

DATE: February 17, 2015

TO: Honorable Mayor and
Council Members

FROM: Brian Wong
Chair, CWAC

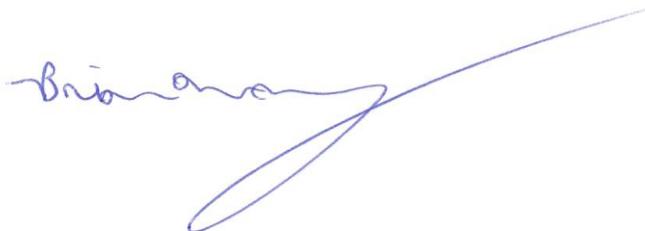
SUBJECT: 2014 CWAC Annual Report

The Citizens' Water Advisory Committee (CWAC) is pleased to transmit its 2014 Annual Report to you. The report summarizes the actions and decisions taken by the Committee.

CWAC and its subcommittees worked on a wide range of topics this year including Tucson Water's Financial Plan, rate structure and fees, the Long Range Water Resources Plan, Recycled Water Master Plan, and the Conservation Program.

During the year, staff members from three Council ward offices and the mayor's office gave presentations to CWAC. These sessions provided considerable insight into the concerns of the Mayor and Council about water-related issues that the committee members highly value.

On behalf of CWAC, I would like to thank Alan Forrest and the Tucson Water staff for their work and support throughout the year. I would also like to thank my predecessor, Kelly Lee, for her able chairing of the Committee in 2014.



Attachment: 2014 CWAC Annual Report

cc: Martha Durkin, Interim City Manager
Albert Elias, Assistant City Manager
Alan D. Forrest, P.E., Director, Tucson Water
Roger Randolph, City Clerk
CWAC

2014 CWAC Annual Report

Membership

Membership of the Citizens' Water Advisory Committee (CWAC) for 2014 is shown in the table below.

Member	Role	Appointed by	Classification
Mr. Mitch Basefsky ¹	Member	Mayor and Council	City Manager nominee
Mr. Bruce Billings, Ph.D.	Member	Ward 3	
Mr. Christopher Brooks, J.D. ²	Chairperson	Mayor and Council	City Manager nominee
Mr. Placido dos Santos ³	Member	Mayor and Council	City Manager nominee
Mr. Michael Dunne ⁴	Member	Ward 4	
Mr. Alan Forrest	Ex-Officio (Non- Voting)	Tucson Water, Director	
Mr. Chuck Freitas	Member	Mayor and Council	City Manager nominee
Mr. Jackson Jenkins	Ex-Officio (Non- Voting)	Pima County Regional Wastewater Reclamation, Director	
Ms. Kelly Lee	Chairperson	Ward 6	
Mr. Mark Lewis ⁵	Member	Ward 5	
Ms. Amy McCoy, Ph.D.	Member	Ward 2	
Ms. Jean McLain	Member	Mayor and Council	City Manager nominee
Mr. Mark T. Murphy, PhD, R.G.	Member	Mayor	
Mr. Herman Ortiz ⁶	Member	Mayor and Council	City Manager nominee
Mr. Catlow Shipek	Member	Mayor and Council	City Manager nominee
Mr. Mark Taylor, P.E.	Member	Mayor and Council	City Manager nominee
Mr. Alan Tonelson	Member	Ward 1	
Mr. Robert Walkup ⁷	Member	Mayor and Council	City Manager nominee
Mr. George C. White ⁸	Member	Ward 4	
Mr. Brian Wong	Vice Chair	Mayor and Council	City Manager nominee

¹ Appointed May 20, 2014

² Resigned March 31, 2014

³ Appointed May 20, 2014

⁴ Attendance Resignation March 12, 2014

⁵ Appointed June 18, 2014

⁶ Resigned April 2, 2014

⁷ Appointed January 27, 2014; Attendance Resignation December 3, 2014

⁸ Appointed July 29, 2014

Meetings

CWAC met on nine occasions in 2014: January 8th, February 5th, March 12th, April 2nd, June 4th, September 6th, October 1st, November 5th, and December 3rd.

