Public Notice Pursuant to A.R.S. § 38-431.02

ARIZONA MUNICIPAL WATER USERS ASSOCIATION
BOARD OF DIRECTORS

MEETING NOTICE AND AGENDA

Thursday, August 31, 2017 – 11:00 a.m.

Arizona Municipal Water Users Association
Board Conference Room
3003 North Central Avenue, Suite 1550
Phoenix, Arizona 85012

A. Call to Order

B. General Business—Items for Discussion and Possible Action
   1. Approval of the Minutes from the June 22, 2017 Meeting
   2. Schedule Next Meeting Date: Thursday, September 28, 2017, 11:00 a.m.
   3. Governor’s Water Discussion
   4. Water Quality Standards Proposal for Non-Project Water under the System Use Agreement
   5. AMWUA Website

C. Executive Director’s Report

D. Future Agenda Items

E. Adjournment

*The order of the agenda may be altered or changed by the AMWUA Board of Directors.

More information about AMWUA public meetings is available in the AMWUA office, online at www.amwua.org under the Public Meetings tab, or by request.
BOARD OF DIRECTORS

MEETING MINUTES

June 22, 2017

VOTING MEMBERS PRESENT

Councilwoman Thelda Williams, President, Phoenix
Mayor Cathy Carlat, Peoria
Councilmember Eddie Cook, Gilbert
Councilmember Lauren Kuby, Tempe
Mayor Jim Lane, Scottsdale
Councilmember René Lopez, Chandler
Councilmember Joanne Osborne, Goodyear
Councilmember Kevin Thompson, Mesa

VOTING MEMBERS NOT PRESENT – EXCUSED

Councilmember Pat Dennis, Avondale
Councilmember Bart Turner, Glendale

OTHERS PRESENT

Anthony Alejandro, Peoria  Mark Holmes, Goodyear  Javier Setovich, Goodyear
Gregg Capps, Chandler  David Iwanski, AZ Water Assoc.  Tony Staffaroni, CAP
Miranda DeWitt, Mesa  Sam Jaskolski, AMWUA  Drew Swieczkowski, Glendale
Alan Dulaney, Peoria  Jessica Perry, Goodyear  Warren Tenney, AMWUA
Kathy Ferris, AMWUA  Diana Piña, AMWUA  Carol Ward-Morris, AMWUA
Sara Gerlitz, Phoenix  Kathy Rall, Scottsdale

A. Call to Order

Councilwoman Williams called the meeting to order at 10:03 a.m.

B. General Business – Items for Discussion and Possible Action

1. Approval of the Minutes from the May 25, 2017 Meeting

Upon a motion by Mayor Carlat and a second, the AMWUA Board of Directors unanimously approved the minutes from the May 25, 2017 meeting.
2. **Schedule Next Meeting Date**: Thursday, August 31, 2017, 11:00 a.m., at the AMWUA office

   The July 27th AMWUA Board of Directors meeting has been cancelled.

3. **Water Quality Standard for Non-Project Water under the System Use Agreement**

   Mr. Brian Payne shared an overview of the Central Arizona Water Conservation District’s (CAWCD) Water Quality Standards Task Force. Mr. Payne stated that in February 2017, CAWCD and the Bureau of Reclamation signed the System Use Agreement, which allows for the wheeling of non-project water through the Central Arizona Project (CAP) canal; however, they did not develop a water quality standard for non-project water in the canal. He said as a result, the CAWCD Board has enacted a task force of CAWCD Board members to look at this issue and develop a recommendation for the full CAWCD Board to consider with the idea that the recommendation will eventually be passed onto the Bureau of Reclamation for its consideration.

   Mr. Payne explained that water quality standards for non-project water are important to AMWUA because any outside supply of water that is introduced into the canal could have impacts to downstream users. He said the Colorado River water supply that CAWCD delivers is very consistent in water quality, and any changes to that supply could significantly effect water quality treatment operations and costs. He noted that this is also important to consider in regards to Water Bank Recovery because it could impose future costs to subcontractors for recovery.

   Mr. Payne said before the task force was enacted, he and Mr. Tenney met with both CAWCD and the Bureau of Reclamation to discuss water quality standards. He said three key issues came out of those conversations: 1) contracts and litigation risk, 2) the Clean Water Act, in regards to concern that CAP would no longer be exempt with the addition of an outside water supply, and 3) the length of time to complete the Bureau of Reclamation’s approval process.

   Mr. Payne then gave an update on the May 24th and June 6th CAWCD Task Force meetings. He said the May 24th meeting included staff presentations regarding the System Use Agreement and related contracts, the current water quality monitoring program, and the 2014 wheeling proposal developed from a stakeholder process. He said the June 6th meeting included presentations from the Bureau of Reclamation, the Arizona Department of Environmental Quality (ADEQ), Arizona State University (ASU) Professor Paul Westerhoff, CAWCD, the Salt River Project (SRP), the Gila River Indian Community (GRIC), and the cities of Chandler, Phoenix, Scottsdale, and Tucson.

