

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

WEDNESDAY, OCTOBER 13, 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)
Bryan Foulk, Member
Lee Jacobs, Member

District Staff: Joseph Olsen, General Manager
Sheila Bowen, District Engineer
Diane Bracken, Chief Financial Officer (Participated Electronically)
Steve Shepard, Utility Superintendent
Wally Wilson, Water Resources Manager
Theo Fedele, Clerk of the Board
Mark Patton, 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, Lee, Jacobs, Richard Sarti, and Judy Scrivener were present.

II. General Comments from the Public

There were no comments from the public.

III. Consent Agenda

- A. Approval of Minutes – September 13, 2021 Board Meeting**
- B. Ratification of Billing Adjustments**
- C. Ratification of Accounts Removed from Active Accounts Receivable**

D. Approval of Water Service Agreement for Jaynes Station Ranch, Lots 1-12 (M-21-005)

Mr. Foulk moved to approve the consent agenda. Mr. Sarti 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

Mr. Olsen stated that the Fiscal Year 2022 consumption compared to last fiscal year-to-date continues to trend lower in all service areas with a 12.9% decrease in Metro Main, a 22.5% decrease in Metro Hub, and a 9.9% decrease in Metro Southwest. As stated last month, this trend make sense considering the significant amount of precipitation received this year compared to last year.

Drilling activities have commenced on a new production well, named DV-3, in the Diablo Village Service area. The construction, drilling, and equipping of the new well is being paid for and accomplished by a developer to support a master planned development. Staff is providing oversight to the drilling activities to ensure compliance with District standards. The well has been drilled to a depth of 1,000 feet and water quality analyses are being conducted.

Mr. Shepard provided an update on noteworthy maintenance projects and photos were shown regarding a valve installation along Oracle Road.

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

B. Financial Report

Ms. Bracken stated that revenue and expenditures for August are both favorable when compared to a straight-line projection with revenue \$475,680 over budget and expenditures \$270,441 under budget. The revenue in excess of expenditures is favorable by \$746,121. When comparing the total revenue to the same month in the prior fiscal year, revenue through August was lower by 12.89% or \$639,907. The Metered Water Revenue is lower by 9.04% or \$350,321 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 billed 18.94% of the budgeted metered water revenue as of the end of August. The operating expenditures in August were \$634,047 higher than they were at the end of August in the prior fiscal year. The September cash deposit balance was

\$24,725,476.34, which is \$482,048.12 higher than the August balance. The investments as of the end of September totaled \$12,650,184.47, which is \$225,417.05 higher than the August balance.

The Arizona State Treasurer Pooled Collateral Program Statement for August included \$12,428,732.21 of cash on deposit with collateralization coverage of \$12,167,306.85 in addition to the \$500,000 FDIC coverage.

The Capital One Bank MasterCards were used to purchase \$33,648.58 on the September statement with up to 1.25% cash back earnings. The cash back received from transactions processed in August totaled \$371.87 or 1.01%, with an inception-to-date cash back total of \$16,036.84.

Nineteen new meter applications were received in September with 14 meter applications for the Metro Main service area and 5 meter applications for the Metro Southwest service area. There were 27 new meter applications received in September of the prior fiscal year. Fiscal year-to-date, 50 meter applications have been received compared to 156 at the same time in the prior fiscal year.

C. Approval of the Audit for Fiscal Year 2021

Ms. Bracken stated that the District's independent financial auditors from HintonBurdick, have reviewed the District's ledgers, transactions, reconciliations, and internal controls for Fiscal Year 2020 as required by the District's Bond resolutions.

District staff are responsible for the preparation and fair presentation of these financial statements in accordance with Generally Accepted Accounting Principles. This includes the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statement that are free from material misstatements, whether due to fraud or error.

The Auditors performed procedures to obtain audit evidence about the amounts and disclosures in the financial statement, and they have provided a completely objective opinion that the District's financial statements fairly present, in all material respects, the financial position of the District in conformity with accounting principles generally accepted in the U.S. and the Governmental Accounting Standards Board (GASB).

