

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

MONDAY, JULY 13, 2020

****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 (Participated Electronically)
Jim Doyle, Member (Participated Electronically)
Bryan Foulk, Member
Dan M. Offret, Member

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)

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, Dan M. Offret, Richard Sarti, and Judy Scrivener were present.

II. General Comments from the Public

There were no comments from the public.

III. Consent Agenda

- A. Approval of Minutes – June 8, 2020 Board Meeting**
- B. Ratification of Billing Adjustments**
- C. Ratification of Accounts Removed from Active Accounts Receivable**

Mr. Offret moved 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 stated that the Fiscal Year 2020 combined consumption for all service areas compared to last fiscal year-to-date is 6% higher and was relatively consistent throughout the fiscal year.

The annual water quality reports for 2019 were submitted to the Arizona Department of Environmental Quality (ADEQ) for each of the District's five active service areas. The water quality reports were also posted on the District's website and the links to the reports were provided to customers on their billing statements.

We have agreed to store 2,000 acre-feet of Arizona Water Banking Authority water at the District's Avra Valley Storage Project (AVRP) in calendar year 2020 as there remains operational storage capacity with all of the District's Central Arizona Project (CAP) order stored at groundwater savings facilities, which financially benefit District ratepayers, and storage of the 3,500 acre-feet of City of Phoenix Inter-AMA firming water at AVRP is anticipated to finish in July. Storage of the water bank water at AVRP will generate approximately \$32,000 in additional revenue and streamlines recovery from the water bank in a shortage year.

Mr. Shepard provided an update on noteworthy maintenance and repairs. Staff installed a new booster suction line at E&T 22 to connect the four storage tanks and re-installed the regenerated arsenic treatment media in Hub 1A vessel #2. The variable frequency drives and air conditioning units for all sites have been serviced. Staff repaired failed electrical connections in the Riverside well motor. A service line leak on Vista Lejos was repaired. The Diablo Village Well #1 was pulled due to failure of the well motor.

Ms. Bowen provided an update on the Partner portion of the Northwest Recharge, Recovery and Delivery System (NWRADS) project. The contract with the drilling contractor was finalized, a preconstruction meeting was held with the contractor, and drilling is now underway. The drilling of the three wells is scheduled to be complete by late February 2021. The contract with the Job Order Contract (JOC) contractor was finalized, a preconstruction meeting was held with the contractor, and work on site improvements and ditch modification to enable access for the drilling rig to AVRW-02 site is expected to begin tomorrow. Work is anticipated to take about six weeks.

The invoice was received from State Land regarding the vegetation to be cleared in the easement area adjacent to AVRW-02. The District's final design consultant finalized their Confirmation of Preliminary Design and the report was distributed to the Partners.

The District's consultant is advancing the independent cost analysis and has submitted a draft hydraulic evaluation for review for the NWRD Metro-only portion.

The District's consultant completed the supplemental geotechnical investigations and is preparing the final report for the booster station. The portion that District staff is designing is paused awaiting the cost estimate and hydraulic evaluation.

The Camino del Fierro Air Vacuum valve has been installed and is operational.

Mr. Sklar stated there are no new updates regarding the condemnation activities. The next status review hearing in the case will be next week.

B. Financial Report

Ms. Bracken stated that revenue and expenditures for May were both favorable when compared to a straight-line projection with revenue \$1,314,966 over budget and expenditures \$1,084,995 under budget. The revenue in excess of expenditures is favorable by \$2,399,961. When comparing the total revenue to the prior fiscal year, revenue in May was 10.69% or \$2,155,439 higher than it was in May 2019. The May Metered Water Revenue total is 6.77% or \$1,059,258 higher than the prior fiscal year. The historic average of budgeted water revenue collected as of the end of May is 90% and the District has billed 93.82% of the budgeted water revenue as of the end of May. Metered Water Revenue is expected to be over budget by about \$670,000 by the end of the fiscal year. The total operating expenditures through May are \$503,462 higher than they were at the end of May 2019. When comparing revenue in excess of operating expenditures the current year is favorable by \$1,651,977. The June cash deposit balance was \$15,786,056.27, which is \$1,370,434.10 higher than the May balance. The investment balance as of the end of June was \$11,106,977.92, which is \$870,472.28 lower than the May balance with \$966,427.75 moved to the operating account for debt payments.

As of May 31, 2020, the District had 455 days of unrestricted, unallocated cash and cash equivalents on hand when compared to the planned operating expenses in the adopted budget less the \$500,000 contingency. This is a 22-day increase when compared to the number of days at the end of April.

The Arizona State Treasurer Pooled Collateral Program Statement for May includes \$6,708,358.90 of cash on deposit with collateralization coverage of \$6,587,526.08 in addition to the \$250,000 FDIC coverage.

The Capital One Bank MasterCards were used to purchase \$45,622.96 on the June statement with up to 1.25% cash back earnings. The cash back amount received from transactions processed in May was \$509.06 or 1.18% with an inception-to-date cash back total of \$10,130.93.

