WASTEWATER MANAGEMENT ADVISORY COMMITTEE

June 21, 2007

Committee Members Present:

Sheila Bowen	John Carhuff	John Carlson
Brad DeSpain	Steve Halverson	Barbee Hanson
Rob Kulakofsky	Mike Gritzuk	

Committee Members Absent:

Adam Bliven	Marcelino Flores	Armando Membrila
John Sawyer	Mark Stratton	Ann Marie Wolf

Staff Present:

Paul Bennett	Mike Bunch	Laura Fairbanks
Mary Hamilton	Suzy Hunt	Mike Kostrzewski
Jackson Jenkins	Jeff Nichols	Lorraine Simon
Eric Wieduwilt		

Other County Staff Present:

Chuck Wesselhoft
County Attorney's Office

I. **CALL TO ORDER.** Vice Chair, Sheila Bowen, called the meeting of the Wastewater Management Advisory Committee (WMAC) to order at 7:52 A.M.

At this point in the meeting, Ms. Bowen welcomed Supervisor Day's new representative to the Committee — Ms. Barbee Hanson.

II. APPROVAL OF MINUTES. The Committee approved the minutes of the May 17, 2007, WMAC meeting.

III. COMMITTEE/SUBCOMMITTEE REPORTS.

A. Citizens' Water Advisory Committee (CWAC) Update. Mr. Carhuff said there was no new information to report on behalf of CWAC.

B. Nominating Committee Report and Elections. Mr. Brad DeSpain provided the Nominating Committee Report. The Nominating Committee — which consisted of Mr. Stratton and Mr. DeSpain — recommended Mr. Bliven for Chair and Ms. Bowen for Vice Chair of the WMAC for FY2007/08. The WMAC accepted this slate unanimously.

IV. Wastewater Management Director's Report. A Director's Report was not presented.

V. DISCUSSION.

A. Old Items/Updates.

1. **Regional Optimization Master Plan (ROMP)/Odor Control Plan Update.** Mr. Gritzuk presented the update on the ROMP and Odor Control Plan.

- **ROMP.** The County Procurement Department is currently advertising for a Program Manager for the entire ROMP Program. The Department anticipates presenting a recommendation regarding selection of the ROMP overall Program Manager in the

next two months to the Board of Supervisors. The Department's basic recommendation will be to retain a consultant for a five-year period of time with a budget of approximately $1.5 million per year and with an option for two five-year increment contract renewals.

The Department has selected the design consultants, Brown & Caldwell, for design of the Roger Road to Ina Road Facilities Plant Interconnect and is negotiating that contract. In addition, on June 5, 2007, the Board of Supervisors approved the Consultant, PinnacleOne, as the Program Manager for the Plant Interconnect Project and the Department will be negotiating that contract.

The Department is proceeding with the formal Expressions of Interest to request responses from consultants, contractors, financial institutions, and service providers as to how they would implement the ROMP. The components of this Expressions 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.) 3) Public versus private financing of the ROMP Program. 4) The Department also wants to explore whether there are any public/private partnership approaches possible for the reuse and disposal of biosolids.

The deadline for submittal of the Expressions of Interest is June 22, 2007. The ROMP team will evaluate the Expressions of Interest submittals and proceed with the development of a detailed ROMP implementation schedule. Once the schedule is complete, the Team will be in a position to develop a financial plan.

Odor Control. The Department intends to have all but two of the 22 of the Odor Control Projects on-line by the end of July 2007. At the Roger Road WWTP, the Department has erected a tent over the headworks, covered the weirs of the primary settling basins and other odor control projects. The Department is optimistic that there will be a noticeable reduction of the odor problem by the end of July 2007. On June 19, 2007, Supervisor Bronson toured the Roger Road WWTP to review the new odor control facilities.

2. **2008 Bond Program and Bond Committee Review.** Mr. Gritzuk presented a summary of the Department's 2008 Bond request that was presented on March 14, 2007 to the Public Works Bond Subcommittee of the County Bond Advisory Committee.

The Bond Review Committee presentation included a review of the Department's 1997 and 2004 Bond Authorized projects. The 1997 Bond Authorization was for $105 million. The Tanque Verde Interceptor is the only major 1997 Bond project that remains to be completed. The 2004 Bond Authorization is for $150 million. The Department is actively working on all of the 2004 Bond projects and needs additional bond funding programs to complete these projects.

