



REGIONAL WASTEWATER RECLAMATION ADVISORY COMMITTEE

Pima County Administration East Building
130 W. Congress, 1st Floor
Board of Supervisors Hearing Room

MEETING MINUTES

Thursday, February 19, 2015

COMMITTEE MEMBERS PRESENT:

Ann Marie Wolf	Armando Membrila	Mark Stratton
Sheila Bowen	Kendall Kroesen	Jackson Jenkins
Bob Iannarino	Rob Kulakofsky	Amber Smith
John Lynch	Matt Matthewson	Barbee Hanson

COMMITTEE MEMBERS ABSENT:

Mark Taylor Bill Katzel

A. CALL TO ORDER. Ann Marie Wolf, Chair, called the meeting of the Regional Wastewater Reclamation Advisory Committee (RWRAC) to order at 9:38 a.m. Veronica Lopez 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. Jackson Jenkins, Director, Regional Wastewater Reclamation Department (RWRD) informed the members of the Committee of a recent, serious accident involving two staff members from the Conveyance Division. Mr. Jenkins stated both men were at home now and their conditions were improving.

E. APPROVAL OF MINUTES.

Meeting Minutes of January 15, 2015. Kendall Kroesen noted a typographical error in the minutes of the January 15, 2015 meeting.

ACTION: Mark Stratton made a motion to approve the minutes of the January 15, 2015 meeting with the change noted by Mr. Kroesen. Barbee Hanson seconded the motion. Motion passed unanimously.

Meeting Minutes of January 29, 2015.

ACTION: Bob Iannarino made a motion to approve the minutes of the January 29, 2015 meeting. Kendall Kroesen seconded the motion. Motion passed unanimously. Rob Kulakofsky, John Lynch, and Amber Smith abstained.

F. COMMITTEE/SUBCOMMITTEE REPORTS.

1. **CITIZENS' WATER ADVISORY COMMITTEE (CWAC) UPDATE.** There was no update from the CWAC.
2. **RWRAC FINANCIAL SUB-COMMITTEE UPDATE – MEETING REPORT.** There was no update from the Financial Sub-Committee.

G. DISCUSSION/ACTION.

1. DIRECTOR'S UPDATE.

- a. **OPERATIONAL UPDATE.** Mr. Jenkins stated the efforts surrounding the change in the characteristics of the biosolids at Tres Rios continues in conjunction with the system designer CH2MHill.
- b. **BIOGAS UPDATE.** Mr. Jenkins stated the first contracted firm lost its off-taker late in the process, but Mr. Jenkins had recently met with the representative of the contracted firm who requested a two week extension. Mr. Jenkins stated the Department would probably grant the two week extension pending the review of documentation that was to be received early the week of March 2, 2015.

Mr. Jenkins explained the rationale behind the winter quarter average method for calculating flow to the sewer system. Mr. Jenkins stated the winter quarter average is the lowest three months of water use volume which usually occur in December, January, and February. Mr. Jenkins stated any customer can challenge their bill to see if there are three other consecutive months with lower water volume usage in order to be charged at that lower rate.

2. FINANCIAL UPDATE.

- a. **RWRD FISCAL YEAR (FY) 2014/2015 BUDGET.** Patrick McGee, Division Manager, Finance and Risk Management Department (FRMD), discussed the Period 6 Projections. Mr. McGee noted the projections indicate the Department will come in approximately \$383,000 under budget on Operations and Maintenance (O & M) expenses due largely to savings realized from the cessation of operations at the Randolph Park WRF. Mr. McGee noted on the revenue side the projections indicate the Department will come in approximately \$900,000 over budget, a portion of which is interest earnings that were not included in the budget.

Mark Stratton noted the projections of the sewer user fees indicated the Department will come in approximately \$500,000 under budget. Mr. McGee explained this projection is based upon the weighted average of the last three months of sewer user fee data.

- b. **RWRD 2015 FINANCIAL PLAN – INCLUDING PROPOSED RATE INCREASE.** Tom Burke, Director, Finance and Risk Management Department (FRMD) had no further presentation to make to the Committee at this time.

Mr. Iannarino noted the slide showing “System Revenues by Connection Fees and User Fees” showed connection fees making up 93% of revenue and user fees making up 7% of revenue. Mr. Jenkins stated those percentages should be switched.

Mr. Lynch asked if debt service falls off after 2019 would there have to be a downward rate adjustment to return that revenue to the rate payers. Mr. Burke stated as the debt service is paid off, the rates would need to come down or else the Department would create excess cash surpluses, but under the Arizona State Constitution the County could not use those funds for any expenditures in excess of the County-wide expenditure limitation.

Sheila Bowen asked for clarification regarding the assumption for system needs and the possibility of a rate reduction. Mr. Burke stated the assumption was that there would be no new capital programs beyond normal approximately \$25 million per year system maintenance. Mr. Burke stated the ROMP program came in less than anticipated and that according to the 2009 Financial Plan the prediction was \$125 million per year in debt service. The current projection is \$85 million per year. Mr. Burke explained that the use of that \$40 million per year in savings was seen in the Department asking for lower rate increases.

Mr. Lynch asked about the implications of falling below the 130% debt service ratio desired by the rating agencies. Mr. Burke stated if the ratio fell below 130% it would be most probable that the County's debt ratings would be downgraded which would drive up interest rates on future debt. Mr. Burke also stated if the ratio falls below 120% the holders of the bonds can force a rate increase.

