

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

MONDAY, APRIL 13, 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 (Participated Electronically)
Jim Doyle, Member (Participated Electronically)
Dan M. Offret, Member (Participated Electronically)
Bryan Foulk, Member (Participated Electronically)

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)

PLEASE NOTE: Due to the impacts of the COVID-19 pandemic, this meeting was held remotely through technological means and some of the members of the Board of Directors attended electronically. Members of the public were welcome to attend the meeting but were encouraged to view and listen to the meeting through a link provided on the agenda and meeting notice.

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 6:10 p.m. Jim Doyle, Bryan Foulk, Dan M. Offret, 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 – March 9, 2020 Board Meeting**
- B. Ratification of Billing Adjustments**
- C. Ratification of Accounts Removed from Active Accounts Receivable**
- D. Ratification of Bill of Sale, Sonoran Ranch Estates II, Lots 129-169, Phase 3 (M-19-008)**
- E. Approval of Amendment No. 2 to the Professional Services Agreement for Miscellaneous Geotechnical and Material Testing with Western Technologies, Inc.**
- F. Approval of Amendment No. 2 to the Professional Services Agreement for Miscellaneous Real Estate Consulting with Tierra Right of Way Services, Ltd.**

Mr. Offret moved to approve the consent agenda. Mr. Foulk seconded the motion. Motion passed unanimously.

IV. General Business – Items for Discussion and Possible Action

A. Monthly Status of the District

Mr. Olsen stated that Fiscal Year 2020 combined consumption for all service areas compared to last fiscal year-to-date is 6.4% higher and is a trend that has been consistent for the past few months.

Over half of the City of Phoenix's Inter-AMA firming water has been stored at the District's Avra Valley Recharge Project (AVRP). Deliveries of the District's Central Arizona Project (CAP) order have not yet begun as all of the District's CAP water planned for storage this calendar year will be delivered to the Groundwater Savings Facility (GSF) partners beginning in the late spring to coincide with agricultural water demand.

Staff received and are reviewing portions of the Proposed Remedial Action Plan (PRAP) that the Arizona Department of Environmental Quality (ADEQ) is presently drafting regarding the contaminant plume that the South Shannon Treatment System remediates. In particular, language associated with advanced treatment at South Shannon to address contaminants of concern, like 1,4-dioxane, to ensure the District is able to continue operating the site to remediate the plume. The goal is to have advanced treatment, and associated costs, fully incorporated in the final PRAP.

Mr. Shepard provided an update on the removal of the arsenic treatment media at Hub #3 Vessel #2, the installation of the back-up Pressure Reducing Valve (PRV) at Northeast Reservoir Booster Station (NERBS), installation of a new pump and repairs of the motor at Diablo Village #1 Booster

#1, the annual generator preventative maintenance, and the minor repairs in the Herb Johnson and Tripp Reservoirs.

Ms. Bowen stated the PRV installed at NERBS will help ensure system operations during the installation of the air vacuum valve on the Camino del Fiero pipeline and provided an update on capital projects including the Northwest Recharge, Recovery, and Delivery System (NWRDRS).

Mr. Sklar stated there are no new updates regarding the condemnation activities. The next hearing in the case will be at the end of June 2020.

B. Financial Report

Ms. Bracken stated that revenue and expenditures for February are both favorable when compared to a straight-line projection with revenue \$899,475 over budget and expenditures \$622,208 under budget. The revenue in excess of expenditures is favorable by \$1,521,683. When comparing the total revenue to the prior fiscal year, revenue in February is 8.93% or \$1,326,337 higher than it was in February 2019. The February Metered Water Revenue is 6.58% or \$765,371 higher than the prior fiscal year. The total operating expenditures through February are \$494,039 higher than they were at the end of February 2019. When comparing revenue in excess of operating expenditures, the current year is favorable by \$832,298. The March cash deposit balance was \$13,402,468.64, which is \$284,847.43 higher than the February balance. The investment balance as of the end of March was \$11,395,867.61, which is \$296,410.62 higher than the February balance.

An update on the District's number of days of cash on hand is beneficial under the current pandemic situation. As of the end of February, the District had 410 days of unrestricted or unallocated cash and cash equivalents on hand when compared to the planned operating expenditure in the adopted budget less the \$500,000 contingency. If Water Resource Utilization Fees are included in this calculation, the District has 644 days of cash on hand. This financial strength provides the District with the ability to continue normal operations without interrupting the delivery of water to customer's even if accounts are delinquent. Staff are able to work with customers to make payment arrangements.

