

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

**MONDAY, AUGUST 10, 2020**

**\*\*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 (Participated Electronically)  
Jim Doyle, Member (Participated Electronically)  
Bryan Foulk, Member

**Board Members Not Present:** Dan M. Offret, Member

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

**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 6:00 p.m. Jim Doyle, Bryan Foulk, Richard Sarti, and Judy Scrivener were present. Dan M. Offret was not present.

**II. General Comments from the Public**

Monica Wnuk who was appointed to the District's Finance Oversight Committee (FOC) attended the meeting and introduced herself to the Board and staff.

**III. Consent Agenda**

- A. Approval of Minutes – July 13, 2020 Board Meeting**
- B. Ratification of Billing Adjustments**

- C. Ratification of Bill of Sale Sunset Mesa II, Lots 1-17 (M-19-012)**
- D. Approval of Water Service Agreement for Waterline Extension to 6020 N. Mona Lisa Road (M-19-018)**

Mr. Foulk moved to approve the consent agenda. Mr. Sarti seconded the motion. Motion passed unanimously.

#### **IV. General Business – Items for Discussion and Possible Action**

##### **A. Monthly Status of the District**

Mr. Olsen stated that the combined consumption for Fiscal Year 2021 for all service areas compared to last fiscal year-to-date is 8.7% higher. This is based on only one month of consumption. For comparison purposes, as reported last month, the total Fiscal Year 2020 versus Fiscal Year 2019 consumption was 6% higher.

As of the end of June, over 6,000 acre-feet (AF) of the District's 9,960 AF of Central Arizona Project (CAP) order has been delivered to the Groundwater Savings Facility (GSF) partners with the remaining deliveries on track to be completed this calendar year. All of the City of Phoenix inter-AMA firming water has been stored at the District's Avra Valley Recharge Project (AVRP) and 500 AF of the 2,000 AF ordered by the Arizona Water Banking Authority has been stored with the remainder to be stored at AVRP this calendar year.

Mr. Shepard provided an update on noteworthy maintenance projects. The wire upgrade on Diablo Village #1 well was completed and the replacement of the variable frequency drive (VFD) for the Northeast Reservoir Booster Station (NERBS) Booster #2 has been ordered. Photos were shown related to the A/C unit on the Tucson National West VFD enclosure that was replaced, the Hardy well where swage work was completed to support well casing that had developed holes, and the replacement of a fire hydrant at 2001 Orange Grove.

Ms. Bowen provided an update on the Oracle Road Mainline Replacement Project as well as the Northwest Recharge, Recovery, and Delivery System (NWRDRS) including the drilling activities of the three recovery wells, the status of the final design of the transmission main and forebay, and the Metro-only portion of NWRDRS.

Mr. Sklar stated there are no new updates regarding the condemnation activities. The next hearing with the judge will be in October.

## **B. Financial Report**

Ms. Bracken stated that revenue and expenditures for Fiscal Year 2020 were both favorable. Revenue was \$1,809,280 higher than budgeted. This is largely attributed to Metered Water Revenue exceeding the budget by \$669,436 and development revenue exceeding the budgeted amount by \$548,235. Interest income was \$546,496, which exceeded the budget by \$176,496. Water storage exceeded the budget by \$149,560 and other revenue was \$141,056 higher than planned. Expenditures for Fiscal Year 2020 were \$1,280,816 lower than budgeted. The cost of purchasing CAP water was \$469,690 lower than budgeted. Wages and benefits were \$423,373 lower than budgeted with the Civil Engineer position remaining unfilled and additional hours charged directly to Capital Improvement Program (CIP) projects accounting for \$245,321. Health and Dental insurance was \$116,548 lower than planned. Consulting services were \$213,358 lower than budgeted and operating costs were \$123,679 under budget. The year ended with the revenue in excess of expenditures exceeding the budget by \$3,090,096. When comparing the fiscal year total revenue to the prior fiscal year, revenue was higher by 9.8% or \$2,205,921. Metered Water Revenue was 6.81% or \$1,178,417 higher than the prior fiscal year. The total operating expenditures for Fiscal Year 2020 are \$876,489 higher than the prior fiscal year. Wages and benefits were \$508,509 higher and consulting services were \$299,892 higher than the prior fiscal year. The July cash deposit balance was \$16,395,523.60, which is \$609,467.33 higher than the June balance. The investment balance as of the end of July was \$11,396,354.14, which is \$289,356.22 higher than the June balance.

The Arizona State Treasurer Pooled Collateral Program Statement for June includes \$7,403,970.75 of cash on deposit with collateralization coverage of \$7,297,050.17 in addition to the \$250,000 FDIC coverage.

The Capital One Bank MasterCard were used to purchase \$29,754.65 on the July statement with up to 1.25% cash back earnings. The cash back amount received from transactions processed in June was \$484.43 or 1.06%. The inception-to-date cash back total is \$10,615.36.

Fifty-three new meter applications were received in July with 16-meter applications for the Metro Main service area and 37-meter applications for the Metro Southwest service area. There were 35 new meter applications received in July of the prior fiscal year.

The District's Independent Audit team from Hinton Burdick was at the District completing their audit field work and was available to discuss any items with the Board.

**C. Approval of the Agreement to Sell and Assign Central Arizona Project Long-Term Storage Credits with the Town of Marana**

Mr. Olsen stated that for over five years, the District has had an intergovernmental agreement with the Town of Marana (Town) where the Town purchases a portion of the District's long-term storage credits accrued from the storage of CAP water. The District has an annual allocation of 13,460 AF of CAP water and uses approximately half of that allocation to meet current year demand through annual storage and recovery with the remainder stored as long-term storage credits. The Town has a CAP allocation of 1,528 AF but their annual demand exceeds their allocation.

