

## **MANAGEMENT BOARD**

### ***MEETING MINUTES***

**November 8, 2017**

#### **VOTING MEMBERS PRESENT**

Mr. Craig Johnson, Glendale, Chairman  
Ms. Gretchen Baumgardner for Ms. Marilyn DeRosa, Tempe  
Mr. Brian Biesemeyer, Scottsdale  
Ms. Cindy Blackmore for Mr. Kevin Artz, Avondale  
Ms. Cynthia Campbell for Ms. Karen Peters, Phoenix  
Mr. Brian Draper for Mr. Jake West, Mesa  
Mr. John Knudson, Chandler  
Ms. Jessica Marlow, Gilbert  
Mr. Javier Setovich, Goodyear  
Mr. Mike Weber, Peoria

#### **OTHERS PRESENT**

Michelle Barclay, AMWUA	Mark Holmes, Goodyear	Don Sehorn, DPS CPA
Jessica Blazina, Avondale	Sam Jaskolski, AMWUA	Richard Siegel, SRP
Eric Braun, Gilbert	Pat Kossan, AMWUA	Tony Staffaroni, CAP
Greg Capps, Chandler	Frank Milam, Phoenix	Drew Swieczkowski, Glendale
Alan Dulaney, Peoria	Brian Payne, AMWUA	Warren Tenney, AMWUA
Kathy Ferris, AMWUA	Diana Piña, AMWUA	Theresa Ulmer, Ulmer Consulting
Brett Fleck, AMWUA	Kathy Rall, Scottsdale	Carol Ward-Morris, AMWUA

#### **A. Call to Order**

Mr. Johnson called the meeting to order at 10:05 a.m.

#### **B. General Business – Items for Discussion and Possible Action**

1. Approval of the Minutes from the October 11, 2017 Meeting

Upon a motion by Mr. Biesemeyer and second by Mr. Knudson, the AMWUA Management Board unanimously approved the October 11, 2017 meeting minutes.

2. Next meeting scheduled for Wednesday, December 13, 2017, at 10:00 a.m., in the AMWUA office

### 3. Governor's Water Discussion

Mr. Tenney reported that Tom Buschatzke, Arizona Department of Water Resources (ADWR) Director, had a good discussion with the AMWUA Board at their October 26<sup>th</sup> meeting. Mr. Buschatzke 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, which would occur if Lake Mead falls below an elevation of 1,075 feet, 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.

Mr. Tenney reviewed a few key proposals that will likely be part of a legislative package:

- The State is proposing the use of additional tools as part of the Drought Contingency Plan (DCP) Plus, including: State oversight of a coordinated system conservation effort, Tribal Intentionally Created Surplus (ICS), and agreement on the use of excess water.
- The State is proposing expanded flexibility for the Arizona Water Banking Authority (AWBA). The State proposes that AWBA would be able to enter into agreements for recovery of long-term storage credits developed with 4-cent tax funds without distributing the credits to the Central Arizona Water Conservation District (CAWCD). Furthermore, state statute would be clarified to state that any unexpended 4-cent tax monies not applied to the Central Arizona Project (CAP) federal debt repayment and O&M obligations in any fiscal year shall be made available to AWBA upon the request of the Bank.

Mr. Weber asked how Ag is weighing in on DCP and DCP Plus. Mr. Tenney said it depends on where the Ag is located. For example, Yuma Agriculture has been supportive and Pinal Agriculture has expressed some concerns. Mr. Tenney noted that Pinal Ag is seeking additional mitigation in support for DCP.

Mr. Draper asked if Mr. Tenney had a feeling from Mr. Buschatzke if DCP Plus would be a voluntary program, or if ADWR is looking for support and funding from AMWUA cities. Mr. Tenney said he has heard DCP Plus characterized as more of a voluntary effort, particularly in regards to system conservation.

Ms. Ulmer gave an update on the Governor's Water Solutions Conversation in the legislature. She noted that the Governor's Office is reaching out to Legislators to keep the dialogue open and that the effort is bipartisan. She said there has been some mixed feedback from Legislators, but there will be more clarity once actual language is presented.

#### 4. Municipal Contributions for Shortage Prevention

Mr. Fleck reviewed a presentation on CAWCD forbearance and conservation programs. He highlighted that AMWUA members have contributed \$9.2 million from 2014 through 2017 through higher rates caused by the costs of voluntarily leaving water in Lake Mead and contributions to Basin-wide forbearance programs. Mr. Fleck noted that while AMWUA members have paid higher rates for their water due to these forbearance activities, the rates would be even higher if there was a shortage, so forbearance activities have been a good investment. He said individual ratepayers deserve some credit for their contributions and that rate effects should be part of every forbearance decision.

Ms. Campbell noted that at the last CAWCD Board meeting, at least one Board member described the pilot system contribution as an unfunded mandate and asked if the funding was coming out of rates. Mr. Fleck said the pilot system conservation contribution came out of Fixed OM&R rates. Ms. Campbell asked to clarify if funds were taken from the strategic reserves. Mr. Fleck said no, this is part of the rate impact. Ms. Ferris and Mr. Fleck discussed the different messages that can be conveyed by referring to property taxes as strategic reserves and vice versa given they are one and the same.

