Pima County Regional Wastewater Reclamation Department

FY 2008/09 Financial Plan and Recommended Rate Increase

Presentation to the Pima County Board of Supervisors

February 17, 2009

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Harold Smith, Raftelis Financial Consultants, Inc.

Status of the Regional Optimization Master Plan (ROMP)

ROMP Plan at a Glance

- ✓ **Upgrade and Expand Ina Road WRF to 50 mgd**

  Centralized solids handling and bio-gas power generation

- ✓ **Construct new 32 mgd Water Reclamation Campus (in vicinity of existing Roger Road WRF)**

  Regional laboratory and staff facilities

- ✓ **Plant Interconnect – 36 mgd average, 81 mgd peak flow**

  Major wash crossings and odor control structures

- ✓ **Good neighbor facilities**

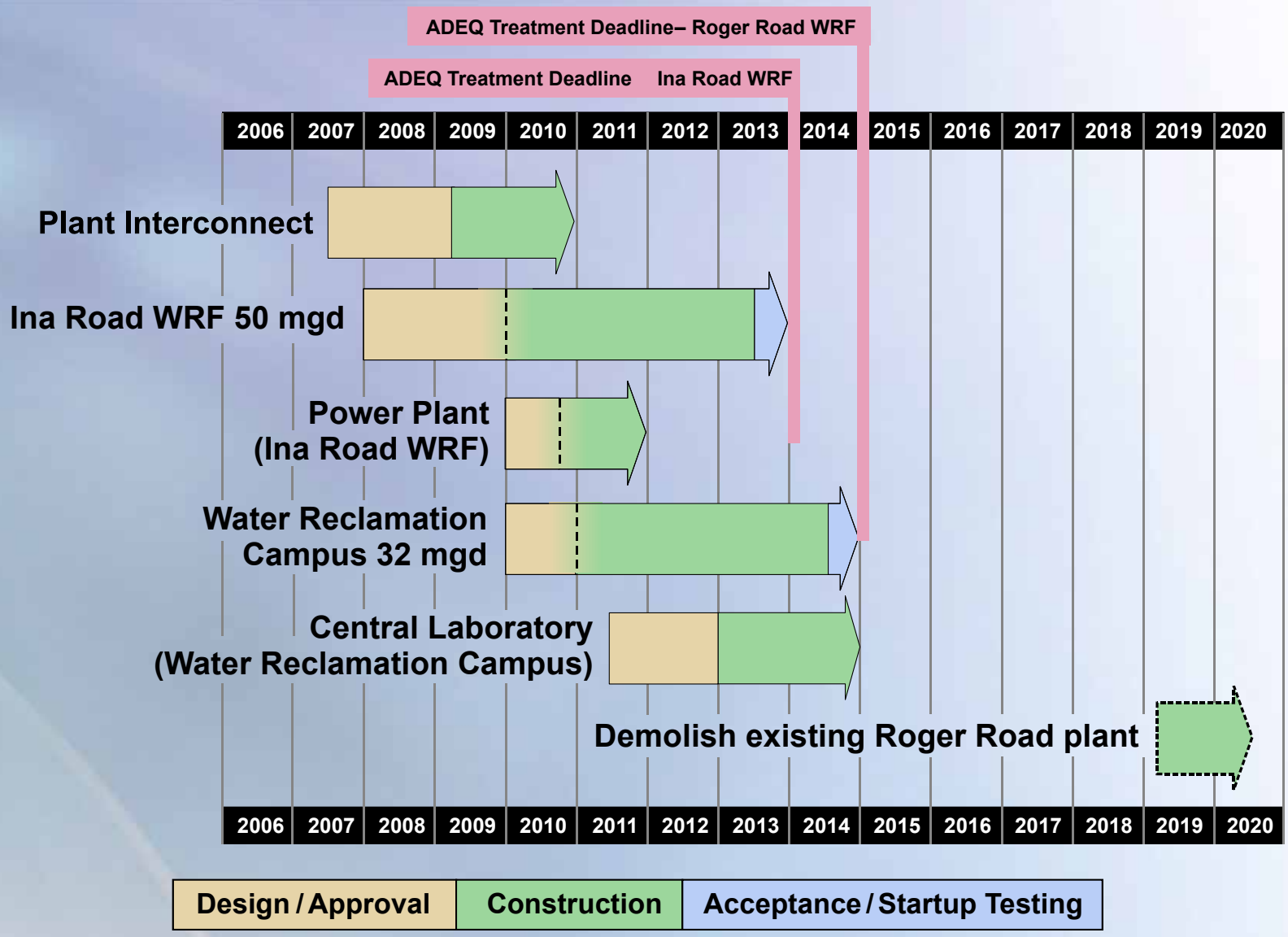
  Odor control, architecturally compatible to local area

