



Alternative Water Allocation Policy Calendar Year 2016

Resolution No. 4328-1537
Effective May 4, 2016 to December 31, 2016

Introduction

The City of Prescott water service area is located within the Prescott Active Management Area (PrAMA) established under the Arizona Groundwater Code of 1980. The City manages its water resources in compliance with state laws, including management plans administered by the Arizona Department of Water Resources (ADWR), that establish water management strategies to help achieve the goal of safe-yield¹ by 2025. Effective in 1999, the PrAMA is also subject to the requirements of the Assured Water Supply² (AWS) program.

The City has maintained a Designation of AWS, the highest standing that a water provider can seek from ADWR, since 1999. The Designation and Order (D&O) of AWS is a legal document. Currently, the City water portfolio consists of 24,574.84 acre-feet/year (AF/yr), of which 9466.02 AF/yr is groundwater supplies and 7,041.42 AF/yr is alternative water supplies, water that is the “alternative” to groundwater supplies. City alternative water supplies include three blocks of water: reclaimed and surface water supplies within the AMA, and imported supplies from the Big Chino sub-basin. Currently, the imported supplies (8,067.74 AF/yr) are not connected to the existing infrastructure.

Since 1999, the City has allocated water supplies according to a Water Management Policy and has placed significant volumes into contracts or reservation. In 2015, a policy decision (Resolution No. 4271-1480) was made to reduce the annual alternative water budget from 200 AF to 100 AF to extend supplies until the forthcoming D&O modification. In mid-Calendar Year 2015, the City received requests for approximately 200 AF greater than the budgeted volume of 100 AF. To address this situation, Resolution Nos. 4310-1519 (Attachment 1) and 4315-1524 were adopted by Council to set forth a time period to review the active water requests, and develop necessary water management measures and allocation policies.

This water allocation policy, effective for the remainder of Calendar Year 2016, applies to available alternative water supplies only. Policy background and components are organized as follows:

- Section 1 Prescott Active Management Area (PrAMA)
- Section 2 City of Prescott Designation of Assured Water Supply (D&O)
 - 2.a. Alternative Water Supplies
 - 2.b. Summary of General Pool and Reservations
- Section 3 City Code Sections 2-1-8, 2-1-12, and 10-1(Land Development Code)
- Section 4 City Water Management Policy
 - 4.a. Background
 - 4.b. Water Allocation Policies for 2016

¹ Safe-yield: A groundwater management goal which attempts to achieve and thereafter maintain a long-term balance between the annual amount of groundwater withdrawn in an active management area and the annual amount of natural and artificial recharge in the active management area (A.R.S.§ 45-561(12)).

² Assured Water Supply: An Assured or Adequate Water Supply determination by ADWR is required for the following: To gain approval of a subdivision plat by cities, towns and counties (A.A.C R12-15-7); to obtain authorization to sell lots from the Department of Real Estate (A.R.S.§ 45-576).

Section 1 Prescott Active Management Area (PrAMA)

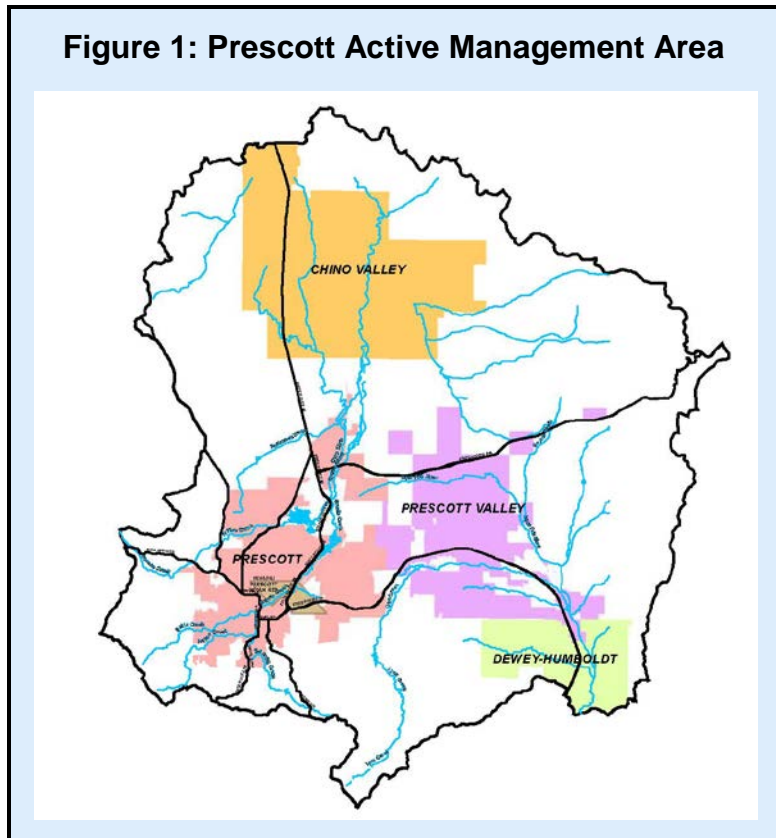
The City of Prescott water service area is located within the Prescott Active Management Area (PrAMA), Figure 1, established under the Arizona Groundwater Code of 1980. Prescott Valley, Chino Valley, Dewey-Humboldt, the Yavapai Prescott Indian Tribe Reservation, and some surrounding areas of unincorporated Yavapai County comprise the remainder of the Prescott AMA. The City is only one entity within the PrAMA, not the regulating authority, and accounts for about 8.6% of the land area within the Prescott AMA.

Through a series of management plans administered by ADWR, the 1980 Groundwater Code establishes water management strategies that emphasize conservation, replacement of existing groundwater use with renewable supplies, recharge, and water quality management by all users within the AMA to help achieve the goal of safe-yield by 2025.

The PrAMA is also subject to the requirements of the Assured Water Supply (AWS) program. The City has maintained a D&O since 1999, which is periodically updated to reflect water resource availability. The City is currently operating under the 2009 D&O (ADWR AWS No. 86-401501.0001), with supplies remaining from the 2005 D&O.

