

REGIONAL WASTEWATER RECLAMATION ADVISORY COMMITTEE (RWRAC) MEETING

Water Campus

2955 W. Calle Agua Nueva – Radon Conference Room

Thursday, May 24, 2018, 8:00 a.m.

Members Present:, Bill Katzel (via phone), Rob Kulakofsky, John Lynch, Corin Marron, Jean McLain, Matt Matthewson (via phone), Armando Membrilla, Asia Philbin

Members Absent: William Garner, Shaun McClusky, Mark Taylor, Ann Marie Wolf

Others Present: Mandy Armenta (FRMD), Marla Berry (RWRD), Michelle Campagne (FRMD), Isai Centeno (FRMD), Jennifer C. Coyle (RWRD), Barbara Escobar (RWRD), Jason Grodman (RWRD), Jackson Jenkins (RWRD), Veronica Lopez (RWRD), Julie McWilliams (RWRD), Jeanette Montano (RWRD), Jeff Prevatt (RWRD), Xavier Rendon (FRMD), Jaime Rivera (RWRD), Timothy Thomure (Tucson Water), Caroline Vargas (RWRD), Chuck Wesselhoft (PCAO), Eric Wieduwilt (RWRD)

A. Call to Order / Roll Call

Corin Marron, Regional Wastewater Reclamation Advisory Committee (RWRAC), called the meeting to order at 8:07 a.m. Veronica Lopez, Program Coordinator, 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

Jackson Jenkins, Director, RWRD, reminded everyone of the importance of using personal protective equipment and to also inspect any equipment (ladders, ropes, lanyards, etc.) prior to use for safety reasons.

E. Approval of Minutes – Meeting Minutes for April 26, 2018

ACTION: John Lynch made a motion to approve the meeting minutes of April 26, 2018. Armando Membrilla seconded the motion. Motion passed unanimously.

F. Discussion/Action

1. Director's Update

Mr. Jenkins stated at next month's meeting, staff will present on the closure and inspection at the Mount Lemmon facility. Mr. Jenkins stated the facility is back in service and the facility was in better condition than originally thought after 30 years of continuing service.

Mr. Jenkins stated the Arizona Department of Transportation (ADOT) is responsible for the overpass project on Ina Road and I-10 had significant impact on RWRD. ADOT re-routed pipelines that were in conflict with the project and RWRD is responsible for payment of this work. It was originally estimated this work would cost \$1.2 million, but now the actual cost is closer to \$2.5 million. RWRD will review these types of estimates from other entities more closely on these large projects.

Mr. Jenkins reported a fuse blew at the Agua Nueva facility and caused another power failure. This power failure created some issues for the facility; however, it was a good practice run for staff as it caused them to

run-through emergency response planning and procedures. Mr. Jenkins stated generators were used to assist with keeping some of the operations running. Mr. Jenkins stated staff will continue to review and evaluate on what needs to occur to ensure the operations of the department can continue to function in the event of another power outage and/or emergency.

During the RWRD and Tucson Water monthly meeting last month, a discussion was held regarding Tucson Water's evaluation of a new user fee charge for residents in the City limits. Timothy Thomure, Director, Tucson Water, stated the City is reviewing a range of options for potential revenue sources, as well as cost saving measures.

Mr. Jenkins provided information on the long-term contract with Robson to purchase effluent in Green Valley. In November the deal will revert to an index that is closer to the CAP index and will return to the market value.

Mr. Jenkins noted that both Jean McLain and Asia Philbin, RWRAC members, have been reappointed by their respective organizations. Both were fulfilling the terms of their predecessors and now will serve a full four-year term. These reappointments are scheduled for approval by the Board of Supervisors (BOS) on June 19, 2018. With Amber Smith stepping down from the RWRAC, Supervisor Sharon Bronson has appointed Claire Zucker to serve as one of her representatives for District 3.

2. Financial Subcommittee Update

John Lynch, RWRAC Financial Subcommittee Chair, provided an update. Mr. Lynch stated the Financial Subcommittee continued to review and discuss the three topics regarding the modifications to the rate structure. Mr. Lynch stated the Financial Subcommittee agreed with staff that these items be presented to the full committee and engage in more dialogue on these topics. Mr. Jenkins stated although there is no timeline with making a final determination on these items, he would like to continue to move forward. Mr. Lynch added that it would be beneficial for the committee members to discuss these topics with the BOS and mitigate any concerns they may have and to provide information.

