

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

MONDAY, APRIL 10, 2017

****BOARD CONFERENCE ROOM**
METROPOLITAN DOMESTIC WATER IMPROVEMENT DISTRICT
6265 N. LA CAÑADA DRIVE
TUCSON, ARIZONA 85704**

MINUTES

Board Members Present: Judy Scrivener, Chair
Jim Doyle, Member
Helen Ireland, Member
Dan M. Offret, Member

Board Members Not Present: Bryan Foulk, Vice-Chair

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

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 6:01 p.m. Jim Doyle, Helen Ireland, Dan M. Offret and Judy Scrivener were present. Bryan Foulk was not present.

II. General Comments from the Public

Tekla Vines, a District customer, asked questions regarding the project to deliver a portion of effluent resources and convey it in partnership with the Bureau of Reclamation to the Cortaro-Marana Irrigation District (CMID) Farmlands to obtain a larger portion of effluent credits. Mr. Olsen explained that the project will not be moving forward. Staff are exploring other options and working with other water providers to enhance the effluent credits and the water resource portfolio. Ms. Vines expressed concern with a rate increase with the loss of revenue. Mr. Olsen stated that a 0% rate adjustment is proposed for next fiscal year.

III. Consent Agenda

- A. Approval of Minutes – March 13, 2017 Board Meeting.**
- B. Ratification of Billing Adjustments.**
- C. Ratification of Accounts Removed from Active Accounts Receivable**

Ms. Ireland made a motion 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 corrected version of the Monthly Status of the District Board Report have been provided due to a slight error in the fiscal year to date consumption numbers. The fiscal year-to-date consumption compared to last fiscal year-to-date show a slight decrease at Metro Main and a slight increase at Metro Hub.

Both the Magee North and E&T 22 internal storage tank coatings were completed and the change out of the composite lid covers for the PRV vaults is ongoing.

Stewart Brothers is anticipated to begin drilling activities for the Oracle Jaynes replacement well this week with substantial completion of drilling and developing the well by May 15, 2017.

B. Financial Report

Ms. Bracken said that revenue and expenditures through February are both favorable with revenue of \$451,797 over budget and expenditures of \$920,412 under budget using a straight-line projection. The revenue in excess of expenditures balance of \$1,372,209 which is favorable. The largest increase in revenue is from Metered Water Sales, which have exceeded a straight-line projection by \$406,305. Regulatory fees continue to be over budget when compared to a straight-line projection and all other expenditures are under budget. Revenue through February is \$829,394 higher than it was in February 2016 with an increase of \$845,390 from Metered Water Sales, an increase of \$179,081 from Water Resource Utilization Fees, a decrease of \$153,061 in development revenue, and a decrease of \$66,103 in other income. The total operating expenditures as of February are \$65,176 higher than they were in February 2016. When comparing revenue in excess of operating expenditures to February 2016, the current year is favorable by \$764,218.

The Arizona State Treasurer Pooled Collateral Program Statement for February provided the District with collateralization coverage of \$3,775,712.34 in addition to the \$500,000 FDIC coverage.

The American Express Accounts Payable Card was used for normal business purchases totaling \$65,083.15 in March. The inception-to-date purchases since March 2014, have generated a saving of \$21,255.92.

A total of 15 meter applications were received in March compared to eight meter applications received in the March 2016. As of the end of March a total of 88 meter applications have been received compared to 110 meter applications as of March 2016.

C. Approval of Amendment No. 1 to the Purchase and Sale Agreement with Central Arizona Water Conservation District (CAWCD) for Long Term Storage Credits

Mr. Olsen said that at the September 15, 2015 meeting, the Board approved an agreement with CAWCD to sell a portion of the District's annually accrued effluent storage credits. This agreement was intended to go into effect once the CMID effluent delivery pipeline project became operational. While the effluent delivery pipeline will not proceed in the near future, staff was still interested in amending the agreement with CAWCD to sell a smaller portion of effluent storage credits. This amendment changes the location of where the effluent credits are stored from CMID to the Lower Santa Cruz Managed Recharge Project and will sell a minimum of 250 acre-feet (AF) annually. In 2016, the District accrued more than twice that amount of effluent storage credits at the managed recharge facility. Also, if there are any legislative changes on the percentage of credits generated in a managed recharge facility, the agreement allows the District to sell a larger amount of credits on an annual basis should credit generation increase.

Mr. Offret moved to approve Amendment No. 1 to the Purchase and Sale Agreement for a portion of the District's Long-Term Storage Credits between the Central Arizona Water Conservation District and Metropolitan Domestic Water Improvement District. Ms. Ireland seconded the motion. Motion passed unanimously.

