



AGENDA

**WATER ISSUES COMMITTEE
NOTICE OF PUBLIC MEETING
Tuesday April 12, 2016
9:00 AM**

**Prescott City Hall
Lower Level Conference Room
201 South Cortez St., Prescott, Arizona
(928) 777-1100**

The following Agenda will be considered by the Council Water Issues Committee at its Meeting on **Tuesday, April 12, 2016, at 9:00 a.m.** in the Lower Level Conference Room, 201 South Cortez Street, Prescott, Arizona. One or more members of the Council may be attending this meeting through the use of a technological device.

- A. Call to Order.
- B. Roll Call.

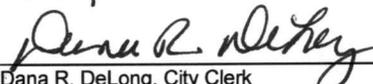
COUNCIL WATER ISSUES COMMITTEE MEMBERS:

Chairman Jim Lamerson
Member Steve Blair
Member Steve Sischka

- C. Approval of minutes of the March 22, 2016, Water Issues Committee meeting
- D. Alternative Water Portfolio Update
- E. Status of Resolution No. 4321-1530
- F. Policy for Allocation of Alternative Water for Calendar Year 2016 (4-12-16 draft)
- G. Work plan for remainder of Calendar Year 2016 related to Resolution Nos. 4310-1519, 4315-1524, and 4321-1530
- H. EZ Street Water Station
- I. Adjournment

CERTIFICATION OF POSTING OF NOTICE

The undersigned hereby certifies that a copy of the foregoing notice was duly posted at Prescott City Hall on 4/7/16 at 1:00 p.m. in accordance with the statement filed by the Prescott City Council with the City Clerk.


Dana R. DeLong, City Clerk

COUNCIL WATER ISSUES
COMMITTEE
SPECIAL MEETING
TUESDAY, MARCH 22, 2016
PRESCOTT, ARIZONA

MINUTES OF THE SPECIAL MEETING OF THE COUNCIL WATER ISSUES COMMITTEE HELD ON MARCH 22, 2016, in the LOWER LEVEL CONFERENCE ROOM, located at CITY HALL, 201 SOUTH CORTEZ STREET, Prescott, Arizona.

A. Call to Order

Chairman Lamerson called the meeting to order at 9:00 a.m.

B. Roll Call

COUNCIL WATER ISSUES COMMITTEE MEMBERS:

Present:

Chairman Jim Lamerson
Member Steve Blair, arrived at 9:07 a.m.
Member Steve Sischka

Staff Present:

Craig McConnell, City Manager
Leslie Graser, Water Resources Manager
Clyde Halstead, Assistant City Attorney
Dana DeLong, City Clerk

C. Approval of minutes of the February 9, 2016, Water Issues Committee Meeting

**MEMBER SISCHKA MOVED TO APPROVE THE MINUTES AS WRITTEN;
SECONDED BY CHAIRMAN LAMERSON; PASSED 2-0.**

D. Alternative Water Portfolio Update

Leslie Graser, Water Resources Manager, presented. Ms. Graser talked about the current balances for alternative water. She said the availability of the alternative water general pool was 479.3 acre-feet; the alternative water reservation for vacant, residentially-zoned tract within the City limits was 432 acre-feet; and the alternative water prospectively available from the Big Chino Water Ranch was 3,264.50 acre-feet.

Chairman Lamerson asked if the 432 acre-feet for alternative water reservation for vacant tracts was in conjunction with the 479.3, making it a total of 911.3. Ms. Graser responded that they were separate.

Chairman Lamerson asked if the 432 was limited to substantial compliance. Ms. Graser said they were non-contractual reservations that the City had made back in 2006 and it had watched over time to determine how it would be used or needed. She said there was no substantial conformance requirements related to that pool.

Chairman Lamerson asked if there were substantial conformance requirements related to the 479.3 general pool. Ms. Graser responded, no.

E. Status of Resolution No. 4310-1519 and Resolution No. 4315-1524

Ms. Graser presented. She talked about the contractual agreement with Bullwacker Ranch that was presented at the last meeting. She said that in November 2015, a letter was received from Bullwhacker Ranch, Inc., at the same time as the temporary suspension was put in place. She said they have been working with the parties involved and said where they stand now was that there were eleven properties identified in the 1974 agreement.

Ms. Graser said that the Community Development Department provided assistance to determine maximum allowable density based on the zoning of the properties. She said the volume equivalency for the maximum density was approximately 100 acre-feet. She said that was where the conversation came to a close, and she did not think there was any other discussion from Bullwhacker Ranch, Inc., at this time.

Ms. Graser talked about the Embry Riddle Aeronautical University request. She said the University filed a building permit in December 2014, which was issued June 20, 2015, and while that was happening they recognized that there probably would be more that would be developed on the property. She said the City and Embry Riddle engaged in conversations regarding the short-term and long-term plans. She said the initial volume for the short-term campus plan was approximately 55 acre-feet.

Member Sischka asked what the 55-acre feet would go to. Ms. Graser responded that 16.5 acre-feet was for student housing units. She said there was increased use between the time they were annexed into the City and now, an increase water use of 15 acre feet. She said it was focused for building needs with additions to student union and learning facilities.

Member Blair arrived at 9:07 a.m.

Member Sischka asked if every time someone built something would it mean it would be taking more water. Ms. Graser said in her department they look at the piece of land, and where the land was and then followed the rules the land fell under, either groundwater or alternative water. She said at this point for Embry Riddle anything new

would be under alternative water supply. On the older use, the existing buildings were on groundwater.

Member Sischka thought there should be some type of base to look at all of this. He said the more buildings that are built did not necessarily mean they were consuming more water. He thought it should be more predicated on City population using water then on buildings.

Ms. Graser said there were on-going conversations related to this because it was a bigger project. It was looked at closely and if it was student housing they would supply the appropriate demand.

Member Sischka assumed that the 55 acre-feet was good for several years and then for the long-term plan they would need more. Ms. Graser said when they go into the policy section they will start breaking everyone out, but these two agreements were somewhat unique.

Craig McConnell, City Manager, said that Embry Riddle University was planning on increasing their student body population.

F. Draft Policy for Allocation of Alternative Water for Calendar Year 2016

Ms. Graser presented. She said the City had a water management policy and it had been amended for a couple of years. She said the proposed policy was intended for 2016, and during that time between the adoption of the policy and the end of the year it would give them more time to start looking at 2017 – 2025.

Ms. Graser said it was important to note that the City has limited water supplies for general allocation, and substantial supplies were encumbered by reservation contracts. She said groundwater did remain available, and the City had a very large portfolio with a lot of it shown on the groundwater side. What they were proposing did not affect that part of the portfolio.

Ms. Graser said there was an imbalance of potable water supplies being made available, to those supplies returning to the wastewater treatment plants. She said they have portable water customers without sewer service.

Member Sischka asked what the result of that was from an acre-feet standpoint. Ms. Graser said the plants generally get about 60 percent back. Member Sischka asked if we had an idea on how many homes were using potable water, but not returning. Ms. Graser said, yes that information was available.

Ms. Graser said when we send water outside the City limits, in many cases there is no sewer return. For example, when we send water to Chino Valley per the Intergovernmental Agreement there is not return flows to the City's wastewater treatment plants.

Member Sischka asked if we had an idea how much was not coming back. Mr. McConnell said you could be easily calculated.

Ms. Graser talked about the resolution and the temporary suspension that was adopted in November 2015, and how they have moved forward on the work plan outlined in the resolution.

Member Blair asked if we had figured out all the water that was out there that had not been used, that was originally platted, and if we would get credit back into our pool for those because they were not used.

Ms. Graser responded that there was still work that needed to be done on the pre-1998 plats, which would be predominately Prescott Lakes. She did not think that anything could be re-couped from the pre-1998 plats.

Ms. Graser talked about the draft policy and said the purpose of the policy was to address the timeframes from now until the end of the calendar year. She said the policy addressed three categories; overall requirements, Exhibit A projects, and reservations. She introduced the different sections of the policy.

Ms. Graser said Section 3 referencing the City Code was important. City Code Section 2-1-8 addressed how water was supplied outside the City limits. Ms. Graser said the City had historic contracts that needed to be maintained. City Code Section 2-1-12 addressed water service connections and meter installation.

Member Blair asked if we had the ability to send the policy to all the prospective projects that are in the pipeline so they understood the process. Ms. Graser said that they had kept an email list of people notifying them of meetings and those people could potentially be contacted and given the information if that was legally acceptable.

Clyde Halestead, Assistant City Attorney, said the draft policy could potentially change between now and when the City Council adopted a policy so it might be a good idea to wait to send it out when it was in its final adopted form.

CM Blair thought that after it was adopted it should be sent out to people as a notification. He did not want to hear that people were not notified or that they did not know about the policy.

Ms. Graser continued with Section 4, City Water Management Policy. She talked about Category 1 the Overall Requirements. She said that Policies 1a through 1d would not change.

Ms. Graser said there would be a change to Policy 1e. The new policy stated that alternative water contracts that expire would not be extended during Calendar Year 2016, unless identified in Resolution No. 4310-1519 Exhibit A. Extensions would be for

two (2) years, with no entitlement to further extension or replacement with a new contract.

Member Sischka asked for an example. Ms. Graser said currently on the list that Storm Ranch did not expire this year, but if they had a 2016 expiration date then they could seek a two-year extension, then after that there would be no more extensions.

Mr. McConnell said in that example if it had expired they could come back and request if they had a viable project, but they were not entitled. He said what had happened in the past for requests for preliminary plat extensions would automatically be rolled over. He said from a water management standpoint that was not the best thing to do.

