

QUARTERLY REPORT

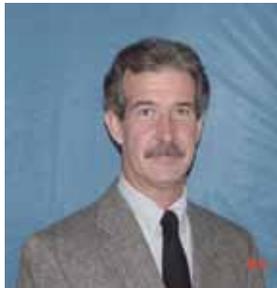
October 1, 2007 – December 31, 2007

New Department Name

In November 2007, the Wastewater Management Department became the Regional Wastewater Reclamation Department. The new name more accurately reflects the department's role. Instead of focusing on the raw material (wastewater) that is used to create effluent, the new name focuses on the product (reclaimed water) that is created by the treatment process. The department is a regional entity and the addition of the word regional to its name provides focus to the fact that our service area is approximately 700 square miles, encompasses more than 3,300 miles of sanitary sewer lines and operates eleven wastewater reclamation facilities.

John Warner Is New Deputy Director, Conveyance

On December 20, 2007 director Mike Gritzuk announced that he had appointed John Warner to the position of interim deputy director of Conveyance Division. Mr. Warner, who brings 33 years of experience in the water and wastewater business, is responsible for a staff of 110, more than 3,300 miles of sewer lines, 33 pump stations, and more than 60,000 manholes. He has worked for RWRD for 17 years and has been instrumental in overseeing the Conveyance Division's progress toward ISO and OHSAS certifications.



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ISO/OHSAS Certification

After much preparation and hard work, the final steps in the ISO certification process have been completed. The Quality (ISO 9001) audit was held October 22– 24, and the Environmental (ISO 14001) & Safety (OHSAS 18001) audits were held November 19 – 21.

Private, independent auditors closely examined whether the Conveyance Division's Business Management System meets the standards for registration to ISO 9001, 14001, and the OHSAS 18001. This process included interviews with managers, process owners, and staff. The auditors also looked closely at the division's business records. After six days of audits, the auditors recommended that the Business Management System for the Conveyance Division be registered to all three standards.

The recommendations were forwarded to the ISO board in Switzerland. The department is expected to learn in early 2008 whether certification has been granted. If all three certifications are granted, RWRD will be the only known entity in the world to achieve all three certifications simultaneously.



ISO/OHSAS Team

Regional Optimization Master Plan (ROMP)

Based on detailed analysis of enhanced chlorination as an alternative to ultraviolet light disinfection, the department has decided that the more cost effective enhanced chlorination process is the county's preferred disinfection technology in the ROMP program. Although the Arizona Department of Environmental Quality prefers that wastewater treatment facilities use ultraviolet light technology, our analysis shows that enhanced chlorination can meet the ADEQ disinfection requirements at a much lower cost. ADEQ is aware of this decision.

Negotiations with the recommended design engineering firm for the upgrade and expansion of the Ina Road Water Pollution Control Facility (WPCF) will be initiated in February. The "short list" was developed in December. (Interviews were completed in January.)

Advertisement for the Construction Manager at Risk (CMAR) for the upgrade and expansion at the Ina Road WPCF took place in December. Statements of Qualifications were received in January with the award of the contract scheduled for March 2008.

Construction Manager At Risk (CMAR) contract negotiations for the Plant Interconnect construction firm are underway with Sundt/Kiewit. Pre-construction services are set at a not-to-exceed cost of \$300,000.

Odor Control Plan

RWRD employees continue to refine and optimize the operation of newly constructed odor control facilities throughout the wastewater system. Staff continues to learn how these technologies are impacted by different weather and atmospheric conditions and make adjustments accordingly.

The implementation of the near-term odor control program is nearly complete. With the exception of two projects that were ultimately deemed unnecessary, only one project remains to be done. That project – the biotowers odor control project – is now two separate projects. Redesign of the odor control project for the biotowers became necessary when significant archeological findings were discovered at the site where an odor scrubber was to be installed.



Roger Road Treatment Plant Biotowers

On December 11, Michael Gritzuk presented a report to the Board of Supervisors outlining the work that was completed and explaining what remains to be accomplished to complete the near-term odor control program. The Board expressed support for the completion of this program. In addition to Mr. Gritzuk's report, the Board heard from two representatives from the Citizens' Involvement Committee (CIC). One of the representatives outlined the recommendations put forth by the CIC. The other representative provided a description of the struggles Westside residents have experienced because of long-standing odor issues. The Board directed that staff and the Wastewater Management Advisory Committee review the recommendations of the CIC and return to the Board with input. (The WMAC did not have a quorum at its January 2008 meeting, so the issue has been scheduled for discussion and action at February 2008 meeting.)

Town of Sahuarita Seeks Assistance from RWRD

The Town of Sahuarita recently faced capacity issues at its wastewater treatment facility. The town approached RWRD for assistance in meeting treatment

capacity for both sewage and biosolids. Intergovernmental agreements were entered into for the treatment of both waste streams. For four months, the Green Valley Wastewater Treatment Facility – which has sufficient capacity to treat the additional flows – accepted trucked sewage from the town. That practice ended in January 2008, when the town’s new facility expansion came on line. A second IGA was entered into for the treatment of biosolids. Because the town continues to lack adequate capacity to treat all its biosolids, RWRD will continue to accept biosolids at the Ina Road Water Pollution Control Facility into 2008. Both IGAs are in effect into 2009, although it is not expected that sewage will be shipped to the Green Valley facility in 2008. Finally, the town and RWRD entered into another agreement to provide staffing assistance for the Sahuarita facility beginning in January. This IGA will expire in July 2008. All the IGAs provide compensation to RWRD.

