

WASTEWATER MANAGEMENT ADVISORY COMMITTEE
MEETING MINUTES
November 17, 2005

Committee Members Present:

Sheila Bowen	John Carhuff	John Carlson
Bill Carnes	Brad DeSpain	Steve Halverson
Rob Kulakofsky	Mark Stratton	William Thornton
Ann Marie Wolf		

Committee Members Absent:

Armando Membrila	Mike Gritzuk
------------------	--------------

Staff Present:

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

Other County Staff Present:

Pat Cavanaugh, Executive Aide, District 1	Chuck Wesselhoft, County Attorney's Office
--	---

- I. **CALL TO ORDER.** Chair Mark Stratton called the meeting of the Wastewater Management Advisory Committee (WMAC) to order at 7:57 a.m.
- II. **APPROVAL OF MINUTES.** The Committee approved the minutes of the October 20, 2005, meeting.

At this point in the meeting, Mr. Stratton welcomed the most recent appointees to the Committee, Ms. Sheila Bowen – Supervisor Ramon Valadez and Mr. William Thornton - Supervisor Ray Carroll.

III. COMMITTEE/SUBCOMMITTEE REPORTS.

- A. **Citizens' Water Advisory Committee Update.** Mr. John Carhuff provided the CWAC Update. CWAC's Finance Subcommittee is scheduled to begin its review of Tucson Water's FY2007-08 Operating Budget in December 2005. The CWAC Committee will review the Operating Budget on January 4, 2006. Mr. Carhuff anticipates the City of Tucson Mayor and Council will act on the Budget in May 2006.

IV. WASTEWATER MANAGEMENT (PCWMD) STAFF REPORT. Staff provided WMAC members with copies of the Staff Report. Mr. Paul Bennett presented the Staff Report and reported on the following items:

- **Financial Issues.** The Department continues to move forward on the following issues in FY2005-06:
 - Increased Funding for Staff Training/Development.
 - Improved Compensation for Operations and Maintenance Division Staff. The Department will explore implementation of a detailed salary survey and skills-based program.

- o QualServe Self Assessment Survey. PCWMD contracted with the American Water Works Association to conduct a QualServe Self Assessment Survey, a national self-evaluation tool for water and wastewater utilities, of all Department staff. The first roll-out meeting was held on November 7, 2005. Survey results are anticipated by March 2006.
- o Increased Funding for Additional System Condition Assessment.
- o Capital Outlay (Closed Circuit Television Trucks).

In order to move forward on these issues, the Department has elected to absorb all related expenses through cost savings or trade-offs in the current budget.

- **2006 Financial Plan.** The Department's 2006 Financial Plan, which includes amendments to the Connection Fee Ordinance and User Fee Ordinance, is in the initial stage of preparation. Administrative Services, Planning, and Engineering Division staff are currently reviewing the Department's Capital Improvement Program (CIP), Operating and Maintenance (O&M) budgets, and capital and operating needs for FY2006-07.

Mr. Bennett informed Committee members that this year's CIP budget was just under \$22 million. Next year's CIP budget could approach \$45 million to \$50 million depending on the number of approved projects. The Department is under some pressure to move forward with construction at the Marana, Corona de Tucson and Avra Valley Wastewater Treatment Facilities (WWTF) because of growth in those areas.

Mr. Stratton commenting on the proposed schedule for preparation of the 2006 Financial Plan, and noted the schedule includes implementation of rates in July 2006. He asked staff to clarify when the Board of Supervisors would need to authorize the rates in order for implementation to occur in July 2006. Mr. Bennett responded that the Financial Plan and FY2006-07 Budget are being prepared concurrently, and will be presented as a package by May 2006 to the Board of Supervisors.

Mr. Ed Curley added that, under the proposed schedule, staff will provide overviews of the Financial Plan at the December 2005 and January 2006 WMAC meetings. In addition, the schedule proposes the Committee hold a public meeting on the Financial Plan in the April – June 2006 time period.

Mr. John Carlson also asked about the status of Voter Authorized Bond Projects. Mr. Bennett responded that, as part of the last rate increase in June 2005, the Board of Supervisors authorized the Department to move forward with \$8.5 million of 2004 Bond Projects. Administrative Services staff and the County Finance Department are finalizing loan documents with the Water Infrastructure Finance Authority for low-interest financing of these projects. In addition, the Department is evaluating what additional rate increases will be needed to pay the debt service associated with the next issuance of 2004 Bonds. Mr. Bennett commented further that all of the 2004 Bond Projects are on WIFA's approved fundable list.

