

CITIZENS' WATER ADVISORY COMMITTEE (CWAC)

Finance Subcommittee

2 p.m., Wednesday, January 21, 2016
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 Chair Bruce Billings at 2:03 p.m. Those present were:

Members Present:

Bruce Billings (Chair)	Representative, Ward 3
Chuck Freitas	Representative, City Manager
Catlow Shipek	Representative, City Manager
Mark Stratton	Representative, City Manager
Mark Taylor	Representative, City Manager

Members Absent

Mark Lewis	Representative, Ward 5
Brian Wong	Representative, City Manager

Tucson Water Staff Members:

Albert Elias	Acting Director / Assistant City Manager
Sandy Elder	Deputy Director
Scott Clark	Deputy Director
Pat Eisenberg	Chief Engineer
Melodee Loyer	Interim Financial Services Administrator
Fernando Molina	Public Information Supervisor
Andrew Greenhill	Intergovernmental Management Coordinator
Steven Ritter	Finance Management Coordinator
Theresa Bourne	Lead Financial Accountant
Rebecca Spry	Staff Assistant
Suzanna Snyder	Staff Assistant
Johanna Hernandez	Staff Assistant
Kris LaFleur	Staff Assistant

Others Present

Amy Stabler	Ward 6 Council Aide
W Mark Day	

Via Conference Call

Deb Galardi	Galardi Rothstein Group
Harold Smith	Raftelis Financial

2. Announcements – There were no announcements.

Citizens' Water Advisory Committee (CWAC) Finance Subcommittee

Legal Action Report and Minutes

January 21, 2016

3. **Call to Audience** – There were no audience comments.
4. **Review of January 6, 2016, Legal Action Report and approval of Meeting Minutes** – Subcommittee Members reviewed the Legal Action Report from the January 6, 2016, CWAC Finance Subcommittee meeting. Member Freitas moved to approve the Minutes; Member Stratton seconded the motion. The motion was carried by a vote of 5-0.
5. **FY 2016-2021 Financial Plan update** – Deputy Director Clark and Tucson Water's Business Services staff briefed the subcommittee on Financial Plan developments since the January 13 CWAC meeting. At the direction of the City Manager, the utility produced financial plan scenarios representing zero or minimal revenue increase for FY2017. These scenarios indicated that, under such conditions, the utility would not meet its debt service or operational reserve obligations. After further discussion about these results, Mr. Clark indicated that the City Manager directed the utility to explore financial plan scenarios representing 5%, 6%, and 7% revenue increases. Based on these parameters, division administrators added the additional funds to their projected budgets, and preliminary financial plan scenarios were created. Staff presented financial plan scenarios to the subcommittee representing FY17 revenue increases of 0%, 2.25%, 3%, 5%, 6%, and 7%. Mr. Clark indicated that revenue increases of 6-7% would allow the utility to meet debt service and operational reserve obligations, and to also add \$2.5M to the Operations & Maintenance budget, maintain conservation program funding at M&C-directed levels, maintain low-income assistance program funding, create new Customer Service Representative positions, and maintain other high-priority programs. Mr. Clark indicated that staff would discuss the revised projections with the City Manager on January 22.

Staff and members discussed these developments and next steps at length.

Mr. Clark indicated that staff would provide updated financial plan options to the subcommittee for review early the following week, with subcommittee discussion and recommendation to occur at a meeting on January 28.

6. **Draft communication re: Financial Plan alignment with M&C Policy** – Members briefly considered the content and intent of a draft letter submitted by Member Freitas, and discussed next steps. The letter would request M&C direction on funding for three items in the current Financial Plan discussions: payment in-lieu of tax (PILOT), low-income assistance, and public works development.

Members opted to review the draft letter and return with suggestions and a recommendation at an upcoming subcommittee meeting.

7. **Preliminary Cost-of-Service discussion** – Mr. Ritter noted that staff is in the process of updating files with current customer accounts, usage projections, O&M and CIP budget figures before beginning FY17 cost-of-service discussions. Staff expects to provide a full update at a February subcommittee meeting, to be scheduled.
8. **Future Meetings / Agenda Items** – Members determined that a subcommittee meeting would be held on January 28 to consider and make recommendations on Tucson

Citizens' Water Advisory Committee (CWAC) Finance Subcommittee

Legal Action Report and Minutes

January 21, 2016

Water's revised FY16-21 Financial Plan. Other items discussed for future subcommittee meetings were:

- Financial Plan alignment with M&C Policy: communication review and recommendation
- Cost-of-Service discussion

