

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

MONDAY, MAY 15, 2023

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

MINUTES

Board Members Present: Lee Jacobs, Chair
Jim Doyle, Member (Participated Electronically)
Bryan Foulk, Member (Participated Electronically)
Richard Sarti, Member (Participated Electronically)

Board Members Not Present:
Scott Schladweiler, Vice Chair

District Staff: Joseph Olsen, General Manager
Sheila Bowen, District Engineer
Steve Shepard, Utility Superintendent
Diane Bracken, Chief Financial Officer
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 6:08 p.m. Jim Doyle, Bryan Foulk, Lee Jacobs, and Richard Sarti were present. Scott Schladweiler was not present.

II. General Comments from the Public

There were no comments from the public.

III. Adoption of Fiscal Year 2024 Budget

Ms. Bracken stated that the only change applied to the Requested Budget since the presentation at the March Board Meeting is the addition of \$1 million of revenue since the District's application

for the Automated Metering Infrastructure Project was selected for funding with the WaterSMART Grant for Water and Energy Efficiency. This changes the Requested Budget available funding and revenue to \$76,592,089 in Fiscal Year 2024.

The requested operating revenue is \$26,143,217. Other funding sources included Northwest Recharge, Recovery and Delivery System (NWRDRS) Partner reimbursements, grant funding, and Water Infrastructure Finance Authority of Arizona (WIFA) funding for a total of \$17,110,200. The projected beginning fund balance is \$33,338,672. Operating expenditures are budgeted at \$14,484,402, which is a 3.69% increase when compared to the prior fiscal year. The annual debt service payments are budgeted at \$5,006,965. Investments to Support the District included in the budget total \$257,392. The District's portion of the Capital Improvement Program budget totals \$19,619,215. The non-cash depreciation and amortization included in the Requested Budget totals \$3,960,858. The NWRDRS Partner project reimbursements total \$8,842,433. The Requested Budget disbursements total \$52,171,265. The District's portion of this disbursement total is \$43,328,832.

Mr. Sarti moved to adopt the Metropolitan Domestic Water Improvement District budget for Fiscal Year 2024 with a disbursement total not to exceed \$52,171,265. Mr. Doyle seconded the motion. Motion passed by a roll call vote of 4-0.

IV. Consent Agenda

- A. Approval of Minutes – April 10, 2023, Board Meeting**
- B. Ratification of Billing Adjustments**
- C. Approval of Water Service Agreement for Aerie La Cholla (M-22-012)**

Mr. Foulk moved to approve the consent agenda. Mr. Doyle seconded the motion. Motion passed by a roll call 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-to-date consumption compared to last year is 3.9% lower when the consumption of all service areas is taken into account.

The District provides \$1,500 in annual funding to support Arizona Department of Water Resources' (ADWR) subsidence monitoring program. In return, the District receives a map showing the subsidence or uplift throughout the Tucson Region with the District's service areas

overlaid on the map. The most recent map provided by ADWR covers a time period of 2010 to 2023 and shows one area of subsidence and two areas of uplift. The uplift areas appear to be the results of groundwater recharge facilities and the subsidence feature is located around Swan Road and Golf Links Road. No subsidence or uplift features were identified in the District's service areas.

Each year, the Board is provided an update on the District's water resources portfolio. As of the end of calendar year 2022, the District has 123,212 acre-feet (AF) of groundwater credits, 55,200 AF of stored renewable water resources along with an annual remediated water allocation of up to 1,048 AF. The renewable water resources consist of 50,857 AF of stored Central Arizona Project (CAP) water and 4,343 AF of stored effluent or recycled water. The 2022 asset value of the renewable water resources is \$12.6 million, which is an increase of \$800,000 from 2021 and the total increase in the District's water resource portfolio is 3,314 AF compared to the end of 2021.

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 the total revenue earned this fiscal year through the end of March was \$17,265,417, which is unfavorable by \$311,981 when compared to a straight-line projection. The budgeted sale of storage credits to Marana totaling \$117,300 will not be realized this fiscal year. The Compensated System Conservation revenue budgeted at \$350,000 for 3,500 AF of water has not been received yet this fiscal year and with the new agreement currently in process and this amount is anticipated to be higher than budgeted by \$1.65 million with 5,000 AF at \$400 per AF. In addition, metered water sales and water resource utilization fees are both lower than the straight-line projection by \$81,005 and \$53,579 respectively. Budgeted expenditures are favorable by \$780,721 when compared to a straight-line projection. The revenue in excess of expenditures is favorable by \$468,740. When comparing the total revenue to the same month in the prior fiscal year, revenue through March was lower by 0.54% or \$93,064. The metered watered revenue is lower by 2.68% or \$383,767 when compared to the same month in the prior fiscal year. The historic average of budgeted water revenue billed by the end of March is 74.9% and the District has billed 74.6% of the budgeted metered water revenue. The operating expenditures in March were \$645,750 higher than they were at the end of March in the prior fiscal year. The April cash deposit balance was \$25,771,702.45, which is \$153,862.48 lower than the March balance. The

investments as of the end of April totaled \$20,259,355.49, which is \$643,721.92 higher than the March balance.