   Mayor Lane asked if blending waters was currently sufficiently defined. Mr. Payne said that is a legal issue that is being determined and CAWCD is working on it.
Councilmember Osborne asked who is pushing this issue right now. Mr. Payne said the City of Scottsdale is interested in wheeling for a pilot project and SRP and several other organizations have expressed interest. Mr. Tenney noted that this issue is also important because during shortage, recovered water is considered non-project water so a water quality standard needs to be determined.

Mr. Payne stated that at the June 6th task force meeting, the CAWCD Board members asked stakeholders to use the summer to develop proposals with respect to water quality to share at the next meeting on August 17th. He said at the August meeting, the task force would review and consider the proposals and then a final recommendation at their last meeting in September. The final recommendation will then go to the full CAWCD Board for approval, and if approved be presented to the Bureau of Reclamation.

Mr. Payne stated that when the task force asked for proposals, CAWCD staff gave stakeholders a list of considerations to keep in mind when developing their proposals. He emphasized that water quality standards is a very complicated issue because water treatment facilities have been designed to treat a certain band of contaminants and changing standards could cause operational and infrastructure issues.

Mr. Payne said AMWUA has been facilitating discussions on this topic and will continue to do so with AMWUA members, Tucson entities, SRP, the GRIC, and the City of Apache Junction. AMWUA is seeking feedback from its members about workable standard ranges that will be acceptable to downstream users in an effort to develop a collaborative proposal that works for stakeholders, is financially feasible, and is accessible.

Councilmember Cook commented that water quality is important to the Town of Gilbert because of possible impacts to infrastructure and having to invest in accommodations if a lower quality of water was introduced. Mr. Tenney said that issue has been recognized by stakeholders with the goal of not having to add additional treatment processes as well as recognizing the fact that water quality standards do not remain static.

Mayor Lane noted that water users would be paying for water treatment, whether it is before water is put in the canal or when water is being taken out of the canal, and asked about setting standards. Mr. Tenney said the stakeholders discussed ranges of standards at yesterday’s meeting in part of working towards agreeable quality standards.

Councilmember Osborne and Mr. Tenney discussed that different treatment plants and methods raise different concerns, especially between Central and Southern Arizona.

Councilwoman Williams asked if there had been a quality analysis done of the water that is being recharged in aquifers. Mr. Tenney said water quality differs from recharge
project to recharge project. Councilwoman Williams asked if that was a consideration taken before water is stored there. Mr. Tenney said that would have been good to consider in the recovery plan. Ms. Ferris noted that you are not necessarily withdrawing the water you put into the aquifer.

4. **Status of the Governor’s Water Augmentation Council**

Mr. Tenney stated that the Governor’s Arizona Water Initiative works to prepare for future and augmented water supplies for the State and has two pieces: identifying 22 planning areas and looking at each of their needs, and forming the Governor’s Water Augmentation Council (GWAC). The GWAC is chaired by the Director of ADWR and is comprised of 30 members, including Mr. Tenney. The Northern Arizona Water Users Association (NAMWUA), the Southern Arizona Water Users Association (SAWUA), and AMWUA represent municipal voices.

Mr. Tenney said towards the end of 2016, the GWAC formed four committees: Desalination, Recycled Water, Long-Term Augmentation, and Finance. AMWUA staff has attended every meeting of each committee.

**Desalination Committee:** Chaired by Bob Lotts, Mr. Tenney stated that this Committee’s goal is to complete a spreadsheet identifying areas within the State that could utilize desalination in regards to brackish water or poor quality groundwater. He noted that the Committee is particularly looking into the Buckeye Waterlogged Area, Gila Bend, Yuma Mesa, Picacho, and Winslow Leupp. Mr. Tenney said Mr. Lotts has created a timeline of the scope of work for this project, which outlines the extensive amount of time needed and has been used to argue why work needs to begin as soon as possible. He pointed out that the Buckeye area could be of potential interest to AMWUA and West Valley water users.

Councilmember Lopez asked if the GWAC plans to move forward with a desalination project or with a pilot program. Mr. Tenney said the Committee has been analyzing different areas to proceed with a desalination project, and will choose a location and then look deeper into designing, financing, and then constructing the plant. Councilmember Lopez emphasized the importance of performing an analysis and determining the value as to the cost of production per gallon. Mr. Tenney said the Committee will be looking into that issue and noted that the four GWAC committees are interlocked to play a role assisting each other.

Mayor Carlat asked where on Mr. Lotts’ timeline is the location for the desalination plant chosen. Mr. Tenney said a location would be determined when there is enough support from the Desalination Committee to bring the issue to the entire GWAC for a vote, and then when the local area supports the effort. She then asked where the funding for the project would come from, because the timeline states “public funds.” He said the funding source has not been determined yet.
Councilmember Kuby noted that financial costs and energy costs are important to consider and asked if a solar powered desalination plant has been proposed. Mr. Payne said they are too early in the process to have discussed alternate energy sources, but that conversation will be held in the future.

