

COUNCIL WATER ISSUES
COMMITTEE
REGULAR MEETING
TUESDAY, OCTOBER 4, 2016
PRESCOTT, ARIZONA

MINUTES OF THE REGULAR MEETING OF THE COUNCIL WATER ISSUES COMMITTEE HELD ON OCTOBER 4, 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 am)
Member Steve Sischka

Staff Present:

Leslie Graser, Water Resources Manager
Clyde Halstead, Assistant City Attorney
Rhonda K. Basore, Deputy City Clerk
Alison Zelms, Deputy City Manager

C. Approval of minutes of the September 6, 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. She said as of May 3, 2016, 479 acre-feet of "Alternative Water" remained for new development (uncommitted by a water service agreement). She said there were two residential categories within that category (Market – 125 acre-feet; Workforce – 100 acre-feet). She said at year-end 2016, if the preceding volumes were allocated, 50 acre-feet would be the opening balance for Calendar Year 2017. She said as of September 27, 2016, of the 225 acre-feet, market and workforce budget, 104.10 acre-feet remained, with the difference of 120.90 acre-feet allocated by water service agreements. In addition, the Water Issues Committee and/or Planning & Zoning Commission have recommended Council consideration/approval of

projects for which the combined demand was 44.70 acre-feet. This 44.70 acre-feet included applications that have been administratively approved in accordance with the current policy. If all of these projects were approved, the remaining Calendar Year 2016 budget balances would be: Market – 23.50 acre-feet and Workforce 11.75 acre-feet. Ms. Graser said the report was an update and no action was required.

E. Water Service Agreements

1. Hahn Catherine Miller Living Trust (WSA 16-017)

Leslie Graser, Water Resources Manager, presented. She said the property had an existing single family residence on a lot located in an existing groundwater subdivision plat. The alternative water allocation for the project was 0.65 AF. She said the project met the requirements for water allocation as defined in the Workforce/MF/Duplex/Apts column of the Category 2 table of the Policy and since the project was for less than four units, per Policy, it qualified for administrative approval.

Chairman Lamerson asked if the approval needed to go before the City Council. Ms. Graser said no, this application qualified for administrative approval.

2. Mary S. Houston (WSA 16-018)

Leslie Graser, Water Resources Manager, presented. She said the property had an existing single family residence on a lot located in an existing groundwater subdivision plat. The alternative water allocation for the project was 0.15 AF. She said the project met the requirements for water allocation as defined in the Workforce/MF/Duplex/Apts column of the Category 2 table of the Policy and since the project was for less than four units, per Policy, it qualified for administrative approval.

3. Dave Everson (WSA 16-020)

Leslie Graser, Water Resources Manager, presented. She said the property was 4.63 acres with an existing well. The property owner was seeking to split the property into three lots and drill wells to serve the land splits. She said the property owner was seeking a letter from the City stating that it would not serve the lands in accordance with A.R.S. §45-454. She said the City would provide the letter and refund the application fee. She said this report was informational only.

Member Blair asked what the property was zoned. He said the property owner had a right to split their property if zoned correctly. Ms. Graser said the current water policy stated no additional alternative water would be used to support a lot split. She said the zoning for the property was SF35. She said, if this property has been recognized for the vacant, residentially zoned tracts reservation within City limits, then the lot split could have moved forward in accordance with policy. The lot is not vacant and it has an existing well.

Member Sischka asked if the new lots would be on septic. He asked if the policy was to not allow connection to city sewer if properties were on a well. Ms. Graser said the new properties would be required to connect to city sewer.

Chairman Lamerson said the Council needed an update on State law, regarding wells, that was in competition with the City. He said the State required the City to ensure the water supply was clear of contaminants, yet allowed well drilling. He asked why it was okay for the State to not be held to the same standards of water delivery as the City was mandated. Ms. Graser said she would bring forward a report on exemptions related to wells.

