

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

MONDAY, FEBRUARY 14 2022

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

MINUTES

Board Members Present: Lee Jacobs, Vice Chair
Jim Doyle, Member (Participated Electronically)
Bryan Foulk, Member (Participated Electronically)
Scott Schladweiler, Member

Board Members Not Present: Richard Sarti, Chair

District Staff: Joseph Olsen, General Manager
Sheila Bowen, District Engineer
Diane Bracken, Chief Financial Officer (Participated Electronically)
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, Vice 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, and Scott Schladweiler were present. Richard Sarti was not present.

II. General Comments from the Public

There were no comments from the public.

III. Consent Agenda

- A. Approval of Minutes – January 10, 2022 Board Meeting**
- B. Ratification of Billing Adjustments**
- C. Ratification of Bill of Sale for Overton Self Storage (M-21-002)**

Mr. Schladweiler moved to approve the consent agenda. Mr. Foulk 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 2022 consumption compared to last fiscal year-to-date continues to trend lower in all service areas with a 12.6% decrease in Metro Main, a 19% decrease in Metro Hub, and an 8.1% decrease in Metro Southwest.

For calendar year 2022, the District's Central Arizona Project (CAP) order of 9,960 acre-feet (AF) will be delivered to groundwater savings facilities. The remaining 3,500 AF of the District's allocation will be used to support the 500-Plus Plan as additional system conservation and the District will be compensated at a rate of \$260.61 per AF. A draft agreement from CAP for the 500-Plus Plan was received and staff provided comments. In the next couple months, this agreement will be brought to the Board for consideration. One point of interest is that the District is the third largest contributor in Arizona to the 500-Plus Plan. The 3,500 AF of Phoenix's inter-AMA firming water is anticipated to be stored in the second half of calendar year 2022 after the planned Avra Valley Recharge Project (AVRP) improvements are completed. The work on the improvements commenced today.

Mr. Shepard provided an update on noteworthy maintenance projects.

Ms. Bowen provided an update on the Northwest Recharge, Recovery, and Delivery System (NWRRDS) Project, including the Metro-only portion, along with updates on AVRP improvements and the Creeger mainline replacement.

B. Financial Report

Ms. Bracken stated that revenue and expenditures for December are both favorable when compared to a straight-line projection with revenue \$619,544 over budget and expenditures \$683,789 under budget. The revenue in excess of expenditures is favorable by \$1,303,333. When comparing the total revenue to the prior fiscal year, revenue through December was 11.94% or \$1,650,479 lower than the total revenue in December of the prior fiscal year. The Metered Water Revenue is 4.83% or \$509,701 lower than the prior fiscal year. The historic average of budgeted water revenue billed by the end of December is 54% and the District has billed 53.97% of the budgeted water revenue through the end of December. The operating expenditures in December

were \$357,563 higher than they were at the end of December in the prior fiscal year. The January cash deposit balance was \$26,599,415.73, which is \$661,153.74 lower than the December balance with debt service payments made in January. The investment balance as of the end of January was \$11,122,068.26, which is \$246,034.12 higher than the December balance.

The Arizona State Treasurer Pooled Collateral Program Statement for December included \$15,417,063.14 of cash on deposit with collateralization coverage of \$15,215,404.40 in addition to the \$500,000 FDIC coverage.

The Capital One Bank MasterCard were used to purchase \$21,662.51 on the January statement with up to 1.25% cash back earnings. The cash back received from transactions processed in December totaled \$278.48 or 0.95% with an inception-to-date cash back total of \$17,129.53.

Three new meter applications were received in January for the Metro Main service area. There were 12 new meter applications received in January of the prior fiscal year. Year-to-date, 64 new meter applications have been received compared to 287 at the same time in the prior fiscal year.

The NWRDRS projects were added to the Water Infrastructure Finance Authority of Arizona (WIFA) project priority list. Prior to moving forward with the process, staff requested the amount of principal forgiveness WIFA would offer the District on an estimated interest rate for a 10-year note based upon current rates. WIFA offered \$1 million of principal forgiveness, with an interest rate of 1.5% when their 20-year interest rate was 1.589%.

Staff simultaneously is working with Mark Reader from Stifel, Nicolaus & Company and the Bond interest rate for a to-year note was 1.18%.

Since WIFA stated that they offer a below the market interest rate in addition to principal forgiveness, staff talked to them about the rate and were told the principal forgiveness would provide an effective rate when compared to the 1.18% bond rate.

With this information, I declined WIFA's offer because it was not fiscally advantageous for the District. They asked the amount of the breakeven analysis calculations to see if they could do more.

We asked again about Infrastructure Investment and Jobs Act funding and were told that they do not know if it will be available by September. They stated that they are still getting information from U.S. Environmental Protection Agency (EPA) on several aspects of this funding and the Director and his team will look at resource planning. If something significantly changes they will reach out and let us know.

We have not heard back from WIFA, however; EPA has released the first year estimated allocation of the Bipartisan Infrastructure Law funding for each state and the Arizona State Revolving fund or WIFA amount is anticipated to be \$109,458,000 with \$32,291,000 in the section allocated just for the Drinking Water State Revolving Fund with the remaining amount allocated to other water and wastewater programs.

We have reached out to the Bureau of Reclamation to inquire about potential funding options in the Infrastructure Investment and Jobs Act Bill for Water Storage, Groundwater Storage, and Conveyance projects. We will keep you update as information about this is obtained.