- ✓ **Decommission existing 41 mgd Roger Road WRF**

- ✓ **Meet growth needs to year 2030**

  Current plant capacity of 81.5 mgd increased to 85 mgd

ROMP Implementation Schedule



Awarded ROMP Contracts
(As of December 2008)

	Consultant/ Contractor	Contract Date	Contracted Services	$ Millions
Program Management	Greeley & Hansen, et al	February 2006	ROMP Program Study	$ 2.2
	Greeley & Hansen/ Parsons	January 2008	Program Management Services for ROMP CIP Implementation Project (Contract includes two additional 3-year contract renewals)	$ 4.5
	Raftelis Financial Consultants	June 2007	Financial Advisor/Financial Plan	$ 0.3
	Hawkins, Delafield & Wood, LLP	March 2008	Project delivery methods, legal assistance	$ 0.25

Awarded ROMP Contracts
(As of December 2008)

	Consultant/ Contractor	Contract Date	Contracted Services	$ Millions
Interconnect	Brown & Caldwell	June 2007	Roger Road WRF to Ina Road WRF Plant Interconnect Gravity Sewer Design Project	$ 2.3
	Sundt/Kiewit Construction	April 2008	Construction Manager at Risk (CMAR) Contract for the Roger Road WRF to Ina Road WRF Plant Interconnect	$ 0.3 (Pre-Construction Services) $ 27 (budget)
Ina Road WRF	CH2M Hill	February 2008	Ina Road WRF Upgrade and Expansion design contract including construction services, commissioning	$ 18
	MWH Constructors, Inc.	April 2008	CMAR contract for Ina Road WRF Upgrade and Expansion	$ 2.0 (Pre-Construction Services) $ 220 (budget)
	Jacobs Field Services of North America, Inc.	November 2008	Project Management Services for Ina Road WRF Upgrade and Expansion	$ 12
SCADA	EMA Services, Inc.	Approved November 2008, contract pending	Supervisory Control and Data Acquisition (SCADA) Master Plan	$ 1.6

ROMP Implementation Costs

ROMP Planning Level Estimated Cost (2006 dollars):	**$536 million**
ROMP Budget Including Cost Inflation (assuming an inflation rate of 5%):	**$720 million**
Bonding/Debt Service:	**$1+ billion**

Note: Largest Capital Improvement Program in Pima County to date

Cost Control Efforts for ROMP

- Established stringent project management/budget management controls
  - "Exit Gate" project implementation process
- Established ROMP budget of $720 million
  - Budget vs. estimate
  - Plant Interconnect Project
    - Negotiations with selected project management consultant failed
      - Proceeded with "in-house" project management
    - Construction budget: $27 million
    - CMAR cost model: $33 million
      - Value engineering/redesign
      - Bidding by pre-qualified sub-contractors
    - Guaranteed maximum price: Approx. $25 million (pending)

Cost Control Efforts for ROMP

- **Project Management Services for Ina Road WRF Upgrade and Expansion Project**
  - **BOS Not-to-Exceed Authorization: $14 million**
  - **Negotiations with initially selected consultant failed**
  - **Negotiated agreement with follow-up consultant for $12 million**
- **Water Reclamation Campus**
  - **Use of Design-Build-Operate instead of traditional Design-Bid-Build saves approximately $34 million in life-cycle costs**

Cost Funding Pursuits

- Water Trust Fund
  - Advocacy/lobbying efforts
  - Presentations to:
    - Arizona Congressional Delegation
    - U.S. Environmental Protection Agency (EPA)
    - U.S. Government Accountability Office (GAO)
    - Water Sector Associations
- Federal Stimulus Programs
  - Advocacy/lobbying efforts
  - Presentations to/meetings with:
    - Arizona Congressional Delegation
    - Arizona Water Infrastructure Finance Agency (WIFA)
    - Water sector associations

Status of the Capital Improvement Program (CIP)

Major Treatment Projects (Non-ROMP)

Avra Valley
WRF BNROD
Expansion
(2.2 to 4.0 mgd)

Total:
$54.3 million

Completion
April/May 2009

Green Valley
WRF BNROD
Expansion
(2.0 to 4.0 mgd)

