

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

**MONDAY, AUGUST 12, 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 – July 8, 2024 Board Meeting**
- B. Ratification of Billing Adjustments**
- C. Approval of Water Service Agreement for Uptown Phase 1 (M 24 005) & Phase 2 (M-24-007)**

Mr. Schladweiler moved to approve the consent agenda. Mr. Sarti 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 stated that the combined fiscal year-to-date consumption compared to the same period last year is lower in all service areas with a 7.4% decrease in Metro Main, a 15% decrease in Metro Hub, and a 0.2% decrease in Metro Southwest. The increased precipitation in July this year compared to the prior year likely contributing to this reduction in demand. Also, this is only one point of data in the new fiscal year and more fidelity is gained in the consumption trend a couple months further into the fiscal year.

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.

##### **B. Financial Report**

Ms. Bracken stated that the unaudited revenue and expenditures for Fiscal Year 2024 are both favorable when compared to a straight-line projection with revenue \$5,100,773 over budget and expenditures \$277,322 under budget. The revenue in excess of expenditures is favorable by \$5,378,095. When comparing the fiscal year total revenue to the prior fiscal year, revenue was higher by 18.12% or \$4,793,921. With rate changes at the beginning of the fiscal year, metered water sales are \$1,669,083 or 8.79% higher. Water resource utilization fees are higher by \$472,361. Interest income is \$697,568 higher than it was at the end of the prior fiscal year with \$1,490,852 of interest earned. The total principal forgiveness and grant revenue exceeded the prior year total by \$1,912,175 with a total of \$2,567,152 in Fiscal Year 2024. The operating expenditures in Fiscal Year 2024 were \$917,543 higher than they were in the prior fiscal year with increases in salaries and benefits, operating expenses, the cost of electricity, and the cost of Central Arizona Project (CAP) water. The July cash deposit balance was \$36,365,049.84, which is \$4,106,988.30 lower than the June balance. The investments as of the end of July totaled \$10,188,672.78, which is \$406,286.12 higher than the June balance.

The Arizona State Treasurer Pooled Collateral Program Statement for June included \$21,319,470.35 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 \$48,903.22 on the July statement with up to 1.25% cash back earnings. The inception-to-date cash back total is \$27,288.08.

There were 28-new meter applications received in July for the Metro Main service area. In July of the prior fiscal year 5-meter applications were received.

The District started Fiscal Year 2024 with water storage credits valued at \$14,024,162.35. As of June 30, 2024, this valuation increased by \$1,970,330.54 for a book value of \$15,994,492.89. The increase from the current cost of water totaled \$1,630,088.52. The valuation increase associated with the additional 1,238.09-acre feet of water storage totaled \$340,242.02. Effluent storage credits accounted for 638.53 acre-feet or 51.46% of the increased storage total.

The annual independent audit started today. If any members of the Board wish to meet with the Audit Partner, Steve Palmer will be in Tucson until Wednesday and is also available via phone or electronic meetings.

**C. Approval of the Groundwater Savings Storage Agreement Amendment with BKW Farms, Cortaro Water User's Association and Kai Farms Red Rock**

Mr. Olsen stated that Groundwater Saving Facilities (GSF) are a critical water resource management strategy for the District where a portion of the District's CAP allocation is delivered to farmlands near the CAP canal in-lieu of the farms pumping groundwater. The District also receives an equal amount of water back for water delivered to a GSF along with a GSF rebate of \$12 per acre-foot (AF). Each year, these mutually beneficial relationships provide additional financial resources equivalent to approximately 375 AF of CAP water. Note that this statistic has been reducing annually over the last few years as the GSF rebate has remained constant while the CAP delivery fee has increased as CAP's financials are based on a tier 3 shortage.

