

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

MONDAY, AUGUST 15, 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) at 6:10 p.m.
Lee Jacobs, Vice Chair
Jim Doyle, Member (Participated Electronically)
Bryan Foulk, Member (Participated Electronically) at 6:05 p.m.
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, Lee Jacobs, and Scott Schladweiler were present. Bryan Foulk (arrived at 6:05 p.m.) and Richard Sarti (arrived at 6:10 p.m.) were not present when the meeting was called to order.

II. General Comments from the Public

There were no comments from the public.

III. Consent Agenda

- A. Approval of Minutes – July 11, 2022 Board Meeting**
- B. Ratification of Billing Adjustments**

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

IV. General Business – Items for Discussion and Possible Action

A. Monthly Status of the District

Mr. Olsen stated that with only one month of water consumption data in Fiscal Year 2023, demand for July 2022 is lower than July 2021 with a 5.2% decrease in Metro Main, a 5% decrease in Metro Hub, and a 4.5% decrease in Metro Southwest.

With the completion of the Avra Valley Recharge Project (AVRP) upgrades, staff has been incrementally increasing the flow of water into the recharge basins to determine the new operational capacity of the facility. Flow rates that would result in nearly 1,000 acre-feet (AF) a month in deliveries have yet to wet the entire basins. The 1,000 AF a month is noteworthy as the facility is permitted at 11,000 AF annually and the Central Arizona Project (CAP) canal is typically down for a month each year for maintenance. The facility has historically been limited by operational constraints that result in storage of approximately 8,000 AF annually, leaving substantial unused permit capacity. There still needs to be more function testing of the facility but it is hopeful that the greater flows will not only increase the operational capability up to that of the permitted capacity, but to also provide operational flexibility during periods of longer planned maintenance in the CAP delivery infrastructure.

Mr. Shepard provided an update on noteworthy maintenance projects.

Ms. Bowen provided an update the Metro-only portion of the Northwest Recharge, Recovery and Delivery System (NWRDSD) Project and the Ironwood blend well.

Mr. Foulk arrived at 6:05 p.m.

B. Financial Report

Ms. Bracken stated that revenue for Fiscal Year 2022 was favorable when compared to the Adopted Budget by \$1,191,416 with a total of \$24,289,038. Expenditures for the fiscal year were \$1,385,051 lower than budgeted. The revenue in excess of expenditures for Fiscal Year 2022 is favorable by \$2,576,467. When compared to the prior fiscal year, the total revenue is lower by \$1,813,383 or 6.95%. Metered Water Revenue is 2.42% or \$479,692 lower than the prior fiscal year. The operating expenditures are \$196,942 higher than they were in the prior fiscal year. The

July cash deposit balance was \$24,315,996.52, which is \$2,645,900.49 higher than the June balance with one million dollars of investments maturing, additional credit card payments received, and receipt of the 500 Plus Plan payment of \$915,600. This balance is \$1,123,246.33 higher than the balance as of July 31, 2021. The investment balance as of the end of July was \$18,483,983.05 compared to the June balance of \$19,173,019.39 with one million dollars of investments maturing on July 22, 2022, and not reinvested by July 31, 2022. The total investment balance is \$6,272,725.87 higher than the July 31, 2021, balance.

The Arizona State Treasurer Pooled Collateral Program Statement for June included \$11,698,228.40 of cash on deposit with collateralization coverage of \$11,422,192.97 in addition to the \$500,000 FDIC coverage.

The Capital One Bank MasterCards were used to purchase \$39,880.24 on the July statement with up to 1.25% cash back earnings. The cash back received from transactions processed in June totaled \$277.52 or 0.96% with an inception-to-date cash back total of \$19,407.15.

Five new meter applications were received in July for the Metro Main service area. There were 21 new meter applications received in July of the prior fiscal year.

The Independent Auditors from HintonBurdick completed their field work last week and reported a clean audit for both the internal controls and all financial data.

Mr. Sarti arrived at 6:10 p.m.

