



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

**ARIZONA MUNICIPAL WATER USERS ASSOCIATION
BOARD OF DIRECTORS**

MEETING NOTICE AND AGENDA

Thursday, February 28, 2019 – 11:00 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 24, 2019 Meeting
2. Schedule Next Meeting Date: Wednesday, March 28, 2019, 11:00 a.m.
3. 2019 Legislative Session
4. Status of Lower Basin Drought Contingency Plan
5. AMWUA Quarterly Financial Statements – Second Quarter

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.

Arizona Municipal Water Users Association



BOARD OF DIRECTORS
MEETING MINUTES
January 24, 2019

VOTING MEMBERS PRESENT

- Mayor Jim Lane, President, Scottsdale
- Councilmember Eddie Cook, Vice President, Gilbert
- Mayor Cathy Carlat, Secretary-Treasurer, Peoria
- Vice Mayor Pat Dennis, Avondale
- Councilmember Sheri Lauritano, Goodyear
- Councilmember René Lopez, Chandler
- Councilmember Kevin Thompson, Mesa
- Councilmember Bart Turner, Glendale
- Mayor Thelda Williams, Phoenix

VOTING MEMBERS NOT PRESENT

- Vice Mayor Lauren Kuby, Tempe

OTHERS PRESENT

- | | | |
|------------------------------|--------------------------|-------------------------------|
| Barry Aarons, The Aarons Co. | Keith DeVore, Mesa | Stuart Peckham, SRP |
| Patrick J. Adams, AMWUA | Miranda Dewitt, Mesa | Katie Peige, Phoenix |
| Anthony Alejandro, Peoria | Yesenia Dhott, Phoenix | Diana Piña, AMWUA |
| Anthony Beckham, SRP | Brian Draper, Mesa | John Raeder, Goodyear |
| Cindy Blackmore, Avondale | Alan Dulaney, Peoria | Kathy Rall, Scottsdale |
| Jessica Blazina, Avondale | Gretchen Erwin, Goodyear | Tony Staffaroni, CAP |
| Rob Bohr, Goodyear | Kathy Ferris, AMWUA | Warren Tenney, AMWUA |
| Ned Blum, CLA | Lacey James, Avondale | Sheri Trapp, AMWUA |
| Eric Braun, Gilbert | Sam Jaskolski, AMWUA | Carol Ward, AMWUA |
| Gregg Capps, Chandler | Ian Linssen, Mesa | Solange Whitehead, Scottsdale |

A. Call to Order

Mayor Lane called the meeting to order at 11:02 a.m.

B. General Business – Items for Discussion and Possible Action

1. Approval of the Minutes from the December 20, 2018 Meeting

Upon a motion by Councilmember Lopez and a second by Councilmember Turner, the AMWUA Board of Directors unanimously approved the December 20, 2018 meeting minutes.

2. Next meeting scheduled: Thursday, February 28, 2019, 11:00 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. He reported that the DCP Steering Committee met on January 8th and discussed the Arizona DCP Implementation Plan. He noted 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 stated that agreements and legislation are needed to hold the Arizona DCP Implementation Plan together, and the Arizona Department of Water Resources (ADWR) and the Central Arizona Water Conservation District (CAWCD) are working on completing those agreements.

Mr. Tenney reported that last week, ADWR released draft legislation on DCP that appears to be consistent with the agreed upon implementation plan, which is positive, though the actual bill language has yet to be released. He noted that the draft legislation includes some of AMWUA's key legislative items for this year: repealing the 2025 sunset for effluent recharge and increasing credits for managed recharge.

Mr. Tenney stated that the 2019 Legislative Session began last week and AMWUA has put its efforts to educate, inform, and persuade Legislators into high gear. He said the current challenge is there is not official bill language yet for DCP that can push forward. He noted that a special CAWCD Board meeting is happening right now, where they are discussing and reviewing the Joint Resolution that would authorize the ADWR Director to sign onto DCP. He said upon the Joint Resolution's approval, it will most likely be dropped as a bill by Monday.

