



Citizens' Water Advisory Committee
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Citizens' Water Advisory Committee

MINUTES

The regular meeting of the Citizens' Water Advisory Committee was called to order by James Barry, Chair, on Wednesday, December 5, 2007, at 7:05 a.m., in the City Information Technology Building, 481 West Paseo Redondo, First Floor, Pueblo Conference Room, Tucson, Arizona.

1. Call to Order

Members Present:

James T. Barry, Chair
Sarah Evans, Vice Chair
Martin M. Fogel
Lori Lustig
Carol Zimmerman
Corina A. Baca
Evan Canfield
John R. Carhuff
Ursula Kramer
James Horvath

Appointed by:

City Manager
City Manager
Mayor
Ward 1
Ward 2
Ward 5
Ward 6
City Manager
City Manager
City Manager

Members Absent:

Francis Boyle
Robert Logan
Daniel Sullivan

Appointed by:

Ward 3
Ward 4
City Manager

Others Present:

Mac Hudson, Council Administrative Assistant, Ward 1
Katie Bolger, Council Administrative Assistant, Ward 2
Holly Lachowicz, Council Administrative Assistant, Ward 3
David Modeer, Tucson Water Director
Marie Pearthree, Tucson Water Deputy Director
Jim Cameron, City of Tucson Finance Director
David Cormier, Tucson Water Department Administrator
Pat Eisenberg, Tucson Water Department Administrator
Sandy Elder, Tucson Water Department Administrator

Barbara Buus, Tucson Water Management Coordinator
John Thomas, Tucson Water Management Coordinator
Nancy Gradillas, Tucson Water Staff Assistant
Tiki Lawson, Recording Secretary, City Clerk's Office

2. Call to Audience

No one spoke.

Chair Barry welcomed the new staff from the Council offices: Mac Hudson, Ward 1 and Katie Bolger, Ward 2. He announced today would be Committee Member Lustig's last meeting.

3. Approval of Minutes: November 14, 2007

Motion, duly seconded, to approve the minutes of November 14, 2007, as presented with corrections proposed by Committee Member Canfield as follows:

On page 4 after the fourth paragraph, to insert this paragraph:

"Committee Member Logan asked if staff could implement \$455,000 with current staffing levels. Mr. Molina replied that they could, but would need to fill an existing vacancy."

Carried by a voice vote of 10 to 0 (Committee Members Boyle, Logan and Sullivan absent).

4. Director's Report

a. Recent and Upcoming Mayor & Council Items

- Two long-time agreements with the U.S. Geological Survey (USGS) to monitor the Tucson area for aquifer storage, subsidence, and stream flows were extended.
- Two pipeline easements related to a development project near 22nd and the Pantano Wash were approved.
- As recommended by the Finance Department, a Water Infrastructure Finance Authority (WIFA) Loan Agreement of \$17.8 million was approved.

b. Other items of interest

There had not been any Central Arizona Project (CAP) Board meetings since the last CWAC meeting. Regarding the operation of the Colorado River in times of shortage, the State of Arizona sent a letter to the Secretary of the Interior concurring issues related to the issuance of the Environmental Impact Statement (EIS), and the outcome is expected in the next few months.

5. **Financial Plan: FY 2008 – FY 2013**

Chair Barry said the FY 2008 - FY 2013 Financial Plan would be voted on at the next CWAC meeting on January 9, 2008 and that Committee Members needed to make sure they understood the Plan as fully as possible.

a. **FY 2008 – FY 2013 Financial Plan**

Mr. Modeer discussed the costs of the Capital Improvement Program (CIP) and how they related to the completion (and subsequent operation) of projects for delivering the City's entire CAP allocation. The lower than projected development fee and water sales revenues, and increases in power and CAP costs over the 5-year period, were also discussed.

b. **Miscellaneous Fee Study: Installation and Service Fees**

David Cormier, Tucson Water Department Administrator, reminded the Committee that the Utility had been working on this Financial Plan since this past August 2007 and that CWAC had reviewed the building blocks of the Financial Plan: the CIP, the revenue forecast, the O&M budget and the financial policies. He then distributed the *Miscellaneous Fees Study: Installation and Service Fees*.

