

REGIONAL WASTEWATER RECLAMATION ADVISORY COMMITTEE (RWRAC) MEETING

Water Campus

2955 W. Calle Agua Nueva – Radon Conference Room

Thursday, September 28, 2017, 8:00 a.m.

Members Present: William Garner (via phone), Bill Katzel (via phone), Rob Kulakofsky, Corin Marron, Matt Matthewson, Jean McClain, Armando Membriola, Asia Philbin, Mark Taylor

Members Absent: John Lynch, Shaun McClusky, Amber Smith, Ann Marie Wolf

Others Present: Jennifer C. Coyle (RWRD), Barbara Escobar (RWRD), Keith Dommer (FRMD), Belinda Gamboa-Felix (RWRD), Andrew Greenhill (Tucson Water), Jason Grodman (RWRD), Jackson Jenkins (RWRD), Steve King (RWRD), Bart Kreps (Raftelis – via phone), Veronica Lopez (RWRD), Patrick McGee (FRMD), Julie McWilliams (RWRD), Jeff Prevatt (RWRD), Fernanda Quintanilla (RWRD), Xavier Rendon (RWRD), John Sherlock (RWRD), Timothy Thomure (Tucson Water), Steven Valencia (RWRD), Caroline Vargas (RWRD), Chuck Wesselhoft (PCAO), Eric Wieduwilt (RWRD)

A. Call to Order / Roll Call

Corin Marron, Regional Wastewater Reclamation Advisory Committee (RWRAC), called the meeting to order at 8:01 a.m. Veronica Lopez, Program Coordinator, Regional Wastewater Reclamation Department (RWRD), took roll call and a quorum was present.

B. Pledge of Allegiance

Ms. Marron welcomed the two newly appointed RWRAC members, Asia Philbin and Dr. Jean McClain. Ms. Philbin is the AZ Water Association appointee and Dr. McClain is the Citizens Water Advisory Committee (CWAC) appointee. Ms. Marron provided a brief background for both members. Ms. Marron also announced that Mark Taylor was also recently appointed to serve as the District 2 representative.

C. Call to the Audience – There were no comments from the audience.

D. Safety Share

Jackson Jenkins, Director, RWRD, reminded everyone that due to the cooler weather in the mornings and evenings, to be cautious of rattlesnakes as they come out searching for warmth in the roadways and also under porches, etc.

E. Approval of Minutes

1. Meeting Minutes for August 24, 2017

Matt Matthewson, Vice-Chair, provided additions that he would like added to the minutes.

ACTION: Matt Matthewson made a motion to approve the meeting minutes of August 24, 2017 with his proposed additions. Rob Kulakofsky seconded the motion. Motion passed unanimously.

F. Discussion/Action

1. Overview & Sampling Data for the Commercial Billing Class

Jason Grodman, Permit and Regulatory Compliance Officer, RWRD, presented a PowerPoint presentation to the committee. To start the presentation, Mr. Grodman showed the committee a video on how a sample is retrieved, the methodology used in choosing sample locations, and some of the challenges they face in

getting samples. Mr. Grodman stated a strength of wastewater study for the residential class was conducted in 2013. Mr. Grodman displayed a map showing a sewer layout in a residential neighborhood and explained this neighborhood was chosen because it only receives sewerage from residences. A similar methodology was used with commercial customers. A strength of wastewater study for the commercial class was conducted in 2015 in which 27 locations were sampled and analyzed during the study. Results from the average of commercial complex sampling data study showed a strength factor of 1.16. The higher the Chemical Oxygen Demand (COD) and Total Suspended Solids (TSS), the more it costs RWRD to achieve the Environmental Protection Agency and the Arizona Department of Environmental Quality permit limits.

Mr. Grodman stated this year, retrieving samples from individual businesses was conducted. However, getting these samples proved to be challenging because many businesses have low or intermittent flow which makes sampling impractical. The only access to many of these commercial businesses is a sewer cleanout and Mr. Grodman explained why this is not very practical. Discussion ensued regarding consumption data and the samples collected from various businesses. RWRD staff answered various questions from the committee.

