

*MINUTES OF THE
ARIZONA MUNICIPAL WATER USERS ASSOCIATION
BOARD OF DIRECTORS' MEETING
NOVEMBER 19, 2009*

MEMBERS PRESENT

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

ASSOCIATE MEMBER PRESENT

Councilmember Rob Antoniak, Goodyear

OTHERS PRESENT

Marilee Avina, AMWUA	Doug Kukino, Glendale
Brian Biesemeyer, Peoria	Beth Miller, Scottsdale
Tom Buschatzke, Phoenix	Steve Olson, AMWUA
Sandy Fabritz-Whitney, ADWR	Diana Piña, AMWUA
Kathy Ferris, Attorney	Kathy Rall, Gilbert
Jenna Goad, Glendale	Stephen Rot, Glendale
Herb Guenther, ADWR	Don Sehorn, AMWUA
Dave Iwanski, Goodyear	Robin Stinnett, Avondale
Eric Kamienski, Tempe	Doug Toy, Chandler

1. CALL TO ORDER

The meeting was called to order at 11:15 a.m.

2. APPROVAL OF THE MINUTES FROM THE OCTOBER 22, 2009, AMWUA BOARD OF DIRECTORS' MEETING

Upon a motion by Councilmember Knaack and second by Councilmember Urie, the revised minutes for the October 22, 2009, AMWUA Board of Directors' meeting were approved, citing the correction of Mr. Anable's name as the reason for the revision.

3. SET NEXT MEETING DATE

The next meeting of the AMWUA Board of Directors was scheduled for Thursday, December 17, 2009, at 11:00 a.m. at the AMWUA office.

4. ARIZONA DEPARTMENT OF WATER RESOURCES (ADWR)

Mr. Olson introduced Mr. Herb Guenther, Director of the Arizona Department of Water Resources (ADWR), and Ms. Sandy Fabritz-Whitney, Assistant Director of Water Management at ADWR, to the Board of Directors. Mr. Guenther distributed a PowerPoint presentation to the Board members and audience and then proceeded to review the content of the presentation.

Through Mr. Guenther's presentation, he shared a variety of information, including sources of Arizona's water supplies; the amount of consumption agricultural users, industrial users, and municipal users consume on an annual basis; the capacity of Lake Mead and Lake Powell; and the amount of water the Salt River Project reservoirs currently hold. Mr. Guenther also shared with the Board members the current challenges ADWR is facing, including achieving Safe Yield; dealing with the issue of water sustainability; Indian Water Rights settlements; and adjudications. Mr. Guenther then addressed concerns over redesignations and long-term augmentation of the state's water supply, which may include desalination of ocean water. He also discussed the issue of solar power technologies and the amount of water it will require to produce and run them.

Following his PowerPoint presentation, Mr. Guenther discussed the issue of ADWR's budget challenges and the plan ADWR has developed in order to attain the 15% reduction all state agencies have been requested to come up with by January 1, 2010, as requested by Governor Brewer. Mr. Guenther distributed a two-page synopsis of ADWR's proposed 15% budget reduction plan to the Board members.

Questions arose from Mr. Guenther's presentations. Councilmember Buster asked what the feasibility of desalination was compared to other sources of water, to which Mr. Guenther said desalination is more expensive to process than other sources of water and the power requirements for desalination are significant.

Mayor Lane asked Mr. Guenther if he knew approximately how much water was not making its way into the watershed and then down into the metropolitan municipalities due to the amount of the precipitation being absorbed by the undergrowth and small

diameter trees in the forests. Mr. Guenther said he did not know, but said there are those at the Universities that do know. Mr. Guenther said the real issue is getting someone who will listen to the reasoning behind thinning the forests.

Councilmember Mattox asked how groundwater mining was being monitored outside the Active Management Areas (AMAs), to which Mr. Guenther said ADWR takes readings on various wells around the state to determine that and also uses modeling to determine what is being mined.

Councilmember Mattox stressed to Mr. Guenther that AMWUA members want to see ADWR protect Colorado River water rights, continue with permitting, continue their data collection and adjudications, as well as protect the Water Bank. Councilmember Mattox said, on behalf of the City of Phoenix and AMWUA, he would like to be a part of the ADWR stakeholder process in order to share in the pain and the gain.

Mr. Guenther thanked the AMWUA Board of Directors for having him share with them ADWR's challenges and said he appreciated the Board's input.

As this was an informational item, no motion or vote was called for by the Board members.

