

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

Finance Subcommittee

3:30 p.m., Thursday, January 16, 2020
Tucson Water La Entrada Building
3rd 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 3:01 p.m. Those present and absent were:

Members Present:

Mark Stratton, Chair	Representative, City Manager
Rory Juneman	Representative, City Manager
Steven Washburn	Representative, City Manager
George White	Representative, Ward 4

Members Absent:

Mark Taylor	Representative, City Manager
Mark Murphy	Mayor

Tucson Water Staff Members:

Kim Sotomayor	Business Services Administrator
Melodee Loyer	Planning and Engineering Administrator
Karen Tenace	Management Coordinator
Jay Nordstrom	Business Services Finance Manager
Margaret Carrasco	Staff Assistant
Jessica Rodriguez	Staff Assistant
Kris LaFleur	Lead Management Analyst

Others Present:

Mark Day	
Deb Galardi	Raftelis

2. Announcements – None.

3. Call to Audience – Mark Day provided a statement of support of scenario B with fixed fee flat. Mr. Day is a past CWAC member and finance subcommittee. Mr. Day also provided a written copy of his statement to those present at the meeting.

4. Review of December 19, 2020 Legal Action Report and Meeting Minutes – Member Juneman moved to approve the minutes; Member Washburn seconded the motion. The Minutes and Legal Action Report were approved by a voice vote of 4-0.

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- 5. Cost of Service and Proposed Rate Package** – Presented by City of Tucson Business Services Finance Manager Kim Sotomayor. Mrs. Sotomayor introduced the staff members of Raftelis to assist in the presentation of materials. The Business Services: Finance division, Director Thomure and Deputy Director Amparano were also present to field comments and questions. The items presented and discussed were:

a. Policy Direction

i. Mayor & Council Policies Specific and General

1. Financial
2. Water quality
3. Water supply
4. Conservation
5. Affordability
6. Communication
7. Customer service
8. Infrastructure
9. City focus

b. Financial plan summary

- i. O&M
- ii. CIP
- iii. Conservation
- iv. Debt service
- v. Days of cash
- vi. Low income
- vii. Decreases annual revenue
- viii. Financial stability
- ix. Reliance of debt Financing- Pay as you Go

c. Review Cost of Service Process- Harold

- i. Base costs
 1. Distribution of costs to customer
 2. Cost allocation

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3. Fixed service charge
- ii. Rate Options- Q&A discussion for best conclusion.
 1. Review of Baseline
 2. Scenario A- Traditional
 3. Scenario B
 4. Scenario C
 5. Scenario C1- Best for TW four-year cycle.

The subcommittee held an open discussion on the scenarios presented by staff. During the discussion several questions were fielded by Tucson Water and Raftelis staff to clarify the information provided. Chair Stratton recommended a C1 modification to reclaim at 6.5% in 2021 6.20%, in 2022 5.8%, in 2023, and 5.5% in 2024. Discussion ensued.

Member White a representative of reclaim business owners provided perspectives and concerns with the increase of reclaim rates.

Committee members discussed the subcommittee responsibilities of keeping the utility healthy and accountable meeting the needs of the community and maintaining infrastructure to stay in business

Motion: Member Washburn recommends the C1 scenario with reclaim modifications by Director Thomure and Member White comments of 2021 6.5% year one and by 5.5% year four 2024 to full CWAC. Member Juneman 2nd the motion.

Discussion: Member White requested a modified description and discussion ensued. Member White requested explanation of scenario C.

Substitute Motion: Member White recommends scenario C, from the Finance subcommittee to full CWAC. Member Washburn seconded the motion.

Discussion: Member Juneman inquired about construction water and fire services to receive the higher rates.

Vote: the substitute motion was approved by a voice vote of 3-1

Motion: Member Washburn recommends the subcommittee support a four-year rate increase. The motion was seconded by member Juneman

Discussion: none

Vote: the motion was approved by a voice vote of 4-0

6. Future Agenda Items and Meeting Times –

- A letter to Mayor and Council from CWAC regarding the funds received from TARP settlement to be applied to the treatment of PFAS expenses incurred by Tucson Water
- Follow up discussion on the communication plan for rates

7. Adjournment – The meeting was adjourned at 5:00 p.m.