



REGIONAL WASTEWATER RECLAMATION ADVISORY COMMITTEE

Transamerica Building
Pima Association of Governments'
177 N. Church Avenue, 5th Floor Conference Room

MEETING MINUTES

Thursday, September 20, 2012

Committee Members Present:

Ann Marie Wolf	Barbee Hanson	Amber Smith	Jeff Biggs
John Lynch	Bill Katzel	Mark Stratton	
Sheila Bowen	Kendall Kroesen	Mark Taylor	
John Carlson	Rob Kulakofsky	Jackson Jenkins	

Committee Members Absent:

Bob Iannarino
Armando Membrila

A. CALL TO ORDER. Ann Marie Wolf, Chair, called the meeting of the Regional Wastewater Reclamation Advisory Committee (RWRAC) to order at 7:55 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 August 16, 2012

ACTION: Bill Katzel made a motion to approve the minutes of the August 16, 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 by reviewing the topics discussed at the meeting held on September 5, 2012. Tucson Water staff provided an overview of their new reliability program called Resiliency, Reliability and Redundancy. There was also a discussion regarding Tucson Water's monitoring system which enables Tucson Water to identify problems in pipelines prior to any breakage in the lines. Mr. Taylor stated that a presentation was given from the Bureau of Reclamation on reliability of the Colorado River and how it may affect the water supply in the future. Lastly, Mr. Taylor indicated that the CWAC is currently working on their rules and regulations.

F. DISCUSSION/ACTION.

1. **DIRECTOR'S UPDATE.** Jackson Jenkins, Director, Regional Wastewater Reclamation Department (RWRD), provided an update on the Regional Optimization Master Plan (ROMP) program and stated that the project is continuing to go well. The Ina Road project is over 70% complete; the focus is on the October 18, 2013 completion date, which may be a challenge, but every effort is being made to stay on schedule. Mr. Jenkins provided further details on the progress of the Ina Road project.

Mr. Jenkins stated that the Water Campus project is also moving along well and is close to 50% completion. Mr. Jenkins noted that the Construction Manager recently resigned, but the Assistant Manager will be taking over and fulfilling the duties as the Construction Manager. Mr. Jenkins stated this change in management personnel should not impact the progress of the project.

Mr. Jenkins added that the Board of Supervisors (BOS) approved the sale of \$180 million in obligations and Certificates of Participation (COPS) and explained why this is a positive financial move. Bill Katzel asked if this will decrease user rates. Mr. Jenkins replied that the department is currently expecting and planning on the last pre-approved rate increase, which is scheduled for July 2013. Mr. Jenkins noted that C.H. Huckelberry, County Administrator, has stated that he would like RWRD to evaluate the possibility of decreasing user rates after the completion of ROMP.

There are two big components of ROMP for which funds are being held in the budget; the demolition of Roger Road, and the Biosolids/Biogas Master Plan. Mr. Jenkins continued to explain how funds are being budgeted and stated that he is hopeful that user rates can be decreased at some point in the future, possibly 2014, but cannot make any guarantees at this time. Mr. Jenkins stated that the department will review the possibility of decreasing user rates every year, but FY 2014/2015 is when most of the data should be available to make a better determination on what the long-range needs may be. Discussion ensued regarding the projection of rate increases and the tracking of revenues.

The Committee received a handout on the Low Head Hydropower Generation Project. Mr. Jenkins stated this is a smaller project that RWRD may embark upon and RWRD is trying to get a grant to help fund this project. Mr. Jenkins explained the potential uses for hydropower. Mr. Taylor asked where a grant would be obtained for a project like this. Mr. Jenkins stated there are two or three agencies they are looking at. Discussion ensued regarding obtaining a grant on this project and what the costs would be. Ms. Wolf stated this could be added to a future agenda if the Committee chooses so they could possibly make a recommendation on this item. Mr. Katzel stated that receiving updates on this project from Mr. Jenkins would be acceptable.

