

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

**MONDAY, FEBRUARY 8, 2021**

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

**MINUTES**

**Board Members Present:** Judy Scrivener, Chair  
Richard Sarti, Vice Chair  
Jim Doyle, Member (Participated Electronically)  
Bryan Foulk, Member  
Lee Jacobs, Member (Participated Electronically) arrived at 6:02 p.m.

**District Staff:** Joseph Olsen, General Manager  
Sheila Bowen, District Engineer (Participated Electronically)  
Diane Bracken, Chief Financial Officer (Participated Electronically)  
Steve Shepard, Utility Superintendent (Participated Electronically)  
Theo Fedele, Clerk of the Board  
Jeffrey L. Sklar, Legal Counsel (Participated Electronically)  
Travis Tarket, Customer Service and Billing Supervisor

**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, Lee, Jacobs, Richard Sarti, and Judy Scrivener were present.

**II. General Comments from the Public**

There were no comments from the public.

Note: Mr. Doyle departed at 6:01 p.m.

**III. Consent Agenda**

**A. Approval of Minutes – January 11, 2021 Board Meeting**

**B. Ratification of Billing Adjustments**

Mr. Foulk moved to approve the consent agenda. Mr. Sarti seconded the motion. Motion passed by a roll call vote of 3-0.

**IV. General Business – Items for Discussion and Possible Action**

**A. Monthly Status of the District**

Note: Mr. Doyle returned and Mr. Jacobs arrived at 6:02 p.m.

Mr. Olsen stated that the Fiscal Year 2021 consumption compared to last fiscal year-to-date continues to trend higher with consumption 12.1% higher in Metro Main, 13.6% higher in Metro Hub, and 12.8% higher in Metro Southwest.

For calendar year 2021, all of the District's Central Arizona Project (CAP) order is planned to be stored at Groundwater Savings Facility (GSF) and will commence storage in the spring when agricultural deliveries begin. The City of Phoenix's 3,500 acre-feet (AF) order for the inter-AMA firming will be stored later this calendar year at the Avra Valley Recharge Project (AVRP) once the planned upgrades are completed.

The modification application for Metro Main's Designation of Assured Water Supply is nearing completion and the only remaining item that the Arizona Department of Water Resources (ADWR) needs to complete their review is a confirmation of remediated water pumpage. Staff are coordinating with the Arizona Department of Environmental Quality (ADEQ) to provide this information to ADWR. Once the modification is approved, the de-enrollment from the Central Arizona Groundwater Replenishment District (CAGR) for Metro Main can be finalized.

Mr. Shepard provided an update on noteworthy maintenance projects. The District worked with the meter testing contractor to complete the large meter testing for meters that are 3" and larger; only three or four of these meters required repairs. Staff drained and inspected the Metro Hub west storage tank and repaired some minor pits in the paint and the tank should be back online later this week. The floor coating for the Diablo Village #1 west storage tank has been completed and the plan is to recoat the entire tank in the next fiscal year. A variable frequency drive was installed at the South Shannon facility and should be operational by the end of next week to throttle the amount pumped from South Shannon when one of the two blend wells are offline. Staff repaired a 2" line at the Lazy B well site.

Ms. Bowen stated that staff and the District's consultant have been analyzing the data obtained from the Northwest Recharge, Recovery and Delivery System (NWRRDS) drilling activities. The preliminary well equipping design was received and a kick-off meeting was held with the final design consultant. Staff have been working with the contractor in preparation for the potholing activities. The pothole location marking is underway and the contractor is scheduled to begin potholing February 16, 2021. For the NWRRDS Metro-only portion, staff have been working with the consultant to prepare for the start of pipe loop testing activities. Staff reviewed and concurred the consultant's testing plan. The storage/office unit is scheduled for delivery February 16, 2021, which marks the kick-off for field activities. For the Arizona Department of Transportation (ADOT) Oracle Road waterline replacement, staff and the contractor have continued working through complexities related to existing, unmarked utilities impacting the work. The contractor has started removing the existing waterlines and is working on clean-up activities while they work toward completing the new waterline installation and tie-overs.

