

WATER UTILITIES COMMUNITY FACILITIES DISTRICT
CITY OF APACHE JUNCTION, ARIZONA
REGULAR MEETING
October 18, 2016

The regular meeting of the District Board of the Water Utilities Community Facilities District, City of Apache Junction, Arizona, was held on October 18, 2016 at the Apache Junction City Council Chambers pursuant to the notice required by law.

CALL TO ORDER

Chairperson Insalaco called the meeting to order at 6:00 p.m.

ROLL CALL

Board Members Present: Chairperson Insalaco
Vice Chairperson Barker
Mrs. Evans
Mrs. Rizzi
Mr. Serdy
Mr. Waldron
Mr. Wilson

Staff Present: Bryant Powell, District Manager
Kathleen Connelly, District Clerk
Joel Stern, District Legal Counsel
Frank Blanco, District Director
Matt Busby, Assistant City Manager
Michael Loggins, District
Superintendent
John White, District Finance Manager

Others Present: Andria Samuels, Senior Administrative
Assistant
Evie McKinney, Utility Billing
Supervisor
Maureen Hymel, Water Treatment Plant
Compliance Monitor

APPROVAL OF MINUTES OF MEETINGS OF
AUGUST 16, 2016 AND SEPTEMBER 6,

Water Utilities Community Facilities District
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2016)
) Chairperson Insalaco
called for a motion.

Vice Chairperson Barker MOVED
THAT THE MINUTES OF AUGUST 16, 2016 AND SEPTEMBER 6, 2016, BE
APPROVED.

Mrs. Evans SECONDED THE
MOTION.

VOTE: Unanimous.

The motion carried.

WATER PURIFICATION FACILITY NAME)
) District Director Frank
Blanco stated at an earlier meeting they talked about how they
were going to go about this. The water board chose to use
public input primarily from the customer base. They put out
ballots at the water counters and some customers filled them
out. They provided a link for an online survey for five weeks.
The three names the board selected were Greater Apache Junction
Water Plant, Greater Apache Junction Ironwood Plant and the
Superstition Area Water Plant. The board requested public input
but would make the final decision on the name. Voting results
showed the Greater Apache Junction Water Plant receiving 29.4%
of the votes, the Greater Apache Junction Ironwood Plant
received 13.7% and the Superstition Area Water Plant received
56.9%.

Vice Chairperson Barker
commented that says it all.

District Director Frank
Blanco stated staff is asking whether the board wishes to accept
the majority vote.

Chairperson Insalaco
commented it is hard not to go with what they decided. That was
the whole idea of it.

District Director Frank Blanco stated they would like to ask for a motion to name the plant.

Vice Chairperson Barker asked him to put the names up on the overhead.

Chairperson Insalaco called for a motion.

Vice Chairperson Barker MOVED THAT THE WATER PURIFICATION FACILITY BE NAMED SUPERSTITION AREA WATER PLANT.

Mrs. Rizzi SECONDED THE MOTION.

VOTE: Unanimous.

The motion carried.

BOARD DIRECTION TO STAFF ON
PROCUREMENT FACILITIES

) District Director Frank Blanco stated this item was brought to the board two or three meetings ago. They talked about the existing limits they have. In October 2004 the city adopted Ordinance No. 1219 regarding contract procedure. In December 2004 the district adopted the policy following the contract procedure. The existing threshold on that is anything less than \$25,000 but at least \$1,000 shall be based on at least three written quotes with an award made to the lowest responsible bidder. Anything less than \$1,000 allows staff to directly select a vendor. They talked about the inefficiencies involved in this caused by the number of quotes for staff to go through and evaluate in order to purchase something less than \$5,000. The options presented were 1) \$30,000 or more, with the \$30,000 based on inflation from 2004 to present, 2) \$10,000 or more but less than \$30,000 would require the three written bids, 3) \$5,000 or more but less than \$10,000 would require three verbal bids and 4) \$1,000 or more but less than \$5,000 would be a direct selection. Staff is requesting either a motion to approve the proposed threshold limits or direction for water district staff to work with city

staff to revise procurement procedures or to continue following the current procurement procedures.

