PIMA COUNTY
WASTEWATER RECLAMATION

REGIONAL WASTEWATER RECLAMATION ADVISORY COMMITTEE (RWRAC) MEETING
Water and Energy Sustainability Center
2955 W. Calle Agua Nueva – Radon Conference Room

Wednesday, December 9, 2015
8:00 a.m.

Members Present: Sheila Bowen, Barbee Hanson, Bob Iannarino, Rob Kulakofsky, John Lynch, Matt Matthewson, Mark Stratton, Mark Taylor (Chair)

Others Present: Melanie Alvarez (PAG), Jennifer C. Coyle (RWRD), Keith Dommer (FRMD), Jackson Jenkins (RWRD), Doug Kirkland (RWRD), Jeff Prevatt (RWRD), John Sherlock (RWRD), Lorraine Simon (RWRD), Jennifer Tate (RWRD), Lilian von Rago (RWRD), John Warner (RWRD) Jody Watkins (RWRD), Chuck Wesselhoft (PCAO), Eric Wieduwilt (RWRD)

A. Call to Order / Roll Call

Mark Taylor (Chair) called the meeting to order. The meeting began at 8:10 a.m.

Jody Watkins, RWRAC Program Coordinator, took roll call.

B. Pledge of Allegiance

C. Call to the Audience - None

D. Safety Share – Jackson Jenkins, Department Director, provided a Safety Share on holiday decorations. Be careful with holiday light decorations when simultaneously using a space heater that is plugged into an electrical outlet. Electrical problems can result because it can overload the circuit.

E. Approval of Minutes

Meeting Minutes for November 19, 2015
ACTION: Mark Stratton motioned to approve. Sheila Bowen seconded. Barbee Hanson abstained. Motion passed unanimously.

F. Committee/Subcommittee

Citizens' Water Advisory Committee (CWAC) Update – Meeting Report and Tucson Water Activities
Mr. Taylor provided an update on the CWAC. The CWAC group has been meeting regularly with their Financial Committee. Tucson Water is interviewing three candidates for the new Director's position. The finalists are Tucson Water Deputy Director Robert (Scott) Clark; George Maseeh, P.E., Senior Vice President and Operations Leader for ARCADIS/Malcom Pirnie, Inc. in Tucson; and Timothy Thomure, P.E., Area Water Operations Manager and Water Reuse Practice Lead for HDR Engineering, Inc. The finalists will meet with Tucson Water employees, representatives from labor unions, the City's Executive Leadership Team, the Citizens Water Advisory Committee, and the Unified Community Advisory Board.

G. Discussion/Action

1. **Director's Update** (5+ minutes) Jackson Jenkins
   Operational Update

Mr. Jenkins, provided an update. Issues have developed after the Regional Optimization Master Plan (ROMP) construction at the Agua Nueva and Tres Ríos Water Reclamation Facilities (WRF) Centrifuge Building. There is a dual system to make a cake product for hauling biosolids, slurry. Design troubles with running a cake final product (20% solids content) for hauling biosolids to agricultural fields. A lube ring was installed at the end of November to fix the problem and it is working better now. This allows the flow of material through the piping system more consistently. The Department will probably install more lube rings to make this a more consistent flow system-wide. John Sherlock, Deputy Director Treatment Division, added in the original design of the Centrifuge Building the lube rings were not installed. Field tests were conducted and the recommendation from the manufacturer is to install two more lube rings. With the original flow design from Agua Nueva to Tres Ríos. The Department has temporarily split the primary and scum flow away from waste

activated sludge. The primary and scum flow goes back to the Plant Interconnect sewer. CH2M Hill is installing smaller screens at the Headworks to comingle the flows.

