Citizens' Water Advisory Committee
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Citizens' Water Advisory Committee

MINUTES – March 24, 2010

The regular meeting of the Citizens' Water Advisory Committee was called to order by Sarah Evans, Chair, on Wednesday, March 24, 2010, at 7:06 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
Thomas Meixner (Arrived at 7:10 a.m.)	City Manager
Christopher Brooks (Arrived at 7:10 a.m.)	City Manager
Jim Horvath (Arrived at 7:16 a.m.)	City Manager
Martha Gilliland, Vice Chair	City Manager
Mark Taylor (Left at 8:10 a.m.)	City Manager
W. Mark Day	City Manager
Tina Lee	Ward 1
Bruce Billings	Ward 3
Vince Vasquez	Ward 4
Evan Canfield	Ward 5
Jeff Biggs, Tucson Water Director	Ex-Officio Member
Michael Gritzuk, Pima County Regional Water Reclamation Department Director (Arrived at 7:25 a.m.)	Ex-Officio Member

Members Absent:	
Jim Barry	City Manager
Martin M. Fogel	Mayor
Amy McCoy	Ward 2

Others Present:
Sandy Elder, Tucson Water Deputy Director
Belinda Oden, Tucson Water Business Services Administrator
Fernando Molina, Tucson Water Public Information Officer
Holly Lachowicz, Ward 3 Administrative Assistant
John Thomas, Tucson Water Management Coordinator
Deborah Galardi, Galardi Consulting
Ray Wilson, Tucson Water Maintenance Administrator
Paul Baughman, Town of Marana, Engineer
Ralph Marra, Tucson Water Resources Administrator
Ivey Schmitz, Tucson Water Deputy Director
Joe Olsen, Tucson Water Planning Administrator
Stephen Dean, Tucson Water Water Quality & Operations Administrator
Pat Eisenberg, Tucson Water Engineering Administrator

Trucynda Hawkins, Tucson Water Rates & Revenue Manager
R. Gelpke, Public
Tiki Lawson, Recording Secretary, City Clerk's Office
Deborah Keenan, Recording Secretary, City Clerk's Office

2. Announcements

There were no announcements.

3. Call to the Audience

No one spoke.

4. Approval of Minutes – February 3, 2010

Motion to approve the minutes of February 3, 2010, as presented, was passed by a voice vote of 11 to 0 (Committee Members Barry, Fogel, and McCoy absent).

(Item 5 was taken out of order and discussed after Item 9.)

6. FY 2010 – FY 2015 Financial Plan – Next Steps

Belinda Oden, Tucson Water Business Services Administrator, updated the Committee on the Mayor and Council's decision to approve the proposed financial plan by a vote of 5 to 1. She also stated that their decision was to sunset the In-Lieu-of Property Tax at the end of FY 2011. This tax would end at that time unless the Mayor and Council voted on the item again. Ms. Oden added this was important to know as it demonstrated the impact the CWAC Committee had and the significance of the contributions made in this process.

Ms. Oden stated the Revenues and Revenue Requirements section of the Water Rate Study Process was complete. Since the last CWAC meeting, 3 meetings were held with the Customer Rate Design Group, which did not meet during last year's process. She commented that past Rate Design groups had given feedback that Reclaimed rates should be moved to full cost of service to ensure they were paying their full share of the cost of service. However, this Customer Rate Design Group had a different opinion and was very interested in continuing, and potentially expanding, the subsidy to the Reclaimed system. The Rate Design group was made aware it was not always possible to implement their suggestions during the same year that they met, but would be reviewed over the next few years. The Finance Subcommittee also had interest in the Reclaimed system subsidy, which would be further reviewed in the future.

Ms. Oden gave an update on several commitments made to CWAC last year during the Water Rate Study Process. Regarding whether there was a correlation between low income customers and volume of water used, staff reviewed billing system data related to customers who received low income assistance either through the PCCAA system (the Pima County Community Action Agency administers Tucson Water's low-income utility bill assistance program) or the Environmental Services Low-Income Program. She said the data confirmed that 75% of those customers reviewed used less than 15 CCF's, similar to 80% of current Tucson Water residential customers. The low income customer but did not fall in the very low one to five CCF usage range, but mirrored other residential customers on average.

