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

ARIZONA MUNICIPAL WATER USERS ASSOCIATION
MANAGEMENT BOARD

MEETING NOTICE AND AGENDA

Wednesday, February 13, 2019 – 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 January 9, 2019 Meeting
   2. Schedule Next Meeting Date: Wednesday, March 13, 2019, 10:00 a.m.
   3. 2019 Legislative Session
   4. Status of Lower Basin Drought Contingency Plan
   5. AMWUA Quarterly Financial Statements – Second Quarter

C. Management 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. Members of the AMWUA Management Board 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.
MANAGEMENT BOARD
MEETING MINUTES
January 9, 2019

VOTING MEMBERS PRESENT

Mr. John Knudson, Chandler, Chairman
Mr. Javier Setovich, Goodyear, Vice Chairman
Mr. Brian Biesemeyer, Scottsdale
Ms. Cindy Blackmore, Avondale
Mr. Eric Braun for Ms. Jessica Marlow, Gilbert
Ms. Cynthia Campbell for Ms. Karen Peters, Phoenix
Mr. Brian Draper for Mr. Jake West, Mesa
Mr. Craig Johnson, Glendale
Ms. Holly Rosenthal, Tempe

VOTING MEMBERS NOT PRESENT

Mr. David Burks, Peoria

OTHERS PRESENT

Patrick J. Adams, AMWUA
Anthony Beckham, SRP
Jessica Blazina, Avondale
Ned Blum, CLA
Gregg Capps, Chandler
Patrick Dent, CAP
Keith DeVore, Mesa
Alan Dulaney, Peoria
Gretchen Erwin, Goodyear
Kathy Ferris, AMWUA
Brett Fleck, AMWUA
Lacey James, Avondale
Sam Jaskolski, AMWUA

Gina Kirklin, Scottsdale
Ian Linssen, Mesa
Phillip Pagels, CAP
Stuart Peckham, SRP
Diana Piña, AMWUA
Cape Powers, Peoria
Kathy Rall, Scottsdale
Richard Siegel, SRP
Tony Staffaroni, CAP
Drew Swieczkowski, Glendale
Warren Tenney, AMWUA
Sheri Trapp, AMWUA
Carol Ward-Morris, AMWUA

A. Call to Order

Mr. Knudson called the meeting to order at 10:02 a.m.
B. General Business – Items for Discussion and Possible Action

1. Approval of the Minutes from the December 12, 2018 Meeting

Upon a motion by Mr. Biesemeyer and a second by Mr. Setovich, the AMWUA Management Board unanimously approved the December 12, 2018 meeting minutes.

2. Next meeting scheduled: Wednesday, February 13, 2019, 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) and DCP Steering Committee. Mr. Tenney discussed that the Arizona DCP Implementation Plan is a delicate compromise that provides Ag mitigation, Non-Indian Agriculture (NIA) mitigation, and protection for Lake Mead. He then reviewed the details of the plan: mitigation, Intentionally Created Surplus (ICS) Offset Plan, balancing Lake Mead, and Municipal and Industrial (M&I) contributions. He stated that the DCP framework meets AMWUA’s priorities for DCP: it is a path forward for implementing DCP, respects and follows the priority system, has a clear timeframe, transitions Pinal Ag from Colorado River water to groundwater, protects Lake Mead, and does not weaken Arizona’s long-term water management.

Mr. Tenney stated that nearly all stakeholders, including the Central Arizona Water Conservation District (CAWCD) Board, have voiced support for DCP. He noted that the Homebuilders and Pinal Agriculture have not voiced support for DCP and want additional concessions.

Mr. Tenney reported that at yesterday’s DCP Steering Committee meeting, agreements as well as outstanding issues were discussed.

Mr. Tenney reviewed the next steps and details to work out by January 31st, the deadline that the U.S. Bureau of Reclamation (Reclamation) Commissioner Burman set for Arizona to settle DCP before the federal government steps in and sets a plan for Arizona. He also described what would happen if the federal government intervened, including that there would not be any mitigation.

In response to a question from Ms. Peters, Ms. Ferris described her opinion of the situation that it is a game of chicken.

Mr. Biesemeyer and Mr. Tenney noted that it was positive that at yesterday’s DCP Steering Committee meeting, there was pushback to the Homebuilders requests for additional water.
Mr. Setovich stated that the timing and getting all of the deals together and completed through the legislative process is a challenge. He then asked what satisfies the Reclamation’s deadline because there are many steps involved. Mr. Tenney said his understanding is that Reclamation needs the Arizona State Legislature to give the Director of the Arizona Department of Water Resources (ADWR) approval to sign the resolution. He noted that giving the ADWR Director approval to sign does not mean the work is completed, there is still work to do. Ms. Ferris added that the legislation aspect is simple and if the Legislature wants to get these efforts done, it will.

4. **2019 Legislative Session**

Mr. Tenney stated that the 2019 legislative session starts on Monday and DCP will be the key focus. He said AMWUA has been working with its members’ intergov staffs on educating legislators on DCP and explaining its importance. He asked the AMWUA Management Board to encourage their intergov staffs to continue talking with legislators on DCP.

Mr. Tenney reported that AMWUA is still working on effluent legislation and that language has been drafted, sponsored, and the intention is to have that bill dropped next week.