The City of Prescott has employed management tools and policies to meet the State's strategies for conservation (e.g. public education programs and tiered water rates), replacement of groundwater with renewable supplies (e.g. reclaimed water and purchase of Watson and Willow Lake reservoirs), recharge (City's facility has been operational since late 1980s), and water quality (efforts in conjunction with Arizona Department of Environmental Quality). Further,

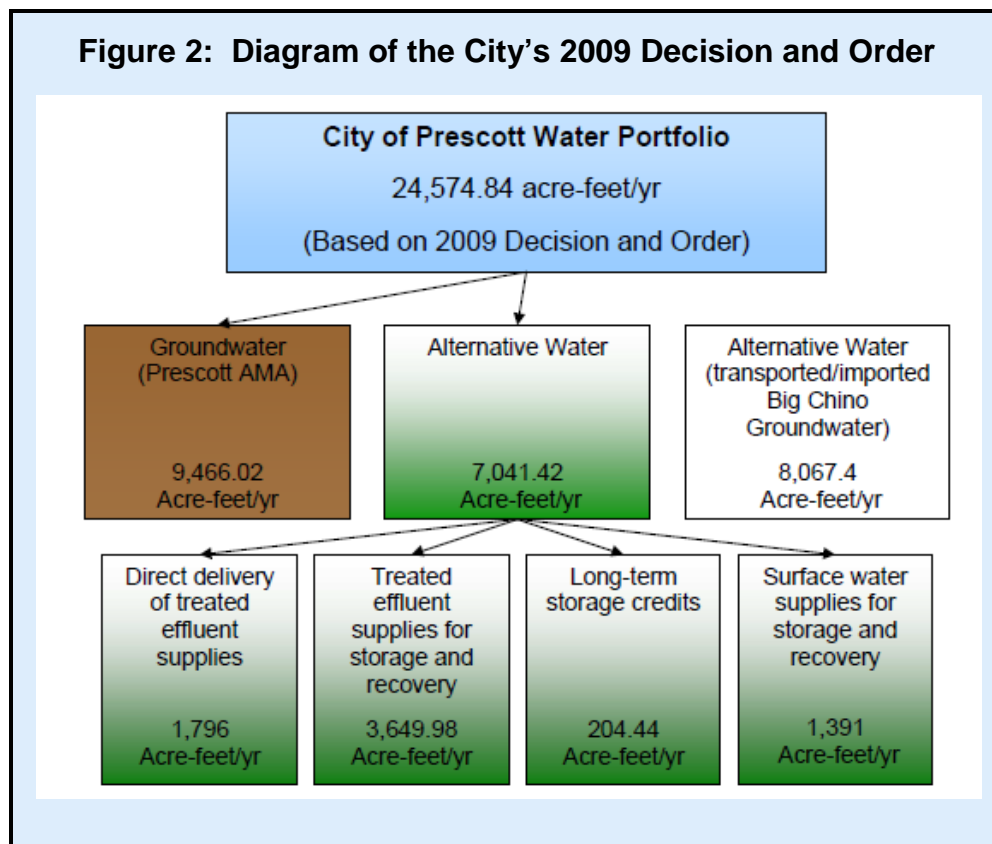
Figure 1: Prescott Active Management Area



the City of Prescott manages its water resources in compliance with Prescott AMA specific decadal management plans for reaching the AMA-wide goal of safe-yield. In September 2014, ADWR adopted the Fourth Management Plan (4MP) for the PrAMA. Requirements of the 4MP are effective January 1, 2017. Until then, the City and other regulated parties are subject to ADWR Third Management Plan. The City considers water management to be an important tool in implementing its overall growth planning and management policies, goals and objectives; and intends to manage its water resources accordingly.

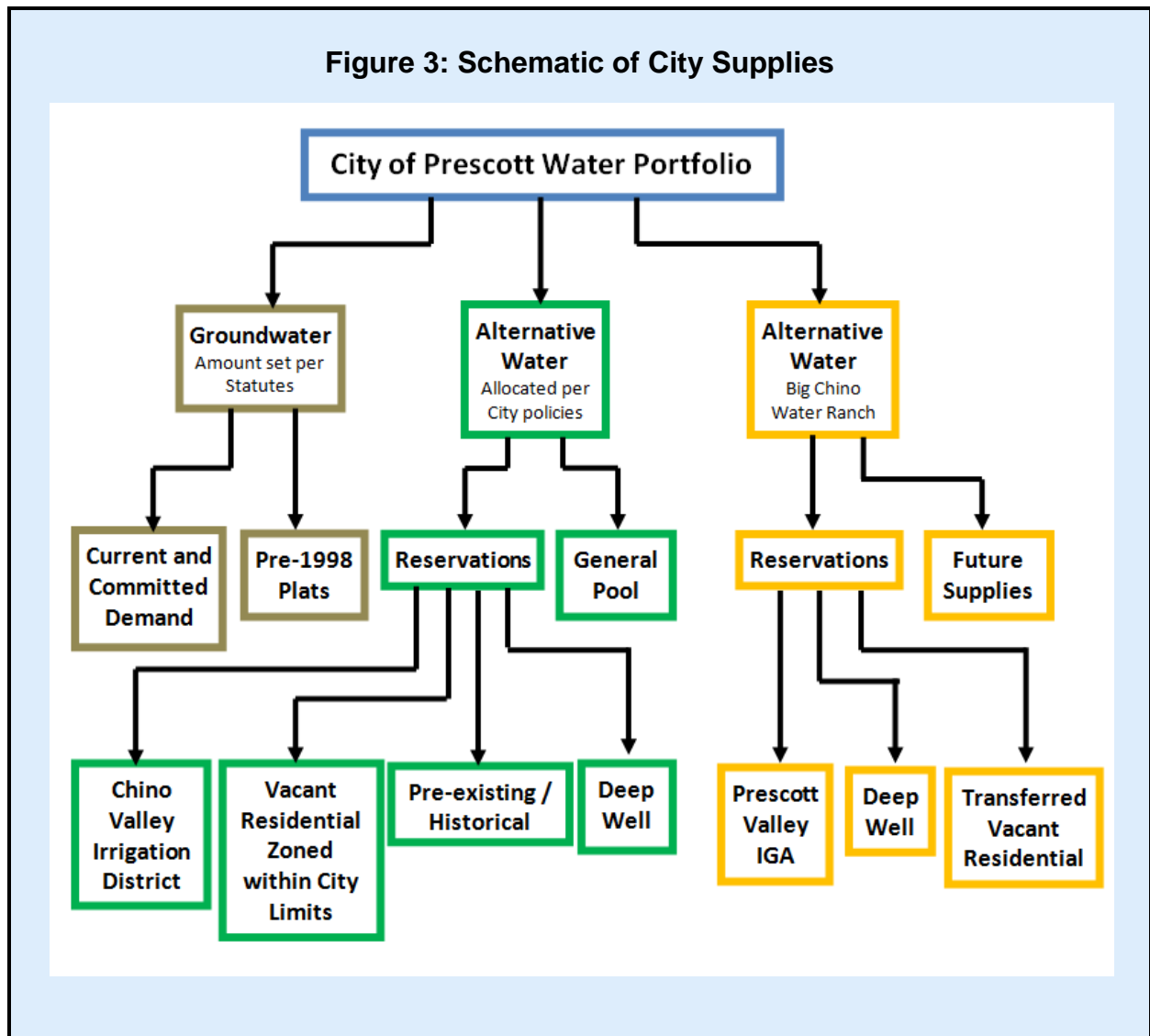
Section 2 City of Prescott Designation of Assured Water Supply Document (D&O)