Ms. Oden stated staff also looked at the possibility of creating a lower tier instead of the one to fifteen CCF. This process was not moved forward because staff found there was no correlation between low income and low water use (1-5 CCF). One item they would continue to review over the next year would be whether the commercial class should be broken down into additional customer classes, which will take a great deal of manual work in looking at over fifteen thousand commercial accounts. Staff's goal is to have it complete at this same time next year.

Ms. Oden reported that the Cost of Service data was compiled, and was to be presented by Deborah Galardi, from Galardi Consulting. She added that after the vote by CWAC on the recommendation of the Finance Subcommittee to approve the Cost of Service Results and Proposed Rate Schedules, the next step in the process would be to move forward to the Mayor and Council. On April 20, 2010, a Notice of Intent would be submitted to the Council that would propose a May 25 Public Hearing on the rate increases.

Ms. Galardi began by stating the framework for the Cost of Service (COS) analysis was the same one used in previous years, which followed the American Waterworks Association Cost of Service process. Some of the theoretical framework of that process was that the Utility needs to be self-supporting and funded by revenues generated within the system. Ms. Galardi added that as the Utility incurs cost, it does so in response to the different kinds of demands the customers placed on the system. Those demands have to do with the type of services provided, whether it be reclaimed or potable, and some of the usage characteristics within those different classes of service. The average demands versus the peak demands of the customers, and the numbers of meters and services were all factors that contribute to the cost of providing service to the different types of customers.

Ms. Galardi stated that a very detailed process was used during review of the operating budget. During the COS process all line items within the budget are reviewed and allocated to the different functional categories of the Utility, such as treatment, storage or distribution. From there, they are allocated to service characteristics to determine whether they relate to meeting customer average demands or peak-related requirements. Then, a review is done to match those categories with the different services that are provided to the classes to determine what an equitable cost of recovery would be from each class. She noted that the total COS net requirement to be recovered from water sales revenue/rates was $139.4 million.

Ms. Galardi reported the FY 2011 Customer Class Profile demonstrates some of the information used to distribute the total cost to the customer classes. The number of meters and types of services each class represented were reviewed as there are some costs that are associated with meter replacement. Total usage was also examined. She also stated an important piece of information was the peaking costs. Residential made up almost 90% of the services but only 57.7% of the volume, which factored into how much of those different types of costs that they would participate in. She said they would get roughly 90% of the meter- and services-related costs and 57.7% of the volume-related costs. The residential classes tend to have a higher peaking factor than other classes because residential usage is seasonal (with more outdoor irrigation in the summer).

Ms. Galardi noted that, historically, there had been a couple of adjustments made to the

COS as defined by the American Waterworks Association process. For example, public fire protection costs benefit everyone in the system and those were redistributed back to all of the potable customer classes in proportion to the baseline cost of service percentages.

The other reallocation from COS relates to the peaking factor experienced by schools. When the schools deeded over their wells to Tucson Water, part of that agreement was that schools would classified as industrial water customers. However, schools are not a true industrial type of customer, and their extensive irrigation requirements lead to peaking demands that are not typical for industrial customers. Because schools were grouped in the industrial class, the other industrial customers were basically subsidizing the peaking factor in the schools. To correct this situation, the recommendation has been reaffirmed from year to year to take the schools' peaking costs out of the industrial class and redistribute to all potable classes.

Ms. Galardi reported that the adjusted Cost of Service, column #5, indicates the amount each customer class would pay of the $139.4 million COS net requirement. This amount was then compared to the revenue under existing rates, shown in column #8 as the percent revenue increase that would be required if CWAC were to move forward with the allocation.

Ms. Galardi stated a couple of issues were identified during discussions with the Finance Subcommittee on the preliminary percent revenue increase required allocation. Industrial and Construction Water have very significant revenue increases as a result of this baseline cost of service. In years past, when there were major shifts in cost recovery, the concept of capping that impact for any individual class was an objective of revenue stability and trying to mitigate the rate shock to any particular class or specific user. Alternative approaches were brought back to mitigate the impact for those two classes. She added that the other issue of discussion was regarding Reclaimed. When compared to last year, the revenue percent increase of 4.6% was not very significant based on the revised COS. However, this meant some increase in the standard rate for Reclaimed, and as pointed out, there was interest in both the Customer Rate Design group and the Finance Subcommittee to not increase the standard Reclaimed rates, to continue to provide a subsidy to the standard Reclaimed customer, and perhaps enhance that subsidy.

