

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

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

March 19, 2012

MINUTES

Committee Members Present: Jeffrey Ratje, Chair
Reb Guillot, Member
Lee Mayes, Member
Jim Stevenson, Member
Clare Strom, Member
Tim Thomure, Member

Committee Members Not Present: Sheila Bowen, Member
Bernie Wiegandt, Member

District Staff Present: Mark R. Stratton, General Manager
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. Thomure volunteered to conduct the meeting in the absence of the Committee Chair. Mr. Thomure called the Metropolitan Domestic Water Improvement District Finance Oversight Committee (Committee, FOC) meeting to order at 4:02 p.m. Mr. Guillot, Mr. Mayes, Mr. Stevenson, Ms. Strom, and Mr. Thomure were present. Ms. Bowen and Mr. Wiegandt were not present. Mr. Ratje arrived at 4:06 p.m.

II. Selection of Committee Vice-Chair.

Mr. Thomure said the Committee previously made a decision to elect a new Vice Chair each year after the sitting Vice Chair automatically takes the Chair position. Mr. Ratje recently became the Committee Chair. Mr. Mayes nominated Mr. Wiegandt to serve as Vice-Chair. Ms. Strom closed nominations. The nomination passed unanimously.

III. Status of Capital Improvement Projects and County Road Projects.

Mr. Ratje arrived at 4:06 p.m.

Mr. Maish said the District is working with a full plate of projects. Currently under construction, is Magee Road from Shannon to Thornydale, and La Cañada from Ina to River. La Cañada North of Orange Grove is complete, and the transmission line is now being installed heading south of Orange Grove past the District office. Other RTA-related projects under way include the La Cholla from Magee to Overton waterline relocation, and the design of the Magee Road from La Canada to Oracle waterline relocation, which the County is expected to bid in August or September. Orange Grove miscellaneous consultant design plans were submitted to Pima County to bid in July. The County will be doing some improvements on Roller Coaster Road at Oracle Jaynes near the school once it closes for the summer, which presents a few conflicts for the Riverside transmission main. Bidding for the Old Magee Trail Well began. The Riverside well, Metro Hub 1A replacement well, and Pantano transmission line are all being designed by the District's consultant.

Ms. Strom asked if the roadway projects have been in-step with the RTA Fee revenues. Mr. Land said the RTA fee is on target to cover debt service, almost dollar for dollar. The first project was funded with original RTA monies and came up a little short but now costs are not far off. Ms. Strom asked about timelines. Mr. Maish said the RTA and Pima County are ahead of schedule and the District has learned about a few additional projects with accelerated timeframes.

IV. Optimizing the District's Water Resources.

Mr. Tenney said the same Water Resources report was presented to the Board of Directors in January. Warren went through the report's highlights as the FOC followed along.

Mr. Ratje asked if "renewable" refers to both CAP water and reclaimed water, and Mr. Tenney confirmed. Mr. Ratje asked why wells cannot be drilled deeper when they start producing less. Mr. Stratton explained with this aquifer, generally the deeper the wells are drilled, the less productive they are. Water quality also deteriorates and pumping costs increase with depth.

Mr. Guillot asked if staff is comfortable with the efficiency at AVRP. Mr. Block said AVRP has been running for 16 years and since the District took it over last year, an all-time high volume was recharged due to improvements. Mr. Tenney said the District is very fortunate have Tucson Water's and others' recharge-recovery studies and experience to look at.

Ms. Strom asked if energy costs could be decreased with Hoover Power. Mr. Tenney said there is a type of power derived from Hoover Dam, which is currently divided and distributed. In 2017, there will be a reallocation according to an Act signed by the President, which frees up 5% of the total power. The District could have an opportunity to access a portion of that power source at a much cheaper rate than TEP power. Mr. Stratton said the opportunity will be open to cities and towns and special districts. The cost to wheel that power to our location is unknown.

Ms. Strom asked if other providers could be clients of the District's potential Hoover power supply and Mr. Stratton confirmed.

Mr. Mayes asked if any other providers found it feasible to build a water pipeline. Mr. Tenney said providers had been considering a pipeline with an interconnect at Tangerine and I-10 but there were right-of-way issues and other problems. The study is being adjusted with a pipeline routed through the Avra Valley Road area. All issues have to be factored in.

Mr. Guillot asked if Metro-Hub will experience the same types of situations with wells coming to the end of their life cycles, being isolated from Metro-Main. Mr. Tenney said the District has been looking at locations for new well sites in Hub. Mr. Block said well studies and exploration is under way. There are two test holes in Hub and one was converted into a test well. There may be one or two lots feasible for Hub 4 but the District has not pursued that because there are no monies to acquire property. Mr. Guillot wondered if Hub would be easier to link into the Tucson Water system. Mr. Tenney said wheeling through the Tucson Water system is always a possibility but the District has not looked at it directly. Mr. Stratton explained many factors have to be considered, such as rate analysis, infrastructure, adjustments for elevation and distance, so costs to move water to Metro-Hub would be substantially higher than Metro-Main.

Mr. Thomure asked if the drivers for the Metro-Main service area apply to the Metro-Hub area too. Mr. Block said when the District acquired Hub, the area was already 97% built out. Water levels there are shallower and the area experiences a lot of fluctuation between draw-down and recovery, so there are good reasons to focus on Metro Main. Hub supplies are a bit more secure physically and legally.

Ms. Strom asked if WIFA loans are the best sources of funding. Mr. Stratton said WIFA loans are a good source because of the lower interest rate but whatever the District does will need voter authorization. WIFA loans are easier to obtain than federal dollars. Staff is committed to looking at all financing avenues.

Mr. Ratje said he was surprised about the 2.5 ft annual drop over the last 10 years. He had been under the impression the District was pumping less water each year. Mr. Stratton said the District is seeing declines but a less productive well does not take as much withdrawal to drop. Large users pumping under grandfathered rights and other users besides the District also affect the levels. One can see on the map there are many exempt wells and smaller wells drawing from the same aquifer. He hopes to see a little less impact on the Northern wells now that Oro Valley has signed a wheeling agreement. AVRVP is on the Lower Santa Cruz aquifer, where the depth of the water is 180-170 ft deep.

V. District Power Consumption and Interruptible Facilities.

Mr. Hill said gave a PowerPoint presentation on Power Consumption and Interruptible Facilities.

VI. Fiscal Year 2012-2013 Budget Process

Mr. Tenney said the budget process is beginning. Staff is developing the draft budget this month, and will have it ready for the FOC to review April 16, 2012. He suggested the draft budget would be the main focus of that meeting.

VII. Future Meeting Dates; Future Agenda Items

Mr. Ratje thanked staff for including a budget timeline on the memo included with the agenda. The next regular meeting will be held on April 16, 2012 at 4:00 p.m. Mr. Stratton said the draft budget will be mailed to the FOC with plenty of time to review.

Mr. Land said with revenues down due to decreases in water usage, there are some challenges ahead. Mr. Stratton said it will be interesting to see if the FOC or the Board recommends a rate increase this year. Staffing resources and the road projects will also be part of the big picture because other projects have been sliding and the District can only put projects off for so long.

Ms. Strom asked about health benefits and Mr. Stratton said that was approved at the end of the calendar year, when the District went back to Blue Cross Blue Shield at a smaller increase.

VIII. Adjournment.

Mr. Ratje made a motion to adjourn. The meeting adjourned at 5:06 p.m.