The Arizona State Treasurer Pooled Collateral Program Statement for February shows \$4,998,475.76 of cash on deposit with collateralization coverage of \$4,078,445.28 and \$1,000,000 Federal Deposit Insurance Corporation (FDIC) coverage. The FDIC coverage should be \$250,000; however, Wells Fargo applied changes to the FDIC coverage for political subdivisions based upon the number of official custodians. An official custodian has full access to District funds and the authority to establish account, withdrawals, and to disburse funds. This change is according to the

FDIC guidelines; however, the District has a separation of duties in place and there are not four individuals with all of these abilities. After questioning this, Wells Fargo looked at the accounts and the coverage has been corrected. The Accountant at the Arizona State Treasurer's Collateral Coverage department assured me that the collateral held by Wells Fargo at the end of February was in excess by over \$200 million so we would have had the 1.02% coverage required on the \$750,000 that did not qualify for FDIC coverage.

The Capital One Bank MasterCard's were used to purchase \$52,362.18 on the March statement with up to 1.25% cash back earnings. The cash back amount received from transactions processed in February was \$515.93 or 1.12% with an inception-to-date cash back total of \$8,786.63.

Twenty-eight new meter applications were received in March with 22-meter applications for the Metro Main service area and 16-meter applications for the Metro Southwest service area. There were 29 new meter applications received in March of the prior fiscal year. As of the end of March, 311 new meter applications have been received, with 250 applications received by the end of March 2019.

On April 7, 2020, Moody's Investment Service published their annual comments on the financial health of the District. With the Annual Debt Service Coverage improving each of the last five years, this was reported as "Stable." Days of Cash On Hand and Debt to Operating revenue were both ranked as "Improved." The Median Family Income and Remaining Useful Life of Capital Assets were both reported as "Stable." The Rate Management and Debt Service Reserve Requirement were both scored as Aa, with a single A rating for Regulatory Compliance and Capital Planning. The rate covenant of 1.2 was also scored as a single A rating.

The District's credit position of Aa3 has been reported as very healthy with notable credit rating factors including a moderate-income service area, a modestly sized system, robust liquidity, an extremely small debt profile, and strong debt service coverage.

C. Update on the District's Activities during the Coronavirus Disease 2019 (COVID-19)

Mr. Olsen stated that since early March, organizations, municipalities, businesses, and the general public have had to adjust their routines and organizational practices in response to COVID-19. The District has been proactive in implementing preventative measures to minimize the exposure risk to staff and customers while ensuring the ability to continue the mission of delivering safe, reliable water to customers. These preventative measures include:

- Temporarily halting customer turn-offs for lack of payment as of March 13, 2020. Customers have been informed that if they are unable to pay their full bill that paying even a portion will reduce the total amount owed in a post-COVID environment.

- Implementing regular disinfection of commonly touched surfaces, sanitizing shared tables and chairs after use, and wiping down customer service counters after each customer interaction.
- Incorporating telework rotations for staff. Some staff have duties that are not conducive to teleworking, i.e. field staff as mains don't fix themselves. In these instances, the staff spacing has increased by staggering schedules for the Utility Team. This also includes staff going straight to their work vehicle and to their assigned sites in the field as opposed to congregating in the crew room before and after their shift.
- Moving staff's work area to ensure adequate spacing from coworkers. In some instances, such as the critical Supervisory Control and Data Acquisition (SCADA) functionality, Clive Pridmore, Instrumentation and Telemetry Specialist, is on full telework duty until the CDC's social distancing recommendations are removed. Mr. Pridmore is able to accomplish a 100% of his duties remotely and this ensures continuity on this key functionality.
- Over half of the Customer Service Representatives (CSRs) are working from home. The CSRs were able to take their District desk phone home and customer calls are configured to transfer to the District phone at their home. Also, they are able to utilize TeamViewer to process customer payments and address customer inquiries without any impact the customers. Customers actually are unaware that they are talking to a CSR that is meeting their needs while working from home. This reduces the number of staff physically present while providing continuity of service to customers.
- Reducing the customer service hours from 7:30-5:30 Monday through Thursday and 7:30-noon on Friday to 7:30-2:30 Monday through Thursday and no change for Friday to ensure coverage with a reduced number of CSRs in the office.
- While other water providers have closed their customer service counter, the District's lobby serves multiple purposes including accepting deliveries, pickup and drop off of the water quality samples, and the service of the infrequent walk-in customer. The counters are sanitized after every customer interaction and the customer service window provides a barrier between staff and the customer mitigating the infection risk. Closing the lobby was determined to actually increase the risk as staff would have to leave the lobby to physically receive deliveries and handle water quality pick-ups.
- Fully enforcing the District sick leave policy that staff should not show up to work sick and if they do, they will be immediately sent home on sick leave.
- Creating a new interim COVID-19 policy to help staff understand the recently passed Families First Coronavirus Response Act (FFCRA) regarding COVID leave and the associated family care leave. The Board previously authorized the General Manager to create any personnel policy to ensure flexibility of District operations but that any such policy that financially obligates the District would be brought to the Board. This policy was not brought to the Board for approval as the policy simply mirrors the FFCRA law and was created so staff can readily understand the leave aspects of the law. Additionally, the leave authorized under this law is reimbursed through payroll taxes.

