

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

WEDNESDAY, OCTOBER 11, 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)
Bryan Foulk, Member (Participated Electronically)
Richard Sarti, Member

Board Members Not Present: Scott Schladweiler, Vice Chair

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, Chair of the Board of Directors of the Metropolitan Domestic Water Improvement District (District), called the Board Meeting to order at 6:03 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 – September 11, 2023 Board Meeting
- B. Ratification of Billing Adjustments
- C. Ratification of Accounts Removed from Active Accounts Receivable

- D. Ratification of Bill of Sale The Place at Arroyo Verde (M-21-001A – Phase 1) and (M-21-001B – Phase 2)

Mr. Sarti moved to approve the consent agenda. Mr. Foulk seconded the motion. Motion passed by a roll call vote of 4-0.

IV. General Business – Items for Discussion and Possible Action

A. Monthly Status of the District

Mr. Olsen stated that the combined fiscal year-to-date consumption for all service areas compared to Fiscal Year 2023 is 9.3% higher.

All but 102 acre-feet (AF) of the planned water for groundwater storage facilities has been delivered and stored. The 102 AF was turned back by one of our Groundwater Savings Facilities (GSF) partners due increased precipitation causing a lack of demand. This turned back water will be stored at the District's Avra Valley Recharge Project (AVRP) facility by the end of the calendar year to ensure our entire order of 8,460 AF is stored.

Since the last Board Meeting, the construction of the Advanced Oxidation Process (AOP) Treatment facility has commenced at the South Shannon well lot. The construction of the AOP facility is funded by Arizona Department of Environmental Quality (ADEQ), under their Water Quality Assurance Revolving Fund (WQARF) program, since the Shannon well is the only well actively treating the El Camino Del Cerro contaminant plume.

Once constructed, the AOP will be able to treat the full flow from the Shannon well. Staff are also coordinating the updated reimbursement agreement for Operations and Maintenance (O&M) costs with ADEQ. Photographs were shown of the equipment for the AOP Treatment facility.

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 revenue and expenditures for August are both favorable when compared to a straight-line projection with revenue \$698,532 over budget and expenditures \$105,612 under

budget. The revenue in excess of expenditures is favorable by \$804,144. When comparing the total revenue to the same month in the prior fiscal year, revenue through August was higher by \$888,480 or 21.32%. The metered water revenue is higher by 15.84% or \$557,282 when compared to the same month in the prior fiscal year. The historic average of budgeted water revenue billed by the end of August is 21% and the District has billed 20.23% of the budgeted metered water revenue. The operating expenditures in August were \$221,021 higher than they were at the end of August in the prior fiscal year. The September cash deposit balance was \$35,813,741.07, which is \$1,106,030.95 higher than the August balance. The investments as of the end of September totaled \$15,806,783.47, which is \$18,824.62 higher than the August balance.

The Arizona State Treasurer Pooled Collateral Program Statement for August included \$19,629,609.88 of cash on deposit with collateralization coverage of \$19,512,202.08 in addition to the \$500,000 FDIC coverage.

The Capital One Bank MasterCards were used to purchase \$41,337.67 on the September statement with up to 1.25% cash back earnings. The inception-to-date cash back total is \$24,160.58.

Three new meter application was received in September for the Metro Main service area. There were eighteen new meter applications received in September of the prior fiscal year. Fiscal year-to-date, 12-meter applications have been received compared to 43 at the same time in the prior fiscal year.

C. Approval of Audit for Fiscal Year 2023

Ms. Bracken stated that Hinton Burdick CPA's and Advisors, the District's independent auditors, have examined the District's financial records, accounts, business transactions, accounting practices, and internal controls for Fiscal Year 2023. The independent auditors are required to issue the Board of Directors a report expressing a professional opinion about the District's financial practices; specifically, whether the financial statements: "fairly present the financial position of the organization" without any inaccuracies or material misrepresentations.

