



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

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

MEETING NOTICE AND AGENDA

Thursday, February 24, 2022 – 11:00 a.m.

***This meeting will be held as a Hybrid meeting.
Only AMWUA Board members may attend in person; Others are to join via Zoom.***

Access this [Link](#) to join. Meeting ID: 823 9345 6752
(Option to join by phone: 602-753-0140, same Meeting ID as above)

A. Call to Order

B. General Business—Items for Discussion and Possible Action

1. Approval of the Minutes from the January 27, 2022 Meeting
2. Schedule Next Meeting Date: March 24, 2022, 11:00 a.m.
3. 2022 Legislative Session
4. Water Augmentation Principles
5. Binational Ocean Desalination Initiative
6. AMWUA Fiscal Year 2022 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 may attend in person or by internet conferencing.

More information about AMWUA public meetings is available online at www.amwua.org/what-we-do/public-meetings, or by request.

Arizona Municipal Water Users Association



BOARD OF DIRECTORS
MEETING MINUTES
January 27, 2022
HYBRID – IN PERSON & ZOOM TELECONFERENCE

VOTING MEMBERS PRESENT

Councilmember Bart Turner, Glendale, President
Councilmember Sheri Lauritano, Goodyear, Vice President
Councilmember Scott Anderson, Gilbert, Secretary-Treasurer
Councilmember Bridget Binsbacher, Peoria
Councilmember Doreen Garlid, Tempe
Councilmember René Lopez, Chandler
Councilmember Curtis Nielson, Avondale
Councilwoman Ann O'Brien, Phoenix
Mayor David Ortega, Scottsdale
Councilmember Kevin Thompson, Mesa

OTHERS PRESENT

Barry Aarons, Aarons Co.	Jennifer Davidson, Avondale	Jacob Perez Laurent, AMWUA
Patrick J. Adams, AMWUA	Brian Draper, Mesa	Terry Piekarz, Tempe
Erin Andres, Phoenix	Gretchen Erwin, Goodyear	Marshall Pimentel, Avondale
Alexis Apodaca, Chandler	Paulette Fenderson, Phoenix	Diana Pina, AMWUA
Amy Arguilez, Gilbert	Kathy Ferris, AMWUA	Cape Powers, Peoria
Michelle Barclay, AMWUA	Brett Fleck, Peoria	John Raeder, Goodyear
Gretchen Baumgardner, Scottsdale	Lisa Gray, CliftonLarsonAllen	Richard Siegel, SRP
Kirk Beaty, Avondale	Eric Gudino, Phoenix	Martin Stiles, CAP
Anthony Beckham, SRP	Lauren Hixson, Gilbert	Drew Swieczkowski, Glendale
Rob Bohr, Gilbert	Hayley Howard, Aarons Co.	Warren Tenney, AMWUA
Craig Caggiano, Tempe	Emily Lewis, Phoenix	Sheri Trapp, AMWUA
Cynthia Campbell, Phoenix	Kathy Macdonald, Mesa	Theresa Ulmer, Ulmer Consulting
Gregg Capps, Chandler	Marisa Manheim, ASU	Austin Walker, AMWUA
Ginna Carico, Goodyear	Penny Parrella, Peoria	Adam Wiechman, ASU

A. Call to Order

Councilmember Turner called the meeting to order at 11:03 a.m.

B. General Business – Items for Discussion and Possible Action

1. Approval of the Minutes from the December 2, 2021 Meeting

Upon a motion made by Mayor Ortega and a second from Councilmember Garlid, the AMWUA Board of Directors unanimously approved of the December 2, 2021 meeting minutes.

2. Schedule Next Meeting Date: Thursday, February 24, 2022, 11:00 a.m.

3. 2022 Legislative Session

Mr. Tenney reported that the fourth Vetting Forum 4 Water had over 100 attendees and has been successful in generating further conversations about legislative water proposals in advance. AMWUA has also taken the lead with SB 1067, streamlining a municipalities ability to obtain a loan from WIFA, the Water Infrastructure Financing Authority. Though this bill had generated a lot of positive discussion, it was unexpectedly pulled from the agenda to be heard this week in the Senate Natural Resources Committee.

Mr. Aarons reported that there are questions regarding municipal transparency surrounding SB 1067 and there will be a stakeholder meeting to discuss said concerns. Mr. Aarons reported that HB 2099 has the potential to affect organizations that represent municipalities, such as AMWUA, and there are continued discussions to reduce impact against these organizations. Mr. Aarons also reported on the current status of the Legislative Session.

Mr. Adams gave a brief overview on SB 1067 and SB 1102 and reported that all the following bills are recommended for support:

HB 2053 department of environmental quality; continuation
HB 2406 water quality fee fund
HB 2456 | HB 2511 subsequent irrigation non-expansion areas; procedures
HB 2459 appropriation; WQARF
HB 2460 wells; permits; spacing rules
HB 2538 water protection fund; appropriation
HB 2556 water infrastructure finance; sunset repeal
SB 1022 | HB 2467 groundwater pumping; measuring; reporting
SB 1067 water infrastructure finance authority; cities
SB 1102 homeowners' associations; solar, water devices

Mr. Adams also reported on the bills that are recommended to keep a neutral position:

HB 2055 | SB 1147 Harquahala non-expansion area; groundwater transportation

Mr. Adams also gave a brief overview on HB 2131, HB 2409, and HB 2510 and reported that the following bills are recommended to be monitored:

HB 2037 expenditures; authority; water; wastewater
HB 2056 fifth management period; extension
HB 2057 water supply development fund; revisions

HB 2131 HOAs; artificial grass ban prohibited
HB 2231 universities; water rights adjudication
HB 2327 drought mitigation revolving fund; appropriation
HB 2409 multi-county water districts; storage tax
HB 2510 rural management areas
HB 2512 Colorado River water; local communities
HB 2560 appropriation; DWR; water efficiency projects
SB 1023 | HB 2463 well drilling; groundwater basins

Mr. Adams then summarized all the following bills that are recommended to oppose:

