

COUNCIL WATER ISSUES
COMMITTEE
REGULAR MEETING
TUESDAY, NOVEMBER 1, 2016
PRESCOTT, ARIZONA

MINUTES OF THE REGULAR MEETING OF THE COUNCIL WATER ISSUES COMMITTEE HELD ON NOVEMBER 1, 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 9:08 am)
Member Steve Sischka

Staff Present:

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

C. Approval of minutes of the October 4, 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 October 17, 2016, of the 225 acre-feet, market and workforce budget, 102.95 acre-feet remained, with the difference of 122.05 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 2.0 acre-feet. This 2.0 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 11.60 acre-feet. Ms. Graser said the report was an update and no action was required.

E. Water Service Agreements

1. Kevin Randle (WSA 15-017)

Leslie Graser, Water Resources Manager, presented. She said the property was located within the city's limits. She said the project met the requirements for water allocation as part of Exhibit A projects. The water requirement for the proposed project was 5 acre-feet.

IT WAS THE CONSENSUS OF THE SUB-COMMITTEE TO FORWARD THIS ITEM TO THE CITY COUNCIL.

2. Michael T. Hendrickson (WSA 16-022)

Leslie Graser, Water Resources Manager, presented. She said the property was located within City limits and zoned for single family residential. She said the property was issued a water service agreement which expired April 4, 2011. The water requirement for the property was 0.35 acre-feet. In accordance with City policy the property was eligible for supplies within the market category. She said the current policy stated residential requests of less than 4 dwelling units may be approved by the City Manager administratively. She indicated the report was informational only and the application was approved administratively.

F. Draft City Water Management Policy and Calendar Year 2017 Alternative Water Allocation

Leslie Graser, Water Resources Manager, presented. She said in 1999 the D&O put forward a certain volume of water; the 2005 D&O brought forward an additional amount of water; and the 2009 D&O brought forward reclaimed supplies for recharge and recovery. She provided information on the portfolio accounting of water allocations:

	Acre Feet (AF)
Total Allocation	3,661.00
Water budgeted by Council	2,177.00
Volume in contract 1999-2014	2125.09
Total contracted/reserved water	3,459.77
Approximate remaining Volume from 1999, 2005, and 2009	201.23

Chair Lamerson said he did not want to count on water from Big Chino until a plan/decision had been made on importation. Ms. Graser said currently there was no encouragement by Water Resources Management to proceed with allocating additional water from Big Chino.

Member Blair asked if conservations with ADWR had been exhausted regarding left over water from subdivisions. Ms. Graser said discussions were being held.

Member Blair said the water portfolio was not specific and whole until a determination had been made on water credits by ADWR. He said it was important to review guidelines from creation of the Water Issues Committee to present. He said Prescott was healthy in water due to conservative work performed by the past and present Committee Members and staff, which he was very proud of.

Ms. Graser continued with the presentation. She said staff was working on a map that showed what portion of the City was covered by ground water, what portion used alternative water resources and developable properties vs. non-developable.

Ms. Graser gave an overview on each section.

Draft City Water Management Policy

- Section 1: Introduction

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. She said the draft policy provided basic information for the next three years and a framework for setting alternative water allocation volumes yearly.

- Section 2: State and City water supply management requirements
 - Section 2.a. State requirements
 - Prescott AMA
 - Assured Water Supply (D&O)
 - Section 2.b. City requirements
 - City Codes

- City Water Management Policy

No changes.

- Section 3: Physical Supplies

Ms. Graser said the City relies primarily on groundwater for water supply. Therefore, in order to protect this supply, the City augments the groundwater, as outlined in state laws, by using surface water from local reservoirs and reclaimed supplies (treated effluent) to recharge the aquifer.

- Section 4: Water Management – integrating physical supplies and water supply management requirements
 - Section 4.a. City's Assured Water Supply and the General Plan
 - Section 4.b. City's Assured Water Supply and Water Conservation planning

Ms. Graser said the policy continued to evaluate and address the community's water supplies within the City's General Plan and provided education and tools to assist home and business owners with basic and advanced conservation methods.

Chair Lamerson asked how long ago new meters were installed. Ms. Graser said approximately seven years ago. He said the City has saved considerable due to leakage problems being resolved.

Chair Lamerson hoped the City would stay on top of maintenance so not to lose water through leakage or broken pipes. Ms. Graser said the City has a five year Capital Improvement Program (CIP) and models that look at water infrastructure needs and repairs.

Chair Lamerson said providing water to the community was everybody's responsibility.

Member Blair referred to Montezuma where galvanized water yard lines were installed many years ago. He said just recently there was major water leakage from the galvanized water lines that needed to be repaired. He said the City was constantly replacing/repairing old infrastructure.

