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

Wednesday, May 23, 2012

Committee Members Present:

Ann Marie Wolf	Bob Iannarino	Mark Stratton
John Lynch	Kendall Kroesen	Jackson Jenkins
Sheila Bowen	Rob Kulakofsky	Jeff Biggs
Barbee Hanson	Amber Smith	

Committee Members Absent:
John Carlson
Bill Katzel
Amy McCoy

A. CALL TO ORDER. Ann Marie Wolf, Chair, called the meeting of the Regional Wastewater Reclamation Advisory Committee (RWRAC) to order at 7:47 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.

Ms. Wolf announced that the Committee has a new member and asked Amber Smith to introduce herself. Ms. Smith stated that she is the Executive Director for Metropolitan Pima Alliance (MPA).

D. APPROVAL OF MINUTES.
1. Meeting Minutes of April 12, 2012 (1)
2. Meeting Minutes of April 12, 2012 (2)
3. Meeting Minutes of April 19, 2012

ACTION: Mark Stratton made a motion to approve the minutes of the April 12, 2012 (1) meeting. Rob Kulakofsky seconded the motion. Motion passed unanimously.

ACTION: Mark Stratton made a motion to approve the minutes of the April 12, 2012 (2) meeting. Bob Iannarino seconded the motion. Motion passed unanimously.

ACTION: Barbee Hanson made a motion to approve the minutes of the April 19, 2012 meeting. Mark Stratton seconded the motion. Motion passed with an 8-0 vote and 1 abstention.

E. COMMITTEE/SUBCOMMITTEE REPORTS.

1. **CITIZENS' WATER ADVISORY COMMITTEE (CWAC).** Jeff Biggs stated that a meeting was held on May 2, 2012 and two main topics were discussed. Kelly Gottschalk, Assistant City Manager, spoke to the Committee regarding administrative costs that are charged to the utility annually at $9 million, which includes both direct and indirect costs. Mr. Biggs stated that Steven Dean, Administrator, Customer Service Division, also provided an update regarding customer service levels at Tucson Water over the last year. The utility has made great strides in customer service. The Customer Service Division receives 80,000 phone calls a month. Half of which are customers with delinquent accounts, which is slowly dropping from 60% in previous years. Mr. Biggs explained how the Customer Service Division has improved with Mr. Dean's lead, and also with the help of the automated phone system, website, and getting staffing levels back up to where they should be. Mr. Stratton asked what percent of the overall budget is related to direct and indirect costs. Mr. Biggs replied that the upcoming Operation and Maintenance (O&M) budget is $152 million, of which $9 million is administrative costs.

   Ms. Wolf asked what the status is on getting a new Committee member appointed from CWAC. Ed Curley stated that CWAC is expected to appoint someone at their June 6, 2012 meeting.

F. DISCUSSION/ACTION.

1. **DIRECTOR'S UPDATE AND BIOSOLIDS/BIOGAS MASTER PLAN.** Jackson Jenkins, Director, Regional Wastewater Reclamation Department (RWRD), discussed the Sewer Connection Fee Revision and stated that the Board of Supervisors (BOS) unanimously approved the conversion of the fixture unit equivalent (FUE) method to a water meter size method, which included a change to the rate structure at the May 15, 2012 BOS meeting. The BOS made four requests and directed RWRD staff to study, evaluate and make a recommendation to them on the four items within the next 30-days. Mr. Jenkins stated that the June 19th BOS meeting is when RWRD plans to present their recommendations.

   Mr. Jenkins stated the first request from the BOS directed RWRD staff to develop a credit/rebate policy covering the period from January 1, 2012 to May 14, 2012 and a second period from May 15, 2012 to June 30, 2012. As part of the evaluation process, staff is also reviewing how many sewer connections there were from January 1, 2012 to May 14, 2012. Mr. Jenkins stated that RWRD staff is currently working with the County Attorney's Office to determine what action can be recommended to the BOS to implement a credit/rebate policy.