Nancy Gradillas, Tucson Water Staff Assistant, said the Miscellaneous Fee Study was first delivered to the Finance Subcommittee in early September 2007. At that time, the Committee requested that the actual cost of each service be rounded to the nearest one dollar (instead of nearest five dollars). The current Study was revised accordingly. This Study was conducted every two years; the last one was in 2006. Normally, revised fees are implemented at the beginning of a fiscal year. However, the implementation of the 2006 Study was delayed approximately six months, so the 2006 fees, once adopted, did not actually become effective until January 2007. That is the reason CWAC is seeing two fee studies within an 18 month period.

Ms. Gradillas gave an analysis of several fees presented in this study and discussed the existing and proposed fee amounts. She said that if these increases were recommended to, and consequently adopted by Mayor and Council, Tucson Water would expect to see approximately \$6.4 million in revenues, or about a \$600,000 increase over current fees.

A discussion followed on revenues for new meter installations.

Committee Member Carhuff asked why was the miscellaneous fee increase was delayed in 2006.

Mr. Modeer replied it was not implemented until January 2007 primarily because the May 2006 Regional Transportation Authority (RTA) election delayed discussion of the Financial Plan and miscellaneous fees. Then after the election, the normal statutory requirements for fee increases took another

six months to implement the fees.

Committee Member Carhuff said the Miscellaneous Fee Study was reviewed at several Finance Subcommittee meetings, where the Subcommittee recommended some changes. At the last meeting, the Finance Subcommittee voted 3 to 2 against recommending the study to the full CWAC. He said current economic conditions in the industry warranted a delay in the adoption of these fees. Because the fees had already been delayed previously as a result of the RTA, these fees could be delayed again.

Committee Member Carhuff made a Motion, duly seconded, not to adopt the Miscellaneous Fee Study.

Mr. Cormier distributed a handout entitled "2009 Financial Plan Rate Increase Scenarios" which dealt with the recommendations of the Finance Subcommittee regarding the Miscellaneous Fee Study, and the impact these proposed additional fee revenues would have. He spoke about the three scenarios shown and the overall revenue increases of each of the following:

- Adopt 100% of the proposed Miscellaneous Fee Increase
- Adopt 50% of the Miscellaneous Fee Increase
- No Increase in Miscellaneous Fees

Mr. Modeer added that increasing the Miscellaneous Fees now followed the Mayor and Council's policy of full cost recovery of all Tucson Water's fees.

Committee Member Zimmerman wanted to know what would happen to the rates if the fees were not approved.

Committee Member Carhuff replied they did look at that and some Subcommittee members made some specific recommendations in that respect.

Committee Member Lustig commented on the decline in the residential growth industry. CWAC projected last year's budget based on numbers that did not occur and they were already one to two million dollars behind. She said she felt they had to be conservative in what they adopted this year

Committee Member Canfield mentioned that Council Member West had said last year that growth would pay for itself and if not, the ratepayers would. The existing surveys on water use showed that existing construction used more water and therefore paid higher bills than new construction, so he was not sympathetic to this argument for growth.

Chair Barry said that both he and Committee Member Boyle agreed that the only issue before the Subcommittee was who would pay for the new costs. They both felt it was legitimate given the Mayor and Council policy that fees should cover the costs. They did not see why ratepayers should be paying as they were also hurting in this economy. He said he did not feel that new

fees would affect the volume of new housing being built.

Committee Member Evans said they should not defer fees again this year as it created a snowball effect that made the problem bigger. She said it made sense to implement these fees.

Committee Member Horvath explained the reasons why he voted against the implementation of these fees. In addition, there was no guarantee they would actually receive six hundred thousand dollars from the fees because it was predicated on how many homes would be built.

Additional discussion followed.

Chair Barry asked Committee Member Carhuff to restate his Motion which was that CWAC not adopt the Miscellaneous Fee Study presented at this meeting. Upon roll call, the results were:

Aye: Committee Members Lustig, Carhuff, Horvath
Nay: Committee Members Barry, Evans, Fogel, Zimmerman,
Baca, Canfield and Kramer
Absent/Excused: Boyle, Logan and Sullivan

Failed 7 to 3.

Chair Barry made a Motion, duly seconded, to adopt the Miscellaneous Fee Study as proposed by staff.

Committee Member Carhuff said the reasonable thing to do was to consider some alternative to this Miscellaneous Fee Study where some of the fees were increased and some delayed.

