



REGIONAL WASTEWATER RECLAMATION ADVISORY COMMITTEE

Transamerica Building
Pima Association of Governments'
177 N. Church Avenue, 5th Floor Conference Room

MEETING MINUTES

Thursday, July 19, 2012

Committee Members Present:

Ann Marie Wolf	Barbee Hanson	Amber Smith
John Lynch	Kendall Kroesen	Mark Taylor
Sheila Bowen	Rob Kulakofsky	Jackson Jenkins
John Carlson	Armando Membrilla	Jeff Biggs

Committee Members Absent:

Bill Katzel	Bob Iannarino
Mark Stratton	

A. CALL TO ORDER. Ann Marie Wolf, Chair, called the meeting of the Regional Wastewater Reclamation Advisory Committee (RWRAC) to order at 7:55 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. APPROVAL OF MINUTES.

1. Meeting Minutes of June 21, 2012

John Lynch, Vice-Chair, asked Mark Taylor for clarification on his comment at the previous meeting during the Citizen's Water Advisory Committee (CWAC) update, the minutes indicated that Tucson Water rates increased by 8.3% as adopted. However, Mr. Lynch stated that the notes he took indicated the overall effective increase was 8.3%. Mr. Taylor confirmed Mr. Lynch's notes are correct. Mr. Lynch asked that the minutes be corrected to reflect this statement and Ed Curley stated the minutes will be revised as such.

ACTION: Barbee Hanson made a motion to approve the minutes of the June 21, 2012 meeting. Kendall Kroesen seconded the motion. Motion passed unanimously.

E. COMMITTEE/SUBCOMMITTEE REPORTS.

1. **CITIZENS' WATER ADVISORY COMMITTEE.** Mark Taylor stated he had nothing to report since the CWAC has not had a meeting due to a summer break.

F. DISCUSSION/ACTION.

- 1. DIRECTOR'S UPDATE.** Jackson Jenkins, Director, Regional Wastewater Reclamation Department (RWRD), first discussed the Regional Optimization Master Plan (ROMP) project. Mr. Jenkins stated that the ROMP project is continuing to go very well and the final construction of the Ina Road Project is being completed in three phases. The first phase is scheduled to begin August 21, 2012, but due to the recent rain we have received over the past few weeks, it may cause a slight delay with the start date. Mr. Jenkins noted that he and staff also have a meeting this morning on this project to discuss Phase I of the Ina Road Project.

Mr. Jenkins stated that RWRD staff is working diligently with Finance staff to finalize year-end costs in the PimaCore Advantage AMS System. Michelle Hamilton, Finance and Risk Management Department (FRMD), will provide an update on where RWRD stands with the budget.

Mr. Jenkins reported the department did not have any major issues, such as Sewer Sanitary Overflows or sewer spills, during the recent monsoon storms. There were some minor power incidents, but there were no regulatory issues. Mr. Jenkins commended staff for doing a good job in dealing with this and keeping the plants running with no major issues.

Mr. Jenkins mentioned that with the ROMP program, RWRD has been upgrading their wastewater treatment facilities and the department's focus for CIP expenditures has been on this program. The department is now shifting some its CIP focus towards the conveyance system. Mr. Jenkins stated that both John Warner and Eric Wieduwilt, Deputy Directors, have been working closely on optimizing how sewer rehabilitation is done and this may be of interest to the Committee.

Mr. Jenkins stated that the RWRD has completed a 5-year strategic plan, as well as an annual work plan that supports the strategic plan. The strategic plan focuses on five key areas within the department, which are Human Resources, Regulatory Compliance, Safety Culture, Customer Service and Financial Responsibility. Ms. Wolf asked if the strategic plan is finalized or will the Committee have an opportunity to comment on it. Mr. Jenkins stated that it is final, however; staff is always willing to re-visit the plan and refine it, if needed. Mr. Jenkins mentioned the management and strategic teams, along with some stakeholders, are scheduled to hold an all-day retreat on August 17, 2012. Ms. Wolf asked the Committee to review the strategic plan that was included in the meeting packet and provide any comments to staff before August 17th.

- 2. MARANA WASTEWATER RECLAMATION FACILITY UPDATE.** Mr. Jenkins stated that recently the Court of Appeals has ruled that the TOM lacks proper voter authorization for its current operation of the Marana Wastewater Reclamation Facility (MWRF). The TOM has appealed and requested the Court reconsider this decision.