9. Adjournment – The meeting was adjourned at 3:03 p.m.

Tucson Water - Summary of Reductions and Rate Impacts for FY 2017

1/14/2016

	<u>Rate Change*</u>					
	0.00%	2.25%	3.00%	5.00%	6.00%	7.00%
Revenue Requests for Impacts						
Ccf's Consumption Usage Decline	0.00%	1.35%	1.35%	1.35%	1.35%	1.35%
Debt Service Increase (\$1,100,000)		0.65%	0.65%	0.65%	0.65%	0.65%
Low Income Program Increase (\$400,000)		0.25%	0.25%	0.25%	0.25%	0.25%
PILOT (In-Lieu Taxes) Increase (\$400,000)			0.25%	0.25%	0.25%	0.25%
AZ Water Bank (AWBK)				1.60%	1.60%	1.60%
Revenue Decreases						
Ccf's Consumption Usage Decline	\$ (2,200,000)	\$ (2,200,000)	\$ (2,200,000)	\$ (2,200,000)	\$ (2,200,000)	\$ (2,200,000)
AZ Water Bank (AWBK)	\$ (3,200,000)	\$ (3,200,000)	\$ (3,200,000)	\$ (3,200,000)	\$ (3,200,000)	\$ (3,200,000)
Subtotal	\$ (5,400,000)	\$ (5,400,000)	\$ (5,400,000)	\$ (5,400,000)	\$ (5,400,000)	\$ (5,400,000)
Non-Discretionary - Expense Increases						
Debt Svc - Increase from Past Issuances	\$ 1,100,000	\$ 1,100,000	\$ 1,100,000	\$ 1,100,000	\$ 1,100,000	\$ 1,100,000
Low Income Program	400,000	400,000	400,000	400,000	400,000	400,000
PILOT (In-Lieu Taxes)	400,000	400,000	400,000	400,000	400,000	400,000
Subtotal	\$ 1,900,000	\$ 1,900,000	\$ 1,900,000	\$ 1,900,000	\$ 1,900,000	\$ 1,900,000
Expenses - O&M Reductions						
Personnel Reductions - 35 Pos (25 w/7%)	\$ (2,500,000)	\$ (2,500,000)	\$ (2,500,000)	\$ (2,500,000)	\$ (2,500,000)	\$ (1,750,000)
Directors Office	(389,100)	(389,100)	(389,100)	(389,100)	(194,550)	-
Financial Services	(418,740)	(418,740)	(418,740)	(418,740)	(209,370)	-
Customer Service	(220,751)	(220,751)	(220,751)	(220,751)	(110,376)	-
Planning and Engineering	(132,050)	(132,050)	(132,050)	(132,050)	(66,025)	-
Water Maintenance	(2,785,000)	(2,785,000)	(2,785,000)	(2,785,000)	(250,000)	(250,000)
Water Quality and Operations	(602,960)	(602,960)	(602,960)	(602,960)	(301,480)	-
Administrative to Conservation Fd	(270,000)	(270,000)	(270,000)	(270,000)	(270,000)	(270,000)
Add CSR's (\$570K) and Navaline (\$250)	-	-	-	-	570,000	820,000
Subtotal TW Reductions	\$ (7,318,601)	\$ (7,318,601)	\$ (7,318,601)	\$ (7,318,601)	\$ (3,331,801)	\$ (1,450,000)
Capital Projects - CIP Reductions						
CIP Reductions (YR 1 - 2017)	\$ 17,000,000	\$ 17,000,000	\$ 17,000,000	\$ 17,000,000	\$ 15,500,000	\$ 15,500,000
CIP Reductions (YR 2 - 2018)	20,000,000	20,000,000	20,000,000	20,000,000	15,000,000	15,000,000
CIP Reductions (YR 3 - 2019)	14,000,000	14,000,000	14,000,000	14,000,000	14,000,000	14,000,000
Subtotal	\$ 51,000,000	\$ 51,000,000	\$ 51,000,000	\$ 51,000,000	\$ 44,500,000	\$ 44,500,000

* Rate Change - refers to variable and fixed components only. CAP Commodity Charge is assumed to update with annual CAP price changes.

