

**PIMA COUNTY**  
**REGIONAL WASTEWATER RECLAMATION DEPARTMENT**  
 201 NORTH STONE AVENUE  
 TUCSON, ARIZONA 85701-1207

**JACKSON JENKINS**  
 DIRECTOR

PH: (520) 724-6500  
 FAX: (520) 724-9635

February 24, 2015

**TO:** C.H. Huckelberry, County Administrator

**THRU:** John M. Bernal, P.E., Deputy County Administrator – Public Works

**FROM:** Jackson Jenkins, Director – RWRD

**SUBJECT:** **Board of Supervisors Agenda Item Related to Proposed Sewer Rate Increase**

The Pima County Finance and Risk Management Department prepares an annual report, the Financial Plan, addressing the financial needs of RWRD based on the projected expenses and projected capital improvement program for the current fiscal year and for the following four fiscal years.

**2015 Financial Plan**

The 2015 Financial Plan recommends the following:

1. The issuance of \$60 million of Certificates of Participation (COPs) in the current fiscal year as anticipated in the Adopted Budget.
2. The issuance of \$165 million of new sewer revenue obligations in the upcoming years as follows:
  - a. \$45 million in Fiscal Year 2015/16
  - b. \$40 million in Fiscal Year 2016/17
  - c. \$45 million in Fiscal Year 2017/18
  - d. \$35 million in Fiscal Year 2018/19
3. The early repayment of \$38 million of WIFA Loans and sewer revenue bonds as those become callable in Fiscal Year 2016/17.
4. The adoption of a series of three automatic annual rate increases of 4% occurring July 1, 2015, July 1, 2016, and July 1, 2017.

Standard & Poor's rating agency, which rates the County's sewer debt, has indicated that a debt service ratio of 130% is key to maintaining favorable ratings. In order to maintain a debt service ratio of 130% by Fiscal Year 2018/19, the County will need to increase net operating revenues by approximately \$22.3 million. This level of revenue will not be generated from the anticipated growth in the system. It will be necessary to increase user fee rates to sustain the system and complete the planned capital projects.

C.H. Huckelberry, County Administrator

**SUBJECT: BOS Agenda Item Related to the Proposed Sewer Rate Increase**

February 24, 2015

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We therefore respectfully request your concurrence to place this item on the Board of Supervisors Agenda for the regularly scheduled March 10, 2015 meeting.

I am available at your convenience should you have any further questions.

**CONCUR:**

  
\_\_\_\_\_  
John M. Bernal, P.E., Deputy County Administrator

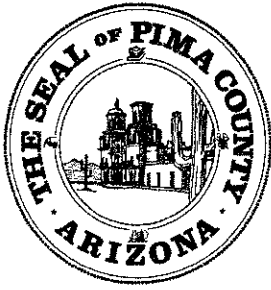
2/25/15  
Date

**APPROVED:**

  
\_\_\_\_\_  
C.H. Huckelberry, County Administrator

2/25/15  
Date

c: Tom Burke, Director, Finance and Risk Management



## **BOARD OF SUPERVISORS AGENDA ITEM SUMMARY**

*Requested Board Meeting Date: 3/10/15*

### **ITEM SUMMARY, JUSTIFICATION &/or SPECIAL CONSIDERATIONS:**

*Proposed increase to existing sewer user fees. Regional Wastewater Reclamation Department is proposing annual rate increases over the next three years of four percent (4%) each year to become effective July 1, 2015, July 1, 2016, and July 1, 2017 respectively. This will allow RWRD to meet its financial obligations and to cover its debt service and maintain an appropriate debt service ratio.*

**CONTRACT NUMBER** (If applicable):

**STAFF RECOMMENDATION(S):** *Approval of rate increases*

**CORPORATE HEADQUARTERS:** \_\_\_\_\_

CLERK OF BOARD USE ONLY: BOS MTG. \_\_\_\_\_

ITEM NO. \_\_\_\_\_

PIMA COUNTY COST: \_\_\_\_ and/or REVENUE TO PIMA COUNTY: approx. \$22.3 million

FUNDING SOURCE(S): \_\_\_\_\_

(i.e. General Fund, State Grant Fund, Federal Fund, Stadium D. Fund, etc.)