3. Presentation on Residential Sewer User Fee Rate Structure

Jennifer C. Coyle, Special Assistant to the Director, RWRD, gave a PowerPoint presentation and stated the Financial Subcommittee received this presentation at their April meeting. Ms. Coyle discussed the current rate structure. There are approximately 235,500 residential customers with Tucson Water and out of those, approximately 4,500 are limited income customers. The current rate structure is outlined in Pima County Code 13.24, Sanitary Sewer User Fees. Ms. Coyle discussed the current service fee and rate. Ms. Coyle explained the majority of costs that are incurred are fixed and the majority of revenues that are recovered are variable. Billing costs continue to rise and there are inconsistencies with billing by the smaller water companies.

Ms. Coyle provided alternatives that may be considered with the residential sewer user fee billing, which are: 1) no change, 2) future rate increases only on the fixed service fee, 3) adjust the current formula, 4) automatic rate increases as water usage goes down, and 5) a non-volumetric flat charge. The department is recommending the non-volumetric flat charge. This recommendation would provide for revenue stability, reduced billing costs, it is easy for customers to understand, and it would eliminate bill volatility. Ms. McLain asked if the department has reviewed what the average residential monthly bill would be under this recommendation. Ms. Coyle responded that staff is currently reviewing that data to come up with a number. Mr. Jenkins stated the average user bill is 7ccf and there would be a reduction in the bill. Discussion ensued.

Mr. Jenkins reiterated that the department is conserving water by either reuse or recharge to return to the community for beneficial use. Bill Katzel, Member, RWRAC, asked if the rate would be permanently fixed and if there is anything that can be done for those customers that will see 50% increase or more in their monthly bills. Mr. Jenkins stated a request for rate increases are not foreseen at this time and with paying down the debt, there is even a possibility of seeing a reduction of rates at some point. Ms. Marron stated the committee and staff will continue these discussions at future meetings.

4. Fiscal Year 2017/2018 RWRD Expense and Revenue Update

Mandy Armenta, Administrative Support Services Manager, FRMD, provided the expense and revenue update for Period 10. The total operating and maintenance (O&M) expenses projections are \$83.3 million, which is approximately \$2 million under budget. Total revenues are forecasted at \$177.4 million, which is \$4.4 million above the projected budget.

5. Tucson Water Financial Plan Presentation

Mr. Thomure gave a PowerPoint presentation, which provided an overview of the 2018 Financial Plan and water rates. Mr. Thomure provided what the average water bill breakdown is. The proposed FY 2019 budget for O&M is \$194.9 million and \$57.3 million is debt service. The capital budget for FY 2019 through 2023 is \$339.6 million. Mr. Thomure explained what drives rate changes. Mr. Thomure stated the proposal is to adopt a four-year rate adjustment based on gradually declining annual revenue increases, annual reclaimed water rate increases, and to continue the rate smoothing practice. Mr. Thomure discussed the goals of the proposed rate adjustments.

Mr. Thomure went over how much water the average single family customer uses in a month and what their monthly bill looks like from the current year to FY 2022. Mr. Thomure provided an overview on the working capital/cash reserves, debt service coverages, and total reclaimed system costs. Tucson Water is currently in a two-year rate schedule and are now recommending a four-year schedule (FY 2019 through FY 2022). Some of the benefits of going to a four-year schedule is it will improve revenue stability, supports long-term planning, helps bond ratings, and it commits the utility to a downward trend. Matt Matthewson, Member, RWRAC, asked for the PowerPoint presentation be sent to the committee.

6. Citizens' Water Advisory Committee (CWAC) Update

Ms. McLain provided the CWAC Update and stated the committee met on May 9, 2018. The committee received a presentation from Andrew Greenhill on the Legislative Update and there was no progress on water issues. Mr. Thomure also gave an update on the public rate Town Hall meetings. Mr. Thomure noted that Tucson Water received six awards from the AZ Water Association, including the Large System of the Year award.

7. Capital Improvement Program Subcommittee Update

Mr. Matthewson, RWRAC CIP Subcommittee Chair, stated the CIP Subcommittee will hold a meeting on June 12th at 3:00 p.m. at the Conveyance Division. Mr. Matthewson stated the subcommittee will review the department's Facility Plan and asked the subcommittee members to review the Plan prior to the meeting.

G. Future Agenda Items

- Presentation on the Number of Industrial Classes
- Mount Lemmon WRF Report/Update
- Nomination and Vote on RWRAC Chair and Vice-Chair for FY 2018/2019

Other Agenda Items:

- Section 208 Plan Update
- Conserve to Enhance Presentation
- Dispose-A-Med: Policy Options

The committee determined they will not hold a meeting in July.

Call to the Audience – Mr. Lynch recommended the committee read the May Pipeline on the re-purposing of boneyard retired equipment and commended the department on this.

H. Adjournment

ACTION: Rob Kulakofsky made a motion to adjourn the meeting. Jean McLain seconded the motion. The meeting was adjourned at 9:39 a.m.