

CITIZENS' WATER ADVISORY COMMITTEE (CWAC)

Finance Subcommittee

2:30 p.m., Tuesday, November 24, 2015
Tucson Water La Entrada Building
3rd Floor Director's Conference Room
310 W. Alameda Street, Tucson, Arizona



Legal Action Report

1. Roll Call

The meeting was called to order by Finance Subcommittee Member Brian Wong at 2:34 p.m. Those present were:

Members Present:

Bruce Billings* (Chair)	Representative, Ward 3
Mark Lewis	Representative, Ward 5
Chuck Freitas	Representative, City Manager
Catlow Shipek	Representative, City Manager
Mark Stratton	Representative, City Manager
Mark Taylor	Representative, City Manager
Brian Wong	Representative, City Manager

Tucson Water Staff Members:

Albert Elias	Acting Director
Scott Clark	Deputy Director
Melodee Loyer	Interim Financial Services Administrator
Pat Eisenberg	Chief Engineer
Britt Klein	Maintenance Administrator
Steven Ritter	Finance Management Coordinator
Theresa Bourne	Lead Financial Accountant
Joaquim Delgado	Public Information Specialist
Rebecca Spry	Staff Assistant
Suzanna Snyder	Staff Assistant
Kris LaFleur	Staff Assistant

- 2. Announcements** – There were no announcements.
- 3. Call to Audience** – There were no audience comments.
- 4. Review of October 26, 2015, Legal Action Report and approval of Meeting Minutes** – Subcommittee Members reviewed the Legal Action Report from the October 26, 2015, CWAC Finance Subcommittee meeting. Member Freitas moved to approve the Minutes; Member Shipek seconded the motion. The motion was carried by a vote of 5-0.

* Chairperson Billings arrived at 2:35 p.m.

- 5. Review FY2017 Requested O&M Budget** – Tucson Water's Financial Services staff led a review of Tucson Water's requested operations and maintenance budget for FY 2017.

Citizens' Water Advisory Committee (CWAC) Finance Subcommittee

Legal Action Report and Minutes

November 24, 2015

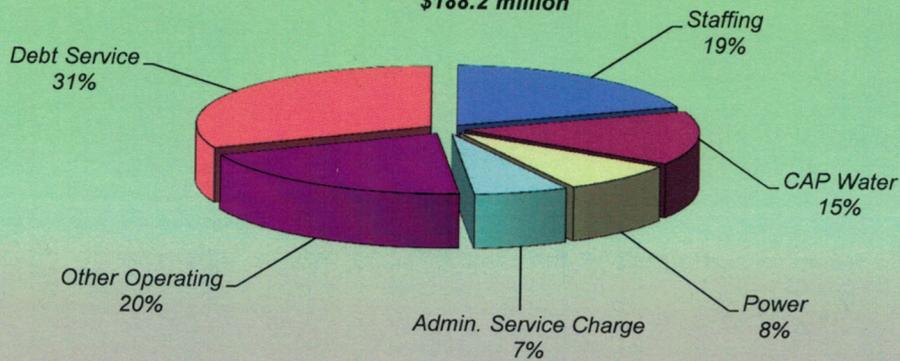
The FY17 O&M budget represents an increase of \$16.2M, or 9.4%, over the FY16 budget. Of that amount, \$7.1M included increases to Tucson Water's debt service (\$5.6M), CAP commodity and capital charges (\$720K), and administrative service and in-lieu of tax charges paid to the City of Tucson (\$722K). Of the remaining \$9.1M, large increases included the movement of projects from the CIP budget to the operations budget, plans to contract out O&M for TARP and AOP facilities, new program requests, planned vehicle and equipment replacements, and 8 new staff positions.

Members and staff discussed the proposed FY2017 O&M budget extensively. No action was taken by the subcommittee.

6. **Future Meetings / Agenda Items** – The next Finance subcommittee meeting was set for 9 a.m., December 16. The subcommittee and staff will discuss the utility's FY2017 rate-setting process.
7. **Adjournment** – The meeting was adjourned at 4:25 p.m.



**Tucson Water FY 2017
Requested O&M Budget
\$188.2 million**



FY 2017 Operating Budget Request

	FY 2016 Adopted Budget	FY 2017 Requested Budget	Change
Requested O&M Budget	\$172,069,690	\$188,220,482	\$16,150,792
Less Debt Service	53,511,000	59,138,890	\$5,627,890
Less Salaries/Wages	35,196,481	36,373,068	1,176,587
Remaining O&M	<u>\$83,362,209</u>	<u>\$92,708,524</u>	<u>\$9,346,315</u>