TUCSON WATER FINANCIAL PLAN

FY2016-FY2021

**DRAFT FOR DISCUSSION PURPOSES 1-14-2016 - Rev's Incr 0% Yr 1; 7% Yr 2, 5.8% Yrs 3-5
(\$1,000)**

LINE #	Fiscal Years Ending June 30:					
	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
1	Projected Beginning Operating Working Capital					
	\$37,758	\$38,845	\$27,290	\$27,888	\$28,443	\$28,921
2	Beginning Infrastructure Fund					
	\$15,091	\$15,091	\$6,056	\$10,909	\$14,933	\$14,933
2a	Carryover Bond Proceeds					
	\$7,048					
	PROJECTED REVENUES:					
3		\$2,281	\$1,368	\$614	\$107	\$56
3	Water Sales (existing rates)	\$170,089	\$167,808	\$166,440	\$165,826	\$165,718
4	Water Sales Increases from Rate Adjustments:					
	FY 2017	0.00%	\$0	\$0	\$0	\$0
	FY 2018	7.00%	\$11,651	\$11,608	\$11,600	\$11,596
	FY 2019	5.80%		\$9,840	\$9,834	\$9,830
	FY 2020	5.80%			\$10,022	\$10,019
	FY 2021	5.80%				\$10,210
	Total from Rate Adjustments		\$0	\$11,651	\$21,448	\$31,456
5	Water Sales (including Rate Adjustments)	\$170,089	\$167,808	\$178,091	\$187,274	\$197,174
6	Other Water Revenues/Sources	\$17,944	\$15,115	\$15,134	\$15,133	\$15,204
6A	System Equity Fee	\$2,200	\$2,200	\$2,300	\$2,400	\$2,450
6B	CAP Water Resource Fee	\$325	\$325	\$350	\$375	\$375
7	Total Revenues/Sources	\$190,557	\$185,447	\$195,874	\$205,182	\$215,204
	PROJECTED REQUIREMENTS:					
8	O & M Expense	\$98,185	\$97,438	\$99,703	\$101,786	\$104,708
9	Utility Tax Embedded in Water Sales Revenues	\$4,082	\$4,027	\$4,263	\$4,475	\$4,703
10	Debt Service	\$51,984	\$53,023	\$54,408	\$57,179	\$58,688
11	Other Requirements	\$2,066	\$4,013	\$2,240	\$2,243	\$2,240
12	In Lieu of Tax	\$1,600	\$2,000	\$2,020	\$2,041	\$2,062
13	Low Income Program	\$525	\$925	\$934	\$944	\$954
14	Transfer to Infrastructure Fund	\$0	\$5,965	\$4,853	\$4,024	\$0
15	Capital from Water Revenues	\$21,038	\$19,300	\$16,408	\$21,355	\$30,653
16	Administrative Service Charge(direct/indirect)	\$9,990	\$10,312	\$10,446	\$10,581	\$10,719
17	Total Requirements	\$189,471	\$197,002	\$195,276	\$204,627	\$214,725
18	Projected Ending Operating Working Capital/Reserve	\$38,845	\$27,290	\$27,888	\$28,443	\$28,921
19	Estimated Reserves As % of Sales Revenue	22.8%	16.3%	15.7%	15.2%	14.7%
20	Estimated Reserves as Days of O&M	129	90	90	90	89
	OTHER SIGNIFICANT DATA/PROJECTIONS:					
21	% Increases: Water Sales Rates/Revenue	N/A	0.0%	7.0%	5.8%	5.8%
22	Debt Service Coverage (All Debt)	164.0%	152.0%	163.0%	167.0%	174.0%
22a	Coverage: Senior Lien Debt	189.0%	175.0%	185.0%	188.0%	196.0%
23	Capital Improvement Program (CIP)	\$51,431	\$53,879	\$40,857	\$40,967	\$48,592
	Debt Sales:					
24	Water System Revenue Obligations/Bonds	\$11,748	\$22,501	\$21,547	\$18,608	\$15,228
25	WIFA Loan	\$275	\$0	\$0	\$0	\$0
26	% of CIP from Current Revenue	55%				

TUCSON WATER FINANCIAL PLAN

FY2016-FY2021

DRAFT FOR DISCUSSION PURPOSES 1-14-2016 - Rev's Incr 2.25% Yr 1; 7% Yr 2, 5.8% Yrs 3-5

(\$1,000)

LINE #	Fiscal Years Ending June 30:					
	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
1	Projected Beginning Operating Working Capital					
	\$37,758	\$38,495	\$27,290	\$27,888	\$28,443	\$32,450
2	Beginning Infrastructure Fund					
	\$15,091	\$15,091	\$9,394	\$17,990	\$25,815	\$26,157
2a	Carryover Bond Proceeds					
	\$7,048					
	PROJECTED REVENUES:					
3	Water Sales (existing rates)					
	\$170,089	\$167,808	\$166,440	\$165,826	\$165,718	\$165,663
4	Water Sales Increases from Rate Adjustments:					
	<i>FY 2017</i>	2.25%	\$3,776	\$3,745	\$3,731	\$3,729
	<i>FY 2018</i>	7.00%		\$11,737	\$11,694	\$11,682
	<i>FY 2019</i>	5.80%		\$9,913	\$9,907	\$9,903
	<i>FY 2020</i>	5.80%			\$10,096	\$10,093
	<i>FY 2021</i>	5.80%				\$10,286
	Total from Rate Adjustments		\$3,776	\$15,482	\$25,338	\$35,418
			\$45,692			
5	Water Sales (including Rate Adjustments)					
	\$170,089	\$171,584	\$181,922	\$191,164	\$201,136	\$211,355
6	Other Water Revenues/Sources					
	\$17,944	\$15,115	\$15,134	\$15,133	\$15,204	\$15,276
6A	System Equity Fee					
	\$2,200	\$2,200	\$2,300	\$2,400	\$2,450	\$2,500
6B	CAP Water Resource Fee					
	\$325	\$325	\$350	\$375	\$375	\$375
7	Total Revenues/Sources					
	\$190,557	\$189,223	\$199,705	\$209,072	\$219,166	\$229,506
	PROJECTED REQUIREMENTS:					
8	O & M Expense					
	\$98,185	\$97,438	\$99,703	\$101,786	\$104,708	\$108,544
9	Utility Tax Embedded in Water Sales Revenues					
	\$4,082	\$4,115	\$4,352	\$4,565	\$4,795	\$5,030
10	Debt Service					
	\$51,984	\$53,023	\$54,408	\$57,179	\$58,688	\$58,905
11	Other Requirements					
	\$2,066	\$4,013	\$2,240	\$2,243	\$2,240	\$2,231
12	In Lieu of Tax					
	\$1,600	\$2,000	\$2,020	\$2,041	\$2,062	\$2,083
13	Low Income Program					
	\$875	\$925	\$934	\$944	\$954	\$963
14	Transfer to Infrastructure Fund					
	\$0	\$9,303	\$8,596	\$7,825	\$342	\$5,017
15	Capital from Water Revenues					
	\$21,038	\$19,300	\$16,408	\$21,355	\$30,653	\$31,423
16	Administrative Service Charge(direct/indirect)					
	\$9,990	\$10,312	\$10,446	\$10,581	\$10,719	\$10,858
17	Total Requirements					
	\$189,821	\$200,428	\$199,107	\$208,518	\$215,159	\$225,054
18	Projected Ending Operating Working Capital/Reserve					
	\$38,495	\$27,290	\$27,888	\$28,443	\$32,450	\$36,902
19	Estimated Reserves As % of Sales Revenue					
	22.6%	15.9%	15.3%	14.9%	16.1%	17.5%
20	Estimated Reserves as Days of O&M					
	127	90	90	90	100	110
	OTHER SIGNIFICANT DATA/PROJECTIONS:					
21	% Increases: Water Sales Rates/Revenue					
	N/A	2.3%	7.0%	5.8%	5.8%	5.8%
22	Debt Service Coverage (All Debt)					
	163.0%	159.0%	169.0%	173.0%	181.0%	190.0%
22a	Coverage: Senior Lien Debt					
	188.0%	183.0%	192.0%	196.0%	203.0%	210.0%
23	Capital Improvement Program (CIP)					
	\$51,431	\$53,879	\$40,857	\$40,967	\$48,592	\$44,843
	Debt Sales:					
24	Water System Revenue Obligations/Bonds					
	\$11,748	\$22,501	\$21,547	\$18,608	\$15,228	\$11,429
25	WIFA Loan					
	\$275	\$0	\$0	\$0	\$0	\$0
26	% of CIP from Current Revenue			55%		

