

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

March 14, 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
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 Offret and Judy Scrivener were present.

II. General Comments from the Public

Donovan Hemway, a District Resident, distributed and read prepared comments recounting his grievances and personal opinions about six claims he brought against the District over the past three and a half years. Mr. Hinderaker explained that while there have been multiple claims brought against the District by Mr. Hemway, each of those claims have been dismissed with no adverse findings against the District.

III. Consent Agenda

- A. Approval of Minutes – February 8, 2016 Board Meeting.**
- B. Ratification of Billing Adjustments.**

C. Approval of Workers Compensation Coverage.

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 said fiscal year to date consumption compared to last year has stabilized somewhat with a 2.5% reduction in Metro Main. The revenue stability measures the Board adopted last year continue right on track with revenue projections, even given these consumption decreases.

The Utility Team installed a new 6 inch pressure reducing valve at the Stiller site to enhance customer reliability in that service area and replaced the discharge header at the booster as well as continuing upgrade work at E&T No. 22.

Roughly a third of the District's planned Central Arizona Project (CAP) water has been recharged at Avra Valley Recharge Project (AVRP) and an additional 1,500 acre feet each will be stored for the City of Phoenix and the Water Bank under the inter-AMA firming agreement for future firming needs.

The Bureau of Reclamation's (Bureau) public comment period on the Cortaro-Marana Irrigation District (CMID) effluent delivery pipeline closed on February 5, 2016. Most of the concerns are related to potential impacts to the Santa Cruz riparian area and the Bureau is now reviewing those comments and determining next steps. The District is standing by while the environmental assessment process is completed.

Annual groundwater withdraw and use reports are due to the Arizona Department of Water Resources at the end of March. Water losses for each of the service areas were within the 10% limit: Metro Main, 8%; Metro Hub, 3%; Metro Southwest – Diablo Village, 7.9%; and Metro Southwest – E&T, 5.6%. Those figures are calculated by taking the difference of all the production wells and the amount of water delivered to customers.

The Lazy B interconnect to support wheeling activities commenced on March 14, 2016.

The new office sign is complete.

B. Financial Report.

Ms. Bracken said revenue and expenditures through January are both favorable, with revenue \$771,331 over budget and operating expenditures under budget by \$304,784 using a straight-line projection. Increases in revenue are largely attributed to water sales of \$388,501 ahead of the budget on a straight-line projection and development revenue of \$94,127 higher than the total budgeted for the fiscal year. Water sales revenue historic average is 7% of the budgeted revenue realized in January and the current year is at 8.81% in January, bringing the year to date budgeted water revenue up to 60% at this point in the fiscal year, compared to 61% historically. Revenue in

excess of operating expenditures is slightly over, \$5.9 million, which is favorable when compared to the budget by \$1,076,115. A prior year comparison of revenue shows January 2016 revenue is higher by \$617,809 with \$201,201 in development revenue and \$343,332 for metered water sales, and \$175,785 for Water Resource Utilization Fees. The total operating expenses this fiscal year are higher in all categories by a total of \$399,381. The Arizona State pooled collateral program statement for January includes \$1,851,561.90 in collateralization coverage in addition to the \$500,000 FDIC insurance. All banking fees and banking supplies continue to be covered with the earnings credits on the checking and merchant accounts. American Express corporate card purchases total \$47,921.99 in February with a 1% savings of \$479.22 for the month. A total of nine meter applications were received in February 2016 compared to 23 applications in February 2015. Meter applications so far this fiscal year total 102 compared to 76 applications the same time last year.

C. Legislative Issues 2016.

Ms. Noltin said there are currently no bills with potential to adversely impact the District. HB 2583 would have required all public bodies to provide audiovisual meeting recordings online. The District was included in an amendment that exempted special districts; however, the bill did not pass the House. Any bills with an impact on the District will be placed on the agenda for Board discussion.