Ms. Galardi reviewed the FY 2011 Water Rate Schedule scenario recommended by the Finance Subcommittee, and noted specifically that the Reclaimed percent increase was 1.2%. She also stated there were two rates within the Reclaimed class; there were certain customers who had special contract rates and other customers who paid the standard rate. The 1.2% increase in the revenue required from that class allowed the standard rate to stay at current levels. The reason the revenue required increased slightly was because some of the special rates are indexed based on the system-wide revenue increase. This year it was 9.7%; however, those contracts capped the increase in those special rates to 7% in any given year. She said assuming the 7% increase for some of the special rate customers that were subject to the indexing provision, there would still be an increase of revenue recovered from that class. This increase eliminated the need for the standard rate to be increased, which was an important point for the Finance Subcommittee and would support the concept of continuing to have a Reclaimed subsidy as recommended by the Customer Rate Design group. The idea of limiting the percentage increase of any given class to 12.5% was applied to the other classes; therefore, all customer classes are under that percentage. This meant that some of the Residential, Commercial, and Multi-family classes basically subsidized, to some extent, the Construction Water and Industrial classes. She noted that the Industrial Adjustment column included both industrial and construction this year to provide a redistribution of cost in order to mitigate the significant revenue increases that would have been required under the Baseline Cost of Service.

Ms. Galardi reported that the recommended FY 2011 Water Rate Schedule is based on the Revenue Recovery scenario recommended by the Finance Subcommittee. The COS also determines how much of the costs are recovered from the fixed charge versus the volume rates. She stated that the service charge increases were significantly less than the overall COS increase of 9.7%, which resulted in less of an increase in billing in meter-related costs than there were in the volume-related costs. There was a difference based on the meter size because some of the costs were a function of just the number of customers or meters, and others related to the meter size. The billings in customer service-related costs were the ones that were allocated on a per meter basis, not the size. Those costs increased more significantly than the meter-related cost, which was why the cost for the larger meters increased at a lower rate than the smaller meters.

Ms. Galardi added that in regards to the volume rate design, the Finance Subcommittee took up the issue of potentially adding an additional block to the residential rate structure. However, no recommendation was made primarily because there was no correlation between low income and low volume. Introduction of another block into the current block, with the objective being to price the lower volumes at a lower rate, was not necessary because there was no direct evidence that the people benefiting from this were the low income users. The recommendation made was to maintain the current block structure.

Ms. Galardi stated the Finance Subcommittee was concerned with the fact that there was a very large cost differential between blocks one and two, going from $1.39 to $5.13. She said when you looked within the region that was a pretty steep jump from one block to the next. That was by design as some years ago the Utility phased out the 3 CCF allowance that was part of the fixed charge, and those low volume users now had to pay for the first three CCF. She said by holding down the rate in the first block, the impact was mitigated on those very low volume users. That practice has continued in terms of Mayor and Council's and CWAC's concern for keeping lower volumes of use, which tended to be indoor usage, at more affordable levels and with lower percentage increases than the other blocks. She added this also sent a conservation signal that has been a long-time objective of the Utility.

Ms. Galardi stated it was a concern of the Finance Subcommittee and wanted to potentially look at, in the future, not continuing to have such a large differential between the first and second blocks. She said this year a scenario was provided that had a lower increase for that first block in order to protect the lower volume users, primarily due to the present economic conditions. This was something that would continue to be a discussion point each year, to determine within the residential class whether the cost was distributed the way CWAC believed was the most fair and equitable and balanced all the various objectives. She stated some of the volume rates were higher than the 12.5% cap because the fixed charges were recovering a smaller portion of the total cost. Although, the overall revenue increase by each class was capped at 12.5%, the volume rates were picking up significantly more of the total revenue recovery so they had to increase more in some cases. She said, in regards to commercial and industrial, there was no proposed increase in the tiered rates, which meant the base volume rate had to pick up a greater percentage of cost. She added the Reclaimed usage rate did not increase under the proposal; it remained at $1.83 per CCF. The differential between the Reclaimed rate and the Commercial rate was significantly greater under the proposal than it was currently, which was an objective of both the Customer Rate Design Group and the Finance Subcommittee.

Ms. Galardi reviewed sample bills in detail for the single-family customer class. One of the objectives was to keep the increase below the 9.7% system average. However, the highest volume users in the super block (above 45 CCF per month) receive an approximate 12% increase.