Actions

Formal votes were taken on the following:

January	voted to approve the FY2014-2019 Financial Plan voted to approve the FY2014-2019 Conservation Financial Plan
March	voted to approve Rate Structure Plans with a preference for Option B
April	voted to appoint Kelly Lee as Chairperson voted to appoint Brian Wong as Vice Chair
December	voted to appoint Brian Wong as Chairperson voted to appoint Mark Lewis as Vice Chair voted to approve the CWAC 2015 meeting schedule

Sub-Committee Activities

The *Finance Subcommittee* reviewed the water revenue forecast and revenue requirements, operating and capital budgets, of the Water System and recommended a rate adjustment to the full CWAC. The full CWAC supported the recommendations which included three rate schedule options and forwarded them to Mayor and Council.

The *Technical, Planning, and Policy Subcommittee* worked with staff to review the Water Service Area Policy. Additionally, the subcommittee reviewed the Annual Water Checkbook, and worked with staff to clarify the associated reports. The subcommittee was integral to providing feedback on the Recycled Water Master Plan, and received many presentations to further aid their efforts in providing review and recommendation to Tucson Water.

The *Conservation and Education Subcommittee* worked with staff to develop and approve the conservation program budget for fiscal year 2014, and approved the conservation five-year financial plan. They also reviewed and approved revisions to the water conservation chapter of the Long Range Plan. Additionally, the subcommittee worked with staff to modify the rainwater harvesting incentives rebate program. The subcommittee continues to review the strategic goals and objectives. This will allow for development of recommendations for policies that will better guide program development and project evaluation.

Presentations

The committee received the following presentations throughout the year:

January **Tucson Water Financial Plan Presentation** – Staff, along with Harold Smith, Vice President of Raftelis Financial consultants, presented a PowerPoint presentation of the proposed FY 2014-2019 Financial Plan along with the FY 2014-2019 Conservation Financial Plan. The revenue forecast, which has improved from the prior forecast for the first time in six years, was discussed. In addition, staff recapped the operating and capital budget requirements that were reviewed previously by the CWAC. The Financial Plan reflects 8.3% overall annual rate increases in each year from FY 2015-2019. There was discussion on the target financial metrics related to working capital and debt service coverage ratios, and how Tucson Water is meeting critical cash reserve metrics but would still like to improve the cash position of the Utility.

Sweetwater Basin Construction Update – Staff briefed CWAC on the need for additional recharge basins at the Reclaimed Plant, as well as the construction progress of those basins. Additional basins are needed to help ensure Tucson Water is able to capture all of its reclaimed water needs from the new Agua Nueva WRF. The new WRF has a lower capacity than the old Roger Rd. WRF, and the new basins will allow Tucson Water to capture flow on a more consistent basis, due to basin wet/dry cycle needs. The new basins are expected to be in service in April 2014. Along with the new basins, Tucson Water is expanding the parking area for the Sweetwater Wetlands. The existing parking area is insufficient for use, and causes safety issues for the public when they park in the street.

Water Service Area Policy Update – Staff provided a recap of the Water Service Area Policy. A calendar for reviewing and updating the Policy in the future was discussed. The TPP sub-committee will review the Water Service Area Policy at a future meeting.

February **Update on Advanced Oxidation Process** – Staff presented a PowerPoint presentation on the history of TCE and 1,4-dioxane contamination and the ribbon-cutting ceremony of the Advanced Oxidation Process (AOP) treatment facility.

Tucson Water Security Series, Part 2 of 3: Physical Security – Staff presented a PowerPoint on the importance of Tucson Water's security. Tucson Water services over 850,000 people, which means there are many facilities and well sites that are accessible to people. The number one problem that Tucson Water experiences at these facilities is theft. Tucson Water is taking the necessary actions to protect each facility. Tucson Water's long range plan is to continue to improve internal and external City, County, State and Federal responder coordination, response and training.

March **Review of Cost of Service Results** – Staff, along with consultant Deb Galardi, reviewed the Cost of Service results and two Rate Structure proposals, “A” and “B”, with CWAC through a PowerPoint presentation. The two options were reviewed in extensive detail.

