

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

MONDAY, NOVEMBER 14, 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 (Participated Electronically)
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

Cindy Roberts, a District customer, expressed concerns with her interactions with District staff relating to a higher than usual water bill due to a leak in her toilet. Mr. Olsen assured Ms. Roberts that he would discuss her concerns with staff and that the District's customer service supervisor will follow up with her to explain her options regarding her bill including a possible leak adjustment under the District's Leak Adjustment policy.

III. Consent Agenda

- A. Approval of Minutes – October 12, 2022 Board Meeting**
- B. Ratification of Billing Adjustments**
- C. Approval of Water Service Agreement for Restaurant and Retail at River and La Cholla (M-21-008)**
- D. Ratification of Bill of Sale for Loma Antigua, Lots 1-14 (M-21-009)**
- E. Ratification of Bill of Sale for Tucson Special Care Community (M-21-014)**
- F. Approval of Water Service Agreement for Super Star Car Wash (M-22-003)**

Mr. Schladweiler moved to approve the consent agenda. Mr. Foulk 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 fiscal year-to-date consumption compared to last fiscal year is 0.5% lower when all service areas are taken into account.

As reported last month, the storage of 3,500 acre-feet (AF) of the City of Phoenix's inter-AMA firming water was completed but, due to the timing of meter reads, over stored 159 AF. Phoenix shifted other deliveries and was able to account for this additional water as stored on Phoenix's behalf without impact to the District.

The District currently has a Compensated System Conservation agreement with the Central Arizona Water Conservation District (CAWCD) for \$261.50 per AF for 3,500 AF for the next couple of years. The Bureau of Reclamation (BOR) offered an incentive program of \$330 per AF for a one-year agreement. The Arizona Department of Water Resources (ADWR) stated they will match that for the existing Compensated System Conservation agreements. In addition, BOR offered \$365 per AF for a two-year agreement and \$400 per AF for a three-year agreement. The choice of the plan proposal is due Monday. Since the District planned on the 3,500 AF and has discussed the increase to 5,000 AF in 2023, staff are exploring the appropriate proposals to move forward. The two options staff are deliberating are either the \$330 for one-year to continue the agreement with the state and then the \$365 for 2-years with BOR, or to seek \$400 for all four years. The decision, as it relates to the partnerships with the state as well as minimizes rate increases to District customers, will be made by the end of the week. Either proposal will result in additional revenue.

Mr. Shepard provided an update on noteworthy maintenance projects.

Ms. Bowen provided an update on the Ironwood blend well land acquisition activities, the E&T 22 well replacement, and the new Linda Vista well deepening.

B. Financial Report

Ms. Bracken stated that revenue and expenditures for September are both favorable when compared to a straight-line projection with revenue \$588,599 over budget and expenditures \$316,627 under budget. The revenue in excess of expenditures is favorable by \$905,226. When comparing the total revenue to the same month in the prior fiscal year, revenue through September was higher by 0.84% or \$53,995. The metered water revenue is higher by 1.10% or \$57,296 when compared to the same month in the prior fiscal year. The historic average of budgeted water revenue billed by the end of September is 30% and the District has billed 28.26% of the budgeted meter water revenue as of the end of September. The operating expenditures in September were \$3,864 lower than they were at the end of September in the prior fiscal year. The October cash deposit balance was \$25,058,582.26, which is \$445,014.78 higher than the September balance. The investments as of the end of October totaled \$20,010,828.85, which is \$260,667.87 higher than the September balance.

The Arizona State Treasurer Pooled Collateral Program Statement for September included \$14,613,338.27 of cash on deposit with collateralization coverage of \$14,395,605.04 in addition to the \$500,000 FDIC coverage.

The Capital One Bank MasterCards were used to purchase \$ 26,499.05 on the October statement with up to 1.25% cash back earnings. The cash back received from transactions processed in September totaled \$252.37 or 0.96%, with an inception-to-date cash back total of \$20,399.41.

Four new meter applications were received in October for the Metro Main service areas. There were nine new meter applications received in October of the prior fiscal year. Fiscal year-to-date, 47-meter applications have been received compared to 59 at the same time in the prior fiscal year.

