

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

MONDAY, APRIL 8, 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 (Participated Electronically)
Jim Doyle, Member (Participated Electronically)
Richard Sarti, Member
Scott Schladweiler, Member

District Staff: Joseph Olsen, General Manager
Sheila Bowen, District Engineer (Participated Electronically)
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, 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. Discussion of the Requested Budget for Fiscal Year 2025

Ms. Bracken stated that the Requested Budget includes \$88,494,166 of available funding and revenue. This includes

- A projected beginning fund balance of \$30,976,039.

- Operating revenue totaling \$28,878,900, which is a 10.46% or \$2,700,000 increase over the Adopted Budget for Fiscal Year 2024.
- Other funding sources totaling \$28,639,227, which includes \$4,000,000 of grants, \$9,295,573 of Water Infrastructure Finance Authority of Arizona (WIFA) loans and principal forgiveness funding, and \$15,343,654 of Northwest Recharge, Recovery and Delivery System (NWRRDS) Partner cost sharing reimbursements.
- The projected Fiscal Year 2025 ending fund balance, based upon the Requested Budget, is \$27,619,730.

The Total Operating Budget is being requested with an overall 4.08% increase.

- Wages and Benefits make up the largest portion of the operating budget and are being requested with a budgeted 1.5% increase. The requested budget includes a .02% reduction in Arizona State Retirement System (ASRS) Long-Term Disability (LTD), and a 4% Cost of Living increase. However, the twelve-month Consumer Price Index was 3.2% in February and the percentage applied to Cost-of-Living Adjustment (COLA) or Merits will be finalized when the adopted budget is presented to the Board for adoption. The total percentage will not exceed a combined total of 4%.
- Salaries and Benefits associated with working on capital projects is increasing from \$80,000 to \$333,880, which reduces the budgeted wages and benefits an additional \$253,880 when compared to the prior fiscal year. Projected health care costs decreased by 3.96%.
- Budgeted Consultant and Contracted Services are lower than the prior fiscal year by 16.13% or \$273,024. General Operating Expenditures are higher by 11.55% or \$207,651.
- Electricity costs for operations are being requested with a 24.56% or \$406,667 increase.
- Supplies are 13.14% higher or \$243,442 with additional new meter installations, increased chlorine costs, and additional paving costs associated with mainline replacements, service lines, and valve installations.
- Debt Service has decreased by 2.64% with the 2020 Refunded Bond payment being \$502,000 lower and the E&T loan planned to be paid in full in fiscal year 2024.
- Investments to Support the District Mission: all but two requested items were funded at a total cost of \$295,974. The unfunded items included a spare line locator and a 50-foot Boom Lift. The District has three-line locaters that are all in working condition and the Boom lift would require 173 rentals before the District would see any return on the investment. The funded items include:
 - Adding a node cluster to the servers with a VxRail and two switches. In addition, a physical server is being requested to replace one that was purchased in 2016.
 - Roof seal and recoat on the warehouse roof. The original coating was applied in 1999 and is currently leaking.

- A new security panel Board and access system for the Administration building and warehouse has been requested since some challenges have been encountered with the current system.
- Utility staff are requesting a backhoe trailer be replaced due to size, poor condition, and to eliminate the need for staff to lift and lower the ramps.
- An electrical upgrade to the Wildwood Well site would increase this sites capacity from 150 amps to 400 amps.
- A tablet controller for the valve machine will replace the current controller that is stopping and requiring a reboot to continue operation.
- A mezzanine lift will provide a safer way to lower store and remove items without going up and down the steep steps.
- The hydrant saver sockets and attachments will replace the current worn tools and provide different socket size options.
- A new irrigation system for the conservation garden would replace the 20-year-old system that has failed.

The District's portion of the Capital Improvement Program (CIP) budget totals \$24,947,637. The non-cash depreciation and amortization included in the Requested Budget totals \$3,552,555. The Requested Budget disbursement total is \$64,426,991 with \$15,343,654 of NWRDPS Partner expenditure for a disbursement total of \$49,083,337.

IV. Consent Agenda

- A. Approval of Minutes – March 11, 2024 Board Meeting**
- B. Ratification of Billing Adjustments**
- C. Ratification of Accounts Removed from Active Accounts Receivable**

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

V. 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 is 7.7% higher than during the same period in the previous fiscal year.

The commissioning of the Arizona Department of Environmental Quality (ADEQ) funded the Advanced Oxidation Process (AOP) treatment facility at South Shannon is still ongoing as coordination continues with the contractor to finalize a number of items prior to startup.

