

REGIONAL WASTEWATER RECLAMATION ADVISORY COMMITTEE

Transamerica Building
Pima Association of Governments' 5th Floor Conference Room
177 North Church Avenue
Thursday, June 18, 2009

Committee Members Present:

Jim Barry	Sheila Bowen	Bill Katzel	Ann Marie Wolf
Adam Bliven	Brad DeSpain	Rob Kulakofsky	
Jeff Biggs	Barbee Hanson	Corey Smith	

Committee Members Absent:

John Carlson	Mike Gritzuk	Mark Stratton
Marcelino Flores	Armando Membrilla	

Staff Present:

Ed Curley	Manabendra Changkakoti	Laura Fairbanks	Lorraine Simon
Diana Hofsdal	Sandra Current	Mary Hamilton	Lilian Von Rago
Jeff Nichols	Houssam El Jerdi	Melaney Seacat	Charles Wesselhoft

Guests:

Craig Cannizzaro, URS Corporation
Melodee Loyer, Engineering Manager, City of Tucson
John Holland, Lockwood, Andrews & Newnam
Linda Smith, City of Tucson

- I. **CALL TO ORDER.** Chairman Adam Bliven called the meeting of the Regional Wastewater Reclamation Advisory Committee (RWRAC) to order at 7:46 a.m.
- II. **CALL TO THE AUDIENCE.** There were no comments from the audience.
- III. **APPROVAL OF MINUTES.** The Committee unanimously approved the minutes of the May 21, 2009 RWRAC meeting.
- IV. **COMMITTEE/SUBCOMMITTEE REPORTS**
 - A. Citizen's Water Advisory Committee (CWAC) Update. James Barry, CWAC Chair, presented the CWAC update. Mr. Barry said that there were no meetings scheduled for the summer. The last meeting concentrated entirely on the new SCRIPTS report regarding the reduced water supply in the Colorado River basin. The Committee decided to devote time to develop an understanding of what that means as there is a lot of controversy on this subject. Tucson Water has had a difficult year financially. There has been more communication between CWAC and the Regional Wastewater Management Department (RWRD) Director's office this year, which has been beneficial.
- V. **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 copies of the Executive Report of the Phase 1 Study to the Committee. She also distributed copies of the Agenda topics for the next Study Oversight Committee meeting. The next paper to be presented is on Growth, Urban Form and Cost of Infrastructure authored by Stantec Consulting and Curtis Lueck. The paper examines where future growth should occur and the impacts of urban form on water and infrastructure planning on future growth.

Mr. Barry said that the paper assumed a population of two million people and recommended how to accommodate that population. It is not a prediction that there will be a population of two million people. Various planning departments believe it is one of the best planning exercises they have seen.

Rob Kulakofsky said that Phase 2 will be more productive in using the Committees' time than Phase 1. The staff has done a good job with the technical papers, including distributing them prior to the meeting so the papers can be discussed at the meeting.

2. Regional Optimization Master Plan (ROMP) Update. Jeff Nichols, Deputy Director, provided an updated on the current status of the ROMP.

- Plant Interconnect. The Notice to Proceed has been issued to the Construction Manager At-Risk, Sundt-Kiewit. Pipe is being delivered at the Ina Road Wastewater Reclamation Facility (WRF). Construction will start at both ends and meet in the middle. This project received a \$10 million loan from the Water Infrastructure and Finance Authority of Arizona (WIFA) with \$2 million in American Recovery and Reinvestment Act (ARRA) funds (stimulus funds). The first \$2 million of the \$10 million will be principal forgiveness. Pima County will be entering into the agreement in July. We will be reimbursed for project expenses to date.
- Ina Road WRF Upgrade/Expansion. The 30% design is complete. That project is on schedule.
- Water Campus Design-Build-Operate. Five proposals are currently being reviewed. The Financial sub-committee, which he chairs, will make a presentation to the full committee on June 24, 2009. There are other sub-committee's that will be making reports to the full committee prior to the interviews of the five firms. The sub-committees consist of Operations, chaired by Jackson Jenkins; Engineering and Construction, chaired by Eric Wieduwilt; Permitting, chaired by Jeff Prevatt; and Consultant's, chaired by Jerry Bish of Greeley and Hanson, the program manager on the ROMP.