Comparison Major O&M Elements

	FY 2016 Adopted	FY 2017 Request	Change From FY 2016 Adopted
CAP Water -Commodity	22,999,630	\$23,719,418	\$719,788
CAP Water - Capital	3,316,390	3,316,390	0
Power (Electricity/Gas)	15,913,825	15,422,421	(491,404)
Admin. Service Charge (indirect)	7,680,940	7,680,940	0
Admin. Service Charge (direct)	2,309,500	2,627,017	317,517
In-Lieu-of Property Tax	1,600,000	2,000,000	400,000
Legal	600,000	860,000	260,000
Liability Insurance	837,210	848,710	11,500
Consultants and Surveys	3,026,350	3,186,220	159,870
Misc. Professional Services	3,714,840	7,752,400	4,037,560
Cell Phones, Telephone ,Aircards &GPS	612,930	671,010	58,080
Community Relations	161,500	161,500	0
Public Outreach and Advertising	303,660	305,160	1,500
O&M Maint. (Services and Commodities)	8,962,020	10,151,390	1,189,370
Postage	1,550,920	1,550,920	0
Fuel	1,132,530	1,133,430	900
Furniture, Equip & Computers < \$5000	768,360	1,471,498	703,138
Conservation Fund	3,540,250	3,613,950	73,700
Capital Equipment > \$5,000	1,831,000	4,062,800	2,231,800
Software Maintenance & Purchases	1,312,140	975,380	(336,760)
Chemicals	1,597,510	1,192,730	(404,780)
Travel & Training	401,420	457,940	56,520
Other*	(810,716)	(452,700)	358,016
TOTAL	<u>\$83,362,209</u>	<u>\$92,708,524</u>	<u>\$9,346,315</u>

	"OTHER"		
	FY 2016 Adopted	FY 2017 Request	Change From FY 2016 Adopted
Transportation	29,810	32,610	2,800
Executive Vehical Allowance	5,600	5,600	0
Bank Services	975,000	980,000	5,000
Real Property Fees*	3,080	3,080	0
Test Services	274,820	272,000	(2,820)
Damage Claimes, Awards	308,080	308,080	0
SWC Building Mgmt	103,000	103,000	0
Computer hardware maint	160,020	176,060	16,040
Minor Rehab, remodel & Alter	405,570	312,070	(93,500)
Water	124,280	124,280	0
Garbage & Trash	43,120	90,800	47,680
Sewer	13,944	13,940	(4)
Rents: Land & Buildings*	53,020	53,020	0
Rents: Equipment	702,770	514,120	(188,650)
Contributions to Organizations	525,000	925,000	400,000
Bad Debt Exp	900,000	900,000	0
Water Deposit Interest	2,500	15,000	12,500
Licenses	293,080	309,440	16,360
Memberships*	150,700	150,860	160
Studies	270,000	285,000	15,000
Property and other tax payments*	540,000	540,000	0
Office supplies	183,130	201,230	18,100
printing, reproduction*	76,530	76,530	0
Uniforms, safety and special clothing*	229,560	241,210	11,650
Gas & Diesel	70,100	70,100	0
Book, periodicals	22,740	23,140	400
PAG	99,000	99,000	0
Adjustments for Labor 7402	(596,000)	(498,700)	97,300
Credit for Capialized Expense	(6,779,170)	(6,779,170)	0
Other Total	(810,716)	(452,700)	358,016

* = less Conservation fund / direct svc charge /



FY 2017 Operating Budget Request

	FY 2016 Adopted Budget	FY 2017 Requested Budget	Change
Requested O&M Budget	\$172,069,690	\$188,220,482	\$16,150,792
Less:			
Debt Service	53,511,000	59,138,890	\$5,627,890
CAP (commodity and capital)	26,316,020	27,035,808	\$719,788
Admin Service Charge and in-lieu of tax	11,590,440	12,311,987	\$721,547
Remaining O&M	<u>\$80,652,230</u>	<u>\$89,733,797</u>	<u>\$9,081,567</u>

Comparison by Division

	FY 2016 Adopted	FY 2017 Request	Change From FY 2016 Adopted	Comments
Director's Office				
Customer Outreach	1,420,460	1,071,960	(\$348,500)	Grant capacity reduced
Director's Office	499,110	795,440	\$296,330	Increase for Director recruitment, space study, legal fees
Personnel Services	101,230	109,730	\$8,500	Travel / Training
Department Security	469,150	477,050	\$7,900	Increase security locations, security software
Strategic Initiatives	697,410	696,200	(\$1,210)	Reduction in travel, and consultant services
Conservation Fund	2,944,250	3,115,250	\$171,000	Increase in programs, HET replacement, SmartScape, Project WET
Salaries and Wages (31 FTEs)	2,762,730	2,796,439	\$33,709	
Total Director's Office	8,894,340	9,062,069	167,729	
Financial Services				
Financial Services	312,040	313,190	\$1,150	
Pueblo Billing	3,235,550	3,761,590	\$526,040	Utility Billing Upgrades
Salaries and Wages (13 FTEs)	1,082,080	1,091,769	\$9,689	
CIP labor	(175,000)	(175,000)	\$0	
Total Financial Services	4,454,670	4,991,549	536,879	
Customer Service				
Billing Office	376,910	403,339	\$26,429	
Westside Metering	525,990	562,843	\$36,853	
Eastside Metering	325,370	351,023	\$25,653	
Salaries and Wages (124 FTEs)	6,867,431	7,457,636	\$590,205	Less labor charged to the CIP results in less of a credit.
Total Customer Service	8,095,701	8,774,841	679,140	