Mr. Sklar stated that at the hearing last month in the condemnation litigation, the lawyer for the property owner advised the court that they are in discussion with a potential buyer for the property. The judge has given about 45 days to see if that sale goes through. If the sale is successful, then we have the opportunity to negotiate with the buyer to reach a resolution. If the sale does not go through, then litigation will continue. Given the potential for sale, the active litigation remains on hold to mitigate unnecessary attorneys' time and fees.

Mr. Foulk asked if the seller announced or disclosed the condemnation in the sale notice. Mr. Sklar stated that the sale is not a public listing. A developer is developing nearby and has a particular use for the property, therefore, there was not any traditional marketing of the property. The developer is well aware of the litigation and potential for some condemnation proceeds. The developer has been in contact with the lawyer for the seller so we can assume there has been some discussion regarding the condemnation.

## **B. Financial Report**

Ms. Bracken stated that revenue and expenditures for December are both favorable when compared to a straight-line projection with revenue \$2,530,976 over budget and expenditures \$1,041,657 under budget. The revenue in excess of expenditures is favorable by \$3,572,633. When comparing the total revenue to the prior fiscal year, revenue through December was 10.21% or \$1,280,416 higher than the total revenue in December of the prior year. The Metered Water Revenue is 7.77% or \$760,310 higher than the prior fiscal year. The historic average of budgeted water revenue billed by the end of December is 54% and the District has billed 59.27% of the budgeted water revenue through the end of December. The operating expenditures in December

were \$139,579 lower than they were at the end of December in the prior fiscal year. The January cash deposit balance was \$20,066,565.69, which is \$5,557.50 higher than the December balance. The investments as of the end of January equaled \$10,818,953.88 which is \$266,344.29 lower than in December.

The Arizona State Treasurer Pooled Collateral Program Statement for December included \$10,990,443.04 of cash on deposit with collateralization coverage of \$10,955,251.90 in addition to the \$250,000 FDIC coverage.

The Capital One Bank MasterCard were used to purchase \$39,300.27 on the January statement with up to 1.25% cash back earnings. The cash back received from transactions processed in December totaled \$401.93 or 1.14% with an inception-to-date cash back total of \$12,755.16.

Twelve new meter applications were received in January with 6-meter applications for the Metro Main and Hub service areas and 6-meter applications for the Metro Southwest service area. There were 67 new meter application received in January of the prior fiscal year. Year-to-date, 287-meter applications have been received compared to 247 at the same time in the prior fiscal year.

The District currently has 74 customers on payment plans related to COVID with 16 paid in full. The unpaid balance of \$26,020.57 is down \$11,463.70 from the prior month.

### **C. Fiscal Year 2021 Mid-Year Review**

Ms. Bracken stated that on January 25, 2021, staff met with the Finance Oversight Committee (Committee, FOC) and reviewed the status of the Adopted Budget along with projections of known variances with half of the fiscal year completed. The Committee was very engaged and after much discussion, voted 7-0 in favor of recommending that staff proceed with activities as presented.

Revenue was projected to be \$1,434,935 higher than budgeted with increased metered water sales and increased development revenue accounting for \$1,305,348 of this increase. Expenses were projected to be under budget by \$2,835,314 with \$2,438,826 of this savings coming from debt service savings from the bond refunding and the delay in obtaining debt for the NWRDRS projects. The CAP water rates were budgeted with an anticipated shortage that did not occur resulting in a \$200,000 budget savings that will most likely be spent on AVRVP metering upgrades to accurately record the amount of water deliveries to this facility. Investments to support the District are expected to be close to the budgeted amount. The projected spend rate for Capital Improvement Program Projects is anticipated to be \$2,549,591 lower than budgeted with the recovery well cost lower than planned and the NWRDRS project schedule delayed. This amount did not include the

additional \$200,000 at AVRVP that will likely occur. The projected increased revenue and decreased spending will place the District in a very favorable position at the end of the fiscal year with over \$4 million in revenue and O&M savings along with over \$2.3 million of underspending on the Capital Improvement Program, which will allow the District to delay obtaining debt funding for NWRDRS projects.

