



PIMA COUNTY

WASTEWATER RECLAMATION

REGIONAL WASTEWATER RECLAMATION ADVISORY COMMITTEE (RWRAC) MEETING
Water and Energy Sustainability Center
2955 W. Calle Agua Nueva – Radon Conference Room

MEETING MINUTES

Thursday, August 20, 2015

COMMITTEE MEMBERS PRESENT:

Sheila Bowen	Barbee Hanson	Bob Iannarino	Bill Katzel
Rob Kulakofsky	John Lynch	Matt Matthewson	Armando Membrila
Mark Stratton	Mark Taylor	Ann Marie Wolf	

COMMITTEE MEMBERS ABSENT:

Amber Smith	PAG Member (vacant)
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A. CALL TO ORDER / ROLL CALL. Mark Taylor (Chair), called the meeting of the Regional Wastewater Reclamation Advisory Committee (RWRAC) to order at 8:05 a.m. Jody Watkins 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. John Lynch reminded everyone now that school is back in session it is important to be attentive when driving in school zones.

E. APPROVAL OF MINUTES.

Meeting Minutes of the Regular Meeting, June 18, 2015.

ACTION: Mark Stratton made a motion to approve the minutes of the Regular Meeting of June 18, 2015. Sheila Bowen seconded the motion. Motion passed unanimously.

F. COMMITTEE/SUBCOMMITTEE REPORTS

1. CITIZENS' WATER ADVISORY COMMITTEE (CWAC) UPDATE. Wally Wilson, Chief Hydrologist, Tucson Water, stated that the last CWAC meeting was June 3, 2015. The next meeting is scheduled for September 2.

2. RWRAC FINANCIAL SUB-COMMITTEE UPDATE. John Lynch, Chair, RWRAC Financial Sub-Committee, stated that the Financial Sub-Committee has not met since the meeting on May 6, 2015. There will be a meeting on September 17, 2015 to discuss the next budget cycle, given the Board of

Supervisors (BOS) action on Monday, August 17, 2015.

G. DISCUSSION/ACTION.

1. DIRECTOR'S UPDATE

- a. **OPERATIONAL UPDATE.** Jackson Jenkins, Director, Regional Wastewater Reclamation Department (RWRD), provided an update on the biosolids status from Agua Nueva to Tres Ríos. Mr. Jenkins stated that RWRD has temporarily split the waste stream flows from Agua Nueva and is handling them differently. This is not a permanent fix. RWRD is working with CH2M Hill. The preliminary treatment 3/8-inch screens installed at the Agua Nueva headworks, will be changed to 1/4-inch screens (currently used at the Tres Ríos WRF), which will be more appropriate.

With the recent temporary cessation at the Randolph Park WRF, Tucson Water receives all of the reclaimed water at the Sweetwater Facility. During the summer months RWRD typically runs around 25 million gallons a day (MGD) at Agua Nueva, and has increased that to 28 MGD to help Tucson Water meet the diurnal demand versus the diurnal flow pattern of wastewater.

Mr. Jenkins stated there have been recent issues with the 600 horsepower motor pump and check valve breaking down at the Continental Ranch Pump Station. Almost 2 MGD from this pump station goes to the Tres Ríos WRF. The parts have been ordered for the check valve, but it will be a few weeks before they will arrive. In the meantime, a temporary pump-around has been implemented. This is working okay, but is costly. RWRD is evaluating the repair of the motor at this time. Plans are currently in design to rebuild the Continental Ranch Pump Station. For now the department will need to spend money to keep it running temporarily. Mr. John Warner, Deputy Director Conveyance Division, added that quotes are out right now for this project. The estimated cost is \$10,000 for the machine work only. The estimated cost is \$20,000 a month to rent the standby equipment. If RWRD does nothing, it will cost \$150,000+ a month to run this flow management system. Hopefully, there will be an update available by the next meeting. From a cost standpoint the scope to rehab the pump station is approximately \$5.5 million in Capital Projects. This would be to replace all the pumps, change some processes, and for a significant rehab to the existing structure. Once the engineering is complete, the project will go to the Pima County Procurement Department, then out to bid, and a contractor will be selected. Once the project is out for bid and a contractor is selected, there is around a 14-month construction period. Hopefully RWRD will have an advertising bid complete by late January. The flow management plan will need to be reviewed internally with a design firm, and negotiated with the contractor who gets the bid. Mr. Jenkins expressed the cost for this project is anticipated for this year, if repairs can be complete by mid-September. Mr. Warner will provide an update on the cost and timeframe at the next meeting.

b. ORDINANCE REVISIONS.