Mr. Waldron asked what would be involved if he worked with city staff. He asked if there would be changes on both sides.

District Director Frank Blanco stated working with city staff would involve meeting with public works who is currently in charge of procurement and the city manager.

District Manager Bryant Powell asked if he was also asking them to start talking about it at the city level as well. From his perspective, having both hats on, he is not sure which he would want to have right now. It would be from a perspective of procurement and keeping everyone on the same page. Whatever direction the board wants, he would start working with the city staff members to get things going, knowing that is the direction they want to go.

Mrs. Evans asked how far off.

District Manager Bryant Powell asked if she meant the money part.

Mrs. Evans commented that is correct.

District Manager Bryant Powell asked him to go back on the overheads. The existing is not too far at \$30,000.

District Director Frank Blanco stated the upper limit for the new one would be \$30,000. From there on they would have to get formal bids. Currently it is \$25,000. It would be raising it but the other levels in between allow for staff to have more flexibility and be more efficient in getting the bids and getting the equipment replaced. That is why the other tiers were presented. The water board cannot direct city policies.

District Manager Bryant Powell stated they would probably have to put a direction to

staff item on the city council agenda, then receive the direction and if it said go follow what was done at the water board they could then bring it back. It might take some time.

Mrs. Evans asked if this has created a problem in the past.

District Manager Bryant Powell stated over time it is nice to check this. It has been fifteen years and there has been inflation and other reasons. He knows it has created problems for the water district. He knows some city staff have also had problems.

Vice Chairperson Barker commented especially for the large items that cost so much that are really small in the way they fit into the rest of the equipment.

District Director Frank Blanco stated an example would be an air conditioning unit that needs to be replaced or an ice machine or something like that. Those are not over \$25,000.

Mr. Waldron commented they have talked about the city side of this before, too. If something has been approved in the budget it would have to come back.

Vice Chairperson Barker commented which is silly. It is silly if it has been pre-approved in the budget for it to have to be re-approved.

Mr. Waldron commented he would like to see the city and water district work together on this. They know each other and they can work that out.

Mr. Wilson commented if they made the motion and passed it with the water board the city could still go ahead and do the change and bring it back to them as a city council. They could give direction at that time. They could already be doing it and working on it.

District Manager Bryant Powell stated that is correct. He would not want it to be a

full year where they would have different systems. They would try to come back as soon as possible at the direction to staff level.

District Clerk Kathleen Connelly asked the district counsel if they can do both one and two as part of one motion.

Vice Chairperson Barker commented that way they would have the proposed as an interim and then whatever was worked out between the city and the water board would be the final.

District Counsel Joel Stern stated they could but it should be consistent with the city. It does not have to be. The water district is a Title 48 district so these rules do not apply to them. They do not have to. The water district has agree to do it but, technically, they do not have to. If they are going to do it he suggested they make it consistent between both entities. They can do both but it should be consistent with both. That item would have to be brought back fairly quickly for the council.

Chairperson Insalaco called for a motion.

Mr. Waldron MOVED THAT THE FOLLOWING DIRECTION BE GIVEN TO STAFF REGARDING THE PROCESS TO BE USED TO MODIFY PROCUREMENT THRESHOLDS: THAT THEY WORK WITH CITY STAFF TO REVISE THE PROCUREMENT PROCEDURE AND FURTHER MOVE TO APPROVE THE PROPOSED THRESHOLD LIMITS.

Mrs. Rizzi SECONDED THE MOTION.

VOTE: Unanimous.

The motion carried.

DISTRICT MANAGER REPORT

District Manager Bryant Powell stated in September 2017 there is something coming up related to an agreement done about 10 years ago. It is the intergovernmental agreement between the water

district and the city. When the water district sold their land to Empire Machinery there was an intergovernmental agreement relating to the sales tax as it came in. For the last 9 years the sales tax and until the end of the agreement the sales tax had been at 50/50. That deal ends next September. The water district will not have that revenue stream. It is about \$100,000. They have been tracking it for the last decade. It will be revenue the city will be able to put in the general fund.

