

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

**MONDAY, SEPTEMBER 14, 2020**

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

**MINUTES**

**Board Members Present:** Judy Scrivener, Chair  
Richard Sarti, Vice Chair (Participated Electronically)  
Jim Doyle, Member (Participated Electronically)  
Bryan Foulk, Member

**Board Members Not Present:** Dan M. Offret, Member

**District Staff:** Joseph Olsen, General Manager  
Sheila Bowen, District Engineer (Participated Electronically)  
Diane Bracken, Chief Financial Officer (Participated Electronically)  
Steve Shepard, Utility Superintendent (Participated Electronically)  
Theo Fedele, Clerk of the Board  
Jeffrey L. Sklar, Legal Counsel (Participated Electronically)

**Regular Session**

**I. Call to Order and Roll Call**

Judy Scrivener, Chair of the Board of Directors of the Metropolitan Domestic Water Improvement District (District), called the Board Meeting to order at 6:01 p.m. Jim Doyle, Bryan Foulk, Richard Sarti, and Judy Scrivener were present. Dan M. Offret was not present.

**II. General Comments from the Public**

There were no comments from the public.

**III. Consent Agenda**

- A. Approval of Minutes – August 10, 2020 Board Meeting**
- B. Ratification of Billing Adjustments**

- C. Ratification of Bill of Sale Diablo Village Estates, Lots 286-431, Phase 2 (M-17-017)**
- D. Ratification of Bill of Sale Diablo Village Estates, Lots 432-511, Phase 3 (M-17-018)**
- E. Approval of Water Service Agreement for Mountain Vista Ridge, Lots 129-201, Phase 2 (M-20-010)**

Mr. Foulk moved to approve the consent agenda. Mr. Sarti seconded the motion. Motion passed by a roll call vote of 4-0.

#### **IV. General Business – Items for Discussion and Possible Action**

##### **A. Monthly Status of the District**

Mr. Olsen stated that the Fiscal Year 2021 consumption compared to last fiscal year-to-date is 9.3% higher in Metro Main, 3.4% higher in Metro Hub, and 14.3% higher in Metro Southwest. The overall increase in consumption tracks with the lower precipitation this year versus last year, due to the so called “nonsoon.”

As of the end of July, 8,760 acre-feet (AF) of the District’s 9,960 AF of the Central Arizona Project (CAP) order has been delivered to the Groundwater Savings Facility (GSF) partners with the remaining deliveries on track to be completed this calendar year. BKW Farms has requested that 1,500 AF out of the 2,000 AF that was planned for delivery to their GSF be instead stored at other locations. This is due to lower than anticipated irrigation demands. Cortaro-Marana Irrigation District (CMID) has offered to store 500 AF and the remaining 1,000 AF will be stored at the Avra Valley Recharge Project (AVRP). There also remains 452 AF of Arizona Water Banking Authority water for storage at AVRP.

Mr. Shepard provided an update on noteworthy maintenance projects. Staff completed the Granular Activated Carbon (GAC) change out at the South Shannon treatment facility. Staff also completed well maintenance on the Diablo Village #1 well and the well is back in service. Photos were shown of the replacement of three large meter vaults. A 6” water line hit by a contractor on Oracle Road was repaired along with leaks on five service lines in District service areas.

Ms. Bowen provided an update on the Northwest Recharge, Recovery, and Delivery System (NWRRDS) Project, the Metro-only portion of NWRRDS, and the Oracle Road Project

Mr. Sklar stated there are no new updates regarding the condemnation activity. The next hearing with the judge will be in October.

## **B. Financial Report**

Ms. Bracken stated that revenue and expenditures for July are both favorable when compared to a straight-line projection with revenue \$527,511 over budget and expenditures \$350,751 under budget. The revenue in excess of expenditures is favorable by \$878,262. When comparing the total revenue to the prior fiscal year, revenue in July was 7.92% or \$176,832 higher than it was in July 2019. The July Metered Water Revenue total was 7.08% or \$125,550 higher than the prior fiscal year. The historic average of budgeted water revenue collected as of the end of July is 10% and the District has billed 10.7% of the budgeted water revenue as of the end of July. The total operating expenditures in July totaled \$770,459 compared to \$909,563 spent in July of the prior fiscal year. The August cash deposit balance was \$16,889,957.05, which is \$494,433.45 higher than the July balance. The investment balance as of the end of August was \$11,684,529.22 which is \$288,175.08 higher than the July balance.

