



MEMORANDUM

TO: Chairperson Kevin Oberg, IAPC **DATE:** March 10, 2015
FROM: Council Member Kozachik

SUBJECT: Administrative Service Charge Assessed to Tucson Water

Over the course of the past year, Tucson's Citizens' Water Advisory Committee (CWAC) and its Finance Subcommittee have held multiple meetings to review the administrative service charge that is assessed to Tucson Water. The purpose of the administrative service charge is to recover the costs that are incurred by general fund departments in the course of furnishing central services to the enterprise fund utility.

Joyce Garland and Bob Kluzer have attended numerous CWAC meetings to explain the cost allocation model used to determine the administrative service charge. Because the cost allocation model itself is very complex, CWAC members voted at their March 4th meeting to request "Tucson Water to assess the costs for procuring an independent third party cost analysis of the services associated with the administrative services charges," motivated by the sentiment that they, as an advisory body, do not have the expertise to review the cost allocation model and its outputs themselves (CWAC Legal Action Report, 3/4/2015).

I would like to request that the Independent Audit and Performance Commission consider conducting the analysis requested by CWAC and generating a report for the Mayor and Council, Tucson Water, and CWAC that comments on the current methodology's success in attributing reasonable costs to Tucson Water for the central services it consumes, the appropriateness of the allocation factors used to determine what portion of each cost receiving departments incur, and any other items that IAPC deems important.

Thank you for your work, and thank you for considering this request.

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CC: Alan Forrest, Director, Tucson Water
Brian Wong, Chairperson, Citizens' Water Advisory Committee
Joyce Garland, Program Director, Budget and Internal Audit
Robert Kluzer, Internal Audit Manager, Budget and Internal Audit