



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

**ARIZONA MUNICIPAL WATER USERS ASSOCIATION
MANAGEMENT BOARD**

MEETING NOTICE AND AGENDA

Wednesday, August 9, 2017 – 10:00 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 14, 2017 Meeting
2. Schedule Next Meeting Date: Wednesday, September 13, 2017, 10:00 a.m.
3. Governor’s Water Discussion
4. Update on Water Quality Standards Proposal for Non-Project Water under the System Use Agreement

C. Board Members’ Updates

D. Executive Director’s Report

E. Future Agenda Items

F. Adjournment

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

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.

Arizona Municipal Water Users Association

MANAGEMENT BOARD

MEETING MINUTES

June 14, 2017

VOTING MEMBERS PRESENT

Mr. Craig Johnson, Glendale, Chairman
Mr. Kevin Artz, Avondale
Mr. Brian Biesemeyer, Scottsdale
Mr. John Knudson, Chandler
Ms. Karen Peters, Phoenix
Mr. Javier Setovich, Goodyear
Mr. Mike Weber, Peoria
Mr. Jake West, Mesa

VOTING MEMBERS NOT PRESENT

Ms. Marilyn DeRosa, Tempe
Ms. Jessica Marlow, Gilbert

OTHERS PRESENT

Cynthia Campbell, Phoenix	Mark Holmes, Goodyear	Diana Piña, AMWUA
Gregg Capps, Chandler	Sam Jaskolski, AMWUA	Kathy Rall, Scottsdale
Brian Draper, Mesa	Pat Kossan, AMWUA	Tony Staffaroni, CAP
Alan Dulaney, Peoria	Brian Payne, AMWUA	Drew Swieczkowski, Glendale
Kathy Ferris, AMWUA	Stuart Peckham, SRP	Warren Tenney, AMWUA
Sara Gerlitz, Phoenix	Katie Peige, Phoenix	Carol Ward-Morris, AMWUA

A. Call to Order

Mr. Johnson called the meeting to order at 10:07 a.m.

B. General Business – Items for Discussion and Possible Action

1. Approval of the Minutes from the May 10, 2017 Meeting

Upon a motion by Mr. Knudson and a second by Mr. West, the AMWUA Management Board unanimously approved the minutes from the May 10, 2017 meeting.

2. Scheduled Next Meeting Date: Wednesday, August 9, 2017, 10:00 a.m., at the AMWUA office

The July 12th AMWUA Management Board meeting was cancelled.

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

Mr. Brian Payne was introduced to share 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 City of Scottsdale, the Salt River Project (SRP), the City of Phoenix, the City of Chandler, the City of Tucson, and several others.

Mr. Payne also noted 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 also 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, and possibly others in the future. 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.

Mr. Setovich asked if AMWUA would be presenting a proposal at the August 17th task force meeting. Mr. Tenney said the goal is to present a stakeholder proposal that is not formally from AMWUA, but from the municipalities with water treatment plants in the Phoenix area, Tucson area entities, as well as others, including the Gila River Indian Community, the City of Apache Junction, and SRP.

Mr. Johnson asked about the process for the Bureau of Reclamation to approve CAWCD's recommendation. Mr. Tenney stated that if stakeholders and CAWCD can present a proposal to the Bureau of Reclamation, it would make it easier to move the proposal through the Bureau of Reclamation because of the general support; however, the Bureau of Reclamation still has its process that will take time. Mr. Tenney noted that working on water quality standards was one of AMWUA's Annual Action Plan items.

In response to a question from Mr. Knudson, Mr. Tenney said AMWUA would be providing updates and open communication with the Management Board on this issue. He stated that at the August 9th AMWUA Management Board meeting, staff would review the proposal to be presented at the August 17th task force meeting and allow the AMWUA Management Board to provide any additional feedback.

Mr. Biesemeyer expressed that having some flexibility to account for how aquifers change over time, so as not to waste water, in addition to having the water quality standard is important for the City of Scottsdale. Mr. Tenney said flexibility was brought up a number of times in presentations at the June 6th task force meeting as well.

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 into 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), 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 the Desalination Committee has been the most active of the committees. He said 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 currently, 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.

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 the Arizona Department of Environmental Quality (ADEQ) end prohibition on direct potable reuse, that managed recharged 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.

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.

Mr. Biesemeyer asked if the annual report was for the fiscal year; Mr. Tenney confirmed.

Ms. Peters said she had not heard much about the potential desalination efforts in Buckeye and asked about momentum and if this is something that AMWUA could support. Mr. Tenney said there seems to be a lot of interest in the Buckeye area, but the Desalination Committee is still looking at several areas before deciding on an area or areas to focus. Mr. Payne echoed Mr. Tenney's statements and said the Committee recognizes that any project they propose will need extensive stakeholder input.

Ms. Ferris noted that AMWUA was very involved in previous attempts to look at statewide augmentation and a big obstacle then and now is money. She said past committees have recommended that the financing area needed to have finance experts because they had reached an impasse on finding a reliable, sustainable funding source. She asked if the Finance Committee has financing staff. Mr. Tenney said the GWAC's Finance Committee has had the same conversation and acknowledged that finance experts are needed for any augmentation effort.

Ms. Peters stated that in light of the emphasis that the new administration has put on public/private partnerships and infrastructure development, many engineers and consultants have been looking for project opportunities. She said there are many people who would be interested in getting into these conversations. Mr. Tenney said Mr. Lotts has a goal to get community involvement and does not want to proceed with any projects, unless the community is interested.

Mr. Tenney noted that the GWAC committees have very proactive agendas, but timeframes may slow down because the Governor plans to launch another discussion about water. He said he will keep the AMWUA Management Board apprised of any updates and details as he learns more after the first meeting.

