

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

**MONDAY, FEBRUARY 10, 2025**

**\*\*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

**District Staff:** Joseph Olsen, General Manager  
Sheila Bowen, District Engineer  
Alex Sanders, Utility Superintendent  
Diane Bracken, Chief Financial Officer (Participated Electronically)  
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 13, 2025 Board Meeting**
- B. Ratification of Billing Adjustments**
- C. Approval of Water Service Agreement for 48 Bed Addition for Acadia – Sonora Behavioral Health (M-24-014)**

Mr. Foulk moved to approve the consent agenda. Mr. Jacobs 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 fiscal year-to-date consumption for the District's service areas is 2.2% lower in Metro Main, 3.5% lower in Metro Hub, and 0.6% lower in Metro Southwest when compared to the same period in the prior fiscal year. Note that January's fiscal year-to-date consumption numbers showed nearly twice the decrease in Main and Hub, highlighting that these trends become more refined further into the fiscal year.

At last month's Board Meeting, the Board was updated on the completion of the maintenance at the Avra Valley Recharge Project (AVRP) and that the 9-inches of fine material has been removed from the basins in order to increase the recharge rates. Prior to the basin maintenance, the flow into the basins was held at 9 cubic feet per second (cfs) due to the reduced recharge rates. With a little over one month of post-maintenance operation, the deliveries to the basins were increased to 16 cfs, increasing the recharge rate, at least initially, by 177%.

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, the Ironwood well, and the galvanized pipe replacements.

##### **B. Financial Report**

Ms. Bracken stated that revenue and expenditures are both favorable through December when compared to a straight-line projection. Revenue is \$2,728,493 over budget and expenditures are \$618,614 under budget. The revenue in excess of expenditures is favorable by \$3,347,107. When comparing the total revenue to the same month in the prior fiscal year, revenue as of December was higher by 6.41% or \$1,033,719. The historic average of budgeted water revenue billed by the end of December is 55% and the District billed 53.23% of the budgeted metered water revenue. Penalties and service charges, development revenue, and water storage are all under budget. The operating expenditures as of the end of December were \$524,148 higher than they were at the end of December in the prior fiscal year. The January cash deposit balance was \$38,178,876.11, which is \$1,961,308.32 higher than the December balance. The investments as of the end of January totaled \$9,872,655.73, which is \$1,529.96 lower than the December balance.

The Arizona State Treasurer Pooled Collateral Program Statement for December included \$23,889,450.67 in the Statewide Pooled Collateral Program.

The Capital One Bank MasterCards were used to purchase \$23,888.02 on the January statement with up to 1.25% cash back earnings. The inception-to-date cash back total is \$29,259.41.

There was one-new meter applications received in January, for the Metro Main service area. There were eight new meter applications received in January of the prior fiscal year. Fiscal year-to-date, 80-meter applications have been received compared to 47 at the same time in the prior fiscal year.

Total operating revenue billed as of December 31, 2024, is at 59.45% compared to 61.71% of the adopted budget in the prior fiscal year. With metered water sales at 53.23% compared to 55.35% of the budget in Fiscal Year 2024. Interest earnings have exceeded the budget with \$695,723 of interest earned in the first half of the fiscal year. Development revenue is at 44.77% of the planned budget with \$327,000 billed. Additional revenue in the amount of \$285,867 from principal forgiveness and grants has been collected. As of December 31, 2024, \$17,167,945 of revenue has been billed.

With one half of the fiscal year completed, the District has expended 46% of the adopted operating budget, which is the same as the prior fiscal year with 50% of the budgeted salaries and benefits spent, and 31% of the consultant and contracted services utilized. Purchased power has spent 49% of the adopted budget. Forty percent of the supplies budget has been spent and 46% of the planned water allocation purchased. The AVRVP maintenance has spent 26% and is planned to be over budget with the maintenance work that was completed but not budgeted. The monthly non-cash depreciation is at 52% and amortization expenses are at 50%. Debt payments are made twice per year on January 1st and July 1st and are within the budget.

