



REGIONAL WASTEWATER RECLAMATION ADVISORY COMMITTEE

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

MEETING MINUTES

Thursday, March 19, 2015

COMMITTEE MEMBERS PRESENT:

Ann Marie Wolf	Bob Iannarino	Matt Matthewson
Bill Katzel	Kendall Kroesen	Jackson Jenkins
Armando Membrila	Rob Kulakofsky	Alan Forrest
John Lynch		

COMMITTEE MEMBERS ABSENT:

Mark Taylor	Barbee Hanson
Sheila Bowen	Mark Stratton
Amber Smith	

A. CALL TO ORDER. Ann Marie Wolf, Chair, called the meeting of the Regional Wastewater Reclamation Advisory Committee (RWRAC) to order at 8:03 a.m. Barry Holbert 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. Armando Membrila reminded those present to take care when driving in the rain.

E. APPROVAL OF MINUTES.

Meeting Minutes of the Public Meeting, February 19, 2015.

ACTION: Matt Matthewson made a motion to approve the minutes of the Public Meeting of February 19, 2015. Rob Kulakofsky seconded the motion. Motion passed unanimously.

Meeting Minutes of the Regular Meeting, February 19, 2015.

ACTION: Rob Kulakofsky made a motion to approve the minutes of the Regular Meeting of February 19, 2015. John Lynch seconded the motion. Motion passed unanimously.

F. COMMITTEE/SUBCOMMITTEE REPORTS.

1. CITIZENS' WATER ADVISORY COMMITTEE (CWAC) UPDATE. Alan Forrest, Director, Tucson Water, stated last month the City of Tucson Mayor and Council approved a 7.3% rate increase which was about 1% less than earlier projections. Mr. Forrest stated the next step in the process is for

Tucson Water (TW) to determine how to spread the rate increase across its user classes by using cost of service studies. Mr. Forrest stated the public hearing to discuss the rate increase will take place in late April or early May 2015, and if approved the new rates will go into effect July 1, 2015.

Mr. Forrest stated CWAC was moving forward two alternatives. Option One, which is the option preferred by CWAC, is to reduce Block One in the Residential Rate structure from 10 centum cubic feet (ccf) to 7 ccf. Option Two leaves the Blocks in the Residential Rate structure as they are.

Mr. Forrest informed the Committee that TW is entering into a three-year agreement with the Arizona Water Banking Authority whose goal is to recharge approximately 800,000 acre feet of Central Arizona Project (CAP) water in the Tucson area. To date the Arizona Water Banking Authority has stored about half their goal (approximately 400,000 acre feet). Mr. Forrest stated the Arizona Water Banking Authority is now authorized to purchase long-term storage credits from TW, and the three-year agreement allows TW to sell up to 15,000 acre feet per year to the Arizona Water Banking Authority which amounts to revenue of approximately \$3 million per year.

2. **RWRAC FINANCIAL SUB-COMMITTEE UPDATE.** John Lynch, Chair, RWRAC Financial Sub-Committee reminded the Full Committee the Financial Sub-Committee does not anticipate meeting again until September 2015 when the budgetary process for the 2016/17 fiscal year begins.

G. DISCUSSION/ACTION.

1. DIRECTOR'S UPDATE.

- a. **OPERATIONAL UPDATE.** Jackson Jenkins, Director, Regional Wastewater Reclamation Department (RWRD), updated the Committee regarding the solids handling issues at Tres Rios. Mr. Jenkins stated the Department, in conjunction with CH2M Hill, believes the primary source of the concern is coming from the type of material coming from Agua Nueva. Mr. Jenkins stated the first evaluation to test this theory was to split the waste streams at Agua Nueva, and the initial qualitative observations are that the splitting of the waste streams is helping.

Mr. Membrilla asked if these issues were the result of a design flaw, and which organization was paying for the changes being made to try to solve these issues. Mr. Jenkins stated at this time CH2M Hill is paying for the piping changes, but the current effort was focused on solving the problem and not on assigning blame.

Mr. Lynch asked what implications this might have on maintenance costs moving forward. Mr. Jenkins stated not doing anything would drive maintenance costs up to an unacceptable level, and that after the problems are resolved the issue of cost allocation would be addressed.

Kendall Kroesen asked what implications the splitting of the flows would have on the amount of effluent being discharged to the Santa Cruz River. Mr. Jenkins stated it was the intention of the Department to keep the flow to the river sufficient to maintain the vegetation.

