



City of Prescott

Council Subcommittee on Water Issues

June 4, 2024 | 9:30 AM
201 N Montezuma Street
Council Chambers, 3rd Floor
Prescott, AZ 86301

AMENDED MINUTES

1. CALL TO ORDER

Chair Rusing called the meeting to order at 9:30 a.m.

2. ROLL CALL

Cathey Rusing, Chair
Lois Fruhwirth, Member
Ted Gambogi, Member

3. PUBLIC COMMENT

No public comments received.

4. DISCUSSION & ACTION ITEMS

- A. Approval of the May 7, 2024, Council Subcommittee on Water Issues Meeting Minutes.

**MOTION BY CHAIR RUSING TO APPROVE THE MINUTES AS PRESENTED;
SECONDED BY MEMBER FRUHWIRTH: PASSED (2 - 0 - 1) MEMBER
GAMBOGI ABSTAINING**

- B. Presentation & Discussion Regarding the Amended 2022 Water Management Policy Discussion - Current Residential & Non-Residential Water Budget Overview for January 1, 2024, through May 22, 2024.

Water Resource and Environmental Services Manager, Brian Ruiz, provided background data for the current residential and non-residential water budget overview. The Amended 2022 Water Policy, Policies 11-13, established a semi-annual water budget for residential and non-residential projects. The budget set for January 1, 2024, through June 30, 2024, for residential projects was 25 acre feet per year, as well as 25 acre feet per year for non-residential projects.

Continuing, Mr. Ruiz presented the current totals for each budget.

Between January 1, 2024, and May 22, 2024, a total of eight residential projects were approved. Each of these project requests were less than 1 acre foot per year (AFY) and were administratively approved. This equated to 1.36 AFY being approved. The total remaining residential budget is 23.64 acre feet.

Between January 1, 2024, and May 22, 2024, a total of nine non-residential projects were approved. This equated to 3.75 AFY being approved. All the projects requested less than 1 AFY and were administratively approved. The total remaining non-residential budget is 21.25 acre feet.

Between January 1, 2024, and May 22, 2024, a total of 24 projects were approved under existing contracts. Of those, 23 were new single family homes located primarily within Groundwater Subdivisions. The total number of residential dwelling units approved under existing contracts was 23, totaling 9.81 AFY. Projects under existing contracts are not included in the water budget (Policy 9). Additionally, there was one non-residential project approved under existing contracts, for 5.9 AFY. That project was Garage City, located west of the State Route 89 (SR89) roundabout, and serves as 55 storage units for recreational vehicles. The development agreement for the project was established in 2019.

Chair Rusing asked Mr. Ruiz if anyone was living on the site. Mr. Ruiz provided clarification on the facilities, explaining that the toilet and sink are available for those at the site prepping items for storage.

Member Gambogi inquired about metering, to which Mr. Ruiz replied that the site is master metered (not sub metered).

Mr. Ruiz stated that the 9.81 AFY, approved under existing contracts, becomes 3.91 AFY after subtracting the 5.9 AFY non-residential item just discussed.

This item was for discussion only. No formal action was taken.

- C. Presentation & Discussion Regarding the July 2024 - December 2024 Residential & Non-Residential Water Budgets, in Accordance with the Amended 2022 Water Management Policy, Policy No. 11.

Mr. Ruiz provided background information related to the current rollover process. The Amended 2022 Water Management Policy, Policy 11, requires that the City Council set Water Budgets for both Residential and Non-Residential development at the last meeting in June and December of each year. Unallocated residential and non-residential budgets from the previous six-month period may be rolled over into the following six-month budget; however, each must stay in their original classification. A roll-over of the budget from the previous six-month period may occur in the four budget periods (two years) from the time of policy adoption.

The Council set a residential Water Budget of 25 AFY for January 1, 2024, through June 30, 2024. As of May 23, 2024, a total of 1.36 AFY was used to date with 23.64 AFY remaining. This represents approximately 5% of the Water Budget used for this time period, according to Mr. Ruiz. The Council also set a non-residential Water Budget of 25 AFY for January 1, 2024, through June 30, 2024. A total of 11.05 AFY was approved to date with 13.95 AFY remaining, which represents approximately 44% of the Water Budget used for this time period.