Questions and discussion followed on other ROMP topics. A question arose regarding if there was any push back from off-takers from cake material instead of a liquid material. Mr. Jenkins informed the Committee that in the future the Department will move more towards a cake consistency. A question was raised on the funding source for the ROMP design issues, ROMP bonds or the operations and maintenance (O&M) budget. Mr. Jenkins responded by saying some items fall under a Capital Improvement Project (CIP) item and others are part of the O&M. The lube rings are part of the O&M budget. Since the ROMP project has ended, the Department has been tracking the amount spent for modifications to fix problems with the new and upgraded plants at Agua Nueva and Tres Ríos. The Department will be meeting with the designers and installers to negotiate what portion they are responsible for paying. There was a question if the ROMP bonds were closed out. Mr. Jenkins stated the ROMP was a program of many projects. The original budget for ROMP was $720 million. The final estimate is $605 million. The last update was the Department has spent $583 million. Some ROMP components are still pending. In the CIP, this Fiscal Year (FY) is the close out of every ROMP project that is remaining. Some projects will be moved out of the ROMP bucket and moved into the CIP bucket. At Tres Ríos, there still is a fair amount of old buildings and other items that were never touched by the ROMP Upgrade and Expansion Project. There is a certain amount of money in the bucket to rehabilitate some additional buildings and infrastructure from the old Ina Road wastewater plant. Approximately $6 - $7 million has been set aside for this and has been moved to the CIP budget, to be completed in the next few years. The ROMP was funded primarily from obligation bonds, not voter approved. Obligation bonds have been used primarily to fund other CIP projects as well. This is with the exception of Certificates of Participation (COPs), a short-term funding mechanism. There is an annual spend rate of approximately $30-40 million for other capital projects, not related to the ROMP. Another question arose if $605 million in bonds have been sold for ROMP. Keith Dommer, Director Finance and Risk Management Department (FRMD), replied that a little over $500 million outstanding in bonds that have been issued for the ROMP program.

A big CIP is the North Rillito Interceptor Rehabilitation (NRI) project. This is a $17 million project that is being done in phases. In one location of the NRI, is a residential property that has encroached on our easement. The Department has been working with the resident to find a solution. There is a pump around system going with the NRI. The Department received a complaint from a resident, which resides one-quarter mile from the construction area, that they were feeling a vibration from the construction area. To accommodate the resident, a straw bale house was built around the area as a barrier to solve the problem.

The Department has 467 budgeted full-time equivalent (FTE) positions. There are presently 40 vacancies and the Department is working on filling 30 vacant positions. Next FY the Department is budgeting for seven less positions. Through efficiencies, ROMP, and County consolidations, SCADA, and automation the Department went from 598 FTE positions in 2006, down to 460 FTEs budgeted for next FY.

The expansion of the Water Campus University of Arizona (UA) West Center had a grand opening celebration.

A lawsuit was filed against the Department for a house connection sewer (HCS). Pima County owns the public sewer, not the HCS. There have been recent stories on television news for a HCS that was not connected. In these instances a developer will install a public sewer system for Pima County, and run the HCS part way through the property to where the house will be built so that they can build the road and sidewalks. A home builder will complete installing the HCS and connect it from the house to the street. In this instance there was a gap in the HCS and the house had functioned well for many years. Recently there was a sewer backup that occurred. The cause of the sewer backup was the gap, and the residents were unable to get sewage through the house. The gap was located in the public right-of-way. The Department fixed the resident's HCS issue due to the gap. The department sets aside money to repair HCS issues with residents.

2. **Pima County Code Chapter 13.24 Ordinance Revision** (15 minutes) Jennifer C. Coyle

Mr. Taylor introduced the topic by saying that the Committee needs to review this Ordinance within the next month. This Ordinance will be used as a basis for future discussions on a proposed rate increase.

