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, March 15, 2012

Committee Members Present:

Ann Marie Wolf	Barbee Hanson	Rob Kulakofsky	Jeff Biggs
John Lynch	Bob Iannarino	Armando Membrila	
Sheila Bowen	Bill Katzel	Mark Stratton	
John Carlson	Kendall Kroesen	Jackson Jenkins	

Committee Members Absent:
Brad DeSpain
Amy McCoy

A. CALL TO ORDER. Ann Marie Wolf, Chair, called the meeting of the Regional Wastewater Reclamation Advisory Committee (RWRAC) to order at 7:44 a.m. Veronica Lopez took the roll call and quorum was present.

B. PLEDGE OF ALLEGIANCE.

Ms. Wolf announced to the Committee that an Open Meeting Law Training will be provided at a future meeting.

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

D. APPROVAL OF MINUTES.

ACTION: Mark Stratton made a motion to approve the minutes of the February 12, 2012 meeting. Bill Katzel seconded the motion. Motion passed unanimously.

E. COMMITTEE/SUBCOMMITTEE REPORTS.

1. CITIZENS' WATER ADVISORY COMMITTEE (CWAC) UPDATE.
Jeff Biggs, Tucson Water, stated the CWAC meeting for March 7, 2012 was postponed until March 21, 2012.

F. DISCUSSION/ACTION.

1. DIRECTOR'S UPDATE. Jackson Jenkins stated that the consulting firm, Brown and Caldwell, was hired to prepare a Biosolids/Biogas Master Plan Report. Mr. Jenkins stated that the report has not yet been completed, but once it is, he will have it e-mailed to the Committee members and will discuss it at a future meeting. Mr. Jenkins continued

to say that one of the important decisions to be made is what to do with the biogas and gas marketing experts were hired through Brown and Caldwell to provide a report. Mr. Jenkins stated that he received the draft report yesterday and he and staff will be reviewing it and will also provide a copy of this report to the committee members.

Mr. Jenkins stated that at this week's Town of Marana (TOM) Council meeting, an agenda item for discussion was an Intergovernmental Agreement prepared by Regional Wastewater Reclamation Department (RWRD) authorizing TOM to send biosolids directly to Pima County for processing. Since the TOM took over the Marana Wastewater Reclamation Facility (WRF) on January 3, 2012, they had been sending biosolids to Pima County through another entity that was permitted with Pima County. Mr. Jenkins noted that another coordination meeting with the TOM had been scheduled for March 9, 2012 to discuss conveyance, treatment, and other typical technical issues, but the TOM cancelled that meeting. Mr. Jenkins is waiting to hear from the TOM on whether they wish to reschedule the meeting. Mr. Katzel asked if the TOM chooses to return the Marana WRF to Pima County, is there a plan for Pima County to take the plant back. Mr. Jenkins stated that Pima County is still the Designated Management Agency (DMA) and RWRD still have permits to operate the facility. RWRD could continue to operate as before if the facility was returned.

Mr. Jenkins continued with an Operations and Maintenance (O & M) Budget Update. Mr. Jenkins stated that last year the FY 2011/12 budget was approximately $73 million. Based on the Board of Supervisors' approval of the rate increases in 2010, there is a ceiling of 3.4% maximum increase in the O & M budget that can be requested.

Mr. Jenkins stated an area in which costs needed to increase was for the CCTV and rehabilitation effort on the conveyance system. The O & M budget was increased by $2.1 million to account for that.