D. Intergovernmental Agreement between Metropolitan Domestic Water Improvement District, the Town of Marana, and the Town of Oro Valley for the Northwest Recharge, Recovery, and Delivery System

Mr. Olsen stated that for over a year and half, Oro Valley, Marana, Flowing Wells Irrigation District (FWID), and the District has partnered in the creation of an Intergovernmental Agreement (IGA) that would serve as the framework for the Northwest Recharge, Recovery, and Delivery System (NWRDRS). FWID decided to not participate in the IGA but still hopes to participate in the future via wheeling agreements. The IGA outlines how each of the entities will financially contribute to the construction of NWRDRS on a capacity based proportional basis. Under the IGA, the District will be the operator of the NWRDRS and receive reimbursement for conveyance of water to the other entity's delivery points. The IGA has a 50-year term and establishes a Committee

to decide on regular administrative activities. Also, any of the design and construction contracts will follow the District's procurement policy and would be taken to the Board for consideration to award after receiving concurrence from the NWRDSD committee.

This IGA is unique in the partnership and arrangement, therefore, language had to be crafted throughout negotiations. Mike Hallam, Lewis Roca Rothgerber Christie LLP, compiled and crafted this agreement over the past 18 months and turned countless concepts into this key governance agreement. Frank Cassidy, Town Attorney for Marana, and Joe Andrews, legal counsel for Oro Valley, also provided valuable inputs to ensure the functionality of this governance agreement moving forward. Last week, Oro Valley's Mayor and Council unanimously approved the IGA with Board Member Offret in attendance, and next week Marana's Mayor and Council will consider the IGA. This is the first formal step in implementing the NWRDSD.

Mr. Offret and Ms. Scrivener thanked Mr. Olsen and staff for the time, energy, and persistence put into this project.

Ms. Ireland moved to approve the Intergovernmental Agreement between Metropolitan Domestic Water Improvement District, the Town of Marana, and the Town of Oro Valley for the Northwest Recharge, Recovery, and Delivery System. Mr. Offret seconded the motion. Motion passed unanimously.

E. Caselle Software Maintenance & Support Agreement (Software Assurance)

Mr. Bracken said Caselle has been providing services for more than 35 years to over 1,200 municipalities, counties, and Districts in 30 different states. The District has been using different versions of Caselle software for finance and billings since February 2005 starting with Caselle classic and moving to Caselle Clarity which continues to support the District through December 2017 providing the District with nine years without any major software upgrades. Caselle Software Assurance began in 2014 and Caselle Connect was first introduced in 2015 allowing any issues to be resolved prior to the District moving forward with the upgrade. The requested budget in Fiscal Year 2018 includes upgrading from Caselle Clarity to Caselle Connect and Software Assurance. The Software Assurance will provide all of the same support and updates along with a lifetime upgrade. Caselle has offered the District an opportunity to upgrade at no additional cost now and start in July 2017 with a monthly rate of \$1,918. The current monthly payments are \$1,184.67. The cost increase covers the Software Assurance, the lifetime upgrade, the unlimited support, enhanced software features, and additional software modules.

Mr. Offret asked what licenses are not currently being utilized. Ms. Bracken stated that the purchasing module is the only one not currently being utilized. Implementation of this module has begun but was held off for the Caselle Connect upgrade since there is more functionality including work routing and electronic approvals that the current version of Caselle Clarity does not provide.

Mr. Offret moved to approve the Software Maintenance & Support Agreement for Caselle Software Assurance, including an upgrade to Caselle Connect, with no change in the monthly payment amount until July 1, 2017 when it will be \$1,918.00 per month. Ms. Ireland seconded the motion. Motion passed unanimously.

V. General Manager's Report

Mr. Olsen stated that he and Tim Thomure, Director of Tucson Water, had the opportunity to speak at the Governor's Water Augmentation Council Recycled Water Committee on how managed recharged facilities are operated and utilized in the Tucson Region with particular focus on the 50% cut to the aquifer. The Committee is reviewing three actions moving forward: increasing effluent credits generated in managed recharge projects to higher than the current 50% after other deductions are taken into account, extending or eliminating the 2025 sunset on effluent credit generation, and extending or removing the sunset on remediated water.

Inserts advertising the informational meeting and proposed 0% rate adjustment for Fiscal Year 2018 will be sent with customer bills starting at the end of April. The informational meeting will be on June 7, 2017 and is an opportunity to share with District residents the various initiatives accomplished over the past couple years that enable the proposal of a 0% adjustment in rates. The Fiscal Year 2018 Budget will be considered by the Board at the June 12, 2017 Board meeting.

As evidenced by the NWRDRS IGA, a key partner to the District for many years has been Oro Valley Water. Their Director, Philip Saletta has been instrumental in supporting the District and the region over the past decade on many water issues and collaborations. Mr. Saletta has announced his retirement this month and the District wishes him the best and thanks him for his service.

VI. Legal Counsel's Report

Mr. Hinderaker said he had nothing to report but wanted to congratulate Mr. Olsen and staff's great leadership and vision on the NWRDRS IGA.

VII. Clerk of the Board Updates; Future Meetings

The next regularly scheduled Board meeting will be held on May 8, 2017.

VIII. General Comments from the Public

There were no comments from the public.

IX. Adjournment

The meeting adjourned at 6:29 p.m.

Metropolitan Domestic Water Improvement District
Board of Directors Meeting
April 10, 2017
Page 6

Judy Scrivener, Chair of the Board

Theo Fedele, Clerk of the Board