Ms. Graser said Policy 1f remained the same, but Policy 1g changed. Policy 1g stated that no lot splits shall be approved that require alternative water, with the exception of vacant residentially zoned tracts identified in reservation. She said that some of the old town site areas had larger lots so people split them. They had also had several splits inside of a subdivision. If it was a subdivision that was on groundwater and they kept trying to split the lot down then we would have to keep putting them on alternative water supply.

Member Sischka asked about the split. He said the original would be on groundwater and the split would be on alternative water. Ms. Graser said that was correct.

Member Blair asked if there were two residential lots but they were combined to make one lot would there be a water credit. He also wondered if there was one big lot, but wanted to split it would there be water for the double lot. Ms. Graser said if it was originally two lots and made into one, but then decided to be two again like it was in 1998 they would both have groundwater. She said if they tried to split it again after that then one would be on groundwater and the other would be on alternative water supply. Ms. Graser said we were looking at putting a halt to that for a year.

Member Blair said that he understood the policy, but wondered if the City was getting credit for the one lot that was not being used because two lots had been combined. Ms. Graser said at this point there had not been research done on if there was a combination made and if that extra groundwater was somewhere. She said that was reasonable, but it would be a work project that would have to be added to the several projects being performed.

Member Blair asked how the Arizona's Water Resources Management Office stood on that issue, and if they had an opinion. Ms. Graser said did not think they had done the work on that.

Mr. Halestead said the way the groundwater was allocated in the first place was they looked at all the lots and we were given water for those. Whether or not the City had used that water for that particular lot the City still has the water allocated. The water was in our accounts it was not necessarily reserved for a specific piece of land.

Chairman Lamerson thought it was rationale. He said if you already had water and then decided not to use it, that would be up to you. If you wanted more water because you chose to split the lot then you would be taking it from someone else.

Ms. Graser continued with Policy 1h and said it was a new one. The policy stated that alternative supplies shall not be allocated for uses that will not return wastewater to the treatment plants (new turf, commercial agriculture, residential requests without sewer connection, etc.) with the exception of certain pre-existing/historical agreements. She said from now until the end of the year the City did not want to send out water supplies that they did not get back.

Member Sischka said after doing some calculations on what the City was missing out from the houses that were not returning, there was approximately 1260 acre-feet that was not coming back.

Ms. Graser continued with Policy 1i and talked about the golf courses. Member Sischka asked about direct potable reuse. Ms. Graser said for direct potable use you would treat the water to a drinking water standard and issue it back out again. She said the City infrastructure and state laws allow for indirect potable reuse.

Mr. Halestead said ADEQ did not have policies or regulations for direct potable use at this time.

Member Blair talked about Willow Creek Park and the amount of water it took to irrigate the turf. He wondered if that use went away would that go back to the water portfolio. Ms. Graser thought it was floating and helped the City keep with the gallons per day requirement, or the conservation effort that the City has to exhibit on an annual basis to the State. She thought that water would stay.

Ms. Graser continued, stating that Policies 1j, k, and l remained the same. She talked about item 1k that states for a project that exceeds the quantity of water available in the water budget, the City will accept extinguished, pledged irrigation grandfather rights. She said this had happened in the past and is coming up again.

Chairman Lamerson asked if that would be available to the City. Ms. Graser said that it had to be pledged. Once they pledge it over to the City it would be part of the City's portfolio.

Member Blair asked if that was a City law or a State law. Ms. Graser said it was a State law and it talked about how grandfathered rights could be extinguished.

Ms. Graser moved onto Category 2 Exhibit A projects. She said this was put into the policy because they did have a group of projects that were in a temporary suspension period.

Ms. Graser talked about the general pool balance and the set asides. She said that the general pool was 479 acre-feet and they would set aside 100 acre-feet for the Bullwhacker contractual obligation. She said they looked at that as maximum density. She said additionally they would set aside 55 acre-feet for the institutional development to support the Embry Riddle campus. That would be set aside for a period of five (5) years.

Ms. Graser continued with the remaining general pool and the water available for allocation for the remainder of the calendar year. She said the 324 acre-feet remaining would be divided among market, workforce/multi-family/apt, and commercial.

Chairman Lamerson asked about the requirement that alternative supplies shall not be allocated for uses that will not return wastewater to the treatment plants. He wondered how that integrated with the Planning and Zoning landscaping requirements. Ms. Graser said within the land development code it lists the landscaping that is generally suitable. She said for landscaping related to subdivisions when they had a big project come in, they asked for a demand analysis, the property owner was then able to show what they were requesting including what was being used outside.

Chairman Lamerson said he was more concerned with the commercial as opposed to the residential. Mr. McConnell said that the commercial use itself would be connected to the sewer.

Chair Lamerson thought we might need to address landscaping requirements for commercial development in the Land Development Code.

Member Blair asked about Touchmark at the Ranch, and if they were required to put in water basins underground. He wondered about the water getting metered back out and if there was a credit for that. Ms. Graser said, no, at this point State law did not allow for rainwater harvesting. A discussion was held regarding rainwater harvesting.

Member Blair asked how much the tanks at Touchmark at the Ranch held.

Mike Fann responded that it was four tanks, but they were specifically designed to meter out the water, and to catch the stormwater to detain and not retain it. It was then metered out slowly so there would not be a rush of water down into the businesses.

CM Blair said there was a massive amount of water that was being detained and it could have been used for irrigation so they did not have to use potable water.

Ms. Graser continued with the Category 2 saying the remaining general pool was broken down into three categories. The Market had 125 acre-feet, Workforce/Multi-family/Apt had 100 acre-feet, and Commercial had 99 acre-feet. She talked about the conditions for the categories.

Mr. McConnell interjected that if there was a lot on record, and if it was decided to build a house on the lot, it was likely to be on groundwater and not affected by the current discussion.

Member Sischka asked about the general pool balance of the 479 acre-feet and if it was for just this year or if it was for eternity. Ms. Graser said that was all of it based on what they knew about the portfolio. That was it until they have more sewer connections and return flows that they could start pulling water and supplies out of the reclaim bucket, or until the Big Chino is moving forward, or until they have some other things that can be investigated.

Member Sischka said if none of the other happens then the 479 acre-feet was all there was to carry the City. Mr. McConnell said that would be in the general pool, but then there are other categories of reservations for vacant residentially zoned tracts.

Ms. Graser continued with the Workforce/Multi-family/Apartment category, and the Commercial category. Member Blair asked how we follow or track re-use of a facility. Ms. Graser said billing records would show what happened over time.

Ms. Graser continued with Category 3 Reservations. She said the reserve volume for Vacant, Residentially-Zoned Tracts within the City on January 22, 2016, was 431.7 acre-feet. This quantity is available for allocation subject to conditions.

Mr. McConnell said what they were suggesting was a major change in policy. They were suggesting that the reservation go away. That it would go away in increments over several years. The rationale was that it was not a property right, but it was done as a matter of policy to make available a resource. He said there was no basis for determining when or if that resource would ever be used. He said in order for it to be used the vacant residentially zoned tracts within the City limits would have to be developed. He said in the last ten years very few of those properties have come in for any development. The question from a policy standpoint was if you have a precious resource was the City going to tie it up forever or was the City going to respond to the market which was about community and economic development.

Member Blair asked about being a landowner and having a project with water tied to the project, and then deciding not to do the project. He wondered if the property was sold did that water right go away or was the owner selling the piece of property as if it had water tendered to it.

Mr. McConnell said that the point was whether there was a water right to begin with. If it was grandfathered then it was external to the policy. He said if it was alternative water there was no water right, unless there was a lot on record that had an agreement that the City would provide water.

Member Blair said in that case if they sell the property then the water does not go with the property. Mr. McConnell said there was no right to be conveyed.

Mr. McConnell said in 2006 it was recognized that the City's alternative water supply was decreasing. At that time a reservation was created, but they also knew that there would come a day when all the other water would be exhausted. He said they knew that they would be facing another policy decision. He said if there was no movement on these properties for ten years then why would they continue to hold the water.

Member Sischka thought that if water was reserved for a section of town that was not growing, but another side of town was growing, it would be their duty to transfer water in a no-growth area to a growth area. Mr. McConnell said that was a policy question.

Ms. Graser said this was an important shift. She said the total quantity reserved for vacant, residentially-zoned tracts shall be reduced by the quantity of fifty (50) acre-feet each year

Member Sischka said they were not pulling the fifty (50) acre-feet from a specific plot, but pulling it overall. Mr. McConnell said it would go into the general pool.

Member Blair asked if we notified people that they could lose the water. Mr. McConnell said that could be done. Member Blair said that notification should be done.

Chair Lamerson thought it was important to have the discussion in public. He thought it was important that when you start messing with people's property and the ability to develop the property to let the public know. He said the water was not a right, but it was available. He thought they had a responsibility to let them know that it is dwindling quickly.

Member Blair asked within the bullet points, if they knew how much water they were talking about. Mr. McConnell said it was the 431 acre-feet incrementally tied to properties that may or may not be developed.

Ms. Graser continued by stating that nothing shall preclude the owner of any developable property from applying for alternative water that was available within a water budget adopted by the Council. She said when more water was sought for a property than was reserved, supplemental water would not be granted from the General Pool; however, extinguished grandfathered rights could be pledged for the difference. She gave an example, If there was a property that would have been able to build with 5-acre feet, but they say they need six, they could either build with the five acre-feet or seek the irrigation grandfathered rights that gets them to 6 acre-feet.

Ms. Graser talked about reservations for pre-existing / historic agreements. She said they were calculated at the 58.5 acre-feet. As of January 22, 2016, the volume remaining is estimated at 45.2 acre-feet, and the reservations remain under review.