Some exceptions to the adopted budget are known at this point in the fiscal year.

- The cleanout of the basin at AVRVP was not planned and cost \$88,434.34. In addition, there was a loss of \$78,760 of revenue associated with 2,200-acre feet of water that was not stored at AVRVP for a total negative impact of \$167,194.34.
- The general liability insurance costs increased a prorated amount of \$23,207.99 in the nine months covered in this fiscal year and cyber insurance coverage was removed requiring the purchase of an additional policy costing \$9,604.82 for a total increase of \$32,812.81 higher than budgeted this fiscal year.
- The Central Arizona Project (CAP) water rates for the second half of the fiscal year were planned at \$289 per acre foot from the CAP proposed rates sheets and were finalized at \$295 per acre foot, which will increase the cost by \$27,000 for 4,500-acre feet.

- Banking fees are higher than planned with more customers using credit cards to pay and are anticipated to be \$38,000 over budget.
- The annual Central Arizona Groundwater Replenishment District (CAGRDR) membership dues for Diablo Village were \$46,965.73 over budget based upon a prior estimate in place of actual growth in this area.
- The Alcott wall was not budgeted in Fiscal Year 2025 but spent \$44,275.01.
- If the High Plains permit is purchased this fiscal year, the cost is anticipated to be about \$10,000 that was not budgeted.
- The election was canceled reducing budget line items by \$26,000.
- Interest income is higher than planned by \$530,073.12

These additional costs totaled \$366,247.89 and the additional revenue totaled \$556,073.12

Investments to support the District's Mission are on target to be within the collective adopted budget amount with some items over and other items under the budgeted amounts. There are two items that have not been completed, however, they are both in process with the alarm security upgrade expected to be under budget and the Wildwood well to be slightly over budget.

Staff are not requesting any changes to the adopted budget at this time.

The Capital Improvement Program (CIP) has spent \$17,120,186 or 43% of the total adopted CIP budget. The NWRDRS Partner project was budgeted at \$10,584,761 in Fiscal Year 2025 and \$13,581,570 is planned to be spent in Fiscal Year 2025 with no increase to the project total. The Metro-only NWRDRS project is planning to spend \$3,119,300 less in Fiscal Year 2025.

Ms. Bowen stated that the construction of the District's portion of the NWRDRS project was delayed in starting resulting in spending more this fiscal year than anticipated as some of what was planned to be spent last year is actually occurring this year. There is a \$34,000 increase overall to the total estimated budget for the completion of the NWRDRS Metro-only project, which will be next fiscal year.

The anticipated expenditure for Ironwood well exceeds the Water Infrastructure Finance Authority of Arizona (WIFA) loan amount by just over \$500,000. Staff will discuss this further with the Board in more detail at the March meeting. The Ironwood well was budgeted at \$1.8 million for Fiscal Year 2025 and \$561,000 is planned to be spent.

Mr. Olsen recognized Ms. Bracken's success and hard work specifically on the additional non-ratepayer interest revenue, that she was able to earn for the District, due to her expertise on active

cash management. This has enabled the District to navigate these unplanned expenses. This revenue source was 421.65% over budget. Ms., Bracken has a very refined system as it relates to investing while still ensuring the FDIC coverage on District resources. While there have been additional costs, the additional revenue has offset part of those additional costs

Discussion ensued and staff answered questions.

**C. Approval of Amendment No. 1 to the Polymer Meter Lid Purchase Contract**

Mr. Olsen stated that in order to execute the two grants, totaling \$5 million, that the District received to support the Advanced Metering Infrastructure (AMI) Project, the Board approved the purchase of a polymer meter lid contract at the February 2024 Board Meeting. Polymer meter lids enable the AMI meters to better communicate with the collectors and repeaters on the fixed network compared to the metal meter lids. The term of the contract for the polymer meters was one-year with two additional option years. This item is requesting the Board to approve the first option year in the contract. The original not-to-exceed amount for the contract was \$600,000 and no increase in the total not-to-exceed amount is currently requested, just the one-year contract extension.

