METROPOLITAN DOMESTIC WATER IMPROVEMENT DISTRICT
FINANCE OVERSIGHT COMMITTEE

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

July 28, 2014

MINUTES

Committee Members Present:	Reb Guillot, Chair Jennifer Dussor, Vice Chair Sheila Bowen, Member Barbara Gelband, Member Lee Harbers, Member Doug Hofmann, Member Tom Ruppenthal, Member (telephone)
Committee Members Not Present:	Lee Mayes, Member Robert Shonka, Member
District Staff Present:	Joseph Olsen, General Manger Diane Bracken, Chief Financial Officer Charlie Maish, District Engineer Tullie Noltin, Recorder Warren Tenney, Assistant General Manager

I. Call to Order and Roll Call

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

II. Call to the Public

There were no comments by the public.

III. Approval of Minutes – April 21, 2014 Meeting

Mr. Guillot asked the Committee if there were any comments about the minutes. Hearing none, he said the minutes were approved.

IV. Discussion and Possible Recommendation for Water Rates and Revenue Analysis

Mr. Olsen said the purpose of this agenda item is to look at where the District's finances are and what steps are needed to ensure the District is financially strong today and in the future. Looking at the different challenges and endeavors that the District will face in the next 10 years, there are three areas that need to be addressed to ensure that the District stays on a strong financial foundation. They include water resource stability, revenue stability, and financial plan stability.

At the April FOC meeting, the priority-driven budget process was discussed along with the planned capital improvement initiatives. A number of those initiatives looked at how the District can better utilize and implement our water resources and those initiatives were planned to be funded with the aptly named Water Resources Utilization Fee (WRUF). Some of those initiatives included a demand study for Metro Main to facilitate a 10 year renewal of the assured water supply designation; the purchase of an additional 299 acre-feet of Non-Indian Agricultural priority CAP water to add to our water resources portfolio; and the construction of a pipeline that would convey a portion of the District's effluent to the Cortaro-Marana Irrigation District's (CMID) groundwater savings facility (GSF), which would generate substantially more effluent credits compared to the current practice of discharging into the Santa Cruz.

The largest initiative is the Central Arizona Project (CAP) Recharge, Recovery, and Delivery System. That project would recover a portion of the District's CAP water from the District's Avra Valley Recharge Project (AVRP) through newly constructed recovery wells, and the water would be conveyed through a new transmission main into Metro Main, where it would be blended with groundwater at the Herb Johnson Reservoir before being delivered to customers. This project is critical because over the past 10 years, there has been an average two foot annual decline in the aquifer below Metro Main. Groundwater meets customer demands today; whereas, this Project brings to the District a more direct use of renewable supply. This planned project will take many years to implement and will ensure the District's water resource stability and the sustainability of the aquifer.

In April, the Board of Directors approved a schedule for the CAP Recharge, Recovery, and Delivery System, which is shown at the bottom of page one of the 2014 Water Rates and Revenue Analysis. The schedule is broken into three phases: a two-year land acquisition phase to acquire necessary easements and property for the recovery wells, treatment site, boosters, and the 14 mile pipeline to convey the water; a four-year design phase to allow the critical coordination and complex design of crossing the interstate and railroad; and a three-year construction phase beginning around seven years from now, in Fiscal Year 2021.

Based on scenarios and current cost estimates, there is an opportunity to accomplish all land acquisition and design activities without the need for debt financing at this time, with one slight change to the previously discussed proposed WRUF adjustments. The planned trajectory for the WRUF had been annual increases of 10 cents per thousand gallons through the next 5 years. The WRUF is currently at 20 cents. If instead, the WRUF is increased by 20 cents this rate cycle with no increase next year, which in effect is rolling next year's 10 cent increase forward a year, the District would have the ability to fund all those aforementioned initiatives as well as accomplish the land acquisition and design on the CAP Recharge, Recovery, and Delivery System with the WRUF. The District would not have to do costly financing until the construction phase seven years in the future, and by then, would have time to pay off some current bonds and free some debt capacity. This minor change in proposed WRUF adjustments would provide substantial water resource stability to the District.

