

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

MONDAY, DECEMBER 6, 2021

****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
Jim Doyle, Member
Bryan Foulk, Member (Participated Electronically)
Lee Jacobs, Member

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

Executive Session

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 5:30 p.m. Jim Doyle, Lee, Jacobs, Richard Sarti, and Judy Scrivener were present. Bryan Foulk arrived at 5:32 p.m.

- I. Consideration of Action to go into Executive Session for the following purpose:
Pursuant to §38-431.01.A.1 discussion of the annual performance and the
employment contract of the General Manager.**

Mr. Sarti moved to adjourn into Executive Session. Mr. Jacobs seconded the motion. Motion passed unanimously. The Board adjourned into Executive Session at 5:32 p.m.

The Executive Session concluded at 5:56 p.m.

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 6:00 p.m. Jim Doyle, Bryan Foulk, Lee, Jacobs, Richard Sarti, and Judy Scrivener were present. Bryan Foulk was not present.

II. Evaluation of Annual Performance and Consideration of Action Regarding the General Manager's Employment Contract

Mr. Sarti moved to proceed as discussed in Executive Session. Mr. Jacobs seconded the motion. Motion passed by a roll call vote of 4-0.

III. General Comments from the Public

There were no comments from the public.

IV. Consent Agenda

- A. Approval of Minutes – November 8, 2021 Board Meeting**
- B. Ratification of Billing Adjustments**
- C. Approval of Water Service Agreement for Waterline Extension to Orange Grove Homes (M-21-007)**
- D. Approval of Regular Board Meetings in 2022**

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

V. General Business – Items for Discussion and Possible Action

A. Monthly Status of the District

Mr. Olsen stated that the Fiscal Year 2022 consumption compared to last fiscal year-to-date continues to trend lower in all service areas with a 15% decrease in Metro Main, a 20.9% decrease in Metro Hub, and an 11.1% decrease in Metro Southwest.

As of the end of October, the District's order of 9,960 acre-feet (AF) of Central Arizona Project (CAP) water has been stored at groundwater savings facilities. Less than 500 AF of the City of

Phoenix's water is left to be stored and is anticipated to be completed in December when CAP operations resume as no water deliveries occurred in November due to planned maintenance on the CAP canal.

Mr. Shepard provided an update on noteworthy maintenance projects and photos were shown regarding the replacement of two variable frequency drive (VFD)'s at the Northeast Reservoir Booster Station (NERBS).

Ms. Bowen provided an update on the Northwest Recharge, Recovery, and Delivery System (NWRRDS) Project including the Metro-only portion, and the E&T 22 Well Replacement project.

B. Financial Report

Ms. Bracken stated that revenue and expenditures for October are both favorable when compared to a straight-line projection with revenue \$758,489 over budget and expenditures \$339,728 under budget. The revenue in excess of expenditures is favorable by \$1,098,217. When comparing the total revenue to the same month in the prior fiscal year, revenue through October was lower by 12.64% or \$1,223,797. The Metered Water Revenue is lower by 6.99% or \$517,742 when compared to the same month in the prior fiscal year. The operating expenditures in October were \$141,439 higher than they were at the end of October in the prior fiscal year. The November cash deposit balance was \$25,481,129.33, which is \$282,756.86 higher than the October balance. The investments as of the end of November totaled \$13,211,474.05, which is \$225,476.5 higher than the October balance.

The Arizona State Treasurer Pooled Collateral Program Statement for October included \$13,077,228.98 of cash on deposit with collateralization coverage of \$12,828,773.56 in addition to the \$500,000 FDIC coverage.

The Capital One Bank MasterCards were used to purchase \$ 29,908.31 on the November statement with up to 1.25% cash back earnings. The cash back received from transactions processed in October totaled \$187.16 or 0.90%, with an inception-to-date cash back total of \$16,575.37.

One new meter application was received in November for the Metro Main service area. There were 54 new meter applications received in November of the prior fiscal year. Fiscal year-to-date, 60 meter applications have been received, compared to 230 at the same time in the prior fiscal year.

C. Discussion and Possible Action to Fill the Board of Directors' Vacancy

Mr. Olsen stated that after 15 years of service on the Board, 11 years of service as Board chair, and many more years supporting the District from behind the scenes, our Board Chair Judy Scrivener is resigning from the Board as she is moving out of the District. Her last day on the Board is December 31, 2021 and her current term ends December 31, 2022 leaving one year left on her term after her resignation.

When similar situations have occurred in the past, the Board has appointed an individual to serve the remaining portion of a term to ensure Board coverage. Historically, the Finance Oversight Committee (FOC, Committee) has been sought to fill these Board vacancies as FOC members already possess a general working knowledge of the District, which would ease the transition.

Scott Schladweiler, a District resident and current Chair of the FOC, has volunteered to serve out the remaining portion of Ms. Scrivener's term. He has approximately 23 years of experience in the water sector and is currently the Chief Engineer at Tucson Water. Previously, he was the Water Director of the Town of Marana where he gained extensive insight into the collaborative Northwest Recharge, Recovery and Delivery System (NWRDRS). He is also a registered professional engineer and an Arizona Department of Environmental Quality (ADEQ) certified operator. Mr. Schladweiler's broad water sector knowledge would augment future Board discussions and deliberations.

Mr. Sarti moved to appoint Scott Schladweiler to fill the vacancy left by the resignation of Judy Scrivener for the remainder of Ms. Scrivener's term, which ends December 31, 2022. Mr. Jacobs seconded the motion. Motion passed by a roll call vote of 4-0.