2. **FY 2012/13 FINANCIAL PLAN UPDATE.** Tom Burke, Director, Finance and Risk Management Department, provided the Financial Plan Update. Mr. Burke stated within the last few weeks the 5-Year Capital Improvement Program (CIP) beginning FY 2012/13 has been finalized, which helps estimate what the cash flow needs will be for the department's CIP and debt service. Mr. Burke stated that he has a draft financial plan that is basically an explanation of the 5-year cash flow. There are adequate resources for RWRD to build and operate the remaining $400-500 million worth of remaining projects that are outstanding and coming up. Mr. Burke stated that in the coming years, he expects the debt service to eventually total $100 million, but currently RWRD is expecting $52 million worth of debt service for this upcoming year. Mr. Burke stated that another item they looked at is what growth assumptions will be for the next few years, and the last couple of years the County has experienced .05 - .075 percent growth. Mr. Burke stated that a draft of the financial plan should be available to the committee members at the next meeting. Mr. Burke noted that he knows some inquiries have been made as to whether rates can be reduced. Mr. Burke stated that until the remaining $400-500 million of debt has been sold, and what the interest rates, he will not know what the debt service will be.

   Mr. Stratton stated that he provided Mr. Jenkins with information from Metro Water District's water consumption and that Metro Water continues to see a decline in consumption, especially in the winter months, which has a direct impact to the amount

that gets billed. Mr. Stratton asked Mr. Burke if he took into consideration what the reduction to water consumption is with respect to utility service revenue. Mr. Burke replied that this was taken into consideration as the main source of revenue the volume charge.

Bob Iannarino asked if the net revenue change of +12.4%, is above or below the projections for the revenue to be generated by the rate increases at this point in time. Mr. Burke responded that he expects revenue to increase from $160 million to $173 million due to rate increase that will go into effect July 1st. Discussion ensued regarding the debt service projections. Sheila Bowen asked if the debt service is primarily being funded from sewer user fees and Mr. Burke replied yes. Mr. Lynch asked if RWRD has to defer work to stay under the 3.4% budget increase limit. Mr. Jenkins replied that currently they are not deferring work, but they have added work in the areas of CCTV and the rehabilitation of sewers. That is the $2.1 million that was added in FY 2012/13 budget. Matt Matthewson agreed with Mr. Jenkins and stated that RWRD has not deferred any rehabilitation work, but has deferred some capital equipment investment. John Carlson asked if the TOM taking over the Marana WRF will have any impact on the budget. Mr. Jenkins replied that the budget did include operating costs for the Marana WRF and if the facility is returned then RWRD can continue with business; however; if the facility is not returned, then those funds can be used for CCTV and rehabilitation efforts.

Armando Membrila asked why there is so much debt that is being written off this year. Mr. Burke stated that it had not been done in a long time. Mr. Burke continued by saying that the only collection efforts are primarily made by the Water companies, who also do not get paid, and the County would have to go to small claims court over individually small dollar amounts. Mr. Katzel asked if the County has lien capability against the property. Mr. Burke stated he did not know if the ordinance provides for that and even so, the County would still need to go to court. Discussion ensued regarding efforts to collect from the tenants and/or landlords and Mr. Katzel recommended discussing further at a future meeting.

Ms. Bowen stated she recalls that the Regional Optimization Master Plan (ROMP) provided adequate system capacity through 2030, but only 5% of the ROMP costs were associated with capacity. Mr. Jenkins stated the majority of ROMP is regulatory driven, which is paid for by all the current users. Mr. Katzel asked if growth returns, then would we be at or above capacity at some point in the future. Mr. Jenkins replied that even with different projections of growth, ROMP could take us into 2030 or beyond. Discussion ensued regarding extra capacity.

Patrick McGee, Division Manager, Finance and Risk Management Department, provided an update for year-to-date expenses up to February 2012. Mr. McGee stated that O & M expenses are at $42.7 million, which is still slightly under budget for the year, and the total revenues are at $117.5, which is still running above budget for the year.

Ms. Wolf asked Mr. Burke if he can get the draft financial plan to the Committee before next month's meeting. Mr. Burke replied yes and he will get it to Mr. Jenkins. Discussion ensued regarding rate increases.

3. **CONNECTION FEE METHODOLOGY.** Eric Wieduwilt, Deputy Director, provided a brief overview of his presentation from last month's meeting. Mr. Wieduwilt stated a draft of the ordinance has been completed and he will see that copies are mailed out to the Committee within the next few days and it is also being posted on RWRD's webpage today, to meet the 60-day notification requirements. Mr. Wieduwilt recommended that if any of the Committee members have detailed questions, that they schedule one-on-one meetings with himself to assure their questions are answered.

