

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

**MONDAY, JULY 12, 2021**

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

**MINUTES**

**Board Members Present:** Judy Scrivener, Chair  
Richard Sarti, Vice Chair  
Jim Doyle, Member (Participated Electronically) arrived at 5:32 p.m.  
Bryan Foulk, Member (Participated Electronically) arrived at 5:32 p.m.  
Lee Jacobs, Member

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

**Executive Session**

**Call to Order and Roll Call**

Judy Scrivener, Chair of the Board of Directors of the Metropolitan Domestic Water Improvement District (District), called the Board Meeting to order at 5:30 p.m. Lee Jacobs, Richard Sarti, and Judy Scrivener were present.

- I. **Executive Session for Discussion Regarding Parcels APN 216-32-025A and 216-32-028A** Pursuant to §38-431.03.A.3 and §38-431.03.A.4, this agenda item allows the Board of Directors to discuss or consult with the District's legal counsel for advice and provide direction regarding Parcels APN 216-32-025A and 216-32-028A.

Mr. Sarti made a motion to adjourn into Executive Session. Mr. Jacobs seconded the motion. Motion passed by a roll call vote of 3-0. The Board adjourned into Executive Session at 5:32 p.m.

Note: Mr. Doyle and Mr. Foulk arrived at 5:32 p.m. to the Executive Session.

The Executive Session concluded at 6:03 p.m.

## **Regular Session**

### **I. Call to Order and Roll Call**

Judy Scrivener, Chair of the Board of Directors of the Metropolitan Domestic Water Improvement District (District), called the Board Meeting to order at 6:07 p.m. Jim Doyle, Bryan Foulk, Lee Jacobs, Richard Sarti, and Judy Scrivener were present.

### **II. Discussion and Possible Action Regarding Parcels APN 216-32-025A and 216-32-028A**

Mr. Jacobs moved to proceed as discussed in Executive Session. Mr. Sarti 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 – June 14, 2021 Board Meeting**
- B. Ratification of Billing Adjustments**
- C. Approval of Water Service Agreement for Vista del Oro, Lots 1-139 (M-21-003 On-Site) and (M-21-004 Off-Site)**

Mr. Sarti moved to approve the consent agenda. Mr. Jacobs 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 Fiscal Year 2021 consumption compared to last fiscal year-to-date was higher in all service areas. Metro Main was 10.1% higher, Metro Hub was 10.4% higher, and Metro Southwest was 8.2% higher. Fiscal Year 2021 consumption was approximately 2.9 billion gallons compared to Fiscal Year 2020 consumption, which was 2.6 billion gallons.

As of the end of April, 4,414 acre-feet (AF) of the District's Central Arizona Project (CAP) order has been delivered to Groundwater Savings Facilities (GSF) with the remainder of the District's order planned for storage at GSFs by the end of the calendar year. The City of Phoenix's 3,500 AF of inter-AMA firming water began storage at the District's Avra Valley Recharge Project (AVRP) on July 1, 2021.

Mr. Shepard provided an update on noteworthy maintenance projects.

Ms. Bowen provided an update on the Oracle Road Project and the Northwest Recharge, Recovery, and Delivery System (NWRDSD) Project including the Metro-only portion of the project.

## **B. Financial Report**

Ms. Bracken stated that revenue and expenditures for May are both favorable when compared to a straight-line projection with revenue \$3,072,280 over budget and expenditures \$1,573,344 under budget. The revenue in excess of expenditures is favorable by \$4,645,624. When comparing the total revenue to the prior fiscal year, revenue through May was 6.48% or \$1,446,494 higher than the total revenue in May of the prior year. The Metered Water Revenue is 7.01% or \$1,171,640 higher than the prior fiscal year. The Metro Main service area was 6.5% higher, the Metro Hub service area was 10.42% higher, and the Metro Southwest service areas were 9.22% higher. The historic average of budgeted water revenue billed by the end of May is 90% and the District has exceeded the budget with 109.53% billed as of the end of May. The operating expenditures in May were \$388,380 higher than they were at the end of May in the prior fiscal year. The June cash deposit balance was \$22,910,428.84, which is \$481,809.39 higher than the May balance. The investments as of the end of June totaled \$11,228,134.64, which is \$26,425.72 lower than the May balance with \$265,320 moved to the operating fund for the debt service interest payments.

The Arizona State Treasurer Pooled Collateral Program Statement for May included \$10,999,469.90 of cash on deposit with collateralization coverage of \$10,709,459.30 in addition to the \$500,000 FDIC coverage.