Councilmember Osborne and Councilmember Cook commented about great potential for water augmentation efforts.

Ms. Ferris noted that the GWAC committees are all advisory committees that make recommendations, not final decisions.

**Recycled Water Committee:** Chaired by John Kmiec, Mr. Tenney stated that the goal of the Recycled Water Committee is to increase acceptance and utilization of recycled water. He said the Committee is currently recommending that ADEQ end prohibition on direct potable reuse, that managed recharge projects using effluent receive the same percentage of credits as CAP water, that the 2025 sunset for long-term storage credits for recycled water be removed, and that uniform terminology be used when discussing recycled water. The Recycled Water Committee plans to present these recommendations to the full GWAC and if there is support at that level, will try to create some legislative change. Mr. Tenney stated that the Committee has cited and noted AMWUA’s paper on recycled water issues as being a resource.

**Long-Term Augmentation Committee:** Chaired by Maureen George, Mr. Tenney stated that the Long-Term Augmentation Committee focuses on what needs to be done statewide to look at augmentation needs. He said the Committee would like to put together a request for proposals to create a portfolio of statewide augmentation options and to get data and an analysis going to move the discussion forward.

**Finance Committee:** Chaired by Sandy Fabritz, Mr. Tenney said the Finance Committee is recognized as a big factor because it is looking into identifying financing limitations and barriers, and talking about general funding options. He noted a major question this Committee faces is whether to determine funding before knowing what the projects are, or waiting to have the projects determined before deciding on funding. He also said this Committee acknowledges that they will need to work with other committees.

Mr. Tenney stated that the GWAC will issue an annual report soon, which will include recommendations from each of the committees and are welcoming feedback and suggestions with moving forward.

Mayor Lane, Mr. Tenney, and Ms. Ferris discussed the potential for direct potable reuse and blending waters if ADEQ’s prohibition on direct potable reuse was ended, and the potential for new technologies.
Councilmember Kuby asked if graywater rules are also being reviewed by ADEQ because developers have shown interest in graywater. Mr. Tenney said ADEQ is reviewing a number of items including graywater.

Mayor Carlat asked if the Desalination Committee is being presented proposals about new technologies. Mr. Tenney said yes, they have been shown several presentations. She then asked if desalination plants could be created at different sizes because the Yuma Desalination Plant is very large. He said desalination plants could be built according to the amount of water they plan to treat, which can be smaller than the plant in Yuma.

5. **Approval of AMWUA Communications Services Agreement**

Mr. Tenney stated that Pat Kossan has continued to increase AMWUA’s outreach, as she displayed during her presentation at the March AMWUA Board of Directors meeting. He said Ms. Kossan has been a key reason that AMWUA has been able to widen its audience, particularly through developing articles and blogs for the AMWUA website, and working social media. Mr. Tenney recommended that based on the positive results of Ms. Kossan’s efforts, AMWUA continue its communication service agreement with her, which is allocated in the approved Fiscal Year 2018 budget.

Upon a motion by Councilmember Lopez and a second by Mayor Lane, the AMWUA Board of Directors unanimously approved that the AMWUA Executive Director, Mr. Tenney, enter into an agreement for communication services with Pat Kossan in the amount of $40,000, through June 30, 2018.

6. **Approval of Smartscape Program Agreements with the Arizona Department of Water Resources and with the University of Arizona**

Mr. Tenney stated that in 1994, AMWUA took part in the collaborative effort to develop the Smartscape program and has been a strong supporter ever since. Smartscape is a comprehensive training program that instructs landscape professionals on all aspects of low-water-use landscaping. He said Smartscape supports AMWUA members in their efforts to increase water use efficiency and the AMWUA Conservation Committee strongly supports Smartscape’s efforts.

Mr. Tenney explained that to fund the Smartscape program, AMWUA and ADWR enter into a two-year agreement in which both entities provide $30,000 annually. He said AMWUA then enters into a two-year agreement with the University of Arizona for program administration through the Maricopa County Cooperative Extension. AMWUA’s monies come from the Regional Conservation Program budget.

Mr. Tenney stated that the AMWUA Management Board unanimously voted to recommend that the AMWUA Board of Directors approve his ability as Executive
Director to enter into two agreements: one with ADWR for program funding, and one with the University of Arizona for implementation of the Smartscape program.

Mayor Lane noted that the public has been more conscious of the amount of water used in outdoor landscapes. He asked if there was an official recognition for those professionals who complete the Smartscape training that they can use to advertise to customers. Mr. Tenney said Smartscape trained professionals are encouraged to promote their training and that the Smartscape website has a database of those who have completed the program to allow customers to verify training or find a landscaper.

Councilmember Kuby asked if any cities require that their landscapers be Smartscape trained. Ms. Ward-Morris stated that the City of Scottsdale requires employees in the Parks and Recreation Department to be Smartscape trained for promotion and that she would follow up with Councilmember Kuby to confirm other cities’ requirements.

