

## REGIONAL WASTEWATER RECLAMATION ADVISORY COMMITTEE

Transamerica Building  
Pima Association of Governments' 5<sup>th</sup> Floor Conference Room  
177 North Church Avenue

**Thursday, October 15, 2009**

### Committee Members Present:

Jim Barry	Adam Bliven	Mike Gritzuk	Rob Kulakofsky
Sheila Bowen	John Carlson	Barbee Hanson	
Jeff Biggs	Marcelino Flores	Bill Katzel	

### Committee Members Absent:

Brad DeSpain	Corey Smith	Mark Stratton	Ann Marie Wolf
Armando Membrila			

### Staff Present:

Ed Curley	Kristin Borer	Jeff Prevatt	Harlan Agnew
Diana Hofsdal	Manabendra Chankakoti	Melaney Seacat	Charles Wesselhoft
Jeff Nichols	Sandra Current	Lorraine Simon	
Eric Wieduwilt	Gregg Hitt		

### Guests:

Marco Aguilar  
Jerry Bish, Greeley Hansen  
Frank Bonillas, Pima County Household Hazardous Waste Program  
Tom Burke, Pima County Finance Director  
Melodee Loyer, Engineering Manager, City of Tucson  
Claire Zucker, Pima Association of Governments

- I. **CALL TO ORDER.** Chair Sheila Bowen called the meeting of the Regional Wastewater Reclamation Advisory Committee (RWRAC) to order at 7:52 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 September 17, 2009 RWRAC meeting with one change recommended by Bill Katzel, Committee member. The name of guest attendee Ray Uthe is changed to read Dan Uthe.
- IV. **COMMITTEE/SUBCOMMITTEE REPORTS**
  - Citizens' Water Advisory Committee (CWAC) Update.** Jim Barry, CWAC Chair, advised that the CWAC is in the financial and budget process. On October 7, 2009 they were briefed on the Operations and Maintenance (O&M) budget and the Capital Improvement (CIP) budget. The finance subcommittee will have two meetings in October to go over the CIP, the O&M budget and the miscellaneous fees imposed by the City of Tucson that are updated every two years. CWAC will receive a presentation on the Financial Plan on November 4, 2009. The finance subcommittee will meet again in November. CWAC will vote on the Financial Plan on December 2, 2009.

The proposed budget will go from \$181.6 million in 2009 to \$201.5 million, an 11% increase. There is a large increase in the O&M budget, but much of that is due to increased commodity fees and the assumption that many vacancies would be filled. The CIP budget will remain the same.

## V. DISCUSSION

### A. Old Items/Updates.

1. **Water Infrastructure, Supply and Planning Study.** Melaney Seacat, Study Coordinator, reported that the Water Study committee is in the report writing process for the Phase 2 report. There will be a committee report and a staff report. There have been two workshops to blend the 14 technical papers that were created. The scope of work asked staff to come together in a coordinated method and develop joint recommendations and common goals. 126 recommendations were developed from those reports. These were consolidated into 50 recommendations in four categories: water supply, demand management, respect for environment and comprehensive integrated planning. The information will also look at the overarching issues, the "elephants in the room," and the shared goals. The draft report will be completed by October 30, 2009, followed by a public comment period through November 13, 2009. An open house is scheduled for November 9, 2009 from 6:00-

John Carlson said that a basin-wide approach has been mentioned repeatedly in the wastewater area but not in the water area. He would like to see a basin-wide approach considered in this Study.

Mr. Barry said he wanted to clarify the concept of two reports. The scope that was approved by the Mayor and Council and the Board of Supervisors talked about searching for agreement between the City and the County, not agreement among the committee members. The committee felt that it was important to get a staff report on the papers. The committee will comment on the staff report as well as all the reports that were submitted. He believes that there will be a transmittal memo from the County Administrator and the City Manager that will consolidate everything.