Under the previous intergovernmental agreement, the Town was able to purchase up to 1,553 AF of long-term storage credits annually, which provided additional revenue for the District and still enabled the District's renewable water resource portfolio to continue to grow annually. The Town typically purchased less than 800 AF annually of long-term storage credits from the District.

Given the Compensated System Conservation Agreement between the District and the Central Arizona Water Conservation District (CAWCD), where 3,500 AF annually is utilized to support Arizona's Drought Contingency Plan and generate revenue to support water resource related initiative, staff determined that a lower purchase quantity for the Town should be utilized in this intergovernmental agreement. This intergovernmental agreement has a five year term, which closely coincides with the remaining six years of the Compensated System Conservation agreement. As such, the annual purchase quantity was reduced from 1,553 AF to 1,000 AF. This still provides adequate capacity based on Marana's historic purchases of long-term storage credits, while also providing a buffer in meeting the District's annual water demand as the goal is to not rely on long-term storage credits to meet annual District demand except during a shortage tier that impacts the District's CAP allocation. It is recommended that the Board authorize this mutually beneficial intergovernmental agreement with the Town of Marana.

Mr. Foulk moved to approve the Agreement to Sell and Assign Central Arizona Project Long-Term Storage Credits in the Tucson Active Management Area with the Town of Marana with an expiration date of December 31, 2025. Mr. Doyle seconded the motion. Motion passed unanimously.

**D. Discussion and Cancellation of the November Election for Board Members**

Mr. Olsen stated that on May 11, 2020, the Board approved Resolution 2020-2 to call an election for two Board member positions that would reach the end of their term in December 2020. The petitions were due to Pima County Elections on July 6, 2020. According to the Pima County

Elections Department, two individuals: Bryan Foulk and Dan Offret filed for the two available Board positions. It is recommended that the Board request the Pima County Board of Supervisors cancel the election and appoint the two individuals who filed to serve on the Board. This will also save the District approximately \$26,000 that was budgeted for election related expenses.

Mr. Sarti moved to approve requesting that the Pima County Board of Supervisors cancel the November 2020 election for two District Board Members and appoint the two candidates who filed to serve on the District's Board, pursuant to A.R.S. §48-1012(E), and to authorize the District General Manager to send a letter to the Pima County Board of Supervisors conveying the Board's request. Mr. Foulk seconded the motion. Motion passed unanimously.

**E. Presentation on the District's Risk and Resiliency Assessment and Emergency Response Plan**

Mr. Olsen stated that as part of the America's Water Infrastructure Act of 2018, the District was required to accomplish a Risk and Resiliency Assessment and update the District's Emergency Response Plan. Last year, the Board authorized KUV Consultants to accomplish this effort as they had previously assisted the District on the creation of an Emergency Response Plan and possessed the necessary experience with AWWA J100 Risk and Resiliency Management Practices.

While the resulting product contains confidential elements, such as specific vulnerabilities and critical infrastructure listings, Mr. Olsen and Mr. Shepard provided a high level discussion regarding the process that was followed to accomplish this effort as well some generalized scenarios.

Ms. Scrivener commented that she has worked with critical infrastructure and believes the scenarios and interaction with staff is invaluable.

**VI. General Manager's Report**

Mr. Olsen stated that since May, he has been collaborating with other water Directors and General Managers throughout Arizona regarding the current moratorium on discontinuing water service for lack of payment due to the COVID-19 related economic challenges. As a reminder, the District ceased discontinuing water service for lack of payment on March 13, 2020. These discussions have highlighted that there is not a one-size-fits-all solution given the different financial capabilities of water utilities. Additionally, some water utilities have expressed concern over not enforcing revenue collection in advance of a debt issuance due to the associated bond covenants.

The AZWater Association published guidance for water providers regarding items to consider prior to recommencing the enforcement of revenue but these are intended more as recommendations, as opposed to proscriptive direction, given the unique challenges faced by water providers.

Mr. Olsen virtually attended a meeting last week with other water providers to share updated information and help plan the next steps regarding the moratorium. Presently, only a couple water providers with a relatively small customer base are currently discontinuing water service for lack of payments. The majority of water providers are now more actively engaging with customers regarding their account balance, attempting to work payment arrangements, and are now sending delinquent notices even though water service will not be discontinued. Since March, the District has continued sending delinquent notices but includes an insert that water will not be turned off for lack of payment. Customer Service Representatives also explain to customers that while their water service will not be discontinued, they will still ultimately owe the account balance.

Given that we are already approximately five months into this current moratorium, with an indeterminate number of months remaining, delinquent customer balances will continue to grow. The stats from one utility in Arizona highlight this point as they had the same number of delinquent accounts at the end of May as the end of July but the delinquent balance doubled over that period. As such, payment arrangements will need to be created to help customers navigate out of past due status. This could take the form of a multi-month repayment plan indexed off how long the moratorium is in place.

As of last week, many water providers that had planned to restart the enforcement of revenue in October have now formally delayed those plans. Many of the largest water providers have stated that it is increasingly likely that they will not lift this moratorium until after the first of the year.

Staff is continuing to closely monitor the delinquent balances and is working with customers regarding their respective delinquent amount. I will also remain engaged with other water providers to ensure any decision on the time frame for enforcement of revenue will be based on the COVID related economic conditions and applicable metrics.

## **VII. Legal Counsel's Report**

Mr. Sklar stated he had nothing to report.

## **VIII. Clerk of the Board Updates; Future Meetings**

The next regularly scheduled Board meeting will be held on September 14, 2020.

**IX. General Comments from the Public**

There were no comments from the public.

**X. Adjournment**

The meeting adjourned at 6:51 p.m.

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Judy Scrivener, Chair of the Board

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Theo Fedele, Clerk of the Board