HB 2099 municipalities; membership dues; limit
HB 2256 assured water supply; service area
HB 2258 assured water; supply; nonlocal water
HB 2331 area of impact; stored water
HB 2549 stored water; certificates; impact; accounting
SB 1198 local governments; lobbying prohibition

Councilmember Lopez expressed his concern on the current status of HB 2409 and suggested to adopt an “oppose” position unless there is inclusion of recovery within the possible costs of CAWCD’s Water Storage Tax. Councilmember Lopez also requested more information regarding the taxing authority moving into the future. Councilwoman O’Brien asked if there was a strategic perspective to recommending a “monitor” position on HB 2049, rather than “oppose”. Mr. Tenney responded that while there are strong concerns regarding this bill, AMWUA has opted to “monitor” solely in response to possible adjustments with the bill. Mr. Aarons added that a “monitor” position allows staff to keep a closer watch on how the bill evolves throughout the legislative process. Mayor Ortega recommended remaining in a “monitor” position, knowing that Mr. Aarons would be able to voice the concerns of the Board if the bill is modified. Councilmember Binsbacher and Turner added their own support to continue monitoring this bill, with the option to “oppose” the bill in its current form in the future.

Mayor Ortega, Councilmember Turner, and Councilmember Anderson requested clarification regarding the rural management areas proposed in HB 2510 and Mr. Adams explained further about the concept pursued by rural areas seeking more local control over groundwater issues.

Mr. Adams then reported on two potential legislative proposals that the AMWUA Board of Directors should be aware of, though they have not formally been introduced within the Legislature: the Buckeye Irrigation District wanting to be able to provide groundwater service to M&I Entities and the appropriation of funds for ADEQ to fast track the overall regulatory framework for municipal providers to be able to do direct potable reuse. AMWUA staff will continue to monitor the development of both proposals and possible introduction of legislation.

Councilmember Garlid, Mayor Ortega, and Councilmember Lauritano requested additional information regarding the Buckeye Irrigation District proposal. Mr. Aarons and Mr. Adams both provided more information on this legislative proposal.

Ms. Ulmer gave an update that the legislative proposal for Appropriation for ADEQ is moving forward and suggested that Board members voice their support of it to Representative Osborne, who is planning to sponsor it.

Upon a motion from Councilwoman O'Brien and a second from Mayor Ortega, the AMWUA Board of Directors unanimously approved to adopt the recommended positions on these bills.

4. Colorado River Conditions and Shortage

Mr. Tenney reported that drier conditions continue to be anticipated throughout the Colorado River Basin. Though snowpack is 108% of median based on the 30-year normal of this day, there is only an accumulated 63% of the total year's worth. The Bureau of Reclamation has adjusted its management protocols for the River, reducing its monthly releases from Lake Powell during the early months of this year in an effort to prevent the reservoir from dropping further than it did last year. Lake Powell currently sits at 27% reservoir capacity, 10 feet away from a critical target level and only giving a 35-foot buffer for Glenn Canyon Dam's ability to generate electricity. Lake Mead sits at 34% full, at elevation 1,067'. As of the January 24-month study, the Lake is projected to drop just below 1,050' in August which would trigger a Tier 2a shortage in 2023.

Mr. Tenney reported on the main takeaways of the Colorado River Water Users Association conference in December. The 500+ Plan was completed in time, emphasizing that the Lower Basin States are acting and will continue to cooperate towards long-lasting solutions. The major entities – ADWR, CAP, MWD, SNWA and Reclamation – signed agreements to commit money for compensating the system conservation while individual agreements still need to be completed.

Mr. Tenney reported that all data and discussion shows that the River will produce on average less water. The historical record reveals that the River produced on average 14.8 million acre-feet, less than what was allocated among the seven Basin States – showing the structural deficit of the River. Brad Udall, one of the foremost experts on Colorado River water and climate change issues, stated at the conference that 11 million acre-feet may be the most reasonable worst-case scenario. With less Colorado River water in any scenario, Basin States and Reclamation are searching for the best approach moving forward to reconsultation and planning for the future.

Mr. Tenney also reported that he and the City of Phoenix and City of Tucson staffs were invited to a meeting with the Colorado River Indian Tribes (CRIT) at CRWUA. The CRIT has been pursuing newly introduced federal legislation, giving it the same ability as other tribes to lease a portion of its consumptively used water rights off reservation in Arizona. AMWUA had written a letter of support for the legislation a year ago when ADWR was seeking feedback about the terms of the legislation – and they thanked AMWUA for past and continued support. The CRIT also conveyed that they are interested in partnerships which could be beneficial to supplement or backfill the cuts in AMWUA Colorado River water due to shortages.

Mr. Tenney also reported that AMWUA facilitated another Regional Communications meeting in December to ensure everyone was coordinated and prepared after CRWUA and with the Tier 1 Shortage becoming official in January. In addition, our goal at AMWUA is to continue to produce educational materials, including ensuring our weekly blogs remain relevant and timely on the various issues from the municipal perspective. AMWUA will strategically adapt and expand the shortage awareness campaign messaging as needed as we prepare for the release of the April 24-month study and additional shortage information.

Mayor Ortega noted that CAWCD has increased its O&M rate due to the Tier 1 shortage declaration and requested information on how a Tier 2 declaration would increase rates or fees for members. He noted that the City of Scottsdale Water Utility has requested a 5% voluntary reduction from all users in response to the City's stage one of its drought preparedness plan.

5. IRS Form 990 for Fiscal Year 2021

Mr. Tenney reported that the draft IRS Form 990 has been completed by CliftonLarsonAllen based on Audited Financial Statements as of June 30, 2021, though there are no expected changes to this draft. Mr. Tenney recommended that the Board of Directors accept the draft IRS Form 990 as presented and authorize him as Executive Director to execute the final IRS Form 990.

Upon motion made by Councilmember Binsbacher and a second from Councilmember Garlid, the AMWUA Board of Directors unanimously approved to authorize Executive Director Warren Tenney to execute the final IRS Form 990.

