

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

MONDAY, MARCH 11, 2024

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

MINUTES

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

Board Members Not Present: 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, 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 12, 2024 Board Meeting**
- B. Ratification of Billing Adjustments**

Mr. Foulk moved to approve the consent agenda. Mr. Sarti 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 combined fiscal year-to-date consumption continues to trend higher when compared to last year for all service areas with an 8% increase in Metro Main, a 7.9% increase in Metro Hub, and a 3.3% increase in Metro Southwest.

For Calendar Year 2023, 7,098 acre-feet (AF) of the City of Phoenix's planned 7,200 AF of Inter-AMA firming water was delivered to the Avra Valley Recharge Project (AVRP). This disconnect was addressed with the District's delivery contractor and more frequent tracking near the end of the water year will occur to prevent a reoccurrence. As Phoenix budgeted and pays for the 7,200 AF, the District worked with Phoenix to address the disconnect with a transfer of long-term storage credits after the cut to the aquifer is applied. This ensures Phoenix is made whole for what they paid to the District.

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 are integration and programming issues that are being addressed by the contractor.

Mr. Shepard 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 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 January are both favorable when compared to a straight-line projection with revenue \$3,775,536 over budget and expenditures \$639,820 under budget. The revenue in excess of expenditures is favorable by \$4,415,357. When comparing the total revenue to the same month in the prior fiscal year, revenue in January was higher by 36.06% or \$5,042,528 with \$2 million received in Fiscal Year 2024 for the Central Arizona Project (CAP)

Conservation, and Metered Water Revenue being higher by 12.25% or \$1,379,496 when compared to the same month in the prior fiscal year. Water Resource Utilizations Fees are \$327,940 higher, and interest income is \$535,462 higher. The historic average of budgeted water revenue billed by the end of January is 61% and the District billed 62.75% of the budgeted metered water revenue as of the end of January. The operating expenditures in January were \$411,301 higher than they were at the end of January in the prior fiscal year. The February cash deposit balance was \$41,522,830.24, which is \$593,516.96 lower than the January balance. The investments as of the end of February totaled \$12,596,736.46, which is \$502,317.53 higher than the January balance.

The Arizona State Treasurer Pooled Collateral Program Statement for January included \$25,203,702.40 of cash on deposit with collateralization coverage of \$25,197,776.45 in addition to the \$500,000 FDIC coverage.

The Capital One Bank MasterCards were used to purchase \$34,566.30 on the February statement with up to 1.25% cash back earnings. The inception-to-date cash back total is \$25,566.30.

There were 11-new meter applications received in February for the Metro Main service area. There were 6 new meter applications received in February of the prior fiscal year. Fiscal year-to-date, 58-meter applications have been received compared to 62 at the same time in the prior fiscal year.

C. 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 a \$23,606 reduction from the current workers' compensation premiums to provide this coverage for the District. This is equivalent to a 27% decrease in premiums. Last year the coverage was reduced by \$12,739 and a significant contributing factor for the multi-year decrease is the reduction in the total dollar amount of claims. Not that 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. Sarti moved to approve the workers' compensation policy with CopperPoint Casualty Insurance Company for a coverage period of April 1, 2024 to April 1, 2025 at the amount of \$62,091. Mr. Foulk seconded the motion. Motion passed by a roll call vote of 4-0.

D. Approval and Award to Purchase Pipe, Fittings, Valves, Related Items, and Chlorination Equipment for Granular Activated Carbon Treatment Systems

Mr. Olsen stated that the District received 100% forgivable principle from Water Infrastructure Finance Authority of Arizona (WIFA) for the construction of Granular Activated Carbon (GAC) treatment at the Riverside and DeConcini wells to treat Per- and Polyfluoroalkyl Substances (PFAS). To accomplish the construction of the treatment, the construction was broken into two parts, the first being the purchase of the pipe, fittings, valves, and related items while the second element is the treatment vessels. The item before the Board is the approval for the first group of items to support the construction of the treatment system at both well sites. It is anticipated that the authorization for the treatment vessels will be brought to the Board for consideration at the April Board Meeting.

Mr. Foulk moved to approve the proposals submitted by Fortiline Waterworks and award the Riverside Crossing Groups 1-2 and 5-9, including contingency; not-to exceed a cumulative amount of \$91,462 and to approve the proposals submitted by Fortiline Waterworks and award the DeConcini Groups 1-2 and 6-8, including contingency; not-to exceed a cumulative amount of \$69,739. Mr. Sarti seconded the motion. Motion passed by a roll call vote of 4-0.

