



Citizen's Water Advisory Committee
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Citizen's Water Advisory Committee MINUTES

The regular meeting of the Citizen's Water Advisory Committee was called to order by Francis Boyle, Chair, on Wednesday, May 2, 2007, at 7:03 a.m., in the City Information Technology Building, 480 West Paseo Redondo, First Floor, Pueblo Conference Room, Tucson, Arizona.

1. Call to Order – a quorum was established.

Members Present:

Francis Boyle, Chair
Lori Lustig
Robert Logan
James T. Barry, Vice Chair
John R. Carhuff
Sarah Evans
James Horvath
Adam Smith
Daniel J. Sullivan

Appointed by:

Ward 3
Ward 1
Ward 4
City Manager
City Manager
City Manager
City Manager
City Manager
City Manager

Members Absent:

Martin M. Fogel
Carol Zimmerman
Corina A. Baca
Evan Canfield
Keith Gentzler
Ursula Kramer

Appointed by:

Mayor
Ward 2
Ward 5
Ward 6
City Manager
City Manager

Others Present:

Tina Lee, Council Administrative Assistant, Ward 2
Holly Lachowicz, Council Administrative Assistant, Ward 3
David Modeer, Tucson Water Department, Director
Pat Eisenberg, Tucson Water Department
Jeff Biggs, Tucson Water Department
Trucynda Hawkins, Tucson Water Department
David Cormier, Tucson Water Department
Karen Tenace, Finance Department
Vince Vasquez, Diamond Ventures

Dennis Rule, Tucson Water Department
Diane Kusel, Arizona Department of Water Resources
Nancy Gradillas, Tucson Water Department
Tim Thomure, Tucson Water Department
Fernando Molina, Tucson Water Department
Ralph Marra, Tucson Water Department
Bill Richardson, Pima Co. Wastewater Management
Barbara Buus, Tucson Water Department
John O'Hare, Tucson Water Department
Ray Wilson, Tucson Water Department
Sandy Elder, Tucson Water Department
Joan Stauch, Tucson Water Department
Ceci Sotomayor, Recording Secretary, City Clerk's Office
Jackie Gudanowski, Recording Secretary, City Clerk's Office

2. Call to Audience

No one spoke.

3. Approval of Minutes – April 04, 2007

It was moved by Vice Chair Barry, duly seconded, and carried by a vote of 9 to 0 to approve the minutes as presented (Committee Members Fogel, Zimmerman, Baca, Canfield, Genztler, and Kramer were absent).

4. Director's Report

a. Recent and Upcoming Mayor & Council Items

David Modeer, Tucson Water Director reported:

- At the April 4, 2007, the Mayor and Council approved the Water System Equity fee increase as well as the new CAP Water Resource Fee. They also approved the transfer of the non-functioning "Y-5" well site to Pima County for a library in the Town of Marana.
- At the April 11, 2007, Mayor and Council meeting, staff provided an update to the Mayor and Council on the Water Waste Enforcement program. The Mayor and Council also signed on to a nation-wide agreement setting energy and water efficiency goals for residential and commercial appliances.
- At the April 17, 2007, Mayor and Council meeting, staff presented to the Mayor and Council Tucson Water's FY 2007-FY 2012 Financial Plan, and the Low Income IGA with the Pima Community Action Agency for FY 2008 services. Both items were approved.
- At the April 24, 2007, Mayor and Council meeting, staff provided an update on the Reclaimed Water System.

- At the May 1, 2007, Mayor and Council meeting, the Notice of Intent to increase water rates was approved and a public hearing scheduled for June 5, 2007.
- On May 15, 2007, the Mayor and Council Study Session will have an item discussing the nature and operation of City of Tucson enterprise funds with a specific focus on the water enterprise fund. The Consent Agenda will have an amendment to the 2003 agreement to purchase the 49ers Water Company as it pertains to the schedule by which the 49ers Golf Course will pay its share of the 49ers reclaimed transmission main. Also on the Consent Agenda is the acquisition of easements for a fiber optic communication line between the Hayden–Udall Water Treatment Plant and other water facilities, and the acquisition of a site adjacent to the existing Well Y-001A in the Continental Ranch area for a replacement potable water supply well.
- On June 5, 2007, the Mayor and Council will hold a public hearing on the proposed water rates.

b. Other items of interest

David Modeer, Tucson Water Director reported:

- On May 3, 2007, there will be a CAP Board meeting. One item on the Board agenda will be a discussion about lowering the property tax rate that is assessed to repay the Federal Government for the CAP canal. The property tax rate is currently eight cents and was originally ten cents per \$100 assessed valuation. Lowering the property tax rate could substantially increase the operation and maintenance cost of CAP water, thereby impacting Tucson Water's costs. As part of the development of CAP's financial plan, there will be significant amount of discussion among CAP board members on this subject.
- There was an article in the newspaper regarding utility line relocation costs and potential impact on water rates. The facts that were quoted in the article were disputed by the City Manager's office. There are ongoing discussions and negotiations between the City of Tucson and Pima County relative to the county utility lines and the location of these inside the city, and other issues are being discussed on the political level.

The committee requested that this item be added to the future agenda.

5. Fact Sheet on 6.2% Water Revenue Increase

David Cormier provide a handout intended to answer at a high level the question "why is the 6.2% increase needed". The handout showed increased utilization of the City's CAP allocation to be the main driver:

- The 6.2% increase is projected to generate approximately \$6.9

million in additional revenues in FY 2008

- Approximately \$2.5 million will be needed in FY 2008 to purchase more CAP water
- Nearly \$3 million in increased pay as you go funding or debt service payments will be needed to finance FY 2008 SAVSARP construction
- Over \$1 million will be needed in the second half of FY 2008 to operate SAVSARP

Discussion followed.

