



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, November 5, 2008, at 7:00 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
Thomas Meixner
James Horvath
Daniel Sullivan
Martha Gilliland
Tina Lee
Amy McCoy
Bruce Billings
Vince Vasquez
Corina A. Baca
Evan Canfield

Appointed by:

City Manager
City Manager
City Manager
City Manager
City Manager
City Manager
Ward 1
Ward 2
Ward 3
Ward 4
Ward 5
Ward 6

Members Absent:

Martin M. Fogel

Appointed by:

Mayor

Others Present:

Jeff Biggs, Tucson Water Director
Ivey Schmitz, Tucson Water Deputy Director
Chris Avery, Tucson Water Interim Deputy Director
Belinda Oden, Tucson Water Financial Manager
Trucynda Hawkins, Tucson Water Rates & Revenues Manager
Pat Eisenberg, Tucson Water Planning & Engineering Administrator
Sandy Elder, Tucson Water Planning & Engineering Administrator
Ray Wilson, Tucson Water O&M Administrator
Mitch Basefsky, Tucson Water Public Information Officer
John Thomas, Tucson Water Management Coordinator
Holly Lachowicz, Ward 3 Council Administrative Assistant
Tiki Lawson, Recording Secretary, City Clerk's Office

2. Announcements

John Thomas, Tucson Water Management Coordinator, announced that there would be a joint meeting between CWAC and the Pima County Regional Wastewater Reclamation Advisory Committee on January 21, 2009 at the Pima Association of Government's Conference Room in the Transamerica Building. The purpose of the joint meeting is to receive a presentation on the City-County Water & Wastewater Study Committee's draft Phase I report.

3. Call to the Audience

No one spoke.

4. Approval of Minutes: October 15, 2008

Motion by Committee Member Sullivan, duly seconded, to approve the Minutes of October 15, 2008, as presented. Motion passed by a voice vote of 12 to 0.

5. Director's Report

a) Mayor and Council items

Jeff Biggs, Tucson Water Director, stated that since the October 15, 2008 CWAC meeting, there had been no items that had gone before Mayor and Council. Two items were scheduled to go to Council in November 2008, one was the adoption of an ordinance to expand CWAC membership to include the City's Water Director and County's Wastewater Reclamation Director as ex-officio members, the other was a water pipeline easement to connect a new potable well to a transmission main in Wilmot Road, about one mile south of I-10.

b) Other

Mr. Biggs said that he and others had been busy recently meeting with approximately four hundred fifty Tucson Water employees to discuss the current revenue shortfall the Utility experienced during July, August and September 2008. The Utility was down a little over \$5 million for this first quarter of the fiscal year due in large part to a reduction in water sales. He said he was optimistic that demand would be normal this winter as it was last winter. The Utility was, however, making plans just in case this did not happen.

Mr. Biggs said these meetings with employees were for the purpose of soliciting ideas on how to reduce Utility expenditures for the current fiscal year. Over two hundred ideas had been received to date, and all ideas would be reviewed as to whether they could help to reduce the Utility's expenditures in the short term. Mr. Biggs said he would keep CWAC updated on this effort.

6. Financial Update

Chair Barry said there would be two CWAC meetings in December, one on December 3 to have an in-depth discussion of the financial plan, and the second on December

17 to vote on the plan.

John Thomas gave a brief presentation showing reductions in water demand and number of new connections this fiscal year vs. prior years. These reductions are primarily responsible for the revenue shortfall.

Chair Barry asked, in terms of water sales, what percentage occurred in the first quarter. Belinda Oden, Tucson Water Financial Manager, said that she would have to get back to Mr. Barry with that information. She said that reduced water consumption led to a revenue shortfall of about \$5.4 million for the first quarter of FY 2009. In addition to soliciting money-saving ideas from employees, the Utility was looking at other options such as restructuring some of the Utility's bond debt and reducing the capital program. However, because the capital program is funded with a mixture of revenues and bond funding, the CIP would have to be reduced \$14.2 million in order to achieve a \$5.5 million reduction in the annual budget.

a) FY 2008 Year End and FY 2009 First Quarter Status Report

Ms. Oden distributed a memorandum entitled 'Preliminary FY 2008 Fiscal Year End Financial Results/Reports'. She stated that revenues were down about \$3 million in FY 2008 due to reduced consumption. During this fiscal year, the financial plan was revised along with projections. The average family residential unit used approximately 10.7 Ccf a month. This was an all time low and was closer to the winter average. The Attachments to the document included:

- FY 2008 Revenues and Potable Water Sales Volume @ FY 2008 Year End
- FY 2008 O&M Spending through 6/30/08 + Various O&M Categories at 6/30/08
- Various O&M Categories Comparison FY 2007 to FY 2008
- FY 2008 CIP Budget, Expenditures + FY 2008 Major CIP Project Spending

Ms. Oden stressed that these figures had not been audited. She then went over the information contained in the remaining attachments. She said there was a preliminary working capital balance of \$8 million and capital assets of \$862 million. Approximately \$4.8 million in the infrastructure reserve fund would be used during the current fiscal year to fund the capital program. The amount of outstanding debt was \$436 million.

