



REGIONAL WASTEWATER RECLAMATION ADVISORY COMMITTEE

Water & Energy Sustainability Center
2955 W. Calle Agua Nueva
Radon Conference Room

MEETING MINUTES

Thursday, December 18, 2014

COMMITTEE MEMBERS PRESENT:

Ann Marie Wolf	Armando Membrilla	Mark Stratton
Mark Taylor	Kendall Kroesen	Jackson Jenkins
Bob Iannarino	Rob Kulakofsky	
John Lynch	Matt Matthewson	

COMMITTEE MEMBERS ABSENT:

Amber Smith	Bill Katzel
Barbee Hanson	Sheila Bowen

A. CALL TO ORDER. Ann Marie Wolf, Chair, called the meeting of the Regional Wastewater Reclamation Advisory Committee (RWRAC) to order at 8:01 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. SAFETY SHARE. Jackson Jenkins, Director, Regional Wastewater Reclamation Department (RWRD) reminded the members of the Committee to be conscious of the increased traffic around the holidays, and to take extra care when driving.

E. APPROVAL OF MINUTES.

Meeting Minutes of November 20, 2014.

ACTION: Mark Stratton made a motion to approve the minutes of the November 20, 2014 meeting. Mark Taylor seconded the motion. Motion passed unanimously.

F. COMMITTEE/SUBCOMMITTEE REPORTS.

1. CITIZENS' WATER ADVISORY COMMITTEE (CWAC) UPDATE. Mark Taylor stated the Tucson Water (TW) Finance Committee is currently working on the budget for next fiscal year. Melody Loyer (TW) informed the Committee that TW is dealing with the loss of several customer service representatives and investigating ways to mitigate the effects. Ms. Loyer stated the Conservation Sub-Committee is currently looking at water harvesting and expanding the rainwater collection options. Ms. Loyer stated the Technical Sub-Committee had been given a presentation from the Central Arizona

Project (CAP) regarding the four cent tax that is set to expire in 2017. CAP is currently looking to enact legislation that will extend this tax to 2045. Ms. Loyer stated the costs to Tucson for CAP water will likely triple if the extension is not enacted.

- 2. RWRAC FINANCIAL SUB-COMMITTEE UPDATE – MEETING REPORT.** John Lynch gave an update on the December 10, 2014 Sub-Committee meeting. Mr. Lynch stated the probability of a rate increase is significant. Mr. Lynch stated the Sub-Committee had reviewed multiple options and in each case the need for a rate increase still exists. Mr. Lynch stated the Sub-Committee felt that a three-year period of 4% increases per year was reasonable and would accomplish the goal of the debt coverage ratio that the full Committee had agreed to. Mr. Lynch stated the vote of the Sub-Committee, although not unanimous, was in favor of the three-year, 4% per year rate increase option. Armando Membrilla stated he was the dissenting vote on the Sub-Committee because he recommended the 4.5% option. Bob Iannarino asked if the Sub-Committee had considered deferring the 4% increase for one year. Mr. Lynch stated the Sub-Committee had considered that option, but that the result would be a higher increase in the following year.

G. DISCUSSION/ACTION.

1. DIRECTOR'S UPDATE.

- a. ANNUAL GREASE CAMPAIGN.** Mr. Jenkins recognized Community Relations staff members present and thanked them for their work with the campaign. Mr. Jenkins stated this year was the 10th anniversary event. Mr. Jenkins stated for a number of reasons, future events may take place in early January rather than the day after Thanksgiving. Laura Fairbanks, Community Relations Manager, RWRD, stated the campaign this year collected 3,863 pounds of grease. Mr. Jenkins stated the campaign has contributed to the significant reduction in the number of sanitary sewer overflows (SSO). John Warner, Deputy Director Conveyance, RWRD, referenced the city of San Antonio, Texas and the large number of SSOs the city responds to on a monthly basis. Mr. Warner stated there are parts of the sewer system of San Antonio that have not been serviced in over 50 years.
- b. OPERATIONAL UPDATE.** Mr. Jenkins stated the efforts surrounding the change in the characteristics of the biosolids at Tres Rios continues in conjunction with the system designer CH2MHill.
- c. RANDOLPH PARK WRF UPDATE.** Mr. Jenkins stated the intention of the Department is to temporarily cease operations at Randolph Park by the end of December 2014. Mr. Jenkins stated flows have been reduced and the Arizona Department of Environmental Quality (ADEQ) has been notified of the Department's intentions. Mr. Jenkins stated an amendment to the Intergovernmental Agreement (IGA) between Pima County and the City of Tucson may go to the Board of Supervisors in February 2015. Mr. Iannarino asked if there was a plan in place to exercise the equipment at Randolph Park after the cessation of operations. Mr. Jenkins stated there was such a plan in place. Mr. Taylor asked if the cessation of operations would have an effect on the downstream sewers. Mr. Jenkins stated the system is sufficiently sized to handle this.
- d. FEE STUDY UPDATE.** Mr. Jenkins stated the effort is underway to update and/or simplify the fee ordinance, and to "right size" the fees that the Department charges in order to adequately cover the cost of staff time and effort. Mr. Jenkins stated the Department is looking to simplify its high-strength user classifications as well as to benchmark other communities of similar size. Ann Marie Wolf asked if another meeting of the Leadership team was scheduled. Jennifer C. Coyle, Program Manager – Unclassified, RWRD stated the Leadership team would meet again in late January or early February 2015. Mr. Lynch asked if all fees had been benchmarked. Ms. Coyle stated the benchmarking included all fees.