Committee Member Zimmerman asked how the process would be affected if this issue went back to the Finance Subcommittee.

Mr. Cormier said they needed to finalize the Financial Plan. It needed to be voted on by the full Committee next month and the miscellaneous fee revenues was one of the key factors that needed to be cemented in the Plan.

Committee Member Horvath made a Substitute Motion, duly seconded, to implement the Fee Study over a two-year period, with fifty percent of the increase the first year and fifty percent the second year.

Upon roll call, the results were:

Aye: Committee Members Lustig, Carhuff, Horvath
Nay: Committee Members Barry, Evans, Fogel, Zimmerman,
Baca, Canfield and Kramer
Absent/Excused: Boyle, Logan and Sullivan

Failed 7 to 3.

The original Motion by Chair Barry to approve the Fee Study was voted on.

Upon roll call, the results were:

Aye: Committee Members Barry, Evans, Fogel, Zimmerman,
Baca, Canfield and Kramer
Nay: Committee Members Lustig, Carhuff and Horvath
Absent/Excused: Boyle, Logan and Sullivan

Passed 7 to 3.

Recess: 8:05 a.m.

Reconvened: 8:10 a.m.

Chair Barry confirmed that that all Committee Members were present with the exception of Committee Member Horvath who left when the meeting recessed.

Mr. Cormier distributed an Information Packet and began a presentation outlining the various elements of the Financial Plan. The next important date was January 9, 2008, when CWAC would approve, modify, or not approve the Financial Plan. The target date for the Plan to go to the Mayor and Council was February 12, 2008. This was designed to enable the Utility to have a rate increase in the first part of July 2008 to cover the requirements for the next fiscal year.

Mr. Cormier encouraged everyone to read the narrative in the Information Packet over the next month, and then he began a discussion going step by step through the schedules contained in the Packet. Among the points raised were:

- New services were not coming in as expected. The Utility had anticipated new services and new additions to the system through October 2007 at about one thousand eight hundred, whereas the actual number was under nine hundred.
- The FY 2008 O&M budget had to be cut back in order to meet the coverage requirements for bond ordinances.
- Revenues were significantly down.
- The O&M budget will be tightly controlled and perhaps be reduced additionally as situations dictated.

c. FY 2009 – FY 2013 CIP

Sandy Elder and Pat Eisenberg, Tucson Water Department Administrators, gave a presentation on the changes to the CIP, as outlined in the Packet. The major change to the previous CIP presented in October 2007 was that the recovery line from the Southern Avra Valley Storage & Recovery Project (SAVSARP) facility was pushed back one year. Mr. Elder pointed out that

the Utility was still buying and recharging the same amount of CAP water: Tucson Water would begin to recover CAP water via the existing wells by Spring 2008.

Discussion followed regarding a potential shortage on the Colorado River and the beneficial use of our allocation.

Committee Member Zimmerman brought up the subject of Plant 1, situated on property half owned by Tucson Water and half by the City, and which lies within the City's planned redevelopment area for the downtown region. She asked that the CIP budget include two hundred thousand dollars so that staff could continue preliminary planning/design work.

d. FY 2009 O&M Budget

David Cormier said there were not a lot of changes to the O&M budget from earlier presentations, except for the addition of the four hundred fifty-five thousand dollars to fund part of the Conservation Task Force recommendations as recommended by CWAC.

David Cormier summarized the following additional documents in the Plan covering the CIP:

- Tucson Water – Recharge of CAP Allocation
- Tucson Water – Recovery/Delivery Capacity: Recharged CAP Water
- Tucson Water 11/22/07 Financial Plan: FY 2008 to FY 2013
- Proposed 2009 Financial Plan vs. Financial Plan Adopted April 2007

6. Briefing on Proposition 200 Election Results: Lessons Learned

Committee Member Zimmerman distributed a handout, which she explained was a short review of the history of the campaign for Proposition 200 from a research perspective. It included the strategy of the campaign, lessons learned and what this meant for future policy. Discussion on this topic was deferred until the next meeting.

7. CWAC Meeting Times

This item was deferred to the next meeting.

8. Future Agenda Items

The inclusion of the Plant 1 issue for the next meeting was raised by Committee Member Zimmerman and agreed upon by Committee members.

9. Call to Audience

No one spoke.

10. Adjournment: 9:02 a.m.