Mr. Tenney stated that AMWUA continues to stress the importance of protecting Arizona's Colorado River Water and reducing the risk to the Colorado River system by implementing DCP. He said there is positive movement and the January 31st deadline could still be met.

Councilmember Thompson asked about the Gila River Indian Community's (GRIC) concerns with Speaker Bowers' bill [HB 2476] to address issues on the Upper Gila River. Mr. Tenney said there has been a long-standing contention between farmers, ranchers, and the Tribes since the Arizona Settlement Act and this bill was trying to address that. He said the GRIC reacted strongly, though they have not issued any additional statements. Mr. Tenney added

that there are concerns about the constitutionality of the bill, so it is possible that it could get stuck in the Rules Committee.

Councilmember Lopez asked about Speaker Bowers' intentions behind introducing HB 2476 because it was very disruptive. Mr. Tenney said he has heard a few different explanations for the bill's introduction.

Councilmember Thompson, Mayor Lane, and Mr. Aarons discussed HB 2476 as well as process and procedural issues in the Legislature. Mr. Aarons commented that it is best to take the legislative process one step at a time.

Mayor Lane stated he has heard that there is a contingent that wants to press the January 31st deadline to spite the Federal Government and asked about the validity of this rumor. Mr. Aarons said the January 31st deadline is a real deadline, not just a threat. He noted that there will always be pushback and friction with the Legislature. Mr. Aarons added that when the Legislature decides to move the Joint Resolution forward, it has the capacity to do so and in the required timeline.

Mr. Aarons noted that Representative Gabaldón and Senator Brophy McGee have prepared bills regarding the 2025 sunset repeal on their desks that are prepared to drop, if the repeal does not go through with DCP.

In response to a question from Councilmember Lopez, Mr. Tenney stated that the U.S. Bureau of Reclamation (Reclamation) is fully funded and the Federal Register is partially staffed, so the government shutdown will not affect the January 31st deadline.

Councilmember Turner noted that Robert Robb wrote a column in the Arizona Republic on the Joint Resolution issue and asked if the article received any traction in the Legislature. Mr. Aarons said he was unsure how many read the article or reacted to it. Regarding the context of the article, Mr. Aarons noted that it would be difficult to pass the Joint Resolution if the additional bills are not ready because a lot of legislators will be voting for the Joint Resolution because their interest is addressed in either the omnibus or trailer bills.

Ms. Ferris stated that it is important to understand that HB 2476 does not just affect the GRIC, it affects the AMWUA municipalities. She said it is a significant piece of legislation that AMWUA will have to deal with, if it moves forward.

4. 2019 Legislative Session

Mr. Tenney reported that AMWUA will be hosting a Legislative Breakfast on Wednesday, January 30th from 8:00 to 10:00 a.m. in the Senate Majority Caucus Room at the State Capitol. He invited the AMWUA Board of Directors members and their intergov staffs to attend this meet and greet with Legislators. He said AMWUA will place poster boards around the room that highlight important issues to the Association. Mr. Tenney stated

that in addition to acknowledging AMWUA and its 50th anniversary, AMWUA wants Legislators to understand the importance of water to AMWUA's municipalities and that urban views on water are as critical as rural viewpoints. He noted that the January 31st deadline was not in place when this event was scheduled; however, it may turn out to be a great opportunity to continue to put pressure on Legislators to complete DCP.

Mr. Aarons stated that his staff will be making phone calls and promoting this event, but stressed the value of AMWUA members' intergov staffs calling their Legislators and making personal invitations. He noted the importance of a good attendance to show support for AMWUA.

Mr. Tenney announced that he received a text message reporting that the CAWCD Board unanimously supported the Joint Resolution at its special board meeting.

