

WASTEWATER MANAGEMENT ADVISORY COMMITTEE
MEETING MINUTES
November 8, 2007

Committee Members Present:

Adam Bliven	Brad DeSpain	John Carlson
Marcelino Flores	Barbee Hanson	Mark Stratton
Michael Gritzuk		

Committee Members Absent:

John Carhuff	Sheila Bowen	Steve Halverson
Rob Kulakofsky	Armando Membrila	John Sawyer
Ann Marie Wolf		

Staff Present:

Mike Bunch	Ed Curley	Laura Fairbanks
Mary Hamilton	Suzy Hunt	Rose Hylton
Jeff Nichols	Patsy Ronquillo	Cecilia Vindiola

Other County Staff Present:

Pat Cavanaugh, Executive Aide District 1	Charles Wesselhoft, County Attorney's Office
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- I. **CALL TO ORDER.** Chair Adam Bliven, called the meeting of the Wastewater Management Advisory Committee (WMAC) to order at 8:23 PM. As a quorum was not present, no votes could be taken. The meeting was continued until 7:45 AM, November 15, 2007.

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Committee Members Present:

Adam Bliven	John Carlson	Brad DeSpain
Marcelino Flores	Steve Halverson	Barbee Hanson
Rob Kulakofsky	Mark Stratton	Ann Marie Wolf
Michael Gritzuk		

Committee Members Absent:

Sheila Bowen	John Carhuff	Armando Membrila
John Sawyer		

Staff Present:

Mike Bunch	Ed Curley	Sandy Current
Laura Fairbanks	Mary Hamilton	Suzy Hunt
Jackson Jenkins	Mike Kostrzewski	Jeff Nichols
Lorraine Simon	David Smith	John Warner
Eric Wieduwilt		

Other County Staff Present:

Harlan Agnew County Attorney's Office	Chuck Wesselhoft County Attorney's Office
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- II. CALL TO ORDER.** Chair, Adam Bliven, called the meeting of the Wastewater Management Advisory Committee (WMAC) to order at 7:52 A.M.
- III. APPROVAL OF MINUTES.** The Committee approved the minutes of the October 18, 2007 WMAC meeting.
- IV. DISCUSSION**

A. Old Items/Updates

1. **Draft Fiscal Year 2007/08 Financial Plan (Draft Plan).** Mr. Bliven reminded Committee members that they received presentations of the Draft Plan at the October 18, 2007 WMAC meeting and at the November 8, 2007 WMAC Public Meeting from Department staff and Mr. Harold Smith of Raftelis Financial Consultants (RFC). Committee members also received copies of the Draft Plan prior to the meeting. The Committee members were given the option of listening to the presentation again. All agreed that they were sufficiently familiar with the Draft Plan and did not need another presentation.

Mr. Bliven introduced Jeff Nichols, Deputy Director and Department Controller. Discussion of the Draft Plan followed.

Mr. Steve Halverson asked whether staff had looked into evaluating implementation of a special assessment fee to see if it is a viable option for the Department to raise additional revenue as requested at the October 2007 Committee meeting. Mr. Nichols responded that the idea of a special assessment fee has been presented to the County's Finance Director. He commented further that staff is looking at the difference in the Department's revenues, and said at this point in time the Department has not experienced a downturn in revenues. Projections of connection fee revenue in the Draft Plan assume a near term decline in building starts, but the recommended increases in connection fees would result in the annual increases in connection fee revenue. The Department is still expecting approximately \$33 million in connection fee revenues for FY 2007/08.

A motion was made and seconded to support the Draft Plan and the proposed rate increases. These include:

- For January 2008:
 - o Increase the User Fee (Volume Charge) 9.0 percent
 - o Delete the cap and increase the User Service Fee 9.0 percent
- For July 2008
 - o Increase the User Fee (Volume Charge) 9.5 percent
 - o Increase the User Service Fee 9.5 percent
 - o Increase the Connection Fee 9.5 percent.

Mr. Bliven said he would attend the Board of Supervisors meeting in support of the Draft Plan. Committee members agreed to attend the Board meeting and also to meet one-on-one with their Supervisors in support of the Plan. Mr. Bliven expressed that this is a critical period for the County because it has to come into compliance with ADEQ regulations and must bring an aging sewer system into good condition and operation. He felt the County did not have too many options other than increasing fees in order to cover these costs.

