

**CITIZENS' WATER ADVISORY COMMITTEE
(CWAC)
Finance Subcommittee**



Thursday, May 20, 2021, 2:00 p.m.

Virtual Meeting via MS Teams

Legal Action Report and Meeting Minutes

1. Roll Call

The meeting was called to order by Finance Subcommittee Chair Steven Washburn at 2:00 p.m. Those present and absent were:

Members Present:

Steven Washburn, Chair	Representative, City Manager
Mark Stratton	Representative, City Manager
Mark Taylor	Representative, City Manager
Rory Juneman	Representative, City Manager

Members Absent:

George White	Representative, Ward 4
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2. **Announcements** – Member Mark Taylor announced he could not stay for the entire meeting and would need to leave at 3 p.m. Jessica Rodriguez told the committee they would lose quorum at 3:00 p.m. The agenda would be reordered. Some items will be tabled for the June meeting.
3. **Review of March 18, 2021, Legal Action Report and Meeting Minutes (item was taken out of order)** – Member Juneman moved to approve the minutes; Member Stratton seconded the motion. A voice vote of 4-0 approved the Minutes and Legal Action Report.
4. **2nd Quarter Financial Update** – This item was tabled for the June meeting.
5. **Pandemic Effects on the Utility** – This item was tabled for the June meeting.
6. **Proposed Differential Rate Option Review (item was taken out of order)** – Deputy Director Silvia Amparano presented the discussion; those items reviewed and discussed were:
 - Fiscal Year 21-22 Water Rates
 - Eight options for consideration are presented to the Council and public during Town Halls
 - Focus review of options 6, 7, 8 escalating tiers
 - Options presented as base rate increase and escalating tier usage in blocks
 - Option 6 at 5%
 - Option 7 at 10%
 - Option 8 at 15%

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- Blocks include the single-family residential usage blocks
 - Materials attached included the proposed rate sheet and class information
- Residential bill examples
 - Consultant review of current bill averages inside and outside City of Tucson
 - Review of low- and high-bill averages
 - Reflection of the increased rate percentages
 - Outside the City, customers do not pay the Green Stormwater Infrastructure (GSI) Fee.
 - Based on tiers of usage, different amounts are generated based on the current rate model
- Dashboard – Summary created by consultants with flexibility for scenarios of revenue generation. Plan for elasticity in future rate changes and changes in customer usage
 - Different scenario options
 - Calibration model built from FY 2020 revenues
 - Meter sizes and customer consumption information
 - Added in service connections for 2020
 - Added in other customer classes
 - Estimations of tiered usage on different meter sizes and classes
 - FY2020 service connections outside the City by jurisdiction
 - Monthly
 - By class
 - Water and irrigation

Member questions and comments included:

- Member statement, Pima County's memorandum asserts that current county customers pay increased costs per unit based on units used.
- Member statement, Pima County and City residents currently pay the same rates based on usage.
- Member inquiry, County residents consume a higher percentage of the water compared to City customers, is the revenue also higher?
- Committee requested additional information on the cost of service to county customers.
- Member's request transparency in the options, relabeling the options presented to reflect the actual percentages increased. The conversation continued on Tucson Water's previous rate increase practices: Identification of the proposed increase options and distribution across each tier. The billing tiers were created for conservation purposes.
- Members inquired about the estimations, including the cost of Central Arizona Project (CAP) water allocation and future rate increases.
- Members were concerned about the 22% of Central Arizona Project (CAP) water at risk to the County if a lawsuit is pursued.
- Members requested additional information on the proposed rate packages accounting for water resources or shortages and targets for rates and generated revenues.
- Member's discussed the reasoning behind reviewing the proposed options; What is the Finance subcommittee's intended outcome and purpose? What is the problem being solved by the proposed rate changes? The Tucson Water model reasonable and sound for revenue determinations; the model makes sense in creating rate options.
- Members requested information on where will the additional revenues be placed? Will the revenue stay with Tucson Water? Will revenue go into the City of Tucson General Fund?
- Members state it is difficult to support a policy not based on the cost of service and an uncertain location of where the profits and revenues will be placed.

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- Members request clarification on revenues of the 29% of unincorporated accounts in comparison to their water consumption. Do the revenues match the usage?

The committee took no formal action on this item. Chair Washburn drafted a memorandum to full CWAC summarizing the discussion and concerns with the policy.

7. Call to Audience (item was taken out of order) – Citizen Mark Day made a statement which was heard by the subcommittee. In a follow-up email, he provided advice to the subcommittee and to staff on the topic of differential rates.

8. Future Agenda Items and Meeting Times –

- Q2 financial presentation
- Pandemic effects on the utility (standing item)

9. Adjournment – The meeting was adjourned at 3:00 p.m.