Beyond water resources, we have looked at multiple scenarios and are recommending no increases to fixed or variable revenue. The fixed revenue is the monthly service charge and the variable revenue is the volumetric water consumption. This great news is a result of staff carefully managing their budgets and District-wide belt tightening, and was facilitated by the priority-driven budget process discussed in April, which ensured costs are in line with revenue.

Even though there are no recommended fixed or variable rate increases at this time, looking forward to the next rate cycle about a year from now, there is an opportunity to balance the fixed and variable revenues. Fixed revenue brought in by the monthly service charge only covers about 70% of fixed costs, so a portion of the consumption revenue has to go towards covering fixed costs. If there is a drastic decline in water consumption, the District would have to cut things that are associated with fixed costs, like salaries and infrastructure maintenance. Variable costs are directly related to the costs of producing and delivering water, such as energy and disinfection.

Mr. Olsen and Ms. Bracken looked at numerous scenarios. In the next rate cycle, we believe there is also an opportunity to bring fixed revenues more in line with fixed costs. As opposed to slowly increasing the monthly service charge, the District could increase the monthly service charge while at the same time, decrease charges on the volumetric side. That scenario would bring the District significant revenue stability while the average bill would be adjusted by a dollar or less, or remain neutral. If that is achieved, the District will go from covering 70% to roughly 85% of fixed costs with fixed revenue. This would significantly improve financial stability. 100% cannot be achieved because the District has an inverted rate block structure, which means that in the upper tiers, the revenue being generated exceeds the actual variable costs to treat and deliver the water.

Currently, the way the District approaches its financial plan is by first discussing and approving the budget in the early summer with an effective date of the start of the fiscal year, and then following with a revenue adjustment in the fall. Under financial best practices, those two processes should be reversed and happen in concert. In the next financial cycle, revenue could be considered as the financial plan is being prepared. If that discussion occurs first and the financial plan is approved based on that outcome, with both taking effect with the start of the fiscal year, the District would be aligned with other providers and achieve financial plan stability.

Ms. Bracken said when talking about the inverted rate structure under the proposed plan, only the lower tiers would be reduced and the upper tiers would be increased to support water conservation, so higher consumption would have higher rates to compensate so the average customer would not be impacted a great deal.

Ms. Bracken explained some of the best practices for budgeting come from the Greater Washington Society of CPAs, which states that budget processes incorporate strategic planning initiatives, and stipulates than income is budgeted before expenses. Staff is trying to do this by lining up income ahead of expenses in the budget cycle. Other best practice strategies encourage a strong strategic plan implemented by management that is shared with everyone in the organization, including employees, customers, financial committees, and the Board of Directors. When the plan is shared and everybody buys in to it, the budgeting process is improved because you are setting up revenue for the goal-oriented plan and everyone is aligned. This practice makes the budget easier and quicker.

Ms. Bracken said the District is covering 70% of fixed expenses with fixed revenue now, and another way of looking at it is 53% of the District's expenses are fixed and 47% are variable. When looking at revenue, 38% are fixed and 62% are variable, which is why realignment is being discussed.

Mr. Guillot asked how Fiscal Year 2015 expenses would be impacted. Ms. Bracken said expenses generally will not change and are projected out five years. The variable-fixed ratio remains pretty constant because we are looking at an estimate based on 2%, 3%, and 5% increases in the different expense categories of the budget up until 2021 when the debt service drops off and the ratio changes dramatically. At that point, we would need to look at the rates again especially if the CAP Recharge, Recovery and Delivery System plan is in place. Total revenue would not change but it would cover 15% more of the fixed costs after the proposed shift.