Mr. Ruiz shared a summary table for residential and non-residential water budgets, from January 1, 2024, through June 30, 2024, as well as an overview of the current water service applications in review and a list of potential projects.

Mr. Ruiz explained that the data demonstrates potential upcoming projects in the next six-month period.

Member Gambogi commented on the summary table, and where the city stood based on allocation for development.

Mr. Ruiz responded and explained that a presentation was to come for the Annual Water Withdrawal and Use Report. Currently, water being pumped is half of what is in the portfolio for shared water supply. That does not include a number of large development commitments, and staff are currently analyzing how that will affect the remainder of the portfolio. While a buffer exists, the approximate amount will come prior to the end of this year. Staff are reviewing the existing commitments in the Water Resource Management Model (WRMM), to aid in determining future demands. Mr. Ruiz stated that he doesn't see any major restrictions or cautions at this point that would adversely affect the setting of the water budgets for the next period.

Chair Rusing commented on the aquifer being overdraft, how it is not looking to be resolved by 2025 and feels the unused budget should be kept in reserve.

Member Fruhwirth commented that in light of what needs to be done going forward, there is a need to look at projects, especially infill. She added that even with the overall Prescott Active Management Area in overdraft, she doesn't wish to stop growth.

Mr. Ruiz provided two options to consider for setting the upcoming budgets:

- 1) Set the July through December 2024 budget cycle at an amount that the Subcommittee considers adequate for the next period. Do not roll over the remaining residential and non-residential budgets.
- 2) Set the July through December 2024 budget cycle at an amount that the Subcommittee considers adequate for the next period. Roll-over all or a portion of the remaining budget for either or both the residential and non-residential budgets. The maximum roll-over from January through June 2024 is 23.64 AFY for residential and 13.95 AFY for non-residential.

Chair Rusing commented that if the budgets were to expand to 50 AFY for each, it may cause a surge of development, and she would prefer to keep the budgets at 25 AFY each.

Member Gambogi asked Mr. Ruiz what he would recommend.

Mr. Ruiz reiterated that there are no major restrictions or cautions at this point that would affect the budget for this period and does not have a specific recommendation. Addressing Chair Rusing's concern, he stated that there could be a surge in development. However, it does take time to get projects through the processes in place and the potential surge would likely affect the next budget period rather than the current one being set.

Deliberation and discussion continued regarding multiple budget scenarios, with and without rollover, and the comparison of potential results.

Member Fruhwirth commented that a no rollover option could provide insight for the Council with regard to decision-making, with being able to see all the carry-overs.

MOTION BY MEMBER FRUHWIRTH TO RECOMMEND FORWARDING TO COUNCIL FOR CONSIDERATION THE SETTING OF THE RESIDENTIAL WATER BUDGET IN THE AMOUNT OF 50 ACRE FEET PER YEAR WITH NO ROLLOVER for JULY 1, 2024, THROUGH DECEMBER 31, 2024; SECONDED BY MEMBER GAMBOGI: PASSED (3 - 0)

MOTION BY MEMBER FRUHWIRTH TO RECOMMEND FORWARDING TO COUNCIL FOR CONSIDERATION THE SETTING OF THE NON-RESIDENTIAL WATER BUDGET IN THE AMOUNT OF 25 ACRE FEET PER YEAR WITH NO ROLLOVER FOR JULY 1, 2024, THROUGH DECEMBER 31, 2024; SECONDED BY MEMBER GAMBOGI: PASSED (3 - 0)

- D. WSA23-054, A Water Service Application Submitted by Lyon Engineering, on Behalf of Owner, RCJ IRREVOCABLE TRUST. Location: APN 110-06-002F, Comprising 11.46 Acres, in T13N, R02W, Section 03, SW ¼.

Items 4.D and 4.E were discussed, following item 4.A

Mr. Ruiz provided a presentation on a 37 unit single family subdivision water service application to the Subcommittee. The site is located on Senator Highway opposite Summit Pointe Dr, and was formerly the Senator Drive-In. The site is currently undeveloped, other than grading and drainage improvements.

A demand analysis was prepared using a Water Resources Management Model (WRMM) multiplier of 0.17 AFY for each single-family residential lot, according to Mr. Ruiz. The anticipated water usage for the project includes 37 domestic service connections with a total anticipated usage estimated at 7.84 AFY. Based on conversation with the project engineer, there is no anticipated landscape water usage for the open space shown as Track A on the plat map. For open space labeled Track B, the ADWR recommended the value of 1.5 acre-ft/acre be used to determine an estimated landscape water use of 0.77 AFY. The total anticipated water use for the project is 8.61 AFY.

