

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

MONDAY, JANUARY 8, 2018

****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
Shane Oman, Finance Control Supervisor
Steve Shepard, Utility Superintendent
Theo Fedele, Clerk of the Board
John Hinderaker, Legal Counsel (arrived at 6:16 p.m.)

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. Election of Chair and Vice-Chair for the Board of Directors

Mr. Offret moved for Judy Scrivener to continue as Chair through 2018. Mr. Foulk seconded the motion. Motion passed unanimously.

Ms. Ireland moved for Bryan Foulk to continue as Vice-Chair through 2018. Mr. Offret seconded the motion. Motion passed unanimously.

III. General Comments from the Public

There were no comments by the public.

IV. Consent Agenda

- A. Approval of Minutes – December 11, 2017 Board Meeting**
- B. Ratification of Billing Adjustments**

Ms. Ireland made a motion to approve the consent agenda. Mr. Foulk seconded the motion. Motion passed unanimously.

V. General Business - Items for Discussion and Possible Action

A. Monthly Status of the District

Mr. Olsen stated that total fiscal year-to-date consumption is 8.5% higher than last fiscal year-to-date. While this is certainly a marked increase in consumption, this trend is validated by metered water sales as total fiscal year-to-date revenue is 8.82% higher than last fiscal year-to-date.

Mr. Offret asked if the anticipation of less production is included when developing the budget. Mr. Olsen stated that since there was a zero percent rate increase at the beginning of the fiscal year that the revenue is 8.82% higher based on higher consumption. After the rate model analysis and based on the trend line over the past couple years there will most likely be an increase in demand reflected in next fiscal year's budget.

In addition to the proactive and reactive infrastructure maintenance and water quality activities accomplished by the Utilities team in December, a number of hydrants that were identified by fire jurisdictions were repaired. There is a close partnership between the District and the various fire entities in the District's service areas. The fire entities regularly ensure functionality of hydrants within their area of responsibility and notify the District when a hydrant is not functioning properly. This serves as extra safeguard and focuses the repair efforts to ensure that all hydrants are ready to meet all fire suppression needs.

All of the District's Central Arizona Project (CAP) storage planned for calendar year 2017 has been completed thanks to the partnerships with the City of Tucson, who stored 309 acre-feet (AF) to facilitate the wheeling agreements to Metro Southwest, and the groundwater saving facilities (GSF) that includes Cortaro-Marana Irrigation District (CMID), BKW Farms, Kai Farms. All of the City of Phoenix planned CAP storage, under the inter-AMA firming agreement, was accomplished.

Work continues on the submittal to Arizona Department of Water Resources (ADWR) for a new storage permit at Avra Valley Recharge Project (AVRP). The current permit was for 20 years and is about to expire. The goal is to complete the associated groundwater modeling, hydrogeologic report, and other required items to submit by the mid-March deadline.

The activities associated with the Oracle Jaynes replacement well have been completed and staff are function testing the various elements prior to authorizing the start of the internal storage tank coating and external painting.

Construction began on the Regional Transportation Authority (RTA) Valencia waterline relocations on January 2, 2018 and coordination continues on the La Cholla RTA waterline relocations.

The payment to Arizona State Land Department (ASLD) for appraisal activities associated with the Northwest Recharge, Recovery, and Delivery System (NWRDSD) well sites and waterlines has been processed and the other coordination activities with ASLD continue pace.

B. Financial Report

Mr. Oman stated that revenue and expenditures as of the end of November are both favorable. Revenue exceeds the budget by \$1,682,908 and expenditures are under budget by \$495,791 when compared to a straight-line projection. Revenue in excess of expenditures are favorable by \$2,178,699. The largest increase in revenue is from Metered Water Sales, which have exceeded a straight-line projection by \$1,269,200. When compared to a straight-line projection, Water Resource Utilization Fees are ahead by \$109,567, and development revenue is ahead by \$90,280. Interest income and other income have both exceeded the amount budgeted for the year at \$37,270 and \$104,929 respectively. Expenditures for power and regulatory fees continue to be higher than a straight-line projection in November. These expenditures include the water credit transfer from Metro Main to Metro Southwest that has already been completed for the fiscal year, and the annual membership fees for the Central Arizona Groundwater Replenishment District (CAGR). Total revenue through November is higher than the prior year by \$811,528 or 8.82%. Metered Water Sales are \$538,670 higher, and development revenue exceeded the prior year by \$149,063. The total operating expenditures are \$134,248 higher than they were at the end of November 2016. When comparing revenue in excess of operating expenditures to the prior year, the current year is favorable by \$677,280.

The Arizona State Treasurer Pooled Collateral Program for November provided collateral coverage of \$6,190,008.21 in addition to the \$500,000 FDIC coverage.

A total of 20 meter applications were received in December compared to 12 meter applications received in December of the prior fiscal year. As of the end of December, 79 new meter applications have been received, compared to 52 new meter applications as of December 31, 2016.