Another issue, is with the TOM taking over the facility on January 3, 2012, per SB 1171, the Town has yet to make payments on the outstanding indebtedness as stated under the SB 1171 legislation. An interest payment was made in January, but no other payments have been made by the Town. RWRD is continuing to make debt service payments due on the bonds for the MWRF.

Amber Smith asked if the outstanding bond payment could cause a long-term financial impact and if an analysis has been done to determine that. Mr. Jenkins stated that no analysis has

been done, but he expects that if the TOM keeps ownership of the facility that the County will be paid for it. Mr. Jenkins stated that the County can cover expenses for a period of time, but the TOM would have to pay that money back. Ms. Smith commented that the County is receiving no revenue on the MWRf, but is incurring the expense of the debt. Ms. Wolf asked what the amount owed is. Mr. Jenkins replied that it is \$16.5 million, which includes the interest tied to outstanding debt service. Ms. Wolf asked when this would become a concern. Mr. Jenkins stated that this is a minor concern now, but expects the TOM will pay the County the interest and bond payments. Mr. Lynch asked for clarification as to if the department did in fact budget for this year, to cover the bond payments for the MWRf. Mr. Jenkins replied that the department budgeted for the operations and maintenance of the facility, but not for the capital payments. Mr. Jenkins stated that a payment from the TOM is due September 1, 2012. Ms. Wolf asked Mr. Jenkins if he would keep the Committee informed as to if a payment is received.

3. **FY 2011/12 BUDGET & FY 2012/13 FINANCIAL PLAN UPDATE/BUDGET.** Michelle Hamilton, FRMD, began by saying the information she has is up to June 30, 2012. Of the \$72.9 million budget for FY 2011/12, the RWRD has spent \$67.8 million, which is approximately 93%. Ms. Hamilton stated staff is continuing to process data for 2012 and will continue to do so until mid-August. Ms. Hamilton noted that a more accurate financial update will be provided at next month's meeting once all the data has been entered into the Advantage AMS system.
4. **SEWER CONNECTION FEE ORDINANCE UPDATE.** Eric Wieduwilt, Deputy Director, RWRD, pointed out that a draft ordinance was included in the Committee's meeting packets and this is the ordinance that the department plans to present to the Board of Supervisors (BOS) on August 20, 2012. Mr. Wieduwilt stated that the challenging part of this ordinance is going to be in the details of how to implement it. Mr. Wieduwilt reminded the Committee that the BOS requested the RWRD to develop a plan to issue refunds to applicants from May 15, 2012 to June 30, 2012. Mr. Wieduwilt explained that this will be a web-based system and discussed the timelines and how the process for the refunds and credits will work. Mr. Wieduwilt added that these credits are non-transferrable.

Sheila Bowen asked if the credits go into the builder's accounts and asked if they are valid only until December 2012. Mr. Wieduwilt replied that the credits are valid after December 2012 and go into a specific credit account for that applicant. Mr. Wieduwilt added that the time period to use these credits would start once the BOS adopts this, which is 12-months for residential and 18-months for commercial. Ms. Wolf clarified that the applicants have until the end of December to apply, and then 12-months for residential and 18-months for commercial, to use the credits. Mr. Jenkins stated yes, the applicants must apply on-time and use the credits within the time allowed. All credits will expire on the same date. Armando Membrilla asked if there are any or will there be any exceptions. Mr. Wieduwilt stated the department is trying not to allow any exceptions and is trying to make this process as clear as possible. However, if the Committee has any examples, staff would appreciate input. Ms. Smith asked who the credit/refund will go to. Mr. Wieduwilt replied that the credit/refund will be given to the applicant. Ms. Bowen asked if applicants of custom homes will receive a refund. Mr. Wieduwilt stated that anyone who paid any connection fees for the time period of May 15 through June 30 is eligible for a refund for the difference in the fee methods. Ms. Smith stated sometimes the architect pulls the application, but it is the developer who pays for it and asked how issuing a refund/credit will be handled in this situation. Charles Wesslehoft, Deputy County Attorney, stated the applicant is the person on record; therefore, the refund/credit will be issued to them.

Ms. Wolf reiterated to the Committee this ordinance will be presented to the BOS on August 20, 2012 and asked if any members had any comments or suggestions. Mr. Wieduwilt stated there is some time for comment and the Committee members could get their comments to Mr. Curley and he will pass along to appropriate staff.

