

WASTEWATER MANAGEMENT ADVISORY COMMITTEE

April 19, 2007

Committee Members Present:

Adam Bliven	Sheila Bowen	John Carhuff
John Carlson	Marcelino Flores	Rob Kulakofsky
John Sawyer	Michael Gritzuk	

Committee Members Absent:

Brad DeSpain	Steve Halverson	Armando Membrila
Mark Stratton	Ann Marie Wolf	Les Wolf

Staff Present:

Paul Bennett	Marla Berry	Mike Bunch
Ed Curley	Laura Fairbanks	Suzy Hunt
Jackson Jenkins	Jeff Nichols	Lorraine Simon
Eric Wieduwilt		

I. CALL TO ORDER. Chair, Adam Bliven, called the meeting of the Wastewater Management Advisory Committee (WMAC) to order at 7:56 A.M.

II. APPROVAL OF MINUTES. The Committee approved the minutes of the March 15, 2007, WMAC meeting.

III. COMMITTEE/SUBCOMMITTEE REPORTS.

A. Citizens' Water Advisory Committee (CWAC) Update. Mr. John Carhuff presented the CWAC Update. On April 17, 2007, the City of Tucson Mayor and Council approved Tucson Water's Five-Year Financial Plan. The Plan includes a rate increase of 6.2% for FY 2008 and increases over the next four years ranging between 5% and 6.2% annually. The Plan also contemplates Tucson Water taking its full allotment of Central Arizona Project water by 2012. Mr. Carhuff provided Ms. Suzy Hunt, WMAC Coordinator, with a copy of the memo of transmittal to the Mayor and Council summarizing Tucson Water's Financial Plan.

IV. Wastewater Management Director's Report. Mr. Michael Gritzuk presented the Director's Report, and reported on the following items:

- **2008 Bond Program.** On March 14, 2007, the Department presented its request for the 2008 Bond Program to a subcommittee of the County Bond Advisory Committee. The amount of the Bond Request is \$565 million. This includes \$445 million for the Regional Optimization Master Plan (ROMP) and \$120 million for other projects identified in the Department's 20-year Metropolitan Facility Plan Update. These proposed bond projects address needs in the areas of regulatory compliance, rehabilitation, growth/capacity expansion, and odor control. The Department's 2008 Bond request is currently being reviewed by the full Bond Committee.
- **ROMP Update.** The Department is developing a concept to engage the public with a formal Expression of Interest to request responses from consultants, contractors, financial institutions, service providers, etc. on how they would proceed with the ROMP. The components of this Expression of Interest include: 1) Project delivery methods - such as reaching out to major contractors and consultants asking them how they would proceed with the design and construction of the overall ROMP Program; and 2) Public/private partnerships - such as attracting a power company to build a bio-gas co-generation plant

at the Ina Road Water Pollution Control Facility (WPCF) site. (Power companies have a requirement to generate a certain amount of “green power” and bio-gas falls into this category.)

Mr. Gritzuk indicated that the Department also wants to explore whether there is any public/private partnership approach possible for the reuse and disposal of biosolids.

The Expression of Interest will be advertised within the next two months.

Mr. Bliven asked whether the Department would be looking for cost proposals or “big ideas” – brainstorming thoughts. Mr. Gritzuk responded that the process would be strictly voluntary, and the Department will be looking for ideas/recommendations – not a proposal or statement of qualification or a cost proposal. All of the submittals will be reviewed by the ROMP consultant, Greeley and Hansen, and Department staff. Several workshops may also be involved, and WMAC members may attend these if they wish.

- **Odor Control Program.** The Department previously identified 22 “quick fix” odor abatement projects that are within the conveyance system and at the treatment facilities. Fourteen of the projects will be completed and in operation by the end of April 2007. Several of the Roger Road Wastewater Treatment Plant (WWTP) projects have been delayed indefinitely because a cultural site has been identified in the location where odor scrubbers were to be constructed. While the cultural evaluation of the site is underway, the Department is proceeding with alternate ways of implementing these projects. Most of the projects will be completed by the end of July 2007. In addition, Mr. Gritzuk told Committee members the Department has instituted a cultural review of all ROMP sites including wherever there is any plant construction and in the area of the Roger Road to Ina Road Plant Interconnect.

