

**METROPOLITAN DOMESTIC WATER IMPROVEMENT DISTRICT  
FINANCE OVERSIGHT COMMITTEE**

**Metropolitan Domestic Water Improvement District  
\*\* Board Conference Room \*\*  
6265 N. La Cañada Drive  
Tucson, AZ 85704**

**January 24, 2017**

**MINUTES**

**Board Members Present:**

Reb Guillot, Chair  
Lee Harbers, Vice Chair  
Robert Shonka, Member  
Lee Mayes, Member

**Board Members Not Present:**

Barbara Gelband, Member  
Tom Ruppenthal, Member  
Danny Sargent, Member

**District Staff:**

Joseph Olsen, General Manager  
Sheila Bowen, District Engineer / Deputy General Manager  
Diane Bracken, Chief Financial Officer  
Steve Shepard, Utility Superintendent  
Tullie Noltin, Clerk of the Board  
Theo Fedele, Recorder

**Regular Session**

**I. Call to Order and Roll Call**

Mr. Guillot called the Metropolitan Domestic Water Improvement District Finance Oversight Committee (Committee, FOC) meeting to order at 4:00 p.m. Mr. Guillot, Mr. Harbers, Mr. Shonka, and Mr. Mayes were present. Ms. Gelband, Mr. Ruppenthal, and Mr. Sargent were not present.

**II. Election of Committee Chair and Vice-Chair**

Mr. Shonka nominated Reb Guillot for Chair for 2017 and Mr. Harbers seconded the nomination. Mr. Guillot stated that he hoped another member might take over the position this year and asked if there was a limit on the number of years he could serve as chair. Mr. Olsen said there are no limits. Mr. Guillot accepted the nomination. Motion to elect Reb Guillot for Chair passed unanimously.

Mr. Harbers stated he would continue as Vice-Chair if the Committee wished. Mr. Mayes nominated Lee Harbers for Vice-Chair for 2017 and Mr. Shonka seconded the nomination. Motion to elect Lee Harbers for Chair passed unanimously.

**III. Call to the Public**

There were no comments by the public.

**IV. Approval of Minutes – November 9, 2016 Meeting**

Mr. Harbers requested a correction to page 4 of the November 9, 2016 minutes where it states "...wells near the where the ..." it should state "... wells near where the ..."

Mr. Shonka made a motion to accept the minutes as amended. Mr. Mayes seconded the motion. Motion passed unanimously.

**V. Discussion and Possible Recommendation for Mid-Year Review of Fiscal Year 2017 Budget**

Mr. Olsen stated the focus of this FOC meeting is the mid-year review for the Fiscal Year 2017 budget. The mid-year budget projections are close to anticipated expectations thanks to the revenue stability initiatives. There are expenditures that were not anticipated but still need to be accomplished and some budgeted items that cost less than anticipated or will generate additional revenue. For example, the District will be storing a larger portion of City of Phoenix water and receiving a reimbursement of operational costs with the Inter-AMA firming agreement. The unanticipated expenditures and the additional revenue will balance out at the end of the fiscal year.

Ms. Bracken reported on the mid-year status including revenue and expenses as detailed in the mid-year budget report. With all of the revenue increases and decreases, revenue is projected to be close to the budgeted amount by the end of the fiscal year. As part of the succession planning, a Finance Analyst, Shane Oman, was hired and started on December 30, 2016. Staff will not be attending the Caselle conference this year; however, three staff members will be attending a two-day hands-on Caselle learning opportunity in Paradise Valley that costs less and provides more concentrated training.

Mr. Mayes asked about the hands-on Caselle learning opportunity. Ms. Bracken stated the training is a hands on workshop covering multiple subjects to learn how to better utilize the features and options in the billing and accounting software.

Mr. Olsen stated that there were a couple of unplanned items not included in the budget including the replacement of the air conditioner in the Board room. The Tucson National West variable frequency drive replacement for \$17,500 was included in the capital budget but Tucson National East was not. With the cost savings from the canceled Board member election, and with the Board

of Director's approval, the District moved forward with the replacement of both Tucson National West and East variable frequency drives.

