



## **Scope of Work Task Force Town of Marana DMA 208 Amendment**

### **Minutes of July 6, 2009, Meeting**

#### **Attendees**

Paul Baughman, Town of Marana  
Michael Block, Metro Water District  
Sheila Bowen, AzSCE  
Mike Caporaso, Westland Resources  
Ben Changkakoti, PCRWRD  
Ed Curley, PCRWRD  
Eric Holler, Bureau of Reclamation  
Dan Jackson, Economist.com  
Barbara Johnson, Town of Marana  
Ries Lindley, Tucson Water  
Melodee Loyer, Tucson Water  
Thom Martinez, Westland Resources  
Matt Matthewson, PCRWRD  
Jeff Nichols, PCRWRD  
Dorothy O'Brien, Town of Marana  
Chuck Wesselhoft, PC Deputy Attorney  
Eric Wieduwilt, PC Wastewater

#### **Staff**

Steve Matthews  
Joan Reedy  
Dan Sullivan  
Claire Zucker

#### **1. Call to Order and Introductions**

Claire Zucker called the meeting to order at 1:29 p.m. and introductions were made.

#### **2. Approval of the Minutes**

**A motion was made by Ed Curley to approve the minutes of May 20, 2009, seconded by Barbara Johnson. The motion was approved unanimously.**

Approval of the June 8, 2009, minutes was tabled until the following meeting.

#### **3. Future Meeting Date**

The next meeting will be held Wednesday, Aug. 5, 2009, at 1:30 p.m.

#### **4. 208 Amendment Executive Summary**

Ms. Zucker asked for comments on the Executive Summary. Melodee Loyer, Tucson Water, mentioned that she felt the financial feasibility, mentioned in the third paragraph, had not yet been convincingly demonstrated. Ms. Zucker agreed that the financial information had not been made readily available either by distribution or on the Web as was the case for the Sewer Basin Study.

Ed Curley, Pima County, noted that the 208 amendment should show how the planned facilities would impact the regional system and existing regional plans. He added that the amendment describes Marana's perspective on being a DMA and the rationale for becoming a DMA, but there is no reference to other perspectives, such as the County's perspective. Ms. Johnson disagreed with this approach and Ms. Zucker suggested this might be addressed in the background portion of the document instead of being in the Executive Summary.

Ms. Zucker suggested that the last sentence in paragraph four, page two, might be clarified as to which smaller public facilities are being referenced. No comments were received on page three.

HANDOUT: Executive Summary, WestLand Resources, Inc., Revised Draft, Town of Marana, July, 2009.

## **5. Follow-Up Discussion Items**

### The Description of the Financial Plan for the Facilities

Ms. Zucker explained that for several meetings the Scope of Work Task Force has been trying to get a clear understanding of financial capability of the Town to build and operate the proposed wastewater system. She added that while a general understanding is sufficient, the Task Force needs to be comfortable that the financial capability has been demonstrated and clearly explained.

Ms. Johnson introduced Dan V. Jackson who is the Managing Director and Chief Executive of Economist.com, an international consulting firm which conducted a rate study for Marana and has conducted similar rate studies for utilities throughout the United States and the Pacific Rim.

Mr. Jackson explained his firm's efforts to help the Town develop a comprehensive water and wastewater rate plan, which includes impact fees, non-rate revenues, water rates and the financial feasibility of acquiring the wastewater accounts that are inside the Town limits of Marana. Items taken into consideration included:

- Economic changes
- The need to raise water and sewer utility rates over time (~5 percent per year)
- Establishing an initial rate that is equivalent to the Pima County rate
- Creating a uniform commercial rate that is higher than the residential rate

Mr. Jackson described Marana as having a very solid tax base and added that it was a high growth community and was very professionally run. Based on the number of accounts to be taken over, Economist.com thinks that the Town can operate this system at a cost that is equivalent to what the rate payers are currently paying in Pima County. However, they are recommending that the Town have a single uniform commercial rate, which will increase more quickly than the residential rate, so that the commercial rate payers will eventually pay slightly more than residential customers. He added that the rate plan considers operating costs as well as the capital costs, and added that the Town has hired an outside operator to run the collection and treatment system. Mr. Jackson also explained financing over 25 to 30 years allows the debt service to extend a little longer so that future rate payers pay more of the costs. The downside is that you end up paying more interest over the life of the note. In the case of the Town, he would be in favor of a longer term financing period.

Ms. Loyer asked about the change in costs from the \$50 million presented to the Town Council in Fall 2008, and the \$100 million presented in Economist.com's presentation. She added that the Task Force had previously received information that the cost would be \$84 million, but that these costs did not cover solids handling and recharge facilities. She also asked if increased costs associated with operation and chemical costs for the new facilities were included in the financial estimates. Mr. Jackson explained that rate plans evolve over time and that the \$50 million cost estimate was a year old. The latest capital plan assumes that the Town will issue over \$100 million in bonds to finance the wastewater collection and treatment system. This is, in part, because the private operator's bid to the Town has been incorporated into the estimate. He added that when the new facilities comes on line, outside contracts for interim services will end and this should balance the increased costs of running the facilities.