Rob Kulakofsky commented that he feels it is unfair to apply credits for the period before May. Mr. Membrilla asked if the Committee submits comments, how staff will handle comment resolution prior to being sent to the BOS. Mr. Wieduwilt stated it could not be done through another formal Committee meeting. Staff would take the comments and work with Ms. Wolf and Mr. Curley to have dialog, if necessary. Ms. Wolf stated that the Committee could change the August monthly meeting date, if needed. Discussion ensued regarding any comments the Committee may have and how they could discuss these comments as a group without violating the Open Meeting Law. Ms. Smith suggested any Committee member who has comments, submit those comments to Mr. Curley and then he could issue a report back to the Committee members. Mr. Curley stated he and staff could do that. Ms. Bowen asked that any comments received from Committee members be included in the packet that is sent to the BOS.

The Committee agreed that comments should be provided to Mr. Wieduwilt by July 30th. Mr. Wieduwilt stated that a response will be given back to the Committee by August 3rd.

- 5. BIOSOLIDS/BIOGAS MASTER PLAN.** Mr. Jenkins stated that biosolids and biogas is one of the components of ROMP and the department is in the process of trying to determine what to do with these two key components.

Mr. Jenkins recognized RWRD staff that is highly involved with this process. Michael Gritzuk retired as the RWRD Director and is now doing a great job assisting the department by working as a consultant on the ROMP program. Jing Luo is an Engineering Manager and has also been assigned as the Project Manager on the Biosolids/Biogas Master Plan. Mr. Jenkins introduced Gary Newman, of Brown and Caldwell, the consulting firm hired to develop the Master Plan. Mr. Jenkins explained why critical decisions need to be made in regards to the biogas since Phase I of the Ina Road project is set to begin next month.

Mr. Newman stated he has been the Project Manager on this Master Plan since they began the process a year and a half ago. Mr. Newman provided a list of acronyms to assist the Committee with some of the technical terms. Mr. Newman noted the presentation he will give is a high-level overview of this process and welcomed any questions or comments that Committee may have.

Mr. Newman started by presenting a diagram that displayed some of the complexities that are faced with developing this Master Plan. Mr. Newman provided explanation on the various options of what can be done with these products in a beneficial way. Pima County has a good history with being green and sustainable in how these products have been utilized.

Mr. Newman provided a brief overview of the scope of work of the Biosolids/Biogas Master Plan, which involved reviewing the existing biosolids management program in consideration of the changes evolving from the ROMP program. Mr. Newman explained the Biosolids/Biogas Master Plan evaluated the future risks versus the opportunities in each area. Mr. Newman stated these evaluations led to recommendations for long-term program reliability. The biogas evaluations led to recommendations for maximum utilization and benefit.

Mr. Newman discussed key features of the current biosolids system of land application of Class B slurry. It is 100% beneficial use and it is a very cost effective program. Mr. Newman further discussed how each facility currently handles biosolids and how each facility will handle biosolids in the future. Mr. Newman noted that the biogas production at the Ina Road facility will increase significantly after completion of the ROMP program.

The Ina Road energy recovery facility has been in operation since the 1970s and provides 2 megawatts of power with supplemental natural gas. The equipment at this plant has gone beyond its serviceable life. Mr. Newman added that it will be more cost effective to provide total energy demand with Tucson Electric Power commercial power.

Regarding biosolids, some of the key objectives are to improve long-term reliability of the biosolids management program, continue beneficial use of biosolids, remain sensitive to rate-payers and prepare for regulatory change and provide public education.

With the biogas, the objective is to utilize the biogas produced at the expanded Ina Road Wastewater Reclamation Facility (WRF), avoid flaring and air permitting complications, and maximize return for Pima County. Mr. Newman stated many different sources were contacted in the industry to gather information. Mr. Newman explained the Request for Expressions of Interest (RFEI) process and stated that sub-consultant experts in biogas sales and marketing brought great insight to this process.

Mr. Newman stated that a market assessment was performed to gather recommendations for the biosolids. One of the first things to do was to gain an understanding of what Pima County communities' interest is when it comes to biosolids. Some of the findings were that opportunities for Class B land application remain strong; there is an interest in Class A products, but no strong preference for dried products; there is a need to re-visit mine reclamation; and there was no interest in using biosolids as cement kiln fuel. Mr. Newman went on to say the recommendations had more to do with diversification than with technology. Currently, Pima County is utilizing 100% of its biosolids via land application with Class B slurry. Mr. Newman stated it would be in Pima County's best interest to begin to diversify the biosolids with possibly new land application sites, begin re-looking at mine reclamation and start to investigate a Class A dried product.

