

Agenda Number 3.c

CONTACT: Laura Grignano Landon Loveland
623-869-2113 623-869-2885
lgrignano@cap-az.com lloveland@cap-az.com

MEETING DATE: Thursday, November 4, 2021

AGENDA ITEM: Modified M&I Subcontracts for Peoria and CAWCD (*Water Supply*^) - Grignano/Loveland

RECOMMENDATION: Staff recommends that the CAWCD Board of Directors authorize the President to execute the following modified subcontracts in substantially similar form; (1) 'Agreement Among the United States, the Central Arizona Water Conservation District, and City of Peoria - Amendment No. 1 to Subcontract No. 07-XX-30-W0480' and (2) 'Exhibit A - Amendment No. 3' to CAWCD Subcontract No. 14-06-W-245.'

FISCAL IMPLICATIONS: Yes

Impact on Budget:

Pursuant to the CAWCD Policy Regarding the Relinquishment and Transfer of CAP M&I Subcontract Allocations, the City of Peoria shall pay CAWCD an estimated sum of \$1,221,652. through December 31, 2021. The M&I transfer fee shall be reduced by \$2,100 per month if the amendatory contracts are fully executed prior to December 31, 2021.

Additional spending authority requested: Not applicable.

Impact on Reserves:

\$1,221,652 increase in the CAGR D I&WR Reserve.

Impact on Rates:

Not applicable.

LINKAGE TO STRATEGIC PLAN, POLICY, STATUTE OR GUIDING PRINCIPLE:

*Water Supply: Providing a reliable CAP water supply for the short- and long-term
Public Trust, Partnerships and Leadership: Earning and preserving public trust, building and maintaining partnerships, and providing informed water management leadership*

PREVIOUS BOARD ACTION/ACTIVITY:

August 2020 Discussion of CAGR D-City of Peoria Long-Term Storage Credit Acquisition and Peoria-CAWCD M&I Assignment and Transfer Agreement - Supplemental CAWCD Contract No. 14-06-W-245

September 2020 Discussion and Consideration of Action to Approve CAGR D-City of Peoria Long-Term Storage Credit Acquisition and Peoria-CAWCD M&I Assignment and Transfer Agreement - Supplemental CAWCD Contract No. 14-06-W-245

ISSUE SUMMARY/DESCRIPTION:

Pursuant to Subsection 5.5 of CAWCD's Supplemental Contract (No. 14-06-W-245), CAWCD is transferring 1,885 acre-feet of CAP M&I Priority Water to the City of Peoria (City). Subsection 5.5 states that, "To the extent that another entity relieves CAWCD, acting in its capacity as CAGR D, of its current and future

replenishment obligation for Member Lands or Member Service Areas...CAWCD will transfer to that entity an equal amount of its entitlement to CAP M&I Water."

In 2015, the City acquired all assets associated with the New River Utility Company (NRUC) water delivery system and assumed all obligations to provide water service to the NRUC Service Area under its Designation of Assured Water Supply (DWR No. 86-400679.0001). CAGR D was relieved, commencing in calendar year 2016, of any and all current and future replenishment obligations for Member Lands located within the former NRUC service area.

On January 15, 2021, the Arizona Department of Water Resources (Department) found the proposed transfer to be consistent with the applicable Water Management Objectives and Review Criteria of the CAP Subcontract Transfer Policy and qualified to receive the entitlement under the first priority, as "an entity that is the successor in interest to the transferring entity and that it will provide water to the same CAP subcontract service area." At that time, the Department recommended that the Bureau of Reclamation initiate the process and that CAWCD draft the documents necessary to assign CAGR D's 1,885 af/yr of CAP M&I entitlement to Peoria.

CAWCD's amended M&I subcontract will subsequently be reduced from 8,311 acre-feet/year to 6,426 acre-feet/year and the City's subcontract entitlement will increase to 27,121 acre-feet/yr. Additionally, successful execution of the amended M&I subcontracts will activate CAGR D's purchase of up to 35,911 LTSCs over a five-year period from the City. The CAWCD Board approved this LTSC Purchase and Sale Agreement between CAGR D and the City in September 2020.

The transfer and assignment of 1,885 AF of CAP M&I water from CAWCD/CAGR D to the City concludes years of negotiations between the parties. Transferring and assigning the CAP M&I subcontract away from CAGR D will not reduce CAGR D's ability to meet its replenishment obligation because Peoria has assumed all current and future responsibility for NRUC's water supply, reducing CAGR D's replenishment obligation by an amount similar to the transfer. With this transfer, the former NRUC subcontract entitlement of 1,885 acre-feet will continue to supply the same lands and service area as originally intended, ensuring those lands are always served with a renewable supply rather than mined groundwater.

SUGGESTED MOTION:

I move that the CAWCD Board of Directors authorize the President to execute the following modified subcontracts in substantially similar form; (1) 'Agreement Among the United States, the Central Arizona Water Conservation District, and City of Peoria - Amendment No. 1 to Subcontract No. 07-XX-30-W0480' and (2) 'Exhibit A - Amendment No. 3' to CAWCD Subcontract No. 14-06-W-245.'

ATTACHMENTS:

1. Amendment No. 1 to Subcontract No. 07-XX-30-W0480
2. Exhibit A - Amendment No. 3' to CAWCD Subcontract No. 14-06-W-245
3. Recommendation Letter