

**WASTEWATER MANAGEMENT ADVISORY COMMITTEE  
PUBLIC MEETING MINUTES**

March 2, 2005

**Committee Members Present:**

John Carlson	Brad DeSpain	Mark Stratton
Bill Carnes	Armando Membrila	Ann Marie Wolf

**Committee Members Absent:**

Steve Halverson

**Wastewater Management Department Staff Members Present:**

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

**Other County Staff Present:**

John Bernal	Paul Campbell	Patrick Cavanaugh
County Administration	Staff, District 4	Staff, District 1

Juanita Garcia-Seiger	Andy Seiger
County Administration	Flood Control District

- I. **CALL TO ORDER.** Chair, Mark Stratton, called the meeting of the Wastewater Management Advisory Committee (WMAC) to order at 7:04 P.M. and led the audience in the Pledge of Allegiance. Mr. Stratton explained that the WMAC Committee members were appointed by the Board of Supervisors, and represented various community organizations or individual Supervisors. Mr. Stratton and Committee members introduced themselves.

Mr. Stratton explained that the role of the Committee was to act as the public's voice on issues related to the Wastewater Management Department. He noted that the Committee reviews and makes recommendations on all aspects of the Department, including the Financial Plan and proposed rate increases. The Committee will forward a summary of all comments from the Public Meeting and a final recommendation on the Department's proposed Spring 2005 Financial Plan to the Board of Supervisors for their consideration.

Mr. Stratton introduced Mr. John Bernal, Deputy County Administrator for Public Works, and Interim Director of the Wastewater Management (WWM) Department. Mr. Bernal then introduced Senior Management Team Members -- Paul Bennett, Jackson Jenkins, Mike Bunch, and Jeff Nichols. Mr. Bernal noted that he was relying on this team to advance the efforts of the Department. Mr. Bernal noted that the staff of two Board members were present at the meeting. In addition, he commented that the WMAC provides guidance and observations on Department activities to the Board of Supervisors.

Mr. Bernal informed the audience that he that felt water resources were becoming an important topic in the Tucson region. He observed that the City of Tucson Water Department was going through a long-range planning effort, and added that the other smaller water providers had a role to play in long-range planning. In addition, he stressed that the Department played an important role in establishing the region's water policy, as it was the regional wastewater provider. He concluded by saying the Spring 2005 Financial Plan addressed these concerns.

- II. **PRESENTATION OF SPRING 2005 FINANCIAL PLAN.** Mr. Bernal introduced the Department's Deputy Director for Support Services, Mr. Paul Bennett, who presented an overview of the Spring 2005 Financial Plan. Mr. Bennett informed audience members that copies of the Financial Plan and his PowerPoint presentation on the Plan were available. He also encouraged WMAC members and the audience to ask questions during his presentation, but requested that any formal comments be reserved until after the presentation.

Mr. Bennett said the Plan addressed key issues for the Department. These include: funding of WWM's Operating and Maintenance (O&M) expenses; funding for the initial expenditures of the 2004 Sewer Revenue Bonds; funding for rehabilitation/repair of treatment facilities and the sewerage conveyance system; and establishing reserve funding to handle emergency repairs. Mr. Bennett observed that other utilities have funds set aside to take care of catastrophic events such as the Speedway sinkholes. He noted that in order to pay for repair of the Speedway sinkholes, the Department's Capital Improvement Program and O&M Program budgets had been drastically reduced over the last few years.

Mr. Membrilla noted that the Department's budget had been in the "black" until the Speedway event occurred, and asked what changed WWM's financial picture. Mr. Bennett said the Speedway Repair Project cost in excess of \$17 million, and the Department ended FY02-03 with a financial deficit of approximately \$12 million. Mr. Membrilla asked how much reserve funding WWM was proposing be established. Mr. Bennett responded WWM was proposing \$12 million dollars of reserve funding be established. He added that Black & Veatch would evaluate this issue as a part of its rate study of the Connection and User Fees. Mr. Carlson said for the record that the WMAC had recommended, over a year ago, that the Board of Supervisors approve a \$.50 levy to establish a reserve amount of funding that would be capped when it reached a specified level.

