

WASTEWATER MANAGEMENT ADVISORY COMMITTEE
MEETING MINUTES
January 20, 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
Suzy Hunt	Jackson Jenkins	Mike Kostrzewski
Jeff Nichols		

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 January 13, 2005.
- III. **COMMITTEE/SUBCOMMITTEE STAFF REPORTS.**
 - A. **Citizens' Water Advisory Committee (CWAC).** No report was presented.
- IV. **WASTEWATER MANAGEMENT (WWM) STAFF REPORT.** Mike Bunch presented the staff report.
 - **FY2005-06 Budget.** Department staff continued with development of the Department's budget for FY 2005-06.
 - **Black & Veatch Draft Audit Report.** Mr. Bunch noted that the Black and Veatch Draft Audit Report would be presented on February 1, 2005 to the Board of Supervisors.
 - **Capital Improvement Projects (CIP).**
 - **Randolph Park Water Reclamation Facility (WRF).** Clean-water testing of the Randolph Park Facility is scheduled to occur the week of February 7, 2005, and seeding of the Facility's six treatment trains with biomass is scheduled to begin on March 11, 2005. Completion of the Project is scheduled for May 1, 2005.

- **Corona de Tucson Wastewater Treatment Facility (WWTF) Expansion Project.** Completion of this project to expand the treatment capacity of the Corona de Tucson WWTF to 300,000 gallons per day (gpd) is scheduled to occur by February 2005.
- **Marana Wastewater Treatment Plant Expansion Project.** By the end of December 2005, a fourth package plant will be installed at the Marana WWTF, which will increase the Facility's treatment capacity to approximately 250,000 gpd.

Mr. Stratton asked staff when they anticipated, in light of rapid population growth, the interim expansions at the Corona de Tucson and the Marana Treatment Plants would reach their permitted treatment capacity. Mr. Jenkins said that the treatment capacity at Corona de Tucson was currently permitted for 117,000 gpd, and would be increased to 300,000 gpd through the installation of aeration equipment in the existing basins. He commented further that the developers of the Corona de Tucson development were installing a Lakeside Closed Loop Reactor package plant that will provide 500,000 gpd of additional treatment capacity. He anticipated this installation would be completed by July 2005.

Regarding the Marana WWTF, Mr. Jenkins said the Department has been able to increase the current treatment capacity of each of the Marana Treatment Facility's three existing package plants from 50,000 gpd to 65,000. Once the fourth package plant has been installed, the Facility's treatment capacity will increase by an additional 50,000 gpd, thus increasing its total treatment capacity to 250,000 gpd. In addition, the Department plans to install a 0.50 mgd Lakeside Closed Loop Reactor package plant similar to the one being installed at Corona de Tucson.

Mr. DeSpain asked if all of the effluent from the Marana Facility was being used on the site. Mr. Jenkins responded some effluent was being discharged from the Facility to the Santa Cruz River.

- **City/County Supplemental Intergovernmental Agreement.** County and City of Tucson staff held a Supplemental IGA meeting on December 1, 2004. One issue discussed at this meeting was the Randolph Park Water Reclamation Facility, and which municipality should be responsible for chlorinating the WRF's effluent, and paying for the chlorination. Mr. Bunch noted that Tucson Water has indicated it would not guarantee acceptance all of the effluent produced by the WRF on a daily basis into the City's reclaimed water system because of climatic and other conditions that impact reclaimed water and decrease flows. He commented further that Tucson Water and WWM were cooperating in their efforts to find ways for putting all of the effluent to beneficial use. In addition, Tucson Water was evaluating costs associated with potentially recharging any surplus water from the WRF into a recharge basin, and WWM was looking at costs associated with routing the surplus effluent for re-treatment to its Roger Road Facility.

At this point in the meeting, Mr. Stratton acknowledged City of Tucson Water Department staff, Mr. Chris Leverenz, who commented that Tucson Water was evaluating how to use as much of the Randolph Park effluent as possible. He said there might be some cost involved, and he felt there might be some discussion with

the County regarding sharing these additional costs. He felt that at the time the Randolph Park WRF was sited, he didn't think Tucson Water had anticipated it would be asked to take all of the Water produced by the WRF. In addition, Mr. Jenkins said the 2000 Supplemental IGA required the City to make their best efforts to accept 500,000 gpd.

