

REGIONAL WASTEWATER RECLAMATION ADVISORY COMMITTEE

Transamerica Building
Pima Association of Governments' 5th Floor Conference Room
177 North Church Avenue
Thursday, May 21, 2009

Committee Members Present:

Jeff Biggs	John Carlson	Barbee Hanson	Corey Smith
Sheila Bowen	Brad DeSpain	Rob Kulakofsky	Ann Marie Wolf

Committee Members Absent:

Jim Barry	Marcelino Flores	Bill Katzel	Mark Stratton
Adam Bliven	Mike Gritzuk	Armando Membrila	

Staff Present:

Ed Curley	Michael Kostrzewski	Manabendra Changkakoti	Melaney Seacat
Diana Hofsdal	Jeff Nichols	Laura Fairbanks	Lorraine Simon
Jackson Jenkins	John Warner	Mary Hamilton	

Guests:

Melodee Loyer, Engineering Manager, City of Tucson
John Holland, Lockwood, Andrews & Newnam
Linda Smith, City of Tucson
Claire Zucker, Watershed Planning Manager, Pima Association of Governments

I. CALL TO ORDER. Vice-Chair Sheila Bowen called the meeting of the Regional Wastewater Reclamation Advisory Committee (RWRAC) to order at 7:48 a.m. A quorum not being then present, the Chair said the approval of the minutes would be postponed and the meeting would begin with report updates.

II. APPROVAL OF MINUTES. The Committee approved the minutes of the April 16, 2009 RWRAC meeting at 8:02 a.m.

III. COMMITTEE/SUBCOMMITTEE REPORTS

A. Citizens' Water Advisory Committee (CWAC) Update. The CWAC update was not presented.

IV. DISCUSSION

A. Old Items/Updates

1. Water Infrastructure, Supply and Planning Study. Melaney Seacat, Coordinator for the Water Study, provided an update on the activities of the Water Study's Oversight Committee. Ms. Seacat distributed an updated meeting schedule to the Committee. The Study is halfway through Phase II. Six of the 13 reports scheduled to be presented to the Oversight Committee have been completed. Ms. Seacat reviewed the schedule of additional upcoming papers. The interdisciplinary teams preparing these papers represent a number of city and county departments, such as Flood Control, Planning and Zoning, Sustainability, in addition to the Water and Wastewater Departments. These papers go beyond what was done in Phase I and present recommendations to the oversight committee.

2. Regional Optimization Master Plan (ROMP) Update. Michael Kostrzewski, Capitol Improvement Projects Manager, provided an update and PowerPoint presentation on the current status of the ROMP.

- Plant Interconnect. On May 12, 2009 the Pima County Board of Supervisors approved the contract amount, including the \$55,000 increase required for the Davis Bacon Wage and Buy America provisions. With these provisions the project is now authorized to receive a \$10 million Water Infrastructure Finance Authority (WIFA) loan and a \$2 million WIFA loan with principle forgiveness (essentially a \$2 million grant). The Notice to Proceed was issued in mid-May after

the Board of Supervisors voted. The first shipment of pipe has been received. The pipe was acquired through a partial Notice to Proceed that was awarded prior to obtaining information that stimulus money would be received. Formal groundbreaking is scheduled for May 26, 2009. The total project budget is \$41 million.

- Ina Road Wastewater Reclamation Facility (Ina Road WRF) Upgrade/Expansion.
 - Interim biosolids. When the Santa Cruz Phase IV (plant interconnect) is completed, more wastewater will be treated at the Ina Road WRF. Another digester still needs to be built and other interim upgrades will need to be installed in order to process the additional biosolids generated by this additional wastewater.
 - 30% Design Upgrade. The 30% design upgrade is under review. The value engineering of the project is being done at the 30% level and the 30% design will not be fully accepted until all the value engineering is integrated to lower the price.
 - Power Generation Facility. This facility is moving forward with the review of Design-Build-Operate documentation.
- Water Campus Design-Build-Operate. The Design-Build-Operate Statement of Qualifications was received May 1, 2009. Selection of the three finalists will be done by September 2009. Proposed conceptual designs from these finalists are expected by Spring 2010. The contract should be awarded by late Fall 2009. The project is on schedule. The overall budget (excluding the lab, administration building and demolition) is \$275 million.