The application was received on October 10, 2024, and all required documents have been submitted. It was reviewed by the Planning and Zoning Commission on May 9, 2024.

Member Fruhwirth requested confirmation that the applicant intends to retain the natural landscape, to which Mr. Ruiz confirmed yes.

Engineer Scott Lyon of Lyon Engineering addressed and thanked the Subcommittee for their time and consideration. Regarding the landscape concern, he explained that the goal would be not to disturb anything regarding the current natural landscape. Although the project footprint is larger, the intent is not to mass grade the entire area.

Chair Rusing asked about how many square feet each unit would average in size, and what types of units were planned.

The units would be single family starter homes, approximately 1300 square feet average, Mr. Lyon responded.

Member Fruhwirth asked about the current Senator Drive-In sign occupying the property.

Mr. Lyon explained that the sign is in an easement, and staff are working with historic preservation groups to improve the sign for use.

Chair Rusing commented that the parcel has remained vacant for quite some time, it appears to be a good infill project and wise use of water and hopes it will help with workforce housing.

**MOTION BY CHAIR RUSING TO RECOMMEND FORWARDING WSA23-054
TO COUNCIL FOR CONSIDERATION; SECONDED BY MEMBER
FRUHWIRTH: PASSED (3 - 0)**

- E. WSA24-010, A Water Service Application Submitted by Michael Taylor Architects, on Behalf of Owner YHD 69/OBCH LLC. Location: APN 103-20-004X, Comprising 4.89 Acres, in T14N, R01W, Section 32, NE ¼.

Mr. Ruiz provided a presentation on a 238 room hotel water service application to the Subcommittee. The site is located on east State Route 69 and east Old Black Canyon Highway. The site is currently undeveloped, other than recent grading and drainage improvements. The anticipated water usage for the project includes the hotel, along with a pool and landscaping.

A demand analysis was prepared by the applicant, using billing records, according to Mr. Ruiz. He explained that the Arizona Department of Water Resources (ADWR) recommends a multiplier of 1.5 AFY for landscaping. The proposed indoor and pool usage is 25.4 AFY, and the proposed landscaping usage is 1.03 AFY. The total anticipated usage estimate is 26.43 AFY.

Chair Rusing asked if the multiplier of 0.12 for hotels was the same for apartment complexes. Mr. Ruiz responded that no, instead a record from the applicant or data from the WRMM tends to be more accurate. The record or data is then scaled off, based on the size of the hotel. Mr. Ruiz added that a bar and restaurant are not included in the project plans.

Continuing, Mr. Ruiz stated that per Water Application Guideline 14, no single water service application will be approved for water usage estimates greater than 50% of the remaining semi-annual water budget. Projects that request more than 50% of the remaining semi-annual water budget have two options:

- 1) File the application to be considered when the next Water Budget is available.
- 2) Appeal the 50% rule. The applicant shall demonstrate the benefits to the city such as job creation, wages, sales tax, economic impacts, or other benefits to the city. All such requests shall be reviewed by the Water Issues Subcommittee and the Council. If City Council grants an appeal, the amount of water granted in the appeal would be included in the annual water assessment to City Council.

The applicant has chosen the second option, and an appeal letter has been submitted. If recommended to Council for consideration, the water will be included in the annual assessment provided to Council but not subtracted from it.

Member Fruhwirth commented that given the fact the past four budget periods have had a lot of allocation carried forward, she is in the mindset of moving forward and appreciates the expanded information.

Chair Rusing commented that she is in a different mindset than Member Fruhwirth, as unallocated water is optional and not required to be carried forward. She added that she is uncertain of whether the benefits are in line with the size of the hotel.

Architect Michael Taylor, of Taylor Architects, addressed the Subcommittee. He elaborated on the project, explaining that the large project is intended to serve a need for hotel rooms in the area. He referred to the Prescott Resort on tribal land, with 160 rooms, which uses city water. Mr. Taylor added that all comments and conditions have been addressed thus far, he feels this is a good project and that an appeal should be held on its own merits.

