



MEMORANDUM

Date: December 12, 2017

To: The Honorable Chair and Members
Pima County Board of Supervisors

From: C.H. Huckelberry
County Administrator

A handwritten signature in black ink, appearing to be "CHH", is written over the printed name "C.H. Huckelberry".

Re: **Town of Marana's Use of Highway User Revenue Funds to Finance their Excessive Wastewater Facility Expansion**

Recently an article appeared in the *Northwest Explorer* regarding the Town of Marana and the expansion of a wastewater treatment facility acquired by Pima County through protracted litigation and ultimately payment for acquisition. The article indicated the capacity expansion undertaken by Marana at approximately \$24 million was now \$2.4 million more than anticipated and the excess cost was being covered by a loan from Marana's Highway User Revenue Fund (HURF). Such is highly unusual and raises concerns regarding the comingling of funds. Of more concern, is the fact Pima County is providing property tax revenues for Marana's road repair while Marana is lending their HURF to fund wastewater capital cost overruns.

In addition, Marana's cost of additional treatment capacity is excessive when compared with regional facilities. I have stressed this issue on several occasions. Large regional wastewater treatment funds are more economically feasible than smaller facilities. In this case, Marana's cost of treatment per gallon is three times more than the cost of treatment in a large regional scale facility.

Since Marana initiated litigation to attempt to take this particular facility from Pima County without reimbursement, I believe it is appropriate to continue to understand the economies of such a decision.

CHH/anc

Attachments

c: Carmine DeBonis, Jr., Deputy County Administrator for Public Works
Jackson Jenkins, Director, Regional Wastewater Reclamation



WASTEWATER RECLAMATION
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JACKSON JENKINS
DIRECTOR

December 6, 2017

TO: C.H. Huckelberry, County Administrator
THRU: Carmine DeBonis, Deputy County Administrator for Public Works
FROM: Jackson Jenkins, Director, Regional Wastewater Reclamation Department
SUBJECT: Your Questions on the *Northwest Explorer* Article, Marana's Wastewater Facility Expansion over Budget by up to \$2.4 Million

This memorandum is in response to your November 21st questions regarding the *Northwest Explorer* article, *Marana's wastewater facility expansion over budget by up to \$2.4 million*.

Is Marana contemplating raising their sewer connection fees or enacting impact fees for wastewater connection services?

As a municipality, the Town of Marana (Town) has always had impact fees to support expansion of the water and wastewater systems. According to the [2017 Sewer Impact Fee Infrastructure Improvement Plan Study](#) and the draft [2017 Water and Wastewater Utility Impact Fee Study](#), Water System Impact Fees could increase and Wastewater System Impact Fees could decrease.

The Infrastructure Improvement Plan Study reports that since the Marana Water Reclamation Facility (WRF) was acquired primarily for water resource recovery, future water and sewer customers each should equally pay one-half of the cost of the acquisition debt service.

The loan from the Town would fund approximately one-half of the debt service payments for the 1.5 mgd upgrade to the Marana WRF. This loan would account for the contributions made by the current customer base towards the existing utilized capacity in the Biolac secondary treatment system and acquisition of the WRF. While the Biolac will not be utilized as part of the secondary treatment process in the current expansion of the WRF, it will not be clean-closed at the time of expansion to allow further consideration for its proposed future use. New sewer customers would be responsible for the other half of the WRF expansion debt service.

	TOWN OF MARANA IMPACT FEE CALCULATION SEPTEMBER 2017	
	Cost Per EDU	
	Current	Proposed
WATER System Impact Fees		
North Marana	\$ 2,122	\$ 2,331
Twin Peaks	2,457	2,740
Saguaro Bloom	1,189	838
Water Resource Development	1,771	3,050
WASTEWATER System Impact Fees		
Systemwide -- Including Saguaro Bloom	4,241	3,930

C.H. Huckelberry, County Administrator

Subject: Your Questions on the *Northwest Explorer* Article, Marana's Wastewater Facility Expansion Over Budget by up to \$2.4 Million

December 6, 2017

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According to the meeting minutes of the November 7, 2017 Marana Town Council meeting, staff will propose possible adoption of these changes on December 19, 2017 for a March 2018 effective date. As of November 7, 2017, Metropolitan Pima Alliance had no material comments and SAHBA was concerned about how the fees were calculated as well as the fee amounts.

Does Marana's transportation fund contain Highway User Revenue Funds that are shared by the State with all cities?

No HURF revenue are accounted for in the Transportation Fund. Funds are generated from an allocated portion of the Town's construction sales tax.

What capital expansion of highway system and/or major repair and maintenance projects are they deferring with this 10-year loan to the wastewater capital fund?