DISTRICT DIRECTOR REPORT

District Director Frank Blanco stated they now have a document that is an easement for the water conservation easement. They also have a couple of other exhibits available that are the legal description and a diagram of the easement. The water conservation area will receive \$10,000 in funding and the city will execute an easement to be done by the city engineer. This closes the loop on that and keeps it moving forward. Once executed funding will be moved to the parks and recreation department.

District Manager Bryant Powell asked if this is the same area where Arizona Water will be doing a sponsorship. It will be a total of about \$25,000 between the two entities.

District Director Frank Blanco stated that is correct.

District Manager Bryant Powell stated just to the north of there is a really neat wash. Parks and Recreation Director Liz Langenbach is working with the architect to find volunteers to do a really neat desert area there. He is hoping that is still going to happen.

Assistant City Manager Matt Busby stated J2, the architect, is working with their own staff that want to volunteer and help. They will be coordinating with parks and recreation. There will be lots of different volunteer opportunities for people in the community to help.

District Director Frank Blanco stated Maureen Hymel, a new temporary staff member, brought information on chromium-6 to the department. She is part of the start-up team for the water purification facility. October 31 will be her last day. He

will have her give the presentation on chromium-6. He showed the board a map showing the areas of the United States where there is concern for chromium-6. It is the chemical contamination involved in the Erin Brockovich movie. The interactive map shows City of Phoenix, City of Mesa, City of Apache Junction and Town of Payson averages and ranges of chromium-6 in the water. He wanted to bring this a little closer to home and have Maureen explain what the levels are in our drinking water and give them a better understanding of chromium-6.

Mr. Serdy asked if there is a color key on this. He imagined dark blue is the worst.

District Director Frank Blanco stated that is a very good question. The range is non-detected 16 parts per billion on the dark blue. The light blue is an average of 1.2 parts per billion on non-detected to 25. It looks like the dark blue is not necessarily as high; it depends on the system.

Mr. Wilson asked what yellow is.

District Manager Bryant Powell stated yellow is non-detected.

District Director Frank Blanco stated that is correct. There is probably a color key on here somewhere but he is not sure where it is. He will have Maureen come up and explain chromium-6 and how it is affecting our drinking water.

Water Treatment Plant Compliance Monitor Maureen Hymel stated she wanted to explain how it is regulated. The Environmental Protection Agency regulates everything in total chromium. There is something called chrom-3 and chrom-6. It has to do with the balance and the type of chromium that it is. Chromium is naturally occurring, particularly in Arizona. More likely than not it is associated with an iron compound. We get chromium through food, water, it can be inhaled and come in through the skin. Chromium-3 is very beneficial for our bodies. Chromium-6 can be toxic. The Environmental Protection Agency regulates chromium as total chromium. It can be a misnomer sometimes when people read total chromium because they do not really know which chromium it is. Chromium-3 is naturally occurring, chromium-6 more often than not comes from some type of either manufacturing like electric plating or it is used in paint and in steel. Chromium-6 is what makes stainless steel

have the shiny color. Chromium is used in paint because it really keeps water out, adheres very well and protects stuff. That is the basics for it. Everyone remembers the Erin Brockovich matter. What happened there was over the course of many, many years the Pacific Electric Company was using chromium in their cooling towers to get rid of rust. They were using it where they compressed natural gas and it worked very well for them. Once it was spent, they put it in an unlined pond. Over time it accumulated and created dust particles as it dried out. People then inhaled it. Over time it accumulated in their bodies from the exposure through the air and drinking water. A lot of them had skin irritations. The 100 parts per billion that is the maximum contaminant level is actually based on a skin exposure. We do not have too much worry about here, particularly in Apache Junction, as we do not have electroplaters and we do not have a lot of heavy industry. Globe-Miami had a mine and mine tailings and acid was used. When Frank showed his map there was a much higher concentration of different pockets of chromium. A lot of that had to do with the textile industry, chrome-plating for bumpers and those sort of things. Because their water is a lot more acidic as well as their rain it is more troublesome than it is with a high pH water. It can be ingested by mouth, skin exposure and inhaled. There are different entities that pay attention to chrom in the environment such as the Environmental Protection Agency, United States Department of Agriculture and United States Government Services. In the work place there is Occupational Safety and Hazard Administration and drinking water would be again the Environmental Protection Agency and Arizona Department of Health Services. If they look at the chrom levels in the publication released for Apache Junction it shows non-detected to 2 and the maximum contaminant level is 100 parts per billion. The average was 1.3. It is quite minimal. Since the majority of the water is now coming from surface water it will be even less. There is some chromium that naturally occurs in well water. It is almost negligible in surface water because we do not have a way for it to get into the water. We do not have runoff problems that other places have. From Lake Havasu to McKellips there is 200 miles of canal system for it to evaporate. The regulatory levels in our drinking water are basically non-detect. Apache Junction does not have anything to worry about. It is well within the limits.

