

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

MONDAY, APRIL 10, 2023

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

MINUTES

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

Board Members Not Present: Jim Doyle, Member
Bryan Foulk, 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, 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. Lee Jacobs, Richard Sarti, and Scott Schladweiler were present. Jim Doyle and Bryan Foulk were not present.

II. General Comments from the Public

There were no comments from the public.

III. Consent Agenda

- A. Approval of Minutes – March 13, 2023 Board Meeting**
- B. Ratification of Billing Adjustments**
- C. Ratification of Accounts Removed from Active Accounts Receivable**

Ms. Fedele announced a correction to the March 13, 2023, minutes. The list of District Staff that are present states Shane Oman but should read Diane Bracken, Chief Financial Officer.

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

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 4.3% lower in Metro Main, 5.4% lower in Metro Hub, and 5.9% higher in Metro Southwest. When all service areas are taken into account, the current fiscal year-to-date consumption is 3.7% lower.

Last month, in preparation for the construction and operation of the Advanced Oxidation Process (AOP) treatment facility at South Shannon, District staff toured Marana's similarly sized AOP treatment plant near Airline Road and Lambert Lane. Marana operations staff were able to provide valuable input on common operating challenges and items to consider prior to the construction phase, which is anticipated to commence in August.

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 February are both favorable when compared to a straight-line projection with revenue \$41,116 over budget and expenditures \$859,916 under budget. The revenue in excess of expenditures is favorable by \$901,032. When comparing the total revenue to the same month in the prior fiscal year, revenue through February was higher by 0.5% or \$77,995. The metered water revenue is lower by 1.58% or \$203,563 when compared to the same month in the prior fiscal year. The historic average of budgeted water revenue billed by the end of February is 67% and the District has billed 67.96% of the budgeted metered water revenue. The operating expenditures in February were \$532,979 higher than they were at the end of February in the prior fiscal year. The March cash deposit balance was \$25,925,564.93, which is \$333,294.44 lower than the February balance. The investments as of the end of March totaled \$19,615,633.57, which is \$644,299.67 higher than the February balance.

The Arizona State Treasurer Pooled Collateral Program Statement for February included \$16,906,318.21 of cash on deposit with collateralization coverage of \$16,734,444.57 in addition to the \$500,000 FDIC coverage.

The Capital One Bank MasterCards were used to purchase \$37,848.99 on the March statement with up to 1.25% cash back earnings. The inception-to-date cash back total is \$21,990.39.

Nine new meter application were received in March for the Metro Main service area. There were 11 new meter applications received in March of the prior fiscal year. Fiscal year-to-date, 71-meter applications have been received compared to 80 at the same time in the prior fiscal year.

C. Approval of Updated Vacation Leave Accruals

Mr. Olsen stated that in order to continue to attract subject matter expertise and talent to support the District mission, a regular review of the District's compensation package is performed to ensure equity and competitiveness with similar water utilities in the region. Each year, Billie Sue Morelli, Human Resources Manager, performs a market equity analysis to ensure that the salaries for each of the District's job classifications are appropriate based on compensation for the same classification by other utilities. When warranted, the salary range is adjusted to ensure the District is able to recruit for vacant positions.

One aspect of the District's compensation package is the vacation leave that is offered to employees based on their years of service with the District. Earlier this year, both Pima County and the City of Tucson changed their vacation policies to increase the earned time off. In the case of the County, the amount of vacation leave earned now exceeds the amount earned by District staff by three to nine days per year, based on the years of service category.

As the District already pays 2,080 hours annually to each full-time staff, any increases in vacation leave does not have a direct salary impact, rather, has a second order effect of reducing work productivity. As such, it is not recommended to increase the earned vacation leave to the same amount as the County, rather to instead increase the vacation leave earned by three days annually for each of the years of service category. This results in an adjustment that is fair and equitable to all staff, is more aligned with the vacation leave earnings of the Towns of Marana and Oro Valley, and maintains the District's competitiveness on recruiting and retaining talent.

Discussion ensued with staff answering the Board's questions.

Mr. Sarti moved to the revised vacation leave accruals. Mr. Schladweiler seconded the motion. Motion passed by a roll call vote of 3-0.

D. Authorizing the Use of City of Tucson Job Order Contract for Clearing, Grubbing, and Grading of the Ironwood Blend Well and Access Easement

Mr. Olsen stated that in order to proceed with the drilling and construction of the Ironwood blend well, the well site and access easement needs to be cleared and grubbed prior to the driller mobilizing on-site. The City of Tucson Job Order Contract for Roadway Construction Services was utilized to solicit and obtain three cost proposals. The lowest cost proposal was unable to perform the work within the specified timeframe necessary to support the well drilling. The next responsive bidder was Granite Construction Services who provided a quote of \$37,500 plus permit fees estimated at \$2,500. It is recommended that the Board authorize this work to Granite in the amount of \$40,000 and to authorize up to an additional \$5,000 for unforeseen issues.

