Citizens' Water Advisory Committee
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Citizens' Water Advisory Committee

MINUTES – September 9, 2009

The regular meeting of the Citizens' Water Advisory Committee was called to order by Sarah Evans, Chair, on Wednesday, September 9, 2009, at 7:05 a.m., in the Tucson Water Building, 310 W. Alameda, 3rd Floor Director's Conference Room, Tucson, Arizona.

1. Call to Order

Members Present:	Appointed by:	
Sarah Evans, Chair	City Manager	
Jim Barry	City Manager	
Thomas Meixner	City Manager	
Christopher Brooks	City Manager	
Martin M. Fogel	Mayor	
Tina Lee	Ward 1	
Amy McCoy	Ward 2	Arrived 7:05 a.m.
Vince Vasquez	Ward 4	Arrived 7:15 a.m.
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:	
Corina A. Baca	Ward 5
Bruce Billings, Vice Chair	Ward 3
Jim Horvath	City Manager
Martha Gilliland	City Manager

Others Present:
Ivey Schmitz, Tucson Water Deputy Director
Sandy Elder, Tucson Water Interim Deputy Director
Chris Avery, Tucson Water Interim Deputy Director
Belinda Oden, Tucson Water Business Services Administrator
Dorothy O'Brien, Utilities Director, Town of Marana
Fernando Molina, Tucson Water Conservation Manager
Nicole Ewing-Gavin, City Coordinator, Joint City/County Water/Wastewater Oversight Committee
John Thomas, Tucson Water Management Coordinator
Tiki Lawson, Recording Secretary, City Clerk's Office

2. Announcements

There were no announcements.

3. Call to Audience

No one spoke.

4. Approval of Minutes: June 3, 2009

Motion by Chair Evans, duly seconded, and passed by a voice vote of 8 to 0, to approve the minutes from the CWAC Meeting of June 3, 2009, as presented.

5. Director's Report

a. Mayor and Council items

Jeff Biggs, Tucson Water Director, summarized recent Mayor and Council activities since the last CWAC meeting on June 3, 2009.

- On June 9, 2009, the low-income utility bill assistance program funding was renewed for FY 2010 through an agreement with the Pima County Community Action Agency which administers the program.
- On June 16, 2009, an "Effluent Interconnect" IGA with Pima County was approved (Chris Avery briefed CWAC on this agreement at the May CWAC meeting).
- On June 23, 2009, Mayor and Council approved the acquisition of water and electrical easements on private property for the Utility's recovered water transmission main in Southern Avra Valley.
- On July 7, 2009, CWAC's recommended FY 2010 Water Efficiency Program funding recommendations were approved by the Mayor and Council (those recommendations will be discussed today).
- On August 5, 2009, the Mayor and Council approved the purchase of water easements to construct the Broken Springs Trail water booster station in the Tucson Mountains, and also the easements needed to replace the thirty-six inch Sandario Road transmission main in Avra Valley.

b. Other

Mr. Biggs said it had been a strange summer with regard to water demand. Normally, peak demand hits in late June or early July before the monsoon strikes. This year there had not been much of a monsoon season until early September, but the dry weather did help improve August revenues.

Mr. Biggs explained how the peak day volumes in the last 5 years showed decreasing customer demand. On July 14, 2005, the peak day volume was 165 million gallons. In late June 2007, the peak day volume was 150 million gallons and in June 2008 the peak volume was 141 million gallons. This year, the Utility's peak day occurred on August 3, 2009, at 131 million gallons. Mr. Biggs said that staff could not remember a peak day occurring as late as August. In addition, the 2009 peak day was a record low volume peak day as well, with demand 34 million gallons (or 20%) below the 2005 level.

6. FY 2009 Year-end Financial Results and FY 2010 Update

Belinda Oden, Tucson Water Business Services Administrator, gave a preliminary update on the FY 2009 year-end results (ending June 30). She said the Utility's revenues were slightly below the revised Plan (adopted in March 2009 by Mayor and Council) by about $127,000 overall, which was close to the target. Ms. Oden gave a short summary of the results, and stated the full details would be e-mailed to CWAC members.

With regard to the Utility's operating expenses, Ms. Oden said this was the first time she could remember when there was an actual reduction in overtime and extra time costs compared to the prior year. The work in the maintenance area in implementing different work schedules and hours had paid off. She said the Utility did meet coverage on all of its debt. This was the result of reductions made in operating expenses as well as debt restructuring to change the repayment terms on $2.9 million of outstanding debt. She said even with the Utility's declining liquidity and lower working capital, it was still very well rated by the three major bond rating agencies.