Hinton Burdick has issued an opinion stating that the District's financial statements are presented fairly, in all material respects, and they properly represent the financial position of the District as of June 30, 2023 and June 30, 2022. This opinion also provides a better understanding of what is reviewed during the audit and the standards that must be followed to achieve this opinion.

Ms. Bracken expressed her appreciation to the Financial Team and commended Shane Oman, Finance Manager, for taking the lead on the audit this year including reviewing the general ledger transactions, and implementing new processes that provide additional checks and balances to

ensure all of the transactions are posted correctly. Staff's great attention to detail and pride in their work throughout the year have attributed to clean and perfect audits over the past nine years and the Auditors had nothing to report in the Audit Exit Interview.

The Statement of Net Position shows a total net position of \$139,171,184, which is an increase of \$12,984,601 when compared to the prior fiscal year. Assets and deferred outflows of resources increased \$9.93 million and liabilities and deferred inflows of resources decreased by \$3.05 million. The District's total assets and deferred outflows totaled \$160,471,429 as of June 30, 2023.

Mr. Olsen stated that the District has received another clean audit thanks to embracing the internal controls, policies, and procedures as well as the great work by Ms. Bracken, Mr. Oman, and the District's Administration Team.

Mr. Sarti moved to approve the independent audit of the District's Financial Statements for Fiscal Year 2023 as presented. Mr. Foulk seconded the motion. Motion passed by a roll call vote of 4-0.

D. Authorizing the Field Survey and Legal Descriptions, Cultural, and Environmental Investigations for the Realignment of a Portion of the Transmission Main for the Northwest Recharge, Recovery, and Delivery System

Mr. Olsen stated that staff submitted the final NWRRDS transmission main plans to Arizona Department of Transportation (ADOT) in February of 2022 and six months later, ADOT responded that future I-10 improvements would necessitate moving the waterline in the future if left on the current alignment. Since March of 2023, staff has proceeded with easement acquisition activities for four parcels along the new alignment. To continue this effort, legal descriptions, various surveys, and native plant inventory are required. Rick Engineering and Carollo Engineers are currently the District's as-needed consultants and it is recommended that the work be split between them based on their expertise and tasks to be accomplished. This would be for a combined not to exceed amount of \$138,011.

Mr. Sarti moved to authorize the General Manager to negotiate and execute agreements with Rick Engineering and Carollo Engineers for survey and environmental services for a combined value of \$138,011 and to authorize the General Manager to increase the purchase amount by \$13,801 to address any unforeseen conditions. Mr. Foulk seconded the motion. Motion passed by a roll call vote of 4-0.

E. Authorizing the Installation of Pipe Crossings along Avra Valley Road

Mr. Olsen stated that staff recently became aware of a paving project along Avra Valley Road that would result in a pavement moratorium. This is concerning as the NWRDRS transmission main will cross Avra Valley Road in multiple locations and the pavement moratorium would impact one of these crossings, substantially increasing the cost. To avoid this cost increase, the placing of the pipe crossing will either be added as part of the Town of Marana's paving contract or under a Job Order Contract (JOC) prior to the paving activities. It is recommended that the Board provide the General Manager with the authority to negotiate and execute an agreement with the suitable contractor to accomplish this work and save significant cost increases. The budget level cost estimate for the crossing is \$100,000 and would be split proportionally among the NWRDRS partners with the District's cost approximately \$38,500.

Mr. Foulk departed at 6:20 p.m. and returned at 6:22 p.m.

Mr. Sarti moved to authorize the General Manager to negotiate and execute an agreement with a suitable contractor in an amount not to exceed \$100,000 to install a pipe crossing along Avra Valley Road in advance of a Marana paving project. Mr. Foulk seconded the motion. Motion passed by a roll call vote of 4-0.

F. Approval of Long Lead Time Material Purchases for E&T 22A Equipping and Authorization to Utilize Sourcewell as an Additional Cooperative Purchasing Program

Mr. Olsen stated that since the E&T22A replacement well has been drilled, the next step is to proceed with the equipping of the new well. Currently, there are long lead times for various elements of the well infrastructure and waiting to order these materials until the in-house design plans are 100% could delay the targeted completion date of April 2024. These items are already known and would not change during the finalization of the design. This April 2024 target was selected to provide ample time to allow for the required financial notifications to occur with Water Infrastructure Finance Authority of Arizona (WIFA) before the end of the fiscal year.

