

# CITIZENS' WATER ADVISORY COMMITTEE (CWAC)

## Finance Subcommittee

8:00 a.m., Thursday, May 26, 2016  
Tucson Water La Entrada Building  
3<sup>rd</sup> 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 Mark Stratton at 8:03 a.m. Those present were:

#### Members Present:

Mark Stratton (Chair)	Representative, City Manager
Mark Lewis	Representative, Ward 5
Chuck Freitas	Representative, City Manager
Brian Wong	Representative, City Manager

#### Absent:

Catlow Shipek	Representative, City Manager
Mark Taylor	Representative, City Manager

#### Tucson Water Staff Members:

Scott Clark	Deputy Director
Sandy Elder	Deputy Director
Pat Eisenberg	Chief Engineer
Melodee Loyer	Interim Financial Services Administrator
Fernando Molina	Public Information Supervisor
Wally Wilson	Chief Hydrologist
Andrew Greenhill	Intergovernmental Affairs Manager
Steve Ritter	Finance Management Coordinator
Suzanna Snyder	Staff Assistant
Johanna Hernandez	Staff Assistant
Kris LaFleur	Staff Assistant

#### Others Present

W Mark Day	Citizen
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2. **Announcements** – Deputy Director Clark announced that the Tucson Mayor & Council had voted 7-0 to approve Tucson Water's FY 17 & 18 rate package on May 17, with commendations for the work done by CWAC and the utility.

Member Lewis announced that he had attended a meeting of Governor Doucey's water taskforce. He requested that staff provide occasional updates on work done by the taskforce.

## **Citizens' Water Advisory Committee (CWAC) Finance Subcommittee**

Legal Action Report and Minutes

May 26, 2016

3. **Call to Audience** – There were no audience statements.
4. **Review of March 2, 2016, Legal Action Report and approval of Meeting Minutes** – Subcommittee Members reviewed the Legal Action Report from the March 2, 2016, CWAC Finance Subcommittee meeting. Member Freitas moved to approve the Minutes; Member Wong seconded the motion. The motion was carried by a vote of 3-1.
5. **Review of FY17/18 financial planning and rate process** – Deputy Director Clark led a review and discussion of the recently completed five-year financial planning process and FY 2017 & 2018 rate-setting process, which culminated in a rate increase approval by Mayor and Council on May 17. Members advised staff on which aspects of the process CWAC considered successful, and recommended changes for consideration in future cycles.

During discussion of this item, Member Lewis departed at 8:52 and the meeting was suspended for lack of quorum. Member Lewis returned at 8:54 and discussion was resumed.

6. **Identification and prioritization of topics for upcoming Subcommittee work** – Deputy Director Scott indicated that staff and CWAC would embark on an information gathering stage to develop visions and goals for upcoming work. Members reviewed a staff handout outlining possible goals for future consideration. Members and staff engaged in extensive discussion about future priorities.

Chair Stratton encouraged members to provide staff with further comments, suggestions and additions to the list. Staff agreed to compile these suggestions and to distribute the results to CWAC.

7. **Establishment of Subcommittee meeting schedule through FY17** – Members discussed the establishment of a regular schedule for future meetings of the Finance Subcommittee. They determined that the subcommittee would meet again on Wednesday, July 6, at 1:30 p.m., and thereafter on the second Wednesday of each month at 1:30 p.m.
8. **Future agenda items** – The next Finance subcommittee meeting will be held on July 6, 2016. Items proposed for discussion at future meetings included:
  - A “Water Finance and Rate 101” presentation by Tucson Water staff and rate consultants
  - Continued visioning and workplan development for rate structure “deep dive” discussions
9. **Adjournment** – The meeting was adjourned at 9:40 a.m.

**FY 2017 RATE PROCESS CALENDAR**

**Water Rates //Growth Related Fees**

Month of October, 2015 TBD	<b>CWAC Finance Sub-committee</b> Review 5-Year Capital Improvement Program (CIP) Review FY 2016 Operating Budget Request
November 4, 2015	<b>CWAC:</b> Review 5-Year Capital Improvement Program (CIP)
December 2, 2015	<b>CWAC:</b> Review FY 2016 Operating Budget Request
Month of December, 2015	<b>Staff meets with City Manager Re:Operating and CIP Budget Requests</b>
Month of December, 2015 TBD	<b>CWAC Finance Sub-committee</b> Meet with Sub-committee on revenue Projections and Preliminary Financial Plan. Committee votes to recommend (or not) to full CWAC
December 30, 2015	<b>Distribute Preliminary FY 2016-2021 Financial Plan to Full CWAC</b>
January 6, 2016	<b>CWAC: Vote on Financial Plan</b>
January 11 - February 15, 2016	<b>Mayor and Council and CMO</b> Meet with Council Offices on Financial Plan

**Class Revenue Target / Rate Design**

Late Jan/Early Feb	<b>Customer Rate Design Group w/Subcommittee</b>
Middle February	<b>Staff conducts COS study</b>
February 22- 26, 2016 TBD	<b>CWAC Finance Sub-committee</b> COS/Revenue Targets to Finance Sub-Committee -vote to approve (or not) Present Rate Schedule to Finance Sub-Committee - vote to approve
Mid March, 2016	<b>Presentation of Rate Schedule to City Manager</b>
February 24, 2016	<b>E-mail COS/ Revenue Targets/ Rate Schedule to all CWAC members</b>
<b>March 2, 2016</b>	<b>CWAC MEETING</b> CWAC vote on Rate Schedule (update to City Manager)
March 7 - 31, 2016	<b>Mayor &amp; Council /Stakeholders</b> Meet with Council Offices on Rate Schedules

**Legal Process**

February 23, 2016	<b>M&amp;C Vote Financial Plan</b>
April 5, 2016	<b>Presentation to M&amp;C on FY 2016 Proposed Water Rate schedule</b> <b>M&amp;C Notice of Intent to increase Water Rates</b>
May 17, 2016	<b>M&amp;C Public Hearing / Vote to Adopt (or not) FY 2016 Proposed Rate Schedule</b>
July 4, 2016	<b>New Water Rates and Growth Related Fees take effect</b>

# CWAC Finance Subcommittee Work Plan Development (Information Gathering Phase)

This is what we have heard over the course of the last financial planning season:

Goals:

- Conserve Water
- Maintain affordability – across rate classes and income brackets
- Stimulate Economic Development
- Maintain Revenue Stability
- Maintain infrastructure
- Maintain and/or improve bond ratings
- Maintain and/or reduce debt service
- Create borrowing capacity
- Grow reserves

Draft Work Plan Elements – Tier 1

1. Reevaluate single family rate blocks
2. Explore differential rates – inside the City versus the City
3. Multi-Family conservation rates (to replace the uniform volume rates)
4. Explore alternative Conservation Fee structures
5. Review System Equity & Water Resources fees and Misc. Fees (alternate years)
6. Debt Service – evaluate issuing 2 CIP years at a time option
7. Multi – Year Rate Plan
8. Review and Revise Water Policy

Tier 2 –

1. Explore options for increasing revenue stability by allocating more costs to the existing fixed fee and/or developing additional fixed fee components
2. Detailed affordability analysis and exploration of options to address affordability through the existing rate structure and/or rate structure changes

3. Assess effectiveness of low income program and exploration of options to increase effectiveness
4. Reclaimed Study – evaluate separate vs. combined system
5. Water support of Tucson's Economic Development
6. Infrastructure Replacement – Asset Management Planning – Consider adding separate fee