



REGIONAL WASTEWATER RECLAMATION ADVISORY COMMITTEE

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

MEETING MINUTES

Thursday, January 29, 2015

COMMITTEE MEMBERS PRESENT:

Ann Marie Wolf	Bob Iannarino	Armando Membrila
Mark Taylor	Bill Katzel	Mark Stratton
Sheila Bowen	Kendall Kroesen	Jackson Jenkins
Barbee Hanson	Matt Matthewson	Alan Forrest

COMMITTEE MEMBERS ABSENT:

Rob Kulakofsky
John Lynch
Amber Smith

A. CALL TO ORDER. Ann Marie Wolf, Chair, called the public meeting of the Regional Wastewater Reclamation Advisory Committee (RWRAC) to order at 6:02 p.m. Veronica Lopez took the roll call and a quorum was present.

B. PLEDGE OF ALLEGIANCE.

C. PROPOSED SEWER USER FEE INCREASE. Ms. Wolf stated the purpose of this meeting is to provide the public an opportunity to comment on the proposed sewer user fee increase. Ms. Wolf introduced Tom Burke, Director, Finance and Risk Management Department (FRMD).

- 1. 2015 FINANCIAL PLAN.** Mr. Burke made a PowerPoint presentation describing the 2015 Regional Wastewater Reclamation Department's (RWRD) Financial Plan. Mr. Burke stated the Financial Plan includes the recommendations that the FRMD will be presenting to the Board of Supervisors. Mr. Burke announced copies of the Financial Plan are available on the County webpage, as well as at the FRMD and at the RWRD offices. The public can also send written comments online or by mail to the FRMD and/or RWRD offices.

Mr. Burke began by saying each year the rate structure of the RWRD is reviewed and to make sure the rate structure is sufficient to handle the cost of operations, the cost of debt service, and have sufficient funds to handle the requirements from the debt for adequate coverage. The RWRD Capital Program is also reviewed each year.

Mr. Burke discussed the financial assumptions for the next four years. Mr. Burke stated that the Department's revenue growth for both user fees and connection fees will be tied to population growth. Population growth is expected to be between 1.2% and 1.6% in the coming years. Another assumption

made is that the Department's costs will increase at approximately 4% per year. With regards to debt, the assumption is that the County will issue debt sufficient to pay for the capital projects as they happen. For the current year, the County is in the process of selling \$60 million of Certificates of Participation (COPs) and in the coming years the County will sell \$35 - \$45 million, per year, as the needs for the capital program continue. Mr. Burke stated the assumption for interest rates is approximately 5.5% throughout the future years. The expenditures for the Department are primarily the capital and operating expenditures. Mr. Burke went on to discuss the capital project costs. Since 2009, the Department has spent over \$700 million worth of improvements. The Department's significant project was the Regional Optimization Master Plan (ROMP) project. The recommendation of three successive 4% rate increases is to address the increasing cost of debt service for the debt incurred to implement ROMP. Mr. Burke stated the County expects lower capital needs in the coming years.

Mr. Burke discussed the system revenues by connection fees and user fees. From 2009 to the present, the Department saw a significant increase in revenues, which was due to the four rate increases that occurred in 2010 to 2013. There was no rate increase in 2014. Mr. Burke stated the Department is expecting to complete the current fiscal year with operating and maintenance (O&M) expenses of \$83.9 million. The financial analysis assumption is that the operating expenses will continue to increase by 4% each year. Mr. Burke stated the revenues are estimated to be at \$180 million and expenses at \$90 million and the County will still have to pay back debt. Mr. Burke showed a chart displaying the \$225 million of additional debt the County will have to pay from 2015 to 2019. Mr. Burke explained the debt service has historically been relatively low. It is anticipated the debt will continue to grow and by 2019 it will be up to \$85.7 million. Mr. Burke explained the debt service will remain above \$80 million for a seven year period. By Fiscal Year 2023, it is expected the debt will begin to decrease.

Mr. Burke stated the net revenues must be sufficient to meet the required debt service payments and required reserves, and to have a significant margin necessary to enable the County to maintain favorable bond ratings. Mr. Burke went on to discuss the debt service coverage ratio and the downward trend in the debt service ratio based on current projections without a rate increase. In order to maintain favorable ratings with the rating agencies, the County must maintain a debt service ratio of 130%. Mr. Burke explained the County will not be able to maintain a favorable debt service ratio without additional rate increases. If the County does not raise rates, the debt service ratio will drop under 120% by 2016-2017. Mr. Burke stated the County would still be able to pay the debt because the County has sufficient funds to make up the differential; however, it would cause a downgrade of bonds and it would cause an increase in interest rates on future bonds. Therefore, it is critical for the County to maintain favorable bond ratings and necessary for additional revenues to be generated so the percentage can be above the 130%. Mr. Burke stated a 4% increase is what would be necessary to produce a debt service ratio that remains above 130% for the next several years. Mr. Burke reiterated this is why he is recommending three 4% rate increases.

The 2015 RWRD Financial Plan recommendations are: to sell the \$60 million of COPs in the current fiscal year, the issuance of \$165 million of new sewer revenue obligations in the upcoming years, the early repayment of \$38 million of WIFA loans and sewer revenue bonds in fiscal year 2016-17, and to adopt a series of three automatic annual rate increases of 4% beginning July 1, 2015.