A representative from project owner, YHD 69/OBCH LLC, addressed the Subcommittee. They explained the understanding that the city receives 2% sales tax, and 3% bed tax, and based on 80 units or more, the amount of tax to the city would be based on 5%. It is anticipated that tourism will increase, and there are indications that demand is there, and accommodation needs to be made. There is a substantial increase forecast for the off-prime season for both vacationers and business visitors alike. They added that this will be a dual budget hotel, as projects with over 140 units typically include more than one badge.

Mr. Ruiz clarified that this appeal, if recommended, would not subtract from the water budget. Regardless of whether rollover is included in the new budgets to be set, this appeal would not come out of those budgets.

**MOTION BY MEMBER GAMBOGI TO RECOMMEND FORWARDING
WSA24-010 TO COUNCIL FOR CONSIDERATION; SECONDED BY MEMBER
FRUHWIRTH: PASSED (3 - 0)**

- F. Presentation & Discussion Regarding the 2023 Annual Water Withdrawal & Use Report.

Water Resource Project Manager, Kay Sydow, provided a presentation on key information from the City's 2023 Annual Water Withdrawal and Use Report, submitted to the Arizona Department of Water Resources on March 29, 2023.

The City of Prescott is located within the Prescott Active Management Area, which includes the Town of Chino Valley, the Town of Prescott Valley, parts of Unincorporated Yavapai County, the Town of Dewey-Humbolt, and the Yavapai-Prescott Indian Reservation. Annual withdrawal fees are assessed for groundwater withdrawn at \$2 per acre-foot. Recovery of Long-Term Storage Credits is assessed at a fee of \$1 per acre-foot. Fees are used to offset the cost of resource management and to fund conservation projects.

Ms. Sydow reviewed the city's water use totals with the Subcommittee for the following:

Total Water Pumped to Supply Customers: 7,223 Acre Feet

Water to serve city customers is pumped from eight wells. Five wells are in Chino Valley and three are near the airport. Airport Well No. 5 has been offline since May 2022. Pumped supplies are in accordance with the city's service area right established in the early 1980s.

Total Water Use by Customers: 6,568 Acre Feet

Water is provided to homes and businesses both inside and outside the city limits. The largest category of use is residential, comprising 66.3% of the total volume. The second largest is commercial, using 18.5% of volume billed each year.

Total Water Recharged: 7,261 Acre Feet

Two types of water are recharged in accordance with the City's Recharge Facility. After deducting for evaporation, surface water from Watson and Willow Lake Reservoirs totaled 3,883.66 acre feet. Reclaimed water from customers connected to city wastewater collection and treatment facilities totaled 3,377 acre feet.

Total Recovered for Use: 5590 Acre Feet

The city recovers recharged supplies in accordance with Recovery Well Permits. In 2023, 3,883.66 acre feet of surface water and 1,705.97 acre feet of reclaimed supplies (effluent) were recovered. Reclaimed supplies not recovered in 2023 were placed into a Long-Term Storage Account.

Member Gambogi requested an update for the situation with Well No. 5. Ms. Sydow stated that a few acre feet were pumped. However, the well remains offline due to PFAS.

Member Gambogi expressed concern for operations with summer coming up, with Well No. 5 offline. Chair Rusing agreed that it was a notable concern, and recommended the item be added to a future agenda for further discussion.

With regard to the 6,568 acre feet total from water used by customers, Member Fruhwirth asked where the remainder was. Mr. Ruiz provided an example of where differences can be found, and referenced fire department exercises possibly accounting in some instances for non-metered use.

Member Fruhwirth asked how this year compared with previous to which Ms. Sydow responded that it was about average.

Member Fruhwirth acknowledged citizens by complementing everyone on a job well done by depositing more water than what has been used. Mr. Ruiz added that pumping rates are steady, and the difference is being made by conservation efforts.

Minutes amended to include the following:

Member Fruhwirth requested information from Public Works staff regarding the Annual Water Withdrawal and Use Report, providing additional context and insight.

This item was for discussion only. No formal action was taken.

- G. Presentation & Discussion Regarding the 2025 General Plan Water Resources Element - Part 3.

Mr. Ruiz provided a presentation of the latest version of the Water Resources element of the General Plan. He shared that the goal is to seek additional feedback, as the comments from the April 2, 2024, and May 6, 2024, Subcommittee meetings have been incorporated into this latest version.

