

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

MONDAY, JUNE 13, 2022

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

MINUTES

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

Board Members Not Present: Scott Schladweiler, Member

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 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 2023 Budget

Ms. Bracken stated that since the Board Study Session, bids were received for the Northwest Recharge Recovery and Delivery System (NWRDRS) project with a cost of nearly 30% higher than planned. The NWRDRS project construction was moved into the next fiscal year in the five-

year Capital Improvement Program (CIP) or until there is more stability in the market, availability of components, and available construction labor. The Fiscal Year 2023 Requested Budget has been reduced by \$37,128,601 to remove the construction of the NWRRDS projects, the associated debt for the construction, and a \$31,762 reduction in the Central Arizona Project (CAP) water. CAP rates were finalized at \$52,500 higher for the second half of the fiscal year so the 2021 CAP refund of \$84,262 will be applied in January to mitigate the additional increased water costs resulting in a budget decrease from what was previously requested. Document shredding services were moved in the budget from a supply account to a service account with no dollar amount change.

The requested budget includes a \$338,909 revenue increase. The Infrastructure Rehabilitation Fees are projected to increase by \$178,893 with the approved rate change from \$0.95 to \$1.50 per 5/8" account per month. Metered water revenue is projected to increase by \$5,693 with the rate increase in the E&T Service area. The Marana long-term storage credits are included with 390 acre-feet (AF) at \$91,989 for planned storage. Sewer billing cost reimbursements are budgeted at \$43,458 higher and this does not include the \$0.15 per account per month increase that was approved by the District, but has not been signed yet by Pima County. There is a \$28,500 increase in the sale of CAP credits to Metro Southwest with an increase from 400 to 450 AF.

The total requested operating expenses are \$1,481,250 or 8.79% higher than the Fiscal Year 2022 Adopted Budget. Increases in wages and benefits account for \$869,752 of the budget increase. This is made up of two new positions in the requested budget, plus the three new positions added as investments to support the District in the Fiscal Year 2022 Adopted Budget rolling into the base budget for additional cost of \$427,423. There is also a \$95,000 reduction in engineering staff time charged to capital projects, which increase the operational cost. A 4% Cost of Living Adjustment (COLA) has been included at a cost of \$199,363. There is a one-time increased cost of \$26,926 associated with additional staff during the planned transition to a new Chief Financial Officer (CFO) budgeted to start in the third week of August, along with additional costs associated with the retiring CFO continuing to provide water rate calculations and preparing the five-year financial plan. Additional pay for Operator Certifications not required by the position held were not included in the Fiscal Year 2022 Budget but have been included in this Fiscal Year 2023 Requested Budget increasing wages and benefits for 69 new certifications and 58 certifications already held by staff increasing the budget by \$83,178.

Central Arizona Project water costs are \$351,611 higher than the prior year. By applying the \$84,262 credit from 2021, the requested budget is \$267,349 higher. This requested budget includes an additional \$27,000 for electricity, and an additional \$47,926 for vehicle fuel. Debt Service payments increased by \$511,681 for the 2020 Refunded bonds. Depreciation and Amortization are

budgeted with an increase of \$227,689 with the implementation of GASB 87 and GASB 96, which turn all long-term leases and subscription-based IT agreements into amortized assets and liabilities.

The District's cash funded CIP budget totals \$3,626,143 and includes \$66,291 for NWRDSD projects with \$17,583 reimbursed from the project partners. The Requested Budget has income totaling \$23,436,531 and planned operating expenses totaling \$18,330,682, for a revenue in excess of expenses equaling \$5,105,849. The total requested budget disbursements are \$26,012,250 with a fund balance reduction of \$2,575,729.

Mr. Sarti moved to adopt the Metropolitan Domestic Water Improvement District budget for Fiscal Year 2023 with a disbursement total not to exceed \$26,012,250. Mr. Foulk seconded the motion. Motion passed by a roll call vote of 4-0.

