

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

MONDAY, MARCH 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
Bryan Foulk, Member
Lee Jacobs, Member

Board Members Not Present: Jim Doyle, 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. Bryan Foulk, Lee Jacobs, Richard Sarti, and Scott Schladweiler were present. Jim Doyle was not present.

II. General Comments from the Public

There were no comments from the public.

III. Consent Agenda

- A. Approval of Minutes – February 10, 2025 Board Meeting**
- B. Ratification of Billing Adjustments**

Mr. Foulk moved to approve the consent agenda. Mr. Jacobs 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 for the District's service areas is 1.7% lower in Metro Main, 0.9% lower in Metro Hub, and 0.6% lower in Metro Southwest when compared to the same period in the prior fiscal year.

Last month, the Board received an update that after the sediment removal from the recharge basins the delivery rates had increased to 16 cubic feet per second (cfs). We have been able to further increase the delivery rate to 18 cfs, which is approximately 36 acre-foot per day. If this recharge rate holds, we could potentially have the ability for a second drying cycle in the basins this year.

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.

Discussion ensued and staff answered questions.

B. Financial Report

Ms. Bracken stated that revenue and expenditures through January are both favorable when compared to a straight-line projection. Revenue is \$2,423,871 over budget and expenditures are \$718,441 under budget. The revenue in excess of expenditures is favorable by \$3,142,312. When comparing the total revenue to the same month in the prior fiscal year, revenue as of January was higher by 1.28% or \$244,149. The historic average of budgeted water revenue billed by the end of January is 63% and the District billed 61.14% of the budgeted meter water revenue. Penalties and service charges, development revenue, and water storage are all under budget. The operating expenditures as of the end of January were \$603,933 higher than they were at the end of January in the prior fiscal year. The February cash deposit balance was \$38,241,367.18, which is \$62,489.07 higher than the January balance. The investments as of the end of February totaled \$10,486,883.57, which is \$614,227.84 higher than the January balance.

The Arizona State Treasurer Pooled Collateral Program Statement for January included deposits totaling \$22,703,187.68 in the Statewide Pooled Collateral Program.

The Capital One Bank MasterCards were used to purchase \$31,238.17 on the February statement with up to 1.25% cash back earnings. The inception-to-date cash back total is \$29,466.66.

There were 43-meter applications received in February, for the Metro Main service area. There were 11 new meter applications received in February of the prior fiscal year. Fiscal year-to-date, 123-meter applications have been received compared to 58 at the same time in the prior fiscal year.

C. Discussion of Anticipated Project Costs for the Ironwood Well and Pipeline to Herb Johnson Reservoir

Ms. Bowen stated that the Ironwood well is intended to facilitate greater utilization of NWRRDS water. Water will be piped in to the NWRRDS transmission main during operation to enable the blended water to achieve the District's total dissolved solids goals. The Ironwood well will connect to the transmission main roughly at that point and then go to the Herb Johnson Reservoir. The Ironwood project began in Fiscal Year 2022 with the initiation of a land acquisition. In developing the Fiscal Year 2023 Capital Improvement Program (CIP), staff included the pipeline from the well to the Herb Johnson Reservoir as part of the Ironwood project as this would enable that project to operate as a standalone facility with or without NWRRDS online. The CIP budget for Ironwood was increased by \$1,579,845 to account for that added pipeline and that amount was deducted from the NWRRDS Metro-only project.

Together with the land acquisition, and planning and design, the net increase for Fiscal Year 2023 was \$1,489,559. With the Ironwood facility operating as an independent facility, staff was able to obtain a WIFA loan in the amount of \$3,998,023 to cover the construction costs. The loan also included \$902,243 in principal forgiveness. The recommended CIP project budget for Fiscal Year 2026 includes a higher estimated cost for the well equipping based on recent costs. The net increase for the project is estimated to be \$310,800 higher than planned in Fiscal Year 2023. Should this additional cost be realized, \$63,919 of that amount would be covered with the WIFA loan and the rest would be an overage on the project. Staff will continue to seek opportunities for cost savings as the project nears completion and going out to bid for the Ironwood well equipping is anticipated in the next 30 days where we will then know what the total cost for the well facility will be.

Mr. Olsen stated this item was an opportunity to discuss the progress of the project and ensure the board is updated with all of the moving pieces.

Discussion ensued and staff answered questions.

D. 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 \$63,058 to continue providing this coverage from April 1, 2025 to April 1, 2026. This is an increase of \$967 over the previous workers' compensation annual premiums. 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.

Mr. Jacobs moved to approve the workers' compensation policy with CopperPoint Casualty Insurance Company for a coverage period of April 1, 2025 to April 1, 2026 at the amount of \$63,058. Mr. Foulk seconded the motion. Motion passed by a roll call vote of 4-0.

E. Presentation on the District's VXSmart Customer Portal

Mr. Olsen stated that this presentation is on the VXSmart customer portal that will be deployed for the outlying service areas in the next month and Metro Main will have a phased deployment over the next two years.

Travis Tarket, Customer Service Manager, provided a walk-through of the VXSmart customer portal utilizing a current District customer's account to demonstrate the tools and information available. The customer gave permission to utilize their account for the presentation

Discussion ensued and staff answered questions.

V. General Manager's Report

Mr. Olsen stated that last month the Board took action on either supporting or opposing six Bills and provided an update on the current status of those Bills.

The 3M and DuPont PFAS water settlement claims will be paid out soon and the District has valid claims for PFAS contamination in all service areas except for Metro Southwest Diablo Village. The goal, depending on the settlement amount, is to drill a new well at the Ina CDO wellsite and construct a multi-well treatment process for PFAS and 1,4-dioxane, particularly from Horizon Hills. Hopefully, at the next Board Meeting, we will know the amount the District will receive from the settlement. Today, staff also submitted the District's PFAS claim for the Tyco and BASF water settlement claims.

Last week, the Kyl Center for Water Policy published a report on water affordability in Arizona and staff were asked to provide comments on how the District obtained revenue stability. While there were concerns that revenue stability would impact water affordability as revenue stability is attained by increasing the base rate, Mr. Olsen shared how the District achieved a 90% fixed cost recovery from fixed revenue over the past nine years and the average annual increase has been less than 3% per year, which is cumulatively 27% over nine years. Other providers have had an average increase of approximately 6%, which is approximately 70% cumulative over the same period. Water affordability may initially be impacted when achieving revenue stability but with a tactical rate design plan and robust rate model, as Ms. Bracken has designed for the District, the impact to customers is minimized. Mr. Olsen was then able to share these and other insights from the District as a panelist on the Water Affordability in Arizona Panel.

For the past couple months, staff have been working with the Audubon Society to coordinate a tour of the District's projects that received grant funding from BIL and other sources. In April, the District is scheduled to host Representative Ciscomani at the South Shannon Treatment facility. The tour was initially to focus on the forgivable principal received to construct the Granular Activated Carbon (GAC) treatment facility to address PFAS at the Riverside and DeConcini wells. South Shannon was chosen instead as the GAC vessels have already been constructed, as well as share the operation and external funding for the Advanced Oxidation Process (AOP) treatment. Staff will also discuss funding received for the Advanced Metering Infrastructure (AMI) program and the VXSmart customer portal.

Discussion ensued and staff answered questions.

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 April 7, 2025.

VIII. General Comments from the Public

There were no comments from the public.

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IX. Adjournment

The meeting adjourned at 6:55 p.m.

Scott Schladweiler, Chair of the Board

Theo Fedele, Clerk of the Board