

*MINUTES OF THE  
ARIZONA MUNICIPAL WATER USERS ASSOCIATION  
BOARD OF DIRECTORS' MEETING  
SEPTEMBER 17, 2009*

MEMBERS PRESENT

Mayor Hugh Hallman, President, Tempe  
Mayor Bob Barrett, Peoria  
Councilmember Jim Buster, Avondale  
Councilmember Trinity Donovan, Chandler  
Councilmember Yvonne Knaack, Glendale  
Mayor W. J. "Jim" Lane, Scottsdale  
Councilmember Claude Mattox, Phoenix  
Councilmember Dave Richins, Mesa  
Councilmember Steve Urie, Gilbert

ASSOCIATE MEMBER PRESENT

Councilmember Rob Antoniak, Goodyear

OTHERS PRESENT

Marilee Avina, AMWUA  
Robin Bain, Peoria  
Tom Buschatzke, Phoenix  
Val Danos, AMWUA  
Kathy Ferris, Attorney  
Pat Hill, AMWUA  
Dave Iwanski, Goodyear  
Eric Kamienski, Tempe  
Doug Kukino, Glendale  
Doug Kupel, Phoenix  
Brad Lundahl, Scottsdale

Beth Miller, Scottsdale  
Steve Olson, AMWUA  
Ryan Peters, Glendale  
Diana Piña, AMWUA  
Kathy Rall, Gilbert  
Stephen Rot, Glendale  
Richard Siegel, SRP  
Robin Stinnett, Avondale  
Doug Toy, Chandler  
Carol Ward-Morris, AMWUA

1. CALL TO ORDER

The meeting was called to order by Mayor Hallman at 11:10 a.m.

2. APPROVAL OF THE MINUTES FROM THE MAY 21, 2009, BOARD OF DIRECTORS' MEETING

Upon a motion from Mayor Barrett and second from Mayor Lane, the minutes from the May 21, 2009, Board of Directors' meeting were approved.

3. SET NEXT MEETING DATE

The next regularly scheduled meeting of the AMWUA Board of Directors will be held on Thursday, October 22, 2009, at 11:00 a.m. at the AMWUA office.

4. ELECTION OF OFFICERS FOR FISCAL YEAR 2009 - 2010

Mayor Hallman directed the Board members' attention to the *Rotation of Officers* document found in their packets and reviewed the proposed changes in officers stating that, pursuant to AMWUA policy for fiscal year 2009 – 2010, Mayor W. J. "Jim" Lane of Scottsdale was scheduled to be nominated to serve as the Board President; Councilmember Claude Mattox of Phoenix was scheduled to be nominated to serve as Vice-President; and Mayor Bob Barrett of Peoria was scheduled to be nominated to serve as Secretary/Treasurer for the AMWUA Board of Directors.

Upon a motion by Councilmember Knaack and second by Councilmember Richins, the AMWUA Board of Directors unanimously agreed to the change in officers, as described by Mayor Hallman.

Mayor Hallman stepped down as Board President and turned the post over to Mayor Lane for the remainder of the meeting.

5. RECAP OF THE 2009 LEGISLATIVE ISSUES

Mr. Olson turned the floor over to Ms. Hill for a recap on the 2009 legislative issues.

Ms. Hill said that the summary provides a synopsis of all water legislation passed during the session, provides background on the legislation, provides information on the supporters and opponents of the legislation, and how the legislation moved through the legislative process. She said it also provides a summary of the legislation that did not pass during the session.

Ms. Hill reported on legislation of specific concern for AMWUA during the 2009 session. HB 2157 Wildlife; Aquatic Invasive Species, regarding the quagga mussels, passed with amendments being added by interested stakeholders, which exempted water distribution systems from possible liability for transporting invasive species (the quagga mussel). The amendments added to the bill addressed AMWUA members' concerns relating to the bill.

Ms. Hill reported that HB 2352 Aquifer Protection Permits; Natural Gas did not get adopted. She said there are many issues pertaining to the bill that remain unresolved.

