

REGIONAL WASTEWATER RECLAMATION ADVISORY COMMITTEE (RWRAC) MEETING

Water Campus

2955 W. Calle Agua Nueva – Radon Conference Room

Thursday, November 16, 2017, 8:00 a.m.

Members Present: Bill Katzel (via phone), Rob Kulakofsky, John Lynch, Corin Marron, Matt Matthewson, Armando Membriola, Asia Philbin, Amber Smith, Mark Taylor (via phone), Ann Marie Wolf

Members Absent: William Garner, Shaun McClusky, Jean McLain

Others Present: Suzette Castro (RWRD), Jennifer C. Coyle (RWRD), Carmine DeBonis (County Administration), Barbara Escobar (RWRD), Keith Dommer (FRMD), Jackson Jenkins (RWRD), Veronica Lopez (RWRD), Patrick McGee (FRMD), Julie McWilliams (RWRD), Eric Nelson (RWRD), Jeff Prevatt (RWRD), Fernanda Quintanilla (RWRD), Xavier Rendon (RWRD), Jaime Rivera (RWRD), Timothy Thomure (Tucson Water), 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

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

D. Safety Share

Bill Katzel, Member, RWRAC, reminded everyone to abide traffic laws while in construction zones.

E. Approval of Minutes

Meeting Minutes for October 26, 2017

ACTION: Ann Marie Wolf made a motion to approve the meeting minutes of October 26, 2017. Matt Matthewson seconded the motion. Motion passed unanimously.

Ms. Marron stated the agenda items will be taken out of order and the Director's Update will be presented first.

F. Discussion/Action

1. Director's Update

Jackson Jenkins, Director, Regional Wastewater Reclamation Department (RWRD), stated RWRD has implemented a new department procedure of tracking staff's overtime. A form has been designed to consistently capture all overtime and will assist with understanding the business requirements and cost management. (Rob Kulakofsky arrived at 8:07 a.m.) Mr. Jenkins stated RWRD also underwent a reorganization. RWRD has three primary Divisions: Conveyance, Treatment, and Planning and Engineering (P&E). The P&E Division's primary responsibility is to do business with the development community. The Development Liaison Unit that was under P&E was recently consolidated and is now part of the Development Services Department. The P&E Division has been renamed to the Technical Services and Engineering Division and now provides technical support for Conveyance and Treatment. (Amber Smith, Asia Philbin, and Timothy Thomure arrived at 8:12 a.m.)

Mr. Jenkins provided an update on the Fiscal Year (FY) 2016/2017 budget. RWRD was under budget by \$4.5 million. Mr. Jenkins stated \$2.5 million of that was a reduction of pension liability which had not been budgeted by Finance and approximately \$1.2 million in vacancy savings. The budget request for FY 2018/2019 is currently being reviewed.

With regards to collecting connection fees from Davis-Monthan Air Force Base, Mr. Jenkins stated negotiations are ongoing and at this time Pima County has rescinded their sue letter and is hopeful this matter can be resolved.

2. Biogas Update

Mr. Jenkins briefly provided background on the Request for Proposal (RFP) to clean and for the sale of the biogas. The department is currently preparing to advertise another RFP for a design build contract. Mr. Jenkins stated the department expects to have a contract in place by the end of the next calendar year. This would be County owned, but there would be some partnership with Southwest Gas. Mr. Jenkins stated he will continue to keep the committee updated on this matter.

3. Raftelis Rate Structure Study

Mr. Jenkins stated the focus of today's discussion as it relates to the Raftelis Rate Structure Study (Study) is the department's intent to present to the Board of Supervisors (BOS) a recommendation of a 16% increase to the strength factor for the Commercial Billing Class. Mr. Jenkins explained by the various sampling of commercial users that has been performed along with the various benchmarking around the nation, and certain intuitive estimates, RWRD feels a 16% increase to the strength factor for the Commercial Class is appropriate as it costs more to treat commercial wastewater. The three components used to measure the strength are: Total Suspended Solids (TSS), Total Nitrogen (TN), and Chemical Oxygen Demand (COD). The Commercial Class is currently assessed the same strength factor as the Residential Billing Class with a volumetric multiplier of 1.0.

Mr. Jenkins explained this is not a 16% sewer user fee increase, but that this is a 16% increase to the strength factor only.

