

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

MONDAY, JUNE 12, 2023

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

MINUTES

Board Members Present: Lee Jacobs, Chair
Jim Doyle, Member (Participated Electronically) (arrived at 6:09 pm)
Bryan Foulk, Member
Richard Sarti, Member

Board Members Not Present:
Scott Schladweiler, Vice Chair

District Staff: Joseph Olsen, General Manager
Sheila Bowen, District Engineer (Participated Electronically)
Steve Shepard, Utility Superintendent (Participated Electronically)
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 – May 15, 2023 Public Hearing

- B. Approval of Minutes – May 15, 2023 Board Meeting**
- C. Ratification of Billing Adjustments**
- D. Ratification of Bill of Sale Restaurant and Retail at River and La Cholla (M-21-008)**
- E. Approval of Water Service Agreement for La Vida Solstice, Lots 1-46 (M-21-011)**
- F. Approval of Amendment No. 2 to the Well Maintenance 2021 Contract with Smyth Industries, Inc.**

Mr. Foulk moved to approve the consent agenda. Mr. Sarti seconded the motion. Motion passed by a voice vote of 3-0.

IV. 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 3.4% lower when the consumption of all service areas is taken into account.

Each year there is a scheduled outage on the Central Arizona Project (CAP) aqueduct to enable preventative maintenance activities to the canal infrastructure. Outages typically last four weeks, though in unique circumstances the outages have been scheduled for a period of six weeks. This calendar year, the planned outage of the CAP canal impacting the Tucson area will be from October 16, 2023 to November 18, 2023. The activities planned include discharge valve replacements, power circuit breaker work, and pipeline inspection and preventative maintenance. As in past years, operations at Avra Valley Recharge Project (AVRP) and deliveries to Groundwater Savings Facilities (GSF) partners were planned in advance to ensure the ability to store all of the District's planned CAP allocation, as well as the City of Phoenix's inter-AMA firming water, within the calendar year taking into account the outage period.

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 new Linda Vista Well Deepening.

B. Financial Report

Ms. Bracken stated that the total revenue earned this fiscal year through the end of April was \$19,389,960, which is unfavorable by \$140,483 when compared to a straight-line projection. The

budgeted sale of storage credits to the Town of Marana totaling \$117,300 will not be realized this fiscal year. The compensated system conservation revenue has not been received and will be higher than budgeted by \$1.65 million with the signed agreement for 5,000 acre-feet (AF) at \$400 per acre foot. Metered water sales and water resource utilization fees are both lower than a straight-line projection by \$134,841 and \$62,481 respectively. Development revenue was budgeted at \$474,410 and the year-to-date development revenue as of the end of May 2023 is \$282,842. Interest income is offsetting reductions in revenue with \$112,500 budgeted and \$519,163 earned as of the end of May. Budgeted expenditures are favorable by \$838,034 when compared to a straight-line projection. The revenue in excess of expenditures is favorable by \$697,551. When comparing the total revenue to the same month in the prior fiscal year, revenue through April was higher by 0.92% or \$176,521. The metered watered revenue is lower by 2.64% or \$419,471 when compared to the same month in the prior fiscal year. The historic average of budgeted water revenue billed by the end of April is 81% and the District has billed 83% of the budgeted metered water revenue. The operating expenditures in April were \$828,086 higher than they were at the end of April in the prior fiscal year. The May cash deposit total was \$25,847,967.48, which is \$76,265.03 higher than the April balance. The investments as of the end of May totaled \$20,811,706.56, which is \$552,351.07 higher than the April balance.

The Arizona State Treasurer Pooled Collateral Program Statement for April included \$15,990,049.65 of cash on deposit with collateralization coverage of \$15,799,850.64 in addition to the \$500,000 FDIC coverage.

The Capital One Bank MasterCards were used to purchase \$ 35,067.99 on the May statement with up to 1.25% cash back earnings. The inception-to-date cash back total is \$22,731.40.

Seven new meter applications were received in May for the Metro Main service area. There were five new meter applications received in May of the prior fiscal year. Fiscal year-to-date, 85-meter applications have been received compared to 90 at the same time in the prior fiscal year.

Mr. Doyle arrived at 6:09 p.m.