Ms. Graser talked about Section 5 and said that any quantity of alternative water remaining from the projects described in Section 3, and for which water service agreements have been approved by the City Council as described in Section 4, shall be made available for future annual alternative water budgets as may be adopted by the City Council. She also identified topics in Section 6.

G. Proposed scheduled for consideration of Policy and repeal of suspension of acceptance of water service agreement applications

Ms. Graser talked about the proposed schedule for the proposed policy.

- April 5th – adoption of resolution extending the suspension until repealed
- April 12th – Water Issues Committee meeting for discussion of the draft Policy and consideration of recommending approval to the City Council
- April 19th – introduction and discussion of the draft Policy at the City Council Study Session
- May 3rd – consideration of approval by the City Council of the Alternative Water Allocation Policy for Calendar Year 2016, and adoption of a resolution repealing the suspension of acceptance of water service allocations

MEMBER BLAIR MOVED TO RECOMMEND THE SCHEDULE AND ASSOCIATED ACTIONS SET FORTH; SECONDED BY MEMBER SISCHKA; PASSED UNANIMOUSLY

H. Adjournment

There being no further business to be discussed, the Council Water Issues Committee Meeting of March 22, 2016, adjourned at 10:40 a.m.

JIM LAMERSON, Chairman

ATTEST:

DANA R. DELONG, City Clerk

Item D.

COUNCIL WATER ISSUES COMMITTEE AGENDA MEMO

April 12, 2016

DEPARTMENT: City Manager (Water Resource Management)

AGENDA ITEM: Alternative Water Portfolio Update

Approved By:

Date:

Water Resource Manager: Leslie Graser

City Manager: Craig McConnell

Background

A series of actions have taken place since November 10, 2015, related to alternative water supplies in the City's portfolio.

Date	Action	Description
November 10, 2015	Resolution No. 4310-1519 adopted	Temporary 90-day suspension of alternative water contracts, with certain exceptions
February 16, 2016	Resolution No. 4315-1524 adopted	Temporary suspension extend to April 5, 2016, with certain exceptions
March 22, 2016	Water Issues Committee recommendation	Proposed schedule to consider new policy and repeal suspension
April 5, 2016	Resolution No. 4321-1530	Temporary suspension extended with a timeline for policy adoption

The account balances of certain alternative water remain unchanged since March 22, 2016.

- The alternative water General Pool quantity available is 479.3 acre-feet. (as of 2/25/2016, which includes the 200 AF transfer from the reservation for vacant, residentially-zoned tracts within City limits, and the 92 AF balance of the 2009 D&O supplies that is physically available)
- The alternative water reservation for vacant, residentially-zoned tracts within the City limits is 432 acre-feet. (as of 2/25/2016, after the 200 AF deduction)
- The alternative water prospectively available from the Big Chino Water Ranch is 3,264.50 acre-feet. (as of 2/25/2016, net of previous reservations, and the 200 AF reservation related to vacant, residentially-zoned tracts within the City limits)

Committee Recommendation to Council: No action required, for information purposes only

Item E.

COUNCIL WATER ISSUES COMMITTEE AGENDA MEMO

April 12, 2016

DEPARTMENT: City Manager (Water Resource Management)

AGENDA ITEM: Status of Resolution No. 4321-1530

Approved By:

Date:

Water Resource Manager: Leslie Graser

City Manager: Craig McConnell

Background

On March 22, 2016, the Committee made recommended to the Council for a schedule with actions related to the draft Alternative Water Allocation Policy. At the April 5, 2016, City Council Voting Meeting, the Council voted to adopt Resolution No. 4321-1530 as follows:

- March 22, 2016 Water Issues Committee - introduction of the draft Policy
- April 5, 2016 City Council Voting Meeting – adoption of a resolution extending the suspension until repealed
- April 12, 2016 Water Issues Committee – discussion of the draft Policy and consideration of recommending approval to the City Council
- April 19, 2016 City Council Study Session – introduction and discussion of the draft Policy
- May 3, 2016 City Council Voting Meeting – consideration of approval of the Alternative Water Allocation Policy for Calendar Year 2016, and adoption of a resolution repealing the suspension of acceptance of water service applications

Committee Recommendation to Council: No action required, for information purposes only

Item F.

COUNCIL WATER ISSUES COMMITTEE AGENDA MEMO

April 12, 2016

DEPARTMENT: City Manager (Water Resource Management)

AGENDA ITEM: Policy for Alternative Water Allocation Policy for Calendar Year 2016

Approved By:

Date:

Water Resource Manager: Leslie Graser

City Manager: Craig McConnell

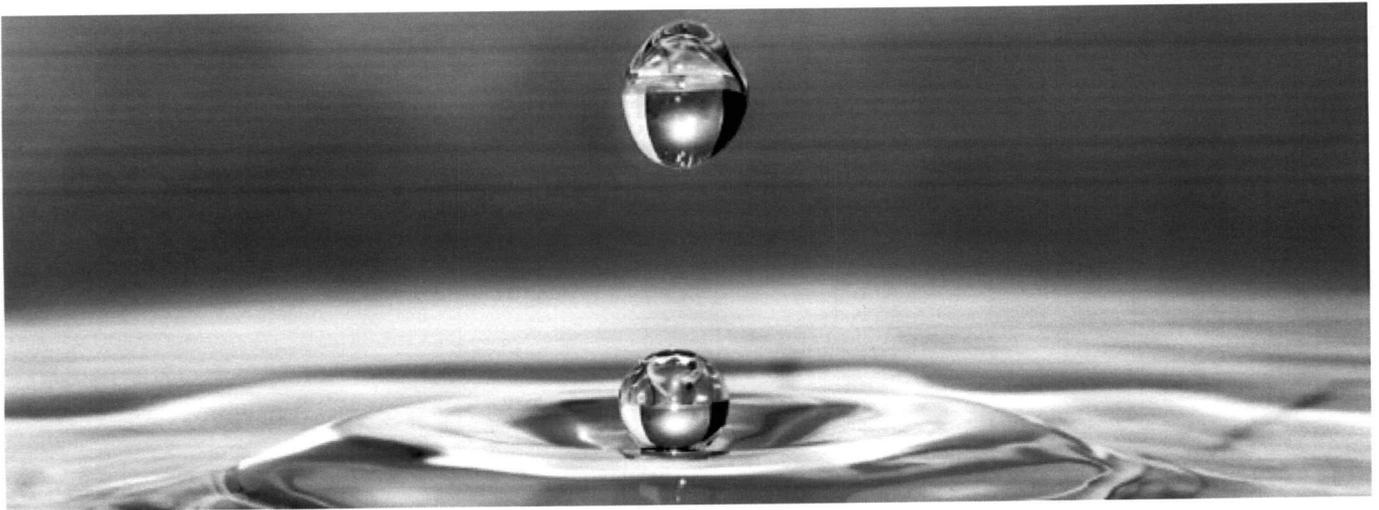
Background

A draft "Alternative Water Allocation Policy for Calendar Year 2016" was distributed and introduced at the March 22, 2016, Committee meeting. Revisions to the draft policy have been made and those changes will be presented. The Policy is proposed to be in effect until the end of 2016, at which time it can be extended and/or amended as needed for Calendar Year 2017.

Key Items for discussion

- Revisions since the draft document dated March 22, 2016
- Effect on the General Pool and Reservation volumes if all Resolution No. 4310-1519, Exhibit A projects are placed into contract
- Active building projects (PAC, other) and awaiting the suspension to lift to file in accordance with the new policy
- PAC projects since November 10, 2015

Committee Recommendation to Council: (1) MOVE to recommend approval of the Draft Alternative Water Allocation Policy for Calendar Year 2016 dated April 12, 2016 to the Council **OR** (2) Other motion to be determined by the Committee.



Alternative Water Allocation Policy Calendar Year 2016

Resolution No. ____ - ____

Draft
Water Issues Committee Meeting
April 12, 2016

Introduction

The City of Prescott water service area is located within the Prescott Active Management Area (PrAMA) established under the Arizona Groundwater Code of 1980. The City manages its water resources in compliance with state laws, including management plans administered by the Arizona Department of Water Resources (ADWR), that establish water management strategies to help achieve the goal of safe-yield¹ by 2025. Effective in 1999, the PrAMA is also subject to the requirements of the Assured Water Supply² (AWS) program.

The City has maintained a Designation of AWS, the highest standing that a water provider can seek from ADWR, since 1999. The Designation and Order (D&O) of AWS is a legal document. Currently, the City water portfolio consists of 24,574.84 acre-feet/year (AF/yr), of which 9466.02 AF/yr is groundwater supplies and 7,041.42 AF/yr is alternative water supplies, water that is the "alternative" to groundwater supplies. City alternative water supplies include three blocks of water: reclaimed and surface water supplies within the AMA, and imported supplies from the Big Chino sub-basin. Currently, the imported supplies (8,067.74 AF/yr) are not connected to the existing infrastructure.

Since 1999, the City has allocated water supplies according to a Water Management Policy and has placed significant volumes into contracts or reservation. In 2015, a policy decision (Resolution No. 4271-1480) was made to reduce the annual alternative water budget from 200 AF to 100 AF to extend supplies until the forthcoming D&O modification. In mid-Calendar Year 2015, the City received requests for approximately 200 AF greater than the budgeted volume of 100 AF. To address this situation, Resolution Nos. 4310-1519 (Attachment 1) and 4315-1524 were adopted by Council to set forth a time period to review the active water requests, and develop necessary water management measures and allocation policies.

