

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

MONDAY, APRIL 7, 2025

****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)
Lee Jacobs, Member

Board Members Not Present: Scott Schladweiler, Chair
Bryan Foulk, 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) (Arrived at 6:12 p.m.)

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, Lee Jacobs, and Richard Sarti were present. Bryan Foulk and Scott Schladweiler were not present.

II. General Comments from the Public

There were no comments from the public.

III. Discussion of the Requested Budget for Fiscal Year 2026

Ms. Bracken stated that revenue in the Requested Budget for Fiscal Year 2026 is \$151,648 higher than the Adopted Budget for Fiscal Year 2025 with a \$190,982 increase in anticipated development revenue. The total revenue from operations is projected to be \$29,030,548. Other funding sources such as grants, principal forgiveness, and loans totals \$7,416,668 compared to \$28,639,227 in Fiscal Year 2025 with projects being completed in Fiscal Year 2025 and other projects finishing up in Fiscal Year 2026. The total funding available with the projected beginning fund balance, operating revenue, and other funding sources is \$69,635,199.

The Requested Budget includes operating expenses that are 8.25% or \$1,271,075 higher than the Adopted Budget for Fiscal Year 2025. The largest increase is associated with Central Arizona Project (CAP) water purchases, which includes regulatory fees, and new this year the Pima County High Plains water storage. This group of accounts makes up \$483,940 of the requested budget increase. Wages and benefits account for \$429,606 of the increase. The request includes a planned 4% Cost-of-Living Adjustment (COLA) and/or merit raise depending upon the Consumer Price Index, one new position for part of the year for Northwest Recharge, Recovery and Delivery System (NWRDRS), insurance increases including 8% for health insurance and 5% for dental insurance, and a 4% workers' compensation increase is projected. Electricity costs in the Requested Budget are \$382,745 higher than they were in the Fiscal Year 2025 Adopted Budget based upon planned rate increases that the District has been notified will occur.

Debt service is \$2,327,255 lower as planned with no rate increases in Fiscal Year 2026. The final half year debt payment for the 2020 revenue bonds will be completed in January 2026. The early payoff of two Water Infrastructure Finance Authority of Arizona (WIFA) loans in June 2024 (2007 WIFA Loan and the Metro Southwest E&T Loan) also reduced the debt obligation.

The total funding for Investments to Support the District Mission is requested at \$847,330 which is an increase of \$551,356 when compared to the Fiscal Year 2025 Adopted Budget. The Investments includes:

- The service line inventory as required by the United States Environmental Protection Agency is accounting for \$473,100 of this increase.
- An additional mobile office trailer located in Metro Southwest Diablo Village. The trailer has been infested with rats, mice, and bees and it is important to provide a safe work space for staff at a remote location. The replacement trailer will have metal siding to help prevent future damage from animals.

- A diesel generator to provide backup power to the server room and the north half of the Administration building including customer service. This will also include the purchase of a small air conditioner that will run to keep the server room cool in case of a power outage.
- The existing data backup application, which is six years old. A replacement unit is being requested with additional storage capacity.
- An upgrade to the E&T 23 electrical service, which will prevent tripping due to overloads that occur during excessive heat and high demand power usage.
- A fence installed at the Oracle Jaynes well site has so that aggregate materials and a wash pit can be moved from the Hardy well site, and to provide a storage location for dump trailers, vac trailers and the backhoe to alleviate parking congestion at the warehouse location.
- A mobile office trailer located in Metro Hub, which is also dealing with an infestation of rats, mice, bees, and damage from woodpeckers. This request would replace this building with a metal sided building to protect from future animal damage.

There are three requested items that were not recommended to be funded in the budget. A Boom Lift, which was requested in the prior fiscal year, and was not funded because a lift can be rented for \$130 a day plus a delivery fee and at a cost of \$74,492 the return on this investment is not financially in the best interest of the District. A mini-excavator and trailer, and an electric pallet jack were also requested and prioritized lower by staff since this is existing equipment that are currently being used.

Depreciation expense is planned to be higher by \$579,177 with the completion of the NWRDSDS project and the Ironwood well that will be capitalized upon completion.

Reimbursement from NWRDSDS Partners totals \$4,317,310. The total Requested Budget is \$36,350,665 including the Capital Improvement Program.

Ms. Bowen reviewed the Capital Improvement Program in the Requested Budget:

- For NWRDSDS, the Partnered portion is expected to be completed in Fiscal Year 2026 and is budgeted at \$7,139,249 with the Partner reimbursements.
- For NWRDSDS, the Metro-only portion, which is the booster station and associated pipeline, is being completed in partnership with the Town of Oro Valley with Oro Valley taking the lead. The estimate is \$1,699,358. The initial cost model is expected in the next couple of weeks.
- The Ironwood Blend includes the completion of the 700 gallons per minute (GPM) well equipping for the new site that will help bring NWRDSDS water in with the combination of the blend water from the Ironwood well.