Ms. Zucker asked about the length of the debt service? Mr. Jackson said they are assuming 25 to 30 years. Jeff Nichols, Pima County, asked what the State statute allows for the term of debt service? Mr. Jackson said that WIFA allows 25 years and is talking about 30 years.

Sheila Bowen asked whether the potential cost for treating for emerging contaminants had been considered. Dorothy O'Brien, Marana, stated that personal care products and pharmaceuticals do not have established contaminant limits at this time. This is just one operational cost for the utility and hopefully, as technology improves, we will be able to deal with these contaminants at the least cost possible. Ms. Bowen clarified that her concern had been whether the large bond amount and long financing term might inhibit the Town's ability to pay unforeseen costs, such as for emerging contaminant treatment.

Mr. Curley said that to-date he has not seen a financing spreadsheets that clearly delineates the financial plan. For example, he would like to see a spreadsheet that explains the following scenario: if the town has "X" number of customers, and the Town needs "Y" amount of revenue, then "Z" is the amount the customer would pay in user fees. In addition, such a spreadsheet could include how much of the debt service is paid for through the user fee and how much would be paid for by new hook ups. The spreadsheet would support these estimates. Mr. Jackson said that these analyses are very complicated and involve hundreds of spreadsheets, and they also involve proprietary information, such as bids from the operators.

Ms. Johnson said that she did not understand the concern because rate studies were not part of the Sahuarita or ROMP 208 amendment. She noted that the Clean Water Act only requires establishing that the entity has the capacity and the ability to fund it, not a rate study. Ms. Zucker said that general financial information would be very helpful to the Task Force. She added that this type of information was included in Pima County's financial plan that was referenced in the ROMP amendment and some financial information was also included in Sahuarita 208 amendment. Mr. Curley said that a very simple spreadsheet with standard utility accounting information, as he described earlier, would be fine. He added that he thought the cost of hiring an operator would be an open record document. Mr. Nichols, who lives in the Town, said that he originally paid for a connection fee to the County's wastewater system and he wondered if he would have to pay it again to the Town when they took over the system. Ms. Johnson replied that existing customers would not pay a hook up fee. Mr. Nichols asked if they would indirectly pay for it because the debt service would be paid by all customers through user fees. Ms. Johnson reiterated that that new capacity would be paid for through impact fees. Mr. Curley reflected that Table 7 on page 39 of the amendment showed that the total for Phase I costs, as shown in the 5-year CIP, would be \$88,420 million. Mr. Jackson said all of this principal and interest would be paid

for out of the rates for the users. In response to a question, Mr. Jackson said that the Town would be taking over approximately 10,000 residential connections and 1000 non-residential connections from the County during this transition. Discussion about the user fees, impact fees and debt service continued.

Eric Wieduwilt asked if the Town had budgeted any monies to purchase assets from the County or was the expectation that all assets would be transferred without cost to the Town? Mr. Jackson said that they assumed there wouldn't be any cost. Ms. O'Brien reiterated that the Sewer Basin Study and the amendment were written with the concept that the Marana Water Reclamation Facility was off the table. Mr. Wieduwilt asked if the rate study formula accounted for monies to be transferred with the existing assets? Mr. Jackson said that assumption had not been built into the forecast. He also affirmed that the schedule and construction estimates were from the engineering consultant.

Ms. O'Brien agreed to reevaluate the amendment's financial transparency, consistency and process again. She said she looks forward to receiving comments, but added that she felt the Town had been held to a different standard than any other 208. Ms. Zucker assured Ms. O'Brien that the PAG 208 outline provided to the Town was consistent with the one used in other 208 processes. She added that the Task Force has been asking for financial information for several meetings and has been consistent about its request. Discussion continued about which construction the \$100 million bonding would cover.

#### How Interim Agreements and Phasing Transition Plans will be Presented

Ms. Zucker remind the Task Force that at the last meeting there was an extensive discussion about IGAs and how they might fit in sequentially within the 208 process. She noted that resolution of the litigation would likely be needed in order to develop the IGAs between the Town and the County. Therefore, she recommended that this issue remain on hold and that the Task Force focus on the technical requirements of the amendment. She said that the Task Force could move the amendment on to the PAG's Watershed Subcommittee and to EPAC as an informational item, but she was not sure if EPAC would choose to approve the amendment if it did not include a clear presentation of how the wastewater treatment system would transfer from the County to the Town. She did not recommend going on to Management Committee because they will need to review the final amendment in order to make a recommendation to the Regional Council. For clarification about Regional Council's directive, Mike Block read the Oct 9, 2008, motion from PAG's Regional Council.

Discussion followed about when the 208 amendment should move forward through the PAG committee approval process.

## **6. Future Agenda Items**

At the Aug. 5 meeting, the Task Force will provide comments on the revised 208 Plan Amendment draft document. Prior to that meeting, Task Force members are encouraged to send comments to Dorothy O'Brien.

HANDOUT: Revised Draft, Town of Marana, Pima Association of Governments 208 Plan Amendment, WestLand Resources, Inc., July, 2009.

## **7. Adjournment**

The meeting was adjourned by the chair at 3:18 p.m.