Upon a motion by Mayor Carlat and a second by Mayor Lane, the AMWUA Board of Directors unanimously approved Mr. Tenney’s ability as Executive Director to enter into two agreements: one with ADWR for program funding, and one with the University of Arizona for implementation of the Smartscape program.

C. Executive Director’s Report

Mr. Tenney stated that the CAWCD Board approved the 2018 rates and taxes earlier this month. He reported that Jim Holway, the chair of the Finance Audit Power (FAP) Committee, said the FAP Committee will begin a discussion on the 4-cent water storage tax this afternoon and has asked AMWUA to give a presentation highlighting AMWUA’s 4-cent water storage tax paper. He stated that Director Holway also wants to have a discussion about overall rate and tax policies starting at the end of the summer. Mr. Tenney noted appreciation that Director Holway was able to meet with the Water Resources Advisory Group (WRAG) last week, where the WRAG was able to share AMWUA’s position that CAWCD taxes should continue to be used for federal debt repayment.

Mr. Tenney said the GWAC committees have milestones they hope to have completed by the end of this year; however, that time frame may be slightly slowed because the Governor launched a new discussion on water last week focusing on Colorado River and groundwater issues. He stated that Governor Ducey personally kicked off this effort and that the goal is it will continue into the late fall and legislation will come from it. Mr. Tenney said the Governor’s office wants to complete the Drought Contingency Plan (DCP) and DCP Plus, as well as look at groundwater issues in and outside of active management areas. The Plenary Group will be chaired by the Governor’s Chief of Staff, Kirk Adams, and includes Mayor Lane, whom has requested that Brian Biesemeyer, Kathryn Sorensen, and Mr. Tenney support him in this effort and attend working group meetings. Kathy Ferris is also serving on the Plenary Group from the Kyl Center. Mr. Tenney stated that he will keep the AMWUA members and Board of Directors apprised of developments on this discussion.
Mayor Lane stated that he believes the Plenary Group to be a very strong, diverse group and shared enthusiasm for the effort. He also thanked Mr. Tenney for his work and participation.

Mr. Tenney stated that each member of the AMWUA Board of Directors was given a copy of the new Arizona Water Resources map produced by the University of Arizona Water Resources Research Center. AMWUA provided sponsorship for this project.

D. Future Agenda Items

There were no requests for future agenda items.

E. Adjournment

Councilwoman Williams adjourned the meeting at 11:07 a.m.
Governor’s Water Discussion

STRATEGIC PLAN REFERENCE

Objectives – Safeguard Water Supplies; Reinforce Groundwater Management; Prepare for Impacts of Drought & Shortage; Augment Supplies; Elevate the Benefit of Water Reuse; Minimize Financial Impacts
Collaboration – Legislature; Arizona Department of Water Resources; Salt River Project; Central Arizona Project; Water Community

SUMMARY

In June, Governor Ducey launched a process called the Governor’s Water Discussion to address Colorado River and groundwater issues in the State. The Governor convened a Plenary Group comprised of state leaders, which includes Scottsdale Mayor Jim Lane. Mayor Lane requested that Brian Biesemeyer, Kathryn Sorensen and Warren Tenney support him in this effort and attend the work group meetings. There are two work groups—the Colorado River and Groundwater work groups—which are meeting every other week. The State anticipates this effort to go until late fall with the final product being a proposed legislative package for legislation next year.

The Governor raised the significance of this effort by personally initiating it. He stated there is no issue more important than water to his administration. The Governor’s Chief of Staff, Kirk Adams, has chaired most of the workgroup meetings, which is an indication of the State’s intent to have this process produce results.

This summary highlights the proposals that have been discussed to date in both the Colorado River Work Group and the Groundwater Work Group. These proposals are conceptual and further details are to be developed for a legislative package.

Colorado River Work Group

At the first Colorado River Work Group meeting, the State outlined the actions it is advocating for, as set forth in Attachment A.
DCP & DCP Plus – The Arizona Department of Water Resources (ADWR) has given a high-level presentation explaining the need to put in place the Drought Contingency Plan (DCP) negotiated by Arizona, California, Nevada and the U.S. Bureau of Reclamation. In order to mitigate the impacts of DCP to Arizona water users, ADWR has proposed a DCP Plus approach that would set ongoing conservation volumes to achieve an elevation in Lake Mead of 1,080 feet. (Tier One shortage is declared at 1,075 feet.) The Bureau of Reclamation’s models and studies would be used to project how much water needs to be conserved in order to maintain Lake Mead at 1,080 feet. ADWR utilized a Technical Breakout Group, including CAWCD staff, to develop this approach. The general sentiment was positive when it was presented at the August 24, 2017 Colorado River Work Group meeting.

Tribal Intentionally Created Surplus (ICS) – The State proposes to develop a tribal ICS program in Arizona. Under the 2007 Guidelines, ICS was created to incentivize a Contractor to store water in Lake Mead to help prevent a shortage declaration. The 2007 Guidelines allow a Contractor holding ICS to take the water it stores in Lake Mead in subsequent years.

