Members Present: John Lynch, Corin Marron, Mark Stratton

Others Present: Jennifer C. Coyle (RWRD), Keith Dommer (FRMD), Adriana Fuentes (RWRD)

A. Call to Order / Roll Call
   John Lynch, Chair, Financial Subcommittee, RWRAC, called the meeting to order at 10:04 a.m. Adriana Fuentes, Program Coordinator, RWRD, took the roll call and a quorum was present.

B. Pledge of Allegiance

C. Call to the Audience – There were no comments from the audience.

D. Safety Share
   Mark Stratton, Member, Financial Subcommittee, RWRAC, stated there is a lot of traffic due to the gem show and reminded everyone to be careful with motorcyclists and bicyclists. Mr. Stratton also reported that with the closure of Ina Road and the west bound ramp at Orange Grove there will be a lot more traffic. Mr. Lynch added that Oro Valley has closed Lambert Lane between La Canada and La Cholla for three months.

E. Approval of Minutes – Meeting Minutes of January 18, 2017
   ACTION: Mark Stratton made a motion to approve the meeting minutes of January 18, 2017. Corin Marron seconded the motion. Motion passed unanimously.

F. Discussion/Action

1. Rate Study Update
   Jennifer Coyle, Program Manager, RWRD, stated she has a standing conference call with Raftelis every week to ensure the rate study stays on track. Ms. Coyle added that internal conference calls will be held with Raftelis, the Finance and Risk Management Department (FRMD), RWRD, the Chair of RWRAC and the Financial Subcommittee leading up to the March 23, 2017 RWRAC meeting to obtain feedback and ensure what is presented to the RWRAC thoroughly addresses their concerns. Ms. Coyle stated Jackson Jenkins, Director, RWRD, will be meeting with the County Administrator to discuss the potential connection fee increase and will receive direction on the posting of the 60-day public notice. Discussion ensued regarding the potential four percent (4%) rate increase to existing sewer user fees and connection fees. Ms. Coyle reported a conference call was held with FRMD and Raftelis regarding the implementation of a potential light commercial class as requested by the RWRAC due to the master meter issue in Pima County. Ms. Coyle stated details are still being worked out to show the financial impact to customers.

2. 2017/18 Budget Process
   Keith Dommer, Director, FRMD, stated all department information has been received by the Budget Division and they are currently preparing they are currently preparing the budget for the County Administrator’s review recommendations. Mr. Dommer stated that the budget request for this Department will be available at the next Financial Subcommittee meeting.

3. CIP Subcommittee
   Ms. Coyle stated Matt Mathewson, Chair, CIP Subcommittee, RWRAC, requested a meeting before the next RWRAC meeting on January 26, 2017; however, a quorum was unable to be established. Mr. Lynch
request someone contact Amber Smith, Chair, RWRAC, before the next RWRAC meeting regarding the vacancy in the CIP Subcommittee. Mr. Lynch requested a review of the preliminary CIP request the Department has made at the next Financial Subcommittee meeting.

4. Rate Increase: January 2017 and Future Fiscal Years

Mr. Lynch reported when he spoke at the Board of Supervisors (BOS) meeting, he had an opportunity to speak with Supervisor Christy. Mr. Lynch reported that Supervisor Christy indicated he was persuaded to concur with the four percent (4%) rate increase; however, he is concerned with the results of the rate study and what implications it might have. Mr. Lynch stated he offered to meet with Supervisor Christy to provide background on the Financial Subcommittee and the process of what they have gone through to date. Mr. Lynch stated he has a call into Supervisor Christy office and is awaiting a return call.

Mr. Lynch stated there are concerns regarding department overhead expenses and the increases over the last two or three years. Due to the budget process and the way items are combined or bifurcated in some areas, it makes it very difficult to track on a year-to-year basis. Mr. Lynch stated it is very important that the Financial Subcommittee and RWRAC have a complete understanding of basis for the overhead increase.

Mr. Dommer provided a brief overview on overhead and the three components: administrative overhead for general services, County administrative overhead, and information technology overhead. Mr. Dommer stated it is critical to remember that overhead is currently in 2017, we are looking back at 2016, and building rates for 2017, and what we will be charged in 2018. Discussion ensued regarding overhead increase over the years, the allocations and the distractions. Mr. Dommer stated he could provide an overhead session to the Financial Subcommittee and to RWRAC to provide a better understanding. Discussion ensued regarding the Departments operation and maintenance budget, it was requested that a memorandum be attached to the 2017 Financial Plan that outlines the challenges and the steps the Department has taken to save on costs. Ms. Coyle stated this is something that has been discussed previously and may be difficult to outline.

Mr. Dommer stated if the Department’s debt was refinanced for the purpose of extending the period out, we would get hit with a potential downgrade in rating and additional interest cost. Mr. Dommer stated the Department’s current debt has 12 years remaining and it could be refinanced for 15 years, the Department could get a 6% rate savings, but it would cost an additional $13 million. Mr. Dommer stated if the 12 year debt could be refinanced for 20 years the Department would only need a 2% rate increase and would cost $65 million, and if the 12 year debt could be refinanced for 25 years this would eliminate the need for a rate increase, but would cost $134 million.

5. Financial Subcommittee Schedule

Mr. Lynch proposed the subcommittee meet after the BOS meeting on February 7, 2017.

G. Future Agenda Items
   - Overhead
   - Operations and Maintenance Analysis
   - Debt and the Capital Improvement Program

H. Call to the Audience – There were no comments from the audience.

I. Adjournment

**ACTION:** Mark Stratton made a motion to adjourn the meeting. Corrin Marron seconded the motion. The meeting was adjourned at 11:39 a.m.