



# CITIZENS' WATER ADVISORY COMMITTEE (CWAC)

Wednesday, February 2, 2022, 8:00 a.m.

Virtual Meeting – Microsoft Teams

## Legal Action Report and Meeting Minutes

1) **Call to Order / Opening Statement:**

CWAC Chair Rory Juneman called the meeting to order at 8:00 a.m.

2) **Roll Call:**

Those present and absent were:

**Present:**

Rory Juneman, Chair	Representative, City Manager
Alison Jones, Vice Chair	Representative, Ward 6
Ed Hendel	Representative, Mayor
Placido dos Santos	Representative, City Manager
Raye Winch	Representative, City Manager
Mitch Basefsky	Representative, City Manager
Mark Taylor**	Representative, City Manager
Steven Washburn**	Representative, City Manager
Mark Stratton	Representative, City Manager
Raul Ramirez	Representative, Ward 1
Val Little	Representative, Ward 3
George White	Representative, Ward 4
Bobby Jaramillo	Representative Ward 5

**Absent:**

- 3) **Announcements** – Member Basefsky announced the next Central Arizona Project (CAP) meeting would take place Thursday, February 3, 2022. The meeting is open to the public and live-streamed; masks are required for in-person attendance.
- 4) **Review and approval of January 5, 2021, Legal Action Report and Meeting Minutes** - Member Stratton moved to approve the Legal Action Report & Minutes. Member White duly seconded the motion. **Discussion:** None. The motion passed on a roll call vote of 10 – 0.
- 5) **Director's Report** - Interim Director John Kmiec provided a brief update on Mayor and Council proceedings, the potable & reclaimed water demands for January, and current staff standings.
- a. Mayor and Council Updates:
    - i. January 11
      1. Differential-Rate Revenues and Expansion of Low-Income Assistance Program
    - ii. January 25
      1. Review of Commercial Rainwater
      2. Harvesting Ordinance

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### 3. Quarterly PFAS Update

- b. Department Updates Department
  - i. Vacancies 105
  - ii. Active Recruitments 23
  - iii. Pending New Hires 43
- c. Water Demand
  - i. Reclaim Daily Demand 2.9 MGD
  - ii. Potable Daily Demand 79.6 MGD
- d. Arizona Department Environmental Quality (ADEQ)/City of Tucson/ Davis Monthan A.F.B. Central Tucson Per and Polyfluoroalkyl substances (PFAS) remediation pilot project
- e. Central Arizona Water Conservation District & City of Tucson; cost-share recharge project at Pima Mine Road

6) **CWAC functions and purposes** – Chair Juneman read an excerpt from Tucson city Code, Chapter 27, section 61. He was detailing the historical creation of CWAC and its purpose. Chair Juneman opened the item for additional discussion. Member dos Santos offered recommendations to Tucson Water on including a Welcome packet/binder for new members, future water rate discussions, and water quality and water treatment changes.

7) **5-Year Financial Plan FY23-FY27** – Deputy Director Silvia Amparano introduced the new Business and Organization Support Services Administrator Colin Jones. Amber Kerwin, Rates and Revenue Manager presented the item. Those Items reviewed and discussed were:

- a. Financial Planning Objectives and Key Metrics
  - a. Annual revenue to cover:
    - i. forecasted annual O&M and debt service costs
    - ii. annual projected CIP requirements - approximately \$80M
  - b. Positive annual net revenue to maintain or exceed the following:
    - i. Cash on hand to cover 120 days of O&M expense
    - ii. Cash on hand to cover 100 days of O&M cost, excluding consideration of the infrastructure fund.
    - iii. Maintain a \$20M infrastructure fund balance set aside to cover the following:
      - 1. a water quality issue or need that is imminent and urgent
      - 2. a major infrastructure failure
      - 3. an opportunity to acquire an additional water resource
  - c. Maintain debt coverage as required by Ordinance 6347:
    - i. Net revenue of any FY must equal or exceed 175% of the Senior Lien annual debt service requirement for that FY.
    - ii. Net revenue of any FY must equal or exceed 175% of net revenues available after operations and Senior Lien debt service payments for that FY.
- b. Financial Plan Assumptions
  - a. Many factors play into financial forecasting and modeling:
    - i. Water consumption
    - ii. Service account count
  - b. Operating and Maintenance costs
    - i. Personnel costs
    - ii. Service and commodity costs

