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Citizens' Water Advisory Committee
City of Tucson
P.O.Box 27210
Tucson, AZ 85726-7210

DATE: March 1, 2011

Evan Canfield
Chair, CWAC

TO: Honorable Mayor and and Council Members

FROM: Mark Taylor
Vice-Chair, CWAC

SUBJECT: 2010 CWAC Annual Report

The Citizens' Water Advisory Committee is pleased to transmit our 2010 Annual Report to you. CWAC has worked judiciously throughout 2010 to achieve the functions and purposes for which CWAC was created by the Mayor and Council.

This Annual Report summarizes CWAC activities in the following areas:

- Financial Planning, including review of Tucson Water's operating & capital budgets and revenue sources
- Development of Water Rates and Fees
- Long Range Planning
- Water Conservation programs
- City-County Water & Wastewater Study

In order to illustrate the scope and complexity of information that CWAC deals with in completing its assigned responsibilities, the Annual Report lists the various informational presentations and briefings that CWAC received in 2010 from Tucson Water staff and other experts outside the City. The report also provides an overview of the current makeup of CWAC to convey the qualifications of the members you have appointed. Finally, the Report recommends that CWAC and Tucson Water staff review the functions and purposes established for CWAC in the Tucson City Code (which were last updated in 1994), in order to suggest revisions for your consideration to reflect CWAC's current, expanded responsibilities.

CWAC expresses its sincere thanks to Jeff Biggs, Tucson Water Director during 2010, as well as to the staff from all Tucson Water Divisions and the Director's Office who provided extensive support to CWAC during this period. In addition, special thanks are due to outgoing CWAC member Sarah Evans, who so ably led CWAC as chair during 2010 and 2009.

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2010 CWAC Annual Report.doc

Attachment: 2010 CWAC Annual Report

c: Mike Letcher, City Manager
Richard Miranda, Deputy City Manager
Sean McBride, Assistant City Manager
Andrew Quigley, Interim Tucson Water Director
Roger Randolph, City Clerk
CWAC

As noted in the cover letter, this Annual Report summarizes CWAC activities in 2010 in the following areas:

- Financial Planning
- Development of Water Rates and Fees
- Long Range Planning
- Water Conservation programs
- City-County Water & Wastewater Study
- Informational Presentations received by CWAC
- CWAC Demographics
- CWAC Functions in City Code

I. FINANCIAL PLANNING

After 5 meetings of CWAC's Finance Subcommittee and 2 meetings of the full CWAC to review Tucson Water's proposed operating budget, 5-year capital budget, and revenue projections (reflecting water demand projections as well as system growth projections), CWAC presented its recommended FY 2010 – 2015 Financial Plan to the Mayor and Council on February 23, 2010. The Plan was adopted by the Mayor and Council.

That Financial Plan continued Tucson Water's practice of aligning the Utility's financial planning with the City's budget processes, and was guided by the Mayor and Council's adopted water policies related to debt coverage, reserves, and rate smoothing.

II. DEVELOPMENT OF WATER RATES AND FEES

Water Rates – After adoption of the FY 2010 – 2015 Financial Plan, Tucson Water staff and CWAC undertook a rate design process to convert the proposed FY 2011 revenue increase into new water rates. That process involved 5 Finance Subcommittee meetings and 2 full meetings of CWAC, including a special meeting. CWAC assisted staff in determining appropriate adjustments to the cost of service for specific rate categories, and at CWAC's request, staff conducted research and analysis of the correlation between low water use and low income customers, and the impact of restructuring the 1 – 15 rate tier.

CWAC's proposed water rates were forwarded to the Mayor and Council on April 20, 2010, and set for public hearing on May 25. After the public hearing, the proposed rates were approved by the Mayor and Council.

Water Fees – CWAC has participated in the development of three different kinds of Tucson Water fees, each of which is typically updated every 2 years:

- *Miscellaneous Fees*, that include meter connection fees and fees for various services provided by the Utility
- *CAP Water Resource Fee*, a development fee that reimburses the Utility for some portion of its prior investment in obtaining CAP water that is now available to serve new connections
- *System Equity Fee*, a "buy-in" fee to reimburse the Utility for its previous investment in infrastructure that is now available to serve new connections

The review of Miscellaneous Fees that was scheduled for 2010 extended into 2011 to ensure that proposed fee changes were fully justified. That process involved at least 5 meetings of the Finance Subcommittee and 3 meetings of the full CWAC. The final proposed Miscellaneous Fees were approved by the Mayor and Council to go forward to public hearing on April 12, 2011. In 2012, CWAC will participate in updating the CAP Water Resource Fee and System Equity Fee.

III. LONG RANGE PLANNING

CWAC has participated in the review and development of Tucson Water's long-range water resource plans throughout the years. The current long range plan, *Water Plan: 2000 – 2050* and its *2008 Update,* reflects a landmark staff effort and hours of information sharing between staff and CWAC. The scenario planning model used to develop the *Water Plan* lends itself to continued examination of options as new information is available.

Tucson Water staff has worked closely with CWAC's Technical, Planning & Policy Subcommittee in planning-related matters. During 2010, the TPP Subcommittee received briefings on:

- ADD Water Process
- Tucson Water 50 year Resource Plan Update process
- SCADA Master Planning process
- Effluent Master Planning process
- Tucson Water Satellite Facility planning

IV. WATER CONSERVATION PROGRAM OVERSIGHT

The Mayor and Council has delegated to CWAC and its Conservation-Education Subcommittee responsibility to provide oversight to Tucson Water conservation programs and budget, especially the new rebate programs recommended by the Community Conservation Task Foce and funded by the Conservation Fee that was established as a surcharge on potable use in 2008. In 2010 as in prior years, the Conservation-Education Subcommittee provided the Mayor and Council with (1) mid-year and year-end updates on the status of those rebate programs, (2) annual funding recommendations for new and continuing conservation programs, and (3) the updated 5-year conservation financial plan (which is adopted with Tucson Water's overall Financial Plan discussed in I., above, and which recommends annual adjustments to the amount of the Conservation Fee). The Conservation-Education Subcommittee met 6 times with Tucson water staff in 2010 to discuss the status of individual conservation projects and ideas for increasing participation. As directed by the Mayor and Council, program activities and funding are being expanded to achieve full implementation by FY 2013 of the new conservation projects recommended by the Community Conservation Task Force.