C. Approval of Purchase and Sale Agreement for Desert Aire Booster Site

Mr. Olsen stated that the District maintains property located at 7497 N. Oracle Road, which was previously used for a booster site. The booster station has since been removed and the District has no use for the property. The 0.33-acre property was originally appraised at \$40,000 but was adjusted to \$39,000 after the exact size of the parcel was reconciled. The adjacent property owner, Catalina Towing and Recovery Corporation, has signed a purchase agreement for the updated appraised amount and it is recommended that the Board approve the purchase and sale agreement for this property which no longer serves the District and will reduce the District's liability exposure.

Mr. Foulk moved to approve the purchase and sale agreement for the Desert Aire Booster site, located at 7497 N Oracle Road to Catalina Towing & Recovery Corporation in the amount of \$39,000.00. Mr. Schladweiler seconded the motion. Motion passed by a roll call vote of 4-0.

D. Authorization of Conditional Release of Easements Associated with Vista del Oro, Lots 1-139 (M-21-003)

Mr. Olsen stated that the Board previously approved the Water Service Agreement with Vista del Oro at the July 2021 Board Meeting. The development is currently under construction on the northwest corner of Overton Road and La Cholla Boulevard. This development includes the relocation of existing District infrastructure within a public easement to a new public water easement. Additional easements will also be obtained to support connections to future developments. Conditional release of the existing easements for the subdivision is required to accommodate the platting process. It is recommended that the Board authorize the conditional release of the existing easements associated with the Vista del Oro development contingent upon dedication of identified public water easements recorded on the final plat.

Mr. Foulk moved that the Board of Directors authorize a conditional release of existing easements associated with Vista del Oro, Lots 1-139, contingent upon dedication of public water easements recorded by the final plat. Mr. Schladweiler seconded the motion. Motion passed by a roll call vote of 4-0.

E. Legislative Updates 2022

Ms. Fedele stated that the Arizona State Legislature is in session and we monitor as well as update the Board on proposed legislation related to water, special districts, and other topics that could have an impact on the District.

House Bill 2412 relates to public meetings, recordings, and minutes that are available to the public and, if passed, would require the District to post audiovisual recording of Board Meetings.

Mr. Olsen provided an overview of the following House and Senate Bills:

Senate Bill 1067 would eliminate the 150,000 population threshold, which required voter approval for cities and towns to receive WIFA funding.

House Bill 2012 is regarding the formation of County Improvement Districts, “A petition addressed to the county board of supervisors requesting the establishment of an improvement district must be signed by both a majority of the persons owning real property and by the owners of 51 percent or more of the real property within the limits of the proposed district, instead of by a majority of the persons owning real property or by the owners of 51 percent or more of the real property within the limits of the proposed district.” This passed in the House 58-0 and does not impact District.

Senate Bill 1564 is regarding annexation of water districts. As mentioned last month, we were offered a chance to propose modifications prior to the introduction of this bill. We negotiated a clause that Domestic Water Improvement Districts (DWID) can only be annexed by the City or Town if peak domestic and fire flow requirements were not met for existing development. This protects the District in the service areas that are either within or close to the municipal boundaries of a City or Town. The Senate Natural Resources, Energy and Water Committee forwarded the bill with a recommendation to pass.

House Bill 2129 is a strike everything bill that would appropriate funding for Arizona Department of Environmental Quality (ADEQ) to fast track the regulatory framework for municipal providers to pursue direct potable reuse (DPR). Providing these resources and directive to fast-track the DPR regulations was a consensus recommendation by the Governor’s Water Council’s Post-2025 AMAs Committee. Funds are needed so ADEQ can utilize consultant services for technical review, engage subject matter experts, hold public stakeholder involvement meetings, and draft the

regulatory language in the next two years. As DPR is a critically important element in Arizona's long term water resources management, I recommend the Board authorize me to support House Bill 2129 on behalf of the District.

Mr. Schladweiler moved to direct staff to pursue support of House Bill 2129. Mr. Foulk seconded the motion. Motion passed by a roll call vote of 4-0.

VI. General Manager's Report

Mr. Olsen stated that registration for the annual AZWater Conference has opened up. The conference will be April 12-14, 2022 at the Phoenix Convention Center. The last time this conference was held in person was three years ago in 2019. As a reminder, April's Board meeting that would normally be scheduled for April 11th was moved to April 18th so those wishing to attend could drive up the night before as the Conference kicks off first thing on April 12th. If you wish to attend, please let Ms. Fedele or me know.

When warranted, I provide updates on the District's staffing and vacancy rates as part of my General Manger's Report. The last year has certainly been turbulent in the water industry but I am pleased to report that today a new Utility Technician II joined the District family and that was the last vacancy we had. While this is a snapshot in time, we currently have 100% of our 57 staff positions filled, all dedicated on delivering safe, reliable water to our customers. This would not be possible without Billie Sue Morelli's, the District's Human Resources Manager, recruiting and on-boarding efforts, along with the authority the Board grants me to adjust staff compensation based on relevant positions in the region to ensure we offer competitive wages.

A tradition we have at the District is to recognize an employee when they reach a year of service milestone. I am pleased to announce that one of our Board Members hits their one year of service on the Board today. It is my pleasure to give Lee Jacobs his one year of service pin.

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 14, 2022.

The next Finance Oversight Committee Meeting is March 17, 2022 at 4:00 pm. The Board is welcome to but not required to attend.

The Board Study Session Meeting is March 21, 2022 at 5:30 pm.

IX. General Comments from the Public

There were no comments from the public.

X. Adjournment

The meeting adjourned at 6:28 p.m.

Richard Sarti, Chair of the Board

Theo Fedele, Clerk of the Board