

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

MONDAY, FEBRUARY 9, 2026

****BOARD ROOM**
METROPOLITAN DOMESTIC WATER IMPROVEMENT DISTRICT
6265 N. LA CAÑADA DRIVE
TUCSON, ARIZONA 85704**

MINUTES

Board Members Present: Scott Schladweiler, Chair
Richard Sarti, Vice Chair
Jim Doyle, Member (Participated Electronically)
Bryan Foulk, Member
Lee Jacobs, Member (Arrived at 6:06 p.m.)

District Staff: Joseph Olsen, General Manager
Sheila Bowen, District Engineer
Alex Sanders, Utility Superintendent
Bill Wengert, Chief Financial Officer
Theo Fedele, Clerk of the Board
Mark Patton, Legal Counsel (Participated Electronically)

Regular Session

I. Call to Order and Roll Call

Mr. Schladweiler, 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

There were no comments from the public.

III. Consent Agenda

- A. Approval of Minutes – January 12, 2026 Board Meeting**
- B. Ratification of Billing Adjustments**

Mr. Sarti moved to approve the consent agenda. Mr. Doyle 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 fiscal year-to-date consumption compared to last fiscal year-to-date is 1.5% lower in Metro Main, 2.4% higher in Metro Hub, and 0.3% lower in Metro Southwest. For 2026, 8,460 acre-feet (AF) of the District's Central Arizona Project (CAP) water is anticipated to be delivered and stored at our Groundwater Savings Facilities (GSF) Partners and 5,000 AF has been delivered to the Bureau of Reclamation for compensated system conservation.

Mr. Sanders 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, and the Ironwood well.

Discussion ensued and staff answered questions.

Mr. Jacobs arrived at 6:06 p.m.

B. Financial Report and Fiscal Year 2026 Mid-Year Review

Mr. Wengert stated that at mid-year, the District is maintaining a positive momentum into the second half of the fiscal year. December year-to-date operating revenue of \$16 million is favorable by \$1.8 million over the straight-line budget and \$580,000 lower than last fiscal year. Metered water sales of \$11.5 million are trending higher than budgeted and in line with the prior year, and historical billing of 54% through December. Development revenue is trending behind the prior year and budget. Interest & Dividend income are surpassing the total budget by \$300,000.

The December year-to-date operating expenses of \$7.4 million is favorable by \$1.2 million to the straight-line budget and \$250,000 lower than 2024. Salaries and benefits are consistent with Fiscal Year 2025 and trending favorably at 5% below the current straight-line budget. Other Operating expenses are trending below budget but higher than Fiscal Year 2025 mainly due to costs associated with the service line inventory project in Fiscal Year 2026.

The January deposit accounts total \$47 million and cash balances decreased \$400,000 in January, which is mainly a reflection of payments for District projects in January. The January investments total \$10.5 million and \$72,000 was generated in investment income.

Based on current mid-year projections, the net overall Fiscal Year 2026 budget results for the District are favorable by \$237,000 and are comprised of the following individual line items:

- Operating Revenues are projected to be lower than budget by \$261,000
- Development revenues are lower by \$806,000
- Water storage fees are lower by \$265,000
- Offset by improved investment income of \$810,000

Operating Expenses projected to be lower by \$513,000 due to:

- Northwest utilities is lower by \$206,000 due to NWRDRS not completed
- Depreciation is lower by \$318,000 due to NWRDRS not going into service
- Development related costs are lower due to reduced activity by \$95,000
- Bank/credit card fees are higher by \$23,000 for increased usage

Investments to Support the District are higher by \$16,000 due to:

- La Canada bridge expansion joint emergency project was \$56,000, which was not budgeted
- Oracle Jaynes Fence project was under budget by \$12,000
- Data back-up appliance investment was lower by \$28,000.

Ms. Bowen provided an update of the Capital Improvement Program (CIP) projects including the NWRDRS Partnered and Metro-only projects, the Ironwood blend well, automated metering, galvanized pipe replacement program, the Horizon Hills treatment at the Ina/CDO facility, 2nd Herb Johnson Reservoir, Pantano Road transmission main, Hub #2 well replacement, and E&T23 well replacement.

As noted in the Mid-Year report, staff is not requesting any budget adjustments for the operating costs for Fiscal Year 2026. However, once staff is able to formalize the construction schedule and costs for the NWRDRS project, a CIP project budget adjustment may be necessary to the Fiscal Year 2026 Adopted Budget to align the timing of construction and costs for these projects anticipating the cash flows needed in Fiscal Year 2026. This adjustment just realigns the projects to meet the actual construction that did not happen in Fiscal Year 2025 and early in Fiscal Year 2026. Funds are available to meet the adjusted expenditure timeframe. Staff will bring any budget adjustment needed to the March Board meeting for consideration.

