

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

WEDNESDAY, OCTOBER 16, 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

Board Members Not Present: 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, and Richard Sarti were present. Scott Schladweiler was not present.

II. General Comments from the Public

There were no comments from the public.

III. Consent Agenda

- A. Approval of Minutes – September 9, 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. 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. Foulk departed at 6:01 p.m.; returned at 6:02 p.m.

Mr. Olsen stated that the fiscal year-to-date consumption compared to the same period last year is 7.6% lower in Metro Main, 10.9% lower in Metro Hub, and 0.2% higher in Metro Southwest.

As of the end of August, 4,086 acre-feet of the City of Phoenix's Inter-AMA firming water has been delivered to the District's Avra Valley Recharge Project (AVRP). Phoenix's revised order for the current calendar year is 5,000 acre-feet and the intent is to have all the remaining water delivered to AVRP by the planned Central Arizona Project (CAP) maintenance outage. Staff have proactively coordinated with BKW Farms to utilize canal storage capacity to complete the delivery of this water during outage. This will enable the basins to have the appropriate drying period prior to the planned basin maintenance to restore declining recharge rates.

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 well, and the galvanized pipe replacements.

Mr. Olsen showed photos of the progress of the NWRRDS pipeline along the CAP canal.

B. Financial Report

Ms. Bracken stated that revenue through August is favorable and expenditures are unfavorable when compared to a straight-line projection. Revenue is \$398,271 over budget and expenditures \$110,091 over budget. The revenue in excess of expenditures is favorable by \$288,180. When comparing the total revenue to the same month in the prior fiscal year, revenue as of August was higher by 3.08% or \$155,686. The historic average of budgeted water revenue billed by the end of August is 19.5% and the District billed 20.36% of the budgeted metered water revenue as of the end of August. The operating expenditures as of the end of August were \$368,052 higher than they were at the end of August in the prior fiscal year. The September cash deposit balance was

\$39,921,397.25, which is \$800,324.93 higher than the August balance. The investments as of the end of September totaled \$11,216,048.61, which is \$649,382.44 higher than the August balance.

The Arizona State Treasurer Pooled Collateral Program Statement for August included \$20,403,298.53 of collateralization coverage in addition to the \$500,000 FDIC coverage.

The Capital One Bank MasterCards were used to purchase \$36,239.75 on the August statement with up to 1.25% cash back earnings. The inception-to-date cash back total is \$28,063.06.

There were six-new meter applications received in September, for the Metro Main service area. There were three-new meter applications received in September of the prior fiscal year. Fiscal year-to-date, 45-meter applications have been received compared to 12 at the same time in the prior fiscal year.

C. Approval of Audit for Fiscal Year 2024

Ms. Bracken 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 2024.

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 financial statements are presented fairly, in all material respects, and they properly represent the financial position of the District as of June 30, 2024, and June 30, 2023. The Board is welcome to read this document to better understand what is reviewed and the standards that must be followed to achieve this opinion.

Ms. Bracken expressed her appreciation to the Financial Team, the Human Resources Manager, and the Inventory Specialist for all of the hard work they put into making sure items are recorded correctly and inventory is maintained accurately. Staff's dedication and pride in their work have attributed to clean and even perfect audits over the past ten years and the Independent Auditors had nothing to report again this year in the Audit Exit Interview

The Statement of Net Position shows a total net position of \$157,139,662, which is an increase of \$17.97 million when compared to the prior fiscal year. Assets and deferred outflows of resources

increased \$22.4 million and liabilities and deferred inflows of resources increased by \$4.43 million. Total assets and deferred outflows totaled \$182,871,741 as of June 30, 2024.

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, the District's Financial Team, and many other District staff.

Mr. Foulk moved to approve the independent audit of the District's Financial Statements for Fiscal Year 2024 as presented. Mr. Sarti seconded the motion. Motion passed by a roll call vote of 4-0.

D. Approval of the Hydropneumatic Tank and Electrical Equipment Purchase for Ironwood Well Equipping

Mr. Olsen stated that at the September Board meeting, the Board authorized the purchase of the generator set and automatic transfer switch for the Ironwood Well site. During that discussion, staff stated that other long-lead time items would be brought for the Board's consideration at the October meeting to ensure these materials would be available once the design plans are completed and a contractor is selected for the Ironwood Well equipping.