A Designation of Assured Water Supply is the highest standing that a water provider can seek from ADWR, and requires the demonstration that the supply will meet the following seven criteria: physical availability, legal availability, and continuous availability for 100 years, financial capability, water quality, consistency with the management goal, and consistency with the management plan. The types, sources, and volumes of water identified by the City's D&O, Figure 2, have changed over time. ***Note that this policy addresses only the sources of alternative water supplies shown in the green boxes of Figure 2 specifically labeled "Treated effluent supplies for storage and recovery", and "Surface water supplies for storage and recovery". At this time, these two volumes comprise the City's alternative supplies.***



Section 2. a. Alternative Water Supplies

Since 1999, the City has accounted for the alternative water supplies recognized in the D&O by water service agreement (WSA) contracts and reservations. The City’s alternative water, water that is the “alternative” to groundwater supplies consists of reclaimed and surface water supplies within the AMA, and imported supplies from the Big Chino Sub-basin. Figure 3 provides a schematic of City supplies, including alternative water placed into contract from the General Pool or otherwise placed into specific reservations. Subcategories within the budgeting diagram are further described below. **Note that this policy only pertains to the categories “Reservations” and “General Pool” shown in Figure 3.**



Section 2. b. Summary of General Pool and Reservations

General Pool: the volume of water that is available to be allocated in accordance with Prescott City Codes 2-1-8, 2-1-12, and 10-1. A specific quantity of the General Pool available for allocation may be budgeted by Council each calendar year.

Reservation: a volume of water set aside to meet a contractual agreement or for a specific designated purpose now or at a later date. Alternative Water Reservations include:

1. Chino Valley Irrigation District
 - A. Intergovernmental Agreement, City Contract 1998-040.
 - B. Reservation volume (for municipal and industrial only) 597.5 AF/yr
 - C. As of March 23, 2016, WSAs have been written for 95.6 AF.
 - D. The volume remaining in the reservation is 501.9 AF.

2. Vacant, residentially-zoned tracts³ within City limits
 - A. Not a contractual obligation
 - B. Reservation volume 776 AF/year (adjusted in 2009, reaffirmed in 2015)
 - C. As of March 23, 2016, WSAs have been written for 144.4 AF
 - D. Resolution No. 4310-1519 transferred 200 AF of this reservation to the General Pool, and a new reservation of 200 AF was placed on the Big Chino Water Ranch supplies for this future use.
 - E. The volume remaining in the reservation is 431.7 AF.

3. Pre-Existing / Historical
 - A. The City was contractually obligated to provide water service outside of City limits to Prescott Riviera (Bk 294 Pg 439) , Rancho Vista Hills (Bk 1293 Pg 595), Ewin (Bk 222 Pg 554), and Iron Springs Water Improvement District (Bk 350 Pg 109).
 - B. Reservation volume of 58.5 AF for 195 lots, currently under review.
 - C. Since 2000, WSAs for 13.3 AF have been written leaving 45.2 AF in the reservation.

4. Deep Well Ranch
 - A. City Contract No. 2010-086
 - B. Reservation volume is 1,850 AF/yr (3 increments)
 - C. As of March 23, 2016, WSAs have been written for 29 AF
 - D. The volume remaining in the reservation is 1,821 AF

³ Tracts within City limits that have not been subdivided; they are not a subdivision lot within an platted subdivision. This reservation was based on a specific GIS query that required the land to be identified by DOR as vacant, residentially zoned in the 2006

Section 3 City Code 2-1-8, 2-1-12, and 10-1 (Land Development Code)

Three sections of the Prescott City Code address City water service. They are briefly described below; refer to the full Prescott City Code for the complete texts.

2-1-8: Provision of water to areas outside of the City limits is contingent upon:

- (A) (1) – a previously entered into valid, contractual agreement
- (A) (2) – property fronting water main with certain requirements
- (A) (3) – pursuant to an intergovernmental agreement
- (B) – Rules and Regulations
- (C) – One residential water connection per parcel

2-1-12: Water Service Connection and meter installation

- (E) – identifies the types of projects within City limits that may require alternative water supplies
- (E) (1) – requires consistency with Water Management Policy
- (E) (2) – requires consistency with General Plan
- (E) (3) – requires consistency with applicable adopted plans
- (E) (4) – in accordance with duly adopted City water budget
- (E) (5) – identifies the Council to consider the overall intent and goals of the applicable plan or policy
- (E) (6) – identifies a variance or exception may be granted by the City Council

10-1: Land Development Code

- 7.4.8 – Assured Water Supply
- 7.9 – Land Splits
- 9.10 – Subdivisions and Land Splits

Section 4 City Water Management Policy

Section 4. a. Background

Since 1999, the City's policies have evolved based on available supplies, and existing and anticipated conditions. The following factors have lead to the need for the present policy update:

1. Beginning in 2010, the City extended the 2005-2010 Water Management Policy (as amended) for three primary reasons:
 - A. Alternative water supplies remained available for allocation from the 1999 and 2005 Decision and Orders, yet this volume would be decreasing yearly as supplies were placed into contracts.

