

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

OCTOBER 11, 2017

**** 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 (departed at 6:29 p.m.)
Jim Doyle, Member
Helen Ireland, Member
Dan M. Offret, 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
John Hinderaker, Legal Counsel (electronic attendance)

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 6:04 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 – September 11, 2017 Board Meeting**
- B. Ratification of Billing Adjustments**
- C. Approval of Water Service Agreement for Diablo Village Townhomes, Lots 1-53 (M-17-003)**
- D. Approval of Water Service Agreement for Hardy Preserve, Lots 1-55 (M-16-013)**

E. Approval of Cost Increase for the Purchase of the Small Utility Tractor and Attachments

Ms. Ireland requested to discuss item E separately.

Ms. Ireland moved to approve items A – D of the consent agenda. Mr. Foulk seconded the motion. Motion passed unanimously.

Ms. Ireland inquired about the increase to the bid for the tractor for taxes totaling \$1,941.37. Mr. Olsen stated that at the September 11, 2017 meeting, the Board approved the purchase of the small utility tractor trailer and attachments for a particular dollar amount. The tractor quotes did not include taxes but the quote for attachments did. This caused some confusion and it was assumed that taxes were included on both items. The company was contacted and it was determined the additional \$1,941.37 was needed for taxes. Staff will ensure going forward that taxes are included. Mr. Shepard stated that the pricing for the tractor was based on the National Joint Powers Alliance (NJPA) which is a governmental purchasing contract and the attachments were through the normal purchasing route. The language that taxes may not be included was in the fine print and was overlooked.

Mr. Offret moved to approve item E of the consent agenda. Ms. Ireland 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 total fiscal year-to-date consumption for all service areas is approximately 6% higher than last fiscal year-to-date consumption. This is a marked increase from last month and is approximately the same for each of the service areas so the increase is more likely due to weather instead of new metered connections.

Utilities returned the Lazy B well to service after substantial maintenance activities. Lazy B customer demands were sustained during the activities via the wheeling agreement with Tucson Water. This wheeling agreement is key to ensuring reliable water service at Lazy B as there is only one District owned production well.

The E&T 22 auxiliary pump installation has been completed and will provide additional water service reliability during power outages.

The Oracle Jaynes (OJ2) recovery well application has been submitted to Arizona Department of Water Resources (ADWR) and is required for OJ2 to be authorized to recover a portion of the District's water resource portfolio. Public comment expired on October 5, 2017 and no public comments or objections were received by ADWR.

The Valencia Road Regional Transportation Authority (RTA) waterline relocation project was advertised on October 10, 2017 with a bid opening scheduled for November 1, 2017.

Metro Main currently has waivers with Arizona Department of Environmental Quality (ADEQ) for sampling inorganic chemicals (IOC) and synthetic organic chemicals (SOC). These waivers adjust the frequency that these constituents are tested and is based on relevant historic water quality results. New waiver applications were submitted to ADEQ prior to the October 1, 2017 deadline.

Mr. Offret asked what a high resolution survey is in regards to the AVRPP proposal. Wallace Wilson, Water Resources Manager, stated that color imagery digital elevation maps with one foot contours are achieved via a drone flown above the site.

D. Update on Water Service Agreement with Alta Vista Communities Casas Adobes for Avilla Pima Canyon and Authorization of Compensation (M-16-007 and M-16-008)

This item was taken out of order.

Mr. Olsen stated that at the December 5, 2016 Board meeting, a water service agreement was approved for the Avilla Pima Canyon development that also included authorization for the developer to oversize a portion of the planned water infrastructure to address system reliability issues. In addition to the oversizing components, the water service agreement also included the reimbursement for a waterline extension from the oversized waterline to the existing distribution system. At the Board meeting, the initial engineer's cost estimate to accomplish this work was \$150,000 but this amount was based on preliminary plans. Additionally, as this development proceeded through design review, Pima County Department of Transportation (DOT) determined that substantially more pavement would be required along Los Altos, the alignment where the District requested the waterline extension. Due to the additional pavement, the adjustments in actual constructed infrastructure quantities, and the contractor's costs associated with bonds and taxes, the actual cost of this work was \$222,233.35. Staff has met with the contractor and reviewed each line item and quantity to arrive at the recommended authorized payment for the Board's consideration.

To prevent a similar issue from arising, any future water service agreements that contain oversize requests will include an authorized dollar amount in the recommended Board motion and will be treated the same as any other construction project where changes and adjustments beyond the authorized amount will be brought back to the Board for consideration.

Mr. Offret asked if there was discussion with Pima County regarding the paving. Ms. Bowen stated that the pavement in the final plans is consistent with the county's requirements including the pavement replacement for the patched area plus a one inch overlay which is where the additional costs came from compared to the original estimate.

Mr. Foulk moved to authorize the General Manager to compensate Alta Vista Communities Casas Adobes for related offsite and oversized water infrastructure to serve Avilla Pima Canyon in the amount of \$222,233.35. Mr. Offret seconded the motion. Motion passed unanimously.

