

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

MONDAY, SEPTEMBER 12, 2022

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

MINUTES

Board Members Present: Richard Sarti, Chair (Participated Electronically)
Lee Jacobs, Vice Chair
Jim Doyle, Member (Participated Electronically)

Board Members Not Present: Bryan Foulk, Member
Scott Schladweiler, Member

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

Regular Session

I. Call to Order and Roll Call

Lee Jacobs, Vice 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, Lee Jacobs, and Richard Sarti were present. Bryan Foulk and 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 – August 15, 2022 Board Meeting**
- B. Ratification of Billing Adjustments**

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

IV. General Business – Items for Discussion and Possible Action

A. Monthly Status of the District

Mr. Olsen stated that with two months of water consumption data in the new fiscal year, the fiscal year-to-date consumption compared to last year has normalized with a 0.4% decrease in Metro Main, a 1.6% increase in Metro Hub, and a 2.9% increase in Metro Southwest.

As of the end of July, 7,808 acre-feet (AF) of the planned 9,960 AF has been delivered to Groundwater Savings Facilities (GSF) and it is anticipated that all deliveries will be completed by the end of the calendar year. As of the end of August, 2,123 AF of the planned 3,500 AF of the City of Phoenix's inter-AMA firming water has been delivered to the Avra Valley Recharge Project (AVRP). The improvements at AVRP have already substantially increased the delivery capability as the delivery to AVRP in August was 1,293 AF or almost 40 AF per day, which is significantly higher than the facility was able to previously accomplish.

Mr. Shepard provided an update on noteworthy maintenance projects.

Ms. Bowen provided an update the Northwest Recharge, Recovery and Delivery System (NWRRDS) Project including the Metro-only portion of the project, the E&T 22 well replacement, the Ironwood blend well land acquisition activities, and the AVRP upgrades.

B. Financial Report

Ms. Bracken stated that revenue and expenditures for July are both favorable when compared to a straight-line projection with revenue \$178,515 over budget and expenditures \$164,999 under budget. The revenue in excess of expenditures is favorable by \$343,514. When comparing the total revenue to the same month in the prior fiscal year, revenue through July was lower by 4.91% or \$110,041. The metered water revenue is lower by 3.99% or \$75,719 when compared to the same month in the prior fiscal year. The historic average of budgeted water revenue billed by the end of July is 10% and the District billed 9.75% of the budgeted metered water revenue as of the end of July. The operating expenditures in July were \$10,691 lower than they were at the end of July in the prior fiscal year. The August cash deposit balance was \$24,011,626.13, which is

\$304,370.39 lower than the July balance with \$725,000 of operating funds and \$528,000 of Water Resources Utilization Fees invested. The investments as of the end of August totaled \$19,582,935.19, which is \$1,098,952.14 higher than the July balance.

The Arizona State Treasurer Pooled Collateral Program Statement for July included \$13,605,566.81 of cash on deposit with collateralization coverage of \$13,367,678.15 in addition to the \$500,000 FDIC coverage.

The Capital One Bank MasterCard were used to purchase \$32,255.07 on the August statement with up to 1.25% cash back earnings. The cash back received from transactions processed in July totaled \$410.16 or 1.03%, with an inception-to-date cash back total of \$19,817.31.

Twenty new meter applications were received in August for the Metro Main service area. There were ten new meter applications received in August of the prior fiscal year. Fiscal year-to-date, 25-meter applications have been received compared to 31 at the same time in the prior fiscal year.

C. Approval of Liability Insurance

Mr. Olsen stated that each year, the District must renew its liability insurance coverage for property, automobile, and commercial general. It is recommended that the Board approve the liability insurance coverage to Glatfelter Public Practice, who has provided this service to the District since before 2013. After a careful review of the District's policy, Glatfelter was able to offer the same coverage elements as the previous year for \$163,677, which is an increase of \$15,629. The increase is due to a number of factors including, additionally insured vehicles with the addition of Utility Maintenance Staff, adding property associated with Northwest Recharge, Recovery and Delivery System (NWRDSD), and overall increased property values.

Mr. Sarti moved to approve the Liability Insurance Policy with Glatfelter Public Practice with a total annual premium cost of \$163,677 from October 1, 2022 through September 30, 2023. Mr. Doyle seconded the motion. Motion passed by a roll call vote of 3-0.

