

**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 21, 2016

MINUTES

Committee Members Present: Reb Guillot, Chair
 Lee Harbers, Vice Chair
 Sheila Bowen, Member (via telephone)
 Barbara Gelband, Member
 Lee Mayes, Member
 Tom Ruppenthal, Member
 Danny Sargent, Member
 Robert Shonka, Member

District Staff Present: Joseph Olsen, General Manager
 Diane Bracken, Chief Financial Officer
 Charlie Maish, District Engineer
 Tullie Noltin, Clerk of the Board
 Steve Shepard, Utility Superintendent

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. Gelband, Mr. Harbers, Mr. Mayes, Mr. Ruppenthal, Mr. Sargent, and Mr. Shonka were present. Ms. Bowen was present by telephone.

II. Call to the Public

There were no comments by the public.

III. Approval of Minutes – January 26, 2016 Meeting

Ms. Gelband made a motion to accept the minutes as presented. Mr. Harbers seconded the motion. Motion passed unanimously.

IV. Discussion and Possible Recommendation on Proposed Rate Adjustments

Mr. Olsen talked about the revenue stability measures the District has accomplished by shifting variable revenue to fixed revenue and covering 83% of fixed costs with fixed revenue while

increasing the average customer bill by only 80 cents. All this, during a period of continuing declines in consumption. When Mr. Olsen shares the District's results with his peers in the industry, they ask how they can implement similar stability measures.

Mr. Olsen refreshed the FOC's memory about the history and purpose of the Water Resources Utilization Fee (WRUF), which is earmarked for such items as the CAP Recharge, Recovery and Delivery System (CAP RRDS), wheeling, effluent utilization, and other projects designed to maximize the District's water resource portfolio. Two years ago, the FOC discussed the need for three additional 10 cent increases to the WRUF. The proposed rate adjustments for Fiscal Year 2017 include a ten cent increase, bringing the WRUF to 50 cents per thousand gallons. Partnerships are developing on the CAP RRDS that could potentially reduce the need to get the WRUF to the projected 70 cents.

Some adjustments to the tiers are proposed and the first 3,000 gallons will be included in the monthly base rate, or Water Availability Rate, as the District wants to acknowledge those who conserve water. Mr. Olsen read a portion of a letter of support from Water Conservation Alliance of Southern Arizona (Water CASA), which analyzed data to determine the potential impact of the proposed rate adjustments on conservation efforts. The overall message of the letter was that Metro's proposed rate adjustments were the correct balance between revenue stability and conservation.

Ms. Bracken created many rate models to arrive at the proposed structure, which achieves about 90% revenue stability. This plan, including the 10 cent increase to the WRUF, results in roughly a 5.5% increase for the average customer. Additionally, the plan is structured so that staff can recommend a 0% increase next fiscal year.

Also included in the proposed rate structure is a new Meter Testing Fee and a slight adjustment to the Meter Re-Read Fee to capture costs of service.

There was a discussion on the reasoning behind the proposed adjustments. The FOC members had a few questions about how the billing structure would impact the customers and the District. Several FOC members expressed positive comments about the revenue stability initiatives.

Mr. Shonka made a motion that the Finance Oversight Committee recommend that the Board of Directors consider approving the proposed rate structure for Fiscal Year 2017 as presented by staff at the Committee's March 21, 2016 meeting. Mr. Sargent seconded the motion. Motion passed unanimously.

V. Discussion and Possible Recommendation on Requested Fiscal Year 2017 Budget

Mr. Olsen talked about the success of the priority-driven budget process the District has implemented over the past three years. He went over some of the high level changes in the Requested Budget for Fiscal Year 2017 and answered several questions about how certain items

are purchased and used. The CAP RRDS, the sunset of the RTA Fee in 2020, intergovernmental agreements, and the capital improvement program were briefly discussed as parts of the overall financial plan.

Ms. Bracken covered some of the notable detailed changes in the requested Budget, including changes to Salaries and Benefits and Consulting / Contract Services. The FOC asked a few clarifying questions about the requested capital equipment list.

Mr. Shonka made a motion that the Finance Oversight Committee recommend that the Board of Directors consider adopting the Requested Budget for Fiscal Year 2017 as presented by staff at the Committee's March 21, 2016 meeting based on the other recommendation made by the Committee regarding adjustment of the rates and fees. Ms. Gelband seconded the motion. Motion passed unanimously.

VI. Future Meeting Dates and Agenda Items

The next Finance Oversight Committee meeting will be scheduled in the fall, around October. The CAP Recharge, Recovery and Delivery System and an update on the associated intergovernmental agreements will be placed on the next agenda.

VII. Call to the Public

There were no comments by the public.

VIII. Adjournment

The meeting adjourned at 5:24 p.m.

Reb Guillot, Chair
Finance Oversight Committee