C. Approval of the District's Updated Procurement Policy

Mr. Olsen stated that the Procurement Policy provides essential guidance to staff in order to standardize the numerous aspects involved in the purchase of materials or services to ensure continued deliveries of safe, reliable water to our customers. The Policy is regularly updated to ensure the Policy incorporates enhanced efficiencies and to reflect operational practices. The Policy was last updated in May 2024 and there are only two substantive recommended updates to the Policy. To enhance efficient operations, it is recommended that Petty cash, which is expenditures less than \$50, can be approved by the Supervisor. Currently, the Policy only allows the Team Manager and above to authorize Petty Cash but delegating this authority to the Supervisor will streamline coordination on what is typically an inexpensive part or material needed to finish an active job. It is not requested to increase the Petty Cash threshold of \$50 at this time.

Additionally, the Policy states that two Board members are required to sign checks \$5,000 or greater and that the General Manager can serve as the second signature if a second Board member is not available. Ever since COVID, the operational efficiency that was implemented was that a Board member signs the check and the General Manager serves as the second signature. Typically, the only time two Board members sign checks is the check run that coincides with a Board meeting. As this practice has been utilized for 5 years, it is recommended that the Policy be clarified that such checks require either two Board member signatures or the signatures of one Board member and the General Manager. This also matches the process used for the ACH authorizations of \$5,000 or greater.

Discussion ensued and staff answered questions.

Mr. Jacobs moved to approve the District's updated Procurement Policy. Mr. Sarti seconded the motion. Motion passed by a roll call vote of 5-0.

D. Approving an Agreement with BKW Farms, Inc. for Canal Discharges During Well Maintenance Activities for the Northwest Recharge, Recovery, and Delivery System

Mr. Olsen stated that the NWRRDS recovery wells 1, 2, and 3 are located in an area where discharge options are limited. This is of a concern during initial start-up and well maintenance activities where the well must be purged and cleaned. BKW Farms canal infrastructure is located near the NWRRDS recovery wells and would serve as an ideal discharge location. Staff and BKW coordinated an Agreement for the District to discharge NWRRDS recovery well water, during maintenance activities and start-up, into the BKW canal infrastructure. The District would provide BKW with a 7-day notice prior to commencing discharge activities and the District will intercept and monitor sand production during discharge activities. The term of the Agreement is through

December 9, 2054, which coincides with the remaining term on the District's lease with Arizona State Land.

Mr. Sarti moved to approve the agreement with BKW Farms Inc. for canal discharges during well maintenance activities. Mr. Jacobs seconded the motion. Motion passed by a roll call vote of 5-0.

E. Approval of Amendment No. 2 to the Polymer Meter Lid Purchase Contract

Mr. Olsen stated that as part of the District's Advanced Metering Infrastructure (AMI) project, all metal meter lids are being replaced with polymer lids to improve radio transmissions from the metering endpoint. The Board approved a contract for meter lid purchases in February 2024 and Amendment No. 1 to the same contract in February 2025. The initial term of the contract was for year one and two option years. It is recommended that the Board approve Amendment No. 2 for the contract, which executes the last year of renewal under the contract. This ensures the remaining lids for the AMI project are able to be purchased. Additionally, the initial not-to-exceed amount of \$600,000 is requested to be increased to \$700,000 to ensure capacity for the purchase of additional lids in the District's outlying service areas.

Mr. Jacobs moved to approve Amendment No. 2 to the polymer meter lid purchase contract with Ferguson Enterprises extending the contract term one additional year and to authorize a new not-to-exceed amount of \$700,000. Mr. Sarti seconded the motion. Motion passed by a roll call vote of 5-0.

F. Approval to Purchase Antenna Poles for the District's Metro Main Advanced Metering Infrastructure Project

Mr. Olsen stated that another component for the District's AMI project is the antenna poles that will house the required collectors/repeaters, solar panel, and control panel. The designed poles are 30-feet long and 10-inches in diameter. Only one bid was received during the public bid process and it is recommended that the Board authorize the purchase of the antenna poles from LightMart for \$60,766.65.

Discussion ensued and staff answered questions.

Mr. Sarti moved to approve the purchase of the Advanced Metering Infrastructure Antenna Poles from LightMart for \$60,766.65 and to authorize the General Manager to approve up to an additional \$5,000 for any unforeseen issues related to the procurement. Mr. Jacobs seconded the motion. Motion passed by a roll call vote of 5-0.