C. Executive Director's Report

Mr. Tenney reported that the Governor recently announced wanting to commit \$1 billion over the next three years for water augmentation projects, specifically referencing the binational desalination project with Mexico. AMWUA staff has completed a review regarding the desalination project and will give a presentation to this Board next month, along with information on future augmentation projects likely to arise in discussion at the Legislature.

Mr. Tenney also reported on the SRP system, with the combined reservoirs of both the Salt and Verde Rivers sitting at 71% full.

D. Future Agenda Items

There were no future agenda items discussed at this time.

E. Adjournment

Councilmember Turner adjourned the meeting at 12:18 p.m.

BOARD OF DIRECTORS
INFORMATION SUMMARY
February 24, 2022

2022 Legislative Session

ANNUAL PLAN REFERENCE

Legislation

Effectively advocate with one voice at the Legislature.

- Monitor, analyze and clarify state and federal legislation of interest to our members.
- Engage with legislators to inform them about the issues important to AMWUA including identifying and working with legislators to champion water issues.

Strategic Plan: Collaborate and Advocate for Solutions, Safeguard Water Supplies, Reinforce Groundwater Management, Prepare for Impacts of Drought & Shortage, Pursue Post-2025 Water Policy

SUMMARY

The Second Regular Session of the 55th Legislature began on January 10, 2022. To date, over 1675 measures have been introduced. On January 27th, the AMWUA Board of Directors unanimously adopted positions on 32 bills. At the time of this Board meeting, both the House and Senate deadlines for introduction of new bills will have passed. Within this legislative update is a list of bills that the Management Board has recommended positions on, as well as a status update on all bills for which AMWUA has already adopted legislative positions.

RECOMMENDATION

Staff requests that the AMWUA Board of Directors adopt legislative positions presented in this Board packet.

Depending on the introduction of legislation before the February 24, 2022 meeting, the AMWUA Board of Directors may be asked to provide direction regarding additional legislation.

SUGGESTED MOTION

I move that the AMWUA Board of Directors adopt the following legislative positions as outlined in the Board packet:

SUPPORT

SB 1489: subdivisions; definition; lots (Otondo & 6 others)

HB 2671: appropriation; WQARF; treated recycled wastewater (Osborne & 4 others)

HB 2761: water efficient plumbing fixtures (Mathis & 9 others)

HB 2812: rainwater harvesting program (Liguori & 11 others)

MONITOR

SB 1564: domestic water districts; wastewater; annexation (Shope)

SB 1611 | HB 2725: Arizona Water Authority (S: Fann & Kerr | H: Bowers & Griffin)

NEUTRAL

SB 1600: water recharge; direct use (Shope)

OPPOSE

SB 1171: S/E treated process water; definitions (Kerr)

SB 1595: irrigation districts; uses; drainage permit (Kerr)

Bills Recommended for Action by the AMWUA Board of Directors

SB 1171 S/E treated process water; definitions (Kerr)

Amends the statutory definition of “Water that cannot reasonably be used directly” (WaterBUD) to include *Treated Process Water*, defined as: “groundwater that is used for nonirrigation use in a facility that manufactures food and beverage products and subsequently treated at the site of use for storage.” This legislation is being introduced on behalf of two beverage manufacturing companies in the Valley who seek to recharge their industrial wastewater and generate long-term storage credits (LTSC) to increase their legally-allowable groundwater pumping. Currently, wastewater generated from industrial processes does not fall under the legal definition of “effluent” and is ineligible to accrue LTSC when stored underground. SB 1171 limits the use of treated process water LTSC to the same subbasin where the water was stored, and also limits the assignment (i.e., transfer or sale) of the LTSC to an affiliate or successor of the original storer.

The AMWUA cities have serious concerns with the proposed statutory amendments, particularly the potential for this bill to incentivize industrial users to extract fossil groundwater and convert it to LTSC for sale, as well as the precedent of allowing groundwater-dependent industrial users to proliferate and remove themselves from centralized water management.

Management Board Recommendation: Oppose

SB 1489 subdivisions; definition; lots (Otondo & 6 others)

Amends the statutory definition of “subdivision.” Currently subdivision is defined as land divided into six or more parcels where at least one parcel is less than 36 acres. SB 1489 would amend the definition to land divided into *four* or more parcels. It is AMWUA’s understanding that this bill is intended to address lot splits and wildcat subdivisions to bring more development under the jurisdiction of the Assured and Adequate Water Supply (AAWS) programs. From a water resource planning perspective, this would reduce the future unreplenished groundwater pumping associated with new developments that are not currently subject to AAWS requirements.

Management Board Recommendation: Support

SB 1564 domestic water districts; wastewater; annexation (Shope)

Amends A.R.S. § 48-959, relating to the dissolution of domestic water and wastewater improvement districts. Under SB 1564, when any portion of a District is annexed into a city or town, if the municipality elects to provide water service to the newly annexed area, the District’s assets and liabilities from the newly annexed area are assumed by the city. If applicable, the District shall continue to operate outside of the boundaries of the newly

annexed area. If the city determines that the District does not have the capacity to maintain peak domestic demand and fire flow requirements in the newly annexed area, the District is dissolved and the city assumes its assets and liabilities.

Management Board Recommendation: Monitor

SB 1595 irrigation districts; uses; drainage permit (Kerr)

This legislation would allow the Buckeye Water Conservation & Drainage District (BWCCD) to serve groundwater to municipal and industrial water users up to the volume approved in its Drainage Water Withdrawal Permit.

BWCCD has described this legislation as an effort to help nearby cities with an additional water supply as the groundwater would not carry a replenishment obligation because it originates from the Buckeye Waterlogged Area. It is unclear what local cities or users would seek to receive groundwater service from BWCCD under this new statutory authority.

AMWUA has engaged with BWCCD representatives and other stakeholders to better understand the intent and consequences of this legislation. AMWUA staff and member cities have expressed significant concerns regarding the ramifications of this proposal, however SB 1595 as introduced has not been modified substantively from earlier drafts shared with stakeholders.

