

**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 19, 2011

MINUTES

Committee Members Present: Sheila Bowen, Chair
 Jeffrey Ratje, Vice-Chair
 Reb Guillot, Member
 Lee Mayes, Member
 Jim Stevenson, Member
 Clare Strom, Member
 Bernie Wiegandt, Member

Committee Members Not Present: Tim Thomure, 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.

Ms. Bowen 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. Mayes, Mr. Ratje, Ms. Strom and Mr. Wiegandt were present. Mr. Thomure was not present. Mr. Stevenson arrived at 4:09 pm.

Mr. Tenney explained that Mr. Stratton was unable to attend due to a prior commitment at the Regional Water Assessment Task Force. (RWATF) Mr. Tenney also acknowledged that Board Member Helen Ireland was present in the audience.

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

Charlie Maish, District Engineer, said all the work going on right now is related to Pima County road projects. Magee Phase 1 is under construction, La Canada, Ina to River has been awarded and is anticipated to start next month, and both the Magee Phase 2 and the La Cholla, Magee to Overton bids will open next week. One more road project is slated for the beginning of next year.

The Magee Trail Well is being tested and well site improvements are being designed. It replaces Matter Well, which had been in conflict with the La Cholla road project.

Mr. Maish said the bids had initially been low but are now going up due to the rising cost of materials. Mr. Ratje asked if any future projects could be ramped up now to lock in lower bids to take advantage of current pricing. Mr. Maish said the projects are at the County's mercy and are being ramped up as much as possible already.

Ms. Bowen asked how inspections are being managed with four projects underway at the same time. Mr. Maish said the inspections are being handled with existing staff and the District is prepared to supplement with a private development inspector if necessary.

Mr. Guillot asked what is done with the removed pipe. Mr. Maish explained that any pipe removed belongs to the contractor. The cost covers proper disposal and it is of little or no value.

III. Report on Establishment of Policy for Contingency Fund, Year-End Balance, and Capital Assets Reserve Account

Mr. Tenney said the information presented to the FOC at the August meeting was brought before the Board at the September Board meeting with FOC comments incorporated. The Board passed the Resolution unanimously. The Board thought it would be beneficial to make certain the timing involved was clear. The Contingency Fund and Year-End Balance will be calculated during the budget process and the Capital Assets Reserve Account will be considered at either the mid-year or end of year budget review. The Board appreciated the work of the FOC.

IV. District's Current Financial Status and Outlook

Mr. Land said normally the Board would be considering rate increases this time of year but one was not recommended. Mr. Stratton thought it would be good to provide the Board and FOC an analysis of the next five years with potential rate increase scenarios.

Mr. Stevenson arrived at 4:09 p.m.

Mr. Land went over the scenarios and explained the hypothetical values therein. Staff used fairly conservative numbers throughout the analysis. Mr. Land noted smaller, consistent rate increases are preferred by staff. Mr. Stratton recommended annual increases in the 2.5 - 3.0% range.

Ms. Bowen asked if the rising cost of materials could impact the projections in the scenarios. Mr. Land said he used conservative figures since there may be variations. Over the past three years there has been enough room in the year-end cash on hand for variances. Ms. Bowen asked if economic downturns or declining water sales were factored in. Mr. Land said those factors were considered, as well as the possibility of fewer new connections. Ms. Bowen asked about the potential for Arizona Department of Environmental Quality (ADEQ) budget impacts on South Shannon treatment funding. Mr. Hill said the District does not expect any changes in funding. The District tries to maximize the lifespan between each granular activated carbon (GAC) media

change out. Ms. Bowen asked how the solar project is factored in to the five year analysis. Mr. Land said the latest electric bill was \$1,700 for the month, compared with \$4,400 last year. The solar lease payment is about \$2,195 per month, so there was a savings of \$500 for the month.

Ms. Strom asked about salaries and benefits. She wondered what kind of attrition and turnover of higher paid staff, due to retirement for example, is expected through 2016. She asked if the possibility for savings exists. Mr. Land said 3% was built in but there could be some changes with a potential for cost savings. Ms. Strom asked if there is a plan to increase staff with more projects happening simultaneously. Mr. Land said staffing is somewhat short now but has been capable of keeping up with the current pace, noting that for some staff time can be reimbursed through the project itself.

Mr. Ratje asked if the recent increase in water sales was due solely to the rate increase or were there also more gallons produced. Mr. Land said the increase could be attributed to a small increase in the number of new connections and the rate increase. Over the past several years the average gallons per user has declined. He said the number of foreclosures and vacancies likely has an impact on the data.

Mr. Ratje asked if the FOC was expected to give any recommendation regarding rate increases this year. Mr. Land said no recommendation is needed this year but the FOC should be prepared to give a recommendation next year. Discussions about the next budget cycle will start in February or March 2012.

V. District Power Consumption and Interruptible Facilities

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

VI. Future Meeting Dates; Future Agenda Items

Ms. Bowen suggested the FOC might skip a few months since the budget discussions will not resume until next year. Mr. Tenney said staff would like to give a presentation on water resources to give the FOC a better idea about how the District uses those resources and the costs associated with them. Mike Block, District Hydrologist, is not available in October but he could give it in November. The next meeting was set for November 21 at 4:00 p.m.

Ms. Bowen asked if the FOC could receive a reminder about the Regional Water Assessment Task Force (RWATF) Think Tank Report forum on September 26th that Mr. Stratton will be participating in. Ms. Noltin will send an email with more information so the FOC Members can attend if they would like to.

VII. Adjournment.

Mr. Ratje made a motion to adjourn. Ms. Strom seconded the motion. The meeting adjourned at 4:51 p.m.