Pima County Regional Wastewater Reclamation Department

REGIONAL WASTEWATER RECLAMATION ADVISORY COMMITTEE
Transamerica Building
Pima Association of Governments'
177 N. Church Avenue, 5th Floor Conference Room

MEETING MINUTES

Thursday, October 18, 2012

Committee Members Present:

John Lynch	Bob Iannarino	Amber Smith	Sandy Elder
Sheila Bowen	Bill Katzel	Mark Stratton	
John Carlson	Kendall Kroesen	Mark Taylor	
Barbee Hanson	Armando Membrila	Jackson Jenkins	

Committee Members Absent:

Ann Marie Wolf
Rob Kulakofsky

A. CALL TO ORDER. John Lynch, Vice-Chair, called the meeting of the Regional Wastewater Reclamation Advisory Committee (RWRAC) to order at 7:49 a.m. Veronica Lopez 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. APPROVAL OF MINUTES.
1. Meeting Minutes of September 20, 2012

ACTION: Sheila Bowen made a motion to approve the minutes of the September 20, 2012 meeting. Mark Stratton seconded the motion. Motion passed unanimously.

E. COMMITTEE/SUBCOMMITTEE REPORTS.

1. **CITIZENS' WATER ADVISORY COMMITTEE (CWAC).** Mark Taylor gave the CWAC update. Mr. Taylor stated there was one item that is noteworthy and this is the issue of golf courses not being able to afford their water bills due to the reduction in golf use the last few years. Mr. Taylor stated that the City Greens Committee went to the Mayor and Council approximately 2-3 weeks ago and asked for a reduction in water rates equivalent to the lowest rate that is being charged to other golf courses. This information was also brought before the CWAC a couple of weeks ago. The CWAC received a presentation on what type of rates Tucson Water is charging various golf courses. Mr. Taylor explained that Tucson Water keeps rates equal, unless there is a specific reason to have a lower rate. Mr. Taylor stated that the Committee voted 12-0 that they are not in favor of giving specific golf courses a differential rate and a letter was sent to the Mayor and Council with CWAC's recommendations. Mark Stratton stated that based on the article that was published, it is his understanding that the Silverbell

Golf Course gets effluent for free and El Rio and Fred Enke are paying the full rate. Sandy Elder stated that the agreement Silverbell Golf Course has goes back to when the City of Tucson (COT) owned the Roger Road Wastewater Treatment Facility back in the 1970's and those arrangements were made then. Mr. Taylor stated during the rate making process, each year reduced rates are generally established for reclaimed water users.

F. DISCUSSION/ACTION.

1. **DIRECTOR'S UPDATE.** Jackson Jenkins, Director, Regional Wastewater Reclamation Department (RWRD), stated that he just returned from an Urban Water Sustainability Leadership Workshop in Cincinnati, Ohio, which was held by the U.S. Water Alliance. Mr. Jenkins stated he attended this conference with Alan Forrest with the COT, Claire Zucker with Pima Association of Governments', Jeff Prevatt with RWRD, and Dr. Paul Green from the Audubon Society. There were five spotlight cities that were presented, Cleveland, Kansas City, Syracuse, Denver and Pima County/COT. Mr. Jenkins stated that Tucson was the only arid west city. Mr. Jenkins stated this conference was very well attended and there were a lot of good presentations. Mr. Jenkins stated that there was a lot of emphasis on storm water and sewer systems. Claire Zucker added there is a lot of funding being designated by municipalities to pay for green infrastructure.

   Mr. Jenkins thanked Karen Loeffelman, Program Coordinator, RWRD, for the outstanding work she did on putting together the PowerPoint presentations that he and staff presented at the conference in Cincinnati.

   Mr. Jenkins provided a brief update on the Regional Optimization Master Plan (ROMP) project. The Ina Road project is 70% complete and the Water and Energy Sustainability (WES) Center is 60% complete.

   Mr. Lynch stated that he is going to move the Conveyance Closed Circuit TV Inspection – Rehabilitation Program update as the next discussion item because John Warner has another meeting to attend.