This bill would lead to increased groundwater mining in the Buckeye Waterlogged Area, up to 30,000 AF per year, which would reduce physical availability of groundwater and count against the Phoenix AMA goal of safe-yield. The pumping and sale of this water has no conservation requirements, no replenishment obligations, and no withdrawal fees to contribute to the AMA water management objectives. Of most concern is the potential for future development to become reliant on groundwater from the waterlogged area that is temporary in nature as well as the precedence for irrigation districts to serve groundwater outside of their service area.

Management Board Recommendation: Oppose

SB 1600 water recharge; direct use (Shope)

Amends the definition of “Water that cannot reasonably be used directly” (WaterBUD) to include Central Arizona Project water stored underground in the Pinal AMA by a water provider located in the Pinal AMA. WaterBUD generally prohibits entities from earning or purchasing long-term storage credits (LTSC) if they are simultaneously pumping groundwater. SB 1600 would remove this prohibition from Pinal AMA water providers recharging CAP water in the Pinal AMA.

Management Board Recommendation: Neutral

[SB 1611](#) | [HB 2725](#) Arizona Water Authority (S: Fann & Kerr | H: Bowers & Griffin)

SB 1611 establishes the “Arizona Water Authority.” This bill is a placeholder for legislation under development by the Governor’s Office and House & Senate leadership. It is anticipated to restructure the Drought Mitigation Revolving Fund Board that was established in 2021 and create an entity to fund and oversee large augmentation projects.

Management Board Recommendation: Monitor

[HB 2671](#) appropriation; WQARF; treated recycled wastewater (Osborne & 4 others)

On November 30, 2021, the Post-2025 AMAs Committee recommended a series of consensus proposals to the Governor’s Water Council, including a request that resources be provided to the Arizona Department of Environmental Quality (ADEQ) to fast track development of a Rulemaking for a Direct Potable Reuse (DPR) permit process.

ADEQ’s Regulatory Agenda anticipates that this Rulemaking and program development will take place in 2022, however no funds were specifically requested for this purpose in the agency’s FY23 Budget Request.

As co-chairs of the Post-2025 AMAs Committee, AMWUA and Valley Partnership have collaborated to pursue a legislative appropriation that would provide ADEQ with the financial resources to complete this Rulemaking, as well as a statutory deadline of 2024. Accelerating the implementation of DPR is a long-standing priority for the Arizona water community and an important step towards mitigating the impacts of drought and shortage. HB 2671 provides requires ADEQ to complete this rulemaking by June 30, 2024, and appropriates \$250,000 in FY 23 and FY 24 assist the Department in developing the DPR program.

Management Board Recommendation: Support

[HB 2761](#) water efficient plumbing fixtures (Mathis & 9 others)

Arizona adopted water-efficiency standards for indoor plumbing fixtures in 1992 which have since been superseded by various federal laws and requirements. This bill would update Arizona’s water-efficiency standards to align with criteria established by the WaterSense Program, a public-private partnership between industry, utilities, and regulators. AMWUA has supported this legislation each year since the 2019 session.

Management Board Recommendation: Support

[HB 2812](#) rainwater harvesting program (Liguori & 11 others)

Establishes the Rainwater Harvesting Grant Program within the Arizona Department of Water Resources. Grants are available to Program applicants at two Levels: Level 1 Grants may be used to reimburse up to 50% of a simple or passive rainwater harvesting system, up to \$500. Level 2 Grants may fund up to a maximum of \$2,000 for an “active and more complex” project, including installation of a rainwater harvesting system and storage tank. Various routine landscaping activities are identified and excluded from eligibility for grant funding. HB 2812 appropriates \$1 million to ADWR to fund the Program.

Management Board Recommendation: Support

Positions Adopted by the AMWUA Board of Directors on January 27, 2022

[HB 2037](#) expenditures; authority; water; wastewater (Cook)

This bill would expand the authority of a County Board of Supervisors to appropriate and spend funds for participation in water reuse projects, regional recharge projects, and to purchase water rights to “demonstrate an assured water supply.” HB 2037 allows a County Flood Control District’s Board to engage in joint recharge projects with private water companies, in addition to political subdivisions.

AMWUA Position: Monitor

[HB 2053](#) department of environmental quality; continuation (Griffin)

Extends the sunset date for the Arizona Department of Environmental Quality for eight years, through 2030.

AMWUA Position: Support

[HB 2055](#) | [SB 1147](#) Harquahala non-expansion area; groundwater transportation (H: Griffin | S: Kerr)

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. Currently, only political subdivisions of the state can purchase land and transfer the Harquahala groundwater to AMAs. This bill is similar to a measure introduced in 2019 (HB 2609) although previously problematic elements relating to the depth of allowable groundwater withdrawal have been removed.

AMWUA worked with the main proponent, EPCOR, to amend the proposal so that the definition of “private water company” is clearly limited to private utilities regulated by the Arizona Corporation Commission, excluding a broader interpretation of the term that could include entities such as investment firms and developers.

AMWUA Position: Neutral

Status: HB 2055 passed House NREW Committee. SB 1147 was held in Senate NREW on 1/19

[HB 2056](#) fifth management period; extension (Griffin and 3 others)

Extends the Fifth Management Period by ten years, lengthening the Period from to 2025 to 2035. Extending the Fifth Management Period by a decade does not alter the end date of the

5MP regulations, as the conservation requirements continue to remain in effect indefinitely, whether the Period ends in 2025 or 2035.

ADWR sought to pursue legislative authority to establish a Sixth Management Period; however, it appears that this bill will not be amended to accomplish the Department's objective. HB 2056 may be utilized as a vehicle.

AMWUA Position: Monitor

HB 2057 water supply development fund; revisions (Griffin & Bowers)

The Water Supply Development Revolving (WSDR) fund was established in 2007 and was intended to assist rural water providers acquire water supplies through loans and grants. The statutory criteria associated with WSDR Fund were substantively modified in the 2021 Legislative Session by HB 2388 which expanded applicant eligibility, as well as a \$46 million appropriation to the Fund.

This bill, HB 2057, makes technical corrections, deletes references to the defunct WSDR Fund Committee, and makes conforming changes to last year's legislation that expanded the maximum grant limit to \$250,000.

