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 Sarah Evans, Chair, on Wednesday, April 8, 2009, 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:	Appointed by:
Sarah Evans, Chair	City Manager
Bruce Billings, Vice Chair	Ward 3
Jim Barry	City Manager
Thomas Meixner	City Manager
James Horvath	City Manager
Christopher Brooks	City Manager
Martin M. Fogel	Mayor
Tina Lee	Ward 1
Amy McCoy	Ward 2
Vince Vasquez	Ward 4
Evan Canfield	Ward 6
Jeff Biggs, Tucson Water Director	Ex-Officio Member
Michael Gritzuk, Pima County Regional Water Reclamation Department Director	Ex-Officio Member

Members Absent:	
Daniel Sullivan	City Manager
Martha Gilliland	City Manager
Sean Sullivan	City Manager
Corina A. Baca	Ward 5

Others Present:
Chris Avery, Tucson Water Interim Deputy Director
Sandy Elder, Tucson Water Interim Deputy Director
Belinda Oden, Tucson Water Finance Manager
Trucynda Hawkins, Tucson Water Revenue Manager
Deborah Galardi, Tucson Water Rate Consultant
John Thomas, Tucson Water Management Coordinator
Tiki Lawson, Recording Secretary, City Clerk's Office

2. Announcements

Chair Evans announced that due to the previous day's termination of the City Manager, the voting status of the City Manager appointed CWAC members should be addressed.

Chris Avery, Tucson Water Interim Deputy Director noted that, according to the City Attorney's office, the City Manager appointed positions did not automatically expire, hence the current status of CWAC's City Manager appointed members was valid.

3. Call to Audience

No one spoke.

4. Approval of Minutes: March 25, 2009

Motion by Chair Evans, duly seconded, to approve the Minutes from the CWAC Meeting of March 25, 2009, as presented. Passed by a voice vote of 11 to 0.

5. Director's Report

a. Mayor and Council items

Jeff Biggs, Tucson Water Director, summarized recent Mayor and Council activities. He reiterated that the City Manager had been removed from his duties by a 4-3 vote and said he assumed that Mike Letcher would be the acting City Manager. Mr. Biggs noted that at the April 14, 2009 Study Session, the Utility had a water easement scheduled for presentation before Mayor and Council. At the regular meeting on April 28, 2009, the new water rates would be discussed, followed by the adoption of the Notice of Intent to increase water rates and setting a public hearing on the new rates for June 2, 2009. Also scheduled was a ten acre lease of water property at the Central Avra Valley Storage and Recovery Project (CAVSARP) for a 1 Megawatt solar plant.

b. Other

Mr. Biggs spoke briefly about the Utility's re-marketing efforts of the Central Arizona Project (CAP) water. He said Gilbert, Arizona had purchased 25,000 acre-feet, Avondale purchased 200 acre-feet and the Arizona Water Banking Authority purchased just under 17,000 acre-feet. The Arizona Water Banking Authority plans on banking fifteen thousand acre feet of that water at CAVSARP, which will generate approximately $200,000 dollars in storage fees for Tucson Water. In addition, Vail had approached the Utility to purchase 4,000 acre-feet of CAP water storage credits and Oro Valley was interested in purchasing 4,000-acre feet of groundwater credits that will produce additional revenues for Tucson Water this fiscal year.

6. FY 2010 Rate Process: Proposed Water Rate Schedules

Belinda Oden, Tucson Water Finance Manager, distributed a handout entitled FY 2010 Cost of Service (COS), Revenue Targets & Rate Design. She spoke about the rate calendar and the remaining steps that required Mayor and Council approval. The Utility had worked with the CWAC Finance Subcommittee which had made recommendations regarding the proposed rate schedule. She said the Subcommittee asked whether there was a difference in the peaking factor between hotels and restaurants vs. office commercial customers. She said that in preparing for the next rate cycle, staff would come back with information about this and other questions, such as: is there any correlation between low volume and low income users, and what volume of water does a typical family require to sustain its needs, and should the first single family tier be broken into two tiers.

Ms. Oden discussed highlights of the handout, including revenues on page 1, itemized FY 2010 Estimated Cost of Service on page 2 (that indicated the net requirements to be recovered from water sales revenues/rates collected from the Utility's customers to be $126 million), and the FY 2010 Customer Class Profile on page 3 (that showed that residential single-family customers use the biggest percentage of water and provide the Utility with the most revenue).