Total:
$30.0 million

Roger Road
WRF
Rehabilitation

Total:
$20.5 million

Major Conveyance Projects

Miscellaneous Conveyance Rehabilitation and Repair

Total: $41.9 million

Santa Cruz Interceptor, Prince to Franklin

Total: $38.0 million

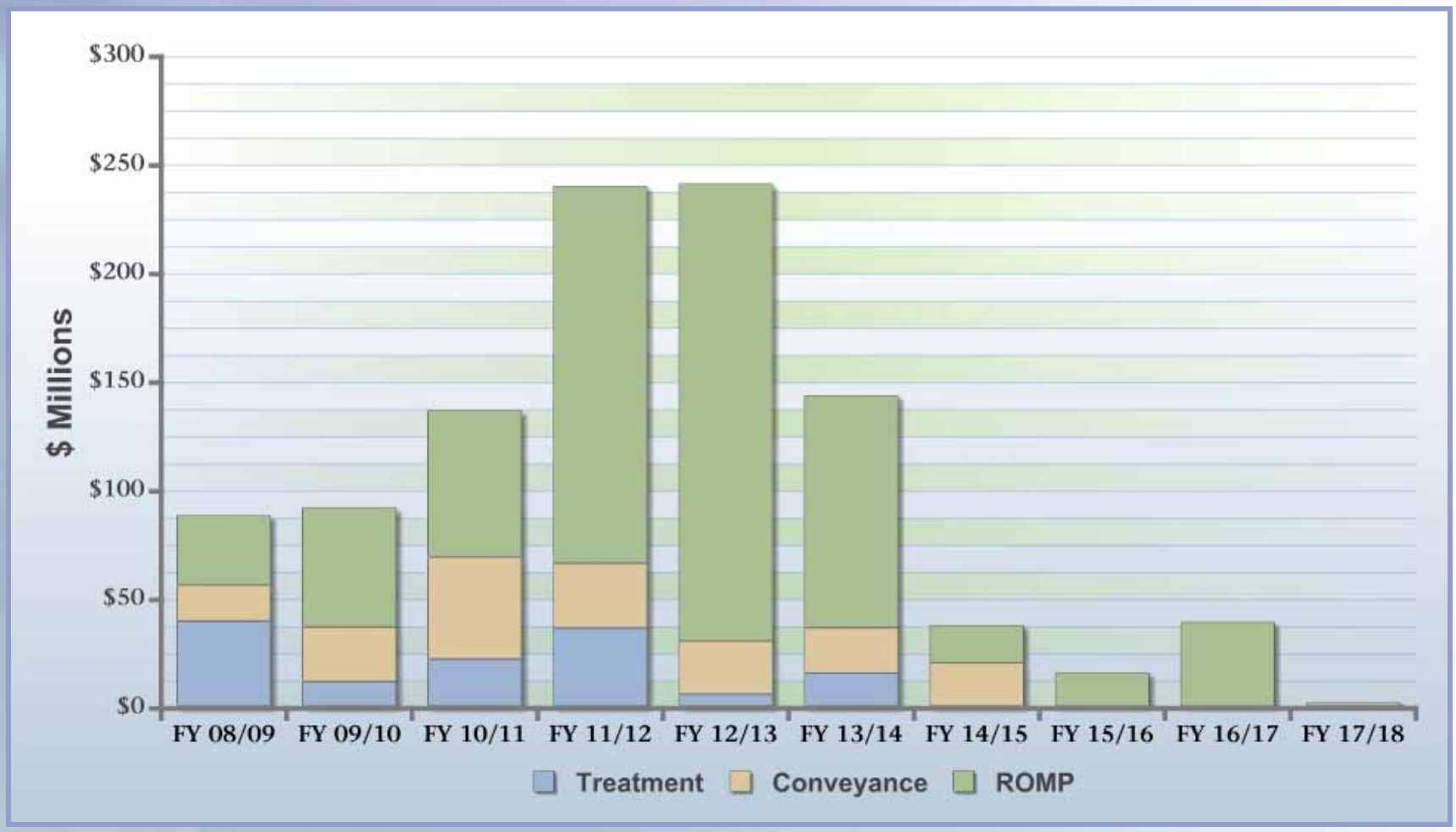
