

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

MONDAY, MARCH 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
Scott Schladweiler, Member

Board Members Not Present: Richard Sarti, Chair

District Staff: Joseph Olsen, General Manager
Sheila Bowen, District Engineer (Participated Electronically)
Diane Bracken, Chief Financial Officer (Participated Electronically)
Steve Shepard, Utility Superintendent (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 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 – February 14, 2022 Board Meeting**
- B. Ratification of Billing Adjustments**
- C. Approval of Water Service Agreement for The Place at Arroyo Verde (M-21-001)**

Mr. Foulk moved to approve the consent agenda. Mr. Schladweiler 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 but the current decline is not as pronounced as it was earlier in the fiscal year. Through February, the decline in consumption per service area is an 11.6% decrease in Metro Main, a 16.9% decrease in Metro Hub, and a 6.3% decrease in Metro Southwest.

As the Board recalls, the current granular activated carbon treatment at South Shannon does not mitigate 1,4-dioxane and requires the remediated water from South Shannon to be blended with the Deconcini and Wildwood wells to ensure the concentration of 1,4-dioxane is below the health advisory level. Even with the blending, the South Shannon well is not pumping at full capacity, which increases the risk that the contaminant plume could propagate to down-gradient wells. As the Arizona Department of Environmental Quality (ADEQ) funds the operation of the South Shannon treatment facility, we have been working with ADEQ for the potential planning and construction of an Advanced Oxidation Process (AOP) treatment facility at South Shannon to address 1,4-dioxane. ADEQ has recently committed to funding the design of the AOP treatment facility, which has just commenced. We will also continue to work with ADEQ to hopefully obtain funding for the construction of the AOP facility in a future year.

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 the E&T22 well replacement and the Ironwood wellsite land acquisition, and the AVRP upgrades.

Staff answered questions regarding AOP treatment facility at South Shannon.

B. Financial Report

Ms. Bracken stated that revenue and expenditures for January are both favorable when compared to a straight-line projection with revenue \$442,903 over budget and expenditures \$869,721 under budget. The revenue in excess of expenditures is favorable by \$1,312,624. When comparing the

total revenue to the prior fiscal year, revenue through January was 13.40% or \$2,153,715 lower than the total revenue in January of the prior year. The Metered Water Revenue is 5.20% or \$626,180 lower than the prior fiscal year. The historic average of budgeted water revenue billed by the end of January is 61% and the District is on track with 61.14% of the budgeted water revenue billed through the end of January. The operating expenditures in January were \$242,848 higher than they were at the end of January in the prior fiscal year. The February cash deposit balance was \$28,687,156.39, which is \$2,087,740.66 higher than the January balance. The investment balance as of the end of February was \$11,382,818.28, which is \$1,329,606.80 higher than the January balance.

The Arizona State Treasurer Pooled Collateral Program Statement for January included \$14,702,200.78 of cash on deposit with collateralization coverage of \$14,486,244.80 in addition to the \$500,000 FDIC coverage.

The Capital One Bank MasterCards were used to purchase \$23,541.40 on the February statement with up to 1.25% cash back earnings. The cash back received from transactions processed in January totaled \$193.20 or 0.89% with an inception-to-date cash back total of \$17,322.73.

Five new meter application were received in February, with three in the Metro Southwest service areas and two in the Metro Main service area. There were 109 new meter applications received in February of the prior fiscal year. Year-to-date, 69 meter applications have been received compared to 396 at the same time in the prior fiscal year.

Discussion ensued and questions were answered regarding the inception-to-date cash back on the MasterCards.

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 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 10% decrease over the current workers' compensation premiums to provide this coverage for the District. This quote is an estimate based off the various rates and factors that 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, 2022 to April 1, 2023 at the amount of \$98,436. Mr. Schladweiler seconded the motion. Motion passed by a roll call vote of 4-0.

D. Authorizing the Commercial Line Extension Agreements and Payment to Trico Electric Cooperative, Inc., for the Northwest Recharge, Recovery, and Delivery System Recovery Wells and Forebay Facility

Mr. Olsen stated that one of the critical path items for the Northwest Recharge, Recovery and Delivery System (NWRRDS) project is extending electrical service to the recovery well sites and the forebay facility. All of these areas are within Trico's service area and requires the installation of both off-site and on-site electrical infrastructure. A commercial line extension agreement and associated payment is required by Trico prior to their ordering the materials and accomplishing the construction activities. There are two separate commercial line agreements, one for the recovery wells and one for the forebay facility. The Partners approved Memorandum of Agreement 220003-00 in February 2022 authorizing the commercial line extension agreement for the recovery wells in an amount of \$391,585.33, with the District's portion \$150,792.67. The Partners also approved Memorandum of Agreement 220006-00 in March of 2022 authorizing the commercial line extension agreement for the forebay facility in an amount of \$132,517.79, with the District's portion \$50,968.38. The motion for Board consideration combines these two fees into a single motion and it is recommended that the Board approve these agreements that are necessary for the completion of NWRRDS.

Mr. Foulk moved to authorize the General Manager to execute the commercial line extension agreements and authorize payment of \$434,103.12 to Trico Electric Cooperative, Inc., (Trico). Mr. Schladweiler seconded the motion. Motion passed by a roll call vote of 4-0.