It is recommended that the Board amend the GSF storage agreements with BKW Farms, Cortaro Water User's Association, and Kai Farms for planned delivery volumes in calendar 2025. The planned storage for BKW Farms, Cortaro Water User's Association, and Kai Farms is 500 AF, 7,460 AF, and 500 AF respectively. After 5,000 AF is taken into account for the Compensated System Conservation agreement, the goal is that the remaining 8,460 AF of the District's 2025 CAP allocation is stored in GSFs. This would generate \$120,000 in revenue for the District in GSF

storage rebates and save approximately \$170,000 compared to if this water was otherwise stored in constructed recharge projects.

Mr. Sarti moved to approve Amendment No. 1 between the District and BKW Farms, Inc. for “In-Lieu Water Deliveries and Storage” for calendar year 2025. Mr. Schladweiler seconded the motion. Motion passed by a roll call vote of 5-0.

Mr. Sarti moved to approve Amendment No. 1 between the District and Cortaro Water Users’ Association for “In-Lieu Water Deliveries and Storage” for calendar year 2025. Mr. Schladweiler seconded the motion. Motion passed by a roll call vote of 5-0.

Mr. Sarti moved to approve Amendment No. 1 between the District and Kai Farms Red Rock for “In-Lieu Water Deliveries and Storage” for calendar year 2025. Mr. Schladweiler seconded the motion. Motion passed by a roll call vote of 5-0.

#### **D. Approval of Sediment Removal at the Avra Valley Recharge Project Basins**

Mr. Olsen stated that the recharge rates at the District’s Avra Valley Recharge Project (AVRP) have significantly declined over the past year. The last large maintenance interval was performed on the recharge basins, including scrapping and sediment removal, in June of 2015. The declining recharge rates have impacted the District’s agreement with the City of Phoenix to store their Inter-AMA firming water. The lost revenue from having to reduce the planned amount stored for Phoenix is approximately \$80,000 for this calendar year, and would likely increase as recharge rates decline without the recommended basin maintenance. The cost to accomplish the sediment removal for all four basins is \$88,434.43 and would have less than a 14-month simple payback when taking into account the water that was unable to be stored this year.

Discussion ensued and staff answered questions.

Mr. Schladweiler moved to approve the sediment removal from the recharge basins at the Avra Valley Recharge Project in the amount of \$88,434.43 and to grant the General Manager the authority to allocate additional funding in an amount not to exceed \$5,000 for unforeseen expenses. Mr. Sarti seconded the motion. Motion passed by a roll call vote of 5-0.

#### **E. Authorizing the Constructability Review for the Realignment of a Portion of the Transmission Main for the Northwest Recharge, Recovery, and Delivery System**

Mr. Olsen stated that after submitting the final plans to the Arizona Department of Transportation (ADOT) for the partnered NWRRDS transmission main, ADOT requested that the pipeline be

placed outside of the right-of-way. This was because planned future improvements would require the relocation of the pipeline along the proposed alignment.

An alternate route was determined for this portion of pipeline and staff is nearing completion of the easement acquisitions. The Partners agreed that District staff perform the redesign on the approximately 3-mile section and to reimburse the District proportionally for this cost. The Partners also agreed to have the District's on-call professional design consultant, Carollo Engineers, perform a constructability review of the design. The cost for the review is \$38,516 and would be proportionally shared among the Partners. Chris Pfeffer, the District's Civil Engineer, has done a great job performing the redesign of this section along with all the other District staff who have been supporting this effort. By accomplishing this design in-house, Mr. Pfeffer has saved the District approximately \$500,000 compared to if an external consultant accomplished the design. This includes factoring in the cost for Carollo's review of the in-house design.

Mr. Sarti moved to authorize the General Manager to negotiate and execute an agreement with Carollo Engineers, Inc., in the amount of \$38,516 to complete a constructability review of the realigned portion of the transmission main for the Northwest, Recharge, and Recovery Project and to authorize the General Manager to increase the purchase amount by \$3,850 should any unforeseen conditions arise prior to completion of the services. Mr. Schladweiler seconded the motion. Motion passed by a roll call vote of 5-0.

