

CITIZENS' WATER ADVISORY COMMITTEE (CWAC)



Wednesday, February 4, 2015, 7:00 a.m.
Director's Conference Room
Tucson Water, 3rd Floor
310 W. Alameda Street, Tucson, Arizona

Legal Action Report

1. Roll Call:

The meeting was called to order by CWAC Chair, Brian Wong at 6:58 a.m. Those present and absent were:

Present:

Brian Wong	Chairperson, Representative, City Manager
Mark Murphy	Representative, Mayor
Jean McLain	Representative, City Manager
Catlow Shippek	Representative, City Manager (arrived at 6:58 a.m., directly after roll call)
Mitch Basefsky	Representative, City Manager
Placido dos Santos	Representative, City Manager
Chuck Freitas	Representative, City Manager
Mark Taylor	Representative, City Manager
Alan Tonelson	Representative, Ward 1
Amy McCoy	Representative, Ward 2 (arrived at 6:58 a.m., directly after roll call)
Bruce Billings	Representative, Ward 3
George White	Representative, Ward 4
Mark Lewis	Vice Chair, Representative, Ward 5
Kelly Lee	Representative, Ward 6
Alan Forrest	Tucson Water, Director, Ex-Officio Member
Jackson Jenkins	Pima County Regional Wastewater Reclamation Department Director, Ex-Officio Member

Absent:

None

Tucson Water Staff Present:

Sandy Elder	Deputy Director
Jeff Biggs	Interim Deputy Director
Andrew Greenhill	Intergovernmental Affairs Manager
Chris Rodriguez	Water Administrator
Melodee Loyer	Water Administrator
Belinda Oden	Water Administrator
Wally Wilson	Water Administrator
Daniel Ransom	Water Conservation Supervisor
Jane Slama	Water Operations Superintendent
Shane Oman	Finance Manager
Nancy Gradillas	Lead Financial Accountant
Candace Rupprecht	Public Information Specialist
Johanna Hernandez	Staff Assistant
Kris LaFleur	Staff Assistant

Others Present:

Chris Avery	City of Tucson, Attorney's Office
Joyce Garland	City of Tucson, Budget/Internal Audit
Robert Kulze	City of Tucson, Budget/Internal Audit
Amy Stabler	City of Tucson, Ward 6
Michael Block	Metro Water
Dick Gelpke	Citizen

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2. **Announcements** – Member McLain announced the Water Resources Research Center's annual Chocolate Fest event scheduled for Friday 2/13/2015 at 3:30 p.m.
3. **Call to Audience** – No action taken.
4. **Review of January 7, 2015 Legal Action Report and Meeting Minutes** – Committee Member Tonelson motioned to approve the Meeting Minutes of January 7, 2015. Member Freitas seconded. Motion passed unanimously by a voice vote of 13-0.

Member Billings arrived 7:01 a.m.

5. **Director's Report** –

a. Mayor and Council Items – Today Mayor and Council will consider, on consent, compensation for Tucson Water's Certified Crane Operators. The incentive pay program, if approved, would result in an additional \$5/hour while the employee is operating/maintaining the crane. There will be 3-5 Certified Crane Operators to

On February 18th, Mayor and Council will consider Tucson Water's Financial Plan, previously heard by this Committee. The Financial Plan is scheduled for both the Study and Consent agendas. Items also on this Consent agenda are an agreement with Arizona Water Banking Authority (AWBA) and a real property purchase for Well Site R-009A. The AWBA agreement would result in the sale of Long-Term Storage Credits to the AWBA over three years. The approval of the real property purchase for Well Site R-009A would result in the land needed to re-drill Well R-009A when it becomes necessary. Also on this Study Session is the update to the expansion of the Rain Water Harvesting Program. As requested by Council, Tucson Water will report on its progress of the expansion.

b. Department Updates – Tucson Water currently has 55 vacancies, 19 active recruitments and 7 pending new hires.

c. Informational Items – Director Forrest and Tucson Water staff member Belinda Oden spoke briefly to Tucson Water's bond refunding. Tucson Water took 50 million dollars' worth of bonds to the market and received a 2.71% interest rate, formally assessed between 4-5%. The reduction in interest rate will result in savings of 5.5 million dollars.

Water production numbers will be reported when there is sufficient data to accurately represent production.

6. **Subcommittee Reports** –

Technical, Policy, and Planning Subcommittee – Subcommittee Chair Murphy reported that TPP heard a presentation on the status of Tucson Water's Isolated Systems.

Finance Subcommittee – Subcommittee Chair Billings reported that Finance discussed the Cost of Service analysis and also reclaimed rates and noted that both would be coming to the Committee when finalized.

Conservation and Education Subcommittee – Subcommittee Chair Amy McCoy noted that the Subcommittee will be meeting next Wednesday at 3 p.m. and will be discussing new conservation programs, the conservation fee and strategic planning. The Subcommittee has been discussing the expansion of rain water harvesting programs.

By-Laws Ad Hoc Subcommittee – Subcommittee Chair Mark Lewis discussed the process of the meeting of the Subcommittee. The members submitted recommendations for changes to the Rules and Regulations and Code for the CWAC to consider. Additionally, Chair Lewis requested that the Committee reconsider the purpose and scope of the Subcommittee for possible future adjustments to the Rules and Regulation and formation of By-Laws. Member Freitas requested the members first consider approval of the LAR and then the recommendations from the Subcommittee. Chair Wong agreed. Member Freitas motioned for approval of the LAR with the following modifications to Item 7: that the penultimate

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paragraph be modified to reflect Member Freitas seconded the motion; and the final paragraph be modified to strike the language "at full CWAC". Motion seconded by Member Murphy. Motion passed, with specified modifications, by a unanimous voice vote of the Subcommittee members 3-0. Member Freitas motioned to approve the red-lined changes denoted in the Rules and Regulations and Code provided to the Committee. Member Murphy seconded. Motion passed unanimously by a voice vote of 14-0. The Committee discussed the status of the Ad Hoc Subcommittee and its dissolution. Member Freitas motioned to dissolve the Ad Hoc Subcommittee. Member Murphy seconded. The Committee discussed the possible need for formation of formal by-laws for the Committee. It is noted that, should the Committee deem it necessary, an Ad Hoc Subcommittee can be formed at a later date to consider the possible need for by-laws. Motion passed by a voice vote of 13-1, with Member Lewis dissenting.