This water allocation policy, effective for the remainder of Calendar Year 2016, applies to available alternative water supplies only. Policy background and components are organized as follows:

- Section 1 Prescott Active Management Area (PrAMA)
- Section 2 City of Prescott Designation of Assured Water Supply (D&O)
 - 2.a Alternative Water Supplies
 - 2.b Summary of General Pool and Reservations
- Section 3 City Code Sections 2-1-8, 2-1-12, and 10-1(Land Development Code)
- Section 4 City Water Management Policy
 - 4.a Background
 - 4.b Water Allocation Policies for 2016

¹ Safe-yield: A groundwater management goal which attempts to achieve and thereafter maintain a long-term balance between the annual amount of groundwater withdrawn in an active management area and the annual amount of natural and artificial recharge in the active management area. (A.R.S. § 45-561(12))

² Assured Water Supply: An Assured or Adequate Water Supply determination by ADWR is required for the following: To gain approval of a subdivision plat by cities, towns and counties. To obtain authorization to sell lots from the Department of Real Estate. (A.R.S. § 45-576)

Section 1 Prescott Active Management Area (PrAMA)

The City of Prescott water service area is located within the Prescott Active Management Area (PrAMA), Figure 1, established under the Arizona Groundwater Code of 1980. Prescott Valley, Chino Valley, Dewey-Humboldt, the Yavapai Prescott Indian Tribe Reservation, and some surrounding areas of unincorporated Yavapai County comprise the remainder of the Prescott AMA. The City is only one entity within the PrAMA, not the regulating authority, and accounts for about 8.6% of the land within the Prescott AMA.

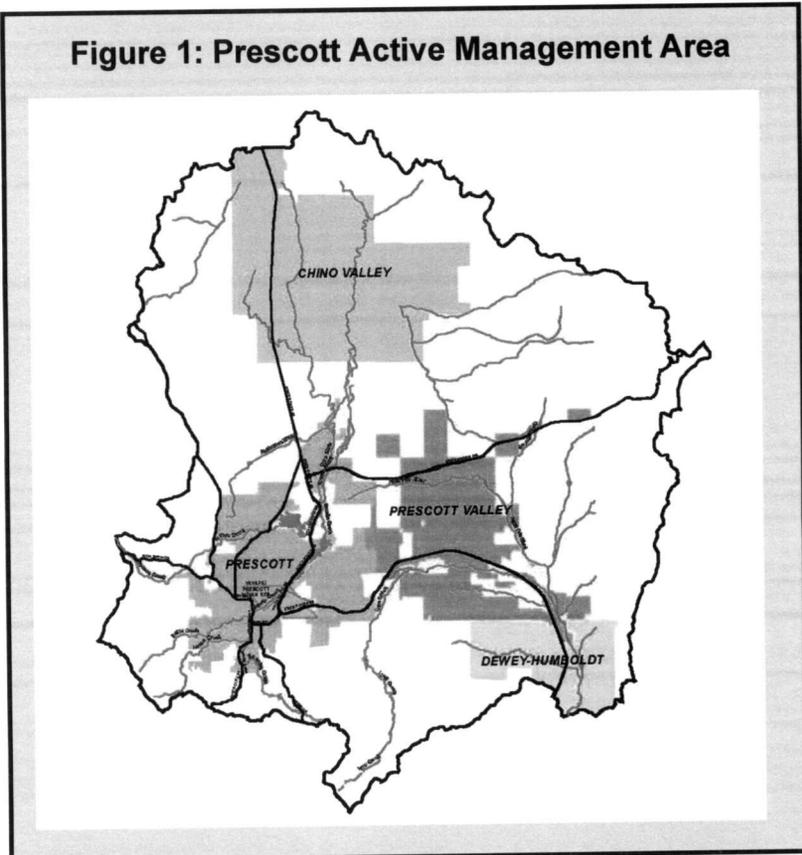
Through a series of management plans administered by ADWR, the 1980 Groundwater Code

establishes water management strategies that emphasize conservation, replacement of existing groundwater use with renewable supplies, recharge, and water quality management by all users within the AMA to help achieve the goal of safe-yield¹ by 2025.

The PrAMA is also subject to the requirements of the Assured Water Supply (AWS) program. The City has maintained a D&O since 1999, which is periodically updated to reflect water resource availability. The City is currently operating under the 2009 D&O (ADWR AWS No. 86-401501.0001), with supplies remaining from the 2005 D&O.

The City of Prescott has employed management tools and policies to meet the State's strategies for conservation (e.g. public education programs and tiered water rates), replacement of groundwater with renewable supplies (e.g. reclaimed water and purchase of Watson and Willow Lake reservoirs), recharge (City's facility has been operational since late 1980s), and water quality (efforts in conjunction with Arizona Department of Environmental Quality). Further,

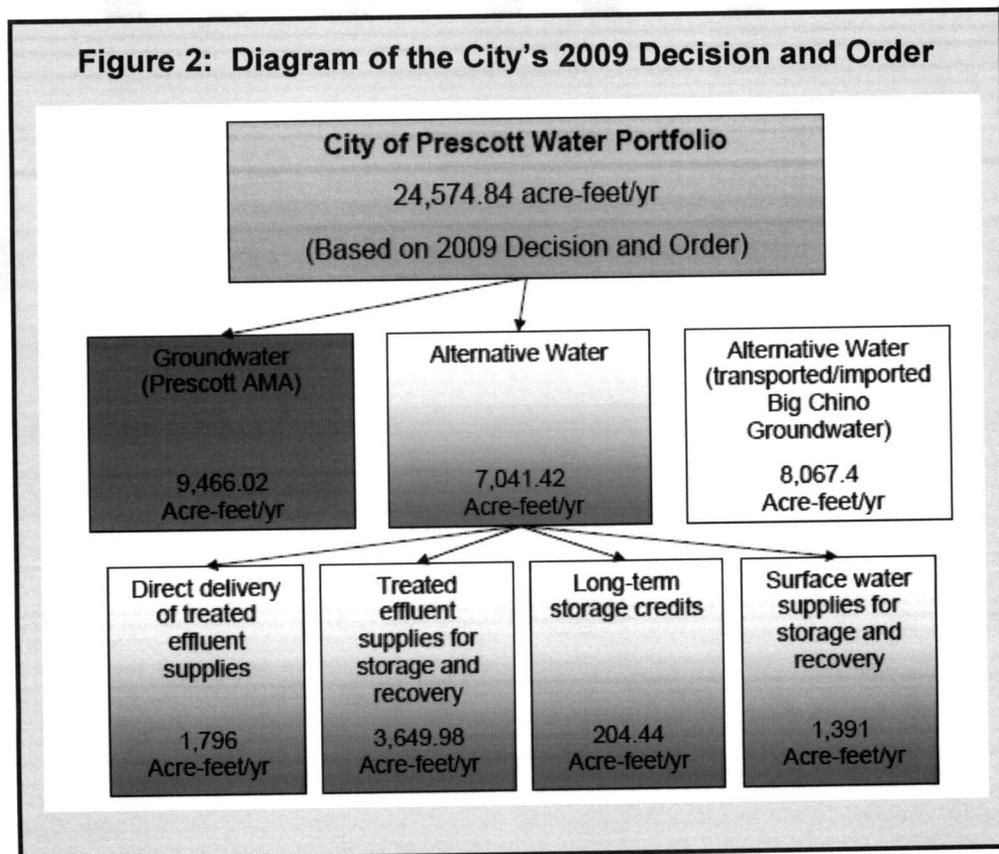
Figure 1: Prescott Active Management Area



the City of Prescott manages its water resources in compliance with Prescott AMA specific decadal management plans for reaching the AMA-wide goal of safe-yield. In September 2014, ADWR adopted the Fourth Management Plan (4MP) for the PrAMA. Requirements of the 4MP are effective January 1, 2017. Until then, the City and other regulated parties are subject to ADWR Third Management Plan. The City considers water management to be an important tool in implementing its overall growth planning and management policies, goals and objectives; and intends to manage its water resources accordingly.