C. Approval of Employee Health Insurance Coverage

Mr. Olsen stated that last year, the District offered three health insurance options for employees: a Health Savings Account Plan and two Preferred Provider Organization (PPO) Plans, one with a lower deductible/higher premium and one with a lower premium/higher deductible. This was to provide various options for employees and their families.

This year, Blue Cross Blue Shield quoted the same three health insurance plan options as offered in calendar year 2022. The District's quoted cost for health insurance in 2022 was \$476,273 and the total District cost in 2023 would be \$548,361, which is a 3% increase when accounting for the increase of District staff enrolled between 2022 and 2023. To ensure equity, the District's contributions are balanced to be the same for all plans for the same group: employee, employee plus spouse, employee plus child(ren), and employee plus family. This means that the District will contribute the same amount for each employee plan, and the employee pays the slight increase, if they select a higher benefit plan.

There was an error in the Board Report attachment. The District's contribution for the PPO plans under employee plus spouse should read \$473.26 to match the District's Health Savings Account (HSA) contribution for this category.

The District also offers two dental insurance options: Employers Dental Service (EDS) and MetLife. EDS offered the same plan with no increase and MetLife offered the same plan with a slight decrease. The employee contributions for MetLife are in accordance with the reduction in the total plan cost.

The continued efforts of staff in this process are appreciated. Billie Sue Morelli, District's Human Resources Manager, coordinated the renewal with the District's broker, and Ms. Bracken, analyzed the District and employee premiums to ensure equitability for staff.

Discussion ensued and staff answered questions.

Mr. Schladweiler moved to approve that Crest Insurance administer contracts for employee medical insurance with Blue Cross Blue Shield on the District's behalf for January 1, 2023 through December 31, 2023 and for employee dental insurance with Employers Dental Service and MetLife for calendar year 2023, and to direct the General Manager to implement the employee deductions and HSA contributions as identified in the attached table. Mr. Foulk seconded the motion. Motion passed by a roll call vote of 5-0.

D. Intergovernmental Agreement with the Arizona Water Banking Authority for Municipal and Industrial Firming

Mr. Olsen stated that in 1996, the Arizona Water Banking Authority was created to store excess Colorado River water underground for firming in shortage years. Since 2014, a recovery plan has been in development with the ADWR, CAWCD, and the Recovery Planning Advisory Group (RPAG). As a result of these efforts, Statute was changed to allow firming credits to be delivered

from the Bank directly to Central Arizona Project (CAP) subcontractors that have the ability to recover the water with their own infrastructure as opposed to the water being delivered via CAWCD.

At the September 13, 2022, Water Bank Commission meeting, the Commission approved the template for CAP Subcontractors to enter into an Intergovernmental Agreement (IGA) with the Bank for recovery of firming credits. Given the Tier 2a shortage condition in 2023, and the likely Tier 3 shortage in 2024 or 2025, it is recommended that the Board approve this agreement so the District is prepared to be firming by the Bank. The Bank will firm 100% of water shorted to M&I subcontractors through the end of the Drought Contingency Plan (DCP) period in 2026, and will firm an estimated 20% following that.

Mr. Foulk moved to authorize the General Manager to enter into an Intergovernmental Agreement between the Arizona Water Banking Authority and Metro Water District for M&I Firming. Mr. Schladweiler seconded the motion. Motion passed by a roll call vote of 5-0.

Mr. Olsen commended Wally Wilson, the District's Water Resources Manager, for the time, insight, and wisdom on this effort not only for the District, but for all of Southern Arizona. Mr. Wilson provides regular updates to Southern Arizona Water Users Association (SAWUA) and contributed his expertise and the refinements on this IGA template.

E. Approving Resolution 2022-13 Authorizing the Execution and Delivery of a Loan Agreement with the Water Infrastructure Finance Authority of Arizona (E&T 22 Replacement Well)

Mr. Olsen stated that staff would discuss items E and F together with two separate motions.

At the June 2022 Board Meeting, the Board adopted Resolutions 2022-3 and 2022-6 authorizing the District to incur debt through the executions of loan agreements with the Water Infrastructure Finance Authority (WIFA) for the E&T 22 replacement well, the Ironwood Blend well and transmission pipeline, and the Metro-only component of the Northwest Recharge, Recovery, and Delivery System (NWRRDS). To finalize and close on these loans, another resolution is required by the Board authorizing the execution and delivery.