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- iii. CAP commodity and capital costs
- c. Capital costs
- d. Policy direction
- e. What is not included:
  - i. Additional costs related to broader PFAS remediation/cleanup
- c. Consumption
  - a. Many factors at play that are making the forecast difficult and uncertain:
    - i. The 2-year trend of increasing consumption
      - 1. FY20: 2% over FY19
      - 2. FY21: 9% over FY20
      - 3. Compared to a historical average of 1% annual decrease
    - ii. Unprecedented early FY22 monsoon season rainfall
      - 1. FY22 July-October consumption has drastically decreased
        - a. 12.3% decrease compared to FY21 (1.9M CCFs)
        - b. 6.0% decrease compared to FY20 (865K CCFs)
    - iii. Unknown impact of differential rates on consumption
    - iv. Unknown impacts of Tier 1 declaration and possibility of Tier 2 declaration on consumption trends.
- d. Account Growth
  - a. FY23 Operating Budget Request
  - b. FY22 – FY27 CIP Budget
- e. Expenditures
  - a. Financial Management Tools and Related Options
    - i. Target rate component increases to address specific areas of costs increases
    - ii. Across the board rate increases
    - iii. Financing of capital project costs
  - b. CAP Surcharge Increase
- f. Next Steps and Timeline
  - a. Scenario 1
    - i. Forecast Factors
      - 1. CAP surcharge rate increase
      - 2. No across the board rate increase
      - 3. No financing
      - 4. Includes differential revenue
  - b. Scenario 2
    - i. Forecast Factors
      - 1. CAP surcharge rate increase
      - 2. Across the board rate increase – 2.5% annually starting in FY24
      - 3. \$45M FY24 CIP project financing
      - 4. Includes differential revenue
- g. Summary
  - a. Scenario 2 provides the following:
    - i. Meets all financial metrics
      - 1. 1.75 debt coverage
      - 2. 120 days of O&M (all funds)
      - 3. Infrastructure fund balance set aside (\$20M)
    - ii. Maintains infrastructure reserve funds (\$20M)
    - iii. Flat O&M Budget except for the following:

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1. Market-based pay adjustments (\$4.2M)
2. CAP forecast: Tier 2 declaration FY23-FY27
- iv. Assumes purchase of full Central Arizona Project (CAP) allocation
  1. Covers escalation in cost with a targeted CAP surcharge increase
- v. Increases CIP annual investment to include:
  1. Differential eligible projects
  2. Funding for material and contractor cost inflation
- vi. Provides financing of a portion of capital costs to shift the generational burden and minimize escalating demand on cash while maintaining aggregate debt service below \$52M annually

Members were allowed to review the materials in advance and ask clarifying questions throughout the presentation. No action was taken on this item.

- 8) **Customer Assistance Programs** - Deputy Director Amparano introduced the item to present a brief history of customer assistance programs. Shawntel Dotson took over the presentation highlighting changes and improvements to the program. Those items reviewed and discussed were:
- a) Customer Assistance Programs
    - i) Payment Extensions
    - ii) Payment Plans
    - iii) Courtesy Adjustments
    - iv) Rebates/Incentives
    - v) Low-Income Assistance Program
    - vi) Special Hardship/Emergency Special Hardship/Emergency
  - b) Special/Emergency Hardship Fund
    - i) Residential customers experiencing financial hardship may be eligible for a credit of up to \$150 based on the need and availability of program funds.
    - ii) If the customer has experienced any of the following circumstances:
      - (1) Job loss: Main income-earner was out of work for four months and was on unemployment
      - (2) Serious illness/injury: Customer has a life-threatening condition or is receiving in-home care
      - (3) Family loss: Household's primary income earner passed away
    - iii) Customers can request once every three years.
  - iv) Low-Income Assistance Program Path to Present
    - v) 2012 – Low-Income Program begins
      - (1) Fully administered by Pima County's Community Action Agency (PCCAA)
      - (2) Through an Intergovernmental Agreement, TW agreed to pay \$45,000 of the program's administrative costs.
      - (3) Tucson Water provided up to \$350,000 annually for PCCAA to award relief grants to customers seeking assistance.
    - vi) 2013- Modified the program to promote sustainability versus delinquency relief.
      - (1) Provided reoccurring monthly adjustments to approved households versus payment relief on delinquency.
      - (2) 30% monthly adjustment to usage with a one-year qualification program
      - (3) Qualification: proof of other City or County program approval.
    - vii) 2014-2017 – Continually modified program to provide greater bill adjustment and defined qualification period.

