

COUNCIL WATER ISSUES COMMITTEE
REGULAR MEETING
TUESDAY, FEBRUARY 9, 2016
PRESCOTT, ARIZONA

MINUTES OF THE REGULAR MEETING OF THE COUNCIL WATER ISSUES COMMITTEE HELD ON FEBRUARY 9, 2016, in the LOWER LEVERL 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 9:05 a.m.
Member Steve Sischka

Staff Present:

Craig McConnell, City Manager
Clyde Halstead, Assistant City Attorney
Leslie Graser, Water Resource Manager
Henry Hash, Public Works Director
George Worley, Planning Manager
Kim Webb, Deputy City Clerk

C. Approval of minutes of the January 19, 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, showed a memo on the screen and said the numbers had been updated based on five water service agreements that had either been administratively approved or approved by Council. The total that had been placed in contract since the January 26, 2016, Council meeting was 4.7 acre feet (AF). No water from reservation for residentially zoned had been placed in the contract since the last committee meeting and no further reservations had been placed on the importation supplies.

Ms. Graser covered the bullet points saying there was a decrease of approximately 4.7 AF of the General Pool, the alternative water reservation for vacant, residentially-zoned properties within the City limits was 432 AF, and the alternative water prospectively available from the Big Chino Water Ranch was 3,264.50 AF. The last action was to put a reservation of 200 AF on that for the vacant residential, which had been moved off into the General Pool.

E. Status of Resolution No. 4310-1519

Leslie Graser, Water Resources Manager, gave an update on Resolution No. 4310-1519, a temporary suspension for submitting water service agreement applications that went into effect November 10, 2015. The information was broken down in three blocks; update on work progress, a new draft resolution and possible policies after the temporary suspension.

Ms. Graser said the purpose of the resolution was to allow for a 90 day period, beginning November 10, 2016, and the working days to date were 60 days. The work had been done for the pre-application process conference projects, the water service agreement applications and building permits, all filed on or before November 3, 2015. She noted that projects that were ready to be placed into contract and met the exceptions went to the Council.

During the past 60 days, staff reviewed allocations related to single-family/multi-family. Ms. Graser noted that there was .35 for single-family and .25 for multi-family, which had the embedded one-tenth of an AF for community support services. The work had been completed and was now being documented.

A will serve letter for contractual water was approved by the Council on November 10, 2015, the range of possible commitments was reviewed at the committee meeting on January 19, 2016, and the settlement was forthcoming.

Chairman Lamerson asked for an update at the following committee meeting.

Ms. Graser said work had been done regarding the reservation for vacant residentially zoned water that had been in progress prior to the temporary suspension.

The final item was a resolution call for the prioritization of projects, which was shown at the previous meeting.

The 60 working days identified a need to complete the settlement of the contractual obligations and a draft 2016 Interim Water Allocation Policy.

Ms. Graser explained that the draft resolution sought to extend the temporary suspension for an additional time period, contemplated April 5, 2016. The exceptions would remain in place. Item E was added that stated, "Those projects for which water service agreements

can be administratively approved (less than 4 dwelling units) in order to complete a building permit application.”

Chairman Lamerson recapped that the total available water in the Alternative Pool was 432 AF. Ms. Graser said the General Pool had 480.7 AF and 432 AF was the Vacant Residentially Zoned Pool.

Member Sischka asked if the reason for the resolution was to continue to research all of the possible commitments for water. Ms. Graser said staff was looking at contractual obligations that were identified when the resolution was put in place about the same time period. Staff wanted to make sure that ran its course so they knew they could pull off a volume, if needed. It would give the committee a better look at how to address policies from there on out. She said a policy package would have to accompany the resolution so the public and staff would know what to expect when the pool opened up again.

Ms. Graser said there would be ongoing work. Part 2 of the resolution involved looking more into the easements to see if there were additional obligations that needed to be met.

Member Blair asked what assurances the committee had to give to the public that work would be done by the new date. Ms. Graser said it was a fair timeframe and the intent was not to have to go through the information a second time.

Member Blair asked if there may still be water that the state was addressing at the end of that time. Ms. Graser said the Prescott Riviera would be updated soon.

Member Sischka asked if the staff would be picking winners and losers at the end of the process. Ms. Graser answered that there were certain paths and requirements to obtain water in the City. She said if the project met the Code and policy, it would go forward.

Chairman Lamerson said the City prioritized what was most critical for the community as a whole. He said it was not about picking winners and losers.

Ms. Graser discussed the draft policy. The items to take into account were:

- The approval requirement for alternative water supplies
- The use and the allocation of the General Pool volume
- Dividing the 2016 allocation into two sub-categories, market and workforce
- Where to set the allocation amount.

Mayor Pro Tem Lamerson asked if there was an interface with the Arizona Department of Water Resources(ADWR) as to how the City looked at that in relationship to the number they got in the Alternative Water portfolio. He asked how they came up with those numbers.

Ms. Graser said it appeared that was what the City chose to do when they first became a designated water provider. The City was at .36 AF across the board and a judgment was made recognizing the potential that multi-family would require less, and also wanting to catch all of the support services.

She added that the City had to show what it was pumping on the groundwater side, which was current demand. The City could show what was committed, based on how many empty lots there were within certain, existing sub-divisions. When it came to the Alternative Supply, the City had reservoirs and they provided how much of that water would be available. She said it was the same with reclaimed supplies and how much the City would produce that would be available in the Alternative Water Pool. Once there was the pool, it was the City's decision as to how they wanted to allocate it.