Ms. Galardi discussed the proposed FY 2011 Fire Sprinkler Service Rate Schedule with increases rangingb from 4% to 6%, also based on the COS analysis. She also discussed the long-term historical impact of the various rate design changes and rate increases from 1997 to 2011. She stated that the minimum monthly charges had increased 13%, which was quite a bit less than the volume charges. The CAP surcharge increased from $0.02 to $0.05, which was a 150% increase. She also stated that, as a result of the phasing out of the three CCF quantity allowance discussed earlier, the low user had actually received a higher percentage increase than the average user. Because of the design of the blocks, including the super block, and the conservation objective, the rates paid by high and very high users had increased much more significantly over time than for low and average users.

Ms. Galardi also presented a chart depicting sample bills for the other customer classes. She commented that a review of both winter and summer was done for industrial and commercial because of the peak surcharges. These two classes increased between 10% and 13% for different types of users.

Committee Member Canfield commented that the customer's response was an economic signal. He said in looking at Reclaimed, if the cost was not increased, perhaps customers would use more. He stated that the underlying issue with Reclaimed water was not really the cost; it was availability as it was already cheaper. He said he would love to increase the amount of Reclaimed use, but when looking at the proposal, he was not sure that could be achieved. He said he did not agree with the assumption that the Reclaimed rates should not be increased.

Ms. Galardi responded that part of the concern from the other groups was in regards to the economy, and not so much attracting new users, but keeping the service affordable and not losing any existing users.

Committee Member Billings commented that within the Reclaimed group the rest of the Reclaimed group was subsidizing special contracts, and he felt that the entire set of water users should be subsidizing those instead of just the Reclaimed users.

Committee Member Day asked if the special rates were a percentage discount or flat.

Trucynda Hawkins, Tucson Water, responded it was a flat amount, but within the contracts it states that the rates would go up. She added that where the standard rate did not go up, a large number of the special rates did, as it stated in their contract that their rates would increase the same percentage as the overall increase required, but not to exceed 7%. She said the proposal incorporates the 7% increase on the special rates.

Ms. Galardi stated a scenario was presented to the Finance Subcommittee, in which the subsidy to special rate reclaimed contracts was spread to potable ratepayers and not just funded by other reclaimed users. She said approximately $1.6 million would have had to be redistributed to the potable classes. The Finance Subcommittee said it was a concern, but with the size of the increases needed for potable system it was just not feasible this year.

Committee Member Day asked what alternatives reclaimed users had if they chose to opt out; was it ground water that they had control over and drain the aquifer, and was it cheaper for them to opt out?

Sandy Elder, Tucson Water, stated that a few older golf courses still had access to private wells, and residential reclaimed users, such as in the Civano area, could go back to using potable.

Discussion ensued on the financial restraints of local golf courses, and it was reported that Tucson Water was meeting with all of the golf course superintendents within the next week.

Committee Member Horvath stated that current reclaim rates were only $0.10 per CCF less than commercial potable rates, which was less than 5% and almost comparable. The Finance Subcommittee felt the proposed increase in commercial rates next year would increase the differential and be appropriate.

Committee Member Vasquez commented that for him, it was more about helping out the existing customers, and that subsidies would probably not attract new customers, but might help retain those we do have.

Committee Member Meixner asked about decreasing the block increment from 15 CCF to 14 CCF since the average user went from 16 CCF down to 11. He added that the average user was dropping down and asked why not tighten up the block rates instead of increasing the rates overall. He questioned whether the conservation signal needed to be down at a lower level than at what it used to be.

Committee Member Horvath responded that the majority of users were in the 11 to 15 CCF range and added that changing the rate from 15 to 14 was not looked at, but could be in the future. He stated the Finance Subcommittee looked at the lower levels, and found 75% of the lower income user fell under 15. He added that it was determined there was no correlation under 0-5, which was why the bracket was kept the same. He said they did not look at the difference between 14 and 15.

Chair Evans stated the Committee could look this issue potentially for next year.

Committee Member Canfield questioned if there was a requirement to have a Zanjero visit to verify low-income status. He said he was in favor of helping to pay for low income, but wondered if there were any “strings” attached.

Committee Member Horvath pointed out that the low-income subsidy program was separate from the customer class rate structure. He added that the lower rate structure did not necessarily benefit low-income customers because in the 0-5 CCF category there could be customers who had second homes that were not occupied. Customers could then be benefiting from a lower rate who were not low income. He said 75% of low-income families were in the 0-15 block, so the lower structure would not necessarily benefit lower income users.