3. System Wide Odor Control Program Update. John Warner, Conveyance Deputy Director, presented the Odor Control Program Update.

- Chemical Dosing Unit (CDU). Working with City of Tucson staff, a site for the last CDU was located on City of Tucson property on West Nebraska Street. Sub-base was excavated for a slab on May 19, 2009. The slab will be poured next week. Security fencing will be in and the CDU will be in and operating by May 29, 2009.
- OdoWatch System. The Environmental Protection Agency's (EPA) site visit and validation of the OdoWatch System has been delayed until September or October 2009. The site visit may be done by an outside consultant who contracts with the EPA instead of EPA staff.
- Odor Detection and Report Website. A member of the community used the odor reporting website. This created a historical record that staff was able to use and respond to quickly.

Sheila Bowen stated that the word is out in the community on the odor detection report website. Recently she spoke to people at an open house in Green Valley who had questions about RWRD and were familiar with the website.

Barbee Hanson asked if a prompt to use the website had been placed on the telephone message.

Mr. Warner stated that was the intent, but there has been a change in the telephone system. He will follow up (the prompt for the website has now been installed).

Corey Smith asked about line items for odor control. He asked if the odor control system would continue to operate if carbon is not purchased. He stated that in the 2008/2009 budget \$600,000 was allocated for carbon. The requested allocation for 2009/2010 was \$217,000 and \$217,000 was cut. This shows a significant reduction equating to no carbon.

Mr. Warner said that it would not have a negative effect on the existing level of service. He feels confident that they can maintain the system.

Jackson Jenkins stated that during the 2008/2009 fiscal year all the treatment odor control systems were being charged with carbon. At the Ina Road WRF there are eight large carbon vessels over the head works that get changed every five to six years.

Mr. Smith asked about a \$100,000 line item for "Professional Consultant to Optimize System-wide Odor Control."

Mr. Warner said that it was for two consultants. One is Land Technical Services (LTS). They have provided service to the County for approximately a decade. LTS will be available to support issues with ROMP at Ina Road WRF and the Water Campus. Ina Road WRF design issues are being addressed with chemical engineers at CH2M Hill, the Ina WRF ROMP design firm.

Mr. Smith asked if all of the budget cuts were put into place, would there be an appreciable change in odor emissions.

Mr. Warner said that RWRD staff will only be able to maintain the odor control systems that exist. There will not be funding for an expansion of the system wide odor program.

At this point, Committee Member John Carlson arrived, and a quorum was achieved. The April 16, 2009 minutes were approved (YES – 6, NO – 0, ABSTAIN - 1) Abstain: DeSpain.

In April 2009 the EPA presented Committee Member Ann Marie Wolf with the EPA's Pacific Southwest Environmental Award for her work with reducing pollutants in the Tucson Area. Vice Chair Bowen and the Committee offered her their congratulations.

4. Financial Update. Jeff Nichols, Administration and Finance Deputy Director, presented the financial update.

- FY 2009/10 Budget. The Board of Supervisors left the public hearing on the budget open. Comments can still be made. Mr. Nichols feels that the Board of Supervisors will leave the hearing open as long as possible while they wait for the state legislature to act on the state budget. The County's timeframe for adopting a tentative the budget is late July. Adopting a tentative budget sets a ceiling for the budget.
- Requested Budget Reductions. Mr. Nichols then referred to the spreadsheet of requested budget reductions that was provided to the Committee today. He said that this is represented as one line item in the budget, referred to as "Reduction in Base" totaling \$5.4 million. These reductions represent RWRD's response to the additional budget reductions requested by Central Finance. Central Finance responded that some of our proposed cuts were not appropriate.

As a result:

- RWRD will be participating in the Summer Youth Program. There will be eight crews working, pulling weeds and landscaping.
- RWRD will be operating within the \$5.4 million reduction to the budget. However, some of the \$5.4 million savings will come from other areas, possibly the Multi-skill Program at Ina Road. Approximately \$1 million is expected to be saved by that Program.
- Natural gas will be purchased from a vendor other than Southwest Gas at a possible savings of \$500,000.