#### **F. Approval of Cost Increase for the Riverside Granular Activated Carbon Treatment Vessel**

Mr. Olsen stated that the District received a 100% forgivable principal loan from Water Infrastructure Finance Authority of Arizona (WIFA) for the construction of a granular activated carbon (GAC) treatment system to remove PFAS at the Riverside well. The Board approved the cost of the treatment vessel at the April 2024 Board Meeting for a not to exceed cost of \$265,817. Upon reviewing the submittals, staff realized the design was for a 125-psi vessel, which did not provide enough operating margin for the pressure at the site. The cost for a 150-psi vessel to provide for the safer operating margin increases the cost by \$30,042.58, which is \$6,071.50 above the previously authorized not to exceed amount. As such, it is requested the Board authorize the cost increase for the treatment vessel, with the required pressure rating, for a not-to-exceed cost of \$277,817.

Mr. Schladweiler moved to approve the cost increase for the Riverside Granular Activated Carbon vessel by \$12,000 for a new not-to-exceed amount of \$277,817 and to authorize the General Manger to approve any change orders or amendments required. Mr. Sarti seconded the motion. Motion passed by a roll call vote of 5-0.

### **G. Approval of the Cost Increase for the Alcott Block Wall**

Mr. Olsen stated that the Board approved the construction of the Alcott block wall at the May 2024 meeting. The purpose of the wall is to prevent flooding events to neighboring properties that have occurred on two prior occasions. After the contractor dug and prepped the footing, the Pima County Special Inspector determined that modifications were required. While the inspector had approved the plans, the changes were the result of elevation differences between the Alcott site and the neighboring properties. The additional work primarily included a deeper retaining wall. The cost for the contractor to accomplish this modified scope is an increase of \$9,623 over the previously approved not-to-exceed amount.

Given that the District would incur a \$8,000 remobilization cost if a response was delayed until the August Board meeting, the ongoing liability of not protecting neighboring properties from future flooding events, and the associated provisions of the District's Procurement Policy, Mr. Olsen authorized the contractor to proceed with the change in order to accomplish the work. The contractor has since passed the special inspection for the footer and is proceeding with the remaining scope.

Mr. Sarti moved to approve the cost increase for the Alcott Block Wall by \$9,623, for a total not-to-exceed amount of \$95,541. Mr. Schladweiler seconded the motion. Motion passed by a roll call vote of 5-0.

### **H. Discussion and Possible Cancellation of the November Election for Board Members**

Mr. Olsen stated that at the May 2024 Board Meeting, the Board approved calling the election for the two Board seats that would become vacant at the end of the calendar year. The deadline for candidates to file for the election has passed and two candidates filed for the vacant two positions. As such, it is recommended that the Board request the Pima County Board of Supervisors to cancel the District election and appoint the two candidates who filed for the two open seats. This would also save ratepayers \$26,000 in budgeted election costs.

Mr. Schladweiler moved to approve requesting that the Pima County Board of Supervisors cancel the November 2024 election for two District Board Members and appoint the two candidates who filed to serve on the District's Board, and to authorize the General Manager to send a letter to the Pima County Board of Supervisors conveying the Board's request. Mr. Sarti seconded the motion. Motion passed by a roll call vote of 5-0.

**V. General Manager's Report**

Mr. Olsen stated that on Wednesday, he will be attending his first meeting of WIFA's Federal Programs Committee (FPC) since being appointed by the WIFA Board. The FPC meets typically every other month to review infrastructure loans recommended by staff, determine viability of construction within WIFA's funding window, and make final recommendations to the WIFA Board. After having worked with WIFA on numerous initiatives over the past few years, it is an honor to be able to contribute to meeting water and wastewater infrastructure needs state-wide.

Mr. Olen provided an update on the activities related to the Omni Tucson National Agreement.

Discussion ensued and staff answered questions.

**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 September 9, 2024.

**VIII. General Comments from the Public**

There were no comments from the public.

**IX. Adjournment**

The meeting adjourned at 6:34 p.m.

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Lee Jacobs, Chair of the Board

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Theo Fedele, Clerk of the Board