3. System Wide Odor Control Program Update. The Odor Control Program update was not given.

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

- FY 2009/10 Budget. The Board of Supervisor's public hearing is still open and comments can still be made. The media has reported that the Arizona Governor has brought the issue to court to have the legislature send her the budget. He does not feel that the Board will act and set the ceiling on the County's budget until the State adopts a budget. The State is required to adopt a budget by July 1, and there is speculation as to what the repercussions would be if there was no budget on July 1. The County is not required to adopt a tentative budget until July 21.
- 2009 Proposed Bond Election. The Bond Advisory Committee took action at their last meeting to postpone the sewer revenue bond election until 2010. If a bond election occurred in 2009, the Department would have to pay \$2 million for that election. As 2010 is a general election, we get a free question on the ballot. We are going to bridge the time gap with Certificates of Participation (COPs).

Bill Katzel said that this morning's news speculated that if the legislature does not have a budget or the governor doesn't sign it that the legislature will have what is analogous to a continuing resolution so the counties are not shut down.

Mr. Nichols had heard that as well.

Mr. Bliven said that he understands that the County used COP's last year for some buildings that are used by County Departments.

Mr. Nichols said that the COP's were actually issued by the general fund. Tom Burke, County Finance Director, recently indicated that we can pledge the net revenues of the Enterprise fund as collateral for COP's. This means that we do not have to look for other assets to pledge and it gives us a better interest rate. The Financial Plan assumes a rate of interest on our indebtedness of approximately 5.25%. Everything we have done to date is under that threshold.

Mr. Bliven asked if the COP's have a term similar to a bond.

Mr. Nichols said that the State requires them to be treated like long-term debt, so it is not counted against expenditure limitation. Mr. Burke has determined at the very least he will make the COP's bridge two fiscal years so there is no doubt that it is long-term debt. Mr. Nichols is not sure if this is used as bridge funding and is only used for a period of two to three years (more like pay-as-you-go financing or cash financing) or if will be used like sewer bonds that extend 15 years. This could impact the potential sewer rate increase in January.

B. New Business

1. **Election of Officers.** Nominating Committee member Mr. Kulakofsky announced nominees Sheila Bowen as Chair and Corey Smith as Vice-Chair. A motion was made and passed unanimously to elect Sheila Bowen as Chair and Corey Smith as Vice-Chair.

Mr. Bliven acknowledged Ms. Bowen's contribution as Vice-Chair. She has willingly stepped in when he was unable to attend and chair the meetings.

2. **Presentation on the Electric Power Research Institute/Water Environment Research Foundation (EPRI/WERF) retreat.** Ed Curley, Manager of the Strategic Planning Section, gave a summary of the EPRI/WERF retreat. This workshop was part of a federal grant awarded by EPRI/WERF to look at holistic approaches to water, wastewater and stormwater planning, which were innovative, sustainable and organic. This was in contrast to the "normal" planning that is cement-oriented and linear thinking. Pima County was chosen to be the western representative along with a group from northern Kentucky/Cincinnati area representing eastern conditions. The objective was to use both communities as case studies. At the end, a report will be published that may be applicable across the nation. He and Melaney Seacat from RWRD, Melodee Loyer from the City of Tucson Water Department, and Suzanne Shields, the Pima County Flood Control/Stormwater Director, attended.

The group was asked to prepare briefing papers on where we were and where we would like to be in regards to technology, our thoughts on innovative future planning, community engagement and regulatory issues. A PowerPoint presentation was prepared to orient them to our history, climate and water issues.

There was an expert panel representing the sponsors, project managers, environmental groups and Environmental Protection Agency Office of Research and Development (ORD) long-term planning personnel. One concept the panel considered was the distributed system, a system that is not common in the west as we grow in a grid-oriented way. In the east, there are established 100-year old systems, the issues being should the new development be linked no matter the cost or should a distributed system be installed.