Amber Smith asked if the Department stays at its current trajectory, how many years will it not make the 130% debt service ratio. Mr. Burke explained for the current year and next year the desired debt service ratio can be maintained, but that in 2017 the ratio drops below the 120% and a rate increase would be necessary. Mr. Burke stated if the Department issued no new debt a rate increase would still be necessary to pay for debt that has already been incurred.

Rob Kulakofsky asked if paying off debt early would make a difference on the debt service ratio. Mr. Burke stated it would.

Mr. Iannarino asked staff what percentage of the system users have opted for the discounted rates based upon their income and what the threshold might be. Mr. Jenkins stated further information can be provided at the March meeting.

- c. **RECOMMENDATION TO THE BOARD OF SUPERVISORS.** Mr. Lynch made a motion to recommend a three-year series of rate increases at 4% per year. Mr. Stratton seconded the motion.

Mr. Iannarino reminded the Committee of the need of the Department to focus in the infrastructure especially related to Conveyance. Mr. Iannarino made a friendly recommendation to the motion to further investigate the possibility of broadening the eligibility requirements for the lower income subsidy program. Mr. Lynch and Mr. Stratton accepted the friendly recommendation.

Ms. Smith stated there would be a trickle-down effect with businesses passing the increased cost of sewer user fees on to their customers.

Mr. Kroesen stated the rate increases are a necessary cost of doing business.

Mr. Kulakofsky stated he understands the need for the rate increases and urged the Committee that if there comes a point where there is excess revenue the Committee should recommend to the Board of Supervisors that rates be reduced accordingly.

Ms. Bowen reminded the Committee that the Financial Sub-Committee has pointed out that many of the costs driving the need for increased rates are external to the Department. Ms. Bowen urged stabilization by spreading the rate increases out over several years.

ACTION: Ms. Wolf called for a vote. Motion passed 8 – 3. Mr. Lynch and Ms. Wolf reminded the members of the public that this was a recommendation that would go to the Board of Supervisors.

3. **NORTH/SOUTH RILLITO INTERCEPTOR PROJECT STATUS REPORT.** John Warner, Deputy Director, Conveyance (RWRD) gave a PowerPoint presentation. Mr. Warner gave a breakdown of the

budgets of some of the projects – the South Rillito had a \$14 million budget, the North Rillito Interceptor Rehabilitation had a \$19 million budget, and the North Rillito Relief Sewer had a \$3.5 million budget. Mr. Warner stated the condition assessment of the South Rillito indicated a large segment that was nearing the point of possible failure. Mr. Warner stated the choice was made to use in-house design and a modified Construction Manager at Risk (CMAR) delivery method, and after 11 proposals were reviewed KE & G was selected as the CMAR firm. Mr. Warner stated that slip lining was done during this project for the first time in Pima County for RWRD. Mr. Warner indicated slip lining is a process that saves a great deal of pump around costs. Mr. Warner stated in a project like this 50 – 60% of the cost is in the flow management plan. Mr. Warner showed several slides of the Cured In Place Pipe (CIPP) and slip lining processes. Mr. Lynch asked what conveyance volume is reduced due to slip lining. Mr. Warner indicated that no volume is lost – although minimal diameter is lost; velocity has increased. Mr. Warner gave some statistics related to the project and stated the project is complete a year and a half ahead of schedule and \$1 million under budget.

Mr. Warner stated the North Rillito Relief Sewer project began about five weeks ago and there are three different contractors working in this area. Mr. Warner showed several pictures related to this project.

Mr. Warner stated the North Rillito Interceptor Rehabilitation project has just gotten underway and is being delivered by the CMAR methodology. Mr. Warner showed several pictures related to this project. Mr. Warner stated the projection is to spend approximately \$6.5 - \$7 million on this project during the current fiscal year.

Mr. Warner announced the link on the RWRD website where members of the public can find information related to the ongoing sewer improvement projects.

Ms. Bowen asked if manhole degradation and corrosion of pipes was related to low flows. Mr. Warner explained low flows and the generation of H₂S which leads to the corrosion problem. Mr. Warner further explained maintenance activities such as water dumping and flushing of lines to attempt to move solids through the lines.

4. DISPOSE-A-MED PROGRAM UPDATE. Claire Zucker, Pima Association of Governments, gave a brief update. Ms. Zucker explained that any organization involved in the disposing of medication can be part of this Dispose-A-Med group. Ms. Zucker stated the group is a non-profit organization and has a five-member steering committee. Ms. Zucker announced the group is currently working on a project that involves the CVS pharmacies and hopes to have the program launched at the end of March, 2015. Ms. Zucker stated the organization is also looking at setting up sponsorship profiles because each take-back event costs \$800-\$900. Ms. Zucker stated Oro Valley runs a take-back event on a monthly basis. Ms. Zucker also informed the Committee of the Arizona Drug Abuse and Misuse Initiative Implementation Plan which is slated to be implemented in Pima County.

H. FUTURE AGENDA ITEMS. Ms. Wolf announced the future agenda items are: the breakdown of the sewer subsidy by number of participants and by percentage of subsidy, an update on the ordinance revision, an update on community outreach, legislative review, an update on the Randolph Park WRF, and an update on the County Administrator's economic report (specifically the sewer augmentation as related to the Aerospace Corridor).

I. CALL TO THE AUDIENCE. Ms. Bowen stated as a rate payer she had contacted customer service staff regarding the calculation of her winter quarter average and the staff she talked to were "phenomenal." Ms. Wolf thanked staff for arranging today's meetings at the Board of Supervisors Hearing Room.

ACTION: Kendall Kroesen made a motion to adjourn the meeting. Mark Stratton seconded the motion. Motion passed unanimously.

J. ADJOURNMENT. The meeting was adjourned at 10:49 a.m.