B. Financial Report

Ms. Bracken stated that revenue and expenditures as of the end of August are both favorable with revenue of \$839,618 dollars over budget and expenditures of \$237,121 dollars under budget using a straight-line projection resulting in a favorable revenue in excess of expenditures total of \$1,076,739. The largest increase in revenue is from Metered Water Sales, which have exceeded a straight-line projection by \$609,441. Water Resource Utilization Fees are \$51,871 ahead of a straight-line projection and development revenue is \$86,810 ahead of a straight-line projection. Expenses for power continue to be over budget with all other expenses under budget using a straight-line projection. Revenue through August is \$242,598 or 6.18% higher than it was in August 2016 with an increase of \$108,292 from Metered Water Sales, an increase of \$113,669 in development revenue, and the sale of water storage credits totaling \$68,474. The total operating expenditures are \$14,426 higher than they were at the end of August 2016. When comparing revenue in excess of operating expenditures to August 2016, the current year is favorable by \$265,478.

The Arizona State Treasurer Pooled Collateral Program provided collateral coverage of \$5,919,219.67 in addition to the \$500,000 FDIC coverage.

A total of 13 meter applications were received in September compared to 10 meter applications received in the September of the prior fiscal year. As of the end of September, a total of 30 meter applications have been received compared to 24 meter applications at this time in Fiscal Year 2016.

C. Approval of Audit for Fiscal Year 2017

Mr. Olsen stated that the District's independent auditor, HintonBurdick PLLC completed the Fiscal Year 2017 audit of the District's financial activities and no material misstatements or findings were identified. Mr. Olsen praised the professionalism, internal controls, and attention to detail of Ms. Bracken and the Administration Team.

Ms. Bracken stated that after the independent auditors complete their work, the financial staff are responsible for reviewing the draft audit report, asking questions, and evaluating recommendations before presenting the Generally Accepted Accounting Principles (GAAP) and Governmental Accounting Standards Board (GASB) compliant financial reports to the Board. The audit team from HintonBurdik found no material internal control issues and no operating inefficiencies were identified by the audit team.

The net position of the District increased by \$8.57 million dollars compared to \$6.88 million in the prior fiscal year for an ending with a positive net position of \$70,825,537. The increase in net position consists of \$21.88 million of operating revenue less operating expense of \$13.39 million plus non-operating income of \$1.12 million, less non-operating expenses of \$1.38 million and the addition of \$340,000 in contributed capital.

Metered water revenue increased by \$1.34 million dollars when compared to the prior fiscal year and the total operating revenue increase by \$2.47 million dollars.

In addition to the audit; the audit team will make business operational suggestions as they see an opportunity. This year during the exit interview, the auditors made a suggestion to be aware of who is authorized to make changes, additions, and deletions in electronic processes such as purchase order and service orders. They complimented us on doing a great job with timely deposits. There was an account number typo on the GASB 68 template provided and this was corrected. A prior year accrual for \$1,600 dollars interest on the Riverside Well note was not reversed as the note was paid off in July, and one \$4,900 asset purchased in 2014 was set-up with a zero in the life span field so it was not calculating depreciation. This is a 99.99% accuracy rate when compared to the total revenue.

Upon completing the audit, the Audit Manager from HintonBurdick wrote: “We appreciate the time and care you take with the work you do and believe it shows in how clean the audit is and the fact there are no findings or significant adjustments. Please let everyone know we’re grateful for the work they do and their assistance with the audit.”

Mr. Offret moved to approve the audited Comprehensive Annual Financial Report including the financial statements of the District for Fiscal Year 2017 as presented. Mr. Foulk seconded the motion. Motion passed unanimously.

D. Update on Water Service Agreement with Alta Vista Communities Casas Adobes for Avilla Pima Canyon and Authorization of Compensation (M-16-007 and M-16-008)

This item was taken out of order and considered after item A.

V. General Manager’s Report

Mr. Olsen stated that as a final reminder, the Southern Arizona Water Users Association is hosting a legislative breakfast on October 20, 2017. The purpose of this breakfast is to provide elected officials with relevant and current information on the state of water in Arizona. Scheduled presenters include the Director of ADWR, a commissioner from the Arizona Corporation Commission, the Director of the University of Arizona Water Resources Research Center, and a representative from the Kyl Center for Water Policy.

On September 30, 2017, District staff hosted a customer appreciate barbeque at Wildwood Park in celebration of the District's 25 anniversary. There was a phenomenal turn-out of approximately 300 attendees and special thanks goes to Ms. Fedele for leading the team that organized this event over the past several months, Mr. Wilson for preparing all the ribs and brisket, and many other District staff members that spent their Saturday serving our customers during this celebratory milestone.

For a number of years, the District has had a tradition of recognizing the contributions of staff members on certain years of service milestones. We are privileged to recognize the contributions of four District employees who have served the District throughout its entire history. Ralph Garcia, Larry Tanner, Sheila Willis, and Steve Shepard have now each contributed 25 years to delivering safe, reliable water to our customers.

VI. Legal Counsel's Report

Mr. Hinderaker said he had nothing to report.

VII. Clerk of the Board Updates; Future Meetings

The next regularly scheduled Board meeting will be held on November 13, 2017.

VIII. General Comments from the Public

There were no comments from the public.

IX. Adjournment

The meeting adjourned at 6:32 p.m.

Judy Scrivener, Chair of the Board

Theo Fedele, Clerk of the Board