Mr. Chuck Wesselhoft, Pima County Attorney's Office, has completed the re-write and final proof of Ordinance 13-24. The document will be presented at the next meeting.

- c. **Fixed versus Variable Rate Study.** The department is looking at the user fee structure and will bring the Finance Department into the conversation. The average residential wastewater customer bill is \$40.81. From that total, the fixed service fee is \$12.63, and \$3.52 per CCF used. Around one-third of the user fee is fixed, and two-thirds is variable tied to the winter-quarter average (WQA). RWRD is going through all of the departmental cost units and centers and looking at what is a variable cost. Examples of variable costs would be additional electricity costs to pump increased wastewater flows, and running more blowers for extra air in the treatment process. The amount of electricity used in the buildings is a fixed cost. There is a large portion that is a fixed cost, and a small portion that is a variable cost. The department is looking at specifics at which costs are fixed and which are variable.

RWRD is evaluating does it make sense to go to a fixed cost consideration to purchase water data. Discussion ensued on flat rates or base rates to cover fixed costs; the \$4 million currently paid for the billing service; and benchmarking and comparing these costs with peers in the industry. This fiscal year, RWRD is studying these costs and working with the Finance Department. Once this study is complete, this information will be presented to the Committee and the BOS.

d. Biogas Update. Mr. Jenkins provided an update on the status of this project. Anaergia/Grannus was the top firm in the selection process to purchase RWRD's digester gas, clean it, and put it into the pipeline. They were going to pay the department money and be the design-build-finance- own-operate (DBFOO) contractor. As the DBFOO, Anaergia would sell the gas to an off-taker (a firm who would pay a premium for the renewable fuel). The off-taker (a Google glass maker in Phoenix) went bankrupt before they got started. Anaergia/Grannus lost their off-taker, so they had to step aside. As a result, RWRD is in negotiations with the second place firm, Bio Fuel Energy. Their partner and off-taker is Air Liquide. Air Liquide is in the gas business and they have many off-takers. They advised that it is a very tight margin for them. First they would need tax credits to proceed. Currently Bio Fuel Energy is in detailed negotiations with Southwest Gas (the firm that would 'Wheel' the clean renewable fuel for them). The Wheeling Rate terms and conditions may have to be negotiated. Air Liquide is meeting with their finance group. Their offer to RWRD was nine percent of their gross earnings. The department's offer was 12 percent. The estimated revenue for RWRD from the gas sale is approximately \$200,000 annually. Bio Fuel Energy had some gas sampling conducted and was pleased with the results. Additional updates will be provided during the negotiation process.

e. August 17, 2015 Board of Supervisors Meeting Update – User and Connection Fee Increases.

The first time this issue was brought before the BOS was March 10, 2015. It has been continued several times, April 14, 2015 and August 17, 2015. Initially this committee approved three, 4 percent consecutive user fee rate increases. After the BOS comments were received, the amount of the user fee increases were revised to two, 3 percent increases. The BOS also asked RWRD to present information on connection fee increases. As a result, a request for a 3 percent connection fee increase was added to the rate increase proposal. RWRD did not receive approval for the connection fee or user fee increases requested at the August 17 BOS meeting; with three no votes and two yes votes. This year was not critical for the 1.3 debt-service ratio the department must maintain for favorable bond ratings. A lot of wonderful effort and thought went into this. The meeting dialogue was reviewed following the meeting. Neither Mr. Jenkins nor Mr. Tom Burke, Deputy County Administrator, caught that Supervisor Ally Miller was using the initial three, 4 percent consecutive increases model to base her questions from. The information in the newspaper was also wrong, based on the incorrect model. RWRD staff prepared a response to every question raised by Supervisor Miller, and sent to the County Administrator. It was assumed that the two, 3 percent annual user fee increases would be approved by the BOS by October 1, 2015. RWRD had planned on having the additional revenue for three-quarters of this fiscal year from the increases. The additional revenue would have equated to \$3.7 million in sewer user fees and \$300,000 from connection fees. The budget from last fiscal year was just under \$84 million. Currently through Period 13, the department budget is at \$78.5 million, there are still some other items to report. Using the financial model for the budget process which takes place in October, for next fiscal year, RWRD will need to closely monitor how to achieve the 1.3 debt-service ratio. The no votes were: Supervisors Bronson, Carrol and Miller. The yes votes were: Elías and Valadez.

