

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

MONDAY, MARCH 9, 2026

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

MINUTES

Board Members Present: Richard Sarti, Vice Chair
Jim Doyle, Member (Participated Electronically)
Bryan Foulk, Member
Lee Jacobs, Member (Arrived at 6:18 p.m.)

Board Members Not Present: Scott Schladweiler, Chair

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. Sarti, 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 Richard Sarti were present. Scott Schladweiler was not present.

II. General Comments from the Public

There were no comments from the public.

III. Consent Agenda

- A. Approval of Minutes – February 9, 2026 Board Meeting**
- B. Ratification of Billing Adjustments**

Mr. Foulk 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 fiscal year-to-date consumption compared to last fiscal year-to-date is 2.2% lower in Metro Main, 0.8% higher in Metro Hub, and 1.8% 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.

B. Financial Report

Mr. Wengert stated that there have been no major changes in January from the mid-year projections discussed at the Board meeting last month. The District continues to outperform in most revenue sources and maintaining expenses within or below the budgeted amounts. January year-to-date operating revenue of \$18 million is favorable by \$624,000 to a straight-line budget and \$592,000 lower than January Fiscal Year 2025. January year-to-date operating expenses of \$8.6 million is favorable by \$1.4 million to a straight-line budget and \$182,000 higher than Fiscal Year 2025. February deposit accounts total \$47.7 million. Balances increased \$500,000 in February, which is a reflection of lower project payments during the month and grant draws received. February investments total \$10.5 million and generated \$74,000 of investment income during the month.

No meter applications were received in February compared to 43-meter applications received in February 2025. In Fiscal Year 2026, a total of 13-meter applications have been received compared to 151 in the prior year. There are 256 new meter applications budgeted in Fiscal Year 2026.

Improvements in other revenue streams and reductions in expenses to-date are currently offsetting shortfalls in budgeted development revenue.

C. Discussion of Proposed Rate and Fees Adjustments for Fiscal Years 2027, 2028, and 2029 and Scheduling a Public Hearing

Note Mr. Jacobs arrived at 6:18 p.m.

Mr. Olsen stated that for most of the District's history, rate adjustments were determined on an annual basis. Given the significant time involved in planning capital infrastructure replacement and ensuring a long-range water resource portfolio, the Board concurred that a multi-year rate package would provide enhanced financial planning for both the District and customers. The Board previously approved a 3-year rate package for Fiscal Year 2024-2026, which included no rate increase for Fiscal Year 2026. With less than 4-months until Fiscal Year 2027, staff have spent many months prioritizing the District's tactical and strategic needs to ensure deliveries of safe, reliable water to our customers. Based on these requirements, and the underlying cost of service model, the proposed 3-year rate package for Fiscal Years 2027-2029 was developed. This maintains the District's revenue stability goal of covering 90% of our fixed costs with fixed revenue. Additionally, a goal that Mr. Olsen has had since arriving at the District 12 years prior was to align the rate schedules between all the District's service areas. Over that time, the rates have been incrementally aligned and this goal will be realized by the end of the proposed 3-year rate package.

Mr. Wengert stated that the proposed rate adjustments result in an average annual customer increase of 4.8% in Metro Main and Hub, 4.3% in Diablo Village, 6.2% in E&T, and 5.3% in Lazy B.

The high-level proposed changes in the three-year rate request include:

- A water availability rate change in each year for all service areas. The base rate includes the 2,000 gallons for a 5/8-inch meter.
- Lazy B will transition to a tiered water consumption rate structure. Over the three-year period, the adjustments for Lazy B will bring the structure and rates in line with all other District service areas.
- Water consumption rates will increase in all service areas beginning in Fiscal Year 2028.
- The Infrastructure Rehabilitation Fee base rate will increase \$0.50 annually in each of the three years.
- The bulk water rate will move from \$5.10 to \$6.05 to \$7.00 in the respective years This is a \$0.95 increase per 1,000 gallons.
- Private Fire Riser monthly fee for a 2-inch meter will incrementally increase from 19.38 to 20.83 to 22.42 in the respective years.

- The customer deposit will be adjusted to \$200 in Fiscal Year 2027 and be consistent amongst all residential accounts thereafter.

The Water Resource Utilization Fee (WRUF) will remain at \$0.90 per 1,000 gallons and there will be no changes to the development fees or to service charges or fees in the three-year period.

Discussion ensued and staff answered questions.

Mr. Foulk moved to approve to schedule a public hearing for May 11, 2026, at 5:30 p.m. for the purpose of discussion and possible adoption of the adjustments to the District's water rates and fees for Fiscal Years 2027, 2028, and 2029. Ms. Doyle seconded the motion. Motion passed by a roll call vote of 4-0.