The Capital One Bank MasterCard were used to purchase \$46,014.41 on the June statement with up to 1.25% cash back earnings. The cash back received from transactions processed in May totaled \$503.72 or 1.01%, with an inception-to-date cash back total of \$14,834.25.

Twenty-three new meter applications were received in June with 36-meter applications for the Metro Main service area, 13-meter applications in the Hub service areas, and 10-meter applications for the Metro Southwest service areas. There were 81 new meter applications received in June of

the prior fiscal year. Fiscal year-to-date, 596-meter applications have been received compared to 459 in the prior fiscal year.

On May 19, 2021, as part of the cash management duties, \$5,350,000 was transferred from the operating account into the Water Resource Utilization Fee (WRUF) account.

Based upon the Fiscal Year 2022 budgeted Northwest Recharge, Recovery and Delivery System (NWRRDS) funding needs, this transfer will reduce the amount the District will need to borrow to finish the two NWRRDS projects from \$19.5 million down to \$13 million, saving the District about \$3,091,886 in interest payments when compared to the original plan to borrow \$19.5 million.

Reducing the amount of debt provides another opportunity to reduce the term of the planned debt from 20 years to 15 years. By reducing the term and amount of debt funding, the operating cost for debt will also be reduced by about \$215,282 each year using an assumption of 15 years at 3%.

By delaying the timing of obtaining debt, the District is provided with an opportunity to continue collecting the WRUF revenue for a longer period of time with about \$1.5 million of WRUF revenue each year.

Obtaining \$13 million of debt for 15-years will have an annual debt payment amount of about \$1,057,248 a year. If the additional \$402,088 of WRUF revenue is saved each year, the NWRRDS debt could be paid-in-full at year 11 using this savings.

If a full payment is made in year 11, this would avoid an additional \$299,097 of interest payments bringing the total interest cost avoidance to \$3,390,983. With an additional half of a year of WRUF revenue being collected, these actions would have a positive impact of \$4,140,983.

In addition to the cash management benefits, this provides an opportunity to move the anticipated debt for the 2nd Herb Johnson Reservoir construction forward one year with the reduction of debt and annual payments.

With this change implemented into the 5-year financial plan, the lowest the debt service coverage ratio is 2.29% in Fiscal Year 2023 followed by increases in each of the next three years. The highest annual debt service payment would not exceed \$4.37 million which occurs in Fiscal Year 2024 and then declines about \$700,000 a year in each of the next two years with a \$2.13 million debt payment due in Fiscal Year 2027.

To help put the \$4.37 million annual debt payment amount into perspective, in December of 2013, the annual debt payments for the District were planned to be around \$6.4 million dollars in Fiscal

Years 2014 to 2019 and then drop down to just over \$5 million for the next four years not including any funding for the NWRRDS projects. We have been able to greatly reduce the annual debt payment with bond defeasance, early payoffs, and bond refunding with annual debt at \$2.8 million in Fiscal Year 2021 and planned debt at \$3.35 million in Fiscal Year 2022.

Getting back to the original cash management planning, by investing the \$5,350,000 into the NWRRDS project, this provides a 7.04% return on the initial cash investment when the current interest rates for secured long-term investments is less than 2%.

Ms. Scrivener asked the Clerk of the Board to email a summary of the information to the Board Members to read and consume the details of this cash management plan.

**C. Approving the Revocation of Member Service Area Agreement between the Central Arizona Water Conservation District and Metropolitan Domestic Water Improvement District**

Mr. Olsen stated that last month the Board approved Resolution 2021-4, terminating Metro Main's member service area status with the Central Arizona Groundwater Replenishment District (CAGRDR). The Resolution was publicly noticed in the Daily Territorial and no customer objections were received. The remaining steps for CAGRDR de-enrollment for the Metro Main service area is for the Board to approve the Revocation of Member Service Area Agreement between Central Arizona Water Conservation District (CAWCD), the entity that oversees CAGRDR, and the District. The revocation document will then be considered by the CAWCD Board during their August 2021 meeting. If approved, this would complete the de-enrollment process. As a reminder, CAWCD staff has confirmed that if the de-enrollment process is completed this year, that the District would not owe the calendar year 2021 CAGRDR membership fees.

Mr. Foulk moved to approve the Revocation of Member Service Area (MSA) Agreement between the Central Arizona Water Conservation District and the Metropolitan Domestic Water Improvement District. Mr. Jacobs seconded the motion. Motion passed by a roll call vote of 5-0.

