

REGIONAL WASTEWATER RECLAMATION ADVISORY COMMITTEE (RWRAC) MEETING

Pima County Administration Building

130 W. Congress, 1st Floor – Board of Supervisors Hearing Room

Thursday, March 23, 2017, 8:30 a.m.

Members Present: William Garner, Bill Katzel, John Lynch, Corin Marron, Shaun McClusky, Matt Matthewson, Armando Membrila, Amber Smith, Mark Stratton, Mark Taylor, Ann Marie Wolf

Others Present: Mary Allen (RWRD), Marla Berry (RWRD), Beth Borozan (BOS – D4), Hon. Steve Christy (BOS – D4), Shawn Cote (SAHBA), Carmine DeBonis (RWRD), Keith Dommer (FRMD), Barbara Escobar (RWRD), Adriana Fuentes (RWRD), Jennifer C. Coyle (RWRD), David Godlewski (SAHBA), Jackson Jenkins (RWRD), Carol Johnson (RWRD), Bart Kreps (Raftelis Financial Consultants), Maria Klucarova (BOS – D3), Patrick McGee (FRMD), Julie McWilliams (RWRD), Eric Nelson (RWRD), Matt Orto (ITD), Jeff Prevatt (RWRD), Fernanda Quintanilla (RWRD), Xavier Rendon (FRMD), Caroline Vargas (RWRD), John Warner (RWRD), Charles Wesselhoft (PCAO), Eric Wieduwilt (RWRD), Monica Wilson (Town of Sahuarita)

A. Call to Order / Roll Call

Amber Smith, Chair, Regional Wastewater Reclamation Advisory Committee (RWRAC), called the meeting to order at 9:04 a.m., Adriana Fuentes, Administrative Specialist, Regional Wastewater Reclamation Department (RWRD), took 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

Bill Katzel, Member, RWRAC, suggested driving at a slower speed on the freeway when there is construction, as well as weather that could impact driving conditions.

E. Approval of Minutes – Meeting Minutes of February 23, 2017.

ACTION: Armando Membrila made a motion to approve the meeting minutes of February 23, 2017. Mark Stratton seconded. Motion passed unanimously.

F. Discussion/Action

1. Rate Study Preliminary Results

Jackson Jenkins, Director, Regional Wastewater Reclamation Department (RWRD), stated it was requested that Raftelis Financial Consultants change the name of the study to Rate Structure Study to avoid confusion as this focuses more on the methodology of the study.

Bart Kreps, Program Manager, Raftelis Financial Consultants, stated the presentation will provide an overview of the study, a utility cost overview, rate structure alternatives, bill comparisons, and affordability. The primary purpose of the study was to conduct a cost of service analysis, which included the process of allocating costs to customer classes based on how the wastewater system is used. The study did not include a determination of revenue requirements. Mr. Kreps stated there is an industry imbalance between utility costs and revenue recovery and continued to discuss utility expenditures and variable costs. Mr. Kreps went on to discuss the two components of the existing rate structure (service fee and volumetric rate). In December 2016, feedback was received from the RWRAC to consider separating commercial customers from the general commercial class and to also target commercial customers whose discharge is primarily from a restroom and hand sink. Mr. Kreps stated he worked with County staff to complete a wastewater strength assessment and explained the process that was performed. With regards to high strength factors, Mr. Kreps

stated samples from 2013, 2015 and 2017 were reviewed. Mr. Kreps discussed each of the four rate structure alternatives. Mr. Kreps presented tables showing the various alternatives for high strength factors, rate structure, and the monthly residential and commercial impacts.

Mr. Kreps discussed the top pricing objectives for the four alternatives. The objectives that were reviewed with re-designing the rates were: revenue stability, cost of service based allocations, simple to understand and update, and affordability. The objectives for alternatives one and two were similar. Alternative three would have a significant improvement in revenue stability, but would have high impacts on low volume residential customers. Mr. Kreps stated they could not recommend alternative four as the link to cost of service through recent subsidizing between classes and trying to put everything on a fixed charge.

Mr. Kreps stated when it comes to bill comparison and comparing RWRD to other utilities, it is difficult to do and explained why. In reviewing the affordability aspect of the study, Mr. Kreps stated they used data from Tucson Water and mapped that to zip codes and looked at the average bill for each zip code. The analysis showed that consumption in low income zip codes were slightly less than the residential average. The average bill by zip code is not above a 2% median household income. Mr. Kreps stated customers currently enrolled in the affordability program have similar consumption patterns compared to the residential class. Discussion ensued regarding high strength factors.

