

BOARD OF DIRECTORS

MEETING MINUTES

May 24, 2018

VOTING MEMBERS PRESENT

Mayor Jim Lane, President, Scottsdale
Councilmember Eddie Cook, Vice President, Gilbert
Mayor Cathy Carlat, Secretary-Treasurer, Peoria
Councilmember Pat Dennis, Avondale, via teleconference
Councilmember Lauren Kuby, Tempe
Councilmember René Lopez, Chandler
Councilmember Kevin Thompson, Mesa
Councilmember Bart Turner, Glendale

VOTING MEMBERS NOT PRESENT—EXCUSED

Vice Mayor Thelda Williams, Phoenix

OTHERS PRESENT

Barry Aarons, The Aarons Co.	Pat Kossan, AMWUA
Anthony Alejandro, Peoria	Ryan Lee, Glendale
Cindy Blackmore, Avondale	Frank Milam, Phoenix
Ned Blum, CliftonLarsonAllen	Brian Payne, AMWUA
Eric Braun, Gilbert	Stuart Peckham, SRP
Cynthia Campbell, Phoenix	Diana Piña, AMWUA
Gregg Capps, Chandler	Don Sehorn, CPA
Brian Draper, Mesas	Javier Setovich, Goodyear
Alan Dulaney, Peoria	Tony Staffaroni, CAP
Kathy Ferris, AMWUA	Warren Tenney, AMWUA
Brett Fleck, AMWUA	Carol Ward-Morris, AMWUA
Lacey James, Avondale	Marge Zylla, Tempe
Sam Jaskolski, AMWUA	

A. Call to Order

Mayor Lane called the meeting to order at 11:05 a.m.

B. General Business – Items for Discussion and Possible Action

1. Approval of the Minutes from the April 26, 2018 Meeting

Upon a motion by Mayor Carlat and a second by Councilmember Lopez, the AMWUA Board of Directors unanimously approved the April 26, 2018 meeting minutes.

2. Next meeting scheduled: Thursday, June 28, 2018, 11:00 a.m., in the AMWUA office

3. 2018 Legislative Update

Mr. Tenney stated that the 2018 Legislative Session ended less than a month ago. He said during the session there was a lot of talk about water, but no water legislation of significance passed. He discussed that AMWUA took a defensive position on water legislation rather than a supportive position as originally anticipated and that legislators showed little concern for Colorado River issues. He reported that the Fiscal Year 2019 budget appropriated \$100,000 for a study on groundwater issues in Mohave County and nearly \$16 million for the Arizona Department of Water Resources (ADWR) and 139 full-time employees. He also said the Water Quality Assurance Revolving Fund (WQARF) is planned to receive \$15.5 million.

Mr. Tenney reported that external pressures have put attention on Colorado River issues. He said the Upper Basin states wrote a letter to the Central Arizona Water Conservation District (CAWCD) addressing their concerns with CAWCD's statements and messaging. He added that similar concerns were expressed in a meeting of the Lower Basin states and the Bureau of Reclamation. He noted that other Basin states highlighted that Arizona's internal conflicts are preventing the Drought Contingency Plan (DCP) from moving forward, which is critical for the long-term health of the Colorado River system.

Mr. Tenney stated that the fundamental concern is that ADWR and CAWCD are not coordinated, sending mixed messages to the Legislature and other states. He said concerns by other Basin States expressed the last few weeks have made it clear that ADWR needs to take the lead on Colorado River issues and speak as one voice for Arizona. He reported positive news: last week ADWR and CAWCD released a joint statement that they "are committed to bringing DCP to closure in Arizona by addressing a broad range of issues that respect the concerns of all stakeholders across the State. The discussions between ADWR and CAWCD are only the first step in a process that will expand to include participation by stakeholders."

Mr. Tenney noted that AMWUA is already strategizing with Mr. Aarons and Ms. Ulmer on 2019 legislative efforts including working to build a coalition for support on AMWUA's priority issues, especially the 2025 sunset, and educating urban legislators on the importance of water. He said AMWUA also plans to bring forward a legislative agenda for

its members to utilize with their councils to enhance coordination between AMWUA and its members' intergov staffs.

Mr. Aarons discussed the 2018 legislation. He agreed that next legislative session Arizona needs to speak with one voice on water issues. He emphasized the importance of educating legislative candidates on water issues that impact their citizens. He reported that Ms. Ulmer and himself have begun working with legislative candidates.

