

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

MONDAY, JULY 11, 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
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, 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 13, 2022 Board Meeting**
- B. Ratification of Billing Adjustments**
- C. Ratification of Accounts Removed from Active Accounts Receivable**

D. Ratification of Bill of Sale for Vista del Oro, Lots 1-139 (M-21-003 On-Site) (M-21-004 Off-Site)

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

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.

As the Board has been previously briefed, the Arizona Department of Environmental Quality (ADEQ) has funded the design for an advanced oxidation process treatment facility at the South Shannon wellsite to enable the treatment of 1,4-dioxane. This would enable the South Shannon well to operate at its full design volume to better capture the Shannon/El Camino Del Cerro contaminant plume as opposed to the current reduced pumping that is required to blend 1,4-dioxane to below the health advisory level. Staff have provided comments on the design, which will be finalized shortly. Last week, we were informed by the ADEQ's Water Quality Assurance Fund program manager for South Shannon that ADEQ is planning on accomplishing the construction of an Advanced Oxidation Process (AOP) this fiscal year. While there are still significant details to be resolved, the news that ADEQ intends to fund the construction of the AOP is positive news for both our rate payers and the health of the aquifer.

Mr. Shepard provided an update on noteworthy maintenance projects.

Ms. Bowen provided an update 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 blend well, and the Avra Valley Recharge Project (AVRP) upgrades.

C. Approval of Resolution 2022-7 Authorizing the District to Solicit Financial Assistance through the Execution of an Application and Agreement with the United States Bureau of Reclamation

(This item was taken out of order.)

Mr. Olsen stated that the Bureau of Reclamation has issued a Notice of Funding Opportunity for the Water and Energy Efficiency Grants for Fiscal Year 2023, which includes municipal water

metering projects resulting in measurable water savings. As a refresher, there are three primary ways meters are read: manually, drive-by collectors for meters equipped with Automatic Meter Reading (AMR) capability, and readings sent directly into the office through AMR meters that are integrated into stationed collectors. The latter form of meter reads is referred to as Automatic Metering Infrastructure (AMI). The District has already completed AMI in all active service areas other than Metro Main.

For this grant, staff proposes the creation of a WaterSMART portal where customers could log-in and see their water usage. Studies have shown that such portals have reduced water consumption between 4.4 and 6.6 percent annually. We have wanted to implement such a portal for many years but decided to hold off until all service areas are fully AMI so we do not have a situation where customers could only access their portal depending on which service area they reside. While we are in the process of upgrading meters in Metro Main to move towards AMI, it will take about 8-10 years to complete this upgrade based on available funding. The estimated cost of upgrading all the remaining non-AMR meters in Metro Main to AMI compatible, along with the implementation of a customer water use portal, is estimated at \$4.2 million. The grant would be for up to \$2 million in federal funds and the District would have slightly more than a 50% match.

For this grant application, we did not use consultant services to create the package. Instead, Ms. Bracken, Mr. Shepard, and the District's Customer Service Supervisor, Travis Tarket, spent many hours over the past six weeks compiling this package that will hopefully accelerate this key initiative while saving ratepayers up to \$2 million.

It is recommended that the Board adopt Resolution 2022-7 authorizing the District to solicit grant funding through the Bureau of Reclamation to upgrade Metro Main's meters to AMI and to implement a customer consumption platform.

Discussion ensued.

Mr. Foulk moved to approve and adopt Resolution 2022-7 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 \$2,000,000 for the District's portion of Metro Main AMI meters and customer platform software. Mr. Schladweiler seconded the motion. Motion passed by a roll call vote of 5-0.

B. Financial Report

Ms. Bracken stated that revenue for May is unfavorable when compared to a straight-line projection with revenue \$60,390 under budget and expenditures \$1,356,483 under budget resulting in a favorable revenue in excess of expenditures of \$1,296,092.92. When comparing the total

revenue to the prior fiscal year, revenue through May was 11.17% or \$2,654,256 lower than the total revenue in May of the prior year. The Metered Water Revenue is 2.45% or \$438,727 lower than the prior fiscal year. The historic average of budgeted water revenue billed by the end of May is 90% and the District has billed 93.79% through the end of May. The operating expenditures through May were \$216,301 higher than they were at the end of May in the prior fiscal year. The June cash deposit balance was \$21,669,096.03, which is \$550,873.14 higher than the May balance. This balance is \$1,241,332.81 lower than the balance as of June 30, 2021. The investment balance as of the end of June was \$19,173,019.39, which is \$44,882.53 higher than the May balance and \$7,944,884.75 higher than the June 30, 2021 total balance.