Ann Marie Wolf, Member, RWRAC, stated she voted for a rate study not a rate structure. Ms. Wolf stated she does not think simplifying the process is equitable and feels conserving water is important so taking away the volumetric factor is taking away something that is important to our community. Ms. Wolf stated she is also concerned with putting more costs on low income families. Mark Taylor, Vice-Chair, RWRAC, asked if it is difficult to continue to use 16 categories instead of going to five categories. Mr. Kreps stated they are trying to find common ground with the pricing objectives that were identified as important. William Garner, Member, RWRAC, stated he believes the challenge is the volume and has concern that there are things in our system that needs to be looked at. Mr. Garner added that he feels there should be an auditing of businesses on an ongoing basis. Mr. Garner stated he does not understand the rush to go from 16 to five classifications. Armando Membrilla, Member, RWRAC, asked if there was a cost analysis performed between the five and 16 classifications to determine what the cost actually is between the two. Mr. Kreps stated yes there was costs were allocated to each customer class as part of this process. Ms. Smith stated the reason revenues are lower than projected is due to variables in the water conservation at Tucson Water is on a volumetric basis. Ms. Smith asked what the increased cost to the department is in maintaining more classifications. Jeff Prevatt, Research and Innovation Leader, RWRD, explained there used to be over 46 classes and how/why that was lowered to 16. Discussion ensued regarding the various classifications and the administrative costs associated with management/review of accounts. Mr. Garner suggested making this topic a future agenda item for further discussion.

Mr. Taylor asked if Raftelis' presentation will be shared with the Board of Supervisors (BOS). Mr. Jenkins stated per the BOS request, it will be shared with them prior to their April 18th meeting when they make their decision on the proposed connection and user fee increases. Matt Matthewson, Member, RWRAC, stated when this presentation is provided to the BOS, it is important to define what the objective of this study was. Mr. Jenkins stated the purpose of this study is to assist in improving/resolving issues in the billing program and expects the dialogue will continue regarding the rate study structure. Ms. Smith stated the question remains as to how the rate increases will impact constituents and the expectation from this study was to see how this would impact the various class of customers. Mr. Katzel asked if there is any way the packet can be annotated with the committee's concerns prior to being submitted to the BOS. Mr. Jenkins stated if the committee has recommendations they can submit to staff and the department will take those into consideration prior to submitting the presentation to the BOS. Mr. Katzel suggested a review of the number of classification changes would provide the BOS with additional information. Discussion ensued.

2. Pima County Administrative Overhead Presentation

Ms. Smith requested that this item be listed as a future agenda item.

3. Fiscal Year 2016/17 Financial Update

Patrick McGee, Division Manager, Finance and Risk Management Department (FRMD), provided an overview of RWRD's expenses and revenues for Period 8. The operations and maintenance expenses were

approximately \$2.2 million under the budgeted amount. The projections for revenues are approximately \$2.5 million under budget.

4. Director's Update

Mr. Jenkins provided an update on the Sewer Amnesty Program, which began January 1, 2017 and will run through June 30, 2017. Approximately 1,700 mailers were sent out, and to date 356 forms have been returned.

Mr. Jenkins reiterated that staff will schedule Open Meeting Law training for any committee member that is interested. Mr. Jenkins reminded the committee that if seven or more committee members are present at a subcommittee meeting, it constitutes a quorum of the full RWRAC and would then have to be noticed as such. At the last RWRAC Financial Subcommittee Meeting, two committee members were attending as "public", and unfortunately, one committee member had to leave the meeting. Mr. Jenkins stated he appreciates the interest in the discussions of the subcommittees; however, the purpose of the subcommittees are to report any information/details discussed at the subcommittee meeting to the full RWRAC. If there is a topic of high interest that is going to be discussed at a subcommittee meeting, then perhaps the item should be discussed at the regular RWRAC monthly meeting with all members. John Lynch, Member, RWRAC, encouraged those that cannot attend the subcommittee meetings to listen to the audio from the meetings online.

Mr. Jenkins invited the committee to attend the Arizona Water Reception on April 12, 2017 from 5pm to 7pm at the Fox Theater.

G. Other Committee/Subcommittee Reports

1. Citizens' Water Advisory Committee (CWAC) Update

No update was provided.

2. Capital Improvement Program Subcommittee Update

Mr. Matthewson stated Shaun McClusky, Member, RWRAC was elected to serve as the Vice-Chair of the Capital Improvement Program (CIP) Subcommittee. Mr. Matthewson stated the subcommittee received a very good presentation on the aerospace project from John Warner, Deputy Director, RWRD and Jaime Rivera, Program Manager, RWRD, and it can be presented to the full RWRAC if requested. The subcommittee also reviewed RWRD's five-year CIP plan. Mr. Matthewson stated at the next meeting, the subcommittee will be reviewing and discussing what can be expected of the department in meeting the requirements for a 10-year plan. The subcommittee will also evaluate whether a CIP subcommittee is necessary. The subcommittee is scheduled to meet quarterly and the next meeting is scheduled for June 20, 2017 at 10:30 am. The meeting may be held downtown as it is more convenient for the subcommittee members.

3. Financial Subcommittee Update

Mr. Lynch stated the Financial Subcommittee received the same presentation that was presented today by Raftelis.

H. Future Agenda Items

- Pima County Administrative Overhead Presentation
- Concept of scheduling a joint RWRAC/CWAC meeting to develop topics that would be beneficial to both committees.
- Work Plan – County Legislative Update if there are any matters that will impact the department.

Mr. Katzel requested data that shows when the rates will level off. Keith Dommer, Director, FRMD, will provide a one-page handout summarizing this information.

Call to the Audience – There were no comments from the audience.

I. Adjournment

ACTION: Armando Membrilla made a motion to adjourn the meeting. Mark Stratton seconded the motion. The meeting was adjourned at 10:57 a.m.