C. Approval of Change Order No. 1 to the Fixed Network Meter Reading Software Upgrade

Mr. Olsen stated that at the March 2022 Board Meeting, the Board approved the Fixed Network Meter Reading Software upgrade in the amount not to exceed \$62,199.92. After the kickoff meeting, it was determined that Master Data Import (MDI) Adapter that was custom developed ten years ago poses challenges to the upgrade. Staff even expended a significant amount of hours researching SQL programming to try to resolve the issues but were unsuccessful. Given the effort has already occurred, and the need to have a functioning MDI Adaptor to ensure a functioning fixed network upgrade, it is recommended that the Board approve Change Order No. 1 in the amount of \$7,016 for Itron to install their standard MDI Adaptor. This change order will move the total project cost from \$62,199.92 to \$69,215.92.

Mr. Schladweiler moved to approve Change Order No. 1 with Itron for the Fixed Network Meter Reading Software Upgrade increasing the not-to-exceed amount of the contract by \$7,016.00 for

a new project total of \$69,215.92. Mr. Doyle seconded the motion. Motion passed by a roll call vote of 5-0.

D. Metropolitan Domestic Water Improvement District's Drought Preparedness and Response Plan

Mr. Olsen stated that the Southwest region has been in an ongoing drought for over 22 years. The District has Drought Preparedness Response Plan in place but the Plan did not include the specific criteria on when the various actions were to take place. Wally Wilson, the District's Water Resources Manager, did a great job putting together this Drought Preparedness Response Plan.

The stages in the new drought plan are determined on the combination of shortage levels and the annual decline of the overall groundwater levels in the District service areas. A Stage 1 Alert is when Lake Mead is below 1075 feet and the District's average water level declines over 1.0 foot annually. Unlike other municipalities, the District does not have measures to enforce conservation efforts. Instead, we will work to motivate customers to conserve water through education and working with other water providers. A Stage 2 Warning is when Lake Mead falls below 1050 feet, which also triggers a Tier 2a shortage, and the average level of decline at the District of over 2.0 feet annually. The previous items are put into place as well as sending information to customers requesting that they irrigate outside of the hottest times of the day and asking hotels and other industries to initiate green measures for conserving water. A Stage 3 Emergency is when Lake Mead falls below 1045, which also triggers a Tier 2b shortage, and the District wide average groundwater level declines are over 3.0 feet annually. The District would then determine if an increase in the cost of water is needed such as a drought surcharge to the Tier 4 of the rate structure and continue communicating with customers on the importance conserving water. A Stage 4 is when Lake Mead falls below 1,025 feet and the groundwater level declines are over 4.0 feet annually. The District would then continue the previous effort and actions as well ask that customers to only irrigate trees and shrubs.

Mr. Wilson stated that he had been coordinating with Tucson Water and other municipalities in a local drought impact group. Conversations included updating their respective drought plans and finding a balance and cohesiveness in Stage levels and conservation efforts across Pima County.

It is recommended that the Board approve the updated Drought Preparedness Response Plan and also declare that the District is in a Stage 1 Alert.

Discussion ensued with questions asked and answered by Mr. Olsen and Mr. Wilson regarding the District's annual declines and the trends, groundwater and recharge activities, and the Tier shortages in Lake Mead.

Mr. Sarti moved to adopt the Metropolitan Domestic Water Improvement District's updated Drought Preparedness and Response Plan and to declare a Stage 1 Drought Response as described in the Drought Preparedness and Response Plan. Mr. Foulk seconded the motion. Motion passed by a roll call vote of 5-0.