RWRAC Update – Member Taylor reported that RWRAC has been focusing on their Financial Plan. The Plan consists of a 4% increase per year for 3 years. Public hearings are underway. Ex-Officio Member Director Jenkins noted that RWRAC dedicated a Finance Subcommittee to the consideration of the Financial Plan.

7. **Administrative Service Charge Presentation** – City of Tucson Budget and Internal Audit staff members Joyce Garland and Robert Kultz provided a PowerPoint presentation on the Administrative Service Charge. The presentation covered an overview of the administrative service charge, the cost allocation methodology and the process for calculating and including the administrative service charge into the budget. The administrative service charge is an allocation of Central Service administrative charges to departments that are direct beneficiaries (Grantees) to reimburse the General Fund for services received. Allocations are determined by software, bi-annually, with data from the previous fiscal year services. The double step-down allocation process used by the software was explained in detail with multiple examples. Central Services provide services (activities) such as Accounts Payable, Payroll, Investments and Auction Services to Grantees. Allocations are determined by the amount of actions received by Grantees. A handout with a detailed list of Central Services and their related activities was provided to the members. Extensive discussion was held on cost allocations, how percentages and allocations are determined, what activities count as Central Services, and how review of the service charge and negotiation is completed. It is noted that Central Services provide information on services rendered to Grantees, that information is inputted into the software which calculates the Grantees percentage of allocation for the Grantee. Discussion was held as to what services Tucson Water provides that should be considered Central Services activities and thus be eligible for reallocation in the administrative service charge. It is noted that Tucson Water recovers its costs through its rates, which City Departments pay in full. Changes in expected activity use are reflected in future allocation plans.

Recorder failure

Member Freitas requested additional time at a future meeting to continue this discussion with the possibility of providing written questions to the presenters ahead of time for discussion. Future presentations to the Finance Subcommittee as well as to the full Committee were discussed. It was noted that Committee members not on the Subcommittee would like to participate in the follow up discussion and decided that future discussion would be scheduled for the full Committee. Member dos Santos requested that the future presentation and discussion include specific real life examples of services and their resulting allocations, as well as a comparison of Tucson Water's allocation to other department's allocations.

Member McCoy departed at 8:01 a.m. and returned at 8:04 a.m.

8. **Miscellaneous Fees Presentation** – Tucson Water staff member Belinda Oden provided a brief presentation on Miscellaneous Fees. The Miscellaneous Fees are comprised of over 100 different fees that are assessed to benefiting customers for various water installations and other services received. A cost study is conducted every two years to evaluate the current fees and consider changes in the fees. The cost study this year will be reviewed by the Finance Subcommittee, and the results and recommendations will be conveyed to the full Committee thereafter. Initial analysis of this year's cost study does not indicate a need for adjusting the fees at this time.

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9. **Rain Water Harvesting Update** – Tucson Water staff member Daniel Ransom provided a summary of the progress made by Tucson Water in the expansion of the Rain Water Harvesting program. The five areas identified by Mayor and Council for focus were: expansion of the Rain Water Harvesting rebate to customers with a ¾ inch or smaller meter; including curb cuts into the rebate program; enhancing and streamlining the current rebate program incorporating feedback from current participants; work with partners to improve the low-income outreach program and; discuss the impact of Rain Water Harvesting with the flood control district. Progress has been made in each of the five areas identified by Mayor and Council as follows. Tucson Water is updating the program materials to reflect the inclusion of ¾ inch meters and smaller; curb cuts rebates will be provided to any applicant that installs an applicable permitted curb cut (it is noted curb cuts are only currently permitted in the City of Tucson); Tucson Water is working with the Wards, Southern Arizona Rain Gutters, CWAC C&E, Watershed Management Group, SmartScape and private consultants on streamlining the current program; Tucson Water is also working with Sonora Environmental Research Institute and Community Home Repair Projects of Arizona to improve the low-income outreach program; and Tucson Water is coordinating with Pima County Flood Control, the Wards and Office of Integrated Planning to consider the impact of Rain Water Harvesting on flood control. Extensive discussion was held as to the spirit and nature of the direction of Mayor and Council and how CWAC and C&E may best establish communications with Mayor and Council regarding the future of Rain Water Harvesting and other conservation programs. It is decided that the Mayor and Council Memorandum discussed is inclusive of Tucson Water's response to Mayor and Council's directive and will be submitted as is. The C&E Subcommittee will discuss communicating the Committee's thoughts on the direction of Rain Water Harvesting and other similar conservation programs to Mayor and Council.
10. **Future Meetings/Agenda Items** – See projected agenda.
11. **Adjournment** – Meeting was adjourned at 8:42 a.m.

*Due to technical malfunction, only a partial recording of this meeting is available.

CWAC RULES & REGULATIONS

~~November 7, 2012~~ February 4, 2015

I. DUTIES AND RESPONSIBILITIES

1) Chairperson

Shall preside at all meetings of the Committee. In this regard, the chairperson shall:

- a) Preserve order;
- b) Decide all points of order and procedure, subject to appeal to membership;
- c) Declare all votes;
- d) When more than one member wishes to speak, shall determine the order in which the members will speak;
- e) Understand open meeting law requirements, and facilitate compliance therewith;
- f) Represent the committee within and outside of the City organization, including signing correspondence for the committee, or may designate a CWAC member to represent CWAC when appropriate;
- g) Oversee the creation of the committee's annual report, to be submitted to the Mayor and Council by March 1 of each year for the preceding year.

