

BOARD OF DIRECTORS

MEETING MINUTES

October 26, 2017

VOTING MEMBERS PRESENT

Mayor Cathy Carlat, Vice President, Peoria
Councilmember Pat Dennis, Avondale
Councilmember Lauren Kuby, Tempe
Councilmember René Lopez, Chandler
Councilmember Joanne Osborne, Goodyear
Councilmember Kevin Thompson, Mesa
Councilmember Bart Turner, Glendale

VOTING MEMBERS NOT PRESENT – EXCUSED

Councilwoman Thelda Williams, President, Phoenix
Councilmember Eddie Cook, Gilbert
Mayor Jim Lane, Scottsdale

OTHERS PRESENT

Barry Aarons, The Aarons Co.	Alan Dulaney, Peoria	Brian Payne, AMWUA
Anthony Alejandro, Peoria	Kathy Ferris, AMWUA, via phone	Stuart Peckham, SRP
Michelle Barclay, AMWUA	John Wayne Gonzales, Phoenix	Jessica Perry, Goodyear
Gretchen Baumgardner, Tempe	Mark Holmes, Goodyear	Ryan Peters, Chandler
Jessica Blazina, Avondale	David Iwanski, AZ Water	Diana Piña, AMWUA
Eric Braun, Gilbert	Lacey James, Avondale	Kathy Rall, Scottsdale
Rob Bohr, Goodyear	Sam Jaskolski, AMWUA	Don Sehorn, DPS CPA
Tom Buschatzke, ADWR	Pat Kossan, AMWUA	Javier Setovich, Goodyear
Gregg Capps, Chandler	Elise Kulik, The Aarons Co.	Tony Staffaroni, CAP
GINNA CARILLO, Peoria	Ryan Lee, Glendale	Drew Swieczkowski, Glendale
Clint Chandler, ADWR	Brad Lundahl, Scottsdale	Warren Tenney, AMWUA
Keith DeVore, Mesa	Frank Milam, Phoenix	Thalia Williams, AMWUA

A. Call to Order

Mayor Carlat called the meeting to order at 11:06 a.m.

B. General Business – Items for Discussion and Possible Action

1. Approval of the Minutes from the September 28, 2017 Meeting

Upon a motion by Councilmember Kuby and a second by Councilmember Thompson, the AMWUA Board of Directors unanimously approved the minutes from the September 28, 2017 meeting.

2. Next meeting scheduled: Thursday, November 30, 2017, 11:00 a.m., at the AMWUA office

The order of the agenda was altered.

On behalf of the AMWUA Board, Mayor Carlat congratulated Thalia Williams, AMWUA's Sub-Regional Operating Group (SROG) Program Coordinator, on her retirement and thanked Ms. Williams for her service at AMWUA.

Mr. Tenney introduced Michelle Barclay, AMWUA's new SROG Program Coordinator.

4. CAWCD Excess Water Task Force

Mr. Tenney stated that two weeks ago, AMWUA staff reviewed a proposal with the Management Board that requests a more complete and clear accounting of Central Arizona Water Conservation District (CAWCD) excess water. He said AMWUA's proposal recommends that CAWCD excess water accounting be reviewed twice a year with the CAWCD Board to better allow the Board to oversee all excess water. With support from the Management Board, AMWUA presented this proposal to the CAWCD Excess Water Task Force.

Brian Payne gave a presentation reviewing excess water, the accounting proposal submitted by AMWUA, and the Environmental Defense Fund's excess water proposal to CAWCD, and why excess water is a key issue.

Councilmember Osborne asked if the water that cities do not use becomes excess water for CAWCD, removing the cities rights to the water. Mr. Tenney said any water under a subcontractor's allocation that the subcontractor does not use becomes excess water for that year, which is overseen by the Central Arizona Project (CAP).

Councilmember Lopez asked if there is any cost to a city for water that is part of its allocation, but not ordered. Mr. Tenney said the city pays the capital charge for that water, but would not be assessed the water delivery rate.