Advertised Public Hearing:

☒

YES

☐

NO

Board of Supervisors District:

1 ☐

2 ☐

3 ☐

4 ☐

5 ☐

All ☒

IMPACT:

**IF APPROVED:** Pima County will be authorized to increase the existing sewer user fees, and the level of revenue generated will be sufficient to maintain the appropriate debt service ratio.

**IF DENIED:** Pima County will not be authorized to increase the existing sewer user fees, and the level of revenue generated will not be sufficient to maintain the appropriate debt service ratio.

DEPARTMENT NAME: Regional Wastewater Reclamation Department

CONTACT PERSON: Barry Holbert TELEPHONE NO.: 724-6571



**REGIONAL WASTEWATER RECLAMATION ADVISORY COMMITTEE**  
201 NORTH STONE AVENUE  
TUCSON, ARIZONA 85701-1207

February 25, 2015

The Honorable Chair and Members  
Pima County Board of Supervisors  
130 West Congress Street, 11<sup>th</sup> Floor  
Tucson, Arizona 85701

**RE: Proposed Rate Increases as Outlined in the 2015 Financial Plan**

Dear Honorable Chair and Members:

The Pima County Regional Wastewater Reclamation Advisory Committee (RWRAC) was established by the Pima County Board of Supervisors, in part, to act as the official advisory body on the Regional Wastewater Reclamation Department's (RWRD) Capital Improvement Program planning and rate structure formulation to County government; annually review the proposed RWRD Capital Improvement Program and recommend to the governing body an annual and five-year Capital Program; and annually review the revenue requirements of the sanitary sewerage system and recommend to the governing body rate adjustments as required.

The Pima County Finance and Risk Management Department prepares an annual report, the Financial Plan, addressing the financial needs of RWRD based on the projected expenses and projected capital improvement program for the current fiscal year and for the following four fiscal years.

**2015 Financial Plan**

The 2015 Financial Plan recommends the following:

1. The issuance of \$60 million of Certificates of Participation (COPs) in the current fiscal year as anticipated in the Adopted Budget.
2. The issuance of \$165 million of new sewer revenue obligations in the upcoming years as follows:
  - a. \$45 million in Fiscal Year 2015-16,
  - b. \$40 million in Fiscal Year 2016-17,
  - c. \$45 million in Fiscal Year 2017-18, and
  - d. \$35 million in Fiscal Year 2018-19.
3. The early repayment of \$38 million of WIFA Loans and sewer revenue bonds as those become callable in Fiscal Year 2016-17.
4. The adoption of a series of three automatic annual rate increases of 4% occurring July 1, 2015, July 1, 2016, and July 1, 2017.

Standard & Poor's rating agency, which rates the County's sewer debt, has indicated that a debt service ratio of 130% is key to maintaining favorable ratings. On April 18, 2013, the RWRAC adopted a recommended goal of achieving debt service ratios of 130%. In order to maintain a debt service ratio of 130%, by Fiscal Year 2018/19, the County will need to increase net operating revenues by approximately \$22.3 million. This level of revenues will not be generated from the anticipated growth in the system. It will be necessary to increase user fee rates to sustain the system and complete the planned capital projects.

**RWRAC Review of the 2015 Financial Plan**

Over the past six months, the RWRAC has worked diligently to review the 2015 Financial Plan in preparation for the Fiscal Year 2015/16 budget adoption.

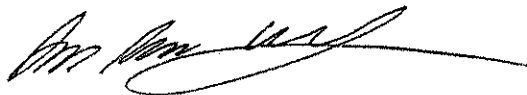
- Since September 2014, the RWRAC and the RWRAC Sub-Committee have reviewed in depth the financial issues for the Department and the draft 2015 Financial Plan.
- On December 10, 2014, the Financial Sub-Committee voted 4-1 in favor of recommending to the full RWRAC the approval of the proposed rate increases as outlined in the 2015 Financial Plan.
- In an effort to give the public multiple opportunities to provide meaningful input into this process, the RWRAC held a public meeting in the evening on January 29, 2015, a second public meeting in the morning on February 19, 2015, and solicited public comments in person, via email, and in writing.

**Recommendation**

At the February 19, 2015, RWRAC meeting, the RWRAC voted 8-3 in favor of recommending to the Pima County Board of Supervisors the approval of the proposed rate increases as outlined in the 2015 Financial Plan. This approved motion included a friendly amendment to further investigate the ability to broaden the eligibility requirement of the Sewer Outreach Subsidy Program for low income users. The 2015 Financial Plan is tentatively scheduled to be presented to the Board of Supervisors in March, 2015.

