

WATER UTILITIES COMMUNITY FACILITIES DISTRICT
CITY OF APACHE JUNCTION, ARIZONA
REGULAR MEETING
October 17, 2017

The regular meeting of the District Board of the Water Utilities Community Facilities District, City of Apache Junction, Arizona, was held on October 17, 2017 at the Apache Junction City Council Chambers pursuant to the notice required by law.

CALL TO ORDER

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

ROLL CALL

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

(Mrs. Rizzi was absent.)

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

Others Present: Rita Vineyard, Administrative Assistant
 Al Bravo, Public Information Officer

APPROVAL OF MINUTES OF SEPTEMBER

19, 2017 _____)
) Chairperson Serdy called
for a motion.

Ms. Barker MOVED THAT THE
MINUTES OF SEPTEMBER 19, 2017 BE APPROVED.

Mr. Waldron SECONDED THE
MOTION.

VOTE: Unanimous.

The motion carried.

AWARD OF BID FOR CONSTRUCTION
CONTRACT WITH REVOLUTION
INDUSTRIAL, LLC FOR COATING THE
INTERIOR AND EXTERIOR ON TWO
500,000 GALLON STEEL TANKS,
EXTERIOR COATING OF A 1,000,000
GALLON STEEL TANK AND RELATED
MISCELLANEOUS ITEMS AT WATER
STORAGE SITE AND BOOSTER STATION
LOCATED AT 16TH AVENUE AND BUENA
VISTA DRIVE

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District Superintendent

Mike Loggins briefed the board on the item.

Mrs. Barker asked what they
coat this with.

District Superintendent Mike
Loggins stated there is a coating that is in a separate group
that is inside the tank that has to meet certain standards.
They go in and sandblast the tank back to near pure metal again
and then they put this coating on that is polyethylene. It is
about 12 mils thick and can go up to 20 mils thick. It is about
the thickness of a dollar bill. They put it on the wall to
reseal everything up. Any welds, sharp edges or things that
have to be grinded down are done prior to the painting as that
is where the corrosion would start. They paint the inside like
that. It will go from the current dark, rust areas to like an
operating room when they are finished. It will be a bright
white with everything clean.

Mrs. Barker asked how long it
lasts, the lifetime of a coating.

District Superintendent Mike Loggins stated a coating usually lasts 7 to 10 years. They check them after a year to verify how they are and they check them every three years to make sure the coating is still standing. They can do minor touch ups in the meantime.

Chairperson Serdy asked if there is any harm in rust. If you cook with a cast iron skillet you are actually getting the benefits of the iron.

District Superintendent Mike Loggins stated most of that stuff stays in the tank but they may gain a little iron. That is why they have iron testing for Arizona Department of Environmental Quality. They have to make sure they meet all the certification standards. It does not go out into the system and typically stays in the tank. It is so minute it does not affect anybody.

Mr. Waldron commented he knows it is starting later than October 2, 2017. He asked if it is still a two-month time frame.

District Superintendent Mike Loggins stated it is. They are working with the contractor. They originally had \$200,000 for this project in the budget for this year to paint the 1,000,000 gallon storage tank. They had to move to the 500,000 gallon tanks because of the hole in one of them. They will more than likely just paint the interior and will postpone the exterior until July so they can budget the rest of it for the following year.

Mrs. Barker asked if there is a warranty on this.

District Superintendent Mike Loggins stated there is a one year warranty. That is why they will go back and take the tank out of service to make sure it is clean like it was the day they painted it.

Chairperson Serdy closed the discussion with no further comments and called for a motion.

Mrs. Barker MOVED THAT APPROVAL BE GIVEN FOR THE CONSTRUCTION CONTRACT BETWEEN APACHE JUNCTION WATER UTILITIES COMMUNITY FACILITIES DISTRICT AND REVOLUTION INDUSTRIAL, LLC FOR COATING THE INTERIOR AND EXTERIOR TWO 500,000 GALLON STEEL TANKS, EXTERIOR COATING OF A 1,000,000 GALLON STEEL TANK, AND RELATED MISCELLANEOUS ITEMS IN THE AMOUNT OF \$385,375.00 PLUS 10% FOR CONTINGENCIES IN THE AMOUNT OF \$38,537.50 FOR A TOTAL AMOUNT NOT TO EXCEED \$423,912.50; AND THAT AUTHORIZATION BE GIVEN FOR THE CHAIRPERSON TO SIGN THE CONTRACT PENDING FINAL APPROVAL AS TO FORM BY THE DISTRICT COUNSEL.