- B. As of 2010, the 2009 Decision and Order had not cleared legal challenges and would remain in litigation until September 2011.
 - C. Although the 2009 Decision and Order identified a new block of reclaimed supplies (1,471.98 AF) being available, the underpinning of those supplies was, in part, related to the importation of supplies from the Big Chino Sub-basin. Infrastructure is not in place to deliver this supply.
2. In 2010, a review of the City water portfolio was initiated to determine the status of all water contracts and any reservations that had been placed on alternative water supplies. The initial information from the review indicated that the alternative water budget for Calendar Year 2015, and subsequent years, would need to be reduced to ensure that only physically available supplies were allocated. These supplies include quantities remaining from the 1999 and 2005 D&Os, but only a portion of those projected in the 2009 D&O are actually available (approximately 92 AF/yr). The majority of reclaimed supplies (1,471.98 AF/yr) projected by the 2009 D&O have not been realized for the following reasons:
- A. Infrastructure to deliver imported alternative supplies from the Big Chino Sub-basin has not been constructed in the timeframe originally contemplated.
 - B. The lack of imported water reduced the availability of corresponding reclaimed supplies available for future allocation.
 - C. Over time, the number of City potable water connections has exceeded wastewater connections; therefore, the volume of return flows to the plants is less. Approximately 60% of the water delivered to customers is returned to the City wastewater treatment plants. This imbalance hinders maximizing recharge and recovery, a key underpinning for the City's alternative water supplies.
 - D. Surface water supplies, which are seasonal in nature, have consistently not met the volumes projected in the 2005 and 2009 D&Os.
 - E. To contribute to achievement of aquifer safe-yield, the City Charter (Proposition 400) requires permanent recharge of supplies used by annexations of 250 acres or more of property. This means that water supplied to development on such lands, and the wastewater generated, after treatment and aquifer recharge, cannot be recovered for subsequent use.
3. The Calendar Year 2015 alternative water allocation was budgeted at 100 AF; however, market conditions became favorable for land development, and by the third quarter of 2015, requests for approximately 300 AF had been received. To address this, Resolution No. 4310-1519, effective November 10, 2015, was adopted by Council to set forth a temporary 90-day suspension on new applications for alternative water, and to identify necessary policy changes. The suspension was extended by Resolution Nos. 4315-1524 and 4321-1530.

Section 4. b. Water Allocation Policies for the Remainder of Calendar Year 2016

The policies are organized in three categories: 1) Overall Requirements; 2) Resolution No. 4310-1519, Exhibit A projects (Attachment 1); and 3) Reservations. This policy addresses requests for water identified on Exhibit A, water allocations associated with active building permits, and new (post suspension) water allocation requests through December 31, 2016.

Category 1: Overall Requirements

These overarching policies comprise the basic requirements for placing alternative water supplies into water contracts. Exceptions that apply or connections to other categories have been noted.

Policy 1A – The City Manager may direct any requests for alternative water to the City Council for approval. Residential requests of less than 4 dwelling units may be approved by the City Manager administratively; 4 or more units will require Council approval.

Policy 1B – Water allocation will remain at 0.35 AF and 0.25 AF per residential unit for Single Family Residential and Multi-Family Residential, respectively.

Policy 1C – A water demand analysis satisfactory to the Water Resource Manager may be required for non-residential uses to assure infrastructure and supply sufficiency.

Policy 1D - Water service agreement applications will be accepted with the submission of a building permit, site plan, or preliminary plat application (Section 4.c.)

Policy 1E - Alternative water contracts that expire during Calendar Year 2016 will not be amended to increase the number of lots or volume of water. A one-time extension for one (1) year may be requested, however, there shall be no further entitlement to additional extensions or replacement with a new contract.

Policy 1F – For expired contracts, the associated volumes will be returned to the General Pool or original contractual reservation, as applicable.

Policy 1G – No lot splits shall be approved that require alternative water, with the exception of vacant, residentially zoned tracts identified in reservation (see Category 3), and Resolution No. 4310-1519, Exhibit A (Attachment 1).

Policy 1H – Alternative supplies shall not be allocated for uses that will not return 50% or more wastewater to the treatment plants (e.g. new turf, commercial agriculture, residential requests without sewer connection, etc.), with the exception of certain Pre-Existing/Historical Agreements (Category 3).

Policy 1I – For a project that exceeds the quantity of water available in the water budget, or requires greater than 50% of the remaining volume, the City will accept extinguished, pledged irrigation grandfather rights (Attachment 2).

Policy 1J – Any unallocated water remaining in the General Pool as of December 31, 2016, may be considered by the Council in setting the Calendar Year 2017 water budget.

Policy 1K – Workforce Housing is defined in City Code 10-1, Land Development Code (LDC) Article 11. For the purposes of water allocation, it is intended for either ownership or rental properties. Housing defined in LDC such as “Dwelling, Single Family” or “Dwelling, Attached Single Family” is housing for homebuyers earning incomes less than 120% of the median income for Prescott. Housing defined in LDC such as “ Dwelling, Duplex; Dwelling, Multiple-Family; Apartments is for housing for incomes less than 80% of the median income for Yavapai County. (Attachment 3)

Policy 1L- Contracts will be written with performance criteria to include, but not be limited to, a termination date appropriate for the type of project (large subdivision, single family home, etc.), which date shall not be extended. In the event of termination, the reservation for the entire property shall likewise be terminated (Section 4.c.)

Policy 1M – Water service agreement applications will expire one (1) year from the date of the application.

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Category 2: Exhibit A Projects

Category 2 is intended for projects identified on Resolution No. 4310-1519, Exhibit A. Projects are also subject to the Category 1 requirements.