- b. **BIOGAS UPDATE.** Mr. Jenkins stated Anaergia/Grannus was close to an agreement with Arizona State University (ASU) to be the off-taker of the biogas. Mr. Jenkins stated the process to terminate the contract with Anaergia/Grannus requires the Department to give them a 30-day notice, and that notice has not been issued yet in order to give them time to complete their agreement with ASU.
- c. **ROGER ROAD REPURPOSING UPDATE.** Mr. Jenkins informed the Committee the Economic Development Partnership Board (EDPB) made up of Pima County staff and University of Arizona (UA) staff has been terminated. Mr. Jenkins stated County Administration had met with appropriate UA deans and had given them a 45-day timeframe to present a business case for possible uses of

the old Roger Road facility. The 45-day timeframe ends at the end of March 2015.

d. **RANDOLPH PARK WRF UPDATE.** Mr. Jenkins stated the cleanup of the Randolph Park WRF is on-going, but the membranes were going to be left in the tanks until the City of Tucson Council and the Pima County Board of Supervisors sign off on the amendments to the Intergovernmental Agreement (IGA).

2. **SEWER OUTREACH SUBSIDY (SOS) PROGRAM UPDATE.** Mr. Jenkins presented a PowerPoint presentation entitled, "Sewer Outreach Subsidy." Mr. Jenkins reviewed the eligibility requirements for the program which are based upon the Federal Poverty Guidelines. Mr. Jenkins provided a brief overview of the history of the program dating back to July 1, 2007, and reminded the Committee that in 2007 the subsidy applied only to the volumetric portion of the sewer user fee whereas now the subsidy applies to both the volumetric and service fee portions of the sewer user fee. Mr. Jenkins stated the Department is exploring the idea of allowing fixed-income customers to renew their eligibility on a triennial basis rather than on the current annual basis. Mr. Jenkins stated the Department currently is not billing approximately \$1.1 million in revenue due to the subsidies of this program.

Mr. Forrest gave a brief overview of the TW subsidy program for purposes of comparison with the RWRD SOS program.

Bob Iannarino stated with a targeted \$180 million revenue budget RWRD should be able to double or even triple the amount of revenue not billed in the SOS program and still counteract that amount with offsets elsewhere in the budget.

Ms. Wolf asked if the Department was exploring ways to increase its outreach into the community with respect to the SOS program. Mr. Jenkins stated in conversations with the Pima County Community Services Department the indications were that increased outreach would require increased staff; and this in turn would increase costs to RWRD.

3. FINANCIAL UPDATE.

a. **RWRD FISCAL YEAR 2014/2015 BUDGET.** Patrick McGee, Division Manager, Finance and Risk Management Department (FRMD) presented the Period 7 Expense and Revenue Comparisons. Mr. McGee stated the Operations and Maintenance (O&M) budget was forecasted to be approximately \$383,000 under budget, mostly due to the cessation of operations at the Randolph Park WRF. Mr. McGee stated the Contra, Capital, and Debt Service budget was forecasted to be approximately \$335,000 over budget, due to the retirement of several Conveyance assets. Mr. McGee stated the Revenue budget is forecasted to be approximately \$670,000 over budget due to the Pasqua Yaqui settlement as well as to unbudgeted interest earnings.

b. **MARCH 10, 2015 BOARD OF SUPERVISORS MEETING UPDATE.** Mr. Jenkins provided an overview of the March 10, 2015 Board of Supervisors meeting at which the proposed rate increases were on the agenda. Mr. Jenkins stated after much discussion the Board of Supervisors tabled the item related to rate increases and that item will be reheard on April 14, 2015. Mr. Jenkins indicated staff is preparing a memo to the Board of Supervisors in response to the questions and/comments the members of the Board had during the March 10, 2015 meeting.

Mr. Lynch asked if the Board had concerns or questions regarding issues that either the Finance Sub-Committee or the Full Committee had not dealt with in past meetings. Mr. Jenkins stated it appeared there were a number of Board members who felt that the Department had changed its narrative regarding rate increases and the need for them. Mr. Jenkins also reviewed some of the larger cost items within the RWRD budget.

Mr. Iannarino stated when the Department initiated the Regional Optimization Master Plan (ROMP) it was pre-recession and growth and revenue projections were significantly higher than what came about.

Mr. Jenkins reminded the Committee that although ROMP is the biggest driver of debt service there are other factors that also contribute: infrastructure investment, declining flow volumes, and connection fee losses. Mr. Jenkins stated in the past the Department was not investing in its infrastructure at a sufficient amount, and that spending has had to increase in order to move the Department to a place where it is adequately maintaining its infrastructure. Mr. Jenkins explained that although the region has seen minimal population growth, flow volumes have been steadily decreasing over the past several years and that the bulk of the Department's revenue comes from the volumetric component of a customer's sewer user fee.

Mr. Lynch asked that the Committee consider a "lessons learned" after the Board of Supervisors has made its final decision in order to find ways for the members of the Committee to better communicate the needs of the Department to their respective Board members.

