

**REGIONAL WASTEWATER RECLAMATION ADVISORY COMMITTEE (RWRAC)
FINANCIAL SUBCOMMITTEE MEETING
Public Works Building
201 N. Stone Avenue – 7th Floor Conference Room
Monday, June 12, 2017, 1:00 p.m.**

Members Present: John Lynch, Armando Membrila, Mark Taylor

Members Absent: Corin Marron, Mark Stratton

Others Present: Jennifer C. Coyle (RWRD), Keith Dommer (FRMD) Jackson Jenkins (RWRD), Veronica Lopez (RWRD), Patrick McGee (FRMD)

A. Call to Order / Roll Call

John Lynch, Chair, RWRAC Financial Subcommittee, called the meeting to order at 1:02 p.m. Veronica Lopez, Program Coordinator, 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

Mr. Lynch reminded everyone to drink plenty of water during the summer months. Armando Membrila, Member, RWRAC Financial Subcommittee, added that everyone should assure they are hydrated prior to going outside in the heat.

E. Approval of Minutes – Meeting Minutes of March 13, 2017

ACTION: Mark Taylor made a motion to approve the meeting minutes of March 13, 2017. Armando Membrila seconded the motion. Motion passed unanimously.

Mr. Lynch stated he would like to rearrange the order of the meeting agenda items and discuss Item F.3 first.

F. Discussion/Action

1. RWRD Revenue: FY 2017/2018 and Future Years

Keith Dommer, Director, Finance and Risk Management Department (FRMD), distributed a handout showing four-year financial projections with the 2017 current forecast listing projections, one worksheet showed two 5% user fee increases and the other worksheet showed no additional rate increases. Mr. Dommer began with projections with no additional rate increases and went on to discuss the total debt service payments. The debt service ratio would be at 1 in FY 2019/2020 and the debt service ratio would drop to 0.97 and the department would be in non-compliance with the Bond Rating Agency by FY 2020/2021. Mr. Dommer stated in FY 2022/2023 the department would be out of unrestricted cash. Mr. Dommer went on to discuss the projections with two 5% user fee increases in July 2018 and July 2019, which would generate more revenue and the debt service ratio would stay above 1.14. It is possible that these two increases could carry the department through to 2025 and the department may not need to request additional rate increases during this time. Discussion ensued regarding the financial projections and possible future rate increases.

Mr. Dommer provided data on a ten-year summary of uncollectibles to address the correlation between rate increases and account delinquencies. There is no correlation. The subcommittee discussed whether there were any public comments at the Board of Supervisors meeting of April 18, 2017. Ms. Lopez will send the subcommittee the meeting minutes from the April 18th meeting.

2. Bond Repayment Schedule

Mr. Lynch stated a few RWRAC members have communicated that they would like this matter addressed with regard to restructuring of the debt. Discussion ensued. Mr. Dommer went through the various scenarios of the repayment schedule. Mark Taylor, Member, stated he prefers that the entire RWRAC review and make a recommendation as a committee as a whole at the August meeting. Mr. Lynch concurred. Mr. Dommer will provide a one-page summary for the RWRAC meeting this month.

3. County Administrative Overhead

The subcommittee reviewed and discussed what County departments pay in overhead in comparison to what RWRD pays. Mr. Dommer distributed handouts which provided a summary of FY 2017/2018 administrative overhead costs for the County and the portions paid by RWRD. Mr. Dommer explained that RWRD's portion that is being allocated out is approximately 8% and continued to explain how those costs are allocated. Discussion ensued. Mr. Lynch requested that this item be listed under the Financial Subcommittee Update on the June 22nd RWRAC meeting agenda.

4. Rate Structure Study Update

Jennifer Coyle, Special Assistant to the Director, RWRD, stated Raftelis Financial Consultants is in the process of finalizing the final report and the focus will then turn to a supplemental report based on the three alternatives of a flat fee for sewer billing. Mr. Lynch stated in hindsight he wished this study had been clarified that it was not a rate study and it is important that this be emphasized in the Executive Summary of the final report. Ms. Coyle stated this was reiterated in the Executive Summary. Ms. Coyle will look into including the Scope of Services as an Appendix in the report. Discussion ensued. Ms. Coyle will speak to Raftelis and find out if they can offer assistance or have suggestions in clarifying that this report is not a rate study.

5. Financial Subcommittee Schedule

Mr. Lynch proposed the subcommittee meet between August 15th – 22nd. Ms. Lopez will poll the Subcommittee members to schedule a meeting date/time.

G. Future Agenda Items

- Sale of RWRD Water Credits
- Cost of Billing
- Tucson Water Presentation – Economic Development Infrastructure Cost Reimbursement
- Twin Peaks Sewer Extension Public/Private Partnership Details
- Increased Revenue to High-Strength Users

H. Adjournment

ACTION: Mark Taylor made a motion to adjourn the meeting. Armando Membriola seconded the motion. The meeting was adjourned at 2:52 p.m.