5. PREVIEW OF THE UPCOMING 2010 LEGISLATIVE SESSION

Mr. Olson said he thought it would be beneficial to briefly go over the process AMWUA goes through when developing its annual resolutions and issue papers. Mr. Olson said the past few years have seen the AMWUA Board of Directors adopt resolutions that support sustainable water management practices and safe-yield. Mr. Olson said the Water Resources Advisory Group (WRAG) is looking into developing a new resolution that focuses on ADD Water, which will be brought before the Board of Directors for review in December.

Mr. Olson discussed the Legislative Summary, prepared each week during the legislative session, and said the summary is an important tool for the WRAG and Intergovernmental Relations staff to use in tracking and taking position on state legislation pertaining to water issues.

Mr. Olson summarized the process AMWUA uses to develop positions on proposed legislation.

Mr. Olson said that, as the upcoming session will be about the budget and overcoming the \$2 billion state revenue short-fall, the question of whether to run SB 1288 CAGR Revenue Bonding; Sustainability Practices had been posed. Both the Central Arizona Water Conservation District (CAWCD) and the AMWUA Board of Directors have indicated interest in working together to support the bill this session. Mr. Olson said he believed many bills that did not make it through the 2009 session would be returning in 2010.

Mr. Olson highlighted possible legislation that would give CAWCD authority to develop alternative energy sources to supplement or replace the energy generated at the Navajo Generating Station. He said CAWCD is also seeking authority to use the four-cent water storage tax to benefit Indian firming. Mr. Olson said other legislation of interest deals with Resolution Copper possibly running legislation that will allow them to accumulate long-term storage credits that currently cannot be earned due to statutory provisions regarding water that cannot be used directly.

Councilmember Mattox asked Mr. Olson what the status of replacing the AMWUA Legislative Liaison was and if it would be forthcoming. Mr. Olson said the interview panel met and would be extending invitations in the coming days to those they planned to interview. Councilmember Mattox asked how soon Mr. Olson believed the position would be filled, to which Mr. Olson said mid-December.

No motion or vote was called for by the Board members.

6. CAWCD ADD WATER PROCESS UPDATE

Mr. Olson reported that the “Hammer-it-out-group” (HIOG) was still meeting. He said they were making some progress and wanted the Board members to know just how strong the AMWUA members’ input was by virtue of the members working together. Mr. Olson said that through the members’ efforts, AMWUA would be able to affect the change and outcome desired in this process. Mr. Olson turned the floor over to Ms. Ferris for an update on the group’s latest progress.

Ms. Ferris said the final HIOG meeting was scheduled for the following day. She noted that item number three of the Key Issues from the HIOG discussions, which deals with the generation of up-front capital for ADD Water supplies, has been generating a great deal of discussion among the HIOG members. She said the HIOG has agreed that: (a) the cost associated with acquiring ADD Water supplies must be kept separate from all the other costs that CAWCD has for its other programs; (b) a portion of the cost associated with acquiring the ADD Water supplies should be paid up-front; (c) in addition to up-front capital payments, a funding mechanism will be necessary to allow some ADD Water contractors to pay for water supplies over time; (d) the new funding mechanisms may not adversely impact costs to CAP contractors and subcontractors or significantly increase cost uncertainties for ADD Water contractors; and (e) CAWCD will not lend or otherwise use funds from its current reserve accounts to finance the acquisition of ADD Water supplies.

Ms. Ferris said the fourth item, critical to the agreements the HIOG is developing, defines the relative priorities for use of the CAP system as it relates to the delivery of CAP project water and ADD Water supplies. In essence, the agreement states that the ADD Water program should not impact CAP supplies, CAP deliveries, or excess CAP water and its delivery.

Ms. Ferris said the HIOG has also agreed that CAWCD will acquire new water supplies for ADD Water; however, ADD Water contractors will have the right to sign excess water contracts that will allow them to take excess CAP water in surplus years. Ms. Ferris said a surplus year has been narrowly defined as a year when the Secretary of the Interior declares a surplus of Colorado River water and Arizona is entitled to more than 2.8 million acre-feet of that surplus. She stressed that the HIOG concurred that excess water contracts could be offered to ADD Water contractors only, after first providing for any other rights to excess water that are required by the Arizona Water Settlements Act and the Revised Stipulation, as well as preserving the ability of CAP M&I subcontractors to take more than 11% of their allocation, in any given month, as many AMWUA members currently take more than that amount now.