The Arizona State Treasurer Pooled Collateral Program Statement for July includes \$7,869,755.08 of cash on deposit with collateralization coverage of \$7,772,150.18 in addition to the \$250,000 FDIC coverage.

The Capital One Bank MasterCards were used to purchase \$37,901.89 on the August statement with up to 1.25% cash back earnings. The cash back amount received from transactions processed in July was \$317.89 or 1.07% with an inception-to-date cash back total of \$10,933.25.

Seventy-six new meter applications were received in August with 27-meter applications for the Metro Main service area and 49-meter applications for the Metro Southwest service area. There were 42 new meter applications received in August of the prior fiscal year. The year-to-date total is 129 meter applications compared to 77 at the same time in the prior fiscal year.

## **C. Approval of Liability Insurance**

Mr. Olsen stated that each year, the District must renew its liability insurance coverage for property, automobile, and commercial general. It is recommended that the Board approve the liability insurance coverage with Glatfelter Public Practice, who has provided this service to the District since before 2013. After a careful review of the District's policy, Glatfelter was able to offer the same coverage elements as the previous year at a \$1,801 or 1.2% increase.

Mr. Foulk moved to approve the Liability Insurance Policy with Glatfelter Public Practice with a total annual premium cost of \$147,668 from October 1, 2020 through September 30, 2021. Mr. Sarti seconded the motion. Motion passed by a roll call vote of 4-0.

**D. Approval of 2009A Senior and 2013 Subordinate Bond Refunding**

Mr. Olsen stated that this item is to discuss the potential for refunding two outstanding debt obligations. In other words, taking advantage of the historically low interest rates to refinance these two debt obligations with a lower net interest rate. Capturing this lower net interest rate is time sensitive as these interest rates could increase, which is why we had an out of cycle Finance Oversight Committee (FOC) meeting last week in anticipation of today's discussion.

While refinancing of debt is often accomplished to free up financial resources for use toward other initiatives, our goal is to utilize the interest savings to pay down principal early, further reducing the amount ratepayers will pay on overall interest.

Ms. Bracken stated that staff would like to refund the 2009A Senior Water Infrastructure Finance Authority (WIFA) bonds and the 2013 Subordinate bonds. The 2009A Senior WIFA bonds were a refinancing of the 2005 Senior bonds and the current interest rate is 2.877%. These bonds became callable on February 15, 2020. The 2013 Subordinate Obligations are a private placement with Western Alliance Bank of Arizona. These bonds were taken out in January 2013 at an interest rate of 2.65%. This was a refinancing of the 2002 Subordinate bonds.

The current interest and principal payments for the 2009A Senior bond and the 2013 Subordinate bond includes \$1,143,000.34 in interest and \$13,722,881.28 in principal payments totaling \$14,865,881.62 due over the next six years. The proposed 2020 Refunding Bond Debt includes \$1,235,121.39 in interest and \$8,975,000 in principal payments totaling of \$10,210,121.39 due over the next five years. The outstanding principal will be reduced with the premium from the sale of bonds, \$970,000 for the debt payment escrow account and \$2.7 million from the elimination of the debt service reserve requirements. The proposed refunding will eliminate the subordinate bonds and all outstanding debt will be parity debt.

The proposed 2020 Refunding Bonds appear to have a higher interest amount due over the life of the bonds, but as mentioned, these bond will be sold at a premium that is estimated at \$1,183,343.70. No one would be interested in buying bond that would earn less than ½ of a percentage with our rates estimated to be 0.42% on this refunding. The premium will be applied to pay down the outstanding principal amount. The net present value savings of this refunding is \$801,451.54.