Mr. Tenney stated that AMWUA has scheduled a legislative breakfast at the State Capitol on January 30th. He said it will be a meet and greet to talk with legislators.

Ms. Ulmer detailed happenings at the Legislature and said there are key leadership people moving DCP forward. She noted that legislators are starting to understand the importance and priority of this issue and are wanting to talk about water. She said she feels positive.

5. **Preparing Utility Finances for Shortages**

Ms. Gina Kirklin, Enterprise and Finance Director for Scottsdale Water, gave a presentation detailing Scottsdale Water’s strategies to prepare its finances for a shortage declaration on the Colorado River. Ms. Kirklin reviewed Scottsdale Water’s water fund budget, purchased water budget, proposed rate increases in response to the impacts of the drought surcharge, water and sewer reserves, and proposed Fiscal Year 2020 water conservation budget.

6. **CAP’s Salt River Siphon Project**

Mr. Patrick Dent, Central Arizona Project (CAP) Water Control Manager, and Mr. Phillip Pagels, CAP Project Manager, gave a presentation updating the AMWUA Management Board on the CAP Salt River Siphon project. They reviewed CAP’s outreach efforts and outage coordination, the November 2018 inspection, and repairs scheduled for late 2019.
Mr. Knudson and Mr. Pagels discussed the six-week outage timeline. Mr. Knudson asked what would happen if the project ran longer than scheduled. Mr. Dent said the November 2018 inspection was completed to more accurately scope and plan the project, so the allotted time will stand. He added that the Siphon will be refilled and return to service as scheduled. He noted that anything not completed during the outage will be included in the next project ten years down the road. Mr. Knudson and Mr. Dent discussed the timing of the outage and date selection.

Mr. Braun asked if CAP will be doing inspections along the reach below the canal while it is dewatered. Mr. Dent reviewed the process and stated that CAP will host another meeting in April or May to walk through a more detailed project plan.

7. **AMWUA Annual Financial Audit Report for Fiscal Year 2018**

Mr. Tenney stated that the independent accounting firm of Heinfeld, Meech & Co. has issued the audit for AMWUA’s Fiscal Year 2018 finances. He reported that the audit found AMWUA’s finances to be on solid fiscal standing. He noted that the audit also indicated two opportunities to strengthen internal control.

Upon a motion by Mr. Johnson and a second by Mr. Biesemeyer, the AMWUA Management Board unanimously recommended that the AMWUA Board of Directors accept the audit report as presented.

C. **Management Board Members’ Updates**

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

Mr. Biesemeyer stated that Scottsdale Water has participated in the Arizona Public Service (APS) Peak Solutions Rebate program for over nine years and just achieved the milestone of receiving $1 million in rebates. He said he and APS presented a large check to the Scottsdale City Council last night to recognize that accomplishment.

Mr. Knudson noted that the City of Chandler is participating in a rebate program through SRP and SRP’s Solar facility.

D. **Executive Director’s Report**

Mr. Tenney stated that there has been a grassroots effort to draw attention to Arizona water professionals by designating an annual Arizona Water Professionals Appreciation Week. He said the effort is to increase awareness about the water industry and to encourage recruitment and retention of water professionals in the State. Mr. Tenney stated that AMWUA would support this effort but as of yet, there has been no indication to launch it. He will keep the AMWUA members apprised.
Mr. Tenney reported that AMWUA staff is taking a high-level look at the AMWUA budget for next fiscal year to give members ballpark figures for membership dues assessments.

Mr. Tenney introduced Sheri Trapp, AMWUA’s new Communications Specialist.

E. Future Agenda Items

There were no requests for future agenda items.

F. Adjournment

Upon a motion by Mr. Biesemeyer and a second, Mr. Knudson unanimously adjourned the meeting at 11:21 a.m.
2019 Legislative Session

ANNUAL PLAN REFERENCE

Legislation

Actions:
- Identify and track water legislation and other legislation of interest to our members.
- Provide weekly legislative updates during the session.
- Analyze and respond to legislation that impacts our members by taking positions, working with Legislators and Congressional Delegation, and engaging the media and public as needed.
- Develop outreach to Legislators to continue to inform them about water and AMWUA. This includes individual meetings, presentations, and forums.

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.

Regional Recharge Efforts
Strategic Plan: Objectives – Augment Supplies, Elevate the Benefit of Water Reuse; Collaboration – Arizona Department of Water Resources, Water Community

Actions:
- Lead effort to amend State statute to ensure long-term storage credits will continue to be earned from effluent storage beyond 2025.
SUMMARY

At the October 25, 2018 meeting, the AMWUA Board of Directors adopted the following 2019 legislative agenda:

Colorado River System – Support the implementation of the Lower Colorado River Basin Drought Contingency Plan, if such implementation protects our existing priorities and rights, including underground storage of our Colorado River and reclaimed water, and ensures water left in Lake Mead benefits the Colorado River System.

Reclaimed Water & Recharge – Advance legislation to enhance the value of reclaimed water by removing the 2025 sunset for the ability to earn long-term storage credits by recharging effluent and set the amount of credits earned from recharging effluent in a managed recharge project equivalent to Central Arizona Project water.

