

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

MONDAY, APRIL 18, 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
Bryan Foulk, Member
Scott Schladweiler, Member

Board Members Not Present: Richard Sarti, Chair

District Staff: Joseph Olsen, General Manager
Sheila Bowen, District Engineer
Diane Bracken, Chief Financial Officer (Participated Electronically)
Steve Shepard, Utility Superintendent
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. Adoption of Fiscal Year 2023 Budget

Mr. Olsen stated that last week we received bids for the partner component of the Northwest Recharge, Recovery and Delivery System (NWRRDS). As we are currently analyzing the bids, it is recommend that this item be continued until next month to allow for any warranted adjustments

to the requested budget based on the results of the bid analysis. Historically, the Board considers the budget at the May Board meeting but as we were not having a rate hearing this year, we initially moved the budget up a month to April.

Mr. Foulk moved to continue the Adoption of Fiscal Year 2023 Budget to the May 9, 2022 Board Meeting. Mr. Schladweiler seconded the motion. Motion passed by a voice vote of 4-0.

IV. Consent Agenda

- A. Approval of Minutes – March 14, 2022 Board Meeting**
- B. Approval of Minutes – March 21, 2022 Study Session Meeting**
- C. Ratification of Billing Adjustments**
- D. Ratification of Accounts Removed from Active Accounts Receivable**
- E. Approval of Water Service Agreement for Loma Antigua, Lots 1-14 (M-21-009)**
- F. Approval of Water Service Agreement for Canaan Court, Lots 1-12 (M-21-013)**

Mr. Foulk moved to approve the consent agenda. Mr. Schladweiler seconded the motion. Motion passed by a voice vote of 4-0.

V. 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 March, the decline in consumption per service area is a 9.7% decrease in Metro Main, a 15.6% decrease in Metro Hub, and a 5.4% decrease in Metro Southwest. For comparison, last month Mr. Olsen reported that the consumption numbers through February were an 11.6% decrease in Metro Main, a 16.9% decrease in Metro Hub, and a 6.3% decrease in Metro Southwest, so the significant decrease has been slowly mitigating. Also, as the Board has been previously briefed, the Fiscal Year 2022 budget was not based on the higher demand experienced in the previous year and was instead based on broader historical consumption numbers. Ms. Bracken will elaborate on how metered water sales compares to budgeted revenue in her financial report.

The Arizona Department of Environmental Quality (ADEQ) funded design effort for advanced oxidation process continues at the South Shannon site and a Granular Activated Carbon (GAC) media change-out took place this month at South Shannon.

Mr. Shepard provided an update on noteworthy maintenance projects. Staff located one of the missing corrosion test stations and worked with the corrosion vendor to replace the wires and the anode bed. This was also used as a training opportunity for staff, so some basic testing and evaluations on corrosion test stations can be done in-house on a more frequent basis. Photos were shown of the replacement of three large meter vaults. Staff completed the Magee La Cholla well pump replacement as well as the repairs of the Tucson National North right angle gear drives that had a damaged non reverse ratchet. The flow meter was replaced on the Metro Hub #5 well and flow meters were installed on the diesel backup pumps in Diablo Village to allow staff to better evaluate the pumps operations.

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, the Ironwood wellsite land acquisition, and the Avra Valley Recharge Project (AVRP) upgrades.

B. Financial Report

Ms. Bracken stated that revenue and expenditures for February are both favorable when compared to a straight-line projection with revenue \$189,060 over budget and expenditures \$1,023,081 under budget. The revenue in excess of expenditures is favorable by \$1,212,141. When comparing the total revenue to the prior fiscal year, revenue through February was 3.64% or \$588,528 lower than the total revenue in February of the prior year. The Metered Water Revenue is 3.7% or \$458,467 lower than the prior fiscal year. The historic average of budgeted water revenue billed by the end of February is 67% and the District has billed 69.09% of the budgeted water revenue billed through the end of February. The operating expenditures in February were \$236,341 higher than they were at the end of February in the prior fiscal year. The March cash deposit balance was \$27,393,354.13, which is \$1,293,802.26 lower than the February balance with a prior month correction. The investment balance as of the end of March was \$11,624,638.40, which is \$241,820.12 higher than the February balance.

The Arizona State Treasurer Pooled Collateral Program Statement for February included \$15,446,994.44 of cash on deposit with collateralization coverage of \$15,245,934.33 in addition to the \$500,000 FDIC coverage.

The Capital One Bank MasterCards were used to purchase \$67,747.40 on the March statement with up to 1.25% cash back earnings. The cash back received from transactions processed in February totaled \$231.18 or 0.98% with an inception-to-date cash back total of \$17,553.91.

Eleven new meter application were received in March for the Metro Main service area. There were five new meter applications received in March of the prior fiscal year. Year-to-date, 80-meter applications have been received compared to 401 at the same time in the prior fiscal year.