e. **BIOGAS UPDATE.** Mr. Jenkins gave a brief update on the status of the biogas contract. Mr. Jenkins stated the contract with the vendor has been approved by the Board of Supervisors, and that part of the contract involved the vendor securing an off-taker for the biogas. Mr. Jenkins stated the potential off-taker of the biogas has since backed out of the deal; however, the vendor is currently working with a back-up off-taker. Mr. Jenkins stated the vendor also needs to secure a contract with Southwest Gas pertaining to where the biogas will be injected into their system. Mr. Taylor asked if the old Tres Rios engine generator plant was still in existence. Mr. Jenkins stated the old equipment had been sold at auction and the plant had been removed from the grid.

2. **SYSTEM-WIDE ODOR CONTROL UPDATE/QUESTIONS.** Mr. Warner discussed the handouts from a PowerPoint presentation entitled, “System Wide Odor Control Update January – June 2104.” Mr. Stratton asked if the siphon crossings were continuous odor control. Mr. Warner stated they were. Mr. Warner referred to pg. 2 of the handouts to indicate that from January – June 2014 there was a 14% reduction in the number of odor complaints. Mr. Warner referred to pg. 3 of the handout and indicated that currently there are 29 odor control systems within the conveyance system. Mr. Warner referred to pg. 4 and indicated the number of public odors was decreasing.

Mr. Warner reviewed some of the Capital Improvement Projects (CIP) related to odor control. Mr. Taylor asked if there were similar results between Thioguard and bleach. Mr. Warner indicated that the results were site-specific with bleach being more effective for an immediate knockdown of the odor. Mr. Taylor asked what was causing so many odor complaints within the city. Mr. Warner indicated it was related to the age of the properties and the plumbing in the older parts of the city. Mr. Warner stated rehabilitation projects should also address some of the odor issues within the city.

3. **FINANCIAL UPDATE.**

a. **RWRD FISCAL YEAR (FY) 2014/2015 BUDGET.** Patrick McGee, Division Manager, Finance and Risk Management Department (FRMD), discussed the Period 4 Projections. Mr. McGee noted the \$5,164 overage in Supplies and Services and the \$2.8 million overage in Depreciation will be covered by moving budget authority from Debt Service, but otherwise the Department is forecasting to be on budget. Mr. McGee stated currently there is approximately \$727,000 overage forecasted in revenue. Mr. McGee noted the IGA with the Pascua Yaqui Tribe for approximately \$1.2 million was not reflected in the Period 4 Projections.

Mr. Jenkins stated he had received an email from staff indicating they had collected approximately \$1 million in development fees so far in December 2014. Mr. Iannarino asked if this was related to the City of Tucson’s developer fee deadline. Mr. Jenkins read the email from staff and indicated that this was the case.

Matt Matthewson asked how close the Department was to its budget for last fiscal year. Mr. McGee stated the Department was approximately \$1.3 million under budget for expenses last fiscal year.

b. **RWRD 2015 FINANCIAL PLAN.** Tom Burke, Director, Finance and Risk Management Department (FRMD) gave a PowerPoint presentation entitled, “Financial Plan Regional Wastewater Reclamation Department 2015.” Mr. Burke stated his recommendation was the 4.5% option, but that this presentation only contained the 4% option. Mr. Burke reviewed and summarized the Appendix A slide related to the “Financial Assumptions Before Rate Increases.” Mr. Burke reviewed the Department’s “Capital Project Costs” from 2009 projected through 2019.

Mr. Burke discussed revenue, operating expenses, and debt service coverage and the impact they have on the possibility of the need for a future rate increase. Mr. Burke stated the debt sold two to four years ago is what is now beginning to drive the need for rate increases, and although the Department is beginning to pay down that debt, it will also be issuing more debt in the next few years.

Mr. Burke referred to a graph indicating the debt service is going to remain above \$80 million for a period of at least seven years. Mr. Burke stated it is the debt service that is driving the need for rate increases. Mr. Jenkins stated his recollection that in the original Regional Optimization Master Plan (ROMP) the Department was projecting debt service in the range of \$125 million and that the current \$80 million is a significant positive difference from the original projected amounts.