General Pool Balance = 479 acre-feet (AF)		
Set Asides		
Contractual Obligation	100 AF for use on lands identified by Bk 2099 Pg 666 and Bk 869 Pg 751 (Bullwhacker Ranch Inc). The water will be set aside for three (3) years initially, after which the volume remaining will be reviewed.	
Institutional Development	55 AF to support ERAU campus. The water will be set aside for a period of five (5) years, after which the volume remaining will be reviewed.	
Remaining General Pool = 324 AF		
Available for Allocation		
<ol style="list-style-type: none"> 1. Projects and allocations shall be divided among: Market, Workforce (ownership or rental)/Multi-family/Duplex/Apartments, and Commercial 2. Overall policies (Category 1) apply 		
Market	Workforce/MF/Duplex/Apts	Commercial
Quantity: 125 AF	Quantity: 100 AF	Quantity: 99 AF
<ol style="list-style-type: none"> A. Exhibit A projects have first priority until the end of Calendar Year 2016 or their application expires per policy 1M. B. The quantity of 125 AF is capped for Calendar Year 2016. C. Any remaining volume will be for only administratively approved (< 4 units) projects through 2016. D. No new lot splits (except those on Exhibit A) E. After Exhibit A projects, no one project can use more than 50% of the remaining quantity. F. If a project needs more than 50% of the remaining volume, see Policy 11. G. All projects must connect to City sewer immediately for allocation. H. Project must meet all City Codes 	<ol style="list-style-type: none"> A. Exhibit A projects have first priority until the end of Calendar Year 2016 or their application expires per policy 1M. B. The quantity of 100 AF is capped for Calendar Year 2016. C. After Exhibit A projects, any remaining volume will not be issued to congregate and assisted living facilities. D. After Exhibit A projects, no one project can use more than 50% of the remaining quantity. E. If a project needs more than 50% of the remaining volume, see Policy 11. F. All projects must connect to City sewer immediately for allocation. G. Project must meet all City Codes 	<ol style="list-style-type: none"> A. For commercial subdivisions or economic development B. Water Demand Analysis C. Must be approved by Council.

Category 3: Reservations

Reservations made by the City through contracts or other Council actions are unique. The Category 1 policies generally apply subject to the specific provisions thereof. Four such reservations are identified below.

1. The reservation for Chino Valley Irrigation District in place will not be modified by this Policy.
2. The reservation for Vacant, Residentially-Zoned Tracts within the City on January 22, 2016, was 431.7AF. Water from the current balance of this reservation is available for allocation subject to the following:
 - A. Allocations will be made for those tracts identified in 2009 and reaffirmed in 2015, at the corresponding development densities and volumes.
 - B. One allocation, up to the entire quantity reserved by the City, shall be available for each tract for which a reservation has been made, and formalized by a water service agreement. No subsequent incremental allocation for each such tract from said reserved quantity shall be made. Any remaining (unused) water for each such tract shall be returned to the General Pool.
 - C. The total quantity reserved for vacant, residentially-zoned tracts shall be reduced by the quantity of fifty (50) acre-feet each year, with said reduction to be transferred to the General Pool, effective January 1, 2017, and on each subsequent anniversary date thereafter.
 - D. Notwithstanding the foregoing, nothing shall preclude the owner of any developable property within the City or otherwise satisfying requirements of the City Code for water service from applying for alternative water that is available within a water budget adopted by the Council.
 - E. Contracts shall require written performance criteria to include, but not be limited to, a termination date of not more than two (2) years, which date shall not be extended. In the event of termination, the reservation for the entire property shall likewise be terminated.
 - F. In the event that rezoning of a property identified as a vacant residentially zoned tract within the city limits increases the number of potential residential dwelling units, the reservation of water for said property shall not be increased at the time of such rezoning to reflect the additional demand corresponding to the increase in dwelling units; and any existing reservation shall remain in force (Resolution No. 4071-1141).

3. The reservation for Pre-Existing/Historic Agreements (Prescott Rivera, Rancho Vista, Ewin and Iron Springs) is 58.5 AF. As of January 22, 2016, the volume remaining is estimated to be 45.2 AF. This reservation remains under review.
 - A. These pre-1998 contractual agreements will be issued water consistent with the agreement provision and all current City codes.
 - B. Once said reservation has been fully placed into contracts, no further water shall be available for development of the specified properties. The corresponding water service agreements shall not expire.
 - C. Portions of the areas specified by these contracts that have been annexed into the City are no longer subject to each such contract but rather to City Code 2-1-12.
 - D. If, during the remainder of Calendar Year 2016, this reservation is found to be unnecessary (is recognized to be eligible for current and committed groundwater supplies), then the reservation will be terminated.
4. The reservation for Deep Well Ranches was effective December 24, 2009, and set forth by City Contract No. 2010-086. As of January 22, 2016, the volume remaining is 1,821 AF (921 AF non-BCWR alternatives supplies, and 900 AF BCWR alternative supplies). As provided for by said contract, nothing shall preclude the Owner from applying, now or in the future, for additional water from any sources of the City made available for development within the City.

Section 4.c. Water Allocation Process

Allocation of the City's water for development is based upon all applicable City and State of Arizona codes, policies, and adopted plans. Depending on the type of project, there are three potential pathways to possible water allocation. The City will determine the most suitable path for each project from the following list:

1. Administrative Approval (< 4 units)
 - A. Contact Community Development to discuss your project and the need for a Pre-Application Conference (PAC). Submit PAC application and schedule the conference.
 - B. After PAC (if needed) or determination of water supply needs, submit a building permit application (includes water service agreement application).
 - C. See overall policies (Section 4.b.).

2. Site Plan Review and Approval

- A. Contact Community Development to discuss your project and the need for a Pre-Application Conference (PAC). Submit PAC application and schedule the conference.
- B. After PAC (if needed), submit a Site Plan application (includes water service agreement application).
- C. The Site Plan review process is described in the Land Development Code Section 9.8.
- D. Concurrent to Planning Commission (LDC 9.8), the project will also be scheduled for Water Issues Committee review.
- E. Water Service Agreement (WSA) contract approval by City Council will be required at the same time of Site Plan approval.
- F. To be approved, the WSA contract shall include the following performance criteria:
 - i. A building permit application must be submitted within 1 year. A one-time extension of six (6) months will be allowed, if requested in writing before expiration of the water contract.
 - ii. The project must be completed and a certificate of occupancy obtained within the time period specified in the WSA following issuance of a building permit. A one-time extension of one (1) year will be allowed, if requested in writing before expiration of the water contract.
- G. If any of the performance criteria is not satisfied, the water allocation will expire and the water will return to the portfolio.