D. Adoption of Resolution No. 2022-10 Replacing Resolution No. 1994-9 Regarding the District's Protected Main Policy

Mr. Olsen stated that the District has a Protected Main policy that was established in 1994 under Resolution 1994-9. A protected main is when a developer constructs a water main that has frontage on a property not related to the development. Should that property develop and connect to the

water main, the property owner would pay a protected main fee that would be reimbursed to the developer who constructed the main. The protected main fee is a per linear foot fee based on the diameter of the main, multiplied by the total frontage. Other water entities regularly update this protected main fee based on recent construction costs from developer financed projects and/or their Capital Improvement Program (CIP). The District has not used the protected main reimbursement for over ten years and during the review of relevant policies in advance of the various water service agreements in the Diablo Village service area that will be discussed later in the agenda, we discovered that the protected main fee has not been updated from what was originally established in 1994. The fee established back in 1994, and still valid today, is \$7.50 per linear feet for a 6-inch main. Today, that would not cover 50% of the cost of a 6-inch water main. It is recommended that the Board approve Resolution 2022-10, which will replace the outdated Protected Main policy with two key updates; the term of the protected main reimbursement would be 15 years versus the original 10 years to match other policies in the region, and the fee would not be stipulated in the resolution but would instead be calculated during the review of miscellaneous fees.

Mr. Sarti moved to adopt Resolution No. 2022-10, replacing Resolution 1994-9. Mr. Doyle seconded the motion. Motion passed by a roll call vote of 3-0.

E. Adoption of Resolution No. 2022-11 Establishing a District Protected Facility Policy

Mr. Olsen stated that a protected facility is similar to a protected main where a developer constructs system improvements beyond what is required for their development and receives reimbursement when other parties benefit from the constructed infrastructure. Specifically, a protected facility is based on excess storage capacity. When a reservoir is constructed, there are instances where the reservoir capacity is greater than the amount of storage needed to serve the new development. In these instances, the total number of 5/8-inch equivalent meters are calculated that could be served by the new storage. The number of 5/8-inch meters that the developer would use at full build-out is subtracted from the reservoir storage, leaving the remaining excess meter equivalents eligible for a protected facility reimbursement. The protected facility fee is calculated by taking the total cost of the reservoir and supporting infrastructure elements and dividing by the total amount of 5/8-inch meters that the reservoir could serve. That way the developer's maximum reimbursement would only be proportional to constructed excess capacity. Similar to the Protected Main policy, it is recommended that the Protected Facility policy would also have a 15-year term with no reimbursements collected after that term.

Mr. Sarti moved to adopt Resolution No. 2022-11 establishing a Protected Facility policy. Mr. Doyle seconded the motion. Motion passed by a roll call vote of 3-0.

F. Approval of Water Service Agreement for Wildflower Phase 1 Off-Site (M-22-005), (M-22-006), (M-22-007), & (M-22-008)

Mr. Olsen stated that Items F, G (Approval of Water Service Agreement for Tucson Mountain Ranch Off-Site (M-22-010), and H (Approval of Water Service Agreement for Vahalla Ranch Estates Off-Site (M-22-009) are interrelated and would be discussed together. Each motion would then be considered individually.

Mr. Olsen stated that for over eight years, District Staff have been working closely with the multiple developers in the Diablo Village service area in an effort to create an integrated water system as opposed to a patchwork of infrastructure improvements. The developers ultimately agreed that there would be economies of scale in partnership and we are fortunate that they jointly hired the services of a lead collaborator/negotiation, Michael Racy, to help guide their partnership. Ms. Bowen, Mr. Shepard, and Tim Dinkel, the District's Engineering Manager, have been instrumental in ensuring these negotiations stayed on track and would result in a system that is both resilient and reliable. This has been a long journey, with countless coordination meetings, numerous iterative reviews of proposed infrastructure plans, and ensuring adherence to the District's construct standards. Three of the initial four water service agreements are on this agenda and the remaining water service agreement, Camino Verde Village, is anticipated to be brought before the Board in the near future. While these are individual water service agreements, there are common infrastructure elements requirements based on the specific development. As such, Ms. Bowen will provide a presentation and then it is recommended that the Board make the three separate motions after questions are addressed.

Mr. Bowen walked the Board through the three water service agreements, and the associated infrastructure requirements for Wildflower, Tucson Mountain Ranch, and Vahalla Ranch Estates.

Mr. Sarti moved to approve the water service agreement for Wildflower Phase 1 Off-Site. Mr. Doyle seconded the motion. Motion passed by a roll call vote of 3-0.

G. Approval of Water Service Agreement for Tucson Mountain Ranch Off-Site (M-22-010)

Mr. Sarti moved to approve the water service agreement for Tucson Mountain Ranch Off-Site. Mr. Doyle seconded the motion. Motion passed by a roll call vote of 3-0.

H. Approval of Water Service Agreement for Vahalla Ranch Estates Off-Site (M-22-009)

Mr. Sarti moved to approve the water service agreement for Vahalla Ranch Estates Off-Site. Mr. Doyle seconded the motion. Motion passed by a roll call vote of 3-0.

VI. General Manager's Report

Mr. Olsen stated that in December of last year, the Board approved the recommended Specific Performance Objectives (SPO) for calendar year 2022. As a reminder, the SPOs are special initiatives meant to augment, not replace, the District mission. As we are now about 75% into the calendar year, this was an appropriate time to provide the Board a status update on the various SPOs as part of the General Manager's report.