IV. Consent Agenda

- A. Approval of Minutes – May 9, 2022 Board Meeting**
- B. Ratification of Billing Adjustments**
- C. Approval of Water Service Agreement for Tucson Special Care Community (M-21-014)**
- D. Approval of Amendment No. 1 to the Well Maintenance 2021 Contract with Smyth Industries, Inc.**

Mr. Foulk moved to approve the consent agenda. Mr. Sarti 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 Fiscal Year 2022 consumption compared to last fiscal year-to-date has trended lower with a 9.3% decrease in Metro Main, a 14.8% decrease in Metro Hub, and a 4.1% decrease in Metro Southwest. Given that Hub typically has more per capita outdoor watering than the other service areas, the higher percent decrease makes sense. Additionally, Southwest has experienced growth, specifically in the Diablo Village service area, so having a lower demand decrease compared to the other service areas is also expected. Staff is also coordinating with a multi-developer master plan in the Diablo Village service area that will substantially increase that service area over the next few years. For context, in 2014, the annual demand at Diablo Village was about 300 AF annually. Now, the demand is over 400 AF annually, an increase of 33% over

the course of eight years. The build out Designation of Assured Water Supply (DAWS) for Diablo Village is 4,144 AF, or roughly ten times the current demand.

The District received the fully executed 500 Plus Plan Compensated System Conservation Agreement and we are anticipating payment of \$912,135 from the Central Arizona Water Conservation District (CAWCD) within 60 days of when we received the executed agreement.

The District provides \$1,500 in annual funding to support the 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 2022 and shows an 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 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 2021, the District has 122,911 AF of groundwater credits, 52,187 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 48,080 AF of stored CAP water and 4,107 AF of stored effluent or recycled water. The 2021 asset value of the renewable water resources is \$11.8 million, which is an increase of \$1.3 million from 2020.

Mr. Shepard provided an update on noteworthy maintenance projects.

Ms. Bowen provided an update the NWRDRS Project, including the Metro-only portion, along with updates on the E&T22 well replacement, the Ironwood blend well, and the Linda Vista well deepening, the Avra Valley Recharge Project (AVRP) upgrades and the Skyline Ranchos Mainline Replacement.

B. Financial Report

Ms. Bracken stated that revenue for April is unfavorable when compared to a straight-line projection with revenue \$34,579 under budget and expenditures \$1,203,852 under budget resulting in a favorable revenue in excess of expenditures of \$1,169,273. When comparing the total revenue to the prior fiscal year, revenue through April was 10.86% or \$2,341,048 lower than the total revenue in April of the prior year. The Metered Water Revenue is 2.66% or \$433,548 lower than the prior fiscal year. The historic average of budgeted water revenue billed by the end of April is 81% and the District has billed 84.9% through the end of April. The operating expenditures through April were \$263,150 higher than they were at the end of April in the prior fiscal year. The

May cash deposit balance was \$21,118,222.89, which is \$6,498,174.69 lower than the April balance with \$5,000,000 of Water Resource Utilization Fees moved into bond investments earning 3%, and \$2,000,000 from a mature investments moved into an bonds earning 3.125%. This balance is \$1,310,396.56 lower than the balance as of May 31, 2021. The investment balance as of the end of May was \$19,128,136.86, which is \$7,223,614.12 higher than the April balance with \$7 million moved from cash deposits.

The Arizona State Treasurer Pooled Collateral Program Statement for April included \$16,075,812.71 of cash on deposit with collateralization coverage of \$15,887,328.96 in addition to the \$500,000 FDIC coverage.

The Capital One Bank MasterCard were used to purchase \$48,078.54 on the May statement with up to 1.25% cash back earnings. The cash back received from transactions processed in April totaled \$414.12 or 1.06% with an inception-to-date cash back total of \$18,737.92.

Five new meter applications were received in May for the Metro Main service area. There were 94 new meter applications received in May of the prior fiscal year. Year-to-date, 90-meter applications have been received in Fiscal Year 2022, compared to 573 at the same time in the prior fiscal year resulting in a Development Revenue reduction of \$1,098,236 when compared to May of the prior fiscal year.

