



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

Administration East Building
130 W. Congress, 6th Floor Conference Room

MEETING MINUTES

Wednesday, April 3, 2013

COMMITTEE MEMBERS PRESENT:

Ann Marie Wolf
Amber Smith
Mark Taylor

COMMITTEE MEMBERS ABSENT:

John Lynch
Mark Stratton

A. CALL TO ORDER. Mark Taylor called the meeting of the Regional Wastewater Reclamation Advisory Committee (RWRAC) Financial Sub-Committee to order at 1:36 p.m. Veronica Lopez took the roll call and a quorum was present.

B. PLEDGE OF ALLEGIANCE.

C. SAFETY SHARE. Mr. Taylor reminded everyone to always drink plenty of water and stay hydrated when exercising or active in hot weather.

D. APPROVAL OF MINUTES

1. Meeting Minutes of March 6, 2013

ACTION: Ann Marie Wolf made a motion to approve the minutes of the March 6, 2013 meeting. Amber Smith seconded the motion. Motion passed unanimously.

E. DISCUSSION/ACTION.

1. **FY 2013/14 FINANCIAL PLAN.** Tom Burke, Director, Finance and Risk Management Department (FRMD), noted a brief presentation on the Financial Plan was given at the RWRAC meeting last month. Mr. Burke proposed that at today's meeting he and the Sub-Committee could go into more detail and he can answer any specific questions that the Sub-Committee may have.

Mr. Burke distributed a spreadsheet labeled Draft Appendix C: Five-Year Financial Projections with Approved Rate Increases for July 1, 2013. Mr. Burke discussed the data in the spreadsheet; including what the impact of various debt service coverage ratios would be and if there is a need for a future rate increase after FY 2013/14. Jackson Jenkins, Director, Regional Wastewater Reclamation Department (RWRD), asked what the growth rates were for the past 10 years. Mr. Burke stated he would have to research that information, but knows for the last couple years the numbers have remained flat. Mr. Burke displayed a chart showing that growth was in approximately the 3% - 5% range before the recession. Mr. Burke continued to discuss the Pima Association of Governments' (PAG) growth estimates. For the fiscal year ending June 30, 2012, there was less than half a percent growth and to date there is less than half a percent growth, as well.

Mr. Taylor asked if there will be a major change in operating and maintenance (O&M) costs for the new facilities once the Regional Optimization Master Plan (ROMP) is completed. Mr. Jenkins stated, at this time, the department only has projections and assumptions of what costs will be. The new facilities will use more electricity, but it will be charged at a better rate. Amber Smith asked why repairs and maintenance costs are shown as increasing. Mr. Jenkins replied that historical averages are used to project what costs will be. Ann Marie Wolf asked Mr. Burke if the concern is that O&M costs are increasing by inflation and if the debt service coverage percentage drops below 1.2% in 2014. Mr. Burke stated yes and provided an explanation. Mr. Burke stated that once the 1.2% debt service coverage is reached, we will probably lose a favorable bond rating and consequently interest payments and debt service payments will also increase. Discussion ensued regarding debt service payments.

Mr. Burke then discussed sewer system revenue obligations and explained the cash balances remaining after reserves are funded. Mr. Taylor asked why the cash balance drops in FY 2017/18. Mr. Burke stated that a large amount of debt will be paid off by that time using the cash balances. Discussion ensued. Mr. Taylor asked what the criteria is for rate increases and what the indicators are. Mr. Burke replied it is the debt service coverage and explained what the rating agencies look for. Mr. Burke stated that FRMD has always strived to keep a 1.5 – 2% range to maintain good AA ratings and interest rates. The Sub-Committee and staff discussed bond ratings and whether rate increases will be necessary in the coming years.

Mr. Burke explained what he plans to recommend to the Board of Supervisors in regards to rate increases. The recommendation would be to keep the already approved and adopted rate increase for next fiscal year, to have no rate increase in FY 2014/15, and to conduct an evaluation during 2015 to determine if minor rate increases are needed. Discussion ensued regarding what would be the best approach to inform and keep the RWRAC updated on possible rate increases that may be needed in the future. Ed Curley, Program Manager, RWRD, suggested sharing the Draft Appendix C spreadsheet in advance of the April 18th RWRAC meeting with the entire RWRAC membership. Mr. Jenkins commented that he strongly recommends that there be one year without a rate increase.

2. **RWRD BUDGET.** Patrick McGee, Division Manager, FRMD, provided a Period 8 forecast and stated that most of the data remains the same.
3. **OTHER ISSUES.** Mr. McGee distributed a handout which provides some explanation on Contra accounts. The Sub-Committee decided to hold the next meeting at the regular scheduled date and time.

F. FUTURE AGENDA ITEMS. CIP Program.

G. 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.

H. ADJOURNMENT. The meeting was adjourned at 3:07 p.m.