E. Approval of Contracted Service Line Potholing

Mr. Olsen stated that the U.S. Environmental Protection Agency (EPA) is requiring that all public water systems develop a service line inventory, which documents the material of the service line on the public and customer sides of the meter, as part of the Lead and Copper Rule Revisions. While staff is not aware of any lead service lines in the District, 20% of subdivisions and 100% of standalone homes are required have the service line material identified and photo documented. The deadline to submit the completed inventory is October 16, 2024. In order to accomplish this significant effort, staff have begun potholing service lines in the District's outlying service areas. I also authorized Metering Services Inc. (MSI) to begin potholing lines within the Metro Main service area for a not to exceed amount of \$30,000, in accordance with my authorization amount in the District's Procurement Policy. This was done to maximize the number of lines that can be inventoried given the compressed timeline to accomplish this effort. It is recommended that the Board authorize MSI to continue this effort for an amount not to exceed \$366,000. This, along with anticipated efforts by staff, will enable the District to complete and submit the service line inventory by the deadline.

Mr. Sarti moved to approve the use of the City of Tempe cooperative purchasing contract Water Service Line Materials Field Verification contract with Metering Services Inc for potholing the District's service lines for compliance with USEPA service line inventory requirements and authorize the General Manager to execute an agreement in an amount not to exceed \$366,000. Mr. Foulk seconded the motion. Motion passed by a roll call vote of 4-0.

F. Award of the Construction Contract for the Burton Drive Mainline Replacement (M-23-006)

Mr. Olsen stated that the Board previously authorized an infrastructure rehabilitation fee to provide a dedicated revenue stream to support the Capital Improvements Program (CIP). Currently, this fee generates just under \$500,000 annually. The other funding sources for the District's CIP is from new development, specifically fees associated with new meter installations, and transfers from the District's operating fund. Given the annual Infrastructure Rehabilitation Fee revenue, staff wanted to ensure tangible infrastructure benefits but it would take many years to save up this revenue to accomplish a well redrilling and even longer for a transmission main or reservoir replacement.

One element that would have an immediate benefit to District customers is replacing aging galvanized waterlines as these are prone to failure and could cause aesthetic issues with the water, specifically if a new source of water, other than groundwater, was added to the system, i.e. NWRRDS. Staff divided the galvanized lines into projects that were approximately \$400,000 each along with \$75,000 in design and planning. This enables one design and one construction project to occur each year in the CIP until the identified galvanized lines are addressed. Burton Drive mainline replacement was designed by staff last year and it is proposed that the 2-inch galvanized waterline be replaced with new 6-inch ductile iron pipe. The City of Tucson's Job Order Contract (JOC) was utilized to obtain a bid from Tricon Contracting in the amount of \$244,865.

Mr. Foulk moved to award the construction contract for the Burton Drive Mainline Replacement to Tricon Contracting, Inc. in the amount of \$244,865.00, to authorize the General Manager to allocate additional funding in a cumulative amount not to exceed \$12,000.00, and to increase the original construction contract term in a cumulative amount not to exceed twenty (20) calendar days. Mr. Sarti seconded the motion. Motion passed by a roll call vote of 4-0.

G. Authorizing the Purchase and Designating the General Manager to Execute Documents Related to the Acquisition of the Blending Site for the Future Ina/CDO Well Replacement

Mr. Olsen stated that the current Ina/CDO well is over 40 years of age but the site is a very compressed area. This size of this site precludes the drilling of a replacement well. The area is also located near a 1,4-dioxane and PFAS contaminate plume so the well is pumped only when needed to avoid further propagation of the plume. The Horizon Hills well is approximately 0.5 miles to the southwest of the Ina/CDO well and has been offline since 2016 due to same groundwater contaminant plume. The property is located northwest of the Ina/CDO well with the 1.116-acre size enabling both a redrill of the existing well along with space for a future treatment facility. This could then provide an opportunity to tie-in the Horizon Hills to this future treatment site, enabling the well to be placed back in service.

Multiple other parcels were investigated but this one is the only parcel in the nearby area that would meet the District's needs. It is recommended that the District purchase this property for the appraised value of \$440,000. If the Board approves of the purchase, the property acquisition is anticipated to be complete by the end of April 2024.

Mr. Foulk moved to authorize the purchase and designate the General Manager to execute documents as necessary for the acquisition of the blending site for the future Ina/CDO well replacement in the amount of \$440,000 plus closing costs and title fees, which are estimated at \$10,000. Mr. Sarti seconded the motion. Motion passed by a roll call vote of 4-0.

