



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

MEETING MINUTES

Tuesday, November 10, 2015
2:30 p.m.

SUB-COMMITTEE MEMBERS PRESENT:

Sheila Bowen John Lynch Armando Membrila Mark Taylor

OTHERS PRESENT:

Jennifer C. Coyle Keith Dommer Jackson Jenkins Patrick McGee Jody Watkins
(RWRD) (FRMD) (RWRD) (FRMD) (RWRD)

A. Call to Order/Roll Call

John Lynch, Chair, called the meeting of the Regional Wastewater Reclamation Advisory Committee (RWRAC) Financial Sub-Committee to order at 2:35 p.m. Jody Watkins took the roll call and a quorum was present.

B. Pledge of Allegiance

C. Safety Share

Armando Membrila stated that travelling through Tucson is extremely difficult these days due to various construction projects, school zones and winter visitors. Everyone needs to be more alert and careful while driving.

D. Call to the Audience

There were no comments from the audience.

E. Approval of Minutes

Meeting Minutes of October 28, 2015

ACTION: Sheila Bowen made a motion to approve the minutes of the October 28, 2015 meeting. Mark Taylor seconded the motion. Motion passed.

F. Discussion/Action

1. Responses to the Committee's October 28, 2015, Questions

Mr. Lynch thanked those involved with obtaining the answers and compilation of the Committee's questions and appreciated all the hard work. Mr. Lynch reviewed each question on the handout and asked if anyone had any questions.

Question #1 - The Committee discussed the volume rate and service fees and the difference in percentage



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increases. Keith Dommer, Director and Patrick McGee, Division Manager, Finance and Risk Management Department (FRMD), provided the breakdown on administrative costs that included fixed and variable costs. Discussion ensued.

Question #2 – RWRD’s O&M budget of \$84 million does not include debt service payments or debt service expense. Mark Taylor said it was confusing that a line item on the O&M budget doesn’t mean it is “fixed” or “variable”, it could be either.

Question #3 – The Committee discussed the Winter Quarter Averages (WQA) between Fiscal Year 2009/10 to Fiscal Year 2014/15. Jackson Jenkins, Director, RWRD stated that a decrease in volume and winter quarter averages are a huge impact on the Department’s budget. The first two lines of the WQA, which is the “Single Family Residential and Multiple Family” make up 67% of the revenues and adding the third line, which is “Commercial”, is 97% of RWRD revenue. Mr. Jackson stated that the first two lines are heavily influential, others have a very small impact. Mr. Dommer referred to a handout from the last meeting regarding the Calculated Flow Estimate (CCF). Note: Water sales and volume are converted to CCFs. The Committee requested additional decimals to be added to the spreadsheet and obtain the actual water usage for the last three years. On the Class Averages response, the “Food Processor” line drastically dropped in the WQA from Fiscal Year 2011/12 to Fiscal Year 2012/13. RWRD will follow up with more detail.

Question #4 - Mr. Dommer explained the Residential, Commercial and Industrial tables regarding the percentages of “fixed” versus “variable” revenue over the last six years. Mr. Jenkins stated he would like the Committee to consider three things 1) Discussion of fixed rate increase 2) Mt. Lemmon to charge a conservation fee and 3) Commercial versus Industrial. He stated that a strip mall is a commercial entity and pays the same as residential. Mr. Jenkins gave several examples for the Committee to entertain as they consider rate changes. Mr. Taylor stated that Tucson Water hires a rate consultant to help with the national averages and make sure that Tucson Water is fair to increasing rates. Mr. Jenkins stated that if the Committee wants to make systematic changes, they may want some regular dialogue with the Roftelis Consultants. There is some benefit to utilize them and could be helpful, especially with commercial and high strength users. Mr. Taylor stated that the basic percentage rate across the board, may be more credible to Board of Supervisors and the public. Mr. Lynch stated the need for a rate increase and for the short-term need, to keep the appropriate bond ratio. A future item to get the revenue where it needs to be and work with a consultant another year. Discussion ensued. Mr. Lynch wants the Committee to stay focused on the shortfall for this year. Sheila Bowen mentioned that a multiple rate increase is less paperwork, meetings and approval by the BOS. The Committee decided to hold off for a year to request “multiple” rate increases.

Questions #5 & #6 – Reviewed. Other Miscellaneous Revenue and repayment of any debt not to exceed fifteen years.

Question #7 – Mr. Lynch stated that the Committee will continue to proceed and make any recommendations to Mr. Huckelberry. Mr. Dommer stated that a proposal to Mr. Huckelberry and the Board of Supervisors in the spring, and passed in the spring, would normally become effective in Fiscal Year 2016/17 Budget. Mr. Lynch believed that Mr. Huckelberry was going to ask the Board of Supervisors to recommend a 3% increase, which would take effect in April 2016 and another 3% in October 2016. Discussion ensued.

NOTE: Sub-Financial Committee wants to explore proposing a 3% rate increase in (Jan., Feb., Mar.) to go into effect in April 2015 and again 3% in October for FY 2016/17.

Mr. Lynch asked to move on to next item on the agenda due to the timeframe.

2. Revised Rate Workbook

Mr. Dommer referred to the spreadsheet (8 ½ x 14 handout) “*RWRD Enterprise Fund – Five Year Financial Projects – Fiscal Years 2014 through 2020*”.

He explained the various lines and columns regarding the revenues, debt ratio, receivables and payables. Additionally net changes in asset and liabilities (more or less cash available).

Restricted accounts.

Carryovers/COPs/O&M

Assumptions/Actuals/Adopted Budget/Forecasted

Discussion ensued.

A spreadsheet of the Top Ten costs for RWRD will be handed out at the next meeting, which will help clarify some items on the spreadsheet.



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Mr. Membrila asked who the Lobbyist is for Pima County, which is Michael Racy of Michael Racy and Associates.

3. Fiscal Year 2009/10 to Fiscal Year 2015/16 Operations and Maintenance Budget

Item moved to next meeting, December 2, 2015.

G. Future Agenda Items

Revised Rate Workbook & Scenarios – Recap (show overheads)

Fiscal Year 2009/10 to Fiscal Year 2015/16 Operations and Maintenance Budget

H. Call to the Audience

There were no comments from the audience.

I. Adjournment

ACTION: Sheila Bowen made a motion to adjourn the meeting. John Lynch seconded the motion. The meeting was adjourned at 5:02 p.m.

NEXT REGULAR MEETING DATE: December 2, 2015