TUCSON WATER FINANCIAL PLAN

FY2016-FY2021

**DRAFT FOR DISCUSSION PURPOSES 1-14-2016 - Rev's Incr 3% Yr 1; 7% Yr 2, 5.8% Yrs 3-5
(\$1,000)**

LINE #		Fiscal Years Ending June 30:					
		FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
1	Projected Beginning Operating Working Capital	\$37,758	\$38,495	\$27,290	\$27,888	\$28,443	\$32,450
2	Beginning Infrastructure Fund	\$15,091	\$15,091	\$10,624	\$20,467	\$29,559	\$31,191
2a	Carryover Bond Proceeds	\$7,048					
PROJECTED REVENUES:							
3	Water Sales (existing rates)	\$170,089	\$167,808	\$166,440	\$165,826	\$165,718	\$165,663
4	Water Sales Increases from Rate Adjustments:						
	FY 2017	3.00%	\$5,034	\$4,993	\$4,975	\$4,972	\$4,970
	FY 2018	7.00%		\$11,766	\$11,723	\$11,715	\$11,711
	FY 2019	5.80%			\$9,937	\$9,931	\$9,928
	FY 2020	5.80%				\$10,121	\$10,118
	FY 2021	5.80%					\$10,311
	Total from Rate Adjustments		\$5,034	\$16,759	\$26,635	\$36,739	\$47,038
5	Water Sales (including Rate Adjustments)	\$170,089	\$172,842	\$183,199	\$192,461	\$202,457	\$212,700
6	Other Water Revenues/Sources	\$17,944	\$15,115	\$15,134	\$15,133	\$15,204	\$15,276
6A	System Equity Fee	\$2,200	\$2,200	\$2,300	\$2,400	\$2,450	\$2,500
6B	CAP Water Resource Fee	\$325	\$325	\$350	\$375	\$375	\$375
7	Total Revenues/Sources	\$190,557	\$190,482	\$200,983	\$210,369	\$220,486	\$230,852
PROJECTED REQUIREMENTS:							
8	O & M Expense	\$98,185	\$97,438	\$99,703	\$101,786	\$104,708	\$108,544
9	Utility Tax Embedded in Water Sales Revenues	\$4,082	\$4,144	\$4,381	\$4,594	\$4,825	\$5,061
10	Debt Service	\$51,984	\$53,023	\$54,408	\$57,179	\$58,688	\$58,905
11	Other Requirements	\$2,066	\$4,013	\$2,240	\$2,243	\$2,240	\$2,231
12	In Lieu of Tax	\$1,600	\$2,000	\$2,020	\$2,041	\$2,062	\$2,083
13	Low Income Program	\$875	\$925	\$934	\$944	\$954	\$963
14	Transfer to Infrastructure Fund	\$0	\$10,533	\$9,844	\$9,092	\$1,632	\$6,332
15	Capital from Water Revenues	\$21,038	\$19,300	\$16,408	\$21,355	\$30,653	\$31,423
16	Administrative Service Charge(direct/indirect)	\$9,990	\$10,312	\$10,446	\$10,581	\$10,719	\$10,858
17	Total Requirements	\$189,821	\$201,687	\$200,384	\$209,815	\$216,480	\$226,399
18	Projected Ending Operating Working Capital/Reserve	\$38,495	\$27,290	\$27,888	\$28,443	\$32,450	\$36,902
19	Estimated Reserves As % of Sales Revenue	22.6%	15.8%	15.2%	14.8%	16.0%	17.3%
20	Estimated Reserves as Days of O&M	127	90	90	90	100	110
OTHER SIGNIFICANT DATA/PROJECTIONS:							
21	% Increases: Water Sales Rates/Revenue	N/A	3.0%	7.0%	5.8%	5.8%	5.8%
22	Debt Service Coverage (All Debt)	163.0%	161.0%	172.0%	176.0%	183.0%	193.0%
22a	Coverage: Senior Lien Debt	188.0%	185.0%	195.0%	198.0%	206.0%	212.0%
23	Capital Improvement Program (CIP)	\$51,431	\$53,879	\$40,857	\$40,967	\$48,592	\$44,843
Debt Sales:							
24	Water System Revenue Obligations/Bonds	\$11,748	\$22,501	\$21,547	\$18,608	\$15,228	\$11,429
25	WIFA Loan	\$275	\$0	\$0	\$0	\$0	\$0
26	% of CIP from Current Revenue	55%					