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 February are both favorable when compared to a straight-line projection with revenue \$3,561,514 over budget and expenditures \$623,222 under budget. The revenue in excess of expenditures is favorable by \$4,184,736. When comparing the total revenue to the same month in the prior fiscal year, revenue in February was higher by 33.99% or \$5,324,855. With \$2,000,000 received in Fiscal Year 2024 for the Central Arizona Project (CAP) Conservation, and Metered Water Revenue being higher by 11.56% or \$1,461,670 when compared to the same month in the prior fiscal year. Water Resource Utilizations Fees are \$354,446 higher, and interest income is \$583,552 higher. The historic average of budgeted water revenue billed by the end of February is 67% and the District billed 70.42% of the budgeted meter water revenue as of the end of February. The operating expenditures in February were \$553,877 higher than they were at the end of February in the prior fiscal year. The March cash deposit balance was \$41,004,234.45, which is \$518,595.79 lower than the February balance. The investments as of the end of March totaled \$13,146,161.39, which is \$549,424.93 higher than the February balance.

The Arizona State Treasurer Pooled Collateral Program Statement for February included \$24,280,810.72 of cash on deposit with collateral coverage of \$24,256,426.93 in addition to the \$500,000 FDIC coverage.

The Capital One Bank MasterCards were used to purchase \$28,856.34 on the March statement with up to 1.25% cash back earnings. The inception-to-date cash back total is \$25,917.53.

There were two new meter applications received in March, with one for the Metro Main service area and one for the Metro Southwest service area. There were nine new meter applications received in March of the prior fiscal year. Fiscal year-to-date, 60-meter applications have been received compared to 71 at the same time in the prior fiscal year.

C. Authorizing the General Manager to Execute an Agreement for the Northwest Recharge, Recovery, and Delivery System Metro Only Independent Transmission Main, Phases 2 & 3, and the Ironwood Pipeline

Mr. Olsen stated that at the December 2023 Board Meeting, the Board authorized the award of the NWRRDS Metro Only Independent Transmission Main. The District is required to demonstrate compliance with compaction standards in the right of way permits issued by Pima County and the Town of Marana. Ninyo & Moore is the District's as-needed geotechnical and material testing consultant. Since this work is part of a WIFA loan, certain WIFA language and provisions are required in the contract documents, which was not included in the District's as-needed contract but is included in Ninyo & Moore's Job Order Contract (JOC) with the City of Tucson. As such, it is recommended that the JOC be utilized to authorize this work to Ninyo and Moore.

Mr. Schladweiler moved to authorize the General Manager to execute an agreement with Ninyo & Moore in an amount not to exceed \$95,300.00, and to grant the General Manager authority to allocate additional funding in a cumulative amount not to exceed \$10,000.00. Mr. Sarti seconded the motion. Motion passed by a roll call vote of 5-0.

D. Authorizing Amendment No. 4 to Construction Manager at Risk (CMAR) Contract for Northwest Recharge, Recovery and Delivery System (NWRRDS) Shared Project

Mr. Olsen stated that at the February and March Board Meetings, the Board authorized a total of three Guaranteed Maximum Price (GMP) for the partnered portions of NWRRDS. The overall cost model for the Construction Manager at Risk (CMAR) contractor divided the construction into similar efforts for six GMPs.

GMP-04 is for the recovery well equipping and collector pipeline installation. Borderland submitted the cost for GMP-04 at \$9,165,663.45, which is \$363,059.59 lower than the initial estimated contract cost for this work. As this is for the infrastructure associated with the recovery wells, the cost split is 50/50 between Oro Valley and the District since Marana is not a cost share partner in the wells. The District's share is \$4,582,831.73 and award of GMP-04 would bring the percentage of the overall CMAR target used to 65.5%. The Partners agreed to advance GMP-04 via Memorandum of Agreement (MOA) 24002-04.

Mr. Sarti moved to authorize the General Manager to negotiate and execute Amendment No. 4 to the contract with Borderland Construction Company, Inc. as Construction Manager at Risk for the Northwest Recharge, Recovery, and Delivery System, Shared Project in an amount not to exceed \$9,165,663.45 for the Guaranteed Maximum Price Number 4 – Installation of Package 6 Well

Equipping and Collector Pipelines. Mr. Schladweiler seconded the motion. Motion passed by a roll call vote of 5-0.