Mr. Carlson asked when the Department would need to issue the remaining \$142 million of 2004 Bonds. Mr. Bennett responded that, while the Department's schedule for the initial issuance of the 2004 Bonds was initially planned for 10-12 years, the schedule will probably shrink to four or five years. Also, \$25 million of the 2004 Bonds

is earmarked for the Santa Cruz Interceptor Project. This Project is scheduled to begin in FY2006-07. The Department is currently evaluating whether another bond election will be needed in order to address funding of the Avra Valley WWTF expansion and de-nitrification at the Ina and Roger Road Facilities. Mr. Carlson felt it was important to continually keep the public informed of the status of Bond Project funding.

Mr. Carlson asked about the Department's establishment of cash reserves in case another event like the Speedway sewer main collapse occurred. Mr. Bennett responded the Department currently has a positive cash flow. However, the Board of Supervisors has not authorized a set aside/emergency fund. He commented further that the Black & Veatch Rate Study recommended a 28 percent increase in FY2005-06, and a series of three or four more 20 percent rate increases in subsequent years in order to fund depreciation at more current rates.

Mr. Nichols said current cash flow projections indicate the Department will be financially sound through the end of FY2006-07. However, without additional bonding capacity to pay for additional capital projects over the next five years, the Department projects a cash deficit position by the end of FY2007-08.

- **Marana WWTF Phase II Expansion Project.** On November 15, 2005, the Board of Supervisors approved an \$11.2 million Construction-Manager-At-Risk (CMAR) contract for the Marana Phase II Expansion Project. The Department is concerned that increasing concrete and steel costs could impact the final cost of the Project. Staff are evaluating costs to stay within the funds budgeted for the Project.
- **Project Management Training.** Project managers from the Engineering Division have completed a three-day workshop on project management that was sponsored by the American Society of Engineers.
- **Draft 2005 Metropolitan Area Facility Plan.** Feedback on the Metropolitan Facility Plan has been positive. Issues regarding Pima Association of Governments and Tucson Water population forecasts and population distribution are being resolved, which enables development of a uniform set of base data and projections for all three agencies. Presentation and adoption of the Facility Plan to the Board of Supervisors is anticipated to be completed by June 2006.
- **Community Relations.** Ms. Laura Fairbanks reported that the Department is partnering with the Pima Association of Governments and Greycle on an event which will provide collection sites for residents to drop off used cooking oils on November 25, 2005. Ms. Fairbanks offered to provide detailed information on this event to WMAC members.
- **Field Operations Division.** Mr. Bunch provided the report on the following:
 - **Vector (Roach) Control Program.** The County selected the contractor, Peoria Pest Control, to provide vector control services. Commencing on November 21, 2005, the Contractor will treat every manhole in Pima County over a two-year period.
 - **Sanitary Sewer Inspection and Inventory Project (SSIP).** The SSIP Project is 88.6 percent complete.

V. DISCUSSION.

A. **Old Items**

1. **WMAC Committee Administrative Items**

- a. **WMAC Appointment Update.** WMAC Coordinator, Ms. Suzy Hunt, reported that, on November 1, 2005, the Board of Supervisors approved Ms. Bowen's appointment as Supervisor Valadez's second representative on the Committee.
- b. **WMAC Membership Expansion.** Ms. Hunt reported no additional new appointments were scheduled for the Board of Supervisors consideration at this time.

Mr. Stratton asked which Supervisors have not selected appointments to the WMAC. Ms. Hunt responded that Supervisors Ann Day and Sharon Bronson have one more appointment each. Mr. Stratton and Mr. DeSpain agreed to contact the Supervisors and request they select appointments.

B. **Reports/Updates**

1. **Director's Report.** Mr. Bennett presented the Director's Report for PCWMD Director, Michael Gritzuk.

- **November 2005 Action Plan Update to the Board of Supervisors.** The November 2005 Action Plan Update, (the Department's progress report on issues identified in the Black & Veatch Audit) was presented on November 8, 2005 to the Board of Supervisors. Efforts are 95-99 percent complete to address the identified issues. Project Managers are scheduled to receive further training on the revised Project Manager's Manual the week of November 21, 2005. (On November 8, 2005, Committee members received electronic copies of the Report.)

In the future, the Director's update on key Departmental issues will be provided on a quarterly (rather than monthly) basis to the Board of Supervisors at the request of the Board. Mr. Stratton asked whether there was much feedback on Mr. Gritzuk's 90-day report that was presented to the Board. Mr. Bennett responded Mr. Gritzuk's report received a very positive response.