Deborah Galardi of Galardi Consulting, Tucson Water's rate consultant, discussed the remaining portions of the handout. The graph on page 4, Reclaimed Water to Recover 95% of Cost of Service/Potable Users Recover 5% of Reclaimed Cost of Service, was discussed at length as this forms the basis of the rate schedules. The column entitled Allocated COS was developed in accordance with the American Waterworks Association (AWWA) guidelines. In comparing these figures to the previous graph, it can be seen that each of the classes has not had major changes in percent of revenue responsibility. In determining the Utility's total revenue target, the following items were considered:

- Reclaimed COS to be recovered from reclaimed rate payers
- Reclaimed to be allocated
- Potable COS
- Potable difference in TUSD peaking costs to be allocated
- Fire Protection COS to be allocated

The Utility's revenue target is the adjusted COS amount of $126 million, which is to be generated by rates next fiscal year. This was a 10% overall increase from existing rates.

There are four primary components to the rate structure:

- Service charge that varies by meter size
- Usage Charge that varies by customer class and rate structure
- CAP Charge applied uniformly to potable customers according to usage
- Conservation charge applied uniformly to potable customers according to usage

The graph on page 5 showed a comparison of the existing and proposed rates. The two graphs on pages 4 and 5 were part of the supporting materials included in the vote on the proposed water rate schedules.

Reclaimed rates received the highest percent increase, significantly more than the system

average. This was due to the 12.2% reclaimed class cost responsibility increase in addition to the fact that not all reclaimed users pay the standard rate. Because some reclaimed customers pay negotiated contract rates that are lower than the standard rate, other reclaimed users had to pay relatively more in order to recover that class's total cost responsibility.

Ms. Galardi said there was no change recommended this year in the summer surcharge tier structure for commercial and industrial rates (which had been in effect for a number of years), but that this would be considered along with other rate design issues in the next rate cycle. A discussion ensued regarding incentives to use reclaimed water and peaking factors involved.

Ms. Galardi discussed the chart on page 6 concerning the Utility's conservation program. The FY 2010 test calculation consisted of dividing the total FY 2010 conservation budget requirements by the FY 2010 projected potable sales volume, arriving at the conservation charge of $ 0.04 per Ccf.

The graph on page 7 showed the proposed FY 2010 rate included for fire sprinkler service compared to existing rates.

Samples of single-family bills were represented on the charts on pages 8 and 9. About 80% of customers used 15 Ccf or less per month. The percentage of low volume users has actually increased over time as consumption has decreased.

Because the service charge is not increasing much, customers who use very little water will have a significantly lower percentage increase than the 10% system-wide average increase. Customers at the upper tiers could see their bills increase anywhere from 10% to 13%.

Ms. Galardi discussed the chart on page 10, Single-Family Water Bill Comparisons: 1997 to 2010 Proposed Water Rates. This chart shows how the rates had impacted single-family users over time. While each of rate components had increased (the monthly minimum charge, monthly water use charge, and CAP surcharge), most residential customers (with average consumption) saw a small total increase during this time. However, due to the conservation oriented rate structure, bills for very high users had increased dramatically during this time.

During the discussion of the graph on page 11, Average Single-Family Monthly Water Bill Comparison (with other southwestern cities), it was noted how difficult it was to compare rates and charges across utilities because they had such different circumstances. These figures were based on the average monthly usage for fiscal year 2008 for single family customers. The last chart discussed was FY 2010 Sample Monthly Bills: Other Customer Classes. The bills were dependent on the combination of usage and meter size, and show increases anywhere from 5% to 14%.

Ms. Oden discussed the affordability of Tucson Water rates. The Environmental Protection Agency (EPA) has a benchmark that evaluates affordability when assessing a community's ability to complete EPA-mandated projects. EPA had determined affordable water bills to be 2% of household median income (which is about $36,000 in Tucson). Tucson Water's average bill comes in at approximately 0.6% of median income, well below the national benchmark.

Committee Member Horvath asked if it was possible to do some kind of comparison on average rates for commercial customer usage in other cities.

Committee Member Fogel asked what the rationale was for the decreasing the percentage increase in higher blocks as the water usage rises.

Ms. Galardi said large volume users pay all those intermediate tiers as well, so their cumulative bills include the 13% increases to the lower volume tiers. The cumulative impact generally was that the more one used, the more the percentage increased. She said to keep in mind the bill impact on the upper blocks has been significant over the last several years. Also, since usage can be variable in the higher blocks, there has to be a balance struck between conservation objectives and revenue stability.