Mrs. Evans SECONDED THE MOTION.

VOTE: Unanimous.

The motion carried.

DISTRICT MANAGER REPORT

None.

DISTRICT DIRECTOR REPORT

District Director Frank Blanco briefed the board on the City of Mesa Intergovernmental Agreement regarding treated water from the district's Central Arizona Project allotment.

Mr. Waldron asked how long the canal outage planned by the Central Arizona Water Conservation District would last in 2019.

District Director Frank Blanco stated the outage is planned from November into December of 2019. They may be able to take water for the first two weeks until the water level drops too low. He continued with his briefing.

Mrs. Barker commented he is proposing that on a monthly basis water will be going to Mesa and the district will be drawing down water from Mesa for a price.

District Director Frank Blanco stated that would be under an emergency situation only. Normal operations are treating the water at the Superstition Area Water Plant.

Mrs. Barker asked if the contract is only for emergencies.

District Director Frank Blanco stated primarily yes.

Mrs. Barker commented she sees the emergency water charge but then she sees a monthly quantity fixed charge of \$1,233. She asked if that is for the storage itself.

District Director Frank Blanco stated they are actually negotiating that charge right now. It is like a base rate, like what they charge customers to be connected to the system. They are not agreeing to pay that amount.

City Attorney Joel Stern stated it is actually the privilege of connecting to it. It came up in a meeting where he, Frank and Mike showed up. They questioned that but that is what they do, including with other agencies.

Mrs. Barker commented in reality they have the ability in times of emergency on their part to withhold that water.

District Director Frank Blanco stated if they are not able to deliver the water that is in the contract, she is correct.

City Attorney Joel Stern stated they are at their beck and call on this one. It is their water.

Assistant City Manager Matt Busby stated we are treating our own Central Arizona Project water. If something went wrong there, Mesa would treat our Central Arizona Project allocation until we are able to achieve that. So really it is for an emergency for when something goes wrong and we cannot provide our own treated water. It is their plant.

Mrs. Barker commented their monthly charge seems really weird if we are looking at it for an emergency use rather than a monthly use. She could understand it if we are looking at drawing water on a monthly basis from this facility that we would obviously

pay x amount of dollars. But when this is an emergency sort of contract it seems a little off.

District Director Frank Blanco stated the amount is higher than what it should be. She is absolutely correct. They are working on that one.

Mr. Struble commented he had that same question. Entities have intergovernmental agreements between them for emergency purposes to share equipment and that type of stuff. There is not a monthly fee to do that. He asked what economic cost they have to justify charging us just because we want to sign this intergovernmental agreement with them.

District Director Frank Blanco stated AZ Warn has that type of an agreement where we have an agreement with the rest of the members of Arizona Warn and we do not pay them a monthly fee to be members of AZ Warn. AZ Warn does not cover water outages. The water outage we are looking at here, the emergency here, is purely for a water outage in case we are not able to supply from our water facility.

Mr. Struble commented he totally understands that but they do not have any economic costs, it is a fee in there just in case, and then even if just in case we need it and they cannot deliver, they have that right not to deliver it. We have been paying them a monthly fee for nothing.

District Director Frank Blanco stated the district also has the ability to bring water through our connection to the City of Mesa. They have the interconnect facility at Signal Butte and Baseline. They have to purge that line from time to time so that if they do have to deliver water through there the water is not stagnant and safe for consumption. Operationally they need the connection to be able to use that for the emergency basis purpose. If they are not able to deliver that water, the district does have the ability to run its wells. The emergency would be if the water treatment plant was down. If that was the situation, the district may not have enough water from its wells to supply the customers. It is unlikely, although if it is a catastrophic problem, then everybody in the valley is going to have a problem getting water no matter who you are. That is taking it to another level. In a normal situation that is a

problem for us and we are not able to get the water, that is what the agreement is all about.