The RWRAC looks forward to continuing its close working relationship with the Board of Supervisors and RWRD. The Committee members and I are available at your convenience for any questions or further discussion.

Sincerely,



Ann Marie Wolf, Chair  
Regional Wastewater Reclamation Advisory Committee

cc: C.H. Huckelberry, County Administrator, Pima County  
Robin Brigode, Clerk of the Board, Pima County  
John M. Bernal, Deputy County Administrator for Public Works, Pima County  
Jackson Jenkins, Director, Regional Wastewater Reclamation Department  
Tom Burke, Director, Finance and Risk Management Department  
Charles Wesselhoft, Attorney, Pima County Attorney's Office  
Members, Regional Wastewater Reclamation Advisory Committee

**ORDINANCE 2015-\_\_**

**AN ORDINANCE OF THE BOARD OF  
SUPERVISORS OF PIMA COUNTY, ARIZONA;  
RELATING TO WASTEWATER; AMENDING  
PIMA COUNTY CODE, TITLE 13, CHAPTER 24,  
SANITARY SEWER USER FEES**

BE IT ORDAINED BY THE PIMA COUNTY BOARD OF SUPERVISORS:

**SECTION 1. *Amendment.*** The Pima County Code, Title 13, Chapter 24, Section 13.24.030 is hereby amended as follows:

**13.24.030 - Fee calculation.**

Fee calculation.

- A. A monthly fee shall be levied and collected from all users for the service of sanitary sewage collection, treatment and disposal provided through the wastewater system. Except as provided in subsection 13.24.187, user fees are calculated according to the following rate formulas for all customers:

$$\text{Residential Monthly User Fee} = (F \times R) + A$$

$$\text{High Strength Class Monthly User Fee} =$$

$$F \times (R \times HS) + A$$

Where F = Monthly wastewater flow contribution to the public sanitary sewer equal to:

One hundred percent of the metered monthly water consumption; or

The user class average flow for contributors whose water consumption is not metered; or

One hundred percent of the wastewater flow measured by:

Direct meter reading, or

The difference in direct wastewater flow meter readings, or

A combination of direct wastewater flow meter readings and metered monthly water consumption, or

Other acceptable methods.

Where wastewater flow contribution is based on metered monthly water consumption or user class average flow, this amount shall not exceed the average amount of the months of December, January, and February, computed in the same manner.

HS = High Strength Factor determined and based on the wastewater strength of a given class relative to residential wastewater strength as defined in this chapter.

A = ~~9.82~~\* Standard service fee of \$12.63.\*

R = User fee volume rate.

1. From the effective date of the ordinance codified in this section through June 30, ~~2010~~2015, the user fee volume rate (R) per one hundred cubic feet (ccf) of monthly residential wastewater flow contributions = ~~\$2.40~~\$3.523. The user fee volume rate will rise to ~~\$2.64~~\$3.664 on July 1, ~~2010~~2015, to ~~\$2.91~~\$3.810 on July 1, ~~2011~~2016, to ~~\$3.203~~ on July 1, 2012, and to ~~\$3.52~~\$3.963 on July 1, ~~2013~~2017.

\* Staff note: This number will rise to ~~\$10.46~~\$13.14 effective July 1, ~~2010~~2015 followed by an increase to ~~\$11.14~~\$13.66 on July 1, ~~2011~~2016, to ~~\$11.86~~ on July 1, 2012, and to ~~\$12.63~~\$14.21 on July 1, ~~2013~~2017.

- B. The monthly volume of discharge for all users served by a private water company is presumed to be one hundred percent of the average water use as reflected by the billings for the months of December, January and February.
- C. If neither direct metered wastewater flow data nor metered water use data is available for a user, the discharge shall be estimated using the average unit discharge associated with that user's class.
- D. Consistent with governing regulations of the United States Environmental Protection Agency, the director has determined that certain classes of users discharge wastewater that contains higher concentrations of chemical oxygen demand or suspended solids or both when compared to the composite strength of wastewater discharge from all residential users, and that accordingly impose additional costs on the operation and maintenance of the system.
  1. A user found to discharge wastewater containing a higher concentration of chemical oxygen demand or suspended solids or both when compared to the composite strength of wastewater discharges from residential users and who is currently not assigned to a user class will be assessed a rate based on the concentrations of chemical oxygen demand and suspended solids as these rates are defined in Section 13.24.180
- E. In addition to any user fees established by this chapter, a user who is detected discharging any toxic wastes into the sanitary sewerage system in violation of Chapter 13.36 of the Pima County Code shall be subject to the increased cost of the treatment of the prohibited substance. This provision shall not preclude the director from imposing the additional penalties provided in Chapter 13.36 of the Pima County Code.