Member Blair said how could the State allow well drilling and yet, place mandates on the City regarding its water supply. He said the City was trying to do the right thing. Ms. Graser said the Agency interprets the law and enforces as the law is written. She said if there was a problem or disagreement with statute interpretation, then cities generally work to seek changes to the laws. Ms. Graser said if someone applied for a State exemption, and the State determined the well applicant met the exemption, then the City could not deny their request.

Clyde Halstead, Assistant City Attorney said the City could not prevent exempt wells from being drilled. The City regulated properties through zoning codes. He said the current policy stated no lot splits would be allowed if alternative water was required. He said the City could deny this application (for lot split); the property owner would not be able to drill the two exempt wells, and have the property owner apply for alternative water in 2017.

Chairman Lamerson thought the City had in place a policy regarding lot splits. Ms. Graser said the City water policy stated "no lot splits would be allowed". However, the Land Development Code allowed for lot splits. She said staff was working with other departments to ensure the same rules applied across the board.

Leslie Hoy, citizen, asked if the City was in contact with ADWR regarding permits. Ms. Graser said the City remains in contact with ADWR.

Chairman Lamerson said it was difficult to deal with ADWR. He said the City was just a small fish in a large pond.

F. Resolution 4310-1519, Part 2

Ms. Graser said Resolution No. 4310-1519 placed a temporary suspension for the submittal of water service agreement applications. She said the resolution identified work plans for policy amendments in two parts, Part 1 (interim) and Part 2 (longer term). The temporary suspension was lifted on May 3, 2016 with interim actions applied in the current City water policy. She said the item before the committee identified changes for the longer term.

Chairman Lamerson said the water policy for 2017-2020 spanned three years. He said things were always changing and suggested a one year water policy.

Ms. Graser said Water Resource Management has been mindful of things always changing. She said the water policy could be amended if conditions changed. She said the volume of water for 2017 would not be known until January 2017. She said the policy would generally remain the same with an amendment regarding volume of water available.

- Volumes (in AF) available when 0.1 AF was summed from WSAs (1999-Sept 2016)
 - Final WSA 50.46
 - Approved WSA 31.14
 - Applied WSA 5.50

Chairman Lamerson asked how long items were tied to performance criteria. How much water was subject to returning to the portfolio? Ms. Graser said if performance criteria was not met, the water contract would expire. Chairman Lamerson said applicants needed to be reminded they could lose the volume of water there were allocated by contract if they did not meet the performance criteria.

Ms. Graser continued with the presentation:

- Feasibility of modifying the single family and multi-family allocation of 0.25 AF/yr and 0.15 AF/yr (0.1 removed) for water-conserving developments
- Single family use – 67%
- Multi-family use – 63%
- On average, non-residential water use was 79% of the expected
- Well abandonment and sewer connection ordinances
 - Well abandonment ordinance has been drafted
 - Sewer connection ordinance language was being drafted for consistency across code sections

Chairman Lamerson said there needed to be uniformity between the Land Development Code and Water Management. Ms. Graser said staff continued to work with departments to ensure the same rules applied across the board.

Member Sischka asked if the recommended water policy updates worked towards alignment across the codes. Ms. Graser said yes.

Member Sischka asked the Assistant City Attorney if the City had to work within the precedence set. Mr. Halstead said the City could always change codes to meet current situations. He said to allow people to continue under old codes was a discussion that needed to happen.

Chair Lamerson said the Charter of Prescott empowered elected officials to do what was necessary to protect and provide safety for its residents. Mr. Halstead said that was correct. He said one code requirement required all properties be connected to city sewer, but this was an enormous task to ensure.

Member Sischka asked at what point in the development process required properties to connect to City sewer. Mr. Halstead said once land was annexed.