In negotiating DCP, California sought greater flexibility to access ICS water during a shortage in the event that its State Water Project supplies were limited. In DCP negotiations, the three Lower Basin states negotiated a plan that would allow Arizona, California and Nevada to each accrue an additional 200,000 acre-feet of ICS above current limits. This means Arizona would be able to accrue a total amount of 500,000 acre-feet of ICS water in Lake Mead. To date, only the Central Arizona Water Conservation District (CAWCD) has created and accrued ICS.

The State believes that under the 2007 Guidelines, a tribe with a water right settlement that includes an entitlement to mainstream Colorado River water delivered via the Central Arizona Project (CAP) system is a Contractor, and can therefore create ICS. The Bureau of Reclamation agrees that CAP settlement tribes are included under the definition of Contractor. The State views a tribal ICS program as an opportunity to provide greater protection to Lake Mead by having tribes create ICS, which could help avoid or push back shortages.

In order to add this additional water management tool of tribal ICS, the State proposes the following:

1. Arizona will craft a single Arizona exhibit to seek forbearance for Extraordinary Conservation ICS created through categories of conservation projects by any Contractor in Arizona, including tribes.
2. The State, acting through the Director of ADWR, will forbear water conserved by an Arizona Contractor to enable the creation of ICS.
3. ADWR will serve as the ICS administrator for Arizona, including submittal of the annual ICS creation plan and the annual ICS certification report to the United States Bureau of Reclamation.
4. Arizona will require Congressional authorization prior to allowing ICS created through a Decreed right to be used off-reservation.
5. Arizona water users will negotiate the Tribal and non-Tribal split for the creation, accrual
At the July 27, 2017 Colorado River Work Group meeting, stakeholders generally expressed support for the tribal ICS concept while acknowledging that details need to be developed. CAWCD recommended a task force be formed to work on this issue. Chairman Adams replied that the work group meetings are for discussing these issues. In a report to the CAWCD Board, CAWCD staff disagreed that tribes are Contractors and stated that modeling indicates tribal ICS is not needed to implement DCP Plus, and that allowing individual entities to recover ICS could trigger or exacerbate a shortage. The CAWCD staff report further stated that tribal ICS creates an economic tool benefiting one party and leaving others to deal with the costs.

Based on the support expressed at the Work Group meeting, the concept of tribal ICS as presented by the State is being forwarded to the Plenary Group. AMWUA staff believes the framework outlined by the State can be an effective management tool. Whether tribal ICS would be utilized in the immediate future or not, having this tool in place now allows greater flexibility for the State to oversee Arizona’s Colorado River water and minimize the risk of shortage.

**Colorado River Conservation Program** – The State proposes a statewide program in which all of Arizona’s Colorado River water users can assist with creating Intentionally Created Surplus (ICS) and system conservation to benefit Lake Mead under the DCP and DCP Plus efforts. ICS water can be requested for delivery at a later date but system conservation cannot and becomes part of the following year’s system water. The Director of ADWR would establish a process for Contractors to submit potential projects eligible for creation of ICS and system conservation. Having a statewide program ensures the same standard to demonstrate a reduction in consumptive use whether through system conservation or ICS. It also allows for public review and comment by other Arizona Contractors. It would assure funders and those creating system conservation or ICS that forborn water will not be considered excess and delivered to a lower priority. Finally, having state oversight ensures all Contractors coordinate and comply with the 2007 Guidelines and any DCP overlay.

The Legislature previously authorized the ADWR Director, on behalf of the State, to forbear the delivery of ICS to Contractors in California and Nevada. The Director would NOT be authorized to forbear water except on the request of the Contractor creating the system conservation or ICS. The State believes that existing Arizona contracts for Colorado River water with the Secretary of the Interior are subject to the terms of the 1944 Arizona Contract.

The State discussed this proposal at the August 24, 2017 Colorado River Work Group meeting. Many questions were asked for clarification, but general support for the concept was indicated. CAWCD questioned if the authority to forbear being proposed was included under what the State granted ADWR in 2007. CAWCD said this was a complicated issue that needed more time to vet and questioned the need for this proposal since they have always forborne water requested under an ICS or system conservation effort. CAWCD questioned if this proposal allows ADWR to decide whether and how much an individual Contractor can exercise their...
contract. The State responded that this is a conceptual proposal and details need further discussion. Plus, the State emphasized this was not seeking unfettered ability to interfere with contracts but only applied to the creation of ICS and system conservation at the request of the Contractor.

**Sovereign Immunity** – The State is seeking legislation to make clear that CAWCD does not have sovereign immunity. The State proposed the following language: “A multi-county water conservation district is not an arm, instrumentality or agency of the state, does not have sovereign immunity under the Eleventh Amendment of the federal constitution, and shall not plead the defense of sovereign immunity under the Eleventh Amendment of the federal constitution in any action.”