Ms. Bowen asked if the fixed and variable rates are shifted, the average user's bill would have a net neutral impact. Mr. Olsen said when they ran the scenario, the average user would be impacted by around a dollar or less. The average user has lower consumption so their bills would increase only slightly. It is not a perfect science with the inverted rate structure but with that small an adjustment, the District would see significant revenue stability. The big concern at other utilities is that if demand significantly decreases, there is difficulty paying fixed costs. Under the proposed plan, if demands decrease, revenue goes down by an approximate 1:1 ratio. The District will never be able to achieve 100% but if we can get to 85%, that is very stable and even if the District saw a significant decline in usage, we would only be looking at the need for a small reduction in fixed costs.

Ms. Gelband said the table shows a 20 cent increase in 2014 and no increase in 2015, so the Water Resources Utilization fee would remain the same amount, 40 cents. She asked what the total fee would be if it stayed at 10 cents. Mr. Olsen explained it would have been 30 cents this year and 40 cents next year on the original proposed trajectory. It is being recommended to roll that 10 cents forward one year, and then have no increase next year. Ms. Gelband asked if by doing that, the District is short cutting something. Mr. Olsen explained that rolling 10 cents forward one year allows the District to generate approximately a quarter million dollars in annual revenue, which is what is needed to accomplish these initiatives in the time frame. The concept is to increase the fee this year, and then not increase it next year.

Mr. Harbers said the average customer will wonder if the non-increase in 2015 is carved in stone. Mr. Olsen said while he wanted to bring up the discussion on revenue stability for the fixed-variable adjustment, it is really desirable not to have an adjustment on the Water Resources Utilization Fee in the same year. This approach makes easier to convey to the customers what is changing, without the message getting muddy.

Ms. Gelband said a large portion of this is public relations. Mr. Olsen said the District will need to maintain clear communication and let customers know that achieving revenue stability is crucially important, and will put the District in a more stable position.

Ms. Bowen asked if the District could accomplish the initiatives if the proposed annual 10 cent increase occurred as originally planned. Mr. Olsen said if the District does not increase the fee by 20 cents this year, we would come up $240,000 short. Ms. Bowen asked if the $240,000 in revenue from the proposed fee increase would need to be borrowed, in that case. Mr. Olsen said we would need to have phases shifted backwards in the schedule.

Ms. Dussor asked if this plan allows debt service savings. Mr. Olsen said being able to accomplish early phases through the WRUF without additional debt service is a savings to the District until construction. Even if we had a desire to finance, it would be difficult at this juncture, until some of the existing debt is paid off. Ms. Bracken noted the District must maintain a 1.2% debt coverage ratio. Another option would be to loan ourselves the money and pay it back from WRUF revenue the following year to keep the project on track.

Ms. Bowen said she is concerned that the $2 million in property acquisition could be underestimated. She asked if the District stays on the 10 cents per year path, would there be enough time to make an adjustment before Fiscal Year 2016, when more information is known. Mr. Olsen said as we go through the current year, there is a dollar amount relatively small to the overall project for the coordination of property purchases, which is for a real estate firm to review all potential parcels, get better cost estimates and appraisals. After that coordination, we will have a better picture. The $2 million is based on an initial report by HDR of approximate valuation based on acreage for one of the main sites. The current figures are budgetary estimates. A 20 cent increase this year would allow the District to stay on schedule.

Ms. Bowen asked if the HDR report assumes certain economic conditions. Mr. Olsen said the HDR report was accomplished within the past 12 months and everything is estimated.

Ms. Bracken noted that a separate account has been created at the bank for the WRUF, and staff is recording all deposits and expenditures. If it is overspent, we will know how much needs to be replaced.

Mr. Olsen said the pipeline the District is partnering to construct for delivering effluent to the CMID GSF would generate additional water resource credits beyond what is currently generated, which have a value. The monies generated would be directed to the WRUF fund. That is a discussion for future meetings.

