

REGIONAL WASTEWATER RECLAMATION ADVISORY COMMITTEE (RWRAC) MEETING

Water Campus

2955 W. Calle Agua Nueva – Radon Conference Room

Thursday, August 24, 2017, 8:00 a.m.

Members Present: Sheila Bowen, John Lynch, Corin Marron, Matt Matthewson, Armando Membrila, Amber Smith, Mark Stratton, Mark Taylor, Ann Marie Wolf

Members Absent: William Garner, Bill Katzel, Rob Kulakofsky, Shaun McClusky

Others Present: Jennifer C. Coyle (RWRD), Barbara Escobar (RWRD), Keith Dommer (FRMD), Jackson Jenkins (RWRD), Veronica Lopez (RWRD), Patrick McGee (FRMD), Julie McWilliams (RWRD), Jeff Prevatt (RWRD), Fernanda Quintanilla (RWRD), Jaime Rivera (RWRD), John Sherlock (RWRD), Timothy Thomure (Tucson Water), John Warner (RWRD), Eric Wieduwilt (RWRD)

A. Call to Order / Roll Call

Corin Marron, Regional Wastewater Reclamation Advisory Committee (RWRAC), called the meeting to order at 8:02 a.m., Veronica Lopez, Program Coordinator, Regional Wastewater Reclamation Department (RWRD), took 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, RWRD, recommended that everyone take proper precautions when being outdoors to prevent skin cancer and to also routinely check for melanoma.

E. Approval of Minutes

1. Meeting Minutes for June 22, 2017

ACTION: Armando Membrila made a motion to approve the meeting minutes of June 22, 2017. Ann Marie Wolf seconded the motion. Motion passed unanimously.

F. Discussion/Action

1. Director's Update

Mr. Jenkins stated the department held a management retreat earlier this month. The new Deputy County Administrator for Public Works, Carmine DeBonis, Supervisor Steve Christy – District 4, and Corin Marron all presented at the retreat. Mr. Jenkins announced two key senior RWRD staff have announced their retirement. John Warner, Deputy Director, RWRD, will retire effective September 2nd. Mr. Jenkins stated Mr. Warner has over 26 years with Pima County, over 42 years of public service, and with his vast amount of institutional knowledge he will be greatly missed by the department. John Sherlock, Deputy Director, RWRD, has also announced his plans to retire March of 2018. Mr. Sherlock has been with the County for 21 years and is and has been a tremendous asset to the department.

Mr. Jenkins stated the department has held discussions with the Town of Sahuarita regarding a larger regional wastewater system and will also still have discussions with the Tohono O'odham Nation. The department is planning to conduct an evaluation of the infrastructure of the Mount Lemmon facility. The facility is approximately 30 years old and the department plans to temporarily shut it down in order to conduct

the evaluation, drain and clean it. During this time, the department will determine whether to rehabilitate the facility or to build a new facility.

Mr. Jenkins clarified the procurement process for Job Order Contracts (JOC), specifically a Master Agreement that was recently approved by the Board of Supervisors (BOS) for conveyance system and related facilities maintenance, repair and rehabilitation, and construction services.

With regards to the proposed sewer user fee increase for the commercial bill class, Mr. Jenkins stated the commercial high-strength user class is 1.0, which is currently the same as residential. However, sampling over the past several years has confirmed the higher cost of service for commercial customers versus residential customers. The information is outlined in the Raftelis Rate Structure Study report. The proposed increase is for up to 16% to the volume multiplier only.

A meeting with Tucson Water was rescheduled for September 5th to review the cost of billing services analysis. The solicitation for the sale of water credits will continue through the end of the month.

Eric Wieduwilt, Deputy Director, RWRD, provided a brief update on the public/private partnership for the Twin Peaks sewer extension. There are six developers who want to move forward with residential development in this area. These developers have been unable to work out an agreement to participate in extending the public sewer to serve this area. RWRD has a public pump station on Tangerine Road and had already planned to take out of service and convert to gravity down the same alignment. RWRD has agreed to expedite its construction schedule to go up to Tangerine Road and in exchange the developers will agree to pay a small additional connection fee in order to pay for their part of their capacity on this sewer line extension. The initial agreement has gone to all parties for review and a formal agreement will be sent next month.

Mr. Jenkins stated effective September 1, 2017, the Development Services Department (DSD) will conduct all sewer reviews for all jurisdictions. Therefore, RWRD's Development Liaison group has been consolidated to DSD. Mr. Wieduwilt added that a public meeting will be held to answer questions on this change.