D. Appointment to the Finance Oversight Committee

Mr. Olsen stated that the FOC supports the District and the Board by providing recommendations on rate adjustments and proposed budgets. The Committee has recently gone through some changes, the most recent being a member that resigned as they were moving out of the District. This leaves a vacancy on the Committee.

Peter Abraham, a District resident, has volunteered to serve on the Committee. He has 22 years of municipal water works experience and is a registered professional engineer. He is the current Water Utility Director for the Town of Oro Valley where he has been instrumental in the forward trajectory of NWRDRS. Mr. Abraham's uniquely relevant knowledge is perfectly suited for service on the FOC.

Mr. Jacobs moved to appoint Peter Abraham to the Finance Oversight Committee. Mr. Sarti seconded the motion. Motion passed by a roll call vote of 4-0.

E. Approval of Large Meter Vault Replacements

Mr. Olsen stated that the number 5 priority in the current year capital improvements program is the replacement of deteriorating fiberglass large meter vaults with concrete vaults that have a galvanized steel lid. So far, 6 of the 13 vaults have been replaced and the current adopted budget allocated \$49,000 to complete the remaining 7 vaults. Based on the quotes obtained from three vendors, the costs of concrete have increased precipitously and we will only be able to replace 5 or 6 vaults this fiscal year. This would result in the remaining 1 or 2 vaults rolling into next fiscal year. The specific number of vaults will be determined based on the exact measurements.

Mr. Sarti moved to approve the large meter vault replacements as presented by staff and to authorize staff to proceed with the project using the budgeted funds not to exceed \$49,000. Mr. Jacobs seconded the motion. Motion passed by a roll call vote of 4-0.

VI. General Manager's Report

Mr. Olsen stated that a key provision of the Lower Basin Drought Contingency Plan (DCP) is that if any 24-month study for the minimum probable inflows projects that Lake Mead will be at or below 1,030 feet anytime within the succeeding two years, the Secretary of the Interior and the Lower Basin states shall consult and determine what additional measures will be taken to protect against the potential for elevations in Lake Mead to decline below 1,020 feet above sea level. The Bureau of Reclamation's August 2021 24-month study triggered this clause.

Since then, the Lower Basin Parties have been meeting to develop a plan for additional voluntary commitments to conserve/contribute additional water in Lake Mead from Arizona, California, Nevada and the United States Government. The plan that was created is being referred to as the Lower Basin 500-plus plan where the Parties agreed to voluntarily conserve an additional 500,000 AF, beyond the requirements of DCP, annually in Lake Mead. Initially this would be for two years but the goal is to continue this water conservation through 2025. This additional conservation would keep the Lake above 1,020 feet in all but the bottom 10th percentile. Arizona's targeted conservation goal is 223,000 AF annually, with the Central Arizona Water Conservation District (CAWCD) soliciting 93,000 AF of conservation from its users.

In order to obtain the necessary water for the Lake, compensated system conservation (CSC) agreements are being drafted. As the Board knows, currently the only CSC agreement CAWCD has with an M&I subcontractor is with the District for 3,500 AF throughout the duration of DCP. We were informed by CAP staff that the agreement with the District was used as a template for

the new CSC agreements that will be used throughout the Lower Basin. CAP is offering \$261.50 per AF under the new CSC, which is substantially higher than the current agreement with the District. CAP initially asked for letters of interest in November from those wishing to participate. Our response stated that the District would exercise its option to forgo participation in our current CSC agreement and to instead move the 3,500 AF to the new 500-plus agreement in each year that the 500-plus plan is in place. Mr. Olsen authorized this response as the Board already authorized 3,500 AF of CSC with CAWCD until 2026 and the new agreement would generate approximately an additional \$550,000 annually. Also, our response did not change the quantity of the District's CSC water. Depending on how year one of the agreement goes, an item may be brought to the Board for consideration to adjust our CSC quantities in future years. CAP initially closed their solicitation in November but decided to extend the deadline for another two weeks in order to obtain the necessary voluntary contributions. We anticipate that we will be hearing more regarding the next steps at Colorado River Water Users Association (CRWUA) and the Board will be informed of CAWCD's response.

Last week, I received word from one of my contacts in Phoenix that the League of Arizona Cities and Towns was pursuing legislation that could substantially impact the District. Specifically, rewriting statute so that any portion of a water or wastewater district that is within the boundaries of a City or Town, or annexed by a City or Town, could be dissolved with the assets, customers, staff, and infrastructure taken over by the City or Town. As Arizona's largest Domestic Water Improvement District (DWID), this certainly gave me concern. It appears that the catalyst for this statute change is a DWID within the boundaries of the City of Maricopa and a dispute over capacity. As such, I reached out to our Southern Arizona Water Users Association (SAWUA) lobbyist to see if there was any way to prevent unintended consequences, specifically as about 450 of our Metro Main customers are within the Towns of Oro Valley and Marana. Today, the SAWUA lobbyist informed me that the City of Maricopa and the League are tentatively willing to work with the District to modify the draft language in order to exclude the District. I will meet with the stakeholders next week to hopefully finalize these changes to protect the District.

The members of our Utility Customer Service crew wanted to express their appreciation to the Board for your historical support in funding performance-based merits and cost of living increases, as well as the Board's decision this year to not increase employee medical and dental insurance premiums. While their appreciation is echoed by all staff, the crew wanted to give the Board a thank you card.

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 January 10, 2022.

IX. General Comments from the Public

There were no comments from the public.

X. Adjournment

The meeting adjourned at 6:26 p.m.

Chair of the Board

Theo Fedele, Clerk of the Board