2. FINANCIAL UPDATE

a. RWRD FISCAL YEAR 2014/15 BUDGET – YEAR-END REVIEW. Patrick McGee, Division Manager, Finance and Risk Management Department (FRMD), introduced Keith Dommer, the new Director of Finance and Risk Management. Mr. McGee presented the Fiscal Year (FY) 2014/15 Revised Budget and Period 13 Actual FY End Comparison, through June 30.

- b. RWRD came in under the projections for the user fees by \$2.8 million. The connection fees were close. Some of this was due to fees collected from the Pascua Yaqui Tribe. Mr. Jenkins added that two-thirds of our primary revenue stream, user fees, is tied to a variable (water use). Mr. Wilson, Tucson Water, added the potable water deliveries are six percent lower this fiscal year compared to last. Water conservation is a factor.

Mr. McGee then presented the department expenses. For Total Personnel Services, the department had two-percent staff vacancies budgeted. Mr. Jenkins provided a breakdown of Other Professional Services: \$4.5 million for CH2M Hill, \$4 million for outside billing, \$2 million to ProPipe for CCTV services. Electricity costs for Agua Nueva could come in as a rebate for \$300,000.

There was much discussion on line item expense items, to include: General Liability Insurance Premiums; Public Works Overhead; Interdepartmental Charges and Transfers Out (these numbers represent County Overhead and Inter-Departmental Charges In). RWRD went from almost \$4 million in Overhead to \$7 million in Overhead. Mr. Dommer explained that it appears that Overhead is going up because the department chose to bill for centralized services, rather than directly charge. The reduction in direct charges that correspond to the increase in Overhead need to be shown. Mr. Jenkins offered to have the table re-done to provide a better breakdown of Overhead; department transfer in and out costs; and show if there were net increases, decreases, or no change overall. Ms. Wolf requested better information be made available to the Financial Sub-Committee. Mr. Jenkins specified that this year's budget of \$84.5 million is \$600,000 more than last year's by 0.7 percent. There were two new items that increased the department budget this fiscal year by \$2 million. RWRD incurred \$1.4 million in new Information Technology Department charges for server space. Also a policy change took effect for vacancy savings. The department was not able to utilize a \$650,000 reduction in wages for a 10 percent vacancy rate. The Financial Sub-Committee will meet to discuss some of these unaccounted expenses in the budget.

For future discussion, the department no longer pays the lower Wheeling rate (\$70 acre-foot) for water after shutting down the Randolph Park WRF. Instead RWRD is paying the higher environmental rate of (\$300 acre-foot). Since this department is an enterprise entity, it appears that RWRD is underwriting a disproportionate share of the county's expenses.

There was some discussion on the purchase of a parcel of property next door to the Conveyance Division facility for \$1 million. This property will be used to warehouse much of the conveyance equipment and parts. The service bays can be used for the Conveyance Division vehicles. This purchase was made taking into account safety and efficiency.

The Committee wanted to know more about cash flow items and accruals. Mr. McGee stated when looking at total expenditures, depreciation is not a cash item; it is an expenditure. Mr. McGee affirmed he could provide a cash flow at a future meeting. Cash flow will not show budgeted to actual. Mr. Dommer expressed it is important to monitor cash. When talking about setting rates, budgeting and governmental reporting requirements are to inform the public and match what the true cost is of providing services. The service utility of capital assets are being used up while providing services to the public. Should the rates be set based on the total cost? Depreciation expenses should be kept in the mix. Mr. Taylor stated that O&M, CIP, and Debt Service should match the \$180M. It was suggested that the Financial Sub-Committee might be the best venue to discuss this matter further.

