

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

**MONDAY, FEBRUARY 12, 2024**

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

**MINUTES**

**Board Members Present:** Lee Jacobs, Chair  
Jim Doyle, Member (Participated Electronically)  
Richard Sarti, Member

**Board Members Not Present:** Bryan Foulk, Vice Chair  
Scott Schladweiler, Member

**District Staff:** Joseph Olsen, General Manager  
Sheila Bowen, District Engineer  
Steve Shepard, 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**

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, Lee Jacobs, Richard Sarti were present. Bryan Foulk and Scott Schladweiler were not present.

**II. General Comments from the Public**

There were no comments from the public.

**III. Consent Agenda**

- A. Approval of Minutes – January 8, 2024 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 3-0.

#### **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 an 8.9% increase in Metro Main, a 10.4% increase in Metro Hub, and a 2.8% increase in Metro Southwest.

For calendar year 2024, all of the District's Central Arizona Project (CAP) order is planned to be delivered to Groundwater Savings Facilities (GSF), maximizing the in-lieu revenue for ratepayers. Deliveries to Avra Valley Recharge Project (AVRP) of the City of Phoenix's 7,200 acre-feet (AF) of inter-AMA firming water began early January and will be stored by the end of calendar year 2024.

The commissioning of the Arizona Department of Environmental Quality (ADEQ) funded Advanced Oxidation Process (AOP) treatment facility at South Shannon is still ongoing as there was a long-lead time item that was needed to ensure operation. This item has arrived and it is anticipated that commissioning will continue this week.

Mr. Shepard provided an update on noteworthy maintenance projects.

Ms. Bowen provided an update on the Northwest Recharge, Recovery, and Delivery System (NWRDRS) and the Metro-only portion, the E&T 22 well replacement, the Ironwood blend well, the New Linda Vista well deepening, and the galvanized pipe replacements.

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

Ms. Bracken stated that revenue and expenditures for December are both favorable when compared to a straight-line projection with revenue \$3,062,616 over budget and expenditures \$557,715 under budget. The revenue in excess of expenditures is favorable by \$3,620,331. When comparing the total revenue to the same month in the prior fiscal year, revenue in December was higher by 31.72% or \$3,885,242 with \$2 million of revenue received in Fiscal Year 2024 for the Central Arizona Project (CAP) conservation, and metered water revenue 15.31% or \$1,071,539 higher when compared to the same month in the prior fiscal year. The historic average of budgeted water revenue billed by the end of December is 54% and the District billed 55.35% of the budgeted metered water revenue as of the end of December. The operating expenditures in December were

\$329,468 higher than they were at the end of December in the prior fiscal year. The January cash deposit balance was \$42,116,347.20, which is \$1,617,240.17 higher than the December balance. The investments as of the end of January totaled \$12,094,418.93, which is \$609,869.64 lower than the December balance with \$2.5 million of investments maturing and \$1,250,000 reinvested.

The Arizona State Treasurer Pooled Collateral Program Statement for December included \$24,421,385.09 of cash on deposit with collateralization coverage of \$24,399,812.79 in addition to the \$500,000 FDIC coverage.

The Capital One Bank MasterCards were used to purchase \$23,972.65 on the January statement with up to 1.25% cash back earnings. The inception-to-date cash back total is \$25,361.34.

There were eight new meter applications received in January for the Metro Main service area. There were five new meter applications received in January of the prior fiscal year. Fiscal year-to-date, 47-meter applications have been received compared to 56 at the same time in the prior fiscal year.

The total operating revenue billed as of December 31, 2023, is at 61.71% of the Adopted Budget with metered water sales at 55.35% of the budget. Interest earnings have exceeded the budget by 445.81% with \$713,288 of interest earned in six months. Development revenue is on track to exceed the Adopted Budget with 96.86% or \$197,232 billed. Additional revenue in the amount of \$350,000 from the CAP Conservation (500 Plus Plan) has been collected. As of December 31, 2023, \$16,134,224 of revenue has been earned.

With one half of the fiscal year completed, the District has spent 46% of the Adopted Operating Budget. With 49% of the budgeted salaries and benefits spent, and 18% of the consultant and contracted services spent. Higher electricity costs have consumed 69% of the purchased power budget. Fifty percent of the supplies budget has been spent, and 42% of the planned water allocation purchased. The monthly non-cash depreciation and amortization expenses are on track with the mid-year. Debt payments are made twice per year on January 1st and July 1st. The District expenditures and expenses are on track to be within or slightly under the Adopted Budget by the end of the fiscal year.

