

WASTEWATER MANAGEMENT ADVISORY COMMITTEE
MEETING MINUTES
April 20, 2006

Committee Members Present:

Adam Bliven	Sheila Bowen	Brad DeSpain
John Carhuff	John Carlson	Steve Halverson
Rob Kulakofsky	Mark Stratton	Ann Marie Wolf
Mike Gritzuk		

Committee Members Absent:

Bill Carnes	Armando Membriola	William Thornton
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Staff Present:

Paul Bennett	Mike Bunch	Ed Curley
Laura Fairbanks	Suzy Hunt	Jackson Jenkins
Jeff Nichols	Mike Kostrzewski	Tim McGarry
Helen Rhudy	Lorraine Simon	

Other County Staff Present:

Charles Wesselhoft, Country Attorney's Office	Pat Cavanaugh, Executive Aide District 1
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- I. **CALL TO ORDER.** Chair Mark Stratton called the meeting of the Wastewater Management Advisory Committee (WMAC) to order at 7:48 a.m.
- II. **APPROVAL OF MINUTES.** The Committee approved the minutes of the March 16, 2006 meeting.
- III. **COMMITTEE/SUBCOMMITTEE REPORTS.**
 - A. **Citizens' Water Advisory Committee (CWAC) Update.** Mr. Carhuff presented the CWAC Update. CWAC recommended a 4.6% rate increase for Tucson Water to be effective at the end of July 2006, to the City of Tucson Mayor and Council. The rate schedule will be presented for CWAC approval at the Committee's May 3, 2006 meeting. Mr. Carhuff invited WMAC members to attend this meeting.
- IV. **WASTEWATER MANAGEMENT (PCWMD) DIRECTOR'S REPORT.** Mr. Gritzuk presented the Director's report. (WMAC members received electronic copies of the Staff Report prior to the meeting.)
- V. **DISCUSSION.**
 - A. **Reports/Updates**
 1. **2006 Financial Plan.** Mr. Bennett and Mr. Nichols provided an update on the preparation of the Department's 2006 Financial Plan.

Mr. Bennett briefly reviewed the information included in the Draft Financial Plan on critical program and financial needs for the Department. Critical programs needs include denitrification efforts, odor control and rehabilitation. In addition, Operations and

Maintenance and regulatory costs are increasing. The Department has major funding hurdles to meet these needs.

Mr. Bennett reviewed revisions that were made to the Draft Financial Plan following the Committee's March 16, 2006 meeting and individual/small group meetings with WMAC members and thanked members for their comments and feedback. The Revised Draft Financial Plan now recommends a series of four increases of 10 percent each in user fees and four increases of six percent each in connection fees. The Plan recommends these increases occur in six month intervals beginning in July (now summer) 2006 and ending in January 2008. The average monthly residential sewer bill would increase from the current \$17.52 to \$22.26 by January 2008. The average connection fee would increase from \$4,050 to \$5,113 by January 2008. If these increases were approved, user fee revenues would cover a greater share of the debt service.

Recommendations included in the Revised Draft Financial Plan are based on continuing recommendations from the 2005 Black & Veatch Rate Study and the Department's 2005 Financial Plan. These recommendations include: a multi-year approach to forecasting and raising the revenue to meet the Department's projected Operations and Maintenance (O&M) and Capital Improvement Program (CIP) expenditures; full implementation of the 2004 Bond Authorization and an enhanced CIP program; a proactive Capacity, Management, Operations and Maintenance (CMOM) program; and establishment of emergency reserve funding.

Mr. Bennett provided a brief update on the status of the Department's Fiscal Year (FY) 2005/06 CIP projects. On April 4, 2006, the Board of Supervisors authorized the transfer of funding for two Ina Road 2004 Bond Authorization projects to the Avra Valley Wastewater Treatment Facility (WWTF) Expansion Project. Anticipated start of this project is fall of 2006. Acceptance testing of the Ina Road WPCF is scheduled to begin today, April 20, 2006. The contractor has begun construction of the base 0.5 MGD facility at the Corona de Tucson WWTF.