Mr. Bernal commented that he wanted to make clear that the Northwest Outfall rehabilitation was in the Department's Capital Program and was in the process of being implemented when the sinkholes event occurred. He added that the County's position was that the Speedway event, and the failure of the County's sewer line, was not caused by the condition of the sewer line.

Mr. Bennett informed audience members that currently the average residential customer pays \$13.61/month in sewer user fees. The average new house (24 fixture units) pays almost \$2,600 (participating rate) to connect to the County's sewer system, which funds additional new treatment capacity. Mr. Stratton asked how the "average user" was defined. Mr. Bennett responded the average household used about 10 ccf (cubic hundred feet) of water, which is about 7,480 gallons of water/month, and the average new house added about 260 gallons per day of water to the system. He noted that it cost the Department about \$10/gallon to

bring new treatment capacity on-line. He added that developers pay for new treatment capacity and sewerage conveyance systems, which are deeded over to the County once constructed; and then, existing sewer customers pay for the O&M of the sewerage system through payment of monthly sewer user bills.

Mr. Bennett indicated that the Financial Plan forecasts that in FY05-06, the Department will need an additional \$8.5 million in operating revenue to meet O&M expenses and an additional \$2.8 million to bring new treatment capacity on-line at the Randolph Park Water Reclamation Facility, Ina Road Water Pollution Control Facility, Corona de Tucson Treatment Facility and Marana Treatment Facility. Mr. Bennett noted that WWM was spending approximately \$45 million for Capital Improvement Program projects several years ago. In FY05-06, the Department projects about \$10 million will be spent on CIP projects. He said the County also needs more funding to "ramp the CIP back up," and rehabilitate its aging sewerage system and depreciating assets.

In addition, Mr. Bennett informed audience members that voters authorized \$150 million in sewer revenue bonds in May 2004. The Financial Plan projects that, in order to initiate the \$8.5 million for the 2004 Bond Projects (i.e., Santa Cruz Interceptor, Roger Road Wastewater Treatment Facility (WWTF) Rehabilitation, Miscellaneous Conveyance System Rehabilitation, Roger Road to Ina Road interconnect, Marana WWTF and Tanque Verde interceptor) in FY05-06, the Department will need an additional \$.65 million of funding to support the debt service. In FY06-07, the Plan projects an additional \$17.0 million will be expended on the 2004 Bond Program. The Plan also recommends establishment of rehabilitation/repair funding for the Department's Closed Circuit Television (CCTV) inspection and Condition Assessment Program, and funding for asset replacement. He noted that in FY03-04, the Department had an asset depreciation amount of \$20 million. Finally, the Plan recommends establishment of reserve funding (i.e., initial funding at \$1.5 million/year or \$.38/month for the average residential sewer customer.)

Mr. Bennett noted the Department was facing continuing increases in expenses due to a required increase in State Retirement Fund contributions, Countywide wage adjustments and increased treatment costs for all treatment plants (e.g., chemicals, electricity, etc). Also, under federal/state regulations, WWM must produce an increasingly higher quality of effluent, which increases O&M costs.

Mr. Bennett noted that 3.0 mgd of new capacity was coming on line at the Randolph WRF, and the Ina Road 12.5 mgd Expansion Project would be completed in Fall 2005. The Financial Plan identifies that \$2.8 million will be needed in increased O&M expenses to bring this additional treatment capacity on line along with the new capacity at the Corona de Tucson WWTF and Marana WWTF.

The Financial Plan describes the benefits of the 2004 Bond Projects to be initiated in FY05-06. The Roger to Ina Road Interconnect Project would access capacity at the Ina Road Facility to alleviate capacity issues at the Roger Road Facility; the Marana Expansion Project would add needed treatment capacity to address the needs of the rapidly increasing population in that area; and the Tanque Verde Interceptor Project also addresses capacity issues for the Tucson Country Club area.

