

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

MONDAY, NOVEMBER 13, 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
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

Helen Ireland, a District resident and former Board Member, asked about holding a public meeting to discuss the proposed amendments to the 100-year assured water supply requirements of subdivisions before the amendments are approved. Mr. Olsen stated that public comments and discussion will be hosted by the Arizona Department of Water Resources and any associated bills be available for public comment through the legislative process.

Mr. Olsen further shared information that he planned to include in his General Managers Report later in the agenda that relates to the topics in Ms. Ireland's questions and the Assured Water Supply Committee.

The Governor's Water Policy Council has been both busy and productive between actions taken at the Assured Water Supply Committee and at the Council. Most recently the Council approved moving forward with the implementation of two significant initiatives. The first is the creation of an alternate pathway to obtaining a designation of assured water supply. Currently, a water provider that is on groundwater would lose their historical pumping if they became a designated provider. The concern is that this disincentivizes incorporation of renewable water resources and results in further depletion of the aquifers. The alternative pathway enables providers to keep 70% of their historical groundwater pumping if they obtain a designation and provides a pathway for these providers to then grow off of renewable water resources. Mr. Olsen supported this concept at the Council with the caveat that there should be extensive stakeholder feedback from those impacted as one of the most contested points will be if 30% reduction to historical groundwater pumping is the appropriate amount. Some providers stated this was too high and was too much of a disincentive and while other members stated that this number should be higher.

The second initiative addresses build to rent housing. Currently build to rent housing does not need to follow the requirements of assured water supply as built to own homes. This loophole prevents resident protections, particularly if the home is flipped from rental to individual home ownership. The proposal put forward better defines build to rent, eliminates this loop hole, and provides a grandfathering on ramp. Tomorrow, the Assured Water Supply Committee will be discussing a proposal to address wildcat subdivisions.

III. Consent Agenda

- A. Approval of Minutes – October 11, 2023 Board Meeting**
- B. Ratification of Billing Adjustments**
- C. Approval of Water Service Agreement for Automotive Fueling Bays and C-Store (M-23-005)**

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

Mr. Olsen stated that the combined fiscal year-to-date consumption continues to trend higher when compared to last year for all service areas with a 10.8% increase in Metro Main, a 12.8% increase in Metro Hub, and a 5.5% increase in Metro Southwest.

The construction of the Arizona Department of Environmental Quality (ADEQ) funded Advanced Oxidation Process (AOP) treatment facility at South Shannon is nearing completion and staff will receive technical training on the operation and maintenance of the equipment from the vendor.

Avra Valley Recharge Project (AVRP) basin maintenance is scheduled to occur during the Central Arizona Project (CAP) outage window to allow for adequate drying before our maintenance contractor performs disc harrowing on the basin beds to increase the infiltration rates.

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, the new Linda Vista Well Deepening, and Rose Marie Lane galvanized pipe replacement.

B. Financial Report

Mr. Olsen stated that revenue and expenditures for September are both favorable when compared to a straight-line projection with revenue \$963,581 over budget and expenditures \$168,493 under budget. The revenue in excess of expenditures is favorable by \$1,132,074. When comparing the total revenue to the same month in the prior fiscal year, revenue in September was higher by 16.31% or \$1,051,653. The metered water revenue is higher by 13.94% or \$736,193 when compared to the same month in the prior fiscal year. The historic average of budgeted water revenue billed by the end of September is 30% and the District billed 29.88% of the budgeted meter water revenue as of the end of September. The operating expenditures in September were \$285,828 higher than they were at the end of September in the prior fiscal year. The October cash deposit balance was \$36,710,250.32, which is \$896,509.25 higher than the September balance. The investments as of the end of October totaled \$16,373,431.42, which is \$566,692.92 higher than the September balance.

The Arizona State Treasurer Pooled Collateral Program Statement for September included \$21,003,450.78 of cash on deposit with collateralization coverage of \$20,913,519.80 in addition to the \$500,000 FDIC coverage.

Twenty-one new meter applications were received in October for the Metro Main service areas. There were four new meter applications received in October of the prior fiscal year. Fiscal year-to-date, 33-meter applications have been received compared to 47 at the same time in the prior fiscal year.