E. Approval for Fixed Network Meter Reading Software Upgrade

Mr. Olsen stated that in 2012, the District completed the installation of hardware and software for the fixed network meter reading. The components are now approximately 10 years old and have surpassed the effective life cycle for this type of equipment. Last fiscal year, the District installed new hardware and operating systems to replace what was installed in 2012 but, because of the intricacies of the fixed network software, this software remains on the 2012 servers. Given that the Itron fixed network software requires significant configuration to receive meter data from collectors in the field and communicate with the District's billing system, staff received a proposal from Itron to assist with the installation. The original quote from Itron was \$43,060 and the District budgeted \$46,060 for this effort in the current fiscal year. This quote was updated by Itron to \$62,199.92 and Itron responded that they have modified the way these projects are quoted to

provide additional hours and labor cost increases. Given the need to perform this upgrade, it is still recommended that the Board approve the updated cost with the additional expense, which will be covered by savings from other Investments to Support the District's Mission as well as other underspent line items. While the goal was to complete this entire effort by fiscal year end, Itron provided a four month schedule to accomplish the work, which anticipates the majority of the work billed this fiscal year with the remaining \$2,200 to be billed in July.

Mr. Schladweiler moved to approve the fixed network upgrade with Itron for the amount not to exceed \$62,199.92 and to authorize the General Manager to approve an additional \$4,000 for unexpected additional work. Mr. Foulk seconded the motion. Motion passed by a roll call vote of 4-0.

F. Presentation on the District's Groundwater Level Monitoring Program

Mr. Olsen stated that for the past few years, we have included the results of the annual groundwater level measurements in our Monthly Status of the District. As the majority of our Board members have joined the Board since the last formal presentation on the District's groundwater level monitoring program, we thought that this would be a great educational topic for the Board.

Maya Teyechea, District Hydrogeologist, provided a presentation on the District's Groundwater Level Monitoring program that she oversaw and implemented this year.

Discussion ensued and questions were answered.

VI. General Manager's Report

Mr. Olsen stated that last month we provided the Board with an overview of various Bills that were introduced in the current legislative session in the Arizona House or Senate. As an update to what was reported last month:

House Bill 2412, regarding posting of recordings of public meetings, was modified to require either the posting of audio or audiovisual recording of Board meetings. The Bill originally required minutes to be posted three days after a public meeting but that language was modified to require posting 24 hours after a public meeting, and was again modified to no later than 3 working days following the formal approval of the minutes. The last modification makes sense as it allows the appropriate time for approval and minutes and posting. This Bill passed the House last month 34-24 and last week passed the Senate Government Committee 4-3.

Senate Bill 1564, regarding the annexation of water Districts by Cities and Towns, passed the Senate 29-0. As the Board may recall, we engaged with this Bill's sponsor and were able to modify the Bill's language to provide protections for the District prior to the formal introduction of the Bill.

House Bill 2012, regarding the formation of special districts requiring both a majority of persons owning real property and by the owners of 51 percent or more of the real property within the proposed district, passed the House last month 58-0 but has had no action yet in the Senate.

House Bill 2129, which would allocate funding to ADEQ to fast track regulatory framework for municipal providers to pursue direct potable reuse, and which the Board voted to support last month, passed the House 56-2 and passed the Senate Natural Resources, Energy, and Water Committee 9-0 last week.

We have also been tracking a number of bills that were introduced since the last Board meeting. Some notable examples include:

Senate Bill 1198, which would prohibit a municipality or water district from entering into a contract for lobbying services with anyone unless the person performing the lobbying is directly employed by the municipality or district. Given our District's size of 57 employees, we do not employ a staff lobbyist and for the past eight years, one of my additional duties has been the registered lobbyist for the District. The majority of our lobbying is through our partnership with Southern Arizona Water Users Association (SAWUA) and this bill would make that arrangement nebulous, seeing as I am the current SAWUA president, this would make my role more challenging. Fortunately, this bill failed 12-17 in the Senate last week.

Senate Bill 1166, would prevent cities and towns from having their own staff lobby the legislature. Obviously if this and Senate Bill 1198 had passed, it would have prevented both vehicles for lobbying activities. We were able to engage with the sponsor and the language was modified for the bill's original intent regarding lobbying of union activities. The bill passed the Senate earlier this month 24-4 and we are only tracking the bill to ensure the language is not modified further in the house.

Senate Bill 1258 relates to public records for organizations such as SAWUA. While SAWUA does approve minutes of the meetings, the bill would expand the requirements of public records retention for the officers of such organizations. This bill failed 13-16 in the Senate last week.

Senate Bill 1611 would create an Arizona Water Authority. We have been closely tracking this bill and have a number of concerns regarding governance, definition of authority for this new organization, a potential lack of transparency on up to \$1 billion of funds that could be distributed, and that no members that volunteer to serve on the committee could ever receive any funding, even if they recused themselves. The last item would drastically reduce the number of subject matter

experts in the water industry that would be able to serve on the Authority. We will keep tracking this bill with the potential for the Board to consider an action regarding this bill in the future.

Discussion ensued and questions were answered.

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 18, 2022.

IX. General Comments from the Public

There were no comments from the public.

X. Adjournment

The meeting adjourned at 6:44 p.m.

Richard Sarti, Chair of the Board

Theo Fedele, Clerk of the Board