Mr. Tenney stated that while DCP has been the focus, a number of bills regarding water have been introduced. He said AMWUA staff, Mr. Aarons and his team are closely following any new legislation. Mr. Tenney noted that the outcome of DCP will determine AMWUA's position on a number of water bills.

Mr. Tenney reviewed two bills that AMWUA staff recommends supporting:

- HB 2464: would raise the threshold for requiring voter authorization to accept Water Infrastructure Finance Authority (WIFA) loans from 50,000 to 150,000 residents. This bill would be beneficial to Avondale and Goodyear.
- HB 2394: would update Arizona's water efficiency standards for indoor water fixtures starting in 2020, which have not been updated since 1992. HB 2394 would align these water efficiency standards with the Environmental Protection Agency's WaterSense standards, a national certification program that AMWUA supports.

Mayor Carlat voiced support for both bills.

Mayor Carlat, Mayor Lane, Vice Mayor Dennis, and Mr. Tenney discussed WIFA loans, requirements, and eligibility.

Upon a motion by Vice Mayor Dennis and a second by Mayor Carlat, the AMWUA Board of Directors unanimously took the position of supporting HB 2464 and HB 2394.

5. [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 also noted that the audit indicated two opportunities to strengthen internal control, which AMWUA has already taken steps toward enacting and will ensure those suggestions are followed. Mr. Tenney reported

that at its January 9th meeting, the AMWUA Management Board unanimously recommended that the AMWUA Board of Directors accept the audit report as presented.

Upon a motion by Councilmember Lopez and a second by Vice Mayor Dennis, the AMWUA Board of Directors unanimously accepted the audit report as presented.

C. Executive Director's Report

Mr. Tenney reported that the CAWCD Water Quality Task Force met last week and received a presentation from staff regarding standards for non-project water in the Central Arizona Project (CAP) canal. He noted that last summer, the CAWCD Board accepted the proposal from the AMWUA-facilitated stakeholder group and since then, the group has been reviewing additional constituents and introductory standards. He reported that the CAWCD Water Quality Task Force agreed with the stakeholder group's approach and is forwarding its recommendation to the CAWCD Board of Directors. He noted that there is still more work to be done and that Reclamation will be getting more involved in the process.

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 distributed copies of the AMWUA 2018 Achievements brochure to the AMWUA Board of Directors for them to share with their fellow councilmembers and management to give them a better understanding of AMWUA.

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

Mayor Lane, Mr. Tenney, and Councilmember Lopez discussed the important role water quality standards play in operations.

D. Future Agenda Items

There were no requests for future agenda items.

Councilmember Thompson thanked Mr. Tenney for speaking with the Mesa Chamber Governmental Affairs Council on DCP.

E. Adjournment

Upon a motion by Councilmember Lopez and a second by Councilmember Turner, Mayor Lane unanimously adjourned the meeting at 12:02 p.m.



BOARD OF DIRECTORS
INFORMATION SUMMARY
February 28, 2019

2019 Legislative Session

ANNUAL PLAN REFERENCE

Legislation

Strategic Plan: Objectives – Advocate for Solutions, Safeguard Water Supplies, Reinforce Groundwater Management, Prepare for Impacts of Drought & Shortage; Collaboration – Legislature, Arizona Department of Water Resources, Central Arizona Project, Salt River Project, Water Community, and Business Community

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 in Arizona 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 2110 Striker: water efficient plumbing (Engel and six others). This striker, originally introduced as HB 2394, 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 2110 striker would bring these efficiency standards into alignment with the voluntary Environmental Protection Agency WaterSense standards, a national water efficiency certification program.

AMWUA testified in support of this bill; however, the House Natural Resources Energy & Water (NREW) Committee rejected HB 2110 along party lines.

AMWUA Position: Support

Status: Failed in NREW Committee 2/19/19

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.