- c. **RWRD ADOPTED FISCAL YEAR 2015/16 BUDGET.** Mr. McGee presented the current FY 15/16 Revised Budget compared to the FY 14/15 Period 13 Actual.

Revenues for FY 15/16 Revised Budget did include the proposed rate increases of \$4 million.

Mr. Jenkins indicated that overall last year's budget is very similar to this year's budget. There was much discussion on specific line items within the budget. The increase in Motor Vehicles - Capital was due to motor vehicles (service trucks and vacators) RWRD couldn't purchase from last year's budget that went into this year's budget. Mr. Jenkins explained there are still a few line items that are still not yet accounted for. When the Roger Road WRF was clean closed, there were several capital items remaining that were placed into the O&M budget as an expense. Mr. Dommer indicated if an asset does not have service utility remaining, it is inappropriate to carry the cost forward as a capital item in governmental accounting. Mr. Matthewson provided kudos the department for meeting 98 percent of their budget with the \$4 million in uncapitalized items. Mr. Jenkins stated that the budget process will begin in October for next year's budget. There will also be discussions with the County Administrator's Office for any mandates. Discussion ensued on the following topics: request for a draft once the 2015/16 budget is revamped; the Committee should reevaluate the 1.3 recommended debt-service ratio; how are decreases in water consumption tracked to water rates, and are other water utilities seeing similar decreases in water consumption? Mr. Stratton, explained since 2007 most water utilities have seen a decrease in water consumption.

3. **LIVING RIVER REPORT.** Ann Marie Wolf, reported on the *Living River Report Year Two*. The year two celebration event was held at Agua Caliente Park. She distributed information obtained at the event. Key points were that water clarity and water quality have improved.
4. **ANNUAL EFFLUENT UTILIZATION REPORT** – James DuBois, RWRD Principal Hydrologist, provided a PowerPoint presentation on the *2015 Effluent Generation and Utilization Report*. Highlights of the presentation included the benefits of effluent/reclaimed water as a resource; effluent generated at Regional and Sub-Regional Wastewater Reclamation Facilities; Reclaimed Water for ReUse, Environmental Restoration and Underground Storage; Effluent Entitlements; and Effluent Generation and Use in the Tucson Active Management Area.
5. **REGIONAL WATER ASSESSMENT STATUS REPORT.** Mead Mier, Pima Association of Governments, provided a PowerPoint presentation on the *Regional Water Assessment Task Force, ThinkTank Report*.
6. **INDUSTRIAL WASTEWATER CONTROL – PERMITS AND COMPLIANCE UPDATE.** Jason Grodman, RWRD Industrial Wastewater Control (IWC) Inspector, provided a PowerPoint presentation on the *Industrial Wastewater Control Section*. Highlights of the presentation included the pretreatment program; IWC section responsibilities; Pima County Ordinance 2013-32; Grease Management Program; and Changes to the Industrial Wastewater Ordinance and Enforcement Response Plan.
7. **ODOR CONTROL** – postponed until next meeting in October.
8. **APPROVE ANNUAL REPORT TO THE BOARD OF SUPERVISORS.**
ACTION: Mark Stratton made a motion to approve the Annual Report. Bob Iannarino seconded the motion.
- H. **FUTURE AGENDA ITEMS:** Continental Ranch Pump Station Update, Odor Control; Local Drought Impact Group; 2015/16 CIP Recap; 2016/17 CIP Projections, Water Use Projections Past and Future; Mt. Lemmon Wastewater Treatment Plant Study; Presentation(s) from BOS Aides.
- I. **CALL TO THE AUDIENCE:** There were no comments from the audience.
ACTION: Mark Stratton made a motion to adjourn the meeting. John Lynch seconded the motion. Motion passed unanimously.
- J. **ADJOURNMENT.** The meeting adjourned at 11:00 a.m.

NEXT REGULAR MEETING DATE:

October 15, 2015