

2015 CWAC Annual Report

Membership

Membership of the Citizens' Water Advisory Committee (CWAC) for 2015 is shown in the table below.

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

¹ Appointed June 3, 2015

² Resigned June 3, 2015

³ Appointed July 20, 2015

⁴ Appointed August 5, 2015

⁵ Resigned June 3, 2015

Meetings

CWAC met on ten occasions in 2015: , January 7th, February 4th, March 4th, April 1st, May 6th, June 3rd, September 2nd, October 7th, November 4th, and December 3rd.

Actions

Formal votes were taken on the following:

January	voted to approve a CWAC memorandum to Mayor and Council recommending the support of the extension of the CAWCD's \$.04 tax voted to form an Ad Hoc By-Laws Subcommittee to update the Committees Rules and Regulations voted to approve the Conservation Annual Report voted to adopt Tucson Water's two Financial Plan options, with a preference for Option 2 voted to adopt a \$.01 Conservation Fee increase
February	voted to adopt amendments to CWAC's Rules and Regulations and to recommend Code changes related to CWAC elections voted to dissolve Ad Hoc By-Laws Subcommittee
March	voted to adopt Tucson Water's two Proposed Rate Schedule options, with a preference for Option A voted to request information from Tucson Water regarding costs associated with alternatives to City administrative services
April	voted to form an Ad Hoc Bill Redesign Subcommittee for review and redesign of the Utility's bill
December	voted to adopt 2016 meeting schedule voted to appoint Member Wong as Committee Chair voted to appoint Member Lewis as Committee Vice Chair

Sub-Committee Activities

In FY15, the *Finance Subcommittee* reviewed the water revenue forecast and revenue requirements, as well as the operating and capital budgets for the Water System, and recommended a revenue increase to the full CWAC. Two alternative plans for revenue increases were proposed, one including the payment in lieu-of tax (PILOT) and the other without the PILOT, CWAC's preferred plan. The Finance Subcommittee also reviewed the Cost of Service study, revenue targets, as well as proposed rate schedules. Two primary rate-schedule scenarios, with sub-options, were evaluated and moved forward to full CWAC with the second scenario, based on average winter usage, as the preferred option. Full CWAC supported those recommendations and moved those forward to Mayor and Council.

In FY16 the Finance Subcommittee has, to date, reviewed the water revenue forecast and revenue requirements, as well as the operating and capital budgets for the Water System.

The *Technical, Planning, and Policy Subcommittee* worked with staff to review the Water Service Area Policy. Additionally, the Subcommittee reviewed the Annual Water Checkbook, and worked with staff to clarify the associated reports. The Subcommittee was integral to coordinating CWAC's letter of support of the extension of the CAWCD's \$.04 tax.

The *Conservation and Education Subcommittee* worked with staff to develop and approve the conservation program budget for FY15, including an increase of one-cent to the Conservation Fee, from seven cents to eight cents per ccf. The Subcommittee reviewed and approved the FY14-15 Conservation Program Annual Report and requested presentations from conservation program partners and contractors that began Fall 2015. Additionally, the Subcommittee worked with staff to expand the rainwater harvesting incentives rebate program and considered new program ideas including a pool retirement program. In recent months, the Subcommittee has reviewed the City of Tucson Mayor and Council Water Policies and Conservation Fund language and is currently drafting recommendations for the revision to Water Policies relating to water conservation.

The *By-Laws Ad Hoc Subcommittee* reviewed and discussed CWAC's most recent Rules and Regulations, adopted in 2012, in relation to their adherence to City Code and the Committee's mandate from Mayor and Council. Amendments to the Rules and Regulations, as well as to City Code, were proposed and adopted by the Committee. The Committee voted to dissolve the Subcommittee thereafter.

The *Bill Redesign Ad Hoc Subcommittee* reviewed the Utility Services Statement for possible improvements. The members considered mock-ups of alternative statements, and forwarded recommendations for focus group review. The Subcommittee will continue to work with staff towards these goals.

Presentations

The Committee received the following presentations throughout the year:

January **Conservation Annual Report** – Tucson Water staff briefly summarized the expanded Conservation Annual Report. The major differences from prior reports were noted and minor clarifications were made.