Ms. Ferris said the HIOG has also agreed that the initial target size for the ADD Water program will be 300,000 acre-feet. She said that when put in the context of the canal capacity and the amount of CAP water the HIOG wants to see delivered, 300,000 acre-feet will not impact CAP supplies, especially once the canal is expanded. She stressed that 300,000 acre-feet is also an amount that will help ensure that all water supplies will be able to be delivered.

Ms. Ferris said governance is the final issue the HIOG has to address. She said CAWCD distributed a paper regarding governance at the most recent HIOG meeting. She said the members of the HIOG were dismayed because of the lack of options for governance, such as a participants' council. She said the paper ended up looking very much like the process for the Central Arizona Groundwater Replenishment District (CAGR) Plan of Operation. She said the HIOG believes modeling the ADD Water program after the CAGR is totally inappropriate and the subcontractors need to have a say in how decisions are made, especially on key issues.

Ms. Ferris said the final HIOG meeting will address the final issue papers prepared by CAWCD. CAWCD staff will then combine the issue papers and present the HIOG's recommendations to the CAWCD Board in late January of 2010. After that meeting, the HIOG will meet again to resolve the outstanding issues.

Mayor Lane asked what the structure of CAWCD's governance plan looked like. Ms. Ferris said it had CAWCD with singular control. Mayor Lane asked why CAWCD insisted on singular control, to which Ms. Ferris said CAWCD staff did not try to justify their position.

Councilmember Urie asked Ms. Ferris what the capacity of the canal was, to which Ms. Ferris said approximately 2.1 million acre-feet when expanded. She noted that the expansion of the canal will increase the canal by 300,000 acre-feet and be done over time, as improvements to the canal are needed. Councilmember Urie suggested renting the excess capacity of the canal space to those who need to use the canal for additional water and delivery. Ms. Ferris said there are many things to be considered, and thus it is imperative that the subcontractors have a say in the issues at hand.

Ms. Ferris said that Tom McCann has said the process and the agreements are “agreements in concept” and resemble that of the process the stakeholders went through when developing the Groundwater Code. Ms. Ferris said that the details will still have to be worked out.

This agenda item was informational in nature; no motion or vote was called for by the Board members.

7. AMWUA STATEMENT OF REVENUES AND EXPENSES

Mr. Olson said that, traditionally, the statement of revenue and expenses was provided to the Board members at the annual budget review; however, due to the need for tighter budgetary monitoring, Mr. Olson proposed a quarterly review, which would bring the statement of review and expenses back before the Board in January of 2010.

There were no questions or comments from the Board members regarding the statement of revenue or expenses.

This agenda item was for informational purposes only; no motion or vote was called for by the Board members.

9. EXECUTIVE DIRECTOR’S REPORT

Mr. Olson reported that ADWR was meeting regarding redesignations for assured water supplies. Mr. Olson said ADWR was also looking at modeling, which has generated many concerns for the municipalities. Mr. Olson said municipal staff members will be meeting with ADWR in December to address those concerns.

Mr. Olson said CAWCD has been trying to develop a plan toward recharge and recovery and will be meeting later this afternoon. Mr. Olson said he and municipal staff members would be attending that meeting.

Mr. Olson said an ad hoc committee has been put together on Energy and Water Development by Senator Melvin. Mr. Olson said he and many other water people have been meeting with that committee and providing their input.

Mr. Olson said the Valley Citizen’s League is sponsoring a meeting at the Burton Barr Library on November 24, 2009, at noon, regarding the Navajo Generating Station and the permitting process. He noted that Tom Buschatzke will be speaking at that event.

Mr. Olson said a “Water Resources 101” workshop will meet on December 4, 2009, and is being sponsored by AZ Water.

Mr. Olson reported that the Colorado River Water Users Association (CRWUA) conference is being held in December. He said AMWUA is taking part, along with SRP,

in creating the display for the conference, but said no AMWUA members will be attending due to budget constraints.

Mr. Olson said AMWUA is looking into initiating a salary study, but will need the Board of Director's approval for the contract, as it may reach \$5,000. Mr. Olson said he initially thought the survey could be completed via the use of the AMWUA members' human resources departments, but found the AMWUA job descriptions were tough to compare to the municipalities' job descriptions, thus necessitating contracting with an outside vendor to complete the study.

10. ADJOURNMENT

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

The meeting adjourned at 12:25 p.m.