~~2)~~ CWAC Subcommittees:

- a) ~~CWAC S~~ shall appoint at will all members to CWAC subcommittees and name the ~~chairpersons-members~~ thereof;
- b) ~~CWAC M~~ may establish any ad-hoc subcommittees as appropriate to further the work of CWAC.

~~3)~~ Vice-Chairperson

In the absence of the chairperson, shall preside at meetings and represent the committee as described above. If both the chairperson and the vice-chairperson are absent, the committee selects a member from among those present to preside.

4) Subcommittee Chairs

- a) Shall schedule timely subcommittee meetings in coordination with staff to ensure the purposes and functions of the CWAC are carried out;
- b) Shall coordinate with staff to create agendas for those meetings;
- c) Shall preside at those meetings as discussed above;
- d) Shall report to the committee on a regular basis.

5) Members

- a) Members shall come to meetings fully prepared to discuss items on the agenda;
- b) Attendance at meetings:
 1. It is appreciated that CWAC members may not be able to attend every meeting. Attendance at as many meetings as possible will help CWAC to accomplish the purposes and functions for which it was created, and will demonstrate respect for fellow members, respect for the appointing/nominating authority (Mayor

and Council/City Manager), and also respect for Tucson Water customers who are relying on CWAC to represent them.

2. In order to help ensure that a quorum will be present for meetings, members are requested to contact the staff liaison if they know in advance that they will be unable to attend a scheduled meeting.
3. The Mayor and Council have established minimum attendance requirements for members of City committees. A member who misses four (4) consecutive meetings for any reason or who fails to attend for any reason at least forty (40) percent of the meetings called in a calendar year is automatically and immediately removed as a member of the body (see Tucson Code 10A-134 (e).)

6) Public

- a) Citizens attending meetings shall observe rules of propriety, decorum, and good conduct. Any person making personal, impertinent, or slanderous remarks will be requested to leave.
- b) The public will be invited to speak during Call to the Audience. Individual comments will be limited to five (5) minutes. The chairperson may refer comments made during Call to the Audience for subsequent review by staff or the committee. During other parts of the meeting, the public will not be permitted to speak unless recognized by the chairperson.

II. MEETING QUORUMS

- a) CWAC: A majority of the authorized voting member positions, whether filled or not, shall determine the quorum. As CWAC is authorized a total of 15 voting members, 8 voting members are necessary at all times for a quorum.
- b) Subcommittees: At a subcommittee meeting, only business relating to items on the subcommittee agenda will be conducted and only by members of the subcommittee. A majority of the appointed subcommittee members shall constitute the quorum of a subcommittee.
- c) For purposes of information sharing, CWAC members are encouraged to attend meetings of subcommittees to which they are not an appointed member. In such circumstances, the non-member of the subcommittee shall not count toward the quorum, and will participate as a member of the audience (i.e., be allowed to speak at Call to the Audience and when recognized by the subcommittee chairperson).
- d) ~~When a quorum of CWAC is in attendance may discuss or vote on those subcommittee agenda items.~~

III. MOTIONS and VOTING

- a) The committee chairperson at CWAC meetings (and the subcommittee chairperson at subcommittee meetings) shall not make motions.
- b) Motions may be determined by voice vote, or at the request of any member by roll call. (Note: roll-call votes will be taken for Financial Plans and Elections)
- c) Abstentions: A member who abstains from a roll call vote will not be counted in the vote total. However, should the vote of that member determine the outcome of the overall vote, the member shall be asked a second time for their vote. Should the

member abstain a second time, the abstention will be counted as an affirmative vote.

IV. OPEN MEETING LAW CONSIDERATIONS

- a) All members shall fully comply with open meeting law as revised from time to time.
- b) Meeting Location: In compliance with open meeting law considerations, committee and subcommittee meetings shall be fully accessible to the public. The facility must have the space to accommodate public attendance, and any member of the public must be able to come in and attend. Meetings may be held in public facilities like the Tucson Water Building, libraries, or community centers.
- c) E-mail Communications: E-mail communication among members of the committee or a subcommittee prior to a meeting about issues facing the committee or a subcommittee is not permissible under the Arizona open meeting law. If committee or a subcommittee members e-mail each other in advance of a committee or a subcommittee meeting to discuss issues relevant to the subcommittee, they are already holding a meeting under the definition in A.R.S. Sec. 38-431(4):
- d) Preparation of Meeting Agendas: Individual members may send one-way agenda requests to the chair through staff (with the chair deciding whether to put it on or not); consultation on future agendas is prohibited, except during a noticed public meeting where such item is on the agenda.

V. RELATIONSHIP BETWEEN CWAC AND TUCSON WATER

CWAC is appointed by, and advisory to, the Mayor and Council. Staff is responsible to the City Manager, who is responsible to the Mayor and Council. Both CWAC and staff have a pervasive, shared responsibility to Tucson Water customers, related to the cost and availability of water for the community.

In their separate roles, CWAC and staff must maintain a respectful and cooperative relationship. Neither CWAC nor staff can accomplish their assigned functions and responsibilities without the assistance and cooperation of the other.

Tucson Water will provide CWAC with full information and transparency with regard to Tucson Water operations, and CWAC will respect the responsibility of the Tucson Water Director to manage staff and the operations of the department.