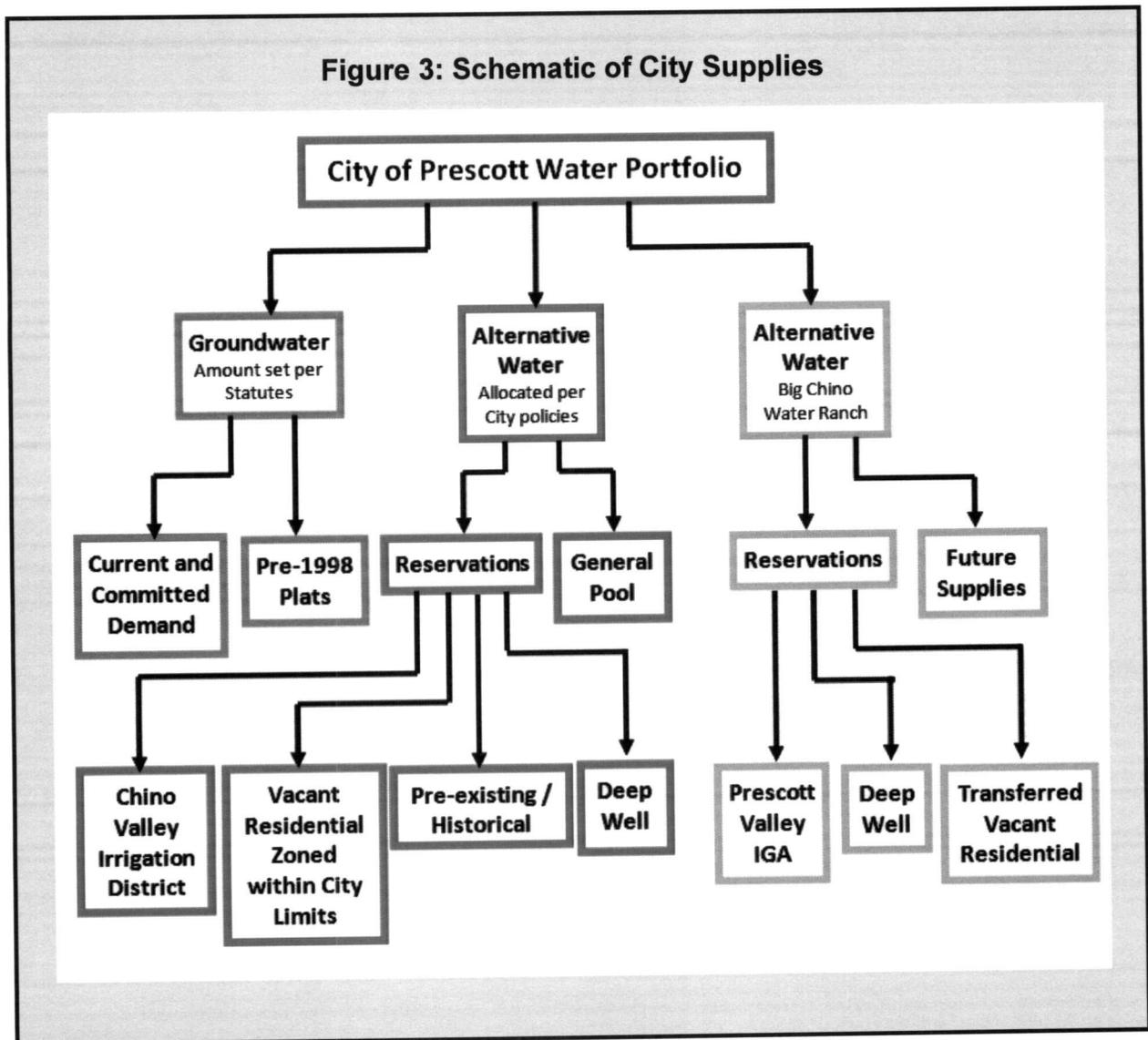
Section 2 City of Prescott Designation of Assured Water Supply Document (D&O)

A Designation of Assured Water Supply is the highest standing that a water provider can seek from ADWR, and requires the demonstration that the supply will meet the following seven criteria: physical availability, legal availability, and continuous availability for 100 years, financial capability, water quality, consistency with the management goal, and consistency with the management plan. The types, sources, and volumes of water identified by the City’s D&O, Figure 2, have changed over time. Note that this policy addresses only the sources of alternative water supplies shown in the green boxes of Figure 2 specifically labeled “Treated effluent supplies for storage and recovery”, and “Surface water supplies for storage and recovery”. At this time, these two volumes comprise the City’s alternative supplies.



Section 2. a. Alternative Water Supplies

Since 1999, the City has accounted for the alternative water supplies recognized in the D&O by water service agreement (WSA) contracts and reservations. The City’s alternative water, water that is the “alternative” to groundwater supplies consists of reclaimed and surface water supplies within the AMA, and imported supplies from the Big Chino Sub-basin. Figure 3 provides a schematic of City supplies, including alternative water placed into contract from the General Pool or otherwise placed into specific reservations. Subcategories within the budgeting diagram are further described below. Note that this policy only pertains to the categories “Reservations” and “General Pool” shown in Figure 3.



Section 2. b. Summary of General Pool and Reservations

General Pool: the volume of water that is available to be allocated in accordance with Prescott City Codes 2-1-8, 2-1-12, and 10-1. A specific quantity of the General Pool available for allocation may be budgeted by Council each calendar year.

Reservation: a volume of water set aside to meet a contractual agreement or for a specific designated purpose now or at a later date. Alternative Water Reservations include:

1. Chino Valley Irrigation District
 - a. Intergovernmental Agreement, City Contract 1998-040.
 - b. Reservation volume (for municipal and industrial only) 597.5 AF/yr
 - c. As of March 23, 2016, WSAs have been written for 95.6 AF.
 - d. The volume remaining in the reservation is 501.9 AF.
2. Vacant, residentially-zoned tracts³ within City limits
 - a. Not a contractual obligation
 - b. Reservation volume 776 AF/year (adjusted in 2009, reaffirmed in 2015)
 - c. As of March 23, 2016, WSAs have been written for 144.4 AF
 - d. Resolution No. 4310-1519 transferred 200 AF of this reservation to the General Pool, and a new reservation of 200 AF was placed on the Big Chino Water Ranch supplies for this future use.
 - e. The volume remaining in the reservation is 431.7 AF.
3. Pre-Existing / Historical
 - a. The City was contractually obligated to provide water service outside of City limits to Prescott Riviera (Bk 294 Pg 439) , Rancho Vista Hills (Bk 1293 Pg 595), Ewin (Bk 222 Pg 554), and Iron Springs Water Improvement District (Bk 350 Pg 109).
 - b. Reservation volume of 58.5 AF for 195 lots, currently under review.
 - c. Since 2000, WSAs for 13.3 AF have been written leaving 45.2 AF in the reservation.
4. Deep Well Ranch
 - a. City Contract No. 2010-086
 - b. Reservation volume is 1,850 AF/yr (3 increments)
 - c. As of March 23, 2016, WSAs have been written for 29 AF
 - d. The volume remaining in the reservation is 1,821 AF

Section 3 City Code 2-1-8, 2-1-12, and 10-1 (Land Development Code)

Three sections of the Prescott City Code address City water service. They are briefly described below; refer to the full Prescott City Code for the complete texts.

³ Tracts within City limits that have not been subdivided; they are not a subdivision lot within an platted subdivision. This reservation was based on a specific GIS query that required the land to be identified by DOR as vacant, residentially zoned in the 2006

2-1-8: Provision of water to areas outside of the City limits is contingent upon:

- (A) (1) – a previously entered into valid, contractual agreement
- (A) (2) – property fronting water main with certain requirements
- (A) (3) – pursuant to an intergovernmental agreement
- (B) – Rules and Regulations
- (C) – One residential water connection per parcel

2-1-12: Water Service Connection and meter installation

- (E) – identifies the types of projects within City limits that may require alternative water supplies
- (E) (1) – requires consistency with Water Management Policy
- (E) (2) – requires consistency with General Plan
- (E) (3) – requires consistency with applicable adopted plans
- (E) (4) – in accordance with duly adopted City water budget
- (E) (5) – identifies the Council to consider the overall intent and goals of the applicable plan or policy
- (E) (6) – identifies a variance or exception may be granted by the City Council

10-1: Land Development Code

- 7.4.8 – Assured Water Supply
- 9.10 – Subdivisions and Land Splits

Section 4 City Water Management Policy

Section 4. a. Background

Since 1999, the City's policies have evolved based on available supplies, and existing and anticipated conditions. The following factors have lead to the need for the present policy update:

1. Beginning in 2010, the City extended the 2005-2010 Water Management Policy (as amended) for three primary reasons:
 - a. Alternative water supplies remained available for allocation from the 1999 and 2005 Decision and Orders, yet this volume would be decreasing yearly as supplies were placed into contracts.
 - b. As of 2010, the 2009 Decision and Order had not cleared legal challenges and would remain in litigation until September 2011.

- c. Although the 2009 Decision and Order identified a new block of reclaimed supplies (1,471.98 AF) being available, the underpinning of those supplies was, in part, related to the importation of supplies from the Big Chino Sub-basin. Infrastructure is not in place to deliver this supply.
2. In 2010, a review of the City water portfolio was initiated to determine the status of all water contracts and any reservations that had been placed on alternative water supplies. The initial information from the review indicated that the alternative water budget for Calendar Year 2015, and subsequent years, would need to be reduced to ensure that only physically available supplies were allocated. These supplies include quantities remaining from the 1999 and 2005 D&Os, but only a portion of those projected in the 2009 D&O are actually available (approximately 92 AF/yr). The majority of reclaimed supplies (1,471.98 AF/yr) projected by the 2009 D&O have not been realized for the following reasons:
 - a. Infrastructure to deliver imported alternative supplies from the Big Chino Sub-basin has not been constructed in the timeframe originally contemplated.
 - b. The lack of imported water reduced the availability of corresponding reclaimed supplies available for future allocation.
 - c. Over time, the number of City potable water connections has exceeded wastewater connections; therefore, the volume of return flows to the plants is less. Approximately 60% of the water delivered to customers is returned to the City wastewater treatment plants. This imbalance hinders maximizing recharge and recovery, a key underpinning for the City's alternative water supplies.
 - d. Surface water supplies, which are seasonal in nature, have consistently not met the volumes projected in the 2005 and 2009 D&Os.
 - e. To contribute to achievement of aquifer safe-yield, the City Charter (Proposition 400) requires permanent recharge of supplies used by annexations of 250 acres or more of property. This means that water supplied to development on such lands, and the wastewater generated, after treatment and aquifer recharge, cannot be recovered for subsequent use.
3. The Calendar Year 2015 alternative water allocation was budgeted at 100 AF; however, market conditions became favorable for land development, and by the third quarter of 2015, requests for approximately 300 AF had been received. To address this, Resolution No. 4310-1519, effective November 10, 2015, was adopted by Council to set forth a temporary 90-day suspension on new applications for alternative water, and to identify necessary policy changes. The suspension was extended by Resolution Nos. 4315-1524 and 4321-1530.