Mr. Burke stated after 2019 the goal is to issue only Certificates of Participation (COPS) and not issue debt pledged by sewer revenue and essentially operate on a “pay as you go” basis. Mr. Burke stated as debt service increases but net revenue remains fairly flat, the debt coverage ratio decreases. Mr. Burke referred to a graph indicating that for 2015 and 2016 net revenue after debt service would be above \$21 million, but would drop to approximately \$10.5 million in 2017 and down to only \$3.4 million in 2019.

Mr. Burke referred to slides showing the debt service coverage ratio with no rate increase and with a 4% rate increase. Mr. Burke reviewed the recommendations related to issuing debt over the next few years as well as paying off loans and sewer revenue bonds. Mr. Burke stated his recommendation to the Board of Supervisors in this plan is that they adopt a series three automatic annual rate increases of 4%.

Mr. Iannarino asked if this analysis was too conservative with respect to interest rates. Mr. Burke stated the analysis is conservative but that even saving 2% on interest rates when applied to the debt being issued is not a significant dollar amount and has very little impact. Ms. Wolf indicated that the Sub-Committee had reviewed these types of scenarios and in each case the changes had very little impact. Mr. Matthewson asked if the Sub-Committee had made changes in a cumulative manner or one at a time. Mr. Burke stated that the changes had been made cumulatively and that even in the optimistic scenario the debt coverage ratio still fell below the 130% threshold.

Mr. Taylor stated in spite of growth in population, TW is still seeing a reduction in water flows and that looking at population increase and not reduction in flows may not be a conservative assumption. Mr. Matthewson asked if using an interest only approach for a couple years and deferring some of the principal payments until later would allow the Department not to have to raise rates next year. Mr. Burke stated the County’s decision is to pay off debt in a 15 year term. Mr. Burke stated interest only costs significantly more in later years because the interest rates change over time and that not having a rate increase now will cause the rate increase to double in the following year.

Mr. Iannarino asked why the Department is borrowing more money if it is accelerating payments to pay down debt. Mr. Burke stated the increases in rates to cover ROMP were just enough to cover the early years of payments and not to cover the entire debt.

Ms. Wolf requested that the Committee review the Financial Plan and be prepared to discuss it at the January 15, 2015 meeting. Mr. Matthewson asked if the Committee will have to vote in January. Ms. Wolf indicated that in order to meet the schedule to get the plan to the Board of Supervisors the Committee will need to vote in January. Mr. Membrilla suggested a study session devoted solely to the Financial Plan. Ms. Wolf requested that the agenda for the January 15, 2015 full Committee meeting be cleared and devoted to further discussion of the Financial Plan.

- 4. WATER QUALITY AND EMERGING CONTAMINANTS.** Dr. Shane Snyder, University of Arizona, gave a PowerPoint presentation in which he gave an overview of some of the things about himself – both personal and professional. Dr. Snyder stated he also works at the National University of Singapore and that Singapore is the world leader in water technology. Dr. Snyder stated teaching was about inspiring students because one does not know where they will end up. Dr. Snyder stated the University of Arizona is one of the top tier research universities in the United States. Dr. Snyder stated

our analytical ability allows us to see everything, but he asked if we are looking for the right things. Dr. Snyder stated the epicenter of emerging contaminants is related to when wastewater becomes just water. Dr. Snyder reviewed some of the world history related to water quality issues. Dr. Snyder stated water is the “blood of the earth.” Dr. Snyder stated in California in the recycled water program emerging contaminants is still rated the number one issue. Dr. Snyder stated perception is the issue with recycled water. Dr. Snyder stated Singapore was able to keep their drinking water reservoir at 90% during a recent drought while Malaysia was forced to ration water because Singapore uses recycled water and desalination. Dr. Snyder reviewed the current status of bioassays related to monitoring water quality. Dr. Snyder discussed epigenetics. Ms. Wolf asked if there were anything coming which would drive a need to upgrade the Department’s facilities in the next few years. Dr. Snyder stated in wastewater the ambient water quality criteria, if promulgated, would mean changes for many agencies. Dr. Snyder stated endocrine disrupters are another issue that is coming. Ms. Wolf asked if the Committee could tour the new facility once it is finished. Dr. Snyder stated the Committee was welcome to tour the new facility and that it was being designed to allow public access. Dr. Snyder stated there are several large companies who have agreed to donate money to the new center.

5. 2015 DRAFT WORK PLAN. Ms. Wolf requested the members of the Committee to review the draft work plan before the next meeting.

H. FUTURE AGENDA ITEMS. Ms. Wolf stated that future agenda items are: the Financial Plan for the January 2015 meeting, and an update on the southeast recharge basin (SHARP).

I. CALL TO THE AUDIENCE. Mr. Matthewson asked when Ed Curley, Senior Program Manager, RWRD, was retiring. Ms. Wolf presented a card and retirement gift to Mr. Curley and thanked him for his years of service to the Committee. Mr. Membrilla asked if a study session had to be noticed. Chuck Wesselhoft, Deputy County Attorney, Pima County Attorney’s Office stated a study session must be noticed.

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

J. ADJOURNMENT. The meeting was adjourned at 10:20 a.m.