

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



Thursday, January 20, 2022, 2:00 p.m.

Virtual Meeting via MS Teams

Legal Action Report and Meeting Minutes

1. Roll Call

The meeting was called to order at 2:01 p.m. Those present and absent were:

Members Present:

Steven Washburn, Chair Representative, City Manager
Rory Juneman Representative, City Manager
George White Representative, Ward 4

Members Absent:

Mark Stratton Representative, City Manager

2. **Announcements** – Chair Washburn brought up the concern for membership on the subcommittee. Members agreed membership is crucial and should be discussed at the next full committee meeting. Chair Washburn asked for future discussion for Cost-of-Living Adjustments (COLAs) and inflation
3. **Review of October 16, 2021, Legal Action Report and Meeting Minutes** – Member Juneman moved to approve the minutes; Member White seconded the motion. Discussion: Chair Washburn requested the record state a roll call vote in place of the current verbiage voice vote. The motion was approved on a roll call vote of 3-0.
4. **Officer Election** – The item was delayed to a future meeting; Chair Washburn will retain his chairmanship until such date.
5. **2022 Meeting Calendar** – Mrs. Jessica Rodriguez provided the subcommittee in advance of the meeting future dates and times. The proposal was for the subcommittee to meet on the third Thursday of the month at 2:00 p.m. Members took the opportunity to review and discuss their availability before a motion was made. Motion: Member Juneman motioned to accept the proposed dates and times for the 2022 calendar year. Member White duly seconded the motion. Discussion: Member Juneman requested the committee discuss available dates for the March meeting. The motion passed on a roll call vote 3-0.
6. **Financial Plan Update** - Amber Kerwin, Rates Manager, led the discussion. Those items reviewed and discussed were: 5 Year Financial Plan FY23 - FY27
 1. Financial Planning Objectives and Key Metrics
 - a. Annual revenue to cover:
 - i. forecasted annual O&M costs
 - ii. annual projected CIP requirements - approximately \$80M

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- 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.
2. 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
 - iii. Capital costs
 - iv. CAP commodity and capital costs
 - c. Policy direction
3. 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 the 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.
4. Account Growth
- a. Commercial Consumption Actuals and Forecast
 - i. Forecast Factors
 1. Account Growth:
 2. .3% FY23-FY27
 - ii. Consumption:
 1. - 3.5% FY22
 2. 0.3% FY23
 3. 0.3% FY24
 4. 0% FY25 – FY27
 - b. Single Family Residential Consumption Actuals and Forecast

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- i. Forecast Factors
 1. Account Growth:
 - a. .3% FY23-FY27
 2. Consumption:
 - a. Inside
 - i. -10.5% FY22
 - ii. -0.1% FY23 – FY27
 - b. Outside
 - i. -11.0% FY22
 - ii. -0.2% FY23 – FY27
 - c. Potable Customers and Consumption
 - d. Differential Rates and Revenue
 - i. M&C has directed that this revenue will go towards the following:
 1. Infrastructure maintenance and upgrades to enhance water delivery from the city limits to outside City limits
 2. Climate resiliency and water sustainability for recharge, retention, and reclamation projects (primarily outside the city limits) and enhancing the tree canopy throughout the entire Tucson Water system
 3. Financial resiliency in the form of expansion of the low-income program and a one-time pay down of eligible delinquent accounts that COVID has negatively impacted
5. Financial Plan Model and Scenarios
 - a. Target rate component increases to address specific areas of costs increases
 - b. Across the board rate increases
 - c. Financing of capital project costs
 6. CAP Surcharge Increase
 7. Next Steps and Timeline

No action was taken on this item.

7. **Call to the Audience** – Audience Member Mark Day offered to share historical water demands. Information will be shared via email and forwarded to the committee.
8. **Future Agenda Items and Meeting Times** –
9. **Adjournment** – The meeting was adjourned at 3:39 p.m.