3. Preliminary Plat Review

- A. Contact Community Development to discuss your project and the need for a Pre-Application Conference (PAC). Submit PAC application and schedule the conference.
- B. After PAC, submit a Preliminary Plat application (includes water service agreement application).
- C. The Preliminary Plat Review process is described in the Land Development Code Section (LDC) 9.8.
- D. During the Preliminary Plat review process (LDC 9.8), the project will also be scheduled for Water Issues Committee review.
- E. Water Service Agreement (WSA) contract approval by City Council will be required at the same time of Preliminary Plat approval.
- F. If approved, the WSA contract will include the following performance criteria:
 - i. A final plat must be submitted within one (1) year of approval. A one-time extension of one (1) year will be allowed, if requested in writing before expiration of the water contract
 - ii. The final plat must be recorded within the time period specified in the WSA. A one-time extension of one (1) year will be allowed, if requested in writing before expiration of the water contract

- G. If any of the performance criteria is not satisfied, the water allocation will expire and the water will return to the portfolio.

Section 4.d. Water Service Agreement Application

New requests for water shall be made by submission of the updated form (Attachment 4) and subject to available supplies after Exhibit A projects (Attachment 1). All applications shall expire in one year. All projects fee in effect at the time of the application shall also be paid as a condition of water service agreement approval. *Note that an application does not entitle or guarantee a project's water supplies. Applications will be processed subject to review timeframes, and Council, Committee or Commission meeting schedules. Water contracts are subject to Council approval unless otherwise noted in this policy.*

Section 5 Calendar Year 2017

As identified in Resolution No. 4310-1519, "Any quantity of alternative water remaining from the projects described in Section 3, and for which water service agreements have been approved by the City Council as described in Section 4, shall be made available for future annual alternative water budgets as may be adopted by the City Council."

Section 6 Additional Topics

Resolution No. 4310-1519 also identified additional topics for research, discussion, and possible policy update. These items will continue to be addressed in Calendar Year 2016:

1. Determine the availability of alternative water corresponding to the 0.1AF markup on residential development, and manage this quantity separately to support commercial and industrial development.
2. Prohibit connection to City water without well abandonment.
3. Prohibit well drilling on properties served/to be served with City water
4. Require new development to connect to City sewer, whether served by groundwater or alternative water (if not otherwise contractually entitled to water service).
5. Adopt City Codes changes, where required, to implement the foregoing actions
6. Continue to research and evaluate historical agreements for commitments to serve; determine whether some subdivisions or other allocations covered by historical agreements can be shifted to Current and Committed groundwater demand.
7. Review and adjust availability and pricing of water at the EZ Street water station.
8. Develop policy to accepting Assured Water Supply Certificates brought to the City (pledged IGFRs).
9. Review current allocation volumes of 0.35 and 0.25 AF (having already identified and removed the 0.1 AF markup for commercial/industrial) applicable to single family and multi-family residential, respectively, and determine the feasibility of modifying said volumes for water-conserving development.

RESOLUTION NO. 4310-1519

A RESOLUTION OF THE MAYOR AND COUNCIL OF THE CITY OF PRESCOTT, YAVAPAI COUNTY, ARIZONA, AUTHORIZING THE CITY OF PRESCOTT TO AMEND ITS CURRENT WATER MANAGEMENT POLICY REGARDING NON-RESERVED ALTERNATIVE WATER SUPPLIES.

RECITALS:

WHEREAS, on December 30, 2009, the Arizona Department of Water Resources (ADWR) issued a Decision and Order delineating the City of Prescott water portfolio; and,

WHEREAS, the projections of alternative water supply incorporated within said ADWR-approved Decision and Order have not been achieved; and,

WHEREAS, applications for allocations of alternative water to serve new development have exceeded the amount made available by the City in its Calendar Year 2015 Alternative Water Budget; and

WHEREAS, the City deems it necessary to specify an interim period sufficient to perform a detailed evaluation and updating of the alternative water category of its overall water portfolio, during which time the acceptance of certain types of applications for allocations of alternative water will not be accepted.

ENACTMENTS:

NOW, THEREFORE, BE IT RESOLVED BY THE COUNCIL OF THE CITY OF PRESCOTT AS FOLLOWS:

Section 1. THAT, effective November 3, 2015, the City of Prescott hereby suspends the acceptance of applications for alternative water for 90 days from the effective date of this Resolution, with the following exceptions:

- a. Applications that have already been received and are subject to current rules for administrative approval (less than 4 dwelling units) may proceed and be approved if all other requirements are satisfied (building permit, etc.).
- b. Applications subject to the Chino Valley Irrigation District (CVID) intergovernmental agreement.
- c. Commercial/industrial applications, for which the volume of water available from the 0.1 acre-foot markup on residential allocations is to be determined and established as a separate bank for allocation purposes.
- d. Applications for which the City is contractually entitled to provide water.

- e. Other current applications for redevelopment that may require a minor quantity of additional alternative water to augment a currently recognized quantity of grandfathered groundwater.

Section 2. THAT, the reservation of 776.5 acre-feet of alternative water previously made by the City for future residential development within the city limits, 585.5 acre-feet of which remains presently available, shall be reduced to a reservation of 385.5 acre-feet.


Section 3. THAT, the 200 acre-feet of alternative deducted from the reservation described in Section 2, combined with 314 acre-feet remaining from the 1999 and 2005 ADWR Decision and Orders, shall be made available first to the projects identified by Exhibit "A" hereto, which projects shall be evaluated and prioritized in the following descending order: workforce housing, and apartments/multi-family housing.

Section 4. THAT, performance criteria pertaining to achievement of milestones for delivery of the projects for which alternative water has been requested, shall be developed by staff and included in all water service agreements prepared for consideration by the City Council.

Section 5. THAT, any quantity of alternative water remaining from the projects described in Section 3, and for which water service agreements have been approved by the City Council as described in Section 4, shall be made available for future annual alternative water budgets as may be adopted by the City Council.