When planning and performing the audit, the Auditors consider the District's internal control over financial reporting to determine what audit procedures are appropriate for the circumstances. During this process, they did not identify any deficiencies in the financial internal controls.

Fiscal Year 2020 ended with a net position increase of \$12.1 million. The ending net position is \$104,697,783.

The total District assets and deferred outflow of resources increased \$9.6 million and the liabilities and deferred inflows of resources decreased by \$2.5 million.

The total operating revenue was \$2.2 million higher with Metered Water Revenue increasing \$1.2 million when compared to the prior fiscal year. Operating expenses were \$933,428 higher than the prior fiscal year.

The income from operations totaling \$9.1 million. Non-operating income and expenses had a net total of \$1.5 million creating an income before contributed capital of \$10.6 million.

The District received \$1.5 million of contributed capital in Fiscal Year 2020. Ending the fiscal year as previously stated with a net position increase of \$12.1 million and a net position is \$104.7 million.

Mr. Sarti moved to approve the independent audit of the District's Financial Statements for Fiscal Year 2021 as presented. Mr. Jacobs seconded the motion. Motion passed by a roll call vote of 5-0.

D. Approval for Site Security Upgrades

Mr. Olsen stated that one of the Board assigned calendar year 2020 specific performance objectives for the District was to perform a site by site security assessment of District facilities and to create a multi-year program to address needed security upgrades. The Fiscal Year 2022 adopted budget includes capacity to accomplish phase 1 of the planned security upgrades. Metro Main's adopted budget includes \$100,460 and Metro Southwest's adopted budget includes \$64,900 for these planned security upgrades. As there are security upgrades planned at multiple sites this year, and the costs will vary depending on the site, it is recommended that the Board approved the overall security upgrade program in an amount not to exceed the adopted budget and to utilize District vendors and Emergency and Miscellaneous Electrical job order agreements as necessary to perform the upgrades.

Mr. Foulk moved to approve the security upgrades at District facilities, to authorize staff to utilize the District's Procurement Policy for material acquisition, and to utilize the District's job order agreements for contracted services not to exceed the budget amounts identified in the Fiscal Year 2022 adopted budgets. Mr. Jacobs seconded the motion. Motion passed by a roll call vote of 5-0.

E. Presentation on the Lower Santa Cruz River Basin Study

Mr. Olsen stated that for approximately five years, the Bureau of Reclamation and multiple regional partners, including the Southern Arizona Water Users Association (SAWUA), have

partnered to perform an in-depth study of the Lower Santa Cruz River Basin. The results of this study are intended to provide a strategic overview of potential future supply and demand conditions in the basin as well as to assist water resource planning for water users in the region. Mr. Wilson, the District's Water Resources Manager, has served a key leadership role throughout the basin study on behalf of both SAWUA and the District. Mr. Wilson provided a presentation on the relevant highlights of the study.

VI. General Manager's Report

Mr. Olsen stated that nearly all employers are having difficulty filling vacant positions with many jobs remaining open and unfilled. Fortunately, due to the numerous retention initiatives, broad recruiting strategies, and Billie Sue Morelli, the District's Human Resources Manager's, tireless efforts, that we currently only have one vacancy among the 57 District staff positions. The vacancy is for a Utility Technician II and we are in the process of on-boarding a candidate that was competitively selected for that position. While staffing statistics are certainly based on a snap-shot in time, we are on track to have 100% staffing levels during a period when some other utilities in the region are struggling with nearly a 20% vacancy rate.

It has been two months since the Board authorized the District's policy on *Special Pay for ADEQ Operator Certifications*. The policy has already begun to accomplish the desired outcome by motivating staff to obtain higher operator certifications than required by their position description. Since the policy's implementation, seven additional operator certifications have been earned by staff and interest has been expressed by staff in all teams, and among numerous classifications, to obtain operator certifications. On behalf of all staff, I would like to thank the Board for approving this policy that is already directly benefiting the District mission.

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 November 8, 2021.

IX. General Comments from the Public

There were no comments from the public.

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X. Adjournment

The meeting adjourned at 6:52 p.m.

Judy Scrivener, Chair of the Board

Theo Fedele, Clerk of the Board