Ms. Graser noted that if a location was not a designated water provider and someone wanted to build in an Active Management Area (AMA), there was an assured water supply demand calculator the state used. She said the staff was in the process of looking at that.

Member Sischka asked if the calculator would take into account types of landscaping. Ms. Graser said there would be a standard template with a multiplier. The bottom line was that the City would want to allocate the best they could regarding actual situations.

Chairman Lamerson asked how many residential units within the City came under the Pre-1998 Agreement that were not dependant on alternative water. Ms. Graser thought it was near 3000.

Craig McConnell, City Manager said the number was presented in the General Plan, under water elements.

Ms. Graser continued with policy items.

- Vacant residentially zoned
- Termination date for performance criteria
- Reservations for historic agreements
- Extension of existing Alternative Water contract – what will happen with contracts subject to expire
- Expiration of Alternative Water – what to do
- Allocation of volumes remaining in the General Pool at the end of the year.

Ms. Graser added that on January 27, 2016, the City received a response from the state regarding the Prescott Riviera that said, based on when it was platted and the date of water contract, they would say that it met state laws for current and committed demand. She noted that the City had quite a few of those agreements outside the City limits and would follow up with the state on those agreements as well.

She said that on February 3, 2016, the City received a letter from the Walden Ranch and on February 4, 2016, a third PAC meeting was held regarding the Giving Tree Wellness Center.

Member Blair asked how much extra water the City would receive regarding the Prescott Riviera decision. Ms. Graser said if the state agreed that it would be groundwater, it would free up a very small portion of water. She thought that once the City went ahead with their modification of their Decision & Order, the City would be able to document the various subdivisions that were here on groundwater before 1998.

Ms. Graser said there was a potential recommendation to Council, from the committee, on the current item. It would be to recommend adoption of the new resolution to extend the time period and to allow for one additional exception.

MEMBER SISCHKA MOVED TO RECOMMEND ADOPTION OF RESOLUTION NO. 4315-1524 TO THE COUNCIL; SECONDED BY MEMBER BLAIR; PASSED UNANIMOUSLY.

F. Prescott Lakes Effluent Sales Contract

Leslie Graser, Water Resources Manager, presented. The item was in regards to the Prescott Lakes Effluent Sale Contract No. 2002-208 A1. She read the background material on the agenda memo. The term of the Agreement was 20 years, effective February 27, 1996. Prescott Lakes Golf Course representatives were seeking to have the agreement renewed with one change related to Item 3, Supply of Effluent. She said the request was to adjust monthly allocations to shift some quantities from the winter months to the summer months, without a net increase in the annual maximum of 500 AF.

Ms. Graser said the current contract provided for two additional twenty-year terms, subject to adjustments to the payment terms set forth in the Agreement. The Agreement may not be enlarged, modified or altered, except in writing by both parties. Staff worked on this item to craft an updated draft document to incorporate:

- Reduce the term to a period of 10 years, with the continued option to renew for a total additional term not to exceed 40 years.
- Incorporate Arizona Department of Water Resources (ADWR) Industrial Conservation Requirements and Maximum Annual Water Allotment for the Turf Facility, effective January 1, 2017. That would reduce the maximum annual water delivery from 500 AF/year to 454.86 AF/year thereafter.
- Adjust annual pricing of effluent by the Consumer Price Index (the increase in the rate shall not be less than two percent per year and not more than six percent per year).

Member Blair asked if the industrial conservation requirements would show up in the recharge of the water portfolio. He asked if the water went from the wastewater treatment plant to the aquifer as a credit. Ms. Graser said that possibility existed. She added that if the City was not using the effluent on turf, the water would be put to the recharge facility for long-term storage credits or recovered for use in the same year.

Craig McConnell, City Manager recalled the actual use at the Prescott Lakes Golf Course was near 400 AF per year. He said the requirement of the state to reduce their allotment to 454 AF should not be a burden to the Golf Course.

Member Blair asked if the City was getting a credit on the water that was not used on the sanitation side. Ms. Graser said the City would account for it in the long-term storage account.

Chairman Lamerson said Prescott Lakes paid for actual consumption. He said, if there were records that showed that Prescott Lakes used roughly 400 AF, why the City would not keep the contract closer to 400 AF. to benefit the entire community. Ms. Graser said there was discussion about supplemental water for dry years.

Chairman Lamerson said the committee could recommend moving the item forward to the entire Council to get their input. He added that he did not agree with the quantity written in the amendment.

Member Blair agreed to move the item to the Council. He did not want to restrict Prescott Lakes from purchasing water during the hot time of year.

Mr. McConnell said there would be a presentation of the contract to the City Council. He said the contract provided for an extension. The question was whether the City had the latitude to restrict the quantity of water available.

Clyde Halstead, Assistant City Attorney, said the City did not have latitude to restrict their total amount of effluent under the current contract.

The committee decision was to forward the item to the Council for consideration.

Peter Kroopnick, resident, asked if there was latitude for changes to their base rate, which was much lower than the standard City's commercial rate.

Mr. Halstead said the price was up for negotiation since it would be a new contract.

MEMBER BLAIR MOVED TO RECESS INTO EXECUTIVE SESSION; SECONDED BY MEMBER SISCHKA; PASSED UNANIMOUSLY.

There being no further business to be discussed, the Council Water Issues Committee Meeting of February 9, 2016, adjourned at 9:47 a.m.

JIM LAMERSON, Chairman

ATTEST:

DANA R. DELONG, City Clerk