

REGIONAL WASTEWATER RECLAMATION ADVISORY COMMITTEE

Ina Road Wastewater Reclamation Facility

7101 N. Casa Grande Highway

Thursday, October 21, 2010

REGULAR MEETING

Committee Members Present:

Jim Barry

Sheila Bowen

John Carlson

Mike Gritzuk

Barbee Hanson

Bob Iannarino

Bill Katzel

Kendal Kroeson

Rob Kulakofsky

John Lynch

Mark Stratton

Committee Members Absent:

Jeff Biggs

Brad DeSpain

Armando Membrilla

Ann Marie Wolf

I. CALL TO ORDER. Chair Sheila Bowen called the meeting of the Regional Wastewater Reclamation Advisory Committee (RWRAC) to order at 7:55 a.m.

II. CALL TO THE AUDIENCE. There were no comments from the audience.

III. APPROVAL OF MINUTES. The minutes of the September 16 meeting were approved. Jim Barry and Rob Kulakofsky abstained from the vote as they were not in attendance at the September 16, 2010 meeting.

IV. COMMITTEE/SUBCOMMITTEE REPORTS

1. Citizens' Water Advisory Committee (CWAC) Update. Chris Avery gave an update on behalf of Jeff Biggs. The committee is starting its financial plan process and will be developing the preliminary financial plan over the next two meetings. The draft financial plan will go to the Council for approval in January. The committee also heard the results of the City/County Water Study and that Action Plan is slated to go the Council on November 9th.

John Carlson asked how far into the future the committee had predicted the increase to continue. Mr. Avery stated that the financial plan adopted last year predicted an eight percent increase for this year but that the committee was in the process of putting together the budget to see if the target for the eight percent increase would hold. Mr. Avery added that there would likely be a rate increase in July and that the goal was to keep it around eight percent.

V. DISCUSSION

A. Old Items/Updates

1. Regional Optimization Master Plan (ROMP) Update. Mr. Gritzuk gave an update of the ROMP program.

- **Ina Road Upgrade and Expansion.** Mr. Gritzuk gave a recap of GMP 6 stating that it has a value of over \$176 million that was approved by the Board of Supervisors (BOS) and that the notice to proceed to the contractor, NWH Constructors, has been issued. The contractor has entered into subcontracts and agreements with the various vendors and the subcontractors are now mobilizing onsite. Mr. Gritzuk stated that this mobilized effort will be noticeable to the committee members during the tour as evidenced by construction equipment and trailers housing electrical and other components as well as large cranes on the site.

Mr. Carlson asked the name of the contractor. Mr. Gritzuk reiterated that the contractor was MWH Constructors. Mr. Carlson then asked where they were located and Mr. Gritzuk indicated that they were headquartered in Colorado.

Mr. Gritzuk continued by explaining that there are two remaining packages - GMP 7 and GMP 8. GMP 8 being primarily electrical work such as a substation and tie-in lines with TEP. Pima County is in early negotiations with the contractor for that particular package. GMP 7 is primarily for the design of a new operations control center which will serve as the nerve center of the department and will be housed in a separate building that is currently occupied in part by the laboratory. A great deal of sophistication will go into that building. There will be a new warehouse constructed and another building currently used as a warehouse will be converted into shops. There will be a rehabilitation of this administration building into the headquarters of this facility. A lot of rehab is necessary in a

building like this and all of that will happen under GMP 7. The engineering work for GMP 7 has been approved by the BOS so there is an amended contract in place with the design professionals to proceed with that design work. We proceed with the design of components of the overall project and once that design made progress we enter into negotiations with the contractor to build that component. That component then comes back into the GMP which means we've negotiated an upside price for that package and that the contractor cannot exceed the price and if the contractor sees savings then Pima County gets the benefit of that savings.