Arizona Water Management – Continue to take positions that strengthen Arizona’s water management including supporting the 1980 Groundwater Management Act and the ability of local water providers to manage, plan, conserve, and acquire water resources for their customers.

AMWUA has accomplished the first two parts of its legislative agenda with the Governor and Legislature approving Arizona’s participation in the Drought Contingency Plan (DCP) along with the legislation required for implementing DCP in Arizona. The legislation for implementing DCP included removing the 2025 sunset for earning long-term storage credits by recharging effluent.

AMWUA is now focusing on the third part of its legislative agenda. This includes reviewing introduced legislation and taking positions that strengthen Arizona’s water management. At its January 24, 2019 meeting, the AMWUA Board approved supporting the following two bills:

HB 2394: water efficient plumbing (Engel and six others). This bill updates Arizona’s water efficiency standards for indoor water fixtures, starting in 2020. Arizona’s efficiency requirements for plumbing fixtures have not been updated since they were last aligned with federal standards in 1992. HB 2394 would bring these efficiency standards into alignment with the voluntary Environmental Protection Agency (EPA) WaterSense standards, a national water efficiency certification program. AMWUA staff intend to work with the sponsor to adjust the bill to require WaterSense labeled fixtures, rather than fixed flow rate targets, and to seek technical amendments.

AMWUA Position: Support
Status: Awaiting Committee Assignment

HB 2464: water infrastructure finance; municipal approval (Shope). The Water Infrastructure Finance Authority (WIFA) is an Arizona state agency that provides low interest loans for water and wastewater infrastructure improvement. Under current law, any city or town with a population of
more than 50,000 must request voter authorization in order to accept a WIFA loan. HB 2464 raises this threshold, changing the requirement to apply to cities or towns with populations greater than 150,000. This effectively lowers the burden of WIFA loan eligibility for municipalities with ≤150,000 residents, including some AMWUA members. AMWUA is exploring the possibility of having the population threshold increased.

AMWUA Position: Support
Status: Passed Natural Resources, Environment, Water (NREW) Committee 2/5/19

The following bills are organized by three proposed positions: Support, Oppose, Monitor

Recommended Position: Support

HB 2009: navigable stream adjudication commission; extension (Griffin and 12 others). This bill extends the legislative authorization for the Arizona Navigable Stream Adjudication Commission (ANSAC) for four years to June 30, 2024. The ANSAC is charged with determining which of Arizona’s rivers and streams were navigable at time of Statehood. If determined to be navigable at time of Statehood, the land beneath the watercourse is subject to ownership by the State to be held in public trust. If non-navigable, the watercourse is subject to ownership by the person whose property it crosses. The commission was previously scheduled to sunset on June 30, 2020.

Recommended Position: Support
Status: Transmitted to Senate on 1/31/19

HB 2013: appropriation; Arizona water protection fund (Griffin & Townsend). This bill would appropriate $1 million from the state general fund in Fiscal Year 2019-20 to the Arizona Water Protection Fund. The Arizona Water Protection Fund is a state-run program administered by the Arizona Department of Water Resources (ADWR) that funds projects to protect and enhance water quality and quantity in Arizona's rivers, streams, and riparian areas. Some of these efforts include revegetation, erosion control, channel stabilization, research, and water conservation. AMWUA has supported this legislation in previous years.

Recommended Position: Support
Status: Assigned to Consent Calendar 2/4/19; awaiting third reading.

HB 2428: no-water urinals required; public buildings (Thorpe). This bill establishes that counties and municipalities must require the installation of water-free urinals in all new construction or remodeling of existing public buildings. The bill also mandates that within two years after the effective date of the legislation, all flushable urinals located in state buildings shall be replaced with water-free urinals. AMWUA staff is seeking amendments to mandate an efficiency target (e.g.,
WaterSense standards) to provide flexibility for municipalities when updating the plumbing of public buildings rather than mandating solely water-free urinals.

**Recommended Position: Support, seek amendments**
**Status: Assigned to committee 1/30/19**

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**HB 2396 | SB 1368:** water; well metering; nonexempt wells (HB: Engel | SB: Mendez). These bills mandate measuring and annual reporting for nonexempt groundwater wells throughout the state. Nonexempt wells include those with a pumping capacity greater than 35 gallons per minute (gpm). Current law contains no measuring requirements for wells outside of the Active Management Areas (AMAs) or Irrigation Non-Expansion Areas (INAs) except for a person who withdraws groundwater for transportation to an initial AMA.

**Recommended Position: Monitor**
**Status: HB 2396 Awaiting committee assignment | SB 1368 assigned to committee 2/4/19**

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**HB 2477:** adjudication statutes; unconstitutional provisions; repeal (Bowers). In 1995, the Arizona State Legislature enacted multiple bills with the intent of simplifying and expediting the General Stream Adjudication. After passage, these bills were legally challenged in the Supreme Court by multiple parties. The Court ultimately found that some of the legislative provisions affecting water rights and the adjudication were unconstitutional. HB 2477 repeals the provisions of statute that were deemed unconstitutional by the Arizona Supreme Court in 1999, though have remained in State statute to the present day.