- Holding staff meetings including the Safety Committee and Utility Supervisor meetings remotely using GoToMeeting. Any in-person meeting that has been held over the past three weeks has been limited to the smallest group necessary, certainly less than ten, and the Board room has been used to ensure each attendee has adequate spacing.
- Working with the custodial contractor to review their pandemic cleaning protocols that include deeper cleaning and sanitizing of commonly touched surfaces.
- Utilizing Personal Protective Equipment (PPE) such as issued respirators to minimize the cross-exposure risk in instances when staff cannot maintain social distancing such as during main break where more than one staff member is required in a trench box to accomplish a repair.
- Emailing all staff regularly with updates on protocols and what each Team is doing to ensure a common operating picture in place of large meetings
- Mr. Shepard is the chair for the Arizona Water Wastewater Agency Response Network (AZWARN) and has been holding weekly remote meetings with the network to coordinate support requests and to help the flow of information to industry peers in Arizona.

While further measures are implemented each week in response to the ever developing situation, one final item that is proactively being implemented relates to the signing of checks over \$2,000. Per the District's Procurement Policy, checks under \$2,000 are signed by the General Manager and checks \$2,000 and greater require two Board member signatures. Historically, if there was an urgent and compelling reason, the General Manager's signature can substitute for one of the Board member's signatures. In these rare instances, the General Manager would only sign after a Board member has signed to ensure internal controls were in place. Given the current pandemic, it does not make sense to ask two Board members to come into the office and sign checks. Mr. Olsen will serve as the second signature on checks for the time being. Additionally, staff will work with the Board Member who will sign checks to minimize face-to-face contact. Once the current pandemic is over, the standard practice of two Board member signatures on checks \$2,000 and above will resume.

During this turbulent pandemic, staff across all teams have demonstrated agility to changing situations, innovativeness to create new ways to accomplish core tasks with the COVID-19 related constraints, and have never lost focus on achieving the District mission. Mr. Olsen said he is proud to have the opportunity to lead such a dedicated team of water professionals.

Ms. Scrivener thanked Mr. Olsen and staff and stated they have done an excellent job.

D. Approval of the Investment Policy

Ms. Bracken stated that the Investment Policy is something every organization should have in place to outline the delegation of authority of investment responsibility and investment restriction. The District operates under the Arizona Revised Statutes, Title 35, Chapter 2, Handling Public

Funds, and this procedure documents this process and all the requirements. This is one of the procedures the rating agency will check if an organization is going to go out for any new debt. The District has already provided the Chief Financial Officer with the authority in prior bond resolutions and this policy is just documenting and formalizing this process

Ms. Olsen stated that the FOC voted 5-0 to recommend the Board approve the policy.

Mr. Offret moved to approve the Investment Policy as presented with an effective date of April 13, 2020. Mr. Foulk seconded the motion. Motion passed unanimously.

E. Approval of an Amendment to the Workers' Compensation Coverage Policy

Mr. Olsen stated that the Board approved the District's workers' compensation coverage at the March 9, 2020 Board Meeting for a premium of \$112,632. While reviewing the Board report, Diane compared the budget to actuals and realized that the District was paying higher than budgeted workers' compensation premiums. In discussion with CopperPoint, it was determined that they were applying the correct methodology to calculate the workers' compensation premiums but had used outdated wages when estimating the annual premiums. This resulted in the District still paying the correctly calculated monthly premium, but the annual Board authorization would be lower than the total actual premiums at the end of the year. CopperPoint has corrected this error and based on the corrected annual wages, it is recommended that the Board authorize the workers' compensation coverage with CopperPoint for the new amount, which is a \$16,466 increase compared to what the Board approved in March.

Mr. Doyle requested that votes be taken by roll call.

Mr. Foulk moved to approve the amended workers' compensation policy with CopperPoint Casualty Insurance Company for a coverage period of April 1, 2020 to March 31, 2021 at the amount of \$129,098. Mr. Sarti seconded the motion. Motion passed by a roll call vote of 5-0.

F. Authorizing the General Manager to Execute an Agreement Utilizing the Miscellaneous Real Estate Consulting Services Contract

Mr. Olsen stated that as part of long-term system optimization efforts in Metro Main it has been determined that a new A-Zone reservoir and booster station in the southeasterly portion of the Main service area would provide additional peaking volume while providing more stable system pressures, reducing pumping costs, and enhancing system flexibility. Staff have identified an ideal location for the future reservoir and booster station that would accomplish these system optimization goals. It is recommended that the Board authorize the District's real estate consultant,

Tierra Right of Way Services, to support the negotiations with the property owner along with the necessary documentation for property acquisition. The property acquisition and supporting real estate consulting services is budgeted in the current fiscal year Capital Improvements Program.