AMWUA Position: Monitor

HB 2099 municipalities; membership dues; limit (Cobb & 2 others)

This bill applies to all organizations whose majority of paid members are cities or towns. HB 2099 establishes a "per capita" metric that divides a city's membership dues by its total population. No city may pay membership dues to an organization if its "per capita" ratio is greater than the ratio of the largest city within the same organization.

This formula is incompatible with AMWUA's calculation of membership assessments which are not solely based on population. This legislation would impair the ability of municipalities to establish and participate in organizations that do not follow this narrow structure for establishing membership dues.

AMWUA Position: Oppose

HB 2131 HOAs; artificial grass ban prohibited (Kavanagh)

HB 2131 prevents a homeowner's association (HOA) from prohibiting installation or use of artificial turf on any member's property. The HOA may adopt reasonable rules regarding the installation and appearance of artificial grass. AMWUA staff are reaching out to Rep. Kavanagh

to discuss potential amendments to increase the focus on broader water conservation, similar to SB 1102.

AMWUA Position: Monitor, seek amendments

HB 2231 universities; water rights adjudication (Griffin)

Authorizes Arizona universities to offer pro bono assistance to General Stream Adjudication claimants who are “small landowners.” The provisions of this bill were included in a section of a 2021 budget reconciliation bill subsequently deemed unconstitutional by the Arizona Supreme Court, thus its reintroduction in this session.

AMWUA Position: Monitor

HB 2256 assured water supply; service area (Cook)

Requires the Director of ADWR, when determining the physical availability of groundwater to be drawn through future wells for an Assured Water Supply (AWS) Determination to assume that:

- The service area of a city or town is coterminous with the boundaries of the city or town;
- The service area of a private water company is coterminous with the boundaries of its certificate of convenience and necessity (CC&N); and
- The service area of a water improvement district is coterminous with the boundaries of the district.

AMWUA and ADWR have identified several concerns with this proposal. First, HB 2256 would establish statutory definitions of “service area” that directly contradict the Groundwater Code’s existing provisions that define and govern service area expansions. This bill would also allow AWS Determinations to be approved on the premise that a future well will be drilled in a location where there is no guarantee the water provider will have access in the future. ADWR has noted that this proposed legislation is inconsistent with the consumer protection goals of the AWS Program.

AMWUA Position: Oppose

HB 2258 assured water; supply; nonlocal water (Cook)

HB 2258 attempts to enable water providers delivering commingled water supplies (surface water, groundwater, effluent) to account for deliveries to an individual end user as if groundwater had not been delivered to that user. Presumably this would allow – or require – a

water provider to account for certain water supplies going to specific end users, despite physical deliveries of a blended supply.

The objective of HB 2258 is to authorize water providers to wheel specific supplies to individual customers under this provision, ending the long-standing ADWR requirement that an applicant for a Determination of Assured Water Supply must demonstrate physical availability of any groundwater delivered through the water provider’s distribution system.

AMWUA and ADWR have identified significant concerns with this proposal, including that it undermines the AWS Program by preventing ADWR from evaluating physical availability of groundwater and could create infeasible municipal water provider reporting requirements. Furthermore, the requirement to assign specific water supplies to specific customers despite deliveries of a blended supply could lead to inequities in within a municipal water service area between different customers.

AMWUA Position: Oppose

HB 2327 drought mitigation revolving fund; appropriation (Bowers & Toma)

Appropriates _____ billion dollars (unspecified) to the Drought Mitigation Revolving Fund.

AMWUA Position: Monitor

HB 2331 area of impact; stored water (Cook)

HB 2331 moves statutory definitions of “Area of Impact” (AOI), previously only applicable to Designation applications in the Pinal AMA, to the Recharge Program statutes in Title 45, Chapter 3.1. The bill also expands the AOI for a Groundwater Savings Facility by adding a 1-mile buffer to the irrigation district boundaries.

Moving the AOI definitions as proposed would have broader impacts to the Recharge Program where “AOI” is used in other regulatory processes, such as permitting requirements for an Underground Storage Facility permit. Additionally, the proposed new definition that expands the AOI of a Groundwater Savings Facility by one mile further disconnects recovery from recharge.

AMWUA Position: Oppose

HB 2406 water quality fee fund (Griffin)

Expands the allowable uses of ADEQ’s Water Quality Fee Fund (WQFF) to include total maximum daily load (TMDL) development, nonpoint source rulemakings, and groundwater

monitoring and standards development. Also allows ADEQ to pursue a rulemaking to update AZPDES and APP fees which have been static since 2011. Rep. Griffin is running this bill on behalf of ADEQ.

AMWUA Position: Support

[HB 2409](#) multi-county water districts; storage tax (Griffin)

Extends CAWCD’s authority to levy the Water Storage Tax at 4¢ through 2029. The Water Storage Tax subsequently reduces to 3¢ in 2030 and expires in 2035.

CAWCD had originally sought to extend the tax levy at the full 4¢ through 2044. AMWUA has requested that CAWCD provide more specificity regarding the intended use of the tax revenues, and that the legislation clarify that recovery is an authorized use of the Water Storage Tax.

Prior to the introduction of HB 2409, AMWUA requested more specificity about how the Water Storage Tax revenues will be used and noted that it should be clarified that the tax can be utilized for recovery purposes. The Water Storage Tax funded the Arizona Water Banking Authority’s storage of excess Colorado River water to firm M&I supplies reduced by shortage, and the same tax should be authorized to fund the recovery of that stored water.

AMWUA Position: “Monitor,” but willing to move to “Support” if the statutory amendments include language clarifying that the Water Storage Tax can be used for the purposes of recovery.

[HB 2456](#) | [HB 2511](#) | [SB 1492](#) subsequent irrigation non-expansion areas; procedures (H: Cano, Cobb | S: Otondo)

These measures introduce a number of modifications to the procedures for establishment of new irrigation non-expansion areas (INA). This proposal would allow ADWR to consider projected rates of groundwater withdrawal as part of the determination of a new INA. The bill also clarifies which entities are eligible to petition the State to create a new INA and would mandate that petitioners submit a groundwater model and hydrologic assessment using methodology approved by the ADWR Director. The language aligns with the suggested statutory changes presented by ADWR in the summer of 2017 during the Governor’s Water Solutions Conversations. AMWUA has previously supported this legislation.