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- viii) Qualification: Proof of other City or County program approval or Lower Living Standard Income Level (LLSIL)
- c) LIAP Path to Present
  - i) 2017 – TW evaluated the program to be performing well.
    - (1) 2013-2017
      - (a) Annual Participation: 97% increase
      - (b) Program Costs: 91% increase
    - ii) 2017- Completed analysis for strategic program growth
    - iii) 2018 –TW focuses efforts on customers' qualification process.
      - (1) Allowing households with only fixed income to qualify for three (3) years.
      - (2) Streamlined the appointment process to increase the daily appointment capacity.
        - (a) TW Solution Center takes calls for screening and scheduling appointments.
        - (b) Standardize qualifications for TW and ES program
        - (c) Aligned renewal dates for all COT billed utilities.
        - (d) Automatic appointment reminder 24 hours before the appointment
- d) LIAP Path to Present
  - i) 2019 –TW Focused on Planning and Expansion
    - (1) Created an additional adjustment calculation
      - (a) 50% off usage
      - (b) 100% wavier of base rate+ 2 CCF of usage.
    - (2) Initiated a study on how to reach more households.
    - (3) Strategized target outreach based on the area median income (AMI).
  - ii) 2020 – TW Planned Growth Marketing Campaign
    - (1) Marketing Campaign- January 2020- March 2020
    - (2) Interactive Eligibility tool for City low-income programs
      - (a) In the first month, 4,158 external page views
    - (3) Change income guideline to Federal Poverty Level (FPL) with a tiered discount model
    - (4) COVID automatic renewal
  - iii) FY 2021 – TW evaluated the program to be performing well.
    - (1) 2017-2021
      - (a) Annual Participation: 32% increase
      - (b) Program Costs: 81% increase
- e) Overview of Current LIAP
  - i) Enrollment qualifications tiered based Federal Poverty Level
  - ii) Once an application is accepted, customers are enrolled for a period of 1 or 3 years
  - iii) Participation as of December 2021
    - (1) Number of participating households: 5,636
    - (2) Average discount: \$24.59
  - iv) Operational Performance:
    - (1) Average calls per month: 612
    - (2) Open appointment slots per month: 819
- f) New Enhancements
  - i) Additional types of IDs accepted –Tribal ID card, Consular Registration, and Passports

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- ii) Add automatic qualifiers for eligibility. Section 8, SNAP (food stamps), Medicaid/ACA-expanded Medicaid, Temporary Assistance for Needy Families (TANF), WIC, or Head Start and Early Head Start
- iii) Allow for self-certification of total household individuals - Eliminating the need to provide a birth certificate, social security card, etc.

Members were allowed to review the materials in advance and ask clarifying questions throughout the presentation. No action was taken on this item.

- 9) **Subcommittee Reports & Membership** – Each of the subcommittee chairs provided updates to the full committee on the actions of their subcommittees. Mrs. Rodriguez provided the current membership status of each subcommittee and vacancies on the full committee. Mrs. Rodriguez did a roll call and asked each member to choose a subcommittee to join.
- 10) **Call to Audience** – Mark Day meeting attendee inquired about past water demands and fluctuating structures. He offered to email the finance team historical data for review.
- 11) **Future Meetings / Agenda Items** – The committee requested quarterly updates on the partnership between AQEQ and the City of Tucson Water on the central well field PFAS cleanup.
- 12) **Adjournment** – Meeting ended at 10:00 a.m.