

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

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

April 18, 2011

MINUTES

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

Committee Members Not Present: Lee Mayes, Member

District Staff Present: Mark R. Stratton, 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.

Sheila 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. Stevenson, Ms. Strom, Mr. Thomure and Mr. Wiegandt were present. Mr. Ratje arrived at 4:02 p.m. Mr. Mayes was not present.

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

Charlie Maish, District Engineer, said there had not been much change since the last meeting. Three construction crews are currently installing pipe in the La Cholla Corridor. Plans have been submitted to Pima County for the La Cholla/Magee to Overton project and the Magee South/Ina Road to River Road project. Staff is awaiting County approval before beginning the bidding process. Staff is also awaiting information on the Magee Phase II – Shannon Road to Thornydale Road project so plans can be finalized. That road project is expected to start in October.

Mr. Ratje arrived at 4:02 p.m.

Mr. Maish continued to talk about the processes associated with the waterline relocation projects. He anticipates three of the projects will tentatively start early Fall 2011. Ms. Bowen asked if work at the La Cholla - Magee intersection was expedited. Mr. Maish said the timing had not changed to his knowledge.

Ms. Bowen asked about the Matter Well relocation. Mr. Stratton said District staff has been working diligently to find another well site. The County has not been aggressive in finding a suitable relocation site within the required 660 feet, so District staff has identified potential sites for a new well rather than a relocated well. One such site is on County property on the southeast corner of Magee and La Cholla but the neighborhood association previously required that no structures be built there. Mr. Stratton will be speaking at the association meeting on April 26th about the benefits of that site in hopes of getting their consent. County staff understands that the existing Matter well will not come out of operation until a new well is functioning. Mr. Maish noted the relocation of the well is Pima County's responsibility but the District has intervened to try and speed the process up.

Mr. Stratton noted that staff was at a pre-construction meeting and Ashton Company, the contractor for Magee Phase I, said they would like to drill a temporary well to circumvent purchasing bulk water from the District. Mr. Stratton does not believe it would be cheaper to drill a new well 500 ft deep than to pay the bulk rate.

III. Discussion and Direction for Draft Fiscal Year 2011-2012 Budget – Capital Projects & Equipment.

Mr. Stratton said since the last meeting staff has been creating a list of capital equipment and capital projects they would like to see funded. The current draft form will probably need to be whittled down a little to stay within the desired budget carryover balance. Mr. Land went through each of the division managers' requests. The cost of capital items is double what it was last year; however, last year was a very lean year. Last year a number of projects were unfunded and approved at the mid-year review.

Mr. Guillot asked if the GPS unit could be found at a lower price than \$8,500. Mr. Maish said the District paid nearly \$5,000 for the old unit. The desired model is engineering grade with a rugged design for field applications, accuracy within 10 cm, and significantly better reception. Ms. Bowen asked if Mr. Maish had looked into leasing a GPS unit, and he said he had not.

Ms. Strom asked about the internal controls for obtaining estimates and quotes in general. Mr. Stratton said for budgeting purposes, the division managers will identify an item they want and look in industry catalogues to get a ballpark idea of cost. When it is time to purchase, staff is required to get three quotes on all large items.

Ms. Bowen asked for clarification on the \$20,000 cost associated with the AC units. Mr. Land said that figure does include roof access modifications. Mr. Stratton added that staff is looking at whether to bring the AC units off the building and add duct work or modify roof access to improve safety.

Mr. Ratje asked about the depreciation schedule of vehicles. Mr. Land said although vehicles are depreciated at three years the District keeps them until they reach 100k miles, or about 6-8 years. He is scheduled to meet with Enterprise Fleet to discuss a proposal to set up a new fleet tracking system that would replace vehicles every three years, when they have a higher resale value.

Ms. Bowen asked if the vacuum could be leased as needed. Mr. Hill said it would be more cost effective and advantageous to purchase it outright. He said the vacuum pays for itself faster than any other piece of equipment the District uses.