We were able to bring the Sonoran Desert Conservation Plan to them. Instead of arbitrary growth boundaries, resources were considered and a Plan was made to conserve natural resources, and to work our environment and infrastructure together within that framework.

We explained some of our regulatory issues, such as the conflicts between stormwater, water quality and the effluent water quality, and regulators associated with water harvesting regarding putting chlorinated effluent into stormwater. As a result of the conflict, several stormwater catchment plans were placed on hold until the issues can be resolved. The ORD suggest that this might be a positive follow-up project as there is a model of risk-management analysis that could be applied. They are willing to come here and work with us to look at this from a risk-management point of view: Put the regulation aside and look at what we both want to achieve, how to get there and the risks involved. This might get some stormwater and effluent harvesting projects back on track.

We also learned about an innovative education project from Kentucky to get community engagement.

Ms. Seacat added that there was strong link between the issues in the Water Study and the issues we were asked to present on for this workshop. We built off the technical papers in the Phase I report preparing the materials. Recommendations in the papers speak to the need for innovative regulatory changes. One outcome of the workshop is the possibility of ORD working with us and the advancement of some of the recommendations.

Melodee Loyer, Engineering Manager with the City of Tucson, said that there were several items in the technical papers regarding regulatory issues. It is hopeful that some change can occur in the regulatory community and make regulations more applicable to our arid ecosystem.

Mr. Curley said that the Committee will be provided with a copy of the report when it is available. A positive outcome of the retreat was that were able to contribute to something of national standing as well as make contact with people that are now thinking about our issues and being included in solutions.

Mr. Katzel asked about the Kentucky education model and if we had an informational program for elementary children regarding water conservation and waste disposal.

Jeff Biggs said that Tucson Water has had a conservation effort for 30 years. It stresses education at the elementary level.

Mr. Katzel mentioned the Beat the Peak program and public service announcements.

Mr. Biggs said that this is the first year they did virtual Beat the Peak program. It is now on the internet and MySpace. Due to the economy, they had to eliminate the public service announcements this fiscal year and possibly next fiscal year as well.

Laura Fairbanks, RWRD Community Relations Manager, said that RWRD does have educational activities for children, such as a drought coloring book that is distributed at the outreach activities. RWRD does not duplicate the efforts of Tucson Water in regards to water conservation. We do have Slow the Flow, which is about indoor conservation. We are currently in the process of creating a children's page on our website. We also have the grease campaign: Our focus is on the sewer issues as apposed to potable water issues. RWRD also has public service announcements every fall regarding not putting grease down the drain. RWRD is also in the process of developing a grease-program related coloring book. RWRD would do more if there were available funding. We do presentations at schools.

Mr. Katzel asked about pharmaceuticals. Green Valley has a take-back program.

Ms. Fairbanks said RWRD does not have a program at this point as the EPA has put out conflicting information.

Mr. Bliven said that there have been presentations to the Committee regarding pharmaceuticals. There are legal issues regarding collecting drugs. RWRD can put out a message not to put them in the sewer, but cannot tell residents what to do with them.

Mr. Katzel said that Green Valley apparently has gotten around the litigious nature and have collection boxes at the fire stations.

Chuck Wesselhoft said that the program is not legal.

Ms. Wolf said that the DEA has specifically told the Green Valley coordinating council that the program is not legal. It is not one that Pima County would want to emulate at this time. The Household Hazardous Waste Program does advise how to legally dispose of pharmaceuticals in the trash. It might not necessarily be the best way, but right now it is the only alternative.

Mr. DeSpain said that smaller water providers belong to the Water Conservation Alliance of Southern Arizona. They work diligently on education. The State has Bear Essential News that is sent out to elementary schools and there is a summer teacher program.

Mr. Barry agreed that the Kentucky program should be reviewed.

Mr. Biggs said Tucson Water invites teachers in for a week-long session, including working in the lab, collecting samples in the field and analyzing the sample. The teachers take the knowledge back to the students. Also, Tucson Water has started a water sampling program once a year at wells situated along the Santa Cruz River to get a baseline for pharmaceuticals, even though currently there is not an established contaminant level baseline.