Mr. Schladweiler moved to authorize the General Manager to execute an agreement with Granite Construction Services in an amount not to exceed \$40,000.00 for the clearing, grubbing, and grading services for a portion of the access easement and Ironwood Well site, and to authorize the General Manager to utilize additional funding in a cumulative amount not to exceed \$5,000. Mr. Sarti seconded the motion. Motion passed by a roll call vote of 3-0.

E. Adoption of the Metropolitan Domestic Water Improvement District's Updated Drought Preparedness and Response Plan

Mr. Olsen stated that the Board approved the District's current Drought Preparedness and Response Plan at the August 2022 Board Meeting. During the discussion in August, Mr. Olsen stated that there would be a further update to the Plan as we learned more about the potential reductions in Central Arizona Project (CAP) allocations caused by the shortage condition on the Colorado River System. The Board was asked to authorize the updated Drought Plan.

The most significant change from the previously approved Drought Plan is the triggers for each stage of drought response. Previously, these stages were determined based on a combination of groundwater level declines and the elevation of Lake Mead, which determined an associated shortage tier. Both the potential shortages determined by the Bureau of Reclamation and anticipated reconsultation activities that will be accomplished in advance of 2026, have a high probability of changing the elevations of Lake Mead that will trigger various tiers and shortages. To insulate the District from these uncertain outcomes, the drought stages have instead been indexed to the following: Stage 1 will be triggered when Lake Mead is between 1090-foot and 1025-foot elevation, Stage 2 will be when there is any shortage imposed on the District's CAP allocation, Stage 3 will be when the District has to begin using stored long-term storage credits as the CAP water received is not enough to meet annual demands, and Stage 4 will be when the usage of long-term storage credits would exhaust the total amount of credits stored within 100 years.

Another way of defining Stage 4 is that the District would run out of renewable water resources via use of the stored long-term storage credits within the planning horizon for the District's 100-year Designation of Assured Water Supply. Currently, that would mean having to use 1,750 acre-feet, or more, of long-term storage credits annually.

Another change to the Plan is to specifically highlight the importance of how NWRDSS supports the goals of the Plan. This is important as feedback was received from the Bureau of Reclamation (Reclamation) that more points would have been received in the scoring of the District's grant package had NWRDSS' support to the Drought Plan and other associated efforts had been further defined.

The new triggers for the stages in the Drought Plan will remain relevant regardless of the ultimate action taken by Reclamation given that the triggers are tied predominantly to the District's renewable water resources.

Discussion ensued with staff answering the Board's questions.

Mr. Schladweiler recommended moving the bullet point "Hotels and restaurants will be asked to initiate measures for conserving water, such as providing water only on request and washing sheets and towels only if requested" from Stage 2 to Stage 1.

Mr. Schladweiler moved to adopt the Metropolitan Domestic Water Improvement District's updated Drought Preparedness and Response Plan with the amendment as discussed. Mr. Sarti seconded the motion. Motion passed by a roll call vote of 3-0.

F. Presentation on the District's Engineering Team

Due to technical difficulties with the GoToMeeting ability to share the presentation online and with only three of the five Board Members were present, the Board continued this item to a future Board Meeting.

V. General Manager's Report

Mr. Olsen stated that he will be attending a listening session as part of his Arizona Water Banking Authority Commissioner duties. This meeting is important as feedback is being solicited from the public on how Water Bank should firm Municipal and Industrial providers when their CAP allocations are shorted. There are many competing proposals and thoughts on the magnitude and specific scenarios where water is firmed as this would determine how long the Bank would be able to continue firming activities. The Commission will render a decision on how to accomplish these

firming activities within the next few months and Mr. Olsen will brief the Board on the ultimate decision as this will impact not only the District, but entities throughout Arizona.

The new General Manager of Central Arizona Water Conservation District (CAWCD), Brenda Burman, has been meeting with water users throughout the state in an effort to understand the specific challenges each entity faces and to also have an opportunity to directly interface with CAP's customers. Staff will join the Tucson Area water directors, managers, and leaders in meeting with Ms. Burman and her staff to discuss southern Arizona's issues and ongoing partnerships with CAP.

As a reminder to the Board, the AZ Water Annual Conference is next month, May 9-11, 2023, which is prior to the next Board Meeting. Mr. Shepard was selected as AZ Water's 2023 Water Operations Leader of the Year. This was due to his over 30-years of dedication to the water community. This is also a perfect award to recognize Mr. Shepard as last month he also finished his operator certification journey and is now a "4x4" operator having Grade 4 certifications in Distribution, Water Treatment, Collections, and Wastewater Treatment.

Ms. Morelli was selected as AZ Water's 2023 Health and Safety Professional of the Year for many years of oversight of the District's Safety program, her Risk Management Specialist Duties, which is a second hat that she wears, and how she integrates safety into her HR practices.

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 May 15, 2023 at 5:30 and an Information Meeting will be held on May 2, 2023 at 6:00 p.m.

VIII. General Comments from the Public

There were no comments from the public.

IX. Adjournment

The meeting adjourned at 6:43 p.m.

Metropolitan Domestic Water Improvement District
Board of Directors Meeting
April 10, 2023
Page 7

Lee Jacobs, Chair of the Board

Theo Fedele, Clerk of the Board