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

ARIZONA MUNICIPAL WATER USERS ASSOCIATION
BOARD OF DIRECTORS

MEETING NOTICE AND AGENDA

Thursday, November 29, 2018 – 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 October 25, 2018 Meeting
   2. Schedule Next Meeting Date: Thursday, December 20, 2018, 11:00 a.m.
   3. Status of Lower Basin Drought Contingency Plan and DCP Steering Committee
   4. Recovery Implementation Planning
   5. AMWUA Quarterly Financial Statements – First Quarter
   6. Recommendation for 2019 AMWUA Board Officers
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. Members of the AMWUA Board of Directors will attend either in person or by telephone or internet conferencing.

More information about AMWUA public meetings is available in the AMWUA office, online at www.amwua.org/what-we-do/public-meetings, or by request.
BOARD OF DIRECTORS
MEETING MINUTES
October 25, 2018

VOTING MEMBERS PRESENT

Mayor Jim Lane, President, Scottsdale
Councilmember Eddie Cook, Vice President, Gilbert
Mayor Cathy Carlat, Secretary-Treasurer, Peoria
Vice Mayor Lauren Kuby, Tempe
Vice Mayor René Lopez, Chandler
Councilmember Bart Turner, Glendale

VOTING MEMBERS NOT PRESENT

Councilmember Pat Dennis, Avondale
Councilmember Sheri Lauritano, Goodyear
Councilmember Kevin Thompson, Mesa
Mayor Thelda Williams, Phoenix

OTHERS PRESENT

Patrick J. Adams, AMWUA  Sam Jaskolski, AMWUA
Anthony Alejandro, Peoria  Pat Kossan, AMWUA
Gretchen Baumgardner, Tempe  Brad Lundsford, Buckeye/Lundsford Group
Anthony Beckham, SRP  Jack Lundsford, Buckeye/Lundsford Group
Jessica Blazina, Avondale  Frank Milam, Phoenix
Rob Bohr, Goodyear  Stuart Peckham, SRP
Eric Braun, Gilbert  Diana Piña, AMWUA
Gregg Capps, Chandler  John Raeder, Goodyear
Yesenia Dhott, Phoenix  Kathy Rall, Scottsdale
Gretchen Erwin, Goodyear  Tony Staffaroni, CAP
Kathy Ferris, AMWUA  Drew Swieczkowski, Glendale
Brett Fleck, AMWUA  Warren Tenney, AMWUA
Doreen Garlid, Tempe  Theresa Ulmer, Ulmer Consulting
Lacey James, Avondale  Carol Ward-Morris, AMWUA
A. Call to Order

Mayor Lane called the meeting to order at 11:07 a.m.

B. General Business – Items for Discussion and Possible Action

1. Approval of the Minutes from the September 27, 2018 Meeting

Upon a motion by Mayor Carlat and a second by Vice Mayor Lopez, the AMWUA Board of Directors unanimously approved the September 27, 2018 meeting minutes.

2. Next meeting scheduled: Thursday, November 29, 2018, 10:00 a.m., in the AMWUA office

3. Status of Lower Basin Drought Contingency Plan and DCP Steering Committee

Mr. Tenney shared an update on the Lower Basin Drought Contingency Plan (DCP). He said at the last DCP Steering Committee meeting on October 10th, various positions were presented and numerous smaller discussions have occurred in an effort to respond to the issues raised. He reported that today’s DCP Steering Committee meeting was canceled to give these smaller groups more time to continue efforts to find a solution. He stated that AMWUA continues to believe that Arizona should implement DCP and recognizes the growing risk that historic drought and structural deficit have placed on Colorado River supplies.

Mr. Tenney reviewed the hydrology of the Colorado River system. He said the U.S. Bureau of Reclamation projects that a shortage will be declared in 2020 and deeper shortages could occur as soon as 2020 or 2021. He stated that in an effort to protect the River system by means of DCP, the cities are accepting a greater risk to their Non-Indian Agriculture (NIA) priority water. Mr. Tenney noted that NIA water is a critical component of the AMWUA members’ water portfolios and seven of AMWUA’s members have NIA water that is being used today.

