

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

MONDAY, AUGUST 14, 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

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. General Comments from the Public

There were no comments from the public.

III. Consent Agenda

- A. Approval of Minutes – July 10, 2023 Board Meeting**
- B. Ratification of Billing Adjustments**
- C. Ratification of Bill of Sale for Super Star Car Wash (M-22-003)**

Mr. Foulk moved to approve the consent agenda. Mr. Schladweiler seconded the motion. Motion passed by a roll call vote of 5-0.

IV. General Business – Items for Discussion and Possible Action

A. Monthly Status of the District

With only one month of consumption data in Fiscal Year 2024, the fiscal year-to-date consumption compared to Fiscal Year 2023 is 6% higher in Metro Main, 4.9% higher in Metro Hub and 4.3% lower in Metro Southwest. Before too many conclusions are drawn from this data, it is best to wait another month or two for more than one data point.

The Arizona Department of Environmental Quality (ADEQ) funded construction of the Advanced Oxidation Process treatment at the South Shannon well continues to proceed with the long-lead time equipment and materials ordered and on-site coordination has occurred for laydown. The construction is anticipated to begin in the near future.

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 unaudited operating revenue in Fiscal Year 2023 was \$26,450,069, which is favorable by \$3,013,538. The additional revenue is from an increase of \$1,650,000 received from the System Conservation Implementation Agreement (SCIA) for 5,000-acre feet at \$400 per acre foot. Interest earnings totaled \$793,284, which was \$658,284 over budget, and principal forgiveness from the State Revolving fund totaled \$654,977. The Fiscal Year Budgeted Operating Expenditures are favorable by \$719,091. Larger items contributing to this position are the Meter Replacements Program that was under spent by \$262,115, Water Quality Testing Services were \$196,868 under Meter Replacements Program that was budgeted at \$262,115 and under spent by \$48,108, Water Quality Testing Services were budgeted at \$196,868 and were \$28,911 under budget, Wages and Benefits were \$166,615 under budget with lower Health Insurance and Workers Compensation rates. Computer software and equipment spent \$56,273 less than budgeted and Security spent \$51,958 less than budgeted. The revenue in excess of expenditures is favorable by \$3,732,629. When comparing the total operating revenue to the prior fiscal year, revenue in Fiscal Year 2023 was higher by 8.9% or \$2,161,031. The Metered

Watered Revenue is lower by 1.81% or \$349,880 when compared to the prior fiscal year. The operating expenditures in Fiscal Year 2023 were 10.11% or \$1,220,681 higher than they were in the prior fiscal year. The July cash deposit total was \$32,115,838.87, which is \$1,024,896.19 lower than the June balance with a debt service payment of \$1,615,022.87. The July 31, 2023 deposit balance was \$7,799,842.35 higher than the July 31, 2022, balance. The investments as of the end of July totaled \$15,212,134.77, which is \$562,432.08 higher than the June balance.

The Arizona State Treasurer Pooled Collateral Program Statement for June included \$18,401,322.30 of cash on deposit with collateral coverage of \$18,259,348.75 in addition to the \$500,000 FDIC coverage.

The Capital One Bank MasterCards were used to purchase \$31,498.83 on the July statement. The inception-to-date cash back total is \$23,428.42.

Five new meter application were received in July for the Metro Main service area. There were five new meter applications received in July of the prior fiscal year. The Fiscal Year 2024 adopted budget has planned for 76 new meter applications in the Metro Main and Hub service areas, and no new meter applications in the Metro Southwest service areas.

The annual independent audit is underway and the Auditors are available if any of the Board has any concerns or questions. The Audit is being conducted remotely this year.

C. Approval of Groundwater Savings Storage Agreements with BKW Farms, Inc., Cortaro Water Users' Association, and Kai Farms Red Rock

Mr. Olsen stated that the Groundwater Saving Facilities (GSF) are a critical water resource management strategy for the District where a portion of the District's Central Arizona Project (CAP) allocation is delivered to farmlands near the CAP canal in-lieu of the farms pumping groundwater. The District also receives equal water credits in return along with a GSF rebate of \$12 per acre-feet (AF). Each year, these mutually beneficial relationships provide additional financial resources equivalent to approximately 450 AF of CAP water. It is recommended that the Board approve new GSF storage agreements with BKW Farms, Cortaro Water User's Association, and Kai Farms for a 5-year term from calendar years 2024-2028. Each year the agreement will be amended with the anticipated deliveries for each GSF. In 2024, the planned storage for BKW Farms, Cortaro Water User's Association, and Kai Farms is 500 AF, 7,460 AF, and 500 AF respectively. After 5,000 AF is taken into account for the Compensated System Conservation agreement, the goal is that the remaining 8,460 AF of the District's 2024 CAP allocation is stored in GSFs. This would generate \$120,000 in revenue for the District in GSF storage rebates and save

approximately \$170,000 compared to if this water was otherwise stored in constructed recharge projects.