Mr. Foulk moved to approve Amendment No. 1 to the polymer meter lid purchase contract with Ferguson Enterprises extending the contract term one additional year. Mr. Sarti seconded the motion. Motion passed by a roll call vote of 5-0.

**D. Northwest Recharge, Recovery and Delivery System Request for Approval to Proceed with Condemnation of Waterline Easement on Parcels 21617005A and 21617005B**

Mr. Olsen stated that when the NWRRDS transmission main was realigned, based on feedback from the Arizona Department of Transportation (ADOT), the District proceeded to secure the necessary waterline easements. All but two of these easements have since been secured. The negotiations with the property owners of the two remaining easements, located on parcels 21617005A and 21617005B, commenced in April 2023. Since then, the appraisal report was accomplished and subsequently updated based on proposed realignment of ADOT and Union Pacific Railroad properties. The current total compensation from the appraisals is \$8,300. On February 4, 2025, the property managers indicated they were no longer interested in the easement offer. Staff have since reached out to schedule a meeting to determine the property managers' specific concerns and if a resolution can be reached.

Given the critical path of needing these easements to enable the construction of the Partnered transmission main along this alignment, it is requested that the Board authorize the General

Manager to proceed with condemnation if a mutually-agreeable outcome is not reached with the property owners.

Discussion ensued and staff answered questions.

Mr. Jacobs moved to authorize the General Manager to negotiate the terms of the easement acquisition in accordance with the District's Procurement Policy and to proceed with condemnation of a waterline easement on Parcels 21617005A and 21617005B, as deemed necessary. Mr. Sarti seconded the motion. Motion passed by a roll call vote of 5-0.

#### **E. Legislative Updates 2025**

Mr. Olsen discussed with the Board the following House and Senate Bills:

##### House Bill 2093 – Subdivided Lands; Violations; Civil Penalties – Recommend Support

Subdivision law was being bypassed in order to avoid having to meet the necessity of the designation of assured water supply rule. Rather than subdividing land to five lots or less, which does not trigger the subdivision, subdividers were subdividing within subdivisions. The challenge is the current penalty in statute is \$2,000 per occurrence for violation of subdivision law. For a developer, that \$2000 is not really an impediment so the recommendation of the Governor's Water Policy Council was to have it as a \$2,000 impact per lot subdivided as opposed to per subdivision. Since the General Manager is serving on the Council on behalf of the District, it is appropriate to support House Bill 2093 and the goals of the Council to make this statute change. This bill passed in the House, Land, Agriculture, and Rural Affairs Committee.

##### House Bill 2103 – Appropriation; Colorado River Compact; Defense – Recommend Support

This bill ensures there is a general fund obligation for \$1 million initially to have a dedicated funding stream to defend Arizona's Colorado River rights as it relates to the CAP allocation. There will be cuts and those cuts, at least by the lower basin states, are meant to be fair and equitable while other options propose one state or one side of the basin absorbs the vast majority of the reductions. It is recommended to support this bill to equip the Arizona Department of Water Resources (ADWR) with the capability to speak on behalf of all of the water providers in Arizona. This bill passed in the Appropriations Committee.

##### House Bill 2297 – designation; assured water supply; offset – Recommend Oppose

The Governor's Water Policy Council discussed the alternative pathway for a destination of assured water supply (DAWS). If an owner of a parcel with groundwater pumping and wants to move to a DAWS, that owner would be able to keep a proposed 75% portion of that groundwater and 25% would be replaced with renewable supplies. This incentivizes keeping 75% of the

groundwater pumped, less groundwater is used, and provides a regulated track for the 100-year horizon of DAWS. This bill would be only a 5% reduction as opposed to a 25% reduction so 95% would remain for groundwater pumping. At 5%, the overall groundwater savings would be negligible compared to 25%. This bill undermines the goals discussed for the groundwater management at the Governs Water Policy Council.