Mr. Barry feels that this has been an unprecedented process. This community has always had concerns about its water future, but this is the first time that he is aware of that the Mayor and Council and the Board of Supervisors have formally approved a scope of work, created a committee and directed staff to work on a coordinated effort. Massive amounts of data and reports have been compiled. This effort creates a benchmark for any future conversations about water and wastewater.

Marcelino Flores said that he agrees with the precedent being established. He asked if the effort should be continued, and if it would be helpful to include a representative from Planning and Zoning Departments (P&Zs) of each of the respective bodies. Perhaps the RWRAC and CWAC can continue following up and considering these issues.

Mr. Barry said that that this is a report that needs follow up. The committee will propose that the RWRAC, CWAC and the P&Zs take it upon themselves to issue a report in a year discussing what recommendations have been followed and if there was any progress.

Rob Kulakofsky said that two reports are helpful. Staff assembled a huge amount of information and did a great job. The committee does not want to re-create that work. Being a citizen committee, the committee can put their community and political take on the recommendations. The members of the committee do not agree on everything, but there will be consensus on some things.

Mr. Carlson said that sustainability can not support illegal immigrants. As with the Colorado River flow predictions being inaccurate, physical growth and population needs to be reexamined constantly.

**2. Regional Optimization Master Plan Update.** Mike Gritzuk, Director, provided an update on the current status of the ROMP.

- **Plant Interconnect.** Over two miles have been installed of the five mile line. The contract is six weeks ahead of schedule and under budget. This is a Construction Manager at Risk (CMR) procurement.

Guaranteed Maximum Prices (GMP) have been negotiated, resulting in coming in just under \$1 million under budget. The GMP was renegotiated by substituting lined steel pipe for the wash and stream crossings. That reduced the GMP by \$350,000. Once the wash crossings are done, the rest of the pipe installation can be accelerated, resulting in this project coming in ahead of schedule.

- **Ina Road Upgrade/Expansion.** This project is approaching the 60% design level. The estimated cost of the project is coming to a refined figure and to a point where a GMP can be developed for the overall project. During the course of design, small GMP packages have been negotiated:

- Gravity belt thickener. Bids have been accepted, installation has been negotiated and the contractor was required to bid out portions of that installation. The negotiated GMP was under budget.
- Digestion complex. Negotiations are currently underway. A substantial amount of the work will be bid by the Construction Manager at Risk contractor. The cost will be approximately \$20 million.
- Earthwork. 300,000 yards of material has to be excavated and moved [*Note: 280,000 yards to be excavated, 160,000 yards to be moved off-site*]. Bids have been taken and are being evaluated. Negotiations are underway for a GMP.
- Commodities. Concrete and steel are being bid. Steel is bid in 1,000 pound ingots. The delivered steel will be in a finished product.
- Piping. When the pipe needs are known, bids will be taken.

Once the 60% design level is achieved, the contractor will start developing a final GMP for the remainder of the project.

The Ina Road Power Plant project is being procured using the Design-Build-Operate (DBO) procurement method. There was a lot of interest in this project. Upgrading the existing power plant was evaluated, as well as constructing a new plant. Building a new plant with new technology was found to be more efficient and cost effective than rehabilitating the existing plant.

Mr. Carlson asked what the interest in the power plant was attributed to. Mr. Gritzuk said he attributed it to a hungry marketplace – contractors are looking for work. The audience consisted of power plant contractors, operators and owners. There were also local contractors present that would like to get some of the work.

Mr. Katzel asked what would happen to the existing power plant. Mr. Gritzuk said that it would be de-commissioned or used as a standby. If de-commissioned, the equipment will be sold as there is some salvage value. The building will be converted for another use, possibly a warehouse.

Mr. Flores asked how the savings realized from bidding out commodities will be used. Mr. Gritzuk said that the money will go into the owner's contingency for the project. The money will stay there in the event that there are cost overruns. Budgets are advertised as not to exceed budget. Proposers are informed that if they feel the budget is inadequate, they are instructed not to submit.