Mr. Harbers asked if a construction completion date has been determined for the CAP Recharge, Recovery, and Delivery System. Mr. Olsen said construction should take approximately 3 to 3 1/2 years. The project will require initial effort and resources reasonable for an infrastructure project of that size. Four years has been allotted for design and coordination. In reality, design will not take four years but it allows the District to keep the debt service ratio where it needs to be. The District will have plenty of time to coordinate in advance of construction.

Mr. Harbers asked about the District's CAP water. Mr. Olsen said the District would blend the CAP water with groundwater. At the April Board meeting, there was a discussion about what that blend ratio should be. It comes down to Total Dissolved Solids (TDS) or the hardness of the water. CAP water has a higher TDS than the groundwater in the District and the blend should be a happy medium to minimize impact to District customers. The Board approved a blend of 400-500 parts per million TDS. The amount of CAP brought in and blended within those ratios will be about 4,000 acre-feet (ac-ft). This will balance and stabilize the aquifer drawdown, which is currently two feet per year. This project is also about leveraging a portion of the District's CAP water. Avra Valley Recharge Project accepts more than 4,000 ac-ft per year. The earliest delivery of blended CAP water would be about 10 years from now. At the current rate, the aquifer could decline another 20 feet by that time, which illustrates the criticality of the project.

Ms. Bowen asked about the current baseline TDS in the District. Mr. Olsen said there is a broad range depending on the location of the well. Some District residents are getting 250 and some are getting closer to 400. He stressed it will be important to educate customers on TDS and the last newsletter included an article titled, "What is TDS?" It will also be important to articulate why the District cannot continue to rely solely on the aquifer.

Ms. Gelband asked about unconnected service areas like Metro Hub. Mr. Olsen said the CAP Recharge, Recovery, and Delivery System only applies to Metro Main. Aquifer levels in Metro Hub are stabilized and rising. Discussions with the City of Tucson are ongoing about wheeling a portion of the District's CAP allocation through City recharge facilities and wheeling our wet water in the future to the Metro Southwest service area. The wheeling cost of service is being determined and discussions are ongoing.

Ms. Bowen asked about monetizing effluent. She wanted to know if there are sufficient CAP supplies in the renewable portion of the District's application. Mr. Olsen said yes, right now the District gets a small percentage of flows from the Santa Cruz because that is a managed recharge project and less than half the volume is counted towards a credit. If the District goes to a GSF, 100% generates credits. This would open up opportunities for the District to increase its water portfolio, while still taking a portion of that and monetizing it based on any of the other water resource initiatives. That discussion has not been fleshed out yet but it opens the door to many opportunities the District would not have otherwise.

Ms. Bowen asked how the blend will be accomplished if the District is currently between 200-400 TDS and CAP is 650 TDS. Mr. Olsen said the District will develop strategies for blending and make sure the blend it the right ratio.

Ms. Bowen said she would not expect this CAP Project to completely eliminate the deficit created by groundwater pumping. Mr. Olsen said bringing in 4,000 ac-ft of water could go a long way to reduce groundwater pumping in Metro Main. Mike Block, District Hydrologist, said the current demands are about 7,600 ac-ft per year, so 4,000 ac-ft would be approximately 50%. Once the water is here, the blend can be adjusted to meet the water quality aspect as well as demand.

Mr. Olsen said of the three main initiatives discussed, the one that is really pertinent today is the WRUF adjustment. The other two items show that the District is not just looking at today but also at the critical needs of the future. There will certainly be further discussions but the initial feedback lets the Board and staff know if we are on the right trajectory by recommending the WRUF increase of 20 cents per 1,000 gallons.

Ms. Bowen asked when the increases go into effect. Mr. Olsen said the proposal would go to the Board and if approved, it would take effect November 1st.

Ms. Dussor pointed out the first line on the Pima County Wastewater News insert is announcing no rate increases for the fiscal year. She asked if that statement poses a challenge for the District's Customer Service. Mr. Olsen said it will be important to convey to customers that if this idea to increase the WRUF is supported by the FOC and adopted by the Board, there will be no adjustments to the normal volume or base charges. The message will need to include why the WRUF is increasing.