Ms. Hill reported that the 2009 session adjourned without passing SB 1288, despite the broad consensus and support for the bill among stakeholders representing many diverse interests. Ms. Hill said the bill progressed successfully through the Senate and passed out of the House Water and Energy Committee, but the majority whip of the House refused to schedule the bill in the House Republican Caucus. She said the majority whip expressed his frustration with the bill by saying that SB 1288 did not address rural Arizona's water concerns and that he would like a statewide water plan to be completed before the bill could be enacted. She continued, saying CAWCD staff and AMWUA staff are now meeting with legislative leadership to garner support for the bill and get it queued-up for reintroduction in 2010.

Councilmember Mattox asked Ms. Hill to explain the nexus between the rural water users and SB 1288, so he could attempt to understand the majority whip's opposition to the bill. Councilmember Mattox asked how a bill that addresses an issue for three specific counties in the state (Maricopa, Pima, and Pinal) affects the rest of the state. Ms. Hill said that frankly, there was no nexus. She added that it is not clear what rural Arizona communities want in terms of a statewide plan. She stressed that an analysis was done at AMWUA pertaining to legislation previously introduced addressing rural Arizona's issues, regional planning, or mandated water management, and that in each case, the legislation failed or was never heard during a session. Ms. Hill said that in the end, SB 1288 focused on developing a financing mechanism for the CAGR and was not about securing new water supplies, which is what rural Arizona believed was the case.

Ms. Hill reported on the Arizona Department of Water Resources' budget, stating that ADWR's budget ended up at \$18 million, which is what Director Guenther indicated ADWR needed to continue to function. She added that the funds that were swept from the Water Bank, which in the past had gone to help fund ADWR, went directly to the State General Fund. The CAWCD Board has filed a petition for special action with the Arizona Supreme Court to challenge the legality of the transfers from the Arizona Water Bank Fund and placing them in the State General Fund.

No motion or vote was called for.

## 6. CAWCD ADD WATER PROCESS

Mr. Olson provided a brief history of the ADD Water process for the new members of the AMWUA Board. He said the acronym *ADD* stands for acquisition, development, and distribution of new water supplies, which developed out of the "Next Bucket" discussions. Mr. Olson said all ADD Water discussions have centered on "assuming CAWCD is to be the primary entity that acquires, develops, and delivers new water supplies for the three-county service area, how should the water be shared and paid for?" With that pivotal question in mind, CAWCD started a multi-phase stakeholder process where the stakeholders spent a significant amount of time determining just what the

process would look like and determining the various groups' specific interests. In Phase II, the stakeholders tried to develop the criteria by which to evaluate, in the end, whether the process was successful or not. In Phase III, the stakeholders began generating alternatives that would address the components for acquiring, developing, and distributing new water supplies.

Mr. Olson directed the Board members' attention to the document in their packets that described the alternatives the stakeholders developed and conveyed to the Board that the next step in the process was for the "hammer-it-out group" (HIOG) to garner consensus for as many areas as possible, as well as determine what alternatives can be quickly and easily answered over the next eight Fridays, beginning October 2, 2009.

Mr. Olson turned the floor over to Ms. Ferris for additional information regarding the ADD Water process. Ms. Ferris said the HIOG consists of twenty-seven people, many representing AMWUA members. Ms. Ferris said that the HIOG will now focus on how this new function of CAWCD will be managed, who will be allowed to participate, how the water supplies can be used, how the supplies are paid for, how the water is shared among all the groups, and how the ADD Water process relates to CAWCD and the CAGR.

Ms. Ferris said that since the AMWUA Board of Directors will be meeting with the CAWCD Board of Directors at the Joint Board meeting on September 30, 2009, she distributed a document developed by AMWUA staff and the WRAG, which she said covers five areas the Board may wish to stress to the CAWCD Board. The first bullet point stressed that AMWUA constituents are also CAWCD constituents.

Mayor Lane asked whether the relationship between AMWUA's constituents and CAWCD's constituents wasn't obvious to the CAWCD Board members. Ms. Ferris and Mr. Olson said that it may appear obvious; however, CAWCD Board members may not see the connection.

Ms. Ferris said the second bullet point for the *Major AMWUA Policy Positions* pertained to the fact that AMWUA municipalities continue to grow and, with that growth, will continue to need additional water supplies. She said AMWUA municipalities also need to be able to provide those new water supplies at a reasonable rate. Ms. Ferris stressed that CAWCD needs to know, from the AMWUA Board of Directors, that enabling legislation may be needed to implement the ADD Water program.