April **IBM Smarter Cities** – Deputy Director Sandy Elder introduced staff and the subject of IBM Smarter Cities. Staff provided a brief background on the history of the IBM Smarter Cities program and a PowerPoint presentation on its current status. The challenge of the program is to improve customer service; capture failures, track water usage and leaks in real time; continue water conservation and reduce the cost of energy to deliver water. Tucson Water is currently building an Automatic Metering Infrastructure (AMI) and developing pilot programs for Automatic Meter Reading (AMR). There are two pilot programs currently in the works. Implementation of AMR would result in hourly billable read data, network performance reports, ten year data storage and real time access to current and historic customer usage. Benefits to the customer include access to a portal containing real time and historic water usage data, comparison of usage with other similar customers and awareness and conservation management. The AMI system would work in conjunction with the Supervisory Control and Data Acquisition (SCADA) system, which manages physical assets at multiple sites over large distances. A timeline for progression of the program was provided. CWAC will be updated as to the costs of the program as it develops past the meter replacement stage.

Isolated Systems Overview – Staff provided a computer aided presentation on Tucson Water’s Isolated Systems. Eight isolated systems were discussed, they are located at Thunderhead Ranch, Santa Rita Bel-Air (Corona De Tucson), Valley View, Foothills, Catalina, Silverbell, Rancho Del Sol Lindo and Diamond Bell. The water systems were initially purchased to ensure control of the water usage in the region. Tucson Water’s current Water Service Area eliminates the concept of regional water usage control. Several of the Isolated Systems present issues with a lack of infrastructure. Most of the Isolated Systems are supplied by multiple wells to provide redundancy and reliability in service, though Tucson Water is making an effort to establish at least two wells for each Isolated System. Data presented from 2010 reflects that, overall, the systems are bringing in more revenue than they cost.

Tucson Water Security Series, Part 3 of 3: Cyber Security – Staff along with City of Tucson staff Howell Herring and Brandon Erndt, consultant with Westin, presented a PowerPoint identifying possible issues with cyber security and Tucson Water’s proactive approach to addressing this risk. Cyber attacks can result in water service interruptions, equipment damage and overflow of reservoirs. Risks include hackers, viruses, malware and terrorist attacks. Agencies have responded to these risks by improving critical infrastructure and creating a cyber security plan. Tucson Water has responded to these risks by implementing stringent policies, coordinating closely with outside agencies, evolving best practices, layered control procedures, infiltration warning

systems, updating systems, limiting access to business needs and securing network paths. Through the Department of Homeland Security, Tucson Water systems are evaluated and tested regularly.

Open Meeting Law Presentation – Shawna Lee, City Clerk’s Office, along with Kelly Gottschalk, Assistant City Clerk and Dennis McLaughlin, City Attorney briefed CWAC about rules and procedures in regards to CWAC.

June **Water Checkbook Update** – Staff provided an update on the status of the Water Checkbook. The Water Checkbook showed a decrease in potable usage of 7%, potable balance of 161,337 acre feet, reserve demand increased 13% to 57,710 acre feet, effluent usage decreased by 2% and the effluent balance decreased by 4% to 12,394 acre feet.

Water/Wastewater Infrastructure Study Update – Staff provided a PowerPoint presentation on the progress of the joint City and County Water and Wastewater Infrastructure Supply and Planning (WISP) action plan. A history of the study’s origins and phases was provided, followed by a short list of the goals accomplished as part of the action plan in 2011, 2012 and 2013.

Mayor’s Office Perspectives – Tom Alston discussed with CWAC about the Mayor’s aspect of water issues surrounding Tucson Water.

September **Avra Valley Habitat Conservation Plan Update** – Staff provided a PowerPoint presentation on the status of the Avra Valley Habitat Conservation Plan (HCP). A brief history of the HCP was provided, followed by the next steps, which include Mayor and Council approval and filing an application for an Incidental Take Permit.

Living Rivers Project – Evan Canfield, Pima County Regional Flood Control District and Claire Zugmeyer, Sonoran Institute presented an overall update on the Living River Project and Pima County Regional Flood Control’s Involvement in the City/County Water Study. The goal of the project is to use recycled water in the Santa Cruz River as a continued source to establish and maintain riparian habitat.