Jennifer C. Coyle, Special Assistant to the Director, provided an update on the proposed changes with the Ordinance. She provided a brief history of the recent Intergovernmental Agreements (IGAs), text code amendments, and a timeline of when this information can be brought forward to the Board of Supervisors (BOS). Pima County adopted the system

from City of Tucson in 1979 via an IGA and a Board Resolution. The earliest Pima County Code Ordinance that pertains to wastewater was in 1982. Since then the Department has never went through a thorough change to Ordinance 13.24. Over the years there have been minor amendments. There have been minor amendments that have gone before the BOS to address small issues that have arose. In April 2014, a kickoff meeting was held and teams were formed to work on revising Ordinance 13.24. Jean Voelkel, is the Project Manager; Chuck Wesselhoft, Pima County Attorney's Office (PCAO); Leadership Review Team (RWRAC Chair, representatives from FRMD, Development Services, and RWRD); and a Management Review Team (Senior Department Managers and FRMD) meet quarterly.

Through the work of the many parties involved, there were a number of changes made to this Ordinance. A thorough overview of the definitions was completed. Fee tables have been moved to a table at the end of the chapter. The interest fees have been made current with Arizona Revised Statutes, 3.25% (prime rate) + 1.00%. Major amendments are being proposed. The Department has increased authority to secure user account payments. There are approximately 30,000 sewer-only user accounts. These accounts have a well only and do not have a water account connected to their sewer account. In this instance, the Department has no authority to shut off their water if these users are delinquent with their sewer bill payment. Of those sewer-only accounts, there is a 10% delinquency rate. Some language has been added to the Ordinance that after a sewer-only account is 30 days past due, those users will receive a letter. Ten days past that date the Department will institute a fee. There is a provision for unauthorized use, these are users that do not have a sewer user account established. The Department has been working with PCAO to see what authority Pima County code has to allow the Department to charge fees, such as: an activation fee to set up these accounts and a recovery fee for back payments.
A large agency section has been added for large-scale users (Davis Monthan Air Force Base, Pascua Yaqui Tribe, and UA) that fall outside of County authority. This section will provide detail on billing, maintenance agreements, pre-treatment, access to meters for inspection. The Septage section covers the septage haulers. It has given the Industrial Wastewater Control (IWC) section some teeth, and provided septage haulers some clarity on receiving authorization billing. The Department is proposing the elimination of the Director's discretion for privately installed secondary meters. Currently there are approximately 75-85 privately installed irrigation meters. There is no process in place to read or inspect these privately installed meters. The maintenance is not guaranteed with these. The current approved irrigation secondary meters will be grand-fathered. The Ordinance provides the authority to enforce the grand-fathered irrigation meters. There are three new administrative fees and four existing fee increases being proposed. The first new fee is the Overdue Account Fee. This new fee will charge a proposed $48 for past due accounts. Two additional fees: the Closed Caption Television (CCTV) and Dye Test were included in the Raftelis model. The fee for unauthorized user fee recovery will be $68. The review of existing CCTV film in lieu of a dye test to determine connection is proposed for $88. An account activation fee will be increased from $15 to $20. Currently, the cost to acquire CCTV film to determine a connection is $250; the new cost will increase to $404. The Dye Test to determine connection for a single property will increase from $80 to $207. For multiple units on a single property, the cost will increase from $20 per unit to $23 per unit. All of these fees are the actual costs to provide these services.

There was some discussion after the presentation. Question arose regarding: if the Overdue Account Fee increased every 30 days or is it just a one-time fee (one-time fee), the date of the Ratfelis report (January 6, 2015), and will the Department be using CCTV as well as the dye test for multiple units (the Department will look into).

The next steps include a review of comments and responses due by January 19, 2016. The Department is requesting hard copy written responses and comments. Ms. Coyle stated a .pdf and a Word document can be provided. The timeline is to incorporate, review and consider the feedback received and present to the public in February 2016. The proposed date for the final review is March 2016, with a tentative date to present to the BOS in April 2016.