AMWUA Position: Support

Status: Transmitted to Senate 2/15/19

At its February 13, 2019 meeting, the AMWUA Management Board unanimously recommended that the AMWUA Board approve the following legislative positions:

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 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: Transmitted to Senate 2/11/19

HB 2428: no-water urinals required; public buildings (Thorpe). As amended, this bill establishes that counties and municipalities must require the installation of water-free or ultra-low water use (≤ 0.5 gallon) urinals in all new construction or remodeling of existing public buildings where costs exceed \$10,000. 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 the alternative fixtures.

Representative Thorpe has expressed that his intention with the amendment is to execute a pilot test of the low water use fixtures in the House and Senate buildings; however, as written the bill would still require municipalities and counties to replace existing restroom fixtures upon initiating any new construction or renovation of existing buildings where costs exceed \$10,000. AMWUA is seeking clarification and amendments to HB 2428 so that AMWUA can support this bill.

Recommended Position: Support, if amended.

Status: Passed NREW Committee 2/19/19

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 but have remained in State statute to the present day.

Recommended Position: Support

Status: Assigned to House Consent Calendar 2/20/19

HB 2484 | SB 1221: irrigation grandfathered right; containerized plants (HB: Griffin | SB: Kerr). These bills state that in an initial Active Management Area (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 ground 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 was substituted for SB 1221 and signed by Governor 2/19/19

HB 2580 | SB 1450: grants; invasive vegetation reduction (HB: Osborne | SB: Kerr). These bills would appropriate \$15 million from the state general fund for the Game and Fish Commission to provide grants to municipalities, counties, tribes, and political subdivisions of the State for projects to eradicate invasive vegetation. The projects must assist in fire and flood prevention and conservation of water and wildlife habitat.

Recommended Position: Support

Status: HB 2580 passed Appropriations Committee 2/20/19 | SB 1450 passed Water and Agriculture (WAG) Committee 2/14/19

HB 2591: appropriation; WQARF (HB: Gabaldón). This bill appropriates \$20 million from the state 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 2591 passed NREW Committee 2/19/19

SB 1477: appropriation; best land management practices (Otondo and 16 others). This bill directs the State Land Commissioner and State Forester to establish a program promoting best land management practices for the removal of hazardous vegetation on state land for the purposes of fire suppression and watershed management. SB 1477 amends the program requirements to specifically include a plan for removal of hazardous vegetation from federal and tribal lands for the purposes of protecting infrastructure and municipal water supplies. The bill would appropriate \$4 million from the state general fund for the program.

Recommended Position: Support

Status: Passed WAG Committee 2/21/19

SB 1478: municipalities; counties; wildfire hazard removal (Otondo and 13 others). The Wildland-Urban Interface (WUI) is a federal land classification for areas where communities are located in and around forests. SB 1478 would require that cities or towns that contain a WUI must adopt an ordinance requiring private property within the WUI to remove any vegetation, natural fuels, or trash that constitute a wildfire hazard. This bill appropriates \$1 million for cities or towns to use in matching programs for the wildfire fuel removal.

Recommended Position: Support

Status: Assigned to committee 2/5/19

HR 2002: Arizona water professionals appreciation week (Gabaldón)

Designates April 14-20, 2019 as Arizona Water Professionals Appreciation Week to express gratitude and appreciation for the water professionals who contribute to the delivery and management of Arizona's safe and reliable water supplies.

Recommended Position: Support

Status: Has not been heard in committee

Recommended Position: Oppose

HB 2111 Striker: carbon dioxide emissions committee; repeal (Griffin). This striker 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 requirement. Upon rescinding the provision, the county would not be able to readopt the adequacy requirements for five years.

The original bill was modified in committee with a strike everything amendment on February 19, 2019. The strike everything amendment was introduced after the most recent AMWUA Management Board meeting; however, this bill is similar to legislation introduced by Representative Griffin in 2016 and 2018 that AMWUA opposed. The AMWUA Management Board recommended opposing this HB 2449, another similar bill introduced this session. Staff recommends that the AMWUA Board of Directors adopt a position opposing HB 2111.

