

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

MONDAY, MAY 13, 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
Jim Doyle, Member (Participated Electronically)
Richard Sarti, Member
Scott Schladweiler, 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. 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. Adoption of Fiscal Year 2025 Budget

Ms. Bracken stated that last month the Fiscal Year 2025 Requested Budget was presented for the Board's review and staff are not requesting any changes to what was presented.

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 twelve-month Consumer Price Index was 3.5% in March so a 4% Cost-of-Living Adjustment (COLA) is being requested to be included in the pay period ending on July 3, 2024.
- Salaries and benefits associated with working on capital projects is increasing \$253,880, which reduces the budgeted wages and benefits.
- The combined total of budgeted Consultant and Contracted Services and General Operating Expenditures are lower by 4.58% or \$70,113.
- 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% or \$502,000 with the 2020 Refunded Bond payment being lower and the E&T loan planned to be paid in full in Fiscal Year 2024.
- Investments to support the District Mission were funded at a total cost of \$295,974.
- The District's portion of the Capital Improvement Program (CIP) budget totals is \$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 NWRRDS Partner expenditure for a disbursement total of \$49,083,337.

Mr. Schladweiler moved to adopt the Metropolitan Domestic Water Improvement District budget for Fiscal Year 2025 with a disbursement total not to exceed \$64,426,991. Mr. Sarti seconded the motion. Motion passed by a roll call vote of 5-0.

IV. Consent Agenda

- A. Approval of Minutes – April 8, 2024, Board Meeting**
- B. Ratification of Billing Adjustments**
- C. Ratification of Bill of Sale Aerie La Cholla (M-22-012)**

Mr. Foulk 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 6.6% higher than during the same period in the previous Fiscal Year.

Mr. Olsen updated the Board on the subsidence and uplift features in the Tucson Region and provided the current subsidence map. The District's six service areas have no subsidence features but there is some uplift occurring.

Discussion ensued and staff answered questions.

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 galvanized pipe replacements.

Mr. Olsen provided an update on the District's water resources portfolio.

B. Financial Report

Ms. Bracken stated that revenue and expenditures for March are both favorable when compared to a straight-line projection with revenue \$3,171,935 over budget and expenditures \$728,944 under budget. The revenue in excess of expenditures is favorable by \$3,900,879. When comparing the total revenue to the same month in the prior fiscal year, revenue in March was higher by 24.65% or \$4,504,266. With \$2,000,000 received in Fiscal Year 2024 for the Central Arizona Project (CAP) Conservation, and Metered Water Revenue being higher by 3.95% or \$590,850 when

compared to the same month in the prior fiscal year. Water Resource Utilizations Fees are \$386,797 higher, and interest income is \$616,781 higher. In addition, the District has received \$858,043 of principal forgiveness on WIFA loans. The historic average of budgeted water revenue billed by the end of March is 73% and the District billed 77.15% of the budgeted meter water revenue as of the end of March. The operating expenditures in March were \$408,608 higher than they were at the end of March in the prior fiscal year. The April cash deposit balance was \$39,223,915.62, which is \$1,780,318.83 lower than the March balance. With \$1,033,297.82 of March capital project charges to be funded with a WIFA loan. In addition to the normal monthly CAP water invoice, there was an invoice for \$356,690 for the second half of the capital charge, and this year in lieu of receiving a credit for the Fiscal Year 2023 rate reconciliation and stabilization, a payment of \$194,002.06 was issued to CAP. The investments as of the end of April totaled \$13,630,899.19, which is \$484,737.80 higher than the March balance.

The Arizona State Treasurer Pooled Collateral Program Statement for March included \$23,877,674.12 of cash on deposit with collateralization coverage of \$23,845,227.60 in addition to the \$500,000 FDIC coverage.

The Capital One Bank Master Cards were used to purchase \$51,045.49 on the April statement with up to 1.25% cash back earnings. The inception-to-date cash back total is \$26,169.66.

There were seven new meter applications received in April for the Metro Main service area. There were seven new meter applications received in April of the prior fiscal year. Fiscal year-to-date, 67-meter applications have been received compared to 78 at the same time in the prior fiscal year.

C. Resolution 2024-1 Call November 5, 2024 Election for Board of Directors

Mr. Olsen stated that the terms of Board Members Bryan Foulk and Lee Jacobs will expire at the end of 2024 and a call of election is required to fill the two seats. For cost efficiency, the Board election is done in conjunction with the General Election. The Fiscal Year 2025 Requested Budget has allocated \$26,000 for the election. The Board is recommended to approve Resolution 2024-1 to call the election on November 5, 2024, to fill the two Board Member seats.

Mr. Sarti moved to approve Resolution 2024-1 to call an election for November 5, 2024 for the purpose of electing members of the Board of Directors to fill two seats for a four-year term beginning January 1, 2025. Mr. Schladweiler seconded the motion. Motion passed by a roll call vote of 5-0.