   Mr. Wieduwilt explained how the new base rate is calculated. Mr. Stratton asked if the 80 gallons is based on actual or an Arizona Department of Environmental Quality (ADEQ) number and Mr. Wieduwilt stated it is based on ADEQ. Mr. Wieduwilt presented and discussed graphs showing the non-residential connection fee comparison. Mr. Wieduwilt stated that beyond a 4-inch meter it would be a case-by-case negotiation with that entity to determine what the appropriate cost of the connection would be. With regards to 3-inch meters or less, Mr. Wieduwilt explained that the new connection fees will be lower than what is currently being charged to new users.

   Mr. Wieduwilt explained how the new cost of capacity of $16.02/gallons per day was determined. There will be 33.4 million gallons per day (MGD) of available capacity in the system at the end of ROMP. Mr. Wieduwilt stated there are two parts to calculating cost of new growth, value of the existing system and what will the 5-year capital program provide to new customers, which would be divided by the available capacity in millions of gallons to get the dollars per gallon per day cost of capacity. Mr. Wieduwilt continued to explain the value of existing assets for new customers and how it is calculated into four parts: treatment, conveyance, land and cash.

   Discussion ensued regarding the cost of capacity and why debt service is not included. Mr. McGee stated that at the end of the year it is figured out how much interest is on the debt that created the asset and that interest is capitalized as part of the cost of the asset. Ms. Wolf asked for clarification that when capitalizing the asset, the appropriate interest is included. Mr. McGee replied that when the asset was paid for with debt, the interest is added as part of capitalization. Ms. Wolf stated that the concern is that the users may be paying for the debt service on the new capacity. Mr. McGee stated that when there is a new project, the interest is capitalized as part of the project on an annual basis. Mr. Iannarino noted that we are only increasing current capacity from current facilities to the new facilities by 3-4 MGD and something to keep in mind is that 33% of available future growth capacity is currently in existence. Ms. Wolf commented that the concern stems from the comment that was made in the draft Raftelis Report that stated "the County may need to consider additional increases in user charges to account for the potential loss of revenue from the new connection fee structure." Mr. Wieduwilt stated that if the new cost of capacity has been accurately calculated, then user fees must make up the difference. Two different analyses were conducted: one showed that it may only impact revenues for connection fees by half a million dollars; the other used a different approach that indicated the impact could be upwards of $5 million. RWRD will need to work closely with the Finance Department to manage our finances accordingly, and if it means future user fee rate increases, that is putting the burden where it needs to be. Mr. Burke stated this is why there was the analysis of what it would cost per gallon for capacity. Mr. Wieduwilt again invited the Committee members to contact him if they wish to schedule a one-on-one meeting to discuss the report in more detail.

Mr. Wieduwilt stated the draft ordinance will be posted today to begin the 60-day notice period, which is subject to public comment. On May 15, 2012, the Board of Supervisors will hear the recommendation to change our ordinance to adopt the new method and the new fee, which would go into effect July 1, 2012. Mr. Wieduwilt also discussed two other steps that are being conducted, first to assure internally that the computer programs are modified to track the new fee and not lose historical data of the fixture unit equivalent, and the second is stakeholder communications and to notify and solicit public comment.

Ms. Bowen commented that the Town of Sahuarita met with County staff because the Town of Sahuarita's sewer connection fee follows the County's fee structure and they were asked to comment. Ms. Bowen asked what was the methodology used for commercial meters and that the average flow was used for commercial users of a given size, and did they look at the distribution of flow and how was evaluation done. Mr. Wieduwilt replied that the data they received was not broken down to the detail to do the analysis, and there was a question of whether irrigation meters were part of that data and it was not, so it was commercial, industrial and residential use per meter. Also looked at complexity of trying to draft an ordinance broken down into different types and felt from an application standpoint and dealing with averages was simplest way to implement it.