Recommended Position: Oppose

Status: Passed Rules Committee 2/20/19

HB 2476: surface water forfeiture; repeal (Bowers). Under Arizona law, the owner of a water right that fails to put the appropriated water to beneficial use for five consecutive years forfeits that right. This is a primary tenant of western water law and can be found within the statutes of 16 western states. 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 is cautious of any legislation that would eliminate safeguards on underground storage or water exchanges as beneficial uses.

Recommended Position: Oppose

Status: Held in committee 2/19/19

HB 2586: groundwater replenishment; water supply; credits (Cook). As amended, this bill contains numerous alterations to the Groundwater Code that would significantly undermine Arizona's assured water supply requirements and establish worrisome precedent for all AMAs. Specifically, HB 2586 includes the following substantial amendments:

1. It would require ADWR to extend an analysis of assured water supply in Pinal County an indefinite number of times even though the Department has determined there is not enough

groundwater in the Pinal AMA to meet the water demands of all of the analyses it has already issued.

2. Changes the statutory definition of assured water supply, removing the Department's ability to consider existing rates of groundwater decline.
3. Adds perplexing criteria for the consideration of future groundwater replenishment from the Central Arizona Groundwater Replenishment District which would impact the Designations of Assured Water Supply held by municipal water providers

Recommended Position: Oppose

Status: Passed Rules Committee 2/20/19

HB 2609: Harquahala non-expansion area; groundwater transfer (Peterson & Cook). This bill adds a provision to statute allowing private water companies to withdraw groundwater from purchased land in the Harquahala irrigation non-expansion area (INA) and transport that water to an initial AMA. Previously, only political subdivisions of the state could purchase land and transfer the groundwater to AMAs. The AMWUA Management Board's main concern is that HB 2609 deepens the acceptable level of the water table for groundwater pumping from 1,000 feet below ground to 1,500 feet.

Subsequent to the AMWUA Management Board meeting, AMWUA staff spoke with the bill's supporters. Since the Harquahala INA has been designated as a basin in which water can be transferred from, the supporters believe it provides a supply of wet water that could be utilized. Pumping to the depth of 1,500 feet allows for the access of a larger supply of wet water, which the supporters say could be up to 10 million acre-feet. This water could be available as the State pursues other augmentation efforts such as desalination. AMWUA staff proposes that the AMWUA's position be neutral rather than oppose.

Recommended Position: Oppose

Status: Assigned to House Consent Calendar 2/20/19

Recommended Position: Monitor

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: Assigned to House Consent Calendar 2/20/19

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: Passed NREW Committee 2/19/19

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: Passed NREW Committee 2/19/19

Stalled Legislation

The AMWUA Management Board unanimously recommended that the AMWUA Board of Directors adopt the following positions for the bills below. Subsequently, these bills have stalled due to not being assigned to a committee or missing the deadline for bills to be initially heard in their house of origin. AMWUA staff does not anticipate that these bills will move forward this session but will continue to keep the AMWUA Board apprised of any updates.

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

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

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 AMAs or INAs except for a person who withdraws groundwater for transportation to an initial AMA.

Recommended Position: Support

Status: HB 2396 awaiting committee assignment | SB 1368 assigned to committee 2/4/19

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

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

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: Assigned to committee 2/7/19

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 revised previous substantive policy statements on this issue.

Recommended Position: Monitor

Status: Awaiting committee assignment

HB 2592: appropriation; DWR; hydrologists (Gabaldón). This bill would appropriate \$6.1 million to ADWR for the purpose 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

HB 2595: adequate water supply; designation; standards (Gabaldón). 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

HB 2630 | SB 1370: freshwater ecosystems; ecological water; survey (HB: Engel | SB: Dalessandro)
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: HB 2630 assigned to committee 2/12/19 | SB 1370 assigned to committee 2/4/19

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

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

RECOMMENDATION

At its February 13, 2019 meeting, the AMWUA Management Board discussed the aforementioned legislation and unanimously recommended that the AMWUA Board of Directors take the following legislative positions.