2. Raftelis Rate Structure Study

Ms. Marron provided introductory comments to this agenda item. Ms. Marron stated the report was e-mailed to the committee in August and to-date, two committee members have provided comment. At the October 18th Financial Subcommittee meeting, the subcommittee intends to vote and accept the report as final. At the October 28th meeting, this recommendation to accept the report as final will be presented to the full committee.

Bart Kreps, Project Manager, Raftelis Financial Consultants Inc., stated the sampling data information collected from RWRD was used in the study. Mr. Kreps stated their responsibility was how to take the data and develop it into the study with regards to the commercial class. The intent is how to recover costs from customers based on how they utilize the system from a wastewater utility. In terms of costs, the differentiator is the strength of the wastewater and how the wastewater is treated, which is why the process of sampling is important. Mr. Kreps explained the components that were considered in designing the rates: COD, TSS and Total Nitrogen (TN). Mr. Kreps went on to explain the collaborative process in which they reviewed the current rate structure and allocating costs into the various components. Based on the current analysis and data, an increase of up to 16% increase to the commercial billing class is supported. Mr. Kreps reiterated this is very common in wastewater treatment systems because commercial strength use is much higher than residential. Mr. Matthewson asked if the comments submitted by other members will be distributed amongst the rest of the members. Mr. Jenkins stated all the comments received will be vetted and potentially used to modify the final report, if necessary. Mr. Matthewson stated he did not see any lists of specific strengths and weaknesses of the current structure in the report. Mr. Kreps explained that was not added in the report, but it can be if that requested. Mr. Matthewson stated since it was a primary objective it would be helpful to include it in the report. Rob Kulakofsky, Member, explained why he was disappointed that the objectives did not include a way to encourage conservation. Mr. Kreps continued to answer various questions from the committee.

Ms. Marron asked if the committee wished to take action on this item. After discussion, the committee agreed to wait until after the Financial Subcommittee reviews and discusses this matter again.

3. RWRAC October 16, 2017 Public Meeting

Jennifer C. Coyle, Special Assistant to the Director, RWRD, stated the public meeting notice on the proposed rate increase to the Commercial Billing Class was included in the meeting packets. The RWRAC sponsored public meeting is scheduled for Monday, October 16, 2017 at 6:00 p.m. The meeting will be held at the Natural Resources, Parks and Recreation Department Conference Room. Ms. Coyle stated per the Financial Subcommittee's request, staff reached out to approximately 10 business associations/organizations to disseminate information on this proposed rate increase.

4. Fiscal Year 2017/2018 RWRD Expense & Revenue Update

Patrick McGee, Division Manager, Finance and Risk Management Department (FRMD), provided the expense and revenue update for Period 2. The actual expenditures are at \$10.7 million for the operating and maintenance (O&M). The forecast is slightly under budget at \$83.3 million based on employee vacancy savings. Revenues are \$28 million with a total revenue budget of \$177 million.

5. Financial Subcommittee Update

Ms. Marron stated the Financial Subcommittee received a presentation on the Twin Peaks Sewer Extension Public/Private Partnership Project at this month's meeting. Ms. Marron asked if the full committee wished to have this presentation presented to them at a future RWRAC meeting and asked staff to consider placing it on the October or November meeting agenda.