Mr. Barry asked if the Ina Road site is where the archeological site is located and if there will be reports generated. Mr. Gritzuk said that it is located there. The cost was \$6.5 million. There will be reports written in accordance with State Historical Preservation Office requirements. The reports are available in the Cultural Resources Department. Mr. Barry asked if the reports will be put online. Mr. Gritzuk said that he would follow up on that. He offered to have the Cultural Resources Department give the Committee a presentation.

Rob Kulakofsky said that a problem with making Cultural Resources information easily assessable is that looters look for that information. This is one reason that information like that is not made public.

Mr. Barry said that the site would eventually be covered, so that looters could not access the site.

Mr. Gritzuk said that during the Plant Interconnect project, some skeletons were removed and transported to an appropriate location. As excavation continues, an archeologist is on site, observing all excavation in the event that something else is found. There will also be an archeologist at the Ina Road excavation as well.

Also, due the scheduling of the Ina Road expansion, the laboratories will have to be moved to the new Campus site. The procurement method is now being determined. There will be several contracts – a combination of Design-Bid-Build and Design-Build. Those facilities have to be moved as the current laboratory location will be converted to the Operations/SCADA Center.

- **Water Campus Design-Build-Operate.** Mr. Gritzuk will provide the Committee with a copy of Mr. Huckelberry's memorandum of October 9, 2009, which will go to the Board of Supervisors at their next meeting. Mr. Gritzuk then gave a detailed PowerPoint presentation of the major points in the memorandum.

Questions asked during the presentation were:

Mr. Barry asked if the firms brought in to assist in evaluating the bids were allowed to bid on the project. Mr. Gritzuk said no, they were not.

Barbee Hanson asked if there was feedback from the Board of Supervisors. Mr. Gritzuk said that there were some concerns expressed by Board members. Meetings are being scheduled with all Board members to get a better understanding of their concerns.

Mr. Carlson asked how much background Mr. Gritzuk has with the DBO process. Mr. Gritzuk said that he feels that he has extensive background due to his prior employment. DBO in the water sector is not uncommon. There have been major projects in Seattle and he was involved in a very successful project in Phoenix. Mr. Carlson asked about the length of the DBOs in Seattle and Phoenix and if there is a terminal life to the DBO. Mr. Gritzuk said that the Phoenix DBO is in the third year of a 15-year contract. Seattle DBOs are older; he believes that the contract term is 15 years.

Mr. Barry asked if the Board of Supervisors will be hearing about the DBO. Mr. Gritzuk said that the Board has been advised when the qualification statements were received and that a short list was developed for the Board's approval.

Mr. Carlson asked if the contractor is responsible if a third party introduces something illegally into the system. Mr. Gritzuk said that there are some uncontrollable circumstances, such as acts of god, earthquakes, that they would get relief from.

Ms. Bowen asked if the risk adjustment costs are just construction costs. Mr. Gritzuk said yes.

Mr. Flores asked if there are stage reviews of the design process at 30%, 60% and 90% and what flexibility is there in changing scope and timelines and what happens if the cost estimates increase. Mr. Gritzuk said that is the next stage that the Board is being asked to approve – the technical proposal stage. Increasing costs is a possibility, but he felt that the budget advertised was appropriate.

Mr. Flores asked if the prospective bids came in with anticipated change orders. Mr. Gritzuk said that any cost incurred due to any change order during the course of construction is assumed by the contractor.

Mr. Carlson said that by advising the contractor step by step, they should have a grasp of the project and have a chance to withdraw. Mr. Barry asked what would happen if all bidders determined the \$240 million budget wasn't enough and all backed out. Mr. Gritzuk said that they would resort to another procurement method.

Ms. Hanson asked how the bonding process works. Mr. Gritzuk said that they are bonded and there is also a guarantor in a DBO. Normally the operating company is valued in the high millions or even billions of dollars. He said that the Committee could be given a presentation on the ingredients of the actual contract.

Mr. Carlson asked how the DBO company terminated employees. Mr. Gritzuk said that the DBO company has the same employment requirements as Pima County.