The AMWUA Board of Directors is encouraged to ask questions, discuss any legislation, and adopt the Management Board's recommended positions, with the addition of HB 2111.

Support:

HB 2009 – navigable stream adjudication commission; extension
HB 2110 – water efficient plumbing – STRIKER
HB 2013 – appropriation; Arizona water protection fund
HB 2428 – no-water urinals required; public buildings
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 2580 / SB 1450 – grants; invasive vegetation reduction
HB 2591 – appropriation; WQARF
HB 2592 – appropriation, DWR, hydrologists
SB 1477 – appropriation; best land management practices
SB 1478 – municipalities; counties; wildfire hazard removal
SB 1554 – water conservation; landscaping; rent; notice
HR 2002 – Arizona water professionals appreciation week

Oppose:

HB 2111 – carbon dioxide emissions committee; repeal – STRIKER
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
HB 2609 – Harquahala non-expansion area; groundwater transfer
HB 2630 / SB 1370 – freshwater ecosystems; ecological water; survey
SB 1198 – water infrastructure finance authority; appropriation



BOARD OF DIRECTORS
INFORMATION SUMMARY
February 28, 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.

The AMWUA Management Board reviewed this information at its February 13, 2019 meeting.

RECOMMENDATION

The AMWUA Board of Directors is encouraged to ask questions regarding the status of DCP.

Arizona Municipal Water Users Association



BOARD OF DIRECTORS
INFORMATION SUMMARY
February 28, 2019

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 reimbursement.

The Balance Sheet shows that AMWUA is in a good cash position and reflects the Local Government Investment Pool (LGIP) 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

At its February 13, 2019 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 Dec 31, 2018

	Year-To-Date	Year-To-Date	Over(Under)	Approved
	Actual	Budget	Year-To-Date	Annual
			Variance	Budget
Funding Sources				
Assessment - Water	995,897.50	995,897.50	0.00	1,183,510.00
Assessment - Wastewater	182,583.00	182,583.00	0.00	215,505.00
2017 Carryover Applied to Reduce Member Assessments		0.00		0.00
Interest Revenues	9,074.32	0.00	9,074.32	0.00
Other Revenues	50,062.50	0.00	50,062.50	0.00
Net Revenues	1,237,617.32	1,178,481.50	59,136.82	1,399,015.00
Operating Expenses				
Payroll (Salaries)	295,758.72	307,024.50	(11,265.78)	614,049.00
Deferred Compensation (ASRS Payments)	33,712.10	37,133.00	(3,420.90)	74,266.00
Payroll Processing, Taxes and Insurance	26,239.01	28,850.00	(2,610.99)	57,700.00
Medical and Disability Insurance	33,519.56	39,000.00	(5,480.44)	78,000.00
Cell Phone Allowance	2,770.00	2,850.00	(80.00)	5,700.00
Temporary Services/Receptionist	0.00	0.00	0.00	0.00
Legal/Consulting Services (Ferris Contract)	30,000.00	30,000.00	0.00	60,000.00
Legislative Services (Aarons Company-Contract)	23,749.98	23,750.00	(0.02)	47,500.00
Audit - Water	8,550.00	9,500.00	(950.00)	9,500.00
Audit - Waste Water	17,520.00	17,520.00	0.00	21,900.00
Website Services	0.00	0.00	0.00	5,000.00
Communication Services (Kossan Contract)	20,000.00	20,000.00	0.00	40,000.00
Consultant-Finance/Accounting	16,000.02	16,000.00	0.02	32,000.00
Audio/Visual Development	0.00	0.00	0.00	2,500.00
IT Services	2,400.00	2,500.00	(100.00)	5,000.00
Office Space - Lease	89,310.60	87,100.00	2,210.60	174,200.00
Common Area Maintenance	2,661.00	2,250.00	411.00	4,500.00
Telephone	2,338.44	3,250.00	(911.56)	6,500.00
E-Mail/Webpage/Internet	3,203.84	2,200.00	1,003.84	4,400.00
Travel/Conferences	4,068.23	4,068.23	0.00	9,000.00
Milage Reimbursement	1,329.31	1,500.00	(170.69)	3,000.00
Continuing Professional Ed	0.00	0.00	0.00	1,000.00
Staff Development	0.00	0.00	0.00	1,500.00
Copy Machine - Lease	2,151.11	2,600.00	(448.89)	5,200.00
Computer Hardware/Software	6,996.14	6,000.00	996.14	6,000.00
Office Supplies	1,260.32	3,500.00	(2,239.68)	7,000.00
Meetings	1,891.34	1,891.34	0.00	5,000.00
Outreach Efforts	0.00	0.00	0.00	15,000.00
Printing	192.49	1,150.00	(957.51)	2,300.00
Postage & Deliveries	773.45	1,000.00	(226.55)	2,000.00
Subscription & Reference	813.10	650.00	163.10	1,300.00
Dues & Memberships	1,255.28	1,000.00	255.28	2,000.00
Insurance	0.00	0.00	0.00	4,000.00
Equipment Maintenance	112.00	112.00	0.00	2,000.00
Water Conservation	111,994.78	90,000.00	21,994.78	90,000.00
Total Operating Expenses	740,570.82	742,399.07	(1,828.25)	1,399,015.00
Reserve and Contingency Funds Summary:				
Contingency Fund Balance on 12/31/18		\$600,000		
Reserve Fund Balance on 12/31/18		<u>202,000</u>		
Total Contingency and Reserve Funds		<u>\$802,000</u>		