Mr. Ruiz explained how the water resources element draft document has been prepared with the intent of meeting the standards of A.R.S. 9-461.05, while also addressing local requirements regarding conservation, water policy, and long-term water management.

The water resources element will be located in the Resiliency and Sustainability Chapter of the 2025 General Plan. He shared a redlined draft version with the Subcommittee. The following edits were discussed:

Page No. 1 - Resiliency and Sustainability

- Change "City regulated by AZ Dept Water Res" to "Water supplies" (not "City")
- Change "Portions of unincorporated County" to include "Yavapai County"

Page No. 3 - Resiliency and Sustainability

- List the current amount stated
- "Safe yield by 2025" requires adjustments
- Change "...will require efforts" to "...will require conservation and other breakthrough efforts"

Page No. 4 - Resiliency and Sustainability

- Add cushion or buffer amount within Figure 3 - 2021 D&O Demands

Mr. Ruiz noted that staff are working on a buffer amount. However, it may not be reflected within the document in time. There are many caveats with a lot of detail, which takes time to decipher.

Page No. 5 - Resiliency and Sustainability

- Change the "Total for Potential Accounts" for Deep Well Ranch to 10,500

Mr. Ruiz explained that data was pulled from the WRMM, in order to create consistency with one tool. The total for Deep Well is established and based on the multiplier for the number of units/accounts.

Page No. 6 - Resiliency and Sustainability

- Provide understanding and reasoning for Goal 1

Mr. Ruiz explained that until approved, data is driven by speculation. Once those numbers are established, they can then be acted upon to account for commitments and determine a figure for supply.

Page No. 7-8 - Resiliency and Sustainability

- Expand to include groundwater from the Big Chino aquifer
- Condense historical data

Page No. 9 - Resiliency and Sustainability

- Change "...balance the overdraft..." to "reduce the overdraft" or "offset the overdraft"

Page No. 10 - Resiliency and Sustainability

- Expand to include funding related to any future Big Chino Water Ranch
- Add "... affecting surface water flows of the Verde River" within the last paragraph

Page No. 11 - Resiliency and Sustainability

- Change "...will require efforts" to "...will require conservation and other breakthrough efforts"

Page No. 12 - Resiliency and Sustainability

- Add information related to upstream water supply protection from contaminants

Community Development Planner, Tammy DeWitt, noted that the recommendation is contained within the Environmental Planning section of the General Plan.

Member Fruhwirth commented on the recommendation relating to concerns about more than lake health. She referred to wells within the airport area as an example.

Chair Rusing commented that the Water Management Policy may need to be amended to include such concerns.

Mr. Ruiz explained that the water policy shouldn't necessarily be amended, as there doesn't appear to be known issues that would preclude denial. In addition, there would be multiple disclaimers in the water policy if it were amended.

Page No. 13-14 - Resiliency and Sustainability

- Additional information regarding Green Stormwater Infrastructure and multiple avenues
- AWP be referred to as Reclaimed Water

Mr. Ruiz explained that there are differences between sheet flow and concentrated, referring to stormwater. With regard to reclaimed water, Mr. Ruiz explained that the term prior to that was direct potable reuse. He noted that additional clarification would be considered in the draft document.

Following the discussion, Mr. DeWitt provided a brief update outlining the next steps involved with the General Plan. The draft is to be reviewed by City Council later this year in November.

This item was for discussion only. No formal action was taken.

5. GENERAL ANNOUNCEMENTS FROM STAFF

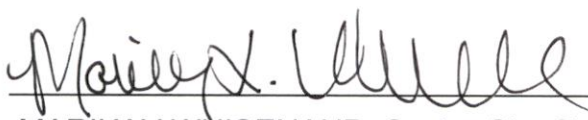
A workshop meeting will take place on July 10, 2024, in Council Chambers from 9:00 a.m. to 3:00 p.m. Topics include a panel discussion with water resource managers, water conservation and resources, and a roundtable discussion.

6. ADJOURNMENT

There being no further business to discuss, Chair Rusing adjourned the meeting at 11:52 a.m.

 7/9/24
CATHEY RUSING, Chair

ATTEST:


MARIKAY WHISENAND, Senior City Clerk Specialist

7/9/24
Date