Tucson Water Financial Plan Presentation – Tucson Water staff, along with rate consultant Deb Galardi, presented the proposed FY15-FY20 Financial Plan. Mayor and Council policies regarding debt service coverage, cash reserves, annual review of rates and charges, bond covenants, and rating agencies were all discussed. Tucson Water reliability was also briefly discussed, followed by a breakdown of the rate process. The Operating and Maintenance as well as the Capital budgets, both previously presented to the Committee, were briefly reviewed. The Committee was presented with two Financial Plans for consideration: Option 1, which includes a payment in lieu of tax, and Option 2, which does not include a payment in lieu of tax. A comparison of the prior year's annual revenue requirements from rates and the current year's annual revenue requirements with uses of new revenues were discussed. Staff also addressed the proposed Conservation Fee increase from \$.07 to \$.08 for the development and expansion of the Conservation Program.

February **Administrative Service Charge** – City of Tucson Budget and Internal Audit staff presented a PowerPoint 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. Allocation costs 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 detailed list of Central Services and their related activities was provided. Tucson Water recovers these costs through its rates, which other City Departments pay in full. Changes in expected activity use are reflected in future allocation plans.

Miscellaneous Fees Presentation – Tucson Water staff 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 installations and other services received. A cost study is conducted every two years to evaluate the current fees and consider changes to the fees. The cost studies are reviewed by the Finance Subcommittee, and recommendations are 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.

Rain Water Harvesting – Tucson Water staff provided a summary of the progress made 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 $\frac{3}{4}$ inch or smaller meter; including curb cuts into the rebate program; enhancing and streamlining the current rebate program incorporating feedback from current participants; working with partners to improve the low-income outreach program; and discussing 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. Tucson Water is updating the program materials to reflect the inclusion of $\frac{3}{4}$ inch meters and smaller; curb cuts rebates will be provided to any applicant that installs an applicable permitted curb cut (it was 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.

March **Cost of Service Results and Proposed Rate Schedules** – Tucson Water staff and consultant Deb Galardi presented a PowerPoint on the proposed rate structure. Staff briefly discussed the water reliability program, the rate process, and the approved Financial Plan for Tucson Water. Ms. Galardi reviewed the proposed rate structure in terms of objectives with a focus on improving rate resiliency. Cost of Service was broken down into its components: type of water delivered, water usage/demand, and customers in group. Cost of Service components were evaluated to calculate proposed revenue increases. Proposed rate increases were reviewed by the Finance Subcommittee and the Subcommittee recommendations were reviewed. The subcommittee recommended changes to the residential rate structure. Extensive discussion was held on residential block structures. Two CWAC proposals were reviewed; Option A, wherein Block 1 is based on average winter use (7ccf), and Option B, wherein Block 1 is based on average summer use (10ccf). Rate changes for other customer groups due to service charge and fee changes were detailed. Tucson Water fixed charges were compared to other utilities. Bill impacts for both options were discussed in depth and the Low Income Assistance Program was reviewed briefly.

Administrative Service Charge Presentation – City of Tucson Budget and Internal Audit staff members Joyce Garland and Robert Kultz continued the discussion on Administrative Service Charges from the February CWAC meeting. An updated handout of the Summary of Allocation Basis and an in depth handout reflecting the Procurement Department purchasing card schedules was provided. Ms. Lee Barr, with the City of Tucson Budget and Internal Audit, briefly reviewed the in-depth schedules. Ms. Garland resumed discussions on allocated costs by department and three detailed handouts were provided. Brief review of each handout was provided.

April **Factors in Municipal Water Uses** – Mr. Gary Woodard provided a PowerPoint on factors in municipal water uses. Mr. Woodard reported that national water demand has been dropping steadily, despite population growth, since the late 1980's. Causes of decreased demand, consequences of decreased demand, and future considerations were discussed, with a focus on municipal uses. Drops in demand resulted in decreased revenues for water utilities, over-production of infrastructure, and decreased desire for conservation. Sustained decreases resulted in the need for long-term forecasting and attempts at