Comparison Division

	FY 2016 Adopted	FY 2017 Request	Change From FY 2016 Adopted	Comments
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Planning and Engineering

Admin & Project Support	301,580	280,390	(\$21,190)	
Plant Design	79,840	88,440	\$8,600	
Distribution Design	40,150	38,950	(\$1,200)	
Construction Section	261,340	266,740	\$5,400	
Mapping / GIS	97,580	86,080	(\$11,500)	
New Development	37,280	42,780	\$5,500	
System Planning	32,760	32,360	(\$400)	
Water Resources Mgmt	267,790	254,090	(\$13,700)	
Salaries and Wages O&M (122 FTEs)	9,618,060	9,756,837	\$138,777	more cip charges
CIP and Interdepartment Labor	(4,804,900)	(5,514,770)	(\$709,870)	
Total Planning & Engineering	5,931,480	5,331,897	(599,583)	

Water Maintenance

Control Systems Operations	991,750	991,750	\$0	
Equipment Maintenance	1,709,750	1,709,750	\$0	
Property Management	1,565,440	1,565,440	\$0	
Well Maintenance	92,740	92,740	\$0	
Quality Control	928,050	928,050	\$0	
North Maintenance	549,750	549,750	\$0	
System Support	2,809,910	2,809,910	\$0	
Central Maintenance	1,162,370	1,162,370	\$0	
East Maintenance	586,360	586,360	\$0	
West Maintenance	718,530	718,530	\$0	
System Improvements Potable	487,390	3,430,000	\$2,942,610	CIP projects moved to OP
System Improvements Reclaimed	0	192,500	\$192,500	CIP projects moved to OP
Salaries and Wages O&M (186 FTEs)	13,452,240	13,650,146	\$197,906	
CIP and Interdepartment Labor	(2,264,200)	(1,565,590)	\$698,610	Less labor charged to the CIP results in less of a credit.
Total Maintenance	22,790,080	26,821,706	4,031,626	

Water Quality and Operations

Reclaimed Water System	2,851,090	3,156,380	\$305,290	Reallocated power expense
CAVSARP Operational Controls	7,361,090	3,557,410	(\$3,803,680)	Reallocated power expense
SAVSARP Operational Controls	4,372,220	5,122,960	\$750,740	Reallocated power expense
Maintenance Management	173,000	173,000	\$0	
Backflow Prevention	110,610	110,610	\$0	
Water Quality Laboratory	436,500	434,700	(\$1,800)	
Water Quality Tech Support	35,090	36,990	\$1,900	
Tucson Airport Rem Project (TARP)	848,870	1,138,340	\$289,470	Plan to contract out to maintain TARP
Advanced Oxidation Operations	1,148,630	2,082,700	\$934,070	Plan to contract out to maintain AOP
Wtr Quality Mgmt Admin Support	512,760	513,760	\$1,000	
Water Treatment Plant Operations	209,200	209,200	\$0	
Water Treatment Instrumental Control	3,188,060	5,086,041	\$1,897,981	Reallocated power expense
Water Qty Compliance and Reg.	435,410	411,410	(\$24,000)	
Salaries and Wages O&M (71.5 FTEs)	5,869,340	5,935,995	\$66,655	
CIP and Interdepartment Labor	1,167,530	783,800	(\$383,730)	
Total Water Quality and Operations	28,719,400	28,753,296	33,896	

Comparison Division

	FY 2016 Adopted	FY 2017 Request	Change From FY 2016 Adopted	Comments
Other Budgetary Requirements				
Low Income Program	525,000	925,000	\$0	
General Expense	3,931,199	4,079,620	\$400,000	
Capitalized Operation Expense	(6,500,000)	(6,500,000)	\$148,421	
Water Equipment >\$5000	1,095,000	1,095,000	\$0	
New Program Requests	659,360	2,522,182	\$1,862,822	
Vehicles	714,000	2,000,000	\$1,286,000	To be in line with Tucson Water's Vehicle Replacement Program
Salaries and Wages	1,200,000	1,200,000	\$0	Retiree Medical
Interdepartment Labor and new positions	142,000	676,636	\$534,636	New personnel in program request
Total Other Budgetary Requirements	1,766,559	5,998,438	4,231,879	
TOTAL	80,652,230	89,733,796	9,081,566	