At the July 27, 2017 Colorado River Work Group meeting, work group members expressed support for this proposal to be elevated to the Plenary Group. This proposal is consistent with the position the AMWUA Board of Directors expressed in its April 27, 2017 letter to the CAWCD Board. While CAWCD has stated it has no intention of using sovereign immunity in disputes with its subcontractors or contractors, neither CAWCD nor any other party has given a good reason why this clarifying language should not be enacted.

**Agreements regarding Colorado River Water** – The State is proposing that legislation be enacted that would require CAWCD to obtain the approval of the ADWR Director prior to beginning negotiations and prior to entering any agreement involving the use, storage, or conservation of Colorado River water. This proposal stems from concerns over the years that CAWCD has initiated negotiations on concepts with Basin states and entities in Basin states before ADWR has been informed or engaged on those issues and, often, outside of CAWCD’s statutory authority. The State wants to ensure that Arizona speaks with one voice on Colorado River issues.

At the July 27, 2017 Colorado River Work Group meeting, stakeholders expressed general support for this proposal to be elevated to the Plenary Group, though some entities sought clarification about what agreements could fall under such a requirement. ADWR said the intent was to address future agreements pursued with other states, entities within states, and the federal government that impact Arizona’s Colorado River water. The State stated it would make certain the proposed language would provide the needed clarification.

In a report to the CAWCD Board, CAWCD staff has stated that CAWCD has an essential function to negotiate and enter into agreements with the United States for the use and delivery of Colorado River water. The report states that staff has worked with ADWR on agreements and not pursued negotiations when ADWR objected. CAWCD maintains the current arrangement has been effective and there is no apparent reason for change.

The debate between ADWR and CAWCD in the Work Group meetings about past negotiations raises questions about the effectiveness of the current arrangement. The State’s proposal would ensure that Arizona speaks with one voice on Colorado River issues with the intent that
all the State’s water users interests are represented by ADWR. This is also consistent with current State law that expressly gives the Director of ADWR the responsibility to speak for the State on Colorado River issues.

**Audit of CAWCD** – The State proposes that legislation be enacted that would require CAWCD to undergo ongoing reviews by the Auditor General for a specified number of years. These reviews would be special audits, and the legislation would make clear that the Auditor General must reach out to stakeholders to identify specific concerns and issues for the audit’s focus. The State also proposes the Auditor General be allowed to attend CAWCD’s executive sessions, as the Auditor General is currently authorized to do so for many of the entities it audits. The State believes this will increase transparency and accountability of CAWCD.

At the July 27, 2017 Colorado River Working Group meeting, stakeholders expressed general support for this proposal. The State initially recommended the audit be every three years, but then changed it to five years based on comments from stakeholders that three years was too frequent. Many of the work group stakeholders voiced support for five years with a couple still thinking three years would be preferable. Pinal County Agriculture expressed the view that the audit was not necessary, and that historically these types of audits are used when there is an ax to grind. Others stated that the audit could reinstall and maintain confidence in CAWCD by addressing and putting to rest stakeholder concerns that arise over time.

**Use of 4-Cent Tax for Arizona Water Banking Authority (AWBA) Purposes** – CAWCD’s 4-cent water storage tax can be used for federal repayment and OM&R, and the funds not used for either of those two purposes are to be deposited into the Arizona water banking fund. The State is proposing clarifying language that any unexpended 4-cent tax monies not applied to repayment and OM&R obligations in any fiscal year shall be made available to the AWBA upon the request of the Chair of the AWBA (i.e. the Director of ADWR). Until requested, these funds would still be reserved in an account held by CAWCD. The State made clear that this proposal clarified the existing statutes and kept CAWCD’s authority to levy and use the tax. Having the clarification that CAWCD needs to annually decide how it will use the 4-cent water storage tax would avoid the continuing accumulation of over $100 million in property tax dollars with no specific plan of how to put those funds to beneficial use.

**Expanded AWBA Recovery and Firming Authority** – The State is seeking to have AWBA be able to enter into agreements for recovery of long-term storage credits developed with 4-cent tax funds without distributing the credits to CAWCD. In effect, this would take CAWCD out as the middleman for indirect recovery of those credits. CAWCD would still need to be involved for direct recovery of the credits as wet water in the CAP canal. The direct distribution of credits would provide greater flexibility for cities to protect residents during shortage. General support was expressed for this proposal.

**Groundwater Work Group**

In the Groundwater Work Group, the State is seeking to address concerns about new
groundwater pumping in Mohave, La Paz, and Cochise counties and groundwater issues in the Pinal Active Management Area (AMA). This summary focuses on two proposals.

**Metering & Reporting** – The State is recommending that there be metering and reporting of groundwater pumping outside of AMAs and throughout the State. The State believes that it cannot effectively and appropriately address water issues throughout Arizona without having data showing what is occurring with groundwater pumping. General support has been expressed for this recommendation. Agricultural representatives and the Cattlemen’s Association have said that metering of wells already occurs, but that there is concern about implementing such a proposal statewide as opposed to critical areas. ADWR argues that without reporting, the agency cannot know if an area is in critical condition or not.

