



**REGIONAL WASTEWATER RECLAMATION ADVISORY COMMITTEE
FINANCIAL SUB-COMMITTEE
Public Works Building
201 N. Stone Avenue, 7th Floor Conference Room**

MEETING MINUTES

Wednesday, September 16, 2015

SUB-COMMITTEE MEMBERS PRESENT:

John Lynch	Sheila Bowen	Armando Membrila
Mark Taylor	Mark Stratton	

OTHERS PRESENT:

Jennifer C. Coyle (RWRD)	Ryan Cunningham (PCty District 1)	Keith Dommer (FRMD)	Patrick McGee (FRMD)
Ken Shelor (Retired RWRD)	Jody Watkins (RWRD)		

A. CALL TO ORDER. John Lynch, Chair, called the meeting of the Regional Wastewater Reclamation Advisory Committee (RWRAC) Financial Sub-Committee to order at 1:35 p.m. Jody Watkins took the roll call and a quorum was present.

B. PLEDGE OF ALLEGIANCE.

C. SAFETY SHARE. John Lynch reminded everyone that schools are back in session and everyone needs to be more aware of children walking to school. The University of Arizona area is heavily populated with many students, so drivers need to be careful.

D. APPROVAL OF MINUTES.

Meeting Minutes of May 6, 2015

ACTION: John Lynch made a motion to approve the minutes of the May 6, 2015 meeting. Armando Membrila seconded the motion. Motion passed.

E. DISCUSSION/ACTION.

1. OVERALALL DIRECTION OF THE FINANCIAL SUB-COMMITTEE FOR FISCAL YEAR 2015/16.

- a. *Format of Financial Information (expenses vs. revenue).* Mr. Lynch stated that he and Mark Taylor had met with the new Director, Finance and Risk Management Department (FRMD), Keith Dommer, to share the Committee's historical

perspective. Mr. Dommer was given the background of the Committee and achievements as well as future plans and obstacles. Mr. Lynch stated that in the past the Committee was reviewing RWRD revenues, expenses and the entire budget at one time, which was overwhelming. Mr. Lynch recommends better structure, more protocol and dividing the budget into smaller components for the Committee to review and better understand. Mark Taylor stated that the Central Water Advisory Committee (CWAC) reviews the Revenue, Cost Services, and Rates individually. Mr. Taylor suggested that the Committee consider to divide RWRD budget similarly and view the trends and five years of historical data for each component. Discussion ensued on what components need to be addressed, the order of components due to timeframes/deadlines, and how often the Committee needs to meet. Mr. Lynch suggested the Finance update of the monthly snapshot be removed from the agenda as the information is presented to the regular Regional Wastewater Reclamation Advisory Committee (RWRAC) meetings.

- 2. FISCAL YEAR 2014/15 BUDGET – YEAR END REVIEW.** Patrick McGee, Division Manager, FRMD, presented the June 30, 2015 – Expense and Revenue Summary for Period 15 for Fiscal Year 2014/15. Mr. McGee stated that overall expenses are below budget by approximately \$654,192 and revenues were down by \$1,754,570 due to consumers conserving their water usage. Mr. Lynch stated that the Committee members need to communicate to the Board of Supervisor that appointed them and be able to articulate the issues of the budget and the need for the rate increases more effectively. Mr. Taylor requested Finance include capital and debt services, so the Committee can review the entire budget not just Operations & Maintenance (O&M). Handouts were given to the Committee from Finance on Personnel Costs from Fiscal Year 2009 through Fiscal Year 2016, Comparison of Wages, Direct Charges and Overhead Charges. Mr. Taylor shared a copy of Tucson Water’s Financial Five-Year Financial Plan layout. Discussion ensued. Mark Stratton recommended that a separate Sub-Committee be formed to discuss the Capital Improvement Program (CIP). The Sub-Committee would review, discuss and make recommendations separate from the Financial Sub-Committee. Members to be notified if they want to participate on the CIP Sub-Committee.

3. 2015 RWRD FINANCIAL PLAN.

- a. *Impact of deferred Fee increase on approved RWRD Budget and implementation plan.*
- b. *User Fee and Connection Fee Rate Setting Methodology.*

Mr. Dommer presented the “draft” RWRD Enterprise Fund spreadsheet with the Five-Year Financial Projections Mr. Dommer discussed each of the columns and the Volumetric User Fee revenues as it is anticipated to decrease approximately two percent each year on the average. The assumptions for the average centum cubic feet (ccf) across all users have decreased to 10.149 for 2015/16 Fiscal Year. Forecasts are based on the declining water usage by consumers due to conservation and more efficient equipment in the homes. Mr. Dommer explained the Fixed User Administrative Fee increases, which is based on the University of Arizona’s (UofA) Eller College estimated population growth over the next five years. The population growth ranges from 1.0096 (272,657 customers) in 2015/16 and increases a little over one percent each year to 1.0144 (287,945 customers)

by 2019/20. Mr. Dommer stated that although the population increases, consumers are conserving more water. Mr. Dommer predicted that as the revenues continue to decrease the Debt Service Ratio declines and is under the 1.30 the bond rating agency desires. Operations and Maintenance costs were briefly reviewed. The forecast utilized a two percent increase each year. Mr. Dommer explained there were costs relating to the closure of the Roger Road facility, which lowered the Debt Service ratio to 1.27 for 2014/15 Fiscal Year. Discussion ensued to include Capital Improvement Program (CIP) projections and Certificates of Participation (COPs). The Committee has requested clarification on debts and repayment of CIP and COPs at a future meeting. Mr. Dommer will present the RWRD budget in a different format for future meetings for the Committee to review.

4. Discussion of Impact of County Cost Allocations to RWRD budget (historical – i.e., 8-year trend), methodology (including changes over historic period)

- a. *Public Works/Administrative Overhead*
- b. *Interdepartmental Charges*
- c. *Financial Department support of RWRD*

Deferred at this time.

5. 2016/17 RWRD Financial Plan and Revenue Change(s)

Deferred at this time.

6. Sub-Committee Nominations/Elections of Officers

Mr. Taylor made a motion for Mr. Lynch to remain as the Chair of the Financial Sub-Committee for 2015/16, Mark Stratton seconded the motion. Committee unanimously agreed.

Mr. Lynch made a motion for Mr. Taylor to fill the vacant Vice-Chair of the Financial Sub-Committee for 2015/16, Mark Stratton seconded the motion. Committee unanimously agreed.

F. FUTURE AGENDA ITEMS.

- Discussion of Impact of County Cost Allocations to RWRD budget
- 2016/17 RWRD Financial Plan and Revenue Change(s)
- Five Year Historical Data on Revenues and Flows
- Fixed vs. Variable
- Capital Improvement Program (CIP) Sub-Committee Nominations
- Certificate of Participation (COPS) and Repayment Schedule

G. CALL TO THE AUDIENCE.

Mr. Ken Shelor, retired RWRD employee gave the Committee a list of questions regarding the Bonds and repayment schedules.

ACTION: Mark Stratton made the motion to adjourn the meeting. Mark Taylor seconded the motion.

H. ADJOURNMENT. The meeting was adjourned at 3:59 p.m.