Keith Dommer, Director, FRMD, provided an overview of what was presented to the Financial Subcommittee on the recommendation of the optimum debt service coverage ratio and the minimum cash balance. When the Department was trying to issue the debt as efficiently as possible from the Regional Optimization Master Plan, a 1.30 debt service ratio was adopted. Mr. Dommer continued to explain what the historic debt service ratio targets were and what the recommended targets are now. Mr. Dommer recommends a debt service ratio of 1.15 with a 6-month operating expense cash reserve minimum requirement. Discussion ensued regarding where the committee stands on this resolution and if they wish to vote on this today. Mr. Matthewson stated he feels 6-months is unnecessary on top of the \$90 million to add almost 50% to the reserves, and feels that instead the cash be used to pay down the debt. Mr. Dommer to provide additional information regarding the justification on the timing of the cash flow balance, per Mr. Matthewson's request. Mr. Dommer presented and discussed the financial projections showing a debt service ratio of 1.15 or above. Discussion ensued.

ACTION: Mark Taylor made a motion to set the recommended debt ratio of 1.15 and in addition maintain 6-months of unrestricted cash balance for the operating reserve to be used for future rate study processes and financial planning. Rob Kulakofsky seconded the motion. After discussion, the committee did not vote on this item and decided to delay the voting until next month's meeting and additional information is received.

Mr. Dommer stated it was his understanding the Department would not produce a formal 2017 Financial Plan. Mr. Dommer stated he could place a cover memorandum on one of the rate planning studies and provide that. The goal would be to do a 2018 Financial Plan after the results of the Raftelis Rate Structure Study and after the rates have been set. Discussion ensued regarding the status of a 2017 Financial Plan. Mr. Matthewson and Mr. Taylor agreed the Financial Plan is a valuable process for the committee and assists with gaining a better understanding of the financials. Mr. Dommer provided a timeline of when the planning of the Financial Plan should occur. Discussion ensued. Mr. Dommer discussed the financial projection handouts. The Financial Subcommittee will vote on the Rate Structure Study at their next meeting on October 18, 2017.

6. Capital Improvement Program Subcommittee Update

Mr. Matthewson, Chair, RWRAC CIP Subcommittee, stated the next CIP Subcommittee meeting is scheduled for December 6, 2017 at 11a.m. Mr. Matthewson noted there is still a vacancy on this subcommittee and appreciates any volunteers willing to serve.

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

Andrew Greenhill, Government Relations Manager, Tucson Water Department, stated production has increased this year and they still expect a 5% increase. Tucson Water is in the process of filling a number of vacancies they have. The Governor has convened representatives from various water organizations from around the state to partake in the Governor's Water Meetings to discuss water policy. There are two work groups, a ground water group and a Colorado River work group. Timothy Thomure, Director, Tucson Water Department, is involved in both groups. Mr. Greenhill stated both groups will be making recommendations and shall be an important topic during the 2018 Legislative Session. Mr. Taylor added with regards to the production increase, there is also a per capita usage increase of 4%. There will also be 4-year rate increase presented to the Mayor and Council.

8. Director's Update

Mr. Jenkins stated as the Department works on next fiscal year's budget, the County Administrator has directed the Department to hold O&M costs at 0% increase or flat. The Department is still in discussions and negotiations with Tucson Water regarding the billing contract. Mr. Jenkins stated one bid was received from CAGR D to purchase the water credits. The Department did not accept the bid that was proposed; however, if CAGR D decides to reconsider raising their offer, RWRD may proceed with the sale. Mr. Jenkins invited the committee to take a bottle of AZ Pure Water prior to exiting the meeting and continued to discuss the collaboration that went into this project and the accolades they continue to receive. Mr. Jenkins read out loud to the committee, the County Administrator's memorandum dated August 9, 2017, regarding Wastewater Treatment, Reclaimed Water Production, Stormwater Harvesting and Groundwater Recharge.

9. Approval of Annual Report to the Board of Supervisors

ACTION: Rob Kulakofsky made a motion to approve the Annual Report. Mark Taylor seconded the motion. Motion passed unanimously.

G. Future Agenda Items

- Biogas Update
- Treatment and Conveyance Updates

Call to the Audience – There were no comments from the audience.

H. Adjournment

ACTION: Mark Taylor made a motion to adjourn the meeting. Rob Kulakofsky seconded the motion. The meeting was adjourned at 10:33 a.m.