   Mr. Jenkins noted that there is some concern over giving credits on prior connection fees could impact revenue and is interested to hear the Committee's feedback on this issue. Mr. Jenkins stated that depending on what percentage may be used for a credit, the difference in revenue could be about $2 million for approximately 1½ months.

   Mr. Jenkins stated that the second request made by the BOS, was to analyze the connection fees charged based on the new meter size approach, focusing on anomalies and negative impacts to the commercial sector. Mr. Jenkins stated that a stakeholder meeting is being held tomorrow to receive feedback from the development community.

Mr. Jenkins stated that the third request is to analyze Tucson Water's approach to water meter sizing and recommend changes to the sewer connection policy to address any inequities that may result from Tucson Water requirements. Mr. Jenkins added that they will be getting stakeholder feedback on this issue, as well.

Mr. Jenkins discussed the fourth request, which is to develop a detailed memorandum on what the impacts may be to user fees under the new connection fee policy. Mr. Jenkins stated that Tom Burke, Director, Finance and Risk Management Department, has been asked to write a memorandum to the BOS with further detail and explanation of any potential impact to user fees.

The Committee decided to continue with the Sewer Connection Fee Revision discussion and return to the Director's Update afterwards.

2. **SEWER CONNECTION FEE REVISION: BOS FOLLOW-UP.** Eric Wieduwilt, Deputy Director, RWRD, stated that the four requested reports need to be presented to the BOS within 30-days. Ms. Wolf stated that the key issue for today's meeting is to get the Committee's input on the first three issues (the Finance Department is working on the fourth item) since there is a 30-day window.

   Beginning with the Credit/Rebate Report, Mr. Wieduwilt stated that staff has started doing an analysis on possible cost impacts. Mr. Wieduwilt stated they are looking at a 100% credit for the May 15, 2012 to June 30, 2012 time period and then some percentage of credit for the time period of January 1, 2012 to May 14, 2012. The implementation date for any credits would be July 1, 2012 and customers who would like to take advantage of a credit/rebate, would complete an online form submitted after July 1, 2012 to initiate this process. Mr. Wieduwilt stated the biggest challenge is to determine who the proper recipient is for a credit or refund; a procedure is being developed with the assistance of the County Attorney's Office. Mr. Jenkins stated that in regards to the 100% credit or refund, the Department is leaning towards a credit rather than a refund, but then the question arises of when the credit could be used.

   Mr. Stratton made a statement inquiring on how a credit would be used in the case of a custom-built home and would the credit be transferrable. Mr. Stratton went on to say if it is a single, custom built home, then a credit would not be beneficial to that individual and he sees disparity with this policy.

   Rob Kulakofsky stated that he concurred with Mr. Stratton's comment and feels it is unfair to offer a credit to a customer who has no plans for further development and someone could take legal action on that issue. Mr. Kulakofsky also stated that he sees no reason to give credits or refunds. It was a business decision made in the past by whoever paid the sewer connection fees, the decision made sense at the time it was made, and there should not be an expectation to receive a credit or refund on a past decision.

   Mr. Iannarino stated that what he had heard in previous stakeholder meetings that there were requests to look at refunds on connection fees retroactively back to January 2011 and asked who set the January 2012 date. Mr. Jenkins replied that the BOS established that date and the Department is supportive of the date.

Sheila Bowen voiced the concern, from the Town of Sahuarita, that if connection fees were higher than they needed to be to cover the cost of new capacity, then why not go back to the point in time when they began to be higher than they should be instead of this January 1, 2012 date. Ms. Bowen added that if there is a refund because of overcharging, then the refund should go all the way back to this point in time. Ms. Bowen also stated that in April, the RWRAC held a discussion regarding connection fees that are paid by a developer and then passed through to a home buyer or the end user, and who would be eligible for the credit. Ms. Bowen stated she encourages these issues be reviewed during this evaluation that RWRD is undertaking.

Barbee Hanson agreed that providing a credit or refund from the January 1, 2012 date is not a good idea and it seems arbitrary. Ms. Hanson commented that this issue seems like an afterthought and did not come up until the recommended sewer connection fee change went to the BOS.