Mr. Foulk moved to authorize the General Manager to execute an agreement in the amount of \$22,890.00 with Tierra Right of Way Services, Ltd., to provide services to secure a reservoir and booster site utilizing the Professional Services Agreement for Miscellaneous Real Estate Consulting. Mr. Offret seconded the motion. Motion passed by a roll call vote of 5-0.

G. Appointment to the Finance Oversight Committee

Mr. Olsen stated that the Finance Oversight Committee (FOC) has historically consisted of seven District Residents to advise the Board on financially related matters. The current FOC has two openings due to members resigning for various reasons. To seek volunteers to fill these positions, the FOC vacancies were announced in the most recent Splash newsletter.

John Krempen, a District resident, responded to the announcement and has volunteered to serve on the Committee. Dr. Krempen possesses both a Bachelor of Science and a Master's Degree in Business Administration and is a Medical Doctor with expertise in immunology and infectious diseases. Dr. Krempen has been the Vice President for the Pima Medical Foundation since 2010 and has served as a Court Appointed Special Advocate for children. It is recommended that the Board appoint Dr. Krempen to the FOC where he will be able to apply his expertise and service to the District.

Mr. Offret moved to appoint John Krempen to the Finance Oversight Committee. Mr. Sarti seconded the motion. Motion passed unanimously.

H. Presentation on the District's Supervisory Control and Data Acquisition (SCADA) System

Mr. Olsen stated that Clive Pridmore, Telemetry Instrumentation Specialist, would provide a presentation to provide the Board insight on the District's SCADA and Historian system as well as how staff utilizes these critical tools. This is a fitting topic for the first remote educational presentation as these are the tools staff use to remotely view system operations.

Mr. Pridmore provided a presentation on the District's SCADA system to include how the historian data is used to assist in troubleshooting water system operation issues along with what operators see when they need to determine current system status.

Ms. Scrivener thanked Mr. Pridmore for the excellent information and requested that he give the presentation again when all the Board is physically present at the meeting.

VI. General Manager's Report

Mr. Olsen stated that as the Vice President at Southern Arizona Water Users Association (SAWUA), he regularly collaborates with Arizona Municipal Water Users Association (AMWUA) on statewide water policy issues. One item is the capital component of CAP's delivery rates. The rate paid per acre-foot (AF) is comprised of an operations and maintenance element, an energy component, and a capital component for federal repayment associated with the loan that enabled the construction of CAP's infrastructure. CAP has two property taxes that are collected in Maricopa, Pima, and Pinal Counties including a 10-cent ad valorem tax and a 4-cent water storage tax. The ad valorem tax was originally envisioned to support federal repayment and the water storage tax was to accomplish Arizona Water Bank activities. For years, the federal repayment obligation was met with the capital component of CAP deliveries primarily to M&I subcontractors while the ad valorem tax was used to fund other initiatives such as compensating agricultural water users with a lower overall rate in exchange for lower priority of water and to increase strategic financial reserves.

When CAP published their advisory rates for calendar year 2021, the capital charge was \$66 per AF. Over the past year, AMWUA took the lead while we engaged in discussions with CAP staff and Board members with the overarching goal to have CAP use a portion of the property tax for federal repayment and not solely place this burden on those who are receiving CAP water deliveries as multiple economic studies have shown that everyone in the three county area benefits from the CAP canal.

Last week, CAP held a rate briefing which outlined CAP staff's recommendation to use 1.5-cent of the water storage tax in 2021 and 3-cents of the ad valorem tax in 2022. This would have the effect of reducing the capital charge in 2021 from \$66 to \$57 and the capital charge would be approximately \$46 in 2022. As this was very similar to the outcome recommended, we provided positive feedback at the rate briefing, with Wally Wilson, District Water Resources Manager, providing a comment on the District's behalf, and plan to provide similar feedback at the Finance Audit Power (FAP) and CAP Board meetings.

VII. Legal Counsel's Report

Mr. Sklar said he had nothing to report.

VIII. Clerk of the Board Updates; Future Meetings

The public information meeting is scheduled for May 5, 2020 at 6:00 p.m. and the Public Hearing regarding the rates and fees is scheduled for May 11, 2020 at 5:30 p.m. followed by the regularly scheduled Board meeting at 6:00 p.m.

IX. General Comments from the Public

There were no comments from the public.

X. Adjournment

The meeting adjourned at 7:05 p.m.

Judy Scrivener, Chair of the Board

Theo Fedele, Clerk of the Board