Ms. Wolf asked if there was anyone representing users at the stakeholder meetings. Mr. Wieduwilt replied municipalities, developers, local development agencies for residential, commercial, industrial, and engineers, architects and water providers were present. Ms. Wolf asked that RWRD assure when the public hearing is held that user groups and homeowner associations are notified so that they have an opportunity to be represented at this hearing.

a) SCHEDULE DATE/TIME FOR PUBLIC HEARING. Ms. Wolf briefly explained the process when there is an ordinance change, rate fee structure change, etc., and that a public hearing must be held to receive feedback from the community.

Ed Curley provided options of dates to hold a public hearing. Discussion ensued regarding the scheduling of the public hearing and whether to combine the public hearing with the regular scheduled RWRAC monthly meeting. The Committee decided to hold the public hearing on Thursday, April 12, 2012 from 6:00 p.m. – 8:00 p.m. and location is yet to be determined.

Ms. Bowen asked if clarification on the debt service can be sent out to the Committee members prior to the April 12th meeting. Mr. Wieduwilt stated he will assure it gets mailed out next week.

Mr. Membrila asked how many properties are currently connected in the County to the sewer system and how many are not. Mr. Jenkins stated that the County has a customer base of approximately 266,000 customers, which is an approximate number of connections, and less than 10% for septic. Mr. Wieduwilt stated we do have estimates of septic, within our infrastructure, and what areas are primarily septic and can provide that data.

4. CAPITAL IMPROVEMENT PROGRAM UPDATE. Greg Hitt and Mike Kostrzewski presented a PowerPoint presentation on the Capital Improvement Program. Mr. Hitt

began by explaining that projects are now being categorized by the nature of the project. Mr. Hitt briefly described each of the seven programs. Mr. Kostrzewski noted that there are two aspects to the System Wide Conveyance Rehabilitation Program and explained the difference between the two.

Mr. Katzel asked with regards to the Security Master Program, how are additional unrecognized threats treated if the program is coming to an end? Mr. Hitt replied that it would depend on the nature of the threat and RWRD may have to modify the Security Master Plan in the future. Mr. Kostrzewski stated that the Security Master Program is identifying security issues at all of the treatment facilities, pump stations and Richey Yard, to make sure that all of our existing facilities had adequate security.

Mr. Kostrzewski discussed the current FY 2011/12 CIP Budget projects that totaled $209 million. Mr. Hitt discussed the future FY 2012/13 CIP Budget projects that will total over $230 million.

Mr. Kostrzewski stated that in regards to the current FY 2011/12 Conveyance Rehabilitation Projects, the Forty Niner Country Club Sewer Rehabilitation was an extensive project. Mr. Kostrzewski went on to discuss other Conveyance Rehabilitation Projects and noted that the total for these projects totaled $8 million. Mr. Stratton asked on Regional Transportation Authority (RTA) related projects, if costs are paid through O & M or CIP budget. Mr. Kostrzewski replied that it depends on the type of work, and with regard to the Modern Street Car project, it is CIP. Mr. Hitt noted that if it is related to something such as repaving, it would come out of O & M.

Mr. Hitt discussed some of the future FY 2012/13 Conveyance Rehabilitation Projects. Mr. Iannarino noted that in regards to the Modern Streetcar Project, there is a lot of interest in looking at variations in land use to try and entice new development downtown along the route and a key point is the capacity of the infrastructure. Mr. Hitt stated that one of his job responsibilities is to review land use requests for the County and other jurisdictions, and they are monitoring this project for land use requests. Mr. Wieduwilt commented that staff is aware that what happens along the Modern Streetcar corridor may change the way they need to respond to the sewer issues, so staff has already suggested establishing an internal team to analyze and better understand the sewer system along that corridor.

Mr. Kostrzewski continued with the presentation and discussed some of the FY 2012/13 Conveyance Augmentation Projects. Mr. Lynch asked if the costs that are being displayed are specifically construction costs or program costs. Mr. Kostrzewski stated that they are total project costs that RWRD is responsible for.