TUCSON WATER FINANCIAL PLAN

FY2016-FY2021

**DRAFT FOR DISCUSSION PURPOSES 1-14-2016 - Rev's Incr 5% Yr 1; 7% Yr 2, 5.8% Yrs 3-5
(\$1,000)**

LINE #		Fiscal Years Ending June 30:					
		FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
1	Projected Beginning Operating Working Capital	\$37,758	\$38,495	\$28,007	\$28,612	\$29,172	\$33,267
2	Beginning Infrastructure Fund	\$15,091	\$15,091	\$10,276	\$20,508	\$30,016	\$32,021
2a	Carryover Bond Proceeds	\$7,048					
	PROJECTED REVENUES:						
3	Water Sales (existing rates)	\$170,089	\$167,808	\$166,440	\$165,826	\$165,718	\$165,663
4	Water Sales Increases from Rate Adjustments:						
	FY 2017	5.00%	\$8,390	\$8,322	\$8,291	\$8,286	\$8,283
	FY 2018	7.00%		\$11,843	\$11,799	\$11,792	\$11,788
	FY 2019	5.80%			\$10,002	\$9,996	\$9,993
	FY 2020	5.80%				\$10,187	\$10,184
	FY 2021	5.80%					\$10,379
	Total from Rate Adjustments		\$8,390	\$20,165	\$30,093	\$40,261	\$50,626
5	Water Sales (including Rate Adjustments)	\$170,089	\$176,198	\$186,605	\$195,919	\$205,979	\$216,289
6	Other Water Revenues/Sources	\$17,944	\$15,115	\$15,134	\$15,134	\$15,205	\$15,277
6A	System Equity Fee	\$2,200	\$2,200	\$2,300	\$2,400	\$2,450	\$2,500
6B	CAP Water Resource Fee	\$325	\$325	\$350	\$375	\$375	\$375
7	Total Revenues/Sources	\$190,557	\$193,838	\$204,388	\$213,828	\$224,009	\$234,440
	PROJECTED REQUIREMENTS:						
8	O & M Expense	\$98,185	\$100,347	\$102,636	\$104,743	\$107,689	\$111,550
9	Utility Tax Embedded in Water Sales Revenues	\$4,082	\$4,221	\$4,460	\$4,674	\$4,906	\$5,144
10	Debt Service	\$51,984	\$53,023	\$54,408	\$57,179	\$58,688	\$58,905
11	Other Requirements	\$2,066	\$4,013	\$2,240	\$2,243	\$2,240	\$2,231
12	In Lieu of Tax	\$1,600	\$2,000	\$2,020	\$2,041	\$2,062	\$2,083
13	Low Income Program	\$875	\$925	\$934	\$944	\$954	\$963
14	Transfer to Infrastructure Fund	\$0	\$10,185	\$10,232	\$9,508	\$2,005	\$6,743
15	Capital from Water Revenues	\$21,038	\$19,300	\$16,408	\$21,355	\$30,653	\$31,423
16	Administrative Service Charge(direct/indirect)	\$9,990	\$10,312	\$10,446	\$10,581	\$10,719	\$10,858
17	Total Requirements	\$189,821	\$204,325	\$203,784	\$213,267	\$219,915	\$229,899
18	Projected Ending Operating Working Capital/Reserve	\$38,495	\$28,007	\$28,612	\$29,172	\$33,267	\$37,808
19	Estimated Reserves As % of Sales Revenue	22.6%	15.9%	15.3%	14.9%	16.2%	17.5%
20	Estimated Reserves as Days of O&M	127	90	90	90	100	110
	OTHER SIGNIFICANT DATA/PROJECTIONS:						
21	% Increases: Water Sales Rates/Revenue	N/A	5.0%	7.0%	5.8%	5.8%	5.8%
22	Debt Service Coverage (All Debt)	163.0%	162.0%	172.0%	176.0%	184.0%	193.0%
22a	Coverage: Senior Lien Debt	188.0%	186.0%	196.0%	199.0%	206.0%	213.0%
23	Capital Improvement Program (CIP)	\$51,431	\$53,879	\$40,857	\$40,967	\$48,592	\$44,843
	Debt Sales:						
24	Water System Revenue Obligations/Bonds	\$11,748	\$22,501	\$21,547	\$18,608	\$15,228	\$11,429
25	WIFA Loan	\$275	\$0	\$0	\$0	\$0	\$0
26	% of CIP from Current Revenue				55%		