Mr. Stratton stated that it seems like the developers will be the only ones benefitting from these credits/rebates and not the homeowners who initially had to pay that extra cost for the connection fees and agrees that this is unfair.

Ms. Smith stated that this credit/rebate issue was not an afterthought, and in fact had been discussed with C.H. Huckelberry, County Administrator, and others for the last year and a half. Ms. Smith stated that, with the exception of some of the custom home builders or residents that are building their own homes, she believes something needs to be in place for a credit or refund policy. Ms. Smith added that a study was done and it was found that for every one dollar of a credit that is received back by developers or home builders, $100 will be generated in the local economy.

John Lynch, Vice-Chair, stated that he has concerns over a credit/rebate program that would go back to revenues from previous fiscal years. Mr. Lynch added that he would like a better understanding of what the impact of the connection fees have been to the overall budget.

Mr. Kulakofsky again stated that he feels this is unfair to the rate payers, the Department and those that paid the full connection fee price through the cost of their home. Kendall Kroesen stated that he agrees with Mr. Kulakofsky's comments and the question remains if there is an equitable way to post-date credits; it appears unlikely that there is.

Ms. Bowen stated that the stakeholder group that has participated in the past has been primarily limited to the homeowner developers and builders. Since this discussion demonstrates that there are potential impacts to users and people that have purchased homes and occupied businesses, she feels the stakeholder group is one-sided and not representative of who will be the most effected by the BOS requests.

Ms. Wolf also stated that she has concerns regarding any impact this could have on user fees and agrees with Ms. Bowen that the stakeholder group is one-sided on this issue.

The Committee also expressed concern that there is only a 30-day response time to get back to the BOS on these issues. Mr. Curley commented that the Committee could take action and could set advisories on each of these four issues with the information they have in front of them. The Committee decided a letter would be sent to the BOS

informing them of the Committee's decisions and recommendations.

Mr. Stratton requested that the Committee receive a copy of the memorandum from the Finance Department on Item #4 – Impacts of User Fees Report -- and that it be an Agenda item for the June meeting.

ACTION: Rob Kulakofsky made a motion that there should not be a Credit/Rebate Report for the time period of January 1, 2012 through May 14, 2012 and does not support offering any credits/rebates for this time period. Barbee Hanson seconded the motion. Motion passed. (8-1)

ACTION: John Lynch made a motion that the Committee is not opposed to a 100% return of the difference in the connection fees in a form acceptable to the Board of Supervisors and the Department for the time period of May 15, 2012 through June 30, 2012. Mark Stratton seconded the motion. Motion passed unanimously.

Ms. Bowen commented that because the Committee previously took action supporting the connection fee revision provided that there would be no impacts to user fees, she suggests that if the Department discovers there will be an impact resulting from this decision, that the Department take action to reduce its expenses so as not to impact user fees. Mr. Curley stated that the Finance Department's memorandum regarding the connection fee revision impact to user fees should confirm what was stated to the Committee previously, and the Committee could then reaffirm their position that there should be no impact to user fees.

ACTION: Sheila Bowen made a motion that the Committee reaffirm their prior position that the decision on connection fees should have no impact to user fees, with the understanding that the Financial Plan shows some adjustment to user fees may be warranted by 2015 due to other factors and that there are scheduled user fee increases already in place that should not be affected. Rob Kulakofsky seconded the motion. Motion passed unanimously.

Mr. Jenkins stated that the time period from May 15, 2012 through June 30, 2012 will not impact the 5-year Financial Plan outlook related to user fees. Discussion ensued regarding user fees.

Discussion ensued regarding items #2 and #3 and the evaluation of water meter size. Mr. Lynch stated that he would like to see the Committee support the concept of continued evaluation and assessment of the items that are part of #2 and #3. Ms. Bowen stated that this takes away from the Department's and the BOS's desire to move the connection fee process to something simpler. She also stated that there are variations of flow characteristics within commercial sectors for given meter sizes and encourages the Department to look at it more from that standpoint than getting into this debate on whether Tucson Water sized their meters appropriately. Mr. Stratton stated that there is a balance with the way the calculations are done so it is not hitting the user in the long-term and to forsake that on the end of the connection fees is an oversight on the development side because the end user will be paying the bulk of the water charges. Discussion ensued.