AMWUA Position: Support

[HB 2459](#) appropriation; WQARF (Cano & 8 others)

Appropriates \$15 million from the general fund in FY2022-23 to the Water Quality Assurance Revolving Fund. 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.

AMWUA Position: Support

[HB 2460](#) wells; permits; spacing rules (Cano & 5 others)

Requires that ADWR adopt rules governing the location of new and replacement wells >35 gpm located outside of AMAs, within groundwater basins that the Director determines to be experiencing declining groundwater levels. AMWUA has historically supported similar legislation.

AMWUA Position: Support

[HB 2510](#) | [HB 2661](#) rural management areas (Cobb & Biasiucci)

For Mohave, La Paz, and Yuma counties this bill would allow the County Board of Supervisors to establish a new type of water management jurisdiction called a Rural Management Area if a particular groundwater basin or subbasin meet certain criteria, generally related to groundwater depletion. For any Rural Management Area that is formed, a seven-person Council shall be appointed by the Governor. The Rural Management Area Council must adopt a Management Goal, Management Plan, and voluntary or mandatory best management practices designed to reduce groundwater withdrawals in the area. Any proposed actions to be implemented by ADWR in the Management Plan must be submitted for approval by the Department. HB 2510 also establishes the “Department of Water Resources Heritage Fund” consisting of monies deposited from the State Lottery, to support ADWR administration of the Rural Management Area.

AMWUA Position: Monitor

[HB 2512](#) Colorado River water; local communities (Cobb & Biasiucci)

Prohibits transfer of on-river Priority 4 Colorado River water from outside of a “Colorado River community.”

AMWUA Position: Monitor

[HB 2538](#) water protection fund; appropriation (Griffin)

This bill would appropriate \$1 million from the state general fund in Fiscal Year 2022-23 to the Arizona Water Protection Fund. The Arizona Water Protection Fund is a state-run program

administered by 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.

AMWUA Position: Support

[HB 2549](#) stored water; certificates; impact; accounting (Griffin)

HB 2549 consolidates the legislative proposals of the Pinal AMA stakeholder group contained in HB 2256, HB 2258, and HB 2331. As noted, AMWUA and ADWR have serious concerns that these proposals undermine the Assured Water Supply Program.

AMWUA Position: Oppose

[HB 2556](#) water infrastructure finance; sunset repeal (Griffin)

Repeals the statutory sunset for the Water Infrastructure Finance Authority of Arizona (WIFA), which will now be included under the sunset review of its governing body, the Arizona Office of Economic Opportunity (OEO). The next sunset review for the Arizona OEO and its Boards is July 1, 2023. WIFA supports this alignment.

AMWUA Position: Support

[HB 2560](#) appropriation; DWR; water efficiency projects (Dunn)

This bill would appropriate \$1 million from the state general fund in Fiscal Year 2022-23 to ADWR “to identify water efficiency projects that have significant potential for water savings but that also have legal impediments hindering implementation.” The policy objective for prioritizing projects that are legally questionable is unclear at this time.

AMWUA Position: Monitor

[SB 1022](#) | [HB 2467](#) groundwater pumping; measuring; reporting (S: Steele | H: Cano)

Requires monitoring and annual reporting for nonexempt groundwater wells throughout the state. Water users who irrigate 10 or fewer acres that are not part of a larger farming operation, or water users who pump <10 acre-feet per year for non-irrigation use are exempted from this requirement. AMWUA has historically supported this legislation, including in the 2020 and 2021 sessions.

AMWUA Position: Support

[SB 1023](#) | [HB 2463](#) well drilling; groundwater basins (S: Steele | H: Cano)

Establishes a well drilling moratorium that prevents new wells in the Upper San Pedro and Verde Valley groundwater subbasins until the conclusion of the General Stream Adjudication unless a well is a replacement well or does not pump subflow. AMWUA adopted a “Monitor” position on this legislation in the 2020 and 2021 sessions.

AMWUA Position: Monitor

[SB 1067](#) water infrastructure finance authority; cities (Shope)

SB 1067 would streamline the statutory process so that cities and towns with populations over 150,000, can also utilize WIFA financing for critical water infrastructure without having to place the issue on the ballot. This enables all municipalities to apply for WIFA’s infrastructure funds to meet the needs of their communities without delay.

Removing this regulatory hurdle will allow Arizona to capitalize on federal infrastructure funding and will bolster WIFA’s project portfolio. This will strengthen WIFA’s ability to maintain low interest rates and to leverage funds for even more infrastructure investment throughout the state. SB 1067 proposal has been met with positive feedback from WIFA staff as well as the broader water community.

AMWUA Position: Support

[SB 1102](#) homeowners' associations; solar, water devices (Mendez & Salman)

Homeowners Associations (HOA) cannot prohibit the installation of a water saving device or indoor or outdoor water conservation practice. The HOA may adopt reasonable rules governing proposed water conservation practices. AMWUA supported this legislation in 2019.

AMWUA Position: Support

[SB 1198](#) local governments; lobbying; prohibition (Peterson, Leach, and Cook)

Local governments, including cities and towns, are prohibited from entering into a contract for lobbying services and may not spend monies for lobbying services unless that person is an employee of the city or town. Local governmental entities may not pay membership dues to an organization that engages in lobbying activities.

AMWUA Position: Oppose

BOARD OF DIRECTORS
INFORMATION SUMMARY
February 24, 2022

Water Augmentation Principles

ANNUAL PLAN REFERENCE

Sustainable Water Management

Evaluate and pursue our members' contribution towards efforts and policies that will sustain and safeguard our water resources and prepare for the critical water management issues beyond 2025.