Mr. Carlson commented that the farmers that receive the biosolids do not pay any money for it. Mr. Newman stated that the most important issues are getting the biosolids out of the plant. Mr. Jenkins stated the method of transporting biosolids to agricultural land nearby has gone on for many years in Pima County, and because we cannot risk not getting rid of the biosolids it has been basically given to the farmers and we just paid to transport it. With that precedent set, it's very hard to change that. Discussion ensued regarding the manner in which biosolids are and could be distributed, transported and the costs it takes or would take to do so.

Mr. Newman continued with the presentation and discussed the recommended actions for biosolids. Mr. Newman stated from the evaluation conducted, there is no immediate need to convert to Class A. The current Class B program works fine, but it's wise for Pima County to have a pathway to get to Class A. Class A may never be required if the current program is proactively managed and effectively diversified. Mr. Newman provided a summary of biosolids utilization recommendations with estimated capital costs.

Mr. Newman stated that the evaluation at the Green Valley WRF was mostly from an odor control perspective. There have been odor complaints and it was determined that the odors are coming from the biosolids management system. The evaluation looked at how to eliminate odor complaints and develop a plan compatible with the system-wide plan for biosolids management. Mr. Newman stated that after considering different alternatives, Pima County's best interest was to select Alternative #3, which was recommended and accepted. Under this alternative, the unclassified sludge would be hauled to Ina Road WRF where the biosolids treatment and distribution would be centralized. This presents the lowest capital cost alternative and is currently in design.

Mr. Newman changed focus to the biogas issue. There are several options on what to do with biogas that involve beneficial use. Mr. Newman went through a list of options that are most beneficial to Pima County, including use of biogas as fuel for fleet vehicles and use for onsite thermal needs. Mr. Newman also provided a list of multiple options for marketing the biogas. Mr. Newman stated that a challenge on this issue was how to implement to maximize the benefit to RWRD. Project delivery and economic and financial issues needed to be considered. Mr. Newman stated that along with RWRD staff, they worked together with sub-consultants and looked at three scenarios with significant detail. Mr. Newman discussed each of these multiple delivery approaches that were considered and the annual costs and capital costs associated with them.

Based on the analysis, the recommendation is for Pima County to go with the private financing and ownership model Design, Build, Finance, Own and Operate (DBFOO), which will offer the best potential to RWRD for modest economic benefit and it has the least economic risk because RWRD is not required to provide capital for facility construction. In addition, the DBFOO firm will be responsible for marketing renewable natural gas, which will retain RWRD's focus on its core business of treating wastewater.

Mr. Membrilla asked what happens at the Ina Road facility if there is a power outage. Mr. Jenkins replied the plant has a system for uninterrupted power, and Tucson Electric Power's (TEP) reliability is extremely high because of a main distribution loop in the area. Mr. Lynch asked if the REFI process indicated that there were firms that were interested in this private enterprise process. Mr. Newman stated that almost half were interested and there were some follow-up discussions with them on that. What was learned from this is that these are entrepreneurial-type firms and from their perspective, they want to control as much as they can: financing, structure, design, the operation. The more they control, the more they can control the risk. Mr. Kulakofsky stated that one of his concerns is how long will the good rates from TEP last. Mr. Kulakofsky also asked what is full capacity at Ina Road and why is it assumed that the plant will be at full capacity in 2030. Mr. Kulakofsky stated there is a risk in that assumption.

Ms. Wolf asked Mr. Jenkins what the department's time frame is for this. Mr. Jenkins stated that the ideal goal is to have something in place by the time the Water Campus and the Design Build Operate (DBO) facility will be sending their sludge to Ina Rd WRF. If, per the recommendation, the department does the DBFOO, the normal procurement process would not apply because we would not be purchasing anything. Mr. Jenkins stated that the department would like to make a decision by the end of the year.

