

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

**WEDNESDAY, NOVEMBER 13, 2019**

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

**MINUTES**

**Board Members Present:**

Jim Doyle, Member  
Dan M. Offret, Member  
Richard Sarti, Member

**Board Members Not Present:**

Judy Scrivener, Chair  
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  
Jeffrey L. Sklar, Legal Counsel

**Regular Session**

**I. Call to Order and Roll Call**

Dan M. Offret, Member 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, Dan M. Offret, and Richard Sarti were present. Judy Scrivener and Bryan Foulk were not present.

**II. General Comments from the Public**

There were no comments by the public.

**III. Consent Agenda**

- A. Approval of Minutes – October 16, 2019 Board Meeting**
- B. Ratification of Billing Adjustments**

**C. Approval of Water Service Agreement for Hacienda Sisters CCRC, Phase 2B (M-19-024 On-Site) (M-19-025 Off-Site)**

Mr. Doyle moved to approve the consent agenda. Mr. Sarti 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 Fiscal Year 2020 combined consumption compared to last fiscal year-to-date is 4.8% higher and matches the trend reported to the Board last month.

All of the District's Central Arizona Project (CAP) water for 2019 has been stored at locations including Avra Valley Recharge Project (AVRP), Groundwater Savings Facilities (GSF), or at City of Tucson's Southern Avra Valley Storage and Recovery Project (SAVSARP) facility. The reason that 450 acre-feet (AF) was stored at the City's facility was to ensure a storage balance for recovery under current and future wheeling of renewable water resources to Metro Southwest. Now that deliveries to AVRP have ceased for the remainder of the calendar year, routine maintenance activities are able to proceed.

District staff met with the Arizona Department of Water Resources (ADWR) to discuss the Designation of Assured Water Supply (DAWS) modification that the Board approved in October, which would replace Central Arizona Groundwater Replenishment District (CAGR) with the District's existing renewable water resource portfolio to meet the District's 100-year assured water supply requirements. Based on feedback received, a hydrology report to support the DAWS modification application will need to be prepared. The hydrology report and associated activities are later in the agenda for Board consideration.

Mr. Shepard stated that the upgrade to the Diablo Village 2 well have begun. The altitude valve, which is an automatic valve that allows the A-Zone system to supplement and fill the tanks as needed, has been replaced at Magee La Cholla and is almost fully operational. While Oro Valley was working on road widening and other projects on Lambert Lane, the District had a 12" line that was stuck. Rather than do the modifications, the line was moved out of the way of the Oro Valley road work. On Oracle Road, there was another failure with the 4" water main. Mr. Offret asked if this was the same as a previous one on Oracle Road. Mr. Shepard stated that this was between Giaconda and Linda Vista on the west side of the road and is the fourth failure in the last six months. There are no services directly on that line so it was easier to isolate. The challenges to

repair this line includes the right-of-way, vegetation, and the future Arizona Department of Transportation (ADOT) plans. The line will be left isolated and ultimately addressed during the ADOT work on Oracle Road. Recently while AVRP was down, staff took the opportunity to clean the weir boxes.

Ms. Bowen presented photos relating to the Old Nogales Highway project. The contractors are about 30% done with the pipeline and are anticipated to be completed in late March 2020. The final design for the Northwest Recharge, Recovery, and Delivery System (NWRRDS) project was initially two separate efforts. After discussions with the NWRRDS partners and internally, the transmission main and forebay designs have been combined and only one solicitation go out. At the most recent partner meeting, the decision was made to delay the solicitation date until December 16, 2019, which will allow time for a more completed preliminary design to include in the solicitation. The objection period for the recovery well permit, ended November 8, 2019 and we are aware of no comments received by ADWR.

Mr. Sklar stated that he conducted the depositions of the property owner and his expert on October 24-25, 2019 so we have done all of the discovery that we need to do. The property owner had intended to depose our expert and Ms. Bowen a couple weeks ago but elected to postpone those depositions to a date yet to be determined. The property owner has also stated that they plan to seek an extension of the deadlines in the case but have not yet filed a motion. There is a trial setting conference on December 16, 2019, which should provide a better idea of how the case will proceed going forward.

## **B. Financial Report**

Ms. Bracken stated that revenue and expenditures for September are both favorable when compared to a straight-line projection with revenue \$1,060,002 over budget and expenditures \$233,798 under budget. Revenue in excess of expenditures is favorable by \$1,293,800. When comparing revenue to the prior fiscal year, revenue in September is \$463,163 higher than it was in September 2018. The September metered water revenue is 5.83% or \$294,219 higher than the prior fiscal year. The total operating expenditures for September are \$98,207 higher than they were in September 2018. When comparing revenue in excess of operating expenditures the current year is favorable by \$364,956.

The Arizona State Treasurer Pooled Collateral Program Statement for September provided collateralization coverage of \$3,926,792.15 in addition to the \$250,000 FDIC coverage.

The October cash deposit balance is \$9,162,618.09 with \$9.5 million moved into investments. The investment balance as of the end of October is \$14,038,867.64, which is \$10,045,223.45 higher than the October 2018 balance.

