



REGIONAL WASTEWATER RECLAMATION ADVISORY COMMITTEE

Water & Energy Sustainability Center
2955 W. Calle Agua Nueva
Radon Conference Room

MEETING MINUTES

Thursday, January 15, 2015

COMMITTEE MEMBERS PRESENT:

Ann Marie Wolf	Bob Iannarino	Matt Matthewson
Mark Taylor	Kendall Kroesen	Mark Stratton
Sheila Bowen	Rob Kulakofsky	Jackson Jenkins
Barbee Hanson	John Lynch	Alan Forrest

COMMITTEE MEMBERS ABSENT:

Bill Katzel
Armando Membrilla
Amber Smith

A. CALL TO ORDER. Ann Marie Wolf, Chair, called the meeting of the Regional Wastewater Reclamation Advisory Committee (RWRAC) to order at 8:04 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 suggested that during the winter time everyone allow extra time to defrost your windshield and windows, as well as warm up your vehicle prior to driving.

E. APPROVAL OF MINUTES.

Meeting Minutes of December 18, 2014

Matt Matthewson provided edits to the minutes of December 18, 2014.

ACTION: Matt Matthewson made a motion to approve the minutes of the December 18, 2014 meeting to include his proposed edits. Mark Stratton seconded the motion. Motion passed unanimously. Barbee Hanson abstained from the vote.

F. COMMITTEE/SUBCOMMITTEE REPORTS.

CITIZENS' WATER ADVISORY COMMITTEE (CWAC) UPDATE. Mark Taylor stated the last CWAC meeting was held on January 7, 2015 and the main focus was adopting the Tucson Water Financial Plan.

The Committee recommended a 7.3% tax increase to the Mayor and Council. Alan Forrest added the 7.3% with tax is a reduction and is projected through the five-year Financial Plan. The Financial Plan in previous years showed an 8.3% increase and Tucson Water is able to reduce the projected increase. Discussion ensued regarding the recommended increase.

G. DISCUSSION/ACTION.

1. DIRECTOR'S UPDATE.

- a. **OPERATIONAL UPDATE.** Jackson Jenkins, Director, Regional Wastewater Reclamation Department (RWRD), confirmed the Randolph Park Water Reclamation Facility (WRF) is now in temporary cessation. It was shut down on December 30, 2014.
- b. **BIOGAS UPDATE.** Mr. Jenkins stated a meeting was held with the second rated firm for the biogas contract. Anaergia/Grannus was the top-rated firm, but lost their off-taker and have until February 17, 2015 to find a new off-taker. Therefore, the second rated firm is very interested in continuing with this contract and is ready to proceed. Negotiations are continuing.
- c. **BIOSOLIDS HANDLING ISSUE.** Mr. Jenkins presented a PowerPoint presentation of Install Glass-Lined Pipes GBTs Discharge. The presentation displayed various photographs of glass-lined pipes and grease build-up at the Tres Rios WRF. Mr. Jenkins stated Tres Rios WRF have recently experienced some biosolids handling issues and explained the problems the plant was having and what has been done to resolve these issues, to include installing the glass-lined pipes and moving locations of valves. Mr. Jenkins stated the Department is working closely with CH2M Hill to resolve the design issues. John Lynch asked if CH2M Hill has experienced this problem with other wastewater treatment processes. Mr. Jenkins replied no and the Department is evaluating whether there is additional biological activity in the system and if the processing steps in the waiting stages are contributing to the problem.
- d. **CUSTOMER SATISFACTION – DEVELOPERS.** Mr. Jenkins stated the Department continues to receive second-hand comments from the development community stating their discontent with the Department's confusing and/or complicated processes. Eric Wieduwilt, Deputy Director, RWRD, and his staff are holding stakeholder meetings and conducting outreach to gather information and identify the issues. Mr. Jenkins stated the Department wants to resolve any issues there may be.