C. Authorizing the District to Incur Debt through the Execution of Loan Applications and Agreements with the Water Infrastructure Finance Authority of Arizona (WIFA)

Mr. Olsen stated that the Bipartisan Infrastructure Law will invest billions of dollars into infrastructure. One vehicle that these funds are to be distributed to water related projects is through the State Revolving funds, i.e. WIFA, via principle forgiveness. Upon review of the District's CIP, we believe that pursuing three specific projects via WIFA would be in the best interest of ratepayers. These projects are the E&T22 well replacement, the Ironwood blend well and associated pipeline to connect this well to the Herb Johnson reservoir, and the independent Metro-only portion of NWRRDS. The funding request for the E&T22 replacement well is \$1,755,975, for the Ironwood blend well and collector pipeline is \$3,998,023, and the Metro-only portion of NWRRDS is \$14,198,283. To submit these projects for WIFA, a Board authorized resolution is required. The Board previously approved Resolution 2022-1, authorizing WIFA debt to be obtained to support NWRRDS so no additional resolution is required for that effort. For the Board consideration is Resolution 2022-6 and 2022-3 to authorize pursuing WIFA debt to support the Ironwood Blend well and collector pipeline and E&T22 replacement well respectively. While the specific principle forgiveness will not be known until later in the submittal process, a data driven process will be used to ultimately acquire the WIFA debt only if it is financially beneficial to the

District. The Board Report referenced approval of Resolutions 2022-2 and 2022-3 but after the Board packets were sent, it was determined that Resolution 2022-2 was approved at last month's Board meeting to call the Board election. As such, Resolution 2022-2 was changed to Resolution 2022-6.

Mr. Sarti moved to approve and adopt Resolutions 2022-6 and 2022-3 that will authorize the District to incur debt through the execution of loan agreements with the Water Infrastructure Finance Authority of Arizona, if determined to be financially beneficial to the District, with an amount not to exceed \$3,998,023 for the Ironwood Blend Well and Collector Pipeline and an amount not to exceed \$1,755,975 for the E&T22 Well Replacement. Mr. Foulk seconded the motion. Motion passed by a roll call vote of 4-0.

D. Approval of Resolution 2022-4 Authorizing the District to Solicit Financial Assistance through the Execution of an Application and Agreement with the United States Bureau of Reclamation

Mr. Olsen stated that another vehicle that the Bipartisan Infrastructure Law funds will be distributed is through the Bureau of Reclamation grant process. In March, the Bureau published a notice of funding opportunity for WaterSMART drought resiliency projects. This specific funding opportunity is a perfect match for the recharge, recovery, and utilization of renewable water resources associated with NWRDRS. The funding offered through this grant opportunity is up to \$5 million with at least a 50% match from the entity requesting grant funds. The grant will request funds to support the District's portion of the partner components of NWRDRS. Over the past three months, we have been regularly meeting with Bureau staff to better understand the grant application process and how to convey the specific benefits of NWRDRS. The grant application process is extensive and District staff, while intimately knowledgeable of the project, does not have extensive grant writing experience. To support this effort, we have utilized our on-call miscellaneous design consultant, Carollo Engineers, who has a grant writing team with experience in these type of grant submittals. Over the past two months, we have been writing the grant proposal in an iterative process and the deadline to submit the completed package is June 15, 2022 but our goal is to submit tomorrow to ensure the application is received.

To clarify, the District's grant application does not preclude the partners of Oro Valley and Marana from submitting a grant application for their respective portions of the partnered NWRDRS components in a future funding opportunity.

In order to finalize the grant submittal, approval of Resolution 2022-4 is required by the Board to authorize the soliciting of grant funding under this program.

Mr. Sarti moved to approve and adopt Resolution 2022-4 authorizing the District to solicit grant funding through the execution of an application and agreement with the United States Bureau of Reclamation for an amount up to \$5,000,000 for the District's portion of construction of the Northwest Recharge, Recovery, and Delivery System. Mr. Foulk seconded the motion. Motion passed by a roll call vote of 4-0.

