

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

WEDNESDAY, OCTOBER 15, 2025

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

MINUTES

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

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

Regular Session

I. Call to Order and Roll Call

Mr. Schladweiler, 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

There were no comments from the public.

III. Consent Agenda

- A. Approval of Minutes – September 8, 2025 Board Meeting**
- B. Ratification of Billing Adjustments**
- C. Ratification of Accounts Removed from Active Accounts Receivable**

Mr. Jacobs 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-to-date was 3.5% higher in Metro Main, 17.1% higher in Metro Hub, and 2.7% higher in the Metro Southwest service areas. All of the City of Phoenix's 7,200 acre-feet (AF) of inter-AMA firming water ordered for calendar year 2025 has been delivered and recharged at Avra Valley Recharge Project (AVRP). Of the District's 8,460 AF Central Arizona Project (CAP) order, 6,756 AF has been delivered to groundwater savings facilities with the remainder anticipated to be delivered by the end of the year.

Mr. Sanders provided an update on noteworthy maintenance projects.

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

Discussion ensued and staff answered questions.

B. Financial Report

Ms. Bracken stated that revenue and expenditures through August are both favorable when compared to a straight-line projection. Revenue is \$302,699 higher and expenditures are \$139,439 lower than a straight-line projection. The revenue in excess of expenditures is favorable by \$442,138. When comparing the total revenue to the same month in the prior fiscal year, revenue as of August was lower by 1.35% or \$70,297. The historic average of budgeted water revenue billed through the end of August is 19.5% and the District billed 19.62% of the budgeted metered water revenue. Development revenue and water storage are both under budget when compared to a straight-line projection. The operating expenditures as of the end of August were \$30,953 higher than they were at the end of August in the prior fiscal year. The September cash deposit balance was \$47,520,877.27, which is \$4,294,019.40 higher than the August balance. The September cash deposits includes \$2 million from the Bureau of Reclamation for Compensated System Conservation on 5,000 AF of water storage, and \$1,061,904.02 of 3M, PFAS Settlement Funds received. The investments as of the end of September totaled \$10,554,172.08, which is \$177,695.81 higher than the August balance.

The Arizona State Treasurer Pooled Collateral Program Statement for August included deposits totaling \$31,285,170.12 in the Statewide Pooled Collateralization Program.

The Capital One Bank MasterCards were used to purchase \$30,396.59 on the August statement with up to 1.25% cash back earnings. The inception-to-date cash back total is \$31,507.43.

There were 2-meter applications received in September, for the Metro Main service area. There were 6 new meter applications received in September of the prior fiscal year. Fiscal year-to-date, 7-meter applications have been received compared to 45 at the same time in the prior fiscal year.

C. Approval of Audit for Fiscal Year 2025

Ms. Bracken stated that HintonBurdick CPA's and Advisors, the District's independent auditors, have examined the District's financial records, accounts, business transactions, accounting practices, and internal controls for Fiscal Year 2025.

The independent auditors are required to issue the Board of Directors a report expressing a professional opinion about the District's financial practices; specifically, whether the financial statements: "fairly present the financial position of the organization" without any inaccuracies or material misrepresentations.

HintonBurdick has issued an opinion starting on page one. Paraphrasing, they stated that the District Financial statements are presented fairly, in all material respects, and they properly represent the financial position of the District as of June 30, 2025, and June 30, 2024. You are welcome to read this document to better understand what is reviewed and the standards that must be followed to achieve this opinion.

Since the District received more than \$750,000 of Federal funding in Fiscal Year 2025, a Single Audit is required. The Single Audit will be finalized after the Office of Management and Budget releases the 2025 compliance supplemental information that could contain changes to the single audit testing guidelines to be followed by the Auditors. These statements will be presented to the Board when the guidance requirements are available.

