

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

MONDAY, JUNE 10, 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

Board Members Not Present: 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, 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, and Richard Sarti were present. Scott Schladweiler was not present.

II. General Comments from the Public

There were no comments from the public.

III. Consent Agenda

- A. Approval of Minutes – January 8, 2024 Board Meeting**
- B. Ratification of Billing Adjustments**

Mr. Foulk moved to approve the consent agenda. Mr. Sarti seconded the motion. Motion passed by a roll call vote of 4-0.

IV. 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 is 6.0% higher than during the same period in the previous fiscal year.

At the last Board meeting, a question was asked why the northwest edge of the subsidence map provided by the Arizona Department of Water Resources (ADWR) had such an abrupt edge. Mr. Wilson, the District's Water Resources Manager, was able to verify that ADWR receives satellite passes from NASA and that was simply an interface between two passes. As such, they used the data that was provided by NASA to create the mapping product.

Discussion ensued and staff answered questions.

Mr. Shepard provided an update on noteworthy maintenance projects.

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 April are both favorable when compared to a straight-line projection with revenue \$3,035,551 over budget and expenditures \$546,135 under budget. The revenue in excess of expenditures is favorable by \$3,581,686. When comparing the total revenue to the same month in the prior fiscal year, revenue in April was higher by 28.01% or \$5,431,605 with \$2,000,000 received in Fiscal Year 2024 for the Central Arizona Project (CAP) Conservation and Metered Water Revenue being higher by 10.51% or \$1,623,852 when compared to the same month in the prior fiscal year. Water Resource Utilizations Fees are \$406,894 higher, and interest income is \$688,071 higher. In addition, the District has received \$858,043 of principal forgiveness on Water Infrastructure Finance Authority of Arizona (WIFA) loans. The historic average of budgeted water revenue billed by the end of April is 81% and the District billed 84.73% of the budgeted metered water revenue as of the end of April. The operating expenditures in April

were \$688,377 higher than they were at the end of April in the prior fiscal year. The May cash deposit balance was \$38,145,363.05, which is \$1,078,552.57 lower than the April balance. The investments as of the end of May totaled \$14,184,495.27, which is \$553,596.08 higher than the April balance.

The Arizona State Treasurer Pooled Collateral Program Statement for April included \$22,856,349.75 of cash on deposit with collateralization coverage of 1.02% on all dollars over the FDIC coverage of \$500,000.

The Capital One Bank MasterCards were used to purchase \$34,316.87 on the May statement with up to 1.25% cash back earnings. The inception-to-date cash back total is \$26,677.92.

There were four new meter applications received in May for the Metro Main service area. There were seven new meter applications received in May of the prior fiscal year. Fiscal year-to-date, 71-meter applications have been received compared to 85 at the same time in the prior fiscal year.

This morning, the 2007 WIFA Loan was paid in full in the amount of \$1,658,180.95. This prepayment was 19 months early avoiding \$167,737.34 of interest payments on this loan and utilizing the option to pay in full on the 10th anniversary of the final loan draw.

On June 24, 2024, the E&T WIFA loan will be paid in full in the amount of \$899,134.28. This project was originally planned to be cash funded. The District was able to obtain this WIFA loan along with \$610,777 of principal forgiveness with interest and administrative costs totaling \$17,473.03 resulting in a positive cash flow to the District in the amount of \$593,303.97 that did not come from rates paid by customers.

With each rate increase resulting in about \$330,000 of revenue, these two loan payments have benefited the District's cash resources by \$761,041.31 which is equivalent to over two rate increases.

After these loans are pay in full, the District has three remaining WIFA Loans with outstanding principal totaling \$16,308,539.55, one bond with an outstanding balance of \$2,775,000 and two WIFA loans with 100% principal forgiveness totaling \$740,582.

C. Approval of the District’s Revised Fixed Asset Policy

Ms. Bracken stated that Financial staff last proposed revisions to the Fixed Asset Policy in September 2015 at which time the capitalization threshold increase from \$1,000 to \$3,000 for tangible property.

In accordance with current recommended standards, Finance staff are requesting to increase the minimum capitalization threshold for Equipment from \$3,000 to \$5,000, Buildings and Infrastructure from \$5,000 to \$10,000, and Improvements from \$3,000 to \$10,000.

Reporting of lost, damaged, stolen, or vandalized fixed assets will be reported to the General Manager and the Chief Financial Officer (CFO), and when applicable, the General Manager will determine appropriate restitution and proper notification when warranted and the CFO will make sure the book value of the asset is adjusted.

If approved, these changes would have an effective date of July1, 2024.

Mr. Foulk moved to approve the revised Fixed Asset Policy effective as of July 1, 2024. Mr. Sarti seconded the motion. Motion passed by a roll call vote of 4-0.

