

**CITIZENS' WATER ADVISORY COMMITTEE  
(CWAC)**

**Finance Subcommittee**

3:30 p.m., Thursday, March 21, 2019  
Tucson Water La Entrada Building  
3<sup>rd</sup> Floor Director's Conference Room  
310 W. Alameda Street, Tucson, Arizona



**Legal Action Report and Meeting Minutes**

**1. Roll Call**

The meeting was called to order by Finance Subcommittee Chair Mark Stratton at 13:33 p.m. Those present and absent were:

**Members Present:**

Mark Stratton, Chair	Representative, City Manager
Mark Murphy	Mayor
Chuck Freitas	Representative, City Manager
Catlow Shippek	Representative, City Manager
Rory Juneman	Representative, City Manager
George White	Representative, Ward 5

**Members Absent:**

**Tucson Water Staff Members:**

Silvia Amparano	Deputy Director
Sandy Elder	Deputy Director
Patricia Eisenberg	Chief Engineer Planning and Engineering Administrator
Kim Sotomayor	Business Services Administrator
Jay Nordstrom	Finance Manager
Karen Tenace	Management Coordinator
Jessica Rodriguez	Staff Assistant

**Others Present:**

Steven Washburn	Representative, City Manager
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**2. Announcements – None**

**3. Call to Audience – None.**

**4. Review of January 17, 2019 Legal Action Report and Meeting Minutes –** Member Freitas moved to approve the minutes; Member Murphy seconded the motion. The Minutes and Legal Action Report were approved by a voice vote of 6-0.

**5. Staffing and Wages (Continued Jan. 17) –** Member Freitas received the compensation survey from America Water Works Assoc. (AWWA) and the report from staff in summary form. The position control roster was also received and the materials do not compare easily. Member Freitas is waiting for additional information from staff.

Mrs. Silvia Amparano provided the status update from the City of Tucson Perspective. The city manager's office is reviewing department information relating to compression and raising minimum wage. The last Mayor and Council meeting offered possibilities to phase in a minimum wage increase. The Water budget was presented in December the manager requested information on how compression affects the utility. A

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team was created, and a dollar amount of \$1.6 million was identified for decompression and run it through the model. The metrics have changed; however, budget capacity is available. Mrs. Amparano expressed the utilities' ongoing efforts to handle turnovers and vacancies. First priorities are the Customer Service Division and Planning & Engineering divisions, followed by technical staff. A plan is in place to hire a recruiter has been hired to address specialty needs and flexible salaries to meet market. Discussion ensued.

### 6. **Financial Guidelines**– PowerPoint Presentation by Deb Galardi, discussion items included

#### Background

##### Need for reserves

- Financial/System planning

- Legal Covenants

##### Water industry guidelines

- One size does not fit all

- Regular review & flexibility, response to changing conditions

- Cash Reserve Types

##### Rating agency factors

- Upgrade: Increased liquidity levels

- Downgrade: Lower liquidity levels/weak financial performance

#### Proposed Reserve Guidelines

##### Working Capital

- Purpose: short-term fluctuations in cash flow

- Target: Minimum 120 days Maximum 12 months

- Benchmarking: 2-12 months

- Metrics: FY19-FY24 Financial Plan ~ Range 107-157 Days O&M / \$42m-\$57m

##### Capital

- Purpose: Provide liquidity for capital expenditures

- Target: Minimum of 50 percent of annual cash-funded capital

- Benchmarking: varies based on size of capital program and funding sources (debt vs. cash)

- Metric: 11/29/18 FY19-FY24 Financial Plan ~ Range \$22m-\$37m

- Future Practice

##### Infrastructure Reserve

- Purpose: Provide funds for emergency capital projects not identified in capital improvement plan

- Target: 10 percent of annual water sales

- Benchmarking: varies based on risk factors

- Metric: 11/29/18 FY19-FY24 Financial Plan ~ Range \$21m-\$26m

##### Current practice

##### Rate Stabilization

- Purpose: Mitigate annual rate spikes

- Target: Identified in 5-year financial plan

- Benchmarking: two types

  - Required in bond indenture (to meet debt coverage)

  - Tool for rate smoothing – factors include historical revenue volatility and forecast 'lumpiness' of expenditures.

##### Future practice

#### Subcommittee comments

Chair Stratton inquired how reserves are funded with tight budgets. Member Freitas stated a cut back in CIP projects. Ms. Galardi confirmed and advised of evaluation.

Chair Stratton inquired on the intent of information provided. Will it come back to subcommittee of full CWAC to establish reserves? Mrs. Amparano responded this is first attempt to develop and open internal discussion. Additional information is to be reviewed. The presentation is informational, Mrs. Amparano asked for decisions before moving

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forward with the next modeling, and financial planning scheduled to begin in the fall. Information will be provided to M&C. Member Murphy requested additional information. Discussion ensued no final decision made until further discussion.

Chair Stratton acknowledged forward thinking and applauded the intent to protect the overall stability of the organization.

7. **Infrastructure and Reserve-** Combined with item 6.
8. **Future Agenda Items**– April meeting cancelled; next meeting is scheduled for May 16. Committee agrees to maintain 3:30 period on Thursdays. Next meeting topic Multifamily Rates.
9. **Adjournment** – The meeting was adjourned at 4:53 p.m.