



CITIZENS' WATER ADVISORY COMMITTEE (CWAC)
Finance Subcommittee

Thursday, September 21, 2023, 2:00 p.m.

Virtual Meeting via MS Teams

Legal Action Report and Meeting Minutes

1. Call to Order/Roll Call

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

Present:

Steven Washburn, Chair	Representative, City Manager
Rory Juneman	Representative, City Manager
Val Little	Representative, City Manager

2. Announcements – None

- 3. Review & Approval of June 22, 2023, Legal Action Report and Meeting Minutes –** Member Little moved to approve the Legal Action Report and Meeting Minutes; Member Juneman duly seconded the motion. The motion passed on a roll-call vote of 3 – 0.

4. Central Arizona Project (CAP) Rate Schedule– Amber Kerwin, Tucson Water Rates Manager reviewed and discussed the following:

- a) Historic Water Conservation Agreement
 - i) Tucson is one of the first cities in Arizona to leave a significant allocation of Colorado River water in Lake Mead.
 - ii) Tucson voluntarily gave back more than 25,000 AF in 2022.
 - iii) Multi-year agreement with the Bureau of Reclamation and the Central Arizona Project, reducing Tucson Water’s allocation by up to 110,000 acre-feet (AF) through 2025.
 - iv) Voluntary deal offers \$400 per acre-foot as compensation, from the “Investing in America” program funds. The agreement, 2023-2025, could total \$44 million.
 - v) Invest in Tucson’s water resource infrastructure and projects to improve Tucson water resiliency.
- b) CAP Rates
- c) CAP Projected Rate

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- d) Five Year Rate Comparison
 - i) Rate Components:
 - (1) Fixed OM&R consists of O&M and "Big R". This rate is collected on all scheduled water whether delivered or not.
 - (2) The pumping energy rate is included in OM&R but the charge only applies to water delivered. A true-up is calculated at the end of the year based on actual acre-feet delivered.
 - (3) The M&I Capital Charge is paid on full allocation, regardless of acre-feet delivered.
 - ii) Key Takeaways:
 - (1) Rates have increased significantly above CAP's provisional rate projection
 - (2) TW's additional forecast factors that were built into the financial plan and rate model helped mitigate the full impact of the rate increase.
- e) Comparing the Financial Plan to Actual Rates
 - i) The CAP capital and OM&R rates have increased significantly.
 - ii) Annual financial plan impacts mitigated by:
 - (1) additional forecast factors that built into financial plan and rate model
 - (2) Voluntary reductions in delivery of 50K in CY23, 30K for CY24, and 30K in CY25 reduced OM&R cost
 - (3) M&C adopted increase in the CAP surcharge from \$0.70/ccf to \$1.00/ccf
 - (4) Forecasted CAP OM&R vs Forecasted CAP Surcharge Revenue

The committee had an opportunity to ask questions on the subject. No action was taken on this item.

- 5. **Water Infrastructure Finance Authority (WIFA) updates**– Silvia Amparano, Tucson Water Deputy Director provided an update. Items reviewed and discussed were:
 - a. \$6,950,000 WIFA loan funding for LCRR project with \$3,475,000 in forgivable principal
 - b. \$33,520,000 WIFA Loan for Northwest Wellhead Treatment Project with \$10,132,569 forgivable principal
- 6. **Call to Audience** – None
- 7. **Future agenda items** – Future items to include Cost Evaluation for AMI to the utility and the ADOT I-11 Corridor.
- 8. **Adjournment** – The meeting was adjourned at 2:46 p.m.