Committee Member Canfield asked about the category of low income, and were we referring to them as people receiving assistance from the City of Tucson?

Trucynda Hawkins, Tucson Water, responded that they looked at all the accounts for FY 2009 that had received at least one bill paid through the PCCAA, and then averaged their annual bills. The result was that 75% of those users were in the 1-15 CCF bracket, but did not show that people asking for assistance were generally using less water.

Committee Member Canfield asked if was feasible for those asking for assistance to have a Zanjero visit.

Ms. Oden said it could be offered, but didn't think it could be forced upon them and might potentially be considered invasive.

Chair Evans stated that kind of a policy required further discussion. She added that the interesting aspect of lower income users was that they generally reflected the same trends and usage as the rest of the customer in that 1-15 block.

Committee Member Brooks commented that use of the Zanjero Program to further reduce water use could be economic, but the economic incentive, by subsidizing the water, was being taken away.

Chair Evans asked if there was any further discussion on the rate plan before calling for the question. No further discussion ensued.

It was MOVED by Committee Member Horvath, duly seconded, to adopt the proposed FY 2011 Water Rate Schedule.

Chair Evans asked if there was any further discussion. Hearing none, she asked for a roll call vote.

Upon roll call, the results were:

Aye: Committee Members Meixner, Brooks, Horvath, Taylor, Lee, Billings, Vasquez, Canfield, and Day; Vice Chair Gilliland and Chair Evans

Absent: Committee Members Barry, Fogel, McCoy

The motion to adopt the Proposed FY 2011 Water Rate Schedule was passed by a roll call vote of 11-0.

7. Briefing: State Funding of Department of Water Resources

Ralph Marra, Tucson Water Resources Administrator, distributed a letter from Jeff Biggs, Tucson Water Director, to Herb Guenther, Arizona Department of Water Resources (ADWR) Director, regarding the recent budget reduction decisions impacting ADWR.

Mr. Marra explained he was addressing CWAC on this topic because the Department of Water Resources (DWR) oversaw a lot of what Tucson Water did in terms of water resource accounting and water resource funding at the state level. He said the state budget reductions had dramatic implications to the DWR. He stated that a couple of years ago, DWR had a yearly budget of $22 million, and in FY 2011 it was reduced to $7 million. The current proposal is for DWR to increase fees beginning October 1st, and by doing so, the expectation was to generate revenue of $2.2 million, which meant an approximate budget of $9.2 million for FY 2011.

Mr. Marra stated that proposals on the table for FY 2012 indicate an even further reduction to the $7 million, which could result in DWR being financially dependent solely on fees. This would further impact DWR meeting its obligations since a lot of their activity was not fee related. He stated the immediate impact to DWR would be continued layoffs. DWR had over 200 employees a couple of years ago, and staffing could be reduced to less than 80 by the end of April or most certainly by June 30, 2010. Five Active Management Area (AMA) offices, including the Tucson area office, would be closed by June 30. The Tucson office had been open for nearly 30 years. Staff had a sensibility of what water users needed, and often served as advocates for Tucson Water trying to nuance administrative policy decisions based on their understanding of local issues.

Mr. Marra stated that DWR was currently meeting with stakeholders and looking for ways to streamline its process due to staff reductions. He said he believed that some of the implications were that Tucson Water and other local water interests in the area would have less influence on activities ongoing in Phoenix due to the loss of the local office. He said this also meant that DWR in Phoenix would become more centralized in that area and would become less nuanced on how they dealt with situations in the Tucson area. He also stated it was unclear how DWR would meet its mandated obligations in future years, especially since many of their obligations did not generate fees.

Mr. Marra added his personal comment on the professionalism and dedication of the staff in the Tucson AMA office staff, as well as the group in Phoenix, and that it will be a loss when they are gone.

Committee Member Vasquez asked if there was any scenario, at this point, where the Tucson AMA Office would be salvageable, and was it known what additional budgetary needs were required to keep the Tucson AMA office open.

Mr. Marra referred to the letter of support from Mr. Biggs to the Director of ADWR and commented that although support was received throughout the state, he felt the opportunity for this decision to be reversed was very small. He added that did not know what it would take to keep the office open.

Committee Member Gritzuk asked what the Tucson office staffing level was and would the entire staff be eliminated.

Mr. Marra responded that no one in Tucson knew whether or not they would be retained. He said DWR was in the process of deciding what positions would be eliminated, and there were currently 5 or 6 staff members in the Tucson office.