Eighty-one new meter applications were received in June with 62-meter applications for the Metro Main service area and 19-meter applications for the Metro Southwest service area. There were 54 new meter application received in June of the prior fiscal year. As of the end of the fiscal year, 459 new meter applications were received with 370 new applications received in the prior fiscal year.

With the new customer deposits amounts changing on July 1, 2020, the interest rate the District is paying on customer deposits has been reduced from 1% to 0.25%.

On June 15, 2020, the District recovered \$266.70 from the Local Government Investment Pooled (LGIP) losses tied to the Lehman Brothers Holdings Inc. who filed Chapter 11 in 2008. The District has now recovered a total of \$30,728.40 or 40.78% of the original loss amount of \$75,351.62.

C. Award of Construction Contract for the Oracle Road Waterline Relocations: Giaconda Way to Lavery Lane (M-19-017)

Mr. Olsen stated that the largest capital project in Fiscal Year 2021 not associated with NWRDSD is the Oracle Road waterline relocations associated with the Arizona Department of Transportation (ADOT) pavement and drainage upgrades. Last year there was a break on the waterline on the west side of Oracle Road south of Ina Road that created challenges due to the difficulty of accessing the line and the proximity of a communication conduit. While the ADOT upgrades require the District to relocate impacted waterline infrastructure, this also presented an opportunity to enhance the reliability and maintainability of the distribution system. Included in this work are additional Oracle Road crossings as constructing such upgrades later will pose a challenge with pavement moratoriums. Also, for a portion of the alignment, the waterline will be relocated to areas where ease of access will increase, i.e. away from where the difficult to repair main break occurred, reducing long-term maintenance challenges.

The project was advertised with two bid alternatives: removal of a majority of the old waterlines or grouting in place for the majority of the waterlines.

A public bid opening was held on June 24, 2020, via a virtual meeting platform that was open to all parties who expressed interest in the project. Eight contractors submitted sealed bids and Overley's responded with the lowest responsive bid for both alternates. Overley's is an Arizona contractor located in the Phoenix area. A background check that staff performed prior to recommending Board consideration showed Overley's with a current contractor's license with no open cases. There were two Occupational Safety and Health Administration (OSHA) violations in the last five years which have been satisfactorily resolved and closed by OSHA. Overley's bid Alternate A to remove a majority of the pipeline, which is preferred by the District to eliminate future liability, is \$860,336, or approximately 8% lower than the engineer's estimate. The adopted fiscal year budget includes \$1,095,891 for this effort, which also includes staff inspection and materials testing support.

Mr. Foulk moved to award the construction contract for the Oracle Road Waterline Relocations to Western Utility Contractors, LLC dba Overley's est 1959 in the amount of \$860,336.00 for Bid Alternate A and to authorize the General Manager to allocate additional funding in a cumulative amount not to exceed \$50,000, and to increase the original construction contract term in a cumulative amount not to exceed thirty (30) calendar days. Mr. Sarti seconded the motion. Motion passed unanimously.

D. Approval of the Purchase and Replacement of Meters for the Metro Hub Meter Replacement

Mr. Olsen stated that the meters in Metro Hub are Sensus iPerl that utilize a magnetic read technology to determine the quantity of water that passes through the meter versus a positive displacement that mechanically measures water use. Over the past eight years, the District has experienced a high failure rate with these meters. While these failed meters have been replaced under warranty, there is concern on the long-term viability of these meters. In Fiscal Year 2020, the iPerl meters that were in the Metro Southwest service areas were replaced with Badger positive displacement meters and it is recommended that the approximately 1,300 iPerl meters in Metro Hub are similarly replaced this fiscal year. The Fiscal Year 2021 budget includes \$244,999 for this effort and was the number one priority initiative in the "Investments to Support the District's Mission."

Replacing approximately 1,300 meters is most efficiently accomplished with contract support so the District's water professionals can focus on delivering safe, reliable water. Additionally, the meter change out requires a contractor that has experience integrating data from the new meter read and meter numbers into the correct account to avoid customer billing errors. It is recommended that the Board approve the meter replacement contract to Metering Services Inc.,

(MSI) via the City of Tempe cooperative purchasing contract that is accessible under the Strategic Alliance for Volume Expenditures (SAVE) program. MSI successfully performed this work for the District last fiscal year with the meter replacement at Metro Southwest.

It is also recommended that the Board authorize the City of Tucson cooperative purchasing contract be utilized to purchase the required positive displacement meters. While the Board has previously authorized this contract vehicle for meter replacements within the District's budgetary line item for regular meter replacements and new installations, it is recommended that the Board also authorize this contract for meter replacements associated with this capital equipment investment.

The exact number of meters to be replaced will continue to vary based on failures that may occur prior to change out so it is recommended that the Board authorize a not-to-exceed amount for the total project.

Mr. Sarti recused himself from voting on this item due to his employment with Tucson Water and his involvement in the Tucson Water meter study.