The Revised 2006 Draft Financial Plan recommendations also include specific program elements. These are: establishment of a \$10 million emergency reserve in 2006; increased O&M expenditures, including an additional 52.5 full time equivalent positions (FTEs); an enhanced CMOM program; funding of a \$46.3 million CIP in FY 2006/07; funding of \$115 million for CIP projects from 2006 through 2011 with System Development pay-as-you-go funding; recommendation of a 2008 Sewer Revenue Bond Authorization Election primarily for Ina Road/Roger Road nitrification/denitrification, system-wide odor control, comprehensive biosolids treatment and utilization, Ina Road WPCF improvements and conveyance system rehabilitation.

The projected user and connection fee revenues in the Financial Plan recommendations were developed by the Department using Eller College, University of Arizona, housing permit projections to reflect residential and commercial growth on an annual basis.

Chair Stratton, referencing the Plan's recommendation to increase staff by 52.5 FTEs, felt it was important for the public to know that the Department had experienced a reduction in staff in the past couple of years and this recommendation was an effort to replace some of the lost FTEs. Mr. Bennett added the 52.5 FTEs include about 16 FTEs for the Engineering Division, which are necessary to move forward with the Department's CIP Program.

Mr. Bennett informed the members that in FY 2006/07 the Department's CIP program will be accelerated to a total of \$46.3 million and will include the following major 2004 Bond Projects: Santa Cruz Interceptor, Tanque Verde Interceptor, Marana WWTF expansion, Marana Airport expansion, Avra Valley WWTF expansion, and the Ina Road/Roger Road nitrification/denitrification study. He anticipates Phase II of the Santa Cruz Interceptor will be presented to the Board of Supervisors for award by July 2006. The Department is in the process of acquiring easements for the Tanque Verde Interceptor. Mr. Bennett is hopeful the Department will be able to begin construction of the Interceptor in late FY 2006/07. Construction of the Marana WWTF expansion is moving forward. Hunter Construction is the Construction-Manager-At Risk for the Marana Expansion Project, and Stantec is the Design Engineer. The Marana Town Council has authorized the 2004 Marana Airport Project which will connect the Airport to the Marana treatment system. The Department will prepare an intergovernmental agreement to authorize the Town to design/build the new sewer system in cooperation with Pima County in the next few months. The Corona de Tucson WWTF expansion will add approximately 1.0 MGD of constructed capacity in the next 12 months to the Corona de Tucson WWTF. Developers in the Arivaca area may begin construction of a sewer line along the frontage road on the eastside of Interstate 19 in about six months. This would eliminate the need for the Arivaca Wastewater Treatment Ponds.

Mr. Bennett anticipates the Department's CIP program could increase in two to three years to \$80 to \$100 million per year.

In addition, he said Department staff completed their analysis of the variance between the University of Arizona and Black & Veatch housing starts/growth projections. The Revised Draft Financial Plan's projected user and connection fee revenues now use the University of Arizona forecast data for building and growth projections. These forecasts were applied to the PCWMD customer data base and the Development Service Department's permit data base. The new projections were prepared by the Department and Black & Veatch utilizing the Financial Model.

Mr. Nichols noted that he had reported at the March 16, 2006 WMAC meeting that the Department's depreciation expense had fallen from its estimate of the prior year from \$21.8 million down to \$17.5 million. Approximately one week ago, the County Finance Department informed the Department that the \$17.5 million depreciation figure now needed to be increased by \$5.2 million. Finance had previously excluded some newly completed projects from the Department's assets, the larger ones being the Randolph Park Water Reclamation Facility and the Ina Road 12.5 MGD Expansion, but now the Finance Department is going to start depreciating these assets in June 2006.

Mr. Stratton noted that the Revised Draft Financial Plan projects a large increase in revenue generated from user fees in FY 2009/10 and FY 2010/2011. Mr. Curley responded that the Financial Model indicated the need to generate revenue to fund rehabilitation projects as part of the \$115 million CIP pay-as-you-go projects.

