



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

Administration East Building
130 W. Congress, 7th Floor Conference Room

MEETING MINUTES

Wednesday, May 1, 2013

COMMITTEE MEMBERS PRESENT:

John Lynch
Amber Smith
Ann Marie Wolf

COMMITTEE MEMBERS ABSENT:

Mark Stratton
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 1:38 p.m. Veronica Lopez took the roll call and a quorum was present.

B. PLEDGE OF ALLEGIANCE.

C. SAFETY SHARE. Matt Matthewson, Special Assistant to the Director, Regional Wastewater Reclamation Department (RWRD), reminded everyone to be cautious and alert this time of the year when snakes, Gila monsters and other desert creatures come out.

D. APPROVAL OF MINUTES

1. Meeting Minutes of April 3, 2013

ACTION: Ann Marie Wolf made a motion to approve the minutes of the April 3, 2013 meeting. Amber Smith seconded the motion. Motion passed unanimously.

E. DISCUSSION/ACTION.

1. RECAP OF FINANCIAL DISCUSSION (APRIL 18th MEETING) AND RECOMMENDED LANGUAGE.

The Sub-Committee members provided an overview of what was discussed at the April 18th RWRAC meeting, as well as the April 3rd Financial Sub-Committee meeting, with regards to the Financial Plan and the possibility of a rate increase in the future. Mr. Lynch stated at the April 18th meeting, the Committee agreed that they were not going to commit to any scenarios as far as a rate increase, but did go on record to indicate that if the factors fell below 130%, it would cause a level of concern by the Committee and they would look at the options of rate increase to maintain that ratio for bonding purposes. Ed Curley, Program Manager, RWRD, suggested that they Sub-Committee read through the RWRD 2013 Financial Plan and discuss it at the May 7th meeting since all members are scheduled to be present.

Mr. Lynch requested that an e-mail be sent to all the Sub-Committee members asking them to please read and review the Financial Plan prior to next Tuesday's meeting. Mr. Matthewson suggested that a 10-year revenue/expense projection be provided at next week's meeting.

Ann Marie Wolf recalled that at the last month's Financial Sub-Committee meeting, Jackson Jenkins, Director, RWRD, expressed that he wants at least one year without rate increases. Mr. Lynch noted that Mr. Jenkins did agree with Tom Burke, Director, Finance and Risk Management Department (FRMD), that there would not be a rate increase for FY 2014/15. Mr. Curley gave a brief overview of the motion made by the full RWRAC at the April 18th meeting. Discussion ensued regarding the 130% ratio and the decisions the Committee and the Department would have to consider if the ratio dropped below 130%.

Mr. Curley confirmed with Mr. Burke that there will be a Sub-Committee meeting next week on May 7th. The Sub-Committee members and staff discussed what the Sub-Committee will cover at the meeting and what the direction will be. Mr. Burke stated he will also attend the meeting.

Mr. Burke went on to discuss the Financial Plan. (The Financial Plan was sent to the Sub-Committee prior to today's meeting.) Mr. Burke briefly explained which pages and charts had changes made and went over those changes. Mr. Lynch asked with regards to the definition of capital expenses versus operating expenses, how liberal is that interpretation in defining those two expenses. Mr. Burke stated he does not think it is very liberal. Discussion ensued regarding expenditures. Mr. Burke noted that law enforcement and RWRD are the two biggest growing groups for expenditures. Increased regulations over the last several years have made it more costly to treat sewage. The Sub-Committee and Mr. Burke continued to discuss the enterprise fund.

Mr. Lynch stated if there is a significant increase in interest rates, this could have an implication on how fast bonds are paid off. Mr. Burke stated yes that is correct. Ms. Smith asked what the lifespan is for a new treatment facility. Mr. Burke stated it is approximately 50 years. Discussion ensued regarding debt.

Mr. Lynch requested that an e-mail be sent to the Sub-Committee members requesting that they review the Financial Plan prior to the May 7th Sub-Committee meeting and provide any questions to Ms. Lopez in advance. Ms. Lopez will then forward those questions to Mr. Burke.

- 2. CIP PROGRAM AND CONSTRUCTION SCHEDULE.** Merva Douglas-Bridges, Program Manager Sr., RWRD, stated she oversees the CIP Project Control Division and assists the Project Managers with projecting project dollars for various projects. Ms. Douglas-Bridges stated that RWRD currently has approximately 78 projects outside of the Regional Optimization Master Plan (ROMP) project, and about 30 projects are expected to be completed this year. Ms. Douglas-Bridges distributed a handout displaying a breakdown of current RWRD Core Program into the respective Program types.

Ms. Douglas-Bridges stated that RWRD has several rehabilitation projects that include many individual jobs, which in turn include multiple repairs. There are three large rehabilitation projects and those these three projects are reported as individual capital projects, they were designed to address smaller rehabilitations. The number of jobs within a capital rehabilitation project varies from year to year and there is a wide range of costs associated with each job.

Ms. Douglas-Bridges explained the process for how projections are made for the 5-year CIP. Discussion ensued regarding how RWRD and Finance staff work together and exchange data to assist one another with projections and the Financial Plan. Ms. Douglas-Bridges went over some the long-term 5-year CIP Projects. Mr. Lynch asked what the process is for prioritizing projects. Ed Curley, Program Manager Sr., RWRD, explained that it is a management team decision based on Conveyance staff recommendations.

- 3. RWRD BUDGET.** Patrick McGee, Division Manager, FRMD, provided a Period 9 forecast and stated the total operating and maintenance expenses are forecasting to be \$207,000 under budget. The savings are mostly on personnel services. Mr. McGee stated that sewer user fees are being projected at \$144 million, which is \$10.7 million under what was projected. Connection fees are being projected

at \$12.4 million, which is \$4 million under what was projected. Mr. McGee continued to provide other projections. Overall, the department is \$19.2 million under budget for revenues for Period 9. Discussion ensued regarding depreciation.

4. OTHER ISSUES. Mr. Burke answered various questions from the Sub-Committee.

F. FUTURE AGENDA ITEMS. Mr. Lynch stated that the Sub-Committee will hold another meeting next week, May 7th at 1:30 p.m.

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

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

H. ADJOURNMENT. The meeting was adjourned at 3:21 p.m.