

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

WEDNESDAY, OCTOBER 14, 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
Jim Doyle, Member
Bryan Foulk, 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.

II. General Comments from the Public

There were no comments from the public.

III. Consent Agenda

- A. Approval of Minutes – September 14, 2020 Board Meeting**
- B. Ratification of Billing Adjustments**
- C. Ratification of Accounts Removed from Active Accounts Receivable**

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

IV. General Business – Items for Discussion and Possible Action

A. Monthly Status of the District

Fiscal Year 2021 consumption compared to last fiscal year-to-date is 5.6% higher in Metro Main, 3.7% higher in Metro Hub, and 10.9% higher in Metro Southwest. The overall increase in consumption continues to track with the significantly lower precipitation this year versus last year.

As of September, 9,263 acre-feet (AF) of the District's 9,960 AF of Central Arizona Project (CAP) order has been delivered to Groundwater Savings Facility (GSF) partners or the District's Avra Valley Recharge Project (AVRP) facility with the remaining 700 AF on track to be completed this calendar year. The planned 3,500 AF of the City of Phoenix Inter-AMA firming water and 2,000 AF of the Arizona Water Banking Authority water has been stored at AVRP.

One of the Board assigned specific performance objectives for the District this calendar year is to partner with the Arizona Department of Environmental Quality (ADEQ) to analyze potential treatment options for 1,4-dioxane at the South Shannon Treatment Facility. The rising 1,4-dioxane levels in the area of the South Shannon Well require the remediated water to be blended with other nearby wells, reducing the total amount of water that can be pumped and remediated as the current treatment does not mitigate 1,4-dioxane. In addition to hiring a consultant to perform a cost estimate for 1,4-dioxane treatment, ADEQ also commissioned a consultant to refine the groundwater flow model to better predict how the contaminate plume would react to additional pump and treat volumes that would be made possible with the addition of 1,4-dioxane treatment. Staff is continuing to work closely with the consultant to ensure correct inputs for the various pumping scenarios. ADEQ is updated regularly on the increasing trend of 1,4-dioxane at one of the District's blend wells to highlight the importance of ensuring the only active pump and treat well for this contaminate plume is able to continue operating.

Mr. Shepard provided an update on noteworthy maintenance projects. District staff replaced the flow meter on the Las Palmas West well. The Oracle Jaynes Booster #4 motor was pulled for rewind and bearing replacement and should be back in service next week. Staff repaired a leak on an 8" main at Las Lomitas and Shannon as well as repaired three service lines in Metro Southwest. The parts for the valve exercise machine have been received and staff will resume exercising valves this month. Staff participated in an Arizona Water/Wastewater Agency Response Network (AZWARN) statewide functional exercise.

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

Mr. Sklar stated there are no new updates regarding the condemnation activity. The next hearing with the judge will be later this month.

B. Financial Report

Ms. Bracken stated that revenue and expenditures for August are both favorable when compared to a straight-line projection with revenue \$1,202,572 over budget and expenditures are \$264,683 under budget. The revenue in excess of expenditures is favorable by \$1,467,255. When comparing the total revenue to the prior fiscal year, revenue in August was 5.28% or \$249,148 higher than it was in August 2019. The August Metered Water Revenue total is 4.28% or \$159,143 higher than the prior fiscal year. The historic average of budgeted water revenue collected as of the end of August is 21% and the District has billed 21.8% of the budgeted water revenue as of the end of August. The operating expenditures in August totaled \$1,977,737 compared to \$1,962,757 spent in August of the prior fiscal year. The September cash deposit fund balance was \$17,021,693.92, which is \$131,736.87 higher than the August balance. The investment balance as of the end of September was \$12,264,896.37, which is \$580,367.15 higher than the August balance.

The Arizona State Treasurer Pooled Collateral Program Statement for August includes \$7,898,936.76 of cash on deposit with collateralization coverage of \$7,801,915.50 in addition to the \$250,000 FDIC coverage.

The Capital One Bank MasterCard's were used to purchase \$24,888.45 on the September statement with up to 1.25% cash back earnings. The cash back received from transactions processed in August totaled \$415.91 or 1.1% with an inception-to-date cash back total of \$11,349.16.

Twenty-seven new meter applications were received in September with 9-meter applications for the Metro Main service area and 18-meter applications for the Metro Southwest service area. There were 32 new meter application received in September of the prior fiscal year. The year-to-date total is 156 meter applications compared to 109 at the same time in the prior fiscal year.

On September 22, 2020, Moody's issued a press release to announce that the District was assigned a bond credit rating of Aa3. Moody's Vice President of Public Finance Group stated that the District improved in every metric that was within our control. However, factors such as the size of the District and the average income in the area are 85.8% of the U.S. average, were outside of our

control. The Median Net Revenue for Aa2 is \$28.2 million and the District was at \$12.1 million at the end of Fiscal Year 2020.

On September 24, 2020, the Public Offering Statement was released and the bonds were sold on October 6, 2020. The demand for the District bonds was 2.3 times the available bonds with companies bidding on District bonds that have not participated in the past due to the current financial strength of District. With a premium on the bonds of \$904,303.80 and a reduction in interest payments of \$123,972.28, the bond refunding had a positive cash flow of \$1,028,276.08 along with reducing the amount of outstanding principal debt by \$4,457,881.28. The principal amount refunded was \$9,265,000, with a true interest cost of 0.65%. The bond closing is scheduled for October 20, 2020.

C. Approval of the Audit for Fiscal Year 2020

Ms. Bracken stated that the District's Independent Auditor's from HintonBurdick, have reviewed the District's ledgers, transactions, reconciliations, and internal controls for the fiscal year ending June 30, 2020. District staff are responsible for the preparation and fair presentation of the 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 to ensure they are free from material misstatements, whether due to fraud or error.