Mr. Offret moved to approve the meter purchase from Badger Meter for the Metro Hub iPerl Meter Replacement utilizing the City of Tucson Residential and Commercial Water Meters cooperative purchasing contract, the purchase of the ERTs and Antennas from Mountain States Pipe and Supply, and award the replacement work to Metering Services, Inc. utilizing the City of Tempe Water Meter Exchange Out and Repair Services cooperative purchasing contract with a total project cost not to exceed the amount of \$189,157.38. Mr. Foulk seconded the motion. Motion passed 4-0.

E. Approval of the Purchase of a New Valve Machine for the Utility Team

Mr. Olsen stated that the number four "Investments to Support the District Mission" priority in the Fiscal Year 2021 adopted budget is the purchase of a new valve machine. The current valve machine has been in use for over 20 years and has been repaired numerous times in the last four years. Given the age of the machine, parts are no longer supplied by the manufacturer and replacement components have become more difficult to locate.

Staff was only able to find two manufacturers that make a truck mounted valve machine that would meet the District's needs and only one of the manufacturers, Balar Equipment, responded to the District's request for quote. In addition to performing the same function as the current valve

machine, the new valve machine has a 13-foot reach with an arm that can pivot and extend; streamlining operation in instances where the valve truck is not able to be located directly adjacent to the valve.

The adopted budget includes \$35,942 for the new valve machine and the quote from Balar Equipment is \$37,182. While this is above the adopted budget, the difference will be offset by other items in the “Investments to Support the District’s Mission” that are accomplished under budget.

Mr. Sarti moved to approve the purchase of the new valve machine from Balar Equipment in the amount of \$37,182.20 and to authorize the General Manager to approve an additional \$1,000.00 for any unforeseen issues related to the purchase or installation. Mr. Offret seconded the motion. Motion passed unanimously.

F. Appointment to the Finance Oversight Committee

Mr. Olsen stated that Scott Bugental, a District resident, expressed his interest to serve on the Finance Oversight Committee (FOC) at the June 2020 Board Meeting in response to the recent newsletter announcing vacancies on the Committee. Mr. Bugental possesses a Bachelor of Arts in Politics and has accomplished additional education to include a certificate program in General Accounting. Mr. Bugental has served on numerous Boards and Commissions to include President of the Lompico County Water District Board of Directors and as a member of the Santa Cruz City Water Commission. Mr. Bugental was also an Assistant Director of Arizona State University's Future H2O, which was an initiative focused on coordinating and accelerating water-related research across multiple disciplines.

While Mr. Bugental's appointment would temporarily increase the size of the current Committee to eight, it is recommended that the Board appoint Mr. Bugental to the FOC given his highly relevant expertise and desire to serve the District.

Mr. Foulk moved to appoint Scott Bugental to the Finance Oversight Committee. Mr. Sarti seconded the motion. Motion passed unanimously.

VI. General Manager’s Report

Mr. Olsen stated that last year, the Arizona Drought Contingency Plan (DCP) Steering Committee brought approximately 40 water professionals from numerous sectors together to successfully negotiate the proactive measures that would be taken by the Lower Colorado River Basin states

through 2025 to mitigate the chance of drastically reducing Lake Mead elevations and associated cuts to State's allocations. By the end of 2025, both the current interim operating guidelines of the Colorado River System and the DCP expire, requiring the negotiation of new guidelines in advance of January 1, 2026.

Benchmarking on the successful DCP process, Governor Ducey rebranded the DCP Stakeholder Committee as the Arizona Reconsultation Committee (ARC) and asked DCP members to reprise their role with Arizona Department of Water Resources (ADWR) Director Tom Buschatzke and Central Arizona Water Conservation District (CAWCD) General Manager Ted Cooke again serving as co-chairs. The first ARC meeting was held June 25, 2020.

Given that DCP, which was an already existing process requiring modification, took over a year of solid effort to achieve, it is anticipated ARC will take much longer as this is considered a new framework requiring the completion of a full environmental review. The anticipated schedule is that ARC delegates, including myself and the District's Water Resources Manager, Wally Wilson, as my alternate, will serve an active role on the Committee until at least June 2024. The ARC also created two additional groups: an Arizona Strategy Team to handle legal implications and Arizona's negotiation strategy as well as a Modeling and Analysis Work Group to provide fact-basis inputs to the ARC. Given Mr. Wilson's background on basin studies, water resource and climate models, and the ability to translate data into actionable information, I have asked that he serve on the Modeling and Analysis Work Group. He has been formally accepted to the Group which will have their first meeting on July 30, 2020.

The next ARC meeting will be September 17, 2020 and I will provide regular updates to the Board regarding what will hopefully be steady and incremental progress toward the completion of the reconsultation.

VII. Legal Counsel's Report

Mr. Sklar said he had nothing to report.

VIII. Clerk of the Board Updates; Future Meetings

The next regularly scheduled Board meeting will be held on August 10, 2020.

IX. General Comments from the Public

There were no comments from the public.

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X. Adjournment

The meeting adjourned at 6:33 p.m.

Judy Scrivener, Chair of the Board

Theo Fedele, Clerk of the Board