**D. Authorizing Amendment No. 1 to the Contract for Pipe Loop Testing for the Northwest Recharge, Recovery, and Delivery System (NWRRDS) Metro-only Project**

Mr. Olsen stated that at the November 2020 Board meeting, the Board authorized Carollo Engineers, Inc. to perform pipe loop testing to analyze the effects of various blends of recovered NWRRDS water and Metro Main groundwater on galvanized service lines harvested within the service area. During the pipe loop testing, an electrical outage caused a stagnation period in the pipe loops for over 24 hours. The blends that were analyzed after this extended stagnation period

showed higher levels of dissolved iron along with visual color changes of water in the pipe loops. To ensure that the most appropriate blend is utilized when NWRDSD goes online at the end of calendar year 2023, and that the consultant is able to recommend an applicable corrosion treatment regime, it is recommended that the duration of the pipe loop study be extended. This would allow for additional data points, to duplicate the conditions that resulted in the increased dissolved iron, and to test mitigation strategies in advance of full scale NWRDSD operation.

Mr. Jacobs moved to authorize the General Manager to execute Amendment No. 1 with Carollo Engineers, Inc., in the amount of \$38,769 to complete additional Pipe Loop Testing for the Northwest Recharge, Recovery, and Delivery System Metro-only project using the Professional Services Agreement for Miscellaneous Water System Design and to authorize the General Manager to increase the scope and fee by \$5,000, if necessary. Mr. Sarti seconded the motion. Motion passed by a roll call vote of 5-0.

#### **E. Approval for Meter Purchases and Meter Replacement Services**

Mr. Olsen stated that in Fiscal Years 2020 and 2021, the Board authorized contracted meter replacements, via the City of Tempe cooperative purchasing contract, in Metro Southwest and Hub respectively. This enabled efficient large-scale meter replacements without placing the entire burden on staff, freeing them up to perform other critical tasks associated with the operation of the water distribution system in five separate service areas.

For Fiscal Year 2022, it is recommended that the same contractor, Metering Services Inc., be utilized to begin meter replacements in Metro Main. In order to keep up with the projected meter replacements, the Fiscal Year 2022 budget includes capacity to perform 800-5/8-inch contracted meter replacements and 528 in-house meter replacements based on the meter and associated endpoint costs.

The Board previously authorized use of the City of Tucson Cooperative Purchasing contract to purchase Badger positive displacement meters in a more cost efficient manner than if the District performed a separate procurement. In February of this year, the City decided to utilize a different type of meter than the Badger positive displacement meter that the District utilizes. Fortunately, the City of Phoenix has a water meter contract that utilizes the Badger meters. This contract has similar cooperative purchasing contract language as the City of Tempe contract that the Board previously authorized staff to utilize. As such, it is recommended that the Board authorize staff to use the Phoenix contract to purchase positive displacement Badger meters in a more cost efficient manner than a separate District procurement and to again authorize use of the City of Tempe agreement for Metering Services Inc. to support the meter replacement initiative in Metro Main.

Discussion ensued and questions were answered regarding the costs associated with the meters and installation.

Mr. Sarti moved to approve the proposed meter replacements and to approve the use of the City of Phoenix Water Meter cooperative purchasing contract to purchase District meters and to approve the use of the City of Tempe contract for meter replacement services utilizing Metering Services Inc. in the amount not to exceed \$37,400. Mr. Jacobs seconded the motion. Motion passed by a roll call vote of 4-0. Mr. Foulk did not respond electronically during the vote.

#### **VI. General Manager's Report**

Mr. Olsen stated that last month, due to retirements and the creation of the new three person preventative maintenance crew, the District had six vacancies in the Utility Technician I and II classifications. Thanks in large part to Billie Sue Morelli, the District's Human Resources Manager, we were able to successfully recruit and fill all vacancies with qualified individuals that had relevant experience and the required operator certifications. Five new Utility Technicians were successfully on-boarded last week and the sixth will be on-boarded in August. These actions result in currently zero vacancies throughout the District.

CAP has finalized the annual canal outage dates where the delivery system will be taken down for maintenance. This year's Fall outage will be from October 17 to November 14, 2021. Today, deliveries of City of Phoenix Inter-AMA water to the AVRFP facility was increased to ensure their storage is completed at our facility prior to the end of the calendar year.

#### **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 August 16, 2021.

#### **IX. General Comments from the Public**

There were no comments from the public.

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**X. Adjournment**

The meeting adjourned at 6:40 p.m.

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Judy Scrivener, Chair of the Board

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Theo Fedele, Clerk of the Board