Henry Hash, Public Works Director, said the CIP always included water drainage and sewer projects if necessary. He said the meters would be replaced every 10 years or earlier if necessary. He said staff monitors water lines for leaks and damage to infrastructure.

Chair Lamerson said the models needed to be updated on a continuous basis. He spoke on work done by shoddy contractors and not using those contractors in the future. He said at the end of the day he wanted to see best practices implemented.

Ms. Graser continued with the presentation. She said Section 4 had no changes.

- Section 4.c. City's Assured Water Supply and Drought planning
- Section 4.d. City's Assured Water Supply and Water loss
- Section 4.e. City Assured Water Supply and Infrastructure planning
- Section 5. City's Decision and Order (D&O) and Calendar Year 2017 supply allocation.
 - Section 5.a. Summary of Alternative Water Allocations (1990-2016)
 - Section 5.b. Water Allocation Policies and Volumes for Calendar Year 2017
 - Section 5.c. Water Allocation Policies in 2017 and Subsequent Years

She said this section would change each year depending what was available for placement into water service agreements (contracts). She reviewed some overall policy requirements for placing alternative water supplies into water contracts.

- Policy 5 – Alternative water contracts that expired during Calendar Year 2017 will not be amended to increase the number of lots of volume of water. A one-time extension for one (1) year may be requested, by the applicant; however, there shall be no further entitlement to additional extensions or replacement with a new contract.

She said currently there were two contracts that would expire in 2017. Member Blair asked about the two contracts. Ms. Graser said one was for Storm Ranch (80 AF) and one was for an apartment complex (14 AF).

- Policy 7 – Alternative water will not be allocated to support lot splits occurring in subdivisions that have a groundwater allowance. Alternative water will only be allocated per policy to support lot splits occurring in vacant, residentially zoned tracts identified in the associated reservation (see Category 3). Splits of unsubdivided lots (no groundwater allocation), not identified in the vacant residential reservation, and may be supported by alternative water if sewer is available, and connection to sewer is a condition of water service.

She said the current policy set forth limits on lot splits. She said the policy created some issues because there was lot splits that had happened before the policy was in place.

Member Blair said there were high zoned areas that were in the County that have now been annexed to the City. He asked if those lots could be split. Ms. Graser said unique situations would be reviewed on a case by case basis in accordance with policy.

- Policy 8 – Alternative supplies shall not be allocated for uses that will not return 50% or more wastewater to the treatment plants (e.g. new turf, commercial agriculture, residential requests without sewer connection, etc.), with the exception of certain Pre-Existing/Historical Agreements (Category 3).

Ms. Graser said Policy 8 was included because of new laws that passed regarding wastewater being returned to treatment plants.

Member Blair asked if something should be written into the policy requiring reclaimed water lines (purple lines) be installed during any open roadway construction. He mentioned Embry Riddle was close to a purple line thought it made sense to continue the line into their facility. Ms. Graser said Proposition 400 stated 50% or more wastewater needed to go to permanent recharge. She said once proposition 400 was in place there would not be extra supplies available to run through the purple lines.

Member Blair said thought it made sense to lay purple lines when the ground was open. He felt proposition 400 handcuffed authorities. Ms. Graser said currently the City did not have extra water supplies to send through purple pipes.

Michael Lamar, City Manager, said staff would bring forward costs and whether it made sense to place the infrastructure during construction projects.

Chair Lamerson asked what percentage of the treated effluent was committed for recharge.

Member Blair said it made sense to place purple lines during construction projects when ditches were open.

Ms. Graser said staff was trying to cover all needs in the policy. She said Policy 8, states alternative supplies shall not be allocated for uses that would not return 50% or more wastewater to the treatment plants.

Chair Lamerson said the City had contractual agreements to deliver water. He said new requirements could not be placed upon those agreements.

Ms. Graser said the policy covered a multiple situations.

Member Blair asked where in the policy did it state, if given the opportunity, the City should install sewer lines to recapture water. He wanted subsequent Council's to know this was a priority.

Clyde Halstead, Assistant City Attorney, said City codes (plumbing, building, and sewer) require connection to the City's system. He said City codes do not apply to residences outside City limits. He said staff was working on regulations to be adopted within the next two years that would allow direct reuse of reclaimed water.

Ms. Graser continued with the presentation.

- Policy 9 – no change
- Policy 10 through 12 – no change
- Policy 13 – stated this was a new change. “New application for water service agreements for apartments shall not be accepted in 2017, unless it is a project for which a portion of the needed water supplies have been allocated in an earlier

contract or an "Exhibit A" project. The City shall prepare a report assessing inventories and demands for apartments and other housing types within the City limits. Findings will be reported to the City Council as input for the Calendar Year 2018 Alternative Water Allocation policy and budget."