Mr. Mayes asked what the horse power (HP) range is on the variable frequency drive. Mr. Shepard stated that both are 150 HP and confirmed the total cost is \$17,500 for the purchase of each drive as well as the removal of the old drive and installation of the new drive.

Mr. Olsen talked about two budget approved projects, the Regional Transportation Authority (RTA) project on La Cholla totaling \$1 to 1.2 million and the Oracle Jaynes replacement well project. Since the timeframes for the RTA project were initially unknown, \$600,000 was allocated for the well and \$600,000 for the RTA project with the option to shift the money from the well project to the RTA project if needed this fiscal year. Based on the RTA project's current timeframes, the project will shift into fiscal year 2018, therefore, the District can move forward with the drilling of the Oracle Jaynes replacement well. For the Avila Pima Canyon subdivision, the Board approved the opportunity to oversize the water mains to meet the development needs as well as eliminate some bottlenecks and ensure reliability for the existing customers. The additional cost of \$155,000 was not budgeted but can be balanced with savings on other items. For the Recharge, Recovery, and Delivery System (RRDS), staff is in the process of initial coordination on real property actions, easements, and securing sites.

Mr. Mayes asked how opportunities such as Avila Pima Canyon are discovered. Mr. Olsen stated that the engineering staff hydraulically models projects to ensure adequate system capacity to meet domestic and fire flows as well as analyzing for upgrades or other opportunities. Ms. Bowen stated that while contemplating how to get additional services south of Orange Grove Road, Charlie Maish, former District Engineer, saw an opportunity to augment the system.

Mr. Shonka asked how much the pipe diameter increased. Mr. Olsen stated the increase was from an 8" to 12" with roughly 900 feet of extension to connect into another water main to enhance reliability.

Ms. Bracken stated that the net difference in the increases and decreases highlighted by Mr. Olsen is \$1,400 in additional costs. Overall including all operating expenses, capital equipment, and capital projects, the current projection is to be about \$509,000 under budget by the end of the fiscal year.

Mr. Shonka asked if meter replacements were on schedule. Mr. Olsen stated that replacements are always a challenge to stay ahead of but that staff is moving forward to accomplish the budgeted items. Mr. Shepard stated that replacements are behind what was planned but what was budgeted for this fiscal year will be completed. Ms. Bracken stated that as of December 31, 2016 for this fiscal year, 212 meters were changed out. After a recount, as of December 31, 2016, there are 5,217 five-eighths inch, 6 three-fourths inch, 82 one inch, 25 one and a half inch, and 55 two inch

meters. Mr. Shepard stated the plan for this year is to replace the 200 five-eighths inch, 6 three-fourths inch, 90 one-inch, 25 one and a half inch, and about 40 two-inch. Mr. Olsen stated the focus is on the large diameter meters whenever possible

Mr. Guillot thanked staff for the work they have done and stated that the District's financial situation looks good with the adjustments that have been made.

Mr. Harbers stated that as a customer it is great to have the predictability and the stability.

Mr. Harbers moved that the current budget status be accepted as presented to the FOC and to continue with the existing budget. Mr. Shonka seconded the motion. Motion passed unanimously.

**VI. Update and Discussion on Long-Term Financial Strategy**

Mr. Olsen stated that with a 90% fixed cost recovery the District could propose a 0% rate adjustment for the next fiscal year. Ms. Bracken is completing a significant amount of rate modeling to begin the process for next fiscal year and the budget review kickoff with staff begins January 25, 2017. The plan moving forward is to bring the budget discussion to the FOC at the March 21, 2017 meeting. On June 7, 2017, there will be a public information meeting to present the recommended 0% rate adjustment. Since there is no financial adjustment in the staff recommendation, a rate hearing could possibly be held immediately before the June 12, 2017 Board meeting when the budget is considered for approval. The District will have an opportunity to showcase the accomplishments of staff to achieve a healthy financial foundation while meeting the needs of District residents as well as support a 0% rate adjustment.

**VII. Future Meeting Dates and Agenda Items**

The next Finance Oversight Committee meeting is scheduled for Tuesday, March 21, 2017 at 4:00 p.m.

**VIII. Call to the Public**

There were no comments from the public.

**IX. Adjournment**

The meeting adjourned at 4:43 p.m.