VI. ELECTION-RELATED ACTIVITIES

- a) A.R.S. Sec. 9-500.14 prohibits the City from using its personnel, equipment, materials, buildings or other resources for the purpose of influencing the outcomes of elections. This prohibition extends to the actions of City committees.
- b) City committees may not invite outside partisan groups to the committee to promote a community-based ballot initiative. Since the City cannot exert control over outside partisan groups, the City cannot permit such groups to make presentations in its committee meetings without potentially violating the statute.
- c) However, from time to time City committees, such as CWAC, may be permitted and even encouraged to provide information to the public on City-proposed ballot

issues. For example, CWAC might be invited to discuss water-related issues with the public before a water revenue bond election. Such presentations must be for informational purposes only, a permissible exception under the statute, and be approved (and therefore controlled) by the city to ensure the presentations remain informational and do not violate the state statutory prohibition.

- d) Committee members are free, as private individuals and not associated with any committee function, to attend outside partisan presentations, to express their opinions privately and publicly, and to campaign for or against any ballot issue on their own time.

Tucson, AZ Code of Ordinances

**ARTICLE III.
CITIZENS' WATER ADVISORY COMMITTEE***

* **Editors Note:** Ord. No. 4638, § 1, adopted Apr. 25, 1977, specifically amended the Code by adding art. III, §§ 27-60--27-62. Sections 2--4 did not expressly amend the Code; hence codification as §§ 27-63--27-65 was at the discretion of the editor.

Sec. 27-60. Creation.

There is hereby established an entity to be called the Citizens' Water Advisory Committee to the city.

(Ord. No. 4638, § 1, 4-25-77)

Sec. 27-61. Functions and purposes.

The functions, purposes, powers and duties of the committee shall be to:

- (a) Act as the official advisory body on water capital improvement program planning and rate structure formulation to city government;
- (b) Annually review the proposed water system capital improvement program, and recommend to the governing body an annual and a six-year capital budget;
- (c) Annually review the water revenue requirements of the water system and recommend to the governing body rate adjustments as required; promote the concerns of Tucson Water customers by ensuring that recommended water rate adjustments are kept to the absolute minimum necessary, consistent with adopted mayor and council plans and policies; and ensure that the water system delivers safe, high-quality water to all its customers.
- (d) Review and report to the governing body on the long-term (twenty (20) to thirty (30) years) water source and capital needs of the water system, utilizing staff of the water utility and other sources for the information necessary for such review;
- (e) Consult with the governing body from time-to-time as may be required by the mayor and council relative to water resource development needs;
- (f) Annually review the "Tucson Water Resources Plan 1990--2100" and recommend revisions thereto to the governing body as required;
- (g) Initiate comprehensive revision of the "Tucson Water Resources Plan 1990-- 2100" at five-year intervals or more frequently as required and recommend the necessary changes thereto to the governing body.
- (h) Review or make recommendations on policies affecting those water issues which the committee deems appropriate.

(Ord. No. 4638, § 1, 4-25-77; Ord. No. 7279, § 1, 9-11-89; Ord. No. 8183, §§ 1, 2, 2-7-94; Ord. No. 8262, § 1, 4-25-94)

Sec. 27-62. Membership composition, terms and qualifications.

(a) *Appointment.* The citizens' water advisory committee shall be composed of fifteen (15) members who shall be customers of the Tucson Water utility, as either a residential user or owning an enterprise using Tucson Water, and shall serve without compensation.

(b) *Selection process.* The mayor and each council member shall appoint one (1) member of the committee. The city manager, utilizing the resources of his office, shall nominate eight (8) members for final approval by the mayor and council.

It is suggested that appointed members have professional or technical competence in one of the following areas:

- (1) Utility rate making;
- (2) Water resource planning;
- (3) Business management;
- (4) Accounting;
- (5) Financial analysis;
- (6) Public health;
- (7) Water system engineering;
- (8) Resource economics;
- (9) Hydrology;
- (10) Landscape architecture;
- (11) Water law.

(c) *Terms.* The term of those committee members appointed by the mayor and council shall be coterminous with that of the appointing elected official. The term of those committee members nominated by the city manager and appointed by the mayor and council shall be four (4) years, or shall be coterminous with the term of the nominating city manager, whichever is less.

(d) The director of the water department and the director of the Pima County Regional Wastewater Reclamation Department shall serve as non-voting, ex officio, advisory members of the committee, who do not count toward the quorum, but may fully participate in all committee and subcommittee discussions. As used in this subsection, "director" means the director or the director's designee.

(Ord. No. 4638, § 1, 4-25-77; Ord. No. 7261, § 1, 8-7-89; Ord. No. 9172, § 1, 12-7-98; Ord. No. 10379, § 1, 3-20-07; Ord. No. 10606, § 1, 11-25-08)

Sec. 27-63. Committee organization.

The citizens' water advisory committee chairperson and a vice chairperson shall be selected by a majority of the committee members annually ~~on the second Monday of December~~, and the members shall adopt their own rules and regulations in relation to the committee's powers and duties, and shall appoint their own executive committees, standing committees and subcommittees, and shall meet at such time and places as determined by the committee.

within the first two weeks of December

(Ord. No. 4638, § 2, 4-25-77)

Sec. 27-64. Committee reports.

The citizens' water advisory committee shall render to the mayor and council an annual report on or before March 1 and send additional reports and recommendations as it determines, or as requested by the mayor and council. Minutes of the committee shall be filed with the city clerk.

(Ord. No. 4638, § 3, 4-25-77)

Sec. 27-65. Limitation of powers.

Neither the citizens' water advisory committee nor any member may incur city expenses without prior authorization of the mayor and council, nor may it obligate the city in any manner or form.

(Ord. No. 4638, § 4, 4-25-77)

Administration Service Charge

February 4, 2015



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Overview

- Introduction
- Cost Allocation Methodology
- Summary
- Next Steps
- Questions



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What is an Administration Service Charge?