Councilmember Mattox asked what CAWCD's position was regarding enabling legislation. Ms. Ferris said that the stakeholders have never been able to get the CAWCD Board to address the issue directly. Ms. Ferris said there seems to be a fear that if legislation is necessary to pursue the ADD Water process, it may be very difficult to get such legislation through the legislature, specifically with what appears to be the looming battle between rural Arizona and the three-county CAWCD service area.

Ms. Ferris said that the ADD Water stakeholders are trying not to “demand” that there be new legislation, but are keeping the CAWCD Board on notice that the stakeholders believe it may be necessary. She stressed that it is very difficult to pass enabling legislation without a consensus.

Councilmember Mattox asked what would trigger the requirement for enabling legislation, to which Ms. Ferris said that when the CAWCD was created, it was done as a statutory body, not an entity that was given its duties and powers through the Arizona State Constitution. Statute is what gives the CAWCD its authority and so, for the CAWCD to develop an entirely new program not specified in statute, will require enabling legislation, which will require a consensus among the water interests of the state.

Mayor Lane asked that the issues AMWUA wants to discuss at the Joint Board meeting be discussed at this time in the meeting.

Ms. Ferris said the key issues include: new water supplies must not negatively impact the use of the existing CAP system, impact the delivery of CAP water, or impact the cost to contractors or subcontractors of CAP water.

In answer to a question by Mayor Lane, Ms. Ferris said, yes, the ADD Water project would require an expansion of CAP authority. She pointed out that the canal was built for the delivery of Colorado River water to municipal and industrial users, Indian communities, and certain agricultural users. She added that those customers have contracted rights for water from, and priority use of, the canal. Ms. Ferris said that even if the canal is expanded, existing rights must be protected and new uses must be secondary to first-priority uses of CAP water. She emphasized that the CAP costs should also not be affected by secondary uses of the canal.

Councilmember Buster asked if the CAWCD believes they can “just do this” because they believe they have leverage on legislation that is of interest to AMWUA. Ms. Ferris said she believes CAWCD has a broader vision, one that may not be specifically spelled out in the current statutes, which is where they want to head.

Mayor Hallman suggested that the CAWCD create a CAP2 for the additional water supplies. A second CAP could then be separate and distinct from the current CAP and not have to face the possible difficulties CAP is now facing.

Mr. Olson said, referencing Ms. Ferris’ comment about CAWCD having a bigger vision, they want to be a water management entity, rather than just being the operator of the canal.

Mayor Lane asked if the CAWCD’s desire to increase their role as water managers will push them closer to needing the enabling legislation, to which Ms. Ferris said, yes, absolutely.

Councilmember Mattox stated that CAWCD seems to believe that the two discussions are one, which they are not.

Ms. Ferris said the two discussions in question lead into the role of the participants in the ADD Water project. She stressed that the participants need the certainty that comes with them being recognized as having a role in making some of the decisions associated with the ADD Water project. She said several CAWCD Board members are not concerned, but stressed that several CAWCD staff members are very concerned that the participants want to take over and run CAWCD, which is not the case. Because of this particular issue's sensitive nature, it may well be the last item to gain consensus.

Councilmember Mattox said he wanted to stress the fact that CAWCD's constituents are also AMWUA constituents and decisions made by the CAWCD should not cause any harm to them. He emphasized that while the CAWCD is an independent board, they still answer to the same people that the AMWUA elected officials answer to and that the CAWCD also answers to the AMWUA municipalities due to the nature of the contracts they have with the CAWCD.

No motion or vote was called for.

7. CAWCD STRATEGIC PLANNING

Mr. Olson provided a brief overview of CAWCD's strategic planning process to the Board members. He then summarized the key points AMWUA submitted to CAWCD regarding the Strategic Plan.

Mr. Olson said the key points were: (1) the Strategic plan should focus on the proper role of the CAWCD in water management; (2) focus on the need for stakeholder input and cooperation on policy development; (3) the need for transparency in both their financial and policy development; and (4) that the CAWCD Board must recognize that their first obligation is to their existing sub-contractors.

Mr. Olson said he believes the CAWCD will be drafting a revised Strategic Plan once the meetings scheduled for September 24 and 25, 2009, conclude.

Mayor Barrett said he would strongly recommend that AMWUA be a major presence at those meeting on the 24<sup>th</sup> and 25<sup>th</sup> and that each and every city that can spare personnel go down, appear, and vocally participate because this is setting up as a "Tucson-run" system whereby Tucson will dictate all of the CAWCD Board's priorities.