Trucynda Hawkins, Tucson Water Revenue Manager, said lack of revenue stability was a factor in the Utility's revenue shortfall for FY 2009.

Vice Chair Billings moved, duly seconded, to approve the Water Rate Schedule and supporting materials as presented. Motion passed by voice vote of 11 to 0.

Ms. Oden said the Utility would be working to prepare CWAC's Report with rate recommendations for presentation to the Mayor and Council on April 28, 2009, when the Notice of Intent to increase rates and to set a public hearing date would be voted on. She encouraged CWAC members to attend the April 28 Council meeting.

Mr. Biggs said that from now until the April 28 meeting date, he and Ms. Oden would be visiting the different Mayor and Council offices to discuss this subject at greater length.

Ms. Oden thanked the CWAC Finance Subcommittee for all its hard work and said CWAC members would get a break now until the Fall when review of the Miscellaneous Fees would begin.

7. Residency of Tucson Water Director in Tucson Water service area

This item was not discussed.

8. Tucson's Effluent Resources

Chris Avery gave a short presentation entitled Tucson's Effluent Resources, which was condensed from one of the many presentations given to the Joint City/County Water and Wastewater Study Committee. The presentation provided background information that CWAC might find useful in further discussion of policy issues such as conservation, reclaimed planning, future water resources and environmental needs for water.

The major points discussed in Mr. Avery's presentation were:

- Effluent is a vital, locally-generated renewable water resource
- Tucson's reclaimed system recycles effluent and preserves groundwater
- The need to reuse effluent will increase over time
- Effluent supply will grow with the community
- The effluent resource will help ensure supply sustainability and drought resistance in the future.

Under the terms of the 1979 Agreement in which the City transferred its sewer system to Pima County, 10% of the effluent generated in the region is available to Pima County for public use and 90% is available to the City.

The 2000 Supplemental Agreement (to the 1979 agreement) between the City and the County reserved 28,200 acre-feet (AF) of effluent for the Secretary of the Interior to settle Indian water right claims by the Tohono O'odam Nation, and also established a 10,000 AF Conservation Effluent Pool to be used on environmental projects as agreed to by the City and County.

Regarding how much effluent controlled by local jurisdictions, Mr. Avery said that roughly 68,200 AF of effluent is produced by Pima County Wastewater Treatment Plants (he said that the actual volume produced is somewhat more than this, but 68,200 AF is a round number that works for his illustration below).

Of the 68,200 AF, 28,200 AF is held in trust by the Secretary of the Interior to settle the Indian Water Rights lawsuit filed by the Tohono O'odam nation. This leaves 40,000 AF of effluent as a regional supply. (This number does not count the effluent produced at Pima County's non-metropolitan treatment plants – such as Mt. Lemon.)

Subsequently, the City entered into Agreements with the town of Oro Valley and the Metropolitan Domestic Water Improvement District (Metro) in which those water providers would obtain from the City's share a share of the effluent generated from each of their water service areas. Oro Valley and Metro each serve about 10% of the amount of water served by Tucson. City staff was unsuccessful in reaching the same agreement with the town of Marana.

He added the City and County were close to finalizing an agreement to implement the Conservation Effluent Pool that was established in the 2000 Supplemental agreement.

When this 10,000 AF Conservation Effluent Pool is fully used, the participating jurisdictions will have available the following quantities of effluent:

Pima County	3,000 AF
City of Tucson	23,300 AF
Oro Valley	1,700 AF
Metro Water	2,000 AF

Because the City currently delivers treated effluent to reclaimed customers and to effluent recharge projects in the Santa Cruz River, when the Conservation Effluent Pool is fully utilized the City will have about 5,500 AF of remaining available effluent supply.

A discussion ensued regarding the importance of future use of effluent and possible impacts on riparian habitats.

Mr. Biggs stated that the Mayor and Council made it clear during the last few Study Sessions that they understood the value of effluent and had concerns about some of the City's effluent leaving the Tucson area. He said the Utility would like to work with the County toward some sort of recharge facility to keep the water within the Tucson area.

9. Future Agenda Items

Vice Chair Billings suggested a short presentation and discussion of Basin aquifer levels. Chair Evans said a presentation was also suggested on solar issues. Committee Member Canfield said there would be recommendations of revisions to the Community Conservation Task Force (CCTF) programs for FY 2010.

10. Call to Audience

No one spoke.

11. Adjournment – 8.38 a.m.