D. Discussion of the Proposed Budget for Fiscal Year 2027

Mr. Olsen stated that for over a decade, the District has used a priority driven budget process where all requirements are prioritized based on the District mission of delivering safe, reliable water to our customers. Also, successfully executing a budget requires the entire team to be on board. As such, each Team prioritized their requirements and large group meetings were held where Teams justified their requests. Mr. Wengert and Mr. Olsen then integrated the overall priorities within anticipated funding limitations from the previously discussed 3-year rate package.

Mr. Wengert provided an overview of the proposed budget including the operating revenue and expenses. He stated that the Fiscal Year 2027 proposed budget includes the proposed rate increase for Fiscal Year 2027 along with changes for CAP water, Bureau of Reclamation compensation, electricity rate increases, and maintenance project priorities. The overall proposed budget with the net operating, investments to support the District and Capital Improvement Program (CIP) requests maintains a \$36 million operating fund balance.

Mr. Olsen provided an overview of the Investments to Support the District Mission in the proposed budget, which includes: the service line inventory, replacement of a backhoe loader, and the replacement of the Oracle Jaynes Station standby generator.

Ms. Bowen provided an overview of the of the CIP requests for continuing and new project.

Discussion ensued and staff answered questions.

E. Approval of an Amendment to the Fiscal Year 2026 Adopted Budget

Mr. Wengert stated that due to differences in construction timing between budget years for the NWRRDS Partner project, NWRRDS Metro-only project, and the Ironwood blend well Projects, a significant portion of work originally anticipated to be completed in Fiscal Year 2025 will instead be completed in Fiscal Year 2026. Additionally, certain project activities are now expected to extend into the Fiscal Year 2027 Budget. The requested budget amendment reflects a reallocation of previously approved project funding between fiscal years and does not increase the total authorized funding for any of the Projects.

Mr. Foulk moved to approve an amendment to the Fiscal Year 2026 Adopted Budget in the amount of \$4,538,757 for the purpose of providing the necessary funding for the Northwest Recharge, Recovery and Delivery System Projects and the Ironwood Blend Well project. Mr. Jacobs seconded the motion. Motion passed by a roll call vote of 4-0.

F. Authorizing Amendment No. 7 and Amendment No. 8 to Construction Manager at Risk (CMAR) Contract for Northwest Recharge, Recovery, and Delivery System (NWRRDS) Shared Project

Ms. Bowen stated that during the pre-construction for the NWRRDS project an initial cost model with minor value engineering was submitted by the contractor and accepted by the Partners. During review of the cost model, Borderland provided more detail on cost increases that were not associated with the previously approved GMPs for material acquisition and construction of the transmission main. At the time of the initial cost model development, the portion of the transmission main from the ADOT crossing east to the forebay facility had not been designed. The final alignment included more pipe and significantly more dip crossings with associated air release valves and restrained joints. Drainage in the existing condition had to be maintained and future constructed drainage crossings had to be provided in the final design. GMPs #7 and #8 include the remaining portion of the realignment.

Mr. Olsen stated that the total increase is approximately \$2.9 million. Borderland has identified approximately \$825,000 in potential savings from prior GMPs. Additionally, it is anticipated that savings from unutilized Owner's and Contractor's contingencies would equate to approximately \$1 million. Together, these items offset the anticipated \$2.9 million increase to a total increase of \$1 million, with the District's portion increasing by approximately \$345,000. The reason the Board is being asked to increase the total authorized contract amount by the full \$2.9 million is because the cost savings on prior GMPs and contingency funding will not be realized until near the end of the project.

Mr. Foulk moved to authorize the General Manager to negotiate and execute Amendment No. 7 to the Construction Manager at Risk contract with Borderland Construction Company, Inc. in an amount not to exceed \$2,828,035.68 for the Northwest Recharge, Recovery, and Delivery System Guaranteed Maximum Price Number 7 – Package 3C.1 and Package 3D Transmission Main Installation and to negotiate and execute Amendment No. 8 to the Construction Manager at Risk contract with Borderland Construction Company, Inc. in an amount not to exceed \$3,808,652.71 for the Northwest Recharge, Recovery, and Delivery System Guaranteed Maximum Price Number 8 – Package 3E Transmission Main Installation for a total target construction amount not to exceed \$50,553,545.45. Mr. Jacobs seconded the motion. Motion passed by a roll call vote of 4-0.