V. DISCUSSION.

A. Old Items/Updates.

1. **WMAC Committee Administrative Items.** WMAC Coordinator, Suzy Hunt, reported that Ms. Ann Marie Wolf appointment, as Mr. Elias' representative to the Committee, would be expiring on March 1, 2005. It was noted that Department staff would be preparing paperwork requesting Supervisor Elias reappoint Ms. Wolf to the WMAC. (Note: On January 25, 2005, staff sent forward the request to Mr. Elias.)
2. **2004-05 Financial Plan.** Mr. Bennett presented a summary of the Department's Updated (January 20, 2005) Draft Financial Plan, including the revised Connection and User Fee Ordinances. Mr. Bennett noted that on January 18, 2005, staff had presented the Updated Financial Plan to the Southern Arizona Home Builders' Association's Technical Review Committee. Mr. Bennett felt that the SAHBA members' biggest concern was that developers did not want to have to pay for both development-related expenses and the operating expenses of the Department.

Four proposals were being considered with the Financial Plan. These were:

- **Package A, No Action.** This Package reflects the revenue under the current Connection and User Fees rate structure available to fund the Department's operational and capital obligations with a \$5.5 million increase in required Operation and Maintenance (O&M) and regulatory expenses. However, there would be no funds for the Department's increased treatment plant O&M expenses, initial issuance of the 2004 Sewer Revenue Bonds, and the initiation of a proactive sewerage system rehabilitation program. This would leave the average residential customer's bill (10 ccf of usage) at \$13.61 per month.

The connection fee would stay at \$107.82 per fixture unit. The average connection fee for a typical single-family residence (24 fixture units) would remain at \$2,587.68.

Package B, New Capacity Operation & Maintenance. This Package would meet the Department's basic O&M and regulatory expenses plus the increased \$2.8 million of O&M expenses for new treatment plant capacity coming on-line. However, this Package would not provide funding for the Department's initial issuance of 2004 Sewer Bonds or the initiation of a proactive sewerage system rehabilitation program. This Package would increase the current User Fees/Administrative charges for the average resident customer's monthly sewer bill by \$1.37, from \$13.61 to \$14.98.

The Connection Fee would stay at \$107.82 per fixture unit. The average Connection Fee for a typical single-family residence (24 fixture units) would remain at \$2,587.68.

Package C. This Package would meet the Department's required basic O&M and regulatory expenses and the increased \$2.8 million of O&M expenses for new treatment plant capacity coming on-line; and would fund the increased debt service for the initial issuance of \$8.5 million of 2004 Sewer Revenue Bonds. However, this Package would not provide funding for the initiation of a proactive rehabilitation program and emergency/reserve fund. The Package would increase the current average residential customer's monthly sewer bill by \$1.75, raising it from \$13.61 to \$15.36.

This Package would also increase the current average residential connection fee by \$103.50 from an average of \$2,587.68 to \$2,691.18.

Package D. This Package would meet the Department's required basic O&M and regulatory expenses; the increased \$2.8 million of O&M expenses for new treatment plant capacity coming on-line; fund increases in debt service for the initial issuance of \$8.5 million of 2004 Sewer Revenue Bonds; and would initiate the funding of a proactive rehab program starting with approximately \$5.3 million per year until the full \$26.6 million per year annual depreciation target was reached. There would be a series of five user fee increases (i.e., 10%, 10%, 9%, 9% and 9%) for these rehab purposes. There would also be the establishment of an emergency reserve in the System Development Fund. This Package would increase the current average residential customer's monthly sewer bill by \$3.50, raising it from \$13.61 to \$17.11.

This Package would also increase the current average residential connection fee \$103.50 from an average of \$2,587.68 to \$2,691.18.

Package D (no rate increases) also shows the impact of the expenses without rate increases.

Discussion followed.

Mr. Carlson felt the Financial Plan should emphasize that the Department's Closed Circuit Television (CCTV) Inspection Project had identified where repair/rehab of the sewerage system was needed, and what was scheduled for repair/rehab, and estimated costs to accomplish the repairs. In addition, that, as additional CCTV work was completed, that the estimated -- more definitive costs -- would be updated

Mr. Stratton asked whether the Department would finance its 2004 Voter Authorized Bond Program through low-interest Water Infrastructure Finance Authority (WIFA) loans. Mr. Bennett responded all 12 of the Department's 2004 Bond Projects were in WIFA's fundable range.