Ms. Dussor said she personally supports the recommendation.

Mr. Hofmann said he understands the 20 cent increase will have minimal impact to the average customer but wondered if the District has heard from other kinds of customers. Mr. Olsen said this is the first discussion on the rate analysis and the plan for the process, and if the FOC concurs and the Board moves forward with setting a rate hearing, customers will receive bill inserts about an informational meeting and a rate hearing. At that time, customers will have opportunities to voice their concerns and have a good conversation about what is involved. The FOC is welcome to attend those meetings and will be kept updated as the process unfolds.

Ms. Gelband asked besides homeowners, apartment residents, and businesses, who are the District's largest customers. Mr. Tenney explained that around 90% of District customers are single family residential. Apartment complexes are known as multi-family customers. Then there are the large commercial customers, such as Westward Look, Northwest Medical Center, Foothills Mall, and a few schools.

Ms. Bowen asked how much the average bill costs, with combined fixed and variable at 10,000 gallons. Ms. Bracken said about $55.00.

Ms. Bowen said she supports the concept but her only concern is the unknown property acquisition cost. She wonders if the District is really in the position to say there will be no

WRUF increase needed next year, or would it be better not emphasizing that at this point and saying it will be reevaluated. She would like to make sure the District is not premature in saying the WRUF will not be increased next year. Ms. Bowen is encouraged to learn there will be a fund to account for everything. Mr. Olsen said that was a good point. As time moves forward, even in the short term, we will gain a better idea of costs and have opportunities to purchase key properties. The recommendation is well taken. This is the current trajectory but things can certainly change as we identify the exact alignments and properties.

Ms. Gelband asked if the properties have been identified. Mr. Olsen said the HDR route study identified, ranked, and categorized four potential routes. There will need to be discussions with all of the property owners. This year will be a key coordination year in which the District solidifies the alignment, appraises those properties, and honing the options. Ms. Gelband said until we know where the specific properties are, we will not really know the costs and Mr. Olsen agreed. He said the size needed is known and the $2 million is based on the average per acre cost but when looking at particular properties, that number could increase or decrease. He stressed this is just an estimate.

Mr. Harbers asked Mr. Olsen to identify the biggest unknown expenditure. Mr. Olsen said the biggest unknown with the CAP Recharge, Recovery, and Delivery System is the route. Other unknowns are the actual appraisal values and construction costs. He hopes that by the time construction begins, the District will have less debt service and more options.

Ms. Bracken said another variable in the current year budget and financial plan is $200,000 that has been set aside for Non-Indian Agriculture water. If for some reason we do not use that, those monies would be available to use towards this project.

Ms. Dussor asked if the District has policies in place for contractor selection for the construction phase of the CAP Recharge, Recovery and Delivery System. We have seen locally some projects go to the lowest bidder and in the end, turn out to not be the cheapest option. She asked if the District could evaluate any policies in place and resolve any concerns, before the CAP pipeline construction is awarded. Mr. Olsen concurred. Mr. Maish said the District is required to follow state statutes regarding selecting contractors. The statutes do allow justified recommendations other than the low bidder. There are always possible challenges. Ms. Gelband recalled there have been other instances with the old bond program where the District selected a contractor who was not the low bidder, based on recommendations. Mr. Maish said there are always unknowns and potential issues with large projects. Mr. Olsen said one reason these efforts are broken into three separate parts, is so that there are three separate procurement processes and the projects are not just awarded to one firm for many years. Mr. Tenney said staff is planning to review the District’s own procurement policy in the next 6-8 months, so this is an opportunity to tighten things up. Ms. Dussor said the biggest constraints she encounters are from internal policies. Mr. Olsen said the procurement policy is penciled in for the January FOC meeting.