V. DISCUSSION.

A. Old Items/Updates.

1. **Regional Optimization Master Plan and Odor Control Plan.** These items were previously discussed under Agenda Item IV., Wastewater Management Director's Report.
2. **Low-Income Assistance Program.** Mr. Jeff Nichols presented the Department's proposed Low-Income Assistance Program. The Department will present the Proposed Program along with a request to amend the User Fee Ordinance to include a low income program and implementation of a 6% user fee rate increase on May 1, 2007 to the Board of Supervisors. If approved by the Board, both implementation of the Low-Income Assistance Program and rate increase would be effective July 1, 2007.

The Low-Income Assistance Program would be tiered and based upon Federal Poverty Guidelines as follows:

- For those customers at or below one hundred percent (100%) of the Federal Poverty Guideline, a rate reduction of seventy-five percent (75%) would be granted.
- For those customers between one hundred and one percent (101%) and one hundred and twenty-five percent (125%) of the Federal Poverty Guideline, a discount of fifty percent (50%) would be granted.

- For those customers between one hundred and twenty-six percent (126%) and one hundred and fifty (150%) of the Federal Poverty Guideline, a discount of twenty-five percent (25%) would be granted.

The Department's proposed Low-Income Assistance Program does not include emergency rate relief assistance, so as not to conflict with Tucson Water's emergency relief program. Instead the Department's Low-Income Assistance Program focuses on significant rate relief to those who need continued long-term relief.

The discount would apply only to the flow charge. Eligible customers would need to apply for the discounted rates on an annual basis. The subsidy from Department revenues for the Low-Income Assistance Program is estimated to range between \$396,777 to \$3.9 million – dependent upon the percentage of eligible customers who participate in the Program.

Mr. Nichols informed the members that the Department will have a robust campaign to advertise the program. Ms. Laura Fairbanks provided Committee members with copies of the draft brochure/application for the Low Income Assistance Program and reviewed the various ways the Department would announce the program. Discussion followed.

Ms. Bowen asked whether the cost of the advertising campaign and public outreach was included in the estimates for the cost of the Low-Income Assistance Program. Mr. Nichols responded the public outreach would utilize existing staff resources in support of the Low-Income Assistance Program. The Program is actually a subsidy from the Department that will decrease revenues. Other costs will be worked out through a memorandum of understanding (MOU) with the Pima County Community Action Agency who will manage the intake process of the Low-Income Assistance Program.

Ms. Marla Berry, Manager of Customer Services, explained the impact of implementing the Low-Income Assistance Program on the billing area. She informed the members that all four of the billing providers (including Tucson Water, Metro Water, Marana and Oro Valley) will be able to accommodate a reduced rate. All tracking of the Low-Income Assistance Program and its impact on Department revenues will be handled by Department staff.

Concern was expressed by some members that the Department is an enterprise fund, and the cost of the Low-Income Assistance Program should be absorbed by the County's General Fund and paid for by all County taxpayers. Sewer customers should pay a fee for services received, not a portion of the fee for sewer service to other customers. They did not object to the Low-Income Assistance Program or its cost; however, they felt all the taxpayers in Pima County should be subsidizing the Low-Income Assistance Program. The Low-Income Assistance Program has the potential of driving rate increases, because the only means the Department has of supporting its operations and capital expenditures is from the revenue it gets from its connection and user fees. If 100% of eligible customers participated in the Low-Income Assistance Program, the cost is estimated at approximately \$3.9 million. The rate impact of this expense would approximate a user fee rate increase of 6%. Since the purpose of the Low-Income Assistance Program is one that would be associated with general health, safety and welfare governmental purposes, members did not like the idea of the Low-Income Assistance Program not being a separate line item on the water/sewer bill. Members were concerned that the Department may have to go to the Board of Supervisors for a 6% rate increase for the Low-Income Assistance Program in addition to a planned 6% increase for Operations and Maintenance (O&M) and Capital

Improvement Program (CIP) expenses. It is believed that the City of Tucson currently pays for the cost of the Tucson Water low income assistance program.