Ms. Fairbanks said that when RWRD goes to a school to give a presentation, they are often a follow-up to a presentation given by Tucson Water. They do partner with Tucson Water at times, such as combining tours of Tucson Water facilities and RWRD facilities and wetland.

Mr. Katzel said that education is the key to efficiency. Cost control, proper use and collaborative efforts are part of the solution.

3. Questions from Committee Member Katzel. Jeff Nichols distributed written answers to the Committee and addressed the questions:

1. *Apply operational savings of the Waste Water Management Department to offset the rate and charge increases.* RWRD is an enterprise fund, so any savings go back to the fund balance to be re-appropriated the following fiscal year. This helps to reduce any projected rate increases. In fiscal year 09/10, full time equivalent positions have been reduced by 19 positions and the operations and management budget has been reduced by \$5.4 million. To save additional funding next year, a multi-skill pilot program is being implemented at the Ina Road WRF. That combines operations and maintenance skills, increasing the employee's knowledge, skills and abilities. The estimated savings is \$1 million annually. This is equal to 1% of a rate increase.

Mr. Katzel asked if would take \$43.5 million in savings to negate the rate increase.

Mr. Nichols said that was correct. In addition, RWRD is taking advantage of the natural gas deregulation, and are entering into an agreement with a wholesaler of natural gas. The estimated savings is up to \$500,000 per year. It may only be a one year savings.

Reducing the Capital Improvement Program (CIP) is more difficult due to the \$720 million ROMP. This year RWRD has done what they can in response to the decrease in connection fees. The CIP budget has been decreased in excess of \$30 million. Right now, it appears that the total connection fee revenues will be about \$17 million for the year. At the peak of the building activity was in excess of \$42 million per year. Connection fee revenues are for the expansion of the conveyance and treatment systems. As they are one-time revenues, ongoing programs should not be funded with them.

The debt service coverage ratio is also a concern, as it is calculated based on total revenues. In response, we have cut nearly \$10 million out of the current fiscal years' O&M budget.

2. *Apply for federal and state monies from the stimulus package to improve the wastewater facilities to meet nitrogen discharge standards.* RWRD has already applied for and received funding. Of the \$4 billion available nationally for clean water and wastewater projects, the Arizona received \$27 million. Arizona, per congressional directive, allotted 50%, or \$13.5 million, for principal forgiveness loans, the other 50% was allotted for low interest rate loans. The entities that receive the low interest rate loans may only be paying 1.5 to 2.5%. There was a lot of competition for the loan: the maximum amount available for any project was \$2 million. We submitted one project. You have to have bond authorization for which WIFA uses to sell their bonds to participate in the program. We used the last of the 2004 bond authorization to participate. We are still looking for alternative or stimulus funding for our green projects, specifically power generation at Ina Road WRF.

Mr. Katzel said that it makes sense to him that if EPA, through ADEQ, is mandating this upgrade they should provide some assistance to comply.

Mr. Nichols agreed, but there are many unfunded mandates on the federal and state level.

3. *Rescind the current sewer rate and charge increase until economic times improve, or if absolutely necessary prorate the increases over a much longer period of years.* The improvements are regulatory driven. We do not have a choice. In order to meet the mandate, in RWRD's financial planning we assumed that we would go to the voters for a sewer authorization bond in 2008, 2012 and 2016. That was to dampen the rate increases and try to increase the customer base over time to help pay back those costs. We will not be in compliance if the Ina Road improvements are not up and running by 2014 and Roger Road by 2015. The fines can be up to \$32,500 per day. We are replacing the majority of the metropolitan treatment system. When this is done, as far as RWRD is concerned, Pima County will be in very good position with brand new systems that will be operating for the next 20-30 years, producing high quality effluent for the residents of Pima County.

Mr. Kulakofsky said that currently Pima County has a 15 year repayment term for the bonds. This Committee suggested to the Board of Supervisors it be changed to a longer term to reduce the amount of money paid over a short period. These are long term projects. The equipment should last for 30 years.