- A comprehensive distribution of city-wide central service administrative costs to certain departments that benefit from these services.
- A cost allocation plan is used to distribute central service overhead costs to users of the services.
- The users of these services receive a direct benefit from general city services and in turn, reimburse the General Fund for that support.
- The administration service charge included in the cost allocation are the direct, indirect, and incremental costs to provide the services.



Cost Allocation Methodology

- The MAXIMUS[®] Cost Allocation and Rate System software is utilized to prepare the Full Cost Allocation Plan (FCAP).
 - Identifies the cost of central support services provided to operating departments, special funds, and other City entities.
 - Generally completed every two years during the preparation of the recommended budget.
 - Based on the FY 2015 expenditure budget and service activity from FY 2014.
 - Used to inform the development of the administrative service charges in the subsequent two fiscal years.
 - The administration service charge is updated in the second fiscal year with known financial changes.



Cost Allocation Methodology

(continued)

- The software uses a double step-down allocation process to distribute costs among central support services and to other city departments.
 - During the first step-down, cost allocations are made to all benefiting programs, including cross-allocations to other central services.
 - A second step-down allocation from each central service is made to ensure that the cross-benefit of services among central services is fully allocated to the receiving departments.
- Costs are allocated in accordance with the relative benefits received. For example, payroll costs are allocated to a department based on the number of FTEs in that department.



Cost Allocation Methodology

(continued)

First Allocation Step

The operating costs of the service activity, plus the allocated costs from other central services which have been identified up to that point.

First Allocation Step			Allocations to Receiving Departments			
Central Service Departments	Costs to be Allocated					
	Payroll	\$1,000				
	Procurement	\$1,000				
	Total to Allocate	\$2,000	Payroll	Procurement	Department A	Department B
Payroll	Operating Costs	\$1,000	10%	10%	50%	30%
	Incoming Costs	\$ -0-				
	Total to Allocate	\$1,000	\$100	\$100	\$500	\$300
Procurement	Operating Costs	\$1,000	10%	0%	60%	30%
	Incoming Costs	\$ 100				
	Total to Allocate	\$1,100	\$110	\$-0-	\$660	\$330
First Allocation Subtotal					\$1,160	\$630



Cost Allocation Methodology

(continued)

Second Allocation Step

The costs from other central services made subsequent to that service activity's first allocation. After the second allocation of each central support service, that activity cannot receive any additional allocations from other central service activities. The software recalculates the allocation percentages based on the allocation statistics from the first allocation step.

Second Allocation Step			Allocations to Receiving Departments			
Central Service Departments	Costs to be Allocated after First Allocation		Payroll	Procurement	Department A	Department B
Payroll	Operating Costs	\$ -0-	0%	11%	56%	33%
	Incoming Costs	\$ 210				
	Total to Allocate	\$ 210	\$-0-	\$23	\$118	\$69
Procurement	Operating Costs	\$ -0-	0%	0%	67%	33%
	Incoming Costs	\$ 23				
	Total to Allocate	\$ 23	\$-0-	\$-0-	\$15	\$8
Second Allocation Subtotal					\$133	\$77
Total Allocation \$2,000					\$1293	\$707



Cost Allocation Methodology

(continued)

- FCAP Preparation Example
 - Year 1 - Plan Year (e.g. FY 2013): Financial and operating data from this year are used to prepare the plan. Reports of service department costs and service delivery activity are generated for each central service function.
 - Year 2 – Preparation Year (e.g. FY 2014): The plan is prepared using the financial and operating data from Year 1.
 - Years 3 & 4 (e.g. FY 2015 & FY 2016) – The FCAP developed in Year 2 from the Year 1 data is used to inform the development of the administrative service charges for use in Years 3 and 4.
- Effect of Subsequent Events
 - FCAP results based on Year 1 data may be subsequently adjusted based on operational or financial events that occurred or are projected to occur during Years 2, 3, or 4.



Cost Allocation Methodology

(continued)

- The completed FCAP:
 - Provides a narrative description of the central service functions;
 - Presents the total costs to be allocated based on the financial data; and
 - Identifies the cost basis and the costs allocated by each service department to each receiving department.
- Draft results of the FCAP are reported to the affected departments for their review and comment.
- The FCAP is finalized upon completion of the review process.
- The administrative service charges are determined and made a part of the recommended budget.



Grantees and Central Service

- Departments are either Grantees or Central Service departments
 - Central Service departments provide services to other city departments
 - Grantees receive services from Central Service departments



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Activities

- An activity is the type of work performed by a department
 - Examples:
 - Accounts Payable
 - Payroll
 - Investments
 - Auction Services
- Each Central Service must have at least one activity
- Each activity is allocated on a defined basis



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Allocation Basis

- Allocations are the statistics used to distribute expenditure
 - Examples:
 - Total number of FTEs
 - Total weighted expenditures, less direct charges
 - Total salaries and benefits
 - Number of collection transactions processed
 - Number of purchase orders issued
 - Number of VOIP devices
 - Number of IT servers



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Summary

- City staff prepares a cost plan to allocate the cost of providing central support services to its operating departments, special funds, and other entities of the City.
- The plan builds on the work conducted by a cost consultant and utilizes specialized cost allocation software.
- The Mayor and Council have adopted user fee and cost recovery policies supported by the cost allocation methodology and software.
- Results of the plan are used to inform the determination of the administrative service charges to the affected departments.
- The Citizen's Water Advisory Committee (CWAC) Finance Subcommittee endorsed the cost allocation methodology as a basis for negotiating the service charge to Tucson Water.



Next Steps

- Budget and Internal Audit staff are completing the process for the FY 2016 budget
- Departments will have two weeks to review the results
- Present to Citizens' Water Advisory Committee the results for Tucson Water at the March, 2015 meeting



Questions?



