

**REGIONAL WASTEWATER RECLAMATION ADVISORY COMMITTEE (RWRAC)
FINANCIAL SUBCOMMITTEE MEETING
Public Works Building
201 N. Stone Avenue – 8th Floor Conference Room
Thursday, April 18, 2018, 10:00 a.m.**

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

Members Absent: Mark Taylor

Others Present: Mandy Armenta (FRMD), Marla Berry (RWRD), Jennifer C. Coyle (RWRD), Keith Dommer (FRMD), Barbara Escobar (RWRD), Jason Grodman (RWRD), Jackson Jenkins (RWRD), Veronica Lopez (RWRD), Patrick McGee (FRMD), Jeff Prevatt (RWRD), Xavier Rendon (FRMD), Charles Wesselhoft (PCAO)

A. Call to Order / Roll Call

John Lynch, Chair, RWRAC Financial Subcommittee, called the meeting to order at 10:11 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

Jason Grodman, Permit Regulatory Compliance Officer, RWRD, reminded everyone to be cautious of snakes while outdoors.

E. Approval of Minutes – Meeting Minutes of February 15, 2018

ACTION: Armando Membrila made a motion to approve the meeting minutes of February 15, 2018. Corin Marron seconded the motion. Motion passed unanimously.

(During the meeting, Mr. Lynch requested an edit be made to the meeting minutes of February 15, 2018; however, it was later confirmed that the meeting minutes were correct as-is. Therefore, no edits were made.)

F. Discussion/Action

1. Presentation on Modifications to the Rate Structure & Other Billing Topics

a. Number of Industrial Classes

The subcommittee and staff members introduced themselves to Mr. Grodman. Mr. Grodman presented a PowerPoint, which was focused on the “High Strength User Evaluation.” The presentation highlighted the discrepancies in classes and high strength users, in which residential and commercial are classed the same. Mr. Grodman gave a few examples in the commercial sector citing the loss of revenue which is several thousand dollars over the course of a year, resulting from incorrect class rate coding. Mr. Grodman continued to explain the difficulty in correcting this issue as there are also business master meters/multi-tenant that serve several different types of businesses i.e. restaurants, urgent cares, business offices etc. where there is no separation of classes. As a result, high strength users pay the same rate as basic commercial users and there are several commercial properties that have several restaurants tied to a master meter and only 1 in 6 of the restaurants get charged correctly as high strength users. Mr. Grodman provided examples of different options as a way to capture all high strength users. The one possible option discussed at length was creating one inclusive commercial class regardless of user strength.

Jackson Jenkins, Director, RWRD, expounded on the benefits to RWRD with adopting one commercial class. Mr. Jenkins requested a consensus and support from both the committee and the Finance and Risk Management Department (FRMD) to present the one commercial class option to the Board of Supervisors. Mr. Jenkins stated this is the best viable option to regulate high strength user fees for all commercial accounts.

b. Actual Water Usage vs. Winter Quarter Averaging

Jeff Prevatt, Deputy Director, RWRD presented a "Commercial Sewer Accounts and Winter Averaging" PowerPoint that explained and gave examples of commercial sewer accounts and winter averaging. Mr. Prevatt stated that commercial accounts should be billed based on actual monthly usage. Direct usage is more applicable for commercial customers. Most commercial properties have limited outdoor use and reduced holiday operations can bias winter averaging. There could be some exceptions and those customers would have to make an appeal to request WQA with strong data to support their request.

c. Residential Sewer User Fee Rate Structure

Jennifer C. Coyle, Special Assistant to Director, RWRD, presented on "Residential Sewer User Fee Billing". The presentation addressed the current rate structure, alternative rate structures, and department recommendations. Ms. Coyle informed the committee that we have approximately 235,500 residential customers of which 4,500 are limited income. Ms. Coyle cited Pima County Code 13.24, Sanitary Sewer User Fees, which breaks down how fees are calculated. Mr. Jenkins asked if these are only Tucson Water customers or all residential customers. Ms. Coyle responded they are only Tucson Water customers. Mr. Jenkins stated if that is the case, then the total was closer to 255,000 residential customers. Ms. Coyle concurred and continued to explain the fee breakdown. Customers of smaller water companies are billed at the WQA regardless of usage. The majority of RWRD's cost are fixed at 92% with 8% variable and fluctuate per the Raftelis Study. The majority of recovered revenues are 66% variable and 34% fixed, which creates revenue instability. In FY 2018/2019, billing costs continue to rise.

Ms. Coyle gave examples of several alternatives to the current billing system: 1) no change, 2) future rate increases only on fixed service fee, 3) Adjust the current formula, 4) Automatic rate increases as water usage goes down, or 5) a non-volumetric flat charge. The department's recommendation is the non-volumetric flat charge, which offers revenue stability, reduced billing cost, easy for customers to understand, and eliminates bill volatility. Ms. Coyle asked for the committees thoughts on the flat residential charge and stated staff can provide additional information that could be presented to the full committee for recommendations. Discussion ensued regarding possible studies to see how other utilities addressed a flat rate charge and the impact it has on customers.

2. Preliminary Draft of the 2018 Financial Plan

Keith Dommer, Director, FRMD, stated the draft Financial Plan was presented to the full committee at last month's RWRAC meeting, and since then, no significant changes have been made. Mr. Dommer asked the subcommittee to forward any comments/edits on the Financial Plan to Ms. Lopez.

ACTION: Matt Matthewson made a motion to support the findings and recommendations as outlined in the 2018 Financial Plan, specifically to continue to issue new sewer revenue debt as planned, to finance the capital needs of maintaining and expanding the County's sewer system, to use restricted cash as planned, to prepay sewer revenue debt, and an increase in revenues generated by sewer user fees is not needed at this time. Armando Membrilla seconded the motion. Motion passed unanimously.

Staff will draft a letter from the RWRAC to the BOS regarding their recommendation on the Financial Plan.

3. Fiscal Year 2017/2018 Expense & Revenue Update

Mandy Armenta, Administrative Support Services Manager, FRMD, provided the Period 9 Expense and Revenue update. Ms. Armenta stated the operation and maintenance expenses are \$183.6 million, which is \$3.4 million under budget. Revenues are \$181.3 million, which is \$3.87 million above the \$177.4 million that is forecasted for FY 2017/18.

Mr. Dommer added that the County Administrator has requested the Financial Plan be available for the budget hearings in May.

G. Future Agenda Items

Mr. Lynch stated he will work with staff on next month's agenda items.

Mr. Lynch asked Ms. Lopez to send the subcommittee the three PowerPoint presentations that were presented at today's meeting.

H. Call to the Audience – Marla Berry, Program Manager Sr., RWRD, stated she recently worked at Metro Water and they have implemented a flat rate fee. Metro Water has experienced a revenue stability since inception and customers have been very accepting of the slight rise in cost.

I. Adjournment

ACTION: Armando Membrilla made a motion to adjourn the meeting. John Lynch seconded the motion. The meeting was adjourned at 12:10 p.m.