

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

MONDAY, DECEMBER 11, 2023

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

MINUTES

Board Members Present: Lee Jacobs, Chair
Scott Schladweiler, Vice Chair
Jim Doyle, Member (Participated Electronically)
Bryan Foulk, Member
Richard Sarti, Member

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

Executive Session

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 5:30 p.m. Jim Doyle, Bryan Foulk, Lee Jacobs, Richard Sarti, and Scott Schladweiler were present.

I. Executive Session for the Discussion of the Annual Performance and the Employment Contract of the General Manager. Pursuant to §38-431.01.A.1

Mr. Foulk moved to adjourn into Executive Session. Mr. Schladweiler seconded the motion. Motion passed by a roll call vote of 5-0. The Board adjourned into Executive Session at 5:31 p.m.

The Executive Session concluded at 6:18 p.m.

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 6:20 p.m. Jim Doyle, Bryan Foulk, Lee Jacobs, Richard Sarti, and Scott Schladweiler were present.

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

Mr. Foulk moved to approve an employment contract with Mr. Olsen with a term of January 1, 2024 to December 31, 2032. Mr. Schladweiler seconded the motion. Motion passed by a roll call vote of 5-0.

III. General Comments from the Public

There were no comments from the public.

IV. Consent Agenda

- A. Approval of Minutes – March 13, 2023 Board Meeting**
- B. Ratification of Billing Adjustments**
- C. Ratification of Accounts Removed from Active Accounts Receivable**

Mr. Schladweiler moved to approve the consent agenda. Mr. Foulk seconded the motion. Motion passed by a roll call vote of 5-0.

V. General Business – Items for Discussion and Possible Action

A. Monthly Status of the District

Mr. Olsen stated that the combined fiscal year-to-date consumption continues to trend higher when compared to last year for all service areas with a 10.8% increase in Metro Main, a 12.1% increase in Metro Hub, and a 2.1% increase in Metro Southwest.

The construction of the Arizona Department of Environmental Quality (ADEQ) funded Advanced Oxidation Process (AOP) treatment facility at South Shannon is essentially complete and commissioning is scheduled to begin next week.

The remaining 102 acre-feet (AF) of the District's order will actually be delivered to BKW groundwater savings facilities, which was coordinated after the finalization of the Monthly Status. This provides additional revenue for the District in the form of in-lieu rebates. The remaining 722 AF of the City of Phoenix's water will be stored in Avra Valley Recharge Project (AVRP) by the end of the calendar year.

Mr. Shepard 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 E&T 22 well replacement, the Ironwood blend well, the new Linda Vista Well Deepening, and the Burton Drive and Rose Marie Lane galvanized pipe replacements.

B. Financial Report

Ms. Bracken stated that revenue and expenditures for October were both favorable when compared to a straight-line projection with revenue \$1,211,229 over budget and expenditures \$53,976 under budget. The revenue in excess of expenditures is favorable by \$1,265,205. When comparing the total revenue to the same month in the prior fiscal year, revenue in October was higher by 16.89% or \$1,434,020. The metered water revenue is higher by 14.33% or \$981,802 when compared to the same month in the prior fiscal year. The historic average of budgeted water revenue billed by the end of October is 39% and the District billed 38.88% of the budgeted metered water revenue as of the end of October. The operating expenditures in October were \$475,431 higher than they were at the end of October in the prior fiscal year. The November cash deposit balance was \$40,184,919.72, which is \$3,474,669.40 higher than the October balance with \$1,250,000 of investments maturing. The investments as of the end of November totaled \$15,778,113.56, which is \$595,317.86 lower than the October balance.

The Arizona State Treasurer Pooled Collateral Program Statement for October included \$21,255,803.05 of cash on deposit with collateralization coverage of \$21,170,919.11 in addition to the \$500,000 FDIC coverage.

The Capital One Bank MasterCards were used to purchase \$28,310.90 on the November statement with up to 1.25% cash back earnings. The inception-to-date cash back total is \$24,791.83.