**Recommended Position: Support**
**Status: Awaiting committee assignment**

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**HB 2484 | SB 1221:** irrigation grandfathered right; containerized plants (HB: Griffin | SB: Kerr). These bills state that in an initial AMA, a person who holds a certificate of irrigation grandfathered right may exercise that right to withdraw groundwater to water plants in containers on or above the surface. Among other things, the bills also require the right holder to separately measure any groundwater used for watering plants in containers and groundwater for irrigation; however, the total amount of water may not exceed the amount allowed by the irrigation water duty for the farm.

**Recommended Position: Support**
**Status: HB 2484 passed NREW Committee 2/5/19 | SB 1221 assigned to committee 1/29/19**

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**HB 2591 | SB 1265:** appropriation; WQARF (HB: Gabaldon | SB: Peshlakai). These bills appropriate ($20 million in HB 2591; $15 million in SB 1265) from the general fund to the Water Quality Assurance Revolving Fund (WQARF) in Fiscal Year 2019-20. WQARF is a state-sponsored program
established by the Legislature and administered by the Arizona Department of Environmental Quality to clean up hazardous soil and groundwater contamination.

*Recommended Position: Support*
*Status: HB Awaiting committee assignment | SB assigned to committee 1/30/19*

**HB 2592**: appropriation; DWR; hydrologists (Gabaldon). This bill would appropriate $6.1 million to ADWR for the purposes of hiring hydrologists and other support staff. ADWR has stated that it faces challenges in competing with California for the hiring of technical hydrologic staff.

*Recommended Position: Support*
*Status: Awaiting committee assignment*

**SB 1544**: water conservation; landscaping; rent; notice (Mendez and three others). This bill would forbid the owner of a property or Homeowners Association from prohibiting the use of a water saving device or water conservation practice as part of a property contract or rental agreement.

*Recommended Position: Support*
*Status: Assigned to committee 2/6/19*

**Recommended Position: Oppose**

**HB 2449**: adequate water supply; county review (Griffin). This bill would allow a county that is not in an AMA, through a unanimous vote of its county board of supervisors, to vote not to readopt the mandatory 100-year adequate water supply water requirement if certain conditions are met. The conditions, which must be met by the county or largest city in the county, include participation in the following: groundwater recharge, reclaimed water reuse, water conservation programs, and use of low water use plants in certain publicly owned areas. This bill reflects proposals that were put forth in the 2016 and 2018 legislative sessions and opposed by AMWUA.

*Recommended Position: Oppose*
*Status: Awaiting committee assignment*

**HB 2476**: surface water forfeiture; repeal (Bowers). Under Arizona law, the owner of a water right that fails to put the water appropriated to beneficial use for five consecutive years forfeits that right. HB 2476 would remove this statutory provision, which could have a wide impact on nearly every water right in the state, and the proceedings of the General Stream Adjudication. This change conflicts with a prior Arizona Supreme Court ruling that found a previous attempt to retroactively modify the forfeiture of water rights through legislative changes to be unconstitutional.
The bill also removes statutory clauses that specifically protect certain types of beneficial use for surface waters of the state, including underground storage and the exchange of effluent or Central Arizona Project (CAP) water for surface water. While removal of these beneficial use protections may be congruent with removing all grounds for water right forfeiture, AMWUA staff are cautious of any legislation that would eliminate safeguards on underground storage or water exchanges as beneficial uses.

Recommended Position: Oppose
Status: Awaiting committee assignment

HB 2586: groundwater replenishment; water supply; credits (Cook). This bill contains numerous alterations to the Groundwater Code and Central Arizona Groundwater Replenishment District (CAGRD) statutes that would significantly undermine the assured water supply requirements and place unacceptable pressure on the Director of ADWR to approve transfers and leases of Colorado River water to CAGRD. Specifically, HB 2586 includes the following substantial amendments:

Assured Water Supply
2. Adds provisions allowing for a municipality, private water company, or irrigation district to recover, transport, and deliver long-term storage credits (LTSC) on behalf of another entity.
3. Allows LTSC credits assigned to a certificate of assured water supply may be assigned to a water provider, even if that entity was ineligible to earn those LTSC (likely due to WaterBUD).

Central Arizona Groundwater Replenishment District
1. Postpones the requirement for CAGRD to submit a Plan of Operation to ADWR for ten years, if CAGRD proposes a conveyance or lease of Colorado River water that the ADWR Director or Bureau of Reclamation subsequently refuses to approve.
2. Allows CAGRD to transfer LTSC from its replenishment reserve account to CAWCD’s main LTSC account. Currently, CAGRD has a surplus of LTSC in that account that is well above its reserve target.
3. Reduces CAGRD’s replenishment obligation in the years that the U.S. Secretary of the Interior declares a Colorado River shortage

Recommended Position: Oppose
Status: Awaiting Committee Assignment

Recommended Position: Monitor

HB 2143: water, west basin advisory councils (Cobb & Biasiucci). This bill provides for the establishment of a Mohave County West Basin and a La Paz County West Basin Water Users Advisory Council, each made up of 10 appointed members. The Councils are tasked with reviewing groundwater withdrawal data and recommending programs and policies to ADWR for the regional
groundwater basins. The Councils are required to submit a report of their respective findings to ADWR, the Governor, and the Legislature by December 31, 2022. The Councils terminate on July 1, 2027.