Ms. Graser continued with the presentation:

- Shifting certain historic agreements (Ewin, Iron Springs, Prescott Riviera and Rancho Vista) from alternative water to groundwater
- Would continue to research and evaluate historical agreements for commitments to serve
- She said 58AF was being held for Ewin and Iron Springs

Member Blair asked if water would be freed up by switching from alternative water to groundwater. Ms. Graser said staff was determining whether allocations covered by historical agreements could be shifted to current and committed groundwater demand.

Chairman Lamerson understood the City had the right to pump 14,000AF of water. He said the City had only pumped 9,000AF. She said Prescott Riviera and Rancho Vista developments were not built out, therefore these and other subdivisions in the same condition are not necessitating the higher pumping. She said the safety net that was placed for the historic agreements (see above), if certain agreements are placed on current and committed groundwater, may reduce the 58AF alternative water set aside returning some to the general pool for use.

Member Blair asked if being out of safe yield was based upon 14,000AF. Ms. Graser said safe-yield applies to the entire AMA.

Member Sischka asked if the City would be liable for wells that contained high levels of contaminants. Ms. Graser said if wells were found unuseable then people would usually seek to connect to City water.

Ms. Graser continued with the presentation:

- EZ Street water station fee update discussion
- Review and adjust availability and pricing of water at the EZ Street water station

Chairman Lamerson asked about the water consumption at EZ Street. Ms. Graser said approximately 12AF per year.

Ms. Graser continued with the presentation:

- Develop policy for accepting Assured Water Supply Certificates brought to the City (pledged IGFRs)

Member Blair voiced his concern regarding the loss of control over water. He said perhaps the long term water management policy should include the installation of in-slope/out-slope valves for certain developments. Ms. Graser said meters were placed to inform how much water was being returned to permanent recharge to meet requirement of City Charter (Prop 400).

Chairman Lamerson asked if the 2017 Water Policy contemplated surface water rights entering the water portfolio. He said his understanding of the subject development was the development received surface rights in exchange for the properties being developed in/annexed to City limits.

Ms. Graser said Member Blair was looking at all the intricacies of surface water rights and how those played out. She said the City did not have any rights until the transfer of water. She said staff was watching.

Ms. Graser summarized items and said the report was informational only.

- Additional data analysis would be completed for the possible modification of the City's water allocation policies
- Additional analysis would be completed for the 0.1 AF supplies for a commercial allocation pool
- Two historic agreements would be transferred to current and committed groundwater. Two would undergo further review
- Well abandonment ordinance would be prepared for an upcoming Council agenda
- Sewer connection ordinance would be drafted for internal review
- Build water distribution (EZ St. Station) would be prepared for an upcoming Council Study Session

G. Draft outline for the 2017-2020 City Water Management and Allocation Policy

Ms. Graser said reviewed the City's water portfolio (24,574.84 AF/yr).

- Big Chino groundwater was not placed into the yearly budget discussions due to the infrastructure was not in place for importation
- Groundwater was for subdivisions (built and unbuilt lots) that had been finalized before 1999
- Direct delivery of alternative water – placed entirely into contracts
- Long-term storage credits – had not been allocated by the City
- Surface water supplies were not increased from the 2005 to 2009 D&O

She said if a 250 acre parcel was annexed into the City, the water used by the parcel had to be put towards permanent recharge. She said surface water could not be banked to earn long-term storage credits. She said two alternative water categories (reclaimed and surface water) support the bulk of the City's water contracts and reservations that have been made since 1999. She reviewed the allocations:

- Alternative Water (Big Chino Water Ranch) - 8,067.40AF
- Reservations – 4,802.9 AF
- Future Supplies – 3,264.50 AF
- Prescott Valley IGA – 3,702.90
- Deep Well – 900 AF
- Transferred Vacant Residential – 200
- Total 4,214 AF

Member Blair asked if the recharge of reservation water located in Prescott Valley was the City's or Prescott Valley's. Ms. Graser said Prescott Valley's.