Mr. Sarti moved to approve that staff proceed with the Adopted Budget for Fiscal Year 2021 as presented in the Fiscal Year 2021 Mid-Year Review. Mr. Foulk seconded the motion. Motion passed by a roll call vote of 5-0.

#### **D. Approval of the District's Updated Procurement Policy**

Mr. Olsen stated that the District has had a Board approved Procurement Policy since 1999 to provide formal guidance to staff on matters relating to procurement processes to include approval thresholds and check signatures. Over the past six years, the Policy has been modified a couple times to incorporate current practices and procedures as well as provide transparent guidance to staff.

Since the Policy was last modified in 2018, there have been a number of items identified that would add clarity and functionality to the policy. These items include:

- Authorizing the General Manager to be the second signature on checks that would normally require two Board Members. This was implemented in March 2020 with the onset of COVID to reduce exposure to the Board and staff. At least one Board Member's signature is required first before the General Manager would sign but increases the flexibility of check signatures.
- Annual maintenance contracts, in particular the Maintenance of Wells contract, are annually approved by the Board to a qualified contractor and the relevant budget is approved by the Board in the Adopted Budget. While normally each well maintenance interval would exceed the General Manager authority in the Procurement Policy, often a need arises to rapidly shift work between a well that was originally planned for maintenance to a well where maintenance has become more pressing. This has been addressed in the Procurement Policy edits where individual task orders that exceed the Procurement Policy threshold on such maintenance items are authorized by the General Manager provided that the Board has already approved the relevant annual contract and that the overall tasks does not exceed the Adopted Budget.
- The threshold levels on purchase order approvals, Board approvals, and check signatures have not been adjusted since the Policy was created in 1999. Given the inflation over the past 21 years, this has now resulted in an increase in normal maintenance items requiring Board approval. As such, the thresholds in the policy were increased to adjust for inflation over the past 21 years as well as rounded to ensure ease of Policy implementation.

The remaining edits were minor corrections or clarifications. Last month, the FOC voted 7-0 to recommend that the Board approve the updated Procurement Policy to ensure the District had a functional formal guidance document for such matters.

Mr. Foulk moved to approve the District's updated Procurement Policy. Mr. Sarti seconded the motion. Motion passed by a roll call vote of 5-0.

**E. Approval of Resolution No. 2021-1 Replacing Resolution No. 2007-2**

Mr. Olsen stated that with the Board approving the updated Procurement Policy, a replacement to Resolution 2007-2 will be required to ensure authority levels match. Resolution 2007-2 outlines the responsibilities of the Board Members and the General Manager. Resolution 2007-2, under section 6C, directs the General Manager to obtain approval from the Board for any expenditure or hiring of a consultant that exceeds \$15,000. As the new Procurement Policy increased this amount to \$30,000, there is now a disconnect between Resolution 2007-2 and the Procurement Policy. It is recommended that the Board replace Resolution 2007-2 with Resolution 2021-1, which directs the General Manager to follow the District's current Procurement Policy, instead of a specific dollar amount.

Mr. Foulk moved to approve Resolution No. 2021-1, replacing Resolution No. 2007-2, stating that the General Manager shall follow the District's current Procurement Policy as approved by the Board of Directors. Mr. Sarti seconded the motion. Motion passed by a roll call vote of 5-0.

**F. Authorizing Construction Services for the Phase I Avra Valley Recharge Project (AVRP) Improvements**

Mr. Olsen stated that the number 4 District priority in the Fiscal Year 2021 Capital Improvements Program is to complete phase one of the AVRP recharge improvements. The overall recharge improvements include various earthwork, electrical, and metering upgrades to increase the recharge capability of the facility from the current operationally limited to approximately 8,000 AF annually to the permitted capacity of 11,000 AF annually. Due to the cost involved with the various upgrades, this project was phased over three years.