ACTION: John Lynch made a motion that the Committee supports the continued evaluation and assessment of the items that are part of #2 and #3 and requests that a final report be presented to the Committee. Mark Stratton seconded the motion. Motion passed. (7-2)

Ms. Bowen suggested that in the Committee's letter to the BOS on these four items, that a statement be included that the stakeholder group should be expanded to include representation from the public. Mr. Lynch expressed concern regarding the 30-day time frame for this to be completed. Mr. Kulakofsky stated that is difficult to find stakeholders who will participate in the process that are not financially connected to the ultimate decision, and is unsure of how to get more public stakeholder participation.

Mr. Wieduwilt stated that the Department has 30-days to write the reports and make recommendations to the BOS. However, RWRD will continue to look at the connection fee issues beyond July 1, 2012. The Department also needs to determine how often the connection fee is re-evaluated. Ms. Wolf stated her concern is the impact on the user fees and the average user may not be aware of the impact this could have on them. Mr. Wieduwilt stated they will copy Mr. Curley on all the stakeholder meeting minutes and the reports that are presented, as well as the meeting dates. Ms. Smith stated that she encourages people to participate in the stakeholder meetings.

3. **DIRECTOR'S UPDATE AND BIOSOLIDS/BIOGAS MASTER PLAN.** Mr. Jenkins proceeded to give the Director's update and Biosolids/Biogas update. Mr. Jenkins clarified that the FY 2012-13 budget ceiling has been approved, but the Department's actual budget has not yet been adopted by the BOS.

   Mr. Jenkins provided an update on the current Regional Optimization Master Plan (ROMP) budget and presented a chart displaying the ROMP budget versus projected final costs. Mr. Jenkins noted that the original ROMP budget of $720 million has been reduced to $660 million due primarily to the budget savings in the award of the Water Campus Treatment Facility DBO Project. The projected final costs are estimated at $637 million. Mr. Jenkins discussed the budget for each of the ROMP projects and what the projected final costs are for each. Mr. Iannarino noted the significant savings in regards to the Water Reclamation Campus and asked how/why the budget for this project ended up being substantially less than expected. Mr. Jenkins provided explanation as to why this project was under budget and contributed some of it to the DBO delivery method.

   Ms. Bowen stated that she is still interested in seeing any plans in regards to a lease agreement with the University of Arizona (U of A) at the new laboratory complex prior to a decision being made on expansion plans. Mr. Jenkins stated that the expectation was that RWRD would have had an intergovernmental agreement with the U of A in January, however; there has been a delay in getting all the details worked out. Ms. Wolf and Ms. Bowen both asked that this issue be part of a future agenda item once the details are more finalized.

   Moving on the Biogas/Biosolids, Mr. Jenkins presented a flow chart showing how sludge develops into a resource and briefly explained this process. Mr. Jenkins stated that the Biogas/Biosolids Master Plan is almost complete. Mr. Jenkins stated that RWRD has been evaluating a number of possibilities on what to do with the digester biogas and discussed the options RWRD has been reviewing.

Mr. Kulakofsky asked about RWRD's contract with Tucson Electric Power (TEP) and whether natural gas could be utilized to generate electricity in the future. Mr. Jenkins responded that once ROMP is complete, the power demand at Ina Rd. will increase significantly. This puts RWRD into a lower rate schedule with TEP so that any other option to supply electricity would not be as cost effective as using TEP.

Ms. Wolf asked if the Committee will be able to review the final draft of the master plan and provide input. Mr. Wieduwilt stated that yes; they will forward it to the Committee once the final draft is completed. Mr. Curley stated that he can forward the meeting invite to the Committee regarding the master plan final meeting.