Arizona Municipal Water Users Association
Balance Sheet
As of December 31, 2018

ASSETS		
Current Assets		
1000 Petty Cash	500.00	
1015 Compass Checking 25 287 52333	57,394.48	
1025 Compass Money Market 25 100 20769	527,385.36	
1030 Investment Account (LGIP)	827,009.22	
Total Bank Accounts		\$ 1,412,289.06
 Accounts Receivable		
1041 Other Receivables	17,006.66	
Total Accounts Receivable		\$ 17,006.66
 Other Current Assets		
1050 Prepaid Expenses	18,835.50	
Total Other Current Assets		\$ 18,835.50
 Total Current Assets		 \$ 1,448,131.22
 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		 \$ 1,641,037.87

Arizona Municipal Water Users Association Balance Sheet

As of December 31, 2018

LIABILITIES AND EQUITY

Liabilities

Current Liabilities

Credit Cards

2005 BBVA Compass Credit Card	781.27	
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Total Credit Cards	781.27	\$ 781.27
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Other Current Liabilities

2010 FICA Withheld and Accrued	-0.01	
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2050 Accrued Expenses	115,884.00	
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2110 Retirees Excess Benefit Clearance	3,211.76	
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Total Other Current Liabilities	119,095.75	\$ 119,095.75
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Total Current Liabilities		\$ 119,877.02
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Long-Term Liabilities

2200 Deferred Revenues	53,392.77	
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2210 Net Pension Liability	937,799.00	
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2220 Deferred Inflow-Pension Resources	111,186.00	
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Total Long-Term Liabilities	1,102,377.77	\$ 1,102,377.77
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Total Liabilities		\$ 1,222,254.79
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Equity

3000 Fund Balance	-78,263.42	
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Opening Balance Equity	0.00	
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Net Income	497,046.50	
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Total Equity	418,783.08	\$ 418,783.08
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TOTAL LIABILITIES AND EQUITY		\$ 1,641,037.87
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