C. Northwest Recharge, Recovery, and Delivery System – Approving the Purchase Agreement with the Town of Marana for the Purchase of Certain Town Property Rights

Mr. Olsen stated that one of the numerous real property actions associated with NWRRDS is acquiring Town of Marana property at the Marana Airport. The Town of Marana is also a partner on NWRRDS project. Ms. Bowen has been coordinating with the Town of Marana's Attorney as well as other staff for months in an effort to determine the exact route for the recovery pipeline while not affecting airport operations. The result of these discussions is for the District to acquire fee-title to a 55-foot strip of land on the east and southeast edge of the airport property, approximately 1.862 acres. To ensure access to the subsequent water infrastructure, the agreement calls for the District to relocate the airport perimeter fence and access gate so the water infrastructure and access road is outside of the secure airport area. Approval of this property acquisition is another important step in securing the property rights for the NWRRDS.

Ms. Ireland moved to approve the Purchase Agreement with the Town of Marana for the purchase of certain town property rights. Mr. Foulk seconded the motion. Motion passed unanimously.

D. Update on the Analysis of Alternatives Related to Mitigating 1,4-Dioxane

Mr. Olsen provided a presentation on 1,4-Dioxane to update the Board on the current activities, the results from the water quality study, as well as the proactive steps taken and then outlined the recommended next steps. Potential modifications to enable blend at Horizon Hills to below Health Advisory Level were evaluated but the challenge is that the water that is used for the blend was not a zero parts per billion for 1,4-Dioxane, therefore, it cannot blend low enough for the desired outcome. An Internal Water Quality Action team, a group of subject matter experts among District staff, was formed to discuss how to address 1,4-Dioxane as well as other items. The 1,4-Dioxane sampling cycle was increased and the District will continue enhanced sampling protocols and monitor for any potential impacts to other wells. The District has coordinated with other providers in the region to share similar water quality data. A letter was sent to Arizona Department of Environmental Quality (ADEQ) requesting source identification and source mitigation assistance and support. Carollo Engineers was retained to complete an alternatives analysis. The District will continue to monitor developments on State and Federal regulations on this and other emerging contaminants of concern, continue to educate customers on this issue and actions taken to ensure safe, reliable water that is below the Health Advisory, and bring updates and subsequent recommended actions Board should the situation change.

Mr. Offret asked if other entities have turned off wells due to 1,4-Dioxane. Mr. Olsen stated that other entities have turned off wells for a number of contaminant detections.

Mr. Offret asked about the response from ADEQ regarding the letter. Mr. Olsen stated that ADEQ has received the letter. Their next step is gathering subject matter experts together to then hold a meeting regarding 1,4-Dioxane.

Ms. Scivener asked if maps were available that shows the 1,4-Dioxane detected at other well sites. Mr. Olsen stated that Carollo has assembled information from the region regarding 1,4-Dioxane and perfluorinated compounds. This report is currently in draft form but when finalized it can hopefully be utilized to see the big picture and not just the District's piece of the puzzle.

Mr. Foulk directed the General Manager to continue implementation of enhanced sampling protocols and monitor for any potential impacts to other District wells, continue to work with regional partners and regulators, and to provide updates to the Board if the situation changes. Mr. Offret seconded the motion. Motion passed unanimously.

VI. General Manager's Report

Mr. Olsen stated that, as presented at a previous Board meeting, the Arizona Department of Environmental Quality (ADEQ) asked the District to change the operational scheme at the South Shannon treatment site as it relates to levels when the Granular Activated Carbon (GAC) change out is triggered. This will align and standardize the treatment methodologies with that of all other sites throughout Arizona. ADEQ also wrote a letter confirming that these changes would not have water quality impacts to the public. Staff has been closely tracking on a weekly basis the water quality results out of the lead GAC vessel before entering the lag vessel and again before entering into the distribution system. The new operational scheme is when any regulated constituent hits 50% of that maximum contaminant level then ADEQ would fund the change out of GAC in that vessel. ADEQ has been provided with regular updates to which they have been responsive

The planning committee for the Multi-State Salinity Coalition (MSSC) has asked for a presentation on the District's revenue stability initiative and associated accomplishments at their annual summit in March. As a Board Member of MSSC, this is a privilege to share the District's successes with water industry leaders from Texas, California, Utah, New Mexico, and Arizona.

With the recent promotion of Cameron Meyer to Assistant Utility Superintendent, and to ensure continuity of operations, an interview process was performed to select Mr. Meyer's replacement. Cory Bott has been selected as the District's new Utility Supervisor for Maintenance. Mr. Bott was previously the Utility Technician III in Production and has almost 23 years of service with the District.

Nate Arrington was hired in May as the District's Network Administrator and he is doing a fantastic job revitalizing the cyber capabilities. Mr. Arrington has been a great addition to the team and has numerous accomplishments in the short time with the District.

VII. Legal Counsel's Report

Mr. Hinderaker said he had nothing to report.

VIII. Clerk of the Board Updates; Future Meetings

The next regularly scheduled Board meeting will be held on February 12, 2018. The Finance Oversight Committee will meet on January 22, 2018 for the mid-year budget review. The Board is welcome but not required to attend this meeting.

IX. General Comments from the Public

There were no comments from the public.

X. Adjournment

The meeting adjourned at 6:45 p.m.

Judy Scrivener, Chair of the Board

Theo Fedele, Clerk of the Board