Phase one of the improvements will replace the current weir measuring infrastructure that is only able to provide snap-shot measurements, with a traditional meter that will totalize the amount of water delivered to the facility. This upgrade is a crucial first step as there have been situations over the past couple years where a discrepancy in the CAP billing meter and the District's weir has resulted in the District earning less water resource credits than if there was a more accurate

measuring device. Given that these discrepancies include nearly 1,200 AF in calendar year 2018 and 344 AF in calendar year 2019, and that the approximate cost of CAP water is over \$200 per acre-foot, it is readily apparent that the metering and supporting delivery/infrastructure upgrades are a critical first step.

Mr. Sarti moved to authorize the General Manager to execute an agreement with Borderland Construction Company, Inc., for the construction of the Phase 1 Avra Valley Recharge Project Improvements in the amount of \$516,815.41 and to authorize the General Manager to allocate additional funding in a cumulative amount not to exceed \$10,000.00. Mr. Foulk seconded the motion. Motion passed by a roll call vote of 5-0.

**G. Authorizing a Constructability Review for the Northwest Recharge, Recovery, and Delivery System (NWRRDS) Metro-only Project**

Mr. Olsen stated that one of the key components of NWRRDS is the Metro-only transmission main, which will convey water from the shared forebay facility to the District's Herb Johnson Reservoir. Utilizing in-house expertise, staff have completed the transmission main design. As a peer review process is normally accomplished on designs of such scale, it is recommended that the Board authorize Carollo to perform this constructability review under the Professional Services Agreement for Miscellaneous Water System Design. Carollo's review will include such items as technical constructability, environmental impacts of proposed construction methods, review of staging areas, material selection, identifying potential cost saving measures, along with other items relevant to a construct ability review. Carollo has submitted a scope and fee proposal of \$39,694.00 to accomplish the constructability review.

Mr. Foulk moved to authorize the General Manager to execute an agreement with Carollo Engineers, Inc., to perform a Constructability Review for the Northwest Recharge, Recovery, and Delivery System Metro-only project in the amount of \$39,694.00 using the Professional Services Agreement for Miscellaneous Water System Design and to authorize the General Manager to increase the scope and fee by \$5,000.00, if necessary, to accommodate unforeseen tasks encountered during the review. Mr. Sarti seconded the motion. Motion passed by a roll call vote of 5-0.

**H. Approval and Award for Storage Tank Coating**

Mr. Olsen stated that the District operates eight steel above ground storage tanks in the Metro Southwest service area to ensure daily and hourly peak demands are met. An important preventative maintenance item for these tanks is to ensure there is an epoxy internal coating to

provide a barrier between the steel tank and the water. These coatings can last up to 20 years. The 25,000 gallon storage tank at E&T 22 is the oldest of four storage tanks on the site. The District acquired Metro Southwest in 2009 and the date of the last interior coating on this tank is unknown. It is recommended that the Board authorize AO Painting, under the City of Tucson Cooperative Contract, to accomplish this work for \$31,732.00.

Mr. Sarti moved to approve and award the E&T 22 25,000 gallon storage tank internal coating work to AO Painting Inc. for the amount of \$31,732.00 and to authorize additional funds up to \$3,000.00 for unforeseen tank repairs. Mr. Foulk seconded the motion. Motion passed by a roll call vote of 5-0.

**I. Authorizing Pumping and Water Quality Analysis for Recovery Well AVRW-01 Northwest Recharge, Recovery and Delivery System (NWRRDS)**

Mr. Olsen stated that during the drilling of NWRRDS well AVRW-01, various water quality analyses were performed. The results of these analyses showed various regulated and unregulated constituents at a concentration higher for the composite pumping than for any of the specific zones that were measured. Given the importance and focus of all three NWRRDS partners on water quality, it is recommended that additional water quality analyses are accomplished. To ensure an accurate and complete picture of water quality in AVRW-01, it is recommended that a well pump be installed at three different depths and pumped at three different rates at each depth. Samples would then be taken at each of these locations and pumping rates to provide more discrete water quality information. The NWRRDS Partners of Oro Valley and Marana have executed Memorandum of Agreement (MOA) 20010-00 and Oro Valley is a 50/50 cost share partner with the District for this work. After reimbursement by Oro Valley, the cost to the District will be \$38,683.98.

