



REGIONAL WASTEWATER RECLAMATION ADVISORY COMMITTEE

Transamerica Building
Pima Association of Governments'
177 N. Church Avenue, 5th Floor Conference Room

MEETING MINUTES

Thursday, March 21, 2013

Committee Members Present:

Ann Marie Wolf	Bill Katzel	Mark Stratton
John Carlson	Kendall Kroesen	Mark Taylor
Barbee Hanson	Rob Kulakofsky	Jackson Jenkins
Bob Iannarino	Armando Membriila	Alan Forrest

Committee Members Absent:

John Lynch	Amber Smith
Sheila Bowen	

A. CALL TO ORDER. Ann Marie Wolf, Chair, called the meeting of the Regional Wastewater Reclamation Advisory Committee (RWRAC) to order at 7:49 a.m. Veronica Lopez took the roll call and a quorum was present.

B. PLEDGE OF ALLEGIANCE.

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

D. SAFETY SHARE. Jackson Jenkins, Director, Regional Wastewater Reclamation Department (RWRD), reminded everyone to be cautious for pedestrians, as well as to be careful and alert when you are a pedestrian, especially downtown.

E. APPROVAL OF MINUTES.

1. Meeting Minutes of February 21, 2013

ACTION: Barbee Hanson made a motion to approve the minutes of the February 21, 2013 meeting. Mark Stratton seconded the motion. Motion passed unanimously.

F. COMMITTEE/SUBCOMMITTEE REPORTS.

1. CITIZENS' WATER ADVISORY COMMITTEE (CWAC) UPDATE. Mark Taylor stated the Mayor and Council approved the Financial Plan, with an 8.3% increase in revenue. A new cost of service has been approved and three different rate schedules will be forwarded to the Mayor and Council for approval. Mr. Taylor stated the different rate schedules all end up with an 8.3% revenue.

Alan Forrest, Director, Tucson Water Department, announced that Tucson Water has a new organization chart, which is a result of an organizational review conducted by Black and Veatch. One of the changes included the addition of the Strategic Initiatives Division, which is being run by Jeff Biggs. Mr. Forrest continued to discuss the re-organization within the department.

Bill Katzel asked if Tucson Water is a revenue organization like RWRD and if they anticipate an increase in rates. Mr. Forrest stated they are an enterprise fund and yes, they are projecting a need for 8.3% revenue increase in the next five years, per their financial plan. John Carlson asked if the department is selling less water. Mr. Forrest stated that in the year 2012, the total potable water use was the same as it was in 1994. The Mayor and Council have only approved this year's revenue increase to date.

Ms. Wolf asked when the rate schedules are going before the Mayor and Council. Mr. Forrest replied that a public hearing date will be scheduled for late May and public hearings and outreach will be done leading up to the meeting in May. Mr. Forrest answered various questions from the Committee.

- 2. RWRAC FINANCIAL SUB-COMMITTEE UPDATE.** Mark Stratton stated the Financial Sub-Committee has received very good information from Finance staff; however, it is a little overwhelming in some respects. The Financial Plan shows that the department is doing fairly well, but there is still a cause for some caution with what total revenues will be and if the debt service ratios will continue to be met. Mr. Stratton stated the assumptions in the Financial Plan are on the right track in taking the "wait and see" approach in determining if rate increases are required in the future.

Mr. Taylor added that there is a lot to learn and it will take time to completely understand the financial methodology, but the meetings have been going very well. Mr. Stratton added a key point that was discussed at the last meeting was how the department is tied in with the County's overall ability for spending and the limitations that restrict how much can be spent annually, which results in the use of the Certificates of Participation (COPS).

Ms. Wolf stated that John Lynch will not be available for the next scheduled Finance Sub-Committee meeting and is requesting to reschedule the meeting. Armando Membrilla joined the meeting by phone.

G. DISCUSSION/ACTION.

- 1. DIRECTOR'S UPDATE.** Mr. Jenkins announced that Joseph Cuffari has accepted a position in Supervisor Ally Miller's office and congratulated Mr. Cuffari and wished him well. Mr. Jenkins also introduced and welcomed a new RWRD employee, Colby Bowser, who previously worked for Supervisor Ann Day.

Mr. Jenkins stated that the Town of Marana (TOM) held an election on March 12, 2013 and the TOM voters voted in favor of the TOM owning and operating the TOM wastewater treatment facility. Mr. Jenkins stated that the County will continue to work with the TOM to finalize matters. There should be no major impact to rates or overall costs.

Mr. Jenkins stated that one of the department's key stake holders and customers is the Pascua Yaqui Nation (Nation). Mr. Jenkins informed the Committee that the department has been working closely with the Nation to resolve issues concerning provision of sewer service in payment of connection fees. A one-year timeframe was set to resolve certain issues. Mr. Jenkins stated that although the Nation recently sent a letter to RWRD informing the department that they intend to build their own wastewater treatment plant, this is not necessarily the mutually desired outcome. The Nation and RWRD are still working to resolve these issues.

Mr. Jenkins stated the North and South Rillito Interceptors have been identified as needing improvements and it cost approximately a total of \$33 million for upgrades to both interceptors.

