

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

**MONDAY, NOVEMBER 13, 2017**

**\*\*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  
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  
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, 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 – October 11, 2017 Board Meeting**
- B. Ratification of Billing Adjustments**
- C. Ratification of Accounts Removed from Active Accounts Receivable**
- D. Ratification of Bill of Sale Vahalla Estates (M-15-010)**
- E. Approval of Water Service Agreement for La Cholla Station, Lots 1-35, Common Areas A, B, C, & Block 1 (M-16-017 – Phase I) and (M-17-010 – Phase II)**

- F. Ratification of Bill of Sale Avilla Pima Canyon (M-16-007 – Phase I)**
- G. Ratification of Bill of Sale Avilla Pima Canyon (M-16-008 – Phase II)**

Ms. Ireland made a motion 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 the total fiscal year-to-date consumption for Metro Main is approximately 7% higher than last fiscal year-to-date and Hub and Southwest are 11% and 9% higher respectively. Recently temperatures have been higher than normal which may be a contributing factor to the increase.

The Old Nogales mainline continues to test the resiliency of the Utility Team's expeditious repair capabilities as this line failed twice in the last month. As mentioned previously, the prioritization for design and replacement of this line along Old Nogales Highway is currently in review with the Engineering Team.

All but 893 acre-feet (AF) of the District's Central Arizona Project (CAP) order has been stored for this calendar year. An item on the agenda for Board's consideration is to modify one of our Groundwater Storage Facilities (GSF) contracts to deliver all or some of the remainder of this water in a mutually beneficial manner.

As mentioned at a previous Board meeting, the District has modified the operation of the South Shannon Treatment Facility based on updated guidance from Arizona Department of Environmental Quality (ADEQ) and their desire to standardize the operations of such facilities across the State. This new operating scheme changes the trigger for when the Granular Activated Carbon (GAC) on the lead treatment vessel is changed out. ADEQ was notified today of the current water quality results and staff continues to closely track when ADEQ's trigger is reached for GAC change out.

The Oracle Jaynes replacement well work continues with the mechanical and electrical components now completed and the grading and fencing work anticipated to be completed this month. An item for the Oracle Jaynes storage tank painting and recoating is on the agenda for the Board's consideration.

The Regional Transportation Authority (RTA) projects continue to proceed with the design for the District's infrastructure relocations in La Cholla on-going and the consideration for award of the relocation work for impacted District infrastructure on Valencia on the agenda for the Board's consideration.

The Easement acquisitions continue on the Northwest Recharge, Recovery, and Delivery System (NWRDRS) project with roughly ten easements closed or near closed since the last Board meeting. The coordination with Arizona State Land Department (ASLD) is ongoing and there was a coordination meeting with ASLD staff this morning to address some of their review comments.

## **B. Financial Report**

Ms. Bracken stated that revenue and expenditures as of the end of September are both favorable with revenue exceeding the budget by \$1,312,094 dollars and expenditures under budget by \$169,100 dollars when compared to a straight-line projection. Revenue in excess of expenditures is favorable by \$1,481,194.

The largest increase in revenue is from Metered Water Sales, which have exceeded a straight-line projection by \$964,385 and is above the historic average by \$147,740. Water Resource Utilization Fees are \$84,170 ahead of a straight-line projection. Revenue from water storage and development fees is \$49,695 and \$82,226 ahead respectively when compared to a straight-line projection. Other income has exceeded the adopted budgeted amount with the inclusion of \$17,803 from inspection fees, \$17,768 from gains on vehicles sales and lease exchanges, \$10,846 from main line installs and plan reviews, and \$14,164 from insurance reimbursements for damaged property and vehicles. Expenditures for power continue to be high in September. Regulatory fees are higher than a straight-line comparison with the transfer of the sale of water credits from Metro Main to Metro Southwest that was completed for the year and the inclusion of the Central Arizona Groundwater Replenishment District (CAGRDR) annual membership fees. Revenue through September is higher than the prior year by \$477,408 or 8.19%. Meter Water Sales are higher by \$259,471, development revenue exceeded the prior year by \$115,468, and other income is \$59,290 higher than it was in September 2016. The total operating expenditures are \$167,551 higher than they were at the end of September 2016. When comparing revenue in excess of operating expenditures to the prior year, the current year is favorable by \$309,857.

The September Arizona State Treasurer Pooled Collateral Program provided collateral coverage of \$5,734,039.64 in addition to the \$500,000 FDIC coverage.