Section 4. b. Water Allocation Policies for the Remainder of Calendar Year 2016

The policies are organized in three categories: 1) Overall Requirements; 2) Resolution No. 4310-1519, Exhibit A projects (Attachment 1); and 3) Reservations. This policy addresses requests for water identified on Exhibit A, water allocations associated with active building permits, and new (post suspension) water allocation requests through December 31, 2016.

Category 1: Overall Requirements

These overarching policies comprise the basic requirements for placing alternative water supplies into water contracts. Exceptions that apply or connections to other categories have been noted.

Policy 1a – The City Manager may direct any requests for alternative water to the City Council for approval. Residential requests of less than 4 dwelling units may be approved by the City Manager administratively; 4 or more units will require Council approval.

Policy 1b – Water allocation will remain at 0.35 AF and 0.25 AF per residential unit for Single Family Residential and Multi-Family Residential, respectively.

Policy 1c – A water demand analysis satisfactory to the Water Resource Manager may be required for non-residential uses to assure infrastructure and supply sufficiency.

Policy 1d - Water service agreement applications will be accepted with the submission of a complete building permit application, site plan application, or subsequent to a Planning Commission recommendation to the Council.

Policy 1e - Alternative water contracts that expire during Calendar Year 2016 will not be amended to increase the number of lots or volume of water. A one-time extension for one (1) year may be requested, however, there shall be no further entitlement to additional extensions or replacement with a new contract.

Policy 1f – For expired contracts, the associated volumes will be returned to the General Pool or original contractual reservation, as applicable.

Policy 1g – No lot splits shall be approved that require alternative water, with the exception of vacant, residentially zoned tracts identified in reservation (see Category 3), and Resolution No. 4310-1519, Exhibit A (Attachment 1).

Policy 1h – Alternative supplies shall not be allocated for uses that will not return 50% or more wastewater to the treatment plants (new turf, commercial agriculture, residential requests without sewer connection, etc.), with the exception of certain pre-existing/historical agreements (see Category 3).

Policy 1i – For a project that exceeds the quantity of water available in the water budget, or requires greater than 50% of the remaining volume, the City will accept extinguished, pledged irrigation grandfather rights (Attachment 2).

Policy 1j – Any unallocated water remaining in the General Pool as of December 31, 2016, may be considered by the Council in setting the Calendar Year 2017 water budget.

Policy 1k – “Workforce Housing” is defined in City Code 10-1, Land Development Code Article 11. For the purposes of water allocation, this workforce housing shall be further defined as housing available to homebuyers earning incomes less than 120% of the median income for Prescott (Attachment 3).

Policy 1j - Contracts will be written with performance criteria to include, but not be limited to, a termination date appropriate for the type of project (large subdivision, single family home, etc.), which date shall not be extended. In the event of termination, the reservation for the entire property shall likewise be terminated.

Policy 1l – Water service agreement applications will expire one (1) year from the date of the application.

Category 2: Exhibit A Projects

Category 2 is intended for projects identified on Resolution No. 4310-1519, Exhibit A. Projects are also subject to the Category 1 requirements.

General Pool Balance = 479 acre-feet (AF)		
Set Asides		
Contractual Obligation	100 AF for use on lands identified by Bk 2099 Pg 666 and Bk 869 Pg751 (Bullwhacker Ranch Inc). The water will be set aside for three (3) years initially, after which the volume remaining will be reviewed.	
Institutional Development	55 AF to support ERAU campus. The water will be set aside for a period of five (5) years, after which the volume remaining will be reviewed.	
Remaining General Pool = 324 AF		
Available for Allocation		
1. Projects and allocations shall be divided among: Market, Workforce- includes ownership or rental property such as Multi-family and Apartments, and Commercial		
2. Overall policies (Category 1) apply		
Market	Workforce	Commercial
Quantity: 125 AF	Quantity: 100 AF	Quantity: 99 AF
a. Exhibit A projects have	a. Exhibit A projects	a. For commercial

<p>first priority until the end of Calendar Year 2016 or their application expires per policy 1l.</p> <ul style="list-style-type: none"> b. The quantity of 125 AF is capped for Calendar Year 2016. c. Any remaining volume will be for only administratively approved projects through 2016. d. No new lot splits (except those on Exhibit A) e. After Exhibit A projects, no one project can use more than 50% of the remaining quantity. f. If a project needs more than 50% of the remaining volume, see Policy 1i. g. All projects must connect to City sewer immediately for allocation. h. Project must meet all City Codes 	<p>have first priority until the end of Calendar Year 2016 or their application expires per policy 1l.</p> <ul style="list-style-type: none"> b. The quantity of 100 AF is capped for Calendar Year 2016. c. After Exhibit A projects, any remaining volume will not be issued to congregate and assisted living facilities. d. After Exhibit A projects, no one project can use more than 50% of the remaining quantity. e. If a project needs more than 50% of the remaining volume, see Policy 1i. f. All projects must connect to City sewer immediately for allocation. g. Project must meet all City Codes 	<p>subdivisions or economic development</p> <ul style="list-style-type: none"> b. Water Demand Analysis c. Must be approved by Council.
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Category 3: Reservations

Reservations made by the City through contracts or other Council actions are unique. The Category 1 policies generally apply subject to the specific provisions thereof. Four such reservations are identified below.

1. The reservation for Chino Valley Irrigation District in place will not be modified by this Policy.
2. The reservation for Vacant, Residentially-Zoned Tracts within the City on January 22, 2016, was 431.7AF. Water from the current balance of this reservation is available for allocation subject to the following:
 - a. Allocations will be made for those tracts identified in 2009 and reaffirmed in 2015, at the corresponding development densities and volumes.

agreement. No subsequent incremental allocation for each such tract from said reserved quantity shall be made. Any remaining (unused) water for each such tract shall be returned to the General Pool.

- c. The total quantity reserved for vacant, residentially-zoned tracts shall be reduced by the quantity of fifty (50) acre-feet each year, with said reduction to be transferred to the General Pool, effective January 1, 2017, and on each subsequent anniversary date thereafter.
 - d. Notwithstanding the foregoing, nothing shall preclude the owner of any developable property within the City or otherwise satisfying requirements of the City Code for water service from applying for alternative water that is available within a water budget adopted by the Council.
 - e. Contracts shall require written performance criteria to include, but not be limited to, a termination date of not more than two (2) years, which date shall not be extended. In the event of termination, the reservation for the entire property shall likewise be terminated.
 - f. A water service agreement application shall be submitted as outlined in Policy 1d.
 - g. In the event that rezoning of a property identified as a vacant residentially zoned tract within the city limits increases the number of potential residential dwelling units, the reservation of water for said property shall not be increased at the time of such rezoning to reflect the additional demand corresponding to the increase in dwelling units; and any existing reservation shall remain in force (Resolution No. 4071-1141).
3. The reservation for Pre-Existing/Historic Agreements (Prescott Rivera, Rancho Vista, Ewin and Iron Springs) is 58.5 AF. As of January 22, 2016, the volume remaining is estimated to be 45.2 AF. This reservation remains under review.
 - a. These pre-1998 contractual agreements will be issued water consistent with the agreement provision and all current City codes.
 - b. Once said reservation has been fully placed into contracts, no further water shall be available for development of the specified properties. The corresponding water service agreements shall not expire.
 - c. Portions of the areas specified by these contracts that have been annexed into the City are no longer subject to each such contract but rather to City Code 2-1-12.
 - d. If, during the remainder of Calendar Year 2016, this reservation is found to be unnecessary (is recognized to be eligible for current and committed groundwater supplies), then the reservation will be terminated.
 4. The reservation for Deep Well Ranches was effective December 24, 2009, and set forth by City Contract No. 2010-086. As of January 22, 2016, the volume remaining is 1,821 AF (921 AF non-BCWR alternatives supplies, and 900 AF BCWR alternative supplies).

As provided for by said contract, nothing shall preclude the Owner from applying, now or in the future, for additional water from any sources of the City made available for development within the City.

Section 4.c. Water Allocation Process

Allocation of the City's water for development is based upon all applicable City and State of Arizona codes, policies, and adopted plans. There are three potential pathways to water allocation, depending on the project. The City will determine the most suitable for each project from the following list:

1. Administrative Approval

- a. Water service agreement applications will be accepted with the submission of a complete building permit application.
- b. See Policy 1a and 1d.

2. Site Plan Review

- a. The Site Plan Review process is described in the Land Development Code Section 9.8.
- b. Water Service Agreement approval shall be required at the same time of Site Plan approval.
- c. To be approved, the WSA shall include the following performance criteria:
 - i. A complete building permit application must be submitted within 1 year.
 - ii. A one-time extension of six (6) months will be allowed, if requested in writing before expiration of the water contract
 - iii. The project must be completed and a certificate of occupancy obtained within the time period specified in the WSA following issuance of a building permit.
 - iv. A one-time extension of one (1) year will be allowed, if requested in writing before expiration of the water contract.
- d. If any of the performance criteria is not satisfied, the water allocation will expire and the water will return to the portfolio.

3. Subdivision Plat Review

- a. The Preliminary Plat Approval process is described in the Land Development Code Section 9.10.9.
- b. Water Service Agreement approval will be required by City Council at time of Preliminary Plat approval.
- c. If approved, the WSA will include the following performance criteria:
 - i. A final plat must be submitted within 1 year of approval.
 - ii. A one-time extension of six (6) months will be allowed, if requested in writing before expiration of the water contract
 - iii. The project must be completed and a certificate of occupancy obtained within the time period specified in the WSA following issuance of a building permit.

- iv. A one-time extension of one (1) year will be allowed, if requested in writing before expiration of the water contract
- d. If any of the performance criteria is not satisfied, the water allocation will expire and the water will return to the portfolio.