Mr. Guillot asked Ms. Dussor about her earlier comment on Pima County Wastewater. She explained that customers do not always differentiate between the District and Pima County. Mr.

Olsen said staff makes an effort to educate customers that we are two separate entities and through the new billing agreement with Pima County, wastewater news inserts will go out to customers on a regular basis to help with that messaging.

Ms. Dussor made a motion that the recommendation, as presented and written, be forwarded to the Board with FOC support. Ms. Gelband seconded the motion. Motion passed unanimously.

V. Discussion and Possible Recommendation for Billing Adjustment Policy

Mr. Olsen said this item is to discuss proposed changes to the billing adjustment policy. Under the current policy, if a customer has a leak or high usage, they can appeal for a leak adjustment on their bill for up to $100 if residential and $500 if commercial. The proposed leak adjustment policy says if there is high or unexplained usage, the customer can ask for an adjustment based on the water goes through the meter. Mr. Olsen gave a scenario in which a customer had an extremely high water bill in October. They would pay for all the water but at same billing rate they were using in October of last year, so they are not unduly penalized. This is simply described as “same tier, same month, last year”. This ensures the water is paid for but the customer is not penalized and the other District residents are not subsidizing the cost of that water. This is a more transparent, objective, equitable method. In the current policy, customers are limited to once in a lifetime but with the proposed policy, customers can apply for an adjustment every three years. A leak is not a once in a lifetime event. The proposed policy will balance relief as well as ensure all the water is paid for.

Mr. Olsen said the proposed policy is more forgiving, so there is a higher cost to the District. Staff looked at all the adjustments over the past 12 months under the current policy, and they were compared under the proposed policy. In the end, the bottom line was adjusted by about $3,000. This is a policy that in use with other providers and is heavily recommended.

Ms. Gelband asked what this would do for those already who have had their once in a lifetime adjustment. Mr. Olsen said the new policy would move forward with a three year rule. For instance, if someone had a leak five years ago, they could apply again, but if they had one last year, they could not apply until three years has passed.

Ms. Bowen asked if the District requires proof of repairs for leak adjustments. Mr. Olsen said the District would require that the consumption return back to baseline before the adjustment is given. We do not want to give an adjustment if the underlying causes are not addressed. Ms. Bowen asked if they would be billed at the higher tier and then given a credit. Ms. Bracken said yes, there will be a delay because the leak must be repaired so that usage returns to normal. In cases where a leak causes undue hardship, the District will make arrangements.

Ms. Gelband said the proposed policy does not seem very different from the old. Ms. Bracken said the calculation is much more straightforward. The current calculation is complex and leaves a lot of subjectivity. This would standardize the process and there will still be exceptions sometimes but the new policy covers how deal with many situations.

Ms. Gelband had concerns about the complexity of the new policy. She said the District is helping some people but all customers should know the policy is available. Mr. Olsen said it is easy to explain the proposed policy as same month, same tier, last year. The current policy is difficult to explain.

Ms. Gelband asked what would be done for people who did not have 12 months of prior usage. Mr. Olsen said in that case, the District average of 10,000 gallons would be used.

Mr. Olsen said even the best policy will not always be applicable, but of the 301 adjustments considered, the vast majority are addressed. Ms. Bracken noted the one-page policy includes explanations of some special circumstances.

Ms. Dussor asked for clarification on #2 of the proposed policy, referring to situations when the overage does not fall above the 2nd tier. She asked if that situation does not provide an adjustment opportunity. Mr. Olsen said there needs to be a threshold in usage which determines whether there is an adjustment or not. Some situations would be such a small dollar amount, that it does not make sense to make an adjustment.

Ms. Bowen asked if moving into the tier above the normal would be the cutoff. Ms. Bracken explained staff picked tier 2 because it cuts off at 11,000 which is just above the average monthly usage. This is an easy way to put in writing and tie it with the rate schedule. If someone is using more than that, an adjustment could be considered, or the customer can choose to wait until something worse happens.