Park & 18th Capacity Expansion

Total: $35.0 million

Prince and I-10 ADOT Sewer Modifications

Total: $7.5 million

All Capital Project Cost Needs



Fiscal Year 2008/09 Financial Plan

Harold Smith

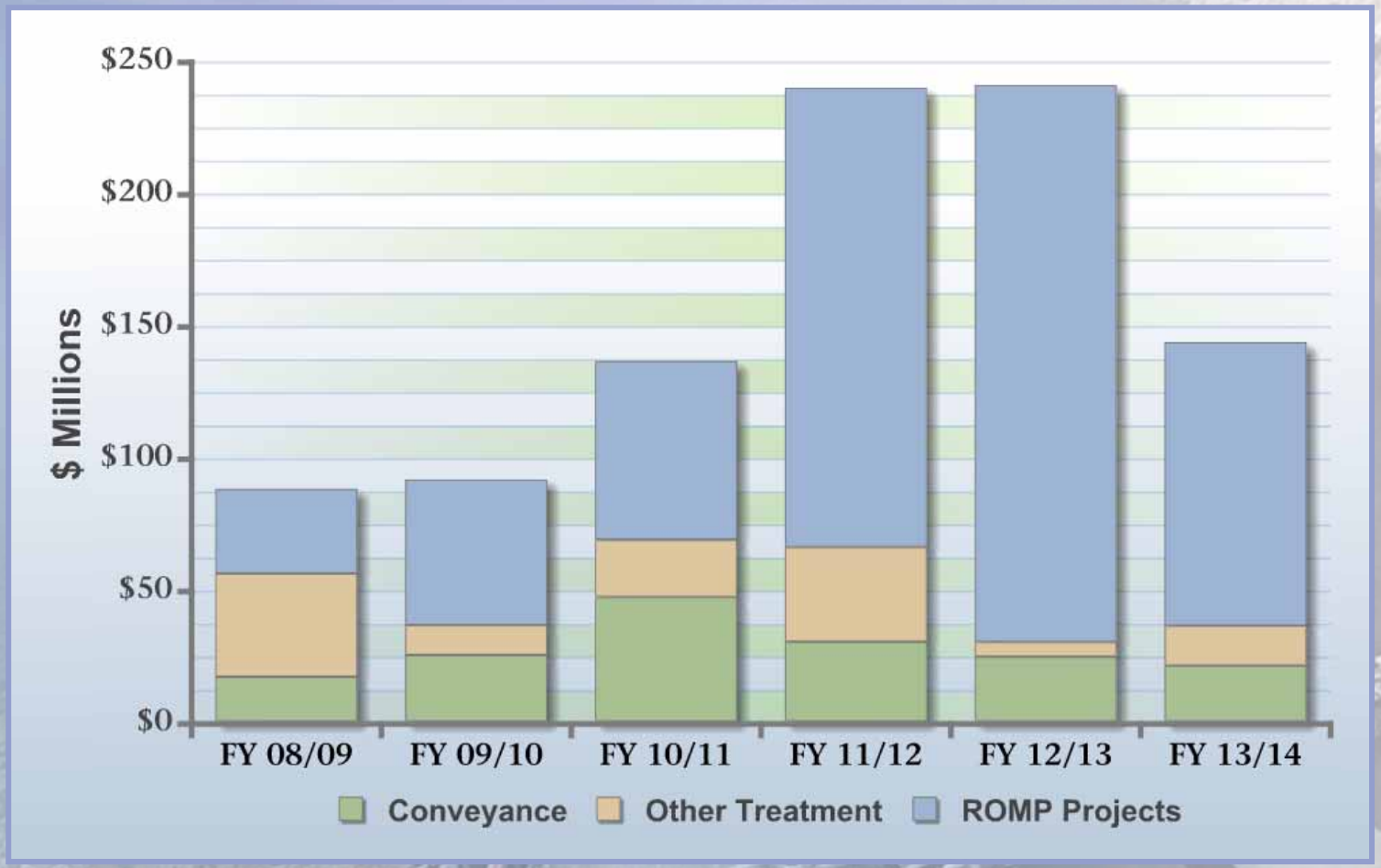
Raftelis Financial Consultants, Inc.