C. Approval of the Amended Contract for Collection of Sewer User Fees

Mr. Olsen stated that since 1994, the District has had an intergovernmental agreement (IGA) with Pima County Regional Wastewater Reclamation Department to perform billing and the collection of sewer revenue. As part of this IGA, the District receives payment on a per account per month basis to reimburse the District for the costs associated with performing this service. Over the past two months, staff have worked with Pima County to update the cost-of-service calculation for performing this service for the County. The per account per month amount that Pima County

currently pays the District to perform this service is \$1.90 and it is recommended that the cost in the IGA is increased to \$2.00 and will generate approximately \$481,000 in total revenue for the District. During this year's negotiations, both parties agreed to remove the District's overhead charges from the cost-of-service allocation with the agreement that any requests from the County for additional reports, training, procedures, and analysis will be provided at an additional cost to the County. These additional costs will be based on the cost of providing the requested services including wages, benefits, and other resources needed. The current IGA expires June 30, 2023 and this amendment extends the agreement for one additional year with the new fee of \$2.00 per account per month effective July 1, 2023 through June 30, 2024.

Mr. Foulk moved to approve the attached one-year amendment to the contract with Pima County Regional Wastewater Reclamation Department for the collection of sewer user fees at the rate of \$2.00 starting on July 1, 2023, with an expiration of June 30, 2024, including the Exhibit A, Scope of Services to cover the cost of any additional services requested. Mr. Sarti seconded the motion. Motion passed by a roll call vote of 4-0.

D. Authorizing the District to Execute a Loan Application and Agreement with the Water Infrastructure Finance Authority of Arizona (WIFA), for Financial Assistance

Mr. Olsen stated that in June of 2022, the US Environmental Protection Agency (EPA) lowered the health advisory levels for PFOA and PFOS to 0.04 parts per trillion (ppt) and 0.2 ppt respectively. In March 2023, EPA published proposed maximum contaminant levels for PFOA and PFOS at 4 ppt each. For many years, the District has been closely monitoring District wells for PFAS and other contaminants of emerging concern and taking actions such as blending or taking wells off-line to ensure water delivered to customers is below the maximum contaminant levels (MCLs) and health advisory levels. While the June 2022 updated health advisory levels are significantly lower than the previous health advisory levels of a combined 70 ppt, EPA's published laboratory accuracy for detecting PFOA and PFOS is 4 ppt, the same as the proposed MCLs.

To proactively address this water quality requirement prior to the promulgation of the new MCLs, staff resampled the District wells to obtain updated PFAS data. As a result, the DeConcini and Riverside Crossing wells indicated PFAS concentration at a level that would benefit from wellhead treatment. The chosen treatment technology is granular activated carbon (GAC) as the District has extensive experience in operating the GAC system at the South Shannon well and the concentrations are at a level that GAC would be more economical than other technologies.

The Arizona Water Infrastructure Financing Authority (WIFA) is offering up to 100 percent principal forgiveness on projects that address PFAS compounds. To start the process, staff

submitted these two projects to WIFA in order to have them placed on their project priority listing. The project priority listing helps WIFA prioritize funds but does not create an obligation by either party. The next step is to complete a Project Financial Assistance process, after which, the District will have fidelity on the level of principal forgiveness, interest rate subsidy, and if proceeding is in the best interest of the District. To complete the Project Financial Assistance, a resolution is required by the Board for each of these projects. There are two separate motions for the Board to consider.

Discussion ensued with staff answering the Board's questions.

Mr. Foulk moved to approve and adopt Resolution 2023-5 that will authorize the District to enter into a loan agreement with the Water Infrastructure Finance Authority of Arizona, in the amount \$375,791.00 to construct a GAC treatment process at the DeConcini well. Mr. Sarti seconded the motion. Motion passed by a roll call vote of 4-0.

Mr. Sarti moved to approve and adopt Resolution 2023-6 that will authorize the District to enter into a loan agreement with the Water Infrastructure Finance Authority of Arizona, in the amount of \$364,791.00 to construct a GAC treatment process at the Riverside Crossing well. Mr. Foulk seconded the motion. Motion passed by a roll call vote of 4-0.

E. Approval of Quotes Submitted for the Emergency and Miscellaneous Electrical Services

Mr. Olsen stated that the wells and booster facilities that provide water to District residents are dependent on electrical systems and equipment for operation. These systems require regular maintenance and could fail at all hours of the day, necessitating emergency repair. While the District has three full-time electrical staff and one telemetry and instrumentation specialist, this job order agreement provides both emergency support capacity and the ability to augment District staff based on the particular electrical need. Staff recommends the Board authorize the job order agreement to provide as-needed support based on pricing and availability of the contractors that submitted quotes to provide this service.