Note: Mr. Doyle remained on the conference call, but, due to technical difficulties, was unable to participate in the motions.

Mr. Sarti moved to approve and authorize staff to purchase long lead time equipment and materials for the E&T 22A well equipping with a not-to-exceed amount of \$200,000. Mr. Foulk seconded the motion. Motion passed by a roll call vote of 3-0.

Mr. Sarti moved to authorize staff to use Sourcewell for cooperative purchasing as needed. Mr. Foulk seconded the motion. Motion passed by a roll call vote of 3-0.

G. Presentation on the District's Water Resources Team

Mr. Olsen stated that as part of the District's on-going series of educational presentations to the Board, Wally Wilson, Water Resources Manager, will be providing a presentation.

Mr. Wilson provided a presentation on the activities and initiatives of the Water Sustainability Team.

V. General Manager's Report

Mr. Olsen stated that last month, he had the privilege to represent the District at WIFA's Water Conservation Grant Review Committee regarding the District's requested \$3 million grant for the District's NWRDSD Program. The grant was submitted for only the District's share of the partnered NWRDSD infrastructure, along with the District only components. As such, the District would be providing close to a \$28 million cost match to the requested \$3 million grant. The Town of Oro Valley also attended the meeting for the grant they submitted for their NWRDSD Program. The Grant Committee grappled with how to quantify physical water conservation on NWRDSD as this Program saves groundwater as opposed to reducing water consumption. Mr. Olsen clarified that the District submitted this grant request under the category that improves aquifer health and that the District's Program would replace up to 168,000 AF of groundwater pumping with renewable water resources if only for the remaining term of the Intergovernmental Agreement (IGA) was used at the anticipated construction completion date. After extensive discussion, the Committee voted unanimously to recommend the WIFA Board award this grant to the District as well as to the Town of Oro Valley on their NWRDSD Program grant request. Next Wednesday, October 18, 2023, Mr. Olsen will be at the WIFA Meeting, with the Town of Oro Valley, to defend the respective grant requests to the WIFA Board and hopefully secure the District's \$3 million for NWRDSD and \$6 million for southern Arizona.

Last month, Mr. Olsen also attended the Arizona Water Banking Commission where direction was provided to Bank staff on two key items. While the Bank has a funding stream and approval to purchase long-term storage credits to firm water supplies in times of shortage, the rate the Bank can offer is only what the Central Arizona Project (CAP) delivery rate is per AF. Given that the Bureau of Reclamation (BOR) is providing a substantially higher compensation per AF under their System Conservation Implementation Agreement (SCIA), it has been difficult for the Bank to find entities that would sell water at this cost. As such, the Bank has been authorized to proceed with a market study on water credit valuation, which can then be used to determine the purchase price. While a higher cost would reduce the quantity of water purchased, this would still be beneficial compared to not being able to purchase any water when firming goals still need to be reached.

Secondly, the Commission agreed with the recommendation from Bank staff to research and potentially pursue recycled water credit purchases as these credits were a substantial portion of the credit purchases in Arizona over the past decade and could also provide another tool to move closer in reaching the firming goals.

Next week is also the next Governor's Water Policy Council Assured Water Supply Committee. The recent meetings have focused on reviewing and providing recommendations on Arizona Department of Water Resources' (ADWR) groundwater model as well as how to implement a hybrid assured water supply designation. Given the work remaining on the core items assigned to the Committee, it is unlikely that any new subjects will be discussed/addressed prior to the end of the year when the recommendations are due to the Governor from the Council.

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 November 13, 2023.

VIII. General Comments from the Public

There were no comments from the public.

IX. Adjournment

The meeting adjourned at 6:57 p.m.

Lee Jacobs, Chair of the Board

Theo Fedele, Clerk of the Board