

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

MONDAY, MARCH 13, 2023

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

MINUTES

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

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
Lucas McCabe, Utility Administrative Planner
Mark Patton, Legal Counsel (Participated Electronically)

Regular Session

I. Call to Order and Roll Call

Scott Schladweiler, 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, Richard Sarti, and Scott Schladweiler were present.

II. General Comments from the Public

There were no comments from the public.

III. Consent Agenda

- A. Approval of Minutes – February 13, 2023 Board Meeting**
- B. Ratification of Billing Adjustments**

C. Bill of Sale Hillcrest Development (M-21-017A) & (M-21-017B) On-Site (M-21-018) Off-Site

Mr. Foulk moved to approve the consent agenda. Mr. Jacobs seconded the motion. Motion passed by a roll call vote of 5-0.

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 year is 2.8% lower in Metro Main, 2.6% lower in Metro Hub, and 6.5% higher in Metro Southwest. When all service areas are taken into account, the current fiscal year-to-date consumption is 2.1% lower. Deliveries of the City of Phoenix's 7,200 acre-feet (AF) of inter-AMA firming water began at Avra Valley Recharge Project (AVRP) on March 2, 2023 and is anticipated to be completed by December 2023. The construction of the Advanced Oxidation Process (AOP) treatment facility at South Shannon is still moving forward with Arizona Department of Environmental Quality (ADEQ) coordinating the construction. Also, District staff have begun negotiations with ADEQ for modifying the current operating agreement to cover the reimbursement for the increased operating costs associated with running the AOP treatment.

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, and the new Linda Vista Well Deepening.

B. Financial Report

Ms. Bracken stated that revenue and expenditures as of the end of January are both favorable when compared to a straight-line projection with revenue \$311,909 over budget and expenditures \$729,836 under budget. The revenue in excess of expenditures is favorable by \$1,041,745. When comparing the total revenue to the same month in the prior fiscal year, revenue through January was higher by \$66,703 or 0.48%. The Metered Water Revenue is lower by 1.45% or \$165,174 when compared to the same month in the prior fiscal year. The historic average of budgeted water revenue billed by the end of January is 61% and the District has billed 60.23% of the budgeted metered water revenue. The operating expenditures in January were \$463,473 higher than they were at the end of January in the prior fiscal year. The February cash deposit balance was

\$26,258,859.37, which is \$451,175.26 lower than the January balance. The investments as of the end of February totaled \$18,971,333.80, which is \$611,654.20 higher than the January balance.

The Arizona State Treasurer Pooled Collateral Program Statement for January included \$16,228,633.87 of cash on deposit with collateralization coverage of \$16,043,206.55 in addition to the \$500,000 FDIC coverage.

The Capital One Bank MasterCards were used to purchase \$34,610.86 on the January statement with up to 1.25% cash back earnings. The inception-to-date cash back total is \$21,684.38.

Six new meter application was received in February for the Metro Main service area. There were five new meter application received in February of the prior fiscal year. Fiscal year-to-date, 62-meter applications have been received compared to 69 at the same time in the prior fiscal year.

C. Discussion of Proposed Rate and Fees Adjustments for Fiscal Years 2024, 2025, and 2026 and Scheduling a Public Hearing

Mr. Olsen provided the Board with an overview of the proposed three-year rate rates and fees adjustments for Fiscal Years 2024, 2025, and 2026.

Discussion ensued with staff answering the Board's questions.

Mr. Olsen explained the next steps in the process and announced the Information Meeting on May 2, 2023 and the Public Hearing, if scheduled by the Board, on May 15, 2023.

Mr. Foulk moved to schedule a public hearing for May 15, 2023, at 5:30 p.m. for the purpose of discussing and possible adoption of the adjustments to the District's water rates and fees for Fiscal Years 2024, 2025, and 2026. Mr. Jacobs seconded the motion. Motion passed by a roll call vote of 5-0.

D. Discussion of the Requested Budget for Fiscal Year 2024

Ms. Bracken stated that the Requested Budget includes \$75,592,089 of available funding and revenue. This includes:

- A projected beginning fund balance of \$33,338,672, which includes Water Resource Utilization Fees (WRUF) that will be used for the NWRRDS Partner Project totaling \$15,053,238.

- Operating revenue totaling \$26,143,217, which is an 11.6% or \$2.7 million increase over the Adopted Budget for Fiscal Year 2023 and 61% or \$1.65 million of the additional revenue is coming from the 500 Plus Plan.
- The proposed rate and fee adjustments have been included in this Requested Budget.
- Other funding sources included in the Requested Budget total \$16,110,200. This funding is from Water Infrastructure Finance Authority of Arizona (WIFA) funding, a potential \$1 million grant for the meter replacement program, and NWRRD project reimbursements from the project Partners. If the grant is not received, the project would be delayed and funding would not be spent on that project.

The Operating Expenditures have been budgeted with an overall 3.69% increase including:

- Wages and Benefits are increasing 2.54% with a planned 5.5% Cost of Living increase in July, an increase of \$20,000 of time charged directly to projects reducing the operating expenses, a \$34,178 reduction in workers compensation, and a \$7,811 reduction in the potential increases in health insurance with a 12% potential increase planned,
- Consultant and Contracted Services are lower by 3.11% or \$45,310,
- General Operating Expenditures are higher by 3.81% or \$42,550,
- Electricity costs for operations are 7.3% or \$87,000 higher than the Adopted Budget for Fiscal Year 2023,
- Supplies are 10.61% higher or \$105,705 with an additional \$80,000 for motors and pumps and an additional \$27,500 planned for water meter replacements, which includes \$35,000 in Metro Southwest to replace the remaining Zenner meters.
- Debt Service has increased 29.65% with the inclusion of the three WIFA loans that provided \$3,044,743 of Bipartisan Infrastructure Law funding in the form of principal forgiveness.