Currently, the Department does not have depreciation funding. Based on the CCTV Project, staff is putting together an assessment management program. It was noted that conveyance lines have a useful life of 50 years, and treatment plants have a useful life of 25 years. WWM would like to collect sufficient funds to begin replacing items that have reached their "useful life."

The Financial Plan recommends establishment of reserve funding. Mr. Bennett noted that Tucson Water and other utilities have reserve funding set aside for emergencies. WWM would like to collect \$1.5 million/year (\$.38/account/month.) and cap the funding when it reached \$12 million. It would take eight years to get to that amount. Mr. Membrilla observed that \$12 million in reserve funding would be enough to cover one "Speedway event." In addition, Mr. Carlson said the WMAC had previously suggested that the Board of Supervisors authorize a 50-cent levy with a cap. Mr. Bernal said he wanted to again make clear that the Northwest Outfall was in the Department's Capital Program.

Mr. Carlson asked what it would take to "service" the 2004 Bonds in FY2005-06. Mr. Bennett responded the Department would need debt service of approximately \$650,000.

Mr. Bennett reviewed the Plan's four rate packages (scenarios). These include:

- Rate Package (Scenario) A - No Action. This package reflects what funding the Department would need just to operate/maintain the existing sewerage system. Under this Package, the average User Fee would remain \$13.61/month and the average Connection Fee would remain \$107.82/unit or \$2,587.68 (participating rate) for the average residence. Committee members asked what the ramifications would be if there were no rate increases. Mr. Bennett responded the Department could potentially end FY06-07 with a cash deficit, and not be able to serve new customers. Committee members observed that WWM could also face environmental issues and be in violation of environmental regulations, and (if building permits were reduced) income from Connection Fee revenues would decrease. If this Package were approved, there would be: no funding to support increased O&M; no funding for start-up of expanded treatment facilities; the Department's projected 2005-06 CIP would be held to a minimum; no 2004 Bond Projects would be initiated; no replacement of depreciated assets; and no reserve funding program would be established.
- Rate Package (Scenario) B. Under this Package, the Department would meet mandated regulations, could operate the treatment plants, and bring new capacity on-line. Rates for User Fees would increase by 10% from \$13.61/month to \$14.98/month. This Package would not allow funding of the 2004 Bonds, and would not establish depreciation funding. There would be no increase in the Connection Fees.
- Rate Package (Scenario) C. This Package would cover the Department's base level O&M expenses, add the new capacity O&M funding and initiate the funding of the 2004 Bond Projects. This would increase the User Fee from \$13.61/month to \$15.36/month and increase the Connection Fee by \$103.44 to \$2,691.12 (participating rate) for the average new home.

Rate Package (Scenario) D. This package would include all the elements in Rate Package C, plus the establishment of a proactive Rehabilitation Program and funding reserved for emergencies. It would increase User Fees by \$3.50 more a month, from \$13.61/month to \$17.11/month, and increase the Connection Fee by \$103.44 to \$2,691.12 (participating rate). It would also include the initial funding of the 2004 Bond Projects.

Mr. Membrilla noted that last year the WMAC had suggested the Board of Supervisors consider approval of \$.50 reserve funding, and asked why the 2005 Plan was now recommending establishment of \$.38 reserve funding increase. Mr. Bennett responded the \$.38 would be sufficient to raise \$1.51 million/year or \$12 million in eight years. Mr. Stratton asked what interest rates the Department had been paying on bonds and loans? Mr. Bennett replied that the rates were between 3% and 4%. Mr. Carlson asked staff to put the Department's Rehabilitation Program in perspective, and noted some lines still needed CCTV inspection, and asked whether the Department had a clear picture of its Rehab Program needs. Mr. Bennett responded that all larger diameter pipe had been evaluated and the Plan estimated that \$17-\$18 million would be needed for the lines rated "4" within the next five years. In addition, he said all lines rated "5" had been repaired and all sewer lines rated "3" would be monitored through the CCTV Program. Mr. Bennett noted that most sewer utilities charge much more than Pima County.

