

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

MONDAY, SEPTEMBER 10, 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
Diane Bracken, Chief Financial Officer
Steve Shepard, Utility Superintendent
Theo Fedele, Clerk of the Board
Cindy Schmidt, Legal Counsel (arrived at (6:04 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. General Comments from the Public

There were no comments by the public.

III. Consent Agenda

- A. Approval of Minutes – August 13, 2018 Board Meeting**
- B. Ratification of Billing Adjustments**

Ms. Ireland 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 last month it was reported that July's fiscal year-to-date consumption compared to the previous year was approximately 17% lower. This was likely due to irregularities when only comparing the first month of consumption data and typically these comparisons begin to align when August numbers are available. Currently the fiscal year-to-date consumption is approximately 2.6% lower than last fiscal year-to-date which is more in-line with expected trends.

Last month, the Utility Team continued emergency repair efforts caused by storm damage from the active monsoon season. The Utility Team also installed a transducer at Hub to ensure system pressure is properly monitored and to enable the Hub wells to act in close coordination to provide necessary production capacity to meet fire flow demand.

Ms. Scrivener asked if there was any significant damage from the hail storm that hit north of Ina last week. Mr. Shepard stated that the Meredith well that was affected by the hail storm.

One of the proactive maintenance programs, exercising valves, was not able to occur last month due to the valve machine being out of commission for repairs. The valve machine has now been repaired and valve exercising can now resume.

Of the District's 13,460 acre-feet (AF) Central Arizona Project (CAP) order, all but 1,856 AF has been stored along with 3,500 AF for the City of Phoenix under the inter-AMA firming agreement. The remaining 1,856 AF of the District's CAP allocation will be stored by the end of the calendar year.

The Arizona Department of Water Resources (ADWR) is still finalizing the Underground Storage Facility Permit and Water Storage Permits for the District's Avra Valley Recharge Project (AVRP). There is no action needed by the District as the public comment period closed last month, without any comments received, and ADWR staff is working to complete these permits.

The waterline relocations associated with the La Cholla Regional Transportation Authority (RTA) project commenced on August 28, 2018 with construction expected to be complete by January 28, 2019. This is an inspection heavy project due to over a mile of new pipeline involved. The Utility Team will assist the Engineering Team with Blue Stake requests, which are typically addressed by the construction inspector, so our construction inspector is able to be present throughout the project to ensure correct pipeline installation and conformance with District design standards.

Last month, discussions continued with the Arizona State Land Department (ASLD) regarding their proposed recovery fee associated with the requested right-of-way lease amendment for the Northwest Recharge, Recovery, and Delivery System (NWRRDS) wellsite and pipelines. A tentative compromise has been reached that has allowed appraisal activities to carry forward. The goal is that mutually agreeable terms will be incorporated in the right-of-way lease amendment.

On September 19, 2018, the Program Support Risk Workshop will be held with the NWRDSD partners to help determine the known and presently unknown items that could impact the successful completion of NWRDSD so that mitigating strategies can be determined.

Ms. Schmidt provided an update on the following condemnation activities:

- APN 216-32-021F and 216-32-021G is now not subject to condemnation action.
- APN 216-31-037D has been settled with the property owner and the papers will be filed shortly to obtain a final judgment from the court and a final order of condemnation. The final order will conclude the case, invest the property in the District, and hopefully this matter will be wrapped up by the next Board meeting.
- APN 216-31-0380: a complaint has been filed and the process has begun to serve the property owner. The court hearing on the District's request for immediate possession of the property is set for September 19, 2018 but will possibly be continued to a later date to ensure the property owner has sufficient notice.
- APN 216-32-025A and 216-32-028A: are owned by the same owners and have been consolidated into a single case. A complaint was filed on September 6, 2018 and a date for the hearing on the request for immediate possession is pending.

B. Financial Report

Ms. Bracken stated that revenue and expenditures for July are both favorable when compared to a straight-line projection with revenue \$432,119 over budget and expenditures \$27,910 under budget. Revenue in excess of expenditures is favorable by \$460,029. When comparing revenue to the prior fiscal year, revenue in July is \$21,340 higher than it was in July 2017. The July Metered Water Revenue is 9.42% or \$176,920 lower than the prior fiscal year. The total operating expenditures for July are \$150,809 higher than they were in July 2017. When comparing revenue in excess of operating expenditures the current year is \$129,469 lower.

