

**REGIONAL WASTEWATER RECLAMATION ADVISORY COMMITTEE (RWRAC)
FINANCIAL SUBCOMMITTEE MEETING
Public Works Building
201 N. Stone Avenue – 8th Floor Conference Room
Wednesday, September 20, 2017, 10:00 a.m.**

Members Present: John Lynch, Corin Marron Mark Taylor

Members Absent: Matt Matthewson, Armando Membrila

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

A. Call to Order / Roll Call

John Lynch, Chair, RWRAC Financial Subcommittee, called the meeting to order at 10:05 a.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

Patrick McGee, Division Manager, Finance and Risk Management Department (FRMD), suggested pedestrians pay attention while walking instead of looking at cell phones and drivers should also pay attention for those not paying attention.

E. Approval of Minutes – Meeting Minutes of August 18, 2017

ACTION: Mark Taylor made a motion to approve the meeting minutes of August 18, 2017. Corin Marron seconded the motion. Motion passed unanimously.

F. Discussion/Action

1. Twin Peaks Sewer Extension Public/Private Partnership Details

Greg Hitt, Program Manager Sr., Regional Wastewater Reclamation Department (RWRD), distributed handouts to the subcommittee. Over the past couple of years, development has increased in the Twin Peaks area. The County has been working with the Town of Marana and developers to develop this project. Mr. Hitt explained the developers made contributions in order to expedite this project and it is now an active project under the Capital Improvement Program (CIP). This project will be a Design-Build and the procurement process is underway.

Mr. Hitt presented and discussed a map displaying the new developments connecting to the proposed Twin Peaks gravity sewer. A 15-inch gravity line that will go from the existing Tangerine Pump Station and it will connect to an existing 18-inch line at Cortaro Farms Road. This development will occur in four phases. Mr. Hitt explained what will occur during the four phases. Mr. Hitt went on to discuss other developments that are north of Dove Mountain and will be tributary to this line. Mr. Hitt stated the goal is to have Phase I in place by September 2018 and Phase II will occur immediately after Phase I. The Design Build team will be the same for all four phases. (Eric Wieduwilt, Deputy Director, RWRD arrived at 10:17 a.m.) Mr. Hitt stated the entire project is estimated to cost approximately \$5 million. The County will assume nearly 63% of costs on this project. Mr. Hitt went on to explain the percentages of the developer's usage north and south of Tangerine Road and the costs each developer will assume, which totals approximately 37%. The subcommittee asked various questions regarding this project. Mr. Lynch asked that the handouts be included

in the RWRAC meeting packets for the September 28th meeting, and if the full committee wishes to hear a formal presentation it can be added to a future meeting agenda.

2. Raftelis Rate Structure Study

Jennifer C. Coyle, Special Assistant to the Director, RWRD, stated Bart Kreps from Raftelis Financial Consultants will be present via telephone at the September 28th RWRAC meeting to provide a brief recap of the commercial billing increase, and RWRD staff will present on this topic as well. Mr. Lynch requested staff to send a reminder to all committee members that Mr. Kreps will be present via telephone at the upcoming meeting and to be prepared with any questions or comments as this may be the last opportunity for committee members to speak directly to a Raftelis representative. Ms. Coyle stated the Department is prepared to present a recommendation to the Board of Supervisors (BOS) on or about November 7, 2017, to increase the Commercial bill class rate by 16%. A public evening meeting has been scheduled for October 16, 2017 to receive public comment on this matter. Ms. Coyle discussed how the Department has been diligent in providing notices and public outreach for the public and BOS meetings. Mr. Lynch suggested the Department reach out to businesses, the Chamber of Commerce, the Southern Arizona Home Builders Association, etc. Ms. Coyle stated staff will assure the BOS is sent copies of all notices that are published, press releases, and any letters that are distributed to associations. Mr. Lynch suggested that staff and some RWRAC members could also go to the various associations to provide presentations and to receive feedback. Ms. Coyle added that staff also posts notices on Facebook.

Mr. Lynch commented there was disconnect in providing notification of this recommendation to the RWRAC prior to it be noticed. Ms. Coyle reiterated the Department's intention to always keep the Committee informed and efforts have been made to do so since Raftelis Financial Consultants first presented to the Committee in December 2016. Since nearly nine months have passed without action by the Committee on this matter. Ms. Coyle asked the Committee to provide specifics on what further information they need in order to take action and move forward in tandem with the Department. Discussion ensued regarding the next steps for the Raftelis Rate Structure Study report and if the Subcommittee would take action today. Mr. Lynch stated it is his preference to take action when all five members of the subcommittee are present. (Jackson Jenkins, Director, RWRD, arrived at the meeting at 10:55 a.m.) The subcommittee and staff discussed the importance of having the RWRAC members be responsive and partaking in meetings to provide input on the report. Mr. Jenkins stated the Department has accepted the report, but it has not officially been finalized. Mr. Jenkins commented that he has reached out to two RWRAC members to gain understanding of their perspectives on the report, but has not been successful in meeting with them. Mr. Lynch suggested the Department issue a statement to the committee stating the Department has reviewed the report and deems it as complete. Mr. Lynch also added that he would then like to see the Financial Subcommittee state their concurrence with the Department's statement and the report provides a range of options to consider and covers all areas necessary. Keith Dommer, Director, FRMD, stated he would prefer the report be final prior to any recommendations being made. Mr. Lynch stated the Department should communicate in the statement to the RWRAC that subject to feedback from the committee, the report is considered final. Discussion ensued regarding the timeline of meetings/action items. Due to scheduling conflicts, the October 18th Financial Subcommittee meeting will begin at 9:30 a.m. instead of 10:00 a.m.

3. Recommendation on Optimum Debt Service Coverage Ratio and Minimum Cash Balance

Mr. Dommer discussed the Rating Agency ratios and what the previous target ratio was at 1.30 and what the proposed ratio target is now at 1.15. Mr. Dommer stated he will be recommending a ratio of 1.15 and six months of unrestricted cash balance.

4. 2018 Financial Plan

Mr. Dommer went on to discuss two forecast spreadsheets. The first, a September 2017 current forecast as of Period 15 and the second spreadsheet included projections with the commercial class rate increases. Based on the current budget, the ratio is 1.13 for this fiscal year. Fiscal Year 2016/2017 ended with a ratio of 1.26. Discussion ensued. Mr. Lynch requested the handouts Mr. Dommer provided be included in the full committee's handouts for the upcoming RWRAC meeting.

5. Fiscal Year 2016/2017 Budget Year-End Review

Mr. McGee stated the expenses for Period 15 are under budget by approximately \$4.6 million and most of that is in personnel savings. Revenues is over budget by \$2.2 million which is caused by other revenue and connection fees.

6. Fiscal Year 2017/2018 Expense and Revenue Update

For Period 2, there is approximately \$211,000 in vacancy savings and the debt service is over by \$600,000. Discussion ensued regarding vacancies.

7. Sale of Water Credits Update

Mr. Jenkins stated one offer was received from CAGR and the Department chose not to accept the offer as the Department was looking more at receiving a \$200/acre foot minimum bid. Mr. Jenkins stated he has had discussions with various water companies regarding this sale and may reach out to CAGR to inquire if they would be interested in increasing their offer. The Department has no intention on pursuing another sale at this time.

G. Future Agenda Items

- Tucson Water Presentation – Economic Development Infrastructure Cost Reimbursement

H. Call to the Audience

I. Adjournment

ACTION: Mark Taylor made a motion to adjourn the meeting. Corin Marron seconded the motion. The meeting was adjourned at 12:02 p.m.