2. FINANCIAL UPDATE.

- a. **RWRD FISCAL YEAR 2014/2015 BUDGET.** Patrick McGee, Division Manager, Finance and Risk Management Department (FRMD) presented the Period 5 Expense and Revenue Comparisons. Mr. McGee stated the expenses are still projected to be on budget. There is a reduction in the revenues, so the forecasting was lowered on the sewer user fees by a half a million and the connection fees by a million. Mr. McGee stated part of this will be offset by the Pascua Yaqui Tribe payout, which will show in the next Period report. Mr. Jenkins noted a significant increase will show for December due to the City of Tucson implementing a new impact fee and the Pascua Yaqui Tribe payout.
- b. **RWRD 2015 FINANCIAL PLAN – ALTERNATIVES/SCHEDULE/PUBLIC MEETINGS.** Tom Burke, Director, FRMD, presented a PowerPoint presentation on the 2015 RWRD Financial Plan. Mr. Burke began with discussing the financial assumptions. Mr. Burke stated growth factors are expected to be relatively slow. Therefore, user fees and connection fees will grow by less than 2%. Another assumption that was made was the Department would be able to maintain a 4% increase in annual operating expenses. Historically, the Department has been flat from year to year to a 7%

– 8% increase so this is anticipating no more than a 4% increase in the future years. Mr. Burke stated the capital projects assumptions are based on the data that was available in the December 5, 2014 Capital Improvement Program (CIP) schedule. With regards to the debt service assumptions, the County will continue to sell debt in order to pay for the capital projects. Mark Stratton stated he was aware that RWRD staff and the FRMD staff were going to be meeting and asked if the numbers from 2016 changed much. Mr. Burke replied no the numbers did not change much and the numbers were almost identical. Mr. Burke discussed a chart displaying system revenues by connection fees and user fees and stated 92% of revenues come from user fees. Mr. Burke stated a significant increase in Operating and Maintenance (O&M) expenditures for the current and future years is due to energy costs.

Mr. Burke went on to discuss the \$225 million of additional debt from 2015 through 2019 and the issuance of \$60 million of Certificates of Participation (COPs) to be paid this current fiscal year. Mr. Burke answered various questions from the Committee regarding the debt service. The debt service will remain in the \$80 million range for the next seven years. Mr. Burke explained the net revenues available to pay the debt service. After paying for operational expenses, the remaining revenue must be sufficient to meet the required debt service payments and required reserves, and to have a sufficient margin necessary to enable the County to maintain favorable bond ratings. Mr. Burke stated he is recommending three automatic annual rate increases of 4% beginning July 1, 2015.

Mr. Lynch stated the RWRAC Financial Sub-Committee extensively reviewed the proposed Financial Plan and voted 4-1 to support the three 4% increases beginning July 1, 2015. The one vote not in support of the three 4% increases actually wanted three 4.5% increases instead of the 4%. The Sub-Committee felt the three 4% rate increases are warranted. Mr. Stratton added that looking at the assumptions made, the 4% increases are reasonable. Mr. Taylor noted the Financial Sub-Committee met four times this past fall and the Sub-Committee reviewed the numbers at length. Mr. Taylor stated his concern is paying more in the long run by not raising rates. Mr. Taylor further explained why he supports the rate increase. Bob Iannarino stated the Committee needs to be able to provide justification and education to the public as to why the Committee is supportive of these rate increases. Discussion ensued regarding the Financial Sub-Committee's recommendation.

Mr. Matthewson announced he intends to vote against the rate increase for this coming year. Mr. Matthewson stated he does not feel the rate increase is needed this year due to the .131 ratio that is above the goal for this past year and this current year it was at .130. Mr. Matthewson stated the Department has the revenue to meet the current expenses for next year; therefore, if it is not required then a rate increase is not needed. Mr. Matthewson stated the rate payers have already been burdened with four 10% rate increases to fund the Regional Optimization Master Plan Project and should not have to endure another increase. Mr. Matthewson suggested waiting another year to recommend rate increases to see what interest rates will be and to make a better decision at that time. It may cost the County a little bit more in interest payments, but it will be less costly to existing rate payers. Mr. Matthewson provided his experience in dealing with complaints from rate payers while he was employed with RWRD, and stated that the County should not ask the rate payers to foot the bill again. Mr. Matthewson continued to explain his position on why he is not in support of a rate increase for next fiscal year. Mr. Matthewson stated he implores the majority of the Committee to vote against the rate increase for this coming fiscal year and reassess this issue next fiscal year.