E. Approval of Purchase and Sale Agreement for Desert Aire Booster Site

Mr. Olsen stated that the District maintains 0.33 acres at 7497 N Oracle Road that was previously used for a booster site. The booster station has been removed and associated infrastructure has been abandoned. As the District has no plans to use the site in the future, the District has been in coordination with the neighboring property owner to purchase the District property. The property was valued at \$39,000. The approximate cost to perform the necessary improvements to make the site usable are \$30,000. It is recommended that the Board approve a sale of the site to Catalina Towing in the amount of \$31,500 as a negotiated compromise based on the additional work required after the site is purchased.

Mr. Sarti moved to approve the acquisition agreement to sell the Desert Aire Booster site, located at 7497 N Oracle Road to Catalina Towing & Recovery Corporation in the amount of \$31,500. Mr. Foulk seconded the motion. Motion passed by a roll call vote of 4-0.

F. Amendment of the District's Legal Boundary to include the Corey & Wilkinson Parcels: APN 105-08-022D, APN 105-08-020H, and APN 105-08-020K

Mr. Olsen stated that there are four parcels under the ownership of Corey and Wilkinson, one of which is in Metro Main's boundary, one that is receiving service but outside of Metro Main's boundary, and the remaining two parcels are not served by the District and are outside Metro Main's boundary. The property owners wish to combine the parcels but the District's boundaries would need to be modified so the new larger parcel would be within the Metro Main. It is recommended that the Board authorize the amendment of the District's Metro Main legal boundary to incorporate this new larger parcel via Resolution 2022-5. Please note that there was a scrivener's error in the resolution and Board Report on the spelling of the name "Corey." Should the Board approve the resolution, we have already corrected the version the Board will sign with the correct spelling.

Mr. Sarti moved to adopt Resolution 2022-5 to amend the District's legal boundary to include the Corey & Wilkinson Parcels: APN 105-08-022D, APN 105-08-020H, & APN 105-08-020K. Mr. Foulk seconded the motion. Motion passed by a roll call vote of 4-0.

G. Authorizing the General Manager to Allocate Additional Funding for the Phase I Avra Valley Recharge Project (AVRP) Improvements

Mr. Olsen stated that at the February 8, 2021 Board Meeting, the Board authorized the General Manager to execute an agreement with Borderland in the amount of \$516,815.41 to accomplish the planned improvements to the District's AVRP including updated flow metering, electrical, and turn out structure from the delivery irrigation canal. The Board also authorized the General Manager to expend up to an additional \$10,000 to address unforeseen conditions during construction. At the May 10, 2021 Board Meeting, the Board authorized an extension to the project to June 30, 2022 due to material shortages.

During construction, additional infrastructure improvements were required to make this project functional and complete, to include increasing the height of the concrete walls at the metering vault, adding pipe supports, and the construction of an energy dissipation structure. Photos were shown of the improvements. These additional infrastructure improvements exceeded the General Manager's authority by \$42,000 and it is requested the Board approve additional funding. As there are not adequate savings in other CIP projects in the current fiscal year, the additional \$42,000 would come from fund balance.

Mr. Foulk moved to authorize the General Manager to expend up to an additional \$42,000 for the construction of the Phase 1 Avra Valley Recharge Project Improvements. Mr. Sarti seconded the motion. Motion passed by a roll call vote of 4-0.

H. Approval of Right of Entry Agreement for Well Monitoring by the Arizona Department of Environmental Quality

Mr. Olsen stated that for over 20 years, the District has voluntarily granted access to the Arizona Department of Environmental Quality (ADEQ) to District well sites in Metro Main in order to perform monthly monitoring of volatile organic compounds as part of the regional investigation of the Shannon/El Camino Del Cerro Water Quality Assurance Revolving Fund site. The current access agreement with ADEQ expires June 30, 2022 of this year and it is recommended that another five-year access agreement be approved. The new agreement is the same as the previous agreement except that the Lattamore well site has been removed from the access agreement as the County recently purchased that well site. The new agreement would be in place through June 30, 2027.

