

ARIZONA WATER BANKING AUTHORITY
Draft Minutes

June 22, 2016
Arizona Department of Water Resources



AUTHORITY MEMBERS

Thomas Buschatzke, Chair
Ray L. Jones, Vice-Chair
Kathryn Sorensen, Secretary
Jim Hartdegen
Steven Moss

EX OFFICIO MEMBERS

The Honorable David M. Gowan
The Honorable Gail Griffin

Welcome/Opening Remarks

Chair Thomas Buschatzke welcomed the attendees. Lisa Atkins, President of the Central Arizona Water Conservation District Board, attended in place of her designee Jim Hartdegen. Commission members Kathryn Sorensen and Ray Jones attended in person. Commission member Steven Moss and *ex-officio* members, Senator Gail Griffin and Speaker David Gowen, were not in attendance. Chair Buschatzke recognized the AWBA's 20-year anniversary on April 30, 2016.

Approval of Minutes

Chair Buschatzke asked for a motion to approve the minutes from the March 16, 2016 regular quarterly meeting. Ms. Sorensen moved to approve the minutes. Mr. Jones provided the second to the motion and the minutes were approved.

Chair Buschatzke asked for a motion to approve the minutes from the April 27, 2016 special meeting. Ms Atkins moved to approve the minutes. Ms Sorensen provided the second to the motion and the minutes were approved.

Water Banking Staff Activities

Monthly Deliveries. Ms. O'Connell, AWBA Manager, reviewed deliveries through May. She noted that deliveries are slightly ahead of schedule in the Phoenix Active Management Area (AMA). Deliveries were shifted to accommodate maintenance scheduled for the Superstition Mountain Recharge Project later this year. Deliveries to the Pinal and Tucson AMAs are on target. Ms. O'Connell also provided an update concerning the water storage agreement for SRP's groundwater savings facility (GSF). She informed Commission members that SRP and the AWBA have different cost share rates per acre-foot, \$25 and \$34 respectively. Under the previous agreement, ADEQ paid the difference in cost to SRP as part of a mitigation effort. That is no longer the case. The agreement has therefore been put on hold. SRP has made capacity available at its GRUSP facility to store the 10,000 acre-feet that had been planned for the GSF.

Colorado River Status Update. Don Gross, ADWR Colorado River Management, gave an update on Colorado River Basin conditions. Total system storage (i.e. Lakes Powell and Mead) is currently at 51 percent of capacity. The 2016 snowpack has nearly all melted off and El Niño conditions have also ended. There is a 75 percent chance that La Niña conditions will begin in the fall. In April, conditions were such that releases from Lake Powell into Lake Mead were adjusted upward from 8.23 million acre-feet (MAF) to 9 MAF. Lake Mead elevation on December 31, 2016 is expected to be at 1,079.3 feet, two feet higher than the March report. Elevation on December 31, 2017 is projected to be at 1,074.7 which would trigger a Tier 1 shortage. However, the probability of shortage in 2017 has decreased to 10 percent from 37 percent based on the CRSS Model run for April 2016. The probability of any level of shortage in 2018 is currently at

56 percent. Mr. Gross noted that the roughly 350,000 acre-feet of water conserved in Lake Mead by CAWCD in 2015 and 2016 as part of the Drought Memorandum of Understanding among the Lower Basin States has increased lake levels by five feet. Chair Buschatzke pointed out that Mexico also has approximately three feet in Lake Mead. These programs have made a difference in keeping elevations above the shortage trigger level and that future conservation options are encouraged. He also noted that ADWR, CAWCD, and the Bureau of Reclamation will be having another Colorado River update meeting after Reclamation's August 24-Month study is released.

CAP System Update. Patrick Dent, CAWCD Water Operations Manager, gave an update on the various Colorado River conservation programs as they relate to CAWCD (available online). He pointed out that Arizona will be meeting its MOU target of conserving 345,000 acre-feet in Lake Mead by 2018 one year ahead of schedule. Actions were taken to accelerate storage, given the high probabilities of shortage for 2016 and 2017. Second, the Pilot System Conservation Program is a grant program that has the same funding partners as the MOU and is also coordinated by Reclamation. The total volumes of water conserved under this program between 2015 and 2016 is over 35,300 acre-feet. Lastly, Reclamation has its own system conservation program that has conserved just under 14,000 acre-feet. The total volume for all three programs by the end of the year is estimated at just over 390,000 acre-feet. There are still some funds available and additional proposals are being reviewed under the Pilot System Conservation Program. If the proposals are not selected the funds will be available for 2017.