C. Approval of the Amended Contract for Collection of Sewer User Fees

Mr. Olsen stated that since 1994, the District has had an Intergovernmental Agreement (IGA) with Pima County Regional Wastewater Reclamation Department to perform billing and the collection of sewer revenue. As part of this IGA, the District receives payment on a per account per month basis to reimburse the District for the costs associated with performing this service. Over the past month, staff have worked with Pima County to update the cost of service calculation for performing this service for the County. The per account per month amount that Pima County currently pays the District to perform this service is \$1.75 and it is recommended that the cost in the IGA is increased to \$1.90, which will generate approximately \$454,000 in total revenue for the District. This increase also continues to move the District toward full cost of service recovery. The current IGA expires June 30, 2022 and this amendment extends the agreement for one additional year with the new fee of \$1.90 per account per month effective July 1, 2022 through June 30, 2023.

Mr. Schladweiler moved to approve the attached one-year amendment to the contract with Pima County Regional Wastewater Reclamation Department for the collection of sewer user fees at the rate of \$1.90 starting on July 1, 2022 with an expiration of June 30, 2023. Mr. Foulk seconded the motion. Motion passed by a voice vote of 4-0.

D. Authorizing the General Manager to Enter into an Agreement Central Arizona Water Conservation District for the 500-Plus Plan Compensated System Conservation

Mr. Olsen stated that in 2019, the District and the Central Arizona Water Conservation District (CAWCD) entered into the first of its kind compensated system conservation agreement where the District would forego 3,500 acre-feet (AF) annually of our Central Arizona Project (CAP) allocation to support the goals of the Drought Contingency Plan (DCP) and would receive compensation at the rate of \$50/AF plus reimbursement of the capital charge, which is currently also \$50/AF. The District would also save on not paying the delivery cost of the 3,500 AF. The District was the only such agreement for the last three years and our agreement was used as the model to arrive at the water required under the 500-Plus plan that would leave an additional 500,000 AF annually in Lake Mead potentially through 2025. The terms of the 500-Plus plan would pay \$261.60 per AF of water conserved for Lake Mead, an increase of \$161.50 per AF using current year numbers. As CAWCD wanted to be fair and equitable, we mutually agreed that it would be appropriate for the District to receive the updated compensation for our 3,500 AF

conserved annually given our initial willingness to enter into a compensated conservation agreement over three years ago.

As such, it is recommended that the Board authorize me to enter into an updated compensated conservation agreement with the terms of the 500-Plus plan. This new agreement would generate \$565,600 of additional revenue annually. For the first year, I wanted to keep the quantity of conserved water the same as what was already approved by the Board and included in our calendar year 2023 order. For calendar year 2024, there may be a Board item to consider increasing the conserved amount depending on if CAWCD needs additional water to meet their 500-Plus goals in 2024.

Mr. Foulk moved to authorize the General Manager to enter into the 500-Plus Plan compensated system conservation agreement with CAWCD to forbear 3,500 acre-feet of the District's CAP allocation for calendar year 2022. Mr. Schladweiler seconded the motion. Motion passed by a voice vote of 4-0.

E. Authorizing an Easement Purchase and Sale Agreement with the Town of Marana for the Northwest Recharge, Recovery, and Delivery System Recovery Wells and Forebay Facility

Mr. Olsen stated that in order to provide electrical service to AVRW-02, one of the NWRD recovery wells, an easement is required across Town of Marana property to accommodate the offsite infrastructure. Staff have worked with Marana Town staff and the estimated valuation of the easement is \$8,000. It is recommend that the Board approve this easement acquisition along with an additional \$2,000 to cover unforeseen costs prior to closing. While the Board granted me authority to acquire easements and approve administrative settlements within the limits of the Procurement Policy, we brought this item to the Board as the easement acquisition is between the District and another governmental entity.

Mr. Schladweiler moved to authorize the General Manager to negotiate and execute an Easement Purchase and Sale Agreement with the Town of Marana in an estimated amount of \$8,000.00 and to authorize the General Manager to increase the purchase amount to \$10,000.00, should any unforeseen conditions arise prior to closing. Mr. Foulk seconded the motion. Motion passed by a voice vote of 4-0.

VI. General Manager's Report

Mr. Olsen stated that CAP announced that this year there will be a 6-week outage on the CAP canal, which is a longer maintenance outage than normal. This is due to the flooding that occurred

previously in the Picacho Peak area that damaged the canal. The extended duration will enable replacement of concrete side walls in damaged canal sections, which requires the canal to be fully drained.

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:

Senate Bill 1564, regarding the annexation of water Districts by Cities and Towns, passed the Senate 29-0 and a vote and expected soon in the House. 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. The House introduced a strike everything amendment to this bill that has to do with farm irrigation efficiencies.

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. This was signed into law by the Governor on March 30, 2022.

Senate Bill 1067 originally would eliminate the 150,000 population threshold, which required voter approval for cities and towns to receive WIFA funding. There were extensive amendments and negotiations. The current version any funds through WIFA as part of the bipartisan infrastructure act will not be subject to population thresholds, however, any other WIFA funding will still require voter authorization.

Staff has been working closely with CAP on their rate projections and rate increases as it relates to shortages and the 500-Plus plan. CAP has published substantial cost per AF increases to cover the costs associated with reduced deliveries in 2023.

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 May 9, 2022.

IX. General Comments from the Public

There were no comments from the public.

Metropolitan Domestic Water Improvement District
Board of Directors Meeting
April 18, 2022
Page 7

X. Adjournment

The meeting adjourned at 6:29 p.m.

Richard Sarti, Chair of the Board

Theo Fedele, Clerk of the Board