Mr. Jenkins announced that RWRD recently underwent a reorganization. One of the key changes was with the Capital delivery group, who previously worked under Eric Wieduwilt, and is now reporting to John Warner in Conveyance. Mr. Jenkins stated that if the Committee would like a more detailed presentation on this subject, he would be happy to provide one. Ms. Wolf stated that she would like to see the organizational charts once they are finalized. Mr. Jenkins stated he will ask staff to include this on a future agenda.

Mr. Lynch asked how RWRD is doing with getting the Design Manual adopted and placed into use. Mr. Wieduwilt replied that the draft is in its final stages and the department is in the process of scheduling meetings with various stakeholders to review the manual in its entirety. Mr. Wieduwilt stated he is optimistic that the BOS can adopt the manual in December. Mr. Lynch asked when the comment period will expire. Mr. Wieduwilt stated there will be a formal 30-day comment period when the manual gets posted prior to presenting it to the BOS.

Mr. Jenkins gave an update on the current litigation with the Town of Marana (TOM). One of the newest issues is the TOM got an additional stay from the courts in regards to making debt payments to Pima County for the north Marana facility. This recent stay will delay the TOM from making a payment to the County until March 2013. Therefore, the County is responsible for continuing to make these payments on the facility that TOM took over until March 2013 or otherwise notified. Amber Smith asked if it would be appropriate for the Committee to write a letter to the TOM to encourage a resolution, since this is impacting fees to users and that the TOM is receiving revenue, but not incurring an expense for the facility. Discussion ensued regarding the Committee writing a letter to the TOM. Ms. Wolf asked that this issue be placed on next month's agenda for further discussion.

Mr. Jenkins announced that Pima County and the City of Tucson have been invited to a conference by Ben Grumbles, the President of the Clean Water Alliance of America, in Cincinnati, Ohio, to present on sustainability and water infrastructure issues. The five areas that are being spotlighted are: Pima County/Tucson, Syracuse, Denver, Cleveland, and Charlotte. Mr. Jenkins stated this conference is taking place next month and staff is in the process of finalizing a presentation, which he will share with the Committee at a future meeting.

- 2. BIOSOLIDS/BIOGAS MASTER PLAN UPDATE.** Mr. Jenkins provided an update on the Biosolids/Biogas Master Plan. Mr. Jenkins stated since last month, the main focus has been in finalizing the Request for Proposals (RFP). Mr. Jenkins explained that staff is working diligently on putting the RFP together so this can be presented to the public by February 2013.

A draft endorsement letter to the BOS from Ms. Wolf, on behalf of the Committee, was distributed to the Committee for their review. Ms. Wolf reminded the Committee that at last month's meeting the Committee voted on writing a letter to the BOS endorsing RWRD's Biosolids/Biogas Master Plan. Ms. Wolf asked the Committee to review the letter and provide Ms. Lopez with any comments within one week.

- 3. FY 2011/12 BUDGET and FY 2012/13 FINANCIAL PLAN UPDATE /BUDGET.** Tom Burke, Director, Finance and Risk Management Department, provided a financial update. Mr. Burke stated the largest impact this past year on RWRD's financials was the sewer utility user fees. The fees were about \$6 million less than what was budgeted; \$136 million was received and the budget was for \$142 million. Two major factors impacted this decrease in revenues; the actual growth in the number of customers was one-tenth of one percent, and the continuing trend of decreasing flows.

Mr. Burke stated that for the current fiscal year (FY 2012/2013), the department is budgeted to have O&M expenditures of \$75.5 million, and the current projection is that the department will be on target with these expenditures. On the revenue side, an adjustment was made to account for the decrease in growth. Revenue projections have been decreased by \$6 million. John Carlson asked where the growth figures are received from. Mr. Burke stated that most of the demographic projection information is received from the University of Arizona.