These items are for the WIFA loans for E&T 22 replacement well and the Ironwood blend well and transmission pipeline. The resolution for the third WIFA loan for the Metro-only component of NWRRDS will be considered by Board at the December meeting.

Ms. Bracken stated that the \$1.2 trillion infrastructure bill was signed a year ago this week. Obtaining infrastructure bill funding has required a great deal of research, and it has been a time-consuming process. These efforts have resulted in a benefit to District customers and the community.

The three WIFA loan application packages were submitted with two being presented this evening. If approved, these applications will secure \$3,045,520 of the infrastructure bill funding in the form of principal forgiveness. In addition, interest rate savings due to subsidized interest rates through the State Revolving Fund have been offered to the District since District staff were able to provide WIFA with information showing that these projects are located in disadvantaged communities. The subsidized interest rates will save the District customers an additional \$533,369.08 of avoided interest costs on the NWRRDS Metro-only and Ironwood blend well projects. The total interest savings and federal funding is \$3,578,889, which is similar to the amount of money that would be generated per year with over ten average rate increases.

The terms on the E&T loan have been worded to allow payment in full after the final draw with a 60-day notification that the District will pay in full. This project was budgeted in the current fiscal year and the next fiscal year for a total of \$1,825,964. The District was planning to pay for this project from existing funds. As a result, this loan agreement, in the amount of \$1,755,975 for construction only, will reduce the principal cost of this project with \$610,777 for infrastructure bill funding.

The terms of the Ironwood blend well loan will be ten years with full payment available after five years. This project is part of the five-year Capital Improvement Program (CIP) plan and has planned spending in Fiscal Years 2023, 2024, and 2025 with a total planned cost of \$4,189,793. This loan agreement is for construction only in the amount of \$3,998,023. With \$902,243 of principal forgiveness and an interest rate subsidy of 20%, the interest cost will be reduced by \$127,967.28 over the 10-year loan term based upon the 3.4% estimated rate.

Discussion ensued and staff answered questions from the Board.

Mr. Foulk moved to approve and adopt Resolution 2022-13 authorizing the District execute the loan agreement with the Water Infrastructure Finance Authority of Arizona in an amount not to exceed \$1,755,975 under the terms specified in the loan agreement for construction of the E&T 22 Replacement Well, and authorizing the Board Chair, General Manager, and Chief Financial Officer to sign all associated documents to accomplish this debt. Mr. Schladweiler seconded the motion. Motion passed by a roll call vote of 5-0.

F. Approving Resolution 2022-14 Authorizing the Execution and Delivery of a Loan Agreement with the Water Infrastructure Finance Authority of Arizona (Ironwood Blend Well and Collector Pipeline)

The details of this item were discussed with item E.

Mr. Schladweiler moved to approve and adopt Resolution 2022-14 authorizing the District execute the loan agreement with the Water Infrastructure Finance Authority of Arizona in an amount not to exceed \$3,998,023 under the terms specified in the loan agreement for construction of the Ironwood Blend Well and Collector Pipeline, and authorizing the Board Chair, General Manager, and Chief Financial Officer to sign all associated documents to accomplish this debt. Mr. Sarti seconded the motion. Motion passed by a roll call vote of 5-0.

G. Award of Construction Contract for Drilling, Installation, and Testing of the E&T 22 Replacement Well, Ironwood Production Well and the New Linda Vista Well Deepening

Mr. Olsen stated that in 2021, the CIP anticipated drilling two wells: the E&T 22 replacement well and the Ironwood blend well. During the bid process for the E&T 22 replacement well, only one bidder responded, but the bid was substantially higher than the budgeted capacity for the project. As such, staff decided to combine these two wells, along with the deepening of the New Linda Vista well, into one bid package in an effort to obtain economies of scale. Additionally, WIFA loans, with principal forgiveness funded by the Bipartisan Infrastructure Law, was pursued to ensure the funding to accomplish these efforts. As such, we advertised bids for the three wells with a request that bidders respond with their bid on the E&T 22 and Ironwood wells for WIFA and non-WIFA costs. On November 7, 2022, bids were received from two contractors to perform the drilling of the two wells and the deepening of the third well. The lowest responsive bidder was KP Ventures at \$2,861,738.50 and their bids for WIFA and non-WIFA costs were the same.