The Arizona State Treasurer Pooled Collateral Program statement for August provided collateralization coverage of \$6,870,752.58 in addition to the \$500,000 FDIC coverage.

The American Express Corporate Accounts Payable Solution card was used to purchase \$3,703.90 in August with a 1% savings of \$37.04 bringing the inception-to-date District savings up to \$28,752.71. The Capital One Bank MasterCards were used to purchase a total of \$30,685.42 in August with cash back up to 1½%. July had one purchase and \$2.93 cash back was received in August. All cardholders will earn cash back with these cards and earnings will be placed in a designated general ledger account.

Eighteen new meter applications were received in August, with ten new meter application received in August 2017. Thirteen new meter applications were for the Metro Main and Hub service areas and five new meter applications in the Metro Southwest service areas.

The independent auditors from HintonBurdick completed the Fiscal Year 2018 audit fieldwork. During the exit interview, the District Audit Partner, Steven Palmer, reported that they did not find any journal entries that need to be posted, and did not find any areas in which they could make process improvement or internal control recommendations. Mr. Palmer also stated that in his entire career, he has only encountered three to four flawless audits. Ms. Bracken thanked all staff for following the District policies and procedures, as well as working closely with the Administration Team. She also extended appreciation to the Administrative Team for the quality of their work and their attention to detail relating to all accounting and subsidiaries ledgers, billing, and inventory. She extended a special thank you to Billie Sue Morelli, Human Resources Manager, for providing accurate payroll and human resource records, which included a payroll software conversion in Fiscal Year 2018. This was a great team accomplishment.

C. Approval of Liability Insurance

Mr. Olsen stated that each year, the District must renew its liability insurance coverage for property, automobile, and commercial general. It is recommended that the Board approve the liability insurance coverage to Glatfelter Public Practice, who has provided this service to the District since before 2013. After a careful review of the District's policy, Glatfelter was able to offer a \$1,186 decrease compared to the previous year without reducing any coverage elements.

Mr. Offret asked if the renewal cost included deductibles. Mr. Olsen stated that the Fiscal Year 2019 budget assumes at least one deductible claim of \$1,000 for the year combined with the annual premium. As such, the total cost is within the \$146,894 that was budgeted for the liability insurance renewal.

Mr. Foulk moved to approve the Liability Insurance Policy with Glatfelter Public Practice with a total annual premium cost of \$142,708 from October 1, 2018 through September 30, 2019. Mr. Offret seconded the motion. Motion passed unanimously.

D. Approval and Award for the Exterior Site Painting of Five District Facilities

Mr. Olsen stated that one of the maintenance activities approved in the Fiscal Year 2019 budget is the external painting at five District facilities. The infrastructure on these facilities includes tanks, piping, boosters, and panels that are subjected to rain and UV exposure. Ensuring that the painting on these components is properly maintained is important to extend the useful life of the infrastructure. The sites recommended for painting include South Shannon, Moore, Alcott,

Magee/La Cholla, and Hardy. Additionally, the sites will have the District logo painted on the tank, except for Moore because the tank is too short for the logo to be visible. It is recommended that the Board approve the painting at these five sites to Weiss Painting who has successfully performed similar work for the District in the past.

Ms. Ireland moved to approve the exterior site painting of the five District facilities, to award the work to Wiese Painting in the amount of \$70,497.64, and to authorize the General Manager to approve an additional amount not to exceed \$3,500 for any unforeseen issues related to the work. Mr. Offret seconded the motion. Motion passed unanimously.

E. Authorizing the General Manager to Allocate Additional Construction Funding for the Mountain Cove PRV (M-18-009)

Mr. Olsen stated that at the July 2018 Board meeting, a contract was awarded to Action Pipeline Contractors for the construction the Mountain Cove Pressure Reducing Valve (PRV). The cost for this work is fully reimbursed by the Hacienda Sisters' developer under the Water Service Agreement approved by the Board on April 9, 2018. The PRV station has now been completed but there was an unforeseen issue during the construction that required the reconfiguration of the installation to add a tapping sleeve and valve along with a thrust block on the existing valve. The Board had authorized the General Manager to approve additional costs up to \$5,000. The total cost for this reconfiguration and associated work was \$5,176.32. As such, it is requested that the Board authorize the additional \$176.32. This additional cost will be reimbursed by the developer per the Water Service Agreement.

Mr. Foulk moved to authorize the General Manager to allocate additional funding in the amount of \$176.32 for construction of the Mountain Cove PRV. Mr. Offret seconded the motion. Motion passed unanimously.