Mr. Tenney reviewed a graphic displaying increased impacts to NIA water under DCP with updated Central Arizona Project (CAP) delivery volumes. He explained that the increased impact to our NIA water under DCP has made both the Tribes and the cities more protective of our water supplies when discussing mitigation for agriculture. He said this information has implications for mitigating Ag as well. Mr. Tenney then shared a graphic displaying the difference of delivery volumes to each type of priority water between DCP and the 2007 Guidelines with updated CAP delivery volumes. He discussed that the basic principle for mitigation is that it is to be based on the difference between the cuts under the 2007 Interim Guidelines and the DCP. He said following that principle of mitigation, Ag should be receiving less than what has been recently proposed. Mr. Tenney stated that proposed mitigation would actually provide more water to Pinal Ag than it would have otherwise received.
Mr. Tenney reported that in response to the current proposals and to Ag’s position, the Gila River Indian Community (GRIC) issued a letter stating that not only are the cuts to NIA users, such as cities and the GRIC, worse, the current mitigation proposals would leave agricultural users better off than they would have been under the current 2007 Interim Guidelines. He said the GRIC argue that all users should equally share in the burdens of DCP, which has been their position throughout this process. He noted that as AMWUA has also stated, the GRIC spoke against taking water out of Lake Mead for Ag mitigation, which undermines the effectiveness of DCP in pushing back future shortages. Mr. Tenney stated that the GRIC’s position has placed a reality check on the proposals put forward by the Arizona Department of Water Resources (ADWR) and CAP.

Mr. Tenney stated that AMWUA continues to be engaged in working for solutions that will help agricultural users as they transition from Colorado River water resources to their groundwater resources. He noted that whatever Ag mitigation comes to be, it needs to be done within the priority system and not add additional risk to higher priority users.

Mr. Tenney stated that some have suggested that municipalities, private water companies, and mines are hoarding water by storing it underground. He said that by storing the water Maricopa County taxpayers have paid for underground, they will have water in the future, which is smart planning and enhances our assured water supply designation.

Mr. Tenney stated that the dialogue needs to focus on the importance of DCP to Arizona’s economy and protecting Lake Mead. He said the final implementation package for DCP in Arizona must strengthen Arizona’s Colorado River supply without weakening long-term water management.

The AMWUA Board of Directors, Mr. Tenney, and Ms. Ferris discussed the relation of long-term storage credits, wet water, and mitigation as well as the importance of recharging water.

Councilmember Cook noted that AMWUA is not participating on the DCP Steering Committee and asked how AMWUA is providing influence on the DCP Steering Committee. Mr. Tenney stated that AMWUA has taken a number of measures to provide influence to the DCP Steering Committee including maintaining dialogue with the cities of Goodyear, Phoenix, and Scottsdale, which are on the DCP Steering Committee; keeping its members apprised of current DCP statuses; responding to questions, including one from Representative Bowers; and taking the opportunities to talk with different people in the water community and share what AMWUA’s members have expressed. Mr. Tenney added that it would be helpful for AMWUA to send a letter to the DCP Steering Committee as a statement of position. He said AMWUA staff has drafted that letter and provided copies to the AMWUA Board of Directors.
Upon a motion by Vice Mayor Kuby and a second by Mayor Carlat, the AMWUA Board of Directors unanimously approved sending the presented letter to Mr. Buschatzke, ADWR Director, and Mr. Cooke, CAP General Manager.

4. **Agenda for 2019 Legislative Session**

Mr. Tenney stated that in an effort to build upon the Legislative Policies and Procedures approved by the AMWUA Board of Directors in 2015, AMWUA staff and its Legislative Contractor developed a legislative agenda for the 2019 session. He said this agenda identifies key issues that AMWUA members can incorporate into their individual legislative agendas. He described the three proposed items on the agenda: Colorado River system; reclaimed water and recharge; and Arizona water management.

Mr. Tenney noted that AMWUA has been working closely with its members’ intergovs to have a greater team effort. He noted that AMWUA staff scheduled a meeting for next week with its members’ intergovs to talk about the current situation and DCP.

Mayor Carlat stated that she would like to be explicit about safe-guarding the cities’ water that they are recharging. She requested that “the ability to store CAP and reclaimed water underground” be included in the Colorado River system agenda item. Councilmember Cook agreed and expressed the importance of effluent recharge to the Town of Gilbert.

Mr. Tenney reported that at its October 10th meeting, the AMWUA Management Board unanimously recommended that the AMWUA Board of Directors adopt the proposed agenda for the 2019 legislative session.

Upon a motion by Mayor Carlat and a second by Vice Mayor Lopez, the AMWUA Board of Directors unanimously adopted the proposed agenda for the 2019 legislative session with Mayor Carlat’s amendment.

