

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

MONDAY, JANUARY 9, 2023

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

MINUTES

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

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, 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. Schladweiler nominated Lee Jacobs to serve as the Board's Chair through 2023. Mr. Foulk seconded the motion. Motion passed by a roll call vote of 5-0.

Mr. Jacobs nominated Scott Schladweiler to serve as the Board's Vice Chair through 2023. Mr. Foulk 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 12, 2022 Board Meeting**
- B. Ratification of Billing Adjustments**
- C. Ratification of Accounts Removed from Active Accounts Receivable**

Mr. Schladweiler moved to approve the consent agenda. Mr. Foulk 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 fiscal year-to-date consumption compared to last year is 2.1% lower in Metro Main and 3.2% lower in Metro Hub. Metro Southwest is 7.1% higher and this can be explained by the ongoing growth and development in the Metro Southwest – Diablo Village service area. When all service areas are taken into account, the current fiscal year-to-date consumption is 1.6% lower.

At the Colorado River Water Users Association (CRWUA), staff discussed the District's Compensated System Conservation proposal of 5,000 acre-feet (AF) at a rate of \$400 per AF with the Bureau of Reclamation (BOR) staff. A detailed follow up meeting with BOR staff is planned later this month. Given the updated hydrology and projections of snowpack in calendar year 2024, the term of the agreement may only end up being one year versus the initially proposed three years.

Mr. Shepard provided an update on noteworthy maintenance projects.

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

Discussion ensued and staff answered questions.

B. Financial Report

Ms. Bracken stated that revenue and expenditures for November are both favorable when compared to a straight-line projection with revenue \$722,556 over budget and expenditures \$456,139 under budget. The revenue in excess of expenditures is favorable by \$1,178,695. When comparing the total revenue to the same month in the prior fiscal year, revenue through November was higher by 1.64% or \$169,683. The metered water revenue is lower by 0.24% or \$20,586 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 has billed 45.01% of the budgeted metered water revenue. The operating expenditures in November were \$336,999 higher than they were at the end of November in the prior fiscal year. The December cash deposit balance was \$27,699,393.45, which is \$1,587,405.48 higher than the November balance. The investments as of the end of December totaled \$17,270,466.82, which is \$2,837,216.99 lower than the November balance with \$3,126,051.37 transferred for the debt service payment.

The Arizona State Treasurer Pooled Collateral Program Statement for November included \$15,957,831.38 of cash on deposit with collateralization coverage of \$15,766,988.01 in addition to the \$500,000 FDIC coverage.

The Capital One Bank MasterCards were used to purchase \$44,572.87 on the December statement with up to 1.25% cash back earnings. The cash back received from transactions processed in November totaled \$399.67 or 1.04%, with an inception-to-date cash back total of \$21,041.85.

One new meter application was received in December for the Metro Main service area. There was one new meter application received in December of the prior fiscal year. Fiscal year-to-date, 51 meter applications have been received compared to 61 at the same time in the prior fiscal year.

C. Amendment of the District's Legal Boundary to include the Ironwood Well Site

Mr. Olsen stated that the Ironwood well site was purchased from the Marana Unified School District to serve as a NWRDSDS blending well and the Board has already approved the construction of the well, which will occur this fiscal year. As the property is adjacent to the District's current legal boundary, it is recommended that the boundary be amended to include the Ironwood well site.

Mr. Foulk moved to adopt Resolution 2023-1 to amend the District's legal boundary to include the Ironwood Well Site property. Mr. Schladweiler seconded the motion. Motion passed by a roll call vote of 5-0.

D. Dissolution of the Finance Oversight Committee

Mr. Olsen stated that in 1997, the Board Oversight Committee (BOC) was formed to review and advise the Board specifically on the items surrounding the issuance of bonds and loans. The BOC was reformed into the Finance Oversight Committee (Committee, FOC) in 2010 to advise the District on broader financial issues to include proposed rate and fee changes, the requested fiscal year budget, and relevant financial policies. Since 2014, the Committee has been meeting three times annually to perform the mid-fiscal year budget review, recommend actions on the requested budget and changes to rates, and the third meeting was reserved for policy updates and/or informational presentations. The Committee historically had seven members but, keeping the Committee filled has been difficult to due to high turnover. The current composition of the Committee is six members and the last time the Committee has meet was in March of 2022.