TUCSON WATER FINANCIAL PLAN

FY2016-FY2021

**DRAFT FOR DISCUSSION PURPOSES 1-14-2016 - Rev's Incr 6% Yr 1; 7% Yr 2, 5.8% Yrs 3-5
(\$1,000)**

LINE #		Fiscal Years Ending June 30:					
		FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
1	Projected Beginning Operating Working Capital	\$37,758	\$38,483	\$28,273	\$28,880	\$29,443	\$33,571
2	Beginning Infrastructure Fund	\$15,091	\$15,091	\$9,728	\$18,305	\$28,109	\$30,398
2a	Carryover Bond Proceeds	\$7,048					
PROJECTED REVENUES:							
3	Water Sales (existing rates)	\$170,089	\$167,808	\$166,440	\$165,826	\$165,718	\$165,663
4	Water Sales Increases from Rate Adjustments:						
	FY 2017	6.00%	\$10,068	\$9,986	\$9,950	\$9,943	\$9,940
	FY 2018	7.00%		\$11,881	\$11,838	\$11,830	\$11,826
	FY 2019	5.80%			\$10,035	\$10,028	\$10,025
	FY 2020	5.80%				\$10,220	\$10,217
	FY 2021	5.80%					\$10,412
	Total from Rate Adjustments		\$10,068	\$21,868	\$31,822	\$42,022	\$52,420
5	Water Sales (including Rate Adjustments)	\$170,089	\$177,876	\$188,308	\$197,648	\$207,740	\$218,083
6	Other Water Revenues/Sources	\$17,944	\$15,115	\$15,134	\$15,134	\$15,205	\$15,277
6A	System Equity Fee	\$2,200	\$2,200	\$2,300	\$2,400	\$2,450	\$2,500
6B	CAP Water Resource Fee	\$325	\$325	\$350	\$375	\$375	\$375
7	Total Revenues/Sources	\$190,557	\$195,516	\$206,091	\$215,557	\$225,770	\$236,235
PROJECTED REQUIREMENTS:							
8	O & M Expense	\$98,185	\$101,425	\$103,724	\$105,842	\$108,800	\$112,672
9	Utility Tax Embedded in Water Sales Revenues	\$4,082	\$4,260	\$4,499	\$4,714	\$4,947	\$5,186
10	Debt Service	\$51,987	\$53,070	\$54,611	\$57,470	\$58,979	\$59,196
11	Other Requirements	\$2,075	\$4,055	\$2,264	\$2,243	\$2,240	\$2,231
12	In Lieu of Tax	\$1,600	\$2,000	\$2,020	\$2,041	\$2,062	\$2,083
13	Low Income Program	\$875	\$925	\$934	\$944	\$954	\$963
14	Transfer to Infrastructure Fund	\$0	\$9,637	\$8,577	\$9,803	\$2,290	\$7,048
15	Capital from Water Revenues	\$21,038	\$20,042	\$18,408	\$21,355	\$30,653	\$31,423
16	Administrative Service Charge(direct/indirect)	\$9,990	\$10,312	\$10,446	\$10,581	\$10,719	\$10,858
17	Total Requirements	\$189,833	\$205,726	\$205,484	\$214,994	\$221,643	\$231,659
18	Projected Ending Operating Working Capital/Reserve	\$38,483	\$28,273	\$28,880	\$29,443	\$33,571	\$38,146
19	Estimated Reserves As % of Sales Revenue	22.6%	15.9%	15.3%	14.9%	16.2%	17.5%
20	Estimated Reserves as Days of O&M	127	90	90	90	100	110
OTHER SIGNIFICANT DATA/PROJECTIONS:							
21	% Increases: Water Sales Rates/Revenue	N/A	6.0%	7.0%	5.8%	5.8%	5.8%
22	Debt Service Coverage (All Debt)	163.0%	163.0%	173.0%	176.0%	184.0%	193.0%
22a	Coverage: Senior Lien Debt	188.0%	187.0%	196.0%	199.0%	206.0%	213.0%
23	Capital Improvement Program (CIP)	\$51,431	\$55,379	\$45,857	\$40,967	\$48,592	\$44,843
Debt Sales:							
24	Water System Revenue Obligations/Bonds	\$12,202	\$24,604	\$22,747	\$18,608	\$15,228	\$11,429
25	WIFA Loan	\$275	\$0	\$0	\$0	\$0	\$0
26	% of CIP from Current Revenue	55%					

