



PIMA COUNTY
WASTEWATER RECLAMATION

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

MEETING MINUTES

Wednesday, September 3, 2014

COMMITTEE MEMBERS PRESENT:

John Lynch Ann Marie Wolf
Mark Stratton
Mark Taylor

COMMITTEE MEMBERS ABSENT:

Amber Smith

A. CALL TO ORDER. John Lynch called the meeting of the Regional Wastewater Reclamation Advisory Committee (RWRAC) Financial Sub-Committee to order at 1:32 p.m. Brandy Peterson took the roll call and a quorum was present.

B. PLEDGE OF ALLEGIANCE.

C. SAFETY SHARE. Mark Taylor reminded everyone to always cross streets in crosswalks when possible.

D. APPROVAL OF MINUTES

Meeting Minutes of June 4, 2014

ACTION: Ann Marie Wolf made a motion to approve the minutes of the June 4, 2014 meeting. Mark Taylor seconded the motion. Motion passed unanimously.

E. DISCUSSION/ACTION.

1. 2015 RWRD FINANCIAL PLAN. Tom Burke, Director, Finance and Risk Management Department (FRMD), distributed and discussed the tentative time table for the 2015 Financial Plan. Mr. Burke stated that because rate increases may be an option for next fiscal year, he included timeframes of when the RWRAC may hold public hearings. Mark Stratton asked if there is a specific date as to when the Financial Plan is submitted to the Board of Supervisors (BOS) for approval. Mr. Burke stated it needs to be 30-days prior to the rate increase before it would go into effect. The BOS would adopt a tentative budget in mid-May with the recommended budget published in late April. Staff and the Sub-Committee discussed the tentative schedule.

Ann Marie Wolf stated at the next RWRAC regular monthly meeting she is going to speak to the Committee regarding Sub-Committee membership interests. The Sub-Committee and staff discussed future Sub-Committee meeting dates. The Sub-Committee decided to change the meeting date in

December from the 3rd to the 10th.

Mr. Burke distributed *Financial Plan Assumptions – 2014 Wastewater Financial Plan as of September 3, 2014 – Appendix A*. Mr. Burke explained the data on the spreadsheet and how the data is calculated. Mr. Burke also distributed a handout discussing median population future growth estimates and historic growth rates. In the past five years, there has been less than one percent growth per year. Mr. Taylor suggested reviewing Tucson Water's data to see what their growth rates are. Discussion ensued regarding the growth rates. Mr. Burke stated he will check as to what the actuals were last year, as well as check with Tucson Water and Metro Water to get their growth statistics. Mr. Lynch stated the reason for his inquiry with regards to the population and volumetric changes and how they compare to other projections, is that, if the department is going to request a rate increase, he wants to feel confident that the assumptions made are accurate. Mr. Burke stated he does not plan to address the Financial Plan with the full Committee until it has been presented and discussed with the Sub-Committee one more time. Mr. Burke stated he will present the first draft of the financials based on the assumptions. The Sub-Committee concurred.

The Sub-Committee and staff proceeded to discuss the financial assumptions. Mr. Burke noted that with regards to the annual rate of expense increase, the current year is based on projected expenses. Fiscal Year (FY) 2016 will be based on the requested budget submitted by the Regional Wastewater Reclamation Department (RWRD). Mr. Burke explained the debt assumptions are based on cash needed to pay for capital projects. Mr. Burke stated a total of \$150.5 million will be used to pay down debt quickly and reduce debt service payments. Mr. Burke answered various questions regarding debt service. Mr. Burke will provide the Sub-Committee with the current debt schedule. Mr. Burke stated he would like to meet with the Sub-Committee and discuss the financial assumptions one more time prior to presenting to the full Committee. Mr. Taylor asked if the Sub-Committee will be reviewing the Capital Improvement Projects (CIP) in more detail. Mr. Lynch stated he does not think that will be necessary and the full Committee will be receiving a CIP presentation at a future meeting.

2. RWRD FINANCIAL PLAN/BUDGET ISSUES.

- a. **Debt Service/Balance Sheet.** Mr. Burke explained that previously in the annual budget the County budgeted full budget debt service as an expense, but only the bond interest portion is an expense. For FY 2015, the County stopped budgeting for the principal payment as an expense. Mr. Burke stated a 3 – 4 year projection is done for cash flow for RWRD. Mr. Burke and the Sub-Committee continued to discuss the debt service and cash flow. Mr. Burke stated he will put together a summary on the debt service/balance sheet to distribute to the Committee.
- b. **County Overhead Charges.** Mr. Burke distributed a handout on FY 2014-15 overhead calculations. The total allocated is \$7.3 million. RWRD's amounts have been increasing each year by half a million or more due to both an increase in County expenses and the closure of Pima Health Systems (PHS). Mr. Burke went on to explain the allocation basis for central service departments. Departments that are charged overhead are enterprise funds and special revenue funds. Mark Stratton asked if the Building Use Allowance and the Facilities Management Department allocating costs are for the same thing. Mr. Burke explained the Building Use Allowance is for un-booked depreciation. Mr. Taylor stated a 9.3% increase per year, between FY 2010 through FY 2014, to RWRD seems like a lot. Mr. Burke explained that the charges are being allocated between fewer departments, thus the percentage increases. Discussion ensued regarding how overhead charges are allocated. Ms. Wolf asked if the County reviews other departments and whether or not they are operating the most efficient way. Mr. Wolf stated that would be interesting to see what the breakdown was for FY 2010. Mr. Burke stated they probably do not have those records as they are only required to maintain those records for three years. Mr. Burke stated this is a County-wide allocation of costs based on County-wide expenditures and

County-wide cost factors. Mr. Burke asked what the Committee would suggest to the County regarding this. Mr. Lynch asked when the costs are allocated back to the department, what is the percentage of the total budget does this amount equate to. Mr. Burke stated it is a small percentage of the total amount that is allocated. Ms. Wolf stated this does fall under the Committee's responsibility because it is part of the budget, which therefore may affect rate increases. Discussion ensued regarding how costs are allocated between the departments. Mr. Lynch suggested that as we get closer to FY 2016 it would be interesting to see how these cost allocations are projected. Mr. Burke stated he would like to present this information to the full Committee. Ms. Wolf stated it will be good to give the Committee an opportunity to ask questions and gain an understanding of this process.

F. FUTURE AGENDA ITEMS.

Mr. Curley recapped key items:

- Future Sub-Committee meeting dates have been scheduled through January 2015.
- Mr. Burke will contact Tucson Water and Metro Water to gather information on what the actual numbers are for customers and volumes are for 2014.
- Mr. Burke will provide a Debt Service Balance Sheet and 2016 Overhead Charges.
- Mr. Curley will make arrangements for a CIP presentation to the full committee at the RWRAC meeting in October.

G. CALL TO THE AUDIENCE. There were no comments from the audience.

H. ADJOURNMENT. The meeting was adjourned at 3:45 p.m.