

CITIZENS' WATER ADVISORY COMMITTEE (CWAC)
Finance Subcommittee

Thursday, March 20, 2025, 11:00 a.m.

Hybrid 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

Rory Juneman

Val Little

Representative, City Manager

Representative, City Manager

Representative, City Manager

2. Announcements – None

3. Review & Approval of November 20, 2024, 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. Consideration of the 2025 meeting schedule -Staff recommended the Finance Subcommittee vote on the proposed 2025 hybrid or virtual meeting schedule. The third Thursday of the month at 2:00 p.m. Member Little moved to accept the motion; Member Juneman duly seconded the motion. The motion passed on a roll call vote of 3 – 0. The subcommittee rescheduled the April 17th meeting to April 24th and June 19th meeting to June 26th.

5. FY26 Budget Review – Elias Duran, Finance Manager, Business Services division, City of Tucson Finance department, reviewed and discussed the following:

a) FY 2026 Budget

b) FY 2026 Budget Revenue Highlights

c) FY 2026 Budget Expense Highlights

d) FY 2026 CIP Budget Revenues Actuals vs. Budget

e) Yearly Tracking: Planned vs. Actual CIP Spending

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

6. **Return on Equity, Cost of Capital, and Differential Rates** – Amber Kerwin, Management Coordinator, City of Tucson Water department, reviewed and discussed the following:

- a) Reminder of previous discussion
- b) Subject matter expert panel
- c) Methodologies
- d) Utility basis terminology
- e) Determining the rate of return
- f) Determining cost of debt equity
- g) Determining rate base
- h) Return on Equity Study
- i) How is ROE determined
- j) Return on Equity vs. Cost of Capital
- k) Cost of Capital
- l) Calculating differential
- m) Cost of Capital
- n) Next Steps

The committee had an opportunity to ask questions throughout the presentation. Member Juneman motion: If the Mayor and Council adopts a differential rate, the finance subcommittee supports the Mayor and Council's decisions resulting from these studies and recommends residential rates within the city NOT BE reduced. The motion was duly seconded by Member Little. Discussion: Member Juneman amended the motion to include the finance subcommittee recommendations being presented to the full committee with an abbreviated presentation of the material from staff. The amendment was accepted by Member Little. The motion passed on a voice vote 3-0.

7. **Call to Audience** – Mark Day, City of Phoenix charges 50% more.
8. **Future agenda items** – The subcommittee discussed a series of possible future agenda topics for staff to investigate and respond to.
- a) Rates class simplification (TBD)
 - b) Small ag pilot program report (Apr)
 - c) Q3 update and misc revenue update (Apr)
9. **Adjournment** – The meeting was adjourned at 3:41 p.m.