

**REGIONAL WASTEWATER RECLAMATION ADVISORY COMMITTEE (RWRAC) MEETING**

**Water Campus**

**2955 W. Calle Agua Nueva – Radon Conference Room**

**Thursday, October 26, 2017, 8:00 a.m.**

**Members Present:** Bill Katzel, Rob Kulakofsky, Corin Marron (via phone), Matt Matthewson (via phone), Jean McLain, Armando Membriola (via phone), Asia Philbin, Amber Smith, Ann Marie Wolf

**Members Absent:** William Garner, John Lynch, Shaun McClusky, Mark Taylor

**Others Present:** Jennifer C. Coyle (RWRD), Barbara Escobar (RWRD), Keith Dommer (FRMD), Jackson Jenkins (RWRD), Bart Kreps (Raftelis – via phone), Veronica Lopez (RWRD), Julie McWilliams (RWRD), Jeff Prevatt (RWRD), Xavier Rendon (RWRD), Jaime Rivera (RWRD), John Sherlock (RWRD), Timothy Thomure (Tucson Water), Caroline Vargas (RWRD), Chuck Wesselhoft (PCAO), Eric Wieduwilt (RWRD)

**A. Call to Order / Roll Call**

**ACTION:** Bill Katzel made a motion to nominate Ann Marie Wolf to serve as acting Chair in the absence of the Chair and Vice-Chair. Rob Kulakofsky seconded. Motion passed unanimously.

Ann Marie Wolf, Regional Wastewater Reclamation Advisory Committee (RWRAC), called the meeting to order at 8:12 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, suggested when going outdoors, everyone should prepare and plan accordingly with the weather and the varying temperatures.

**E. Approval of Minutes**

**1. Regular Meeting Minutes for September 28, 2017**

**ACTION:** Bill Katzel made a motion to approve the meeting minutes of September 28, 2017. Jean McLain seconded the motion. Motion passed unanimously.

**2. Special Public Meeting Minutes for October 16, 2017**

**ACTION:** Bill Katzel made a motion to approve the meeting minutes of October 16, 2017. Rob Kulakofsky seconded the motion. Motion passed unanimously.

**F. Discussion/Action**

**1. Financial Subcommittee Update**

Keith Dommer, Director, Finance and Risk Management Department (FRMD), provided the Financial Subcommittee meeting update. Mr. Dommer stated the meeting primarily focused on the Rate Structure Study (Study) and the subcommittee received clarification from Bart Kreps, Raftelis Financial Consultants, regarding the calculation behind the 16% increase to the Commercial Bill Class. The Financial Subcommittee unanimously voted to recommend to the full committee to a one-time 16% increase to the Commercial Bill

Class in accordance with the study. The subcommittee also unanimously voted to accept the Study. Jennifer C. Coyle, Special Assistant to the Director, RWRD, stated with regards to the motion accepting the Study, a couple of edits were made to the Study: Matt Matthewson's, Member, RWRAC, request to discuss the current strengths and weaknesses of the rate structure and per the subcommittee's request, the conversion calculation for strength to pounds.

Ms. Wolf stated at the special public meeting she requested the standard deviations on the sampling data and after receiving that data, did her own analysis. Ms. Wolf stated the data do not show a significant difference between the residential and commercial data and continued to explain her findings. Ms. Wolf distributed handouts showing her calculations. Mr. Kreps stated they utilized the most conservative sampling data provided from the department in their analysis. Mr. Jenkins added out of the total sampling for 2013, 2015 and 2017, there were approximately 70 sample locations that represented between 500 and 1,000 commercial entities. The data that was used to calculate the 16% was only the three sample locations that represented 38 business and had no high-strength user influence – this is considered the most conservative sampling data. Mr. Kreps stated that is correct and that most utilities do not even conduct sampling. Most utilities do not spend the time or labor costs, but rather set rates that are reasonable and in line with the industry standard. Discussion ensued. Mr. Kreps stated multiple samples were taken at various locations and an average was used to produce the results that are in the Study. Ms. Wolf reiterated the data does not support the rate increase and she questions the entire Study at this point. Rob Kulakofsky, Member, RWRAC, commented there needs to be more of a study on this matter in order to simplify it and make it fair. Amber Smith, Member, RWRAC, stated she is concerned about the actual user when they receive their bill and also have a change in class at a future date.

The discussion then turned to the debt service ratio and the unrestricted cash balance. Mr. Dommer stated historically the department and committee were focused on a debt service ratio of 1.3. Since then, FRMD has backed off from that after realizing there was some excess cash balances. Mr. Dommer went on to explain he has ran numbers at 1.2, 1.15 , and 1.0, but is unsure at this time what the recommendation will be as he is still working with financial advisors to formulate a recommendation to the Board of Supervisors (BOS).