The Board is asked to consider authorizing the purchase of the hydropneumatic tank, electrical equipment, and other materials that have a long-lead time due to supply chain limitations. The purchase for these items is quoted at approximately \$150,000 and it is recommended that an additional \$15,000 be authorized to cover unforeseen price changes, for a total not-to-exceed amount of \$165,000.

Mr. Sarti moved to approve and authorize staff to purchase the hydropneumatic tank, electrical equipment, and other long lead time items as discussed for the Ironwood Well in an amount not to exceed \$165,000. Mr. Foulk seconded the motion. Motion passed by a roll call vote of 4-0.

E. Approval of Amended Contract with Pima County Reginal Wastewater Reclamation Department

Ms. Bracken stated that TeamViewer has been used for Pima County staff to connect to Sewer Billing Data for ten years. The County requested that BeyondTrust be used in place of TeamViewer going forward. Due to the high cost of this software, and the fact that overhead was removed from the Intergovernmental Agreement, the District requested full reimbursement for all costs associated with this change and Pima County Reginal Wastewater Reclamation Department agreed to this request.

Mr. Foulk moved to approve amendment five to increase the IGA by \$12,740.00 for the purchase and installation of BeyondTrust software, for a revised IGA total of \$2,478,540.00 as outlined in Amendment five. Mr. Sarti seconded the motion. Motion passed by a roll call vote of 4-0.

F. Federal Funding Procurement Policy

Mr. Olsen stated that as the Board knows, the District has recently been successful in obtaining external funding to support numerous infrastructure initiatives. External funding, such as grants, carries requirements that must be met based on where the funding originated. For projects or initiatives funded with federal dollars, there are extensive requirements that the grant recipient must meet, including conformance with procurement standards and documentation. To help ensure the District is compliant with the requirements of current and any future federal funding, it was determined that a Federal Funding Procurement Policy should be created for the District. Ms. Bracken performed the initial research on the requirements and compiled a first draft of this Policy, which was then augmented and enhanced by District staff with the applicable spectrum of expertise.

This Policy will also ensure that District project managers overseeing initiatives with federal funding will have clear guidance on the requirements to follow and necessary documentation for compliance. As such, it is recommended the Board approve the District's Federal Funding Procurement Policy.

Mr. Sarti moved to approve the Federal Funding Procurement Policy as written. Mr. Foulk seconded the motion. Motion passed by a roll call vote of 4-0.

G. Presentation on the District's Advanced Oxidation Process

Mr. Olsen stated that the District's Advanced Oxidation Process (AOP) Treatment Facility at the South Shannon well has been constructed and staff are dialing in the system. Antonio Sanchez, who was previously a District Utility Technician II and was just recently promoted to Purchasing and Warehouse Specialist, had previously gained knowledge of AOP operations. Prior to working at the District, he worked at the Town of Marana where he gained highly relevant knowledge while helping operate their AOP treatment plants.

Mr. Sanchez provided a presentation on the District's AOP treatment facility, operations, and a brief history of the South Shannon well site that resulted in the need for AOP treatment.

Discussion ensued and staff answered questions.

VI. General Manager's Report

Mr. Olsen stated that last month the Board approved the renewal of the District's liability insurance coverage. After the October Board meeting, staff were informed that the cyber liability insurance, that was historically included as a bolt-on to the District's overall liability policy at no additional premium, was no longer being included because of the increase in cyber breaches and ransomware attacks nationwide. To ensure protection on the District's critical cyber infrastructure and operations, Ms. Morelli, the District's Human Resources Manager, worked with the District's insurance broker to obtain three quotes for standalone cyber liability insurance with coverage amounts similar to the previously included bolt-on policy. The carrier that was selected was within Mr. Olsen's approval authority per the District's Procurement Policy, so staff proceeded with securing this liability insurance to ensure coverage and protection on these mission essential elements. No action is required from the Board but we wanted to keep the Board informed given the Board's previous action on the District's overall liability coverage.

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 November 13, 2024.

IX. General Comments from the Public

There were no comments from the public.

X. Adjournment

The meeting adjourned at 6:38 p.m.

Lee Jacobs, Chair of the Board

Theo Fedele, Clerk of the Board