Mr. Taylor referred to page 19, of the Ordinance DRAFT. He stated when discussing rate increases, it is important to understand the monthly base fee ($12.63) and the user fee (based upon CCF). Moving forward, should the fees be the same for all categories. On page 20, the user fee $3.523 is multiplied per CCF of the Winter Quarter Average (December, January, February water usage) or lowest usage months. The Strength Factors (pages 21-23), uses the $3.523 and multiplies this by strength factor depending on the industry type. The IWC makes a sampling of these industries and makes recommendations to change the strength factors based on the sampling. Strength of the sewage affects the cost to treat, more than the volume. Ordinance 13.20 is for sewer connection fees. The plan is to bring this Ordinance before the BOS for revision by the beginning of next Fiscal Year. It is important to consider all of these categories (base fee, user fee, and categories) when discussing rates. Mr. Jenkins added to compare monthly sewer user fee to other

jurisdictions. The average residential monthly fee is $40.81, based on 8.0 CCF. The usage has dropped closer to 7 CCF. Mr. Taylor stated the Department has high fixed costs, compared to the base fee of $12.63. The higher the base cost, the more stable future revenues are. People are using less water as fixed costs stay the same. Mr. Stratton added the availability rate justifies a higher base rate. Mr. Taylor stated Tucson Water raises the base rate, to have available for use at any time.

3. RWRAC Financial Sub-Committee Meeting Report & Update (35 minutes) – John Lynch and Sub-Committee Members

a) Revised Rate Workbook

Mr. Taylor started the discussion by stating that two Financial Sub-Committee meetings have been held since the last RWRAC meeting. These meetings covered the O&M budget, bonds, and the debt service ratio. Additionally, there have also been two CIP meetings. The important things to consider when discussing rates are cash balance and debt ratio. It is important to understand how these parts relate. In reference to the first item, the unrestricted cash balance, a certain amount of usable cash, $100 million, is required to be maintained. The area the Committee will focus on is the debt service percentage. The debt service percentage decreases in the following years. He provided the formula to compute the debt service percentage as: Total revenues – O&M / Debt service = Debt Service Percentage.

This percentage cannot go below 1.2%. Keith Dommer, Director FRMD, stated should this percentage fall below the recommended ratio the Department would be in default and the debt could be called in for payment. Mr. Jenkins added if the numbers used for this formula--$20.1 million debt service (interest only), $170 million revenue, and $84 million O&M budget, this does not include the payment principal (cash payment).

Mr. Dommer said financial information is available for multiple purposes: budgetary, planning rate setting, and external users. The financial information is in reference to audited financial statements, that rating agencies use. What appears on an audited financial statement is the interest being paid from borrowing money. For rate setting and budgetary purposes the principal amount in and principal amount out is recorded. For debt service ratio purposes, this includes both principal repaid and interest costs. Mr. Taylor added the debt service ratio cannot go below 1.2%. If the ratio goes below 1.3%, there is a chance the Department's bond rating could decrease. Mr. Dommer stated the rating agencies want a comfort level. There are still many unanswered questions. Mr. Taylor continued by providing the scenario, with current annual revenues at $170 million and if no change is made next year. Revenue will decrease, people are using less water. The $84 million in annual O&M would stay the same. Debt service will increase dramatically, due mostly to ROMP. The budgeted debt service was $70 million. Currently the debt service is $78 million. Using this scenario, the debt service ratio drops to 1.14% for FY 2016/17. A question was asked if these numbers are for the existing debt service and the new debt service, tied to future borrowing. Mr. Jenkins asked if today zero was spent on capital, and $20 million was the interest payment, this number would then decrease as principal is repaid. Mr. Dommer responded that all of the bond issues are repaid in chunks each year. The bonds are then sold to investors in chunks and may have slightly different interest rates. Mr. Taylor continued the discussion by stating the debt service ratios being discussed are based on pre-2010 debt. These ratios will remain in effect for at least eight years, until 2024 when the debt is scheduled to be paid off. Unless the Department can pay off the pre 2010 debt. The control of revenue is only if there is a revenue increase. The control O&M will be a topic of discussion today. Debt service is increasing. The CIP is a small part of the increase in debt service, which doesn't provide much leverage. A question was raised for every $10 million reduced in CIP, how much is the debt service reduction. Currently the debt service ratio is 1.28% and next year this ratio drops to 1.14%, if no changes were made. A comment was made that the later years with respect to proposed debt borrowing has an effect on the O&M bond money. In FY 2018/19 and 2019/20 there is $28 million in proposed debt service. There was additional discussion to include questions on the debt repayment schedule with the bond covenants, is the debt service coverage ratio affected by early or accelerated payment. Mr. Dommer clarified that paying off the debt early would not affect the revenue or the O&M expenses. It would reduce the debt service ratio. Mr. Taylor stated that an option the Financial Sub-Committee will discuss, following this meeting, is to pay off the pre-2010 debt and refinance it. Then the Department would not be under these debt ratios. This is an option assuming no rate increases.