Ms. Oden said at the October 2009 CWAC meeting staff will present the upcoming financial planning calendar, and summaries of the requested capital and operating budgets will be provided to CWAC. The Finance Subcommittee will meet during October to review these budgets in detail.

7. Process to appraise Tucson Water infrastructure in Town of Marana for possible sale to Marana

Chris Avery, Tucson Water Interim Deputy Director, discussed the proposal for the City of Tucson and the Town of Marana to work together regarding possible sale of water infrastructure within the Town of Marana to the Town. Several attempts had been made to look at this issue, the first about ten years ago and most recently two years ago, with no success. This spring, the Town of Marana contacted Tucson Water and began discussions on a process by which both jurisdictions would jointly select an appraiser or evaluation team to look at the City's assets located within the Town of Marana and evaluate those assets using known methodologies. The Town of Marana would invite the City to participate on the appraiser selection panel, and the two jurisdictions would jointly work together to come up with a fair market value of the water assets within Marana. The consultant would also evaluate the potential water resources that Marana could obtain to supply the Marana customers served by this infrastructure. The process would begin with the issuance of a Request for Quotation (RFQ) in which interested appraisers/evaluation teams would submit their price proposal to perform this work.

The City Manager requested that this proposed appraisal process be presented to CWAC for approval before it is forwarded to the Mayor and Council to approve. CWAC could decide that it has enough information at this meeting to take action on it, or could delegate it to a Subcommittee for further review.

Committee Member Barry asked Dorothy O'Brien, Town of Marana Utilities Director, what Marana hoped to achieve. Ms. O'Brien replied that it was Marana's goal to provide all water services within the Town. As a large part of its service area is now served by Tucson Water, there is a committed desire by Marana to move forward with this. Since this topic was raised again with Tucson this last spring, there have been discussions to move forward with this in a mutually beneficial manner. Ms. O'Brien added that Marana would love to be

able to purchase a portion of Tucson's water allocation, but as previously stated an agreement was first needed on the cost of infrastructure and things of that nature.

Committee Member Barry asked Chris Avery to describe the infrastructure that the appraiser would be looking at. Mr. Avery said that the focus was on the infrastructure that supplied the Marana customers. Because of the location of the pipes and the way the system operates, it would not be practical to separate the infrastructure exactly at the Town boundaries. Rather, any separation of the systems would probably require either that Marana acquire some additional infrastructure outside of the Town's boundaries or that Tucson Water retain some infrastructure inside the Town.

Mr. Avery said if some agreement could be reached on the value of the infrastructure, a subsequent discussion would need to be entered into with the Town of Marana about water resources. The RFQ specifically states that the Town of Marana may ask the consultant to look at what water resources – other than the City of Tucson's water resources – could supply these Marana customers with water. The Central Arizona Groundwater Replenishment District (CAGRD) would be the most likely candidate for this. This water resource question would likely come back to CWAC for a policy discussion.

Committee Member Barry inquired how long the Study would take. Ms. O'Brien said it was anticipated that once the RFQ was put out, it would take anywhere from three to four weeks to have people respond, and some time after that to go through the responses. She said she estimated two to three months for a good evaluation because of the complexities involved.

Mr. Biggs reminded everyone that if CWAC approved this proposal today, that it still needed to go before Mayor and Council for their approval, which would be the next step. He anticipated this would happen some time this fall.

Mr. Avery said there was no obligation on the part of either Marana or Tucson to make a deal. He added that the Utility had an obligation to its ratepayers to obtain fair market value for its assets. He said he thought Marana had a similar obligation to its citizens and future ratepayers to acquire the system for no more than fair market value.

Motion by Committee Member Barry, duly seconded, and passed by a voice vote of 9 to 0, to recommend that Mayor and Council approve moving forward with the RFQ, and that the item subsequently be moved to the CWAC Technical / Planning & Policy Subcommittee for examination.

8. Growth, Urban Form, and Annexation – Implications for Tucson Water

Nicole Ewing-Gavin, City Coordinator for the Joint City/County Water/Wastewater Oversight Committee, gave a PowerPoint presentation that relates to Phase 2 of the Water & Wastewater Infrastructure, Supply & Planning Study.

Ms. Ewing-Gavin said Phase 2 was close to completion. It was focused on preparing technical papers on a variety of topics, one of which was on the Growth topic to be discussed at CWAC today.

