

**WASTEWATER MANAGEMENT ADVISORY COMMITTEE  
SPECIAL MEETING MINUTES  
January 13, 2005**

**Committee Members Present:**

John Carlson	Brad DeSpain	Mark Stratton
Bill Carnes	Steve Halverson	Ann Marie Wolf
Kathleen Chavez		

**Committee Members Absent:**

Armando Membrila

**Wastewater Management Department Staff Members Present:**

Paul Bennett	Mike Bunch	Ed Curley
Laura Fairbanks	Suzy Hunt	Jackson Jenkins
Amy Katzenmeyer	Jeff Nichols	Glen Peterson

**Other County Staff Present:**

Patrick Cavanaugh, Executive Aide      Paul Loucks, County Attorney's Office  
Ann Day, Supervisor, District 1

- I. **CALL TO ORDER.** Chair, Mark Stratton, called the meeting of the Wastewater Management Advisory Committee (WMAC) to order at 7:48 AM.
- II. **APPROVAL OF MINUTES.** The Committee approved the meeting minutes of the November 18, 2004 WMAC meeting. In addition, the Committee approved the meeting minutes of the December 16, 2004 meeting with one correction to Section VI, Call to the Audience, of the minutes. This section of the minutes was corrected to reflect the Committee's Vice Chair, John Carlson, adjourned the meeting.
- III. **DISCUSSION.**
  - A. **Old Items/Updates.**

1. **Draft Black & Veatch Audit Report.** Mr. Ken Martin, Black & Veatch Project Manager, provided Committee members with a presentation on Black & Veatch's Wastewater Management Department Comprehensive Management Draft Audit Report.

Following the presentation, Mr. Bennett requested that Committee members provide their comments on the Draft Audit Report to Department staff. In addition, he said the members' comments would be presented to the Board of Supervisors at the January 18, 2005 Board meeting. Discussion followed.

In addition, Ms. Chavez reviewed the Department's action plan for responding to the findings of the Black & Veatch Audit.

Committee members felt there should be someone acting as an external auditor for the Department to see that policies and procedures (e.g., the new manual for CIP Project Managers) are followed in order to address what was seen as a “disconnect” in communication regarding the fiscal health of the Department between the Board of Supervisors and the Department. Ms. Chavez responded that she felt the “disconnect” began when two events occurred. These were: 1) the Speedway Sinkhole event, which occurred in September 2002. This event raised the question of whether the Department was rehabilitating the County’s aging sewerage system in a timely fashion. She noted that a separate issue was a lack of funding to perform condition assessments of the aging infrastructure; and, 2) The Randolph Water Reclamation Project (WRF) went over budget. The Department’s new manual for project managers should assist in addressing this issue, and managers will receive training on the manual.

Ms. Chavez also informed members how the Department’s Action Plan would address three areas evaluated by Black & Veatch, and recommendations included in the Draft Audit Report. These were:

- 1 Organizational Management. The Draft Audit Report recommended that the Department develop a new strategic plan. Ms. Chavez said the Department agreed with this finding, and felt WWM needed to re-evaluate its vision and mission statements and also needed to evaluate employee performance measures. In addition, she said the Department should prepare a separate business plan that would provide specific goals/direction for all Wastewater staff regarding sewage treatment/production, costs, safety, compliance with environmental regulations, opportunities for staff career advancement, and the previously mentioned new plan for appraisal of employee performance. In addition, she expressed that key indicators for each of these areas should be included in the Division Managers’ and Managers’ performance appraisal plans.

Regarding the accountability of Wastewater’s administrative staff, Ms. Chavez felt the Department needed to better define the role of its Division Managers, and provide them with benchmarks and expectations for meeting Department goals.

Included in the Draft Audit Report was the recommendation that the Department needed to improve its capital planning to be more proactive in addressing changes in population growth. Ms. Chavez said the Department agreed with this finding. She noted the project to update the Facility Plan was nearing completion; however, she felt the Plan should be updated more frequently in the future. She felt a planning unit should be established within the Department that evaluated relative flow projections, tied these projections to population forecasting, and finally tied these to capital improvement planning. This information would then be turned over to the Controller to evaluate funding needs.

- 2 Financial Planning. The Draft Audit Report recommended that the Department be restructured to have a full-time Controller. Ms. Chavez noted the Department had prior to this audit hired a Controller. Ms. Chavez introduced Mr. Jeff Nichols, who replaced Michelle Campagne as Controller.

Ms. Chavez said the Department's 2004/05 Draft Financial Plan was being restructured to make the information included in the Plan clearer and more concise.