Challenges

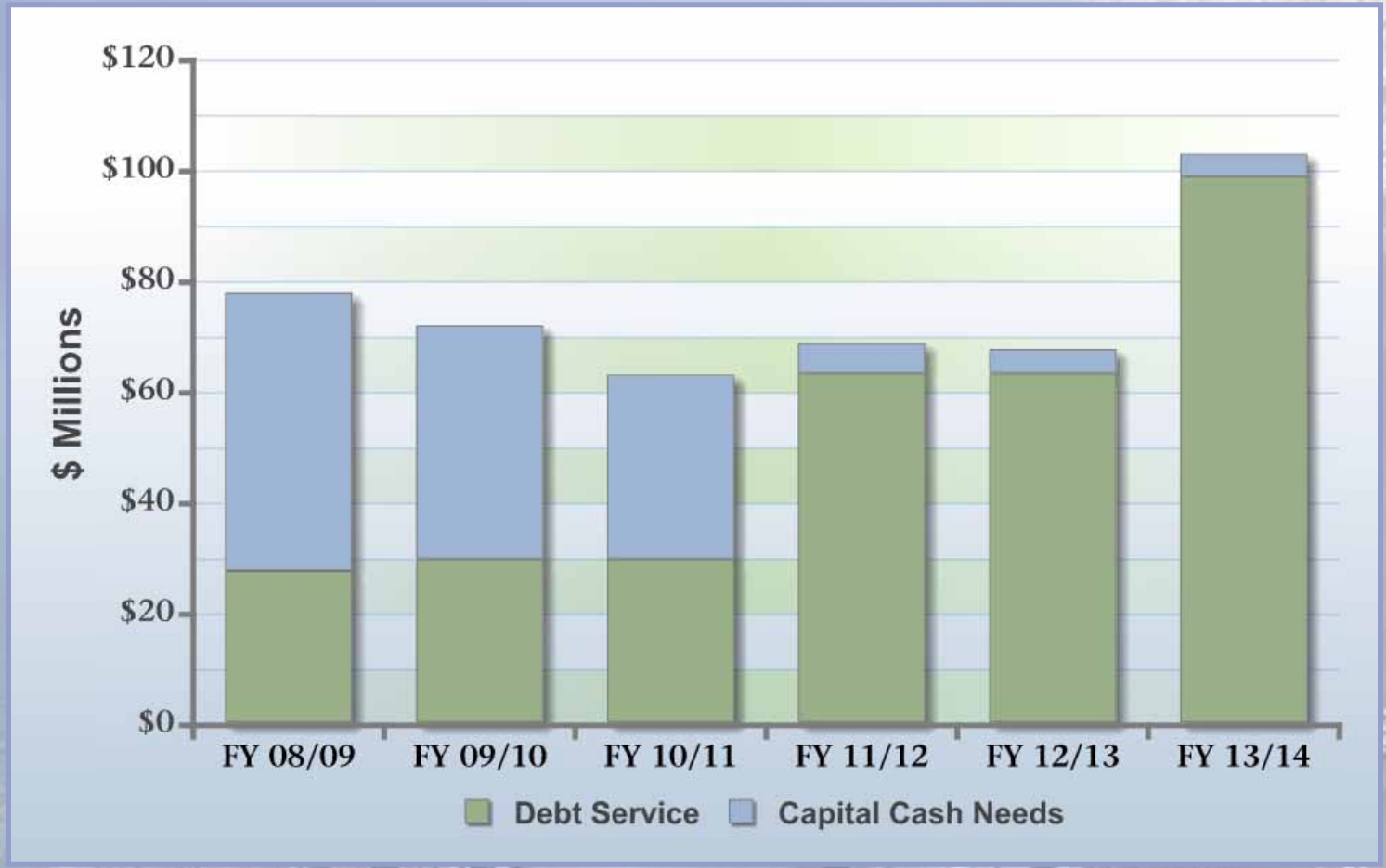
- Key factors
  - Actual revenue collected during FY 07/08
  - Projected Connection Fee revenue for FY 08/09
  - Interest cost associated with Certificates of Participations (COPs)
  - Capital cash needs
    - Projects from delayed bond authorization
    - Additional FY 09/10 SDF projects