Black & Veatch Project Manager, Mr. Ken Martin, explained that the Department's current CIP includes a lot of growth projects and its future CIP includes more rehabilitation projects. He said more and more funds will be needed for rehabilitation of the sewer system in future years.

In addition, Mr. Martin indicated even with these proposed user fee increases, from a marketplace standpoint, the County's user fees and connection fees are still not out of

line for the state of Arizona. Mr. Martin noted that Black & Veatch just completed a study for the City of Glendale and they are raising their water and sewer fees 15 percent each.

Mr. Carhuff asked how staff made the judgment that the growth currently being seen in the County and defined as “hyper growth” was not going to continue. He felt issues that could impact growth rates in Arizona were a potential influx of “baby boomers” and people from the southeastern coastal regions of the United State. He commented further that “hyper growth” might be the new normal for the state. Mr. Martin responded that the University of Arizona projections were compared against the Pima County and Pima Association of Governments (PAG) figures for the actual number of permits issued over the previous 10 years and they tracked fairly closely when compared in historical fashion. He added that even with the projected drop in housing starts in the next two years, it is projected that the County will issue just under 10,000 permits per year. This is equivalent to the numbers of permits issued in 2003.

Mr. Carlson requested that Mr. Carhuff provide data on Tucson Water’s projections for future water availability at a future WMAC meeting.

Mr. Bunch commented that the Revised Draft Financial Plan recommendations relate to the Department’s 2006 Metropolitan Facility Plan that was just approved by the Board of Supervisors. The Facility Plan includes \$1.4 billion of growth, rehabilitation and regulatory compliance needs over the next 20 years.

Mr. Bennett informed Committee members that the Department will evaluate three possible changes to the User Fee and Connection Fee Ordinances over the next six to nine months. These include the possibility of basing connection fees on a structure’s square footage rather than the number of fixture units, the user fee rates for high strength users, and winter averaging for industrial/commercial sewer customers.

Mr. Carlson asked for further clarification on the 52.5 FTEs, particularly the increase in engineering positions. Mr. Bennett responded the Department has staff shortages in technical areas that are needed to help get projects up and running, and effectively manage project costs, design, and project delivery.

Mr. Gritzuk added that the Department is almost doubling its CIP program every year beginning in FY 2006/07 which necessitates an increase in engineering staff. In addition, the Department’s CMOM program is understaffed. Also, additional staff is needed for the new capacity coming online at the Ina Road WPCF.

Mr. Gritzuk told Committee members that the biggest component (approximately \$600 million) of the \$1.4 billion of needs identified in the 2006 Metropolitan Facility Plan is for rehabilitation of the sewer system. The second biggest component is for growth and the third is for regulatory compliance.

Committee members were encouraged to contact staff with any additional comments/feedback on the Revised Draft Financial Plan.

- 2. Capacity Management/Nutrient Removal/Biosolids Handling Regional Study (Regionalization Optimization Study).** Mr. Gritzuk presented an overview of the Regionalization Optimization Study. The consultant for the Study is Greeley and Hansen. The purpose of the Study is to develop the optimal, technical, cost effective plan for metropolitan Pima County. It will also look at outlying facilities primarily because of growth in those areas. The Study is multidisciplinary in nature and will involve staff

from the Department's Engineering, Operations and Financial Divisions. The Study team includes a financial consultant who will assist with development of a financial plan to fund the program. An expert in capital project delivery methods is also a member of the team and will develop a construction program that provides the optimum, cost effective approach for moving ahead with this program.

The Study will look at various alternatives for the Roger Road Wastewater Treatment Plant (WWTP). Some alternatives that will be evaluated include: rehabilitation of the existing facility to bring it up to current standards and codes; abandoning the existing facility and building of a new facility next to it; and decommission Roger Road entirely and conveying all of the sewage to the Ina Road WPCF at one large regional treatment facility.

The City of Tucson is a partner in the Study. Part of the effluent from Roger Road is conveyed to the City of Tucson's Sweetwater Facility Water Reclamation Facility. The Study will evaluate whether there is a more technically feasible, cost-effective way to produce the reclaimed water that the City needs.