The Audit Report recommends that the Department fund a condition assessment study of the entire sewerage system, which would be a part of the CIP Program planning process. Ms. Chavez felt the Department needed to develop a repair and replacement plan that would include not just the condition assessment study, but also would identify sources of funding (e.g., rate increases). Mr. Stratton asked Ms. Chavez her opinion regarding the County's assessment of the appropriate rates for the separate Connection and User Fees. Ms. Chavez responded the Department had Bond Covenants, which restricted how Connection and User Fee revenues could be expended for Voter Authorized Bond projects, and the Department would need to consult with the County's Bond Counsel regarding any potential suggested changes in the use of these funds. Mr. Stratton felt there should not be an "intermingling" of Connection and User Fee revenues except for the debt service associated with bond funded projects. Mr. Nichols responded that each type of revenue could easily and separately be identified, but he said the Department needs to improve on the funding side, so that when CIP projects are identified a subsystem is set-up to identify what percent of individual projects is related to O&M and rehab for current capacity, those projects that are split between O&M/rehab and increasing capacity, and projects for new treatment capacity. Mr. Stratton asked from a policy standpoint, if the Department could separate Connection and User Fee revenues so funds that are collected from developers are truly spent for new capacity. Mr. Nichols responded he did not know if it would be possible to change the flow of funds under the current 1991-138 Bond Ordinance. Mr. Stratton asked how the Department would show that User Fees would be paying for O&M? Mr. Nichols said he had reviewed the Department's existing Financial Plan with Department staff, and felt the User Fees were covering the Department's O&M costs. He added that he felt the issue being raised was whether User Fee revenues were covering both the O&M and debt service expenses of the Department.

Development of CMOM Program. The Draft Audit Report recommends the Department develop a CMOM Program. The Department agrees with this recommendation. Ms. Chavez noted that this recommendation was included in the Department's 2003/04 Financial Plan that was presented to the Board of Supervisors. In addition, implementation of a CMOM Program was a recommendation made by Mr. Karl Kohlhoff in his Operational Management Audit Report.

The Draft Audit Report notes that the Department ended FY02-03 with a cash deficit. Ms. Chavez said the Department's un-audited financial statements for FY03-04 indicated substantial improvement over the previous year. In addition, the Department has instituted a monthly monitoring and forecasting of O&M and CIP expenses.

- 3 Project Management. Ms. Chavez felt many of the Draft Audit Report's recommendations were addressed with the Department's development of the manual for project managers, which was previously discussed. In addition, Ms. Chavez said the Department was considering formation of a CIP review group made up of upper-level management that would review individual CIP projects to develop more accountability and tracking. WMAC members asked how the Department planned to address the Draft Audit Report's recommendation that project managers receive training. Mr. Bunch responded all project managers would receive internal training on the new project manual once it was completed and, in addition, the manual would be updated on an annual basis.

In addition, Ms. Chavez said the project managers operating in the Treatment Division and those operating in the Conveyance System Division would need different types of training. She told Committee members that the Department was considering having the engineers in the Treatment Division report to the Deputy Director for Treatment, Mr. Jackson Jenkins, and the engineers for the conveyance system report to the Deputy Director for Operations and Engineering, Mr. Bunch.

- 4 Rate Study. The Draft Audit Report recommends that the Department fund a study of its rates for Connection and User Fees. The Department agrees with this recommendation. Ms. Chavez said this was included as a recommendation in the Department's 2003/04 Financial Plan.

(In summary) WMAC members provided the following comments on the Draft Audit Report:

- Recommend that all Wastewater Management Department staff, including upper level management, continue to pursue and receive technical and management training;
- Recommend consideration of prequalification of contractors for major projects;
- Recommend that an autonomous, internal audit function be established, reporting directly to the Board of Supervisors, to ensure compliance with established policies, procedures and financial management;
- Recommend the Department determine costs associated with projects as they relate to growth and capacity versus repair, replacement, and rehabilitation;

- The WMAC endorses the Audit's recommended study efforts: Condition Assessment, CMOM, and Rate Study; and, recommends that these commitments be supported in the Department's Financial Plan and FY2005-06 Budget; and,
- The Committee members expressed a vote of confidence in the direction that the Department is taking. In addition, the WMAC believes the Department's management team is initiating positive changes. The Department has already taken actions that would correct some of the Black & Veatch Draft Audit Report's recommendations, and has also responded to recommendations in the Draft Report.

Mr. Stratton and Mr. Carlson offered to attend the January 18, 2005 Board of Supervisors meeting.

At this point in the meeting, Mr. Bennett informed the Committee that staff had updated the Department's 2004/05 Draft Financial Plan based on comments received from individual members. He commented further that staff would hand-deliver the updated Financial Plan on January 14, 2005 to the members.

**IV. FUTURE AGENDA ITEMS.** 2004/05 Draft Financial Plan; and 2005 Draft Work Plan.

**V. CALL TO THE AUDIENCE.** Mr. Stratton recognized Mr. Adam R. Bliven, P.E., Project Manager for Engineering & Environmental Consultants, 4625 E. Ft. Lowell Road, Tucson, AZ 85712. Mr. Bliven said that this Board had been saying for a long time that the User Fees were not high enough to finance the business of the Wastewater Management Department. He observed that Black & Veatch had now come out and said that also. In addition, he said he thought this message should be highlighted at the very top of every discussion in front of the Board of Supervisors. He commented further that without adequate financing, you can't run good engineering projects, you can't build treatment plants, and you can't avoid sinkholes. He added that all of these other plans would never work if you don't have adequate financing.

There being no additional comments from the audience, Mr. Stratton adjourned the meeting.

**VI. ADJOURNMENT.** The meeting adjourned at 9:45 AM.