**SECTION 2. Amendment.** The Pima County Code, Title 13, Chapter 24, Section 13.24.180 is hereby amended as follows:

**13.24.180 - Volume rate and service fee schedules—Tables.**

A. Volume Rate. The volumetric portions of monthly bills are computed and charged to wastewater customers by user class as set forth in the table below, and are based on the average wastewater strengths shown:

Class	Class Name	High-Strength Factor	Jan. 1, 2010 Rate (dollars per ccf)	July 1, 2010 Rate (dollars per ccf)	July 1, 2011 Rate (dollars per ccf)	July 1, 2012 Rate (dollars per ccf)	July 1, 2013 Rate (dollars per ccf)	July 1, 2015 Rate (dollars per ccf)	July 1, 2016 Rate (dollars per ccf)	July 1, 2017 Rate (dollars per ccf)
1	Residential/all other customer classes	1.00	<del>\$2.406</del>	<del>\$2.647</del>	<del>\$2.912</del>	<del>\$3.203</del>	\$3.523	<u>\$3.664</u>	<u>\$3.810</u>	<u>\$3.963</u>
1A	Residential/all other customer classes	1.00	<del>0.602</del>	<del>0.662</del>	<del>0.728</del>	<del>0.801</del>	0.881	<u>0.916</u>	<u>0.953</u>	<u>0.991</u>
1B	Residential/all other customer classes	1.00	<del>1.202</del>	<del>1.324</del>	<del>1.456</del>	<del>1.602</del>	1.762	<u>1.832</u>	<u>1.906</u>	<u>1.982</u>
1C	Residential/all other customer classes	1.00	<del>1.804</del>	<del>1.985</del>	<del>2.184</del>	<del>2.402</del>	2.642	<u>2.748</u>	<u>2.858</u>	<u>2.972</u>
3C	Auto body and fender repair	2.10	<del>5.053</del>	<del>5.559</del>	<del>6.115</del>	<del>6.726</del>	7.398	<u>7.694</u>	<u>8.002</u>	<u>8.322</u>
3K	Mortuary	1.09	<del>2.623</del>	<del>2.885</del>	<del>3.174</del>	<del>3.491</del>	3.840	<u>3.994</u>	<u>4.153</u>	<u>4.319</u>
3N	Laundromat	1.09	<del>2.623</del>	<del>2.885</del>	<del>3.174</del>	<del>3.491</del>	3.840	<u>3.994</u>	<u>4.153</u>	<u>4.319</u>
4E	Pet clinic	1.20	<del>2.888</del>	<del>3.176</del>	<del>3.494</del>	<del>3.844</del>	4.228	<u>4.397</u>	<u>4.573</u>	<u>4.756</u>
4G	Restaurant, with seating and china	2.03	<del>4.884</del>	<del>5.373</del>	<del>5.911</del>	<del>6.502</del>	7.152	<u>7.438</u>	<u>7.736</u>	<u>8.045</u>
4H	Restaurant,	2.32	<del>5.582</del>	<del>6.141</del>	<del>6.756</del>	<del>7.431</del>	8.173	<u>8.500</u>	<u>8.840</u>	<u>9.194</u>