Mr. Flores commented that the Plan already supports a sense of urgency that is reflected in terms of having the rate increases and the potential of revenue losses does not eliminate that urgency. Mr. Bliven added that if the uncertainties in the housing market continue and the number of projected new connections to the sewer system decrease in upcoming years, the impact to the rate increases would be greater. Mr. Halverson and Mr. Carlson felt that the Committee's recommendations should include a cautionary note that the slow down in growth might impact projected revenues.

Mr. Kulakofsky felt that Committee members should convey the message to their individual Supervisors that if the Department does not get substantial rate increases now, the County is essentially putting itself into a position similar to holding a sub prime mortgage with a balloon payment. He said that would be unfair to the tax and rate payers.

Mr. Nichols said the Department's message has been consistent that the Regional Optimization Master Plan (ROMP) is regulatory-driven and regardless of whether one more home is added to the sewer system, the ROMP has to go forward.

Mr. Flores suggested that talking points for the Draft Plan be developed for Committee members for their conversations with individual Board members and Committee presentations to the Board.

The Committee voted: YES – 9, NO – 0 for the above motion to support the recommended rate increases and Draft Financial Plan.

The Committee then discussed the Draft Plan policy recommendations which include:

- That the Board of Supervisors consider matching the term of the bonds with the expected longevity of the project using 15 to 30 year terms.

Committee members expressed support for extending the term of the bonds from 15 to 30 years, where appropriate, in regard to the expected longevity of the project. They felt extending the bond term to 30 years had the potential of stabilizing rates going forward.

- That the Board of Supervisors direct the Department to evaluate use of an environmental fee in order to capture ROMP costs in a manner that better educates customers.

The Committee continued to discuss the financial policy recommendations from the Draft Plan for potential inclusion in the Committee's letter of recommendations to the Board of Supervisors. These recommendations included:

- Direct the Department to develop financial policies on the following issues:
 - o Short term debt instruments
 - o Debt service coverage
 - o Reserve funding.

Mr. Kulakofsky felt the Committee should send a recommendation that the Board of Supervisors increase revenue when the County issues bonds so that the bonds are covered. Therefore the County may be able to get a lower rate on those bonds.

Mr. Flores felt with regard to short-term financing, it was important to emphasize the Department is preparing to understand and appreciate how short-term debt instruments add value to the Draft Plan to the Board of Supervisors.

The Committee voted: YES – 8, NO – 0 (One committee member had to leave during this discussion) to include support for all the above financial policy recommendations and issues in their letter of recommendations to the Board of Supervisors.

Mr. Gritzuk informed the Committee members that the Department with assistance from RFC would present the Recommended Financial Plan on December 11, 2007 to the Board of Supervisors.

B. New Items. No new items were presented.

V. FUTURE AGENDA ITEMS. Use of Outside CIP Project Management Services; Recommended Financial Update; Capital Improvement Program Update; Regional Optimization Master Plan and Odor Control Plan Update; 2008 Work Plan; Avra Valley WWTF Tour; and Wastewater Management Strategic Plan.

Mr. Gritzuk suggested that staff present the Odor Control Study report that is being presented to the Board of Supervisors on December 4, 2007 at the Committee's next regular meeting. In addition, he suggested that Mr. Carlson and Ms. Wolf provide a summary of the Citizens' Involvement Committee Report as well.

Mr. Bunch suggested that a future agenda item be an update on the Department's progress on achieving ISO (International Standards Organization) and OHSAS (Occupational Health and Safety Assessment Series) certification of the conveyance system. He informed Committee members that the external auditors would be conducting the final audit for ISO and OHSAS certification of the conveyance system the week of November 19, 2007. The Department did achieve the ISO 9001 certification, and the two auditors for the ISO 14001 and OHSAS 18001 will be here on November 19, 2007. The Department believes it will be the first U.S. enterprise, public or private, to achieve all three certifications at the same time.

VI. CALL TO THE AUDIENCE. Mr. Craig Cannizzaro, an engineer with URS Corporation, referring to talking points for the Board of Supervisors, expressed that he had found that it's hard to explain issues with water and wastewater because as long as you can "flush your toilet and turn on your tap" there is no problem. If you don't do something now, there will be a bigger problem later.

There being no further responses from the audience, Mr. Bliven adjourned the meeting.

VII. ADJOURNMENT. The meeting adjourned at 8:53 A.M.