The amount of the request from the 2008 Bond Program 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 2006 Metropolitan Facility Plan

Update. These proposed bond projects identify needs in the areas of regulatory compliance, rehabilitation, growth/capacity expansion, and odor control. The Bond Request includes $405 million for regulatory compliance, $25 million for rehabilitation and repair (substantial rehabilitation is also included in the ROMP regulatory compliance funding), $95 million for capacity and expansion and $40 million for odor abatement.

Mr. Gritzuk reviewed the potential sequencing of the ROMP. The Department hopes to have the Plant Interconnect on-line by 2011. The Ina Road WPCF process conversion must be operational by the beginning of 2014 and the Roger Road WWTP process conversion by 2015 to comply with regulatory requirements to reduce nitrogen concentrations in discharged effluent at the metropolitan treatment facilities within the timelines established by the Arizona Department of Environmental Quality (ADEQ). Other elements are within the 15-year program.

The current ROMP estimated cost (in 2006 dollars) is $536 million. The capital cost of the ROMP (assuming an inflation rate of 5% over 15 years) would be $719 million. The bonding/debt service would bring the ROMP estimated cost to over $1 billion. The Department wants to phase-out some of the ROMP elements to 15 years to dampen the impact of future necessary rate increases. In addition, the Department feels completing $536 million of engineering, design and construction projects would be difficult to accomplish in a shorter period of time.

The Department's additional Capital Improvement Program (CIP) needs as identified in the 2006 Metropolitan Facility Plan Update to meet the population needs to 2030 are estimated at $1.4 billion (2006 cost estimate).

Mr. Gritzuk reviewed the Department's additional 2008 Bond-funded CIP needs. The 2008 Bond request includes $20 million for expansion of the Marana WWTF, $30 million for expansion of the Green Valley WWTF and $35 million for the Park Avenue 18th Street Interceptor project.

Mr. Nichols reviewed information presented to the Bond Committee on the magnitude of the rate increases that would be necessary to finance this Bond Program. The Department's last bond issuance was in January 2007 for $50 million of the $150 million 2004 Bonds. The Department anticipates another bond issuance in January of 2008 for $50 million, and would like to couple this request with a request for a rate increase to pay the debt service for this bond issuance.

The Department also presented the Bond Committee with a review of its revenue and expense projections for FY2006/07. Projected Sewer User Fee revenues are approximately $68.7 million and Connection Fee revenues are approximately $29 million. Projected Operations and Maintenance (O&M) expenses are approximately $64.4 million, which includes nearly $28 million for personnel expense. The projected debt service is approximately $16.5 million. The debt service is 22.66% of the FY2006/07 estimated operating revenues. With a $50 million bond issuance, the Department would need to raise sewer user fees by 5.4% or connections by 13.3%. Mr. Carhuff noted a discrepancy between revenue estimates regarding that amount that could be raised by increasing sewer user fees by 5.4% versus a 6% increase. The results related to the 5.4% increase were provided by the Departments' rate model while the results related to a projected 6% increase were a hand calculation based on the number of current customers (did not include growth as the model does).

Mr. Nichols informed the Committee that there is a senate bill regarding connection fees that may impact what the Department can charge. The County Attorney's Office has provided an opinion that as written this bill does not impact the Department but they believe this "oversight" may be corrected with future legislation.

3. **Use of Outside CIP (Capital Improvement Program) Project Management Services.** Mr. Paul Bennett informed the WMAC members that on June 5, 2007, the Board of Supervisors awarded $4 million of an $8 million project management-construction services proposed contract which was submitted by the Public Works CIP Central Project Delivery Group for three large CIP projects to the Tempe-based Consultant, PinnacleOne. The projects include the Roger Road WWTP to Ina Road WPCF Interconnect, Tanque Verde Interceptor (Sabino Canyon Road to Craycroft Road) and the Santa Cruz Interceptor (Phase III). The request for the award generated a lengthy discussion by Board members regarding the cost of project management and the benefits of out-sourcing versus in-house project management. As a result, the Board requested that this issue be placed on the agenda of a future WMAC meeting for the Committee's discussion, comments and feedback.

   WMAC members viewed the video recording of the June 5, 2007, Board of Supervisor meeting and the Board's discussion of this agenda item. Following this, Mr. Bennett reminded WMAC members that, over the past two to three years, Department staff have reported to the Committee that it probably would be more cost effective for the Department to manage some projects in-house. Conversely, some of the larger projects – like the ROMP – are better managed by a professional consultant because of their magnitude and complexity. However, the Department has 16 technical/ engineering positions vacant and does not have the staff, resources or expertise to be able to run some of the longer more intricate projects. Mr. Bennett also informed the Committee that most projects are run by a project team of any where from three to five people depending on the size of the project. Discussion followed.