Strategic Plan: Facilitate our Strength in Numbers, Educate – Excel as an Expert and Resource, Collaborate and Advocate for Solutions, Safeguard Water Supplies, Strengthen Groundwater Management, Prepare for Impacts of Drought & Shortage, Pursue Post-2025 Water Policy, Interconnect Disciplines

SUMMARY

In recent years, Arizona decision makers have increasingly focused on concepts to augment water supplies throughout the state. These discussions have been punctuated by Governor Ducey's Executive Budget proposal and the anticipated restructuring of the Drought Mitigation Revolving Fund into a "State Water Authority" to fund and oversee large augmentation projects.

AMWUA has developed *Augmentation Principles* to ensure that the AMWUA members have a consistent position on augmentation-related concepts and proposals that may be developed in the coming years.

These Augmentation Principles build upon AMWUA's Legislative Policies adopted by the Board of Directors in 2015 that identify criteria for water resource development projects, and they will provide a valuable foundation for AMWUA and others to engage in policy discussions on augmentation.

AMWUA staff will provide an overview of recent augmentation-related issues and the proposed Augmentation Principles.

RECOMMENDATION

The AMWUA Management Board recommends that the AMWUA Board of Directors adopt the Augmentation Principles.

SUGGESTION MOTION

I move that the AMWUA Board of Directors adopt the AMWUA Water Augmentation Principles.

ATTACHMENT

- AMWUA Water Augmentation Principles



AMWUA WATER AUGMENTATION PRINCIPLES

- All proposals to develop new water resources or to enhance or backfill existing water supplies must:
 - Be sustainable and cost-effective.
 - Be paid for by those who benefit from the water.
 - Maintain existing water rights and priorities.
- Efforts to develop new water resources or to enhance or backfill existing water supplies should first address the demands of existing commitments to residential and commercial customers.
- Local and regional projects within Arizona that enhance or maximize the utilization of existing water supplies should be prioritized.
- Projects that develop new water supplies to supplement the Colorado River directly or through exchanges as well as other efforts that would backfill M&I subcontractors' Colorado River supplies that have been reduced by shortage must:
 - Involve active engagement of M&I subcontractors.
 - Demonstrate that the project directly benefits M&I subcontractors.
 - Maintain the priority system.
- Municipalities invest significantly in supply resiliency, water infrastructure, and conservation programs. Proposed augmentation projects that impact wholesale water delivery rates must not jeopardize a municipality's ability to invest in its water utility. Project costs must not outweigh the benefit.
- The development of new water resources and enhancement of existing supplies must be accompanied by continual improvement in the management and conservation of Arizona's groundwater resources.

Presented to the AMWUA Board of Directors on 2/24/22

Arizona Municipal Water Users Association

BOARD OF DIRECTORS
INFORMATION SUMMARY
February 24, 2022

Binational Ocean Desalination Initiative

ANNUAL PLAN REFERENCE

Sustainable Water Management

Evaluate and pursue our members' contribution towards efforts and policies that will sustain and safeguard our water resources and prepare for the critical water management issues beyond 2025.

Strategic Plan: Facilitate our Strength in Numbers, Educate – Excel as an Expert and Resource, Collaborate and Advocate for Solutions, Safeguard Water Supplies, Strengthen Groundwater Management, Prepare for Impacts of Drought & Shortage, Pursue Post-2025 Water Policy, Interconnect Disciplines

SUMMARY

As part of broader water augmentation discussions that have been taking place throughout Arizona, one project in particular has garnered significant attention – a binational desalination project in the Sea of Cortez.

AMWUA has reviewed the latest information related to this project and will present the Board of Directors with an overview of this augmentation project proposal.

RECOMMENDATION

The AMWUA Board of Directors is encouraged to ask questions and discuss the information presented on binational ocean desalination.

BOARD OF DIRECTORS
INFORMATION SUMMARY
February 24, 2022

AMWUA Fiscal Year 2022 Quarterly Financial Statements – Second Quarter

ANNUAL PLAN REFERENCE

Day-to-Day Operations

Maintain the daily operations of an effective organization and the services members rely on.

- AMWUA will continue to wisely manage its financial resources

Strategic Plan: Facilitate our Strength in Numbers, Educate - Excel as an Expert and Resource

SUMMARY

The AMWUA Statement of Revenues and Expenses for the period July 1, 2021 through December 31, 2021, and the Balance Sheet dated December 31, 2021 are presented for your information.

AMWUA actual revenue at the end of the second quarter is \$45,645 over year-to-date budget. This increase is due to the collection of \$45,000 from ADWR to fund the Water Loss Control Training Program, which was subsequently disbursed to the Program contractor for completion of technical services.

AMWUA has incurred year-to-date actual expenses that are \$48,891 under the year-to-date budget. This variance is primarily due to the savings in occupancy costs that resulted from the credit received under the new lease agreement. There were also savings in payroll salaries, payroll taxes and personnel due to changes in staff.

RECOMMENDATION

The AMWUA Management Board recommends to the AMWUA Board of Directors acceptance of the AMWUA quarterly financial statements for the second quarter as presented.

SUGGESTED MOTION

I move that the AMWUA Board of Directors accept the AMWUA quarterly financial statements for the second quarter 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, 2021 through December 31, 2021