D. Award of the Oracle Jaynes Station Exploration Drilling and Testing and Rasmussen Well Conversion.

Mr. Olsen said one of the planned capital improvement projects this year was to continue working on replacement of the Oracle Jaynes well that is 45 years old and has a 75% reduction in production capabilities. The replacement well will be located on the purchased parcel adjacent to the site as approved by the Board. The next step is to complete an exploration well to obtain the necessary information on the aquifer to be able to design the future replacement well. Once the replacement well is completed, the exploration well would be converted to a monitoring well to be able to monitor groundwater levels in the area.

In addition, the Rasmussen well has been out of service since 2007 due to a collapsed pump column pipe. The location of the Rasmussen well is an ideal location for a new monitoring well because that area represents around 20% of groundwater pumpage but there is no monitoring well there. This item also includes retrofitting Rasmussen as a monitor well. The items were combined and bid on the City of Tucson's job order contract for well drilling as opposed to separating them out and having additional costs. Yellow Jacket Drilling Services, LLC was the low bidder and adequate funds are available in the current capital improvement program budget for this work.

Mr. Offret asked how many wells the District has in operation and how many monitoring wells exist. Mr. Shepard said there are about 31 wells in operation. Gary Burchard, Hydrologist, said there are about 12 monitoring wells.

Mr. Offret made a motion to approve the construction contract for the Oracle Jaynes Station Exploration Drilling and Testing and Rasmussen Well Conversion to Yellow Jacket Drilling Services in the amount of up to \$158,873.00. Ms. Ireland seconded the motion. Motion passed unanimously.

E. Approval and Award of Purchases for Replacement Engine Controllers and Communication Modules for Herb Johnson Reservoir and Booster Station and the Tucson National North Well.

Mr. Olsen said one of the items in the capital equipment list the Board approved in the current fiscal year budget is replacement of the engine controllers at Tucson National North well and Herb Johnson auxiliary pump. The existing controllers are no longer in production, making repairs difficult because replacement parts are impossible to find. The existing controllers have been used for approximately 20 years, so this is a proactive replacement to avoid emergency situations in which repairs cannot be made. Staff recommends the Board approve the purchase of these controllers from Mur-Cal Inc. and the communication modules from Border States Electric.

Mr. Offret asked how many other controllers the District has. Mr. Shepard said there are three total, including these two and one that was previously replaced.

Mr. Foulk made a motion to approve the purchase of the engine controllers from Mur-Cal Inc. in the amount of \$18,881.80. Ms. Ireland seconded the motion. Motion passed unanimously.

Mr. Offret made a motion to approve the purchase of the communication input modules from Border States Electric in the amount of \$4,831.51. Mr. Foulk seconded the motion. Motion passed unanimously.

Mr. Foulk made a motion to authorize the General Manager to approve additional funding a cumulative amount not to exceed \$1,000.00. Mr. Offret seconded the motion. Motion passed unanimously.

F. Award of the Construction Contract for the Shannon Road, Shumaker Drive to Duskywing Drive, Waterline Connection.

Mr. Olsen said the Shannon Road waterline connection project will enable the blending of South Shannon treated water with Deconcini well water at the Deconcini Reservoir and create an additional pathway to convey the water to the west side of Shannon Road, as opposed to the current complex route. Contractors submitted bids to accomplish this work and Innova Engineering, LLC was the low bidder at \$24,239.00. The capital improvements program budget includes funding for \$25,000 for this effort.

Mr. Foulk asked about the large variation in bids. Mr. Olsen said staff often inquires when there are large bid discrepancies and the reasons can vary. Mr. Maish said the two lowest bidders were very close together and those firms have done a lot of work for the District in the past.

Ms. Ireland made a motion to award the construction contract for the Shannon Road, Shumaker Drive to Duskywing Drive, Waterline Connection to Innova Engineering LLC in the amount of \$24,239.00, and to authorize the General Manager to approve the following changes to the construction contract: 1) allocate additional funding a cumulative amount not to exceed \$2,500.00 and 2) increase the original construction contract term a cumulative amount not to exceed sixty (60) calendar days. Any changes in excess of the above limits will be submitted to the Board of Directors for approval. Mr. Foulk seconded the motion. Motion passed unanimously.

