



**REGIONAL WASTEWATER RECLAMATION ADVISORY COMMITTEE
FINANCIAL SUB-COMMITTEE**

Public Works Building
201 N. Stone Avenue, Basement – Conference Room D

MEETING MINUTES

Wednesday, March 6, 2013

COMMITTEE MEMBERS PRESENT:

John Lynch	Mark Stratton	Amber Smith
Ann Marie Wolf	Mark Taylor	

A. CALL TO ORDER. John Lynch called the meeting of the Regional Wastewater Reclamation Advisory Committee (RWRAC) Financial Sub-Committee to order at 1:33 p.m. Veronica Lopez took the roll call and a quorum was present.

B. PLEDGE OF ALLEGIANCE.

C. SAFETY SHARE. Mr. Lynch distributed two fliers from the National Safety Council regarding Distracted Driving Awareness Month and spoke to some of the dangers caused by using cellular phones while driving.

D. APPROVAL OF MINUTES

1. Meeting Minutes of January 8, 2013

ACTION: Mark Stratton made a motion to approve the minutes of the January 8, 2013 meeting. Amber Smith seconded the motion. Motion passed unanimously.

E. DISCUSSION/ACTION.

1. **FOLLOW-UP TO JANUARY SUB-COMMITTEE REVENUE DISCUSSION/SHEILA BOWEN QUESTIONS.** Mr. Lynch stated he asked that this item be placed on this agenda to allow the Committee and staff the opportunity to discuss items or ask questions from January's meeting. Mr. Lynch added that he received a series of comments from RWRAC member, Sheila Bowen, and thought this would be a good opportunity to review Ms. Bowen's comments.

Amber Smith commented that she felt the regular monthly RWRAC meetings should focus less on listening to presentations and focus more on such things like discussing and reviewing financial information of the department. Mr. Lynch agreed and stated that the RWRAC's main purpose, as outlined in Ordinance 2008-115, is to focus on the finances of RWRD. The challenge the RWRAC faced as a whole was to spend the time necessary at the regular monthly meetings to review and discuss all of the financial aspects. Thus, the formation of this Sub-Committee is an attempt to get the focus back on the financials. Mr. Lynch asked Mark Taylor to provide some insight as to what the Citizens' Water Advisory Committee's (CWAC) process is and how it is similar or differs from the process this Sub-Committee is trying to establish. Mr. Taylor explained how CWAC's process works as far as making recommendations to staff and the City Council and stated it took him some time to understand the Tucson Water budget process.

Mr. Lynch then addressed the comments/questions submitted by Sheila Bowen. Tom Burke, Director, Finance and Risk Management Department (FRMD), addressed the first two paragraphs of Ms.

Bowen's questions. One question was should user fees be paying for things connection fees should be paying for. Another question was around the anticipated Regional Optimization Master Plan (ROMP) debt service. Mr. Burke explained that the debt service for ROMP had been expected to be around \$128 million per year, but now it is projected to be around \$98 million per year due to lower capital spending. In fact, based on information received over the last couple months, the annual costs for debt service now looks like it will be down to approximately \$86 to \$87 million.

Mr. Burke addressed the additional four bullet points Ms. Bowen submitted. The first bullet point referenced a report that was conducted eight years ago on a split between the debt service to be recovered from user fees (operations) and connection fees (growth). Back in 2005, it was an estimated split of approximately 2/3 connection fees and 1/3 user fees. Mr. Burke continued to discuss the current 70 user and 30 connection fee split Ms. Bowen referenced in her comments.

Mr. Burke then spoke to the comments/questions in the second bullet, which discussed debt service terms. The County is limits itself to a 15-year term on all of its debt for two reasons: 1) there is a tremendous savings in total debt service payments because you are not paying on the extra 5-10 years of interest on the debt, and 2) County Administration believes that within 15 years there could be another major capital expense the County would have to face and having this debt eliminated enables the County to have that debt without the need to increase rates. Spreading out the debt lowers the cash needs temporarily, but extends the total cash outlay for another 10-15 years. Discussion ensued regarding paying debt service.

Mr. Burke then explained what Certificates of Participation (COPS) are and how they work. Mr. Lynch asked if the COPS are off ledger from the department. Mr. Burke stated yes they are included on the County debt. Mr. Lynch asked how that debt is captured by the department. Mr. Burke replied that each year as the debt service of County COPS are paid, the departments for which the proceeds were used pay their proportionate share to the County through an operating transfer, which does not show as an expense. Mr. Lynch asked how these transfers are captured on paper. Mr. Burke explained the process and where these transfers are documented.

Mr. Taylor asked how an enterprise fund works. Mr. Burke stated an enterprise fund must be self-sustaining and generate the revenue it needs to function. Discussion ensued regarding the process of funds transferred from the department to the County for capital projects.

Mr. Burke addressed various questions from the Sub-Committee regarding COPS. After the discussion, Mr. Lynch stated he would be responding to Ms. Bowen's comments/questions and would send to Mr. Burke and Mr. McGee for their review.

2. REVIEW OF RWRD EXPENSES.

a. O & M EXPENSES/CATEGORIES. Patrick McGee, Division Manager, FRMD, discussed the handouts displaying the RWRD 10-year operating expense comparison. The FY 2012-13 is based on projections and the FY 2013-14 is based on the requested budget. Mr. McGee pointed out that the pie charts include the debt service. Discussion ensued regarding how costs are allocated out to various departments. Mr. McGee also discussed comparison of operational expenses to the debt service. The operational expenses have been remaining steady, but the debt service has been increasing. Mr. Stratton asked if the debt service ratio percentage will be changing based upon current projections. Mr. McGee stated it depends on what occurs with population growth and new users.

b. O & M EXPENSES THROUGH PERIOD 6. Michelle Hamilton, Financial Accounting Supervisor, FRMD, explained FY 2012-13 Period 6 Expense and Revenue comparison charts. The Sub-Committee asked various questions regarding this data. Mr. McGee provided an explanation on what Contra accounts are. Discussion ensued. Mr. Burke stated a report on operating transfers will

be provided to the Sub-Committee.

- 3. MID-YEAR REVIEW OF RWRD EXPENSES/REVENUE.** The Sub-Committee did not discuss.
- 4. OTHER ISSUES.** General discussion of status of Sub-Committee activities and approach to remaining issues.

E. FUTURE AGENDA ITEMS. Mr. Lynch suggested that the Sub-Committee discuss revenue projections, debt financing and capital projects at next month's meeting. Mr. Taylor stated he would like to further discuss and have a better understanding of the debt service coverage calculation spreadsheet. Mr. Lynch stated that he would encourage the Sub-Committee members to provide him with any questions they may have, as early as possible, so to allow Mr. Burke and Mr. McGee time to prepare a response.

Mr. Burke stated there will be a draft financial plan available for the Sub-Committee's review at next month's meeting; however, he will attempt to provide the financial plan for the monthly RWRAC meeting.

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

ACTION: Amber Smith made a motion to adjourn the meeting. Ann Marie Wolf seconded the motion. Motion passed unanimously.

G. ADJOURNMENT. The meeting was adjourned at 3:24 p.m.