G. Approval of the Pima County Cooperative Purchasing Agreement and the District's Participation and Use of Pima County Cooperative Contracts

Mr. Olsen stated that the District's Procurement Policy allows approved purchasing agreements to be utilized in lieu of a direct solicitation. The Board has previously approved the District's use of the City of Tucson Cooperative Purchasing Program, the Strategic Alliance for Volume Expenditures (SAVE) Cooperative Purchasing Agreement, and the Arizona State Cooperative Purchasing Agreement. Utilizing a cooperative purchasing agreement avoids duplication of efforts and provides a greater selection of qualified contractors and consultants that have been vetted by the respective public agency. It is recommended that the Board also authorize the Cooperative Purchasing Agreement with Pima County.

Mr. Jacobs moved to authorize the General Manager to execute the Cooperative Purchasing Agreement with Pima County and approve the District's participation and use of Pima County cooperative contracts. Mr. Foulk seconded the motion. Motion passed by a roll call vote of 4-0.

H. Award of Job Order Contract to Innova Engineering, LLC, for Tucson National Estates West Galvanized Pipe Replacement

Mr. Olsen stated that the District is in the process of replacing known galvanized pipeline throughout the Metro Main service area, prior to NWRD operation, to proactively address potential water discoloration caused by the introduction of water with a slightly different chemical signature. The galvanized pipes are being replaced by a combination in-house staff and external contractors. The Tucson National Estates West subdivision is served by approximately 430 AF of 2-inch galvanized pipe and is located in a highly vegetated area along steep terrain. Given the amount of manual trenching and materials involved, it is recommended that this replacement be

contracted. Innova responded to the District's request for bid via the City of Tucson Job Order Contract in an amount of \$149,400. The Fiscal Year 2026 budget includes \$745,000 for multiple galvanized pipe replacement projects. The proposed contract with Innova is within the budgeted amount. Given the terrain, it is recommended that the General Manager be authorized to allocate an additional not to exceed amount of \$20,000 for any unforeseen site conditions.

Discussion ensued and staff answered questions.

Mr. Jacobs moved to award the Tucson National Estates West Galvanized Pipe Replacement to Innova Engineering, LLC, under the Job Order Contract for Main Replacement with the City of Tucson in the amount of \$149,400 and to authorize the General Manager to allocate additional funding in a cumulative amount not to exceed \$20,000. Mr. Foulk seconded the motion. Motion passed by a roll call vote of 4-0.

I. Authorizing a Contract with CMG Drainage Engineering, Inc. for Drainage Study for the Mobile Office Building at Metro Hub 1A

Mr. Olsen stated that one of the Fiscal Year 2026 Investments to Support the District Mission is the replacement of the mobile office trailer at the Hub 1A wellsite. As part of the building permitting process, a floodplain use permit is required. While the wellsite is outside of the mapped floodplain per FEMA, Pima County Regional Flood Control District has required an updated floodplain model that includes the wellsite. To accomplish this model would incur an external consultant cost of \$39,000. As the modeling cost is approximately half the cost of the new mobile office, staff have closely coordinated with Pima County on alternative accepted solutions. The District has obtained a tentative agreement from the County on a mitigating solution that will not require the model but we will not know for sure until the floodplain use permit is received. As such, it is recommended that the Board approve the requested action with the anticipation that the District would not have to execute the floodplain modeling services.

Mr. Foulk moved to authorize the General Manager to execute an agreement with CMG Drainage Engineering, Inc., in an amount not to exceed \$39,000 to complete a drainage study for the Metro Hub 1A mobile office building, and to grant the General Manager authority to allocate additional funding in a cumulative amount not to exceed \$4,000. Mr. Jacobs seconded the motion. Motion passed by a roll call vote of 4-0.

J. Approval to Purchase Solar Power Systems for the District's Advanced Metering Infrastructure Project

Mr. Olsen stated that as part of the District's Advanced Metering Infrastructure (AMI) upgrade, solar panels are required to power the collectors and repeaters in areas where no utility power is available. Staff advertised a request for bid for the solar panels and received two bid responses. One of the bids could not meet the Build America Buy America Act requirements. As such, it is recommended that the Board approve the purchase of the required solar panels from Sunwize Power and Battery for \$52,676.70.

Discussion ensued and staff answered questions.

Mr. Jacobs moved to approve the purchase of the solar power systems from Sunwize Power and Battery for an amount of \$52,676.70 and to authorize the General Manager to approve up to an additional \$5,000 for any unforeseen issues related to the procurement. Mr. Foulk seconded the motion. Motion passed by a roll call vote of 4-0.

K. Approval of Insurance for Workers' Compensation Coverage

Mr. Olsen stated that the District carries workers' compensation insurance to cover employees in the event of an on-the-job injury. The District's insurance broker, Crest Insurance, pursued workers' compensation coverage and CopperPoint has quoted \$49,218 to provide continued coverage from April 1, 2026 to April 1, 2027. This is a decrease of \$13,840 from the previous workers' compensation annual premiums. The decrease is largely due to a reduced number of active claims and highlights the District's safety culture. This quote is an estimate based off the various rates and factors CopperPoint uses and is ultimately adjusted based on the actual payroll. It is recommended that the Board approve the workers' compensation coverage with CopperPoint.