	fast food									
5A	Car wash, self-service	1.19	<del>2.863</del>	<del>3.150</del>	<del>3.465</del>	<del>3.812</del>	4.192	<u>4.360</u>	<u>4.534</u>	<u>4.715</u>
5C	Bottling company	1.68	<del>4.043</del>	<del>4.447</del>	<del>4.892</del>	<del>5.381</del>	5.919	<u>6.156</u>	<u>6.402</u>	<u>6.658</u>
5F	Printing; copying	1.01	<del>2.430</del>	<del>2.672</del>	<del>2.941</del>	<del>3.235</del>	3.558	<u>3.700</u>	<u>3.848</u>	<u>4.002</u>
5G	Electrical component manufacturer	1.14	<del>2.742</del>	<del>3.018</del>	<del>3.320</del>	<del>3.651</del>	4.016	<u>4.177</u>	<u>4.344</u>	<u>4.517</u>
5I	Industrial laundry	1.06	<del>2.551</del>	<del>2.806</del>	<del>3.087</del>	<del>3.395</del>	3.734	<u>3.883</u>	<u>4.039</u>	<u>4.200</u>
5J	Bakery	3.63	<del>8.736</del>	<del>9.609</del>	<del>10.571</del>	<del>11.627</del>	12.788	<u>13.300</u>	<u>13.832</u>	<u>14.385</u>
5K	Miscellaneous food processor	2.33	<del>5.607</del>	<del>6.168</del>	<del>6.785</del>	<del>7.463</del>	8.209	<u>8.537</u>	<u>8.879</u>	<u>9.234</u>
5L	Chemical, pharmaceutical	1.25	<del>3.008</del>	<del>3.309</del>	<del>3.640</del>	<del>4.004</del>	4.404	<u>4.580</u>	<u>4.763</u>	<u>4.954</u>
5M	Meat packing	2.38	<del>5.727</del>	<del>6.300</del>	<del>6.931</del>	<del>7.623</del>	8.385	<u>8.720</u>	<u>9.069</u>	<u>9.432</u>
5S	Car wash, full service	1.23	<del>2.959</del>	<del>3.256</del>	<del>3.582</del>	<del>3.940</del>	4.333	<u>4.503</u>	<u>4.683</u>	<u>4.871</u>
6	Remediated groundwater*	0.10	<del>0.241</del>	<del>0.265</del>	<del>0.291</del>	<del>0.320</del>	0.352	<u>0.366</u>	<u>0.381</u>	<u>0.396</u>

B. Service Fee. The service fee added to each monthly bill is charged to wastewater customers by user class as set forth in the table below:

Class	Class Name	Service Fee effective January 1, 2010	Service Fee effective July 1, 2010	Service Fee effective July 1, 2011	Service Fee effective July 1, 2012	Service Fee effective July 1, 2013	Service Fee effective July 1, 2015	Service Fee effective July 1, 2016	Service Fee effective July 1, 2017
1	Residential/all other	<del>\$9.82</del>	<del>10.46</del>	<del>11.14</del>	<del>11.86</del>	12.63	<u>13.14</u>	<u>13.66</u>	<u>14.21</u>

	customer classes								
1A	Residential/all other customer classes	<del>2.45</del>	<del>2.62</del>	<del>2.79</del>	<del>2.97</del>	3.16	<u>3.29</u>	<u>3.42</u>	<u>3.55</u>
1B	Residential/all other customer classes	<del>4.91</del>	<del>5.23</del>	<del>5.57</del>	<del>5.93</del>	6.32	<u>6.57</u>	<u>6.84</u>	<u>7.11</u>
1C	Residential/all other customer classes	<del>7.36</del>	<del>7.85</del>	<del>8.36</del>	<del>8.90</del>	9.47	<u>9.85</u>	<u>10.24</u>	<u>10.65</u>
3C	Auto body and fender repair	<del>9.82</del>	<del>10.46</del>	<del>11.14</del>	<del>11.86</del>	12.63	<u>13.14</u>	<u>13.66</u>	<u>14.21</u>
3K	Mortuary	<del>9.82</del>	<del>10.46</del>	<del>11.14</del>	<del>11.86</del>	12.63	<u>13.14</u>	<u>13.66</u>	<u>14.21</u>
3N	Laundromat	<del>9.82</del>	<del>10.46</del>	<del>11.14</del>	<del>11.86</del>	12.63	<u>13.14</u>	<u>13.66</u>	<u>14.21</u>
4E	Pet clinic	<del>9.82</del>	<del>10.46</del>	<del>11.14</del>	<del>11.86</del>	12.63	<u>13.14</u>	<u>13.66</u>	<u>14.21</u>
4G	Restaurant, with seating and china	<del>9.82</del>	<del>10.46</del>	<del>11.14</del>	<del>11.86</del>	12.63	<u>13.14</u>	<u>13.66</u>	<u>14.21</u>
4H	Restaurant, fast food	<del>9.82</del>	<del>10.46</del>	<del>11.14</del>	<del>11.86</del>	12.63	<u>13.14</u>	<u>13.66</u>	<u>14.21</u>
5A	Car wash, self-service	<del>9.82</del>	<del>10.46</del>	<del>11.14</del>	<del>11.86</del>	12.63	<u>13.14</u>	<u>13.66</u>	<u>14.21</u>
5C	Bottling company	<del>9.82</del>	<del>10.46</del>	<del>11.14</del>	<del>11.86</del>	12.63	<u>13.14</u>	<u>13.66</u>	<u>14.21</u>