*Recommended Position: Monitor*
*Status: Awaiting committee assignment*

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**HB 2225**: exempt wells; capacity (Blanc, Chavez, Peten). The Groundwater Code defines exempt wells as those with a maximum pumping capacity of less than 35 gallons per minute (gpm) used to withdraw groundwater for non-irrigation uses. These wells are exempt from most of the provisions of the Groundwater Code. This bill alters that criterion, changing the threshold for exemption to a maximum capacity of 20 gpm of pumping capacity.

*Recommended Position: Monitor*
*Status: Awaiting committee assignment*

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**HB 2397 | SB 1369**: water adequacy requirements; statewide applicability (HB: Engel | SB: Mendez and five others). This bill would mandate that counties outside of the AMAs adopt an adequate water requirement for subdivided lands within the county. Currently, counties outside of an AMA have an option to adopt the mandatory adequacy provisions upon unanimous vote of the county Board of Supervisors.

*Recommended Position: Monitor*
*Status: HB 2397 Assigned to committee 1/30/19 | SB 1369 assigned to committee 2/4/19*

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**HB 2434**: Colorado River Transfers; limitation (Cobb). This bill would add statutory language prohibiting the transfer of any Priority 4 Colorado River water from Mohave County irrigation and water conservation districts to any other county that does not border the Colorado River. Transfers from Mohave County to La Paz or Yuma counties would not be prohibited.

*Recommended Position: Monitor*
*Status: Awaiting committee assignment*

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**HB 2475**: water use; criminal penalty; wells (Bowers). Arizona law classifies the act of unauthorized “taking water that another is entitled to” as a Class 2 Misdemeanor. This bill exempts a person from criminal charges for taking water, including subflow of a river or stream, through a registered well.

*Recommended Position: Monitor*
*Status: Awaiting committee assignment*
HB 2467: west basin water users; committee (Cobb). This bill provides for the establishment of a West Basin Water Users Committee to serve Mohave and La Paz counties. Comprised of elected officials and other water-use stakeholders, the Committee is tasked with reviewing groundwater withdrawal data and recommending programs and policies to ADWR for the regional groundwater basins. The Committee is required to submit a report on its findings to ADWR, the Governor, and the Legislature by December 31, 2021. The Committee terminates on July 1, 2022.

*Recommended Position: Monitor*

*Status: Assigned to committee 2/4/19*

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HB 2468: Colorado River transfers; emergency rulemaking (Cobb). Requires the Director of ADWR to adopt an emergency rule that describes the policies and procedures of the Department when providing review and consultation of any transfers of Colorado River water rights and contracts. The emergency rule would also be required to outline the criteria the Department will use to evaluate any proposed transfers, leases, or allocations of mainstream Colorado River water.

Current law (A.R.S. § 45-107(D)) already requires that any party preparing to transfer an allocation or entitlement of Colorado River water is obligated to submit the proposed contract to the Director of ADWR for review prior to its execution. ADWR presently operates under Substantive Policy Statement CR10 which governs the procedures for obtaining Departmental consultation and outlines the criteria that the Department uses to evaluate water transfers. The Director of ADWR adopted CR10 on January 16, 2019 and it revised previous substantive policy statements on this issue.

*Recommended Position: Monitor*

*Status: Awaiting committee assignment*

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HB 2590: appropriation; water districts; infrastructure; DCP (Cook). This bill would appropriate $20 million from the state general fund for the development of groundwater infrastructure projects in Pinal County.

*Recommended Position: Monitor*

*Status: Awaiting committee assignment*

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HB 2595: adequate water supply; designation; standards (Gabaldon). On August 8, 2018, the Arizona Supreme Court held that ADWR is not required to consider unquantified federal reserved water rights as part of the legal or physical availability analysis in its determination of an adequate water supply. This decision addressed ongoing litigation over a large development near Sierra Vista. The Court’s opinion was predicated on its interpretation of the adequate water supply statutes, reasoning that, (1) ADWR is not required to consider the impacts of an applicant’s groundwater withdrawals on existing uses, but rather that the agency must consider existing groundwater uses.
on the supply of the applicant, (2) the legislature did not specify that unquantified federal reserved water rights must be considered in the determination of legally available water supplies, and that (3) a private water company’s possession of a Certificate of Convenience & Necessity is, in effect, consumer protection for the legal availability of water.

HB 2595 attempts to alter adequate water supply statute to address these considerations. AMWUA staff have identified technical issues with the bill and do not anticipate its movement through the legislature.

*Recommended Position: Monitor*
*Status: Awaiting committee assignment*

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**SB 1198:** water infrastructure finance authority; appropriation (Mendez and six others). This bill appropriates $30 million from the state general fund to WIFA, a state agency that provides low-interest loans to water providers. It is assumed that the intent is to provide funds for the Water Supply Development Revolving Fund.

*Recommended Position: Monitor*
*Status: Assigned to committee 1/28/19*

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**SB 1370:** freshwater ecosystems; ecological water; survey (Dalessandro and 11 others). This bill adds a statutory definition and provides for the appropriation of “ecological water.” Current statutes allow for the appropriation and beneficial use of water for fish and wildlife purposes, but not explicitly for the benefit of the watershed or ecosystem as a whole.

SB 1370 would also require the Director of ADWR to perform a one-time survey of Arizona’s watersheds, identifying any ecological water needs and recommending any necessary environmental or policy improvements.

