



**REGIONAL WASTEWATER RECLAMATION ADVISORY COMMITTEE
FINANCIAL SUB-COMMITTEE
Public Works Building
201 N. Stone Avenue, 7th Floor Conference Room**

MEETING MINUTES

Wednesday, May 6, 2015

SUB-COMMITTEE MEMBERS PRESENT:

John Lynch Sheila Bowen Armando Membrila

A. CALL TO ORDER. John Lynch, Chair, called the meeting of the Regional Wastewater Reclamation Advisory Committee (RWRAC) Financial Sub-Committee to order at 1:37 p.m. Jody Watkins took the roll call and a quorum was present.

B. PLEDGE OF ALLEGIANCE.

C. SAFETY SHARE. John Lynch reminded everyone of the value and benefits to wearing gloves, particularly in construction environments. Statistics show that the number of hand injuries are significantly less when utilizing gloves on the job.

D. APPROVAL OF MINUTES.

Meeting Minutes of December 10, 2014

ACTION: John Lynch made a motion to approve the minutes of the December 10, 2014 meeting. Sheila Bowen abstained. Armando Membrila seconded the motion. Motion passed.

E. DISCUSSION/ACTION.

1. FINANCIAL DISCUSSION.

- a. *Financial discussion included the timeline and financial history of shifts in Regional Wastewater Reclamation Department (RWRD) in-house services to Pima County shared services.* Mr. Lynch asked for clarification on how costs are allocated to RWRD in the areas of Human Resources and Information Technology versus other County departments. Tom Burke, Director, Finance and Risk Management Department (FRMD), stated the central service cost are allocated based on cost drivers that include tracking actual time by work requests, number of warrants, number of employees, and number of contracts. Mr. Burke stated that in the past charges related to Finance, Human Resources (HR), and Information Technology (IT) salaries were charged through the Interdepartmental Salary line item. Now they are included in the Overhead charges. Mr. Burke specified that in 2009, the

Department had \$2.2 million dollars in cost of Finance, HR, and IT staff that were consolidated into the central Departments. For years following, the central Departments continued to charge Wastewater the direct charges for those staff who worked on Wastewater matters. Mr. Burke stated that the appropriate way to allocate the real cost is through the normal allocation of cost drivers and to track it as overhead. In the current year the Finance, HR, and IT costs were shifted back into overhead instead of the Department's budget. The cost to the Department is basically the same. Mr. Burke presented a PowerPoint presentation regarding the County overhead for RWRD and the impact on the Department's budget from Fiscal Year 2012 through 2016. RWRD is one of the largest departments having, in addition to its operating budget, a capital program that has approached \$200 million a year for several years. The size of the operations and capital programs affect the allocation costs. Mr. Burke detailed the County Overhead Allocation process, which included both the indirect overhead allocation and the direct charge outs. These are combined and charged to departments as "County Administrative Overhead". Mr. Burke continued to clarify the Cost Drivers from the individual central service departments. Some of these services included tax assessment and collections, personnel services, square footage of Department's space, storage space for records and microfilm, licenses, and warrants processed. Mr. Burke indicated that overhead is charged two years after it has been spent. Patrick McGee, Division Manager, Finance and Risk Management Department (FRMD), explained the function codes that track the amount of time an employee from a central department spends on RWRD projects to determine the cost to the Department's overhead. Discussion ensued.

- b. *Responses to BOS Questions dated 4/6/15.* Mr. Lynch asked if any Committee members had any questions regarding the document. Jackson Jenkins, Director, RWRD, explained the financial model that was utilized in December of \$245 million in capital projects to \$227 million in March for a decrease of \$18 million. All departments were mandated to reduce their budgets by four percent originally, which changed to two percent. The Operations and Maintenance budget for RWRD was now \$86 million, which brought the debt service ratio closer. Sheila Bowen voiced her concern of reduced contingencies and deferred projects. Mr. Jenkins clarified that the contingencies are generally estimated higher than needed and reducing the amount of contingencies would not affect any projects. Ms. Bowen expressed the importance of in-house training and off-site workshops for staff. Mr. Jenkins reaffirmed the Committee that RWRD would continue mandatory training for positions that required training and other classes would be minimal. Out-of-state travel and conferences would be determined on an individual basis.
2. **FIVE-YEAR CAPITAL IMPROVEMENT PROGRAM UPDATE.** John Warner, Deputy Director, RWRD, provided a spreadsheet regarding the Capital Improvement Program (CIP) Budget Development. Mr. Lynch compared the previous Fiscal Year 2014/15 December CIP spreadsheet to the current spreadsheet and was concerned of the Total Planned Expenses from approximately \$69.7 million to \$80.3 million increase. Mr. Jenkins explained that the \$69.7 million is the "projection" for CIP and the \$80.3 million is the actual "budget", which includes money for unforeseen emergencies. Discussion ensued. The Aerospace Corridor was discussed. Jaime Rivera communicated that the Project Managers add a 10 percent contingency to projects to reduce the risk of under-budgeting. Some projects of less importance may be deferred to the next Fiscal Year. Mr. Jenkins

confirmed that the contingencies were reduced to projects that were closer to finalization and re-prioritize the remaining projects. John Warner, Deputy Director, RWRD, mentioned there is flexibility with three Job Order Contracts, which could be deferred if monies were needed for the CIP. Mr. Warner indicated the CCTV program is current and would be a priority. Mr. Jenkins confirmed that the contingency monies help when an emergency arises and that a project may be deferred to another Fiscal Year if needed.

- 3. 2015 RWRD FINANCIAL PLAN.** Mr. Burke updated the Committee on the upcoming Board of Supervisors meeting (August 17, 2015), regarding the proposed Sewer User Fee and Sewer Connection Fee increases. The statute states a minimum of sixty day notice to the public on the County webpage and a fifteen day notice to advertise the Ordinance change. Mr. Jenkins indicated a public hearing was being scheduled for June 18, 2015. Mr. Burke stated that if the Board of Supervisors approved either of the proposals, they would not go into effect until thirty days after an Ordinance change, which would be the beginning of October. Mr. Jenkins determined it would be a \$1.3 million loss in revenue due to the timing of the Fiscal Year. Mr. Lynch inquired why originally a four and a half percent increase was projected by Finance versus a three percent rate increase, which was finally proposed to the Board of Supervisors. Mr. Burke explained that the increase is determined by assumptions and direction by County Administration. Discussion ensued.

4. Sub-Committee Nominations of Officers

Deferred to next meeting.

F. FUTURE AGENDA ITEMS.

- Sub-Committee Nominations (Vice-Chair)
- Fixed versus Variable
- Operating Cost Projections – Reductions
- Ultimate Outcome of Connection Fees
- Recommendation – Fee Study Ordinance
- Debt Projections – Connection Fee & User Fee

G. CALL TO THE AUDIENCE.

ACTION: Armando Membrila made the motion to adjourn the meeting. Sheila Bowen seconded the motion.

H. ADJOURNMENT. The meeting was adjourned at 3:26 p.m.