Ms. Wolf asked the Committee if they would like to discuss this issue again at next month's meeting to have the opportunity to make a recommendation to the department. Mr. Carlson stated that he feels the Committee needs to have more time to review the report before they can

make any recommendations. Ms. Wolf requested the PowerPoint presentation be sent to the Committee. Mr. Newman stated the final report is being worked on right now and should be completed by next week, depending on any additional comments that are received. Ms. Wolf suggested limiting next month's agenda to focus on this item. Ms. Luo asked that the Committee forward their comments or questions to Mr. Curley and he will pass along to her or her staff and they will work on getting a response to the Committee before the meeting, if possible. Mr. Membrila asked when the Committee will receive this information. Mr. Curley stated that the PowerPoint can be sent today. However; a determination will need to be made on how to distribute the final report since it is approximately 1,300 pages. Ms. Wolf again reiterated that the Committee should review the information and be prepared to make a recommendation at the August meeting.

Mr. Taylor stated what he would like to know is what other options there were and/or what else was eliminated. Mr. Taylor stated he would like to know why co-generation was eliminated. Mr. Jenkins replied that is included in the final report. Mr. Taylor added that he would like a summary explaining what the costs, benefits, expenses and returns are for the other options.

Mr. Jenkins noted that Mr. Newman will be giving this same presentation, with a little more analysis, again this afternoon and reminded the Committee that they are welcome to attend.

Ms. Wolf stated that the Biosolids/Biogas Master Plan will be the main topic of discussion/action at next month's meeting and asked the Committee members to formulate any questions and/or comments they may have to Mr. Curley within the next day or two so that staff can work on the answers.

Mr. Membrila asked if a Study Session would be acceptable after receiving the final report. Ms. Wolf stated that she will discuss with Mr. Curley and determine if that is something that could be done. Mr. Curley suggested that the Committee could have individual meetings with staff one-on-one to discuss any questions they may have.

Ms. Bowen stated she is interested in the timeline of critical dates for this process and asked the department to provide a timeline for the Committee to review. Ms. Bowen asked what is being considered in regards to the transportation of biosolids to the Ina Road WRF and what has been considered. Ms. Bowen also asked how the department will manage any odors. Mr. Jenkins stated that all biosolids are transported to Ina Road or to the conveyance system, with the exception of Green Valley, although Green Valley will be included with this recommendation. Ms. Bowen stated she is interested in how the department intends to handle the odor control.

Mr. Lynch asked what the percentage is for the total number of pages in the report attributed to the biogas portion. Mr. Newman stated at least half of the report, but there are a lot of appendices. Mr. Newman also stated that this recommendation to clean the gas and sell it for a profit is not new and he discussed other cities across the country that are doing the same.

Mr. Jenkins noted that with the decision to clean and sell the biogas and implement via a DBFOO process, the department can eliminate risk and eliminate any possibility of costing rate payers any more money, but RWRD can also receive revenue from selling this gas.

Ms. Wolf announced that agenda Item F.6 – RWRD FY 2012/13 Strategic Plan will have to be placed on next month's agenda and apologized to Melaney Seacat for the rescheduling of her presentation.

G. FUTURE AGENDA ITEMS. Ms. Wolf stated the Committee will hold a meeting in August and will have the Biosolids/Biogas Master Plan as the main agenda item and will also add the RWRD FY 2012/13 Strategic Plan presentation to this agenda as well.

Ms. Wolf reminded the Committee that if they wish to comment on the Sewer Connection Fees they must comment by July 30th, and for the Strategic Plan, they must comment by August 17th. Ms. Wolf stated she will work with Mr. Curley on determining how to distribute the final report on the Biosolids/Biogas Master Plan to the Committee and once received, to review it and be ready to discuss at the next monthly RWRAC meeting.

Ms. Seacat noted that the Strategic Plan, as well as the Annual Report, are both on the RWRD website.

Ms. Bowen asked for an update on the conveyance system CCTV and what the department is doing to reduce the inflow of infiltration through the conveyance system program. Mr. Curley stated that he spoke with John Warner, Deputy Director, and that update will be provided at either the September or October meeting.

Ms. Wolf also stated that the Committee should review the draft annual RWRAC report at the next meeting. Mr. Curley reminded the Committee that they should review last year's report that they were provided earlier and provide any suggestions and/or comments prior to the August meeting.

Mr. Membrilla suggested since it appears that next month's meeting is going to have a full agenda, the meeting be extended by half an hour. The Committee concurred. Ms. Wolf stated that it is important to start on time and asked the Committee members to please try and be on time.

H. CALL TO THE AUDIENCE. There were no comments from the audience.

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

I. ADJOURNMENT. The meeting was adjourned at 9:43 a.m.