Mr. Jenkins continued to explain the economic inequalities as it relates to stand-alone businesses, such as restaurants, that have their own water meters versus those that are in shopping centers and share a single water meter. Conducting sampling in strip malls is complex due to the inability to distinguish between flows from the various sources. Mr. Jenkins went on to reference the Study in which, Raftelis primarily used the 2015 sampling data from commercial only businesses in which samples were taken from three locations (representing 38 businesses) on three separate occasions. Mr. Jenkins continued to explain the various sample events that were conducted in 2013, 2015, and 2017. Mr. Jenkins stated at the last meeting there was a question on the statistical significance of the sampling data presented in the Study. Mr. Jenkins stated from the data gathered, recommending a 16% adjustment to the high strength factor is the most conservative. Discussion ensued.

Mr. Jenkins stated there are three other topics related to the Study that staff wants to recommend and have more discussion with the committee to get consensus. The 16% adjustment would take pressure off revenue needs and would allow more focus on the three topics, which are: 1) going to a fixed residential fee, 2) reduce to one class or consolidate the classes to something much lower for high strength users, and 3) eliminate the Winter Quarter Average for commercial/industrial. This topic will be further discussed at the December full committee meeting.

Armando Membrilla, Member, RWRAC, stated he feels the proposed increase will take the burden off the residential customer and the commercial user should be paying more of their fair share. Amber Smith, Member, RWRAC, thanked Mr. Jenkins for his presentation and stated she is in support of the department's recommendation.

ACTION: Matt Matthewson made a motion to support the Pima County Regional Wastewater Reclamation Department's recommendation to increase the Commercial Class rate multiplier to 1.16. Amber Smith seconded. Motion passed. (Vote: 8 – Yes, 2 – No.)

Ann Marie Wolf, Member, RWRAC, stated she is not opposed to the rate increase, but is opposed on justifying the rate increase based on the validity of the data. Ms. Wolf stated she feels the data is not significant and does not support a 16% increase. Rob Kulakofsky, Member, RWRAC, added that he does not feel this is equitable and the data should be more definitive if this is being presented to the BOS. The committee and staff continued to discuss this matter. Mr. Membrilla reiterated why he is in support of the proposed increase. John Lynch, Member, RWRAC, stated a suggestion was made to have the department reach out to various business organizations and asked if the department has received any feedback from that outreach. Jennifer C. Coyle, Special Assistant to the Director, RWRD, stated the department Community Relations staff posted notices of this proposed increase on social media, in the newspaper, on the County webpage, and held a special public meeting on this matter. Staff also sent letters to approximately 10 business organizations to include the Tucson, Oro Valley, and the Hispanic Chamber of Commerce. Ms. Coyle stated to date, one letter was received from the Oro Valley Chamber of Commerce and staff responded to that letter. Mr. Jenkins noted that there have not been any negative discussion or comments received regarding this matter. Mr. Matthewson stated he agrees the department should demonstrate a difference between residential and commercial rates. Mr. Kulakofsky asked how much it would cost businesses in a strip mall to each install their own water meter. Timothy Thomure, Director, Tucson Water, stated it would cost several thousand dollars. Discussion ensued.

Staff will prepare a letter from Ms. Marron and Mr. Matthewson, Chair and Vice-Chair, to the BOS on behalf of the RWRAC recommending an increase to the strength factor for the Commercial Billing Class of 1.16. The draft letter will be sent to the full committee for their review and comment.

4. Other Financial Subcommittee Updates

Mr. Matthewson stated a Financial Subcommittee meeting was held yesterday and the main topic of discussion was regarding the 16% proposed increase to the strength factor for the Commercial Billing Class.

Keith Dommer, Director, Finance and Risk Management Department (FRMD), stated he would like the support of the Committee in recommending a target debt service ratio of a minimum of 1.2 and an unrestricted cash balance of three-months of operating expenses. Mr. Dommer added he would like the authority to utilize excess cash to refund debt when due. Mr. Dommer stated he understands that historically the debt service ratio was targeted at 1.3, which was driving significant rate increases. Mr. Dommer stated in addition to the 90-days of operating expenses, there is also a required emergency reserve fund of \$20 million. The 90-days unrestricted cash balance is on top of the restricted reserve funds. Mr. Dommer went on to explain the various rankings rating agencies use. Mr. Matthewson stated the subcommittee voted in support of Mr. Dommer's recommendation. Discussion ensued. Mr. Thomure stated the recommendation sounds reasonable and added that Tucson Water has similar financial health factors.