	Year-To-Date	Year-To-Date	Over(Under)	Approved	Over(Under)
	Actual	Budget	Year-To-Date	Annual	Budget
			Variance	Budget	Variance
Funding Sources					
Assessment - Water	1,241,619.00	1,241,619.00	0.00	1,241,619.00	-
Assessment - Wastewater	229,865.00	229,865.00	0.00	229,864.00	1.00
Water Loss Control Training Program Income	45,000.00	0.00	45,000.00	0.00	45,000.00
2021 Carryover Applied to Reduce Member Assessments	(75,000.00)	(75,000.00)	0.00	(75,000.00)	-
Interest Revenues	394.79	0.00	394.79	0.00	394.79
Other Revenues	250.00	0.00	250.00	0.00	250.00
Net Revenues	1,442,128.79	1,396,484.00	45,644.79	1,396,483.00	45,645.79
Operating Expenses					
Payroll (Salaries)	313,700.71	346,035.00	(32,334.29)	692,070.00	(378,369.29)
Deferred Compensation (ASRS Payments)	38,700.79	42,079.00	(3,378.21)	84,158.00	(45,457.21)
Payroll Processing, Taxes and Insurance	27,574.05	29,000.00	(1,425.95)	58,000.00	(30,425.95)
Medical and Disability Insurance	41,129.73	52,500.00	(11,370.27)	105,000.00	(63,870.27)
Cell Phone Allowance	3,743.94	4,000.00	(256.06)	8,000.00	(4,256.06)
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	(30,000.00)
Legislative Services (Aarons Company-Contract)	25,200.00	25,200.00	0.00	50,400.00	(25,200.00)
Audit - Water	13,600.00	13,600.00	0.00	9,900.00	3,700.00
Audit - Waste Water	3,200.00	3,200.00	0.00	23,100.00	(19,900.00)
Website Services	0.00	2,500.00	(2,500.00)	5,000.00	(5,000.00)
Communication Services (Kossan Contract)	0.00	0.00	0.00	0.00	-
Consultant-Finance/Accounting	17,299.98	17,300.00	(0.02)	34,600.00	(17,300.02)
Audio/Visual Development	0.00	0.00	0.00	0.00	-
IT Services	2,400.00	3,000.00	(600.00)	6,000.00	(3,600.00)
Office Space - Lease	48,074.85	96,402.50	(48,327.65)	192,805.00	(144,730.15)
Common Area Maintenance	2,661.48	3,000.00	(338.52)	6,000.00	(3,338.52)
Telephone	3,543.79	2,500.00	1,043.79	5,000.00	(1,456.21)
E-Mail/Webpage/Internet	2,626.09	3,500.00	(873.91)	7,000.00	(4,373.91)
Travel/Conferences	3,916.72	2,875.00	1,041.72	5,750.00	(1,833.28)
Milage Reimbursement	1,126.27	1,375.00	(248.73)	2,750.00	(1,623.73)
Continuing Professional Ed	0.00	0.00	0.00	0.00	-
Staff Development	0.00	1,000.00	(1,000.00)	2,000.00	(2,000.00)
Copy Machine - Lease	1,985.43	2,600.00	(614.57)	5,200.00	(3,214.57)
Computer Hardware/Software	2,584.35	3,000.00	(415.65)	6,000.00	(3,415.65)
Office Supplies	947.68	2,500.00	(1,552.32)	5,000.00	(4,052.32)
Meetings	888.45	2,000.00	(1,111.55)	4,000.00	(3,111.55)
Outreach Efforts	725.00	3,000.00	(2,275.00)	6,000.00	(5,275.00)
Printing	243.84	1,150.00	(906.16)	2,300.00	(2,056.16)
Postage & Deliveries	346.61	1,000.00	(653.39)	2,000.00	(1,653.39)
Subscription & Reference	2,470.72	1,600.00	870.72	3,200.00	(729.28)
Dues & Memberships	452.43	1,625.00	(1,172.57)	3,250.00	(2,797.57)
Insurance	3,139.83	2,500.00	639.83	5,000.00	(1,860.17)
Equipment Maintenance	0.00	1,000.00	(1,000.00)	2,000.00	(2,000.00)
Water Loss Control Program	60,000.00	0.00	60,000.00	0.00	60,000.00
Water Conservation	34,867.66	35,000.00	(132.34)	70,000.00	(35,132.34)
Total Operating Expenses	687,150.40	736,041.50	(48,891.10)	1,471,483.00	(784,332.60)
Reserve and Contingency Funds Summary:					
Contingency Fund Balance on 12/31/21		\$600,000			
Reserve Fund Balance on 12/31/21		252,446			
Total Contingency and Reserve Funds		<u>\$852,446</u>			

Reserve and Contingency Funds Summary

Fund Restructuring:

On March 28, 2013 the Board of Directors established a Contingency Fund in the amount of \$600,000 with monies from AMWUA's current reserve amount. The Reserve Fund shall be the difference between AMWUA's current reserve amount and the \$600,000 used to establish the AMWUA Contingency Fund.

Arizona Municipal Water Users Association Statement of Net Position

As of December 31, 2021

ASSETS

Current Assets

Bank Accounts

1000 Petty Cash	500.00	
1015 Compass Checking 39 1139 0592	42,753.88	
1025 Compass Money Market 39 1098 8939	951,593.72	
1030 Investment Account (LGIP)	<u>852,445.52</u>	
Total Bank Accounts	\$	1,847,293.12

Other Current Assets

1050 Prepaid Expenses	<u>19,138.26</u>	
Total Other Current Assets	\$	19,138.26
Total Current Assets	\$	1,866,431.38

Fixed Assets

1100 Furniture & Equipment	127,296.26	
1150 Leasehold Improvements	7,101.50	
1200 Accum Depreciation Furniture	-88,382.70	
1250 Accum Depreciation Leasehold	<u>-7,101.50</u>	
Total Fixed Assets	\$	38,913.56

Other Assets

1450 Deferred Outflow - Pension Resources	<u>175,261.23</u>	
Total Other Assets	\$	175,261.23

TOTAL ASSETS	\$	<u>2,080,606.17</u>
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Arizona Municipal Water Users Association
Statement of Net Position
As of December 31, 2021

LIABILITIES AND EQUITY

Liabilities

Current Liabilities

Credit Cards

2005 BBVA Compass Credit Card

266.04

Total Credit Cards

\$ 266.04

Other Current Liabilities

2050 Accrued Expenses

113,536.79

2110 Retirees Excess Benefit Clearance

3,178.00

Total Other Current Liabilities

\$ 116,714.79

Total Current Liabilities

\$ 116,980.83

Long-Term Liabilities

2210 Net Pension Liability

942,563.00

2220 Deferred Inflow-Pension Resources

62,270.00

Total Long-Term Liabilities

\$ 1,004,833.00

Total Liabilities

\$ 1,121,813.83

Equity

3000 Fund Balance

203,813.95

Net Income

754,978.39

Total Equity

\$ 958,792.34

TOTAL LIABILITIES AND EQUITY

\$ 2,080,606.17