

**CITY OF PRESCOTT/TOWN OF PRESCOTT VALLEY
JOINT COUNCIL SPECIAL MEETING
Big Chino Water Ranch Project
MINUTES
September 19, 2012**

The Centennial Center
1989 Clubhouse Drive
Prescott, AZ 86301
Meeting begins at 1:30 p.m.

- 1. Call to Order - Mayor Kuykendall, City of Prescott
- Mayor Skoog, Town of Prescott Valley*

The meeting was called to order by Mayors Skoog and Kuykendall at 1:31 p.m. in the Centennial Center in Prescott.

- 2. Pledge of Allegiance*
The Pledge of Allegiance was recited in unison.

- 3. Roll Call - Lynn Mulhall, City Clerk
- Diane Russell, Town Clerk*

The following Council members were present for roll call.

Town of Prescott Valley

Mayor Skoog
Vice Mayor Tjiema
Council member Anderson
Council member Lasker
Council member Mallory
Council member Nye

Absent: Council member Whiting

City of Prescott

Mayor Kuykendall
Councilman Blair
Councilman Arnold
Councilman Carlow
Councilman Kuknyo
Councilman Lamerson
Councilman Scamardo

- 4. Introduction - Mayor Kuykendall welcomed everyone to today's meeting. Salt River Project (SRP) representatives John Sullivan and Dave Roberts were introduced.*

City of Prescott City Manager Craig McConnell welcomed everyone. Mr. McConnell proceeded to give an overview of his powerpoint entitled the Big Chino Water Importation Project (attached to these minutes) indicating the location of the Prescott Active Management Area (AMA) in relation to the Big Chino Sub-basin and Big Chino Water Ranch. He continued with legislative background that led to the creation of Active Management Areas via the 1980 Groundwater Management Act which ensured completion of the CAP and also created the AMA. This legislation also established a system of ground water rights and permits and set long range management goals, imposed a Safe Yield goal and set the goal of augmenting Arizona's groundwater resources through the development and use of alternative water supplies.

This legislation was followed up by the 1991 Ground Water Transportation Act which authorized the transportation of groundwater from 5 basins to the initial four AMAs including the Big Chino Sub-basin. The year 2010 Senate Bill 1445 amended ARS 45-555 clarifying conditions of groundwater importation from the Big Chino Sub-basin, and the rights of the City of Prescott under Title 45. Subsection E approved the quantified amount of 8,068 acre feet per year of groundwater importation. Section F stated that additional groundwater may be withdrawn for Indian tribe use on its reservation.

Mr. McConnell listed the project elements that would be included in the importation project and indicated on a map where the pipeline would be located. He continued with the actions taken beginning in 2004 with the IGA for the sale of water and cost participation of the Town of Prescott Valley with Prescott as the sole owner of the project. The ADWR issued a final decision that 8,067.4 acre feet of work could be allocated between the City of Prescott and Town of Prescott Valley. Prescott would receive and be responsible for 54.1 percent of the water and expenses. Prescott Valley would receive and be responsible for 45.9 percent of the water and expenses. The June 22, 2010 Supplemental IGA clarified and memorialized the authority, procedures and responsibilities of Prescott and Prescott Valley for the administration of the requirements and costs of the Big Chino Water Ranch.

The Agreement in Principle between Prescott, Prescott Valley and Salt River Project agreed to on February 11, 2010 is why we are here today. Parties agreed to:

1. Withdrawal and Big Chino Sub-basin use of water
2. The parties would work together jointly
3. The parties would mitigate any impact to the Upper Verde
4. The parties would fund and implement the Big Chino Sub-basin Monitoring Plan and Groundwater model
5. The parties would suspend any additional litigation, confirm water rights, work cooperatively, work to protect and maintain minimum in-stream flows of the Upper Verde River.

Proposed today is Comprehensive Agreement No. 1 for Monitoring and Modeling. Comprehensive Agreement No. 1 is a direct implementation of the Agreement in Principle namely to:

1. Monitor water in the Big Chino and surface flows in the Verde River; model any impacts that water withdrawal from the Big Chino may have on the current or future surface flows of the Verde River
2. Recognize and confirm certain water rights of the parties arising from the Prescott AMA, and agreement not to challenge those rights.

