically averages about 22 adjustments per month. Some of the eight adjustments from last month were included in this month's total but the amount is still higher than average.

**IV. General Business – Items for Discussion and Possible Action**

**A. Monthly Status of the District.**

Mr. Olsen stated the fiscal year to date consumption was down by 5% compared to last fiscal year; however, the calendar year to date consumption was up by 1%. The large discrepancy between calendar year to date and fiscal year to date numbers is not unusual and will begin to align later into the fiscal year.

The maintenance for the blending piping at Horizon Hills was completed. As discussed at the 1,4-dioxane presentation provided to the Board at the August meeting, the piping is to safely blend water so the 1,4-dioxane is below the health advisory which will ensure compliance with water quality guidelines as well as enable the operation of the Horizon Hills well.

The booster suction and discharge piping at E&T 22 was completed.

An Intergovernmental Agreement (IGA) with the City of Phoenix for the next phase of storing a portion of water at the District's facilities was to be presented at this meeting. There was a slight delay in the District receiving a copy of the IGA so the item will be presented at the next Board meeting. The numbers show 3,500 acre-feet (AF) of City of Phoenix water being stored at the Avra Valley Recharge Project (AVRP). This delay does not impact the ability to store water in calendar year 2017.

The work for the Casas Adobes waterline replacements at Nanini Drive, Casas Adobes Drive, and Andrea Doria Drive has been completed with only a few minor items to be addressed and the Metro Hub Reservoir retaining wall has been completed.

**B. Financial Report.**

Ms. Bracken stated revenue and expenditures for July are both favorable with revenue at \$394,231 over budget and expenditures at \$96,880 under budget utilizing a straight-line projection resulting in a favorable revenue in excess of expenditures of \$490,993. The largest increase in revenue is from Metered Water Sales which have exceeded the straight-line projection by \$322,740. Revenue from water storage will be reported as a separate line item this fiscal year; in the past it had been included in other income. Expenses for purchased power supplies and regulatory fees are over budget when compared to a straight-line projection. Regulatory fees include an annual transfer of water credits from Metro Main to Metro Southwest. All other expenditures were under budget when compared to a straight-line projection. Revenue in July 2016 is \$238,992 higher than it was in July 2015 with an increase of \$120,652 in Metered Water Sales. The total operating expenditures for July 2016 are \$12,267 higher than in July 2015. When comparing revenue in excess of operating expenditures to July 2015, the current year is favorable by \$226,728.

In accordance with the District Bond Resolution, a debt service reserve account was established and fully funded as of June 2014 when it reached the required balance of \$4,636,079. With active investment management, the balance in this account exceeded the required balance. On July 19, 2016, BNY Mellon in accordance with the Bond Resolution moved \$344,671.06 out of this account. These earnings are tied to bond funding and are restricted to how it can be used. Since the District does not currently have any bonds that are callable, the \$344,671 will be used to reduce the cash amount needed to pay the debt service payments this fiscal year.

The Arizona State Treasurers Office Pooled Collateral Program statement includes collateralization coverage of \$2,086,749.82 for July in addition to the \$500,000 FDIC insurance coverage.

A total of seven meter applications were received in August compared to 23 meter applications in August of the prior fiscal year. A total of 14 meter applications have been received so far this fiscal year compared to 28 received at this point in the prior fiscal year.

**C. Approval of Liability Insurance.**

Mr. Olsen said that this item is for the renewal of the District's annual liability insurance with Glatfelter Public Practice, and equipment coverage with The Hartford Steam Boiler Inspection and Insurance Company. These are the same carriers and coverage levels as last year. The total renewal

amounts increased slightly based on the additional land the District acquired for the Central Arizona Project Recharge, Recovery, and Delivery System (CAP RRDS). Last year, the cyber coverage was significantly increased but the premiums did not increase for this type of coverage.

Mr. Offret made a motion to approve the Liability Insurance Policy with Glatfelter Public Practice for \$132,372 and The Hartford Steam Boiler Inspection and Insurance Company for \$13,076 with a total annual premium cost of \$145,448 from October 1, 2016 through September 30, 2017. Mr. Foulk seconded the motion. Motion passed unanimously.

Mr. Offret stated that he feels Glatfelter Public Practice is doing a great job for the District. Mr. Olsen agreed stating that Glatfelter has been very responsive to various claims and issues over the past couple of years.