- 2. BIOGAS RFP UPDATE.** Mr. Jenkins gave an update on the Request for Proposals (RFP) process to date. Feedback has been received from the public with recommendations on how the RFP can be revised and staff is in the process of reviewing those comments. Mr. Jenkins provided examples of

some of the recommendations that were received. Discussion ensued regarding the different options the department is reviewing on what to do with the biogas. The final RFP will be advertised in April.

3. **FY 2012/13 BUDGET.** Patrick McGee, Division Manager, Finance and Risk Management Department (FRMD), discussed the expense and revenue summary for Period 7. There are no major changes from the Period 6 projections. Staff is still projecting the department to be on budget with expenses and under budget with revenues due to lower customer growth.
4. **DRAFT FY 2013/14 FINANCIAL PLAN REVIEW.** Tom Burke, Director, FRMD, stated this is the first presentation of the draft 5-year financial plan. Mr. Burke stated that the RWRAC Financial Sub-Committee will be reviewing and discussing the financial plan in greater detail at their next meeting.

Mr. Burke presented a PowerPoint presentation of the Pima County Regional Wastewater Reclamation Enterprise Fund – 2013 Financial Plan. Mr. Burke first discussed the financial plan assumptions chart. Mr. Burke stated that these assumptions were used to prepare the Financial Plan and focused the Committee's attention to the user growth rate for 2013, which is approximately half a percent. The growth rate used for the next five years was the median rate of population growth that Pima Association of Governments issued. If there is an increase in population growth, there is a corollary that connection fees will also increase at the same rate. Discussion ensued regarding COPS.

Bob Iannarino asked if the department's favorable debt ratings are linked to the overall favorable ratings that the County has. Mr. Burke replied no because revenue debt is rated separately by the rating agencies. Mr. Burke answered various questions from the Committee regarding interest rates on the department's debt.

Mr. Burke then focused on the annual rate of expense increase and explained the factors associated with the percentages for 2014 through 2018. Mr. Burke stated that the operating expenses of the department are slightly increasing year by year. From 2013 to 2014, there is more of an increase due to the possible wage increase for employees, so a \$1 million dollar increase was factored into this amount. Mr. Stratton asked if staffing levels are consistent now. Mr. Jenkins stated staffing levels will drop due to the closing of the Roger Road treatment facility and also with the Regional Optimization Master Plan's (ROMP) completion.

Mr. Burke stated currently \$671 million is owed from debt secured by sewer revenues. In the next five years, another \$225 million will be issued, but we will pay down \$239 million. Mr. Burke then discussed a chart displaying revenue compared to operating and maintenance expenses, including capital, plus debt service. Mr. Burke pointed out the revenue increase in FY 2013-14 and stated that part of it is money which will come to the system from the sale of the Marana asset. Discussion ensued regarding net revenues and debt service. Mr. Stratton asked if there is a target debt ratio that is appropriate to maintain to keep the ratings where they need to be. Mr. Burke stated yes. Standard & Poor's put together a financial report on the department in which debt service coverage is discussed.

5. **COMPREHENSIVE ROMP UPDATE.** Mr. Jenkins presented two videos for the Committee. One video focuses more on the Ina Road facility and the other focuses more on the new water campus project. The Committee viewed both videos.

Mr. Jenkins then presented a PowerPoint presentation covering ROMP accomplishments through 2012 and through completion of the ROMP program. Mr. Jenkins stated that the overall project is 82% complete as of January 31, 2013 and showed a chart that displayed scheduled completion dates for the remaining work items. The project expenditures for the Ina Road upgrade and expansion project, through January 31, 2013, total \$238 million and the project expenditures for the Water Reclamation Campus Treatment Facility, through January 31, 2013, total \$141 million.

Mr. Jenkins stated that a new facility access road from the I-10 frontage road to the Central Laboratory Complex is being constructed. This will make entering the facility easier and safer. The laboratory is also being expanded and the expansion will be leased by the University of Arizona initially.

Mr. Jenkins showed a timeline for the Biosolids/Biogas Utilization Master Plan and the sale of the biogas. It is expected that the project will be operational by late 2014.

Mr. Jenkins provided and discussed the ROMP Project budget summary. The current budget is at \$645 million. Mr. Jenkins pointed out that the department will have to move forward with side stream treatment of centrate and explained why.

6. STATE LEGISLATIVE/REGULATORY UPDATE. Ed Curley, Program Manager, RWRD, stated the Weekly Legislative Report, which is created by the Southern Arizona Water Users Association, was included in the Committee's packets for their review. Mr. Stratton stated the Committees should be finishing up within the next week or so and the bills should be going to the full House or Senate for review and approval.

H. FUTURE AGENDA ITEMS. Mr. Katzel stated that the Dispose-A-Med Update can be moved to the May agenda.

Items for next month's meeting are:

- Financial Plan
- CCTV/Conveyance Update
- System-Wide Odor Control Update

Mr. Jenkins presented Mark Taylor, Kendall Kroesen and Armando Membrila each with a Philabaum Award for their dedication and service to the RWRAC. (Mr. Membrila was present by phone and will be given his award at another time.)

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

ACTION: Bill Katzel made a motion to adjourn the meeting. Bob Iannarino seconded the motion. Motion passed unanimously.

J. ADJOURNMENT. The meeting was adjourned at 9:54 a.m.