The Study was launched on April 19, 2006, with the first of a series of 16 workshops. The purpose of the first workshop was to introduce the Study to local stakeholders. The topic of the second workshop is effluent reuse and reclaimed water and is scheduled for May 31, 2006.

There is an ecosystem in the Santa Cruz riverbed between the Roger Road and the Ina Road facilities that was created by the discharged effluent. If the Roger Road facility were to be decommissioned, this is a major environmental issue that would need to be addressed. The Study team will also evaluate the conveyance systems to Roger Road and Ina Road because there may be some efficiencies in streamlining the flows to both facilities.

The recommended option has to be determined and the Arizona Department of Environmental Quality notified by January 2007. The Study will cost approximately \$2 million.

- 3. Comprehensive Countywide Odor Control Study (Odor Control Study).** Greeley and Hansen was selected as the consultant for the Odor Control Study. The Study will be integrated with the Regionalization Optimization Study. The engineering firm of CHM2Hill is a major sub-contractor to Greeley and Hansen for the Study. The Study will include a lot of stakeholder involvement, including the formation of a citizen involvement committee. Citizens living in the community around the Roger Road WWTP will be asked to serve on the Committee. Early in the Study, a baseline of the magnitude of odors for all of the facilities throughout the County will be established. In the course of the Study, areas where odors can be easily reduced will be identified, and the Department will implement and monitor those odor control programs to determine how successful it has been in reducing those odors. The Study will take approximately 15 months.

The first meeting to negotiate the scope of work with Greeley and Hansen is scheduled for April 27, 2006. The Department hopes to identify easily implementable fixes. The goal is to take care of the more easily achievable controls in a cost effective way. An entire master plan will be developed and presented to the Citizens' Committee, County management and the Board of Supervisors.

B. New Business. No new business was presented.

VI. FUTURE AGENDA ITEMS. 2006 Financial Plan; FY 2006/07 Budget; Skill-Based Pay Program; State Legislative Update; Regionalization of Water/Wastewater – Status of Discussions; Treatment Update for Outlying Facilities; Ina Road Facility Tour; Wastewater Management Strategic Plan; and a Tucson Water Assured Water Supply Presentation; Nominating Committee Appointment; Update on Regionalization Optimization Study and Odor Control Study.

At this point in the meeting, Mr. Kolakofsky asked for a presentation on the pretreatment system for industrial discharge.

In addition, Mr. Jenkins offered to provide a presentation on the Department's staff turnover. Mr. Gritzuk said the Department has a high turnover rate, particularly in Operations and Maintenance. Some positions have a turnover rate of 30 to 50 percent. The Human Resources Department is going to conduct a salary study of some of these positions. Mr. Stratton asked that the presentation on staff turnover include information on the Department's "succession planning" – replacement of staff eligible for retirement and having institutional knowledge. Mr. Nichols informed Committee members that, of the Department's 470 staff, 100 are very near or at retirement eligibility.

At this point in the meeting, Mr. Curley said the Committee usually has a special committee meeting immediately after the public meeting on the Financial Plan to make recommendations to the Board of Supervisors.

A motion approving the holding of a special WMAC Committee meeting after the public meeting to make Financial Plan recommendations and forwarding to the Board of Supervisors was unanimously approved by the Committee.

Mr. Carlson then spoke and complimented the Department on its handling of the flooding event that occurred at the Ina Road Facility on February 23, 2006. Mr. Gritzuk responded that the incident was a malfunction of one of the manifolds in one of the return activated sludge facilities. This was due to the age of the manifold and apparent defect when the manifold was constructed. While Ina Road was off-line, flows were diverted to Roger Road and to onsite holding basins. After 17 hours, the plant was put back online. There was never any discharge of raw sewage to the Santa Cruz River. The sewage in the holding basins was treated for odor control, and no odor complaints were received.

VII. CALL TO THE AUDIENCE. There being no further response from the audience, Chair Stratton adjourned the meeting.

VIII. ADJOURNMENT. The meeting was adjourned at 9:27 a.m.