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Central Service Activities

Budget
City Attorney – Civil, Criminal, and Internal Litigation
City Clerk
City Manager
Finance – Director’s Office
Finance – Accounting and Accounting Services
Finance – Pension Administration
Finance – Treasury
General Services – Fleet and Facilities Management
Human Resources
Information Technology
Internal Audit
Procurement
Real Estate
Risk Management

Grantee Departments

Mayor and Council
City Attorney – Victim Assistance
City Clerk – Legal and Public Information
City Clerk – Election and Campaign Account
City Court
Economic Development and Annexation
Environmental Services
Finance – Business Licensing
Finance – Tax Audit and Investigations
Highway User Revenue Fund (HURF)
Housing and Community Development
Information Technology – Citigraphics
Information Technology – Public Information
Outside Agencies
Parks and Recreation
Park Tucson
Planning and Development Services
Public Defender Debt Services
Tucson City Golf
Tucson Convention Center
Tucson Fire
Tucson Police
Tucson Water
Zoning Examiner

City of Tucson
Cost Allocation Allocation Basis Reference

Grantee (G) vs Central Service (CS)	COT Dept	Activity	Who are the customers	Allocation Basis
G	Mayor/Council		the public	
G	City Manager		the public	
CS		City Mgr FTEs	all city depts	direct allocation to 1030
CS		City Mgr Fiscal	all city depts	total # of FTEs, less M&C offices
G		Zoning Examiner	the public	weighted exp allocation
G		Economic and Workforce Development	the public	direct allocation to 1043
G		SBA Business Grant	the public	direct allocation to 1044
CS		Real Estate	certain city depts	direct allocation to 1047
CS		Real Estate - General	all other depts	interactivity charges for Real Estate services
CS	Finance	Dir's Office	the other Finance units	total weighted exp allocation, less depts with direct charges
CS		Acct Admin	the other Accounting units	total salaries & benefits of the other Finance units
CS		Services	all depts	total salaries & benefits of the other Accounting units
CS		Payroll	all employees	direct service charges by program dept
CS		A/P	all depts	weighted exp allocation
CS		Operations	all depts	total # of FTE's
CS		Accounting Systems	all depts	# of payment vouchers processed
CS		Treasury - Admin	Part of debt management is for Water, balance is for G.O.'s	weighted exp allocation
CS		Collections Gen	all general revenue	weighted exp allocation
CS		Collections Spcl	specific recipients	total weighted exp. allocation, less Water & Env Svcs
G		Investments - City	all depts	# of collection transactions processed
G		Treasury - License	the public	weighted exp allocation
G		Revenue - Investigations	the public	direct allocation to itself
CS		Tax Audit	the public	direct allocation to itself
CS		Risk Management	all depts	direct allocation to itself
CS		Pension Admin	all depts less commissioned	risk management transfers
CS	Budget & Internal Audit	Personal	public safety	# of permanent FTE's, less elected, less commissioned public safety
CS		Fiscal	all depts	total # of FTE's
CS	City Attorney	Dept Admin	the other Attorney units	weighted exp allocation
CS		Civil-Specific	specific depts/functions as identified by City Attorney's Office	estimated level of support by City Attorney
CS		Civil-General	all depts	estimated level of staff support by attorneys in Civil unit
CS		Criminal-Services	specific depts/functions as identified by City Attorney's Office	weighted exp allocation
G		Victim Assistance	the public	estimated level of staff support
G				weighted exp allocation
G				estimated level of staff support
G				direct allocation to 1318

City of Tucson
Cost Allocation Allocation Basis Reference

Grantee (G) vs Central Service (CS)	COT Dept	Activity	Who are the customers	Allocation Basis
CS	Procurement	Internal Litigation-Services Dept Admin	Risk Management the other Procurement units	direct allocation to Risk Management total salaries & benefits of the other Procurement units
CS		SAMM Trans Auction Expense	all depts TDOT all depts	weighted exp allocation direct allocation to 4910 - Transportation total weighted exp, less ES, GSD, Trans, Water
CS		Contract Services Mail Room-External	all depts all departments sending outside mail through the city mail room	# of contracts and PO's issued interactivity charges for mail services
CS	Office of Integrated Planning	Mail Room-Internal Administration	all city employees public & city depts	total # of FTE's estimated level of staff support
CS	City Clerk	Dept Admin Mayor & Council Financial Management	other City Clerk units Mayor & Council other City Clerk units	total salaries & benefits of the other Clerk units direct allocation to Mayor & Council total salaries & benefits of the other Clerk units
CS		Liquor License Boards and Commissions IT Support - CCO Early Voting Voting Area Support IT Support/Elections M&C Support	direct allocation to Mayor & Council direct allocation to Mayor & Council total salaries & benefits of the other Clerk units direct allocation to Mayor & Council direct allocation to Mayor & Council direct allocation to Mayor & Council direct allocation to Mayor & Council	direct allocation to Mayor & Council direct allocation to Mayor & Council total salaries & benefits of the other Clerk units direct allocation to Mayor & Council direct allocation to Mayor & Council direct allocation to Mayor & Council direct allocation to Mayor & Council
CS		Campaign Finance Records Center/Archives Public Records	mayor and council all city depts other City Clerk units	direct allocation to Mayor & Council # of departmental public record requests direct allocation to Clerk - Leg&Rec-Public Records
CS	Information Technology	IT Admin Public Safety GIS General	the other IT units Fire and Police depts all city depts except ES, TDOT, Water	total salaries & benefits of the other IT units estimated level of staff effort weighted exp allocation
CS		GIS Specific Com Engineering (1575) Telecomm Systems (1592) Network Services (1594)	ES, TDOT, Water all city depts all city depts all city depts	estimated level of staff support, from IT # of VOIP devices # of VOIP devices # of VOIP devices
CS		Technical Services Tech Svcs - Multi Services (1559) Customer Services (1593)	all city depts all city depts all city depts all city depts	weighted exp allocation # of PC's # of PC's weighted exp allocation
CS	Human Resources	IT-ERP Dept Admin Civil Svc Comm Services Employee Benefits	all city depts the other HR units all depts under Civil Service all hiring departments all benefit-eligible employees	total salaries & benefits of the other HR units # of permanent FTE's, less elected and appointed # of permanent FTE's, less M&C # of permanent FTE's