Financial Plan

In 2007, RWRD hired the firm of Raftelis Financial Consultants, Inc. (RFC) to conduct a comprehensive rate and financial planning study and to help develop a financial plan for the ROMP program and the department’s overall Capital Improvement Program. The plan covers a ten-year planning period, which covers FY 2007/08 through FY 2016/17.

The FY 2007/08 Financial Plan reflects a multi-year approach to forecasting and raising revenue necessary to meet a variety of needs including:

- Projected (O&M) expenses (approximately \$72.8 million in 2007/08)
- Capital improvement project (CIP) financing needs
- Maintenance and rehabilitation of the wastewater treatment and conveyance system
- Emergency reserve funding
- Enhanced CIP focusing on the approved 2004 Sewer Revenue Bonds and potential authorization of 2008 Sewer Revenue Bonds
- The implementation of the Regional Optimization Master Plan (ROMP) to include:
 - mandated regulatory requirement for effluent ammonia and nitrogen reduction at the metropolitan wastewater treatment facilities
 - consolidated biosolids handling and capacity increases at the Ina Road Regional Wastewater Reclamation Facility (RWRF),
 - the decommissioning and replacement of the Roger Road RWRF with a new Water Reclamation Campus (WRC), and
 - odor control throughout the regional system.

The approximate cost for the ROMP is \$536 million over the next 15 years (in 2006 dollars). Other department capital projects for the same period of time have been estimated to be approximately equal to ROMP costs.

To accomplish these goals, the FY 2007/08 Financial Plan recommended a rate increase of 9% in January 2008 and 9.5% in July 2008, and increases in the service fee portion of the user fee of 9% in January 2008 and 9.5% in July 2008. In addition, an approved 6% increase in connection fees for January 2008 and a proposed 9.5% increase in July 2008.

These increases will generate enough revenue to satisfy O&M requirements, meet increased debt service (principal and interest) expenses related to the issuance of debt to construct new facilities and rehabilitate existing facilities, and meet bond debt service coverage requirements.

The objective of the plan is to increase the stability of the wastewater enterprise, ensure high quality service, provide for the funding of capital improvement projects (CIP), and develop user and connection rates that are fair and equitable.

The CIP will be financed through a number of sources including transfer of monies from the department's System Development Funds (SDF), and current and future long-term revenue bond authorizations.

After a favorable recommendation by the Wastewater Management Advisory Committee (WMAC) in November, the Board of Supervisors approved the plan at its December 11, meeting.

Vector Control – Department Completes Spraying of Entire System

In October, the two-year roach control program was completed one month ahead of schedule. Over the course of the two-year program, more than 60,000 public manholes were treated with a product that is effective for at least two years. The program has yielded significant results. In July of 2004 (a few months before the program began), 705 complaints were reported to the department. In July of 2007, that number had dropped to 180. Three months later in September 2007, the number of roach complaints had dropped to 75. The department has begun spraying with the same product. When a complaint is received, staff is sent to inspect the area of an infested manhole is found, it is treated under warranty.



Immediately after the completion of the initial roach control program, the second two-year program began in October.

Outreach Activities

The holiday season is the time that the Community Relations Office publicizes its Grease Campaign through the airing public service announcements that detail the importance of proper disposal of cooking grease. The department also participates in the Day-After-Thanksgiving Grease Collection event. Historically, grease-related sanitary sewer overflows increase during the months of December, January, and February. This trend is attributed to an increase in the preparation of high-fat foods during the holiday season.

Public service announcements (PSA) ran during the weeks of Thanksgiving and Christmas. In 2007, the number of stations airing the PSAs was expanded, and for the first time, the PSA was aired on Spanish-language television.

The Day-After-Thanksgiving collection event also expanded with a fourth drop off location located across the street from the Wal-Mart shopping center at First Avenue and Wetmore Street. This year, the event collected more than one ton of grease which was recycled into biodiesel. This event is a public/private partnership among RWRD, the Pima Association of Governments and the private sector biodiesel firm Grecycle.



Grease Collection Volunteers

Holiday Giving

A friendly competition during the 2007 holiday season resulted in significant donations to the Southern Arizona Community Food Bank. Three departments under the Public Works Department umbrella were involved in the competition. The Department of Transportation (DOT) partnered with the Regional Flood Control District (RFCD) to challenge RWRD. The challenge was to determine which team could collect the most food and money to benefit the food bank.

The results were a combined total of 8,105 pounds of non-perishable foods, 892 pounds of frozen meats, and \$1,493.32 in cash donations.

The holiday drive was organized in two parts. The first part of the competition ran from November 9, 2007 through November 20, 2007. The second part of the competition took place between November 21 and December 21. Contributions from the departments are outlined below:

Dates	DOT/RFC	RWRD
11/9/07 – 11/20/07		
Non-perishable food	1,754 lbs	646 lbs
Frozen Foods	86 lbs	72 lbs
Cash	\$289.32	\$120.00
11/21/07 – 12/21/07		
Non-perishable food	2,456 lbs	3,895 lbs
Frozen Foods	94 lbs	640 lbs
Cash	\$115.00	\$969.00
Totals		
Non-perishable food	8,195 lbs	
Frozen Foods	892 lbs	
Cash	\$1,493.32	



RWRD Staff Donated Both Food and Cash to Win the 2007 Food Bank Challenge