Mr. Jenkins provided an update on the biogas proposal process. The County Administrator directed the department to stop negotiations and pursue a renewable energy charge for biogas, since biogas is part of the wastewater treatment process. Ann Marie Wolf, Member, RWRAC, asked that this item be placed on a future meeting agenda for further discussion. It was decided this topic will be placed on the October meeting agenda.

Jeff Prevatt, Research and Innovation Manager, RWRD, stated the 18-wheel mobile facility has toured various locations throughout Arizona over the past few months to engage in public outreach. Several Arizona breweries have signed up to participate in the Arizona Pure Water Brew Challenge to make beer using purified reclaimed water. Posters have been distributed to the various breweries so that customers gain a better understanding of the purification process. The National WaterReuse Symposium is approximately two weeks away at which time a winning beer will be chosen. Mr. Prevatt stated he will provide bottled water to the committee at next month's meeting to sample.

Mr. Jenkins announced that Mark Taylor's tenure with the Citizens' Water Advisory Committee (CWAC) expires this month and therefore cannot continue as the CWAC representative on the RWRAC; however, the department has received notice that Supervisor Ramon Valadez intends to appoint Mr. Taylor as the District 2 representative to replace Sheila Bowen. Mark Stratton is stepping down as the AZ Water appointee. Mr. Stratton noted that the AZ Water Board met last week and nominated Asia Philbin as the AZ Water appointee to serve on the RWRAC. Mr. Jenkins thanked each of the committee members for their service on the RWRAC.

Mr. Jenkins also relayed information from the Pima County Attorney's Office (PCAO) regarding attendance by non-subcommittee members at the subcommittee meetings, particularly the Financial Subcommittee. If all five subcommittee members are present at the meeting, the presence of the non-subcommittee members

would create a quorum of the RWRAC. Therefore, the meeting would have to be noticed as a meeting of the full RWRAC and not a subcommittee meeting.

2. RWRD Financial Update

Patrick McGee, Division Manager, Finance and Risk Management Department (FRMD), provided the Period 13 Expense and Revenue Summary. Total operating and maintenance expenses were at \$80.8 million. Total expenses came in at \$154 million, which is approximately \$2 million under budget. Mr. McGee stated revenues came in at \$176.1 million and was very close to budget. For Period 1 of the new fiscal year, expenses for the month of July were at \$4.6 million and revenues were \$13.3 million. Ms. Wolf asked with the positions that were transferred to DSD, if that will be reflected in the budget next month. Mr. McGee stated RWRD will continue to pay the salaries for these positions so there will be no change in the budget. Matt Matthewson, Member, RWRAC, asked if there are other full-time employees that RWRD pays for but are working in other departments. Mr. Jenkins stated there are two Water Policy employees who have been transferred to the Office of Sustainability and Conservation and RWRD pays for half of their salaries. Jennifer C. Coyle, Special Assistant to the Director, RWRD added there a few other positions that RWRD funds, as well as the billing services overhead.

3. Financial Subcommittee Update

John Lynch, Chair, RWRAC Financial Subcommittee, stated the Financial Subcommittee met on August 18th. Mr. Lynch stated the primary topics of discussions were the Raftelis Rate Structure Study, the Bond Repayment Schedule, and the RWRD Revenue. A major focus was on the concept of a fixed residential rate. The subcommittee will continue to review and discuss this item.

With regards to the Bond Repayment Schedule, this has been a recurring subject for the subcommittee. Mr. Lynch thanked Keith Dommer, Director, FRMD, for his patience and continued willingness to answer the subcommittee's questions in detail. Mr. Lynch went on to explain the subcommittee has reviewed and analyzed various factors and what was taken into consideration when making their recommendations. With all the information that has been provided, the subcommittee accepted that a 15-year term is the best interest for the rate payers and made a motion to that affect. Ms. Coyle read the motion that was made at the August 18th subcommittee meeting, *"Mark Stratton made a motion to support the concept of a 15-year debt service re-payment schedule due to the overall cost savings and interest. Mark Taylor seconded the motion. Motion passed unanimously."* Discussion ensued regarding the subcommittee's motion and how to proceed with this matter as a committee of the whole. Amber Smith, Member, RWRAC suggested a letter be issued to the BOS supporting the subcommittee's recommendation. Ms. Smith also recommended possibly reformatting the regular RWRAC monthly meeting agendas to focus more on the financials rather than have a subcommittee as the financials are a huge part of the committee's objectives. Ms. Smith stated she will be stepping down from the RWRAC in the near future and having more focus on the financials at the monthly RWRAC meetings may assist new members with a better understanding. The committee continued to discuss. Mr. Matthewson objected to moving forward on voting on the motion for the lack of notice in the agenda.