- Automated metering infrastructure and customer platform is expected to be completed in 2027 with a \$1 million expenditure in 2026.
- The Galvanized Pipe Replacement Program, which includes the Rose Marie Lane pipeline replacement project and about 4-5 other smaller street length pipeline projects, will be completed next fiscal year
- The Horizon Hills Treatment at the Ina/CDO site is pending any settlement funds that are received. If sufficient funds are received, then the project will move forward with the initial design in 2026
- The second Herb Johnson Reservoir is the 2½ million-gallon reservoir that will help with maintenance of the other larger Herb Johnson Reservoir. The initial phase is to evaluate the drainage and to reconfiguring of the housing of the new facility, and is budgeted for \$100,580.
- The Pantano Transmission main is a scaled back project from prior requests. The project includes about 2,000 feet of new transmission main to connect to existing facilities along with the replacement of the existing 4” pipeline parallel to the new facility
- The Hub Well No. 2 well replacement includes some hydrogeological surveys services to develop the specifications for the new well site.
- The E&T23 well replacement includes land acquisition activities to acquire some additional area to support drilling of the well.

Mr. Olsen stated that the prioritization of the Investments to Support the District Mission are based on the District’s mission and the specific performance objectives (SPOs) that the board authorized. There are multi-year initiatives focused on resiliency and revolutionizing how the District provides service to our customers i.e., leveraging technology. While a trailer may not look like that, but a new trailer is an upgrade to the facility to ensure not only a safe work environment but also to protect other resources that are currently housed at the site. The Oracle Jaynes location is one part of the multistep process as it related to decompressing the District in particular on the vehicle parking in the crew yard. The backup generator is a key, critical, resiliency feature to ensure the functionality of SCADA, the network, and customer service in times of an extended power outage. The requests that are not funded are reviewed again next year during the priority driven budget process.

Discussion ensued and staff answered questions.

IV. Consent Agenda

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

C. Ratification of Accounts Removed from Active Accounts Receivable

Mr. Jacobs moved to approve the consent agenda. Mr. Sarti seconded the motion. Motion passed by a roll call vote of 3-0.

V. General Business – Items for Discussion and Possible Action

A. Monthly Status of the District

The fiscal year-to-date consumption for the District's service areas is 1.1% lower in Metro Main, 0.4% lower in Metro Hub, and 0.3% lower in Metro Southwest when compared to the same period in the prior fiscal year.

As reported last month, delivery rates to Avra Valley Recharge Project (AVRP) were further increased to 18 cubic feet per second (cfs), after the sediment removal from the recharge basins, which is approximately 36 acre-foot per day. During March to now, the increased recharge rate is still holding. If this continues, we will be able to increase the City of Phoenix's inter-AMA firming storage at AVRP, which would further increase non-ratepayer revenue.

Mr. Sanders provided an update on noteworthy maintenance projects.

Ms. Bowen provided an update on the Northwest Recharge, Recovery, and Delivery System (NWRDRS) and the Metro-only portion, the Ironwood well, and the galvanized pipe replacements.

B. Financial Report

Ms. Bracken stated that revenue and expenditures through February are both favorable when compared to a straight-line projection. Revenue is \$2,695,686 over budget and expenditures are \$931,641 under budget. The revenue in excess of expenditures is favorable by \$3,627,327. When comparing the total revenue to the same month in the prior fiscal year, revenue as of February was higher by 4.56% or \$957,961. The historic average of budgeted water revenue billed by the end of February is 71% and the District billed 68.52% of the budgeted metered water revenue. Penalties and service charges, development revenue, and water storage are all under budget. The operating expenditures as of the end of February were \$521,643 higher than they were at the end of February in the prior fiscal year.

The Arizona State Treasurer Pooled Collateral Program Statement for February included deposits totaling \$24,036,363.89 in the Statewide Pooled Collateral Program.

The Capital One Bank MasterCards were used to purchase \$24,660.78 on the March statement with up to 1.25% cash back earnings. The inception-to-date cash back total is \$29,761.14.

There was one-meter application received in March for the Metro Main service area. There were two new meter applications received in March of the prior fiscal year. Fiscal year-to-date, 124-meter applications have been received compared to 60 at the same time in the prior fiscal year.

C. Approval of the Intergovernmental Agreement for Sewer Billing and Collections

Mr. Olsen stated that the District processes sewer billing on behalf of Pima County. The five-year intergovernmental agreement (IGA) with Pima County is for one year with four additional option years. Each year the agreement can be amended for an additional year and include any changes to the cost per bill per month for sewer billing. The current agreement will expire on June 30, 2025. The IGA is the same cost of \$2.00 per customer per month. Ms. Bracken performs the cost-of-service analysis each year, which did not justify a change. The continued AMI meter upgrades may or may not trigger a change in the future but not at this point. This IGA has the same language as the prior IGA with updates including software changes and remote access into the District's billing system. In a previous amendment, overhead calculations were no longer included in the cost of service, which means if the County wants any specific training or item they would pay for those separately as opposed to incorporating the amount in the overhead cost. That language was also included into this IGA.