D. Approval of the District’s Updated Procurement Policy

Mr. Olsen stated that the District has a Procurement Policy to provide guidance to staff on standardizing various procurement related activities and associated approval authorities. The Policy was last updated in February 2021. As we have gained experience through the grant process, a number of modifications are recommended to the Policy. The most significant changes include: increasing Team Manager’s purchase order authorizations to \$2,000, clarifying requirements for grants and outside funding, clarifying sole source language, and ensuring continued operations with the Deputy General Manager formally serving as the General Manager’s back-up for authorization of urgent and emergency procurements if the General Manager is out of the office or unavailable.

Mr. Foulk moved to approve the District’s updated Procurement Policy. Mr. Schladweiler seconded the motion. Motion passed by a roll call vote of 5-0.

E. Approve 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. As Ms. Bracken has done each year for the past decade, she calculated the cost of service to provide this billing service for Pima County. For ten years in a row, there have been modest increases to arrive at the cost-of-service. This year the recommendation is to not increase from the current \$2.00 per account per month as the cost-of-service analysis shows we are near this amount. Also, slightly increasing this fee could result in the need to reduce the fee next year after the meter upgrades are completed. The current IGA expires June 30, 2024 and this amendment extends the agreement for one additional year with the current fee of \$2.00 per account per month effective July 1, 2024 through June 30, 2025.

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 \$2.00 per account per month starting on July 1, 2024, with an expiration of June 30, 2025. Mr. Foulk seconded the motion. Motion passed by a roll call vote of 5-0.

F. Approval and Award for the Alcott Block Wall

Mr. Olsen stated that the Alcott well site has three adjacent properties, separated by a chain link fence, and the site is sloped such that discharges not captured by the tank’s overflow basin flows

into neighboring properties. On two occasions, the tank overflowed beyond the overflow drain capacity and high volumes of water flowed into the neighboring properties causing significant damage to their yards. While the District covered the cost of restoring the yards in each incident, this is something that needs to be corrected long-term to protect the neighboring property and ratepayers from the potential cost of repairs should another overflow incident occur.

The solution, as prioritized in the Fiscal Year 2024 CIP, is to construct a block wall to prevent the flow of water into the neighboring property and to properly channel this flow toward drainage. This project was advertised and two bids were received, \$176,000 and \$70,562. The amount in the approved CIP is \$57,000. The low bid noted grey block and they were asked to update their bid to match the specifications, which called for color block. The update increased the low bid to \$78,108 and was still substantially lower than the other bid. It is recommended that a not to exceed amount be authorized for 10% over the updated low bid to address unforeseen issues during construction.

Mr. Foulk moved to approve the construction of the Alcott Block Wall and to award to R&R Masonry LLC in a not-to-exceed amount of \$85,918. Mr. Sarti seconded the motion. Motion passed by a roll call vote of 5-0.

G. Approval of Professional Engineering Services for Cultural Resources Documentation for the Metro Main Advanced Metering Infrastructure (AMI) Implementation

Mr. Olsen stated that the District received \$2 million in funding from the Bureau of Reclamation and \$3 million from WIFA to support the AMI upgrade and a customer water use portal. Given the funding source, a cultural and environmental analysis is required to determine any impacts. The District's Miscellaneous Water System Design Job Order Contract (JOC) responded with a proposal of \$40,035 to accomplish this requirement. The schedule to accomplish this analysis is approximately 7½ months and additional time is required to obtain authorization from Reclamation. As such, it is recommended that the Board approve this effort via our existing JOC.

Discussion ensued and staff answered questions.

Mr. Sarti moved to approve the Professional Engineering Services for Cultural Resources Documentation for the Metro Main Advanced Metering Infrastructure Implementation project in a not to exceed amount of \$40,035. Mr. Schladweiler seconded the motion. Motion passed by a roll call vote of 5-0.

H. Award for Advanced Metering Infrastructure Components

Mr. Olsen stated that another requirement of the grants from the previous item is to ensure WIFA's sole source requirements are met. Unfortunately, WIFA did not accept the Board action selecting the sole source for AMI components and meter purchases, even though there are only two vendors who meet these specifications. To meet WIFA's requirements, we were asked to advertise both of these items. This item is for the AMI components which was advertised with a bid opening date of May 6, 2024. Only one proposal was received, which is also the only local authorized distributor of Itron components used in our system. It is recommended that the Board award the \$1,470,000 of AMI components to Mountain States Pipe and Supply.

Mr. Foulk moved to award the Advanced Metering Infrastructure Components to Mountain States Pipe and Supply and to authorize staff to purchase the components as required for the Advanced Metering Infrastructure project and for daily operations in an amount not-to-exceed \$1,470,000. Mr. Schladweiler seconded the motion. Motion passed by a roll call vote of 5-0.