Mr. Carlson felt the Plan should better define depreciation as it applies to WWM's assets. Mr. Bennett responded this term was used as a surrogate for replacement costs. In addition, Mr. Nichols said that if WWM included depreciation in its rates, the Department could have a set-aside fund that could be used to pay for repair/rehabilitation. Current sewer user fee rates don't include depreciation for replacement of equipment on a scheduled aging period. He noted that WWM was conducting an inventory of its assets for the Countywide efforts involved with implementing the new Synergen computer program and inventory control system.

Ms. Chavez commented that Package A includes additional costs over this year's budget. The assumption made was that the Department would have to comply with additional permitting requirements. The \$13.65 would provide sufficient monies to meet these additional costs for the upcoming FY05-06; however, WWM would not be able to fund these costs in subsequent years.

The Department recommends the following:

- Implementation of Package D, which would increase the average residential customer's monthly bill by \$3.50 per month from \$13.61 to \$17.11, and would increase the average connection fee from an average of \$2,587.68 to \$2,691.18.
- Conduct a comprehensive consultant study of sewer User Fees and Connection Fees rates and charges, including evaluation of current local low-income lifeline rates; a study of the financial impact of the upcoming Environmental Protection Agency (EPA) mandated Capacity Management, Operation and Maintenance (CMOM) regulations; and continued efforts associated with assessing the condition of the regional sewerage system. Other longer-term sewer funding needs the Department has identified include: expansion of the Avra Valley WWTF; Roger Road WWTF de-nitrification and additional funding for rehabilitation of the Roger Road Facility; next phase of the Corona de Tucson WWTF, and Ina Road Water Pollution Control Facility (WPCF) biosolids treatment process.

Mr. Carlson asked whether all Pima County residents paid the same connection and user fees and rates. Ms. Chavez responded the rates were the same for all County residents, and added the Department might want to consider a surcharge for certain areas.

Mr. Curley said the Department also recommends that the Connection and User Fee Ordinances be revised. Recommended Connection Fee revisions would include: redefine costs eligible for over-sizing sewer credits to include engineering costs associated with the over-sizing; expand costs eligible for over-sizing credits to include augmentation of eligible public sewers; make explicit the provision that sewer service agreement commitment expires if required sewer improvements are not completed within the time limit in the agreement; extend the life of approved sewer plans for construction to two years.; delegate responsibility for acceptance of sewer bills of sale to the Department; and clarify functional definition of eligible over-sizing costs.

Recommended User Fee revisions would focus on rates and simplifying the rate calculation methodology.

Following discussion of the Financial Plan, Mr. Bennett said staff would welcome any additional comments on the Draft Financial Plan from Committee members. He noted that the Draft Plan would be presented to the Tucson Metropolitan Chamber of Commerce's Environmental, Land Use and Transportation Committee on February 8, 2005. In addition, he noted that the Black and Veatch Audit Report would be discussed at the Board of Supervisors February 1, 2005 meeting.

Committee members commented that the Black and Veatch Audit Report's recommendations were very similar to those recommended by the Committee in FY2003-04 to the Board. Mr. Stratton observed the Draft Financial Plan's Package D included a majority of what members had recommended the previous year.

Members suggested that "package" be replaced with the word "scenario" when describing the four rate proposals included in the Draft Financial Plan. Mr. Carlson also felt the Board of Supervisors should examine the possibility of forming a combined water/sewer district that would have administrative authority over the County's water/wastewater systems.

A motion was unanimously approved by Committee members to move forward with holding a public meeting on the Financial Plan to receive comment from the general public. The date selected for the Public Meeting was Tuesday, February 15, 2005, 7:00 PM. Immediately following the Public Meeting, the Committee will discuss the Plan and the public comments, and make recommendations on the Plan to the Board of Supervisors. The Draft Plan and Ordinances will be revised as appropriate following these meetings. (Note: Following the meeting, the Public Meeting was rescheduled to March 2, 2005 at the request of the Committee members.)

B. NEW BUSINESS.

1. **2005 Work Plan.** The 2004 Work Plan was distributed to Committee members. Ms. Hunt requested that the members let her know if they had items they would like included on the 2005 Work Plan. The Work Plan will be presented for the members' final review/approval at the next WMAC meeting.

VI. FUTURE AGENDA ITEMS. 2004/05 Draft Financial Plan; and Approval of 2005 Work Plan.

VII. CALL TO THE AUDIENCE.

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

VIII. ADJOURNMENT. The meeting adjourned at 9:20 AM.