Mr. Burke discussed the five-year financial projection and the impact in having no rate increases and the result of having three 4% rate increases. Mr. Burke provided a summary of rate increases and the dollar impact it will have on user's average monthly sewer bill.

- 2. DISCUSSION.** Bill Katzel, RWRAC member, submitted two new articles to be submitted for the official record. (Arizona Daily Star article – "Pima County Wants Another Sewer Rate Increase," and Arizona Daily Independent – "*Pima County Wants to Raise Sewer Rates.*")

D. CALL TO THE AUDIENCE. Ms. Ingrid Saber addressed the Committee and stated she is the Treasurer for the Pima Association of Tax Payers. Ms. Saber stated she reviewed the charts and saw the balances between the expenditures and revenues. Ms. Saber asked how the County got into such debt. Ms. Saber stated in Mr. Burke's presentation she understood there would be pressure from the bond holders to increase rates. Ms. Saber stated in turn the rate payers may put pressure on the County to reduce expenses and asked if the County has looked at options to do so, such as lowering salaries, insurance costs, etc. Ms. Saber asked that the County take into consideration what she has said and to make employee's salaries public.

Sheila Bowen, read an e-mail on behalf of Joe Higgins. Mr. Higgins submitted his comments to the Town of Sahuarita. Mr. Higgins' stated, *"Help me out...isn't this a 12% increase...on top of the 40% increase we already went through in the past 4 years? Or to put it in perspective from 2001 to 2017...a 400+% increase to \$45.91 from \$11.04. The average homeowner's sewer bill rose more than 300 percent from \$11.04 in fiscal year 2001-02 to \$37.48 in fiscal year 2012-13."*

Armando Membrila addressed the Committee on behalf of the district he resides in. Mr. Membrila stated he resides in an industrial area and has spoken to neighbors, friends, and others who live within and outside his district. Mr. Membrila stated those he has spoken to are concerned with the proposed rate increases. Mr. Membrila added there are many single-parent families, families on fixed incomes, and with other utilities also raising rates, it places families in a bind. Mr. Membrila went on to say the ROMP has a life expectancy of another 50 years, and he feels those that benefit from this system in future years should also have to help pay for ROMP. Mr. Membrila stated he feels the County should consider this possibility and that he believes the County can go at least one more year without rate increases. With the economy improving, paying an increase in rates may be easier once this has occurred. Mr. Membrila stated he does not support a rate increase this year.

Ms. Wolf stated the RWRAC will hold a second public meeting to discuss the proposed rate increases on Thursday, February 19, 2015 at 8:30 a.m.

Mark Stratton asked if there is a deadline for submission of public comments. Mr. Burke stated public comments can be received up to the Board of Supervisors Hearing on March 10, 2015 when the final recommendation will be presented for approval. Mr. Burke also stated the public can also provide comment at that hearing, as well. The public can also provide comments via the County and RWRD's webpages. Ms. Wolf stated on February 19th, the RWRAC will hold a regular scheduled meeting following the public meeting on proposed rate increases.

Eric Han addressed the Committee. Mr. Han stated he is a tax payer and is frustrated with the increasing taxes. Mr. Han stated during Mr. Burke's presentation he never heard Mr. Burke identify ways to control expenditures that may offset the increases. Mr. Han added at the public meeting on February 19th it would be nice to hear how this could be done. Mr. Han also stated he heard about this meeting yesterday and was not able to prepare his comments, but hopes to have additional comments at the February 19th meeting.

Mr. Burke added that a full copy of the 2015 RWRD Financial Plan is available on the County, RWRD, and FRMD's webpages. Jackson Jenkins, Director, RWRD, announced the February 19th public meeting will begin at 8:30 a.m. and not at 8:00 a.m. as previously publicized. Ms. Wolf added the public meeting will be held at the Board of Supervisors' Hearing Room, which is located downtown. Bob Iannarino asked for clarification is Channel 12 will be streaming both meetings on February 19th. Mr. Jenkins stated he would have to inquire as to if both meetings would be streamed. Mr. Jenkins thanked the members of the public that attended this meeting and for sharing their comments.

Jeannie Davis, Chief of Staff, Supervisor Ally Miller's office, addressed the Committee. Ms. Davis stated the constituents that she spoke to today expressed anger from reading about the proposed increased rates

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in the newspaper today and have already received notice that the County may also have to raise property taxes, as well. Ms. Davis stated constituents expressed concern that they are paying more for their sewer bill than their water bill and this does not add up to them. Ms. Davis added that people are on fixed incomes and are frustrated with the continuing increases in all utility bills. Ms. Davis suggested at the next meeting that staff present options to reallocate funds or explain if the County can reprioritize in other areas or Departments to help offset these costs.

Ms. Wolf noted that all RWRAC meetings are public meetings and welcomed the public to attend and stated the public is always given an opportunity to address the Committee at each meeting. Ms. Wolf again announced the RWRAC will hold another public meeting on the proposed rate increases on Thursday, February 19, 2015 at 8:30 a.m. and the meeting will be held downtown at the Board of Supervisors' Hearing Room.

E. ADJOURNMENT. The meeting was adjourned at 7:00 p.m.