**D. Approval of Exchange of Land at Metro Southwest – Diablo Village Well No. 1 with Caddis Haley Estates HOA and Fidelity National Title Agency.**

Mr. Olsen stated a property ownership issue was discovered at the Diablo Village Well No. 1 site where two sides of the District fence line are on two adjacent owners' properties and the other two sides are on District property. This past year, Mr. Maish has been working on a property transfer with the property owners represented by Caddis Haley Estates Homeowner's Association (HOA) and Fidelity National Title Agency so the District's fence line and all infrastructure is on District property. All parties are willing to move forward to prevent future property conflicts and there are currently no issues associated with the properties.

Mr. Foulk made a motion to approve the agreement between the Caddis Haley Estates HOA and the District for the exchange of land along the Metro Southwest – Diablo Village Well No. 1 site. Ms. Ireland seconded the motion. Motion passed unanimously.

Mr. Offret made a motion to approve the quit claim deed unto Fidelity National Title Agency for the exchange of land along the Metro Southwest – Diablo Village Well No. 1 site. Mr. Foulk seconded the motion.

Ms. Ireland expressed concern with transferring District land with a quit claim deed instead of a warranty deed that provides better long-term protections to the District.

Mr. Maish stated that there were two different parties that prepared the land exchange agreements. The property with Fidelity is a big piece of property that is going to be subdivided. The plat identifying the boundaries for the subdivision along the existing fence was approved by the Pima County Board of Supervisors earlier this year. The land consultant researched and obtained title reports for both properties and did not find any complications with ownership. The property broker selling the property stated there are no liens on the property. The sale is almost completed and is waiting for the exchange.

Mr. Offret asked if there is more of a risk with a quit claim deed. Mr. Maish stated while a warranty deed does give you more protection than a quit claim deed he is confident the property has been researched and there are no issues or liens on the property.

Ms. Ireland asked if it would hold things up to substitute a warranty deed for the quit claim deed. Mr. Maish stated it would not hold anything up.

Mr. Foulk asked the size of the property. Mr. Maish stated the property is 6 feet by 100 feet.

Ms. Ireland stated the property has the arsenic treatment systems on it and asked Mr. Hinderaker's opinion.

Mr. Hinderaker stated the summary by Mr. Maish is correct. There is a risk without a warranty deed if there is an encumbrance on the property. If the property has been reviewed by a title company and there are no issues with the title to the property than it is a reasonable risk to take. The question is if there is a title company involved and how was the research completed to be fully confident that there are no issues.

Mr. Maish stated that the Fidelity National Title Agency is representing the land owner in the second property.

Ms. Scrivener stated that if there was a concern with the quit claim deed the Title Company would also be concerned.

Ms. Ireland stated that the District would be receiving a quit claim to the property with the arsenic treatment system on it. Mr. Hinderaker stated that is correct and if there are no concerns anticipated with getting a warranty deed the Board could approve the warranty deed subject to the condition that it is similar to the other warranty deed and allow staff to move forward.

Mr. Offret withdrew his motion and Mr. Foulk, who seconded the motion, agreed.

Mr. Offret made a motion to approve a Warranty Deed unto Fidelity National Title Agency for the exchange of land along the Metro Southwest – Diablo Village Well No. 1 site. Mr. Foulk seconded the motion. Motion passed unanimously.

**E. Approval of Amendment No. 4 to the Intergovernmental Services Agreement for Interim Remedial Action with the Arizona Department of Environmental Quality for the South Shannon Treatment System.**

Mr. Olsen said the District has a five year IGA with the Arizona Department of Environmental Quality (ADEQ) for reimbursement of expenses for the South Shannon Treatment System.

The IGA does not include any cost escalators to account for increases each year with the operation of the facility. This amendment includes budgeted amounts for ADEQ to plan for the reimbursements and an appropriate amount of inflation over the five year IGA term.

Ms. Ireland made a motion to approve Amendment No. 4 to the Intergovernmental Services Agreement for Interim Remedial Action at the South Shannon Treatment Facility between the Arizona Department of Environmental Quality and the Metropolitan Domestic Water Improvement District with a contract amount of \$46,327 for Fiscal Year 2017, \$54,166 for Fiscal Year 2018, \$55,888 for Fiscal Year 2019, and \$57,719 for Fiscal Year 2020. Mr. Foulk seconded the motion. Motion passed unanimously.

Mr. Foulk asked if the amounts were projections. Mr. Olsen answered that the amounts are projections based on the historical reimbursement quantities and other known costs to operate the treatment system.

**F. Approval of Amendments to Groundwater Savings Storage Agreements with BKW Farms, Herb Kai, and Cortaro Water Users Association.**

Mr. Olsen said the Groundwater Savings Facilities (GSF) are key partners with the District which enable the storage of renewable allocations of Central Arizona Project (CAP) water and, in the near future, effluent water. The GSFs with BKW Farms, Herb Kai, and Cortaro Water Users Association allow for the delivery of a portion of CAP allocation in-lieu of groundwater pumping to irrigate crops. The District then receives a GSF rebate of \$12 per AF for the water delivered to these farmlands. The revenue is reinvested to purchase roughly 400 AF per year of additional CAP water. The District is also able to save roughly \$1.3 million each year as opposed to leveraging Central Arizona Groundwater Replenishment District resources which are substantially more expensive.