*Recommended Position: Monitor*
*Status: Assigned to committee 2/4/19*
RECOMMENDATION

The Management Board is encouraged to ask questions and discuss any legislation and provide a recommendation to the AMWUA Board of Directors.

AMWUA staff advises the AMWUA Management Board to recommend the AMWUA Board take the following legislative positions:

Support:
HB 2009 – navigable stream adjudication commission; extension
HB 2013 – appropriation; Arizona water protection fund
HB 2428 – no-water urinals required; public buildings
HB 2394 – water efficient plumbing
HB 2396/SB 1544 – water; well metering; nonexempt wells
HB 2464 – water infrastructure finance; municipal approval
HB 2477 – adjudication statutes; unconstitutional provisions; repeal
HB 2484/SB 1221 – irrigation grandfathered right; containerized plants
HB 2591/SB 1265 – appropriation; WQARF
HB 2592 – appropriation, DWR, hydrologists
SB 1554 – water conservation; landscaping; rent; notice

Oppose:
HB 2449 – adequate water supply; county review
HB 2476 – surface water forfeiture; repeal
HB 2586 – groundwater replenishment; water supply; credits

Monitor:
HB 2143 – water, west basin advisory councils
HB 2225 – exempt wells; capacity
HB 2397/SB 1369 – water adequacy requirements; statewide applicability
HB 2434 – Colorado River transfers; limitations
HB 2475 – water use; criminal penalty, wells
HB 2467 – west basin water users; committee
HB 2468 – Colorado River transfers, emergency rulemaking
HB 2590 – appropriation; water districts; infrastructure; DCP
HB 2595 – adequate water supply; designation, standards
SB 1198 – water infrastructure finance authority; appropriation
SB 1370 – freshwater ecosystems; ecological water; survey
MANAGEMENT BOARD
INFORMATION SUMMARY
February 13, 2019

Status of the Lower Basin Drought Contingency Plan

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

On January 31, 2019, Governor Ducey signed legislation passed that same day by the State Senate and House approving Arizona’s participation in the Lower Basin Drought Contingency Plan (DCP). The Governor also signed the legislation necessary for the implementation plan negotiated to mitigate water users impacted by Colorado River shortages while still protecting Lake Mead.

The Secretary of the Interior (Secretary) has announced in the Federal Register that the U.S. is prepared to solicit recommendations from the governors of the seven Colorado River Basin States on federal actions to reduce risk to the Basin in the absence of DCP. The comment period will be open from March 4 to March 19, 2019. The Secretary will terminate this solicitation for comments if the Basin States complete DCP before the comment period ends.

California is now the main focus for completing DCP as the Imperial Irrigation District holds out on signing DCP in an effort to get $200 million to restore the Salton Sea. Arizona also has outstanding agreements that must be completed to implement DCP within the state.

RECOMMENDATION

The AMWUA Management Board is encouraged to ask questions regarding the status of DCP.
AMWUA Quarterly Financial Statements – Second 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 December 31, 2018, and the Balance Sheet dated December 31, 2018 are presented for your information. The Statement of Revenues and Expenses show that AMWUA is operating within the resources provided and is $1,828 under budget through December 2018.

The majority of the budget line items are either at or below the approved budget for this fiscal year. Most of the differences are due to the timing of the expenses in relation to the year-to-date totals and should even out by fiscal year end. The Water Conservation line item is showing over budget due to the $50,000 Water—Use It Wisely campaign; however, that is offset by the $50,000 over budget in revenue due to the Arizona Department of Water Resources (ADWR) reimbursement.

The Balance Sheet shows that AMWUA is in a good cash position and reflects the Local Government Investment Pool (LGIP) Investment Account balance of approximately $827,009 that comprises the total of the Contingency and Reserve funds. The LGIP balance increases slightly from year to year due to interest earned.

RECOMMENDATION

Staff proposes that the AMWUA Management Board recommend 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
## Attachment A

**ARIZONA MUNICIPAL WATER USERS ASSOCIATION**

*Statement of Revenues and Expenses*  
*(Actual to Budget Comparison)*  

*For Period July 1, 2018 through Dec 31, 2018*

<table>
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<tr>
<th>Funding Sources</th>
<th>Year-To-Date</th>
<th>Year-To-Date</th>
<th>Over(Under)</th>
<th>Approved</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assessment - Water</td>
<td>995,897.50</td>
<td>995,897.50</td>
<td>0.00</td>
<td>1,183,510.00</td>
</tr>
<tr>
<td>Assessment - Wastewater</td>
<td>182,583.00</td>
<td>182,583.00</td>
<td>0.00</td>
<td>215,505.00</td>
</tr>
<tr>
<td>2017 Carryover Applied to Reduce Member Assessments</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Interest Revenues</td>
<td>9,074.32</td>
<td>0.00</td>
<td>9,074.32</td>
<td>0.00</td>
</tr>
<tr>
<td>Other Revenues</td>
<td>50,062.50</td>
<td>0.00</td>
<td>50,062.50</td>
<td>0.00</td>
</tr>
<tr>
<td><strong>Net Revenues</strong></td>
<td>1,237,617.32</td>
<td>1,178,481.50</td>
<td>59,136.82</td>
<td>1,399,015.00</td>
</tr>
</tbody>
</table>