The Phase 2 Growth paper tried to address the question of how could growth be accommodated in the most sustainable manner possible. She said the paper was not a debate about growth or lack thereof, but simply if growth happened, how would the Utility

be prepared to accommodate it? The three areas focused on were form of growth, location of growth and hypothetical growth scenarios. She stated for further details not covered by the presentation, the paper was posted on line at www.tucsonpimawaterstudy.com.

Ms. Ewing-Gavin discussed the *form* of growth, which is typically measured in density but it also includes the mix of land uses that go together, lot sizes, how infrastructure is built, open space, and transportation options. In this paper, she said, it was determined there were three different densities in Tucson with various density patterns in the City and County. The average density in metropolitan Tucson is approximately four people per acre or 2,560 people per square mile. This number changes close to the City limits and in rural areas. The density in Tucson was then compared to that in other peer cities. There seemed to be benefits associated with incremental increases in density. The effects of urban form and density include:

- Vehicle miles traveled
- Walkable urban spaces
- Public service cost per household
- Water consumption
- Energy consumption
- Land consumption

Ms. Ewing-Gavin then discussed how the location of growth was modeled using a hypothetical doubling of the City's population to two million people. The four growth scenarios that were formulated in the Study were:

- Scenario #1: Status Quo
- Scenario #2: Enhanced Habitat Protection
- Scenario #3: Infrastructure Efficient/Taxpayer Savings
- Scenario #4: Transit Oriented Development.

Ms. Ewing-Gavin said the staff and consultant team compared the different benefits of each of the scenarios. A blend of the scenarios seems to make the most sense. There was also the idea that density needed amenities and investments, such as more open space and availability of transit, to make increased density more attractive. Public input and education was also needed.

Ms. Ewing-Gavin also discussed how these issues relate to the Tucson Water's obligated service area and what this information means for the Utility. She discussed the August 10, 2009 memorandum from City Manager Mike Letcher titled "Interim Water Service Policy" that was distributed to CWAC. The memo lays out a process and responsibilities for the Utility to determine whether a particular parcel is in Tucson Water's obligated service area, and establishes an appeals board in the event a customer does not agree with the Utility's conclusion regarding water service. Ms. Ewing-Gavin also brought up the seven factors to consider in extending service which were proposed in the City Manager's memo:

1. In suitable growth area
2. Affect on water resources
3. Fiscal sustainability
4. Timing/location
5. Jobs and economic opportunity
6. Smart growth/sustainable urban form
7. Implications of not providing service

Ms. Ewing Gavin said that a key message is that the past demand-based approach to water service could not be continued. Future water service decisions must be considered from a holistic point of view, ensuring new development is truly sustainable from all perspectives.

Committee Member Barry raised questions on the matter of density, and a discussion ensued regarding this issue.

Chair Evans inquired if the Interim Water Policy memo could be discussed further in detail as well as what the next steps would be.

Ms. Ewing-Gavin said the Interim Water Policy was a refinement of the prior policy. The City Manager's memo looks to the City/County Water Study final report to help inform Mayor and Council about affirming or formalizing the Water Service Policy in early 2010 following completion of the Phase 2 report.

Discussion ensued regarding growth areas in relation to the scenarios mentioned and current and future policies for analyzing growth.

9. Conservation Update

Fernando Molina, Tucson Water Conservation Manager, said that at CWAC's June meeting, CWAC delegated responsibility to the Conservation and Education Subcommittee to finalize CWAC's recommendations to go to the Mayor and Council for FY 2010 Water Efficiency Program Funding. The Subcommittee met and completed the funding recommendations, which were then forwarded to the Mayor and Council and approved by the Council at its July 7, 2009, meeting. Mr. Molina distributed a handout of those recommendations ("CWAC's FY 2010 Water Efficiency Program Funding Recommendations") that listed the proposed projects along with the proposed (now Council-approved) FY 2010 funding allocations and projected water savings.

10. Other Subcommittee Reports

There were no Subcommittee reports. John Thomas, Tucson Water Management Coordinator, noted that upcoming agendas for all Subcommittees would be sent out to all CWAC members, and that any CWAC member could attend any Subcommittee meeting. However, only designated members of a Subcommittee would be able to able to vote on Subcommittee matters.

11. Future Agenda Items

There were no future agenda items raised. The next meeting on October 7, 2009, would focus on financial aspects of the Utility.

12. Call to Audience

No one spoke.

13. Adjournment: 8:35 a.m.