Ms. Ferris, Mr. Tenney, and Mr. Aarons discussed that the 2025 recharge sunset was attached to a legislative package this session and it would be preferable if it was handled as a standalone issue in the 2019 legislative session, though that may not happen.

Councilmember Turner remarked that the water conversation in Arizona is primarily driven by Agriculture, Tribes, and developers though AMWUA's members' customers make up a vast majority of water users in the State. He emphasized the weight AMWUA and its members should have in water conversations. Councilmember Lopez agreed and noted the importance of communicating and collaborating in order to move forward with the best solution for the State. Mayor Carlat agreed that AMWUA's members are critical to Arizona's water conversations but noted that cities are not always seen in a good light at the Legislature.

Mayor Carlat asked if there are any expectations as to what the Governor's office will do next year. Mr. Aarons said the Governor's office is still formulating how it will address water next year. He added that he hopes the Governor's office will narrow its focus to the high priority water issues.

Regarding CAWCD and sovereign immunity, Mayor Lane stated that the issue needs to be set aside in order to focus on the high priority water issues. He said AMWUA should assume sovereign immunity does not exist for CAWCD and if it is exercised, then the matter should be challenged.

Councilmember Kuby, Mr. Aarons, and Mr. Tenney discussed having members of the AMWUA Board of Directors, their respective intergov staff, and AMWUA staff meet with urban legislators on water issues.

Mayor Lane and Councilmember Turner discussed AMWUA taking an offensive approach in the 2019 legislative session.

Mayor Lane noted that ADWR and CAWCD have had meetings together since making their joint statement and asked if there has been any feedback from those conversations. Mr. Tenney stated that two or three meetings have been held between the two organizations and no specifics have been discussed though the conversations have been characterized as positive.

4. Status of Post-NGS Energy for CAWCD

Mr. Payne shared an overview on the status of post-Navajo Generating Station (NGS) energy. He explained that historically NGS has been a very effective and economical power source for the Central Arizona Project (CAP) but the market has changed. He stated that the CAP Power Task Force convened following the NGS closure announcement to look into questions they would face post-NGS and expressed interest to develop a diverse portfolio, so as not to be dependent on one power source. Mr. Payne said lower prices for power pass onto ratepayers and, consequently, the CAWCD Board selected an energy portfolio to address the base power needs for the CAP earlier this month. He noted that the Hopi Tribe, Peabody Western Coal Company, and others filed a lawsuit against CAWCD claiming that CAWCD must continue to purchase its energy from NGS. Mr. Payne stated that as a result of the political issues surrounding the CAWCD Board, AMWUA staff recommends that the AMWUA Board of Directors consider expressing support for CAP acting in the best interest of its rate payers by having a diverse, cost-effective power portfolio.

Mayor Lane reiterated that the intent of this letter is to support the best interest of AMWUA's customers and not to become politically engaged on the subject.

Mayor Carlat said she liked the letter.

Upon a motion by Mayor Carlat and a second by Councilmember Thompson, the AMWUA Board of Directors unanimously approved sending the letter, as presented at the meeting, to the CAWCD Board acknowledging CAWCD's efforts to make certain that the CAP operates with a reliable, diverse, and cost-effective energy portfolio.

5. AMWUA Financial Statements through Third Quarter Ending March 2018

Mr. Tenney reported that as of the third quarter of the fiscal year, AMWUA is showing a year-to-date actual of \$14,395 less than the year-to-date budget. He said it is still anticipated that AMWUA will complete this fiscal year on budget with no carryover. He also noted that at its May 9th meeting, the AMWUA Management Board unanimously recommended that the AMWUA Board of Directors accept the third quarter financial statements as presented.

Upon a motion by Councilmember Kuby and a second by Mayor Carlat, the AMWUA Board of Directors unanimously accepted the third quarter financial statements as presented.

6. AMWUA Fiscal Year 2019 Draft Budget

Mr. Tenney stated that last month, the Fiscal Year 2019 preliminary draft budget was presented to the AMWUA Management Board and Board of Directors. He reported that the Fiscal Year 2019 draft budget shows an increase of \$48,748 from the current budget,

which is a 3.61% increase. He said there is no anticipated carryover from the Fiscal Year 2018 budget, which equates to a \$62,618, or 4.69%, increase for the total assessment to members. He reported that at its May 9th meeting, the AMWUA Management Board unanimously recommended that the AMWUA Board of Directors adopt the Fiscal Year 2019 draft budget as presented.

