

**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 23, 2012**

**MINUTES**

Committee Members Present:       Sheila Bowen, Chair  
  Jeffrey Ratje, Vice Chair  
  Reb Guillot, Member  
  Jim Stevenson, Member  
  Clare Strom, Member  
  Tim Thomure, Member

Committee Members Not Present:   Lee Mayes, Member  
  Bernie Wiegandt, Member

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

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

Mr. Ratje called the Metropolitan Domestic Water Improvement District Finance Oversight Committee (Committee, FOC) meeting to order at 4:00 p.m. Ms. Bowen, Mr. Guillot, Mr. Stevenson, Ms. Strom, and Mr. Thomure were present. Mr. Mayes and Mr. Wiegandt were not present. Mr. Ratje arrived at 4:06 p.m.

**II.    Status of Capital Improvement Projects and County Road Projects.**

Mr. Maish said the construction on Magee Road, Shannon to La Cañada, is complete. The contract will be closed as soon as a couple of payment issues are resolved. Construction on the second phase of Magee Road, Shannon to Thornydale, started on January 9, 2012. The project on La Cañada, Ina to River, has been under construction for two months. Work on La Cañada, Ina to Orange Grove, will be complete in a couple of weeks. Transmission main work starts at Orange Grove soon and will not be done until October or November. The La Cholla, Magee to Overton, contract was awarded in November but construction has not yet started because contractors are having difficulty receiving materials. Design of the third phase of Magee, La Canada to Oracle, is promising because there are few conflicts. Finally, the project on Orange

Grove, La Cholla to Camino de la Tierra, has many more conflicts than anticipated and identification and location is continuing.

### **III. Audit for Fiscal Year 2010-2011**

Mr. Land said Clifton Gunderson concluded the annual audit. Management letters usually include suggestions regarding significant exceptions to internal controls but this year the suggestions were provided verbally because they were very minor. The three things discussed in lieu of a management letter were: 1) an expenditure recorded after June 30<sup>th</sup> that was later corrected, 2) the number of stale checks, and 3) use of a password for the billing software.

### **IV. Mid-Year Budget Review 2011-2012**

Mr. Tenney said in the past two years, the mid-year review identified areas of unspent funds and discussed how to finance needed expenditures. This year started with a much tighter budget and staff did a better job targeting expenses, so finding large amounts of unspent funds is unlikely.

Mr. Ratje arrived at 4:06 pm.

Mr. Land briefly went over the budget activity as shown in the handout. Water sales are under budget but some other areas like development revenues are picking up. The last two months have reflected a definite decrease in usage which could be attributed to many factors, like rainfall, conservation, and vacancies. Fire riser fees were implemented in this period and have generated about \$14,000 in new revenue. Health insurance was prepaid in December for January. Salaries and benefits are on target. Consulting contract services are down. Legal expenses are up but some legal fees will be charged to individual projects. Well maintenance costs of \$250,000 are planned for six wells. The S&T project has been closed and \$6,500 has been set aside for decommissioning. The Personnel Temp Service account is for the San Miguel student workers that are doing a beneficial job at the front desk. A water treatment media overhaul is planned for remaining funds in that category. The majority of Board member travel was concentrated in the first six months of the fiscal year. Only \$3,500 has been spent on water efficiency programs and rebates to date. Pump efficiency training will be reflected in the "Education/Training/travel" category. The District has transitioned to Simply Bits for phone service at a slightly higher cost. Although only \$1,300 has been spent so far, Mr. Hill has plans to spend the \$35,000 budgeted for security matters. Electricity costs are below projections at this point but will pick up in the hotter months. Aside from the large service contracts for computer equipment and software, a few unexpected computer replacements have occurred, resulting in an overage in that line item. The grand total of supplies is on target. Operations and maintenance at AVRPP is projected to end up at least \$50,000 under budget due to anticipated reimbursements from other users. WIFA bills the District interest only on monies drawn down, so that category is running under budget due to unspent loan funds. Leftover monies can be allocated to the reserve fund at the end of the year. Capital Equipment was budgeted \$131,100 and is on target. Three additional items not budgeted were covered with monies saved on other equipment purchases. Capital projects funded with monies earmarked through contracts or expenditures are on pace. There could be some savings to

move into the reserve fund but this transfer will depend on how much revenue shrinks in the second six months.

Ms. Strom noticed the employees received a stipend at Christmas time. She asked how the salary adjustments were recorded in the budget. Mr. Land said the \$600 in July and the \$800 in December are shown separately under "Potential Salary Costs". Salary savings from vacant positions are not booked but are offset by overtime.

Mr. Guillot asked if funds would be pulled out of the contingency fund in an emergency. Mr. Land said most emergencies can be covered by identifying line items where spending has been less than expected. There has not been a need to pull from the contingency.