establishing a new normal. Initial forecasting, based on population projections, was overly conservative, focused on short-term events, and did not properly address long-term trends. Additionally, too much of the decrease was credited to conservation programs. Fiscal, operational, planning, and perception challenges associated with decreased demands for municipal water users were discussed. Mr. Woodard's study focused on three factors affecting municipal water demand: Changing Tastes (pools, landscapes, new homes), Changing Socio-demographics (composition of households, seasonal residents), and Efficiency Standards (federal mandatory, federal voluntary and neighboring state effects). The study relied upon existing reliable data, and focused on changes and triggers of change. The resulting dynamic model focuses on significant changes in single-family residential demand and allows for measuring the effect of multiple variables. Various possible reasons for long-term decreases in demand were discussed. Fixtures and appliances are averaging less water use than their maximum rates. Use of turf and swimming pools are decreasing, whereas use of artificial turf, xeriscape, and efficiency of fixtures and appliances are increasing. Multiple triggers for changes in water use, such as new homeowners, and replacement of fixtures, appliances and landscapes that are no longer functional, were discussed. Downward trends for water use of washing machines, toilets and showers were discussed. Trends reflect showers have the most room for improvement for indoor water use. Generally, domestic demand is most affected by the efficiency of new homes, passive conservation, and active conservation efforts. Water demand is not tied to population, economy, conservation or quality of life, as it once was.

Isolated Systems Update – Tucson Water staff presented a PowerPoint on Tucson Water's Isolated Systems: Silverbell, Rancho Del Sol Lindo, Valley View Acres, Sierrita Foothills Estates, Diamond Bell Ranch, Vista Catalina, Thunderhead Ranch, and Santa Rita Bell Air. A summary of purchase, services, demands and water rights associated with each of the eight isolated systems was provided. Each system was reviewed in terms of revenues, cost, asset value and market value. Systems were evaluated in regards to if the system pays for itself, if it can be reasonably connected to the central system, and to whom Tucson Water could possibly sell the system. Santa Rita Bel Air and Diamond Bell systems pay a separate connection fee. Overall, the isolated systems represent 1.4% of total Tucson Water revenues, 1.06% of the total system use, and 6.4% of non-renewable water use. Tucson Water has an established policy for water system acquisition, and has a draft policy for water system divestment. The Utility is not actively pursuing the sale of the systems, but has been approached with a proposal to purchase all of the systems in a bundle.

2014 Pumpage and Storage Roundup – Tucson Water staff presented a PowerPoint presentation on water production for the Tucson Water service area. Total water production in 2014 was 111,459 AF with 79% being CAP, 11% being Reclaimed, 5% Ground Water, and 5% TARP. Gallons per capita per day (GPCD) calculations reflected a continued decline in total water demand, total potable demand, and residential potable demand. Additionally, lost and unaccounted for water has decreased continuously to a low of 7.94%.

- May **Water Checkbook/Water Service Area Policy Update** – Tucson Water staff presented a PowerPoint on the Water Checkbook and the Water Service Area Policy. It was noted that the Water Checkbook reflects total potable supplies of 161,130 AF, long term storage credits of 236,005 AF, and total effluent supplies of 25,731 AF. Potable usage and reserved demand is down 3% from 2013. A brief background on the Water Service Area Policy, Water Assurance Letters, and Nine Refinements was provided. 2014 Water Service Requests were reviewed and delineated (by month, customer type, and jurisdiction) noting total water service requests (167), approvals (122) and denials (45). Common reasons for denial were discussed (outside of service area, does not meet water service area policy). Four denials were appealed to Water Service Area Review Board (WSARB); each denial was reviewed as to location, circumstance and reason for denial. Tucson Water staff also reviewed the proposed administrative changes to the WSARB process, including the addition of deadlines within which to file and process appeals, the designation of support staff, and the process for appeal to Mayor and Council. Staff proposed thirty (30) calendar day deadlines be included for the following stages of the WSARB process: appeal of a Tucson Water denial of service to the WSARB; setting of a WSARB hearing; appeal of a WSARB denial to Mayor and Council; and placement of appeal on a future Mayor and Council agenda. Additionally, staff proposed the policy should be amended to reflect the City Manager's Office shall "assign" staff, as opposed to the current language, which reads they shall "provide" staff. Finally, staff proposed, after consultation with the WSARB, that the process for appeal to Mayor and Council be codified to reflect that, upon notification of an appellant's desire to appeal a WSARB denial to Mayor and Council, Tucson Water staff shall coordinate the appeal with the Clerk's office for an upcoming Mayor and Council agenda on behalf of the appellant.
- June **Effect of Reduced Flows to the Sewer** – Deputy Director of Pima County Regional Wastewater Reclamation Department John Warner presented a PowerPoint on the effects of reduced flows on gravity sewer systems. Gravity sewer systems are designed for 100-year life spans, to transport waste through gravity, with multiple points of influent into the system during transportation. The County is regulated by a state permitting process. The Capacity, Management, Operations and Maintenance (CMOM) permit is required by ADEQ, and related to the aquifer protection permit. Depositing of solids in the system, due in part to low flows, is a threat to capacity. Other threats to capacity include inflows through non-standard influent. The system is regulated by ADEQ sloping standards and is designed to run at 70-80% of full capacity. The County operates and maintains 3,478 miles of pipe. Just under 2,500 miles of the pipe is televised through CCTV. CCTV is currently a voluntary aspect of the CMOM permit, and must be complete by December 2016. The CCTV is looking for structural integrity, debris, dirt, and other obstructions causing surcharges (backed up water) that may require flushing. Flushing is done mostly with potable water and also some reclaimed water. Reclaimed water is not available in all areas, and requires water trucks that have additional risks. Sanitary sewer overflow, or water trickling out of manhole, is one of the worst-case scenarios for sewer management. The results of low flow and lack of maintenance are detrimental and far-reaching. Approximately 2.65 million