We have been unable to confirm that this information has been publicly released or discussed. We will continue to monitor this topic and provide information as it becomes available.

Based on the figures provided in the article, Marana's capital cost for additional treatment capacity is \$24 per gallon. Please value the County's total overall treatment capacity of our system based on this standard. What would be the total value of the County's now existing wastewater treatment capacity?

Our audited financial statements show that Pima County's existing treatment facilities have a historical cost of \$741 million. Our permitted capacity is 95 million gallons per day putting our per gallon capital cost at approximately \$8 per gallon, or one third the cost of Marana's based on the figures reported in the newspaper article.

If Pima County were to pay \$24 per gallon in capital costs for our now existing wastewater treatment capacity of 95 million gallons per day, the treatment facilities would be valued at over \$2.2 billion.

Please let me know if you have any questions or if additional information is needed.

Attachments

c: Tom Burke, Deputy County Administrator for Administration
Keith Dommer, Director, Finance and Risk Management
Jennifer C. Coyle, Special Assistant to the Director, Regional Wastewater Reclamation Department



MEMORANDUM

Date: November 21, 2017

To: Carmine DeBonis, Jr.
Deputy County Administrator
for Public Works

From: C.H. Huckelberry
County Administrator

Jackson Jenkins, Director
Regional Wastewater Reclamation Department

Re: **Attached *Northwest Explorer* Article Regarding Marana's Wastewater Facility Expansion**

The attached article raises a number of issues that need review.

The first issue is the article references "impact fees from new home buyers." Is Marana anticipating enacting impact fees for wastewater connection services? The article implies such. Please inquire of Marana if they are contemplating raising their sewer connection fees or enacting sewer capacity impact fees as we may wish to do the same.

The article also references a \$2.4 million loan from the transportation fund to the wastewater capital fund. Does their transportation fund contain Highway User Revenue Funds that are shared by the State with all cities? If so, what projects are capital expansion of highway system and/or major repair and maintenance are they deferring with this 10-year loan with the wastewater capital fund?

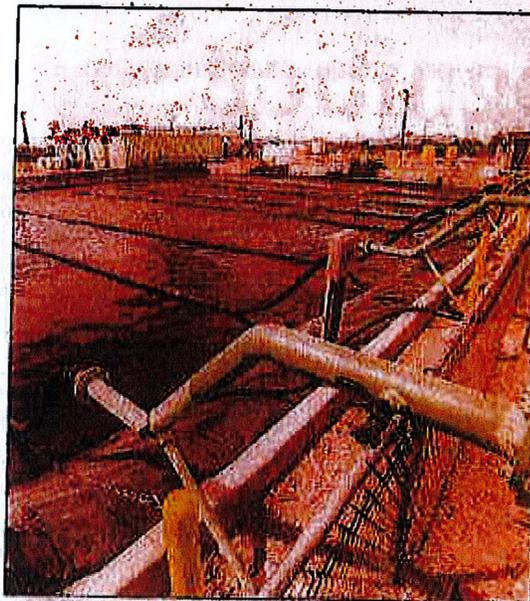
Finally, based on their figures, their capital costs mean that an expansion of 1 million gallons equals \$24 per gallon of costs for additional treatment capacity. Please value the County's total overall treatment capacity of our system based on this standard. What would be the total value of the County's now existing wastewater treatment capacity?

CHH/anc

Attachment

c: Tom Burke, Deputy County Administrator for Administration

BUSINESS



The Marana wastewater facility needs an additional \$2.2 million this year.

Marana's wastewater facility expansion over budget by up to \$2.4 million

DANYELLE KHMARA
Tucson Local Media

Marana Town Council approved a loan of up to \$2.4 million from the transportation fund to the wastewater capital fund for expansion of the wastewater treatment plant, which has a higher cost than staff calculated in the spring.

The cost estimates were short due to electronic equipment, plumbing and construction management costs not previously anticipated.

The town anticipates additional revenues to the tune of \$2.2 million over the next couple of years, from the contracting sales tax related to big construction projects,

such as Tangerine Road, the new police department and the wastewater facility itself. The plan is to pay back the loan, with interest, within 10 years. "It's our hope that should actual construction sales tax come in as we projected, based on that analysis, that we should be somewhat held harmless," said Marana's Finance Director Erik Montague. "Obviously it's going to be dependent on the actual activity."

Previous cost estimates of \$22 million to \$24 million for the wastewater facility's expansion, from 500,000 gallons to 1.5 million gallons, will be paid for with impact fees from new home buyers, according to town staff.

1,000,000
gallons
\$24 million

capital cost
\$24/gallon of
Treatment
capacity

Impact
fees from
new home
buyers

ON
TIRION
Special to
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