Ward 3 Perspective – Councilwoman Uhlich presented her perspectives on water issues in the Tucson area. She expressed her appreciation for processes like Water & Wastewater Infrastructure, Supply & Planning Study (WISP) and stressed the importance on TW’s Capital Improvement Plans.

October **Water Checkbook Update** – Staff provided an update on the status of the Water Checkbook. The Water Checkbook showed a decrease in potable usage of 7%, potable balance of 161,337 acre feet, reserve demand increased 13% to 57,710 acre feet, effluent usage decreased by 2% and the effluent balance decreased by 4% to 12,394 acre feet. Pursuant to Committee request in June

this update included a separate graph depicting Tucson Water's Long Term Storage Credits.

Brief Financial Update – Preliminary Unaudited Results – Deputy Director Sandy Elder discussed the Water Reliability program and the financial plan and rate process. Revenue increase trends reflected about an 8% increase average over the past seven years. Unaudited results of planned versus actual Revenues, Capital Improvement expenses and Operations and Maintenance expenses were presented.

Ward 1 Perspective – Council Aid, Steve Arnquist, reported Councilwoman Romero and he is pleased with CWAC and TW's efforts in water conservation. Three major concerns are a sustainable water supply for Tucson, water for the environment and water for landscaping with an emphasis on rainwater harvesting.

November **Deposit Policy Review** – Staff presented a PowerPoint on the review of deposit policies and procedures. A thorough review of applicable City Code 27-9, along with internal rules and policies was provided, and inconsistencies were identified and discussed. Five staff recommendations were reviewed.

Long Range/Recycled Water Program – Interim Deputy Director Jeff Biggs presented a PowerPoint on Tucson Water's Long Range Plan and Recycled Water Program. The PowerPoint covered Water Reliability, Potable and Renewable Water Supplies, and the Recycled Water Program. The Recycled Water Program was discussed in detail. Interim Deputy Director Biggs summarized the presentation reflecting that the Recycled Water Program is integral to Tucson Water's continuous planning for resource reliability.

Update on Proposed 5 Year CIP – Staff presented a PowerPoint presentation on the Proposed 5 year CIP. Tucson Water's infrastructure, the needs of the CIP, what Tucson Water has accomplished with the CIP, the trends of the CIP budget, the proposed 5 year CIP budget and programs, CIP enhancements and CIP pressures were provided.

December **Customer Service Presentation** – Staff presented a PowerPoint on Customer Service Policy Issues. The presentation covered automated phone service, twenty-four hour customer service, and development of a Customer Service Mater Plan. Applicable values, background, challenges, opportunities and solutions for each of these key issues were reviewed in depth. Staff recommendations included updates to the ways in which customers reach Tucson Water, improved training and documentation for Customer Service Representatives, communicating realistic expectations with customers, expanding off-hours service, and addressing turnover.

Operations and Maintenance Budget – Staff presented a PowerPoint on the proposed Operations and Maintenance (O&M) budget. A brief review of

the Financial Plan and Rate processes, followed by the Operations and Maintenance Budget process, was presented. Unaudited FY 2014 O&M planned and actual figures were presented along with five year historic figures. Current figures for the requested FY 2016 O&M budget were provided and broken down by category and category percent of the total budget. The figures associated with fixed costs (those not directly variant based on the amount of water sold) and non-fixed costs (those that may vary with the amount of water sold) were discussed. Figures related to major and key elements of the O&M budget, such as CAP, power, and other elements were discussed. A handout breaking down the other elements was reviewed. Employee metrics and assets were discussed in terms of their relation to the O&M budget. The next steps for the O&M proposed budget, culminating in request for adoption of the Financial Plan and Rate Schedules by Mayor and Council, were reviewed.

Ward 6 Perspective – Council Aid, Amy Stabler, reported Councilmen Kozachik’s priorities on water issues: the continuation of TW’s full CAP allocation purchase, continued negotiations with the Department of Defense over the 1,4 dioxane, continuation of the conservation fee programs, emphasis on customer service improvements, expansion of recycled water customers and recycled water reuse technology.