The \$500,000 contingency line item previously included in the budget has been removed to offset some of the cost increases. The District has a repair and replace account that could be used if needed, since it is no longer a restricted debt requirement.

All requested items for investments to support the District Mission were funded at a total cost of \$257,392 and these items are listed on a summary sheet, along with detailed descriptions and justifications for each item. Each team prioritizes their requests and the items are discussed. As a result of this process the Vermeer Vacuum being requested was able to reduce the cost of the potholing for lead pipes with staff completing the work in place of hiring outside services to complete the work. This savings will cover 62% or \$48,000 of the cost of the Vermeer Vacuum.

The District's portion of the Capital Improvement Program budget totals \$19,306,215. The non-cash depreciation and amortization included in the Requested Budget totals \$3,960,858. Arriving at a Requested Budget disbursement total of \$52,171,265 with \$8,842,433 or NWRDPS Partner expenditure includes or a Metro-only disbursement total of \$43,328,832.

Ms. Bowen provided an overview of the District's Capital Improvement Program (CIP) requests for Fiscal Year 2024.

Discussion ensued with staff answering the Board's questions.

E. Authorizing the Land Acquisition Services for the Transmission Main Alignment Change for the Northwest Recharge, Recovery, and Delivery System

Mr. Olsen stated that in February 2022, the District submitted a designed alignment of the partnered recovery transmission main of the Northwest, Recharge, Recovery and Delivery System (NWRDPS) that crosses I-10 to the Arizona Department of Transportation (ADOT) for their review. Comments were not received back from ADOT until August 2022. ADOT's feedback was that the future planned widening of I-10 would necessitate relocating the transmission main and they recommended the 24-inch line be located outside of the ADOT right-of-way. The NWRDPS partners discussed this feedback in September 2022 and the partners ultimately decided to pursue an alternative I-10 crossing and alignment to prevent this future conflict. The partners provided verbal concurrence with this change at their meeting on March 2, 2023, and are in the process of executing a formal Memorandum of Agreement. The new alignment would require new permanent and temporary construction easements across four parcels. To acquire these easements requires land acquisition services, appraisals, cultural resources inventory, Phase I environmental site assessment, and survey services. These services would be accomplished via the City of Tucson's Job Order Contract with Tierra Right-of-Way, the District's Miscellaneous Survey and Mapping contract with Rick Engineering, and the District's Miscellaneous Geotechnical and Material Testing Services contract with Ninyo and Moore. As these would be public utility easements, the cost will be split between the NWRDPS partners with the District's cost share of \$33,596.15.

Mr. Foulk moved to authorize the General Manager to negotiate and execute agreements with Tierra Right-of-Way, Ninyo and Moore, and Rick Engineering for land acquisition services for a combined amount of \$87,350 and to authorize the General Manager to increase the amount up to an additional \$10,000, should any unforeseen conditions arise prior to completion of the services. Mr. Sarti seconded the motion. Motion passed by a roll call vote of 5-0.

F. Authorizing the General Manager to Enter into a System Conservation Implementation Agreement with the United States Bureau of Reclamation and the

Central Arizona Water Conservation District to Implement the Lower Colorado River Basin System Conservation and Efficiency Program

Mr. Olsen provided the Board with an overview of the System Conservation Implementation Agreement (SCIA).

Mr. Foulk moved to authorize the General Manager to enter into a System Conservation Implementation Agreement (SCIA) with the United States Bureau of Reclamation and the Central Arizona Water Conservation District to forbear up to 5,000 acre-feet of the District's Central Arizona Project (CAP) allocation for the Lower Colorado River Basin System Conservation Program in calendar years 2023, 2024 and 2025 in exchange for monetary compensation at a set fixed price of \$400.00 per acre-foot. Mr. Jacobs seconded the motion. Motion passed by a roll call vote of 5-0.

G. 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 several options this year for workers' compensation insurance though most carriers declined to provide a quote as they would not be competitive with the District's current provider from CopperPoint Casualty Insurance. CopperPoint has quoted a \$12,739 reduction from the current workers' compensation premiums to provide this coverage for the District. This is equivalent to a 13% decrease in 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. Foulk moved to approve the workers' compensation policy with CopperPoint Casualty Insurance Company for a coverage period of April 1, 2023 to April 1, 2024 at the amount of \$85,697. Mr. Sarti seconded the motion. Motion passed by a roll call vote of 5-0.

V. General Manager's Report

Mr. Olsen stated that staff is working with Mr. Butler who attended the February board meeting on his request to down size meters.

Next week, staff will be meeting with WIFA's Assistant Director of Water Projects, who is seeking the District's feedback on process improvements.

NWRRDS Partners are discussing alternate delivery mechanisms based on feedback received from the contractors. Fortunately, our partners from the Towns of Oro Valley and Marana have staff with extensive procurement expertise that are helping to navigate this effort. We will have more information at a future Board meeting on the next steps.

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 10, 2023.

VIII. General Comments from the Public

There were no comments from the public.

IX. Adjournment

The meeting adjourned at 7:11 p.m.

Lee Jacobs, Chair of the Board

Theo Fedele, Clerk of the Board