Mr. Foulk moved to authorize the General Manager to execute a water quality investigation for the Northwest Recharge, Recovery, and Delivery System recovery well AVRW-01 with Smyth Industries and Turner Labs in the total amount of \$77,367.95. Mr. Sarti seconded the motion. Motion passed by a roll call vote of 5-0.

**J. Legislative Updates 2021**

Mr. Olsen stated that Senate Bill 1057, relating to public works contracts, would require additional coordination and payment before any change orders would be authorized. As the District could have an emergency situation where a change order is required to restore service, having to pause to ensure payment on previously accomplish items could delay restoration of service to customers.



As such, staff reached out to the Bill's sponsors, Senators Gray and Fann, and explained the District's perspective. Domestic water and wastewater improvement districts have now been exempted from the current draft of the Bill.

House Bill 2614, relating to remediated water, ties directly into one of the District's key specific performance objectives for the 2021. At the South Shannon facility, the water pumped does not count against the groundwater allowance or stored CAP credits and is instead considered remediated water. The issue is after 2025 the remediated water exemption expires. This Bill would extend the exemption from 2025 to 2050. This Bill has been moving forward and gaining momentum in the House, along with the companion Bill in the Senate, and is broadly supported by the four water providers in the state that have these remediated water facilities. Mr. Foulk asked who the other water providers are. Mr. Olsen stated the other water providers are Tucson Water, Scottsdale Water, and Goodyear.

Staff will continue to track this and other relevant legislation and keep the Board apprised of any changes.

#### **K. Presentation on the District's Field Collection System**

Mr. Olsen stated that as part of the on-going series of educational presentations to the Board regarding key initiatives that the District is accomplishing, Travis Tarket, the District's Customer Service and Billing Supervisor, would provide a presentation of the District's Field Collection System and how the recent upgrades have enhanced the District's mission to deliver safe, reliable water to our customers

Mr. Tarket provided a presentation on the District's Field Collection System (FCS), explained how the system works, the processes for using the system, as well as the benefits and increased efficiency gained since incorporating the FCS.

Mr. Foulk asked if there are the same meters each month that cannot be reached. Mr. Tarket stated that there are areas that the fixed network cannot reach but staff have been actively working that issue and have reduced the number of meters that cannot be remotely read. Mr. Jacobs asked if the system was a portal that allowed the customer to view their usage. Mr. Olsen stated that currently only Metro Hub and Metro Southwest customers are on the automatic metering infrastructure, which is only about 20% of the District's customer base. The Field Collection System would need to be available to more customers prior to creating and opening a portal for customers. Mr. Jacobs asked if the reads were real time and if the meter reader was obtaining the read by driving by. Mr. Tarket stated that some are read by driving by while others are read manually.

**VI. General Manager's Report**

Mr. Olsen stated that on Friday, January 22, 2021, Governor Ducey appointed him as a new Commissioner for the Arizona Water Banking Authority (AWBA). The AWBA was created in 1996 to store water to firm CAP supplies during a period of shortage on the Colorado River System. The Commission provides the strategic policy and implementation guidance to the AWBA. The Commission has five members including: the Director of ADWR, a representative from Central Arizona Water Conservation District (CAWCD), a representative with a Municipal and Industrial CAP right, a member with an on-river right, and the position Mr. Olsen has been nominated to fill, a subject matter expert knowledgeable in water resources. The next step is to address questions regarding my qualifications and share my perspective of the position to the nine members of the Senate Natural Resources, Energy, and Water Committee who will review the nomination on February 10, 2021.

**VII. Legal Counsel's Report**

Mr. Sklar stated that the Governor has appointed him as a Superior Court Judge. Mark Patton will take over as general counsel for the District. Mr. Sklar thanked the Board and staff and appreciated the opportunity to serve the District.

**VIII. Clerk of the Board Updates; Future Meetings**

The next regularly scheduled Board meeting will be held on March 8, 2021.

**IX. General Comments from the Public**

There were no comments from the public.

**X. Adjournment**

The meeting adjourned at 6:56 p.m.

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Judy Scrivener, Chair of the Board

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Theo Fedele, Clerk of the Board