Mr. Taylor responded by saying the Financial Sub-Committee reviewed the projections at length and are confident that the projections they reviewed are accurate. Mr. Taylor added if there is no increase next fiscal year, then the County would have to request an 8.5% increase the following fiscal year. Mr. Taylor stated he feels it would be unfair to the public to hit them with an 8.5%

increase at once. Mr. Matthewson stated an 8.5% increase is not needed next fiscal year if the County can figure a way to deal with that and today is the time to do interest only. Mr. Burke stated the farther you allow debt to go out, the higher the interest rates are. Mr. Burke continued to explain why the three 4% increases are necessary. Sheila Bowen asked if the Financial Sub-Committee reviewed the term of the debt. Mr. Burke stated he did a comparison of the 15, 20, and 30 year debt and it does cause a reduction in the amount of increases, but the total amount of debt was much more. Rob Kulakofsky stated a major issue is emerging contaminants and the Department will have to remove some, if not all, of emerging contaminants in future years. Mr. Kulakofsky stated he feels the County needs to pay off its debt as soon as possible, which is why he supports the rate increases. Mr. Lynch stated the goal of the Financial Sub-Committee is to minimize the impact to the rate payers and it is a challenging offset.

Ms. Wolf reminded the Committee that they will not be taking a vote on the rate increases today. The Committee will hold off on voting on this issue until after the public meeting has been held and they receive input from the public. Ms. Wolf stated the Committee would vote to make a recommendation to approve or not approve the Financial Plan, which will include the proposed rate increases. Kendall Kroesen asked if the Committee votes in favor of the Financial Plan, is it definitive that all three rate increases would be set for the next three fiscal years. Mr. Burke replied the three rate increases would be set and that is the recommendation that is included in the Financial Plan. Barbee Hanson asked Mr. Burke what he thinks of a 4.5% increase. Mr. Burke stated he would be more comfortable with a 4.5% increase to maintain a .130 debt service ratio, but is comfortable with three 4% rate increases and that is what he is recommending. Mr. Matthewson suggested canceling the public meeting and not approving a rate increase for this coming year. Mr. Matthewson stated he does not feel a rate increase is needed for this coming fiscal year. Mr. Iannarino stated he feels a public meeting is necessary and the Committee can take this opportunity to educate the public so they understand why rate increases are needed. Mr. Iannarino added the County needs to be proactive and sustainable. Discussion ensued.

ACTION: Mark Taylor made a motion to present the 2015 Regional Wastewater Reclamation Department's Financial Plan at a public meeting. John Lynch seconded the motion. Motion passed 9-1.

Ms. Wolf stated the public meeting is tentatively scheduled for Thursday, January 29, 2015 at 6:00 p.m. at the Water and Energy Sustainability Center. Ms. Lopez notified Ms. Wolf that 10 members have confirmed their attendance at the public meeting on January 29th. The Committee decided to wait until the regular scheduled monthly meeting, on Thursday, February 19, 2015, to discuss the outcome of the public meeting. Ms. Bowen suggested the Committee focus primarily on the Financial Plan at the February 19th meeting. Mr. Kulakofsky asked if the public can submit any questions or feedback to the Committee in lieu of attending the public meeting. Mr. Burke stated the Financial Plan and the recommendations are on the County main website page, but he can add a phone number and/or e-mail address to request a copy of the Financial Plan and/or submit written comments. Ms. Wolf confirmed the date, time, and location of the public meeting: Thursday, January 29, 2015 at 6:00 p.m. at the Water and Energy Sustainability Center.

3. FINAL 2015 WORK PLAN. The Committee discussed the agenda items for February. Jennifer C. Coyle, Special Assistant to the Director, RWRD, will notify John Warner, Deputy Director, RWRD, to be prepared to present on the South Rillito Interceptor (SRI) Status Report and make him aware that his presentation may get postponed to March in the event the Financial Plan discussion takes longer than expected. The Committee decided to postpone the Dispose-A-Med Update to another meeting. The main focus of the February meeting will be the 2015 RWRD Financial Plan. Other items on the February agenda will be the Legislative update and the SRI Update. The Committee approved the 2015 RWRAC Work Plan.

H. FUTURE AGENDA ITEMS. Mr. Kroesen asked for an update on the Roger Road Repurposing to include any new developments.

I. CALL TO THE AUDIENCE. Laura Fairbanks, Community Relations Manager, RWRD, expressed concern regarding the location of the public meeting and suggested finding a more accessible location for the meeting.

ACTION: Mark Stratton made a motion to adjourn the meeting. Mark Taylor seconded the motion. Motion passed unanimously.

J. ADJOURNMENT. The meeting was adjourned at 9:39 a.m.