G. Authorizing the General Manager to Support or Oppose Proposed Legislation

Mr. Olsen stated that at last month's Board meeting there was a conversation on how to more efficiently respond to introduced State legislation that impacts the District and the water industry. Specifically, the challenge in expressing the District's support or opposition to introduced legislation that can move rapidly through committee before the next monthly Board meeting. One of Mr. Olsen's duties has been to serve as the District's registered lobbyist for the past 12-years, where the District has been able to successfully engage with Legislators to amend introduced Bills to ensure pragmatic and positive water policy. To ensure the District continues to be sought out for input on water related legislation, it is recommended that the Board authorize the General Manager to register support or opposition to legislation that either impacts the District or to ensure pragmatic water policy throughout Arizona. Any Bill that we registered support or opposition would then be discussed at the next Board meeting to provide the Board context and reasons for the stance.

Mr. Jacobs moved to authorize the General Manager to register support or opposition of proposed legislation and to brief the Board on the details of the respective Bill and reasons for the support or opposition at the following Board meeting. Mr. Sarti seconded the motion. Motion passed by a roll call vote of 5-0.

H. Legislative Updates 2026

Mr. Olsen stated that House Bill 2116 was discussed at January's Board meeting. This Bill allocated \$1 million for the Colorado River Litigation Fund and the District supported a similar Bill in the prior legislative session. Based on the Colorado River's critical importance to Arizona, and the District, we registered in a support to this Bill. The current status of House Bill 2116 is that the Bill has unanimously passed the House and has been transmitted to the Senate.

The deadline to introduce Bills this session is today and already over 1,000 bills were introduced in the House, for the first time in state history. Staff are still reviewing bills and will provide updates to the Board as warranted.

I. Presentation and Possible Action Regarding the Discussions on the Bureau of Reclamation's Post-2026 Draft Environmental Impact Statement (EIS)

Mr. Olsen stated that on February 2, 2026, he attended the Arizona Reconsultation Committee (ARC) meeting, along with Wally Wilson, the District's Water Resources Manager, who is the District's alternate ARC member. Mr. Wilson also attended a technical breakout session on the elements discussed at the ARC meeting. The ARC meeting focused primarily on the Draft

Environmental Impact Statement (EIS) for the Post-2026 Colorado River Operating Guidelines. All of the alternatives in the Draft EIS not only substantially impact Arizona, but are not supported by Arizona's negotiation team. The presentation covered the primary concerns of the Draft EIS alternatives and staff asked for the Board's authorization to formally register District feedback on the Draft EIS.

There are two primary concerns regarding the alternatives in the Draft EIS. None of the alternatives acknowledge the obligation to fulfill the Colorado River Compact requirements and the upper basins states are not required to conserve any amount of water in any of the Draft EIS alternatives.

Mr. Olsen played a video created by CAP that explains the Compact requirements

Mr. Olsen discussed the five-alternatives in the Draft EIS and how each of these alternatives impact Arizona.

Mr. Olsen recommended the District submit a formal comment letter that will state that the Compact must be preserved. The District has proactively conserved substantial Colorado River water since 2019 and wishes to be part of the solution going forward, and the Upper Basin must also be part of the solution.

Mr. Foulk departed at 6:50 p.m.

Discussion ensued and staff answered questions.

Mr. Sarti moved to authorize the General Manager to submit a letter on behalf of the District to the Bureau of Reclamation regarding the Draft Environmental Impact Statement for the post-2026 Colorado River operations. Mr. Jacobs seconded the motion. Motion passed by a roll call vote of 4-0.

VI. General Manager's Report

Mr. Olsen stated that last week he had the opportunity to present at the Tucson Regional Water Coalition at the Southern Arizona Leadership Council on the District, including the history, service areas, and the NWRDRS program. The feedback was positive and questions were very engaging. Also, he has been working with Audubon Southwest to write an opinion piece for the Arizona Daily Star on the District's AMI program and the importance of Federal and State funding to support such innovative conservation efforts. As a reminder, the District received \$3 million from Water Infrastructure Finance Authority of Arizona (WIFA) and \$2 million from Reclamation to support this initiative. The targeted publish date for the opinion piece is this upcoming weekend.

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 March 9, 2026.

IX. General Comments from the Public

There were no comments from the public.

X. Adjournment

The meeting adjourned at 7:07 p.m.

Scott Schladweiler, Chair of the Board

Theo Fedele, Clerk of the Board