Mr. Hitt provided a list of current and future Arizona Department of Transportation (ADOT) Utility Modification Costs. Mr. Hitt stated that the Prince Road and Interstate-10 (I-10) Overpass is a large project and RWRD has budgeted a total of almost $4 million for this project. Mr. Katzel asked how much advance notice does ADOT provide for planning purposes. Mr. Hitt replied that it depends on the project, but with regard to the Prince Road & I-10 Overpass approximately 4-5 years notice was provided.

Mr. Kostrzewski stated that the total RWRD budget for the Modern Streetcar project is over $1 million.

Mr. Hitt discussed the 5-Year Capital Improvement Plan Programs for FY 2012/13 through FY 2016/17 and explained how they budget for each of these projects. Mr. Katzel asked if the Odor Control Program is a continuous program. Mr. Hitt stated that it is at this time and this covers both conveyance and treatment. Mr. Hitt provided a list of select future 5-Year CIP Projects and discussed the money allocated for each of these individual projects.

4. **ROLES AND RESPONSIBILITIES OF RWRAC.** Mr. Lynch stated that he went through the enabling Ordinance §2008-115 to review what the objectives and functions are for the Advisory Committee. Mr. Lynch then provided a summary of the functions and purposes of the RWRAC. Mr. Lynch stated that one of the functions of this Committee is to annually review the annual budget of the capital improvements, as well as the 5-Year Capital Improvement Program, and make a recommendation to the governing body. Mr. Lynch feels that more explanation is needed for these financial issues, as well as a better understanding of what the program is, how these projects are prioritized, and how the process works.

   Ms. Wolf suggested that the RWRAC form a small sub-committee to meet quarterly to meet with Mr. Jenkins and appropriate staff to review agenda and Work Plan items to assure the Committee is meeting the requirements of Ordinance §2008-115. Ms. Wolf stated this information would then be discussed with the entire RWRAC. Charles Wesselhoft, County Attorney, commented that if the RWRAC were to form a sub-committee, a quorum would still be needed and the sub-committee would still need to abide by Public Records Law. Mr. Stratton asked if notification of these meetings would need to be posted. Mr. Wesselhoft stated yes, notification would be required, but the recording of minutes would not be required. Mr. Wesselhoft also noted that if this meeting is scheduled on a regular basis, then notification of this schedule would also be required. Discussion ensued regarding forming a sub-committee.

   ACTION: Mr. Carlson made a motion that the RWRAC Chair may from time to time meet with the Department Director and certain Committee members to discuss the Department's policies and rate structures as it relates to the committee's functions and purposes. Mr. Membrila seconded the motion. Motion failed. 7/4

   Ms. Wolf stated that she likes Ms. Bowen's idea of adding time to the monthly meetings to address certain issues that may need additional attention. Mr. Membrila stated that the Committee needs to address the time allotted for the monthly meetings and possibly extending the meeting times. Discussion ensued regarding possible changes to the agenda. Mr. Carlson commented that he was impressed with presentations Laura Fairbanks did a few years ago regarding the proper way of disposing of medication. Ms. Wolf stated that a Dispose-A-Med Update can be placed as a future agenda item.

G. FUTURE AGENDA ITEMS. Ms. Wolf stated at the next monthly meeting, a discussion regarding the Connection Fee Methodology will be held, as well as a detailed Financial Plan Update presentation by Mr. Burke and Mr. McGee.

The Committee discussed having an Open Meeting Law Presentation and that staff is working out the details to get this presentation scheduled. The Committee decided to move the Biogas Report Update and the Open Meeting Law Presentation to the May agenda. Ms. Wolf also asked that the System-Wide Odor Control Quarterly Update be skipped on the

April agenda.

Mr. Stratton recommended that the news articles that are e-mailed to the Committee no longer be included and mailed with the monthly meeting packets. There were no objections to this recommendation.

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

ACTION: Mr. Stratton made a motion to adjourn the meeting. Ms. Bowen seconded the motion. Motion passed unanimously.

I. ADJOURNMENT. The meeting was adjourned at 9:56 a.m.