G. Award of the Construction Contract for Casas Adobes Estates Mainline Replacement.

Mr. Olsen said one of the focus areas in the current fiscal year capital improvements program budget is to address a series of distribution mains installed in the early 1960's in the Casas Adobes neighborhood where frequent main breaks have occurred along the roadways of Casas Adobes, Andrea Doria, and Nanini. These three projects were bid together in order to get the benefits of economies of scale to save the District money on these uniform activities occurring on adjacent streets. Eight contractors submitted bids. The soil is very rocky and the existing PVC pipes do not hold up very well in those conditions. The District asked contractors to submit two bids, one for PVC and another for slightly more expensive and more resistant ductile iron. The low bidder, Innova Engineering, LLC, had bids that were below the engineer's cost estimate and below the budgeted amount, even if ductile iron is used for better durability given the soil's rocky condition.

Mr. Offret asked if the rocks will be removed from the fill during the construction process. Mr. Olsen said standard specifications and details are followed, as with all projects, including use of appropriate bedding material. Mr. Maish said there will be an envelope of sand regardless of whether pvc or ductile is used. He briefly explained how the materials are excavated, which is done under Pima County oversight and that even with those precautions, pipe shifting can occur, making ductile pipe staff's recommended option.

Mr. Offret made a motion to award the construction contact for the Casas Adobes Estates Mainline Replacement to Innova Engineering, LLC in the amount of \$461,267.60 and to authorize the General Manager to approve the following changes to the construction contract: 1) to allocate additional funding a cumulative amount not to exceed \$20,000.00 and 2) to increase the original construction contract a cumulative amount not to exceed sixty (60) calendar days. Any changes in excess of the above limits will be submitted to the Board of Directors for approval. Mr. Foulk seconded the motion. Motion passed unanimously.

H. Approval of the Hub Reservoir Site Expansion Waterline Relocation.

Mr. Olsen said another item on the capital improvements project list is expansion of the current retaining wall at the Hub Reservoir to increase constructible space so that in the future, that reservoir can be upgraded to meet the needs of customers in that service area. Before the retaining wall can be done, there is a short segment of pipeline that needs to be relocated within an embankment berm that requires some specialized equipment. Staff recommended hiring a

contractor with more specialized expertise to accomplish this short extension. Staff leveraged the City of Tucson's job order contract for water distribution main replacements and two contractors returned cost proposals with Tricon Contracting, Inc. as the low bidder. Funds for this project will be taken out of an operations line item that the District sets aside for short notice small main replacements.

Mr. Foulk made a motion to award the Hub Reservoir Site Expansion Waterline Relocation to Tricon Contracting, Inc. in the amount of \$16,085.00 and to authorize the General Manager to approve additional funding a cumulative amount not to exceed \$1,000.00. Mr. Offret seconded the motion. Motion passed unanimously.

I. Update on the CAP Recharge, Recovery and Delivery System.

Mr. Olsen provided an update on the CAP Recharge, Recovery and Delivery System (CAP RRDS), which is the District's number one capital infrastructure priority over the next 10 years to address the annual two foot average decline to the aquifer at Metro Main. The system will recover renewable CAP water from AVRP and other recharge facilities in Avra Valley and convey the water 13 miles to the Herb Johnson Reservoir in Metro Main, where it will be blended with groundwater prior to delivery to customers. While there have been brief updates on the project's progress, an extensive amount of activity has occurred since the last comprehensive Board update in August 2015.

At the September 3, 2015 CAP Board meeting held in Pima County, Mr. Olsen had the privilege to speak on behalf of Southern Arizona Water Users Association (SAWUA) about regional collaborative efforts, including wheeling agreements, infrastructure partnerships, and the CAP RRDS. There is a potential partnership with CAP because they need to be able to recover their water bank water if there is a shortage on the Colorado River system to be able to firm up any of the municipalities that would be shorted their water. That water is stored in the Lower Santa Cruz project, which is adjacent to AVRP. There is an interest in partnering on about a mile and a half of the pipeline until it gets to the CAP canal so they would have that mechanism to recover water that would otherwise be isolated from recovery. At that CAP Board meeting, everyone was very positive and echoed praise about the collaborative partnerships on CAP RRDS. Since then, District staff and CAP staff have had extensive discussions moving forward on the various parameters of partnerships. If CAP does become a partner on this project, they will contribute approximately \$1 million to \$2 million to the effort.