District staff opted for an early implementation of Governmental Accounting Standards Board (GASB) 101 in Fiscal Year 2025 in place of waiting until Fiscal Year 2026. This increased the compensated absence liability by \$153,255.29, with the required inclusion of estimated sick time to be used within the next 12 months along with FICA and Medicare taxes on the total liability.

Governmental type audits with no findings are an extremely rare occurrence due to the complexities inherent to public sector financial management and compliance requirements. The District has had no material findings in their audits starting in 2015 and continuing for the past eleven years. These clean Audits are the result of staff dedication and attention to details, along with implementing and continuously improving upon strong internal controls that build checks and balances into our processes and procedures. Ms. Bracken thanked all staff involved for doing a great job again this year.

The Statement of Net Position shows a total net position of \$180,662,731 which is an increase of \$23.52 million when compared to the prior fiscal year. Assets and deferred outflows of resources increased \$17.12 million and liabilities and deferred inflows of resources decreased by \$6.40 million. Total assets and deferred outflows totaled \$199,988,317 as of June 30, 2025.

Mr. Olsen stated that a clean audit is difficult to achieve and the District has accomplished this for eleven years straight. He thanked Ms. Bracken, Mr. Oman, the District's Financial Team, and many other District staff for their diligence and efforts to achieve the clean audit.

Mr. Sarti moved to approve the independent audit of the District's Financial Statements for Fiscal Year 2025 as presented. Mr. Foulk seconded the motion. Motion passed by a roll call vote of 5-0.

D. Authorizing an Easement Agreement with Fidelity National Title Agency, Inc., Trust No. 60,327 c/o Red Point Development for the Northwest Recharge, Recovery, and Delivery System Independent Booster Discharge Pipeline

Mr. Olsen stated that over the past ten years, the District has secured numerous easements to support the NWRRDS infrastructure. It was determined that a future drainage channel would be constructed, which impacts a portion of the District, the Town of Oro Valley, and the Town of Marana booster discharge pipeline that has yet to be constructed, requiring a realignment of that section. To support a realignment, a new easement is required. The property owner, Red Point Development, is amenable with providing the District with this additional easement if the District releases the easement that would intersect the drainage channel. It is recommended the Board take two actions, to authorize this new easement and to release the prior easement once the new easement is secured.

Mr. Foulk moved to authorize the General Manager to negotiate and execute an Easement Agreement with Fidelity National Title Agency, Inc., Trust No. 60,327 c/o Red Point Development. Mr. Jacobs seconded the motion. Motion passed by a roll call vote of 5-0.

Mr. Foulk moved to authorize the General Manager to execute and record a termination of easement document for any portion of the additional easement and the original easement upon the underlying land being converted to public right-of-way. Mr. Jacobs seconded the motion. Motion passed by a roll call vote of 5-0.

E. Northwest Recharge, Recovery, and Delivery System Authorization of Release of Easement

Mr. Olsen stated that this is another easement associated with the NWRRDS Program. During the external review process of the NWRRDS recovery pipeline by the Arizona Department of Transportation (ADOT), it was determined that the pipeline alignment would conflict with planned improvements in the Design Concept Report for future widening of I-10. These improvements would necessitate moving the NWRRDS pipeline in the future. The pipeline design has since been realigned and the District has secured immediate position for the remaining easement on August 25, 2025. This action is for the Board to authorize the release of the previous easement where the pipeline will no longer be located.

Mr. Foulk moved to authorize the General Manager to release the existing public water easement recorded in the office of the Pima County Recorder at sequence 20180220660. Mr. Jacobs seconded the motion. Motion passed by a roll call vote of 5-0.

F. Approval of the Generator Purchase for the District Office

Mr. Olsen stated that the number 2 priority investment to support the District mission in the current fiscal year is the installation of a generator to provide back-up power to the server room and the customer call center. This will ensure continued critical operations of the District during extended power outages. The adopted budget allocated \$77,500 for this effort. This item is for the approval to purchase an 80kW generator at the cost of \$57,588.17 from Empire Power Systems. Based on the anticipated cost of other elements required to complete this installation, it is estimated that the overall cost will exceed the budgeted amount by \$5,000. The difference would need to be covered by savings in other budgeted line items. It is recommended that the Board approve the purchase of the back-up generator for the District's Office.

