



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

**MEETING MINUTES**

**Wednesday, November 5, 2014**

**SUB-COMMITTEE MEMBERS PRESENT:**

John Lynch                      Mark Taylor  
Armando Membriola        Ann Marie Wolf  
Mark Stratton

**A. CALL TO ORDER.** John Lynch, Chair, called the meeting of the Regional Wastewater Reclamation Advisory Committee (RWRAC) Financial Sub-Committee to order at 1:28 p.m. Brandy Peterson took the roll call and a quorum was present.

**B. PLEDGE OF ALLEGIANCE.**

**C. SAFETY SHARE.** Mark Stratton reminded everyone to be cautious while driving in the coming weeks, as there are a lot of bicyclists on the road training for the El Tour de Tucson.

**D. APPROVAL OF MINUTES.**

Meeting Minutes of October 1, 2014

**ACTION:** Ann Marie Wolf made a motion to approve the minutes of the October 1, 2014 meeting. Mark Stratton seconded the motion. Motion passed unanimously.

The Sub-Committee decided to discuss the Regional Wastewater Reclamation Department (RWRD) Capital Improvement Program (CIP) topic first, and then discuss the RWRD budget topics.

**E. DISCUSSION/ACTION.**

**1. CAPITAL IMPROVEMENT PROGRAM UPDATE.** Jaime Rivera, Program Manager, RWRD, provided a Capital Improvement Program (CIP) update. Mr. Rivera provided the Sub-Committee with a CIP Summary sheet and discussed the various CIP projects for Fiscal Year 2014/15. Mr. Rivera stated staff is currently working on Fiscal Year 2015/16 forecasts and staff should have a better idea of what the five-year forecast will be by next month. Mr. Lynch asked if there are any significant changes from this year's program compared to last year's program. Mr. Rivera indicated there were changes and discussed another handout which shows the changes in the current 2014/15 CIP

projects. Mr. Stratton asked if 30 projects will be completed this year and Mr. Rivera stated that is correct. Mr. Lynch asked what percentage of the sewer system still requires having CCTV done. John Warner, Deputy Director, RWRD, replied it is approximately 80-83% completed and if the projects and funding stay on track as they have been, the Department is anticipating to have it complete by December 2016. Ms. Wolf asked what the original costs of the 63 approved capital projects were. Mr. Rivera stated the original budget was \$84 million.

Ms. Wolf asked if a list of the CIP projects has been completed for Fiscal Year 2015/16. Mr. Rivera stated it is currently being drafted and will be complete by mid-December. Mr. Warner stated staff can present the proposed CIP projects for Fiscal Year 2015/16 at next month's meeting. Staff and the Sub-Committee continued to discuss the CIP projects. Mr. Lynch asked if RWRD will be reviewing the CIP budget and how that will affect the rates and if possibly spreading some projects out to a later date to further deflect the impact of the rates would be necessary. Jackson Jenkins, Director, RWRD, stated staff will have to work closely with the Finance and Risk Management Department (FRMD) to determine if that would be feasible. Discussion ensued regarding CIP projects and whether there are contributing factors that will impact rates.

The Sub-Committee and staff continued to discuss the schedule for review of the CIP and 2015 Financial Plan and the deadline to make recommendations to the Board of Supervisors (BOS). RWRD staff will provide the current CIP summary for the November 20<sup>th</sup> RWRAC meeting and an updated five-year CIP projection of Fiscal Year 2015/16 projects/costs at the RWRAC Financial Sub-Committee meeting on December 10<sup>th</sup>. The Sub-Committee will then review the updated projection and approve or modify RWRD's CIP recommendations at the December 18<sup>th</sup> meeting. Mr. Burke can then incorporate the RWRAC-approved CIP five-year plan into the Financial Plan final draft for review by the Committee in January. Discussion ensued regarding the topics to be discussed at future Sub-Committee meetings and the Five-Year CIP. Ms. Wolf proposed that the CIP could be presented to the full Committee in January or February for approval. The public hearings to discuss proposed rate increases could be held in February or March. Mr. Burke suggested that the public hearings be held as early as possible to allow the BOS substantial time to review the proposal for rate increases. The Sub-Committee and staff continued to discuss CIP projects and the priority of projects.

- 2. 2015 RWRD FINANCIAL PLAN.** Patrick McGee, Division Manager, Finance and Risk Management Department (FRMD), gave the Period 3 Expense and Revenue Comparison report. For the first quarter of Fiscal Year 2014/15, operating and maintenance projections are slightly over budget by \$2,061. There is \$2.4 million overage due to under budgeted estimation of depreciation expense. Mr. McGee stated that under "Other Revenue," the \$424,747 shown is interest revenue that was unbudgeted and is now showing as over budget. The Department is on budget for the rest of the forecasted revenue at this time.

Tom Burke, Director, FRMD, discussed the draft 2015 Financial Plan. Mr. Burke first presented the capital project costs for prior years and for current and future years. Mr. Burke went on to discuss total revenues. The total sewer system revenues increased more than 64% from \$106 million in Fiscal Year 2008/09 to \$174.3 million in Fiscal Year 2013/14 due primarily to annual rate increases for user fees. This year, revenues are expected to increase by less than 1% to be \$175.8 million. Mr. Burke then presented a

graph that displayed the projected operating and maintenance (O&M) expenses, which shows a continuing 4% growth. Mark Taylor stated that he feels trends are essential when reviewing O&M and being able to see the breakdowns of the O&M is important. Mr. Burke displayed a spreadsheet of O&M costs to explain and show how the costs are broken down. Mr. Burke showed last year's plan of actuals by object categories. Discussion ensued regarding the trends of O&M costs. Mr. Taylor asked if staff could prepare a summary of 2009 – 2014 O&M trends. Mr. Burke stated that staff can produce the summary.

With regards to sewer revenue debt issues, there is currently \$649.9 of outstanding sewer revenue debt. The County plans to issue another \$60 million of Certificates of Participation (COPs) later this fiscal year and another \$145 million of new sewer revenue obligations. Mr. Burke continued to explain how the debt will be paid. Mr. Burke displayed and discussed a summary of cash flows based on December 2013 forecasts for RWRD operating budget and RWRD CIP forecasts as of January 27, 2014. The Sub-Committee and staff continued to discuss debt.

Mr. Burke then discussed the relationship between projected net revenues available and the projected debt service through Fiscal Year 2018/19. Mr. Burke explained the gradual decline in net revenues after paying the increasing debt service, which is the financial buffer needed to maintain sufficient debt service ratios. This year, net operating revenues are projected to be \$92.9 million and debt service is projected to be \$71.3 million, yielding a debt service ratio of 130%. A debt service ratio of 130% is the key to maintaining favorable ratings. Mr. Burke stated the County will not be able to maintain adequate debt service ratios without additional rate increases. Mr. Burke showed the Sub-Committee a 5-year analysis and net revenues. The Sub-Committee and staff discussed the assumptions for rate increases and the various rate increase options. The Sub-Committee decided that they will make a decision at their December 10<sup>th</sup> meeting, as to whether they will give their recommendations regarding the 2015 Financial Plan and the possible rate increases to the full RWRAC on December 18<sup>th</sup> or January 15<sup>th</sup>. Mr. Burke stated he will produce various scenarios with different ratios for the next RWRAC meeting.

**F. FUTURE AGENDA ITEMS.**

- Updated 5-Year CIP Forecast
- 2015 Financial Plan

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

**ACTION:** Ann Marie Wolf made the motion to adjourn the meeting. Mark Taylor seconded the motion.

**H. ADJOURNMENT.** The meeting was adjourned at 3:35 p.m.