Vice Chairperson Barker commented that was interesting.

District Superintendent Mike Loggins gave an update on the water purification facility. He stated the project is complete and they are working on warranty items. It was on time and on budget. They have not come back with any change orders for extra dollars. The ribbon cutting ceremony will be Thursday, November 17 at 9 a.m.

District Manager Bryant Powell stated he wanted them to do their very best as this is super big time. The city is 38 years old and this is a mark in its history to be able to provide for ourselves without any wheeling agreement with Arizona Water or the City of Mesa. They can independently treat and receive water through our own acquisition. He hopes that everybody in the community will come and celebrate. They will have tours. It looks like a regular old water thing on the south side of the city but it is a key part of the future and the past.

District Superintendent Mike Loggins stated it is not just an Apache Junction thing or Arizona thing. He got a phone call from a friend of his in Illinois that is in the water business. Apache Junction actually made the national news that it has its first ever water treatment plant. On September 19 Public Information Officer Al Bravo put a notice online that they would start distributing water from the plant. They actually started on September 20 and they are waiting for any complaints from customers on being a day late. They have not heard anything. They averaged 1.3 million gallons of water a day from Mesa. The first week they took 250,000 gallons from the plant with the rest coming from Mesa and our wells. Over the last month they slowly transitioned. The next week they went to 500,000 gallons a day from the plant. The third week they went to 750,000 gallons a day and last week they went to one million gallons a day which is where the plant will be running. It runs 24/7. It is doing great with no issues thus far. This makes up 80% of their production. It used to be the other way around with Mesa doing 80% of the production. The wells are 15% so 95% of the water comes from the district itself. They use 5% from Mesa to keep the pipeline clean and the booster station pumps going in case of an emergency. This is how they plan to operate from now on. They control their own destiny. Staff appreciates all the support they received from the board. It was a huge project for the city, district and everybody.

District Manager Bryant Powell stated because of the Water Infrastructure Finance Authority and the state program, the million dollar program, they got one million right off the top. He asked if they want to invite state dignitaries. It is a state program that is not widely known. The city has used it to build this building as we do not have the ability to get big bond financing. They used Greater Arizona Development Authority for the building and Water Infrastructure Finance Authority for the water plant. They help the smaller communities to do this. He hopes they invite them as well as they need to be aware of what great things were made possible by the state.

District Superintendent Mike Loggins stated they had some discussions in their weekly meeting today about who they should invite. If they can think of any other government agencies that need to be involved, let them know. The board has been invited, Arizona Department of Environmental Quality, Arizona Health Department and Water Infrastructure Finance Authority. They are inviting a lot of government agencies who are also excited about the project. Hopefully they will see some of them out here.

Vice Chairperson Barker commented they should also include State Land.

District Manager Bryant Powell stated he thinks that is a wonderful idea.

Mr. Waldron suggested the sewer district so they know what it looks like on this side.

Senior Administrative Assistant Andria Samuels stated the district website is coming along. Last month they had a design meeting and got to see the first work up of it and it was great. October 25 they will be doing staff training. In early November Speyer starts doing the behind-the-scenes test runs. They should be launching the new site before the end of November, hopefully by mid-November. The payment portal agreement has been reviewed by legal counsel and it is back with Paymentus for their legal department to review. It will then come back to us for further review. If everything looks good, they are hoping to have the payment portal launched in December. She presented a preview of the new interactive home page.