A total of 16-meter applications were received in October compared to 8-meter applications received in the October of the prior fiscal year. As of the end of October a total of 46-meter applications have been received compared to 32-meter applications as of October 31, 2016.

## **C. Continuation of Agreement to Outsource Printing and Mailing of Billing Services**

Mr. Olsen stated that since 2014, Infosend Inc. has accomplished the mailing service for the District's customer billing statements and has performed this key service to the District admirably. Over the past three years, Infosend has only asked for one minor cost adjustment for statement forms and envelopes. Staff would like to continue utilizing Infosend Inc. on an automatically

renewed, unless cancelled, basis. This would continue to provide billing continuity and save District resources associated with bidding and billing service transitions. In the future, should Infosend no longer provide the quality service they have historically provided the District, the agreement could be cancelled. Additionally, this agreement will be brought to the Board for consideration in the future if a requested cost increase is deemed excessive for the service provided.

Mr. Foulk departed at 6:09 p.m.

Mr. Offret moved to approve the continued use of services from InfoSend, Inc. utilizing the automatic subsequent renewal periods as stated in the agreement and stated that the District shall bid services if an increase in cost of service is determined by staff to be excessive in any given year. Ms. Ireland seconded the motion. Motion passed 4-0.

#### **D. Employee Medical and Dental Insurance Coverage for 2018**

Mr. Olsen stated that staff worked with the District's insurance broker, Crest Insurance, on the renewal of the District's health insurance for a relatively modest increase. The District offers employees a Preferred Provider Organization (PPO) and a Health Savings Account (HSA) option. For calendar year 2018, there is an increase in the PPO premiums, which is almost completely offset by the decrease in the HSA premiums resulting in a total District increase in medical premiums of \$2,251. As there were both increases and decreases in premiums, depending on the plan, the increase or decrease in premiums was split between the District and staff. A meeting was held with staff last week to discuss the increases and decreases as well as the various plan options. There was overwhelming support to recommend these two plans for Board consideration.

MetLife is proposing a flat renewal for the dental insurance with no increase and the Employer's Dental service is requesting only at 0.89% increase, equivalent to \$147 when considering all current enrollees. It is recommended that the District cover the small increase in the Employer's Dental service premiums and not increase premiums paid by staff under Employer's Dental service.

Mr. Foulk returned at 6:13 p.m.

Ms. Ireland moved to approve Crest Insurance to administer a contract for employee medical insurance with United Health Care on the District's behalf for January 1, 2018 through December 31, 2018 and to approve a contract for employee dental insurance with Employers Dental Service and MetLife for calendar year 2018. The General Manager is also directed to implement the employee deductions and HSA contributions as identified. Mr. Offret seconded the motion. Motion passed unanimously.

**E. Authorizing an Agreement to Adjust, Modify, Install, or Remove Metro Water District Facilities to Accommodate the Pima County Valencia Road Project**

Mr. Olsen stated that as part of the RTA project on Valencia Road, the District has a number of facilities that will need to be removed, modified or adjusted. This includes the District's current waterline under Valencia Road that will be abandoned after the RTA work is completed and will require removal and adjustments of valves after the road construction is completed. Given the phasing of construction, utilizing the Pima County contractor to accomplish some of these tasks will improve efficiency by preventing remobilization of the District's contractor and easing the coordination of concurrent construction activities. This agreement will enable the District to utilize the County's RTA contractor to accomplish this work and funds for this work are included in the current fiscal year Capital Improvement Program (CIP) budget under the Valencia Road waterline relocation.

Mr. Offret asked if the District's inspectors would be utilized to inspect the work and adjustments. Ms. Bowen stated that the District's inspector would be involved in the project.

Mr. Foulk moved to authorize the General Manager to negotiate and execute an agreement with Pima County, acting through its contractor, to adjust, modify, install and / or remove Metro Water District facilities as necessary to accommodate the Pima County Valencia Road Project for an estimated amount of \$60,000 and to authorize the General Manager to approve additional funds up to \$3,000 for any unexpected issues related to the work. Mr. Offret seconded the motion. Motion passed unanimously.

**F. Award of Construction Contract for Valencia Rd Waterline Relocations: Reed Bunting Drive to Iberia Avenue (M-17-005)**

Mr. Olsen stated that as discussed in the previous item, the District needs to relocate infrastructure within Valencia Road in advance of the Valencia Road RTA activities. Staff is recommending the Board award this work to KE&G Construction Inc. There is an approximate \$120,000 difference in the engineer's estimate and KE&G's bid to accomplish this work. The primary cause for this difference is due to the installation of the 8-inch ductile iron pipe. The engineer's estimate utilized past costs for 8-inch ductile from jobs with a higher quantity of 8-inch ductile than anticipated on Valencia Road resulting in a lower estimated unit cost for this task. Funds to accomplish this work are included in the current fiscal year CIP budget under the Valencia Road waterline relocation.