If the Board agrees to move forward with this bond refunding option, upon completion, the District would have a total of \$16.3 million of outstanding principal debt. When Ms. Bracken and Mr. Olsen started working at the District 6½ years ago there was \$57.2 million of outstanding principal debt. With early payments, bond defeasance, and now this refunding option, the District will have eliminated \$40.8 million of principal debt in 6½ years and avoided paying over \$1.4 million of interest payments.

Mark Reader stated that this results in significant present value savings by breaking up significant cash reserves, which results in a cash flow savings to the District, frees up cash, and reduces interest of about \$4.6 million so on a present value basis is \$800,000. Mr. Reader congratulated the District for paying down debt over the years to a very manageable level.

Mr. Olsen stated that in standard municipal entities and water districts, the Chief Financial Officer (CFO) would simply follow the existing repayment terms on debt as opposed to seeking financially efficient options. Ms. Bracken has exceeded her CFO role and her efforts have saved District ratepayers substantial financial resources.

Mr. Foulk moved to approve the refunding of the 2009A Senior WIFA Bonds and 2013 Subordinate Bonds, with 2020 Bonds, applying \$2.7 million from the Debt Service Reserve Fund, \$970,000 from bond escrow, and all bond premiums to principal with the District paying cash for the cost of issuance and the Underwriter's Discount costs and to authorize the Board Chair, General Manager, and Chief Financial Officer to sign all associated documents. Mr. Sarti seconded the motion. Motion passed by a roll call vote of 4-0.

#### **E. Approval of Resolution 2020-3**

Mr. Olsen stated that based on the actions the Board took on the previous agenda item, this resolution, which replaces a 1999 resolution, is required.

Ms. Bracken stated that on August 17, 2020, following telephone conversations, a formal letter was sent from the District to Daniel Dialessi, Executive Director of WIFA, to request authorization to not only pay the 2009A Senior bonds in full, but also to request the elimination of the debt service requirements and the requirement to continue to hold a restricted repair and replace fund on the remaining two WIFA loans.

Resolution 2020-3 would replace Resolution 1999-1 removing both of these reserve requirements, and would free up \$4.1 million of restricted funds. The repair and replace fund is required to have \$2,297,303.53 funded in this account and the balance when this account is closed will be about \$2.7 million with \$402,696.47 in interest earnings and capital gains that will all be applied to pay part of the outstanding principal balance.

This resolution will also eliminate the requirement to maintain a restricted repair and replace fund, which is required to maintain a balance of \$800,000, and currently has \$1,433,541.99 with \$633,541.99 of interest and capital gains in this account. Staff believe it is a good practice to have this fund available so this is not being proposed to pay down principal debt. This account will be

maintained as an unrestricted cash account with no repayment requirements. The plan is to allow this account to continue earning interest and capital gains until it has reached a balance that is sufficient to pay for an emergency well replacement.

Mr. Dialessi from WIFA went out of his way to accommodate the District's requests due to the critical timing associated with the District having an opportunity to take advantage of the historic low bond rates. He was able to get the request to the August 26, 2020, WIFA Board meeting where all of District's requests were approved.

If the Board moves forward with this request, this will repeal Resolution 1999-1 and replace it with the 2020-3 Resolution, which will eliminate the requirement for a debt service reserve fund and a repair and replace fund. Additionally, the loan agreements for the remaining WIFA loans will be amended and all subordinate debt will be eliminated.

Mr. Foulk moved to approve Resolution 2020-3, which will repeal Resolution 1999-1 and to approve two amendments to the outstanding loan agreements with WIFA (loans 920182-10B and 920130-08). Mr. Sarti seconded the motion. Motion passed by a roll call vote of 4-0.

**F. Written Policies and Procedures for Tax-Advantaged Obligations and Procedures for Compliance with Continuing Disclosure Undertakings**

Ms. Bracken stated that since the District will be issuing tax-exempt obligations, it is subject to certain requirements under the Internal Revenue Code of 1986. This policy outlines the responsibilities, understanding, and compliance requirements of tax-advantaged obligations.