5. **Communication Efforts and Communications Specialists Position**

Mr. Tenney stated that AMWUA entered into a professional services agreement with Pat Kossan five years ago to assist in elevating AMWUA’s communications efforts. He reported that Ms. Kossan is retiring in December and AMWUA proposes moving from using a communications consultant to having an in-house communications specialist to continue to build upon the Association’s communications and messaging efforts.

Mr. Tenney reported that at its October 10th meeting, the AMWUA Management Board unanimously recommended that the AMWUA Board of Directors approve the communications specialist position.

The AMWUA Board members discussed the importance of having a communications specialist and proactive communications efforts.
Councilmember Cook, Councilmember Turner, and Mr. Tenney discussed the pros and cons of hiring a marketing firm rather than having an in-house staff person. It was agreed that an in-house communications specialist would be most beneficial to AMWUA at this time.

Upon a motion by Councilmember Turner and a second by Vice Mayor Lopez, the AMWUA Board of Directors unanimously approved the communications specialist position.

4. **Nominating Committee for Officers**

Mayor Lane appointed Vice Mayor Lauren Kuby, Tempe; Vice Mayor René Lopez, Chandler; and Councilmember Sheri Lauritano, Goodyear as a nominating committee to recommend a 2019 slate for the AMWUA Board of Directors President, Vice President, and Secretary-Treasurer.

C. **Executive Director’s Report**

Mr. Tenney stated that AMWUA’s Conservation Committee prioritized reprinting one of AMWUA’s key publications *Xeriscape: Landscaping with Style in the Arizona Desert* in Fiscal Year 2019. He said after receiving three bids, AMWUA has selected Courier Graphics as the printer for this job. He noted that the total estimated cost of this project is $24,096.00, though the cost will be fully recovered after invoicing AMWUA’s members, partnering agencies, and other cities that placed orders.

Mr. Tenney reported that President Trump signed America’s Water Infrastructure Act of 2018, which authorized the Environmental Protection Agency’s WaterSense program. He thanked the Alliance for Water Efficiency, AMWUA staff, and AMWUA members for all of the work put into efforts to authorize WaterSense.

Mr. Tenney distributed copies of the letter sent to Representative Bowers to the AMWUA Board of Directors members.

D. **Future Agenda Items**

There were no requests for future agenda items.

E. **Adjournment**

Upon a motion by Mayor Carlat and a second by Vice Mayor Kuby, Mayor Lane unanimously adjourned the meeting at 11:56 a.m.
Status of the Lower Basin Drought Contingency Plan and DCP Steering Committee

ANNUAL PLAN REFERENCE

Colorado River Drought / Shortage

Strategic Plan: Objectives – Prepare for Impacts of Drought & Shortage, Minimize Financial Impacts; Collaboration – Arizona Department of Water Resources, Central Arizona Project, Business Community

Actions:
- Remain engaged with developments to protect the Colorado River from drought and address the structural deficit.
- Seek ways AMWUA and its members can best individually and cooperatively respond to the increasing probability of a shortage declaration.

SUMMARY

The Drought Contingency Plan (DCP) Steering Committee has held six meetings since its inception in July. The Steering Committee is tasked with developing a plan for implementing DCP in Arizona by the end of November. The Steering Committee is focusing on mitigation for Pinal Agriculture, as well as the creation of an Intentionally Created Surplus (ICS) program that is acceptable for Tribes and other Arizona contractors.

The last Steering Committee meeting took place on October 10, 2018. At that meeting it was acknowledged that mitigation for Pinal Ag will need to be less than the “full mitigation” amount originally requested by Pinal. This was in large part due to the recognition that shortages under DCP will cut deeper into Non-Indian Ag (NIA) priority water. This has raised concerns by the Gila River Indian Community and municipalities about how to ensure that mitigation efforts for Pinal Ag do not negatively impact tribal and municipal supplies.

Subsequently, no formal Steering Committee meeting has been held, though informal conversations have occurred. The Gila River Indian Community has stated that mitigation needs to be no more than the difference between cuts under the 2007 Interim Guidelines and the cuts from DCP and that mitigation must be equitable for everyone impacted by DCP. Pinal Ag has said it needs more water than the difference between the 2007 Interim Guideline cuts and the DCP cuts, which shrank with the Central Arizona Project (CAP) factoring current water orders for the
upcoming year. This means the difference would be approximately 80,000 acre-feet (AF) under a Tier 1 shortage and nothing under deeper cuts. Pinal Ag is insisting on seven years of mitigation, totaling to 595,000 AF, regardless of shortage declaration. The challenge remains to see if a middle ground can be reached between these two positions.

