

UTILITY COMMITTEE MINUTES

March 4, 2002

The Utility Committee of the City of Mesa met in the lower level meeting room of the Council Chambers, 57 East 1st Street, on March 4, 2002 at 3:05 p.m.

COMMITTEE PRESENT	COUNCIL PRESENT	OFFICERS PRESENT
Mike Whalen, Chairman Bill Jaffa Claudia Walters	None	None

1. Discuss and consider a pre-settlement water rights agreement with the Gila River Indian Community.

Water Resources Coordinator Kathryn Sorensen and Environmental Attorney Mary Wade addressed the Committee concerning this item.

Ms. Sorensen reported that the City committed to participate in a reclaimed water exchange agreement with the Gila River Indian Community (GRIC) as part of the GRIC water rights settlement. She commented on the progress of the settlement and said that Senator Kyle recently advised that he anticipates that the settlement process will be ongoing for approximately five years. Ms. Sorensen said that although the location of the future South Water Reclamation Plant (SWRP) at Queen Creek Road and Greenfield Road is ideal for a reclaimed water exchange with the GRIC because of its proximity to the reservation boundary, absent an exchange, the City would have no choice but to pursue a recharge and recovery strategy in order to obtain maximum usage of the plant's reclaimed water flows.

Ms. Sorensen commented on problems associated with conducting recharge and recovery operations in this area in the future. She stated that staff is concerned that rising ground water levels in the area will make future recharge and recovery operations expensive if not impossible to conduct. She also said that underlying contaminant plumes in the Williams Gateway area further complicate this process.

Ms. Sorensen reported that staff has negotiated a pre-settlement reclaimed water exchange agreement with the GRIC to help mitigate the risks associated with development of the SWRP and the infrastructure required in connection with the water rights settlement. She said that the proposed agreement is independent of the settlement, provides for the exchange of water to commence when construction of the required infrastructure (pipeline) is complete and has a 30-

year term. She added that if and when the GRIC water rights settlement is finalized, the terms of the reclaimed water exchange under the settlement would take precedence over the proposed agreement. Ms. Sorensen stated that staff recommends that the Council approve the proposed *Intergovernmental Agreement for Delivery of Reclaimed Water*.

In response to concerns voiced by Committeemember Walters concerning Senator Kyle's projection that it will take at least five years to complete the GRIC water rights settlement, Ms. Sorensen explained that it is anticipated that the process will be difficult and lengthy because Congress is currently focused on homeland security and terrorism issues and because the GRIC settlement is estimated in the range of \$1 billion and projected to be the largest water rights settlement in U.S. history.

In response to a question from Committeemember Walters concerning the source of funding for the settlement, Ms. Sorensen advised that the future settlement would be primarily funded by Federal funds.

In response to a question from Committeemember Walters concerning the sale of Langley Ranch, Ms. Sorensen explained that under the proposed reclaimed water exchange agreement with the GRIC, Langley Ranch will no longer be needed to conduct recharge and recovery operations. She added that the Council previously approved an amendment to the Intergovernmental Agreement between Mesa and the Town of Gilbert, which allowed Mesa to sell Langley Ranch, including 140 acres to the Town of Gilbert.

Committeemember Walters voiced support for staff's recommendations and stated the opinion that the proposed exchange provides benefits to the City and the GRIC.

Ms. Sorensen advised that from the City's perspective, the terms of the water exchange under the GRIC water rights settlement are superior to the proposed agreement. She also said that because the proposed water exchange with the GRIC cannot commence until the SWRP and the pipeline are built and operational, which is projected to take approximately six to eight years, it is probable that there will be no exchange of water under the proposed agreement because the finalized GRIC water rights settlement will take precedence over the proposed agreement.

Discussion ensued regarding the fact that the GRIC water rights settlement process began in the early 1970's.

It was moved by Committeemember Walters, seconded by Committeemember Jaffa, to recommend to the Council that the pre-settlement reclaimed water exchange agreement with the Gila River Indian Community (*Intergovernmental Agreement for Delivery of Reclaimed Water*), be approved.