Mayor Carlat noted that it is interesting that when adjusted for inflation, the Fiscal Year 2019 draft budget is lower than it was in 1999.

Councilmember Turner suggested that AMWUA assess bringing communication services in-house at the appropriate time to potentially accomplish more with the same amount of money. Mr. Tenney said AMWUA plans to assess various options for how best to proceed with its communication services in the future and will present a proposal with AMWUA staff's recommendation to the AMWUA Board at the end of the calendar year.

Mayor Carlat and Mr. Tenney discussed that the AMWUA communication consultant does not provide website hosting services, maintenance, or updates.

Upon a motion by Councilmember Turner and a second by Councilmember Lopez, the AMWUA Board of Directors unanimously adopted the draft Fiscal Year 2019 budget as presented.

7. Consultant Agreement with the Aarons Company

Mr. Tenney stated that The Aarons Company has represented AMWUA professionally and effectively at the Legislature for the last four legislative sessions, and consequently AMWUA staff recommends retaining The Aarons Company. He noted the proposed consulting agreement spans the next two legislative sessions and includes an increase to their monthly rate.

Mayor Carlat and Mayor Lane commended Mr. Aarons' work and accomplishments.

Upon a motion by Mayor Carlat and a second by Councilmember Turner, the AMWUA Board of Directors unanimously authorized the AMWUA Executive Director to enter into the proposed agreement with The Aarons Company LLC at a monthly rate of \$3,958.33 from July 1, 2018 through June 30, 2020.

8. Agreement for Financial and Accounting Services

Mr. Tenney reported that AMWUA has conducted a competitive process to select a new financial and accounting consultant due to Don Sehorn having decided to conclude his consultant work with AMWUA at the end of the fiscal year. He said based on that process, the interview panel recommends that the AMWUA Board authorize him to enter into an agreement with the firm CliftonLarsonAllen to perform AMWUA's financial and

accounting services. Mr. Tenney introduced Ned Blum, CliftonLarsonAllen's Chief Financial Officer for Outsourcing, who AMWUA has been working with to ensure a smooth transition assuming the AMWUA Board approves the agreement.

Upon a motion by Mayor Carlat and a second by Councilmember Turner, the AMWUA Board of Directors unanimously authorized the AMWUA Executive Director to enter into a letter of engagement for the financial and accounting services with CliftonLarsonAllen at the annual rate of \$32,000 from July 1, 2018 to June 30, 2019.

9. Agreement for Communication Services

Mr. Tenney reported that Pat Kossan plans to discontinue her communication consulting work at the end of the calendar year, at which point AMWUA will be assessing how best to proceed with its communication efforts. He said AMWUA staff recommends extending Ms. Kossan's agreement until the end of the calendar year.

Upon a motion by Mayor Carlat and a second by Councilmember Lopez, the AMWUA Board of Directors unanimously authorized the AMWUA Executive Director to extend the agreement for communication services with Pat Kossan for \$20,000 through December 31, 2018.

C. **Executive Director's Report**

Mr. Tenney reported that two weeks ago, there was a breakthrough during a meeting of the AMWUA-facilitated Water Quality Stakeholder group, CAWCD staff, and Reclamation staff that will allow the water quality standards for non-project water process to move forward. He stated that the consensus proposal was presented to the CAWCD Water Quality Task Force, who made a recommendation to the CAWCD Board that it be adopted. He noted that more work will need to be done to flesh out this proposal, including determining delivery and introductory standards for other constituents, and a meeting was held yesterday to start that process.

Mr. Tenney reported that AMWUA is discussing with the Water Resources Advisory Group to develop fundamental principles that would be critical for a recovery implementation plan. He said working with ADWR and CAP on a recovery plan is a key part of AMWUA's recently adopted Annual Action Plan.

Mr. Tenney stated that at last week's CAWCD Customer Service Task Force, CAWCD's consultant presented its findings regarding CAWCD's relationship with its stakeholders. He said the consultant's presentation was candid in defining positives and negatives. He reported that the Task Force members identified areas that it would like to focus on that would improve customer relations, including how CAWCD Board and Committee meetings are structured. Mr. Tenney noted that the Task Force members said they would like to hear input

and feedback from stakeholders, which is a positive first step. He stated that the next CAWCD Customer Service Task Force meeting is scheduled in June.

D. Future Agenda Items

There were no requests for future agenda items.

E. Adjournment

Upon a motion by Councilmember Turner and a second by Mayor Carlat, Mayor Lane unanimously adjourned the meeting at 12:13 p.m.