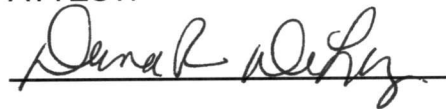
Section 6. THAT, this Resolution shall in no way delay or prevent the City from issuing other permits or approvals required for land development or from reviewing applications for alternative water already filed.

PASSED, APPROVED AND ADOPTED by the Mayor and Council of the City of Prescott this 10th day of November, 2015.



 CHRIS KUKNYO, Mayor Pro Tem

ATTEST:



 DANA R. DeLONG, City Clerk

APPROVED AS TO FORM:



 JON M. PALADINI, City Attorney

Table 1. Projects with a WSA application submitted

WSA Application No.	Applicant	Project	Volume Requested (ac-ft)	Market (80 ac-ft)	Workforce (20 ac -ft)	Alt. Water Reservations (ac-ft)
14-007	SJ Holms, LLC	4 multifamily dwelling units	1.0	X		
14-009	ERAU	New 66 unit residence hall, 15 AF of increased water use since 1997, and campus build out.	32.5-95.8 ¹	X		
15-004	Reek Lane Partners	70 unit apartment complex	14 ²	X		
15-003	Mendel	Single family residence from lot split	0.35	X		
15-005	Ryan	Single family residence	0.35	X		
15-006	Orefice	8 unit apartment complex	2.0	X		
15-007	Moody	Single family residence from lot split	0.35	X		
15-008	Schnitzius Family Trust	Single family residence from lot split	0.35	X		
15-009	LKD Housing Ventures	Single family residence	0.35			X
15-010	James 110 Investments, LLC	286 lot subdivision (former Centerpointe South)	100.1	X		
15-011	Hassayampa Holdings of Prescott, LLC	101 unit apartment complex	25.25	X		
15-013	Territorial 12 LLC	12 condominium units	3	X		
15-014	Diversified Development, LLC	253 unit apartment complex	63.25	X		Evaluating possible contractual entitlement (1974 agreement)
15-015	Randy Thomas	Additional demand to current groundwater allocation	1.5	X		
15-016	Robert Beyea	Relocation of duplex to create 1 SFR and a duplex on same lot.	0.5	X		
15-017	Kevin Randle	21 multifamily dwelling units.	5.25	X		
Total			>235.75	>235.75	0	0.35

Table 2. Other projects presented to PAC for which WSA applications have not been submitted

PAC No.	Applicant	Project	Proposed			
			Volume Required (ac-ft)	Market (80 ac-ft)	Workforce (20 ac-ft)	Alt. Water Reservations (ac-ft)
15-077	Land Resource (SLF, III-Storm Ranch)	410 single family units	143.5(65 ac-ft additional) ¹	X		City Contract No. 2008-013 for 79.45 ac-ft (expires 7/10/2017).
15-089	Paul Armenta	New apartment complex	3.5	X		
15-102	Robert Tubbert	Mountain Dream Apts	1.0	X		
15-106	Giving Tree Wellness Center	Greenhouses for medical marijuana	TBD*	X		
15-108	Diocese of Arizona, Inc	Chapel Rock Baseball Field	TBD*	X		
15-009	Sims Family Trust	Lot Split	0.35	X		
15-112	Judy Numbers	Convert racket club to condos	1.5	X		
15-114	I. D. Investors, LTD	Remodel 6 units at Ridge Retreats	1.5	X		
Total			>151.35	>151.35	0	79.45

¹ The applicant has proposed an increase from 227 units to 410 units. The applicant is reviewing options for augmenting the quantity of water beyond that specified by City Contract No. 2008-013 (approximately 65 ac-ft more).

² This range of water corresponds to the 253 to 280 apartment units identified in the PAC application. Note that if developed as a PAD, the maximum number of units would be 294.

*Subject to additional information from applicant.



Acceptance of Extinguishment Credits

Water Resource Management Division
201 S. Cortez St., Prescott, AZ 86303
(P) 928.777.1645 (F) 928.777.1255

Any applicant for development and/or water service within the City of Prescott water service area may acquire and present for consideration sufficient “extinguishment” credits to support their development. The volume of the credits will be required to meet the calculated 100-year demand for water.

What are extinguishment credits?

Extinguishment credits are generated when a grandfathered groundwater right is extinguished. The extinguished right can never be used again; however, the credits generated can be pledged to the City of Prescott (because they have a Designation of Assured Water Supply) to support the water requirements of a development. This policy allows for a developer to provide the water necessary to supply a development that is served via the City of Prescott water/wastewater infrastructure.

How many extinguishment credits are required for my project?

1. Determine the annual water demand of your project based on the following allocations:
 - a. Single family residential: 0.35 AF/yr/dwelling unit
 - b. Multifamily residential: 0.25 AF/yr/dwelling unit
 - c. Commercial: determined per project based on Water Demand Analysis
2. Determine the 100-year water demand of your project based on the following allocations:
 - a. Multiply the annual water demand by 100 years.
 - b. This is the volume of extinguishment credits that will be required to be pledged to the City of Prescott.
3. Examples:

A forty-five lot subdivision:

1. Determine the annual water demand of your project based on the following allocations:
 - a. Single family residential: 0.35 AF/yr/dwelling unit
 - b. $0.35 \text{ AF/yr} * 45 \text{ single family dwelling units} = 15.75 \text{ AF/yr}$
2. Multiply your annual water demand by 100 years.
 - a. $15.75 \text{ AF/yr} * 100 \text{ years} = \mathbf{1575 \text{ AF}}$

100 unit apartment complex:

1. Determine the annual water demand of your project based on the following allocations:
 - a. Multifamily residential: 0.25 AF/yr/dwelling unit
 - b. $0.25 \text{ AF/yr} * 100 \text{ multifamily dwelling units} = 25 \text{ AF/yr}$
2. Multiply your annual water demand by 100 years.
 - a. $25 \text{ AF/yr} * 100 \text{ years} = \mathbf{2500 \text{ AF}}$

How do I locate extinguished credits that are not yet pledged?