E. Approval of Amendments to Groundwater Savings Storage Agreements with BKW Farms, Inc., Cortaro Water Users' Association, and Kai Farms Red Rock

Mr. Olsen stated that Groundwater Saving Facilities (GSF) are a critical water resource management strategy for the District where a portion of the District's CAP allocation is delivered to farmlands near the CAP canal in-lieu of the farms pumping groundwater. The District also receives equal water credits in return along with a GSF rebate of \$12 per AF. Each year, these mutually beneficial relationships provide additional financial resources equivalent to approximately 450 AF of CAP water at current rates. It is recommended that the Board approve a GSF storage Amendments with BKW Farms, Cortaro Water User's Association, and Kai Farms for the storage of 500 AF, 7,960 AF, and 1,500 AF respectively. After 3,500 AF is taken into account for the Compensated System Conservation agreement, the goal is that the remaining 9,960 AF of the District's 2023 CAP allocation is stored in GSFs. This would generate \$120,000 in revenue for the District in GSF storage rebates and save approximately \$170,000 compared to if this water was otherwise stored in constructed recharge projects.

Mr. Schladweiler moved to approve the three Amendments between the District and the Groundwater Saving Facilities: BKW Farms, Inc., Cortaro Water Users' Association, and Kai Farms Red Rock for "In-Lieu Water Deliveries and Storage" for calendar year 2023. Mr. Doyle seconded the motion. Motion passed by a roll call vote of 5-0.

F. Discussion and Possible Cancellation of the November Election for Board Members

Mr. Olsen stated that the Board previously approved a Call of the Election Resolution for the three upcoming Board vacancies. The three current Board Members, James O. Doyle, Richard Sarti, and Scott Schladweiler, whose terms are expiring the end of this year, filed the appropriate write-in candidate paperwork with Pima County Elections. It is recommended that the Board request that the Pima County Board of Supervisors cancel the November 2022 election and appoint the three candidates who filed to serve on the District Board of Directors. Canceling the election will also save the District \$26,000 in budgeted election costs.

Mr. Schladweiler moved to approve requesting that the Pima County Board of Supervisors cancel the November 2022 election for three District Board Members and appoint the three candidates

who filed to serve on the District's Board, pursuant to A.R.S. § 48-1012(E), and to authorize the General Manager to send a letter to the Pima County Board of Supervisors conveying the Board's request. Mr. Foulk seconded the motion. Motion passed by a roll call vote of 5-0.

VI. General Manager's Report

Mr. Olsen stated that as mentioned under a previous agenda item, it is anticipated that tomorrow the Bureau of Reclamation will release the 24-month study that models anticipated levels for Lake Mead and Lake Powell for the end of December. This study is used to determine the shortage condition for the following calendar year. Previous modeling suggests that the Bureau will most likely declare a Tier 2a shortage in the Colorado River system, which occurs when the elevation of Lake Mead is between 1,045 feet and 1,050 feet above sea level. The study could also show a Tier 2b shortage as the previous modeling was on the margin between the two Tiers. In a Tier 2a shortage, Arizona's Colorado River allocation is cut by 592,000 AF, on top of the approximately 224,000 AF anticipated to be contributed in the 500-Plus plan for Arizona. In a Tier 2b shortage, which is less than 1,045 feet, there would be no additional impacts on Arizona's allocation but California will have their first cut of 200,000 AF. While the District would not have their CAP allocation reduced in a Tier 2a shortage, this does not take into account further reductions directed by the Bureau Commissioner who directed an additional reduction of between 2 million and 4 million AF annually to bring the river into alignment with supply. It is anticipated that a decision will be made on how those additional cuts will be allocated shortly following the release of the 24-month study. Mr. Wilson and I will then bring a presentation to the Board on our updated water resources portfolio.

Last week, staff joined me in a joint coordination meeting with CAP's leadership team. CAP staff implemented this effort to have a meeting with each M&I subcontract holder so the two entities can share information about their respective organizations including organizational structure, budgetary information, water portfolio, and growth. This meeting was a very beneficial two hours of information sharing and CAP's outreach efforts is appreciated.

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 September 12, 2022.

IX. General Comments from the Public

There were no comments from the public.

X. Adjournment

The meeting adjourned at 6:45 p.m.

Richard Sarti, Chair of the Board

Theo Fedele, Clerk of the Board