House Bill 2550 – department of water resources; review – Recommend Oppose  
ADWR goes through a regular review and renewal for the agency to maintain its existence. The next review is July 2028. This bill proposes to move that review to July 2026 and then potentially remove ADWR. This agency is important as they are tasked with leading the fight as it relates to the Colorado River compact, groundwater management acts and without ADWR, Arizona would not be at pre-1980 ground water pumping.

House Bill 2692 – appropriation; department of water resources – Recommend Oppose  
This bill would cut to the funding of ADWR by 45% thereby eliminating the effectiveness of ADWR during a time when the department is most needed.

Senate Bill 1251 – Cut to long-term storage credits (LTSC) increasing from 5% to 30% – Recommend Oppose  
The District stores water at Groundwater Savings Facilities (GSF) and constructed underground storage projects such as AVRP. When that water is stored in the ground and then pumped the same year; this is called annual storage recovery and results in no cuts to the aquifer. If that water remains in the ground at the end of that year, it rolls into long term storage credits and has a 5% cut to the aquifer. The historical reason for the 5% cut is that the aquifer dissipates over time and the 5% cut aids in aquifer health. This bill will change the 5% cut to the aquifer to a 30% cut to the aquifer. We believe the sponsor sees this Bill as a way to restore the aquifer health but with 30% cut, entities would not be able to afford storing water for the future, resulting in the unintended consequence of less storage. Mr. Olsen plans to discuss this with the bill's sponsor having worked with her before on other legislation and committees.

As in the prior legislative sessions, Mr. Olsen will also attempt to engage with the legislators to provide the District's concerns. This has been successful in prior years where we were given the opportunity to edit the Bill to address the unintended consequences, as we were able to regarding last year's bill on Domestic Water Improvement Districts.

It is recommended that the Board direct the General Manager to immediately register formal support for House Bills 2093 and 2103 support and to wait to formally oppose House Bills 2297, 2550, and 2692 and Senate Bill 1251 until scheduled for a committee hearing.

Discussion ensued and staff answered questions.

Mr. Foulk moved to direct the General Manager to submit to formally support or to formally oppose the House and Senate Bills on behalf of the Metropolitan Domestic Water Improvement District as discussed. Mr. Jacobs seconded the motion. Motion passed by a roll call vote of 5-0.

**V. General Manager's Report**

Mr. Olsen stated that as mentioned at the last Board Meeting, staff are proceeding with the process with WIFA as it relates to the service line inventory. The \$855,000 request will hopefully yield a substantial amount of forgivable principal. District staff submitted the documents and attachments on February 6, 2025 prior to the deadline and WIFA has confirmed the receipt. In April, Ms. Bowen and Ms. Bracken would represent the District at the Federal Programs Committee. Mr. Olsen is a Committee member and would recuse himself. Then the following week is the WIFA Board Meeting to finalize the process. As in previous WIFA loans with principal forgiveness, staff will only recommend moving forward if financial advantageous to the District

One of the District's specific performance objectives relates to cyber infrastructure. All staff took an hour-long training on cyber awareness, vulnerabilities, phishing, and how to address these issues. The most common way of cyber intrusion into a water system is due to human error. An additional test included a phished email to all staff with something that was too good to be true. Out of our 60 staff members, there were zero takers on phished email. Some staff used the reporting tool built in the application on the browsers, and other staff contacted IT directly, but nobody went to the length of clicking links or providing information. This was positive feedback and showed the training was effective.

**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 March 10, 2025.

**VIII. General Comments from the Public**

There were no comments from the public.

**IX. Adjournment**



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The meeting adjourned at 6:49 p.m.

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Scott Schladweiler, Chair of the Board

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Theo Fedele, Clerk of the Board