

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

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

November 21, 2011

MINUTES

Committee Members Present: Sheila Bowen, Chair
 Jeffrey Ratje, Vice Chair
 Reb Guillot, Member
 Lee Mayes, Member
 Jim Stevenson, Member
 Clare Strom, Member
 Tim Thomure, 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. Mr. Ratje, Mr. Guillot, Mr. Mayes, Mr. Stevenson, Ms. Strom, Mr. Thomure and Mr. Wiegandt were present. Ms. Bowen arrived at 4:05 p.m.

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

Mr. Maish said the work on Magee Road from Shannon to La Canada is nearing completion. In September the Board awarded the contract for La Canada from Ina to River and work started this month. In October the contract was awarded for Magee Road from Shannon to Thornydale and work should start mid-December. The contract was awarded for La Cholla from Magee to Overton and work should begin mid to late January. Currently in design is the next phase of Magee from La Canada to Oracle, although the District does not anticipate that project to have very much impact on our facilities. The segment on Orange Grove from Camino de la Tierra to La Cholla has some conflicts but they are not substantial. Ms. Strom asked if the contracts have been awarded to different contractors, and Mr. Maish confirmed.

III. Audit for Fiscal year 2011-2012

Mr. Land said Clifton Gunderson finished the audit for fiscal year 2010-2011. It was a strong year with record high revenues, primarily due to the 2010 rate increase. Metro Southwest revenues were in the \$600,000 range. Clifton Gunderson assigned a value to the purchase of AVRP with water credits. This accounting entry was aided by the fact that Clifton Gunderson also audits CAP.

Ms. Bowen arrived at 4:05 pm.

Mr. Land noted Clifton Gunderson will be merging with a similar size firm, LarsonAllen, on January 2, 2012. The merger should provide better resources overall but should not impact their Tucson office.

The audit included a management discussion and analysis about the District's operations and policies, plus an overview of the 2011-12 budget. One aspect that was discussed for the upcoming budget process was the possibility of updating the timing for the budget itself. Starting the budget discussions in January seems to be a little too early. Mr. Tenney said the budget process has become more efficient each year, so it could be streamlined. This idea will be brought to the Board in December.

Mr. Land said another thing that might be incorporated into the upcoming fiscal year is the establishment of an Audit Committee. The FOC has been involved in the budget process but it might be helpful to collaborate on a draft audit, if Clifton Gunderson could provide one, so comments could be made prior to the final audit. Mr. Land said an audit committee had been helpful years ago. Ms. Strom asked what the old Audit Committee did, specifically. Mr. Land explained the committee provided a cursory review of the draft audit with Clifton Gunderson in attendance. Mr. Ratje asked if the FOC has any fiduciary responsibilities. Mr. Land said the FOC serves an advisory role and the Board holds the fiduciary responsibility of approving the final draft of the annual audit prior to finalizing. The management letter is coming soon; it provides suggestions for the coming year and explains internal controls.

Mr. Guillot asked if the RTA fee is covering all costs related to the waterline relocations. Mr. Land said the RTA fee now pays for debt service on a bond the District took out for RTA projects. The fee revenues are being tracked to make sure all the costs are covered. Mr. Maish added that bids received are where we expected them to be. Mr. Land noted some internal staff time is billed to individual projects. The \$6.6 million estimated for waterline relocations related RTA/County roadwork appears to be on target.

Mr. Wiegandt asked about the entry for water recharge activity. Mr. Land explained the accounting recognized previously obtained water rights related to AVRP as a non-cash asset.

IV. Water Resources Update

Mr. Block gave a PowerPoint presentation on Water Resources. Printed copies were distributed.

V. Selection Process for Committee Chair and Vice Chair

Mr. Tenney said a review of the selection process for FOC Chair and Vice Chair had been requested. In January, Ms. Bowen had been voted Chair but there are no statutory rules, or policy rules set by the FOC or the Board regarding selection of Chair and Vice Chair. If the FOC takes this opportunity to put a selection process in place, the FOC will have guidance on how to proceed in January. There has never been a nominating committee; the members have simply nominated people. The process can be as informal or formal as the FOC wants.

Ms. Bowen suggested terms should be one year long and committee members could each take turns serving.

Mr. Tenney noted the Board of Directors elections are governed by State statutes but the selection of a Chair and Vice Chair is not. The selection of Chair and Vice Chair is traditionally done annually in January.

Mr. Thomure volunteered to draft a policy prior to the next FOC meeting so members can review and provide comments before the matter appears on the next agenda.

VI. Future Meeting Dates; Future Agenda Items

Ms. Bowen suggested the FOC might skip December and January, since the budget cycle discussions will begin after that.

Ms. Strom asked if a mid-year review in January might require the establishment of a priority list for capital projects. The FOC may like to be part of discussions about the stipend for employees occurring in January.

Mr. Tenney said the FOC may want to meet in January but it would have to be the fourth Monday, January 23rd due to the Martin Luther King, Jr. holiday. If the FOC so chooses, it could continue until February 27th (also the fourth Monday, due to President's Day).

He will confer with Ms. Bowen as FOC Chair after the January 9th Board meeting to determine whether a January 23rd FOC meeting is needed.

Mr. Thomure will prepare a draft policy for selection of FOC officers prior to the next meeting.

VII. Adjournment.

Mr. Ratje made a motion to adjourn. The meeting adjourned at 5:08 p.m.