Mr. Burke also stated that RWRD closed 2012 by being over in their O&M budget by about \$3 million. Approximately \$2.5 million of that was in depreciation expenses and there was also a large sum booked at the end of the year due to a judgment ruling RWRD must pay. Sheila Bowen asked for clarification stating that at each monthly meeting Finance staff provides an update stating that the budget is on track, yet the Committee is now being told that the department is \$3 million over budget. Mr. Burke replied that the \$2.5 million depreciation should have been projected earlier, but this does not affect the actual cash needs of the department. Mr. Lynch asked if the depreciation is going to be accounted for monthly going forward or will the department run into this situation again. Mr. Burke stated this should not happen again; due to the new financial system staff had difficulty booking the depreciation.

Mr. Katzel asked where the department makes up the difference with user revenues. Mr. Burke stated the department does not make it up and just has less revenue coming in. The County is selling \$210 million of debt next month to finance this year's construction projects. This \$210 million will consist of \$150 million in sewer revenue debt and \$60 million in certificates of participation, which is a County debt instead of a sewer debt. The RWRD funds will pay the debt, but since it will be a County liability, there will be less debt service to meet the 120% coverage. The more debt there is the more revenue is needed.

Mr. Lynch asked if there is any anticipation in the interest rates being different considering the two mechanisms of borrowing. Mr. Burke stated there will be some difference, the shorter the term of the debt then the lower the interest rates. Mr. Burke provided examples of how this works. Mr. Lynch stated when the ROMP program was initiated the BOS were presented with sewer rate increases based on revenue projections. Mr. Lynch asked how the current revenue projections compare with what was originally anticipated. Mr. Burke stated there has been slightly better revenue than originally anticipated and the costs of the construction projects dropped. Now the department must balance what revenues are coming in and while maintaining a slow growth of expenses, and interest rates. Discussion ensued regarding the projections of water usage and how that is tracked.

Ms. Wolf stated that she appreciates the reports that are received from the Finance staff, but asked if it would be possible to receive more detailed financial reports to assist the Committee in meeting their functions and purposes. Ms. Wolf stated that in Ordinance 2008-115, it is very specific about the Committee's functions and purpose when it comes to the evaluation of financial information in their roles and responsibilities. (Ordinance 2008-115 was distributed to the Committee.) Ms. Wolf also stated it would very helpful if the Committee could receive information on what is in the reserve fund. Ms. Wolf asked the Committee for feedback on this request. Ms. Bowen stated she agrees with Ms. Wolf and in addition to this, she would like to see an update on the financial plan with the adjusted financing costs of the various debt that has been issued. Mr. Taylor suggested forming a Finance sub-committee. Ms. Wolf stated she would have no objection to forming a sub-committee, but proposed placing this on a future agenda for further discussion. Ms. Wolf asked Mr. Burke if he would like a letter from the Committee outlining exactly what they would like to receive in the financial reports. Mr. Burke replied that would be fine, but the request does not need to be formalized in a letter. Mr. Burke stated that a report already exists that contains a great detail of projections and Finance staff can begin to provide that to the Committee.

Mr. Katzel stated he would like to see a correlation each month between the financial report and how it affects user rates. Mr. Jenkins stated the rates are looked at annually, during the financial plan review, and are not reviewed monthly. Mr. Jenkins asked what the schedule is for the next update on the financial plan. Mr. Burke stated normally he presents the financial plan to the BOS in April along with the budget. Finance would be prepared to present the plan to the Committee in late December or early January for their review and evaluation. Mr. Burke stated that at the next RWRAC meeting he could present the preliminary statement for the \$210 million of debt and also a 5-year projection. Discussion ensued on how rate users are affected.

Mr. Burke stated that Finance completes monthly projections, but this does not include data contained in the balance sheets. Mr. Burke stated if there are specific reports that the Committee is requesting, his staff can produce them. Rob Kulakofsky stated it would be helpful to have the projected numbers included in the financial reports. Mr. Burke stated they can do a comparison of budgeted to actual expenses. Discussion ensued regarding what information the Committee would like to receive in future financial reports.