Chairman Lamerson talked about future development at the Airport and cooperation between municipalities. He said there needed to be buy-in from surrounding municipalities. Mr. Halstead said Prescott Valley worked under a different water management policy. Chairman Lamerson said the regionalization benefited Prescott Valley and thought they would want to participate in discussions.

Member Blair asked why the construction of the pipeline from Chino Valley to Prescott had not been started. Ms. Graser said the City was working on the requirements of Comprehensive Agreement (CA1).. She said an update on CA1 followed as Agenda Item H.

Ms. Graser continued with the presentation:

- Supplies for final plat subdivision and unbuilt lots; pre-1998 preliminary plats – 1,630 AF
- Big Chino water supplies (not in Town of Prescott Valley or Deep Well Ranch reservation) – 3,464.50 AF
- Alternative water supplies from recharge and recovery of reclaimed and surface water – 1,814.73 AF
- Total in GW or Alt Water Reservations – 6,909.23 AF
- Alternative water supplies from recharge and recovery of reclaimed and surface water supplies that remain available – 158 AF

Member Blair said when agricultural land was rezoned residential would water credits return to the City. Ms. Graser said when the landowners, shareholders and Chino Valley Irrigation District (CVID) relinquished their water rights to the City, it was agreed they would receive 0.25 AF when ready to connect. She said the water would likely remain in reservation until/if future discussions were held by the parties to the contract. . Mr. Halstead said if the CVID ceased to exist, the water credits may return to the City.

Ms. Graser said approximately 800 AF was in-contract but the applicant has either not built the project yet and/or the timeframe for the performance criteria has not yet expired. (Example: 80 AF was in-contract for Storm Ranch) She said as of September 29, 2016 the General Pool Balance was 158.30 AF.

Member Blair said if Storm Ranch never developed, would the water allocations return to the general pool balance. Ms. Graser said yes. Ms. Graser said the Storm Ranch contract was set to expire in 2017. Member Blair said if Storm Ranch sold the land, what guarantee confirmed the water allocations would return to the City.

Chairman Lamerson asked if the City had an obligation to extend the contract with Storm Ranch. He said other people have been denied access to water, so why would the City enter into another contract to have the water sit in a holding pattern. Ms. Graser said the existing water policy stated if a contract expired, the applicant could apply for a one-time,

one-year extension.

Ms. Graser reviewed Big Chino supply. Chairman Lamerson said it was hard to plan on water from Big Chino when nothing had been decided on how to get the water. Ms. Graser said water management had to consider water availability now and for the future.

Member Blair said the City had 3,661 AF available, which did not include Big Chino water. Ms. Graser said yes. She reviewed water availability:

- Category 2: Exhibit A Projects (Market, Workforce/MF/Duplex, Commercial). She said Exhibit A projects had first priority until the end of Calendar Year 2016 or their application expired per policy 1M.
- Market – 48.35 AF (the quantity of 125 AF was capped for Calendar Year 2016)
- Workforce/MF/Duplex – 10.95 AF (the quantity of 100 AF was capped for Calendar Year 2016)
- Commercial – 99 AF

Jim Holt, resident, asked if 3,600 AF was available for single-family homes that have not yet been built. Ms. Graser said yes. He said 3,600 AF resulted in water allocations for approximately 10,000 single family homes or 2500 individuals. He said for people to suggest the water supply was not available was untrue. Ms. Graser referred the group back to earlier slides regarding current and committed groundwater were being referred to by Mr. Holt.

Ms. Graser said the idea behind alternative water supplies (recharge and recovery of surface water or imported supply) was based on supplies that were not D&O groundwater.

Member Sischka left the meeting.

Chairman Lamerson spoke on giving away available water supply and relying on Big Chino water supply. He did not want to rely on Big Chino water until the importation issue had been resolved. Ms. Graser said she looked at Big Chino water supply for flexibility. She suggested showing the committee a map of Prescott showing where water was available/needed.