The Capital One Bank MasterCard were used to purchase \$42,359.15 on the October statement with up to 1.25% cash back earnings. The cash back amount received from transactions processed in the prior month totaled \$472.57 or 1.07% with a cash back total of \$6,326.08 as of October 20, 2019.

Thirty-six new meter applications were received in October with 20 new meter application received in October 2018. Thirty-one of the new meter applications were for the Metro Main and Hub service areas and five new meter applications were for the Metro Southwest service areas. As of the end of October, 145 new meter applications have been received, compared to 103 new meter applications at the same point in the prior fiscal year.

### **C. Employee Medical and Dental Insurance Coverage for 2020**

Mr. Olsen stated that each year, the District's insurance broker, Crest Insurance, works with Billie Sue Morelli, the District's Human Resources Manager, to secure medical and dental insurance for the District. This year, United Healthcare quoted an 11% increase to stay with the current insurance plans and coverage. The higher than anticipated increase was because the insured pool that the District was included in had significant high dollar claims. Even though these claims were not District employees, the premiums were being increased accordingly to adjust for the pool's risk. As such, staff explored insurance options that would allow the District to be included in its own pool.

The insurance that the District has had for decades, regardless of the plan or provider, is what is considered fully insured where a total premium is paid, based on the associated risk pool and claims history, and any claims above premiums paid are not the responsibility of the District. Should claims be less than anticipated, the District would only get a refund if the claims were less than 85% of the premiums paid. This has happened only once in the last six years. On the other end of the spectrum is self-insured where an employer pays all claims to an insurance provider and is often a cost efficient model for large employers due to the potential savings.

A hybrid model that was created a few years back is a balanced or level-funded plan. Under this plan, a total premium amount is paid, similar to fully insured, but the employer is in their own pool when it comes to claims. Additionally, any claims beyond 100% of the premiums paid are still covered by the insurance provider. Also, if total claims are less than premiums paid, the employer

receives a refund, as opposed to having the claims be less than 85% of premiums paid before a refund is issued under a fully insured plan. The potential drawback with this plan is if claims significantly exceed the total premiums paid, then subsequent year's renewals would increase accordingly.

We received a quote from Blue Cross Blue Shield for a plan that closely emulates the District's current United Healthcare plans but is configured as a balanced funded plan. This plan was quoted as a 2.9% increase compared to the District's current plan.

As health insurance is a key component of staff compensation, and a critically important aspect for staff and their families, a meeting with all staff was held to discuss the various options. Once staff understood the nuances of fully insured vs. balanced funded, staff overwhelmingly supported the recommendation to move to the Blue Cross Blue Shield balanced funded plan. All staff who voiced an opinion or talked with me later regarding their perspective stated support for the balanced funded plan with some staff even making statements along the lines of "this is the obvious choice" or "the only clear option."

As such, it is recommend the Board approve this course of action. Thank you to Ms. Morelli for working with the District's broker to research the most appropriate plan options for the District and to Ms. Bracken who accomplished the analysis on the allocation of premiums between employee and employer for the various plans to ensure equitability. The approximate 3% premium increase is split with the District covering 66% of the increase and employees covering the remaining third.

The District also offers two options for dental coverage, MetLife and Employer's Dental Service. MetLife is proposing a 0% increase and Employer's Dental Service is proposing a 4.5% increase. As the Employer's Dental Service increase is a total of \$210 when taking all enrolled employees into account, the recommendation is to not increase staff premium contributions for dental insurance and for the District to cover the \$210 total increase.

Mr. Sarti moved to approve Crest Insurance to administer a contract for employee medical insurance with Blue Cross Blue Shield on the District's behalf for January 1, 2020 through December 31, 2020 and to approve a contract for employee dental insurance with Employers Dental Service and MetLife for calendar year 2020. The General Manager is also directed to implement the employee deductions and HSA contributions as identified in the attached table. Mr. Doyle seconded the motion. Motion passed unanimously.

**D. Miscellaneous Design Services for the Pantano Transmission Main Design Revision**

Mr. Olsen recommended that this item be continued until the December Board Meeting to continue exploring the possibility of abandoning a 50-year old 6-inch cement asbestos line that would run parallel to the new 12-inch transmission main. As such, staff are seeking a revised scope and fee proposal from Westland to determine the validity of this concept as part of the design updates.

Mr. Sarti moved to continue this item to the December 9, 2019 meeting. Mr. Doyle seconded the motion. Motion passed unanimously.

**E. Approval of Large Meter Vault Replacements**

Mr. Olsen stated that the District has approximately 35 large meters (between 3 and 6-inches in diameter) that are installed in 4-foot by 8-foot vaults. Thirteen of these vaults are a fiberglass composite that were installed in the 1990s, are now deteriorating, and require replacement. Staff recommends replacing these vaults with a concrete vault and a galvanized steel lid for a longer service life. The Capital Improvement Program planned for these vaults to be replaced over the course of three fiscal years, with four vaults in the current fiscal year.