As a final note, Mr. Jenkins stated that RWRD has been working on a Strategic Plan and suggested that it be a future agenda item. He handed out copies of the Strategic Plan for review.

4. **MARANA SEWER OBLIGATION DEBT FACT SHEET.** Mr. Jenkins stated that C.H. Huckelberry, County Administrator, asked that his memorandum on the Marana Sewer Obligation Debt Fact Sheet be shared with the Committee for review and comment. Mr. Jenkins stated that the fact sheet reviews the history of Marana's desire to obtain and control the Marana Wastewater Reclamation Facility (MWRF) and the events that have transpired up to now. Mr. Jenkins stated that one of the key items is that the Town of Marana (TOM) has not yet reimbursed the County for the outstanding debt on the MWRF, which is approximately $12.4 million and with interest charges totals about $16.5 million. Mr. Jenkins stated that the TOM has paid one month of interest of $46,000. Next month the first debt service payment is due and with interest charges that have accrued the TOM will owe approximately $600,000.

   Ms. Wolf asked what the fact sheet will be used for. Mr. Jenkins stated that this is a chronology of what has occurred to date. Mr. Curley added that the fact sheet is currently on the County website.

   Ms. Smith asked if there was a bond approved for the expansion of the MWRF and if the treatment plant is at full capacity. Mr. Jenkins stated that the plant was expanded from 200,000/gallons per day to 700,000 gallons/per day. Currently the plant treats about 250,000 gallons of wastewater per day. Capacity assurance letters have been issued that exceed 1 million gallons per day and Arizona Department of Environmental Quality (ADEQ) has said no more capacity can be issued. The County had submitted plans and an application to ADEQ to expand the plant further and have more capacity available to issue. However, ADEQ will not issue the permit to the County since RWRD no longer owns the facility.

   Mr. Lynch stated based on the chronology, it indicates that SB 1171 requires the TOM to reimburse the County for the debt service and asked if a debt reimbursement schedule has been created. Mr. Jenkins replied that the TOM has received a schedule of payment and believes that the TOM has asked the State Auditor General's Office to review the information.

   Ms. Bowen stated that she is hesitant to comment on the debt fact sheet and does not feel the Committee's input would have any effect on this matter. Ms. Bowen requested

that the Committee not comment or make recommendations on the distribution of the memo.

Mr. Stratton stated his concern is that if the TOM is not making the payment to the County as they should, then the County ratepayers are covering the TOM's debt and feels this is an issue the Committee should be discussing.

Mr. Iannarino stated that he agrees with Ms. Bowen. He stated that RWRD should outline their position if there is a question of how to get service in that area

Mr. Kulakofsky stated that he does not see a problem with distributing the debt fact sheet and what he likes about this sheet is that the Arizona Representatives and Senators who voted in favor of SB 1171 are listed and these are the legislators that are responsible for this situation.

Ms. Wolf stated that the Committee would like to know what potential impact there would be on user fees for FY 2012-13 with regard to what happens with the MWRF.

FY 2012-13 Financial Plan Update was not discussed as there was not a representative from Finance Department present at the meeting.

Since the meeting ran overtime with the discussion on sewer connection fees, Ms. Wolf suggested that the Dispose-A-Med Update be moved to the June agenda.

5. **APPOINTMENT OF NOMINATING COMMITTEE.** Mr. Kulakofsky and Ms. Bowen volunteered to be on the nominating committee.

G. FUTURE AGENDA ITEMS. Ms. Wolf suggested that the Open Meeting Law training, discussion on the summer monthly meeting schedule, Dispose-a-Med Update, Connection Fee Update and Election of Officers be on the June agenda.

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

Mr. Curley noted that staff will begin work on the RWRAC Annual Report for the BOS and the first draft should be completed in August. Mr. Curley stated that staff will send a copy of last year's Annual Report via e-mail to the Committee members to get ideas for this year's activities and discuss at the June meeting.

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

I. ADJOURNMENT. The meeting was adjourned at 9:55 a.m.