- **CIP Project Review Committee.** This Committee, which is made up of the Director, Deputy Directors and Controller, is now holding regular weekly meetings to review the status of CIP projects.
- **De-Nitrification Study.** Request for Qualification proposals for the De-nitrification Study were advertised in October 2005. Proposals were received from consultants, Black & Veatch, Greely and Hanson, HDR Engineering, Malcome-Pirnie and Brown and Caldwell, and Stantec and CH2MHill. A two-tiered process will be used to evaluate the proposals: Department staff will review the RFQ's and provide feedback to a selection panel. The selection panel is made up of the Department's Administrative team, Mr. Stratton, Mike Fulton of the Arizona Department of Environmental Quality, and David Modeer, Director of Tucson Water, will evaluate/make recommendations on the proposals to the Procurement Department.

Mr. Bennett informed the members that this is probably the most important decision the Department will make over the next 10 to 15 years as it will determine what the County does with de-nitrification, capacity and technical issues with the Ina and Roger Road Facilities. He added that members would receive regular updates on the status of the project. He anticipated a recommendation regarding selection of a consultant would be made by the end of January 2006.

- **Odor Control Study.** A “Request for Qualifications” to develop a comprehensive system-wide odor control master plan was advertised on November 16, 2005. Once completed, the master plan will be presented for policy decisions to County Administration. Qualification statements are anticipated by the middle of December 2005, and the project will begin the first quarter of 2006.
- **Increased Treatment Capacity.** The Department is working to increase the treatment capacity at the Marana, Avra Valley, and Corona de Tucson Treatment Facilities.

Treatment capacity at Corona de Tucson is expected to increase to .5 million gallons per day (mgd) by summer 2006.

The Construction-Manager-At Risk selection process for the Marana Interim Capacity Expansion Project has begun. A notice to proceed is expected by 2006, and construction is to be completed in May 2006.

A developer construction funding agreement for the Avra Valley WWTF for an interim capacity increase from 1.2 mgd to 2.2 mgd has been finalized. The Department executed a contract with Kennedy/Jenks to provide a detailed design for Phase I improvements (increasing capacity from 1.2 mgd to 1.6 mgd). The next phase of this expansion will add 4.0 mgd to the Facility. Staff is currently evaluating funding for this anticipated \$30-35 million expenditure as no bond funds is available to fund the project.

At this point in the meeting, Mr. Bennett introduced Deputy County Attorney, Mr. Chuck Wesselhoft, is now working with the Department.

2. **2006 Financial Plan.** Mr. Jeff Nichols presented an update on preparation of the 2006 Financial Plan. As noted earlier, the Department’s Budget for FY2006-07 and the Financial Plan will be tied together which would assist with planning for the future. Mr. Nichols anticipated two rate package models (pro formas) will be included in the Financial Plan: 1) pay-as-you go; and 2) rate increases necessary to fund some projects with bonds.

The Department received its FY2004-05 Audited Financial Statements on October 31, 2005 from Heinfeld Meech & Company, a Certified Public Accounting firm. Mr. Nichols told members the Department has requested that the auditors make a presentation on the results of the audit to the Board of Supervisors. Mr. Nichols asked members to contact him for copies of the Audit.

Mr. Stratton said there was some indication that the current real estate boom would level-off or take a down-turn, and asked if this had been considered in Department projections for connection rate increases. Mr. Nichols responded the

Department was being conservative in its projections for increases in housing. He noted the Department received over \$30 million last fiscal year in connection fees and is on pace to receive a similar amount this fiscal year. He felt water availability would be the larger issue in the future.

Mr. Stratton commented that there needed to be better communication between municipalities and water/wastewater utilities when it comes to approval of new developments as to what capacity issues may exist. Mr. Nichols responded the Department is responding to areas where wastewater capacity is really tight.

Mr. Stratton asked whether growth in the Avra Valley area would be able to pay for the proposed \$30-\$35 million expansion of the Avra Valley WWTF. Mr. Nichols felt the growth was paying for itself. In addition, Mr. Carlson said the November 17, 2005 issue of the *Wall Street Journal* included an article on a survey that indicated growth in the Southwest U.S. would continue to increase, but at a lesser rate.

Mr. Curley also responded that the Department uses three main "barometers" to forecast real estate development, including projections from the University of Arizona. In addition, Mr. Bunch said the Department gets data from the Pima Association of Governments, Development Services (permits issued) and developers (build-out schedules).

Mr. Carhuff felt the driver for growth would be water availability and the fight over allocation of Colorado River water.

Mr. Brad DeSpain felt the community needed to start aggressively looking at the reuse of reclaimed water.

In addition, Mr. Bennett said staff currently is reviewing the User Fee Ordinance, and evaluating recommendations included in the Black & Veatch Audit. These include the possible elimination of winter averaging for commercial/industrial users and high strength user fees.