In addition, a revised copy of the District Procedures for Compliance with Continuing Disclosure Undertaking required by the Securities and Exchange Commission Rule 15c2-12 has been provided for review and approval. This procedure continues to require the Chief Financial Officer to act as the Compliance Officer to be responsible for monitoring and completing all post-issuance compliance requirements. The procedure was updated to include two additional reporting requirements that have been added and will apply to all financial obligations issued after February 27, 2019.

Mr. Foulk moved to approve the Written Policies and Procedures for Tax-Advantaged Obligations and the Procedures for Compliance with Continuing Disclosure Undertakings as presented with an effective date of September 14, 2020. Mr. Sarti seconded the motion. Motion passed by a roll call vote of 4-0.

**G. Approval of the Groundwater Savings Storage Agreements with BKW Farms, Herb Kai, and Cortaro Water Users Association**

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 equal water credits in return along with a GSF rebate of \$12/AF. Each year, these mutually beneficial relationships provide additional financial resources equivalent to approximately 600 AF of CAP water. It is recommended that the Board approve a GSF storage amendment with BKW Farms, Cortaro Water User's Association, and Kai Farms for the storage of 1,000 AF, 7,960 AF, and 1,000 AF respectively. With the goal of all 9,960 AF of our remaining 2021 CAP allocation stored in GSFs, this would generate \$120,000 in revenue for the District in GSF storage rebates and save an additional \$170,000 than if this water was otherwise stored in constructed recharge projects.

Mr. Foulk moved to approve Amendment No. 2 between the District and BKW Farms, Inc. for "In-Lieu Water Deliveries and Storage" for 2021. Mr. Sarti seconded the motion. Motion passed by a roll call vote of 4-0.

Mr. Foulk moved to approve Amendment No. 2 between the District and Cortaro Water Users' Association for "In-Lieu Water Deliveries and Storage" for 2021. Mr. Sarti seconded the motion. Motion passed by a roll call vote of 4-0.

Mr. Foulk moved to approve Amendment No. 2 between the District and Kai Farms Red Rock for "In-Lieu Water Deliveries and Storage" for 2021. Mr. Sarti seconded the motion. Motion passed by a roll call vote of 4-0.

**VI. General Manager's Report**

Mr. Olsen stated that due to the ongoing pandemic, the Southern Arizona Water Users Association (SAWUA) Board decided to forego this year's annual elected officials breakfast. Instead, SAWUA partnered with the Arizona Municipal Water Users Association (AMWUA) and the Northern Arizona Municipal Water Users Association (NAMWUA) on a virtual Water 101. The goal of this event was to provide State legislators and candidates a basic overview of Arizona's water policies and issues, ranging from the 1980 Groundwater Management Act to the recent successes with the Drought Contingency Plan (DCP). The presentation was intended as a high-level overview as opposed to a deep dive on specific water challenges. The event was held on August 25, 2020 with

each of the Water Users Associations presenting various components to the over 50 Arizona level Senate and House incumbents and candidates. The presentation was recorded but would likely not be new information to the Board given that this information is regularly discussed at the monthly Board meetings.

Last month, the Bureau of Reclamation issued its 24-month study, which projects Colorado River operations for the next two years and is used to determine shortage conditions for the upcoming calendar year. The good news is that the Upper Basin experienced 107% of average snowpack but unfortunately the inflow to Lake Powell was only 52% of average. This study projects that Lake Mead's elevation on January 1, 2021 will be 1,085.28 feet, above the 1,075 feet that would trigger a Tier 1 shortage but below the 1,090 foot threshold that would move the Lower Basin out of the current Tier 0 shortage. The study also projects that Lake Mead's elevation on January 1, 2022 will be 1,086.90 feet; also still within a Tier 0 shortage. As a reminder, under a Tier 0 shortage, Arizona proactively reduces their 2.8 million AF allocation by 192,000 AF to help stave off deeper shortage declarations.

