

**MEETING DATE/TYPE:                      VOTING MEETING                      12-13-16**

**DEPARTMENT:    Water Resources**

**AGENDA ITEM:** Adoption of Resolution No. 4368-1577 approving the City Water Management and Calendar Year 2017 Alternative Water Allocation Policy

**Approved By:** Michael Lamar, City Manager

### **Item Summary**

Approval of the attached Water Management and Calendar Year 2017 Alternative Water Allocation Policy (the "Policy") is recommended to become effective January 1, 2017, and extend through December 31, 2017. The Policy further provides a framework and guidance for water management during Calendar Years 2018-2020. Section 5 of the Policy, setting forth the volume of alternative water to be made available for new development, is anticipated to be updated annually, or as otherwise necessary.

### **Background**

Since 1999, the City's water portfolio has been documented by the State of Arizona in a succession of Decision and Orders (D&O's) of Assured Water Supply. The current D&O identifies a supply volume of 24,574.84 acre-feet (AF). This volume is comprised of three types (or blocks): Groundwater, Alternative Water (a renewable resource consisting of recharged surface water and treated wastewater effluent), and Alternative Water – Imported (Big Chino Sub-basin groundwater to which the City is entitled); each block is distinct under State law. Both Alternative Water blocks are further administered pursuant to the City Code, City Charter, and policies adopted by the City Council.

Total City water production for municipal use has been less than 7,000 acre-feet per year (AF/yr) since 2010, well below the supplies of 16,507.44 AF (Groundwater at 9,466.02 AF/yr + Alternative Water at 7,041.42 AF/yr) recognized by the current D&O. While the quantity of Alternative Water not presently committed ("allocated") to specific developments, or property owners due to settlements, will have decreased to a projected amount of 128.5 acre-feet at the end of Calendar Year 2016, the reduction and remainder should not be viewed with undue concern.

The purpose of Alternative Water is for new development, with the demand for residential and commercial development driven by their respective markets. The City is now requiring specific performance timeframes for developments to which water is

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allocated, and working diligently to confirm the scientific basis for bringing Alternative Water – Imported, its supplemental future water supply, into the Prescott Active Management Area. The City's portfolio is adequate to support economic development, and realize substantial community residential growth (see table below), consistent with the 2015 Prescott General Plan.

| <u>Type (Block) of Water Resource</u>              | <u>Number of New Residential Units</u> |
|--|--|
| Groundwater (Pre-1998 preliminary and final Plats) | 4,600                                  |
| Alternative Water                                  | 6,100                                  |
| Alternative Water – Imported                       | <u>9,900</u>                           |
| Total New/Un-built Units                           | 20,600                                 |

**Policy Highlights/Changes**

The following items are either new or otherwise significant.

1. Projected Calendar Year-End 2016 Balance of Unreserved or Unallocated Alternative Water = 128.25 AF
2. Proposed Alternative Water Budget (Available for Allocation) in Calendar Year 2017 = 70 AF Residential + 100 AF Commercial (note: the 70 AF consists of making available 50 AF from a reduction in the reservation for residentially zoned, unsubdivided tracts within the City limits, plus 20 AF that was budgeted in Calendar Year 2016, but not allocated)
3. If the Calendar Year 2017 quantities above of 70 AF Residential and 100 AF Commercial are fully allocated to new development in Calendar Year 2017, the opening balance of Alternative Water in Calendar Year 2018 available for budgeting and allocation in that and subsequent calendar years is anticipated to be 58.25 AF (50 AF from a reduction in the reservation for residentially zoned, unsubdivided tracts within the City limits, plus 8.25 AF that was budgeted in Calendar Year 2016, but not allocated).

The Alternative Water quantities above are separate from, and do not include, Alternative Water – Imported.

4. Unit allocations of 0.35 AF (single family residential) and 0.25 (multi-family residential) have been preserved. Water Resource Management will continue to work with the Council Water Issues Committee to review these unit allocations, and any changes that may be prudent to entertain.
5. Alternative Water shall not be allocated in 2017 to support lot splits occurring in subdivisions that have a Groundwater allowance.
6. In the absence of a pre-existing agreement, Alternative Water shall not be

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allocated for uses returning less than 50% of the water to the City's wastewater treatment plants.

7. The City will accept extinguished, pledged Irrigation Grandfather Rights from other parties to provide or supplement the water necessary for development of a property.

8. Water service agreements for allocated Alternative Water shall contain performance criteria and an expiration date.

9. Applications shall be accepted, but not acted upon in Calendar Year 2017, for water service agreements to serve new apartment projects unless they meet the stated policy conditions (note: water has already been allocated to specific projects for approximately 1,000 un-built apartment units); the City shall prepare a report assessing inventories and market demands for apartments and other housing types within the City limits, and provide the findings to the City Council as input to formulation of the Calendar Year 2018 Policy.

**Public Process for Adoption of the Policy**

|                          |  |
|--------------------------|--|
| <u>October 4, 2016</u>   | Presentation of outline of the draft Policy to the Council Water Issues Committee  |
| <u>November 1, 2016</u>  | Presentation of the draft Policy to the Council Water Issues Committee   |
| <u>November 15, 2016</u> | Presentation of the draft Policy to the City Council at Study Session  |
| <u>December 6, 2016</u>  | Council Water Issues Committee – discussion of Policy and recommendations to the City Council for consideration of adoption at the December 13, 2016, Council Voting Session |
| <u>December 13, 2016</u> | Council Voting Session agenda item – consider adoption of a Resolution to approve the Policy   |

**Attachments**

1. Resolution No. 4368-1577
2. City Water Management and Calendar Year 2017 Water Allocation Policy

**Recommended Action:** MOVE to adopt Resolution No. 4368-1577.