

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

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

September 16, 2013

MINUTES

Committee Members Present: Sheila Bowen, Member
 Jennifer Dussor, Member
 Reb Guillot, Member
 Jim Stevenson, Member

Committee Members Not Present: Lee Harbers, Member
 Lee Mayes, Member

District Staff Present: Mark R. Stratton, General Manger
 Christopher W. Hill, Deputy Manager
 Michael Land, Chief Financial Officer
 Charlie Maish, District Engineer
 Tullie Noltin, Recorder
 Warren Tenney, Assistant General Manager

I. Call to Order and Roll Call

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

II. Approval of Minutes – August 19, 2013 Meeting

Mr. Guillot made a motion to approve the minutes. Ms. Dussor seconded the motion. Motion passed unanimously.

III. Status of Capital Improvement Projects and County Road Projects

Mr. Maish said the Riverside Well site has been started and tomorrow the trial period of natural operation and conclusion will begin. The Hub 1A Well contractor continues to deal with issues after their electrical subcontractor pulled out. The District has no confirmation they have found another electrician but they are talking to someone who will potentially be filling that position.

IV. Proposed Rate Adjustment and Scheduled Public Hearing

Mr. Tenney said the Board discussed the outcome of the last FOC meeting regarding the discussion about 4% versus 6% increases. Based on the Board's discussion, it was decided to present to the public a rate insert explaining consideration of a 4% increase. The proposed increase is structured so that average customers will pay \$2.00 more on the Water Availability Rate, based on meter size. An insert will be going to all customers in their water bills describing what the Board is considering and inviting people to provide comments before or at the October 28th hearing. The Board does not have to decide on exactly 4%; they can modify the increase higher or lower. Staff is hoping the FOC will discuss the proposed rate adjustment and provide a recommendation to the Board to assist them in their decision. Mr. Stratton said the Board is looking for a recommendation at the next FOC meeting, after customers have received the rate hearing notice and prior to the public hearing.

Mr. Stratton said Mr. Offret initiated the discussion at the Board meeting. He favors a 3% increase and is thinking the 2.1% projected decline might be a little high. There has been a substantial decline over last few years but Mr. Offret feels that is not an accurate projection. The District's August consumption increased substantially from last year, so 2.1% could be too conservative. Members Foulk and Byrd both cited other rationale, such as the need to continue working on bringing CAP recovered water to the surface. Revenue will be required to meet those capital improvement needs and a lower adjustment further postpones the ability to begin using CAP water. Other factors that were discussed by the Board include CAP power cost increases, the fate of the Navajo Generating Station (NGS), and rising TEP power costs. Members Foulk and Byrd favor closer to 6% increase but could live with 4%. Mr. Doyle supported the same. All members strongly supported increasing the Water Resources Utilization Fee by 10 cents per thousand gallons.

Ms. Dussor asked if the Board is aware of the discussions surrounding the NGS. Mr. Tenney said the Board is aware of the potential impacts of the NGS on power costs to CAP and their customers. He explained the NGS supplies about 90% of CAP's power. The NGS owners have stated it is impossible to comply with the current rule proposed for them by the Environmental Protection Agency (EPA). They say the facility will have to be shut down unless their alternative proposal is accepted. The alternative was developed with several partners, including CAP, and basically proposes operating with one less unit. Los Angeles Power and Nevada have indicated they are pulling out of NGS by 2019, so energy demand would be reduced by 1/3, allowing NGS to meet demand with one less unit. NGS feels they can meet EPA goals with the alternative plan. Fluctuating energy prices will continue to have a ripple down effect.

Ms. Bowen asked when the Water Demand Study being conducted by Montgomery and Associates is scheduled to be finished. Mr. Stratton said the estimated completion date is May of next year. District staff tracks consumption closely every month to see how it impacts revenue projections.

Mr. Stratton said he has given the Board of Directors notice of his upcoming retirement, effective March 5, 2014. Mr. Land has also announced his retirement in early January.

V. Call to the Public

Ingrid Saber thanked Mr. Tenney for providing the information she requested regarding Mr. Stratton's expenses while attending a conference in Denver. Some of the expenses were covered and some were not. She is hoping to receive information about all expenses and revenues last year, either as financial statements or tax returns. Ms. Saber feels the information should be available to the public on the website but Mr. Tenney has explained to her the District is not required to do that. Mr. Land said as a government entity, the District does not file a tax return. The audited financial statements are in the process of being completed. Ms. Saber thinks it is fitting and proper to put that financial statements with revenues and specifics about salaries, pensions, and other perks on the website. That would allow the public to see it readily without writing a letter or paying for the information. She thanked the FOC for the call to the audience and listening to her request.

VI. Adjournment

The meeting adjourned at 4:19 p.m.