At its October 25, 2018 meeting, the AMWUA Board of Directors approved sending a letter to Co-Chairs of the DCP Steering Committee. The main point of the letter is that AMWUA supports implementing DCP, but such implementation must not weaken our long-term water management.

The CAWCD Board held a special meeting on November 15, 2018 to discuss DCP and to put forward a new proposal. The CAWCD proposal is described as an interim proposal for three years; full mitigation for NIA users and Pinal Ag so no waivers are needed; extra water in addition to the full mitigation would also go to Pinal Ag and developers; the mitigation water would come from purchasing water from the Colorado River Indian Tribes, Lake Pleasant water, and using existing Intentionally Created Surplus water that is in Lake Mead. The financing for the proposal would be a combination of CAP’s taxes and rates. CAWCD says they wanted to put this proposal together to try to accomplish DCP and the proposal is based on what they could do within CAWCD’s purview. The CAWCD Board approved forwarding the proposal to the DCP Steering Committee but noted it could be negotiated.

AMWUA staff will provide an overview at the AMWUA Board of Directors meeting regarding the current status of the DCP Steering Committee and the Lower Basin Drought Contingency Plan.

**RECOMMENDATION**

The AMWUA Board of Directors is encouraged to ask questions and provide direction regarding its members’ support or opposition to various components of Arizona’s efforts to implement the Lower Basin Drought Contingency Plan.
Recovery Implementation Planning

ANNUAL PLAN REFERENCE

Recovery Implementation Plan

*Strategic Plan:* Objectives – Prepare for Impacts of Drought & Shortage; Collaboration – Arizona Department of Water Resources, Central Arizona Project, Arizona Water Banking Authority

*ACTIONS:*

- Represent AMWUA interests in the ADWR-led Recovery Planning Advisory Group to complete a recovery implementation plan for M&I water firmed by the AWBA.
- Ensure the outstanding issues identified in AMWUA’s recovery analysis are adequately answered.
- Facilitate discussion among our members to develop proposals to contribute to a complete plan.

SUMMARY

In January, the Arizona Water Banking Authority (AWBA), Arizona Department of Water Resources (ADWR), and Central Arizona Water Conservation District (CAWCD) jointly convened the Recovery Planning Advisory Group (RPAG). The objective of the group is to provide greater planning clarity on how the 2014 Joint Recovery Plan will be implemented to firm M&I subcontracts. AMWUA, along with the cities of Phoenix and Mesa, have been participating in the RPAG. Since July, the group has met monthly totaling seven meetings.

AMWUA staff will give an update on what has occurred within the RPAG discussions since the last report given at the June 13, 2018 Management Board meeting.

AMWUA staff shared this presentation with the AMWUA Management Board at its November 14th meeting.

RECOMMENDATION

The AMWUA Board of Directors is encouraged to ask questions about the Recovery Planning Advisory Group and recovery implementation.
AMWUA Quarterly Financial Statements – First Quarter

STRATEGIC PLAN REFERENCE

Operational Principles – Manage an Efficient and Effective Association

SUMMARY

The AMWUA Statement of Revenues and Expenses for the period July 1, 2018 through September 30, 2018, and the Balance Sheet dated September 30, 2018 are presented for your information.

At the end of the first quarter, AMWUA is showing a year-to-date actual of $11,229 less than the year-to-date budget. This is primarily due to the timing of when the actual expenditures will occur as not all expenditures are made evenly throughout the fiscal year but are expected to be spent by fiscal year end.

The Computer Hardware/Software expenses are over by $754.74. This is due to installation of a new server and underestimating the installation cost for that server.

AMWUA anticipates that it will complete this fiscal year at budget. No carryover is anticipated.

RECOMMENDATION

At its November 14th meeting, the AMWUA Management Board unanimously recommended that the AMWUA Board of Directors accept the quarterly financial statements as presented.