City of Tucson
Cost Allocation Allocation Basis Reference

Grantee (G) vs Central Service (CS)	COT Dept	Activity	Who are the customers	Allocation Basis
CS		Services	all dept	# of permanent FTE's, less elected
CS		Workers Compensation Claims	all dept	object 115 transfers
CS		Central Safety Services	all employees	total # of FTE's
CS		Equal Opp Pgm - City	all employees	total # of FTE's
CS	Outside Agencies	Outside Agencies-Grantee	non-departmental	direct allocation to 1811
		Outside Agencies-HURF	TDOT	direct allocation to 8000 - HURF
CS	General Expense	General Govt Exp	all depts	weighted exp allocation
		Gen Exp-Outside Agencies	non-departmental	direct allocation to 1811-Outside Agencies-Grantee
G	Debt Service	Debt Svc-Grantee		direct allocation to 1981 Debt Service - Grantee
		Debt Svc-HURF	TDOT	direct allocation to 8000 - HURF
CS		Debt Service	all depts	varies depending on what is being financed
CS	Tucson Fire	PSPRS	police and fire commissioned	# of commissioned FTEs
CS		Comm Dispatch 911	City depts and jurisdictions	% of # of calls by City depts/jurisdiction
CS		Comm Dispatch Public Safety	City depts and jurisdictions	% of # of calls by City depts/jurisdiction
CS		Com Dispatch GS Oper	City depts and jurisdictions	% of # of calls by City depts/jurisdiction
CS		Hazardous Waste Disposal	City depts and jurisdictions	object 228 transfers
G		Tucson Fire Grantee	Tucson Fire	direct allocation to Tucson Fire
CS	General Services	Dept Admin	Other GSD units	total salaries and benefits
CS		Facilities Maint	all depts	facilities maintenance expenditures
CS		Other Bldg Maint	General Fund Departments	estimated % of building occupancy
CS		Security Services	TOPSC and City Hall Departs	expenditures for security services
CS		A&E	all depts	expenditures for A&E services
CS		Fleet Services	all depts	expenditures for Fleet Services
CS		Radio Ops	City depts and jurisdictions	% of # of calls by City depts/jurisdiction
CS		Comm Maint	City depts	expenditures for Communication Maintenance
CS		I-Net Maint	all depts	weighted expense allocation



MEMORANDUM

DATE: January 15, 2015

TO: Honorable Mayor and Council Members

FROM: Alan D. Forrest, P.E.
Director
Tucson Water Department

SUBJECT: Update on the Expansion of the Rainwater Harvesting Rebate Program

As requested at the November 5th, 2014 Study Session, Tucson Water staff have prepared an update on efforts to expand the Rainwater Harvesting Rebate Program. Expansions and program changes are planned to take effect July 1, 2015. As a result of discussions that have taken place on this topic, Tucson Water is recommending that a complete program evaluation be conducted at the end of calendar year 2017. This departure from the standard 3-year period, used to assess impact on water use, is designed to allow for a more complete evaluation of the additional benefits attributed to rainwater harvesting practices.

You will find details of each of the particular expansion points discussed in detail. If you have any questions about the findings or progress of these expansion options, please contact Fernando Molina, Public Information Officer, or Daniel Ransom, Conservation Program Manager, at 791-4331.

1) Expand the water harvesting rebate to all customers with a 3/4 inch or smaller meter which will include small commercial and multi-family customers

Need: Provide clarity to the applicants for what does and does not qualify while allowing for a simple process to apply for a rebate.

Progress: Brochures, applications, workshop criteria, and website will be updated to define “small commercial and “multi-family” customers with a 5/8” or 3/4” meter. Workshop attendance for small commercial and multi-housing owners will continue as a requirement for participation in the rebate program. Customers can identify their meter size by calling the Public Information Conservation Office (PICO) or by comparing the service charge on the second page of their water bill to this table: <http://water.tucsonaz.gov/water/potable-rates>. Itemized water volume charges are \$11.00 for 5/8” meters and \$14.64 for 3/4” meters.

2) Include curb cuts into the rebate program

Need: Identify process for permitting curb cuts to comply with jurisdictional regulations.

Progress: Brochures, applications, workshop criteria, and website will be updated to include information for installing and permitting curb cuts. Johanna Hernandez contacted Ellen Alster (Landscape Architect) with Pima County Department of Transportation (DOT) which does not

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SUBJECT: Update on the Expansion of the Rainwater Harvesting Rebate Program
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allow curb cuts and does not have a permitting policy for existing roadways. However, the County incorporates curb cuts and storm water management into new development. The Tucson Water staff recommendation is to pilot curb cuts in the City of Tucson jurisdiction where permitting, standard details, and specifications are already in place.

A meeting was held with Gary Wittwer, Tucson DOT Landscape Architect, on January 6th to discuss the permitting process for curb cuts and cores within the City of Tucson jurisdiction. In attendance: Fernando Molina (TW), Daniel Ransom (TW), Candice Rupprecht (TW), Andrew Greenhill (TW), Gary Wittwer (TDOT).