Operating Costs

Capital Project Costs

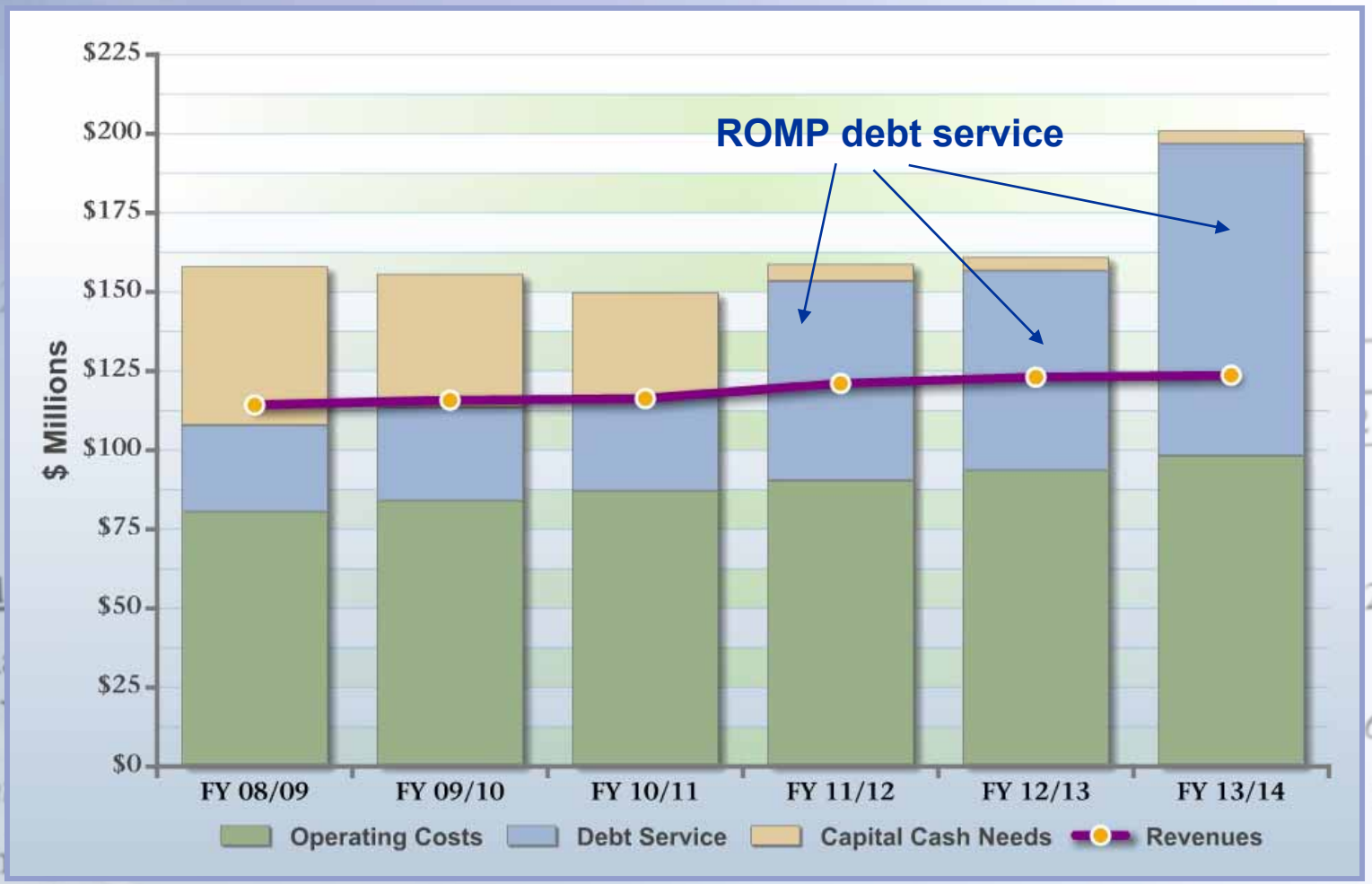


Annual Cash Needs for Capital and Debt Service



Note: Significant portion of debt service associated with ROMP hits in FY 2011/12 and FY 2013/14.

Projected Revenue Requirements with Revenue Based on Current Rates



Draft Financial Plan

Scenarios To Address Immediate Needs

Scenario A

Service Fee: No increase

Increase in typical residential monthly bill (8 ccf):

January 2009	July 2009	January 2010
+ 16.75% + $2.25	+ 16.75% + $2.63	+ 16.75% + $3.07

From Reserve Funds:

FY 08/09	FY 09/10	
$36.7 million	$7.6 million	Total: $44.3 million

Impact on customer bills at 8 ccf:

Scenario B

Service Fee: No increase

Increase in typical residential monthly bill (8 ccf):

January 2009	July 2009	January 2010
+ 25.25% + $3.36	+ 9.25% + $1.60	+ 9.25% + $1.75

From Reserve Funds:

FY 08/09	FY 09/10	
$33.9 million	$10.5 million	Total: $44.4 million

Impact on customer bills at 8 ccf:

Scenario C

	January 2009		July 2009	January 2010	
Service Fee:	+ $1.50			+ $1.50	
Increase in typical residential monthly bill (8 ccf):	+ 12.75%	+ $3.21	+ 12.75%	+ $1.94	+ 12.75% + $3.68

	FY 08/09	FY 09/10	
From Reserve Funds:	$36.5 million	$7.9 million	Total: $44.4 million

Impact on customer bills at 8 ccf:

Scenario D

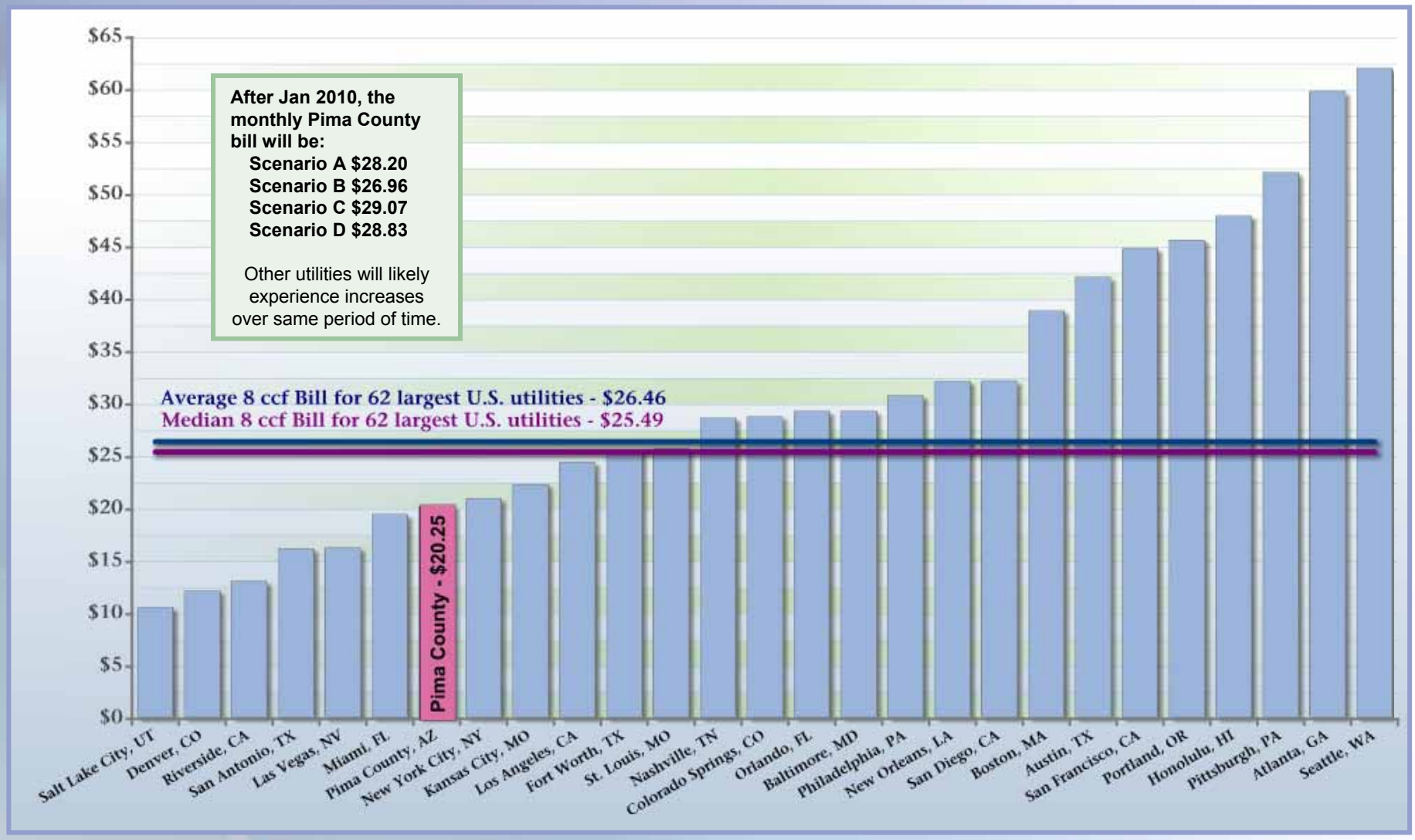
Connection Fee:	January 2009 + 4% + $224.16		
Service Fee:	January 2009 + $1.50		January 2010 + $1.50
Increase in typical residential monthly bill (8 ccf):	January 2009 +12.25% + $3.12	July 2009 +12.25% + $1.90	+12.25% + $3.63
From Reserve Funds:	FY 08/09 $36.5 million	FY 09/10 $7.9 million	Total: $44.4 million

Impact on customer bills at 8 ccf:

Base Rate Comparison

If base rate is increased, RWRD will adjust language in ordinance related to Sewer Outreach Subsidy Program to include total charges, not just volume charge.