Mr. Jacobs moved to approve the purchase of the office generator from Empire Power Systems in the amount not to exceed \$57,588.17 and to authorize the General Manager to approve up to an additional \$1,000.00 for any unforeseen deviations in taxes or shipping. Mr. Foulk seconded the motion. Motion passed by a roll call vote of 5-0.

G. Approval of Bids for Mobile Office Buildings for Metro Hub 1A and Metro Southwest – Diablo Village 2 Well Sites

Mr. Olsen stated that the number 6 and 7 priorities on the investments to support the District mission was the purchase of a new mobile office trailer for the Metro Hub 1A and the Metro Southwest – Diablo Village 2 well sites. These office trailers serve as key staging areas for staff assigned to these outlying areas and the current mobile offices have sustained ongoing damage from woodpeckers, rodents, and other critters. The new trailers are constructed of materials that would prevent such damage from occurring and will provide a safe and sanitary staging location for staff. It is recommended that the Board approve the responsive bid from Design Modulares for \$67,301.74 for each of these mobile office units. The amount budgeted for each trailer was \$79,588.00.

Discussion ensued and staff answered questions.

Mr. Foulk moved to approve the bid from Design Modulares Inc, for \$67,301.74 for the purchase of the new mobile office unit, and the removal and disposal of the existing structure, for the Hub 1A well site and to authorize the General Manager to approve up to an additional \$5,000 for any unforeseen construction costs. Mr. Jacobs seconded the motion. Motion passed by a roll call vote of 5-0.

Mr. Foulk moved to approve the bid from Design Modulares Inc, for \$67,301.74 for the purchase of the new mobile office unit, and the removal and disposal of the existing structure, for the Diablo Village 2 well site and to authorize the General Manager to approve up to an additional \$5,000 for any unforeseen construction costs. Mr. Jacobs seconded the motion. Motion passed by a roll call vote of 5-0.

H. Update on the District's 5-Year Strategic Personnel Succession Plan

Mr. Olsen stated that one of the District's 2025 specific performance objectives is to continue the implementation of the District's five-year Staffing Needs Plan. As we are halfway through the actions planned in Year 2 of the five-year plan, we wanted to provide the Board an update on the progress and implemented items from the plan. Also, this plan is so important that a week does not go by without Billie Sue Morelli, Human Resources Manager, and I discussing some detail of the plan's implementation.

This plan was originally presented to the Board at the June 2024 Board meeting, which became Year 0 of the plan. Since that presentation, all of the changes in the Year 1 of the plan have been implemented to include:

- Created a part-time special projects position that has been integral to numerous initiatives including implementation of the extensive grant funding the District has received, assisting in the submission/tracking of the PFAS settlement, supporting the SCADA MP, and the planning for the District office generator that the Board approved tonight.
- Reclassified the Customer Service Supervisor to the Customer Service Manager to better reflect that this position is reporting directly to the General Manager.
- Reclassified the Accounting Specialist to the Accounts Payable Specialist to provide enhanced clarity on the duties of the position.
- Reclassified the Engineering Manager to the Construction Manager to provide greater focus on supporting inspection of new water infrastructure and oversight of developer submitted projects.
- Changed the reporting relationships of the Civil Engineers from the previously titled Engineering Manager to the District Engineer to provide for more efficient communication and guidance.
- Reclassified the Senior Engineer Associate to the Capital Improvement Program (CIP) Program Coordinator to centralize the coordination of the CIP execution as well as to support multiple Engineering Team and District initiatives.
- Reclassified the Utility Program Coordinator to the Water Quality Specialist to directly support taking the numerous compliance and non-compliance water quality samples and to manage the District's backflow program.
- Reclassified an Industrial Electrician to a Telemetry Technician to ensure succession planning on this difficult to hire skill-set.