Mr. Katzel asked what the downside of not going longer would be.

Mr. Kulakofsky said that if we have to pay off the loans in 15 years, the payments are higher. Paying over a long term lowers the payments but costs more, but it makes more sense.

Mr. Katzel asked what the downside of not extending the payments.

Mr. Nichols said that our ability to bond is limited. If you extend the term of the bonds, and another regulation came up 10 to 15 years from now, your ability to react and issue bonds at that time would be limited. The County Administrator has always been of the opinion that limiting it to 15 years gives you the ability to address the unknowns 5 to 10 years from now.

Mr. Katzel said we could strike the middle zone and suggest 20 years.

Mr. Bliven said that is what the Committee suggested.

Mr. Barry said that it is a cash flow calculation. If you go longer you pay more in interest. If you go shorter you pay less interest but you have to have the ability to get the cash up front. One advantage to going longer is that if things get better you can always refinance and change the terms.

Mr. Katzel said that there is constituent concern on a relatively high rate increase in a short period of time. There is not a lot of public tolerance for increased taxes and fees. We need to mitigate that perception. Education is part of that. He is getting educated by asking these questions. These questions were not answered by the Board of Supervisors or by Chuck Huckelberry. He is now getting the answers the public was entitled to long before the rate increases went into effect. We need to get these answers out to the people paying the rates.

DeSpain said that since the 1960's the wastewater department has never been allowed to do preventative maintenance with the rates. The rates have been a bargain.

Mr. Katzel said that a professor once said that it's not what the facts are; it is the idiosyncratic perception of the receiver that matters. When there is a 43.5% rate increase in a 9 month period, the perception is that it is too much. He appreciates that we are paying for past sins of not doing compliance and maintenance, but the message needs to get out to the public and what the catastrophic consequences are if we don't do something. He appreciates the effort: this is much more than he expected in terms of answers.

Mr. Nichols said that we always try to answer questions from the community in a forthright manner. We try, through Laura Fairbanks and her programs, to educate the public.

Mr. Kulakofsky said that one of our jobs as Committee members is to inform the community of the answers to the rate increases.

Mr. Katzel said that is limited impact, however, as there are 13 members and 1 million members of the community.

Ms. Bowen said that staff has made presentations at public venues and civic groups as to what RWRD is trying to do, and the rate increases were discussed. Maybe the reach wasn't as far as everyone would have hoped, but at least the participation has been attempted.

Mr. Smith said that it didn't help that two supervisors voted against it and offered no alternative. There was no alternative for RWRD to address funding requirements for paying the interim ROMP needs because of a failed bond period.

Mr. Katzel referred to the Purolator commercial that said "Pay me now or pay me later. Either change the oil in your engine or change the engine when it goes out." That was a very effective commercial in terms of preventative maintenance. Those kinds of innovative things educate the public. The analogy is true here when the system collapses or when you have to pay hundreds of millions of dollars in non-compliance fines. The public is not ignorant, just ill-informed.

Mr. Barry said that these issues being raised are going to be critical in getting voter approval for the 2010 bond authorization, the biggest in our history.

4. *Petition the State and Federal authorities to extend the nitrogen discharge compliance.* RWRD has done that. RWRD met with the Arizona Department of Environmental Quality (ADEQ), who enforces the Clean Water Act in Arizona. Mr. Gritzuk, Mr. Bernal and Mr. Huckelberry made a presentation to ADEQ. ADEQ said that five years is too long, maybe 12 to 18 months, but there is no guarantee. To do this, RWRD has to open up each permit for Roger and Ina Road WRF and if that happens, ADEQ might get more prescriptive than the requirements that we are currently facing. That was not a viable option, as there were no guarantee relief would be granted.