The Big Chino monitoring plan is projected to cost \$3.07 million [Prescott (54.1% x 2/3 = 36.1%, PV 30.6%, SRP 33.3%]. In year one, SRP will contribute \$351,550 to catch up with Prescott/Prescott Valley for the monitoring system expenditures to date; Prescott and Prescott Valley will contribute a total of \$7,900 in Year 1. Monitoring will reinforce and create data so that the refined nested model has much better and enhanced information. The water model begins in year three (3) of execution of this document and extends into year six (6) in order to allow for the generating and creation of data. The earliest pumping from the Big Chino and transport of water into the Prescott AMA given the agreement and related schedule would be in year eight (8) to ten (10) years (after 2020).

The ADWR decision and order include Big Chino rights listed in the 2010 agreement based on the prediction of impacts and any mitigating of those impacts. PV rights are also in the agreement as are the rights of SRP within the AMA only. This agreement is for an initial term of 25 years and can be renewed for an additional 25 years. It can also be terminated if Prescott's legal authority to withdraw is repealed by the state/federal government, by the communities before the pipeline is built or if Prescott voters elect not to authorize the transportation project (Prop 401 or similar initiative).

City of Prescott Proposition 401 is a Taxpayer Protection Initiative passed by the Prescott voters which requires a vote of the public for most city projects with a value of \$40 million or more with the exception that it does not apply to initial funding of feasibility studies or conceptual designs or other expenses in aggregate less than \$5 million. Design plans and specifications or construction of any kind is not excluded. The applicability of Prop 401 in today's action is moot as the proposed expenditures are to determine project feasibility and the costs are well below the \$5 million cap on feasibility studies.

The following conclusions and recommendations were made:

- Imported water is recognized by ADWR as necessary for the Prescott AMA to reach safe yield,
- Additional water supply is crucial to the long term economic futures of Prescott and Prescott Valley,
- The Big Chino Project is the means for delivering the only significant quantity of additional water presently available in the region,
- The Big Chino Project will not be build until the water is needed and the market will support the production and transport costs,

- The current economy, and that for the foreseeable future, provide a fortuitous opportunity to refine the science during a period of low regional growth though the monitoring and modeling to be undertaken by the agreement before the Councils,
- We won't be taking the science route alone; rather, are very fortunate to have the knowledge and willing participation of Salt River Project,
- All of these factors point toward approval of Comprehensive Agreement No. 1.

Prescott Valley Mayor Skoog asked for questions anyone may have.

Prescott Valley Town Manager Larry Tarkowski recognized the amount of work accomplished between the municipalities and SRP. City of Prescott City Manager Craig McConnell did a great job on this as did John Munderloh and his Prescott counterpart Leslie Graser.

Council member Nye stated they have been working toward this a very long time and it feels right to be here in this moment of agreement. Everyone should feel good that we have worked together to plan and sustain for the future. Council member Lasker expressed her thanks to Prescott and those involved; this is a historic moment. Vice Mayor Tjiema stated this is the only way we can live here is to work together on great things such as this. Mayor Skoog said this is a great day for all of us - we're going to get the job done. It is a good feeling.

SRP's John Sullivan stated he was here in February 2010 for approval of the Agreement in Principle. He noted that this has been a good team of folks working with collaboration and cooperation on this project. He commented that Craig McConnell did a good job outlining where we were and where we are today. We are going to get a baseline set of data from the monitoring giving us a starting point to then develop a model. There is lots of work left to do, but he is confident we will get it done. The SRP Board approved this Comprehensive Agreement No. 1 at their September 10, 2012 Board meeting.

Councilman Lamerson thanked the partners and legislature for working with us and said he is appreciative that Prescott Valley has faith and confidence that we can get this done. Councilman Kuknyo said future growth is all tied in with water. McConnell confirmed for Kuknyo that committing to this agreement will keep all parties out of courtroom. Councilman Blair stated that it is the foresight of the councils, including the Indian Tribe, and the fact that they realize the importance of this water that is leading to this decision. Councilman Arnold commented that he is appreciative of Mayor Kuykendall bringing this to fruition. Councilman Carlow asked who is responsible for the modeling. Craig McConnell responded that a modeling committee comprised of the partners working along with the USGS and ADWR, Yavapai County and the Yavapai County Water Advisory will collaboratively make an effort to define and run the scenarios. Everyone will have a voice. Councilman Scamardo thanked everyone for the time and effort put into this agreement.