   Mr. DeSpain felt the Committee should look at supporting the Department with hiring outside contractors to act as project managers. Then, as staff are hired, it could eliminate the out-sourcing of project management.

   Mr. Gritzuk responded that the County Procurement Department is advertising requests for qualifications from consultants to act as program manager of the entire ROMP (a multi-disciplined consulting firm that would look at the entire Program including scheduling, program uniformity, financing, regulatory and permitting aspects) at the macro level. The Department will then come up with a recommendation that will be presented to the Board of Supervisors in several months. In addition, the County will select additional consulting firms that will project manage specific projects within the ROMP program.

   Mr. Gritzuk felt hiring outside consultants to do project management is not the most cost effective approach. He noted that the Department had previously compared the cost of in-house project management (including salary and overhead) with out-sourcing and found the cost was 2.5 to 3.0 higher when project management was out-sourced. He felt the Department would be spending millions more dollars rather than fixing the problem of having experienced project managers on staff.

Mr. Bennett reminded the Committee that last year's CIP was approximately $20 million, this year's CIP will reach $42 million and projects are getting done even though the Department is 16 staff short. Next year's CIP is approximately $92 million.

Ms. Bowen asked if the Department had sufficient in-house project management staff, it would manage all of its projects or some projects would be managed by consultants. Mr. Bennett responded larger projects, like the ROMP with all of its complexities probably are best managed by consultants, but projects like the Avra Valley WWTF expansion could be managed in-house.

Mr. Carhuff asked Mr. Bennett to rephrase what he felt the question the Board of Supervisors has posed to the WMAC because he sensed that the Board wants a letter from the Committee. Mr. Carhuff felt the question was relating to the Committee's recommendation as to whether the Department should rapidly fill the vacant positions and have capable in-house project managers or out-source as much as possible. He felt a strong internal staff of professionals is necessary for reasons of proper oversight of outside consultants, retention of institutional memory and to make sure the Department can manage its own affairs. Mr. Bennett felt the Board was looking for feedback about internal versus external project management.

Mr. Carhuff also expressed that it might be useful if staff formulated these questions for the Committee to perform a detailed evaluation at a future meeting. For example, how many projects does the Department have now versus how many engineering staff and how does that compare with four to five years ago. Mr. Carhuff felt the WMAC needed to make a very concrete response to the Board for two reasons: 1) it would be useful if could do something positive in the way of accelerating the staff hiring process and 2) when that salary survey is complete, it needs to make sure that it has documented the urgency of the situation.

Mr. Carlson sensed the trend has been for agencies to use more outside consultants. He asked how long the Department's CIP would be at this intense a level and felt the Department would have to balance these factors.

Mr. Nichols responded that the Department has looked at the ROMP - both as a project management and financial capacity issue – and the increased "hump" of CIP projects it represents over the next seven to eight years. He felt the Department would probably need a combination of in-house and consultant project management services to get over this hump. He commented further that, once it gets over the hump, the Department will still need to maintain a CIP base program and a level of project management staff to move forward with the repair and rehabilitation of existing infrastructure and capacity increases at outlying facility.

Mr. Bennett observed that the CIP is ramping up from $20 million last fiscal year, $42 million this fiscal year, $90 million next fiscal year and over $100 million the following year. He added that the Department does not expect to staff for that level, but has to maintain a knowledge base within the Department to keep things going day in and day out.

Mr. Gritzuk added that the ROMP is a "bump" in the Department's CIP, but the Department also has the 20-Year Metropolitan Facility Plan Update that includes $1.4 billion of CIP, in which the ROMP represents $536 million. He felt the Department needed more in-house staff to manage this CIP, otherwise the CIP would be millions more dollars.

Ms. Bowen asked when the Committee's report should be presented to the Board. Mr. Gritzuk felt the response should be presented in four to five months. Mr. Bennett said staff would present a report at the next scheduled WMAC meeting that includes what the CIP looks like over the next 10 years, what the ROMP component includes and what the Department is looking at for staffing to support the base CIP load.