The Operations and Maintenance (O&M) budget for 2008/2009 was \$78.7 million. The O&M budget for 2009/2010 is only \$75.8 million, a reduction of almost \$3 million. That included areas that increased in expense, such as depreciation (plus \$3.2 million) and debt service (plus \$2.8 million). Mr. Nichols feels that RWRD did a good job this year showing the Board of Supervisors that RWRD is funded at a level that is adequate to operate and maintain the system: CCTV, conveyance/rehabilitation of sewer lines assessed Grades 4 and 5 and making interim improvements to the Roger Road facility for odor control.

We will continue to go forward in a positive direction with the funding that is given. There is some concern with the debt service coverage ratio, a calculation that is done at the end of the year. This ratio will be impacted by the decrease in the connection fee revenue. We had budgeted approximately \$32 million in connection fee revenue for FY 2008/2009. We are anticipating \$18.5 million. We have responded to this decrease with significant reductions in the Capitol Improvement Program (CIP) as well as the operating budget. However, next year the full impact of the rate increases will kick in and the debt service ratio coverage will be 2.3. The bond covenants only

require a 1.2 debt service coverage ratio. The Board of Supervisors has provided a positive direction for RWRD by passing the rate increases. However, we have not stopped looking for free money. The County as a whole has a concentrated effort in that regard. RWRD is looking for funding for other projects, such as dealing with methane. There may be a firm who would like to come in and produce green energy or help with biosolids. There may be federal stimulus money for those projects. We are hoping to add to the \$2 million in stimulus funds from the WIFA grant that have already been received.

- Sewer Bond White Paper Report. We were concerned when the County Administrator was considering not moving forward with the 2009 bond authorization. In the past, we had been told that they could not pledge the net revenues of the system for anything other than sewer revenue bonds. We did not see a way to bridge the gap between November 2009 and November 2010 without sewer revenue bond authorization.

We have since found out that we can pledge net revenues for the sale of Certificates of Participation (COP). The City of Phoenix has been doing this. The white paper had been based on certain assumptions, and the major assumption in that paper was not correct. We are looking at the issuance of COP's at approximately \$35 million in June 2009 and perhaps \$75 million in November. Looking at a cash flow analysis, we suggested December or January instead. We are working with Central Finance on this. The project spend rate within the CIP program drives this cash flow. The project managers are doing a good job at tightening up the estimates for their spending rates.

- 2009 Proposed Bond Election. The Bond Advisory Committee took the County Administrator's recommendation to not hold a bond authorization for sewer revenue bonds until November 2010. The positive side is that if bonds were authorized in November 2009 we would have had to pay \$2 million to hold the election. But since it is a general election in November 2010 the bond question can be added at no charge. We are still on track with the ROMP program.

Mr. Smith asked about the interest rate for the COP's and the anticipated interest rate on the bonds.

Mr. Nichols said that the last COP's sold were less than 4%. The last bonds were sold at an interest rate of 3.6%. It is a marginal difference. If we can pledge the net revenues of the system, bond purchasers are more interested than if we can't. Before when COP's were sold it was general fund debt, not our debt. For example, they could pledge the Bank of America Building. But, if they defaulted, who wants a bank building or a parking garage or some other piece of infrastructure that you may or may not know how to run. By being able to pledge the net revenues of the system, we feel that the difference in the rate may be a couple of hundred basis points.

Mr. Smith asked what the term was.

Mr. Nichols said that the auditor general requires a debt term of at least 12 months to be considered long-term debt service. Central Finance asked for at least 2 fiscal years so there can be no interpretation by the Auditor General's office that it is not long-term debt.

Mr. Smith asked if the plan was to retire those when we gets the bond measure passed.

Mr. Nichols said that he would have to ask Central Finance if that is the intent.

Mr. Carlson asked if RWRD was going to take a hit like the City of Tucson bond rate.

Mr. Nichols said that RWRD did take a hit when the last sewer revenue bonds were sold. RWRD recently sold last of sewer revenue bonds amounting to \$18 million and \$10 million from WIFA. One investment firm kept our bond rating the same; another downgraded us from one rating with "not stable outlook" to the next lowest rating with a "stable outlook." It didn't hurt us that much.

One investment firm has said that they may do an across the board reduction in municipal debt ratings due to the economy.