5. *Investigate ways of selling effluent to agriculture, golf course and other users to raise monies for wastewater facilities improvements.* The County owns very little of the effluent that is produced. In Arizona, the law states that whoever treats the water owns the water. In 1979 the City of Tucson and Pima County entered into an agreement whereby the City of Tucson owns 90% of the effluent. There was also a water rights settlement with the Indian Nations that gave them access to 28,200 acre feet per year. Pima County owns about 4,000 acre feet out of 60,000 acre feet per year. About 1,100 acre feet of that effluent is wheeled through the City of Tucson's reclaimed system and used to water parks and soccer fields within the County. The issue of what is the best use for the effluent within the County's control is being addressed in the Water Study that is currently being done, such as should it be used for direct recharge or in riparian areas. There is going to be a recommendation by the Water Study Committee.
6. *Use the sale of sewer revenue bonds to make the necessary improvements to wastewater facilities. The payments on these bonds would be over a longer period of time than the current approved increases.* 2008 sewer revenue bonds were not forthcoming. Bonds in 2009 were considered but, due to the economic conditions and the possibility there would not be voter approval, the bond authorization election has been pushed to 2010. The preference would be for a term greater than 15 years, but 15 years is better than pay-as-you-go financing. There was a point in time that calculations were done based on not having a 2009 bond authorization and having no other alternatives, such as COPs. Based on pay-as-you-go financing until bond authorization in 2010, the increase would have been an immediate 70% increase in March 2009.

Mr. Katzel asked what would happen if there was a lawsuit for unfunded mandates.

Mr. Wesselhoft said that, in terms of nitrogen compliance, he felt that we would be unsuccessful.

Mr. Nichols said that we entered into an agreement with ADEQ. ADEQ wanted us to come into compliance sooner. We asked ADEQ to allow us to present them with a plan that would give us enough time to come into compliance. The result is the ROMP, which gives us until 2014 and 2015. ADEQ felt that was adequate time to address the issues.

Mr. Bliven said that other communities have to meet the same discharge standards. Lake Havasu had to raise their rates much higher than our rate increase.

Mr. Katzel said that communities are going bankrupt and turning over jurisdiction to higher level authorities.

VI. FUTURE AGENDA ITEMS. 2009/10 Budget and Financial plan; ROMP update; System-wide Odor Control update; Water Study update; Conveyance and Operations update; and Report to the Board of Supervisors.

VII. CALL TO THE AUDIENCE. Craig Cannizzaro, URS, commented on the education discussion. The University of Arizona, through their Water Resources Department, has a program for teachers called the WET Program, which is linked to the Department of Water Resources. There is curriculum available to teachers at any time. They also have equipment that can be borrowed for presentations.

Also, regarding the rate increase, 43% in terms of dollars is equivalent to one less mocha latte from Starbucks a month. The public is not ignorant but can be selfish: they don't want to give that up. RWRD has done a good job trying to let people know, but people need to sacrifice one thing for the other.

Ms. Bowen said service fee increases was one of the concerns the Committee raised, and included it in the Sewer Outreach Subsidy Program that was approved by the Board of Supervisors. Lower income residents who meet the qualifications have that opportunity to get assistance with the rates.

Mr. Nichols said that when that Program was initiated, only the flow portion of the fee was eligible for the discount. That has been expanded to the administrative fee as well. The discount is from 25-75% depending on income level.

Houssam El Jerdi, RWRD, proposed a series of 10-15 minute presentations to the committee on the biosolids:

- One about the system and operation;
- One on the 20-year sustainability study done in partnership with the University of Arizona;

- One on environmental management system; and
- One emerging contaminants, such as endocrine disruptors, and what is being done on the national level and our efforts.

Mr. Bliven said that would be a timely presentation as upgrading the biosolid system is a component of ROMP.

Mr. Curley said that Mr. El Jerdi was responding to the article Mr. Kulakofsky asked to be distributed to the Committee, *Sludge Happens*. He was proposing to give the Committee some updates on what RWRD is doing with biosolids and how we are dealing with some of these issues.

Mr. Kulakofsky suggested the presentations begin in September since the August agenda will be a combination of July and August.

Mr. Bliven said that he appreciated serving as the Chair of this Committee. It has been an honor and educational process. He is impressed with the intelligent people serving on this Committee and the dedication, as well as the people on the Water Study Committee. He thanked everyone for letting him serve in the position.

VIII. Adjournment. The meeting was adjourned at 9:03 a.m.