Next is Year 2 or the current year of the plan, which includes:

- Currently recruiting for the Chief Financial Officer (CFO) position as Ms. Bracken has graciously continued to serve as the District's CFO for over three years since her retirement.
- Moving forward next month with the creation of the Outlying Facilities Supervisor in the Utility Team to provide enhanced oversight and support of the District's growing Metro Southwest service areas as well as to support NWRD's operation.
- Reclassifying a Customer Service Representative I position to a Customer Service Representative II. This position will prioritize their efforts with the operation and customer sign up of our customer portal that tracks water use.
- Tentatively planning on reclassifying a Civil Engineer position to a GIS Analyst to support another specific performance objective regarding the GIS implementation plan. This reclassification will not occur until a Civil Engineer position becomes vacant due to a planned retirement.

One item from Year 3 of the plan was accomplished at the beginning of this fiscal year to enhance operational efficiency. The Water Quality Program Coordinator was moved to the Utility Team and the Water Quality Specialist will report to this position.

The remaining elements in the plan are in Year 3 and include:

- Reclassifying a Civil Engineer position to a Hydraulic Modeler.
- Adding a Utility Technician II position to the outlying facilities to support the growth of Metro Southwest.
- Reclassifying a Utility Technician I to a Utility Technician II as the Utility Technician I position primarily reads meters and with AMI anticipated to be completed in 2027, this reclassification will enable this position to focus on other water infrastructure maintenance items.

The only change anticipated in Year 4 of the plan is the creation of a position in the Utility Team that would focus on procurement activities and the maintenance connection tracking database.

The plan had 17 parts and over half of these elements have already been implemented within the first 15 months of the five-year plan. Of these 17 elements, there are only 3 new FTEs and the rest are reclassifications. It has been nearly 12 years that Mr. Olsen has been in this position, and the District has grown at an average rate of 1 FTE per year, going from 48 employees in 2014 to approximately 60 employees now. At the end of this plan, it is anticipated that the District will have 62 employees. In 2014, there was 1 employee for 1000 customers and today there is 1 employee for more than 1000 customers, i.e., the District's customer base is growing at a greater rate than staffing. This plan ensures that we are not growing too fast and that staffing remains lean and efficient to meet the most pressing needs of operating the largest domestic water improvement district in Arizona. This is a rolling five-year plan and staff are beginning to work on the new Years 4 and 5 of the plan.

Discussion ensued and staff answered questions.

VI. General Manager's Report

Mr. Olsen provided an update on the PFAS settlement. To date, \$1.527 million has been received from 3M and \$267,827 is expected from Dupont. Total anticipated from all claims is approximately \$3.6 million, which is an increase from \$3.3 million based on the last estimate.

CAP has created an initiative called the Coalition for Protecting Arizona's Lifeline, which is to provide a unifying voice on the actions Arizona has taken to proactively conserve water and to

protect Arizona's Colorado River supplies. Over 23 Mayors have signed on to this pledge and CAP has asked the water community to unify in this effort. Last week, Mr. Olsen signed on as the District to also support this growing initiative as well as to support the Lower Basin States' proposal for the post-2026 Colorado River operations, which is a collaborative, science-based solution to proactively protect the Colorado River system.

Last month during the call to the public, a District resident, Cheryl Crawford, shared a billing issue she had with high water usage. Subsequent to the Board meeting, staff and Mr. Olsen met with Ms. Crawford and reviewed usage history, metering accuracy, and other relevant items. We were able to collaboratively resolve Ms. Crawford's billing issue and she thanked staff for taking the extra effort to resolve this matter. She also wanted me to thank the Board for hearing her concern.

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 November 10, 2025.

IX. General Comments from the Public

There were no comments from the public.

X. Adjournment

The meeting adjourned at 6:57 p.m.

Scott Schladweiler, Chair of the Board

Theo Fedele, Clerk of the Board