

**REGIONAL WASTEWATER RECLAMATION ADVISORY COMMITTEE (RWRAC)
FINANCIAL SUBCOMMITTEE MEETING
Public Works Building
201 N. Stone Avenue – 8th Floor Conference Room
Friday, January 19, 2018, 9:00 a.m.**

Members Present: John Lynch (via phone), Matt Matthewson, Armando Membrila

Members Absent: Corin Marron, Mark Taylor

Others Present: Michelle Campagne (FRMD), Isai Centeno (FRMD), Jennifer C. Coyle (RWRD), Keith Dommer (FRMD), Jackson Jenkins (RWRD), Veronica Lopez (RWRD), Patrick McGee (FRMD), Xavier Rendon (FRMD)

A. Call to Order / Roll Call

Matt Matthewson, Acting Chair, RWRAC Financial Subcommittee, called the meeting to order at 9:12 a.m. Veronica Lopez, Program Coordinator, Regional Wastewater Reclamation Department (RWRD), 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, RWRD, stated how important it is to clean common areas to prevent the spread of germs, especially with the tremendous outbreak of the flu this season.

E. Approval of Minutes – Meeting Minutes of November 15, 2017

ACTION: John Lynch made a motion to approve the meeting minutes of November 15, 2017. Armando Membrila seconded the motion. Motion passed unanimously.

F. Discussion/Action

1. Raftelis Rate Structure Study

a. Status of the Proposed Increase to the Commercial Billing Class Strength Code

Jennifer C. Coyle, Special Assistant to the Director, RWRD, stated the item was continued to the February 6, 2018 Board of Supervisors (BOS) meeting. RWRD staff is working in conjunction with the Finance and Risk Management Department (FRMD) on compiling additional information for the BOS. Armando Membrila, Member, RWRAC Financial Subcommittee, asked why the item was continued. Mr. Jenkins stated he believes the BOS wanted additional time to review the information they have already been provided, as well as the additional information they requested. John Lynch, Member, RWRAC Financial Subcommittee, asked if the department received any more feedback from constituents on the proposed adjustment. Mr. Jenkins stated he and staff met with a representative from the Tucson Chamber of Commerce to discuss the proposed adjustment. Mr. Lynch suggested the department reach out to the BOS members and ask if they have received any further feedback on this matter, and if so, to share that feedback with the department. Mr. Jenkins stated staff can contact the BOS and inquire.

2. 2018 Financial Plan & Future

a. Future Rate Increases

Keith Dommer, Director, FRMD, distributed and discussed a spreadsheet on the 2018 current forecast and financial projections through FY 2023/24. The three percent rate increase from last year is reflected in the 2018 numbers. Mr. Dommer stated at a previous meeting, the committee recommended a debt service ratio of 1.2 and a three-month balance of unrestricted cash. Discussion ensued regarding pre-payments and the

debt service ratios over the next few years. Mr. Dommer stated the finances are unlikely to drive the need for future rate increases until at least 2022. Mr. Lynch asked when the department collects the winter quarter average (WQA) consumption. Mr. Dommer stated the WQA is collected now and it will then be applied to bills in July. Mr. Lynch stated he would like to see projections for WQA prior to establishing a rate factor for the volume. Mr. Dommer stated he can provide that information. Discussion ensued. Mr. Matthewson asked because the 16% adjustment to the high strength factor is not included in the spreadsheet, does that mean the 16% adjustment is not needed. Mr. Dommer stated the 16% adjustment is primarily an equity issue and not a specific need. Mr. Jenkins stated it is more of a fairness to all classes to pay appropriate amounts since the strength of commercial is higher and cost more to treat. The subcommittee continued to ask various questions of staff. Mr. Matthewson and Mr. Lynch agreed that this item should be presented at the upcoming full committee meeting.

Mr. Dommer thanked the subcommittee and full committee for accepting his recommendations for the quantified factors and the ability to pursue methods such as this in order to improve the financial outlook and health of the department. Mr. Lynch thanked Mr. Dommer for his efforts and assistance with all the data and information he has provided to help the committee gain a better understanding of the department's financials.

3. Fiscal Year 2017/2018 Expense & Revenue Update

Patrick McGee, Division Manager, FRMD, provided the Period 6 Expense and Revenue update. Operation and Maintenance expenses are projected at \$8 million, which is slightly under budget due to savings in the personnel services. The debt services is also under budget by \$28,000. Mr. McGee stated revenues are forecasted at \$178.9 million, which is over budget by \$1.3 million.

4. February and March Meeting Schedule

The February and March meetings will be held on February 15th and March 15th. Time of meetings to be determined.

G. Future Agenda Items

- 2018 Financial Plan
- Outcome of the Proposed 16% Adjustment to the High Strength Users

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

I. Adjournment

ACTION: John Lynch made a motion to adjourn the meeting. Armando Membrilla seconded the motion. The meeting was adjourned at 10:22 a.m.