The Arizona State Treasurer Pooled Collateral Program Statement for May included \$11,398,484.69 of cash on deposit with collateralization coverage of \$11,107,274.38 in addition to the \$500,000 FDIC coverage.

The Capital One Bank MasterCards were used to purchase \$28,761.67 on the June statement with up to 1.25% cash back earnings. The cash back received from transactions processed in May totaled \$391.71 or 0.81% with an inception-to-date cash back total of \$19,129.63.

Two new meter applications were received in June for the Metro Main service area. There were 94 new meter applications received in June of the prior fiscal year. This Fiscal Year, 92-meter applications were received, compared to 593-meter application received in the prior fiscal year resulting in a year-to-year development revenue reduction of \$1,098,236. The Adopted Budget included 240-meter applications with 60 planned for the Metro Main service areas and 70 were received, and 180 planned for the Metro Southwest with only 22 received resulting in a 49% or \$208,740.40 reduction in budgeted development revenue for the Southwest Service Areas.

On June 30, 2022, the District recovered \$59.38 from the local government investment pooled losses from Lehman Brothers Holdings Inc. who filed Chapter 11 in 2008. The District has now recovered a total of \$30,959.44 with a remaining unrecovered balance of \$25,238.68 with 46.8% of the losses recovered.

The Water Infrastructure Finance Authority of Arizona (WIFA) Financial Applications for the E&T Well and the NWRDRS Metro-Only projects were submitted today.

C. Approval of Resolution 2022-7 Authorizing the District to Solicit Financial Assistance through the Execution of an Application and Agreement with the United States Bureau of Reclamation

(This item was taken out of order and considered after Item A.)

D. Approval of Resolution 2022-8 Designating Authorized Individuals to Execute Documents Related to the Purchase and Sale Agreement for Desert Aire Booster Site

Mr. Olsen stated that last month the Board approved the sale of the former Desert Aire booster site to Catalina Towing. Subsequent to the Board Meeting, Pioneer Title Company requested a resolution naming the individuals authorized to execute the Purchase and Sale Agreement. Even after clarifying with the Title Company the authorities of the Board Chair, Vice Chair, and General Manager, they still are requiring a resolution to complete the purchase. At this point, we recommend the Board approve Resolution 2022-8 clarifying who is authorized to execute the documents so we can resolve this matter.

Mr. Schladweiler moved to adopt Resolution 2022-8 to authorize the Board Chair and General Manager to sign the Purchase and Sale Agreement and other associated documents to complete the sale of the Desert Aire Booster Site and to authorize Vice Chair to sign in the event the Board Chair is unavailable. Mr. Foulk seconded the motion. Motion passed by a roll call vote of 5-0.

E. Approval of Purchase Acquisition Agreement for the Ironwood Wellsite and Approval of Resolution 2022-9 Designating Authorized Individuals to Execute Documents Related to the Acquisition Agreement for Ironwood Wellsite

Mr. Olsen stated that in November 2021, the Board authorized an exchange agreement with Marana Unified School District (MUSD). This would acquire property rights for the future Ironwood Blend Well in exchange for the property rights of the District's decommissioned Rasmussen well site and \$41,000. Subsequent to the approval from the Board, MUSD determined that they are no longer interested in the Rasmussen well site. This would increase the purchase price of the Ironwood Blend well site to \$55,000 as the Rasmussen site was valued at \$14,000. Given Pioneer Title's new requirement, and the need to close on this property expeditiously so we can move forward with the WIFA loan, we are requesting the Board also approve Resolution 2022-9 to prevent delays in closing. It is anticipated that this acquisition agreement will go to MUSD's Board for consideration in August.

Mr. Foulk moved to approve the acquisition agreement with the Marana Unified School District for the acquisition of property rights for the future Ironwood Wellsite in the amount of \$55,000 plus an estimated \$10,000 for the associated closing costs and title fees. I also move to adopt Resolution 2022-9 authorizing the Board Chair and General Manager to sign the Acquisition Agreement and other associated documents to complete the acquisition of the Ironwood Wellsite and to authorize Vice Chair to sign in the event the Board Chair is unavailable. Mr. Schladweiler seconded the motion. Motion passed by a roll call vote of 5-0.