Mr. Offret moved to award the construction contract for the Valencia Road Waterline Relocations: Reed Bunting Drive to Iberia Avenue to KE&G Construction, Inc., in the amount of \$263,929, and to authorize the General Manager to allocate additional funding in a cumulative amount not to

exceed \$10,000 and to increase the original construction contract term a cumulative amount not to exceed thirty (30) calendar days. Mr. Foulk seconded the motion. Motion passed unanimously.

**G. Approval of Amendment to Groundwater Savings Storage Agreement with BKW Farms**

Mr. Olsen stated that in September 2016, the Board approved an agreement with BKW farms to store 2,000 AF of the District's CAP allocation in calendar year 2017 at BKW in exchange for equivalent water resource credits and an in-lieu of rebate associated with such GSF. This calendar year, the District has an additional 893 AF of CAP allocation to store. Due to an ordering error unrelated to the District, BKW has asked if the District would be able to provide any additional water deliveries to their GSF for the remainder of the calendar year. As the District has already delivered the 2,000 AF to BKW this calendar year, the Board is requested to amend the agreement to up to 3,000 AF. This will result in a continued mutually beneficial partnership with one of the District's ongoing partnerships and will also generate up to \$10,000 in GSF rebates for the District and save the District up to \$13,000 in storage costs.

Mr. Foulk moved to approve Amendment No. 3 between the District and BKW Farms, Inc. for "In-Lieu Water Deliveries and Storage" for 2017. Mr. Offret seconded the motion. Motion passed unanimously.

**H. Approval and Award for Oracle Jaynes Storage Tank Coating and Site Coatings**

Mr. Olsen stated that as mentioned during the monthly status of the District, planned work associated with the Oracle Jaynes replacement well is nearing completion. To ensure the site is able to continue functioning into the future, the Board is requested to approve the recoating and painting of the above ground storage tank at this facility. The above ground tank was constructed in 1971 and the last time the interior of the tank was recoated was in 1999. Tank recoating and painting is an important maintenance activity to enhance the life of the asset and should be accomplished every 20 years. The interior coating and exterior painting are separate tasks, therefore, the Board has two motions to consider in awarding work to the lowest responsive bid for each of the two tasks.

Mr. Foulk moved to approve the storage tank internal coating and to award the work to AO Painting in the amount of \$74,118.00 and to authorize the General Manger to approve up to an additional \$5,000 for any unforeseen issues related to the work. Ms. Ireland seconded the motion. Motion passed unanimously.

Ms. Ireland moved to approve the external coating and to award the work to Wiese Painting Contractors Inc. in the amount of \$10,587.51 and to authorize the General Manger to approve up to an additional \$1,000 for any unforeseen issues related to the work. Mr. Offret seconded the motion. Motion passed unanimously.

**V. General Manager's Report**

Mr. Olsen said that the Arizona Department of Environmental Quality (ADEQ) regularly performs periodic sanitary surveys on public water systems. This regular inspection consists of a historical records review as well as on-site inspections of District's production facilities. Most of the District's service areas are on a 3-year inspection cycle and ADEQ will perform the inspection this month of Metro Main, Hub, Diablo Village, and Lazy B.

Last week, Kevin Westbrook, Assistant Utility Superintendent, announced his plans to retire January 5, 2018. Mr. Westbrook has served the District in numerous capacities over the past 21 years, including as Safety Officer, running the Backflow prevention program, and culminated as the Assistant Utility Superintendent. Mr. Westbrook will surely be missed. As with other retirements, the plan is to fill this position prior to Mr. Westbrook's retirement to provide an overlap and ensure continuity of critical information.

**VI. Legal Counsel's Report**

Mr. Sklar stated he had nothing to report.

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

The next regularly scheduled Board meeting will be held on December 11, 2017 at 5:30 p.m. and will include an Executive Session for the review of the General Manager.

**VIII. General Comments from the Public**

There were no comments from the public.

**IX. Adjournment**

The meeting adjourned at 6:28 p.m.

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Judy Scrivener, Chair of the Board

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Theo Fedele, Clerk of the Board