The Capital Improvement Program (CIP) has spent \$1,472,049 or 5.17% of the total Adopted CIP Budget as of December 31, 2023.

No changes to the Operating Budget are being requested. There are a couple of deviations to the Adopted Capital Improvement Budget. Two separate 100% principal forgiven Water Infrastructure Finance Authority of Arizona (WIFA) loans were finalized and each of these projects will start in

the current fiscal year with offsetting expenses and revenue reimbursements. One loan is for the Riverside Crossing Well Granular Activated Carbon (GAC) treatment in the amount of \$364,791 and the other loan is for the DeConcini Well GAC treatment in the amount of \$375,791. These projects will cross over into Fiscal Year 2025 with long lead times on some of the equipment.

**C. Approval of Cost Increase for the Purchase of the VertexOne (WaterSmart) Customer Portal**

Mr. Olsen stated that at the December 2023 Board Meeting, the contract with VertexOne was approved to support the customer use portal. Subsequent to the Board Meeting, VertexOne realized they did not include tax in their proposal as they assumed the District was tax exempt. While the District does not pay taxes on pipe materials 4-inches in diameter and greater, taxes are paid on other goods and services. Since this was a Board approved item, and in the purpose of transparency, it is recommended that the Board approve the additional \$4,185.90 associated with taxes.

Mr. Sarti moved to approve an additional \$4,185.90 for the purchase of the VertexOne (WaterSmart) customer portal. Mr. Doyle seconded the motion. Motion passed by a roll call vote of 3-0.

**D. Approval to Purchase Badger Water Meters for the District's Advanced Metering Infrastructure Project**

Mr. Olsen stated that at the July 2023 Board Meeting, the Board approved the use of Badger meters for the District based on the historical reliability as well as integration with the District's fixed network upgrades. The Board also approved the sole source procurement with Ferguson Enterprises as they are the authorized Badger distributor. While the Board already approved the use of Badger meters, the Advanced Metering Infrastructure (AMI) project includes substantial meter purchases of approximately \$2 million. Given the importance of this initiative, and the overall purchase cost of the meters, this item is being brought for the Board's consideration to ensure transparency. Since the exact number of meters to be replaced is constantly changed, given meter change-outs caused by our ongoing maintenance, it is recommended that the Board approve a not-to-exceed amount of \$2.05 million.

Mr. Sarti moved to approve the purchase of the Badger meters for the Metro Main Advanced Metering Infrastructure (AMI) and WaterSmart Customer Portal project from Ferguson Enterprises, as the sole source authorized distributor, in the amount not-to-exceed \$2.05 million and to authorize the General Manager to sign the agreement with the required terms and conditions. Mr. Doyle seconded the motion. Motion passed by a roll call vote of 3-0.

**E. Approval of Sole Source Procurement for Itron Advanced Metering Infrastructure (AMI) Fixed Network Components**

Mr. Olsen stated that while the previous item focused on the meters for the AMI program, this item is for the fixed network components which include encoder receiver transmitters to propagate the reads from the meters, collectors, repeaters, and antennas. The District has been installing Itron components in all service areas since 2010 and all the outlying facilities are already on an Itron AMI fixed network. As such, it is recommended that the Board approve a sole source agreement for Itron fixed network components with Mountain States Pipe and Supply as they are the sole source authorized distributor of Itron products. As with the previous item, the exact quantities are constantly changing so it is recommended that the Board approve a non-to-exceed amount of \$1.35 million. This sole source approval also addresses one of the requirements for the grants the District received to support this initiative.

Mr. Sarti moved to approve the purchase of the Itron fixed network components for the Metro Main Advanced Metering Infrastructure (AMI) and WaterSmart Customer Portal project from Mountain States Pipe and Supply, as the sole source authorized distributor, in the amount not-to-exceed \$1.35 million, and to authorize the General Manager to sign the agreement with the required terms and conditions. Mr. Doyle seconded the motion. Motion passed by a roll call vote of 3-0.

**F. Approval and Award to Purchase of Polymer Meter Box Lids for the District's Advanced Metering Infrastructure Project**

Mr. Olsen stated that the District's current metal meter box lids prevent the AMI endpoints from properly communicating reads to collectors and repeaters. These lids need to be replaced with polymer lids that enable the signal to propagate while also meeting loading specification. A bid notice for these lids was advertised beginning January 8, 2024, with bids due on February 7, 2024. Two bids were received by the deadline but one of the bid packages did not have the required Buy America Certification, product cut sheets, and product load ratings. As such, the only responsive bid was from Ferguson Enterprises. It is recommended that the Board approve a not-to-exceed amount of \$600,000 for the purchase of the polymer lids as the quantities are constantly changing given ongoing maintenance activities.