ATTACHMENTS

- **Attachment A:** Statement of Revenues and Expenses
- **Attachment B:** Balance Sheet
## ARIZONA MUNICIPAL WATER USERS ASSOCIATION

**Statement of Revenues and Expenses**

(Actual to Budget Comparison)

For Period July 1, 2018 through Sept 30, 2018

<table>
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<th>Year-To-Date</th>
<th>Over(Under)</th>
<th>Approved</th>
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<td>Variance</td>
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### Operating Expenses

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<td><strong>Total Operating Expenses</strong></td>
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<td><strong>(11,229.33)</strong></td>
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### Reserve and Contingency Funds Summary:

- Contingency Fund Balance on 9/30/18: $600,000
- Reserve Fund Balance on 9/30/18: $202,000
- Total Contingency and Reserve Funds: $802,000

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**Note:** The table includes detailed expenses and revenues compared to budget for the stated period.
Arizona Municipal Water Users Association
Balance Sheet
As of September 30, 2018

ASSETS

Current Assets
1000 Petty Cash 500.00
1015 Compass Checking 25 287 52333 54,993.75
1025 Compass Money Market 25 100 20769 851,577.49
1030 Investment Account (LGIP) 706,453.63
Total Bank Accounts $ 1,613,524.87

Accounts Receivable
1041 Other Receivables 17,006.66
Total Accounts Receivable $ 17,006.66

Other Current Assets
1050 Prepaid Expenses 18,835.27
Total Other Current Assets $ 18,835.27

Total Current Assets $ 1,649,366.80

Fixed Assets
1100 Furniture & Equipment 170,292.25
1150 Leasehold Improvements 52,665.08
1200 Accum Depreciation Furniture (163,629.23)
1250 Accum Depreciation Leasehold (50,706.68)
Total Fixed Assets $ 8,621.42

Other Assets
1450 Deferred Outflow - Pension Resources 184,285.23
Total Other Assets $ 184,285.23

TOTAL ASSETS $ 1,842,273.45
Arizona Municipal Water Users Association  
Balance Sheet  
As of September 30, 2018

LIABILITIES AND EQUITY

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<th>Liabilities</th>
<th>Description</th>
<th>Amount</th>
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<td>Current Liabilities</td>
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<td>2005 BBVA Compass Credit Card</td>
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<td>Total Credit Cards</td>
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<td>Other Current Liabilities</td>
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<td>2050 Accrued Expenses</td>
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<td>2110 Retirees Excess Benefit Clearance</td>
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<td>Total Other Current Liabilities</td>
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<td>Total Current Liabilities</td>
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<td>Long-Term Liabilities</td>
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<tr>
<td></td>
<td>2210 Net Pension Liability</td>
<td>937,799.00</td>
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<tr>
<td></td>
<td>2220 Deferred Inflow-Pension Resources</td>
<td>111,186.00</td>
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<tr>
<td></td>
<td>Total Long-Term Liabilities</td>
<td>$1,102,377.77</td>
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<tr>
<td></td>
<td>Total Liabilities</td>
<td>$1,222,739.14</td>
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<tr>
<td>Equity</td>
<td>3000 Fund Balance</td>
<td>-78,263.42</td>
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<tr>
<td></td>
<td>Net Income</td>
<td>697,797.73</td>
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<tr>
<td></td>
<td>Total Equity</td>
<td>$619,534.31</td>
</tr>
</tbody>
</table>

TOTAL LIABILITIES AND EQUITY | $1,842,273.45
Recommendation for 2019 AMWUA Board Officers

STRATEGIC PLAN REFERENCE

Operational Principles – Facilitate our Strength in Numbers

SUMMARY

Pursuant to AMWUA Bylaws, AMWUA President Mayor Jim Lane appointed Vice Mayor Rene Lopez, Chandler; Vice Mayor Lauren Kuby, Tempe; and Councilmember Sheri Lauritano, Goodyear, to serve as members of a Nominating Committee to recommend a President, Vice President, and Secretary-Treasurer to the AMWUA Board of Directors for calendar year 2019.

According to the AMWUA Bylaws, the Officers are to each have served on the current Board of Directors at least from January 1, 2018 through December 31, 2018. Each officer is to be able to serve for a one year period. Specifically for the position of President, the President must have been Vice President or Secretary-Treasurer of the Association for at least twelve months. Each officer may serve a minimum of one year and a maximum of two consecutive years in the same position.

The Nominating Committee is in agreement to recommend Mayor Jim Lane, Scottsdale, as President, Councilmember Eddie Cook, Gilbert, as Vice President, and Mayor Cathy Carlat, Peoria, as Secretary-Treasurer to the AMWUA Board of Directors for 2019, in accordance with the AMWUA Bylaws.

The Nominating Committee will formally make its recommendation for the officer positions at the November 29th AMWUA Board of Directors meeting, at which time the Board may decide to act on that recommendation.

RECOMMENDATION

The AMWUA Board of Directors is requested to consider approving the Nominating Committee’s recommendation for President, Vice-President, and Secretary-Treasurer for the AMWUA Board of Directors for calendar year 2019.