Mr. Nichols informed Committee members that all the utility agencies that were surveyed (including Tucson Water and Tucson Electric), reported that the rate of participation in their programs was 10% or less of their customer base.

Mr. Sawyer asked how the County would verify income eligibility for the Low-Income Assistance Program. Ms. Berry responded that would be negotiated in the MOU with the Pima County Community Action Agency. Mr. Flores commented that one of the reasons for low customer participation in these types of programs is fear of disclosure - living conditions (City code violations) and unreported income.

Mr. Sawyer suggested submitting a budget for the Low-Income Assistance Program, and see how many customers apply for it and then review participation – not leave the potential expense so open-ended. Mr. Nichols responded there would not be any direct expenditures for the Low-Income Assistance Program as it would be a reduction in revenue, and therefore not a budget item. However, staff would estimate the amount needed on an annual basis and include revenue subsidy projections.

Some Committee members felt that by trying to reach every eligible customer - outside of the public education efforts for the Low-Income Assistance Program - the Department would become too involved in the application process for the Low-Income Assistance Program. One member did not feel the Department should set 100% participation as the Low-Income Assistance Program goal.

Some members liked the idea of a separate line item on the water/sewer bill similar to surcharges on phone bills for 911 service. This would provide more open disclosure of fees.

Some members expressed concern that the Low-Income Assistance Program did not go far enough and that most eligible customers are not going to apply for the Low-Income Assistance Program. They expressed that they would like to see some kind of debt relief - bad debt write-off - in emergency situations and from that point on customers could get a subsidized sewer bill as long as they qualified.

Members felt the need for the Board of Supervisors to be made aware that the Low-Income Assistance Program would take money out of the funds for the Department, and the Board may need to approve an additional increase to make up for the loss of funds.

Members expressed concern that the proposed Low-Income Assistance Program would create a second tier of rates for low-income customers. They felt that the Department needs to clearly disclose this to the other rate payers.

Mr. Bliven noted that sewer customers generally supplement other users throughout the County's wastewater system – the cost of collection, conveyance and treatment on Mt. Lemmon is significantly higher than for someone that lives near the Roger Road Treatment Plant.

One member suggested that, if the Low Income Assistance Program charge was included as a line item on the water/sewer bill it could then potentially be a personal income tax write-off.

Staff addressing the question of whether the Department could have a separate line item, responded that it probably could be included - as a surcharge - but there may be difficulties doing so with all billing providers due to space/computer program issues.

Mr. Flores inquired whether there was an appeals process if a customer is disqualified from participating in the Low-Income Assistance Program. Staff responded, that to the best of their knowledge, Tucson Water does not have an appeals process in their IGA with the Pima County Community Action Agency. The Department could include an appeals process in the proposed MOU with the Pima County Community Action Agency.

Mr. Gritzuk thanked the members for their many comments and suggestions regarding the proposed Low-Income Assistance Program, and suggested creating a summary of these comments. Members decided to send a letter summarizing this discussion to the Board of Supervisors. Mr. Bliven requested that staff prepare the letter. (Note: On April 24, 2007, the letter was prepared and forwarded to the Board of Supervisors.)

3. **Rate Increase Presentation and User Fee Ordinance Change for May 2007.** This item was previously discussed under Agenda Item, V.A.2, Low-Income Assistance Program.
4. **FY2007/08 Budget Update.** Mr. Nichols presented the FY2007/08 Budget Update. The County Administrator will present his recommended budget for fiscal year (FY) 2007/08 on April 23, 2007 to the Board of Supervisors.

In addition, the Department is expecting to do a bond issuance of approximately \$50 million by spring 2008. The Department's recommended budget includes approximately \$4 million for debt payment on this 15-year bond issuance.