Discussion ensued and staff answered questions.

Mr. Foulk moved to approve the workers' compensation policy with CopperPoint Casualty Insurance Company for a coverage period of April 1, 2026 to April 1, 2027 in the amount of \$49,218. Mr. Jacobs seconded the motion. Motion passed by a roll call vote of 4-0.

L. Legislative Updates 2026

Mr. Olsen stated that the Arizona legislature has been in session for nearly 60 days and there is three weeks left of committee hearings to consider opposite chamber bills for the current session. Since the last Board meeting, the District has taken a stance on three bills.

Senate Bill 1448 adds on-duty utility workers as protected persons, such as teachers and first responders in the criminal classification of aggravated assault. This bill was introduced as utility workers are often placed in volatile situations with regards to having to turn off service due to lack of payment. This bill essentially increases the penalty of assault on a utility worker to aggravated assault. The District filled in support of this proposed legislation and is joined by Southern Arizona Water Users Association (SAWUA) and other water/utility agencies. The bill has passed the Senate 23-4 and is currently progressing through the House.

House Bill 2099 would prevent a municipal provider from storing Colorado River water in underground storage facilities and accruing long-term storage credits during a period of shortage on the Colorado River. As the Colorado River is currently in a shortage condition, and will likely continue to be in the foreseeable future, this bill prevents municipal water providers from storing their CAP allocation for future use. This bill penalizes water providers that have invested in underground storage and could have significant impacts to Arizona's assured water supply program. Not surprisingly, the water sector is unified in their opposition to this bill and the District also filled in opposition. This bill is being pushed by the Home Builders Association and various agricultural organizations. The bill passed the House Natural Resources, Energy, and Water Committee with a 6-3 vote and has been retained on the calendar for committee of the whole discussions.

House Bill 4030 prohibits a municipality from imposing or collecting increased fees, including increased rates for utility service, from July 1, 2026 through June 30, 2030. As the Board knows, municipal water providers operate under a cost-of-service model. Each year, due to numerous factors, the cost of providing safe, reliable water to customers increases and rates are adjusted accordingly to ensure this service can be provided. Arbitrarily preventing rate increases for a period of five years will force water providers to defer critical infrastructure replacement, preventative maintenance activities, and could impact reliable water deliveries. While this bill was meant to keep customer costs down, the opposite will occur over the longer-term as delaying deferred maintenance results in exponentially more costs to the customer due to premature infrastructure and equipment failure. As expected, the District joined the greater water sector in opposition to this bill. Presently, there are over 300 entities and individuals that have filled in opposition to this bill and there are 200, primarily individuals, that have filed in support. This bill

passed the House Ways and Means Committee on a 5-4 vote and has been retained on the calendar for committee of the whole discussions.

Previously, the District filed in support of House Bill 2116. This bill sets aside \$1 million for the Colorado River Defense fund should litigation be required in the post-2026 Colorado River operating guidelines. The bill has passed the House on a 56-0 vote and passed the Senate Natural Resources Committee last week with an 8-0 vote.

Discussion ensued and staff answered questions.

VI. General Manager's Report

Mr. Olsen stated that last month the Board authorized to submit a letter to the Bureau of Reclamation regarding the District's comments on Post-2026 Colorado River Draft Environmental Impact Statement (EIS). The letter was submitted and covered the District's concerns. The District also signed CAP's highly detailed comment letter to the Bureau of Reclamation. The next step is for the Bureau of Reclamation to compile the comments into the public register and to consider incorporating respective comments into what will be the preferred alternative for Post-2026 Colorado River Operations.

This month began the four-part series of NWRRDS related customer inserts. The goal of these inserts is to educate Metro Main customers on why the District is accomplishing NWRRDS, how the District anticipates blending the NWRRDS water, and the anticipated program benefits. The target is for all four inserts to be sent out quarterly between now and early next calendar year in advance of the NWRRDS commissioning.

Arizona Department of Environmental Quality (ADEQ) assesses water providers throughout Arizona on a regular basis to determine the utility's technical, managerial, and financial capacity to operate the water system. Last week, Mr. Olsen was interviewed by ADEQ and asked numerous questions on these three topics. The District was rated as meeting 100% of all the questions asked and received the grade of "A" in the ability to operate, manage, and maintain the system.

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 April 13, 2026.

IX. General Comments from the Public

There were no comments from the public.

X. Adjournment

The meeting adjourned at 7:20 p.m.

Scott Schladweiler, Chair of the Board

Theo Fedele, Clerk of the Board