The Suggested Motion in the Board Report states with a termination date of June 30, 2030 and should state June 30, 2026.

Mr. Jacobs moved to approve the Intergovernmental Agreement between Pima County and Metropolitan Domestic Water Improvement District for the provision of wastewater billing and collection services, with a rate of \$2.00 per account per month in Fiscal Year 2026 and incremental changes based upon the cost of providing billing services as needed in future years. This IGA will be effective the first billing cycle in July 2025, with a termination date of June 30, 2026, and may be extended up to four (4) additional one-year periods if agreed upon by both parties. Mr. Sarti seconded the motion. Motion passed by a roll call vote of 3-0.

D. Approval of Service Line Material Identification Services with Metering Services Inc.

Mr. Olsen stated that as discussed on the Requested Budget, funding has been set aside for Fiscal Year 2026 in the Investments to Support the District Mission to accomplish part of the service line

inventory. The Lead and Copper Rule Revisions (LCRR) required identifying 20% of subdivisions service line inventory. The Lead and Copper Rule Improvements (LCRI) moved that to 100%. This contract with Metering Services Inc. (MSI) is to support the remaining inventory in Main, Diablo Village, and E&T. Hub and Lazy B have already been completed. Unfortunately, the District did not receive WIFA forgivable principle to support this effort so this activity in the not-to-exceed amount of \$855,000 will be funded via the Investments to Support the District Mission over the next two years. Thanks to Ms. Bracken for navigating the budgetary requirements for this regulatory initiative.

The Suggested Motion in the Board Report includes language referring to the WIFA funding, which can be removed for the final motion.

Mr. Jacobs moved to approve the use of the City of Prescott contract with Metering Services Inc. for use by the District in the Service Line Material Identification project with a not-to-exceed amount of \$855,000. Mr. Sarti seconded the motion. Motion passed by a roll call vote of 3-0.

E. Approval of Amendment No. 1 to the Advanced Metering Infrastructure Components Contract with Mountain States Pipe and Supply

Mr. Olsen stated that this item is to extend the contract for the purchase of components for the District's Advanced Metering Infrastructure initiative. The original not-to-exceed amount was \$1.47 million and \$1.373 million has been expended. As such, no increase in the contract amount is requested for this amendment, just a time extension to December 2025, which is how far in advance that Mountain States Pipe and Supply is able to confirm prices given the current market conditions.

Discussion ensued and staff answered questions.

Mr. Jacobs moved to approve Amendment No. 1 to the Advanced Metering Infrastructure Components contract with Mountain States Pipe and Supply and to approve the updated pricing provided through December 2025. Mr. Sarti seconded the motion. Motion passed by a roll call vote of 3-0.

F. Approval of Amendment No. 1 to the Positive Displacement Meter contract with Badger Meter

Mr. Olsen stated that this contract has a three-year term with annual renewals that are brought to the Board for a change to the not-to-exceed amount or project duration. The original contract

amount for this project is \$2.2 million and the current expenditures are approximately \$2 million. Based on the budget and grant project status, the request is not an increase to the not-to-exceed amount but extension of the contract expiration to May 30, 2026.

Mr. Jacobs moved to approve Amendment No. 1 to the Positive Displacement Meter contract with Badger Meter and to extend the contract to May 30, 2026 with no changes to the not-to-exceed amount. Mr. Sarti seconded the motion. Motion passed by a roll call vote of 3-0.

VI. General Manager's Report

Mr. Olsen provided an updated on six Bills that the Board either supported or opposed at February's Board Meeting. He stated he met with the bill sponsor for Senate Bill 1251, which would increase the reduction for accrued Long-Term Storage Credits (LTSC) from 5% to 30%. The Bill sponsor acknowledged that this would cause an issue, especially for Tucson Active Management Areas (TAMA), and introduced the Bill in an effort to continue a conversation on legislation that had been introduced in a prior session that would swing the pendulum the other way in regards to water management. The Bill's sponsor also stated they did not expect the Bill to move forward or get a hearing but would certainly look at amendments if the Bill started moving. Currently, the Bill does not have a committee hearing scheduled.

Last month, the Board was informed that the 3M and DuPont PFAS water settlement claims were to be paid out soon. Today, staff verified with the settlement contact that the funds will be distributed over the next couple weeks. The anticipated settlement amount the District will receive is still unknown.

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 May 12, 2025.

IX. General Comments from the Public

There were no comments from the public.

X. Adjournment

The meeting adjourned at 6:41 p.m.

Scott Schladweiler, Chair of the Board

Theo Fedeles, Clerk of the Board