- **Water Reclamation Campus Project.** Final technical proposals came back in September and are being reviewed by members of the selection committee as well as subcommittees. For example, there is an operations subcommittee where operational staff review submittals and make reports to the selection committee. There are also engineering, maintenance and financial subcommittees. Consultants also make up a subcommittee. These subcommittees review all of the submittals that came in and arrangements have been made for meetings where these subcommittees will make presentations to the selection committee. The subcommittees do not do any scoring but their recommendations are taken under advisement by the selection committee. It is expected that the recommendation of the selection committee will happen towards the end of next month. Thereafter it will go to the County Administrator with a recommendation and will then go before the BOS for a final approval. Currently, it is scheduled to go to the BOS on December 7th. Hopefully, if the schedule is achieved, the contract will be awarded and signed before the end of the year. The contract does call for the new Water Reclamation Campus to be completed, online and in compliance with the new regulatory requirements by August 2014. The compliance date for that new facility is January 2015 so there is a hope that Pima County will beat that deadline.

Mr. Gritzuk continued his discussion on the DBO project by stating that there are three meetings arranged with operating and maintenance staff to talk about the opportunities for them to transition to employment with the DBO contractor which is private sector employment. They are being given as much detail as is being provided to Pima County but as there has not been a selection made regarding the contractor, many of the details remain unknown. Once the contract is awarded, there will be joint meetings with the contractor, Pima County and the staff. Right now the staffing level at Roger Road is at 54 and that includes all of the supervisory and administrative employees. The BOS has required that the selected DBO contractor hire 75% of their non-supervisory operation and maintenance staff from our existing staff. If the existing staff wants to pursue employment with the DBO contractor they may do so on a strictly volunteer basis. Pima County is not asking staff to seek employment with the DBO contractor, but Mr. Gritzuk stated that he was personally encouraging the staff to stay with the department as everyone can be utilized as the ROMP program unfolds. The Ina Road Facility will have more staffing needs as well. With attrition and with employees retiring, there does not seem to be any foreseeable problem with filling the positions that will be required in the future or that there will be an excess of staff. Staffing levels with the new DBO company look to be about ten to twenty Pima County employees. Mr. Gritzuk stressed that this outcome is based strictly on the volunteer actions of the current staff.

Mr. Carlson asked how long the positions would last. Mr. Gritzuk indicated that these new positions had job security equivalent to what they currently have with the County. Mr. Carlson also asked about the status of the County employees' retirement. Mr. Gritzuk stated that the contractor is required to offer the existing staff the equivalent of salary and benefits including retirement.

Mr. Gritzuk continued by saying that the design and build budget for the new campus is \$240 million and this has been advertised as a not-to-exceed amount therefore, the design and build price proposals must come in below this amount.

Bob Iannarino asked for details regarding the term of operational issues. Mr. Gritzuk explained that the BOS had required that various terms be considered. Five, ten, fifteen and twenty years specifically and in the evaluation and the negotiations with the contractors a fifteen year term was selected. This term is considered standard for this type of procurement. There would be an option on behalf of the owner to renew for an additional five years, this being the maximum that could be secured based on federal law.

Bill Katzel asked if the consumer would see a leveling out in terms of rates, see a decrease or was there an anticipated future rate increase. Mr. Gritzuk stated that there would be rate increases for the next four years. Thereafter a leveling out is anticipated but the rates will not be flat because ROMP is not the only capital program. There is a 2006 Facility Plan which is about \$1.3 billion as well as other rehabilitation projects. It is possible that this leveling off will be paced with inflation above or below but it would be difficult to pinpoint with great detail the exact amount of increase beyond the four year period.

Mr. Katzel asked that a graph showing the increase over the next four years be included in the next committee mailing.

Jim Barry asked for an explanation regarding the federal requirement that contracts be renewed after twenty years. Chuck Wesselhoft stated that it was an IRS rule regarding how contracts are managed and includes variables that might effect tax exemptions in relation to bond dollars and other monetary concerns.

Mark Stratton asked that if the bonds were designed as fifteen year bonds and had been paid off would the same issues exist with the IRS. Mr. Wesselhoft stated that the rule is tied more to how projects are contracted rather than the life of bonds.