V. CITY-COUNTY WATER & WASTEWATER STUDY

During 2010, three (3) CWAC members served as members of the City-County Water & Wastewater Study Committee, and a 4th CWAC member served as chair of that Committee. The full CWAC received updates on the Study Committee's work at almost every CWAC meeting. The full CWAC also received presentations on Items of particular interest from the Study, including the proposed Tucson Water Service Area Policy, Reclaimed and Effluent-Related Recommendations, and the Draft Water Sustainability Action Plan.

VI. INFORMATIONAL PRESENTATIONS (15) RECEIVED BY CWAC IN 2010

- **Orientation:** Tucson Water Maintenance Division
- **Update:** ADD Water Project
- **Briefing:** State Funding Cuts to Arizona Department of Water Resources (including closure of Tucson AMA office)
- **Briefing:** New Eastside Tucson Water Maintenance Facility
- **Presentation:** Water Quality Update
- **Presentation:** Refinements to Tucson Water Service Area
- **Report Out:** April 28 CAP Water Forum: Challenges facing CAP and Southern Arizona
- **Orientation:** Tucson Water Customer Service Division
- **Presentation:** Tucson Water Reclaimed System
- **Briefing:** Tucson Water Participation in Governor's Blue Ribbon Panel on Water Sustainability
- **University of Arizona Presentation:** Using Tree Rings to Reconstruct Past Droughts in the Colorado River Watershed: Lessons from the Past and Implications for the Future"
- **Water Quality Update:** 1,4 dioxane
- **Briefing:** City of Tucson's Projected Use of CAP Water in 2011 (volumes, storage locations)
- **Briefing:** New State-Wide Water Resources Development Commission
- **USGS Presentation:** Update on Regional Subsidence and Changes in Aquifer Storage

VII. CWAC DEMOGRAPHICS

Membership: CWAC has 15 voting members: 1 appointed by each member of the Mayor and Council (7 total), and 8 members nominated by the City Manager and appointed by the Mayor and Council. The Director of Tucson Water and the Director of the Pima County Regional Wastewater Reclamation Department serve as ex-officio, non-voting members. There are

currently 3 vacancies on the Committee, representing 2 City Manager nominees and the Ward 6 appointee.

Residency: Five (5) of the currently appointed 12 voting CWAC members (or 42%) live outside of the City limits. This is somewhat more than the current number of Tucson Water customer accounts that are located outside of the City limits (36%), and reflects that CWAC represents all Tucson Water customers without regard to city boundaries.

Profession: The 12 currently appointed voting CWAC members are exceptionally qualified to fulfill their Committee responsibilities:

- Ph.D., professor emeritus, renewable natural resources, arid lands studies
- Special assistant, iPlant Collaborative, U of A Bio5 Institute,
- Ph.D., adjunct assistant research scientist, arid lands
- Ph.D., professor emeritus, economics, water demand, water conservation, forecasting, regional economic impacts
- Water Resources Coordinator, large development company
- Ph.D., P.E., Chief Hydrologist, Regional Flood Control District
- J.D., hydrology & water resource consulting, water law & policy
- P.E., water resources consulting & engineering, assessment of rates and development impact fees for private and municipal clients
- Ph.D., associate professor, department of hydrology and water resources
- President, development company
- Consultant in marketing, economics and management, and research in water conservation behavior
- Student, agricultural economics & business, and resource manager, private farm

CWAC expresses its appreciation to the Mayor and Council for appointing such very qualified and motivated members to the Committee. Each contributes a substantial amount of personal time in working on several CWAC Subcommittees as well as the full Committee.

VIII. CWAC FUNCTIONS IN TUCSON CITY CODE

The functions and purposes of CWAC listed in Section 27-61 of the City Code (enclosed as Attachment A) were last updated in 1994 and do not reference current CWAC responsibilities. For example, the Code does not reflect CWAC responsibilities regarding:

- Review and recommendation concerning Tucson Water's proposed Operating and Maintenance budget;
- Review and recommendation concerning Tucson Water's proposed 5-Year Financial Plan; or
- Oversight of Tucson Water's conservation programs

Further, the Code references "Tucson Water Resources Plan 1990—2100" (which was current at the time the Code was last updated in 1994). The Code directs CWAC to (a) review the 1990 Plan annually and recommend revisions to the Mayor and Council as appropriate, and (b) initiate comprehensive revisions to the 1990 Plan every 5 years. Inasmuch as Tucson Water's long-range water resource planning process has been expanded and refined over the years by Tucson Water staff (reference *Water Plan: 2000-2050* and its *2008 Update*), it is appropriate to update the Code to reflect CWAC's current responsibilities related to long-range planning.

During 2011, CWAC and Tucson Water staff will review CWAC's functions and purposes listed in the City Code, and suggest updates for your consideration to reflect CWAC's current responsibilities.

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ATTACHMENT A: Citizens' Water Advisory Committee, Functions & Purposes (Tucson City Code, April 25, 1994)

ATTACHMENT A

Citizens' Water Advisory Committee, Functions & Purposes

(Tucson City Code, last revised April 25, 1994)

TCC 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)