#### 5. CAWCD Rate Setting Policy

Mr. Tenney stated that AMWUA is advocating its Board's position that taxes should continue to be used for CAWCD's federal debt repayment. He said at the last CAWCD Finance, Audit & Power (FAP) Committee meeting, language was proposed to have capital charges fully recover the cash make-up payment on an annual basis. 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.”

Mr. Tenney stated that Jim Holway, CAWCD Board Vice President, requested that AMWUA explain how municipal water rates are used to cover the cost of infrastructure at the next FAP meeting. He said this question stems from a comparison of CAWCD to a municipal water provider in regard to debt repayment. Mr. Tenney noted a few thoughts in response to this question:

- Comparing CAWCD and municipal water providers would not be accurate in the same way that it would not be accurate to compare CAWCD to an agriculture irrigation district or tribal contractor: a wholesale water provider is distinctly different from a public or private water provider—in purposes, roles, and financial capabilities.

- Most municipalities are not still paying for original infrastructure and none owe a debt to the federal government.
- Municipalities do not have a tax specified in statute that they can use for debt repayment for original infrastructure.
- Over the years, CAWCD staff has reminded municipalities that CAWCD is different from them, whether it be their unique infrastructure, or that strategic reserves must be higher because they do not have the broad general funds that a municipality has.

Mr. Biesemeyer agreed with the points that Mr. Tenney made and reiterated that CAWCD has stated in the past that it is not the same as the municipalities.

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

Mr. Tenney reported that the Water Quality Group facilitated by AMWUA had a positive meeting with CAWCD and Reclamation staff to review the Group's proposal for water quality standards for non-project water in the CAP canal. He said CAWCD and Reclamation want to each go back and internally look at the proposal. The Water Quality Group, CAWCD, and Reclamation will meet again at the end of the month to focus on the modeling.

Brian Payne reviewed the Water Quality Group's proposed water quality standards for CAP System Use Agreement that was shared with CAWCD and Reclamation: Level 1 Protection—Prohibited Pollutants, Level 2 Protection—Flow Maximums, Level 3 Protection—Source Water Parameters, Level 4 Protection—Point of Delivery Standards, and Level 5 Protection—CAWCD Board Approval.

#### 7. Nominating Committee for Chair and Vice-Chair

Mr. Johnson appointed himself, Ms. DeRosa, Tempe, and Mr. West, Mesa, to serve on the Nominating Committee for Management Board Chair and Vice-Chair for calendar year 2018.

Mr. Johnson requested that any eligible Management Board members whom are interested in serving as Chair or Vice-Chair for 2018 contact him this month for the Nominating Committee to consider. He said the Nominating Committee will present their recommendation for Chair and Vice-Chair at the December Management Board meeting.

#### 8. AMWUA Annual Financial Audit Report for Fiscal Year 2017

Mr. Tenney stated that the independent accounting firm of Heinfeld, Meech & Co. has issued the audit for AMWUA's Fiscal Year 2017 finances. He reported that the opinion of the auditors is that AMWUA is in good financial standing and noted that the

accompanying communication letter from the auditors to the AMWUA Board states that no significant findings were made.

With no further questions, upon a motion by Ms. Blackmore and a second by Mr. Weber, the AMWUA Management Board unanimously approved to recommend that the AMWUA Board of Directors accept the audit report as presented.

#### 9. AMWUA Quarterly Financial Statements – First Quarter

Mr. Tenney reported that AMWUA's financial statements for the first quarter of Fiscal Year 2018 show that AMWUA is operating under budget by about \$11,700.

With no further questions, upon a motion by Mr. Setovich and a second by Mr. Knudson, the AMWUA Management Board unanimously approved to recommend that the AMWUA Board of Directors accept the quarterly financial statements as presented.

### C. Board Members' Updates

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

**Mesa:** Mr. Draper noted that Mr. West wanted to request to be informed sooner about specific topics to be discussed at the AMWUA Board meetings, such as the ADWR Director attending last month's AMWUA Board meeting. He said this would allow Management Board members to better advise their Board members, or if possible, it would have been helpful to have Mr. Buschatzke attend a Management Board meeting prior to meeting with the Board. Ms. Ulmer noted that the Governor has encouraged anyone who wants to have a presentation ask for one because ADWR would like to accommodate their request.

**Tempe:** Ms. Baumgardner reported that as Ms. DeRosa is now the City Engineer, the City of Tempe has a new permanent Deputy Public Works Director for Water Utilities, Holly Rosenthal from New York. She said Ms. Rosenthal is expected to begin serving on the AMWUA Management Board in December.

### D. Executive Director's Report

Mr. Tenney reported that Jim Holway will meet with the AMWUA Board of Directors at the November 30<sup>th</sup> Board meeting. He anticipates Mr. Holway will be talking about the Governor's Water Discussion and rates. Mr. Tenney said he will keep the Management Board and Water Resources Advisory Group (WRAG) apprised of any new information that he learns from Mr. Holway.

Mr. Tenney noted that Brian Payne gave a presentation with Rhett Larson yesterday at the Arizona State University College of Law about their paper on adjudication issues.

**E. Future Agenda Items**

There were no requests for future agenda items.

**F. Adjournment**

With no further items to discuss, upon a motion by Mr. Biesemeyer and a second by Mr. Draper, Mr. Johnson unanimously adjourned the meeting at 10:54 a.m.