Mr. Sarti moved to approve the purchase of polymer meter lids for the District's Metro Main Advanced Metering Infrastructure and WaterSmart Customer Portal project and award all the pricing Groups to Ferguson Enterprises in an amount not-to-exceed \$600,000. Mr. Doyle seconded the motion. Motion passed by a roll call vote of 3-0.

**G. Authorizing Amendment No. 1 to Construction Manager at Risk (CMAR) Contract for Northwest Recharge, Recovery and Delivery System (NWRD) Shared Project**

Mr. Olsen stated that in November 2023, the Board awarded a Construction Manager at Risk CMAR contract to Borderland for the construction of the partnered elements of NWRD. Given the size of the program, Borderland arrived at six Guaranteed Maximum Price (GMP) submittals, which group common elements together and provides certainty that cost will not grow beyond each individual GMP. The overall GMP estimate, for the sum of the six GMPs, is \$47,433,384.37 and includes approximately \$4 million in value engineering reductions over the initial cost proposal.

GMP #1 includes long-lead procurement items, i.e. pipeline, and is \$12,034,017.19 with the District's share of \$4,924,777.55. Given the volatility in pipeline material costs, it was essential that the Board have the opportunity to consider this GMP in advance of the other GMPs, which are still being finalized, since the costs are anticipated to further escalate if this was not considered until the March Board Meeting.

The Partners of the Towns of Oro Valley and Marana concurred with this GMP, and the respective cost share, via Memorandum of Agreement (MOA) 24002-01. As such, it is recommended that the Board approve GMP#1.

Mr. Sarti moved to authorize the General Manager to negotiate and execute Amendment No. 1 to the contract with Borderland Construction Company as Construction Manager at Risk for the Northwest Recharge, Recovery, and Delivery System, Shared Project in an amount not to exceed \$12,034,017.19 for the Guaranteed Maximum Price Number 1 – Long Lead Procurement, Pipeline Materials. Mr. Doyle seconded the motion. Motion passed by a roll call vote of 3-0.

**H. Authorizing the General Manager to Execute Amendment No. 1 to the Agreement for E&T 22 Well Replacement**

Mr. Olsen stated that in November 2023, the Board authorized an agreement with Smyth to accomplish the site civil work for the E&T 22 replacement well. At that meeting, the Board was informed that there would be another Board item in the near future for the electrical work and equipping of the new well once the respective designs were complete. The designs have now been finalized and this item is to amend Smyth's contract to \$673,468.74 for Amendment #1 to accomplish the electrical work, well equipping, and start-up.

Mr. Sarti moved to authorize the General Manager to execute Amendment No. 1 with Smyth Industries, Inc., in an amount of \$673,468.74. Mr. Doyle seconded the motion. Motion passed by a roll call vote of 3-0.

#### **I. Legislative Updates 2024**

Mr. Olsen provided an update on House Bills 2160 and 2366. It is recommended that the Board direct the General Manager to submit a statement of formal approval to House Bill 2160 and formally oppose House Bill 2366 on behalf of the Metropolitan Domestic Water Improvement District.

Mr. Sarti moved to direct the General Manager to submit a statement of formal approval to House Bill 2160 and formally oppose House Bill 2366 on behalf of the Metropolitan Domestic Water Improvement District. Mr. Doyle seconded the motion. Motion passed by a roll call vote of 3-0.

#### **V. General Manager's Report**

Mr. Olsen stated that one of the approved District-wide Specific Performance Objectives (SPO) this year is to “ensure the District’s voice is represented in various external engagements to include: helping draft Arizona level water policies, participation in emergency response scenarios, staff growth via AZWater, etc.” When the SPOs were proposed, the focus was on external engagement beyond the Boards, Committees, and Commissions that Mr. Olsen currently serves on.

Mr. Olsen provided an overview of staff’s external engagements that have been ongoing and have grown significantly this year.

The District regularly is the top employer with more District staff maintaining an active AZWater membership than much larger organizations throughout Arizona.

#### **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 11, 2024.

**VIII. General Comments from the Public**

There were no comments from the public.

**IX. Adjournment**

The meeting adjourned at 6:40 p.m.

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Chair of the Board

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Theo Fedele, Clerk of the Board