F. Intergovernmental Agreement with the City of Phoenix for Inter-AMA Firming of Central Arizona Project Water

Mr. Olsen stated that since 2014, the District has had an Intergovernmental Agreement (IGA) with the City of Phoenix to store a portion of their CAP allocation in the District's AVRP storage facility. Phoenix pays the District operation and maintenance (O&M) costs as well as a capital component on a per- acre-foot basis to reimburse previous rate payer investments at AVRP. During a shortage year, where Municipal and Industrial CAP water users are shorted, Phoenix would transfer a portion of the stored water resources to the District and, in-turn, the District would place a water order for an equivalent amount of CAP allocation to be delivered to Phoenix treatment plants. This inter-AMA firming agreement has been highlighted as an innovative and collaborative

water resource tool to address future shortage conditions and has been recognized with numerous awards.

The current IGA expires this calendar year and negotiations continue on this collaborative arrangement. To provide the most flexibility, the recommendation is for the IGA with Phoenix to have a duration of ten years with an option to extend another ten years. Additionally, it has been agreed that the capital fee would remain the same for each acre-foot of storage but that the O&M component would escalate by 3% each year. While Phoenix has stored 3,500 AF annually in the past three years, the new agreement allows additional flexibility of up to 8,000 AF of storage annually if mutually acceptable to both parties. This is ideal as there are future plans to enhance the operational storage capacity of AVRTP by 4,000 AF to the permitted storage capacity of 11,000 AF annually. It is recommended that the Board authorize the General Manager to sign an agreement with Phoenix, with the aforementioned terms, once the IGA is drafted and after legal counsel has reviewed.

Mr. Foulk moved to authorize the General Manager to sign an Intergovernmental Agreement for Storage, Recovery, and Exchange of Central Arizona Project Water between the City of Phoenix and the Metropolitan Domestic Water Improvement District when the agreement document is finalized. Mr. Offret seconded the motion. Motion passed unanimously.

G. Appointment to the Finance Oversight Committee

Mr. Olsen stated that the Finance Oversight Committee is a group of District residents who volunteers their time and expertise to advise the Board on financially related matters. The FOC traditionally consists of seven members. While the current FOC does have 7 members, one member, Richard Sarti, will step down from the FOC in January when he is sworn in as a District Board member.

Fortunately, an inquiry was received from a District resident, Ralph Churchill, who has volunteered his time and expertise to support the District. Mr. Churchill possesses both Bachelor's and Master's degrees in chemical engineering, is a registered professional engineer, has extensive experience in industrial wastewater and effluent treatment systems, has prepared comprehensive financial analyses, and instructed college level courses in Water Quality Management during his career that has spanned 50 years. As such, it is recommended that the Board appoint Mr. Churchill to the FOC where he can utilize his extensive knowledge base to support the District.

Ms. Ireland moved to appoint Ralph Churchill to the Finance Oversight Committee. Mr. Offret seconded the motion. Motion passed unanimously.

V. General Manager's Report

Mr. Olsen stated that early registration has begun for the Colorado River Water Users Association (CRWUA) annual conference that will be held December 12-14, 2018. The attendees to this conference include water professionals, regulators, and industry leaders from all the seven Colorado River Basin states and the 10-Tribes partnership. As such, this conference is a great opportunity for southwestern water collaboration and to gain relevant perspective. If any Board member wishes to attend to enhance their water knowledge skill-set, please let Ms. Fedele or me know.

October 2, 2018 will mark the 26th anniversary of the District's formation. With the retirement of Ralph Garcia earlier this year, we now have three dedicated District staff who have served the District continually since its formation. They include Steve Shepard, Sheila Willis, and Larry Tanner.

VI. Legal Counsel's Report

Mr. Schmidt said she had nothing to report.

VII. Clerk of the Board Updates; Future Meetings

The next regularly scheduled Board meeting will be on October 10, 2018, which is a Wednesday due to the Columbus Day holiday on Monday. The meeting will start at 5:30 p.m. with an Executive Session regarding a potential legal matter.

The Finance Oversight Committee meeting is scheduled for October 15, 2018 at 4:00 p.m.

VIII. General Comments from the Public

There were no comments from the public.

IX. Adjournment

The meeting adjourned at 6:25 p.m.

Judy Scrivener, Chair of the Board

Theo Fedele, Clerk of the Board