TUCSON WATER FINANCIAL PLAN

FY2016-FY2021

**DRAFT FOR DISCUSSION PURPOSES 1-14-2016 - Rev's Incr 7% Yr 1; 7% Yr 2, 5.8% Yrs 3-5
(\$1,000)**

LINE #		Fiscal Years Ending June 30:					
		FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
1	Projected Beginning Operating Working Capital	\$37,758	\$38,483	\$28,737	\$29,347	\$29,913	\$34,096
2	Beginning Infrastructure Fund	\$15,091	\$15,091	\$9,022	\$17,366	\$26,951	\$28,989
2a	Carryover Bond Proceeds	\$7,048					
	PROJECTED REVENUES:						
3	Water Sales (existing rates)	\$170,089	\$167,808	\$166,440	\$165,826	\$165,718	\$165,663
4	Water Sales Increases from Rate Adjustments:						
	FY 2017	7.00%	\$11,747	\$11,651	\$11,608	\$11,600	\$11,596
	FY 2018	7.00%		\$11,920	\$11,876	\$11,868	\$11,864
	FY 2019	5.80%			\$10,067	\$10,061	\$10,057
	FY 2020	5.80%				\$10,253	\$10,250
	FY 2021	5.80%					\$10,446
	Total from Rate Adjustments		\$11,747	\$23,571	\$33,551	\$43,783	\$54,214
5	Water Sales (including Rate Adjustments)	\$170,089	\$179,554	\$190,010	\$199,377	\$209,501	\$219,877
6	Other Water Revenues/Sources	\$17,944	\$15,115	\$15,134	\$15,135	\$15,206	\$15,278
6A	System Equity Fee	\$2,200	\$2,200	\$2,300	\$2,400	\$2,450	\$2,500
6B	CAP Water Resource Fee	\$325	\$325	\$350	\$375	\$375	\$375
7	Total Revenues/Sources	\$190,557	\$197,194	\$207,794	\$217,287	\$227,532	\$238,029
	PROJECTED REQUIREMENTS:						
8	O & M Expense	\$98,185	\$103,307	\$105,618	\$107,747	\$110,717	\$114,601
9	Utility Tax Embedded in Water Sales Revenues	\$4,082	\$4,298	\$4,538	\$4,754	\$4,988	\$5,227
10	Debt Service	\$51,987	\$53,070	\$54,611	\$57,470	\$58,979	\$59,196
11	Other Requirements	\$2,075	\$4,055	\$2,264	\$2,243	\$2,240	\$2,231
12	In Lieu of Tax	\$1,600	\$2,000	\$2,020	\$2,041	\$2,062	\$2,083
13	Low Income Program	\$875	\$925	\$934	\$944	\$954	\$963
14	Transfer to Infrastructure Fund	\$0	\$8,931	\$8,344	\$9,585	\$2,038	\$6,816
15	Capital from Water Revenues	\$21,038	\$20,042	\$18,408	\$21,355	\$30,653	\$31,423
16	Administrative Service Charge(direct/indirect)	\$9,990	\$10,312	\$10,446	\$10,581	\$10,719	\$10,858
17	Total Requirements	\$189,833	\$206,940	\$207,184	\$216,721	\$223,349	\$233,398
18	Projected Ending Operating Working Capital/Reserve	\$38,483	\$28,737	\$29,347	\$29,913	\$34,096	\$38,728
19	Estimated Reserves As % of Sales Revenue	22.6%	16.0%	15.4%	15.0%	16.3%	17.6%
20	Estimated Reserves as Days of O&M	127	90	90	90	100	110
	OTHER SIGNIFICANT DATA/PROJECTIONS:						
21	% Increases: Water Sales Rates/Revenue	N/A	7.0%	7.0%	5.8%	5.8%	5.8%
22	Debt Service Coverage (All Debt)	163.0%	162.0%	172.0%	176.0%	183.0%	193.0%
22a	Coverage: Senior Lien Debt	188.0%	187.0%	195.0%	198.0%	206.0%	213.0%
23	Capital Improvement Program (CIP)	\$51,431	\$55,379	\$45,857	\$40,967	\$48,592	\$44,843
	Debt Sales:						
24	Water System Revenue Obligations/Bonds	\$12,202	\$24,604	\$22,747	\$18,608	\$15,228	\$11,429
25	WIFA Loan	\$275	\$0	\$0	\$0	\$0	\$0
26	% of CIP from Current Revenue				55%		

Letter to Mayor and Council:

Subject:

Tucson Water is currently developing the FY 2017 financial plan with a FY 2018-2021 proposed plan. There are three items for which CWAC requests direction from Mayor and Council (M & C):

1. IN LIEU PROPERTY TAX

The City of Tucson receives \$7 million, plus, annually, from Tucson Water ratepayers for administrative and other services provided by it for Tucson Water. The City, then, has for 6 years taken an additional \$1.6 million from the ratepayers - including County residents - the funds going into the General Fund. This tax will increase to \$2.0 million (FY 2017) at the direction of the COT Finance Department. This action is not in accordance with COT Water Policies passed by M & C on January 26, 1995. This type of action is contrary to the City Charter (a). This assessment upon water ratepayers was done without a specific motion of M & C permitting the new tax, and, also, without the City Charter requirement for a specifically related public hearing. Simply listing the new in-lieu property tax within a financial plan does not meet the requirements of the City Charter. Having a public hearing and motions on an annual "omnibus" budget with the in-lieu tax buried, therein, does not meet the letter nor the spirit of the City Charter.

