

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

MONDAY, JANUARY 8, 2024

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

MINUTES

Board Members Present: Lee Jacobs, Chair
Bryan Foulk, Vice Chair
Jim Doyle, Member (Participated Electronically)
Richard Sarti, Member
Scott Schladweiler, Member

District Staff: Joseph Olsen, General Manager
Sheila Bowen, District Engineer
Steve Shepard, Utility Superintendent
Diane Bracken, Chief Financial Officer (Participated Electronically)
Theo Fedele, Clerk of the Board
Mark Patton, Legal Counsel (Participated Electronically)

Regular Session

I. Call to Order and Roll Call

Lee Jacobs, Vice 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 Scott Schladweiler were present.

II. Election of Chair and Vice Chair for the Board of Directors

Mr. Foulk nominated Lee Jacobs to continue as the Board's Chair through 2024. Mr. Sarti seconded the motion. Motion passed by a roll call vote of 5-0.

Mr. Schladweiler nominated Bryan Foulk to serve as the Board's Vice Chair through 2024. Mr. Jacobs seconded the motion. Motion passed by a roll call vote of 5-0.

III. General Comments from the Public

There were no comments from the public.

IV. Consent Agenda

- A. Approval of Minutes – December 11, 2023 Board Meeting**
- B. Ratification of Billing Adjustments**
- C. Ratification of Accounts Removed from Active Accounts Receivable**

Mr. Foulk moved to approve the consent agenda. Mr. Sarti seconded the motion. Motion passed by a roll call vote of 5-0.

V. General Business – Items for Discussion and Possible Action

A. Monthly Status of the District

Mr. Olsen stated that the combined fiscal year-to-date consumption continues to trend higher when compared to last year for all service areas with a 9.1% increase in Metro Main, a 10.8% increase in Metro Hub, and a 3.1% increase in Metro Southwest.

For Calendar Year 2023, all of the District's order was able to be delivered to the Groundwater Savings Facilities (GSF)s, maximizing the in-lieu revenue for ratepayers. The City of Phoenix ordered 7,200 acre-feet (AF) of inter-Active Management Areas (AMA) firming water to be delivered to the Avra Valley Recharge Project (AVRP), but in November, 500 AF was moved to another location in the Phoenix AMA. As such, the District stored 6,700 AF of Phoenix's water in 2023.

During the function testing of the Arizona Department of Environmental Quality (ADEQ) funded Advanced Oxidation Process (AOP) treatment facility at South Shannon, it was determined that the controls card for the hydrogen peroxide dosing was not functioning correctly. Once the new card arrives and is installed, the commissioning will commence.

Mr. Shepard provided an update on noteworthy maintenance projects and the new Linda Vista Well Deepening.

Ms. Bowen provided an update on the Northwest Recharge, Recovery, and Delivery System (NWRRDS) and the Metro-only portion, the E&T 22 well replacement, the Ironwood blend well, and the galvanized pipe replacements.

B. Financial Report

Ms. Bracken stated that revenue and expenditures for November are both favorable when compared to a straight-line projection with revenue \$3,293,570 over budget and expenditures \$295,697 under budget. The revenue in excess of expenditures is favorable by \$3,589,267. When comparing the total revenue to the same month in the prior fiscal year, revenue in November was higher by 35.27% or \$3,698,800 with \$2 million received in Fiscal Year 2024 for the Central Arizona Project (CAP) Conservation, and Metered Water Revenue 14.17% or \$1,010,001 higher when compared to the same month in the prior fiscal year. The historic average of budgeted water revenue billed by the end of November is 47% and the District billed 47.89% of the budgeted metered water revenue as of the end of November. The operating expenditures in November were \$389,932 higher than they were at the end of November in the prior fiscal year. The December cash deposit balance was \$40,499,107.03, which is \$314,187.31 higher than the November balance. The investments as of the end of December totaled \$12,704,288.57, which is \$3,073,824.99 lower than the November balance with \$3,649,654.28 moved for the debt service payments due at the beginning of January.

The Arizona State Treasurer Pooled Collateral Program Statement for November included \$23,319,172.04 of cash on deposit with collateralization coverage of \$23,275,555.48 in addition to the \$500,000 FDIC coverage.

The Capital One Bank MasterCards were used to purchase \$ 35,156.75 on the December statement with up to 1.25% cash back earnings. The inception-to-date cash back total is \$25,044.84.

There were four-new meter applications received in December for the Metro Main service area. There was one new meter application received in the prior fiscal year. Fiscal year-to-date, 39-meter applications have been received compared to 51 at the same time in the prior fiscal year.

C. Approval of Amendment No. 3 to the Intergovernmental Agreement with Arizona Department of Water Resources for Subsidence Monitoring in the Tucson Active Management Area

Mr. Olsen stated that for over a decade, the District has partnered with Arizona Department of Water Resources (ADWR) to perform subsidence monitoring for the District's service areas. The District has contributed \$1,500 annually to support ADWR's satellite imaging collaboration with the United States Geological Service, which provides historical changes in surface elevations caused by dewatering the aquifer. The resulting product for the District is a map showing subsidence and/or uplift caused by aquifer dewatering or water storage activities. Given the benefit

to District ratepayers this information provides, it is recommended that the Board approve a 5-year extension to the current subsidence monitoring agreement with ADWR.

Mr. Schladweiler moved to approve of Amendment No. 3 to the Intergovernmental Agreement with the Arizona Department of Water Resources for subsidence monitoring with an expiration date of December 31, 2028 and the District's annual contribution will not exceed \$1,500. Mr. Foulk seconded the motion. Motion passed by a roll call vote of 5-0.