Mr. Bennett said the Plan also recommends some revisions to the Connection and User Fee Ordinances. It recommends the Connection Ordinance be revised to allow potential credit when builders are required to do extra engineering for completion of a sewer project. In addition, the timeframes for approval of projects would be extended to two years. It also recommends that the authority to approve Bills of Sale get delegated back to the Department.

The Plan also recommends that the formula for how User Fees rates for high strength users are calculated be revised.

Mr. Stratton asked for questions from WMAC members. Ms. Wolf asked why User Fees have to pay for \$2.8 million new treatment capacity coming on-line. Mr. Bennett responded that this issue would be addressed in the Black & Veatch Rate Study, and he acknowledged Mr. Ken Martin of Black & Veatch.

Mr. DeSpain said that the Department had been under-funded for a long time, and said he felt that current sewer users needed to pay for O&M of the system.

III. **PUBLIC QUESTIONS AND COMMENTS.** At this point in the meeting, Mr. Stratton asked for comments/questions from the audience:

- Mr. Dherrera Tapia, 3650 South Mission Road, Tucson, asked staff to explain how the County planned on paying for the multimillion-dollar fines assessed by the Arizona Department of Environmental Quality (ADEQ) for the Speedway Sinkholes event. His view was that these costs should be absorbed by WWM, and they should not be passed on to the sewer users. Mr. Bernal responded that there had not been a final decision made by

ADEQ regarding a final penalty, and the amount of potential fines was not known. In addition, he noted that the County was disputing who caused the sewer line breakage. Mr. Tapia also asked if there would be additional legal fees associated with any legal dispute. Mr. Bernal responded in the affirmative, and said in the case of the Speedway event, the County would not absorb the legal expense; ratepayers would absorb the expense.

- Mr. John Kromko, 717 North Seventh Avenue, Tucson, asked staff what was wrong with the idea of people in Marana paying for expansion of their treatment plant, and then all County residents paying for maintenance of the Marana Facility in the future? Mr. Bennett responded that people that are connecting to the Facility are paying for new capacity, and people currently served by the Facility pay user fees but don't pay for new capacity.

Regarding the proposed establishment of reserve funding, Mr. Kromko asked what would happen if every County department had a reserve fund? He said it does not make sense. Mr. Membrilla responded that Tucson Water has a reserve fund.

Mr. Kromko said he also disagreed with establishing funding for replacement of depreciating assets. Finally, Mr. Kromko said he felt somebody should start an initiative to freeze the rates.

- WWM Staff, Laura Fairbanks, read the following comments received from Ms. Karen McKee, 3421 North Grannen Road, Tucson.

On Tuesday, March 1, 2005, the following message was left on Laura Hagen Fairbanks' voice mail.

*"Hello my name is Karen McKee and I am a Pima County resident. I won't be able to make it to tomorrow night's public hearing regarding increases in sewer usage fees. I was wondering if I could just express my opinion over the phone.*

*I would just like to encourage the Wastewater Management people to go with the biggest increases to the individual property owner because I realize there are a lot of improvements that need to be done in the wastewater system. Please put me down as one person in favor of the maximum increase. Thank you. If you have any questions, you can call me at 743-7739."*

In a follow up phone call, Ms. McKee expressed gratitude to the Wastewater Management Department for the odor control projects at the Roger Road Treatment Plant. Ms. McKee said since the projects were completed she has not been bothered by odors at her home.

- Mr. Ben Winograd, 2221 West Calle Campana de Plata, Tucson. Mr. Winograd asked, regarding monthly user fees, whether the Department had any ways planned to increase efficiency. Mr. Bennett responded in the affirmative, noting that the Department was moving forward with increasing automation at treatment facilities.

In addition, Mr. Bunch, Deputy Director of Engineering & Operations, referred audience members to the rate comparison graph included in the Financial Plan, and noted the County's conveyance system was similar in size to San Diego's. He noted that the Rate Package D would address Class 4 sewer line rehabilitation projects and that all Class 5 rehabilitation projects had been completed.

Mr. Stratton thanked the members of the audience for their comments and participation in the public meeting.

IV. **ADJOURNMENT.** The meeting was adjourned at 8:30 P.M.