- 1) Succession planning. While continuing to onboard and fill position vacancies as soon as possible, we have taken a number of steps this year to ensure succession planning as we continue to face retirements of long-term Staff. Some examples include:
 - Adding a new IT position, an IT Analyst, to provide continuity and backfill on one deep position accomplished by the Network Administrator, or the Chief Financial Officer (CFO) in some cases. This also allows the growth in the IT arena within the District as opposed having to hire someone entirely unfamiliar with the District's unique IT needs, software and platforms if the Network Administrator retires. Also, the District's IT needs have grown substantially with the incorporation of new technological packages over the past eight years and there exists plenty of work for more than one full-time equivalent (FTE).
 - Ensuring growth potential from a Customer Service Representative (CSR) I to a Customer Service Supervisor, we recently reclassified one of the District's CSR IIs to a CSR III or a Lead CSR. This eliminates a gap in the CSR ladder and enables continuity and growth.
 - Recruiting for an Industrial Electrician that will increase the capability of the District and provide growth potential and continuity
 - Holding weekly operator training sessions where Mr. Shepard and I cover operator related topics including operator math. As a result, Staff in all teams have continued to obtain their operator certifications with last week Staff in Engineering, Water Sustainability, and Utilities all obtaining additional certifications.
- 2) Bubble Map: A bubble map is a schematic map of system operations with key information that can be gleaned on a moment's notice. This is intended to take Mr. Shepard's encyclopedic knowledge of the system and capture in a way that others can easily interpret.

We started with Hub as that was both complex enough to make it a viable test product but not nearly as complex as Metro Main. The second draft of the Metro Hub bubble map is completed. We will continue to work to finish these products.

- 3) Review of each Position Description and identify one-deep tasks. Billie Sue Morelli, the District's Human Resources Manager, has gone through over half the position descriptions and identified with the appropriate supervisor the duties that are one deep. We have already worked mitigating strategies as discussed under the succession planning item, and will likely spent next year addressing the other identified single points of knowledge.
- 4) Decompress Utility Staff and equipment. We have already relocated various trailers and special purpose vehicles out of the main utility yard to other secure sites in the District. A conceptual layout has also been developed for a potential building expansion but we will continue to prioritize that item among other new emerging needs the District will be juggling, which we will discuss further in the future. Other staging options/layout optimizations are also being explored.
- 5) Continuing the 5-Year IT and Security improvements plan. Both plans have continued to be funded in the fiscal year Adopted Budget. Staff are working sequentially through the various sites to enhance the security elements including cameras and lighting though at the current rate, the plan may end up being a 6-year plan before the identified items are completed. The IT plan will be more of a continual ongoing plan to replace aging hardware, equipment, and upgrade licenses as needed.
- 6) Construction of the Partner and Metro-only portion of NWRDRS. NWRDRS has been delayed but Staff submitted up to \$5 million in grant funding. The Partners agree to rebid, when appropriate, seeking cost savings alternatives with a contractor review, and also submitted Water Infrastructure Finance Authority of Arizona (WIFA) principal forgiveness for the Metro-only portion of NWRDRS.

Last month's prediction at the Board meeting that the Bureau of Reclamation would declare a Tier 2a shortage was correct but the hope that the Bureau would enforce a much needed 2-4 million AF reduction to the Colorado River System did not occur. As previously mentioned, the District is not shorted under a Tier 2a but the District's Central Arizona Project (CAP) OM&R rates would increase. I am hopeful that next year the Bureau will take the leadership to force the overall needed reductions give the declining Powell levels that could ultimately make it difficult to even deliver a minimal release to Lake Mead.

Discussion ensued.

As you all know, Ms. Bracken, the District's CFO of almost nine years, has announced her retirement later this year. To ensure we are able to accomplish the District mission, I have decided to reorganize the Administration Team until such time when the job market is conducive for a CFO recruitment. As part of this reorganization, Ms. Bracken will work part-time following her retirement and will focus on primarily financially related tasks. Duties have also been distributed among other finance Staff to ensure continuity and back-fill capability. I will take the direct supervision of the Financial Control Supervisor and the Customer Service/Billing Supervisor at the end of this month to ensure daily coverage support. IT will also be relocated to the Engineering Team at the end of this month and Ms. Bowen is already getting up to speed on the current IT initiatives and goals. Thank you to Ms. Bracken for continuing to serve the District even after her retirement.

On October 2, 2022, the District turns 30 years old.

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 October 12, 2022.

IX. General Comments from the Public

There were no comments from the public.

X. Adjournment

The meeting adjourned at 6:56 p.m.

Richard Sarti, Chair of the Board

Theo Fedele, Clerk of the Board