With regards to the 2018 Financial Plan, Mr. Dommer stated FRMD now has the final numbers for last FY. The department is working on the FY 2018/2019 budget. Mr. Dommer stated by January the department should have a more definitive look at the 2018 Financial Plan. Mr. Matthewson stated the Financial Subcommittee passed a motion to support the recommendation of a 1.2 debt service ratio and an unrestricted cash balance of three-months of operating expenses.

ACTION: Matt Matthewson made a motion to support the Pima County Finance and Risk Management Department's recommendation of a 1.2 debt service ratio, an additional unrestricted cash balance of 90-days of operational and maintenance expenses, and requested the Finance and Risk Management Department Director explore additional options to use excess cash above these balances to pay off debt early, thus reducing rate pressures. John Lynch seconded. Motion passed unanimously.

Mr. Dommer asked if he should provide something in writing to formalize the direction he received from the committee. Mr. Matthewson agreed with Mr. Dommer's suggestion.

5. Treatment Update

Eric Nelson, Program Manager, RWRD, provided the Treatment update. With the BOS voting to adhere to the Paris Climate Agreement, this prompted implementing more solar uses within the County, especially within RWRD. RWRD strives to be energy efficient and with the additional solar panels, RWRD will have a

significant amount of panels on various RWRD properties. RWRD voluntarily joined the Better Plants Program, which is a Department of Energy program. Mr. Nelson stated this will assist the department in reducing energy by 25% over 10 years. Mr. Nelson discussed how several employees within his Division could retire and how those employees are taking the initiative to prepare and train staff by passing on their wealth of knowledge to other staff members that are new or in the middle of their careers.

6. Fiscal Year 2017/2018 Expense & Revenue Update

Patrick McGee, Division Manager, FRMD, provided the Expense and Revenue update for Period 4. Mr. McGee stated there is a savings of approximately \$384,000 on personnel services, which is based on vacancies. Supplies and services is a little over budget by \$87,000 and this is due to management fees that were paid to Development Services for the RWRD staff that were moved to their department. Operation and maintenance expenses are \$297,000 under budget. Depreciation is \$91,000 over budget and that is due to asset retirements. Mr. McGee stated revenues are slightly under budget at \$177.3 million and the budget is set at \$177.4 million. Discussion ensued regarding whether to remove depreciation from the expense and revenue update that is presented to the committee. It was determined that the depreciation item will remain in the update. Mr. McGee stated he has additional expense reports that he will share with Mr. Jenkins in the next couple of weeks & those reports may be shared with the committee, as well.

7. Capital Improvement Program Subcommittee Update

Mr. Matthewson stated the next CIP Subcommittee meeting is scheduled for Wednesday, December 6, 2017 at 11:00 a.m. The meeting will be held at Conveyance. Mr. Matthewson stated the subcommittee will review the five-year CIP budget. Mark Taylor, Member, RWRAC, volunteered to fill the vacancy on the subcommittee as the 5th member.

8. Citizens' Water Advisory Committee (CWAC) Update

Mr. Thomure provided the CWAC update. CWAC held a meeting on November 8, 2017. Mr. Thomure stated he provided an update on a Water Infrastructure Incentive Program. This program is being proposed to the Mayor and Council for potential adoption. This program would target economic development opportunities in parts of service areas where there is not existing water infrastructures to support new businesses and could increase the Tucson areas competitiveness for site selectors. Mr. Thomure stated a presentation was given on the history and purpose of CWAC. The operating and maintenance budget for FY 2018/2019 was also discussed. The Financial Plan was well received by the CWAC Financial Subcommittee and will be presented to the full CWAC in December.

G. Future Agenda Items

- Modifications to the Rate Structure Study and Other Billing Alternatives
- Conveyance Update
- Overtime Discussion
- Revised Expense and Revenue Reports

It was decided that the Director's Update will be moved to the beginning on future meeting agendas. The committee was notified that the December meeting will be held at Pima County Fleet Services Department. Ms. Lopez will send a map of the location and frequent reminders regarding the location change. Ms. Lopez also showed the committee a map and where they should park when they arrive for this meeting.

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

H. Adjournment

ACTION: John Lynch made a motion to adjourn the meeting. Rob Kulakofsky seconded the motion. The meeting was adjourned at 10:14 a.m.