

**REGIONAL WASTEWATER RECLAMATION ADVISORY COMMITTEE (RWRAC)  
FINANCIAL SUBCOMMITTEE MEETING  
Public Works Building  
201 N. Stone Avenue – 7<sup>th</sup> Floor Conference Room  
Friday, August 18, 2017, 9:00 a.m.**

**Members Present:** John Lynch, Mark Stratton, Mark Taylor

**Members Absent:** Corin Marron, Armando Membrila

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

**A. Call to Order / Roll Call**

John Lynch, Chair, RWRAC Financial Subcommittee, called the meeting to order at 9:05 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**

Mark Stratton, Member, reminded everyone that school is back in session and to be more alert and cautious around school crossings and bus stops. Mr. Lynch added that bike riders must remember to abide by traffic laws.

**E. Approval of Minutes – Meeting Minutes of June 12, 2017**

**ACTION:** Mark Stratton made a motion to approve the meeting minutes of June 12, 2017. Mark Taylor seconded the motion. Motion passed unanimously.

**F. Discussion/Action**

**Old Business:**

**1. Raftelis Rate Structure Study**

Jennifer C. Coyle, Special Assistant to the Director, RWRD, stated the final report was distributed to the full committee. Ms. Coyle stated committee members are welcome to comment and/or ask questions at the upcoming RWRAC meeting next week and staff will do their best to address any questions they may have. Jackson Jenkins, Director, RWRD, stated he has received feedback from some committee members who are not pleased with the final outcome of the study and wanted to make the subcommittee aware in the event this matter comes up at next week's RWRAC meeting. Discussion ensued regarding the feedback that was received. Mr. Lynch asked if Mr. Jenkins could share the written feedback with the subcommittee. Mr. Jenkins stated staff will e-mail the comments to the subcommittee.

Mr. Lynch asked if in the study, if the fixed rate is being considered or recommended. Mr. Jenkins reiterated that Raftelis is not providing a recommendation, they are providing scenarios. From the Department's perspective, the Department is interested in a fixed bill. However, the Department is open to feedback, but are less interested in modifying the current formula. The Department's second recommendation would be to not change the existing formula and any future rate increases would be loaded into the fixed portion of the bill. Mark Stratton, Member, asked if the Department looked at fixed tiers. Mr. Jenkins stated no it has not. Mr. Lynch stated the next step in this process is for the RWRAC to review and accept the content of the report. The Department will make the determination on what it chooses to propose. Discussion ensued.

## 2. Bond Repayment Schedule

Keith Dommer, Director, Finance and Risk Management Department (FRMD), distributed handouts to the subcommittee. Mr. Dommer first discussed a page from an April 11, 2017 memorandum from the County Administrator regarding RWRD's rate increases and also included a summary on the purpose of the Raftelis Rate Structure Study. Discussion ensued regarding the debt service payments and the interest rates. Mr. Dommer stated the County receives a more favorable bond rating on a lower 15-year payment term.

Mr. Dommer then discussed an analysis that was conducted on the effects of refinancing sewer revenue debt for longer periods. A handout showed estimated financial impacts of refinancing sewer revenue debt for longer periods. Mr. Dommer stressed that the data contained on this analysis are estimates for general discussion only. Mr. Dommer also provided a graph projecting the sewer revenue debt and the decrease of the outstanding principal through 2024. Mr. Lynch asked that the memorandum page be included in the RWRAC meeting packets for discussion at next week's meeting, as well as the handout displaying the various refinancing scenarios.

**ACTION:** Mark Stratton made a motion to support the concept of a 15-year debt service re-payment schedule due to the overall cost savings and interest. Mark Taylor seconded the motion. Motion passed unanimously.

## 3. RWRD Revenue

Mr. Dommer provided and discussed a 2017 current forecast spreadsheet showing projections with no additional rate increases. In FY 2019/20, the rating agency ratio drops to 1.00, which is the bottom of the minimally acceptable range. Early in 2020, the debt service ratio would be dangerously close to being non-compliant. Mr. Dommer also provided a spreadsheet of the 2017 current forecast for projections with a C Class rate increase of 16%. Discussion ensued regarding the bond ratings and debt service ratios. Mr. Lynch commented that possibly an analysis would determine if rates had been increased to the amount that was originally recommended, if that would have resulted in additional cash to pay down the debt and could have possibly minimized future rate increases. The subcommittee and Mr. Dommer continued discussion on the commercial class rate increase of 16% and future projections.

**ACTION:** Mark Taylor made a motion that Keith Dommer will determine a debt service ratio and a minimum cash balance that is required to maintain financial stability for the Regional Wastewater Reclamation Department and these financial figures will be utilized for future rate increase projections. Mark Stratton seconded the motion. Motion passed unanimously.

Mr. Stratton asked when the Department intends to present the proposed 16% commercial class rate increase to the Board of Supervisors (BOS). Mr. Jenkins stated the Department is planning to present a recommendation to the BOS later this calendar year.

### ***New Business:***

#### 1. RWRD Financial Update

Mr. Dommer provided the Period 13 and Period 1 expense and revenue comparisons for FY 2016/17. For Period 13, operating and maintenance expenses are budgeted for \$84.5 million. Through Period 13, \$81 million is budgeted. With the Period 14 and 15 adjustments, the projections will be close to \$84 million. The Department will be under budget on expenses. Revenues for Period 13 are \$176.1 million. Mr. Dommer stated the Department is on budget for Period 1.

#### 2. Sale of RWRD Water Credits

Ms. Coyle stated the public notice of the sale was advertised August 1, 2017 and will run through August 31, 2017. Approximately 20 – 22 water utilities were mailed notices of the sale. The notice and additional information is posted on the County and RWRD websites. To date, no bids have been received; however, Mr. Jenkins has received comments from a few utilities that they intend to submit offers for the almost 12,000 water credits.

#### 3. Financial Subcommittee Schedule

Mr. Lynch asked Ms. Lopez to poll the subcommittee members and determine if a set date/time can be scheduled for future meetings. Due to Mr. Stratton and Mr. Taylor leaving the RWRAC this month, the subcommittee will have two vacancies.

**G. Future Agenda Items**

- 2017 Financial Plan
- Tucson Water Presentation – Economic Development Infrastructure Cost Reimbursement
- Twin Peaks Sewer Extension Public/Private Partnership Details

**H. Adjournment**

**ACTION:** Mark Stratton made a motion to adjourn the meeting. Mark Taylor seconded the motion. The meeting was adjourned at 10:51 a.m.