C. Approval of Employee Health Insurance Coverage

Mr. Olsen stated that last year, the District offered three health insurance options for employees; a Health Savings Account Plan and two Preferred Provider Organization Plans, one with a lower deductible/higher premium and one with a lower premium/higher deductible. This was to provide various options for employees and their families.

This year, Blue Cross Blue Shield quoted the same three health insurance plan options as offered in calendar year 2023 with a 2% cost increase bringing the total cost in 2024 to \$587,369 based on the current enrollment. To ensure equity, Staff continued to balance the District's contributions to be the same for all plans for the same group i.e., employee only or employee plus family. This means that the District will contribute the same for each employee plan, and if the employee selects a higher benefit plan that they pay the slight increase. Note that in order to ensure parity, staff recommended increasing the District's HSA contributions to the employee/family category from \$140 to \$150 per pay period.

The District also offers two dental insurance options, Employers Dental Service (EDS) and MetLife. EDS is offering the same plan with no increase. Our insurance broker sought out additional dental quotes and Principal was able to provide similar coverage as MetLife at a 14.5% decrease over current premiums. As such, changing from MetLife to Principal for 2024 is recommended.

Given the difference in cost between the two dental plans, and to ensure equity, it is recommended that the District cover the full premium for employees in all categories on the EDS plan. It is also recommended that employees who are in the employee only category of the Principal will also have their full premiums covered, as we did for 2023 under the MetLife plan.

Thank you to Ms. Morelli, the District's Human Resources Manager, who coordinated the renewal with the District's broker, and Ms. Bracken, the District's Chief Financial Officer, who analyzed the District and employee premiums to ensure equitability for staff.

Mr. Foulk moved to approve that Crest Insurance administer a contract for employee medical insurance with Blue Cross Blue Shield on the District's behalf for January 1, 2024 through December 31, 2024 and to approve a contract for employee dental insurance with Employers Dental Service and Principal Dental for calendar year 2024, and to direct the General Manager to implement the employee deductions and HSA contributions as identified in the attached table. Mr. Schladweiler seconded the motion. Motion passed by a roll call vote of 5-0.

D. Adopting Resolutions 2023-7 and 2023-8 Approving the Forms of and Authorizing the Execution of Loan Agreements with the Water Infrastructure Finance Authority of Arizona (WIFA) for Financial Assistance

Mr. Olsen stated that the Board previously approved Resolutions 2023-5 and 2023-6 authorizing the District to execute loan agreements with Water Infrastructure Finance Authority of Arizona (WIFA) for Per- and Polyfluoroalkyl Substances (PFAS) treatment at the DeConcini and Riverside wells. WIFA was able to offer 100% principal forgiveness on these two loans. As in previous loans with WIFA, an additional resolution is required for each loan authorizing the execution of the loan documents. Even though these loans are 100% forgivable principal, WIFA requires this process to ensure compliance with their requirements. The closing dated for these two loans is December 5, 2023. The WIFA Board meets Wednesday, November 15, 2023, to consider approval these two loans on their consent agenda.

Mr. Sarti moved to approve and adopt Resolution 2023-7 that will authorize the District to enter into a loan agreement with the Water Infrastructure Finance Authority of Arizona, in the amount \$375,791.00 to construct a Granular Activated Carbon (GAC) treatment process at the DeConcini well. Staff shall comply with all terms and conditions required to maintain the 100% principal forgiveness for this project. Mr. Foulk seconded the motion. Motion passed by a roll call vote of 5-0.

Mr. Foulk moved to approve and adopt Resolution 2023-8 that will authorize the District to enter into a loan agreement with the Water Infrastructure Finance Authority of Arizona, in the amount of \$364,791.00 to construct a GAC treatment process at the Riverside Crossing well. Staff shall comply with all terms and conditions required to maintain the 100% principal forgiveness for this project. Mr. Schladweiler seconded the motion. Motion passed by a roll call vote of 5-0.