### Operating Expenses

<table>
<thead>
<tr>
<th>Category</th>
<th>Year-To-Date</th>
<th>Year-To-Date</th>
<th>Over(Under) Year-To-Date</th>
<th>Annual Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>Payroll (Salaries)</td>
<td>295,758.72</td>
<td>307,024.50</td>
<td>(11,265.78)</td>
<td>614,049.00</td>
</tr>
<tr>
<td>Deferred Compensation (ASRS Payments)</td>
<td>33,712.10</td>
<td>37,133.00</td>
<td>(3,420.90)</td>
<td>74,266.00</td>
</tr>
<tr>
<td>Payroll Processing, Taxes and Insurance</td>
<td>26,239.01</td>
<td>28,850.00</td>
<td>(2,610.99)</td>
<td>57,700.00</td>
</tr>
<tr>
<td>Medical and Disability Insurance</td>
<td>33,519.56</td>
<td>39,000.00</td>
<td>(5,480.44)</td>
<td>78,000.00</td>
</tr>
<tr>
<td>Cell Phone Allowance</td>
<td>2,770.00</td>
<td>2,850.00</td>
<td>(80.00)</td>
<td>5,700.00</td>
</tr>
<tr>
<td>Temporary Services/Receptionist</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Legal/Consulting Services (Ferris Contract)</td>
<td>30,000.00</td>
<td>30,000.00</td>
<td>0.00</td>
<td>60,000.00</td>
</tr>
<tr>
<td>Legislative Services (Aarons Company-Contract)</td>
<td>23,749.98</td>
<td>23,750.00</td>
<td>(0.02)</td>
<td>47,500.00</td>
</tr>
<tr>
<td>Audit - Water</td>
<td>8,550.00</td>
<td>9,500.00</td>
<td>(950.00)</td>
<td>9,500.00</td>
</tr>
<tr>
<td>Audit - Waste Water</td>
<td>17,520.00</td>
<td>17,520.00</td>
<td>0.00</td>
<td>21,900.00</td>
</tr>
<tr>
<td>Website Services</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>5,000.00</td>
</tr>
<tr>
<td>Communication Services (Kossan Contract)</td>
<td>20,000.00</td>
<td>20,000.00</td>
<td>0.00</td>
<td>40,000.00</td>
</tr>
<tr>
<td>Consultant-Finance/Accounting</td>
<td>16,000.02</td>
<td>16,000.00</td>
<td>0.02</td>
<td>32,000.00</td>
</tr>
<tr>
<td>Audio/Visual Development</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>2,500.00</td>
</tr>
<tr>
<td>IT Services</td>
<td>2,400.00</td>
<td>2,500.00</td>
<td>(100.00)</td>
<td>5,000.00</td>
</tr>
<tr>
<td>Office Space - Lease</td>
<td>89,310.60</td>
<td>87,100.00</td>
<td>2,210.60</td>
<td>174,200.00</td>
</tr>
<tr>
<td>Common Area Maintenance</td>
<td>2,661.00</td>
<td>2,250.00</td>
<td>411.00</td>
<td>4,500.00</td>
</tr>
<tr>
<td>Telephone</td>
<td>2,338.44</td>
<td>2,250.00</td>
<td>(81.44)</td>
<td>6,500.00</td>
</tr>
<tr>
<td>E-Mail/Webpage/Internet</td>
<td>3,203.84</td>
<td>2,200.00</td>
<td>1,003.84</td>
<td>4,400.00</td>
</tr>
<tr>
<td>Travel/Conferences</td>
<td>4,068.23</td>
<td>4,068.23</td>
<td>0.00</td>
<td>9,000.00</td>
</tr>
<tr>
<td>Milage Reimbursement</td>
<td>1,329.31</td>
<td>1,500.00</td>
<td>(170.69)</td>
<td>3,000.00</td>
</tr>
<tr>
<td>Continuing Professional Ed</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>1,000.00</td>
</tr>
<tr>
<td>Staff Development</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>1,500.00</td>
</tr>
<tr>
<td>Copy Machine - Lease</td>
<td>2,151.11</td>
<td>2,600.00</td>
<td>(448.89)</td>
<td>5,200.00</td>
</tr>
<tr>
<td>Computer Hardware/Software</td>
<td>6,896.14</td>
<td>6,000.00</td>
<td>996.14</td>
<td>6,000.00</td>
</tr>
<tr>
<td>Office Supplies</td>
<td>1,260.32</td>
<td>3,500.00</td>
<td>(2,239.68)</td>
<td>7,000.00</td>
</tr>
<tr>
<td>Meetings</td>
<td>1,891.34</td>
<td>1,891.34</td>
<td>0.00</td>
<td>5,000.00</td>
</tr>
<tr>
<td>Outreach Efforts</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>15,000.00</td>
</tr>
<tr>
<td>Printing</td>
<td>192.49</td>
<td>1,150.00</td>
<td>(957.51)</td>
<td>2,300.00</td>
</tr>
<tr>
<td>Postage &amp; Deliveries</td>
<td>773.45</td>
<td>1,000.00</td>
<td>(226.55)</td>
<td>2,000.00</td>
</tr>
<tr>
<td>Subscription &amp; Reference</td>
<td>813.10</td>
<td>650.00</td>
<td>163.10</td>
<td>1,300.00</td>
</tr>
<tr>
<td>Dues &amp; Membership</td>
<td>1,255.28</td>
<td>1,000.00</td>
<td>255.28</td>
<td>2,000.00</td>
</tr>
<tr>
<td>Insurance</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>4,000.00</td>
</tr>
<tr>
<td>Equipment Maintenance</td>
<td>112.00</td>
<td>112.00</td>
<td>0.00</td>
<td>2,000.00</td>
</tr>
<tr>
<td>Water Conservation</td>
<td>111,994.78</td>
<td>90,000.00</td>
<td>21,994.78</td>
<td>90,000.00</td>
</tr>
<tr>
<td><strong>Total Operating Expenses</strong></td>
<td>740,570.82</td>
<td>742,399.07</td>
<td>(1,828.25)</td>
<td>1,399,015.00</td>
</tr>
</tbody>
</table>