The District has implemented numerous financially related policies over the past few years to protect the District, to include the Debt Management Policy and the updated District Procurement Policy.

The Board approved a series of Specific Performance Objectives for calendar year 2023 that are based on a theme of efficient utilization of resources to include personnel, financial, and water resources. As the Board possesses extensive utility and business experience, it no longer appears worthwhile for the Committee members to expend their time to prepare and attend the Committee meetings. This is highlighted by the recent closure of two Water Infrastructure Finance Authority of Arizona (WIFA) loans that were reviewed and approved by the District but did not go before the Committee due to the timing of closing on these loans in order to obtain federal funding from the Bipartisan Infrastructure Law.

As the District has policies in place to ensure the long-term financial health, coupled with the expertise of the Board and desire to efficiently utilize everyone's volunteer time, it is recommended that the Board dissolve the Finance Oversight Committee.

Should the Board concur, each of the Committee member will receive a District years of service pin and a letter, signed by the Board chair, thanking them for their service to the District's mission to deliver safe, reliable water to our customers. Mr. Olsen will also reach out to each Committee member individually to explain the Board's reasoning for dissolving the Committee and thanking each member for their volunteer service.

Mr. Foulk moved to dissolve the Finance Oversight Committee. Mr. Schladweiler seconded the motion. Motion passed by a roll call vote of 5-0.

E. Ratification of Additional Costs for the Diablo Village No. 1 West Storage Tank Internal Coating and Approval of an Increase in the General Manager's Approval Authority for Unforeseen Repairs

Mr. Olsen stated that at the November 2022 meeting, the Board approved the internal coating for the Diablo Village No. 1 storage tank for the amount of \$127,839 with authorization for the General Manager to approve unforeseen costs up to an additional \$3,000. After the tank was drained, a layer of oily film was observed on the interior walls that required pressure washing to remove prior to sandblasting the internal coating. If the oil was not removed prior to sandblasting, then the oil could potentially have been imbedded into the internal wall, preventing the coating from adhering properly. The cost for properly pressure washing the inside of the tank was \$3,800, which was \$800 over the General Manager authorization. Given the cost delta, and the cost of delaying the project, Mr. Olsen authorized the work to proceed and staff requests the Board ratify the additional \$800 and to increase the General Manager's authority by another \$2,000 for other issues that may arise after sandblasting, such as minor pitting repairs.

Discussion ensued and staff answered questions.

Mr. Schladweiler moved to ratify the additional \$800.00 incurred over the General Manager's authority for the Diablo Village No. 1 West storage tank coating due to additional work required and to approve an increase to the General Manager's approval authority for unforeseen repairs up to \$5,800.00. Mr. Foulk seconded the motion. Motion passed by a roll call vote of 5-0.

VI. General Manager's Report

Mr. Olsen stated that Chuck Podolak is the new WIFA Director. Mr. Podolak was with Governor Ducey's office and the Salt River Project. WIFA is expanding and reorganizing in order to have the capacity to perform their expanded mission of the Arizona Water Infrastructure Authority (AWIA). As the Board may have heard, the first vote by the nine member AWIA was to authorize staff to proceed with analysis and review of a proposed \$5.5 billion desalinization plant. For clarification, the Board did not approve the construction or the project, rather approved proceeding with an analysis and formal review.

As of this week, Brenda Burman is the new General Manager of Central Arizona Project (CAP) following Ted Cooke's retirement. While Mr. Cooke's calm, fair, and equitable leadership at CAP will be missed, Ms. Burman was the former Commissioner for the BOR and brings a wealth of relevant knowledge to the position. Mr. Olsen had a chance to talk at length with Ms. Burman at CRWUA, regarding the numerous agreements the District has coordinated with CAP, included the

reliability agreement, inter-AMA firming, and the creation of the first compensated system conservation agreement many years before the 500 plus plan became a reality, which was based on the District's agreement. She is looking forward to continuing to work with the District on collaborating on innovative water solutions in this era of crisis on the Colorado River system

Discussion ensued and staff answered questions.

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 13, 2023.

IX. General Comments from the Public

There were no comments from the public.

X. Adjournment

The meeting adjourned at 6:34 p.m.

Lee Jacobs, Chair of the Board

Theo Fedele, Clerk of the Board