D. Approval of Professional Engineering Services for Cultural Resources Documentation for the Metro Main Automated Metering Infrastructure (AMI) Implementation

Mr. Olsen stated that last month the Board awarded the AMI cultural resources documentation to Carollo Engineers. This documentation is a requirement of the \$5 million in grant funding that the District received to support this effort. After the Board Meeting, it was determined that the District’s contract with Carollo did not include necessary federal language. Fortunately, Carollo’s Job Order Contract with the City of Tucson does have this language. After Carollo applied their hourly rates in the City’s contract, the cost to perform this service increased by \$68. As such, it is recommended that the Board approve using the City of Tucson cooperative purchasing contract to award this work to Carollo, as well as authorize a not-to-exceed amount of 2,000 to address any unforeseen requirements.

Mr. Foulk moved to approve the Professional Engineering Services for Cultural Resources Documentation for the Metro Main Automated Metering Implementation (AMI) project using the City of Tucson cooperative purchasing contract in an amount not to exceed \$40,103 and to authorize the General Manager to approve up to an additional \$2,000 for any unforeseen requirements. Mr. Sarti seconded the motion. Motion passed by a roll call vote of 4-0.

E. Approval of Quotes for Miscellaneous Annual Services and Material for the Utility Team

Mr. Olsen stated that each year the Board is asked to approve quotes for various services and materials that the Utility Team relies on to ensure deliveries of safe, reliable water to our customers. While individual purchases for these items are typically under the procurement policy threshold for Board authorization, the threshold may be exceeded on a cumulative basis over the course of the year. These quotes include chlorine purchases, rentals of traffic control devices, aggregate purchases, asphalt patching services, analytical services for coliform testing, and pump and motor repairs. The Board is requested to approve these quotes and direct staff to use the lowest quote when possible.

Mr. Sarti moved to approve the annual quote from Pro Trenching for asphalt patching services, and the annual quotes for chlorine purchases and analytical services for coliform, from the corresponding low bids per item as presented by staff, and to direct staff to use another appropriate bidder or the cooperative purchasing programs for a particular service or material if price, performance or quality of a service of the low bidder does not meet the District's needs. Mr. Foulk seconded the motion. Motion passed by a roll call vote of 4-0.

F. Approval and Award of the Well Maintenance 2024 Contract

Mr. Olsen stated that the District has 35 active wells that require regular proactive maintenance and may require emergency work to ensure continued operation to meet District resident's water demand. The current contract expires at the end of this fiscal year and three contractors responded to a bid notice to perform this service beginning in Fiscal Year 2025. Based on the bids, it is recommended that this work be awarded to Smyth Industries, Inc. for Fiscal Year 2025, with the option for two additional years based on Board approval. Smyth has also performed the District's well maintenance for the past nine years.

Discussion ensued and staff answered questions.

Mr. Sarti moved to approve and award the Well Maintenance 2024 contract to Smyth Industries, Inc., in the amount not to exceed \$375,000 and that the contract be brought back to the board for approval each year for the term of the contract. Mr. Foulk seconded the motion. Motion passed by a roll call vote of 4-0.

G. Presentation on the District's 5-Year Strategic Personnel Staffing Plan

Mr. Olsen provided a presentation and stated that one of the District's specific performance objectives (SPO) for calendar year 2024 is the creation of a 5-year strategic staffing needs plan. Billie Sue Morelli, the District's Human Resources Manager, and Mr. Olsen have met with all the Team Managers to create this plan, which is based on current and future needs of the District. Following last month's Board Meeting, this plan was presented to all staff. This has already had a positive effect as staff are taking proactive steps to prepare for the planned staffing adjustments over the next five years along with the subsequent dominos that often result from any internal promotions.

VI. General Manager's Report

Mr. Olsen stated that, as the Board knows, Mr. Shepard is retiring next month after over 30 years of service to the District. His encyclopedic knowledge of nearly all aspects of the District has been invaluable and is nearly impossible to replace. Fortunately, Mr. Shepard will work on a part-time basis post retirement to support multiple initiatives as well as supporting the new Utility Superintendent.

In preparation for Mr. Shepard's retirement, multiple candidates, each with a broad spectrum of experience, were interviewed. The new Utility Superintendent, who formally takes the responsibilities of the position next Monday, June 17, 2024, is Alex Sanders. Mr. Sanders has been with the District for approximately six years and has already fulfilled multiple roles at the District, including: Utility Technician I and II, Utility Administrative Planner, and, and most recently as a Safety Specialist. He also gained management and coordination experience prior to arriving at the District. For the past month, he has been attempting to absorb as much knowledge as possible from Mr. Shepard while still juggling the responsibilities of the Safety Specialist position.

To show just how efficient Ms. Morelli is in filling vacant positions, following Mr. Sanders' promotion, the vacancy was posted, candidates were interviewed, and the Safety Specialist position has been filled. This created another vacancy and Ms. Morelli is currently processing that vacancy to hopefully bring us back to a zero percent vacancy rate by next month

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 July 8, 2024.

IX. General Comments from the Public

There were no comments from the public.

X. Adjournment

The meeting adjourned at 6:36 p.m.

Lee Jacobs, Chair of the Board

Theo Fedele, Clerk of the Board