D. Agreement with Arizona Department of Environmental Quality to Fund the District's Operation and Maintenance of the South Shannon Well Treatment System

Mr. Olsen stated that as discussed in the Monthly Status of the District, the construction of the new AOP treatment at South Shannon is completed and commissioning will begin in the near future. The previous treatment at South Shannon consisted of Granular Activated Carbon (GAC) and ADEQ reimbursed the cost for operating this treatment process. The Operations and Maintenance (O&M) for AOP is higher than GAC treatment due to the required hydrogen peroxide, additional power for the ultraviolet (UV) contactors, and replacement parts such as the UV bulbs. As such, staff have coordinated a new operating agreement with ADEQ that ensures the District is reimbursed for the costs of operating the treatment system.

Mr. Sarti moved to authorize the General Manager to enter into a funding agreement with Arizona Department of Environmental Quality to operate the South Shannon Well Advanced Oxidation Process treatment system. Mr. Schladweiler seconded the motion. Motion passed by a roll call vote of 5-0.

E. Authorizing the Commercial Line Extension Agreements and Payment to Trico Electric Cooperative, Inc., for the Northwest Recharge, Recovery, and Delivery System Recovery Wells and Forebay Facility

Mr. Olsen stated that at the March 2022 Board Meeting, the Board authorized a commercial line extension agreement to Trico that would provide electrical service to the NWRRDS recovery wells and forebay facilities. When the NWRRDS partners agreed to postpone the construction, Trico cancelled the invoices indicating they would reissue closer to the construction. After the Board authorized the Construction Manager at Risk agreement to execute NWRRDS, Trico reissued their invoices. The costs increased 25% from the previous invoices due to increased material and labor costs. The NWRRDS Partners approved Memorandum of Agreement (MOA) 22003-01 and 22006-01 reflecting the updated cost share. The District's portion is \$274,299.89.

Mr. Foulk moved to authorize the General Manager to execute the commercial line extension agreements and authorize payment of \$589,139.98 to Trico Electric Cooperative, Inc. Mr. Sarti seconded the motion. Motion passed by a roll call vote of 5-0.

F. Northwest Recharge, Recovery and Delivery System Request for Approval to Proceed with Condemnation of Waterline Easement on Parcels 216-17-004A and 216-17-0020

Mr. Olsen stated that as previously discussed with the Board, a portion of the partnered NWRDSD recovery pipeline alignment needs to be adjusted based on feedback from Arizona Department of Transportation (ADOT). Staff have been working with the property owners of two parcels along the alignment since April 2023 to acquire necessary easements but have not been successful. While the right of entry to perform field investigations was recently obtained, it is recommended that the Board authorize condemnation activities to move forward with securing easements that are critical for the updated design of the NWRDSD realignment and construction activities.

Mr. Schladweiler moved to authorize the General Manager to proceed with condemnation of a waterline easement on Parcels 216-17-004A and 216-17-0020, as deemed necessary. Mr. Foulk seconded the motion. Motion passed by a roll call vote of 5-0.

G. Presentation on the District's Administration Team

Mr. Olsen stated that as part of the District's continuing series of educational presentations to the Board, Travis Tarkett, the District's Customer Service Supervisor, and Shane Oman, the District's Finance Manager, will provide a presentation on the District's Administration Team.

Mr. Tarkett and Mr. Oman provided a presentation on the activities and initiatives of the District's Administration Team.

Discussion ensued with staff answering the Board's questions.

VI. General Manager's Report

Mr. Olsen provided an update to the \$3 million grant that staff submitted to Water Infrastructure Finance Authority of Arizona (WIFA) to support the District's portion of NWRDSD under the category to promote groundwater recharge and improved aquifer health. At a previous WIFA Board Meeting, the Board asked what physical conservation would be occurring, beyond the 168,000 AF of groundwater that would be saved by recovering and delivering renewable CAP water, prior to holding the project for future consideration. Staff submitted this project for the

aquifer health component and not the conservation so an analysis was performed, which showed that the earthwork and berms as part of the program at the District's AVRVP facility would ensure stormwater is captured onsite and recharged. Since this is stormwater, the District would not receive storage credits for this additional recharge so this would be water delivered to the aquifer that would not be eligible for recovery in the District's water resources portfolio. Unfortunately, staff estimated that additional water would equal just over three AF a year. Since a \$3 million grant request would not have been submitted for a program that saves three AF annually, staff are focusing on the up to 168,000 AF groundwater the District would save over the remaining term of the intergovernmental agreement. Since this was a request from the WIFA Board, staff responded to WIFA staff with this information today and Mr. Olsen stated he will also discuss the results of the analysis at the future WIFA Board Meeting when the grant is brought back for consideration.

Registration is about to open for the 97th Annual AZ Water Conference, which will be at the Phoenix Convention Center from April 22-24, 2024. Last year the hotel associated with the Conference filled up early so if any Board Members wish to attend, please let Ms. Fedele or me know so we can get you registered.

VII. Legal Counsel's Report

Mr. Patton stated he had nothing to report.

VIII. Clerk of the Board Updates; Future Meetings

The next regularly scheduled Board meeting will be held on February 12, 2024.

IX. General Comments from the Public

There were no comments from the public.

X. Adjournment

The meeting adjourned at 6:40 p.m.

Chair of the Board

Theo Fedele, Clerk of the Board