Ms. Bowen asked if there is any reason to limit customers to six months after the usage occurred. Mr. Olsen said he wants customers to be responsive. Setting a time limit ensures that customers are not waiting a significant amount of time to apply. This gives them adequate time to address the leak and receive bills at normal levels and then process that adjustment. Ms. Bowen asked if six months is enough time for the District's winter visitors. Mr. Olsen said yes because they still get a monthly water bill.

Mr. Hofmann asked how staff arrived at the three year time frame, as opposed to every two or four years. Mr. Olsen said three years is small enough to mitigate abuse and staff felt it was a good balance.

Ms. Gelband asked when the new policy would start. Mr. Olsen said it will be on the August 11th Board agenda and if approved, would start with the next billing cycle, on August 14th.

Ms. Gelband asked how the District will promote the new policy. Mr. Olsen said if the Board approves, it will be included in the next newsletter. Staff can also educate customers who call about high bills. Ms. Gelband asked if there is enough time to send out a notification on the next bill. Mr. Olsen explained the District would not want to send information too quickly because there is a chance the Board may not approve it. Policies are not like rate hearings, where notice is required. The District can educate customers on the change after it takes effect.

Ms. Bowen asked about the current policy. Today, customers are still paying for the water but a more complex formula is used. Mr. Olsen said they are currently paying higher tiers. Ms. Bracken said the formula is complicated but basically half of the difference is forgiven. Mr. Olsen said under the proposed policy, all water is paid for but at a lower tier.

Mr. Ruppenthal asked if the new fixed based network provides reports on historical trends. Mr. Olsen said the fixed base network in the two smaller service areas does provide analytics to help identify leaks but the District does not yet have this kind of system in Metro Main.

Mr. Ruppenthal said the proposed policy is completely reasonable.

Ms. Gelband asked if the District ever has situations where leaks are covered by homeowner's insurance. Mr. Guillot said insurance usually does not cover the water bill. Ms. Gelband said there are some cases where insurance pays for water. Sheila Willis, Accounting Supervisor, said there are certain circumstances, such as freezes, where insurance companies will cover part of the water bill, but not usually in cases like service line breaks. Ms. Dussor said the new policy makes allowances for extraordinary circumstances and as a ratepayer, she appreciates that. Mr. Olsen said there are numerous scenarios and opportunities for customers facing these situations.

Mr. Harbers made a motion that the leak adjustment policy be moved forward as written. Ms. Gelband seconded the motion. Motion passed unanimously.

VI. Call to the Public

Mr. Olsen said an email was sent with a list of tentative meetings. The August meeting will not be needed so the next FOC meeting will be in January, with a caveat that the Board could always direct that an item be brought to the FOC. Staff will keep in close contact with FOC members on the results of the August 11th Board meeting on the Rates and Revenue Analysis. FOC members are encouraged to attend the upcoming rate meetings. The next FOC meeting is scheduled for January 26, 2015 at 4:00 p.m.

The next Board meeting is scheduled for August 11, 2014 at 6:00 p.m.

Ms. Gelband asked if there will be an election this year. Mr. Olsen said we will know August 7th. There are three openings, so it depends on how many file. Ms. Gelband asked what happens to the $26,000 if there is no election, and Mr. Olsen said the funds would go towards other operating expenses.

Mr. Tenney gave a reminder that the FOC is an appointed public body of the Board of Directors and therefore subject to Open Meeting Law. He reminded the FOC to be careful not to use "reply all" when responding to email communications received by District Staff, as it is the Attorney General's opinion that such an action may create a quorum outside a publicly noticed meeting. Mr. Olsen added that District staff is now blind copying all members, so that if someone accidentally replies to all, the reply only goes back to the sender.

VII. Adjournment

The meeting adjourned at 5:20 p.m.

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Reb Guillot, Chair
Finance Oversight Committee