Mr. Foulk made a motion to approve Amendment No. 1 between the District and BKW Farms, Inc. for “In-Lieu Water Deliveries and Storage” for 2017 storage. Mr. Offret seconded the motion. Motion passed unanimously.

Mr. Offret made a motion to approve the Amendment No. 1 between the District and Cortaro Water Users’ Association for “In-Lieu Water Deliveries and Storage” for 2017 storage. Mr. Foulk seconded the motion. Motion passed unanimously.

Ms. Ireland made a motion to approve the Amendment No. 1 between the District and Herb Kai for “In-Lieu Water Deliveries and Storage” for 2017 storage. Mr. Offret seconded the motion. Motion passed unanimously.

**G. Approval of Intergovernmental Agreement with Cortaro-Marana Irrigation District, Bureau of Reclamation, and Pima County Regarding a Reclaimed Water Interconnect Pipeline Project.**

Mr. Olsen stated the Board approved an IGA with the Bureau of Reclamation, Cortaro-Marana Irrigation District (CMID), and Pima County to partner in a pipeline to deliver a portion of the District's effluent supply to CMID. This project would generate 100% water resource credits as opposed to less than 50% that is currently being generated via discharge to the Santa Cruz River. The environmental assessment process has been completed and the approval of the IGA is needed to update various signature blocks and dates. Nothing else of substance has changed in the agreement.

Mr. Offret made a motion to approve the Intergovernmental Agreement regarding a Reclaimed Water Interconnect Pipeline Project with Cortaro-Marana Irrigation District, Bureau of Reclamation, and Pima County with an expiration date of March 25, 2019. Mr. Foulk seconded the motion. Motion passed unanimously.

**V. General Manager's Report**

Mr. Olsen stated that the Bureau of Reclamation's 24 month projection was published in August and predicts that there will be no shortage declaration in 2017; however, there is a relatively high risk of a shortage declaration in 2018. On the positive side, a shortage in 2017 might have been a more likely scenario if not for numerous collaborative efforts and the interstate partnerships.

Southern Arizona Water Users Association (SAWUA) is hosting an annual water forum on October 27, 2016 with presentations from Arizona Department of Water Resources, CAP, WateReuse, and SAWUA. If any Board Members wish to attend, let Ms. Noltin know so registration can be finalized. These events are a great way to get a comprehensive cross-section of what is going on in the water industry.

For years, the District's internet access was obtained from a satellite dish on top of the District office building roof that received a signal from across the street. The problem was if there were any interruptions, caused by a storm or high wind, the District would lose internet connectivity and phone operation. It has been a bit of a journey but an underground fiber connection has been installed and provides the District with significantly enhanced speed, capability, and cyber reliability. The dish is still on the roof to have continuation of service to our customers if fiber connection is interrupted.

Mr. Foulk asked where the Lower Santa Cruz Recharge Project (LSCRCP) is located since the CAP reliability agreement allows for the storage of water there. Mr. Olsen and Mike Block, Water Resources Manager, stated it is close to AVRCP about a half of a mile to the northeast. Mr. Foulk asked if there is a hit to the District because it is so close. Mr. Olsen stated that under the CAP RRDS, the recovery wells will be sited to recover from the groundwater savings facilities, AVRCP and LSCRCP, to maximize the recovery potential.

**VI. Legal Counsel's Report**

Mr. Hinderaker said he had nothing to report.

**VII. Clerk of the Board Updates; Future Meetings**

Ms. Noltin stated that this item has been retitled to allow for calendar updates, workshops or other announcements.

The Board previously voted to cancel the District's 2016 election. The Pima County Board of Supervisors cancelled the election and appointed the two members who filed, Dan Offret and Bryan Foulk. This will take effect January 2017.

The District has offered a free water harvesting workshop for customers on Thursday, September 15, 2016. Registration is full with 40 people planning to attend.

The next regularly scheduled Board meeting will be held on October 12, 2016, on a Wednesday due to the Columbus Day holiday, and will begin with an executive session at 5:30 p.m.

**VIII. General Comments from the Public**

There were no comments from the public.

**IX. Adjournment**

The meeting adjourned at 6:34 p.m.

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Judy Scrivener, Chair of the Board

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Tullie J. Noltin, Clerk of the Board