**Reserve and Contingency Funds Summary:**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contingency Fund Balance on 12/31/18</td>
<td>$600,000</td>
</tr>
<tr>
<td>Reserve Fund Balance on 12/31/18</td>
<td>$202,000</td>
</tr>
<tr>
<td><strong>Total Contingency and Reserve Funds</strong></td>
<td><strong>$802,000</strong></td>
</tr>
</tbody>
</table>
# Arizona Municipal Water Users Association
## Balance Sheet
### As of December 31, 2018

<table>
<thead>
<tr>
<th>ASSETS</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current Assets</strong></td>
<td></td>
</tr>
<tr>
<td>1000 Petty Cash</td>
<td>500.00</td>
</tr>
<tr>
<td>1015 Compass Checking 25 287 52333</td>
<td>57,394.48</td>
</tr>
<tr>
<td>1025 Compass Money Market 25 100 20769</td>
<td>527,385.36</td>
</tr>
<tr>
<td>1030 Investment Account (LGIP)</td>
<td>827,009.22</td>
</tr>
<tr>
<td><strong>Total Bank Accounts</strong></td>
<td><strong>$ 1,412,289.06</strong></td>
</tr>
<tr>
<td><strong>Accounts Receivable</strong></td>
<td></td>
</tr>
<tr>
<td>1041 Other Receivables</td>
<td>17,006.66</td>
</tr>
<tr>
<td><strong>Total Accounts Receivable</strong></td>
<td><strong>$ 17,006.66</strong></td>
</tr>
<tr>
<td><strong>Other Current Assets</strong></td>
<td></td>
</tr>
<tr>
<td>1050 Prepaid Expenses</td>
<td>18,835.50</td>
</tr>
<tr>
<td><strong>Total Other Current Assets</strong></td>
<td><strong>$ 18,835.50</strong></td>
</tr>
<tr>
<td><strong>Total Current Assets</strong></td>
<td><strong>$ 1,448,131.22</strong></td>
</tr>
<tr>
<td><strong>Fixed Assets</strong></td>
<td></td>
</tr>
<tr>
<td>1100 Furniture &amp; Equipment</td>
<td>170,292.25</td>
</tr>
<tr>
<td>1150 Leasehold Improvements</td>
<td>52,665.08</td>
</tr>
<tr>
<td>1200 Accum Depreciation Furniture</td>
<td>-163,629.23</td>
</tr>
<tr>
<td>1250 Accum Depreciation Leasehold</td>
<td>-50,706.68</td>
</tr>
<tr>
<td><strong>Total Fixed Assets</strong></td>
<td><strong>$ 8,621.42</strong></td>
</tr>
<tr>
<td><strong>Other Assets</strong></td>
<td></td>
</tr>
<tr>
<td>1450 Deferred Outflow - Pension Resources</td>
<td>184,285.23</td>
</tr>
<tr>
<td><strong>Total Other Assets</strong></td>
<td><strong>$ 184,285.23</strong></td>
</tr>
<tr>
<td><strong>TOTAL ASSETS</strong></td>
<td><strong>$ 1,641,037.87</strong></td>
</tr>
</tbody>
</table>
# Arizona Municipal Water Users Association
## Balance Sheet
### As of December 31, 2018

### Liabilities

#### Current Liabilities
- **Credit Cards**
  - 2005 BBVA Compass Credit Card: 781.27
- **Total Credit Cards**: $781.27

#### Other Current Liabilities
- 2010 FICA Withheld and Accrued: -0.01
- 2050 Accrued Expenses: 115,884.00
- 2110 Retirees Excess Benefit Clearance: 3,211.76
- **Total Other Current Liabilities**: $119,095.75

**Total Current Liabilities**: $119,877.02

#### Long-Term Liabilities
- 2200 Deferred Revenues: 53,392.77
- 2210 Net Pension Liability: 937,799.00
- 2220 Deferred Inflow-Pension Resources: 111,186.00
- **Total Long-Term Liabilities**: $1,102,377.77

**Total Liabilities**: $1,222,254.79

### Equity
- 3000 Fund Balance: -78,263.42
- **Opening Balance Equity**: 0.00
- **Net Income**: 497,046.50
- **Total Equity**: $418,783.08

**Total Liabilities and Equity**: $1,641,037.87