District Manager Bryant Powell stated it looks like it will work with a handheld.

Senior Administrative Assistant Andria Samuels stated that is correct. It has completely mobile responses. She showed the desk top form but as it is shrunk it will conform to be tablet accessible and can be shrunk further to mobile and smart phone accessibility. The buttons on the top will layer down and become their own menu to do drop downs. The page will scroll to have everything accessible by their fingertips. They can pay bills, get more information and learn about conservation.

Mr. Waldron commented it looks nice. It is nice and clean.

Senior Administrative Assistant Andria Samuels stated it looks peaceful. During the design process they were able to give them words they wanted to convey through images. It was definitely peaceful and calm versus hyperactive. They are trying to convey the clean water image.

Mrs. Rizzi commented it is a very nice job.

Vice Chairperson Barker commented the water district has done a lot in the past twelve months. It is amazing.

District Manager Bryant Powell stated maybe they should make them a department.

Chairperson Insalaco asked when the name will be placed on the marker.

District Director Frank Blanco stated they are in the process of getting that going with a local company making the sign for us. They do have the plan on making it look like the sign for city hall. They are trying to stay in sync with that.

DISTRICT TREASURER REPORT

District Finance Manager John White stated the capital expenditures which include the plant have been left out of the expenditures and revenues as they would really skew those. The operating revenues have increased by about \$250,000, the noncapital expenditures have also increased but for the most part have held the line and kept pace with the expenditures.

Given they have added temporary staff for the treatment plant and the incremental salary increase it is a healthy sign. The net profit for this year is \$1.6 million this year as opposed to \$1.5 million last year but it does not take into account the debt we have. There is Water Infrastructure Finance Authority debt. After taking off that debt it still comes out to 10% of the revenues amounting to almost \$517,000 in profit. Residential sales are up by a couple hundred thousand dollars this year. It is mostly based on consumption charges. They usually have one strong seasonal month which was June this year. It is a healthy sign in terms of revenues. Expenditures are going up incrementally. Plan expenses went up \$32,000 which is a small percentage. Administrative expenses went up close to \$30,000. Capital Outlay is primarily the treatment plant and the Ironwood work. There are two columns on the treatment plant. Last year we paid \$8.5 million to Garney and Carolla Engineers. The latter went through to September 30, 2016. There were other expenses such as the tanks purchased from Yuma. Another big one was the material testing. The project overall was \$10.5 million which includes the soft costs. Nine million of that was in the previous fiscal year. This was made possible by the Water Infrastructure Finance Authority loan. The board eliminated the 2004 bond which had draconian restrictions on debt management. The Water Infrastructure Finance Authority loan of \$9,077,296 has all been disbursed. The first million of that was forgivable principal. The lease with the Indian community will also get us more water through the plant. It was another \$3 million for the water rights lease and close to \$6 million for the water treatment plant. The last check for \$1 million was dated September 14, 2016.

ADJOURNMENT

)
) Chairperson Insalaco called
for a motion to adjourn the meeting.

Vice Chairperson Barker SO

MOVED.

Mr. Waldron SECONDED THE

MOTION.

VOTE: Unanimous.

The motion carried.

Chairperson Insalaco
adjourned the meeting at 6:40 p.m.

ACCEPTED THIS _____ DAY OF _____, 2016,
BY THE CHAIRPERSON AND DISTRICT BOARD OF THE WATER UTILITIES
COMMUNITY FACILITIES DISTRICT, (CITY OF APACHE JUNCTION,
ARIZONA).

SIGNED AND ATTESTED TO THIS _____ DAY OF _____,
2016.

John S. Insalaco
Chairperson

ATTEST:

Kathleen Connelly
District Clerk

WATER UTILITIES COMMUNITY FACILITIES DISTRICT MINUTES
CERTIFICATION

I hereby certify that the foregoing minutes are a true and correct copy of the minutes of the regular meeting of the Water Utilities Community Facilities District of the City of Apache Junction, Arizona, held on the 18th day of October, 2016. I further certify that the meeting was duly called and held and that a quorum was present.

Dated this 2nd day of November, 2016.

Kathleen Connelly
District Clerk