2. **CONVEYANCE CLOSED CIRCUIT TV INSPECTION (CCTV) – REHABILITATION PROGRAM UPDATE.** John Warner, Deputy Director, RWRD, introduced Joe Siva and stated that Mr. Siva will be giving the presentation. Mr. Siva stated that he works with the CCTV team that is responsible for assessing the structural integrity and locating any maintenance in the sewer system that the County is responsible for.

   Mr. Siva stated RWRD is responsible for operating and maintaining over 3,478 miles of pipe. Since 2006, 1,007 miles of sewer pipe have been televised. Mr. Siva discussed a map displaying sections with public sewer lines and completed CCTV. Mr. Siva explained that CCTV is a robotic camera into an access point or manhole and televise from one access point to another. Different observations are made based on structural or maintenance issues for an overall assessment of the sewer pipes. Mr. Lynch asked if the pipes are televised both before and after cleaning. Mr. Siva replied only after cleaning do they televise. Bill Katzel asked what the oldest part of the system is and what is the anticipated life span of the old versus the new. Mr. Siva stated it depends on the type of pipe and explained the differences of the various pipes. Mr. Jenkins added that the majority of the rehabilitation is cured in place pipe and a lot of staff are getting certified and are now able to assess the condition of the system. Mr. Warner stated that there is now a national standard called the NASSCO standard and this is the standard used to evaluate and rate CCTV assessments. Discussion ensued regarding preventive maintenance of the sewer conveyance system. Mr. Lynch asked if staff has had an opportunity to track maintenance requirements based on what is coming out of the program versus what is actually being allocated into the budget. Mr. Jenkins stated the capital budget has been increased significantly for rehabilitation of the conveyance system.

Mr. Siva stated that the Capacity Management and Operations Management (CMOM) Program was adopted in 2006 and the commitment was made to inspect every sewer line every 10 years. In 2007/2008, the first contract run was conducted with Brown and Caldwell and Pro-Pipe Contractors for $500,000 and 50 miles of CCTV was done. Mr. Siva continued to discuss the budget for CCTV for 2006 through 2017 and how much CCTV work has been completed and expected to be completed through 2017. Mr. Stratton asked if the department has looked at whether it is more beneficial to purchase the equipment and have staff do the work versus having a contractor conduct the work. Mr. Warner stated historically staff has done the CCTV internally, but the issue is that staff also does a lot of quality control work and conducting the CCTV work internally would be time consuming and may cause staff to miss deadlines. However, this is an issue the department is reviewing and evaluating. Discussion ensued regarding CMOM criteria and how frequent the CCTV work is conducted.

Bob Iannarino asked if there is an outline of permit compliance for CMOM and stated it might be useful for the Committee to know what the department is obligated to do under CMOM. Mr. Jenkins stated there is a very detailed program that included the CMOM criteria.

Mr. Siva showed and discussed a slideshow of pictures displaying examples of what is found in the sewer system pipelines during the CCTV inspections. Mr. Lynch asked how this program has influenced new construction as far as materials go. Mr. Warner stated it teaches every utility and contractor a lessons learned approach and there are still a lot of unknowns but as this program continues more will be learned about the system.

Kendall Kroesen stated there was an article in the newspaper regarding the insignificant threat of earthquakes in this region and what is the threat of tectonic issues like this to the conveyance system. Eric Wieduwilt, Deputy Director, RWRD, stated subsidence is the biggest concern. A lot of studies have been done and in the end it does not look like it will be a concern. Mr. Iannarino stated PVC pipe came into use in the 1980's and the 30-year timeframe is coming up. Mr. Iannarino asked if staff is aware of any problems with PVC pipes. Mr. Siva stated most of the PVC pipes are in pretty good condition.

Harlan Agnew, Deputy County Attorney, stated that he has been working with the Arizona Department of Environmental Quality on the CMOM issue and they are amazed with the work RWRD is doing with regard to the reduction of Sewer System Overflows.