In response to a comment from Mayor Carlat about on-river excess water, Mr. Payne stated that CAWCD is accounting for on-river excess water, but city staffs had not yet received this operational detail.

Councilmember Dennis asked if there was no excess water available, would the Central Arizona Groundwater Replenishment District (CAGR) users no longer have water available to them. Mr. Tenney explained that the CAGR currently meets its annual replenishment obligation using different sources of water including excess water and previously accrued storage credits. He went on to say that CAGR staff has been working hard on a strategy to transition away from reliance on excess water availability because it will not be consistently available in the future.

Councilmember Osborne asked why the Ag Pool is stepping down to zero in the year 2030. Mr. Payne stated that the Ag Pool exists due to the Arizona Water Settlement Act of 2004 and at its inception, it was agreed that the Ag Pool would step down over time until 2030, when it would reach zero.

Upon a motion by Councilmember Dennis and a second by Councilmember Osborne, the AMWUA Board of Directors unanimously approved formally supporting the excess water accounting concept.

3. Governor's Water Discussion

Mr. Tenney stated that AMWUA is closely watching the Governor's Water Discussion to see what legislative package will be put together to improve water management in Arizona. He said AMWUA has made a concerted effort to keep its members informed about the various meetings and issues related to the Governor's Water Discussion, including hosting a meeting two weeks ago with its members' InterGovs to ensure they understand the issues.

Tom Buschatzke, Arizona Department of Water Resources (ADWR) Director, spoke to the AMWUA Board about the past, present, and future of the Governor's Water Solutions Conversation; what the State is wanting to achieve through this process; and what challenges the State has been facing. Mr. Buschatzke highlighted the importance of Arizona avoiding a shortage declaration upon Lake Mead falling below 1,075 feet elevation and the importance of the State of Arizona leading with one voice on Colorado River issues. He said the Governor's Office and ADWR are reaching out to Legislators to explain these issues and the State is working on developing a legislative package for the 2018 Legislative Session.

Councilmember Kuby asked Mr. Buschatzke how he views the role of the CAWCD Board. Mr. Buschatzke stated that the CAWCD Board should be taking actions to benefit their customers and service area, but not at the detriment of other parts of the State. He said in those situations, the State needs to be able to step in and have some say in the outcome of those actions so everyone benefits.

In response to a question from Mayor Carlat, Mr. Buschatzke said of the 13 items that the Plenary Group has come to a consensus on, eight items are related to Colorado

River issues and CAWCD, and five items are related to groundwater issues. He noted that there is still discussion and they are not ready to say exactly which items will move forward into a legislative package.

Councilmember Thompson asked how Nevada and California are taking on the Drought Contingency Plan and what measures those states are taking on water conservation. Mr. Buschatzke stated that Nevada has left unused water in Lake Mead and has agreed to take voluntary reductions at a higher elevation. He said California was willing to take voluntary reductions at 1,040 feet elevation in Lake Mead, but would like to see additional reductions by Arizona and Nevada first, beyond what was agreed upon in 2007.

The AMWUA Board members, Ms. Ferris, and Mr. Tenney thanked Mr. Buschatzke for his work. Mr. Buschatzke noted appreciation for AMWUA's efforts and the importance those efforts have had on the Governor's Water Solutions Conversation.

5. CAWCD Rate Setting Policy

Mr. Tenney reported that the CAWCD Finance, Audit, and Power (FAP) Committee met on Tuesday to discuss updating its CAWCD Rate Setting Policy, which was last revised in 2010. He said this effort stems from Chairman Jim Holway wanting to have the Committee consider making the policy more current as well as provide guidance in annual rates setting, particularly with regard to capital charges and incentives for agricultural users.