She said Policy 13 was included because of the influx of apartments. She said the City needed to review its allocations and prepare a housing study.

Member Blair asked how the government could dictate what private individuals could or could not do with their own property.

Chair Lamerson said in Policy 13 the word "shall" was very restrictive. He would like to change it to "may" to allow flexibility.

There was a lengthy discussion regarding the use of the "shall" vs. "may". Members of the committee agreed to change in Policy 13, the first shall to may and leave the second shall as is.

Member Sischka said the market intends to overbuild and he would like flexibility.

Mr. Halstead said applications for apartments could be suspended until 2018, to allow time to review water policies. If the word "may" was inserted the City was willing to accept all water applications in 2017. Then based upon decisions/acceptance/approvals made the City could be open to law suits. He said a study would be defensible in court.

Chair Lamerson said each project should be considered and then a decision made based upon the circumstances at that time.

Member Blair said markets shift all the time. It should be left up to the City/Committee to determine/approve projects at the time of submittal.

Chair Lamerson said the flexibility of the legislative body should not be removed. He agreed on changing the first "shall" to "may".

Member Blair agreed. He said the market was ever changing. He said approval/denial should be left up to the Committee/Council.

Chair Lamerson said people may have a good project. He would like to review all applications. Member Blair and Sischka agreed.

Mr. Lamar said a study could be done before reviewed by the Water Committee.

Member Blair said his concern was how long the study would take.

Ms. Graser said the Committee had concerns with a policy for three years. She said Section 5 – City's Decision & Order (D&O) and Calendar Year 2017 supply allocation was

reviewed every year. She said the current policy stated no water would be issued for assisted living or congregate living. She said this policy would be reviewed in a year to determine if water was available and for what projects.

Chair Lamerson felt it was discriminatory to deny water based upon living conditions. He said allocating water should be market driven and should not be policy restricted.

Ms. Graser said water allocations were market driven and it is not the intent of the policy to deny anyone access to water.

Member Sischka said typically the market overbuilds. He asked how this affected water allocations for certain designations.

Ms. Graser said water allocations were given for a certain period of time. The water allocations for designated projects would be locked and not available. She said the water allocations would not be available unless performance measures were not met or the project expired.

Member Sischka asked if the policy was the best way to allocate water.

Member Blair said apartments could only be built in certain zoning areas. He said it would be good to have a map/study showing different zoning areas.

Ms. Graser said staff works with the Community Development Department regarding zoning.

Chair Lamerson and Members said they were comfortable moving the water allocation policy forward for Council recommendation/approval but changing the first "shall" to "may" in Policy #13.

Mr. Halstead advised by changing the word "shall" to "may" delegated authority to staff members to reject or accept applications, which he advised might be a bad idea. He said it might be better to delete policy #13.

Chair Lamerson said water allocations go to the Water Issues Committee for approval or disapproval to the Council.

Mr. Halstead said when the policy states no applications would be accepted until the survey has been completed, staff has the authority to deny all applications. He said when the policy states applications may or may not be received, the power falls upon staff to decide. He said if committee members wanted to switch the word "shall" to "may" he recommended deleting the policy completely.

Ms. Graser said the recommendation today was to forward the draft City Water Management and Calendar Year 2017 Alternative Water Allocation Policy for presentation to the Council at their Study Session on November 8, 2016. She said the pool for

alternative water was getting smaller and tough decisions needed to be made. She said Policy #13 could be removed after review by the entire Council.

Member Blair asked how the City defended denying projects based upon no water available.

Mr. Halstead said projects would be denied based upon information at the time of submittal.

Member Blair suggested waiting until the housing study was completed to accept applications.

Chair Lamerson supported suspending all applications for one year. Members Blair and Sisichka agreed.

Mr. Halstead said suspending applications until the housing study was complete puts the City in a better legal position.

Mr. Lamar said would applications for condos be suspended as well or just apartments. Mr. Halstead said the study would be changed to include same density projects. (i.e. apartments, condos)

Chair Lamerson did not want to discriminate against classes or projects. He said he would like to review all projects and make a decision based upon the water allocations at that time.

Ms. Graser continued with the presentation. She said the 2017 residential volumes are proposed to be 50AF and commercial 100 AF. She said 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. She said the pool was simplified for 2017. She said if someone was seeking water supplies, a building permit and/or a preliminary plat or site plan needed to be filed. She said the Water Service Agreements expired in one year.

Member Blair asked if an application, building permit or plat map had been accepted if there was a well on site. Ms. Graser said yes. She said because of State law a well could be converted for part or all of the water allocation requirement.