Jeff Biggs, Tucson Water Director, requested that Mr. Marra discuss the role of the Groundwater Users Advisory Council (GUAC) and how it may have to be expanded if the Tucson office was closed.

Mr. Marra responded that GUAC was like CWAC to the ADWR. He said it was the advisory group mandated by statute to give input to the local AMA offices throughout the state. He said he had not yet heard what the impact to GUAC would be due to the closing of all the AMA offices.

Vice Chair Gilliland asked, aside from the State reversing its budget decision to the DWR, was there a proposal or solution developed by Tucson Water to address the office closure issue?

Mr. Marra referred to the letter from Mr. Biggs to ADWR, which highlighted the impacts of the proposed changes.

Vice Chair Gilliland pointed out that it was important to provide a solution in addition to expressing concern. She stated many people could offer or express concern which was a lot easier to do than to offer suggestions or a process for solution.

Mr. Biggs responded saying that in his letter to ADWR, it made reference to the City's line item in the Financial Plan of $750,000 to help pay for potential fees for services provided by state agencies such as ADWR. He added that although it was not a solution, Tucson Water was informing them that they were prepared financially for increased fees if that was the way ADWR wanted to go.

Mr. Marra stated what was clear was that the many activities DWR performed did not generate revenue through fees.

Committee Member Canfield stated input should be received from the Mayor and Council and questioned if there had been input from the Board of Supervisors.

Michael Gritzuk, Pima County Regional Water Reclamation Department Director, stated there was more support for this recently. He said the Southern Arizona Water Users Association was sending a similar letter of concern and asked Pima County to support it as well. He said he had a draft letter on his desk that he would move up the ladder to see if the County Administrator or one of their elected officials would sign the letter.

Committee Member Canfield added he felt letters should also be sent from the highest levels possible.

Committee Member Brooks pointed that DWR staff cuts and increased fees affected more than just water providers and that it would have an impact on costs associated with doing business in Tucson.

Mr. Biggs stated that Mayor and Council were copied on the letter of concern. He added that he also had discussions with Mary Okoye, Intergovernmental Affairs Director, about preparation of an additional letter of concern from the City. He stated he would follow up on this request.

Vice Chair Gilliland questioned whether the letter of concern would be CWAC's only action at this time.

Committee Member Vasquez stated it seemed there should be a southern Arizona coalition on this issue that included a joint effort with one solution that all participants could support, with a number and funding source associated with it.

Committee Member Meixner added that it is critical to know the costs associated with the Tucson AMA office.

Chair Evans asked if there is interest on the part of the CWAC to prepare a letter of concern.

It was MOVED by Committee Member Billings, duly seconded, and passed by a voice vote of 11 to 0 (Committee Members Barry, Fogel, and McCoy absent) to approve the preparation of a letter of concern from CWAC's regarding the reduced FY 2010/2011 State funding for the Arizona Department of Water Resources. Mr. Biggs appointed Mr. Marra point of contact.

Discussion was held on the possibility of forming a southern Arizona coalition.

It was MOVED by Committee Member Vasquez, duly seconded, and passed by a voice vote of 11 to 0 (Committee Members Barry, Fogel, and McCoy absent) that Tucson Water reach out to other southern Arizona water organizations to form a coalition to address the impacts of the reduced FY 2010/2011 State funding for the Arizona Department of Water Resources.

8. Presentation: Tucson Water Maintenance Division

Ray Wilson, Tucson Water Maintenance Administrator, gave an overview of the Tucson Water Maintenance Division (formerly the Operations and Maintenance Division). He stated his group was responsible for "keeping water in the pipes". He also provided a handout, which included an organizational chart and functions specific to each section of the division.

- Maintenance Management Program (MMP) was implemented in 2001 to improve work practices, utilization of appropriate technology, and a process-based organization.
- A multi-skilled Utility Technician job classification was created.
- In 2002, there were 1.13 maintenance employees per 1,000 services. In 2010, this figure is 0.82.
- Current employee vacancies total 29.
- Water leaks are a top priority; current water loss is estimated at 9.7%, which is under the 10% goal.
- The Water Maintenance Division is divided into functional areas:
  - Quality Control: Pipeline Protection, Corrosion Control, Bluestake
  - System Maintenance: Equipment Maintenance, Well Maintenance, Property Management
  - System Support: Budget, Personnel, Procurement, Communication, Safety, Training
- Maintenance staff are divided into four (4) areas based on proximity of major arterial roads: West, North, East, and Central; currently there was no staging area location in the East area.
- Technology improvements included the use of Synergen computer maintenance system, hardened laptops that field staff use to research locations and create work orders/service requests. E-maps have also had a major impact.