F. 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 recommend the District approve the arsenic media regeneration quote with Purolite.

Mr. Schladweiler 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 5-0.

G. Presentation on the Activities of the District's Maintenance and Construction Crew

Mr. Olsen stated that as part of the Fiscal Year 2022 Adopted Budget, the Board concurred with the creation of a 3-person preventative maintenance element within the Utility Maintenance and Construction Crew. The primary reasons these staff were added were to address proactive maintenance items, such as valve exercising, fire hydrant, and pressure reducing valve maintenance, as well as cathodic protection testing. It has now been one year since this additional capability has been added to the District and I felt it was appropriate to provide the Board with an update on the crew's activities and successes.

Jon Waychoff, the District's Utility Maintenance and Construction Supervisor, provided a presentation and answered questions regarding the proactive maintenance. Larry Quintero, Utility Technician III, was also in attendance to assist in answering questions regarding preventative maintenance.

V. General Manager's Report

Mr. Olsen stated that last month, the Commissioner for the Bureau of Reclamation informed the States in the Colorado River Basin States that they have 60 days to create an emergency plan to stop using 2 to 4 million acre-feet of water in the next year or the agency will use its emergency authority to make the cuts itself.

The entire allocation of the Colorado River System is 16.5 million acre-feet (AF) with 7.5 million AF for the upper basin states (Colorado, Wyoming, Utah, and New Mexico), 7.5 million AF for

the lower basin states (Arizona, California, and Nevada), and 1.5 million AF for Mexico. A 2 to 4 million AF is a reduction of 12-25%.

To put this amount into perspective, Arizona's entire allocation of Colorado River Water is 2.8 million AF each year. Based on current shortage projections before the 2 to 4 million AF cut, Arizona was slated to have their Colorado River allocation for 2023 reduced by 592,000 AF under a Tier 2a shortage, which is based on the most probable Lake Mead elevation of between 1,045 and 1,050 feet above sea level. Also, the lower basin states have proactively created a 500 plus plan to reduce usage among the three lower basin states by an additional 500,000 AF annually for 2022 and 2023, with a potential to extend through 2025. The 2 to 4 million AF is on top of planned reductions based on shortage conditions and in addition to the 500,000 AF reduction.

Each year under the Drought Contingency Plan (DCP), the District has allocated 100% of our Central Arizona Project (CAP) order to either directly or indirectly support the DCP as 25% of our allocation has been set aside for compensated system conservation to support Lake Mead, and the remaining 75% has been delivered to Groundwater Savings Facilities (GSF) to help eliminate the need for CAP agricultural water mitigation in Pima County.

The Bureau has stated that if they are forced to use emergency powers to make these cuts, they would not necessarily follow the current prioritization system. This is important as Arizona has the junior priority due to negotiations that occurred during the federal approval of the CAP canal. Even if Arizona was 100% cut, there would still need to be almost 2 million AF of additional cuts given how much water Arizona is receiving after the current reductions. As agriculture uses the majority of Colorado River water, with the Imperial Irrigation District having an allocation close to 4 million AF, cuts will have to come from all sectors, states, Tribal entities, and priorities in order to achieve the Bureau's goal. It is clear that not reducing the overall allocation by 2 to 4 million AF will have dire consequences and modeling shows that even a 2 million AF reduction will not resolve issues but would only slow the declines.

We were in the process of finalizing the update to the District's Long Range Water Resources Plan when the Bureau made this announcement. As such, we will hold off on finalizing the plan until we see how the reductions will be allocated. I am also tracking this item closely through two entities that I serve on, the AZ Water Bank Commission, and the Arizona Reconsultation Committee. My plan is to have a presentation given to the Board on the Long Range Water Resources Plan in either September or October as this follows the Bureau's 24-month modeling study and determines the shortage condition in 2023.

Discussion ensued and questions were answered by Mr. Olsen.

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 August 15, 2022.

VIII. General Comments from the Public

There were no comments from the public.

IX. Adjournment

The meeting adjourned at 7:11 p.m.

Richard Sarti, Chair of the Board

Theo Fedele, Clerk of the Board