Mr. Flores asked if the DBO company require employees to possess specific certifications or can the DBO company claim that current RWRD employees are not properly trained. Mr. Gritzuk said RWRD employees have the training and required state operator certification. As a result, the DBO company will want our people first as they will already have the necessary skills and certifications.

Mr. Carlson asked what the penalty was if the County terminates the contract for convenience. Mr. Gritzuk said that the penalty is a payment from the owner to the contractor, paid on a gradual scale reducing to zero at the end of the contract term.

Mr. Flores said that it appears that the actual operating company may not be the lead designer or constructor. Mr. Gritzuk agreed.

Mr. Barry asked if the partners in the process have contractual arrangements with each other or just with the County and if so, are the arrangements incorporated into the contract with Pima County. Mr. Gritzuk said yes, they do have internal contractual agreements.

Mr. Carlson asked what happens to the contractor's invested time and money if the County decided to revise or re-think this process. Mr. Gritzuk said that the Board of Supervisors has that option to withdraw at any time.

Mr. Kulakofsky asked if the facility is only built to last ten years how the County is protected – at the end of the term the County will be stuck with a facility that needs to be rebuilt. Mr. Gritzuk said that the service contract requires certain equipment replacement during the term, as well as a maintenance program. At the end of the term, the facility has to be turned over to the County as if new. If a DBO company knows that they will only be operating the facility for a five-year term, they may take shortcuts. Therefore, the service contract allows the owner an option to renew. If Pima County exercises that option, they are obligated to renew.

Mr. Carlson asked about changing regulation requirements. Mr. Gritzuk said that would fall into the uncontrollable circumstance clause. For example, during a ten-year term the regulatory agency implements phosphorus reduction. That has already been included in the design, even though there is no operating requirement for it. At that time, Pima County will negotiate the additional operating cost for that process. Another example would be the reduction of pharmaceutical waste. That would require a process addition, possibly membranes or ultraviolet disinfection. That also will be negotiated with the DBO contractor, or Pima County can terminate the contract and proceed with a new procurement.

Mr. Flores asked if there would be some monitoring requirements and who does the monitoring. Mr. Gritzuk said the DBO contractor has to comply with all discharge requirements. As our new laboratory will be located adjacent to the facility, Pima County has determined that we will be doing all the regulatory compliance monitoring requirements and reports. This gives us more direct control.

Ms. Bowen asked if that complicates the responsibility of the DBO for regulatory compliance. Mr. Gritzuk said he doubts that the DBO would object to it, but the DBO can be there to watch our staff collect samples or split samples. Their share of split samples would be tested by a third party at the DBOs cost.

Mr. Barry asked what would happen if the Board decided to not fund a maintenance budget for something that feeds into the system, and the system fails. Mr. Gritzuk said that would be negotiated in the service contract.

Mr. Flores asked what happens if the Board elects to not raise user charges and subsequently there is not enough to pay the DBO company. Mr. Gritzuk said that the termination provision goes both ways. If Pima County does not pay according to the payment schedule in the contract, the DBO company can exercise the termination clause. However, RWRD is regulatory driven. We will not get to the point that we do not have the rates to support the regulatory requirements that we have to fulfill. Mr. Flores asked if the rates will be set for the next 15 years. Mr. Gritzuk said that the operations and maintenance (O&M) are locked into the contract, subject to an inflationary factor, that will be negotiated.

Jeff Nichols, Pima County Finance and Risk Management Division Manager, said that per Ordinance 1991-138, which regulates revenue collected and expenditures, O&M is the first use of all of our revenue, then debt service is paid, in that order.

Mr. Katzel asked what the effect a DBO would have on user charges. Mr. Gritzuk said that charges are included in the user fees. However, there will be additional need for increasing user charges in the future for overall department operations.

Mr. Bliven asked if there would be something in the contract if there was an exceedence due to unforeseen circumstances, such as sewage strength, if the DBO company would have any recourse. Mr. Gritzuk said that is ranges of sewage strength are covered in the contract.