The FY 2008 spending report budget was discussed, and it was mentioned that the Utility was close to operating expense projections. There was an approximate forty-one percent increase in purchase of CAP water compared to the prior year. Ms. Oden also pointed out the lower overtime and extra time spending was indicative of the efforts the Utility's operational and maintenance divisions were making to keep these figures down.

Ms. Oden said that this was the first time she could remember that the Utility spent ninety-nine percent of its capital program. About forty percent of that spending was related to the Clearwater facilities, the SAVSARP basins and water

delivery lines which constituted about \$26.4 million of the total amount of \$66.5 million.

Committee Member Sullivan asked a question regarding the CIP budget and the cost of utility re-locations. Ms. Oden said that road improvement projects and main replacements accounted for about \$4.9 million of spending in the FY 2008 capital program.

Chair Barry asked whether the approximately \$5.4 million revenue shortfall for the first quarter translated into a possible \$20 million shortfall for the whole year. Ms. Oden said the Utility could not predict these numbers which were tied to many factors such as the economy and weather conditions, the latter of which included the monsoon season. Chair Barry commented that this \$5.4 million figure could be for the whole year.

**b) Proposed Increase in System Equity Fee (SEF), and
c) Proposed Increase in CAP Water Resource Fee (CWRF)**

Ms. Oden distributed the CAP Water Resource Fee (CWRF) Update and summarized the proposed fee changes.

Trucynda Hawkins, Tucson Water Rates & Revenues Manager, distributed the System Equity Fee (SEF) Update Report and summarized its contents, which included the following tables:

1. Current and Proposed system equity fee schedules
2. System equity fee cost basis
3. System capacity estimates
4. Unit cost of capacity
5. System equity fee calculation
6. Projected system equity fee revenues

Committee Member Horvath, as Chair of the Finance Subcommittee reported on the findings of the Subcommittee. Their charge was not to determine whether the fee should exist; this had been established by the Mayor and Council. They wanted to determine the accuracy of the formula for calculating the fee. He noted that the financial plan's projections had been for two thousand five hundred additional new meters, which was twice as many as the actual number. Ms. Hawkins said that this number was reduced in the Update Report based on current trends in new meter installations. Mr. Horvath said that the Finance Subcommittee had recommended approval of the increase in SEF.

Committee Member Vasquez said he supported both the fees currently up for approval. With respect to the water resource fee (CWRF), he said the one hundred ten-gallon per capita per day number used in constructing the fee jumped out at him. He had seen new residential construction with eighty gallons per capita per day. That would change the metric from three units per acre-foot to four units per acre-foot, with all equivalencies changing accordingly. A discussion ensued regarding this issue.

Committee Member Sullivan made a Motion, duly seconded, to approve the

Proposed Increase in System Equity Fee (SEF) and CAP Water Resource Fee (CWRF). The motion passed by a voice vote of 12 to 0.

d) Proposed 5-Year CIP (Capital Improvement Program)

Pat Eisenberg, Tucson Water Planning & Engineering Administrator, provided a handout covering the five year CIP Review with exhibits further explaining the projects included in the proposed FY 2010 to FY 2014 CIP. This handout contained some of the answers to the questions she had received as well as the difference between last year's 5-Year CIP and the current one.

Ms. Eisenberg went over the main points of the handout including a discussion on the various projects. She said the Mayor and Council had authorized projects in the Clearwater Program that would allow the City to take its entire allocation of Colorado River water. The Clearwater Program started with the design and construction of recharge basins and recovery facilities in Central Avra Valley in 2001 (CAVSARP) and presently continued in Southern Avra Valley (SAVSARP). The Utility began taking its entire Colorado River allocation in July of 2007. She summarized the exhibits in the handout that included:

- A. Clearwater Projects FY 09 vs. FY 10
- B. SAVSARP Progress Update
- C. Funding by Percent FY10 - FY14
- D. Added and Removed Projects
- E. Common Year Comparison FY09 vs. FY10
- F. Infrastructure Replacement Map
- G. RTA Projects: Construction Schedule Status

Ms. Eisenberg went over the essential CIP projects and as well as those that had some flexibility for scheduling.

Ms. Eisenberg discussed the new capital projects that were included in the 5-year CIP, as well as those previously authorized projects that were removed from the CIP due to funding priorities. She noted that some planned project funding had increased from last year (as shown in Exhibit E) in response to a recommendation from the Finance Subcommittee to add a three-percent inflationary factor to future year's expenditures.

Sandy Elder, Tucson Water Planning & Engineering Administrator, reviewed the Infrastructure Replacement Map, Exhibit F, which showed the location of main failures over a five-year period. This analysis determined which main replacement projects were included in the CIP. Mr. Elder noted that many efforts and funding had been spent over the last decade in securing Colorado River water resources for the City, and the next step would be to secure the Utility's aging infrastructure over the next five to ten years. It would be a new challenge that involved prioritizing and investment.