5F	Printing; copying	<u>9.82</u>	<u>10.46</u>	<u>11.14</u>	<u>11.86</u>	12.63	<u>13.14</u>	<u>13.66</u>	<u>14.21</u>
5G	Electrical component manufacturer	<u>9.82</u>	<u>10.46</u>	<u>11.14</u>	<u>11.86</u>	12.63	<u>13.14</u>	<u>13.66</u>	<u>14.21</u>
5I	Industrial laundry	<u>9.82</u>	<u>10.46</u>	<u>11.14</u>	<u>11.86</u>	12.63	<u>13.14</u>	<u>13.66</u>	<u>14.21</u>
5J	Bakery	<u>9.82</u>	<u>10.46</u>	<u>11.14</u>	<u>11.86</u>	12.63	<u>13.14</u>	<u>13.66</u>	<u>14.21</u>
5K	Miscellaneous food processor	<u>9.82</u>	<u>10.46</u>	<u>11.14</u>	<u>11.86</u>	12.63	<u>13.14</u>	<u>13.66</u>	<u>14.21</u>
5L	Chemical, pharmaceutical	<u>9.82</u>	<u>10.46</u>	<u>11.14</u>	<u>11.86</u>	12.63	<u>13.14</u>	<u>13.66</u>	<u>14.21</u>
5M	Meat packing	<u>9.82</u>	<u>10.46</u>	<u>11.14</u>	<u>11.86</u>	12.63	<u>13.14</u>	<u>13.66</u>	<u>14.21</u>
5S	Car wash, full service	<u>9.82</u>	<u>10.46</u>	<u>11.14</u>	<u>11.86</u>	12.63	<u>13.14</u>	<u>13.66</u>	<u>14.21</u>
6	Remediated groundwater*	<u>9.82</u>	<u>10.46</u>	<u>11.14</u>	<u>11.86</u>	12.63	<u>13.14</u>	<u>13.66</u>	<u>14.21</u>

\* Applicability of the remediated groundwater class is limited to discharges to the sewage system of two hundred fifty gallons per minute or less. The remediated groundwater class does not apply to any discharges to the sewage system occurring after August 31, 2013 provided, however, that the department director may, at his or her discretion, extend the applicability termination date on a year-to-year basis.

**SECTION 3. Severability.** If any provision of this Ordinance, or the application of any provision thereof is determined by a court of law to be invalid, the invalidity of that provision shall not affect other provisions or the application of this ordinance which can be given effect without the provision determined to be invalid, and to this end the provisions of this Ordinance are severable.

**SECTION 4. *County Officers and Employees.*** The various County officers and employees are authorized and directed to perform all acts necessary or desirable to give effect to this Ordinance.

**SECTION 5. *Effective Date.*** This Ordinance shall become effective 31 days after it is adopted by the Board of Supervisors.

**PASSED AND ADOPTED** by the Board of Supervisors of Pima County, Arizona, this \_\_\_\_\_ day of \_\_\_\_\_ 20\_\_.

**PIMA COUNTY BOARD OF SUPERVISORS:**

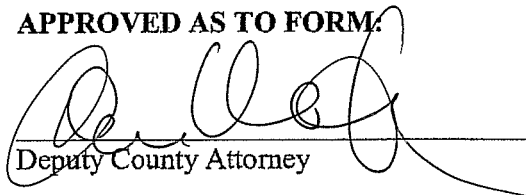
\_\_\_\_\_  
Chairperson

**ATTEST:**

\_\_\_\_\_  
Clerk of the Board

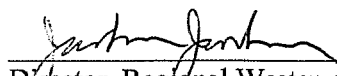
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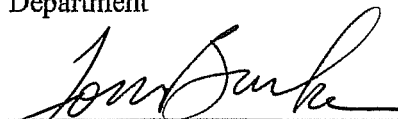
**APPROVED AS TO FORM:**

  
Deputy County Attorney

**CHARLES WESSELHOFT**

**APPROVED AS TO CONTENT:**

  
Director, Regional Wastewater Reclamation  
Department

  
Director, Finance Department