The Arizona State Treasurer Pooled Collateral Program Statement for March included \$16,548,068.79 of cash on deposit with collateralization coverage of \$16,369,030.17 in addition to the \$500,000 FDIC coverage.

The Capital One Bank MasterCards were used to purchase \$37,549.38 on the April statement with up to 1.25% cash back earnings. The inception-to-date cash back total is \$22,380.60.

Seven new meter application were received in April for the Metro Main service areas. There were five new meter applications received in April of the prior fiscal year. Fiscal year-to-date, 78-meter applications have been received compared to 85 at the same time in the prior fiscal year With 74 in the Metro Main and Hub Service Areas and 4 in the Southwest service areas.

C. Adoption of an Updated Total Dissolved Solids Blending Target for the Northwest Recharge, Recovery and Delivery System

Mr. Olsen stated that during the initial planning process for NWRRDS, it was understood that the recovered CAP water would have a higher total dissolved solids (TDS) concentration than the average groundwater that is currently serving the Metro Main customers. To provide a planning target, in April 2014, the Board approved an average annual target of 400 to 500 milligrams per liter (mg/L) of TDS. The center point of that range, or 450 mg/L, was chosen for the analysis. As the planning and design for NWRRDS has progressed, a water quality blend analysis was performed by Carollo Engineers to determine the quantity of NWRRDS water that could be recovered in that range along with the required blending wells. The District's total NWRRDS capacity is 4,000 AF annually but the modeling showed that only 1,510 AF could be recovered annually while ensuring all areas in Metro Main stayed below 450 mg/L of TDS. Another scenario was modeled to determine the benefits of drilling a blend well along the NWRRDS transmission pipeline prior to the delivery point at the Herb Johnson Reservoir and the amount of NWRRDS water increased to 2,320 AF per year. This is why the District has been proceeding with the Ironwood Blend well. The annual recovery of 2,320 AF still leaves significant unutilized capacity in NWRRDS. As U.S. Environmental Protection Agency's (EPA) secondary maximum contaminant level for TDS is 500 mg/L, staff asked Carollo to rerun the model with a target of not to exceed 500 mg/L. The results vastly increased the amount of NWRRDS water that could be delivered and blended. Under the relevant scenario of a blend well along the transmission main, as Ironwood drilling will commence shortly, the new TDS target increases the NWRRDS annual deliveries from 2,320 AF to 3,970 AF, almost fully utilizing the District's NWRRDS capacity.

As the Board previously approved a range versus a specific number, it is recommended that the Board clarify and update that the average annual TDS blend target for NWRRDS to 500 mg/L or less.

Mr. Foulk moved to adopt an updated total dissolved solids blend target for the Northwest Recharge, Recovery and Delivery System to an annual average of 500 mg/L or less. Mr. Sarti seconded the motion. Motion passed by a roll call vote of 4-0.

D. Approval of Bids for Granular Activated Carbon (GAC)

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 District requested bids for GAC and only one vendor submitted their bid by the deadline. It is requested that the Board approve the bid submitted by Carbon Activated Corporation for GAC replacements. Staff will coordinate reimbursement for such change-outs with ADEQ).

Mr. Sarti moved to approve the bid submitted by Carbon Activated Corporation for the GAC replacements. Mr. Foulk seconded the motion. Motion passed by a roll call vote of 4-0.

E. 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. It is recommended the Board 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. Sarti seconded the motion. Motion passed by a roll call vote of 4-0.

V. General Manager's Report

Mr. Olsen stated that Governor Hobbs has formed a Governor's Water Policy Council to advise on updates to the Groundwater Management Act, strengthen the assured water supply rules, and to discuss other potential water legislation. Her council consists of approximately 30 industry

experts from water providers, agricultural entities, tribal representatives, environmental coalitions, and sitting legislative representatives. The Governor appointed Mr. Olsen to serve on the Council to represent both the District and on behalf of the Southern Arizona Water Users Association. The first meeting of the Council is this Wednesday and the Council will be meeting approximately once per month.

During last week's AZWater Association annual conference, there was numerous talks regarding the difficulty of filling positions in the water industry from water treatment plant operators, engineers, finance professionals, and nearly every other expertise. Challenges to fill these positions ranged from not enough people wanted to work in the water industry, perceptions of pay inequity compared to other industries, along with numerous other cited reasons. Even with these challenges, the District still maintains a robust succession planning program, which the Board has been previously briefed on. As such, even with some water entities experiencing a 25% vacancy rate, the District is currently fully staffed with no vacancies.

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 June 12, 2023.

VIII. General Comments from the Public

There were no comments from the public.

IX. Adjournment

The meeting adjourned at 6:37 p.m.

Lee Jacobs, Chair of the Board

Theo Fedele, Clerk of the Board