5. Recommend 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 was part of 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 landscapes. 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 support Smartscape, AMWUA and ADWR enter into a two-year agreement in which both entities provide \$30,000 annually to fund the program. AMWUA's monies come from the Regional Conservation Program budget. He said AMWUA then enters into a two-year agreement with the University of Arizona for program administration through the Maricopa County Cooperative Extension.

Upon a motion by Ms. Peters and a second by Mr. Biesemeyer, the AMWUA Management Board unanimously approved to recommend that the AMWUA Board of Directors approve Mr. Tenney's ability as the Executive Director to enter into an intergovernmental agreement with ADWR for program funding, and into an agreement with the University of Arizona for implementation of the Smartscape program.

C. Board Members' Updates

AMWUA Management Board members were invited to report on water activities in their city/town.

Chandler: Mr. Knudson reported that the City of Chandler gave their rate presentation for water, wastewater, and solid waste, and there were no issues or controversies, so the process is moving along. He attributed the success to communication efforts, particularly to the comprehensive rates video that the City created and shared with the public.

Glendale: Mr. Johnson said the City of Glendale is working on its rate increases for water, wastewater, and solid waste as well and they hope to complete the process January 1, 2018. He noted that it has been years since Glendale's last rate increase and commended the City of Chandler's work on their communication efforts regarding their rate increases this year. He also discussed Glendale's cost of service study and efforts.

Mesa: Mr. West announced that the City of Mesa's rates for water and wastewater were approved in May, as well as other utilities, and on June 6th Mesa's overall budget was approved. He also commended the City of Chandler for their informational rates video.

Phoenix: Ms. Peters was pleased to report that the day before, the Phoenix City Council unanimously approved an agreement with the Bureau of Reclamation, the State of Arizona, the Gila River Indian Community (GRIC), and the Walton Family Foundation on a system conservation project for calendar year 2017. She said the agreement entails the GRIC contributing 40,000 acre-feet of water for Lake Mead system conservation.

D. Executive Director's Report

Mr. Tenney stated that the CAWCD Board approved the 2018 rates and taxes last week. He said Mr. 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 month and have asked AMWUA to give a presentation on the topic similar to the one shared with the

AMWUA Board of Directors and Management Board this year. He noted 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 reported that AMWUA hosted four government officials from Turkmenistan last Friday, who were traveling to different cities around the United States to learn about urban management. He said they communicated through Russian interpreters and he shared with them how Arizona has approached water and what role AMWUA plays for its members. He also noted that explaining water issues was made more challenging due to social and cultural differences, for example the concept of "advocating," was foreign to them.

Mr. Tenney stated that each of the AMWUA Management Board members 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.

E. Future Agenda Items

There were no requests for future agenda items.

F. Adjournment

Upon a motion by Mr. Biesemeyer and a second by Mr. Knudson, Mr. Johnson unanimously adjourned the meeting at 11:04 a.m.

MANAGEMENT BOARD

INFORMATION SUMMARY

August 9, 2017

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 Brian Biesemeyer, Kathryn Sorensen and Warren Tenney to support him in this effort and to 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 proposed 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.

Colorado River Work Group

At the first Colorado River Work Group meeting, the State outlined the actions needed, as set forth on Attachment A.

This summary highlights the action items that have been discussed to date in the Colorado River Work Group.

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. ADWR has

proposed a more flexible DCP Plus approach that would use additional conservation volumes to reduce shortage probabilities by targeting Lake Mead elevations above 1,075 on a five-year rolling basis. ADWR would set a target elevation in Lake Mead based on the probability of shortage in Reclamation's Colorado River modeling. A higher likelihood of shortage would correspond to a higher target elevation in the Lake (and higher conservation target). ADWR is working to complete the framework for how the modeling will determine the conservation targets. Future discussions will also address water availability and funding of any conservation programs.

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 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 CAP system is a Contractor, and can therefore create ICS. Reclamation agrees that 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 and delivery of ICS.

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 disagree that tribes are Contractors and state 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 states 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.

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 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 the Board report for the upcoming CAWCD Board meeting, CAWCD staff states 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 have 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.

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. In the discussions, the question of metering of exempt wells has been raised (i.e. wells that pump 35 gallons or less per minute, including domestic wells). Exempt wells within AMAs are not required to be metered.

The Groundwater Work Group will be discussing the metering and reporting issue further. 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. Salt River Project has also suggested that the proposal include a complete repeal of WaterBUD. WaterBUD is a short-hand term for a complicated statutory definition of "water that cannot reasonably be used directly." The definition prevents long-term storage credits from being earned for storing water underground that could reasonably have been used directly. SRP did convene a meeting with stakeholders to discuss the potential repeal of WaterBUD. The group agreed to meet again to discuss possible limits that would be placed on a repeal of WaterBUD.

The current WaterBUD definition essentially states that an entity cannot accrue long-term storage credits using CAP water if the entity does not offset its mined groundwater with a renewable supply. 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.

RECOMMENDATION

At the August 9, 2017 meeting, staff will review these proposals and any others that may have arisen since this summary was prepared. The Management Board is encouraged to discuss and ask questions regarding the Governor's Water Discussion.

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. As these proposals move forward, AMWUA should consider taking a more formal position.

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 CAGR 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.

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- 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.

MANAGEMENT BOARD

INFORMATION SUMMARY

August 9, 2017

Water Quality Standard 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

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 water quality of wheeled non-project water.

As reported at the June 14, 2017 Management Board meeting, 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 facilitated a meeting 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, three meetings have been held among AMWUA members, Southern Arizona municipalities, Apache Junction, Gila River Indian Community, and SRP. 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 Management Board is encouraged to ask questions and provide feedback regarding developing the water quality standard for non-project water in the CAP canal.