Ms. Graser said the next step would be to present at a Council Study Session on November 8, 2016.

Chair Lamerson asked Policy #13 to be revised to include flexibility by changing the first "shall" to "may".

Member Blair agreed.

Member Sischka asked how do people know what order their application was being processed. She said applications were processed based on submittal date and completeness. She said if a request was for 10 AF and only 8AF were available, then applicant would have the option to bring in Irrigation Grandfathered Rights (IGR). If the applicant chose not bring in IGR, then the project would be deemed incomplete.

Member Sischka felt accepting applications on first come, first serve basis was fairer than rejecting all applications during 2017. Ms. Graser said simplifying the policy for 2017 would help.

Member Blair asked how many residential units to a 1 AF. Ms. Graser said the policy states .35 AF for residential and .25 for commercial would be allocated. She said a project less than 4 units could be approved administratively.

Member Blair referred to an apartment project coming forward and if that project would be able to obtain water in 2017. Ms. Graser said the policy reads unless a project in which a portion of the needed water supply had been allocated in an earlier contract, water allocations would be based on the time of approval.

Mr. Lamar asked about water supply for residential vs. commercial. Ms. Graser said State law requires commercial subdivision have an assured water supply.

Member Blair asked about water allocations for the commercial project at Ruth and Whipple. He said originally the property was zoned residential. He asked how the water allocations were adjusted when zoning changed. Ms. Graser said in the past the City had a policy that stated if the project required re-plat, the ground water allocation ceased to exist. She said if the project does not require additional water the project could be constructed on its previous groundwater use.

Member Blair asked if a project would be using less water would the City accrue State water credits. Staff said no.

Ms. Graser understood the recommendation was to move the policy forward to November 8, 2016 Study Session changing language in Policy #13.

Peter Kroopnick, citizen, asked about Policy #8 justification for 50% return or more wastewater to the treatment plants and if the number could be increased to provide for more conservation.

Ms. Graser said the usual return was about 54%. Staff set the policy at 50% for safety levels.

She said unless the wastewater was going into the plumbing system the wastewater would not return to the plant.

Howard Mechanic, citizen, asked if the City would create and maintain a list of property owners willing to sell irrigation grandfathered water credits. Mr. Halstead said the State Department of Water Resources maintained such a database.

Leslie Hoy, citizen, said she could not find such a list on the State's website. Staff advised her to call the State.

G. Granite Dells Estates

Leslie Graser, Water Resources Manager, presented. She said the City received a letter from the property owner requesting additional water, approximately 191 acre-feet to be phased-in beginning Calendar Year 2019 in 50 acre-feet/year blocks. She said the property owner was seeking assurance the water supply would be available for build-out of the master plan. She said the question is where would the water allocations come from to address this request to place additional water supplies into contract for the Master Plan. She reviewed water allocation options.

Chair Lamerson said the request needed to be discussed in a public session before the entire Council. He was not comfortable setting aside 191 AF. He said the request would take water allocations set aside for residential properties that have been paying water taxes for many years.

Member Blair asked how many lots were involved. He said some of the lots might be unbuildable. Ms. Graser said if staff determined a lot was unbuildable, the water allocation would be reduced.

Member Blair said if he owned a piece of property and was told he could not develop because of lack of water, he would be upset. However if his lot had a 30% slope and was considered unbuildable, he was okay with letting go of the water credits until water would be available from other sources. He said if someone wanted to develop their property, and had been paying water taxes, water should be available.

Ms. Graser spoke on long term storage credits that might be available to meet the request.

Chair Lamerson spoke on rate payers paying extra on their water bill for alternative water resources (Big Chino pipe line). He had a concern with allocating water to a development that had not paid into the system.

Member Sischka said unless the vacant property was metered, vacant property owners were not paying into the system.

Ms. Graser said this was not an easy discussion. She said the request was for a significant quantity of water to complete a partially watered Master Plan. Staff was seeking guidance on how to proceed.

Member Blair asked where the commercial/industrial development was going to be in the

development. Ms. Graser said the property was rezoned which removed the commercial/industrial portion.

Ms. Graser spoke on proposition 400, which required permanent recharge. She said this would slow down the amount of water that could be set aside for other uses.

City Attorney Halstead said the City was under no obligation to provide water or change the contract. He said changes to the contract needed to be done in an Executive Session.

Committee Members felt there needed to be a bigger discussion in a Study Session with the entire Council.

I. Adjournment

There being no further business to be discussed, the Council Water Issues Committee adjourned the Public Meeting of November 1, 2016, at 11:46 a.m.



JIM LAMERSON, Chairman

ATTEST:



DANA R. DELONG, City Clerk