Mr. Carlson asked if RWRD was projecting less connection fees for a while.

Mr. Nichols said that next year RWRD is looking at a basically flat connection fees revenues - \$21 million has been budgeted. He also noted that RWRD is in discussion with Davis Monthan Air Force Base (DM) regarding connection fees due from prior construction. DM does not have to go through a permitting process like builders in the community. There has been a lot of building activity on the base. DM has agreed to hire a summer intern engineering student who will go back to a certain point in time and compare all the buildings that have been demolished and what credits they would get to how much additional capacity they have built on the base. RWRD is anticipating several million dollars from DM.

Mr. Carlson said that it sounds like Mr. Nichols is not worried about the budget.

Mr. Nichols stated that he is not as worried about next year's budget as some of the building activity has picked up. He hopes that the State of Arizona doesn't interfere with Rio Nuevo, which is planning to build a 700 bed hotel that will bring in significant connection fees. It may be a challenge to get new capacity installed at a facility and operational, but from a financial standpoint capacity is money in the bank.

Ms. Bowen said that she had understood that, if the bond election was deferred, there would be a potential impact to sewer rates. She asked if COP's resolve that issue.

Mr. Nichols said that the COP's do resolve that issue. In addition, in the financial plan the 5% assumed interest rate for sewer bonds was determined in the fall when interest rates were not very good. The interest rate that we are currently paying on the sewer revenue bonds is less than that so it fits within the financial plan.

B. New Business

1. Nominating Committee Appointed.

Vice Chair Bowen asked for volunteers for the nominating committee for next year's chair and vice chair positions. Discussion followed. Mr. Carlson nominated Rob Kulakofsky. Mr. Kulakofsky nominated Mr. Carlson. There being no opposition, it was approved that Mr. Carlson and Mr. Kulakofsky will be the nominating committee. It was then suggested Mr. Stratton be invited to assist them on the nominating committee. Mr. Carlson asked that Ms. Bowen put out the word if anyone is interested in being the Chair and Vice Chair for FY 2009/2010. Ms. Bowen asked Diana Hofsdal to send an e-mail to inquire if anyone on the Committee would be interested in holding the Chair and Vice Chair positions.

2. Proposal to schedule Call to Audience at beginning and end of Agenda.

Vice Chair Bowen said that there was a request made to schedule a Call the Audience at the beginning and end of the Agenda. Discussion followed.

Mr. Carlson felt there is very seldom a need for it and that it should be at the Chair's discretion.

Ms. Bowen said that the public might have an expectation of having the ability to speak before or after a meeting. That might dictate the time they arrive.

Mr. Kulakofsky agreed with Ms. Bowen. There are not a lot of requests from people to speak to the Committee. He thought it would be helpful to accommodate people.

A motion was made and passed to schedule a Call to the Audience at the beginning and end of the Agenda (YES - 4, NO - 3).

3. Summer Meeting Schedule.

Ms. Bowen stated that typically the Committee cancels the July meeting. The July items on the Work Plan would be shifted to the following months.

A motion was made and passed to cancel the July meeting (YES – 7, NO – 0).

V. FUTURE AGENDA ITEMS.

Ms. Bowen asked for future Agenda items.

Mr. Kulakofsky said that he read an article about biosolids in Mother Jones magazine titled "Sludge Happens." He asked that it be included in the media coverage package next month. He would like future discussion about problems such as toxicity, e-coli, what happens when it is sprayed on fields, does it get into the aquifer and increased nitrates in the aquifer. He would like to have some discussion on it so problems can be identified if they exist.

Brad DeSpain said that Dr. Pepper should be brought in as he tracks that information as part of his study at the Water Quality Center. There is a research conference twice a year through the Center.

Mr. Jenkins said RWRD has had a contract with Dr. Pepper for many years. He will check into having Dr. Pepper give a presentation.

Mr. Kulakofsky said that it doesn't have to be done right away.

Mr. Smith asked about the monies for the sale of and the reduction in disposal fees.