H. Approval of the Third Amendment to the Annexation Agreement for Arboles Viejos, Lots 1-1857

Mr. Olsen stated that in 2005, the District entered into an annexation agreement with Cortessa LLC for the property associated with the Metro West service area. Multiple amendments to the agreement have occurred since 2005, with the most recent in 2015. It is recommended that the Board approve the third amendment to the agreement, which incorporates the updated terms for protected facilities, per Resolution 2022-11, along with other relevant updates.

Mr. Sarti moved to approve the Third Amendment to the Annexation Agreement for Arboles Viejos, Lots 1-1857. Mr. Foulk seconded the motion. Motion passed by a roll call vote of 4-0.

I. Authorizing Amendment No. 2 to Construction Manager at Risk (CMAR) Contract for Northwest Recharge, Recovery and Delivery System (NWRRDS) Shared Project

Mr. Olsen stated that in November 2023, the Board awarded a CMAR contract to Borderland for the construction of the partnered elements of NWRRDS. Given the size of the program, Borderland arrived at six Guaranteed Maximum Price (GMP) submittals, which group common elements together and provides certainty on 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. Last month, the Board approved GMP #1 for the long-lead procurement of the pipeline materials for approximately \$12 million.

GMP #2 is for the construction of the transmission main from where the collector pipelines tie into the transmission main, to west of I-10. The remaining portion of the transmission main would be under a subsequent GMP as this area requires a redesign due to the change in alignment under I-10.

The NWRRDS Committee authorized the cost share of \$7,240,780.35 via Memorandum of Agreement (MOA) 24002-02 with the District's share at \$2,784,804.12. This brings the total executed under the GMPs to 40.9% of the anticipated contract total.

Mr. Foulk moved to authorize the General Manager to negotiate and execute Amendment No. 2 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 \$7,240,780.35 for the Guaranteed Maximum Price Number 2 – Transmission Main Installation, Packages 3A and 3B. Mr. Sarti seconded the motion. Motion passed by a roll call vote of 4-0.

J. Authorizing Amendment No. 3 to Construction Manager at Risk (CMAR) Contract for Northwest Recharge, Recovery and Delivery System (NWRRDS) Shared Project

Mr. Olsen stated that GMP #3 is for the long-lead procurement items associated with electrical, well equipping materials, and submittals. The NWRRDS Committee authorized \$2,557,155.47 to accomplish this effort via MOA 24002-03 with the District's share at \$1,247,122. This brings the total executed under the GMPs to 46.2% of the anticipated contract total.

Mr. Sarti moved to authorize the General Manager to negotiate and execute Amendment No. 3 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

\$2,557,155.47 for the Guaranteed Maximum Price Number 3 – Long-Lead Procurement, Electrical and Well Equipping Materials, and Submittals/Shop Drawings. Mr. Foulk seconded the motion. Motion passed by a roll call vote of 4-0.

K. Presentation on the District’s Outlying Facilities

Mr. Olsen stated that as part of our continuing series of educational presentations to the Board, Diego Martinez, the District’s Outlying Facilities Lead Utility Technician, will provide a presentation on the activities and initiatives in the District’s outlying service areas. When all staff were asked if they wished to present to the Board, Mr. Martinez immediately volunteered to share his knowledge and perspective regarding the outlying service areas.

Mr. Martinez provided a presentation on the District’s outlying facilities.

Discussion ensued and staff answered questions.

VI. General Manager’s Report

Mr. Olsen stated that, last week, he and Wally Wilson, the District’s Water Resources Manager, represented the District at the Arizona Reconsultation Committee (ARC). As a reminder, the ARC is tasked with recommending and reviewing post-2026 Colorado River operating guidelines, to include shortage allocations. The ARC was formed from Committee members who served on the Drought Contingency Plan Steering Committee. The meeting was timed with the release of the Lower Basin States proposal to the Bureau of Reclamation for how shortages will be allocated post-2026.

Mr. Olsen provided information regarding the Lower Basin proposal and stated the Board will be kept informed as the Bureau of Reclamation reviews proposals they have received for post-2026 operating guidelines.

Discussion ensued and staff answered questions.

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 8, 2024.

IX. General Comments from the Public

There were no comments from the public.

X. Adjournment

The meeting adjourned at 7:08 p.m.

Lee Jacobs, Chair of the Board

Theo Fedele, Clerk of the Board