Discussion ensued with staff answering the Board's questions.

Mr. Sarti moved to approve the pricing as presented by staff for the Emergency and Miscellaneous Electrical Services for use in Fiscal Year 2024 and to authorize the General Manager to enter into the job order agreement as appropriate. Mr. Foulk seconded the motion. Motion passed by a roll call vote of 4-0.

F. Approval of Quotes for Auxiliary Power Preventative Maintenance Service and On-Call Service Repairs

Mr. Olsen stated that the District utilizes several natural gas backup generators to enable continuity of operations in key areas during a power outage. These generators require specialized proactive maintenance to ensure functionality when needed. Approval of these quotes will enable both scheduled maintenance to ensure operation of these key assets and expeditious response in the case of equipment failures.

Mr. Foulk moved to approve the bids and pricing submitted for the Auxiliary Power Preventative Maintenance Service and On-Call Service Repairs for use in Fiscal Year 2024 from Empire Power Systems and W.W. Williams Company and to direct staff to utilize the low bidder. If the low bidder is unable to perform the work, staff is directed to use the next lowest bidder. Mr. Sarti seconded the motion. Motion passed by a roll call vote of 4-0.

G. 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 Utilities team relies on to ensure deliveries of safe, reliable water to our customers. 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 quotes for barricade rental, chlorine purchases, aggregate purchases, asphalt patching services, analytical services for coliform, and pump and motor repairs from the corresponding low bids per item as presented by staff and to direct staff to use another appropriate bidder or the City of Tucson Cooperative Purchasing Program 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.

V. General Manager's Report

Mr. Olsen stated that on May 24, 2023, the City of Tucson invited the District to participate in the signing of the new compensated system conservation (CSC) agreements with the Bureau of

Reclamation and Central Arizona Water Conservation District (CAWCD). Tucson and the District were the only CSC parties in southern Arizona with the remaining participants primarily in the Phoenix region. The event was well attended by various media outlets and Mr. Olsen was afforded the opportunity to speak on this agreement from the District's perspective. Specifically, that the District is increasing the participation in CSC from 25% to approximately 40% of the District's CAP allocation, that 100% of the District's CAP allocation is supporting the goals of the drought contingency program with the remaining portion of our allocation delivered to groundwater savings facilities to mitigate firming needs for Pima County agricultural entities, and that this agreement benefits the Colorado River, Arizona, and District ratepayers. District ratepayers benefit by leveraging this revenue stream to further invest in recharge facility upgrades, conveyance systems to utilize our renewable water resources, and other system infrastructure upgrades. It was a great honor to participate in the ceremony and we anticipate receiving the payment of \$2 million for the first year within the next four weeks.

On May 17, 2023, Mr. Olsen attended the first meeting of Governor Hobbs' Water Policy Council. At the meeting, Governor Hobbs spoke to the Council to provide her goals of the Council and the two primary areas she would like to see proposed actions on by the end of this year. These actions could include administrative solutions, legislative action, or executive action. She stated that she is asking the Council to update, revise, and improve Arizona's water management framework for rural communities and the assured water supply program. For the rural water effort, \$5 million has been allocated in the budget to support this task along with considerations of new irrigation to non-expansion areas and tools to manage rural groundwater. On the assured water supply front, she has requested a package of policy recommendations to strengthen the program and ensure robust economic development. The primary work of the Council will take place in the two Committees that are being formed to address the Governor's two policy goals in a more tactical environment. Mr. Olsen volunteered to serve on the Assured Water Supply Committee as part of his Water Policy Council duties. The Committee membership will be finalized shortly, as the first assured water supply meeting is scheduled for June 27, 2023.

Discussion ensued with staff answering the Board's questions.

VI. Legal Counsel's Report

Mr. Patton stated he had nothing to report.

VII. Clerk of the Board Updates; Future Meetings

The next regularly scheduled Board meeting will be held on July 10, 2023.

VIII. General Comments from the Public

There were no comments from the public.

IX. Adjournment

The meeting adjourned at 6:45 p.m.

Lee Jacobs, Chair of the Board

Theo Fedele, Clerk of the Board