

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

**WEDNESDAY, OCTOBER 12, 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 (Participated Electronically)  
Jim Doyle, Member (Participated Electronically/arrived at 6:09 p.m.)  
Bryan Foulk, Member  
Scott Schladweiler, Member

**District Staff:** Joseph Olsen, General Manager  
Sheila Bowen, District Engineer  
Steve Shepard, Utility Superintendent  
Shane Oman, Finance Manager  
Theo Fedele, Clerk of the Board  
Mark Patton, Legal Counsel (Participated Electronically)

**Regular Session**

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

Bryan Foulk, Member of the Board of Directors of the Metropolitan Domestic Water Improvement District (District), called the Board Meeting to order at 6:00 p.m. Bryan Foulk, Lee Jacobs, Richard Sarti, and Scott Schladweiler were present. Jim Doyle (arrived at 6:09 p.m.) was not present when the meeting was called to order.

**II. General Comments from the Public**

There were no comments from the public.

**III. Consent Agenda**

- A. Approval of Minutes – September 12, 2022 Board Meeting**
- B. Ratification of Billing Adjustments**
- C. Ratification of Accounts Removed from Active Accounts Receivable**

**D. Approval of Water Service Agreement for Villa Cielo Cortaro (M-22-004)**

Mr. Schladweiler moved to approve the consent agenda. Mr. Jacobs 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-to-date consumption compared to last year is higher in all service areas with a 0.8% increase in Metro Main, a 6% increase in Metro Hub, and an 11% increase in Metro Southwest.

All 9,960 acre-feet (AF) of the District's Central Arizona Project (CAP) order for calendar year 2022 has been delivered to Groundwater Savings Facilities. As of today, 3,500 AF of the City of Phoenix's inter-AMA firming water has been delivered to the Avra Valley Recharge Project (AVRP) plus an additional 158 AF. Staff are in the process of working with other water providers or other entities to purchase this additional 158 AF for no impact to the District. The 6-week canal outage at AVRP starts October 17, 2022 and with the deliveries complete that means a longer drying period in the basins.

Last week, very positive news from the Arizona Department of Environmental Quality (ADEQ) was received. They are planning on proceeding with the funding and construction of the Advanced Oxidation Process treatment facility at the South Shannon well site this fiscal year. This will enable the well to operate at full capacity, helping to prevent the contaminate plume from impacting down gradient wells.

Mr. Shepard provided an update on noteworthy maintenance projects.

Ms. Bowen provided an update on the Ironwood blend well land acquisition activities, the E&T22 well replacement, and the new Linda Vista well deepening.

**B. Financial Report**

Mr. Oman stated that revenue and expenditures for August are both favorable when compared to a straight-line projection with revenue \$261,167 over budget and expenditures \$234,837 under budget. The revenue in excess of expenditures is favorable by \$496,004. When comparing the total revenue to the same month in the prior fiscal year, revenue through August was lower by 3.65% or \$158,028. The metered water revenue is lower by 0.19% or \$6,664 when compared to

the same month in the prior fiscal year. The historic average of budgeted water revenue billed by the end of August is 21% and the District billed 18.82% of the budgeted metered water revenue as of the end of August. The operating expenditures in August were \$128,057 higher than they were at the end of August in the prior fiscal year. The September cash deposit balance was \$24,613,567.48, which is \$601,941.35 higher than the August balance. The investments as of the end of September totaled \$19,750,160.98, which is \$167,225.79 higher than the August balance.

The Arizona State Treasurer Pooled Collateral Program Statement for August included \$14,187,478.04 of cash on deposit with collateralization coverage of \$13,961,227.60 in addition to the \$500,000 FDIC coverage.

The Capital One Bank MasterCards were used to purchase \$26,286.19 on the September statement with up to 1.25% cash back earnings. The cash back received from transactions processed in August totaled \$329.73 or 1.02%, with an inception-to-date cash back total of \$20,147.04.

Eighteen new meter applications were received in September with 17 for the Metro Main service area and one for the Metro Southwest service areas. There were 19 new meter applications received in September of the prior fiscal year. Fiscal year-to-date, 43-meter applications have been received compared to 50 at the same time in the prior fiscal year.

Note: Mr. Doyle arrived at 6:09 p.m.

### **C. Approval of the Audit for Fiscal Year 2022**

Mr. Oman stated that HintonBurdick CPA's and Advisors, the District's independent auditors, have examined the District's financial records, accounts, business transactions, accounting practices, and internal controls for Fiscal Year 2022. The independent auditors are required to issue the Board of Directors a report expressing a professional opinion about the District's financial practices; specifically, whether the financial statements: "fairly present the financial position of the organization" without any inaccuracies or material misrepresentations.

HintonBurdick has issued an opinion stating that the District's financial statements are presented fairly, in all material respects, and they properly represent the financial position of the District as of June 30, 2022 and June 30, 2021. This opinion also provides a better understanding of what is reviewed during the audit and the standards that must be followed to achieve this opinion.

The Statement of Net Position shows a total net position of \$126,186,583, which is an increase of \$9,084,638 when compared to the prior fiscal year. Assets and deferred outflows of resources increased \$6,753,274 and liabilities and deferred inflows of resources decreased by \$2,331,364.