The Arizona Department of Water Resources Office of Assured and Adequate Water Supply should be contacted for a current list of Unpledged Assured Water Supply Credits for the Prescott Active Management Area:

- Phone: 602-771-8599
- Email: assuredadequate@azwater.gov



Workforce Housing

Water Resource Management Division
201 S. Cortez St., Prescott, AZ 86303
(P) 928.777.1645 (F) 928.777.1255

This information sheet describes workforce housing as it relates to City Codes and City Water Policy. This is for information purposes only as median incomes and mortgage rates change. Contact the City for further assistance.

What is workforce housing?

“Workforce housing” is defined in City Code 10-1, Land Development Code (LDC), Article 11 as:

Housing developed with a household income paying no more than 30% of gross family income for mortgage, insurance and homeowner association fees or for rent and utilities; or which earns up to 60% of the Area Median Income of Yavapai County for multi-family rental housing; or 80% for single-family owned housing and that restricts student use per Section 42 of the Internal Revenue Code in accordance with the Internal Revenue Code and Arizona Department of Housing Guidelines.

For the purposes of water allocation, it is intended for either ownership or rentals. Housing defined in LDC as “Dwelling, Single Family” or “Dwelling, Attached Single Family” is housing for homebuyers earning incomes less than 120% of the median income for Prescott. Housing defined in LDC as “Dwelling, Duplex; Dwelling, Multiple-Family; Apartments is housing for incomes less than 80% of the median income for Yavapai County.

What information source is used by the City for determining the median income for Prescott?

The City references the data assembled by the U.S Census Bureau, American Fact Finder, which is located on the web at <http://factfinder.census.gov/faces/tableservices/jsf/pages/productview.xhtml?src=CF>

Examples:

			<u>Annual</u>	<u>Monthly</u>
Yavapai County Median Household Income	-	-	34,901.00	2,908.42
Multi-family rental housing				
Income	80%	27,920.80	2,326.73	
Available for Housing	30%	8,376.24	698.02	
Prescott Median Household Income	-	-	45,190.00	3,765.83
Single-family owned				
Income	120%	54,228.00	4,519.00	
Available for Housing	30%	16,268.40	1,355.70	

NOTE: SUBJECT TO CHANGE WITH U.S. CENSUS BUREAU UPDATES, ECONOMIC CONDITIONS, and MORTGAGE RATE VARIATIONS

If you are considering a workforce housing project, please contact:

Community Development
201 S. Cortez
(928) 777-1205

Water Resource Management
201 S. Cortez
(928) 777-1645



WATER SERVICE AGREEMENT APPLICATION

Water Resource Management Division
 201 S. Cortez St., Prescott, AZ 86303
 (P) 928.777.1645 (F) 928.777.1255

Please complete the form and submit a legible legal description on a separate sheet of paper as well as a site plan of the subject property with proposed improvements. Submit all documents and the filing fee directly to the Community Development Department at 201 S. Cortez St, Prescott, AZ 86302.

APPLICANT INFORMATION			
Applicant: _____	Contact Person: _____		
Address: _____	City/State/Zip: _____		
Phone: _____	Email: _____		
PROPERTY OWNER INFORMATION			
Property Owner: _____	Contact Person: _____		
Address: _____	City/State/Zip: _____		
Phone: _____	Email: _____		
PROJECT SITE			
Address: _____			
Current Zoning: _____		Proposed Zoning: _____	
Assessor's Parcel Number(s) of Existing Property _____ - _____ - _____ _____ - _____ - _____			
Existing Water Service (Y/N): _____		Existing Sewer Service (Y/N): _____	
Existing Well (Y/N): _____		If Yes, Well Registry No.: _____	
PROJECT DESCRIPTION			
Is the project Residential or Commercial? _____			
Please provide brief description: _____			
# of Proposed Units: _____		# of Proposed Lots: _____	
Has a Water Demand Analysis been completed (commercial)? _____			
Has a building permit application been submitted? _____			
Has a Planning and Zoning Recommendation been made? _____			
FEES: subject to fees in effect at that time of application submittal			
<input type="checkbox"/> \$	Single Family Residence	<input type="checkbox"/> \$	Multi-Family Residence, Mobile Home Park
<input type="checkbox"/> \$	Residential Subdivision	<input type="checkbox"/> \$	Commercial Subdivision
<input type="checkbox"/> \$	Commercial Project	<input type="checkbox"/> \$	Change of Use

Applicant Signature: _____

Date: _____

OFFICE USE ONLY

PERMIT #: WSA16-_____	FEE PAID: _____	Trak It: _____	Legal Attached: _____
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ALTERNATIVE WATER ALLOCATION

Effective December 31, 1998, all residential development within the City's water service area desiring to utilize the City's water system and not having a 100-year Assured Water Supply certification, shall be required to obtain a Water Service Agreement (WSA). Water service shall only be made by agreement. Such agreements may set forth the terms and conditions of water service, including, but not limited to: volume of approved water; time periods to use or lose the water allocation; third party approval requirements; City sewer use and effluent ownership and use rights; any special fees or assessments; and stipulations and requirements regarding the use of the property to be developed as set forth in a residential development plan. Agreements for water service shall only be approved within the limits of the approved Prescott Water Budget, unless amended or waived by the Prescott City Council.

Agreements for water service shall only be approved for residential development plans, or for a commercial/industrial projects determined by the Prescott City Council to be in compliance with all applicable City development regulations, to be consistent with and conform to the City's adopted General Plan, and to be consistent with and conform to any and all adopted and applicable plans:

- (A) Specific Area Plan;
- (B) Neighborhood Plan;
- (C) Local Historic District Plan;
- (D) Circulation Plan;
- (E) Open Space, Trail, Park or Recreation Plan;
- (F) Growth Planning or Growth Management Plan;
- (G) Capital Improvement Plan;
- (H) Redevelopment Plan; and/or
- (I) Other adopted, applicable City Plan or Policy.

In determining whether a development is consistent with and conforms to the General Plan and any of the identified other applicable and adopted plans or policies, the overall intent and goals of the applicable plan or policy shall be considered, and the development plan shall also be evaluated as to whether it furthers the implementation of, and is not contrary to, the policies, goals, objectives, strategies and applicable elements of the plans and policies.