I. Award for Positive Displacement Meter Purchases

Mr. Olsen stated that the other component that WIFA asked the District to advertise to prove sole source availability was the positive displacement meters that would be installed under this overall effort. The positive displacement meter bid was advertised with a bid opening date that was extended to May 6, 2024. Badger Meter and Zenner were the only two bid respondents. Both bidders provided documentation on the meters being proposed but did not provide documentation on the encoder register. Based on the relevant information on their respective websites, it was determined that Badger's encoder was compliant with the specifications but the Zenner encoder was not as the encoder was not integral to the meter register and the actual read on the register was not provided to the AMI device. Instead, the Zenner encoder relies on a magnet in the sweep hand.

It is recommended that the Board award a not-to-exceed amount of \$2,200,000 for meters that will include the meters installed under this grant effort, as well as for new meter installations and other daily operations, to Badger Meter.

Discussion ensued and staff answered questions.

Mr. Schladweiler moved to award the Positive Displacement Meters to Badger Meter and to authorize staff to purchase the meters required for the Advanced Metering Infrastructure project as well as meters needed for daily operation in an amount not-to-exceed \$2,200,000. Mr. Sarti seconded the motion. Motion passed by a roll call vote of 5-0.

J. Approval of Bids for Granular Activated Carbon (GAC) Replacement

Mr. Olsen stated that the District uses Granular Activated Carbon (GAC) at the South Shannon treatment facility to remove volatile organic compounds from the groundwater as part of an Arizona Department of Environmental Quality (ADEQ) funded cleanup initiative. The GAC used at South Shannon has been burnt coconut shell and a bid was also requested bituminous coal as this GAC will be used at the Riverside and DeConcini treatments sites since this form of GAC has been found to be more efficient at removing PFAS. This form of GAC may ultimately be used also at South Shannon based on the efficiency of GAC removal following the new Advanced Oxidation Process (AOP) treatment process at that site. The District requested bids for GAC and three vendors submitted their bids by the deadline. It is requested that the Board approve the bids with the District using the lowest bid first unless availability or other factors necessitate the use of the next lowest bidder.

Mr. Sarti moved to approve all pricing submitted for the Granular Activated Carbon and direct staff to use the lowest responsible bidder first. If the lowest bidder is unable to meet District requirements, then staff is authorized to use the next lowest bidder. Mr. Foulk seconded the motion. Motion passed by a roll call vote of 5-0.

K. Approval and Award for Water Treatment Media Regeneration Annual Quotes for the District's Arsenic Treatment Media

Mr. Olsen stated that the District uses iron oxide adsorption media to remove arsenic at four production sites. The media can be regenerated by chemically stripping the adsorbed arsenic ions as opposed to purchasing new media each time a change out is required. Purolite is the only known vendor to possess the required Gold Seal certification to accomplish this media regeneration process. Purolite was also the only respondent to submit a bid request. As such, it is recommended the District approve the arsenic media regeneration quote with Purolite.

Mr. Foulk moved to approve the annual quote for Water Treatment Media Regeneration and award Purolite the regeneration of the District's Arsenic Treatment Media. Mr. Schladweiler seconded the motion. Motion passed by a roll call vote of 5-0.

L. Approval of Quotes for Auxiliary Power Preventative Maintenance Service and On-Call Service Repairs

Mr. Olsen stated that the District utilizes several natural gas backup generators to enable continuity of operations in key areas during a power outage. These generators require specialized proactive maintenance to ensure functionality when needed. Approval of these quotes will enable both

scheduled maintenance to ensure operation of these key assets and expeditious response in the case of equipment failures.

Mr. Schladweiler moved to approve the bids and pricing submitted for the Auxiliary Power Preventative Maintenance Service and On-Call Service Repairs for use in Fiscal Year 2025 from Empire Power Systems. Mr. Sarti seconded the motion. Motion passed by a roll call vote of 5-0.

VI. General Manager's Report

Mr. Olsen stated that on Friday, May 10, 2024, the District's real property legal counsel formally filed condemnation to obtain easements on two parcels along the new alignment of the NWRD recovery transmission main. The Board approved condemnation actions at the January 2024 Board Meeting. Unfortunately, the property owner has still not met with us to discuss how we could co-exist on the easement and the condemnation filing will hopefully result in the parties coming to the table either via a discussion with technical subject matter experts or through a judicial settlement conference, prior to extensive litigation.

One of the District's specific performance objectives for calendar year 2024 is creating a 5-year strategic personnel staffing plan. Billie Sue Morelli, the District's Human Resources Manager, and I met with the Team Managers and have finished drafting this plan, which I will be sharing with staff later this week. The plan, which consists of a District organization chart showing the staffing changes each year, is anticipated to be presented to the Board at the June meeting.

At last month's AZWater Annual Conference and Symposium, Wally Wilson, the District's Water Resources Manager, was appointed to the AZWater Board of Directors. Congratulations to Mr. Wilson on representing the District and further supporting state-wide water solutions.

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 June 10, 2024.

IX. General Comments from the Public

There were no comments from the public.

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X. Adjournment

The meeting adjourned at 6:46 p.m.

Lee Jacobs, Chair of the Board

Theo Fedele, Clerk of the Board