Customer Bill Comparisons – U.S. Cities

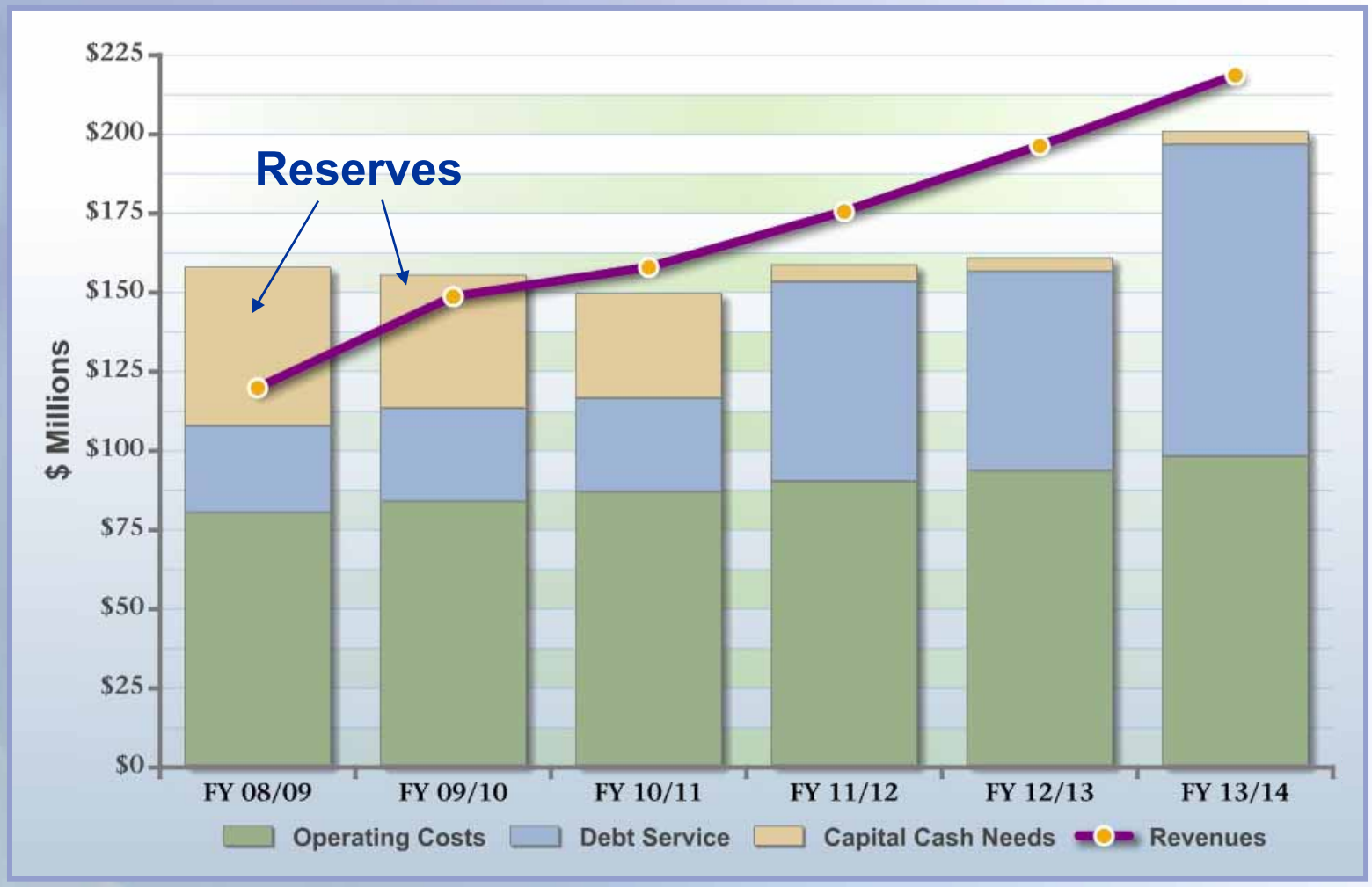


Typical customer demand of 8 ccf (5,984 gal). Rates current as of 2008.

Customer Bill Comparisons – Arizona Cities

Typical monthly bill. Pima County is current as of July 2008, other rates current as of March 2008.
Source: Pima County and *Water and Wastewater Utility Bill Comparisons*, Phoenix, AZ

Revenue Requirements Based on Proposed Rates



*Significant portion of debt service associated with ROMP hits in FY 2011/12 and FY 2013/14.

RWRAC Recommendation

- On January 13, 2009, the Regional Wastewater Reclamation Advisory Committee (RWRAC) voted to recommend rate increase in Scenario C

Scenario D

- Scenario D is alternate – rates are similar but 4% increase to Connection Fee is included in January 2009

Comparison of Scenarios C and D

Sewer Outreach Subsidy Program

Pima County Regional Wastewater Reclamation Department