The Auditors performed procedures to obtain 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 District's financial internal controls.

Fiscal Year 2020 ended with a net position increase of \$12.1 million and an ending net position of \$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 totaled \$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.

Mr. Sarti moved to approve the independent audit of the District's Financial Statements for Fiscal Year 2020 as presented. Mr. Doyle seconded the motion. Motion passed unanimously.

D. Authorizing the Use of Recruiting Assistance for Vacant District Positions

Mr. Olsen stated that historically, when the District needed to fill a vacant position, the position would be internally and or externally advertised, resumes would be screened for minimum qualifications, and the resulting pool of candidates would be competitively interviewed to identify the best individual to fulfill the responsibilities of the classification. For the past couple years, there has been a shortage of qualified applicants in certain technical specialties, such as engineering. While the Country's total unemployment rate for September of 2020 was 7.7%, civil engineers have trended much lower with one report showing less than 1% of civil engineers unemployed.

Over the past two years, the District has attempted to fill a vacant position in engineering, each time resulting in a very small qualified candidate pool with the selected candidate having to decline the District's employment offer for various reasons. The District's Human Resources Manager, Billie Sue Morelli, also performed a compensation analysis for the vacant engineering positions, which found the District's compensation exceeds that of other governmental entities in the Tucson region. The various engineering consultants are able to offer a salary that would exceed that of the District but typically requires substantially more hours worked than the standard work week.

While the focus is presently on filling the two current vacancies in engineering, the technical labor shortage also applies to other specialties to include the finance and accounting arenas, which has been hovering at about a 1.4% unemployment rate. As such, it is recommended that the District utilize the services of a recruiting firm to assist in obtaining a qualified candidate pool for these difficult to fill positions. There are numerous firms that specialize in such activities and they share a similar fee structure of roughly 20% of the annual hiring salary if a candidate they recommended is hired by the District. This 20% could potentially exceed the \$15,000 General Manager's authority under the District's Procurement Policy. Should the District not utilize the recruiting firm's candidate, there is no fee incurred. Given that the engineering position has been vacant for such a long duration, this fee would be covered with vacancy savings should the District hire a recruiting firm's candidate.

There may also be instances where an incumbent in a difficult to fill position is planning to retire and an overlap would be beneficial for continuity. In such instances, the fee would be covered by the relevant line item in the approved budget. Presently that would be under the General Manager

Team/Administration Team's Miscellaneous Consulting Services in the current approved budget and future budgets may include a line item specifically for the recruiting services.

As such, it is recommended that the Board authorize the General Manager to utilize recruiting firms to help identify candidates for difficult to fill positions.

Mr. Sarti moved to authorize the General Manager to utilize a recruiting firm to help identify candidates for difficult to fill positions using vacancy savings from the position to be filled or through capacity allocated in the approved budget. Mr. Doyle seconded the motion. Motion passed unanimously.

E. Presentation of the District's Well Drilling Activities

Mr. Olsen stated that as part of the on-going series of educational presentations to the Board, Wally Wilson, the District's Water Resources Manager, will provide a presentation of the various steps involved in drilling and testing a new production well. The photos and examples that Mr. Wilson will refer to are the recent drilling and current production testing of the three NWRRDS recovery wells. As the capacity of the NWRRDS wells are shared equally with our cost-share partner Oro Valley, Peter Abraham, the Oro Valley Water Utility Director, was able to virtually join the presentation.

Mr. Wilson provided a presentation and video on the various steps involved in drilling and testing a new production well.

Ms. Scrivener asked the depth of the well. Mr. Wilson stated that the boreholes were drilled to 620 feet to land at 600 feet at the bottom of the screen and whatever was left open over 600 feet was pea graveled and constructing continued from there.

VI. General Manager's Report

Mr. Olsen stated that in December of this year, Dan Offret would have reached 20 years of service to the District as a Board Member, supporting the various initiatives and activities crucial to delivering safe, reliable water to our customers. Unfortunately, Dan passed away in his sleep the morning of Saturday, October 10, 2020.

In the years that I knew Dan, he tirelessly worked to support the greater good beyond solely his service to the District, including his many years on the Governor appointed Groundwater Users Advisory Committee (GUAC), attending and participating in numerous water related committees and councils at the Arizona Department of Water Resources (ADWR), and his career at Pima Community College which culminated as the Advanced Program Coordinator. When I talked to

Dan last Wednesday while he was undergoing medical care, he kept saying how sorry he was that he would miss today's Board meeting but that he was looking forward to again participating in November. Even near the end, Dan remained focused on service to others.

Dan also had a never-ending desire to bring joy to others, and an enormously warm personality to match. He was quick to compliment and very rarely ridiculed. Many of us have countless stories of Dan that warrants a smile. From his stories of the salsa dancing that he picked up later in life to how he would respond when someone asked how his day was going, "Never Better," he always wanted to brighten those around him.

We have a tradition at the District when a staff member reaches a year of service milestone where we gather the employee's team and celebrate their accomplishments with their peers along with providing a year of service pin. Dan, today is your day and this is your 20 year pin. Thank you for your service to the District and those around you. The District staff and I are privileged to have known you and you will be missed!

VII. Legal Counsel's Report

Mr. Sklar said he had nothing to report.

VIII. Clerk of the Board Updates; Future Meetings

The next regularly scheduled Board meeting will be held on November 9, 2020.

IX. General Comments from the Public

There were no comments from the public.

X. Adjournment

The meeting adjourned at 6:46 p.m.

Judy Scrivener, Chair of the Board

Theo Fedele, Clerk of the Board