All debt service is for 15 years, the only way to change the payment term is to refinance. Mr. Dommer added that $76 million of debt service payments was the target for the ROMP bonds. Looking at 2017 for example, $49 million is the principal and $27 million is the interest. In 2018, the principal is $51 million and the interest is $24.5 million. In the 2020s the principal is $60 million in principal and $16 million in interest. As the principal payments are accelerated toward the final years, enough debt has been paid off that the interest is going down. The total payment is still hovering at $75-$76 million to cover debt service for the next ten years.

b) Review of Various Administrative Overhead Charges

John Lynch (Financial Sub-Committee Chair) provided a summary of what was discussed at the last meeting.
The Committee reviewed the revised worksheet. Going forward this worksheet will be used as a tool to adjust various factors in the rate setting process. This will be helpful to see how various factors can affect rates and revenues. The next item the Committee discussed was the rate setting calendar. Specifically what needs to be accomplished to get information to the BOS and the public hearing process schedule. The staff is being tasked with an aggressive schedule to respond to the Committee's needs. The staff has been exceptional in responsiveness to the Committee's requests and questions. The O&M charges were reviewed. The two largest items noted in the O&M budget were wages and salaries. Additionally, there were ten items that had an impact on the budget.

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

Staff provided additional information on the last five years history in the ten categories. There was quite a bit of discussion that was initiated on this topic. There were a number of questions on wages and salaries, and other O&M charges. There is presently two methods for allocating overhead charges. There is proportional costs which is taking all the County employees in an overhead category and allocating that number back to the department as a cost per employee. The second process is actual cost. This is the amount of time spent to provide a service that gets allocated back as a cost to the Department.
In reviewing proportional costs, the Information Technology Department (ITD) costs are running $3,600 per employee per year. The short-term justification was that there had not been a prior protocol in replacing and upgrading computer equipment. The Department had incurred charges to replace and upgrade computer equipment and software. The Department is playing catch up with costs, which could explain the high dollar amount in cost per employee. While the 467 FTEs make up 6.8% of County staff, the FRMD's budget of $17 million, of that budget $3.8 million or 22% comes from the Department. The Committee is obtaining more information as to why that percentage of FRMD's budget that is allocated to supporting the Department is significantly higher than that of other County departments.
There have been some significant increases year-to-year in overtime, shift pay, and temporary help pay. This increase was from 25% to 50% from last fiscal year to this fiscal year. There is a review of the staffing model going on. Additionally, the Committee will be receiving additional information on ITD costs. The Committee looked at some major O&M categories. There was a capital allocation for mothballing Roger Road. This charge was originally in the CIP budget that got moved into the O&M budget. Mr. Jenkins added that originally Roger Road was budgeted into the ROMP budget for Clean Closure of that facility. The $4 million for this cost was not depreciable, so the charges were transferred into the O&M budget.