Two-new meter applications were received in November with one application for the Metro Main service area and one application for the Metro Southwest service areas. There were three new meter applications received in November of the prior fiscal year. Fiscal year-to-date, 35-meter applications have been received compared to 50 at the same time in the prior fiscal year.

On December 5, 2023, the District closed on two Water Infrastructure Finance Authority of Arizona (WIFA) principal forgiven loans for DeConcini Well in the amount of \$375,791 and for the Riverside Crossing Well in the amount of \$364,791. With these loans finalized, the total principal forgiveness WIFA has provided to the District totals \$3,786,102. This does not include the additional \$3 million awarded to the District through the Water Conservation Grant. District staff are very grateful to receive some of the federal Bipartisan Infrastructure Law funding through the State Revolving Fund. Staff are also pleased to have been awarded a \$2 million grant from the Bureau of Reclamation for the meter replacements and customer portal software.

C. Right of Use Lease Assets Policy and Right of Use Subscription Assets Policy

Note: Mr. Foulk departed at 6:33 p.m.

Ms. Bracken stated that the Governmental Accounting Standard Board (GASB) announced GASB Statement 87, Leases, and GASB Statement 96, Subscription Based Information Technology (IT) Arrangements, to better meet the information needs of financial statement users by improving accounting and financial reporting.

The District has implemented GASB 87 and GASB 96 and Fiscal Year 2023 audited financial statements included both GASB 87 and GASB 96 reporting requirements.

The District currently has 40 Leases with 39 vehicle leases and one solar system lease reported under GASB 87. There are two subscription-based assets agreements one with UniTrend and one with Visual Leases, which is for the software to account for these two new GASB requirements. The result is additional assets totaling \$606,935 net of accumulated amortization and additional liabilities totaling \$693,437 for a \$56,502 increase to liabilities on the financial statement.

The Policies establish accounting and financial controls outlining the purpose, definitions, management, reporting, and accounting for Right of Use Leases and IT assets to ensure the District is properly managing these District assets.

Mr. Schladweiler moved to approve the Right of Use Lease Assets Policy and the Right of Use Subscription Assets Policy as presented with an effective date of December 11, 2023. Mr. Sarti seconded the motion. Motion passed by a roll call vote of 4-0.

D. Approval of the Purchase of the VertexOne (Watersmart) Customer Portal

Mr. Olsen stated that to support the upgrade of the Metro Main service area to Advanced Metering Infrastructure (AMI) meters and to implement a customer portal showing water usage patterns for all customers, the District received a total of \$5 million in grant funding from Bureau of Reclamation and WIFA. The portal that has been historically used by water providers to provide this data is the WaterSmart portal, now known as VertexOne. Given VertexOne's capability to provide the real time notifications on leaks and abnormal water usage, the compatibility with the District's Itron AMI network, and that over 350 utilities, including those in the Tucson Region, are successfully using this platform, it is recommended that the Board approve a sole source selection for this platform.

The proposed motion includes the initial startup costs and the first-year subscription fee. Per the District's Procurement Policy, the District would continue this agreement if annual increases are justified and reasonable. Should costs escalate beyond that which is deemed reasonable, or if the platform is not meeting the goals of the District, a new action would be brought to the Board for consideration.

Discussion ensued with staff answering the Board's questions

Mr. Sarti moved to approve and authorize the District to purchase the VertexOne Platform for the subscription-based software, in an amount not to exceed \$68,621.30 for the first year with an annual escalator of 3%, and pass-through costs associated with these services in an amount not to exceed \$2,500 per year. Mr. Schladweiler seconded the motion. Motion passed by a roll call vote of 4-0.

E. Award of Construction Contract Northwest Recharge, Recovery, and Delivery System Independent Transmission Main, Phases 2 & 3 and the Ironwood Pipeline from the Ironwood Well Site to Herb Johnson Reservoir (M 19 021 and M-23-010)

Mr. Olsen stated that at the November Board meeting, the partnered portion of NWRDSD was awarded as a Construction Manager at Risk (CMAR). Today, the Board is asked to consider awarding the District-only portion of NWRDSD that includes approximately 4.75 miles of transmission line from the partnered portion to the Herb Johnson reservoir, including the Ironwood

well collector line. The project was advertised as a low bid solicitation and the District received six bids. The lowest bid was from Granite Construction Company in the amount of \$8,218,176.23. This cost includes the anticipated jack and boring under Thornydale Road. The engineering estimate was accomplished by an external engineering consultant, per the District's Debt Management Policy. When escalating that estimate to the current year, the estimate was \$8,739,330, or 6% more than the lowest responsive bid.