3. **BIOSOLIDS/BIOGAS MASTER PLAN UPDATE.** Mr. Jenkins stated the main focus is in regards to the biogas portion of the master plan, since the biosolids portion is basically set. Staff is continuing to work on finalizing the Request for Proposals (RFP) and is planning on presenting to the public by January 2013. Mr. Jenkins stated a draft service agreement, which will be included with the RFP. Mr. Jenkins stated there is a scoring matrix and 60% of the score will be towards the revenue and the other 40% will be on the technical solution, quality of the firm, and other such qualifiers. Mr. Jenkins explained that the contract will be a 15-year contract with the option to extend another 5 years, at RWRD's discretion. Mr. Jenkins added that the Bio-Compressed Natural Gas is being kept as a separate independent evaluation, in case the County may want to do again for sustainability and other benefits.

   Mr. Lynch stated that Ann Marie Wolf, Chair, RWRAC, is requesting that this item be placed on next month's agenda to discuss the letter that was sent earlier this month from the Committee to the Board of Supervisors (BOS) on this topic and the feedback she received.

4. **SEWER CONNECTION FEE ORDINANCE UPDATE.** Eric Wieduwilt, Deputy Director, RWRD, stated he provided a two-page report to the Committee earlier in the meeting and will be giving an update on where RWRD stands with the refunds and credits, and also what RWRD will be recommending in their December report to the BOS on the change in connection fee methodology.

Mr. Wieduwilt provided a summary of what refunds and credits have been requested thus far. To date, $158,000 has been refunded and $264,000 in credits has been requested. Mr. Wieduwilt stated the program to receive refunds ends December 31st and the program to receive credits ends November 20th. Mr. Jenkins noted that the potential for eligible refunds and credits could have totaled $1.8 million. Mr. Iannarino asked why the number of applicants that applied for refunds and credits is so low. Amber Smith stated because of the limited timeframe to use the credits and also due to some people are one-time builders. Mr. Jenkins explained that the refunds are a paid out cash payment, and the credits must be approved by the BOS and used within the specified timeframe.

Mr. Wieduwilt discussed the Connection Fee December Report that will be going to the BOS and the connection fee methodology changes that need to be made in order to improve the process for better identifying water meter sizes for residential and commercial. Mr. Wieduwilt stated staff is still working with stakeholders and water providers to improve this process.

Mr. Wieduwilt stated that one of the biggest issues is how to deal with shell buildings. Mr. Wieduwilt stated that the option is to change the ordinance to allow a payment plan of 10% down and equal monthly payments for no more than 24 months and all to be paid in full prior to 100% filling of tenant space. Sheila Bowen asked at what point are they issuing capacity for the shell buildings. Mr. Wieduwilt stated they are trying to do estimates of these shell buildings and that is the concern that this is being done at the tenant improvement period; therefore, the water meter charge is separate from the capacity discussion. Mr. Wieduwilt provided charts regarding water meter usage for commercial and residential structures.

5. **FY 2011/12 BUDGET AND FY 2012/13 FINANCIAL PLAN UPDATE/BUDGET.** Tom Burke, Director, Finance and Risk Management Department, provided various financial reports for the Committee's review.

Mr. Burke first discussed the Statement of Net Assets from June 30, 2011 to June 30, 2012. Mr. Burke stated that he compared the balance sheet and income statement for both years. Mr. Burke explained there is a $67 million increase for cash and cash equivalents and there are two reasons this amount has increased: 1) at the end of 2011, a new financial system was being implemented and the department paid every invoice before converting over to the new system; therefore, the cash was reduced. 2) There are quite a few construction projects going on and a retention of funds for the balance of the construction. Mr. Burke stated in regards to construction in progress there is an increase of $177 million and between the end of 2011 and 2012, there are $342 million spent on projects that are not yet complete, which is the biggest change with the assets.