CAWCD Water Storage Tax Resolution. Ms. O'Connell informed Commission members that the CAWCD Board adopted the annual *ad valorem* tax resolutions at its meeting on June 9th. The Board resolved to levy the water storage tax for the 2016/2017 tax year at 4¢ per \$100 of assessed property valuation. The Board also resolved to retain the revenues collected and to use the funds toward the repayment of construction costs of the Project or annual operations, maintenance and replacement costs, including underground storage for the purpose of M&I firming by the AWBA.

Legislative Transfers

Ms. O'Connell briefed Commission members on the Legislative transfers from the Arizona Water Banking (AWB) Fund for fiscal year (FY) 2017. She noted that House Bill (HB) 2695 requires the transfer of \$1,411,100. Of this amount, \$1,211,100 will be used to support ADWR and \$200,000 will be made available to the AZ Navigable Stream Adjudication Commission. Based on previous actions, staff recommended that the funds be transferred proportionally from the Phoenix, Pinal and Tucson AMA withdrawal fee subaccounts based on estimated revenues. Second, staff recommended that if given the opportunity, funds be transferred during the second half of the fiscal year using withdrawal fee revenues collected in 2018. This would allow the AWBA 2016 Plan of Operation to be carried out as adopted. Ms. Atkins noted that CAWCD, as others, would prefer that the legislature not transfer funds from the AWB Fund. Using the withdrawal fees for other purposes diminishes the importance of the AWBA. Mr. Jones asked what the impact of the transfers were to the AWBA and its obligations and if the decrease in funds would result in a decrease in AWBA water deliveries as indicated in the table provided. Ms. O'Connell responded that the volumes in the table correspond to an equivalent amount of water per funds transferred from each AMA. The reductions in

deliveries identified for the Pinal and Tucson AMAs could potentially be redirected to the Phoenix AMA where funding is available for storage. The AWBA would likely be able to store all of the water, but it would not be according to the plan. Mr. Jones noted the information should be clear that the transfer would not impact the AWBA's water availability. Chair Buschatzke indicated that efforts were being made to reach out to budget staff and clarify the impacts the transfers have had on the AWBA and its obligations.

Ms. Sorensen made a motion to approve staff recommendation for transferring funds proportionally from each AMA withdrawal fee subaccount in the AWB Fund for FY 2017 pursuant to HB 2695 based on funds collected during the second half of the fiscal year. Mr. Jones provided the second and the motion carried.

2015 Annual Report

Ms. O'Connell gave a presentation on the AWBA 2015 Annual Report and Ten-Year Plan to the Commission (available online). Public review comments received were primarily technical corrections. Ms. Sorensen asked that Ms. O'Connell provide an overview of the procedures for purchasing credits when *ad valorem* tax monies are used. Ms. Atkins noted that the procedure underscores the need for the AWBA, ADWR and CAWCD to work together and that the procedure has been working.

Ms. Atkins moved to approve the 2015 Annual Report and Ten-Year Plan as submitted, or with minor or technical changes based on discussion, and to direct staff to submit the report to Governor, Speaker of the House and President of the Senate pursuant to statute. Mr. Jones provided the second and the motion passed.

Fiscal Year 2017 Administrative Budget

Ms. O'Connell provided an overview of the administrative budget for FY 2016, noting it was the cost of services paid to ADWR. She noted that expenditures were under budget by nearly \$100,000 at \$456,349 (est. \$554,124) due to fewer expenditures for professional and outside services. Mr. Jones inquired if the consulting budget was characterized as a contingency fund as needed or if it was for specific projects. Ms. O'Connell responded that a specific amount had been budgeted for this purpose, but that it was listed as a combined total. It included the contract with Henley Consulting, however, an additional consultant to assist with data management was not contracted with as anticipated therefore the actual final budget did not include a separate line item. That request has been carried forward to the FY 2017 budget. The administrative budget for FY 2017 is estimated at just over \$558,000. Ms. Atkins made a motion to adopt the AWBA Administration Budget for FY 2017 as presented with any minor or technical changes. Ms. Sorensen provided the second and the motion passed.

Call to the Public

Ms. Atkins noted that Commission member Hartdegen was recuperating and that he anticipated returning for the AWBA's next meeting in September.

There were no public comments. The meeting adjourned at approximately 11:30 a.m.