2. LOW INCOME ASSISTANCE PROGRAM

According to M & C, formal, Water Policy (page 3e.), funding of this program will be "from the general fund of the City and not from water rates." Since July 2010, Tucson Water rate payers have funded this program. Initially, funding was \$500,000. The budget figure for FY 2017 is \$925,000.

CWAC has been informed by memorandum that "the Low Income Program and the adopted Water Policy can in fact coexist with the knowledge of M & C". Is this your position?

3. PUBLIC WORKS FUNDING

The M & C water policies (page 6e.) states: "Capital requirements for relocations or other modifications to the water system required to accommodate other public works shall be derived from sources other than the water utility". What is the position of M & C on this policy?

(a) Section 10 Property exempt from taxation....There shall be exempt from taxation all federal, state, county and municipal property;....every ordinance imposing a tax shall state distinctly the object of the tax, to which object only it shall be applied. (Ord. No. 1142, eff. 6/23/48)

(end)

Kris LaFleur - Re: Fwd: Re: CWAC fin. subcomm.

From: Kris LaFleur

Subject: Re: Fwd: Re: CWAC fin. subcomm.

>>> <falcnpools@aol.com> 12/21/2015 11:56 AM >>>

Johanna,

I have a few questions that you may be able to get answers for :

As taken from the COT Statement Of Net Positions--Propriety Funds--June 30, 2014,

Assets

Pooled cash and Investments ?? 42 mil.

Cash & Invest.--Restricted ?? 35 mil.

Cash & Invest. with fiscal agent-Restricted ?? 29 mil.

Accounts receivable, net ?? 24 mil.

Deferred Outflows

Loss on Refunding of Debt ?? 13 mil.

Liabilities

Liabilities Payable from Restricted Assets ?? 34 mil.

Is the compensating employees for absences in effect for new hires ??

Net Position

Unrestricted ?? 44mil.

Adjustment to consol.. internal service activities ?? (1.8 mil)

I would prefer very short written answers or someone to provide info verbally at the next subcomm. meeting (??).

Thank you in advance.

chuck Freitas

Click to add a signature

January 20, 2015

City of Tucson Finance Department response to CWAC subcommittee member Chuck Freitas:

1. **Pooled cash and investments:** Each fund does not have its own bank account. The City's investment/cash policy, is to combine the cash from all funds in order to obtain a level of resources to invest in the highest-yielding assets possible. The City only invests in highly liquid investments in this pooled bank account. (See 2014 CAFR Note 1.G. page 35 and Note 4 beginning on page 41 for more explanation.)
2. **Cash & investments--restricted.** This is the unspent proceeds from the sale of bonds.
3. **Cash & investments with fiscal agent --restricted.** This is the amount of the matured principal and interest due on July 1. This equals the amount restricted for debt service in the Net Position on the same statement. (page 24 2014 CAFR)
4. **Accounts receivable, net.** This is a combination of the amount billed to rate payers on or before June 30 who have not yet paid their invoices, net of allowance for bad debt.(\$10.9M) and the amount of accrued revenue that had not been invoiced to rate payers on or before June 30, but is for June services (\$11.8M). For example, a rate payer's billing cycle is the 15th of each month. On July 15th they are billed for half of June's usage and half of July's usage. The June half is accrued as revenue and accounts receivable for the fiscal year ending June 30.

The remaining accounts receivable balance not explained above is miscellaneous invoices outside of the Naviline utility system that have not been paid, such as sewer billing services for Pima County.

5. **Deferred Outflows, Loss on refunding of debt.** When the City refunds (refinances) debt in order to save money over the life of the debt through lower interest rates, the City sometimes must fund additional amounts to the escrow account that will pay off the old debt as it matures. The City saves money in the long-term even with this escrow funding because of significantly lower interest payments. Sometimes this is called "funding of refunding of debt", the City uses the also commonly used term "loss on refunding".
6. **Liabilities payable from restricted assets.** The bulk of this is the matured bond principal and interest mentioned in #3 above. The remaining is accounts payable in the Water bond funds since the bond funds are restricted funds.
7. **Compensated absences.** Yes, new employees are covered under compensated absences. This is the amount accrued for vacation leave, sick leave, and compensation time based on the hours employees have accrued on the ledger multiplied by their hourly rate. Any employee who earns these leave benefits is included in this amount.
8. **Unrestricted net position.** This is the amount that is available for the utility to spend on anything outside of restricted purposes (debt and capital assets).
9. **Adjustment to consolidate internal service activities:** The internal service funds, such as the Fleet Internal Service Fund, provide services to City departments. Per GASB rules, the revenues and expenditures related to providing services to City departments are eliminated (not reported) in the entity wide statements (pages 17 and 19 in the 2014 CAFR). However, the expenses the enterprise funds, such as Tucson Water, are charged by the internal service funds are not eliminated in the enterprise fund financial statements (pages 24 and 25 in the 2014 CAFR). So in order for the net position in the entity-wide business type financial statements to equal the net position in the enterprise fund financial statements, a reconciliation line must be entered. This reconciliation is audited during the independent audit performed annually.