Mr. Burke stated the biggest increase in the liability is the debt which is now being incurred. There is almost $500 million of debt and this amount will go up by another $200 million. Mr. Burke clarified that there are no outstanding Certificates of Participation (COPS) because they have been paid down. Mr. Burke discussed operating revenues and stated there was an increase of $8 million, but this was expected due to the rate increase. Under non-operating revenues, the sewer connection revenues did drop from $19 million in 2011 to $16 million last year. Mr. Iannarino asked with regards to the permits and fees, what is the jump of $477,000 in fees from 2011 to 2012. Mr. Jenkins stated that some of that amount is through Industrial Wastewater Control (IWC) collection of fines, but is not certain what the exact breakdown is. Mr. Taylor asked where the interest expense and principal repayment on the bonds is on the spreadsheet. Mr. Burke stated this would be located under the non-operating revenues. Ms. Smith stated under operating revenues, other income category, the amount went from $1.8 million in 2011 to $165,000 in 2012 and asked if this was related to the refunds. Mr. Burke stated it was probably due to a settlement of a past claim, but could find out and get back to the Committee on this question.

The next report that Mr. Burke discussed was the Budget to Actual Comparison for FY 2012. Mr. Burke explained that this report shows last year's actual expenditures to what was budgeted. One major item was the sewer user fees, which were below budget by $5.5 million and this also includes revenues from the Marana Wastewater Treatment Facility that RWRD is not receiving. The capital contributions were lower than anticipated. Mr. Burke explained what a capital expense is. Mr. Stratton asked how the actual budget for this year compares to the previous year. Matt Matthewson, Special Assistant to the Director, RWRD, referred the Committee to a page in another financial document (Appendix A to Preliminary Official Statement for Sale of November 2012 Debt) that may address Mr. Stratton's question.

Mr. Burke continued to the next financial report, Appendix A to Preliminary Official Statement for Sale of November 2012 Debt. Mr. Burke explained that this report is usually 120 pages long, but a summary is usually included, which summarizes the last 10 years of activity for the wastewater fund. Mr. Burke discussed the rate increases for the last 10 years and the projections for the additional year of rate increases. Mr. Burke went over the connection fee history. Mr. Jenkins asked what happened to the credit and refund program and if these costs came out of the connection fee reduction. Mr. Burke replied yes. Discussion ensued regarding the increase of the average number of customers per fiscal year.

Mr. Burke moved the discussion to two financial reports called Summary of Cash Flows and the August Cash Flow Detail. Mr. Burke stated the Summary of Cash Flows spreadsheet shows that RWRD expected to end FY 2013 with $199 million of cash on hand; however, once it is determined what the money is associated with, approximately $50 million is bond money that is available for construction. Mr. Burke discussed the reserve fund and the debt service. Mr. Lynch asked how the interest rate is established on the COPS. Mr. Burke stated it is established by the credit of the County as a whole, which is generally slightly higher than the bond interest rates. Discussion ensued regarding debt service payments.

Mr. Lynch suggested that given the complexity and the volume of information that the Committee received, that the Committee members review the financial reports and provide any questions they have to Ms. Lopez and she can compile and forward them to Mr. Burke. The Committee concurred.

6. **POTENTIAL RWRAC FINANCIAL SUB-COMMITTEE.** Mr. Lynch stated at last month's meeting discussion was held regarding possibly forming a financial sub-committee. Mr. Lynch stated he feels that since RWRD is an enterprise entity, a close review of the financials is imperative to track and understand the rate structures for the users. Mr. Lynch added that he is in favor of forming a financial sub-committee for a period of time to create a more streamlined process and track the financial information on a timelier basis.

   Mr. Katzel stated he was in agreement with Mr. Lynch and also commented that the sub-committee would need to abide by the Open Meeting Laws. Discussion ensued regarding forming a RWRAC Financial Sub-Committee.

   ACTION: Bill Katzel made a motion that the Committee establishe a RWRAC Financial Sub-Committee for review of RWRD financial data and to gather information to report to the entire RWRAC Committee for their review and recommendations. Sheila Bowen seconded the motion. Motion passed unanimously.