Mr. Jenkins said that RWRD spends \$1 million per year in biosolids disposal, which includes the transportation to farmlands. The strategy during ROMP has been to stay with a class B biosolid, which restricts where it can be disposed of, such as on registered land and approved properties. The property cannot grow food crops; it is limited to crops such as cotton or alfalfa. RWRD is currently in a value engineering exercise during the ROMP expansion and upgrade at Ina Road WRF which will be looking at biosolids disposal practices and issues. There is a thermal hydrolysis process for treating biosolids that makes class A biosolid. It has only been done in Europe. Currently there are no installations in the United States, but there may be one instituted in Washington, DC. The system is being considered as it may eliminate the need to build additional digesters. The cost may be equitable and would result in a class A product. Class A biosolids have a broader scope of uses; for example it can be used on playgrounds and parks. There is also a potential fertilizer market. However, a superior treated product has less nutrient value so it is not a high quality fertilizer. It may need to be supplemented with nitrates. He will provide an update on these issues and see if Dr. Pepper can make a presentation.

Mr. DeSpain said that the biosolids application permit process from Arizona Department of Environmental Quality has a lot of controls.

Ms. Bowen asked about the conference Ed Curley is participating in.

Ed Curley said that he and Melaney Seacat, along with Suzanne Shields from Pima County Flood Control and Melodee Loyer from the City of Tucson Water Department, will be going to an Electrical Power Research Institute retreat focusing on water, wastewater and stormwater. There a new paradigm being developed that is less of a bricks and mortar approach to constructing facilities and more of a holistic environmental approach. Many of the things that are done here, such as odor control and biosolids on farm fields, fit this paradigm. He feels that we have some things to contribute to the group. Technical papers have been prepared describing Pima County, the City of Tucson and the Stormwater Program. We were picked from a pool of national applicants to represent the west. Our group will be paired with a similar group from Northern Kentucky representing the east. Mr. Curley will give the Committee a presentation upon their return.

Mr. Carlson requested that pharmaceuticals in the sewage be a future topic. He stated that looking

into a program for turning pills in is something that should be explored and a report given to the Board of Supervisors.

Claire Zucker advised that Pima Association of Governments (PAG) has a University of Arizona planning student summer intern. Jeff Prevatt has already done a survey of various types of facilities and how they dispose of their pharmaceuticals. The intern will follow up on this survey. The County has already assessed "take back" programs. The intern will build on the County's work. The intern will be done with the project in July and an informational report will be generated.

Mr. DeSpain said that Gail Cordry from the United States Geological Survey (USGS) has done a study on this topic and suggested she make a presentation to the Committee. She had made a presentation to the Town of Marana Utilities Board, which included some information on the Santa Cruz River.

Ms. Zucker stated that Ms. Cordry has retired. The study was national, not local. The study was focused on the effects to the environment and not specifically on a take-back program.

Mr. Curley noted that Jeff Prevatt gave a presentation to the Committee on this topic in August 2008 and gave an update in December 2008. The intent is to give an update periodically. He suggested that the update be combined with the report of the PAG study in August or September.

Ms. Zucker said that there will be a statewide stakeholder meeting organized by RWRD.

Mr. Smith said that there were two discussions. The key issue was the legal ramifications associated with a take-back program. It would be interesting to have an update on that issue, but only if there have been changes, such as new legislation or a different position by law enforcement as to how to handle pharmaceuticals.

Ann Marie Wolf said that the DEA determined the existing program was illegal unless law enforcement was present to take possession. Even pharmacies could not take pharmaceuticals back. The DEA made a request in the Federal Register for comments on what type of programs were needed. Both Pima County Household Hazardous Waste Center and the City of Tucson submitted substantial comments two months ago. They are waiting for DEA response. If DEA contends that law enforcement must be present at any take-back program it limits the type of program. DEA will be requested to be present during the stakeholder process so that some of these issues may be addressed.

Mr. Curley said that there is a nationwide push to have the substances needing DEA controls for take-back programs redefined.

Ms. Bowen suggested future agenda items: Election of Officers; Regional Optimization Master Plan Update; System Wide Odor Control Program Update; Capitol Improvement Program Update; Water Infrastructure, Supply and Planning Study.

VI. CALL TO THE AUDIENCE. There being no comments from the audience, Vice Chair Bowen adjourned the meeting.

VII. Adjournment. The meeting was adjourned at 8:42 a.m.