Mr. Foulk moved to approve the Agreement between the District and BKW Farms, Inc. for “In-Lieu Water Deliveries and Storage” for calendar years 2024 through 2028 storage. Mr. Sarti seconded the motion. Motion passed by a roll call vote of 5-0.

Mr. Sarti moved to approve the Intergovernmental Agreement between the District and Cortaro Water Users’ Association for “In-Lieu Water Deliveries and Storage” subject to approval by Cortaro Water Users’ Association’s Board for calendar years 2024 through 2028 storage. Mr. Foulk seconded the motion. Motion passed by a roll call vote of 5-0.

Mr. Schladweiler moved to approve the Agreement between the District and the Herb Kai for “In-Lieu Water Deliveries and Storage” for calendar years 2024 through 2028 storage. Mr. Foulk seconded the motion. Motion passed by a roll call vote of 5-0.

D. Approval of Amendment No. 3 to the 2021 Well Maintenance Contract with Smyth Industries, Inc.

Mr. Olsen stated that the District has a well maintenance contract with Smyth Industries for routine maintenance and emergency work on the District’s wells. The Fiscal Year 2024 adopted budget includes four vertical turbine booster pumps that are due for replacement. As these pumps are very similar to the construction of a well turbine pump but at a shallower depth, staff believes that a well contractor has the applicable skill-set to accomplish this work. As such, the Board is requested to amend Smyth’s contract by adding \$100,000 to their contract amount to accomplish this work.

Mr. Sarti moved to approve to approve Amendment No. 3 to the 2021 Well Maintenance Contract with Smyth Industries to allow for the four vertical turbine booster pump replacements. Mr. Schladweiler seconded the motion. Motion passed by a roll call vote of 5-0.

VI. General Manager’s Report

Mr. Olsen stated that the District submitted a \$3 million grant request to Water Infrastructure Finance Authority of Arizona (WIFA) to support the metering upgrade and deployment of a WaterSmart portal for all District customers. Last month, WIFA’s Conservation Grant Fund Committee reviewed the District’s grant request and were impressed with the multiple order benefits that this program would achieve. They recommended approval to the WIFA Board stating numerous benefits to include conservation, public education, a federal nexus as the District was also awarded a \$2 million grant from the Bureau of Reclamation to support this effort, and a

reduction in groundwater usage. The WIFA Board meeting that will determine if this grant is awarded is later this week on August 16, 2023. Staff also submitted a \$3 million grant request to WIFA to support the District's portion of the NWRDRS. Currently there are only eight projects that have been submitted under the category that includes projects facilitating coordinated water management, including groundwater storage and recovery. The earliest the District's second grant request will be reviewed by the Water Conservation Grant Fund Committee would be at the September meeting and WIFA has until the end of December to review the submittal. The Board will continue to be informed of the progress.

Discussion ensued with the Board asking questions regarding the approval process.

Staff have begun assembling a package for submission to WIFA that would address PFAS and 1,4-dioxane in the Metro Main service area. While the District is already in the process with WIFA on PFAS treatment at the DeConcini and Riverside wells, this current effort would address multiple wells to the northwest and downgradient of Deconcini. In 2016, the District stopped delivering water from the Horizon Hills well due to concentrations of PFAS and 1,4-dioxane. While blending was pursued, the configuration of flows and concentrations of these constituents precluded successful blending. As WIFA is providing a portion of principal forgiveness to address PFAS, staff is analyzing a multiple well solution to enable treatment on a parcel that is in acquisition adjacent to the Ina-CDO well. Treatment at this location would be able to treat PFAS and 1,4-dioxane not only for Horizon Hills but also Ina-CDO, Thornydale and Marlene if these downgradient wells become impacted by the contaminate plume. A future Board item on this topic will occur if our initial analysis shows that this would be financially beneficial to the District.

Mr. Olsen stated tomorrow he will be attending the Assured Water Supply Committee meeting at the Arizona Department of Water Resources (ADWR). The meeting will focus on discussing the first few proposals recommended by ADWR staff and potential refinements modifications build to rent development, Wildcat Development, and retiring grandfathered rights. The two proposals submitted jointly by the District and Tucson Water have yet to be discussed and, given the schedule and time constraints, may not be discussed until next 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 September 11, 2023.

IX. General Comments from the Public

There were no comments from the public.

X. Adjournment

The meeting adjourned at 6:32 p.m.

Lee Jacobs, Chair of the Board

Theo Fedele, Clerk of the Board