E. Authorizing Amendment No. 5 to Construction Manager at Risk (CMAR) Contract for Northwest Recharge, Recovery and Delivery System (NWRD) Shared Project

Mr. Olsen stated that GMP-05 is for the forebay facility installation and includes the forebay and associated onsite piping. Borderland submitted the cost for GMP-05 at \$10,002,612.88 with the District's share \$3,847,158.80. This is \$566,774.99 over the initial estimated amount and is due to added native plant mitigation, an increase in CMAR contingency, and associated mark ups. The overall cost model is still unchanged from the current estimated construction total of \$47,443,384.37. Should the Board authorize this GMP, the District's total cost obligated to the partner construction under this CMAR effort would be \$17,468,075.11 with 86.5% of the overall CMAR targeted budget. The Partners agreed to advance GMP-05 via MOA 24002-05.

Mr. Schladweiler moved to authorize the General Manager to negotiate and execute Amendment No. 5 to the contract with Borderland Construction Company, Inc. as Construction Manager at Risk for the Northwest Recharge, Recovery, and Delivery System, Shared Project in an amount not to exceed \$10,002,612.88 for the Guaranteed Maximum Price Number 5 – Package 5, Forebay Facility Installation. Mr. Sarti seconded the motion. Motion passed by a roll call vote of 5-0.

F. Approval and Award to Purchase Granular Activated Carbon Treatment Systems

Mr. Olsen stated that last month, the Board approved various items associated with the construction of Per- and Polyfluoroalkyl Substances (PFAS) treatment at the DeConcini and Riverside wells. During the discussion on that item, Mr. Olsen mentioned that the bid for the Granular Activated Carbon (GAC) vessels and treatment media was still being advertised and would be brought to the April meeting. April 2, 2024, was the bid opening for the treatment vessels and media. Two proposals were submitted by the deadline with Calgon Carbon Corporation as the lowest responsive bidder. While Carbon Supply Inc had an overall lower bid by approximately \$5,000, the GAC media they submitted did not meet the District's size specifications. When the Board materials were finalized, staff was still waiting on the final tax amount from Calgon Carbon Corporation so the Board report estimated the tax at \$19,341. The actual tax is \$17,633.66 but it is recommended to keep the same motion as it is a "not to exceed" amount unless the Board wishes to adjust the total dollar amount accordingly in the motion.

Mr. Sarti moved to award the Riverside Crossing and DeConcini GAC adsorption vessels and media to Calgon Carbon Corporation in the amount not to exceed \$265,817 for Riverside Crossing

and an amount not to exceed \$265,817 for DeConcini. Mr. Schladweiler seconded the motion. Motion passed by a roll call vote of 5-0.

VI. General Manager's Report

Mr. Olsen stated that the District has received significant grant funding and forgivable principal loans from WIFA over the past 18 months totaling approximately \$6.8 million in grants and principal forgiveness. A \$3 million water conservation grant request was submitted to support the District's portion of the NWRDRS program. While the District's grant was unanimously recommended for approval at the Water Conservation Grant Committee, the WIFA Board did not award the grant as they did not deem the 168,000 acre-feet (AF) of groundwater saved, over the remaining Intergovernmental Agreement (IGA) term, as water conservation. The grant was submitted under the category of aquifer health, which this project accomplishes, but the WIFA Board decided to place a greater emphasis on the physical water conservation criteria. The grant was not outright denied, but was parked waiting the creation of further rating criteria and after the other conservation submissions were reviewed.

Last week, an email was received from WIFA asking if we would be able to meet specific spending goals if the grant was approved as well as questions regarding procurement. This was likely to ensure that projects and programs brought back to the Board for final consideration were still eligible for grant funding. I replied that the Metro-only portion of NWRDRS is awarded and under active construction and that the partnered portion of NWRDRS was awarded and initial construction elements have started. Since we did not know when the Board was going to reconsider the grant, as many months had passed since the Board parked our application, we needed to move forward on this critical initiative. Since the contracts are awarded, it would not be feasible to unwind the contracts and readvertise/award with requisite WIFA requirements. Additionally, our CMAR contractor stated that if the partnered portion of NWRDRS received federal funding and required Buy America/Build America and American Iron and Steel certifications, that the cost would increase by approximately \$5.5 million. Given these factors, I formally withdrew our grant application and stated that we appreciate the other current, and most likely future, partnerships with WIFA.

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 13, 2024.

IX. General Comments from the Public

There were no comments from the public.

X. Adjournment

The meeting adjourned at 6:46 p.m.

Lee Jacobs, Chair of the Board

Theo Fedele, Clerk of the Board