District staff has also been meeting with other water providers in the northwest to determine collaborative partnerships, since many entities have water stored at the groundwater savings facilities (the farmlands in that area), AVRP, Lower Santa Cruz, or the Santa Cruz managed recharge project, all of which would be enabled to recover their water from recovery wells using Metro Water District's CAP RRDS. Oro Valley has expressed significant interest in being able to physically access their stored water and address the needs of their aquifer. Further internal discussions with the Town of Oro Valley's Utility Commission and Town Management has concurred that this partnership should be pursued and studied. The Town of Marana has also

expressed significant interest because they have recovery wells at Marana Airport that are currently able to recover renewable supplies but do not have a conveyance mechanism to bring the water into their service area. Town of Marana is having supportive internal discussions as well.

Last month, the District hosted a joint meeting with the General Managers and Directors of Oro Valley and Marana, as well as their Chief Financial Officers and Finance Directors. A project of this nature certainly requires complex agreements and the financial investments to support the effort must be identified. The meeting was productive and no fatal flaws were found. The parties found common ground and concurrence on the principles of the project and the next step is for the District to draft an intergovernmental agreement (IGA) to be reviewed by the other entities. The draft IGA is going to cover issues such as infrastructure ownership, operations, financial commitments, and governance. The strength of the IGA will determine the strength and success of this collaborative effort. If Marana and Oro Valley partner, it could mean contributions of \$15 to \$20 million for this project. If all of these partnerships come to fruition, total contributions could be equivalent to one year of District revenue and a substantial savings to ratepayers. There are costs that will have to be paid no matter what and there is only a small cost increase when upsizing the pipeline to accommodate partnerships. Partnerships make sense from a financial perspective and also a regional water balancing point of view because Marana and Oro Valley are adjacent to Metro Water District and if they are having more renewable water resources delivered, there is less strain on the regional aquifer, which is beneficial for all entities in the region.

Last week, Mr. Olsen sat down with legal counsel and laid out the principles arrived at between the parties as well as best practices that have worked for other multi-jurisdictional agreements across the State. Legal counsel is now compiling everything into a draft IGA with a goal of distribution to potential partners by the end of April. The anticipated timeframe to bring the IGA to governing bodies for consideration and potential approval is October or November 2016. Monthly meetings will continue with potential partners and Mr. Olsen will keep the Board abreast of any decision points and major items.

Early 2017 is when the design efforts will begin. Parallel to these discussions with partners, staff has been working with Tierra Right of Way Services on reviewing all of the surveys and environmental assessments for the various easements and properties. The District is in year two of the land acquisition process before moving into the design phase. The key anchor parcel for the booster and forebay, necessary to add energy to convey recovered water the rest of the way through the system to Herb Johnson Reservoir, was successfully negotiated and the next agenda item goes into the purchase of that property.

Mr. Offret asked the status of the recovery wells. Mr. Olsen said three recovery wells have been identified on BKW Farms properties and aquifer productivity tests have been done on the old BKW Well No. 8, which will be referred to as Recovery Well No. 1. The tests were very positive and staff is moving forward with various permitting requirements. District staff have also worked with Tierra Right of Way Services to obtain the associated survey packages that will be needed in the near future to discuss next steps.

Mr. Foulk said he is very pleased to see that other entities are looking into mutually beneficial partnerships with the District.