The District ended the fiscal year with an unrestricted cash and investment balance of \$40,052,627. Total assets and deferred outflows totaled \$150,540,208 as of June 30, 2022.

Mr. Oman stated that Diane Bracken, the District's Chief Financial Officer, wanted to express her appreciation to the Financial Team. The District's Finance Team consist of experts in their specific accounting fields and these talented staff continue to strive for perfection. Staff's great attention to details throughout the year is why the Auditors had nothing to report in the Audit Exit Interview. This, along with continued improvements to processes and procedures to strengthen internal controls, have attributed to clean and even perfect audits over the past eight years.

Mr. Olsen stated that the District has received another clean audit thanks to embracing the internal controls, policies, and procedures as well as the great work by Ms. Bracken, Mr. Oman, Billie Sue Morelli, the District's Human Resources Manager, and the District's Administration Team.

Also as previously stated, Ms. Bracken will be retiring December 1, 2022 and pivoting to part-time after retirement. Mr. Oman will be fulfilling the role of the District's audit lead moving forward.

Mr. Schladweiler moved to approve the independent audit of the District's Financial Statements for Fiscal Year 2022 as presented. Mr. Jacobs seconded the motion. Motion passed by a roll call vote of 5-0.

#### **D. Long Range Water Resources Plan**

Mr. Olsen stated that in February 2015, the Board approved the District's first long range water resources plan that articulated how the current and future demands for 50 years of production would be met with the District's portfolio of renewable water resources. Over the past seven years, there has been no shortage of changes in the Colorado River Basin with the Drought Contingency Plan, ongoing reconsultation, the first ever shortage conditions, and discussions of significant changes to the Colorado River operating guidelines to bring equilibrium to the supply and demand imbalances. The Bureau of Reclamation is presently exploring ways to reduce the overall demand on the Colorado River System by 2-4 million AF but has held off mandatory measures at this time. As such, Mr. Olsen and Wally Wilson, the District's Water Resources Manager, created the 2022 Long Range Water Resources Plan with the best currently available assumptions. When the Bureau of Reclamation updates the operating guidelines, which must occur to ensure the long term viability of the Colorado River System, we will then update the plan to meet the then current parameters.

Mr. Wilson provided a presentation on the District's Long Range Water Resources Plan.

Discussion ensued; staff answered the Board's questions regarding the Long Range Water Resources Plan.

## V. General Manager's Report

Mr. Olsen stated that last week, he and three of the District's Board Members attended the CAP Southern Arizona stakeholder dinner. CAP's General Manager Ted Cooke gave a great presentation that outlined elements of what the Department of Interior and Bureau of Reclamation are considering to bring alignment to the supply and demand imbalances in the Colorado River System. The proposals that are currently being analyzed include:

- Allocating the structural deficit associated with system and evaporation losses equitably that would equate to a 13% cut across lower basin parties but also save close to 2 million AF.
- Reviewing guidelines for adjusting the Lake Mead elevation levels that determine when shortage tiers occur. This would be a solid solution but would be too late to be very effective if we were already in a Tier 3 shortage.
- Looking at the definition of beneficial use.
- Operating guidelines to reduce the minimum release from Lake Powell to less than 7.5 million AF, but that would have enormous impacts on the health of Lake Mead, and parallel augmentation.

We will keep the Board updated as we hear more from the Bureau and will also update the District's Long Range Water Resources Plan as necessary.

Today, staff met with the Water Infrastructure Finance Authority (WIFA) to discuss the next steps on the three loans that are in process. The three loans that the Board authorized staff to proceed with include the:

- E&T22 well re-drilling with an anticipated loan amount of \$1,755,975 with a forgivable principle of 34.8% or \$610,777.
- Ironwood blend well and pipeline to the Herb Johnson reservoir with an anticipated loan amount of \$3,998,023 with a forgivable principle of 22.6% or \$902,243.
- District's portions of the partnered Northwest Recharge, Recovery and Delivery System (NWRDSD) elements with an anticipated loan amount of \$14,198,283 with a forgivable principle of 10.8% or \$1,532,500.

Tomorrow these loans will go before the WIFA Advisory Board to hopefully receive a recommendation for consideration and approval by the American Finance Association (AFA) Board on October 20, 2022. Should the approval be obtained, then there would be numerous steps that would need to be accomplished prior to the anticipated closing of December 2, 2022. This

includes approval of Resolutions from the Board concurring with the terms of the loans that staff will bring to the November Board Meeting, and a legal opinion from the District's counsel that outlines the District's authority to obtain the loans. This is an overall positive progress on what will be substantial principle savings for District residents.

Two District staff members received their 30-Years of Service pins: Mr. Shepard, and Larry Tanner, the District's Utility Program Coordinator.

**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 November 14, 2022.

**VIII. General Comments from the Public**

There were no comments from the public.

**IX. Adjournment**

The meeting adjourned at 6:45 p.m.

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Richard Sarti, Chair of the Board

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Theo Fedele, Clerk of the Board