Ms. Wolf asked that the response memo to the Board be distributed to the Committee for their next regular meeting.

Mr. Membrilla suggested greater use of electronic media for outreach purposes in order to inform the general public of the issues and contributing factors surrounding these proposed rate increases.

4. COUNTY LEGISLATIVE AGENDA. John Bernal, Deputy County Administrator for Public Works addressed the Committee regarding the nearly completed State Legislative session and its impacts on Pima County. Mr. Bernal also thanked the Committee for its work on behalf of the Board of Supervisors.

Mr. Bernal stated the highest priority for the County's agenda for the current legislative session was road revenue, and the second highest priority was to protect the County's resources. Mr. Bernal stated due to issues at the State level, the County is now facing some very difficult management choices related to how it finishes this current fiscal year and how it budgets for next fiscal year. Mr. Bernal reviewed a handout entitled, "The County Levies Property Taxes for the State, State Budget Impacts on County Property Taxes." Mr. Bernal noted the item entitled "Homeowner Tax Rebate" could possibly be between \$7.8 million and \$18.6 million in fiscal year 2015/16. Mr. Bernal indicated this handout was part of a memo from the County Administrator to the Board of Supervisors entitled "State Budget Transfers – Additional Information Regarding Legislative Action", dated March 13, 2015.

Mr. Bernal indicated the County's budget hearings begin on April 7, 2015, and that the Board would be very sensitive to raising sewer user rates at the same time it may be raising property taxes.

Mr. Bernal reminded the Committee that with ROMP, the Department has added significantly to the capacity of the Treatment system, but that moving forward it must also continue to maintain its Conveyance system. Mr. Bernal used the example of adding to roadway capacity at the expense of road maintenance and indicated that the County could not do the same thing with respect to wastewater.

Mr. Bernal stated the County Administrator in his communications with the Board has indicated that he feels that in some ways Pima County is being targeted by the State Legislature because the County is disproportionately taking on some of the burdens the State budget has put forth. Mr. Bernal reviewed

the Property Tax Oversight Commission and its effects on the Homeowner Tax Rebate.

Mr. Kulakofsky indicated the City of Tucson also feels they are being targeted by the State Legislature.

- 5. COUNTY ADMINISTRATOR'S ECONOMIC REPORT UPDATE.** Jaime Rivera, CIP Program Manager, presented a PowerPoint presentation entitled, "Pima County Economic Development Plan." Mr. Rivera indicated that one of the significant items in the Economic Development Plan was the Aerospace Corridor. Mr. Rivera reviewed both the South East Interceptor Augmentation (SEI) and the Old Nogales Highway Rehabilitation and Augmentation (ONH) as they relate to the Aerospace Corridor Augmentation Project. Mr. Rivera stated the goal of the Department was to select a Construction Manager at Risk (CMAR) for the SEI within the next two to three months. Mr. Rivera stated the design and construction budget for the SEI was \$13 million. Mr. Rivera stated the ONH is in the final alignment study stage and has a design and construction budget of \$30 million. Mr. Rivera stated the Aerospace Corridor Augmentation is in the final alignment study stage and has a design and construction budget of \$10 million.

Mr. Kulakofsky asked how these projects were being funded. Mr. Jenkins stated these projects were already in the Department's approved Capital Improvement Project budget and in the Financial Plan.

Mr. Bernal stated the County is not attractive to new businesses coming to this area largely because of lack of infrastructure development and the County Administrator's Economic Report seeks to address those issues.

Discussion ensued regarding large businesses versus small, local employers and the effects on the local economy.

Ms. Wolf asked if it were possible for the Committee to review the Economic Report. Mr. Bernal stated the Report was available for review and comment. Mr. Jenkins stated the Report was available on the County's website.

Mr. Matthewson asked if any consideration was being given to building a sub-regional plant in the western section of the area surrounding the Aerospace Corridor for the purposes of producing reclaimed water for the area and for discharging effluent to the river. Mr. Jenkins stated his opinion is that it does not make sense to put in a sub-regional plant in that particular area.

- H. FUTURE AGENDA ITEMS.** Ms. Wolf announced the future agenda items are: the RWRD Budget, Odor Control update, Planning & Engineering update, Tucson Water Status update, the Board of Supervisors/Financial Plan update, and an update on Community Outreach. Ms. Wolf asked that a specific bullet point be added to the Budget Update regarding possible RWRD budget changes that may result from the issues surrounding the County's budget in light of how the State is balancing its budget.

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

ACTION: Armando Membrila made a motion to adjourn the meeting. John Lynch seconded the motion. Motion passed unanimously.

- J. ADJOURNMENT.** The meeting was adjourned at 9:40 a.m.