Mr. Lynch suggested to Mr. Burke that perhaps he could provide the Committee with various financial reports that are already compiled at the next meeting, which could prevent staff from having to do additional reports that may already exist. Ms. Wolf asked that more time be allotted for the Financial Update on the next meeting agenda.

- 4. SEWER CONNECTION FEE ORDINANCE UPDATE.** Eric Wieduwilt, Deputy Director, RWRD, stated that based on the feedback received from staff and customers, the new sewer connection fee methodology seems to be a successful change from fixture unit equivalent. As of this morning, the connection fee refunds and credit process is open and live for applications. Mr. Wieduwilt stated he will update the Committee monthly on the status of the credit and refund program. The deadline to apply for refunds ends December 31, 2012 and the application deadline for credits is November 20, 2012. At the December 18, 2012 BOS meeting, the BOS will formerly authorize all the credit agreements. Mr. Wieduwilt acknowledged Mary Hamilton and other staff for a job well done in developing this process.

Mr. Wieduwilt stated that staff is working on the reports due to the BOS in December. Staff is meeting with stakeholders to discuss issues they may have. A primary issue concerns shell buildings and how to handle those that were built prior to this ordinance coming to effect. Mr. Wieduwilt stated a draft of the report due to the BOS in December will be provided to the Committee at next month's meeting for their comments and review so that the report can be finalized in November.

Another issue is under consideration is whether a different rate structure is needed for multi-family residences, right now they fall under the rate that is established for commercial users. Staff is currently analyzing data from Tucson Water to determine if this is even viable, which will also be part of the report.

Mr. Wieduwilt stated that another item being discussed and reviewed is the 1-inch meter for residential and commercial users, and whether it should be changed so that the connection rate is the same for any user with that size water meter.

- 5. HYDRAULIC MODEL REPORT.** Mr. Wieduwilt introduced Ben Fyock, Civil Engineering Manager, and stated Mr. Fyock will be giving this presentation.

Mr. Fyock stated that approximately 12 years ago the County started the Inventory Project and the purpose of this project was to survey and inspect all of the manholes within the sewer system. Part of the effort was to obtain coordinates and elevations for manhole rims and inverts. Mr. Fyock stated that this was the basis for developing the hydraulic model. The consultant that they are working with has stated that this is the best data he has seen in the country for a system of our size.

In 2005, research began as to what type of software they wanted to use to develop the model. InfoWorks CS by Innowyze was identified as the best software available. Mr. Fyock stated that dry weather calibration is underway and almost completed. Future efforts are to use the model as a basis for a wastewater capacity allocation program, which is being developed. Mr. Fyock stated that another focus is CMOM compliance to identify bottlenecks and proposing potential augmentation. Future planning efforts include master planning and outlying facilities.

Mr. Stratton asked if the model calibrates surcharge conditions and how does it vary because it then becomes a different characteristic. Mr. Fyock stated it does calculate surcharge conditions based on downstream, as well as effluent flows.

Mr. Fyock stated that in 2008 there was a comprehensive audit to assure they were using established procedures to maintain equipment and to validate the data, and since this time the flow data coming in has been much better. Mr. Katzel asked if this model gets involved with the condition of the conveyance structures. Mr. Wieduwilt stated it does not. Mr. Lynch stated he had heard a comment that an unintended benefit of locating these manholes and doing assessments of the invert elevations that other issues were discovered that potentially resolved future Sewer System Overflow (SSO) concerns that saved the department in SSO costs. Mr. Wieduwilt stated that it was an outstanding, state-of-the-art, asset inventory that had been done. Mr. Stratton asked if this software allows for easy maintenance for keeping things updated. Mr. Fyock stated yes it does and they plan to calibrate at least every 5 years.