Mr. Carlson asked if future regulatory requirements might hamper the efforts for the ROMP program or had the County prepared for changes in compliance. Mr. Gritzuk said that it was understood there were additional regulations already being discussed and mentioned that the reduction on phosphorous in effluent was one such example as was the possibility that sludge class would need to be upgraded. Mr. Gritzuk added that such adjustments to regulatory compliance had been considered when the plan for ROMP was being put into place. Mr. Gritzuk continued by stating that the budget for ROMP included these potential regulatory changes including a consultant driven master plan for biosolids treatment and four consultants had already been through the interview process. The selection committee is due to report the scoring today.

Mr. Stratton asked if the Class A sludge was only used for land application. Mr. Gritzuk said that Class A would be required across the board if that requirement was eventually approved.

Mr. Gritzuk continued by saying that the intent was to utilize the master plan in order to use 100% of the biogas produced at the treatment facility. Biogas has a BTU value and it was not the intention to waste any of that product but use it in one form or another. Uses might include generating electricity or heat.

Mr. Carlson asked if the operation and maintenance costs were included in the budget. Mr. Gritzuk indicated that when the financial plan was developed operational costs had been taken into consideration and that those costs were reflected in the rates as well.

- **Central Laboratory Complex.** Two contracts are currently involved in this project. The first contract involves the design of the laboratory itself. That design has been completed and is basically the new laboratory, training center and a meeting area and this could be considered the heart of the overall ROMP program. Bids are expected by November 7th. The new lab will be online in December of 2011 and will allow the current laboratory facilities to vacate their existing space to make way for further building rehabilitation. After discussions with EPA and Department of Homeland Security, the lab is now part of a national network of laboratories that can provide emergency lab analysis in the event of disaster. This requires that the lab have stringent control over more analytical capabilities and a faster turn around time. The laboratory staff is already going through a series of training exercises to better prepare them for a potential national disaster.

The contract should be awarded at the BOS meeting on November 16th with a one-year construction schedule. The site work will include bringing the site up to the 100-year level and over 100,000 cubic yards of material have been brought in to accomplish that. Once the site has been elevated, construction will begin and this is expected within the next several weeks. The overall site work which includes roadwork, drainage and other projects is about 90% complete in design.

- **Plant Interconnect.** The remaining work includes a diversion structure that will divert flow from the Roger Road service area into the new water campus. That diversion structure is expected to be completed in the first week of December. The intent is to activate the line sometime in December meaning that there will be flow from the Roger Road service area being conveyed to the Ina Road facility where there is more capacity. This project includes the new roadway above the easement which has been designed for multipurpose use.

Mr. Iannarino asked if the contract was near the end of its cycle. Mr. Gritzuk stated that the project, with the exception of the diversion chamber, will have come in about four months ahead of schedule and under budget by several million dollars. Mr. Gritzuk reiterated the County held the ROMP philosophy that the budget not be exceeded and that the individual projects would come in ahead of the contracted completion date. Mr. Gritzuk assured the committee that they would have a better understanding of the complexity of the program when they took the tour after the meeting. Mr. Gritzuk also stated that the extensive work being done at the Ina Road facility was being managed while the facility was still up and running and providing service unlike the Water Reclamation Campus facility which will be constructed without any flows present.

Mr. Katzel asked if the paved multipurpose roadway above the easement would be striped and which department would be taking responsibility. Mr. Gritzuk said that there had been coordination with both the Flood Control District as well as the Natural Resources, Parks and Recreation Department to coordinate the completion of that

roadway.

Sheila Bowen asked if the primary purpose of the roadway was as an access road for maintenance to the facility. Mr. Gritzuk stated that this was correct but it was important to coexist with the public desire for a multipurpose roadway.

Kendall Kroesen asked what percent of flow will be diverted in the short term. Mr. Gritzuk said that the minimum flow would be around six million gallons per day but in accepting the new facility, the acceptance test is run at 32 mgd capacity and must be run for thirty days and then there is another hydraulic test which doubles that capacity.

