

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

MONDAY, JULY 8, 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
Alex Sanders, 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. Consent Agenda

- A. Approval of Minutes – June 10, 2024 Board Meeting**
- B. Ratification of Billing Adjustments**
- C. Ratification of Accounts Removed from Active Accounts Receivable**

Mr. Foulk moved to approve the consent agenda. Mr. Schladweiler seconded the motion. Motion passed by a roll call vote of 5-0.

IV. General Business – Items for Discussion and Possible Action

A. Monthly Status of the District

Mr. Olsen welcomed Mr. Sanders to his first official meeting as the Utility Superintendent.

Mr. Olsen stated that the combined fiscal year-to-date consumption is 4.7% higher than during the same period in the previous fiscal year. As expected, this aligns with the higher than historical percent of budgeted revenue collected this period compared to last fiscal year, which Ms. Bracken will elaborate on during her Financial Report.

Over this calendar year, staff have noticed declining infiltration at the Avra Valley Recharge Project (AVRP) facility, which has impacted the amount of water the facility has been able to store this year. The City of Phoenix had ordered 7,200 acre-feet (AF) this year to be stored at AVRP to support inter-AMA firming but the declining infiltration rates will not enable that quantity of water to be recharged. As such, staff have coordinated with Phoenix to reduce their order to 5,000 AF this year, providing them over half a year to revise their order and store the 2,200 AF at another facility. They have already revised their order to accomplish the storage elsewhere. At a future Board meeting, staff will be bringing an action item for consideration to perform maintenance on the basins, including removal of 9-inches of fine material and organics from the basin surfaces, in order to restore operational recharge capacity.

Over the past few months, the District's contractor and staff have been diligently working on the service line material inventory that is due mid-October. Based on the number of potholes required, this was going to be a tight schedule. As such, Staff were offered overtime work outside normal District hours on Friday afternoon and Saturday to increase the number of service lines inventoried. Even with overtime, this was cost advantageous to the District compared to contracted costs. The District's staff have already accomplished the physical service line inventory at approximately 1,650 services. There are less than 400 service lines that still need to be identified, and based on the current number of services accomplished a day, the inventory is on track to be finished with enough time to complete the lengthy data entry process. This was achievable thanks to Utilities and Engineering Staff expending significant hours coordinating/identifying addresses to inventory, accomplishing the potholing required to complete this effort, and tracking progress while still accomplishing the day-to-day operations of the District.

Mr. Sanders 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 Ironwood blend well, and the galvanized pipe replacements.

Discussion ensued and staff answered questions.

B. Financial Report

Ms. Bracken stated that revenue and expenditures for May are both favorable when compared to a straight-line projection with revenue \$3,074,180 over budget and expenditures \$540,244 under budget. The revenue in excess of expenditures is favorable by \$3,614,424. When comparing the total revenue to the same month in the prior fiscal year, revenue in May was higher by 22.82% or \$5,024,568 with \$2,000,000 received in Fiscal Year 2024 for the Central Arizona Project (CAP) Conservation and Metered Water Revenue being higher by 10.22% or \$1,743,065 when compared to the same month in the prior fiscal year. Water Resource Utilization Fees are \$444,212 higher, and interest income is \$651,223 higher. In addition, the District has received \$858,043 of principal forgiveness on Water Infrastructure Finance Authority of Arizona (WIFA) loans which is \$203,066 more than the prior fiscal year. The historic average of budgeted water revenue billed by the end of May is 90% and the District billed 93.32% of the budgeted meter water revenue as of the end of May. The operating expenditures in May were \$783,142 higher than they were at the end of May in the prior fiscal year. The June cash deposit balance was \$40,472,038.14, which is \$2,326,675.09 higher than the May balance. The investments as of the end of June totaled \$9,782,386.66, which is \$4,402,108.61 lower than the May balance with NWRRDS construction started and debt service payments transferred for the July 1st payment.

On June 27, 2024, the District recovered \$24.71 from the local government investment pooled losses from Lehman Brothers Holdings Inc. who filed Chapter 11 in 2008.

The Arizona State Treasurer Pooled Collateral Program Statement for May included \$20,843,409.75 of cash on deposit with collateralization coverage of 1.02% on all dollars over the FDIC coverage of \$500,000.

The Capital One Bank MasterCards were used to purchase \$31,887.57 on the June statement with up to 1.25% cash back earnings. The inception-to-date cash back total is \$27,015.12.

There were 18-new meter applications received in June. Seventeen-meter applications were for the Metro Main service area and one new meter application was for the Metro Southwest service area. In June of the prior fiscal year, 6-meter applications were received. Fiscal Year 2024 ended with 89-new meter applications received compared to 91 at the same time in the prior fiscal year.

C. Approval of the Purchase of the SCALE Computing 4-Node Virtual Server Environment

Mr. Olsen stated that in the Investments to Support the District mission, \$55,000 was allocated to purchase an additional VMWare server to replace one of the five aging nodes. Upon further analysis by IT, it was determined that another solution would better meet the District's needs. VMWare was bought out by an entity that plans to focus on providing support only to their largest 600 customers and the cost of maintaining the current configuration is \$74,000 with likely annual increases of 30% or more. Another solution is SCALE computing that is more right-sized for the District's needs, is similar in function to VMWare, and would have an annual cost, including the initial hardware purchase, of \$15,600. This is a savings of \$58,600 over the current annual cost for this capability.