As mentioned to the Board previously, Governor Ducey has rebranded the DCP Steering Committee as the Arizona Reconsultation Committee (ARC) to help advise and guide the negotiations that must be accomplished in advance of 2026 when the interim Colorado River operational guidelines expire. The next ARC meeting is September 17, 2020 and the Board will be updated on key waypoints as we navigate through this multi-year process.

Last month, the Board was updated on the measures the District has taken with regards to not disconnecting customer's water service due to lack of payment since March 13, 2020 due to the pandemic as well as the discussions with other water providers regarding their similar actions. Earlier this month, I virtually met with water directors and managers throughout Arizona to discuss this topic. While some providers have decided not to resume revenue enforcement until after January 1, 2021, others are planning to resume this practice by October 1, 2020. Based on this information, and the general trend of improving unemployment numbers, the District will re-implement this practice on November 2, 2020. Ms. Bracken, Travis Tarkett, the District's Customer Service Supervisor, and I have discussed the various options to reinitiate this practice and plan on sending a letter to every customer that is more than 60-days delinquent informing them of the November 2, 2020 date. Normally when a customer reaches 60-days delinquent, their water service is turned-off until payment is made. As some customers have incurred many months of delinquent amounts, we understand that a customer may not be able to pay their entire balance at once. As such, the letter informs them that their water will not be disconnected if they contact the District in advance of November 2, 2020 to work arrangements such as a payment plan. We have also updated the standard shut off notice that is sent to delinquent customers. The goal is to help customers navigate a pathway to return their accounts to good standing without having to disconnect service for lack of payment.



The Colorado River Water Users Association (CRWUA) annual conference had taken a wait and see approach to determine if the various restrictions would be lifted in advance of the planned December conference. CRWUA has now formally cancelled the December conference. As the Board recalls, the normal scheduled December Board meeting was moved from December 14, 2020 to December 7, 2020 to enable Board members to attend CRWUA. Even though the conference is cancelled, we will still keep the December 7, 2020 Board meeting date as that was already approved and scheduled.

When the Central Arizona Water Conservation District (CAWCD) delivers either excess water or when costs are different than anticipated, a reconciliation occurs in the following year either refunding or invoicing the District for the cost difference. In 2015, CAWCD offered subcontractors the opportunity to deploy what was planned to be received via reconciliation into a Voluntary Supplemental Shortage Stabilization Program. Under this program, CAWCD would match the reconciliation amount 54-cents on the dollar and would create a fund that would be used to offset CAP rate increases in a shortage year. The Board authorized the District to enter into such an agreement in 2015 due to the beneficial terms. The agreement had a provision that if a shortage declaration was not made by the end of 2020, that the reconciliation amount, along with interest, would be refunded to the participating entities but that the 54-cent match would be kept by CAWCD. Over the last year, I have worked with AMWUA, on behalf of SAWUA, to seek an opportunity to extend this program as it is not a matter of if but when a shortage declaration will be made. I am pleased to report that CAWCD has agreed to convert the 2015 Program to the 2020 Program with the same terms but to eliminate the termination date. An opt-in is required and I will notify CAWCD that the District will opt-in based on the previous Board action and the financially beneficial term.

Earlier this month, Freyja Joy, the District's Engineering Manager, retired after over 23 years of service to the District. Tim Dinkel, was selected to replace Ms. Joy following a competitive interview process. Mr. Dinkel has been with the District for over 22 years and has previously served as the Development Supervisor and a Civil Engineer. Presently, there are now two vacancies in the Engineering Team, a Civil Engineer and a Senior Engineering Associate, and we will begin the recruiting process next week.

## **VII. Legal Counsel's Report**

Mr. Sklar said he had nothing to report.

## **VIII. Clerk of the Board Updates; Future Meetings**

The next regularly scheduled Board meeting will be held on Wednesday, October 14, 2020.

**IX. General Comments from the Public**

There were no comments from the public.

**X. Adjournment**

The meeting adjourned at 6:52 p.m.

---

Judy Scrivener, Chair of the Board

---

Theo Fedele, Clerk of the Board