   Mr. Lynch stated that he is aware that Ms. Wolf is interested in serving on the Financial Sub-Committee, as is he, and they are both willing to volunteer to do so. Mr. Lynch asked that any Committee members interested in serving on the Sub-Committee please notify Ms. Wolf. Ms. Smith commented that she would be interested in serving on the Financial Sub-Committee. Chuck

Wesselhoft, Deputy County Attorney, added that the number of members on this Sub-Committee needs to be clearly defined so that a quorum can be determined. Mr. Lynch stated that the number of members on the Sub-Committee will be either three or five members. Mr. Iannarino stated that this will require County staff commitment, as well, and asked if Finance Department staff will need to also attend these Sub-Committee meetings. Mr. Lynch replied that will need to be determined; however, he feels the answer is yes, they will need to attend for the time-being. Mr. Lynch stated he too is aware that this will require staff involvement and he wants to assure the time and work spent on this Sub-Committee is valuable to all involved. Mr. Lynch continued to say that the RWRAC's main function and purpose is to review RWRD's financial information and he feels it is imperative to have a better understanding and reporting process of RWRD's finances.

7. FY 2011/12 BUDGET AND FY 2012/13 FINANCIAL PLAN UPDATE/BUDGET.

a. STATUS OF TOWN OF MARANA WRF – PAYMENT FOR OUTSTANDING INDEBTEDNESS. Mr. Burke provided a brief update and stated that the Town of Marana (TOM) will owe Pima County approximately $16 million. TOM paid the County $46,000 in January as an interest payment, but the County has not received any further payments from the TOM. Pima County is continuing to pay the debt payments since the TOM was awarded an additional stay through the Court.

Mr. Lynch stated that he feels since this case is still in litigation, that the Committee refrains from addressing this issue unless there is a significant reason to discuss or staff has an important update to present.

8. NATIONAL TAKE-BACK DAY REPORT. Jeff Prevatt, Compliance and Regulatory Affairs Office Manager, RWRD, provided an update on National Take-Back Day, which was held on September 29, 2012. Mr. Prevatt stated he will provide the data from National Take-Back Day at next month's meeting.

Mr. Prevatt stated the Pima County Health Department has taken over the role as coordinator for the Dispose-A-Med Program, but he continues to assist with this program in an advisory type role. One of the biggest problems this program has is trying to gain a continual source of funding. Law enforcement is obligated to accept the collections of control substances and it is their staff that is working overtime and putting in a lot of staff time with this program. This can be difficult for law enforcement to run this program due to budget constraints they are facing.

A recommendation of an audit that was done of the program is to form a non-profit organization, 501(c)(3). The various law enforcement agencies would be the board members of this organization. Mr. Prevatt stated that this would also allow tax-deductible contributions to the program. Ms. Zucker stated Pima Association of Governments (PAG) has a non-profit sister organization called the Center for Pima Basin Sustainability, which is also a 501(c)(3), and under this 501(c)(3) there is a partnership called the Solar Partnership. A number of groups provide contributions to this partnership. Ms. Zucker stated that this is similar service is going to be offered to the Dispose-A-Med Committee at their next meeting. Currently, PAG would not have the staff support to assist with running this partnership as they do with the Solar Partnership. Mr. Lynch asked that this topic be placed on next month's meeting agenda to receive updates from the Dispose-A-Med Committee's meeting. Mr. Prevatt stated that he will also distribute handouts at the next RWRAC meeting.

Mr. Curley distributed the System-Wide Odor Control update to the Committee. Mr. Jenkins stated he will briefly discuss the RWRD re-organization charts at the next meeting that were previously provided to the Committee. Ms. Bowen asked that the CCTV PowerPoint Presentation also be e-mailed to the Committee.

F. FUTURE AGENDA ITEMS. Mr. Lynch stated that items for discussion on next month's agenda are:

- Feedback received from BOS on Biosolids/Biogas Master Plan Letter from RWRAC
- The RWRD Re-organizational Charts
- Dispose-A-Med Update
- Sewer Connection Fee Ordinance Update
- RWRAC Financial Sub-Committee

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

Ms. Bowen announced that, at the October 8, 2012 Mayor and Council meeting, the Town of Sahuarita approved adopting the same connection fee structure that Pima County uses.

ACTION: Mark Stratton made a motion to adjourn the meeting. Kendall Kroesen seconded the motion. Motion passed unanimously.

H. ADJOURNMENT. The meeting was adjourned at 10:08 a.m.