Section 4.d. Water Service Agreement Application

New requests for water shall be made by submission of the updated form (Attachment 4). All applications shall expire in one year. All projects fee in effect at the time of the application shall also be paid as a condition of water service agreement approval.

Section 5 Calendar Year 2017

As identified in Resolution No. 4310-1519, "Any quantity of alternative water remaining from the projects described in Section 3, and for which water service agreements have been approved by the City Council as described in Section 4, shall be made available for future annual alternative water budgets as may be adopted by the City Council."

Section 6 Additional Topics

Resolution No. 4310-1519 also identified additional topics for research, discussion, and possible policy update. These items will continue to be addressed in Calendar Year 2016:

1. Determine the availability of alternative water corresponding to the 0.1AF markup on residential development, and manage this quantity separately to support commercial and industrial development.
2. Prohibit connection to City water without well abandonment.
3. Prohibit well drilling on properties served/to be served with City water
4. Require new development to connect to City sewer, whether served by groundwater or alternative water (if not otherwise contractually entitled to water service).
5. Adopt City Codes changes, where required, to implement the foregoing actions
6. Continue to research and evaluate historical agreements for commitments to serve; determine whether some subdivisions or other allocations covered by historical agreements can be shifted to Current and Committed groundwater demand.
7. Review and adjust availability and pricing of water at the EZ Street water station.
8. Develop policy to accepting Assured Water Supply Certificates brought to the City (pledged IGFRs).
9. Review current allocation volumes of 0.35 and 0.25 AF (having already identified and removed the 0.1 AF markup for commercial/industrial) applicable to single family and multi-family residential, respectively, and determine the feasibility of modifying said volumes for water-conserving development.

RESOLUTION NO. 4310-1519

A RESOLUTION OF THE MAYOR AND COUNCIL OF THE CITY OF PRESCOTT, YAVAPAI COUNTY, ARIZONA, AUTHORIZING THE CITY OF PRESCOTT TO AMEND ITS CURRENT WATER MANAGEMENT POLICY REGARDING NON-RESERVED ALTERNATIVE WATER SUPPLIES.

RECITALS:

WHEREAS, on December 30, 2009, the Arizona Department of Water Resources (ADWR) issued a Decision and Order delineating the City of Prescott water portfolio; and,

WHEREAS, the projections of alternative water supply incorporated within said ADWR-approved Decision and Order have not been achieved; and,

WHEREAS, applications for allocations of alternative water to serve new development have exceeded the amount made available by the City in its Calendar Year 2015 Alternative Water Budget; and

WHEREAS, the City deems it necessary to specify an interim period sufficient to perform a detailed evaluation and updating of the alternative water category of its overall water portfolio, during which time the acceptance of certain types of applications for allocations of alternative water will not be accepted.

ENACTMENTS:

NOW, THEREFORE, BE IT RESOLVED BY THE COUNCIL OF THE CITY OF PRESCOTT AS FOLLOWS:

Section 1. THAT, effective November 3, 2015, the City of Prescott hereby suspends the acceptance of applications for alternative water for 90 days from the effective date of this Resolution, with the following exceptions:

- a. Applications that have already been received and are subject to current rules for administrative approval (less than 4 dwelling units) may proceed and be approved if all other requirements are satisfied (building permit, etc.).
- b. Applications subject to the Chino Valley Irrigation District (CVID) intergovernmental agreement.
- c. Commercial/industrial applications, for which the volume of water available from the 0.1 acre-foot markup on residential allocations is to be determined and established as a separate bank for allocation purposes.
- d. Applications for which the City is contractually entitled to provide water.

- e. Other current applications for redevelopment that may require a minor quantity of additional alternative water to augment a currently recognized quantity of grandfathered groundwater.

Section 2. THAT, the reservation of 776.5 acre-feet of alternative water previously made by the City for future residential development within the city limits, 585.5 acre-feet of which remains presently available, shall be reduced to a reservation of 385.5 acre-feet.

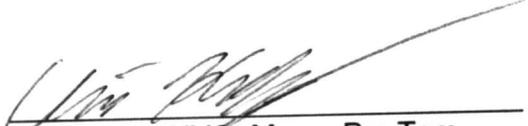
Section 3. THAT, the 200 acre-feet of alternative deducted from the reservation described in Section 2, combined with 314 acre-feet remaining from the 1999 and 2005 ADWR Decision and Orders, shall be made available first to the projects identified by Exhibit "A" hereto, which projects shall be evaluated and prioritized in the following descending order: workforce housing, and apartments/multi-family housing.

Section 4. THAT, performance criteria pertaining to achievement of milestones for delivery of the projects for which alternative water has been requested, shall be developed by staff and included in all water service agreements prepared for consideration by the City Council.

Section 5. THAT, any quantity of alternative water remaining from the projects described in Section 3, and for which water service agreements have been approved by the City Council as described in Section 4, shall be made available for future annual alternative water budgets as may be adopted by the City Council.

Section 6. THAT, this Resolution shall in no way delay or prevent the City from issuing other permits or approvals required for land development or from reviewing applications for alternative water already filed.

PASSED, APPROVED AND ADOPTED by the Mayor and Council of the City of Prescott this 10th day of November, 2015.


CHRIS KUKNYO, Mayor Pro Tem

ATTEST:



DANA R. DeLONG, City Clerk

APPROVED AS TO FORM:

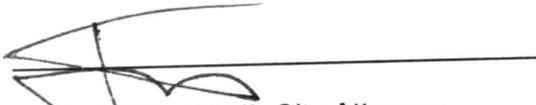

JON M. PALADINI, City Attorney

Table 1. Projects with a WSA application submitted

WSA Application No.	Applicant	Project	Volume Requested (ac-ft)	Market (80 ac-ft)	Workforce (20 ac-ft)	Alt. Water Reservations (ac-ft)
14-007	SJ Holms, LLC	4 multifamily dwelling units	1.0	X		
14-009	ERAU	New 66 unit residence hall, 15 AF of increased water use since 1997, and campus build out.	32.5-95.8 ¹	X		
15-001	Reek Lane Partners	70-unit apartment complex	44 ²	X		
15-003	Mendel	Single family residence from lot split	0.35	X		
15-005	Ryan	Single family residence	0.35	X		
15-006	Orefice	8 unit apartment complex	2.0	X		
15-007	Moody	Single family residence from lot split	0.35	X		
15-008	Schnitzius Family Trust	Single family residence from lot split	0.35	X		
15-009	LKD Housing Ventures	Single family residence	0.35			X
15-010	James 110 Investments, LLC	286 lot subdivision (former Centerpointe South)	100.1	X		
15-011	Hassayampa Holdings of Prescott, LLC	101 unit apartment complex	25.25	X		
15-013	Territorial 12 LLC	12 condominium units	3	X		
15-014	Diversified Development, LLC	253 unit apartment complex	63.25	X		Evaluating possible contractual entitlement (1974 agreement)
15-015	Randy Thomas	Additional demand to current groundwater allocation	1.5	X		
15-016	Robert Beyea	Relocation of duplex to create 1 SFR and a duplex on same lot.	0.5	X		
15-017	Kevin Randle	21 multifamily dwelling units.	5.25	X		
Total			>235.75	>235.75	0	0.35

Resolution No. 4310-1519 Exhibit "A"

Table 2. Other projects presented to PAC for which WSA applications have not been submitted

PAC No.	Applicant	Project	Proposed			
			Volume Required (ac-ft)	Market (80 ac-ft)	Workforce (20 ac-ft)	Alt. Water Reservations (ac-ft)
15-077	Land Resource (SLF, Ill-Storm Ranch)	410 single family units	143.5(65 ac-ft additional) ¹	X		City Contract No. 2008-013 for 79.45 ac-ft (expires 7/10/2017).
15-089	Paul Armenta	New apartment complex	3.5	X		
15-102	Robert Tubbert	Mountain Dream Apts	1.0	X		
15-106	Giving Tree Wellness Center	Greenhouses for medical marijuana	TBD*	X		
15-108	Diocese of Arizona, Inc	Chapel Rock Baseball Field	TBD*	X		
15-009	Sims Family Trust	Lot Split	0.35	X		
15-112	Judy Numbers	Convert racket club to condos	1.5	X		
15-114	I. D. Investors, LTD	Remodel 6 units at Ridge Retreats	1.5	X		
Total			>151.35	>151.35	0	79.45

¹ The applicant has proposed an increase from 227 units to 410 units. The applicant is reviewing options for augmenting the quantity of water beyond that specified by City Contract No. 2008-013 (approximately 65 ac-ft more).

² This range of water corresponds to the 253 to 280 apartment units identified in the PAC application. Note that if developed as a PAD, the maximum number of units would be 294.

*Subject to additional information from applicant.



Acceptance of Extinguishment Credits

Water Resource Management Division
 201 S. Cortez St., Prescott, AZ 86303
 (P) 928.777.1645 (F) 928.777.1255

Any applicant for development and/or water service within the City of Prescott water service area may acquire and present for consideration sufficient "extinguishment" credits to support their development. The volume of the credits will be required to meet the calculated 100-year demand for water.

What are extinguishment credits?

Extinguishment credits are generated when a grandfathered groundwater right is extinguished. The extinguished right can never be used again; however, the credits generated can be pledged to the City of Prescott (because they have a Designation of Assured Water Supply) to support the water requirements of a development. This policy allows for a developer to provide the water necessary to supply a development that is served via the City of Prescott water/wastewater infrastructure.

How many extinguishment credits are required for my project?

