

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

MONDAY, DECEMBER 12, 2022

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

MINUTES

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

Board Members Not Present: Richard Sarti, Chair

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

Executive Session

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 5:33 p.m. Jim Doyle, Bryan Foulk, Lee Jacobs, and Scott Schladweiler were present. Richard Sarti was not present.

- 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. Foulk moved to adjourn into Executive Session. Mr. Schladweiler seconded the motion. Motion passed by a roll call vote of 4-0. The Board adjourned into Executive Session at 5:35 p.m.

The Executive Session concluded at 6:07 p.m.

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 6:13 p.m. Bryan Foulk, Lee Jacobs, and Scott Schladweiler were present. Jim Doyle (arrived at 6:14 p.m.) was not present when the Regular Session Meeting was called to order.

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

Mr. Foulk moved to support Mr. Olsen's continued leadership of the District and concur with his request to not receive a performance-based merit increase this year as merits were not funded for staff in the current fiscal year budget. Mr. Schladweiler seconded the motion. Motion passed by a roll call vote of 3-0.

III. General Comments from the Public

There were no comments from the public.

IV. Consent Agenda

- A. Approval of Minutes – November 14, 2022 Board Meeting**
- B. Ratification of Billing Adjustments**
- C. Approval of Regular Board Meetings in 2023**

Mr. Schladweiler moved to approve the consent agenda. Mr. Foulk seconded the motion. Motion passed by a roll call vote of 3-0.

Mr. Doyle arrived at 6:14 p.m.

V. 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 0.5% lower in Metro Main, 1.5% lower in Metro Hub, and 8.8% higher in Metro Southwest. This can be

explained by the ongoing growth and development in the Metro Southwest – Diablo Village service area. When all service areas are taken into account, the current fiscal year-to-date consumption is 0.03% lower so consumption is trending overall in line with last year.

Following last month's Board meeting, staff responded to the Bureau of Reclamation's (BOR) call for requests on the Compensated System Conservation (CSC). Based on the District's previous CSC agreements and discussions with the Board, we offered 5,000 acre-feet (AF) annually for 2023-2025 at a rate of \$400 per AF with the remaining portion of the District's allocation delivered to Groundwater Savings Facilities (GSF). Should the BOR reduce allocations, the reduction amount would decrease the 5,000 AF the District offered and was to be compensated. A media inquiry was received last month regarding the District's CSC plan but, as we volunteered our water at the published rate offered by BOR, without specific stipulations of actions by other basin states, we did not make the newspaper.

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, and the new Linda Vista well deepening.

B. Financial Report

Mr. Oman stated that revenue and expenditures through October are both favorable when compared to a straight-line projection. Revenue is \$679,438 over budget and expenditures are \$345,816 under budget. Revenue exceeds expenditures by \$1,025,254. Compared to the prior fiscal year, revenue through October was higher by \$33,919 and operating expenditures were higher by \$178,819. Historically, by the end of October, the District has billed 39% of the budgeted water revenue. Through October for the current fiscal year, 36.65% of the budgeted water revenue has been billed to our customers, so 2.35% lower than average. The November cash deposit balance was \$26,111,987.97, which is \$1,053,405.71 higher than the October balance. The investments balance at the end of November was \$20,107,683.81, which is \$96,854.96 higher than the October 31, 2022 balance.

The Arizona State Treasurer Pooled Collateral Program for October includes \$15,192,269.99 of cash on deposit with collateralization coverage of \$14,986,115.39, which is in addition to the \$500,000 FDIC coverage.

The District received three new meter applications for the Metro Main service area. This brings the total new meter applications for the year to 50 versus 60 new applications at the same time in the prior fiscal year.

C. Approving Resolution 2022-12 Authorizing the Execution and Delivery of a Loan Agreement with the Water Infrastructure Finance Authority of Arizona for the Booster Station and Phases 1, 2, And 3 of the Recovery Pipeline for the Northwest Recharge, Recovery & Delivery System Metro-only Project

Mr. Olsen stated that at the January 2022 Board Meeting, the Board adopted Resolution 2022-1 authorizing the District to incur debt through the execution of a loan agreement with the Water Infrastructure Finance Authority (WIFA) for the Metro-only components of NWRRDS. To finalize and close on these loans, another resolution is required by the Board authorizing the execution and delivery.

The District's legal counsel, Mr. Patton, caught a minor error in the resolution when he was doing his legal review. As the "not to exceed interest rate" was constantly changing as staff navigated the various versions of the resolution, the version in the Board packets show the "not to exceed interest rate" as three percent with a parenthetical numerical 3.4% shown afterward. The correction has been made to the resolution with both the written and the numerical percentage as not to exceed 3.4%.

Mr. Oman stated that the terms on the Metro-only NWRRDS project will be a 10-year loan, with full payment available after five years. This NWRRDS project is part of the 5-year CIP plan, and the plan has always been to obtain outside funding for the project. As a result of this loan agreement, the cost of the project will be reduced by \$1,532,500. The loan amount will be \$14,198,283, but interest will only be paid on \$12,665,783. The interest rate will be subsidized by 20%, thus reducing the District's cost by at least \$400,000 in interest over the 10-year life of the loan.

Mr. Foulk moved to approve and adopt Resolution 2022-12 authorizing the District to execute the loan agreement with the Water Infrastructure Finance Authority of Arizona in an amount not to exceed \$14,198,283 under the terms specified in the loan agreement for construction of the Northwest Recharge, Recovery, and Delivery System Booster Station and Pipeline, Phases 1, 2, & 3, 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 4-0.

VI. General Manager's Report

Mr. Olsen stated that last month the Board authorized the resolutions to close on the WIFA loans for E&T 22 replacement well and the Ironwood blend well and transmission pipeline. In her post-retirement, Diane Bracken, the District's Chief Financial Officer, reviewed the terms of the loans and corrected last second errors that would have otherwise financially impacted the District on repayment terms. Ms. Bowen hand delivered these loan documents to the WIFA office last Thursday in preparation for a Friday closing. The final interest rate was 2.04%.

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 9, 2023.

IX. General Comments from the Public

There were no comments from the public.

X. Adjournment

The meeting adjourned at 6:33 p.m.

Richard Sarti, Chair of the Board

Theo Fedele, Clerk of the Board