Discussion included:

- Providing materials and weblinks about curb cuts, curb cores and right-of-way (ROW) work from TDOT on Tucson Water's website
- Maintaining the same permit process established by TDOT; TW will direct questions to Gary Wittwer
- Issuing RWH rebates after final inspection on curb cut/curb core has been completed, thereby ensuring that more final inspections are actually completed and cleared from the TDOT log of open projects
- Maintaining TW policy that RWH rebates are issued to individual customers and therefore neighborhood associations planning ROW work must coordinate efforts

3) Enhance and streamline the current rebate program incorporating the feedback provided by participants like standardizing the curriculum for the workshop

Additional information was provided in a memo from Ward 1 sent to Amy McCoy, Chair of CWAC C&E Subcommittee on November 17th, 2014.

- 1) Create a uniform curriculum for all rebate workshops
- 2) Create a uniform web-site or link for all organizations that teach rebate workshops
- 3) Create uniform feedback and tracking for all rebate participants
- 4) Perform outreach with all permit reviewers dealing with curb cuts
- 5) Work with organizations that have a proven track record of working with low-income communities to improve outreach and utilization of the program in those communities

Need: Compile existing workshop feedback, review survey conducted by ward offices and gather input from stakeholders about perceived need(s) for workshop improvements.

Progress: The first meeting to discuss improvements and standardizing water harvesting rebate workshops was held December 18th, 2014. In attendance: Katie Bolger (Ward 2), Steve Arnquist (Ward 1), Tamara Prime (Ward 3), Daniel Ransom (TW), Charlie Ware (SARG), Mark Lewis (CWAC C&E), Catlow Shipek (WMG), Lincoln Perino (SmartScape), Brad Lancaster (Consultant), and not in attendance Amy Stabler (Ward 6). The next meeting is scheduled January 28th, 2015, at Ward 1 Office.

Discussion included:

- Developing a power-point template baseline to standardize workshop presentations for all rebate workshops including Spanish translations
- Developing a tracking system for water saving, monetary savings, and additional benefits
- Set up semi-annual meetings to update instructors on evolving techniques
- Develop web videos (English and Spanish) for refreshers as part of uniform online curriculum
- Develop best management practices for all workshop presentations
- Create website uniformity between all workshop providers
- Uniform follow-up with participants such as surveys and data collection

4) Work with entities that work with low-income communities to improve low-income outreach program

Need: Understand effectiveness of existing low-income services and identify opportunities for expansion of these services.

Progress: Tucson Water has partnered with SERI (Sonora Environmental Research Institute) on a pilot project to provide training and install rain water harvesting systems at low-income homes. Requirements for the program are that participants must be low-income, have trees from Trees for Tucson or other authorized suppliers, and take both a tree care and rainwater harvesting workshop. Claudio Rodriguez from the Community Food Bank has been assisting with the workshops, which are offered in Spanish. Funding for the pilot program includes \$20,000 from a grant acquired by SERI and \$20,000 matching from Tucson Water.

SERI staff and volunteers attended a workshop with Ethos Rainwater Harvesting to learn how to install earthworks. Using SERI staff and volunteers to design and install passive rainwater harvesting systems at low-income households will reduce the cost by not having to hire contractors. Additionally, changes to designs and practices are being considered in an effort to reduce costs. The pilot project with SERI will be completed in Spring 2015, allowing for additional information to be reviewed to assist with program development.

Tucson Water is having discussions with the Community Food Bank to offer gray water and rainwater harvesting workshops in Spanish that would qualify for the rebate programs. Locations of the workshops would be offered in low-income neighborhoods.

Community Home Repair Projects of Arizona (CHRP) works with low-income families installing HETs for Tucson Water's low-income program and is willing to help with outreach for rainwater harvesting.

5) Discussion with the members of the flood control district

Need: Understand impacts of the expanded rainwater harvesting program on agencies that manage storm water within the Tucson Water service area.

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Progress: Staff met with Pima County Flood Control on December 17th, 2014 to discuss coordination between the Regional Flood Control District (RFCD) and Tucson Water on efforts with the rainwater harvesting program. RFCD has undertaken some studies to analyze impacts on stormwater runoff resulting from urbanization, and they also expressed interest in establishing a network of sites to monitor rainfall and water use from RWH systems. In attendance: Fernando Molina (TW), Daniel Ransom (TW), Evan Canfield (County), Lynn Orchard (County), Eric Shepp (County Floodplain Administrator), and Irene Ogata (OIP).

Tucson Water will continue to evaluate the RWH program based on reduction in demand. However, staff met with the Office of Integrated Planning (OIP) December 1, to discuss the additional benefits of rainwater harvesting and OIP's potential role in analyzing their impacts. Tucson Water will develop projects to collect data to assess benefits of rainwater harvesting, including stormwater runoff and increased tree canopy. In attendance; Katie Bolger, (ward 2), Steve Arnquist (ward 2), Leslie Ethen (OIP), James MacAdam (OIP), Irene Ogata (OIP), Tamara Prime (ward 3), Fernando Molina (TW), and Daniel Ransom (TW).



Projected Agenda

February 4, 2015

- **Miscellaneous Fees Presentation (B Oden)**
- **Administrative Service Charge Presentation (City Budget)**
- **Rainwater Harvesting Update**

March 4, 2015

- **Cost of Service Results and Proposed Rate Schedules**
- **Isolated Systems Update**

April 1, 2015

- **Factors in Municipal Water Use (Gary Woodard)**

May 6, 2015

- **WSA Policy Review**
- **Water Checkbook Update**

June 3, 2015

- **Pending**

Future Agenda Items without a Date:

- Green Streets Presentation*
- Antibiotic resistant genes in the Wastewater system (J McLain)*
- Effluent Sales and ground water use Analysis (P dos Santos)*
- WaterSMART program*
- PR Position/Strategy*
- Randolph Park (Director's update when available)*
- Tour of CAP*
- Public Engagement*