Staff is also reviewing the Connection Fee Ordinance, and evaluating the possibility of tying rate increases to a construction cost index. Mr. Stratton asked how the County's connection fees compared to other like-sized high-growth municipalities in the Southwest. Mr. Curley responded the County was in the top tier for assessed fees. Mr. Bennett asked members to provide their comment/feedback on the Connection and User Fees and areas they might want evaluated.

3. **Proposed Revisions to Connection Fee Ordinance (Participating/Non-Participating Status).** Mr. Bunch said the Department's proposed revisions to the Connection Fee Ordinance would eliminate the concept of participating/non-participating rates from the Ordinance and will be scheduled for the Board of Supervisors consideration on the agenda of the December 6, 2005 Board meeting. Under the proposed Ordinance, there would be one standard connection fee rate and developers would receive a dollar-for-dollar discount against the standard connection fee for any off-site sewer they built.

The WMAC's recommendation in support of the Ordinance change, which was approved at the October 20, 2005 Committee meeting, will be presented to the Board of Supervisors at the December 6, 2005 meeting.

Mr. Carlson asked if there was any opposition to the proposed Ordinance change. Mr. Bunch responded he and the County Administrator met with the Southern Arizona Home Builder's Association and no comments were received. Ms. Hunt added that the public notice of proposed Ordinance change will appear on November 21, 2005 in the *Tucson Citizen* newspaper.

4. **Capital Improvement Program Update.** Mr. Bennett presented the CIP Update and referenced the PCWMD Engineering Weekly Bullets for November 4, 2005. The Weekly Bullets are used to evaluate the status of current Treatment and Conveyance System CIP projects. Members received copies of the Weekly Bullets in their meeting packets.

- **Ina Road Water Pollution Control Facility (WPCF) Process Change and 12.5 mgd Expansion Project.** The contractor, Tetra Tech/Foster Wheeler, discovered and is correcting some issues that have delayed completion of this project. These include replacing parts of the primary clarifier and some grouting rework. Discussion followed.

Mr. Carhuff asked about Tucson Electric Power's (TEP) \$250,000 cost estimate for installation of an alternative source of power for the Ina Road BNRAS Facility. Mr. Bennett responded TEP has refused to provide any schedule information regarding the installation to date. Mr. DeSpain offered to provide staff with contact information for Gill Bravo of TEP.

- **Santa Cruz Interceptor.** The approximately \$35 million Santa Cruz Interceptor Construction Project could begin in summer 2006 if right of way issues are resolved with the Arizona Department of Transportation.
- **Honea Heights Project.** This project to install new sewer lines in the Honea Heights Colonia has been delayed, because the pipe ordered by the Construction Contractor, Grimm, went to New Orleans for sewer repairs. Discussion followed regarding cement and sewer pipe shortages that could impact completion/costs of CIP projects.

Mr. Carhuff commented that an article on cement prices/shortages appeared the week of November 14, 2005 in the *Wall Street Journal*. He added that local governments are big consumers of cement and suggested that the City of Tucson and Pima County should have the Congressional delegation look into this issue.

- **Closed Circuit Television Rehabilitation Inspection Project (CCTV).** Procurement awarded the contract to continue the CCTV Project on November 11, 2005.

C. New Business

1. **2006 Work Plan.** WMAC members were asked to review the 2005 Work Plan and the items listed under Future Agenda Items in the minutes of the October 20,

2005, meeting for possible additions to the 2006 Work Plan. The 2006 Work Plan will be discussed at the next Committee meeting.

Mr. Curley also noted that the new WMAC members have received copies of the WMAC Ordinances, 2005 Financial Plan, and both Black & Vetch Reports. He commented further that staff would follow-up with new members to arrange tours of the treatment facilities and provide briefings on the 2005 Financial Plan, and the Facility Plan.

- VI. FUTURE AGENDA ITEMS.** Federal Legislative/Regulatory Update (December 2005); 2006 Financial Plan (November and December 2005); Arid West Water Quality Research Project Update (December 2005); Proposed FY2006-07 Budget; Skill-Based Pay Program; Metropolitan Facility Plan Update; State Legislative Update (February 2006); Ina Road Facility Tour (April 2005); Roger Road Tour; Wastewater Management Strategic Plan; Capital Improvement Program Update; and a Tucson Water Assured Water Supply Presentation.
- VII. CALL TO THE AUDIENCE.** There being no response from the audience, Mr. Stratton adjourned the meeting.
- VIII. ADJOURNMENT.** The meeting was adjourned at 9:17 a.m.