AMWUA staff believes the State’s proposal for metering and reporting of non-exempt wells throughout Arizona would be beneficial. Without accurate measurement and data, the State is only guessing what is needed for a particular area. Metering and reporting in AMAs has helped us understand our groundwater supplies, gain support for necessary infrastructure, and develop groundwater management tools. By and large, the cities have not found basic reporting to be overly burdensome, especially since the State has improved its reporting process. Metering and reporting is the only way to have an accurate picture of Arizona’s groundwater situation.

**2025 Sunset** – Under current law, no water user in the State will be able to create long-term storage credits with effluent beginning in 2025. The State is proposing to remove the 2025 sunset. The AMWUA cities have expressed support for this proposal in the past. General support was expressed when this issue was discussed in the Groundwater Work Group. The Salt River Project has also suggested that the proposal include a complete repeal of WaterBUD. A repeal of WaterBUD would include removal of the 2025 sunset. WaterBUD is a short-hand term for a complicated statutory definition of "water than cannot reasonably be used directly." The definition prevents long-term storage credits from being earned for water stored underground that could reasonably have been used directly.

SRP convened two meetings with stakeholders to discuss the potential repeal of WaterBUD. The general sentiment of the stakeholders was supportive or neutral about the repeal of WaterBUD. SRP is working with the Central Arizona Homebuilders Association developers to address their concerns about repeal. The homebuilders are concerned that a repeal of WaterBUD means subcontractors will put their allocations to use and therefore there will be less excess water available for the Central Arizona Groundwater Replenishment District (CAGRD), which means CAGRD costs could go up as it acquires other sources. SRP and the homebuilders are talking about ways to mitigate some of the impacts of repeal.

Last year, AMWUA wrote a detailed analysis on the repeal of WaterBUD. AMWUA took a neutral position on repealing WaterBUD when potential legislation was being considered in the 2016 Legislative Session.
Safe-Yield Goal Beyond 2025 – The Groundwater Management Act is largely silent on what happens after the year 2025. The State is proposing to clarify in statute that the goal to achieve and maintain safe-yield for the Phoenix, Tucson, and Prescott AMAs applies beyond 2025. This includes the creation of three additional ten-year management plan periods beginning in 2025 for all AMAs. The State is also proposing that by 2022, the Governor would establish a commission to provide recommendations to the ADWR Director regarding any changes to the management goals and requirements for the management plans beginning in 2025. General support was expressed for this proposal.

RECOMMENDATION

In the Work Group meetings, Chairman Adams has repeatedly asked the participants to maintain a statewide view and to act in the best interests of the State. AMWUA staff believes the Governor’s Water Discussion is an important conversation to improve overall management of Arizona’s Colorado River water and groundwater throughout the State.

At the August 31, 2017 AMWUA Board of Directors meeting, AMWUA staff will review these proposals and report on the Plenary Group meeting that is to have been held August 30, 2017. The AMWUA Board of Directors is encouraged to discuss and ask questions regarding the Governor’s Water Discussion.

At the August 9, 2017 AMWUA Management Board meeting, the Management Board reviewed all of these proposals except for the Colorado River Conservation Program proposal, AWBA-related proposals, and Safe-Yield Goal proposals, which were presented by the State after August 9, 2017. At that meeting, the AMWUA Management Board suggested that AMWUA consider taking a more formal position in the next month or two as these proposals move forward. In addition, as these proposals are put together in a legislative package, AMWUA will certainly need to have a formal position for the legislative session.

With how fast this process is moving and due to various coverage this effort is receiving, the AMWUA Board of Directors may want to consider taking a general position about the process of the Governor’s Water Discussion. An example of such a position could be the following:

The AMWUA Board takes the formal position of support for the Governor’s Water Discussion process to reaffirm that the State is the leader on Colorado River water issues for Arizona and to clearly delineate the State’s and CAWCD’s responsibilities to ensure Arizona effectively moves forward in managing its water resources. AMWUA will remain engaged in the process to ensure the details of the Colorado River and groundwater proposals benefit municipalities and the State as a whole.

ATTACHMENT

- Attachment A – Colorado River Work Group Meeting 6/20/2017 notes
**Actions needed for the management of risk at Lake Mead**

1. The interstate Drought Contingency Plan (DCP).
2. The intrastate Drought Contingency Plan Plus (DCP Plus).
3. Tribal Intentionally Created Surplus (ICS) program.
4. The management of excess water by the Central Arizona Water Conservation District (CAWCD); agreement is needed on the way forward.
5. Establishment of a permanent system conservation program.

**Actions needed to realize greater certainty for the State’s management of Colorado River water and the minimization of risk at Lake Mead**

Governance of the CAWCD is a matter of considerable interest to many stakeholders in Arizona. The State has heard expressions of support for a spectrum of changes in the CAWCD governance, ranging from replacing the current board structure with an alternative, to various other substantive modifications. The State presently neither supports nor opposes changes in the composition of the CAWCD board. However, the State is willing to evaluate any thoughtful, well-developed plan that is proposed during this process.