1. Determine the annual water demand of your project based on the following allocations:
 - a. Single family residential: 0.35 AF/yr/dwelling unit
 - b. Multifamily residential: 0.25 AF/yr/dwelling unit
 - c. Commercial: determined per project based on Water Demand Analysis
2. Determine the 100 yr water demand of your project based on the following allocations:
 - a. Multiply the annual water demand by 100 years.
 - b. This is the volume of extinguishment credits that will be required to be pledged to the City of Prescott.
3. Examples:

A forty-five lot subdivision:

1. Determine the annual water demand of your project based on the following allocations:
 - a. Single family residential: 0.35 AF/yr/dwelling unit
 - b. $0.35 \text{ AF/yr} * 45 \text{ single family dwelling units} = 15.75 \text{ AF/yr}$
2. Multiply your annual water demand by 100 years.
 - a. $15.75 \text{ AF/yr} * 100 \text{ yrs} = \mathbf{1575 \text{ AF}}$

100 unit apartment complex:

1. Determine the annual water demand of your project based on the following allocations:
 - a. Multifamily residential: 0.25 AF/yr/dwelling unit
 - b. $0.25 \text{ AF/yr} * 100 \text{ multifamily dwelling units} = 25 \text{ AF/yr}$
2. Multiply your annual water demand by 100 years.
 - a. $25 \text{ AF/yr} * 100 \text{ yrs} = \mathbf{2500 \text{ AF}}$

How do I locate extinguished credits that are not yet pledged?

The Arizona Department of Water Resources Office of Assured and Adequate Water Supply should be contacted for a current list of Unpledged Assured Water Supply Credits for the Prescott Active Management Area:

- Phone: 602-771-8599



Workforce Housing
Water Resource Management Division
201 S. Cortez St., Prescott, AZ 86303
(P) 928.777.1645 (F) 928.777.1255

This information sheet describes workforce housing as it relates to City Codes and City Water Policy. City documents, such as the General Plans, have consistently identified the need for workforce housing within City limits.

What is workforce housing?

“Workforce housing” is defined in City Code 10-1, Land Development Code, Article 11 as

Housing developed with a household income paying no more than 30% of gross family income for mortgage, insurance and homeowner association fees or for rent and utilities; or which earns up to 60% of the Area Median Income of Yavapai County for multi-family rental housing; or 80% for single-family owned housing and that restricts student use per Section 42 of the Internal Revenue Code in accordance with the Internal Revenue Code and Arizona Department of Housing Guidelines.

For the purposes of water allocation, specific to single-family owned housing, it shall be defined as to be available to homebuyers earning incomes less than 120% of the median income for Prescott for family of four as defined by U.S. Census Bureau, and the mortgage payments for said housing shall not exceed one-third of the homebuyer’s income.

What information source is used by the City for determining the median income for Prescott?

The City references the data assembled by the U.S Census Bureau, American Fact Finder, which is located on the web at <http://factfinder.census.gov/faces/tableservices/jsf/pages/productview.xhtml?src=CF>

The most recent data can be located by selecting, Community Facts, and then Selected Economic Characteristics – 2010-2014 American Community Survey 5-year Estimates. Within the table that is provide the subject heading is INCOME AND BENEFITS (IN 2014 INFLATION-ADJUSTED DOLLARS), Median household income dollars. See Attachment 1.

Housing price to meet workforce requirements?

<i>Median Household Income (dollars) X 120%</i>	$\$53,482 \times 120\% = \$64,178.40$
<i>HOUSING PRICE: Mortgage not to exceed one-third of \$64,178.40</i>	$\$64,178.40 \times 3 = \$192,535.20$

NOTE: SUBJECT TO CHANGE WITH U.S. CENSUS BUREAU UPDATES

Need more information or assistance?

Community Development
201 S. Cortez
(928) 777-1205

Water Resource Management
201 S. Cortez
(928) 777-1645



WATER SERVICE AGREEMENT APPLICATION

Water Resource Management Division
 201 S. Cortez St., Prescott, AZ 86303
 (P) 928.777.1645 (F) 928.777.1255

Please complete the form and submit a legible legal description on a separate sheet of paper as well as a site plan of the subject property with proposed improvements. Submit all documents and the filing fee directly to the Community Development Department at 201 S. Cortez St, Prescott, AZ 86302.

APPLICANT INFORMATION	
Applicant: _____	Contact Person: _____
Address: _____	City/State/Zip: _____
Phone: _____	Email: _____
PROPERTY OWNER INFORMATION	
Property Owner: _____	Contact Person: _____
Address: _____	City/State/Zip: _____
Phone: _____	Email: _____
PROJECT SITE	
Address: _____	
Current Zoning: _____	Proposed Zoning: _____
Assessor's Parcel Number(s) of Existing Property _____ - _____ - _____	
Existing Water Service (Y/N): _____	Existing Sewer Service (Y/N): _____
Existing Well (Y/N): _____	If Yes, Well Registry No.: _____
PROJECT DESCRIPTION	
Is the project Residential or Commercial? _____	
Please provide brief description: _____ _____ _____	
# of Proposed Units: _____ # of Proposed Lots: _____	
Has a Water Demand Analysis been completed (commercial)? _____	
Has a building permit application been submitted? _____	
Has a Planning and Zoning Recommendation been made? _____	
FEES: Fees are subject to change.	
<input type="checkbox"/> \$ Single Family Residence	<input type="checkbox"/> \$ Multi-Family Residence, Mobile Home Park
<input type="checkbox"/> \$ Residential Subdivision	<input type="checkbox"/> \$ Commercial Subdivision
<input type="checkbox"/> \$ Commercial Project	<input type="checkbox"/> \$ Change of Use

Applicant Signature: _____ **Date:** _____

OFFICE USE ONLY			
PERMIT #: WSA16-_____	FEE PAID: _____	Trak It: _____	Legal Attached: _____

Item G.

COUNCIL WATER ISSUES COMMITTEE AGENDA MEMO April 12, 2016
DEPARTMENT: City Manager (Water Resource Management)
AGENDA ITEM: Work plan for remainder of Calendar Year 2016 related to Resolution Nos. 4310-1519, 4315-1524, and 4321-1530

Approved By:	Date:
Water Resource Manager: Leslie Graser	
City Manager: Craig McConnell	

Background

The temporary suspension addressed a list of projects (Resolution No. 4310-1519, Exhibit A) at varying levels of development for which City water is sought. Resolution No. 4310-1519 set forth a two-part approach which included a list of other work topics, Part 2 Longer Term (Attachment 1). Pending policy adoption, a subsequent short-term policy will be drafted for Calendar Year 2017. Water Resource Management's work plan for the remainder of the calendar year are summarized below:

Resolution No. 4310-1519, Exhibit A projects (post-Policy adoption by Council)

- Notify all project applicants of their status and timetables to seek water supplies based on the adopted policy.
- Prepare City documents (development agreements, water contracts, etc.) for projects that file (or have filed) a complete building permit, a complete site plan and have received approvals, or have a Planning Commission recommendation.
- The aforementioned projects will be scheduled for the next available Water Issues Committee meeting and subsequently the next available City Council meeting if the contract requires Council approval or is directed by the City Manager to be scheduled for Council.

Building permits underway prior to or during the temporary suspension

Resolution No. 4315-1524 provided for certain projects with an active building permit prior to and/or during the temporary suspension to seek alternative water allocation. Most projects have been placed into contract; one commercial building permit remains active. Advancement of this project will require satisfaction of various items identified by a submittal deficiency letter, including a water demand analysis.

Part 2 Longer-term work topics and Calendar Year 2017 policy development

Certain longer-term work topics (Attachment 1) align with Calendar Year 2017 policy development while others can be considered independently. Topics that do not affect the long-term policy will be brought to the Committee for discussion and review, but it is

Agenda Item: Work plan for remainder of Calendar Year 2016

recommended that they not interrupt the Exhibit A projects or others seeking water supplies.

Committee Recommendation to Council: No action required, for information purposes only

Item H.

COUNCIL WATER ISSUES COMMITTEE AGENDA MEMO
April 12, 2016

DEPARTMENT: City Manager (Water Resource Management)

AGENDA ITEM: EZ Street Water Station

Approved By:

Date:

Water Resource Manager: Leslie Graser

City Manager: Craig McConnell

Background

The EZ Street Water Station is a location where people can purchase potable water supplies to transport by vehicle (personal or commercial truck) to a desired location. The fee for this water is \$1.00 per 1000 gallons. The City's 2015 Annual Water Withdrawal and Use report filed each year, as required by state laws, documents the use of 12 acre-feet.

The City's latest Water and Wastewater Rate Study Report was completed, October 13, 2014. This report identifies that the City maintains a coin operated water station that provides water based on a per thousand volume charge basis. Table 8 shows the Fiscal Year 2012- 2013 Water Customer Data (Attachment 1). The system-wide water use for the fiscal year was 1,972,364 kgal and the water use at EZ Street was 4,593 kgal. This water use represents a very small volume of the overall use (0.23%).

Cost comparison for a volume of water delivered to a City of Prescott metered customer verses a person who uses the water station. Note that the cost of services for metered customers reflects volumes of water used, peak rates of demand, number of customers, fire protection requirements, and other relevant factors

	Metered customer (based on a 5/8" meter)	Water Station Customer (coin-operated machine)
Monthly charge*	\$14.13	\$0
Residential – SF		
First 3,000 gal	\$3.23 (\$1.08/1000 gal)	\$1.00(\$1.00/1000 gal)
Next 7,000 gal	\$4.85 (\$1.21/1000 gal)	\$1.00(\$1.00/1000 gal)

*Monthly meter charge and Aquifer Protection fee

Committee Recommendation to Council: No action required, for information purposes only