Mr. Tenney talked about the need to continue funding the NW CAP water system's planning and design stages, even though staff resources have been slowed by the waterline relocations. Ms. Bowen asked if there are still opportunities for cost-sharing among NW CAP stakeholders. Mr. Tenney said the District's partnership with Oro Valley, Marana, and Flowing Wells is very much alive but the District portion of funding is based on the District's needs. The partners are collaborating to find alternative methods to finance this large project, including seeking a grant from the Bureau of Reclamation. Mr. Stratton talked about the multiple partners' different perspectives and timing needs. District resources are primarily devoted to waterline relocations at this time but there have been ongoing negotiations with Oro Valley and Tucson Water to participate in a wheeling agreement.

Mr. Ratje asked if the District ever salvages items. Mr. Land explained the sealed bid process for selling old fleet vehicles. Tools are typically used until they are completely worn out. Old computers are donated to an organization that refurbishes them for non-profits, after the hard drives are completely wiped of information. Scrap metal is sold to recyclers.

Staff read through the rest of the capital requests. FOC members had no further questions related to specific capital items.

Ms. Bowen indicated she would like to see leasing options or IGA equipment sharing agreements considered whenever possible.

Mr. Stratton noted the \$200,000 for Matter Well is a carryover from this year's budget. Mr. Land noted that the Valencia/Iberia Connection line item was a duplication and was eliminated from the draft capital project list. That brings the total to \$730,000 total or \$245,000 over last year.

Mr. Stratton said that typically a list of unfunded capital items is included with the budget package but with the large amount of waterline relocation work occurring this year, staff resources will not be available for additional capital projects so the list was omitted.

Mr. Land said the Board's decided to extend the RTA fee for one year. Mr. Stratton said many waterline relocations will occur simultaneously over a 6-9 month period this fiscal year. By the time the next budget is being considered, the total costs should be clear.

Mr. Land said the District has been notified of a change to the Arizona State Retirement System (ASRS). Effective July 1, 2011, employees will be funding 53% and the District will be funding the other 47%. The \$19,000 savings in ASRS was adjusted on the budget summary.

Mr. Land said capital projects have been included in the revised budget summary. Revenues will be adjusted to reflect updated actual figures before the budget is finalized.

Mr. Stratton said that the last Board study session included discussion about the FOC recommendations for adjustments to salaries and benefits. The Board recognizes the positive trend in revenues but would like to make sure the trend continues. The Board will formally consider the recommendation prior to adoption of the budget.

Ms. Bowen said she appreciated receiving the minutes from the Board Study Session. Ms. Strom appreciates the chance to read the Board's minutes, and wanted to make sure the Board received the FOC minutes as well. Mr. Stratton said minutes would continue to be provided to both bodies. Ms. Noltin noted FOC and Board meeting minutes are also posted on the new website.

Mr. Wiegandt asked about the budget schedule. Mr. Stratton said the Board will have a study session on Monday, April 25th to review the capital budget and take another look at the operation side. Revenues will be updated before then. The May meetings will be the final opportunities for fine-tuning, comments and recommendations before the budget is adopted at the June meeting.

Ms. Strom asked if the Board will be asking staff to prioritize the capital requests. Mr. Stratton said the Board generally does not ask for a prioritized list but not all capital items are purchased at once; vehicle replacements are typically held off until the second half of the fiscal year because there is a better selection at that time. Standard procedure is to spread out the purchases.

IV. Future Meeting Dates; Future Agenda Items.

Ms. Bowen suggested that the FOC have an in-depth dialogue about documenting and utilizing the reserves, as Mr. Ratje recently suggested. Mr. Stratton agreed that this could be a topic of discussion on the next agenda. He believes the Board welcomes the expertise and experience of the FOC on this issue. Mr. Wiegandt suggested the investment policies be part of that discussion. Mr. Land noted a lot of the District's investment policy is dictated by bond covenants.

Ms. Strom said she would like the FOC to better understand the water business. She suggested future agendas could include lessons on regional water issues such as CAP water and wheeling agreements. She would also like to see illustrative updates on waterline relocation projects and capital projects from Mr. Maish, if possible.

Mike Block, District Hydrologist, suggested the FOC could also take tours of the Avra Valley Recharge Project, the reservoirs, or the office solar project.

The next meeting will be held on Monday, May 16, 2011 at 4:00 p.m. Mr. Thomure said he would be out of town during the next meeting.

V. Adjournment.

Mr. Ratje made a motion to adjourn. Ms. Strom seconded the motion. The meeting adjourned at 4:54 p.m.