Mrs. Barker commented that we are going to replace that water every October so it is not as though they are just giving us this water and we are paying them \$1,233 a month for that privilege. We have to replace that water every year.

District Director Frank Blanco stated that is correct.

Mrs. Barker commented work on it.

District Manager Bryant Powell stated he wanted to ask Frank a question in terms of economics. Alternatives are also an option. In the past they have experienced working with a private company called Arizona Water. He asked what they charge.

District Director Frank Blanco stated Arizona Water was charging around \$140,000 a year to be able to use their transmission main to get the water Mesa was treating for us before. On an economic basis, this is still a better situation than we had prior to 2008.

District Manager Bryant Powell stated significant privilege and opportunity to be able to have the ability on an emergency plan C. We have our wells and we have back up.

District Director Frank Blanco stated the agreement is not yet completed and they will be coming back with the final one.

Mr. Struble commented basically they are paying for a warranty or insurance policy in case they need it. He just has to get his brain around doing that.

Mrs. Barker commented they are paying \$130,000 a year for an insurance policy.

District Director Frank Blanco stated for them to be connected to their system.

District Manager Bryant Powell stated before they had the interconnect with Arizona Water they had a situation that just

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about ran this water district bankrupt. It was about 10 years ago when they got put in a spot without a very good back up and the back up went down, and they went to the back up for the back up which was a putting a straw in a canal and they started pumping. It was hundreds of thousands a month and they were in big trouble. He knows this sounds like a lot but for him, from a big picture standpoint, they are doing all they can do to be prepared so they go nowhere near this again. If they need it, it is there.

District Director Frank Blanco stated they paid over \$8 million for that.

District Manager Bryant Powell stated and they keep adding zeroes.

Mrs. Barker commented they can still work on it, though.

District Director Frank Blanco stated it is not finalized yet. They are just giving them an update on it. He continued with his briefing.

District Manager Bryant Powell asked if it is accurate to say that cities and towns in northern Pinal County have water or if Apache Junction has water available. He keeps talking about this to every developer that is interested in our city, that we have got almost 3,000 acre feet capacity in our system to do another 10,000 homes. It is troubling to hear that there is a thought that there is not water. We do have water and he has done a great job in preparing them for the future.

District Director Frank Blanco stated that is correct. Southern Pinal County is different than Apache Junction. It is not in the same situation as to water. He continued with his briefing.

Chairperson Serdy commented it seemed like they got a lot of rain dumped on them this summer. He asked if that helped in the overall area.

District Director Frank Blanco stated the rain that gets dumped in our area really does not replenish our water supply. It might help with the ground water. The supply that helps us comes from the snow melt on the Rocky Mountains which goes into

Lake Mead and the Colorado system. He envisions in the future one water concept where they would own the storm water, waste water and the water rights making it one water. They would be able to utilize that in the future and it would make a difference. They would be able to manage that as a resource but they do not currently have that available to them. He concluded his briefing on the intergovernmental agreement and began his briefing on a water reuse symposium he attended, new technologies in managing risk and water reuse in Apache Junction.

Mr. Waldron asked what the cost difference is between a bottle of this purified water from the portable plant and regular drinking water.

District Director Frank Blanco stated it will be very expensive water for them to deliver through their pipelines for people to flush their toilets. When they start delivering this type of water there will be a dual system with a drinking water side and another side for watering the lawn, doing laundry, flushing toilets and other things of that nature. He continued with his briefing.

District Superintendent Mike Loggins briefed the board on the purification process in Apache Junction in the future, the Superstition Area Water Treatment plant, a water system update and a payment portal update.

DISTRICT TREASURER REPORT

District Treasurer Donna Meinerts briefed the board on the most recent updates from 2017 and the first two months of 2018.

ADJOURNMENT)

) Chairperson Serdy adjourned
the meeting at 6:43 p.m.

ACCEPTED THIS _____ DAY OF _____, 2017,
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 _____,
2017.

Jeff Serdy
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 17th day of October, 2017. I further certify that the meeting was duly called and held and that a quorum was present.

Dated this 7th day of November, 2017.

Kathleen Connelly
District Clerk