Committee Member Sullivan said the RTA Board was in a state of urgency in trying to move a number of the projects mentioned in the construction schedule (Exhibit G) from planning to construction. Its goal was to get as much of the money it had out so that some development could be seen.

Committee Member Vasquez asked for clarification on the main failures located on the map.

Mr. Elder said that the analysis of main failures was done within quarter sections (about ¼ square mile). The sum of all the failures over a five-year period within a quarter section was divided by the miles of mains in that quarter section. "Failures" were defined as leaks or breaks resulting in an abrupt loss of water, but did not include any contractor-caused damage to mains.

Committee Member Sullivan asked if there was a general sense with this map of where the City was in comparison to the national average.

Sandy Elder said that Tucson was below the national average. The City had a large water distribution system spread over a very large area so there were a lot of miles of pipe although not a lot of density. The Utility's pipes were relatively new, with much installation done in the 1950's. The core of the system built prior to World War II is wonderful pipe that is still in good condition. The pipe that is failing was actually from the 1960's and 1970's.

Committee Member Vasquez asked what the current recovery capability was for the whole CIP. (Recovery refers to the pumping of recharged Colorado River water in Avra Valley.) A discussion ensued about the Utility's challenges in this area.

Mr. Elder said that about sixteen million gallons per day were being recovered at SAVSARP. One challenge is to schedule the construction of recovery capability to match actual demand for the water. Otherwise, if a large facility were built before the actual demand was there, then the facility could sit idle much of the time. While additional recovery wells can be scheduled to come on line as needed to meet demand, Mr. Elder said a different problem exists for the design and construction of the recovered water delivery transmission main. The Utility has only one shot at building this main, so the main has to be sized for its ultimate needed capacity. Because there is always competition for additional monies among projects, there has to be a balance struck between doing what is needed for new infrastructure vs. for maintaining and restoring the existing system, all of which relate to available revenues.

Committee Member Canfield asked about meter replacement.

Mr. Elder said that the Utility had a meter replacement program to ensure that all delivered water was being billed accurately. Customers who received new meters may see some bill increases as old meters typically undercount the water used as they wear with age.

Committee Member Horvath asked about leaking water lines and increases in postage costs.

Pat Eisenberg said under-recording meters were being looked at, as well as lowering pressures in the system in order to reduce leaks while still providing enough water pressure for customers and for fire protection.

Belinda Oden said e-billing was on the priority list for the future. The Utility currently accepted online payments.

Pat Eisenberg said a national economic stimulus program was being developed to take before Congress that could provide funding for water projects. The Utility provided a list of 20 ready-to-go projects which, if funded by the first of the year, could be constructed by the end of the year (2009). The twenty projects totaled nearly \$14 million, and would create an estimated one hundred-ninety jobs. The projects included drilling and equipping wells, replacing large meters, and main replacements, and were not otherwise funded in the Utility's proposed CIP.

Committee Member Evans asked about the relocation of Plant 1.

Ray Wilson, Tucson Water O&M Administrator, said that for many years, Plant 1 was the central hub of the water system where all maintenance division staff were located. There are still quite a few personnel operating out of the facility. He believed the neighborhoods in the area liked the Plant.

Chair Barry said that the main impetus for moving Plant 1 was Rio Nuevo rather than operational needs.

Committee Member Billings clarified that neither Tucson Water nor Rio Nuevo would be willing to pay for the Plant's relocation.

8. Future Agenda Items (item taken out of order)

Chair Barry said in December 2008, a new Chair and Vice-Chair needed to be elected. In addition, Committee Member Sullivan asked for an update on the issues concerning the Town of Marana's dispute with Pima County regarding wastewater issues.

7. Colorado River Water – Shortage Sharing Agreement

Chris Avery, Tucson Water Interim Deputy Director distributed a handout and gave a presentation on the Tiered Shortage Sharing Agreement that was reached by the Seven Colorado River Basin States and signed by the Secretary of the Interior on December 13, 2007. This Agreement, which came about because of unusually low flows on the Colorado River some years back, dramatically reduces the risk of a shortage and showed that Tucson had in fact a high priority to Colorado River water. Some facts mentioned were:

- City of Tucson has a CAP allocation of 144,191 acre-feet/year
- City of Tucson has a Central Arizona Groundwater Replenishment District (CAGRD) Membership allocation of 12, 500 acre-feet/year
- Tucson has the ability to store its full allocation
- Tucson's drought status is more closely linked to water levels in Lake Mead than to the amount of rainfall in Tucson
- More water is saved in Lake Mead and Lake Powell and allocated for future use

- The signing of the Tiered Shortage Sharing Agreement shows that when there was a crisis on the Colorado River, the Seven Basin States could come together to use adaptive management principles in order to reduce the possibility of shortages

9. Call to Audience

No one spoke

10. Adjournment – 8:42 a.m.