Mr. Lynch requested that when major changes occur in charges, to notify the Committee to keep everyone in the loop. Mr. Taylor added that the $1.6 million costs from ITD to upgrade the computer equipment is a long-term cost and not for just this year. This charge was a lease for all the computers. The Department will be paying this $1.6 million charge every year. The ITD costs to update computers and software seemed significantly higher than normal. He added that the charges that are being allocated to the Department are equitable and applied County-wide.
Mr. Taylor stated the $1.6 million in ITD charges for leased computers was a result of an administrative overhead decision that was placed on the Department. Also, the 22% the Department pays to the FRMD in contrast to the number of 467 FTEs seems skewed.
Mr. Lynch said in the history of Pima County, the Department had its own internal finance support staff. Now, this is centralized outside the Department. He raised the question of what are the benefits from this arrangement. From a cost standpoint why was the decision made to centralize all finance functions within FRMD. This will be a topic that will be discussed at a future meeting.

d) Review of Various RWRD Debt Issuances and Obligations

The last item of discussion was the bonding (long-term debt) process. The debt accumulated prior to 2010 utilized the formula, Total revenues – O&M / Debt service = Debt Service Percentage. The debt after 2010, has a different formula, where cash remaining after reserves is added back to the numerator in the formula. Presently, the value of that cash, after the reserves are taken out is $110 million. With the new formula, adding back the cash, the ratio becomes 2.87%. As long as the pre-2010 debt exists, the former formula of not adding back in the cash must be followed for that debt. The Committee is looking at the alternative of taking on additional long-term debt of $148 million, to pay down the pre-2010 debt. Next year there is a program to pay off $38 million of the $148 million. There is some prepayment of that existing pre-2010 debt, but not quickly enough to unburden the Department from the 1.3% ratio from the prior formula.

The Committee looked at the debt repayment schedule to 2023, going to a new formula with the debt service ratio that adds back in cash, which may preclude the need to raise rates to rate payers. The Committee will look at this as an alternative option moving forward.

Mr. Dommer summarized by stating there are two ways, direct and indirect to allocate costs to the Department. One method was allocating by the number of employees. There are costs such as allocating by CIP units based on the number of construction projects. The budgetary costs are allocated by the size of the Department's budget. These additional considerations will be explained at next meeting. The new ITD allocation leasing program includes three components of: hardware, software, and storage. Departments are getting an allocation from ITD based on all three components. The elected official departments are now voluntarily joining the ITD leasing program in year two. Additional assessment in reviewing the ITD leasing program is needed.

Mr. Taylor closed the discussion by stating the $7.3 million in administrative overhead for 2015, was a 6.7% increase over the prior year. This figure does not include the $1.6 million for ITD computer leasing charges. Adding the $1.6 million to the $7.3 million, brings the total up to a 30% increase in overhead from the prior year. Of the $84 million for O&M charges, $9 million is administrative overhead. The $4 million in costs that were transferred to the O&M budget from the Clean Closure of Roger Road has a direct impact on the debt service ratio, as opposed to capitalizing these costs.

4. **RWRAC Capital Improvement Program (CIP) Sub-Committee Meeting Report & Update** (35 minutes) – Bob Iannarino and Sub-Committee Members

Presentation of Capital Improvement Program Five-Year Plan

Bob Iannarino, CIP Sub-Committee Chair, presented a summary of what was discussed at the past two meetings. At the first meeting, goals and objectives were established. Three components of the Ordinance pertaining to this Sub-Committee were used as a basis toward these goals and objectives. The three components include: the Advisory Committee act as an advisory body for CIP planning and rate structure formation; annually review and recommend the proposed CIP on an annual and five year basis; review and facilitate to the Advisory Committee a 10-year capital needs forecast for the department. A Chair (Bob Iannarino) and a Vice Chair (Sheila Bowen) were elected. John Warner, Deputy Director Conveyance Division, and Jaime Rivera, CIP Section Manager, provided an overview of the FY 2015/16 CIP Program. The five-year CIP budget is $194 million. The FY 2015/16 target is $44.5 million in total CIP project budget, as opposed to the $47.5 million proposed budget. The Department targets less than what the proposed budget shows as a bottom line for a cushion. The staff provided an outline of how the five-year CIP is generated.