J. Approval of CAP Recharge, Recovery and Delivery System Booster Station Site Property Acquisition Agreement.

Mr. Olsen said staff and Tierra Right of Way Services have been negotiating with Redpoint Development on acquisition of this parcel. Appraised costs are based on mitigation set-aside valuation, which is more beneficial for the District than a developable plot of land because it brings the costs down to around \$10,000 per acre. The site was able to be downsized by around 20-25 acres from the original plan of what would be needed, further reducing costs. The Water Resource Utilization Fee revenue will be used to accomplish this purchase, as it is related to the CAP RRDS and those funds are allocated in the current fiscal year budget.

Mr. Foulk made a motion to approve the acquisition agreement for the 22.056 acre parcel located within Common Area “D-2” of the Cascada North subdivision, in the amount of \$220,560.00. Ms. Ireland seconded the motion. Motion passed unanimously.

K. Annual Water Level Monitoring Report.

Mr. Olsen said the Board is updated annually on water levels on each of the District’s service areas with one, five, and ten year trends. The data used in this update is provided using a combination of manually collected measurements by the Water Sustainability Team and Utility Team, as well as automated water level measurement devices.

Mr. Burchard gave a presentation on the Annual Water Level Monitoring Report. Mr. Burchard explained the history and methods for monitoring groundwater levels. In summary, groundwater levels in Metro Main have continued to decline an average of -1.6 feet per year over the past ten years, which coincides with well productivity declines and reinforces the need to proceed with the CAP RRDS. Metro Hub has an average ten year rise of 2.4 feet, reflecting an aquifer sensitive to recharge in that service area. Metro West shows varying changes in groundwater levels and ten year averages will be available next year. In Metro Southwest – Diablo Village, the average water level change from last year was a rise of 6.5 feet. In Metro Southwest – E&T, average water level changes was a decrease of -1.8 feet. AVRPs average declines are -2.3 feet per year. AVRPs water level measurements are dynamic and impacted by nearby recharge activities at Lower Santa Cruz Recharge Project, effluent recharge along the Santa Cruz River, and nearby irrigation well pumpage. The trends are more significant than the yearly measurements because looking at the average of five or ten years gives a greater picture of the overall condition of the aquifer.

Mr. Burchard stressed the importance of continuing to monitor the state of the aquifer. Water Sustainability staff would like to increase the use of transducers, which measure pressure of water within wells and transmit the data to data loggers, ultimately reducing the number of staff visits to the well sites. He talked about plans to resume water level measurements at Rasmussen and Estes well sites. Older transducers are nearing the end of their useful life and will need to be replaced to continue this important work.

Ingrid Saber, a District Resident, asked about temperature differences at various sampling sites. Mr. Burchard explained that temperatures can vary in the aquifer due to weather and geological conditions such as distance from the surface but the differences are represented in such a small range, that it would be difficult to detect without sensitive equipment.

Ms. Scrivener thanked Mr. Burchard for the information.

V. General Manager's Report

Mr. Olsen informed the Board that CAP has named Ted Cooke as their new General Manager after having served close to one year as Interim General Manager following Dave Modeer's retirement. SAWUA has named John Kmiec as President and Mr. Olsen as Vice-President following Warren Tenney's departure. The AZ Water Annual Conference will be held May 11-13, 2016 and Board members who wish to attend can notify Mr. Olsen or Ms. Noltin.

VI. Legal Counsel's Report

Mr. Hinderaker said Legal Counsel is pleased to be working on the CAP RRDS draft IGA.

VII. Future Meeting Dates; Future Agenda Items

There is a Finance Oversight Committee (FOC) meeting scheduled for Monday, March 21, 2016 at 4:00 p.m. on the requested financial plan and proposed rates and revenue. Board Members received copies of FOC meeting materials for future reference.

The next meeting is a Board Study Session scheduled for Monday, March 28, 2016 at 5:30 pm to review the outcome of the March 21st FOC meeting.

The next regularly scheduled Board meeting will be held on April 11, 2016 at 6:00 pm.

VIII. General Comments from the Public

There were no comments from the public.

IX. Adjournment

The meeting adjourned at 7:02 p.m.

Judy Scrivener, Chair of the Board

Tullie J. Noltin, Clerk of the Board