- Water Maintenance Division maintains an excellent working relationship with other utilities.
- Tucson Water is one of the leaders in the nation in using fiber optic acoustic monitoring in the large pipes.
- Total number of services maintained by division is 250,188.
- Smart Phones are used by staff to receive vital information related to main breaks.
- Training and sharing of job knowledge have resulted in a more competent and efficient staff.
- Some important functions cannot be accomplished due to staffing shortages, i.e. flushing mains and turning valves.
- Overtime expenditures have been reduced by $500,000 within the last two years, partly due to initiation of a permanent second shift. Response time to emergencies is down to 30 minutes. Stand-by vehicles are no longer taken home on routine basis.
- In 2002, 95% of work performed was reactive instead of a planned work. Currently, 70% is planned work with 30% reactive.

Mr. Wilson concluded by saying the goal of the Water Maintenance Division was to combine emerging technology and employee training to improve efficiency and worker safety, and minimize water outages and disruptions to customers while repairing, installing, and maintaining the water system.

Jeff Biggs, Tucson Water Director, commented that Mr. Wilson had done an extraordinary job in reducing costs with the number of employees available to perform the functions required.

9. Briefing: New Eastside Water Maintenance Facility

Sandy Elder, Tucson Water Deputy Director, briefed CWAC on a new Eastside Water Maintenance Facility to be constructed at Houghton Road and Old Spanish Trail. He showed a map of Tucson Water's service area showing the four maintenance areas and the reduction of drive time that will be possible when the Eastside facility is constructed. He said that the adjacent neighborhood was involved in the architect selection process, and residents participated in numerous hearings and meetings. One of the biggest concerns from the neighborhoods was noise, so design changes were incorporated to lower the impact of the site noise. The new structure will be a "green" facility, as it is designed to comply with LEED requirements. The rezoning of the Tucson Water parcel where this facility will be constructed is scheduled for Mayor and Council approval on April 6, 2010.

5. **Director's Report (Item taken out of order)**

(a.) Mayor and Council items

- February 17, 2010, adoption of resolution by Mayor and Council to endorse the Phase II report for the Water/Wastewater study.
- February 17, 2010, a semi-annual update was given on Conservation Program Projects and mid-year funding changes. The Mayor and Council approved CWAC's recommendations to use conservation funds to hire two additional conservation positions in Tucson Water and to expand Conservation marketing efforts.

- February 23, 2010, The Tucson Water FY 2010–FY 2015 Financial Plan & Conservation Plan was discussed during the Mayor and Council Study Session and adopted during the Regular Session.
- On April 20, 2010, the Mayor and Council will be asked to adopt the Notice of Intent to increase rates as discussed by CWAC today.
- On May 25, 2010, the Mayor and Council will hold a public hearing on the new rate schedule. If adopted, the new schedule becomes effective on July 5, 2010.

(b.) Other

- Through the end of February, revenues were down by approximately $850,000 compared to the FY 2009-2015 Financial Plan, most of which was due to a reduction in connection fees.
- Planned expenses were down $2.7 million, which was a result of the efforts of all Tucson Water Divisions.
- March 24, at 11:00 a.m., the Solar Dedication at the Reclaimed Facility located on Roger Road will be held. A solar system was placed on a reservoir to generate power that will handle approximately 80% of the pumping load and reduce greenhouse gases by 180 metric tons per year, which is equivalent to the energy for 20 homes.

Committee Member Vasquez asked for an update on when the obligated service areas would be discussed by the Mayor and Council.

Mr. Biggs responded discussions with the Mayor and Council would occur at the April 13, 2010, Mayor and Council meeting. Tucson Water staff was currently meeting individually with the Mayor and Council offices to receive feedback. They were also meeting with the Southern Arizona Leadership Council on March 30-31, 2010, and with a combined environmental group to talk about the obligated to serve areas.

10. Subcommittee Reports

No reports given.

11. Future Agenda Items

April 7, 2010, discussion on the CWAC letter of concern regarding FY 2010/2011 State funding of the Arizona Department of Water Resources and update on the obligated service area discussion with the Mayor and Council.

12. Call to Audience

No one spoke.

13. Adjournment: 9:04 a.m.