Two quotes were received for the vault replacements and the Board is requested to approve the higher of the two quotes. The low quote was for a 6-foot deep vault while the higher quote was for a less than 4-foot deep vault. This is an important difference as any vault deeper than 5-feet is considered a confined space requiring additional safety-based coordination to enter the vault and perform maintenance. While the difference in the two quotes is 13.5%, that savings would be rapidly utilized due to the extra staff hours required to safely perform a confined space entry.

Mr. Sarti moved to approve the large meter vault replacements as presented by staff, to authorize the purchase of the meter vaults from Jensen Precast, and to authorize the General Manager to approve additional funds as needed for any unexpected costs related to the purchase, installation, and permitting not-to-exceed a total project cost of \$20,000. Mr. Doyle seconded the motion. Motion passed unanimously.

**F. Authorization to Utilize the Miscellaneous Water Resources Consulting Services Contract to Produce a Hydrology Report for Metro Main Service Area**

Mr. Olsen stated that one step in the disenrollment of Metro Main from CAGR is to accomplish a DAWS revision to remove reference to CAGR in the District's water resource portfolio. As part of the modification to the District's Metro Main DAWS, an updated hydrology report and

groundwater flow model is required. This flow model is necessary to confirm physical availability for the 121,980 AF in the District's allowable groundwater account. Not accomplishing this effort will result the loss of the allowable groundwater account, an approximate \$24.4 million impact. Additionally, the new DAWS will include remediated water from the South Shannon Treatment System, recycled water, and the District's CAP allocation of 13,460 AF.

It is recommended that the Board authorize Clear Creek Associates, via the Miscellaneous Water Resources Consulting Services Contract to accomplish this work for a not-to-exceed amount of \$24,600.

Mr. Sarti moved to authorize Clear Creek and Associates to produce a Hydrology Report for the District's DAWS modification, via the Miscellaneous Water Resources Consulting Services Contract for a not-to-exceed fee of \$24,600. Mr. Doyle seconded the motion. Motion passed unanimously.

## **V. General Manager's Report**

Mr. Olsen stated that the Arizona Municipal Water Users Association (AMWUA) has been leading an effort called Vetting for Water (V4W) where State Legislators discuss their water priorities for the upcoming legislative session in front of the public including various water policy experts and municipal water providers. As the current Southern Arizona Water Users Association (SAWUA) president, I have been in close coordination with AMWUA to support the discussions on the various priorities.

One of the priorities that is of particular importance to the District is the funding for the Water Quality Assurance Revolving Fund (WQARF). WQARF is the program by which Arizona Department of Environmental Quality (ADEQ) reimburses the District for the operation of the South Shannon Treatment System. Unfortunately the funding for the WQARF program is not stable as the program is funded with fees that vary from year to year. This funding instability is of significant concern as groundwater contaminate plumes will certainly not slow their migration on years where the fee based funding is insufficient to operate the WQARF sites.

Given the District's lengthy experience with operating a WQARF site, Wallace Wilson, Water Resources Manager, spoke at the V4W yesterday in an effort to support Representative Gabaldon's potential legislation that would fund the WQARF program as a line item in the State budget and to educate other Legislators in attendance on this issue.

Mr. Wilson stated that the Tucson active management area (AMA) has been for many years hovering at the safe yield goal as stated in the management plan for this AMA due to the full utilization of renewable supplies and CAP allocations. The groundwater supplies should not be discarded as they are a critical component of the portfolio. Many areas in the Tucson AMA and the Phoenix AMA have current groundwater contamination issues and some have been in remediation. The District has the South Shannon well that is part of a remediation strategy for a contaminant plume in the Metro Main service area and that has been running for two decades. Continuing these operations, which still have decades of life to accomplish the completion of remediation, needs stable funding and the assurances that these programs will continue. Therefore, we are in favor of a dedicated budget item in the State's general fund for the WQARF program at ADEQ.

Mr. Olsen stated he was coordinating with other water providers who have also advocated a stable funding stream for the WQARF Program and will be partnering with them to map out a strategy to support this initiative in the 2020 Legislative session.

Mr. Offret asked about the choices for the funding streams. Mr. Olsen stated that the recommendation is to make this a line item in the State's budget, so the funding stream would be from the State's general fund. There are proposals on what that magnitude should be and if fees should further augment the funding. These details will be discussed further as the Legislative session approaches.

Other items discussed at V4W include updating the State's plumbing efficiency standards, which are out of date, and to instead emulate the WaterSense program as well as expediting the stream adjudication process with the creation of a new magistrate and support staff to focus on this effort full-time. I am coordinating with Representative Engle, who is leading the updating of the plumbing efficiency standards, to speak at an upcoming SAWUA Board meeting so SAWUA members can better understand and hopefully support the proposed efficiency modifications.

#### **V. Legal Counsel's Report**

Mr. Sklar said he had nothing to report.

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

The next regularly scheduled Board meeting will be held on December 9, 2019 at 5:30 p.m.



**VIII. General Comments from the Public**

There were no comments from the public.

**IX. Adjournment**

The meeting adjourned at 6:35 p.m.

---

Judy Scrivener, Chair of the Board

---

Theo Fedele, Clerk of the Board