gallons, or 8 acre feet, of potable water is used for flushing; 65k gallons of reclaimed has been used for flushing over the last 12 months. Flushing water is metered and paid for at the construction rate, and related costs are built into the sewer rates.

Mayor Rothschild on Water Perspectives – Mayor Rothschild spoke about his water perspectives. Water is the most important issue in this region, “no water, no nothing.” This has implications for development and growth. It is both good and bad that water concerns are becoming a larger part of the public conversation. There will be CAP shortages within a year or two, and while “shortage” is just a legal term for CAP, the public will panic, and that public panic will need to be managed. Tucson is probably in the best position in the west in terms of preparation of our water resources. Aspects of that preparation include: wheeling agreements (Oro Valley and Vail); Speedway Recycling Plant improvements; passage of green streets ordinance; completion of the AOP treatment facility; creation of the Tucson Utility Management System (city wide measures to provide an example in conservation and efficient use of resources); recharge in CAVSARP/SAVSARP; IBM Smarter Cities Challenge grant; improvements to SCADA; beginning processes for conversion to AMR/AMI (digital metering); prevailed in legislation to protect our Water Service Policy and Painted Hills; investments in water conservation education (27 different programs last year); won or placed 2nd Mayor’s Conservation Challenge the last three years; creation of Water Cluster program; Inter-AMA Firming (Phoenix-Tucson CAP agreement); and working with other jurisdictions, such as agriculture, to achieve alignment despite differing priorities. These measures are not about being “safe” from shortage, but about being prepared for shortage. Running a water utility is no cheap or easy feat. There will be a lot of changes coming with a new Director and a new City Manager bringing new perspectives. The costs of CAP will go up, while supplies go down. Tucson Water’s rates should continue to be structured to encourage conservation. Mayor Rothschild would like to see further development of the conservation effluent project (CEP) and restoration. Additionally, the City and Tucson Water will need to invest in the build out of infrastructure for development around airport and other similar areas to bring big businesses and transformational employers into the City. The Mayor thanked the Committee for being such good stewards, understanding the difficulties involved in shaping water policy. Annexations provide an opportunity for County residents to participate in discussions and weigh in on decisions on equal footing. While the Mayor, and other City representatives, make every effort to communicate with non-City customers, the most effective way to be heard is to be annexed. While expansion of the reclaimed system isn’t expressly included in other infrastructure development plans, it is something that will be considered when appropriate. While it may seem counterintuitive to conserve water, only to pay more through increased rates, the costs associated to the delivery of water aren’t necessarily directly related to usage. Public Outreach ‘navigators’ may be helpful in spreading the word on the great low income assistance and rebate programs the City offers. These programs will require even further development as the rates will have to reflect the need to respond to emerging issues such as climate change mitigation and adaptation.

The City needs to get ahead of these issues, and be transparent in their effect on the City and Utility

September **City Manager Michael Ortega on Water Perspectives** – City Manager Michael Ortega addressed the Committee regarding the City Manager’s Office water perspectives. Water is of the utmost importance. Focus needs to be on cost structure and on fixed costs versus variable costs. Dialogue needs to be had about the political aspects versus the operational aspects of rate structure. Cooperative relationships with Phoenix and with legislators are crucial for long term planning. City Manager Ortega discussed developing rate structures that encourage conservation and also capture costs. Also discussed was the process for communications between appointees and the City Manager’s Office. Communications will be addressed more completely upon the appointment of the new Tucson Water Director. A discussion was held regarding Rocking K development and coordination. The developer is considering their options for water service. Regardless of their ultimate jurisdiction, the City will be coordinating with the developer to ensure future plans for the area are aligned.