Mr. Sarti moved to approve the purchase of the SCALE Computing 4-Node Virtual Server environment with professional installation and a 5-year Hardware and Support contract from CDW-Government in the amount of \$77,360, and to authorize the General Manager to increase the scope and fee by \$2,000, if necessary, to accommodate unforeseen costs encountered during the purchase and installation process. Mr. Schladweiler seconded the motion. Motion passed by a roll call vote of 5-0.

D. Authorizing the General Manager to Execute an Agreement for Ironwood Well Electrical and Security Design

Mr. Olsen stated that with the drilling of the Ironwood well completed and the construction of the transmission main from Ironwood to the Herb Johnson reservoir nearing completion, one remaining element is the equipping of the Ironwood well. Staff have completed the initial civil design for the well equipping, but electrical and security designs are still needed. The District's Miscellaneous Design Consultant, Carollo Engineers, provided a cost of \$31,688 to accomplish these remaining designs. It is recommended the Board authorize this effort to move the District closer to getting the Ironwood well operational.

Mr. Schladweiler moved to authorize the General Manager to execute an agreement with Carollo Engineers, Inc., to perform electrical and security design services for the Ironwood Blend Well, in

an amount not to exceed \$31,688, and to grant the General Manager authority to allocate additional funding in a cumulative amount not to exceed \$5,000. Mr. Foulk seconded the motion. Motion passed by a roll call vote of 5-0.

E. Award for Meter Replacement Services

Mr. Olsen stated that the District received \$5 million in external funding to support the District's Advanced Metering Infrastructure project. The Board has already awarded many contracts for material purchasing and required environmental assessments. This item is for the contracted support to install approximately 11,500 meters. As with the service line inventory, staff can support this effort but we do not have the capacity to install this many meters while still accomplishing the day-to-day operations of the District. It is recommended that Meter Servicing Inc. (MSI) be awarded this work, via the Strategic Alliance for Volume Expenditures cooperative procurement vehicle that the Board previously awarded. MSI has accomplished similar meter installations for the District at our outlying service areas and is supporting the District on the service line inventory. Based on the estimated meters that MSI would replace, it is recommended that the Board award a not-to-exceed amount of \$935,000.

Discussion ensued and staff answered questions.

Mr. Foulk moved to award the Meter Replacement Services to Metering Services Inc. in a not-to-exceed amount of \$935,000. Mr. Schladweiler seconded the motion. Motion passed by a roll call vote of 5-0.

F. Presentation on the District's Utility Customer Service Team

Mr. Olsen stated that every few months, a presentation is provided to the Board showcasing the daily activities and accomplishments of a specific team within the District or a significant project initiative. When asking for volunteers to give a presentation to the Board, Steve Woolridge, the District's Utility Customer Service Supervisor, raised his hand. Exactly five years ago today, he presented to the Board the activities of the Production and Outlying Facilities Team. Mr. Woolridge wanted an opportunity to showcase to the Board the current activities of the Utility Customer Service Team he now leads, as well as how they are integrating new technological solutions to efficiently meet the District's mission.

Mr. Woolridge provided a presentation on the Utility Customer Service Team.

VI. General Manager's Report

Mr. Olsen stated that a mutually agreeable compromise has been achieved with Tucson Electric Power (TEP) for the easement on the two parcels along the NWRD pipeline alignment. This collaborative solution avoids costly litigation. The formal order was received for immediate possession on June 21, 2024 and Ms. Bowen deposited the appraised easement amount on June 25, 2024 with the Courts. The remaining administrative efforts is anticipated to be completed in the next couple weeks.

There is a nationwide settlement process ongoing for \$3 million and Dupont to pay out to entities impacted by PFAS contamination. The two parties have set aside approximately \$12.5 billion to resolve claims submitted via the PFAS Water Settlement Portal. For the past few months, staff have expended significant time pulling all the relevant documentation for the District's wells impacted by PFAS contamination to include: water quality lab results, well capacity, historical pumping, pump curves, and other supporting data. Given the required information, this required extensive coordination between the Engineering and Utility Teams. The deadline to submit claims through the portal is this week and last week I signed formal submittal on three of the District's outlying service areas impacted by PFAS. The formal submission for Metro Main is anticipated to be accomplished within the next two days. Hopefully this results in a settlement amount large enough for the District to construct additional treatment infrastructure to address PFAS challenges, while mitigating downgradient contamination.

Discussion ensued and staff answered questions.

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 August 12, 2024.

IX. General Comments from the Public

There were no comments from the public.

Metropolitan Domestic Water Improvement District
Board of Directors Meeting
July 8, 2024
Page 7

X. Adjournment

The meeting adjourned at 7:02 p.m.

Lee Jacobs, Chair of the Board

Theo Fedele, Clerk of the Board