Overall Financial Update. Ron Meck gave a financial update. The audit for the fiscal year ending June 30, 2010 is almost complete and is in the review stage. The final report should be complete by November 1st. At that time the calculations can be made for the current year target as well as the target for the next fiscal year. The Department is currently working on the budget for the next fiscal year. The goal is to have the financial plan updated and in a format that can be submitted to the BOS around the end of April 2011 along with the County budget package as a whole which is completed by the County Administrator. This is dependent upon any problems that might come up during the budget cycle. The financial plan itself is only required to cover two years but has a rolling five-year projection. In response to an earlier question posed at this meeting as to whether rates might go down, the bonds are fifteen-year bonds that are being issued over four years for the ROMP portion alone and there is also an ongoing need for capital improvements that need to be funded. Assuming the County doesn't choose to refinance the bonds at a lower rate, there will be a fifteen-year period where those bonds will need to be paid off. It is hoped that the rates will stabilize but there is no way to know for sure. There is an annual review with a rolling five-year window going forward.

Ms. Bowen asked when the committee would see the financial plan. Mr. Meck stated that this issue was being discussed and it was possible the plan could be presented in February.

Mr. Stratton asked when the next rate increase was projected. Mr. Meck stated that there were already four rate increases in place and that they were scheduled to be implemented on July 1st of each consecutive year beginning last year.

Jim Barry asked for clarification as to whether the BOS needed to approve the increases even though they were already in place. Mr. Meck said the BOS had approved the plan last March including the scheduled rate increases.

Ms. Bowen added that the increases were automatic but that the committee would have the opportunity to review each year and that the BOS would get an annual report each year as well. This meant the BOS would have additional information but would not be required to vote on the issue again.

Mr. Meck clarified that the sale of bonds was dependent on the cash needs of the department and that it is important that the bonds are not sold prematurely because then the funds would need to be invested and the County would be subject to an arbitrage penalty.

Mr. Carlson asked what the intended increase would be over the next four years and if increases had been looked at beyond that period. Mr. Meck said that the increase was scheduled at 10% for each year beginning last July and that there was not enough data to look beyond the four years with any accuracy.

Mr. Katzel suggested that some form of public education be considered in order to assist the public in understanding the rate increases in both water and sewer and the relation between the two. Mr. Carlson concurred that public education is key to gaining support for these upcoming increases.

Chris Avery stated that the City of Tucson was not anticipating the same kind of increases that RWRD has seen in that last few years.

Ms. Bowen reiterated that the wastewater service area encompasses many water utility provider service areas which might explain the difference in rates.

Mr. Avery continued by saying that the difference was evident in that the typical City water bill a decade ago was about twice the typical wastewater bill whereas now they are roughly about the same and in some cases the City water bill is even lower.

Mr. Iannarino stated that there might be a potential risk of a backlash in year two or three when the customers finally realize there has been an increase in fees and that the idea of being proactive and educating the community

might be a good idea rather than being caught off guard by increasing public concern.

Mr. Gritzuk added that when the rate increases were being planned considerations were made for those in low income positions and subsidy programs were created.

Mr. Meck added that if it turned out that the department doesn't need the capital then the cash needs won't require an issuance of bonds which will not require BOS approval.

Mr. Katzel asked what would be done if surplus revenue was generated. Mr. Wesselhoft stated that the funds could be used for purposes within the department and that rates might be reduced.

Mr. Meck clarified that the department was required to have a ninety day operating reserve, a \$20 million emergency reserve and 10% of all bonds issued under this program had to have 10% of the proceeds in an escrow account. All of these considerations were built into the rates.

B. New Items

1. The new business item noticed on the agenda will need to be deferred until a future meeting time at which it will be renoticed.

2. Introduction of new committee member Robert Iannarino. Ms. Bowen introduced Mr. Iannarino as the new committee member representing District 1. Mr. Iannarino briefly described his background and current involvement within the community.

3. Ina Road Wastewater Reclamation Facility Tour. Mandley Rust gave a brief overview of the facility and the work currently being done to the site as well as highlighting the areas that would be visited during the tour.

VI. FUTURE AGENDA ITEMS. Discussion of letter from Concerned Employees, Financial Graph regarding rate increases.

VII. CALL TO THE AUDIENCE. There were no comments from the audience.

VIII. ADJOURNMENT. The meeting was adjourned at 9:11 a.m.