Mr. Barry said that if a motion to support Mr. Huckelberry's recommendations were on the table, he would vote in favor. He feels that it is well thought out and should proceed.

Mr. Flores asked about replacement of the conveyance system as it can affect flows. Mr. Gritzuk said that the conveyance system is not a part of ROMP. However, there will be a diversion structure in the plant interconnect which determines the flow to the water campus. That diversion structure is operated by us. We guarantee the DBO company a flow within a range.

**3. System-Wide Odor Control Program Update.** Eric Wieduwilt, Deputy Director, gave the Odor Control Program update. The OdoWatch system is working at Roger Road. Areas continue to be identified for odor improvement. The Ina Road design is also incorporating more odor analysis. The conveyance system continues to operate as designed.

Pursuant to Corey Smith's request at the last meeting, Mr. Wieduwilt distributed a Gant Chart as well as a detailed report for the Ina Road facility.

Mr. Katzel asked about the odor he noticed last week in the vicinity of the Roger Road facility. Mr. Gritzuk said that it was a result of cleaning digesters and as a result, the flow of sludge gives off an odor.

**4. Financial Update.** Jeff Nichols, Pima County Finance and Risk Management Division Manager, gave the financial update. Internally within Finance, assumptions have been added for next year's financial plan. They were presented to Mr. Gritzuk and will be presented to Mr. Bernal. Once they are sure they are the assumptions that will be used, they will be presented to the Committee.

The County has updated the financial planning system so the budgeting process for FY 2010/11 can begin this month. They will be returning to the Board of Supervisors in December to discuss the state of the economy as it relates to connection fee revenues as well as the status of the sewer outreach subsidy program. The connection fee revenues are 10% below budget, but only three months of data have been collected.

In addition, last week the County closed on a WIFA loan for \$10 million, \$2 million of which is forgivable principal. The interest rate is 2.64%. The total payback over 15 years is \$9.6 million.

**B. New Items/Updates**

**1. Funding for Green Valley Household Hazardous Waste Collection.** Frank Bonillas, Household Hazardous Waste (HHW), gave an overview and description of the HHW program and distributed HHW informational materials.

Mr. Carlson asked about pharmaceutical disposal. Mr. Gritzuk said this issue is still being explored by a stakeholder committee. The main issue is the legal disposal of pharmaceuticals, which involves law enforcement.

Mr. Katzel said that he has provided testimony with 22 attachments, which he would like incorporated into the record. Due to a communication issue, this Program was to be abated in the outlying areas. The Green Valley collection scheduled for this weekend has been reinstated. Mr. Katzel's recommendation is that the County and City of Tucson, with participation by this Committee, work through the Pima Association of Governments (PAG) to ensure that the participating agencies that are not contributing to the program add their fair share in an equitable way to ensure the continuance of the Program.

Mr. Carlson asked who the other entities were. Mr. Katzel said Oro Valley, Marana, South Tucson, Sahuarita and the two tribes. Six of the eight PAG members are users of the program without providing any additional fiscal support.

Mrs. Bowen clarified an action item at the last meeting in which this Committee wanted to express their support of the program but not specifically dictate to the Board of Supervisors how that funding was obtained.

Mr. Katzel said that one of Mr. Huckelberry's recommendations at the October 6, 2009 hearing was for the City of Tucson to explore modifying the current Intergovernmental Agreement (IGA). Since 2005, the City of Tucson runs the program under this IGA. The cost is split, 50% comes from the RWRD. The City incurs all the cost and then bills RWRD for half of those costs. Mr. Katzel recommended PAG, perhaps with this Committee as facilitator, negotiate equitable distribution of cost with the other entities.

**VI. FUTURE AGENDA ITEMS.** FY 2009/10 Financial Plan; Regional Optimization Master Plan Update; System Wide Odor Control Program Update; Water Infrastructure, Supply and Planning Study Oversight Committee; Treatment Operational Update.

**VII. CALL TO THE AUDIENCE.** There were no comments from the audience.

**VIII. ADJOURNMENT.** The meeting was adjourned at 10:01 a.m.