Member Blair wanted to see the map. He felt there may be properties that could or would not ever be developed. Ms. Graser said water management was seeking to have flexibility in the portfolio now and for the future.

Member Blair asked for staff to research how the City could utilize the mitigated water.

Chairman Lamerson said AMA was specific regarding water rights for consumption and mitigation purposes. He asked staff to review the contract regarding withdrawal and use of water from the Big Chino Sub-Basin and the protection of stream flow in the Upper Verde River regarding water management and strategy.

Ms. Graser presented the draft outline for 2017-2010 City Water Management and

Allocation Policy:

- Reviewed the blocks of water within the City's portfolio
- Restated the challenges within the portfolio
- Identified both existing and anticipated water requests in the coming year
- Addressed Committee requests on September 6, 2016 for additional and specific information related to the portfolio and the allocation thereof
- Provided the outline and anticipated timetable for the 2017-2020 City Water Management and Allocation Policy
- Table of Contents
 - Introduction
 - State and City requirement for water supply management
 - Physical Supplies
 - Water Management
 - City's D&O and Calendar Year 2017 supply allocation
- Proposed Policy Actions for 2017
 - November 1, 2016 – Council Water Issues Committee (Review draft 2017-2020 Water Management Policy)
 - November 8, 2016 – Council Study Session (Review draft 2017-2010 Water Management Policy)
 - December 13, 2016 – Council Voting Session (Adoption of 2017-2020 Water Management Policy)
 - January 10, 2016 – Council Voting Session – Amend the 2017-2020 Water Management Policy to include the 2017 budgeted volume

She recapped by reading the Introduction to the draft policy: The City managed its water resources to ensure supplies were sufficient for current and future demand. These supplies were managed by a team of professionals who operate infrastructure (wells, pipes, storage tanks), monitor physical resources (groundwater, surface water, and reclaimed water), and integrate physical supplies with State and City water management requirements (i.e. Assured Water Supply document and City Codes). In order to coordinate the movement and quantity of physical water supplies with regulatory requirements, the City of Prescott Water Resource Portfolio was managed similar to financial accounting principles, including account deposits, withdrawals, creation of savings and subaccounts and allocations. While, this Water Management Policy references infrastructure and physical supplies, it was intended to serve as a Water Resource Management document providing information on the policies that guide water supply protection and use, basic physical supply information, water allocation to new and existing development, and how those were integrated to ensure healthy and stable water supplies for the community.

H. Comprehensive Agreement No. 1, Fiscal Year 2016 Annual Report

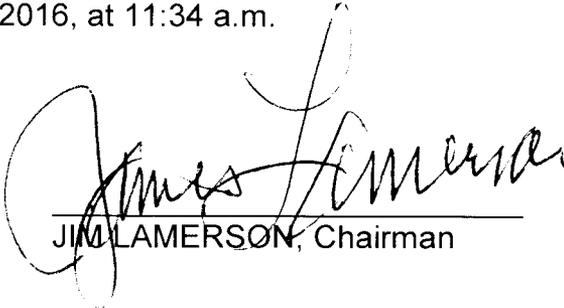
Ms. Graser said Comprehensive Agreement No. 1 (CA1) with Salt River Project, Town of Prescott Valley, provides for implementation of an enhanced groundwater and surface water monitoring system generating data for a more refined groundwater model to be developed for the Big Chino Sub-basin and its connection to the Upper Verde River. She

said the annual report contained project accomplishments, finances, and plans for the next fiscal year. She said the report was available on the City's webpage.

Member Blair asked if the reports were available for viewing. Ms. Graser said all the reports and information were posted to the website at <http://prescott-az.gov/services/water/chino.php>.

I. Adjournment

There being no further business to be discussed, the Council Water Issues Committee adjourned the Public Meeting of October 4, 2016, at 11:34 a.m.



JIM LAMERSON, Chairman

ATTEST:



DANA R. DELONG, City Clerk