Mr. Bennett also informed the Committee that the Consultant, Gannett Flemming, is looking at the Department's CIP process and doing some benchmarking to look at the ratio of project manager engineers per project per million dollars of project. The Consultant's preliminary numbers indicate one project manager is used per approximately $1-2 million of CIP work, and the Department is not close to that ratio. Instead, the Department is using alternate deliveries and pulling in project management help from outside firms to get projects completed.

Mr. Kulakofsky expressed that one of his concerns was that the County was looking at salaries Countywide, and he felt the biggest problem was in the technical/ engineering field, and if the County concentrates too much on the non-technical field, then the technical/engineering salaries will be given short shift.

Staffing and Salary Issues. Mr. Nichols presented the report on staffing and salary issues. He referred Committee members to information they received prior to the meeting. The average rate (including indirect costs) the Department is currently paying engineers is $61.25 per hour. The Department's Engineering Division has two contracts that it is currently paying in the range of $125 to $145 per hour for project managers. Under the contract with the Construction Contractor, Kennedy-Jenks, for the Avra Valley WWTF expansion project, the Department is paying in the range of $110 to $185 per hour for project managers.

Mr. Nichols felt the Department would have to offer salaries in the range of $80,000 to $90,000 per year to attract experienced qualified project managers. Currently, most project managers start at approximately $70,000 per year.

Regarding staffing issues, at the beginning of FY 2006/07, the Department had approximately 90 vacant positions. Currently the Department has 70 vacant positions and at least 15 of these positions are technical and engineering-related.

FY2007/08 Budget and Budget Hearings. Mr. Nichols presented the FY 2007/08 Budget Update. On May 22, 2007, the Board of Supervisors approved the County budget for FY 2007/08.

The Department's total O&M Budget for FY 2007/08 which includes some outside contracting of approximately $125 million, and that includes depreciation of approximately $24 million. Based on these revenue projections and projected O&M expenses, the Department should have approximately $13.2 million of System Development Funds for Capital Improvement Projects at the end of this fiscal year.

Assuming full expenditure of the budget, the Department would create approximately $13.2 million in System Development Funds to fund CIP projects in FY 2007/08 in addition to what currently exists in the fund. The Department has approximately 584 full time equivalents. In the FY 2007/08 Budget, the Department received approximately 17 new positions, the majority of which are in the Treatment area. The Department has established an Operator Trainee Program. These staff will go through an on-the-job

training process for a period of time, which will provide the Department with a pool of candidates when these positions open. The Department was also approved for three new department planners/schedulers for the Treatment area.

4. 2007 **Financial Plan.** Mr. Nichols presented the report on the 2007 Financial Plan. The Department has contracted with Raftelis Financial Consultants to prepare the Department's 2007 Financial Plan. The Department delayed preparation of the financial plan because of the ROMP. The Plan dovetails in at the end of the ROMP. Mr. Nichols anticipated preliminary information regarding the financial plan would be presented at the August 2007 WMAC meeting. In September 2007, the Department will seek the WMAC's endorsement of the Financial Plan that would then be presented to the Board of Supervisors in October 2007.

B. New Items.

1. **Sahuarita Wastewater Treatment Facility (WWTF).** Mr. Bennett presented the report on the Sahuarita WWTF. This facility is operated by the Town of Sahuarita and has a permitted treatment capacity of approximately 490,000 gallons per day (GPD), and is nearing its capacity. The Board of Supervisors authorized a contract with the Town for the Department to take up to 20,000 GPD at the Green Valley WWTF through the end of December 2007, while the Town moves forward with constructing a 200,000 GPD addition and actually growing the Sahuarita WWTF to a 1.5 MGD facility over the next approximately 1.5 years.

VI. FUTURE AGENDA ITEMS. Use of Outside CIP Project Management Services; WMAC FY 2006/07 Annual Report to the Board of Supervisors; 2007 Financial Plan Update; FY 2007-08 Budget; Regional Optimization Master Plan and Odor Control Plan Update; Treatment Update – Outlying Facilities; Avra Valley WWTF Tour; and Wastewater Management Strategic Plan.

VII. CALL TO THE AUDIENCE. Ms. Laura Fairbanks informed Committee members that an article that appeared in the publication, *Inside Tucson Business, a* couple weeks ago incorrectly stated the Department was paying residents $2,000 to remove old toilets. The publication has agreed to print a retraction. There being no further response from the audience, Ms. Bowen adjourned the meeting.

VIII. ADJOURNMENT. The meeting adjourned at 9:27 A.M.