Ms. Strom asked about Board member compensation. Mr. Land explained Board members receive \$25.00 per meeting. Some annual conferences and seminars are offered to Board members, such as WESTCAS, CRWUA and Tri-State, at no cost to them.

Mr. Ratje asked if security equipment was installed at the Northeast Booster Station after the first flood. Mr. Hill confirmed the motion cameras had always been there. Moisture detection sensors were put in by utility staff shortly after the first flood and have performed well.

Mr. Guillot said it appears the District is accelerating the replacement of meters in Metro-Southwest and Metro-Hub. Mr. Land said the Metro Southwest replacements are part of the fixed network WIFA loan project. The meters at Metro Hub are being replaced because of age and Sensus meters with a 20 year life will be used because we are seeing the Badger meters fail at the ten year mark.

Mr. Stevenson asked about the six vehicles being leased through Enterprise. Mr. Land explained the District had been approached by Enterprise Fleet Management and has agreed to participate on a trial basis. The District hopes the program results in a cost savings but has not entered into a long term commitment.

Ms. Bowen asked about well maintenance. Mr. Land said there was no need to defer well maintenance again because the District realized savings in a couple of other areas and took care of many unfunded items last year. Mr. Hill added that well maintenance was deferred for 2-3 years and it would not be prudent to defer again, for operational reasons.

Mr. Stevenson asked about the Pantano Road transmission main. Mr. Maish said current funding is for the design portion only; construction has not been funded. The Design portion was funded for \$150,000 and the contract was awarded for \$110,000. The pipeline project had been identified as part of the 10 year CIP program in 1999 but was cancelled when the economy became unstable. Last year, it was decided to try to get some of those projects done.

Mr. Guillot asked about the replacement of Matter Well. Mr. Maish said the installation of the Old Magee Trail Well is complete and design plans for improvements around the well site are anticipated to be complete by the end of the fiscal year.

## **V. Selection Process for Committee Chair and Vice Chair**

Mr. Thomure gave a verbal report on implementing policy for selection of Chair and Vice Chair. After discussions at the last FOC meeting, it seemed the will of the Committee to implement a rotation, wherein each member serves as Vice-Chair for a one year period, rotating into the position of Chair the following year. Each year an election for the Vice-Chair would be necessary under this type of policy. The Vice-Chair could be chosen at the first meeting of the year. If a position is vacated mid-year, the Vice-Chair would fill the Chair position and an election for Vice-Chair would take place. Mr. Thomure made a motion to implement the policy as described. Ms. Strom seconded the motion. Motion passed unanimously.

Mr. Tenney said now that the policy is in place, the policy can be implemented at the next meeting, giving proper notice of the election of a new Vice-Chair. Mr. Ratje, being the current Vice-Chair, will rotate into Chair as of the next meeting.

## **VI. Future Meeting Dates; Future Agenda Items**

Mr. Land said the FOC would not miss any budget decisions if it would like to skip February.

Ms. Bowen suggested Mr. Block could share the District's updated water management plan with the FOC sometime.

Mr. Ratje asked when the Capital Improvement Program (CIP) will be reviewed. Mr. Tenney said the CIP was initially set for ten year period but is reviewed as part of the budget. Mr. Maish clarified that last year excess funds were available to fund select projects but this year no excess funds are anticipated. Mr. Tenney said the draft capital budget will be provided in April.

Ms. Strom referred to the minutes from the December 12, 2011 Board meeting, when a Board Member resigned. There had been discussions about the review of the procurement policy and the personnel manual and she asked what changed in those two documents. Mr. Tenney explained one Board member requested changes but the Board as a whole did not adopt those changes, instead deciding a public records request statement did not belong in the procurement policy because public records requests are covered by statutes. The procurement policy was reviewed and streamlined, still conforming to statutes. A recommendation was made by the same Board member for staff to receive merit awards based on how much money they saved the District. The Board did not agree, stating such savings would be too difficult to identify and track. There had also been a discussion at that meeting about determining salary ranges by comparing with other entities, using not just titles but also matching job descriptions.

Mr. Stevenson asked what the decision was regarding Board seat replacement. Mr. Tenney said the Board expressed their appreciation for the letters of interest submitted. The qualifications of each applicant were unique and the Board felt any one of them would make a great Board member. The Board selected Richard Byrd, who works for the City of Tucson in the Environmental Services Department. The Board thought his background and experience with

ADWR and ADEQ brought a good balance to the Board. There will be two Board seats up for election at the end of the year.

The next regular meeting will be held on March 19, 2012 at 4:00 p.m.

**VII. Adjournment.**

Ms. Strom made a motion to adjourn. The meeting adjourned at 4:44 p.m.