6. Presentation: Long-range Plan Update

Ralph Marra, Tucson Water Administrator, spoke on Tucson Water's updated Long-Range Plan, which would be going to the Mayor & Council for approval in the future. He noted that everything he would be presenting was a summary of information already provided to CWAC in previous meetings. He said that the 2004 draft water plan and its 2007 update were developed to initiate a dialogue between Tucson Water and the community about the water resource challenges that must be addressed in the coming years. He noted that population counts, projections, resource availability, and water demand projections for the period from 2005 to 2030 have changed since the Long-Range Plan was issued in 2004. He said that the challenges identified in 2004 remain and that they could be addressed in three ways: by fully utilizing existing supplies, acquiring additional supplies, and by having an aggressive conservation program. He noted that the utility was currently on a path toward completely using its annual CAP allocation before a shortage would be declared on the Colorado River. Looking to the future acquisition or development of additional supplies, he said that importing groundwater, acquiring additional Colorado River water, further developing its effluent resources, and seawater desalination were all possibilities. However, he noted that the latter is more of a long-term possibility and would not be available to meet the mid-term challenges.

Tim Thomure, Tucson Water Program Supervisor, summarized the status of Tucson Water's Assured Water Supply Designation.

Chair Boyle asked if the PowerPoint showing the existing supplies had an agency that was identifying what "other" means to the entire state.

Mr. Marra explained that it was a cooperative effort, with preliminary discussions about bringing in additional supplies to the 3-county area served by CAP – Pima, Pinal, and Maricopa counties – the driver of this effort being CAP. ADWR is also involved in discussions about rural water needs in the future.

Committee Member Sullivan asked if the Tohono O'odham pay for their CAP water.

Mr. Modeer explained that the federal government pays for a portion of their CAP water.

Committee Member Sullivan asked if the Tohono O'odham were using their entire portion of the CAP water.

Mr. Modeer stated that they were using only a portion of their water, and they were doing pilot recharge projects on the reservation. They were unwilling at this time to discuss the leasing of their water, and should they lease water in the future it would be for short-term leases only. They have made no decision on how they were going to use their effluent. They had not resolved what they wanted to do with their twenty-eight thousand acre-feet of effluent or their CAP water.

Vice Chair Barry asked for this to become a future agenda item, because it was something that needed to be re-visited.

Additional discussion followed.

7. Presentation: Decision H₂O (Mineral Level Outreach Program) Update

Jeff Biggs, Tucson Water Administrator, said Tucson Water started out by having a total of eighty Tucson Water customers that were randomly picked to participate in a consumer preference panel. This consumer preference panel drank various water types and from the results Tucson Water picked two different mineral contents to have the public test for themselves. Kiosks were then set up in the Tucson and Park Place malls during mall hours for this public testing.

Mr. Biggs said the public tasted the difference between 450 and 650 parts per million of water and rated their preference on taste. After the public tasted the water they were told the costs and other factors of each type of drinking water. Staff discussed with customers what might be the reaction of the higher mineral content with their household appliances, and what it might cost on average to replace these appliances sooner. For the lower mineral content water, staff discussed how the treatment costs to produce the lower mineral content would result in higher water bills.

After the public received the information about the two different waters and their cost impact, they were asked to pick which water they preferred. Mr. Biggs provided a breakdown of the customer preferences (see copy attached) and explained the next steps.

Tim Thomure, Tucson Water Program Supervisor, discussed sustainability issues associated with Decision H₂O giving particular attention to potential emissions of carbon dioxide and water losses associated with various treatment alternatives and goals. Both factors, as well as others, would be important to consider when making the decision.

Mr. Biggs said that there would be additional surveys and in-depth focus groups to continue investigations of water quality preferences. They would also be conducting bench scale testing on the technologies that they would be using to

reduce the mineral content in the water. He said there would be due diligence research and testing of the potential treatment technologies and costs, with a thorough sustainability assessment.

Chair Boyle said the operations and maintenance cost per year is twenty-three million dollars after spending three hundred and forty million on capital costs. He said that this only shows part of the story and the audience needs to know the revenue requirement. He explained that if it was just the twenty-three million that would equal about a twenty percent rate increase.

Mr. Thomure stated that the projected customer costs for the year 2015 were included in the program write-up. When the treatment scenarios are finalized and presented to the Mayor and Council, which will likely be early next year, the water bill impacts will be clearly delineated.

Chair Boyle said that they needed to show what the rate increase impact would be, or it would be considered that they were not telling the whole story.

John Carhuff said that he agreed that they needed to show the information that way because during the rate increase for this year they were showing around a seven-percent increase and then it would be seven-dollar increase.

Mr. Thomure stated that they did simplify it down to what it would cost in 2015 if there were not a water treatment, and the difference if there would be.

Mr. Thomure stated that the last part of Decision H₂O was related to sustainability issues. He said that sustainability was becoming more a part of how utilities and communities planned for the future, and not just to focus on the bottom line. Sustainability was one way to bring in other factors, mainly environmental factors, and perhaps the silent factors that have a triple bottom line. Sustainability in this case, was defined as meeting the needs of the present, without compromising the ability of future generations to meet their own needs. That means not just concentrating on near term needs, but looking at the long term impacts to ecosystems and off-site systems.

Additional discussion followed.

8. Subcommittee Reports

- Technical, Planning and Policy Subcommittee: Chair Boyle reported that there would be a meeting in the week of May 21, 2007.

9. Call to the Audience

No one spoke.

10. Adjournment 9:00 a.m.

Attachment: "Decision H₂O" (program and customer preference information)