Mr. Tenney said the primary message he conveyed at the previous FAP meeting was that property taxes should continue to be used in federal debt repayment rather than solely using capital charges, per the AMWUA Board's position. He reported that at that meeting, the FAP Committee was asked to consider including the following language in CAP policy, "The general rate setting policy of the Board is to set capital charges to fully recover the cash make-up payment on an annual basis. However, during the annual rate setting process the Board may choose to use other available funds to reduce M&I rates." In response, Mr. Tenney said he explained that setting capital charges should not be done solely as a rate setting activity, but should be looked at within the context of how CAWCD is paying its federal debt repayment. He noted that the debt is for the construction of the CAP canal, which benefits all citizens and businesses within CAWCD's three-county service area regardless of whether they physically receive water from the canal. He also said there are three sources of revenue to pay the federal debt (capital charges, taxes, and the Basin Development Fund).

Mr. Tenney stated that based on the position that the AMWUA Board has taken, he suggested potential alternative language for CAWCD's rate setting policy that reads,

"Capital charges paid by M&I subcontractors is one revenue source for the federal repayment. Capital charges under the long-term M&I subcontracts will be set in

conjunction with determination of how taxes and the Basin Development Fund will be used to meet the annual federal repayment.”

He reported that the FAP Committee did not take action on the rate setting policy and said it would continue the discussion next month, so AMWUA will continue to advocate its Board’s position that taxes should continue to be used for federal repayment.

Mayor Carlat stressed the importance of this CAWCD rate setting policy issue and thanked Mr. Tenney for advocating the AMWUA Board’s position and for keeping the Board apprised on the issue.

6. Water Quality Standards for Non-Project Water under the System Use Agreement

Mr. Tenney stated that the Water Quality Group that AMWUA has been facilitating will meet with CAWCD and Reclamation staff next Tuesday to review the Group’s proposal for water quality standards for non-project water in the CAP canal. He said they will be answering CAWCD’s and Reclamation’s questions about the proposal.

Councilmembers Kuby, Thompson, Turner, and Mr. Tenney discussed the importance of tracking emerging contaminants in water, including plastics and medication.

7. Nominating Committee for Officers

On behalf of Councilwoman Williams, Mayor Carlat stated that according to the AMWUA Bylaws, the AMWUA Board President is to appoint a three-member nominating committee to recommend a slate of officers to serve in 2018. Councilwoman Williams appointed herself to chair, and also appointed Councilmembers Kuby and Osborne to be on the nominating committee. Councilwoman Williams also noted that if any eligible Board members were interested in serving as an officer, they should send a letter expressing so immediately to the Executive Director, who will then forward the letter to the nominating committee. The nominating committee will consider such letters and will recommend officers for the Board to consider at the November meeting.

8. IRS Form 990 for Fiscal Year 2017 for AMWUA

Mr. Tenney stated that the IRS requires AMWUA to file the IRS Form 990 annually, no later than November 15th, because AMWUA is exempt from paying income tax. He noted that aside from the dollar amount changes, the current year’s Form 990 is essentially the same as the previous year’s form.

Upon a motion by Councilmember Turner and a second by Councilmember Osborne, the AMWUA Board of Directors unanimously approved the IRS Form 990 as presented.

C. Executive Director's Report

Mr. Tenney stated that AMWUA has been a long-time supporter of the Water – Use It Wisely campaign and each Board member was given a copy of the campaign's annual summary.

Mr. Tenney reported that Brian Payne of AMWUA, along with AMWUA members' staffs, participated on a tour of the Verde Valley, which was organized by The Nature Conservancy. He said the tour showed how private and public sectors are developing projects to improve the quantity and quality of water in the Salt and Verde Rivers.

Mr. Tenney noted that on Saturday, he and two other AMWUA staff members joined a few Water Resources Advisory Group (WRAG) members on a kayak trip on the Verde River. He said Mayor Doug Van Gausig of Clarkdale led the trip and attendees learned about the history, ecosystem, hydrology, and economic benefits of the Verde River.

D. Future Agenda Items

There were no requests for future agenda items.

E. Adjournment

With no further items to discuss, Mayor Carlat adjourned the meeting at 12:32 p.m.