E. Authorizing a Construction Manager at Risk (CMAR) Contract for the Northwest Recharge, Recovery, and Delivery System (NWRRDS) Preconstruction Services

Mr. Olsen stated that it has been almost ten years since he started at the District and over that decade, the initiative that staff collectively spent the most time planning and coordinating is NWRRDS. Today, staff are requesting the Board consider award of the Construction Manager at Risk (CMAR) contractor to construct the partnered elements of NWRRDS. The selection committee conducted a two-step process to select the CMAR contractor, which included reviewing proposals and interviewing the top ranked contractors. The rating committee consisted of two members from each of the NWRRDS Partners of the Town of Oro Valley, the Town of Marana,

and the District, as well as a contractor with relevant industry experience who volunteered to serve on the committee. Arizona Revised Statutes requires a contractor to serve on the selection committee for CMAR projects and brought valuable perspective. After interviews, the committee recommend that this effort be awarded to Borderland Construction Company and was formalized by the NWRRDS Committee via MOA 23006-00. The first step is for Borderland to accomplish the preconstruction services that include field investigations, potholing to locate utilities, permitting coordination, constructability and value engineering review, and the item we are most anticipating, the cost model that will outline the guaranteed maximum pricing (GMPs) for the six identified tasks. These GMPs will serve as the starting point for value engineering recommendations.

The preconstruction services amount is \$197,230.87 and will be cost shared by the NWRRDS partners via MOA 2008-00 with the District's share at \$81,380.91.

Mr. Schladweiler moved to authorize the General Manager to negotiate and execute an agreement with Borderland Construction Company as Construction Manager at Risk for NWRRDS preconstruction services in an amount not to exceed \$197,230.87. Mr. Sarti seconded the motion. Motion passed by a roll call vote of 5-0.

F. Authorizing the General Manager to Execute an Agreement to Award a Contract for E&T 22A for Site Civil Work

Mr. Olsen stated that last month the Board approved the purchase of long-lead time items for the equipping of the E&T 22A replacement well. The next step is accomplishing the site civil work which includes site grading, retaining wall, fencing, and concrete pads. It is recommended that this work is accomplished while the electrical design is being finalized to ensure completion of the well equipping by April 30, 2024.

The District's well maintenance contractor is Smyth Industries but the District's contract with Smyth predates the inclusion of required WIFA language regarding Davis-Bacon wages and American Iron and Steel requirements. Fortunately, the City of Tucson Job Order Contract (JOC) with Smyth does include this language and WIFA concurred that using this contract would meet their requirements.

Mr. Schladweiler moved to authorize the General Manager to execute an agreement with Smyth Industries, Inc., in an amount not to exceed \$210,328.26 for E&T 22A to complete the site civil work, and to grant the General Manager authority to allocate additional funding in a cumulative

amount not to exceed \$25,000 and to increase the original construction contract term in a cumulative amount not to exceed 30 calendar days. Mr. Foulk seconded the motion. Motion passed by a roll call vote of 5-0.

G. Presentation of the District's Employee Relations Team

Mr. Olsen stated that as part of our on-going series of educational presentations to the Board, today Billie Sue will give a presentation on the activities and initiatives of the Human Relations Team.

Ms. Morelli provided a presentation on the District's Human Relations Team.

V. General Manager's Report

Mr. Olsen stated that following the October Board meeting, our \$3 million grant request for the District's components of the NWRRDS program was considered by the WIFA Board. Even though the Water Conservation Grant Review Committee voted unanimously to recommend award, the WIFA Board expressed concerns that NWRRDS would not physically conserve any water. One of the categories under the approved criteria for the conservation grants is groundwater storage and recovery. As the District's NWRRDS program would save up to 168,000 acre-feet (AF) of groundwater over the currently remaining intergovernmental agreement term, WIFA staff concurred that this program met the criteria for grant award. Unfortunately, some WIFA Board members still wished to see physical water conservation versus groundwater preservation. The WIFA Board agreed to consider more refined criteria to rate the groundwater storage and recovery projects. This discussion is supposed to occur by the end of next month.

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 December 11, 2023.

VIII. General Comments from the Public

There were no comments from the public.

Metropolitan Domestic Water Improvement District
Board of Directors Meeting
November 13, 2023
Page 8

IX. Adjournment

The meeting adjourned at 6:52 p.m.

Lee Jacobs, Chair of the Board

Theo Fedele, Clerk of the Board