After the bid process, staff determined that the bid tab for the Ironwood blend well had the wrong quantity for the depth of the well, as it showed a depth of 600-feet deep when it should have read 1,000-feet deep. The corrected quantities were applied to both bids and KP Ventures was still the lowest bidder. As such, it is recommended the Board approve this work to KP Ventures.

Mr. Foulk moved to authorize the General Manager to execute an agreement with KP Ventures Well Drilling & Pump Co, LLC in an amount not to exceed \$2,861,738.50 for the E&T 22 Replacement Well (WIFA funded), Ironwood Production Well, Bid Alternate B (WIFA funded), and New Linda Vista Well Deepening, and to authorize the General Manager utilize additional funding in a cumulative amount not to exceed \$50,000. Mr. Schladweiler seconded the motion. Motion passed by a roll call vote of 5-0.

H. Approval and Award for the Diablo Village West Storage Tank Coating

Mr. Olsen stated that the District has eight steel storage tanks in the Metro Southwest service area that provide critical storage to meet customer demands. The interior of these tanks are epoxy coated to provide protection against corrosion and to ensure the ongoing operation of the tanks. Interior coatings can last up to 20 years. The westernmost storage tank at Diablo Village No. 1 has a storage capacity of 200,000 gallons and was purchased by the District in 2009. The timeframe this tank was previously coated before the District's purchase is unknown. Since the 182,000 gallon storage tank was constructed at the site in 2019, we now have the opportunity to drain, sandblast, and properly coat the interior of the larger storage tank. AO Painting was the only bidder from the City of Tucson's Cooperative Purchasing Contract that responded to the bid and they have successfully performed this type of work previously for the District. It is recommended that the Board authorize this work to AO Painting in the amount of \$127,839. The Adopted Budget has allocated \$128,047 for this effort.

Mr. Schladweiler moved to approve and award the Diablo Village No. 1 West 200,000 gallon storage tank internal coating work to AO Painting Inc. for the amount of \$127,839.00 and to authorize the General Manager to approve additional funds up to \$3,000 for unforeseen tank repairs. Mr. Foulk seconded the motion. Motion passed by a roll call vote of 5-0.

VI. General Manager's Report

Mr. Olsen stated that in June of 2022, the U.S. Environmental Protection Agency (EPA) published significantly lower health advisory levels (HAL) for PFAS compounds. The HAL went from 70 parts per trillion (ppt) combined for PFOS and PFOA to 0.02 ppt for PFOS and 0.004 ppt for PFOA. These are roughly 10,000 times lower levels than the previous HAL.

Under the previous HAL, the District only had one well above the HAL, which was Horizon Hills, but that well has been offline since 2016 due to 1,4-dioxane concentrations. Other wells with detections, but below the previous HAL, were Lattimore North, which was used for irrigation only and has since been sold to Pima County, Lattimore South, which has not been in service since 2017 and has been sold to Pima County, the South Shannon Well, which has a treatment system to remove PFAS, the Deconcini well, which is blended with South Shannon and Wildwood wells to further reduce the PFAS concentration, and the Riverside well, which is used only to meet peak demand.

As a proactive measure, staff sampled all District wells to determine if any wells exceeded this new HAL. The challenge is that the currently available technology can only reliably detect down to a minimum reporting level, which the EPA defines as 4 ppt. Any detections below the minimum

reporting level (MRL) are calculated results. After all the results were received, no wells were found to have levels above the MRL for PFOA and PFOS other than the Horizon Hills well, which remains offline. The Maximum Contaminant Levels (MCLs) for PFAS is anticipated to be published in the coming months.

To ensure the District is prepared for a new MCL, staff plans to continue sampling the wells that did have detections below the MRL to see if there is a trend in concentration. A newsletter on this topic will be sent to customers over the next month. Staff is exploring WIFA principal forgiveness under their water quality program for wells that had detections approaching the MRL. The District has an ongoing water quality team comprised of District staff from all areas and has also formed a team specifically for proactive discussions regarding perfluorinated compounds to ensure we are tracking and proactively addressing the relevant developments.

Discussion ensued and staff answered questions from the Board.

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 December 12, 2022.

IX. General Comments from the Public

There were no comments from the public.

X. Adjournment

The meeting adjourned at 7:01 p.m.

Richard Sarti, Chair of the Board

Theo Fedele, Clerk of the Board