

**METROPOLITAN DOMESTIC WATER IMPROVEMENT DISTRICT
FINANCE OVERSIGHT COMMITTEE**

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

JANUARY 22, 2018

MINUTES

Board Members Present: Charlie Maish, Chair
Lee Mayes, Vice Chair
Lee Harbers, Member
Barbara Gelband, Member
Robert Shonka, Member
Richard Sarti, Member

District Staff: Joseph Olsen, General Manager
Sheila Bowen, District Engineer / Deputy General Manager
Shane Oman, Finance Control Supervisor
Steve Shepard, Utility Superintendent
Theo Fedele, Clerk of the Board

Regular Session

I. Call to Order and Roll Call

Mr. Harbers called the Metropolitan Domestic Water Improvement District Finance Oversight Committee (Committee, FOC) meeting to order at 4:01 p.m. Mr. Harbers, Ms. Gelband, Mr. Shonka, Mr. Mayes, Mr. Sarti, and Mr. Maish were present. Mr. Guillot submitted his resignation. Mr. Harbers stated he is also resigning effective January 23, 2018.

II. Election of Committee Chair and Vice-Chair

Ms. Gelband nominated Charlie Maish for Chair for 2018. Mr. Shonka seconded the nomination. Motion passed unanimously.

Ms. Gelband nominated Lee Mayes for Vice-Chair for 2018. Mr. Shonka seconded the nomination. Motion passed unanimously.

III. Call to the Public

There were no comments by the public.

IV. Approval of Minutes – November 16, 2017 Meeting

Ms. Gelband made a motion to approve the minutes as presented. Mr. Shonka seconded the motion. Motion passed unanimously.

V. Discussion and Possible Recommendation for Mid-Year Review of Fiscal Year 2018 Budget

Mr. Olsen stated that the Board of Directors are briefed monthly on the fiscal year-to-date consumption compared to the previous fiscal year-to-date. An interesting relationship was noticed when preparing for the mid-year budget review. The fiscal year-to-date numbers compared to the previous fiscal year-to-date consumption is up 8.5%. The reason for the increase is likely related to the weather, which has been warmer and dryer this year. Revenue is up 8.8% and power costs are up, which is consistent with the increase in consumption. Other water providers in the region have also experienced similar trends.

The Committee is being asked to consider two changes to the current fiscal year budget. These items are proactive capital improvement items that will be prioritized for inclusion in the next fiscal year budget. To ensure the least amount of impact to the customers, the work can be completed during the lower demand period. To accommodate that schedule, the design and coordination would be completed in the current fiscal year. The Hub reservoir expansion at the Hub service area to upgrade the one of the reservoirs to ensure there is adequate storage needs. The Old Nogales mainline in the E&T service area has allowed the utility staff to demonstrate their expeditious field emergency repair capabilities with the frequent breaks around once or twice per month. These breaks impact the reliability of service to the District customers. Moving forward with the design phase this fiscal year on both of these efforts will ensure the ability to move forward with the construction activities in a future year budget. These capital construction items will also be discussed at the March Finance Oversight Committee meeting regarding the Fiscal Year 2019 budget

Mr. Maish asked if the Old Nogales mainline breaks have become more frequent or was this the next project on our priority list. Mr. Olsen stated the replacement was on the list but was accelerated because of the continuation of breaks.

Ms. Gelband asked how many ratepayers are in the E&T area. Mr. Olsen stated that E&T has a population of roughly 1,100 and Mr. Shepherd stated that was equivalent to about 300 service connections.

Mr. Shoka asked if the unaccounted for water has increased and if the new meter replacements have accounted for the demand increases. Mr. Olsen stated that there have not been any trends of an increase in the unaccounted for water and that the Metro Southwest meters were replaced with

automatic meter infrastructure in a previous fiscal year. The trend of the increase in consumption appears to be weather related.

Mr. Oman reviewed with the Committee the items in the mid-year budget that were either over or under budget and may have required further explanation.

Ms. Gelband asked if the power consumption increase included solar power. Mr. Olsen stated that the solar power was included in a separate line item and the solar panels save money each month.

Mr. Shonka asked about the generators being reclassified from class 3 to class 2. Mr. Shepherd stated that per the US Environmental Protection Agency (EPA) the generators are classified based on size and age, therefore, the age of our generators results in the change in classification.

Ms. Gelband asked about the increase in the credit card fees. Mr. Oman stated that the credit card companies have incentivized the use of credit cards for the cardholder but then the company accepting the credit cards must pay the fees.

Mr. Harbers asked the impact on the budget for the two recommended capital construction items. Mr. Olsen stated that the additional revenue allows for the confidence level that these items can be covered in this fiscal year.

Ms. Gelband moved that based on the Committee's mid-year review of the Fiscal Year 2018 budget that staff proceed with the budget as presented. Mr. Shonka seconded the motion. Motion passed unanimously.

VI. Update on the Northwest Recharge, Recovery, and Delivery System

Mr. Olsen stated that the Committee was previously given an educational presentation on the Northwest Recharge, Recovery, and Delivery System (NWRRDS) project and provided an update on the activities that have occurred since the last presentation. The Intergovernmental Agreement between Marana, Oro Valley, and the District finalizing this project has been approved by all parties. The necessary property has been purchased for a shared forebay facility to where that water would be conveyed. A large number of required easements have been acquired. Staff has been working with the Arizona State Land Department (ASLD) since there is a portion of pipeline that crosses State land and the proposed well sites are on ASLD property. Reliability concerns and previous agreements have been settled with the Central Arizona Water Conservation District (CAWCD) and Marana, Oro Valley, and the District received funds that will be used towards the NWRRDS project. In the near future, the plan is to solicit for program support services that will assist staff on the next phases including design and construction. Due to the collaboration between the Town of Marana, Town of Oro Valley, and the District, the NWRRDS project was selected by the Metropolitan Pima Alliance (MPA) as one of the 20 finalists and was ultimately chosen as one

of the ten awardees. A brief video was shown that included excerpts from the nomination interview with the partners.

Ms. Gelband asked when the project would be completed. Mr. Olsen stated that in Fiscal Year 2019 the plan is to have the program support services consultant on board, then the next fiscal year move toward design completion followed by three years for construction. Therefore, it will be about five years, or 2023, until we have water flowing.

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

Mr. Olsen provided a presentation on 1,4-Dioxane to update the Committee 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 water quality concerns. 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 the actions taken to ensure safe, reliable water that is below the Health Advisory. The Board 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 if the situation changes.

Mr. Maish asked if there is room to build a treatment facility at Horizon Hills. Mr. Olsen stated there is room to build a treatment facility to mitigate 1,4-Dioxane.

VIII. Clerk of the Board Updates; Future Meetings

The next Finance Oversight Committee meeting is scheduled for March 14, 2018 at 4:00 p.m.

IX. Call to the Public

There were no comments from the public.

X. Adjournment

The meeting adjourned at 5:16 p.m.

Charlie Maish, Chair
Finance Oversight Committee