No motion or vote was called for.

8. JOINT AMWUA/CAWCD BOARD MEETING

Mr. Olson said he wanted to fill the Board in on a few changes to the Joint Board meeting agenda, specifically CAWCD's request that there be less staff involvement and more

Board-to-Board discussion, thus eliminating a staff presentation previously included in the agenda. Mr. Olson said the CAWCD Board is also recommending a discussion leader, to get a particular topic started and then open the discussion to the Board for comments. Mr. Olson said that since AMWUA had not planned on that format, he wanted to identify which AMWUA Board members would be willing to be the discussion leaders.

Mayor Lane asked who on the Board would like to start the discussions. Mr. Olson said he had suggestions for discussion leaders and asked Mayor Lane if he would lead the Welcome and Introductions; Councilmember Donovan if she would lead the Sustainability conversation; and Councilmember Mattox if he would lead the ADD Water conversation. Mr. Olson said the remainder of the agenda for the Joint Board meeting was CAWCD-heavy and that discussion would not be led by AMWUA. He suggested meeting with Mayor Lane to review the other items and see if there may be something AMWUA needs to say in relation to those issues.

Mr. Olson said, pertaining to the Legislative Fund Transfers item on the Joint Board meeting agenda, CAWCD has requested AMWUA members discuss the things they are dealing with at the legislature, such as how the funds being swept impact the AMWUA municipalities.

Mayor Lane suggested that the other issues be dealt with as an open discussion since there may be someone among the AMWUA members that has a comment.

No motion or vote was called for.

9. EXECUTIVE DIRECTOR'S REPORT

Mr. Olson reported that a group of residents from Sun City were interested in bringing the Cliff Dam project back into public discussion. He passed out a letter the group sent to the AMWUA Board of Directors and said he thought bringing that subject back for AMWUA to consider was not timely due to the current projects AMWUA was already committed to working on and completing.

Mr. Olson reported that Governor Jan Brewer announced the creation of a commission on water sustainability. The commission consists of Ben Grumbles, Director for ADEQ; the chair of the Corporation Commission, Kris Mayes; and the Director of ADWR, Herb Guenther. He said the committee's goal is to identify and overcome obstacles to increased water sustainability. Of particular interest will be suggestions and concerns of cities, towns, and other water providers involved in implementing new strategies. Some of the things they want to look at include technology, innovation, and collaboration to reduce water waste and inefficiency, recycling water, and restoring water sheds. Mr. Olson said Mr. Grumbles is interested in water conservation and doing more to recycle water. Mr. Olson said AMWUA will have to make a concerted effort to explain how much water AMWUA members already conserve and recycle.

Mr. Olson said AMWUA has been approached by ADWR regarding reinstating the sustainability process as a part of their Fourth Management Plan planning process. Mr. Olson told ADWR that AMWUA would consider their request if they were fully committed to participating and assisting with the process.

Mr. Olson reported that the Conservation Committee was in the process of developing their next Five-year Regional Conservation Plan.

Mr. Olson announced that AMWUA was awarded an “Award of Merit” at the Valley Forward Environmental Excellence Awards for Landscape Plants – Online! Mr. Olson congratulated the Conservation Committee and Jo Cook on the recognition.

Mr. Olson reported that AMWUA staff continues to discuss, with several commercial real estate firms, a cost effective way of making the upcoming move to a new location happen sooner than August of 2011. Mr. Olson said no contract has been entered into with any of the firms, but said, in light of the issues AMWUA is experiencing with the current building and common area maintenance fees, it may be in AMWUA’s best interest to pursue the move sooner than anticipated.

Mr. Olson brought to the Board’s attention that it was again time for his annual review. He noted that as of last fiscal year, the AMWUA Board of Directors voted to conduct the review; however, Mr. Olson said a process still needed to be established. He said he would like to suggest using the same general structure as before, where the Management Board would send out a survey and review his performance and then provide their feedback to the Board of Directors for the final review.

No motion or vote was called for.

10. ADJOURNMENT

Upon a motion by Councilmember Mattox and second by Mayor Barrett, the AMWUA Board of Directors unanimously agreed to adjourn their meeting.

The meeting adjourned at 12:20 p.m.