PR Strategy and Public Engagement – Tucson Water staff presented a Prezi on Public Relations Strategy and Public Engagement. Tucson Water’s guiding document is the recently completed Strategic Plan 2020. This plan aligns the Utility’s missions and values and directs efforts in operations and future planning. A brief overview of the Strategic Plan was provided with a focus on those aspects that ensure effective engagement. The central theme of the Strategic Plan is the Utility’s Water Reliability program. One aspect of the Plan related to PR Strategy and Public Engagement is Transparency and Communication through uniformity in messaging, accessibility, tailored messaging to identify audiences, and exploring various methods of communications and outreach. Mr. Molina reviewed the five elements of Water Reliability: Water Supply, planning for the future; Water Quality, matching quality to use; Water Customers, guided by feedback; Water Operations and Systems, delivering water; and Conservation/Education, equity and effectiveness.

October **Alternative Infrastructure Assessment (AIA)** – Tucson Water staff presented a PowerPoint on the preliminary results of the Alternative Infrastructure Assessment (AIA) Study. The AIA Study was undertaken as a result of rising costs for the Avra Valley Transmission Main (AVTM) Program. The intention of the Study was to evaluate and assess the Utility’s infrastructure and determine how best to achieve the redundancy of the planned AVTM with the most efficient use of funds given the falling gallons per capita per day (GCPD) projections. Multiple portfolios were considered, evaluated, and compared to one another. The final evaluation included five portfolios: maintain business as usual; proceed with a 66” AVTM; enhance the Santa Cruz well field; enhance the Santa Cruz well field along with a 48” AVTM; and enhance the Santa Cruz well field along with the development of Indirect Potable Reuse, and a 48” AVTM. The Study recommended that the Utility would benefit from focusing on maintaining the current infrastructure, expanding the Santa Cruz well field, and continuing investment in system reliability. Implications of the

recommendations to Tucson Water's CIP were covered. Current projections may push the need for the AVTM out to 2025 or further into the future. The property needed for the AIA is mostly within City's Right of Way, little property would need to be purchased.

TW Strategic Plan – Tucson Water staff presented a PowerPoint on Tucson Water's Strategic Plan. Extensive water planning has led to the delivery of CAP water, the development of the reclaimed system (saving over 12,000 acre/ft of potable water yearly), widespread conservation, Long Range 2050 plan, and Recycled Water Master Plan resulting in Tucson Water's Water Reliability Program and drought preparedness. The benefits of a Strategic Plan are: optimization of operation, providing an internal and external blueprint, documentation of standards, engagement of stakeholders, communication of values and goals, and providing transparency and consistency. The result of the Strategic Plan was the development of Water Reliability and ensuring consistency with voter approved plans. The Plan is made up of behavioral values, business values, standards, and key policy issues. It is a living document, and will be updated as necessary. The key policy issues were discussed generally and the issue of "Meet all current and future water quality issues and requirements" was discussed in depth as an example of the use of the strategic plan. The Plan is currently being used in budget and program planning.

November **Customer Service Update** – Tucson Water staff presented a PowerPoint on the status of improvements to the Customer Service Department. The department developed a timeline for the Excellence in Customer Service Project, divided up into eight categories: staffing, training, phones, process mapping, Naviline software, internal performance measures, recognition/compensation program development, and facilities. The staffing category is working towards reduced customer wait times, improved call handling, improved customer experience, and identifying staffing levels and grades. The training category is working towards reduced call wait time, increased first call solutions, reduced employee turnover, and long-term employee efficiency. The phone category is working towards decreased busy signals, decreased telephonic bill pay times, and identification of staff levels. Initially, these efforts will increase call wait times for non-bill pay customers. The process-mapping category is working towards reduced work order processing time and cost, reduced customer wait times, and comprehensive and prioritized process improvement. The Naviline software category is working towards increased online bill pay, reduced process time for work orders, and improved online experience. The internal performance measurements are working towards identifying effectiveness of performance measures, refined policies and procedures, and improved customer experiences. The recognition/compensation program is working towards increased incentives, improved morale, and improved pride in service. The facilities category is working towards improved staff morale, reduced turnover, and improved customer experience. The progress made in each category to date was discussed. Detailed information was provided on the number of calls, the reason for calls, and the methods for processing calls. Adequate data is not

available to establish an industry standard on which to compare Tucson Water processes.