For the present, the State advocates the following CAWCD governance measures:

1. **CAWCD Governance**
   a. Make the State of Arizona (the ADWR Director) responsible for forbearing the diversion of Arizona’s water conserved in Lake Mead through system conservation or intentionally created surplus.
   b. Subject any CAWCD agreements with other States or water users that involve Colorado River water to approval by the Director of ADWR.
   c. Prohibit CAWCD from contracting for federal lobbying services.
   d. Require the Auditor General to perform a financial and performance audit of CAWCD once every three years.
   e. Expressly affirm through legislation that CAWCD does not have sovereign immunity.
   f. Explore ways of making the CAGRD more sustainable.
   g. Allow Arizona Water Bank Authority (AWBA) direct access to the water storage tax.

**Additional Actions**

2. **Colorado River Issues**
   a. Address the issue of present perfected rights regarding tribal water rights awarded in *Arizona v. California* and the potential for their use off reservation.

3. **AWBA**
   a. Expand AWBA authority to enter into partnerships for recovery for non-tribal entities.
b. Expand AWBA authority to lease water for purposes other than Indian Firming.

C. Expand AWBA authority to exchange credits accrued with water storage tax monies and withdrawal fee monies if the exchange improves recovery to make water available for firming.
Water Quality Standards for Non-Project Water under the System Use Agreement

STRATEGIC PLAN REFERENCE

Objectives – Prepare for Impacts of Drought & Shortage; Minimize Financial Impacts
Collaboration – Central Arizona Project; Bureau of Reclamation; Southern Arizona; Salt River Project; Gila River Indian Community

SUMMARY

Earlier this year, the Central Arizona Water Conservation District (CAWCD) and the Bureau of Reclamation approved the System Use Agreement. This agreement allows the wheeling of non-project water through the Central Arizona Project (CAP) canal. One issue that was not addressed in the System Use Agreement was water quality standards. As a result, CAWCD and the Bureau of Reclamation still need to address issues relating to the water quality of wheeled non-project water.

As reported at the June 22, 2017 AMWUA Board of Directors meeting, the CAWCD initiated a Water Quality Standards Task Force comprised of CAWCD Board members. The task force’s goal is to recommend to the Bureau of Reclamation a water quality standard for non-project water. The task force has requested proposals for a water quality standard to be presented in September.

AMWUA has been facilitating meetings among the municipal representatives that were invited to present on June 6th to assist with coordinating the messaging of the presentations. Working together on water quality standards will be beneficial in the long run if municipalities can develop support behind one proposal. To date, seven meetings have been held among AMWUA members, Southern Arizona municipalities, Apache Junction, the Gila River Indian Community, and the Salt River Project. In developing a proposal for a water quality standard for non-project water, one challenge has been to understand the different experiences among the participants in how they have treated Colorado River water.

Staff will give a summary as to the status for developing a water quality standard for non-project water.

RECOMMENDATION

The AMWUA Board of Directors is encouraged to ask questions and provide feedback regarding developing the water quality standard for non-project water in the CAP canal.
AMWUA Website

STRATEGIC PLAN REFERENCE

Operational Principles – Excel as an Expert and Resource; Manage an Efficient and Effective Association
Objectives – Advocate for Solutions

SUMMARY

The AMWUA website is a primary avenue for providing expert information and resources to a broad audience, communicating the importance of planning and investing in water resources and infrastructure, and conveying a positive message about the success of the AMWUA members in water management.

At the August 31, 2017 meeting, staff will premiere for the Board of Directors AMWUA’s new website. The development and launch of the core section of AMWUA’s new website has been completed. This is the first full redevelopment of the site in a decade. Staff worked closely with the website consultant, Halperin Creative, to accomplish this extensive, year-long effort.

The new site is mobile adapted, easy to navigate, modern, and professional. Content is organized around AMWUA’s mission and how that mission is accomplished. The design encourages visitors to explore the content, to learn about the issues facing AMWUA members, and to support the solutions that the Association is advocating.

The second phase of the site development will be the integration of the conservation microsites Landscape Plants for the Arizona Desert and Xeriscape: Landscaping with Style in the Arizona Desert. The initial designs and concepts for these sites were accomplished as part of the first phase. Staff will work to cull content, write, and organize the extensive amount of material in these sites. Halperin Creative will then build these sections into the new site. The initial estimate to complete the work is a minimum of twelve months, depending on available staff time.

Funding for phase II will come from the FY18 Regional Conservation Program budget. No additional funding is required. The initial estimated cost, subject to revision as additional scoping is undertaken, is $10,000.
RECOMMENDATION

The AMWUA Board of Directors is requested to ask questions and provide feedback during the unveiling of AMWUA’s new website at the August 31, 2017 meeting.