## 2. Raftelis Rate Structure Study

Discussion ensued regarding the proposed rate increase to the Commercial Billing Class. Ms. Smith stated the issue that needs to be resolved is strip malls with various types of businesses in them and how to segregate the higher users. Ms. Coyle stated because they are on a master meter there is no way to know the water usage for each business. Ms. Smith stated if sub-meters were installed then that would significantly raise costs. Mr. Kreps and staff concurred.

**ACTION:** Matt Matthewson made a motion to approve the Pima County Regional Wastewater Reclamation Department Rate Structure Study, performed by Raftelis Financial Consultants, Inc., dated October 20, 2017. Armando Membrila seconded. Motion failed. (Vote: 3 – Yes, 5 – No, 1 – Abstained.)

**ACTION:** Matt Matthewson made a motion to accept the one-time 16% increase to the Commercial Class in accordance with the Raftelis Rate Structure Study. Armando Membrila seconded. Motion failed. (Vote: 1 – Yes, 7 – No, 1 – Abstained.)

Discussion ensued regarding the analysis Raftelis performed and their results. The committee and staff discussed various ideas and thoughts on how to proceed. Mr. Kulakofsky stated he would like to see more specifics on what other wastewater industries in the western United States are doing as far as rate structure prior to voting on an increase. Jean McLain, Member, RWRAC, stated she agrees with Mr. Kulakofsky's suggestion. Ms. Wolf stated she would like to see the table with the two sets of data in the Study removed and the 16% removed. Ms. Wolf stated she would like a paragraph explaining the history of how commercial cost more to treat than residential and why it should be higher than residential. Mr. Membrila asked what was wrong with the data used in the Study. Ms. Wolf replied a statistical analysis was not done on the data used. Mr. Membrila asked how much more it would cost the tax payers to have Raftelis perform this additional work that the committee is requesting. Ms. Coyle stated it could be substantial and the contract with Raftelis expires in December so it would need to be done quickly or the contract would need to be extended for a second time. Mr. Membrila stated he does not feel it is fiscally responsible to the tax payers to request the

additional work from Raftelis. Ms. Wolf stated a rate increase can be justified by saying there is a discrepancy between residential and commercial and that is what needs to be offset and not base the increase simply on the data. Ms. Wolf noted the data would not be exact; therefore, they would have to come up with an arbitrary percent. Ms. Wolf and Mr. Kulakofsky agreed looking at what other communities do would assist with coming up with an arbitrary number. Ms. Smith stated the problem with that is each community is unique and comparing ours with others is not an equitable comparison. The committee requested that the data be addressed and a review of industry standards.

**ACTION:** Rob Kulakofsky made a motion to recommend to the department that the Raftelis Rate Structure Study Report be amended to address the sampling data is not statistically significant and the differences used for the 16%, a review of the industry standards in the western United States, the understanding that there are differences between residential and commercial strength in the wastewater, and to extend and add funds to the Raftelis contract in order to complete the additional requested work. Matt Matthewson seconded. Motion passed 5 – 4. (Vote: 5 – Yes, 4 – No.)

The Committee took a break at 9:44 a.m. and reconvened at 9:50 a.m. Ms. Wolf stated that the Biogas Reuse and Treatment Division updates be tabled for a future meeting.

### 3. Fiscal Year 2017/2018 RWRD Expense & Revenue Update

Xavier Rendon, Finance and Analyst Supervisor, FRMD, provided the Expense and Revenue Summary for Period 3. Mr. Rendon stated personnel services are budgeted at \$33 million and currently are at \$7.9 million. The forecast was slightly under budget by \$400,000 due to retirements and staff changes. Capital equipment is currently on budget. The debt service was budgeted at \$15.4 million and is currently at \$4.3 million. The sewer user fees and connection fees are currently on budget.

### 4. Director's Update

Mr. Jenkins presented Philabaum Awards to Ms. McLain and Asia Philbin and thanked them for their service on the RWRAC. Mr. Jenkins announced and congratulated Jaime Rivera as the newly appointed Deputy Director for Conveyance. Mr. Jenkins stated discussions are ongoing with Tucson Water regarding the billing services contract. A proposal was made to Tucson Water that in lieu of paying for billing services they would pay for some of these services with RWRD's water credits.

### 5. Upcoming Meeting Dates

Due to the holidays, the November and December meetings will each be pushed up one week. The location of the December meeting is to be determined as the regular meeting location is unavailable on December 14<sup>th</sup>.

### G. Future Agenda Items

- Rate Structure Update
- Biogas Reuse Update
- Treatment and Conveyance Updates

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

### H. Adjournment

**ACTION:** Rob Kulakofsky made a motion to adjourn the meeting. Jean McLain seconded the motion. The meeting was adjourned at 10:01 a.m.