Capital Improvement Program (CIP) – Tucson Water staff presented a PowerPoint on the CIP. The status of current CIP projects and the difference between the planned CIP spending and the actual CIP spending was discussed. The imbalance is a result of delayed and/or deferred projects, as well as difficulties recruiting and retaining engineering staff. The proposed 5-year CIP was discussed. New projects were discussed, as well as significant modifications to existing projects. The effects of the deferment of the Avra Valley Transmission Main, and considerations related to the development of the Sonoran Corridor were reviewed.

WaterSMART Program – Eve Halper from the Bureau of Reclamation (BOR) presented a PowerPoint on the BOR's Water Conservation Field Services and WaterSMART grant programs. Water Conservation Field grants are focused on conservation and water management; they are capped at 50k and require a non-federal 50% cost share, which can include in-kind services. These grants are for the Phoenix area only. WaterSMART grants are focused on sustainable water strategies, awards vary, but the limits are higher than those of Water Conservation Field Services grants. These grants are offered across 17 states, making competition higher and increasing the need for detailed justification for funding. The four WaterSMART grants that were funded for FY15: Water & Efficiency Grants, Title XVI Recycling & Reuse Program, Basin Studies Program, and Drought Program were reviewed. As grants are federally funded, NEPA is required. NEPA processes were discussed. The grant process was discussed in detail and best practices/tips for grant writing and application were reviewed.

Staff Report on the Use of Glyphosate on City Property – Tucson Water staff reviewed the staff report on the use of glyphosate on City property provided to the Committee, and there was detailed discussion of the topic. Glyphosate is being used to control the presence and spread of invasive and noxious weeds, such as buffelgrass. These weeds pose extreme fire hazards and threaten habitat diversity. Mitigation is required by State and County regulations, as well as obligations to the federally administered Habitat Conservation Plan applicable to these lands. A background of the development of the City's aerial herbicide spraying program was discussed. Regional efforts by the City, County, Parks and Recreation, U.S. Bureau of Land Management, U.S. Forest Service, and the U.S. National Park Service resulted in the widespread use of glyphosate to control and eradicate noxious weeds. Tucson Water relied on experts in the management of buffelgrass and following the U.S. EPA designations for the aerial application of glyphosate to develop its program. The specific safety measures taken when using glyphosate were discussed, including methods to reduce drift outside of the spray area. The Staff Report included a review of the alternative treatment options, and provided specific review for areas within close proximity to occupied structures. Tucson Water is developing a communications plan to inform area residents of when and where spraying will occur. This plan includes physical flagging of the area planned for spraying as well as posted and

electronic notice of the time frames in which spraying might occur. The area residents will be included in the development of the communications plan, and TW will return to CWAC with a report on the plan in March 2016. All possible safety measures will continue to be taken. The U.S. EPA is expected to release a new risk assessment later this year and will be taken under consideration in the continued execution of the City's aerial herbicide spraying program. Until such time as circumstances change, the City will continue to execute its aerial herbicide spraying program.

December **Ward 1 Perspectives** – Mr. Arnquist directed members to Plan Tucson for the Ward's, and the City's, general water perspectives. Specifically, in regards to rates, Council Member Romero supports pro conservation, low fixed/high usage rates. The Ward's water priorities are: water reliability, municipal and environmental water uses, rainwater harvesting, green infrastructure, maintenance and expansion of the low-income program, continued customer service improvements, and holistic conservation programs not focused on demand reduction.

Operations and Maintenance Budget (O&M) – Tucson Water staff presented a PowerPoint on the O&M Budget. The O&M funds and supports Tucson Water's Water Reliability Program. The Utility's operating request is just over \$188M; an increase of just over \$16M from FY16. Of that, about \$9M is non-discretionary and about \$7M is discretionary. The Utility's assets and employee metrics were discussed. The Utility is requesting funds for eight new positions. A detailed breakdown of the non-discretionary and discretionary requests was reviewed. The next steps include review and approval of the Financial Plan, followed by the review of Cost of Service, and approval rate schedules.

IAPC Report and Recommendations – IAPC Cost Allocation Subcommittee Chair Jim Hannley summarized the IAPC's process and findings. Mr. Hannley reported that Cost Allocation plans are common, and that the software used by the City is in widespread use across the country. A brief explanation of the two illustrative examples was provided. The Subcommittee concluded, and the Committee concurred, that the Cost Allocation process is equitable, reasonable, and appropriate. It was outside of the Subcommittee's scope to consider cost comparisons to other cities or private organizations