5. **Conveyance Update.** Mr. Mike Bunch presented the Conveyance Update and reported on the following items:
 - **Sewer Rehabilitation Update.** The Department participated in a utility infrastructure study of downtown Tucson along with the Rio Nuevo Project that was funded by a group of developers. The results of the study indicate approximately \$8 million of sewer system relocation/augmentation/abandonment and rehabilitation is needed. The Department will be responsible for the approximately \$5 million in sewer rehabilitation projects and developers will pay for approximately \$3 million in sewer relocation and augmentation for new development.
 - **International Standards Organization (ISO) Update.** The Department has developed a business management system (BMS) for the Conveyance Division to improve the overall operation of the Division and in preparation for seeking certification in three areas from the International Standards Organization and Occupational Health and Safety Assessment Series (OHSAS) for the BMS. The elements of the BMS include the conveyance system Capacity, Management Operations and Maintenance (CMOM) Aquifer Protection Permit (APP) and ISO and OHSAS standards for quality management, environmental management and safety management. The benefits of certification include improved customer satisfaction levels, establishment of continuous improvement processes and ISO certified companies are internationally recognized.

The BMS implementation schedule reflects staff training to the continuous quality improvement process began in March 2007, first assessment by internationally certified outside auditors in July 2007, and certification by August 2007.

The Department did some benchmarking and has found no other private or public enterprise, worldwide that has all three of these certifications. Achieving certification shows that the Department has best practices and quality standards in place – a quality process to ensure the quality of the product. Discussion followed.

Mr. Flores asked whether the ISO certification would be an on-going process. Mr. Bunch responded in the affirmative.

Mr. Bliven asked if the ISO certification program affected other Department divisions. Mr. Bunch responded in the affirmative and said he felt ultimately the program could be a model for the entire Department and possibly the County.

Mr. Sawyer commented that his firm is ISO certified, and the company experienced an improved quality of business – do things better, cheaper and more efficiently.

B. New Items.

1. **Southwest Infrastructure Study.** Mr. Ed Curley presented the report on the Southwest Infrastructure Study and referred members to information they received prior to the meeting. The preliminary results of the Study indicate that \$800 million of infrastructure is needed to develop the Avra Valley area out to the projected population build out. The Department was closely involved with the wastewater portion of the Southwest Infrastructure Plan - so that it reflects the Department's program for the area. A more detailed final report will be presented at the next scheduled WMAC meeting. The Project was very successful from the County's perspective, because it included participation of every County function. Mr. Curley felt it would serve as model for other areas.

At this point in the meeting, Melodee Loyer, Tucson Water staff, commenting on the Draft Southwest Infrastructure Plan, said the Department's projected population for the area seems to differ greatly from Pima Association of Governments (PAG) population figures and asked if that was going to be rectified. Mr. Curley responded that the PAG Traffic Analysis Zones (TAZ) 2008 figures that are accepted by all of the planning jurisdictions are at the low end of what the Project is looking at. The high end – build out – is almost three times as much as the low end, but has no timeframes or dates for this population to occur. The Department insists on PAG TAZ numbers and dates (population at 5 years, 10 years, 15 years, and etc.)

Mr. Flores commented that the Pascua Yaqui Tribe has requested more information on the Plan. He added that, as promised by the County, Stantec would be presenting the findings thus far to the Tribe today.

At this point in the meeting, Mr. Bliven informed the members that the Department is inviting the members to attend the State of the County luncheon on Friday, May 4, 2007. Members were asked to contact Suzy Hunt if interested in attending the luncheon.

VI. FUTURE AGENDA ITEMS. Southwest Infrastructure Study; Staffing and Salary Issues (May and June 2007); 2007 Financial Plan Update; FY2007-08 Budget; Regional Master Plan and

Odor Control Plan Update; Treatment Update – Outlying Facilities; Nominating Committee Appointment; Avra Valley WWTF Tour; and Wastewater Management Strategic Plan.

VII. CALL TO THE AUDIENCE. There being no response from the audience, Mr. Bliven adjourned the meeting.

VIII. ADJOURNMENT. The meeting adjourned at 9:42 A.M.