A formal presentation of the CIP was held at the December 3, 2015 meeting. The presentation included the Closed Caption Television (CCTV) program, Job Order Contract (JOC), and Charter Process programs. The Committee received clarification to determine the CIP budget. The CCTV program with National Association of Sewer Service Companies (NASSCO) rating system was explained. The overall system assessment is tied to a Capacity Management Operations and Maintenance (CMOM) program. On a yearly basis the Department is going through a CCTV Area Program to assess and rate the system pipelines. This is the core of the next four years of where the CIP is focused. The CCTV program operates on a 10-year cycle which establishes the basis of the CIP. The Department rates the risk factors associated based on a NASSCO rating system.

The North Rillito Interceptor (NRI) Condition Assessment shows deterioration of the pipe over time, over a nine-year period. This information will assist the CIP Sub-Committee to get a better understanding of how the Department assesses program needs to keep the sewer system operating properly. The program is tied to $195 million over the next five years. The proposed debt issuance is $165 million to help cover costs for the program. The CMOM program is regulatory and is required. Fallout from the Speedway Sinkhole was approximately $25 million, from an unexpected blindside collapse. Since that time the Department has taken a more proactive stance on sewer maintenance. Mr. Jenkins added that a Key Performance Indicator (KPI) is the number of sanitary sewer overflows (SSO)s the Department has. There are presently approximately 40 SSOs annually, as opposed to 200+ in 2000. This low number is leading the country. Other factors such as the Pre-Treatment Ordinance, and public education campaign to keep grease out of the sewers all contribute to this decrease as well. Once the 10-year CCTV program cycle is completed, it will be repeated. The higher risk and larger diameter sewers will be CCTV inspected every five years. Another consideration is if the piping is located in an urban or a rural area. The rating system is reviewed annually for priority projects. The JOC system is based on project costs. The Department has $1.2 billion in total capital assets. The rule of thumb is a 2-3% investment in CIP, which translates to $24 - $36 million.

The job of the Committee is to look at the target range and to scrutinize on the methodologies for validation on how the Department is setting the CIP. Many of the CIP projects which are in the $30 million target range were those identified in need of augmentation, rehabilitation, or repair through the CCTV inspection. Mr. Iannarino stated the task of the CIP Sub-Committee is to review what each of these projects are in the next few years, whether adjustments can be made, and whether this review will have an effect on the Department's financial position moving forward. To defer yearly costs to impact years four and five of this program, and to minimize the proposed debt service of $28 million. Mr. Taylor added to take into account regulatory requirements for CMOM, and Mr. Warner's role as a Certified Operator to keep the Department's facilities maintained and up to standard.

a) Charter Process

The Charter Process was presented. The Department is proactive in how the program is moving forward to scrutinize projects under the surface. A ratings process is weighted and reviewed, and prioritized appropriately with the Charter process for CIP projects. The list of authorized signoffs is extensive to get projects approved. There are some projects, with insolence from the BOS with directives for economic development, such as the Aerospace Corridor Project. These projects also need to be taken into account and how to adjust those numbers on a yearly basis. New companies coming into the community want to know if the region has the proper infrastructure in place.

b) Tres Rios vs. ROMP Program Projects

A brief overview was provided on the remaining items at the Tres Ríos WRF that will be carried over to the CIP. Discussions included what were the total expenditures for the ROMP program. The ROMP is closed, and other ancillary costs are moving into other CIP charges over the next several years. The original forecast for ROMP was $720 million. If only $605 million has been issued in debt, the escalating rate base was forecast off the original $720 million.

The next CIP Sub-Committee Meeting will be held on January 6, 2016.

5. Mount Lemmon Wastewater Treatment Plant Study Update (20-25 minutes) Jackson Jenkins
Moved to next meeting.

6. 2016 Work Plan Review and Approve
Rob Kulakofski moved to approved. Mark Stratton seconded. Motion approved unanimously.

H. Future Agenda Items

Mt. Lemmon, Update on Finance and CIP Sub-Committees, Schedule for Rate Setting

I. Call to the Audience – None

K. Adjournment

ACTION: Mark Stratton made a motion to adjourn meeting. Barbee Hanson seconded. Meeting adjourned at 10:09 a.m.

NEXT REGULAR MEETING DATE:
Thursday, January 21, 2016