- 6. EFFLUENT UTILIZATION REPORT.** Jim DuBois, Principal Hydrologist, RWRD, delivered a PowerPoint presentation and distributed copies of the 2011 Effluent Generation and Utilization Report to the Committee. Mr. DuBois explained the purpose of the report comes out of the 2003 Wheeling Intergovernmental Agreement, which requires annual accounting for the County's effluent entitlement use. The report shows key aspects of Pima County's water resource management, such as: effluent allocations, including Southern Arizona Water Rights Settlement Act (SAWRSA), managed recharge facility performance, reclaimed water use and Randolph Wastewater Reclamation Facility (WRF) production and effect of wheeling costs.

Mr. DuBois displayed a chart and discussed how the effluent that is produced at Randolph WRF has an effect on the wheeling costs. In FY 2012, wheeling costs for operating rate was \$62.01 per acre foot and the environmental rate was \$286.22 per acre foot. Discussion ensued regarding what happens if the County were to use more water than produced at Randolph WRF and how much the County would be charged.

Mr. DuBois stated this report covers the 11 treatment facilities within Pima County. Mr. DuBois presented a pie chart displaying effluent produced in 2011. Mr. DuBois explained that the data he is referring to in the report is in acre feet; an acre foot is approximately 325,000 gallons. Overall, the County produced about 64,000 acre-feet of effluent. Roger Road produced 50%, Ina Road produced 40%, Randolph produced 3% and the sub-regional facilities produced 6% of the overall effluent. Mr. DuBois showed and discussed the downward trend in total metropolitan effluent since 2008. This trend is partly due to economic downturn and less expansion of flows due to curtailed business and residential development. But, the trend also reflects increased implementation of water conservation measures and the effect of long-term drought.

Mr. DuBois discussed the distribution of total effluent in produced in 2011, according to its type of discharge, delivery or use. Almost 75% went into the river channel and almost 20% was delivered to the City of Tucson reclaimed system. Mr. DuBois explained how the metropolitan effluent allocation is calculated and discussed what is done with the County's share. Approximately 31% of the County's metro effluent for 2011 was wheeled from the reclaimed system to various County departments. There was also some onsite reuse at the WRF's and 11.7% of effluent was delivered to the High Plains Constructed Recharge Project. Mr. DuBois stated that a total of 524.5 acre feet were used on environmental restoration with reclaimed water. The County received 990 acre feet of recharge credits. Since 2003, the County has accumulated almost 6,400 acre feet of credits.

Mr. DuBois pointed out that in the report there is a foldout newly included in this year's report summarizing effluent production and use covering several other effluent producers and reclaimed water users in the surrounding Tucson Active Management Area. Thus, the report now provides a broader snapshot of the regional effluent picture. This analysis shows that approximately 25% of effluent goes to direct reuse and annual recovery and that 13% of the effluent is stored as long-term credits. Mr. DuBois stated that around 34% of effluent flowed past the Trico Road gage and essentially left the AMA. Discussion ensued regarding the effluent in Green Valley and the agreement between Pima

County and the Quail Creek development.

- 7. RWRAC ANNUAL REPORT.** Ms. Wolf stated to the Committee members that the Annual Report is ready for approval. Mr. Katzel stated he would like to add a statement under the 2012 Financial Plan article that discusses the current sewer user rates.

ACTION: Mark Stratton made a motion that the Committee approve the RWRAC Annual Report for FY 2011/2012, subject to Mr. Katzel's proposed additional statement to the 2012 Financial Plan article. Bill Katzel seconded the motion. Motion passed unanimously.

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

- Town of Marana's payment for the Marana Water Reclamation Facility outstanding indebtedness so the Committee can consider a letter of concern on this issue
- an extended financial update, with the option to discuss forming a financial sub-committee
- the RWRD reorganizational charts
- a Dispose-A-Med update
- Sewer Connection Fee Ordinance update
- Biosolids/Biogas Master Plan update.

Mr. Curley suggested distributing an odor control update in lieu of a presentation. The Committee concurred.

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

Ms. Bowen stated the National Take Back Day is on September 29th for disposal of unused medications. Ms. Bowen reminded everyone to watch for announcements for drop off locations.

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

H. ADJOURNMENT. The meeting was adjourned at 9:54 a.m.