Mr. Sarti moved to approve the Environmental Access Agreement between the Arizona Department of Environmental Quality and the District with an expiration date of June 30, 2027. Mr. Foulk seconded the motion. Motion passed by a roll call vote of 4-0.

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

Mr. Olsen stated that the District uses Granular Activated Carbon at the South Shannon treatment facility to remove volatile organic compounds from the groundwater as part of an ADEQ funded cleanup initiative. This item is to approve job order contracts with the submitted GAC vendor. Staff will use the lowest available bidder as needed for each change out and will coordinate reimbursement for such change-outs with ADEQ.

Mr. Sarti moved to approve the bid submitted by Carbon Activated Corp. and authorize staff to enter into a Job Order Agreement and to authorize the General Manager to approve each GAC change-out. Mr. Foulk seconded the motion. Motion passed by a roll call vote of 4-0.

J. Approval of Quotes Submitted for the Emergency and Miscellaneous Electrical Services

Mr. Olsen stated that the wells and booster facilities that provide water to District residents are dependent on electrical systems and equipment for operation. These systems require regular maintenance and could fail at all hours of the day, necessitating emergency repair. While the District has two full-time electrical staff and one telemetry and instrumentation specialist, and the addition of another electrician is included in the Fiscal Year 2023 Adopted Budget, this job order agreement provides both emergency support capacity and the ability to augment District staff based on the particular electrical need. Staff recommends the Board authorize job order agreements to provide as-needed support based on pricing and availability of the four contractors that submitted quotes to provide this service.

Mr. Sarti moved to approve the pricing as presented by staff for the Emergency and Miscellaneous Electrical Services for use in Fiscal Year 2023 and to authorize the General Manager to enter into the job order agreements as appropriate. Mr. Foulk seconded the motion. Motion passed by a roll call vote of 4-0.

K. 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 and expeditious response in the case of equipment failures.

Mr. Sarti 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 2023 from Gen-Tech Power Generation Specialists and Empire Power Systems and to direct staff to utilize the low bidder. If the low bidder is unable to perform the work, staff is directed to use the next lowest bidder. Mr. Foulk seconded the motion. Motion passed by a roll call vote of 4-0.

L. Approval of Quotes for Miscellaneous Annual Services and Material for the Utility Team

Mr. Olsen stated that each year the Board is asked to approve quotes for various services and materials that the Utilities team relies on to ensure deliveries of safe, reliable water to our customers. These quotes include chlorine purchases, rentals of traffic control devices, aggregate purchases, asphalt patching services, analytical services for coliform testing, and pump and motor repairs. The Board is requested to approve these quotes and direct staff to use the lowest quote when possible.

Mr. Sarti moved to approve the annual quotes for barricade rental, chlorine purchases, aggregate purchases, asphalt patching services, analytical services for coliform, and pump and motor repairs from the corresponding low bids per item as presented by staff and to direct staff to use another appropriate bidder or the City of Tucson Cooperative Purchasing Program for a particular service or material if price, performance or quality of a service of the low bidder does not meet the District's needs. Mr. Foulk seconded the motion. Motion passed by a roll call vote of 4-0.

VI. General Manager's Report

Mr. Olsen stated that last month, Ms. Bracken, the District's CFO of over eight years, submitted her retirement notice. Fortunately, this did not come as a surprise as we have been discussing this date for over a year. She has provided the District with more than ample notice to enable us to advertise, recruit, and hopefully on-board her replacement in time to allow for overlap and continuity transfer on key tasks. Last week, we posted the CFO vacancy, which closes on June 20, 2022. We are also leveraging the support of an executive recruiting firm to help find candidates on a fee contingent basis, i.e. we will only pay the fee if we hire a candidate they identify.

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 July 11, 2022.

IX. General Comments from the Public

There were no comments from the public.

X. Adjournment

The meeting adjourned at 7:06 p.m.

Richard Sarti, Chair of the Board

Theo Fedele, Clerk of the Board