Granite meets the requirements as a responsive and responsible bidder and it is recommended that the Board award this project to Granite.

Discussion ensued with staff answering the Board's questions

Mr. Schladweiler moved to award a construction contract to Granite Construction Company in the amount of \$8,218,176.23 for construction of Bid Alternate B for the Northwest Recharge, Recovery, and Delivery System Independent Transmission Main, Phases 2 & 3 and the Ironwood Pipeline from the Ironwood Well Site to Herb Johnson Reservoir and to authorize the General Manager to allocate additional funding in a cumulative amount not to exceed \$250,000 and increase the original construction contract term in a cumulative amount not to exceed sixty (60) calendar days. Mr. Sarti seconded the motion. Motion passed by a roll call vote of 4-0.

F. Authorizing Payment to Pima County for Riparian In-Lieu Fee for the Northwest Recharge, Recovery, and Delivery System Independent Transmission Main, Phases 2 & 3 and the Ironwood Pipeline from the Ironwood Well Site to Herb Johnson

Mr. Olsen stated that the District-only portion of the NWRRDS transmission line crosses portions of flood planes that includes riparian areas. Per Pima County Code, a mitigation is required for unavoidable impacts to regulated riparian habitat. The fee for off-site mitigation for this project is \$59,760 and it is recommended the Board authorize the payment of this fee which exceeds my authority per the District's Procurement policy.

Mr. Sarti moved to authorize payment of \$59,760.00 to Pima County for the riparian in-lieu fee assessed by the Pima County Regional Flood Control District. Mr. Schladweiler seconded the motion. Motion passed by a roll call vote of 4-0.

VI. General Manager's Report

Mr. Olsen stated that on November 29, 2023, he attended the final Governor's Water Policy Council meeting for calendar year 2023. At that meeting, the Council members reviewed and forwarded three proposals for the Governor to consider supporting predominantly via legislation.

The three items were clarifying the definition of a wildcat subdivision and increasing penalties for noncompliance, creation of a Rural Groundwater Management Framework to provide local control and accountability of groundwater utilization, and measuring/reporting for groundwater users outside of Active Management Areas (AMA) to have data to quantify supply and demand imbalances throughout Arizona. These items join the two that were already forwarded to the Governor's office for review, which were alternate pathway to designation and build to rent housing.

The next steps will involve stakeholder feedback and/or legislation for these five items. Legislators in both chambers have already introduced placeholder bills for the majority of these items.

Last week, Mr. Olsen attended the Arizona Water Banking Authority (AWBA) Commission meeting where the Committee discussed a number of issues on recovery and the Colorado River. The most important was Arizona's proposal, that has gained lower basin support, for the future operational guidelines for the Colorado River. While most of you will hear more later this week at tiers at Colorado River Water Users Association (CRWUA), the proposal removes the tie to shortage from the levels in Lakes Mead and Powell and instead relies on the overall system contents of the Colorado River storage infrastructure. The system contents would then be applied to a sliding scale where the lower basin states would take initial shortages until a point where the structural deficit further reduces lower basin allocations on an annual basis. After the entire structural deficit is taken into account, the slope of decreased allocations would then be shared between both basins. The details will need to be worked regarding specific trigger points in system contents and the percentage of allocation between each state and Mexico, but hopefully this is a proposal that can start to form consensus given that Reclamation needs the proposal by around March of 2024 in order for them to accomplish the EIS in time to implement the post 2025 guidelines.

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 8, 2024.

IX. General Comments from the Public

There were no comments from the public.

X. Adjournment

The meeting adjourned at 6:51 p.m.

Lee Jacobs, Chair of the Board

Theo Fedele, Clerk of the Board