Craig McConnell said minor revisions have been made to the agreement, have been distributed and will be included in the Comprehensive Agreement No. 1.

Town of Prescott Valley and City of Prescott Water Resources Managers John Munderloh and Leslie Graser will not be bringing on more staff at this time nor do they contemplate hiring expensive consultants. However, a second Supplemental Agreement between the two municipalities will be needed in the near future to realign manpower.

Prescott Mayor Kuykendall acknowledged Yavapai County Supervisor Carol Springer for her work and effort. He noted that Representative Karen Fann had been with us through thick and thin and thanked her for her care and concern. Mayor Marley of Chino Valley was introduced as was Supervisor Chip Davis who was also thanked for his efforts. Councilman Lamerson introduced Bob Rucker a former councilman for Prescott.

Public Comments:

1. Howard Mechanic – commented that safe yield is being used to sell and use the project yet the agreement does not clarify which portion [of water] that the towns will dedicate to safe yield and not growth. The resolution passed along a bill to pass along 20 percent of the water to safe yield in Prescott – that is not seen for PV. Prescott is planning on using water from the Big Chino and would augment our supply to reach safe yield. We should not confuse it as the only opportunity to augment the water supply. Under Prop 401, it is reasonable to say feasibility studies for the Big Chino fit into that definition. If the city spends more than \$5 million, then it is their obligation to take it to the voters.
2. Thomas Slayback – Sierra Club stated we have the cart before the horse. We need to write a mitigation plan with a habitation mitigation plan included giving an indication of when to take action. The [Prop 401] \$5 million is a cumulative amount and the voters should have some vote about this.

No additional comments were forthcoming.

5. *Adoption of Resolution No. 4146-1306 authorizing the City of Prescott to enter Comprehensive Agreement No. 1 with the Town of Prescott Valley, Salt River Valley Waste User's Association, and the Salt River Project agricultural Improvement and Power District, for monitoring and modeling of surface and ground waters in the Big Chino Sub-basin and Upper Verde River.*

Councilman Lamerson moved to adopt Resolution 4146-1306; seconded by Councilman Blair; passed unanimously.

6. *Consideration by Prescott Valley Town Council of Resolution No. 1811, approving and adopting the Comprehensive Agreement No. 1 between the City of Prescott, Town of Prescott Valley, and Salt River Project regarding the Big Chino Water Ranch Project.*

Vice Mayor Tjiema made the motion, seconded by Council member Lasker, to authorize the Mayor to sign Resolution No. 1811 approving and adopting the Comprehensive Agreement No. 1 with the stated changes, between the City of Prescott, Town of Prescott Valley, and Salt River Project regarding the Big Chino Water Ranch Project. Motion carried with 6 ayes and 0 nays.

Town of Prescott Valley Council member Nye commented that she was on the original committee and didn't think she would live long enough to see this happen.

Prescott Mayor Kuykendall thanked Larry Rankin and Lucy Mason.

6. Adjournment

The meeting was adjourned at 2:29 p.m.

ATTEST:

APPROVED:

Diane Russell, Town Clerk

Harvey Skoog, Mayor

STATE OF ARIZONA)

COUNTY OF YAVAPAI)ss:

TOWN OF PRESCOTT VALLEY)

CERTIFICATE OF COUNCIL MINUTES

I, Diane Russell, Town Clerk of the Town of Prescott Valley, Arizona, hereby certify that the foregoing minutes are a true and correct copy of the Minutes of the Special Joint Meeting of the Town of Prescott Valley Town Council, City of Prescott City Council and Salt River Project, held on Wednesday, September 19, 2012.

I further certify that the meeting was duly called and held and that a quorum was present.
Dated this 10th day of October, 2012

Diane Russell, Town Clerk

Attachments: a) Comprehensive Agreement No. 1 Final Revisions to be made to original documents for signature
b) City of Prescott Big Chino Water Importation Project Comprehensive Agreement No. 1 power point presentation presented by Craig McConnell, City of Prescott City Manager