ACTION: Amber Smith made a motion to accept the RWRAC Financial Subcommittee's recommendation on the Bond Repayment Schedule to support the 15-year loan term, and when appropriate, a letter will be issued to affirm the committee's official position on this matter and will consider the issue closed. Mark Taylor seconded the motion. Motion passed 6-2. (Armando Membrilla did not partake in the vote as he was not present during this time.)

Mr. Lynch stated during the discussion regarding RWRD's Revenue needs, the subcommittee spent quite a bit of time discussing the driving forces to understand the economic well-being of the utility. The subcommittee requested FRMD staff to review what a reasonable bond ratio would be for both the senior and junior debt. The subcommittee is trying to determine how to proceed with addressing revenue issues to support the bond repayment of the department and its capital programs and operations. Mr. Taylor stated there used to be distinctive ratios that simplified making decisions based on those ratios, but now those ratios are not as clear cut and it makes the margin for financial health difficult to determine. Mr. Lynch stated Mr.

Dommer will provide a debt service ratio and a minimum cash balance that is required to maintain financial stability for RWRD and these figures will be utilized for future rate increase projections. Discussion ensued.

Ms. Wolf asked what the status and plan on the Raftelis Rate Structure Study. Mr. Lynch stated the subcommittee did not feel they had adequate time to review and digest the study. Mr. Lynch advised that the committee members take the time to review the study and be prepared to provide comment or ask questions at the next meeting. Ms. Coyle stated Raftelis is available to make a presentation at the next RWRAC meeting if that is the desire of the committee. Ms. Wolf expressed her concerns related to the public notice on the proposed sewer user fees to the commercial bill class. Ms. Coyle stated the anticipated date to present this proposed increase to the BOS is November 7, 2017.

The committee discussed the future of the Financial Subcommittee and decided to place this item on the agenda for next month's meeting. Mr. Lynch stated there is a vacancy on the subcommittee. Mr. Matthewson volunteered to serve on the subcommittee.

ACTION: Ann Marie Wolf made a motion to schedule a public meeting on the proposed sewer user fees to the commercial bill class. John Lynch seconded the motion. Motion passed unanimously.

Some committee members stated they felt the committee was not given adequate notice of this proposed increase. Sheila Bowen, Member, RWRAC, asked if a special public meeting is required. Ms. Coyle stated it is not required, it is a courtesy. The Arizona Revised Statute requires a notice be posted on the County's website at least 60-days prior to being considered by the BOS. Ms. Coyle also reminded the committee that Raftelis provided a presentation in December 2016 on the 16% commercial class increase and again in March 2017. Ms. Coyle offered to send the minutes from those meetings to the committee. Mr. Jenkins noted that part of Raftelis' scope was to review the high-strength user fees. Ms. Marron asked the proposed increase item be placed on next month's agenda and the special public meeting be held in October prior to the regular monthly meeting. Ms. Coyle will send the notice to the committee.

4. Capital Improvement Program (CIP) Subcommittee Update

Matt Matthewson, Chair, RWRAC CIP Subcommittee, stated the next CIP Subcommittee meeting is scheduled for December 6, 2017. Mr. Matthewson noted there is still a vacancy on this subcommittee and appreciates any volunteers willing to serve.

5. Citizens' Water Advisory Committee (CWAC) Update – Meeting Report and Tucson Water Activities

Timothy Thomure, Director, Tucson Water, stated the next CWAC meeting is scheduled for September 6, 2017. CWAC will be reviewing a new 2-year rate cycle. Mr. Thomure stated he sits on a couple of work groups that have been very active this summer. The focus is on the Colorado River and with groundwater and with making legislative changes.

6. Review of Draft Annual Report to the Board of Supervisors

Ms. Coyle thanked and commended the Community Relations Office staff for their hard work and contribution with the report. The committee agreed to provide comments/edits on the annual report to Ms. Lopez by or before September 8, 2017.

G. Future Agenda Items

- Raftelis Rate Structure Study
- 16% Proposed Increase to the Commercial Bill Class
- Renewable Energy Charge
- Future of the RWRAC Financial Subcommittee
- Approval of RWRAC Annual Report
- Treatment and Conveyance Updates will be pushed to future monthly agendas.

Call to the Audience – Mr. Wieduwilt stated the stakeholders public meeting with DSD to discuss the consolidation review will be held on August 25th at 9:00 a.m. at the Public Works Building in Conference Room C. Mr. Stratton announced he is selling raffle tickets to support Water for People. Mr. Warner informed the committee there has been word of possibly consolidating RWRD's CIP group with the Project Management Office of the County. Mr. Warner praised RWRD's CIP group and feels a consolidation would be a mistake.

H. Adjournment

ACTION: Mark Stratton made a motion to adjourn the meeting. Ann Marie Wolf seconded the motion. The meeting was adjourned at 10:08 a.m.