In response to a question from Committeemember Walters concerning the timeframe associated with the sale of Langley Ranch, Ms. Sorensen reported that with Council approval of the proposed agreement, two additional steps in this process must occur prior to selling Langley Ranch: 1) the proposed agreement must also be signed by GRIC authorities, which is anticipated to occur within a six-week period; and 2) Mesa's Central Arizona Project (CAP) subcontract must be amended to nullify a provision regarding effluent exchange. She noted that this amendment is currently awaiting Department of Interior approval, which is anticipated to

occur within a three-month period. She noted that both Senator Kyle and Congressman Flake are assisting the City with this amendment.

Further discussion ensued regarding Langley Ranch and difficulties associated with using Langley Ranch for recharge and recovery operations, the fact that rising ground water levels in the East Valley was not projected when Langley Ranch was purchased, and the fact that the existence of contamination plumes in this area complicates the process of conducting recharge and recovery operations.

Discussion ensued regarding the fact that the proposed agreement requires the City to construct a pipeline from the SWRP to the reservation, the fact that although staff initially proposed to utilize the Roosevelt Water Conservation District (RWCD) canal to deliver reclaimed water to the reservation, there are significant liability issues associated with utilizing the RWCD canal in addition to the fact that it is a more costly alternative than the proposed pipeline.

In response to a question from Committeemember Jaffa concerning the cost of constructing the pipeline, Ms. Sorensen advised that the cost of the proposed pipeline and related infrastructure is estimated in the range of \$6 - 12 million and she noted that the broad range is due to a presently unresolved issue related to solids handling at the SWRP. She added that the highest estimate is a less expensive alternative than utilizing the RWCD canal.

Ms. Wade commented on the proposed agreement and the reclaimed water exchange agreement incorporated in the GRIC water rights settlement. She stated that the agreements are very similar in terms, that the proposed agreement allows the City to commence the work necessary to effectuate a water exchange without waiting for the GRIC water rights settlement to occur; that when the settlement does occur, the proposed agreement is thereby superseded by the water exchange terms in the settlement; and that in the event the GRIC water rights settlement does not occur, the proposed agreement provides for water exchange with the GRIC for 30 years.

In response to a question from Chairman Whalen, Ms. Sorensen provided an historical overview regarding the GRIC water rights settlement and Mesa's involvement in the settlement. She advised that the water claims of the GRIC total 653,500 acre feet of water per year, that Mesa's contribution to the settlement is 6,000 acre feet per year, and that the settlement encompasses every water user in central eastern and southern Arizona.

Discussion ensued regarding the fact that CAP capacity is not an issue with respect to the GRIC water rights settlement; the fact that the CAP water Mesa will receive in exchange for reclaimed water is considered the highest priority water available with respect to drought conditions and canal capacity; and the fact that although Mesa must pay the fixed operations, maintenance and repair charge and the pumping energy charge levied on the CAP water it receives in exchange for reclaimed water, capital charges will not be levied.

Ms. Wade commented on recent progress relative to the GRIC water rights settlement with the "lower valley" parties, including Mesa.

In response to a question from Chairman Whalen pertaining to right-of-way costs associated with the proposed pipeline, Ms. Sorensen advised that the pipeline cost estimates do not include right-of-way costs. She added that staff does not anticipate significant right-of-way costs because of the close proximity of the reservation boundary to the SWRP site, the fact that the Town of Gilbert has indicated initial approval concerning the pipeline and the fact that the East Maricopa Floodway's easement can be utilized for the pipeline.

In response to questions from Chairman Whalen concerning Langley Ranch, Real Estate Services Director Doug Tessendorf advised that Langley Ranch is located on the southeast corner of Queen Creek Road and Higley Road, that the City purchased Langley Ranch for \$8.5 million, that after selling approximately 100 acres to the Town of Gilbert, Langley Ranch is presently 468 acres, that staff estimates that the current value of the remaining 468 acre parcel is approximately \$30 million, and that there is significant development activity in this general area.

Discussion ensued concerning the broad range of the proposed pipeline cost estimates, and the fact that the proposed project is not included in the City's 5-year Capital Improvement Plan because staff intended that the sale of Langley Ranch would finance the project.

Chairman Whalen urged staff to include this project in the City's 5-year Capital Improvement Plan.

Committeemember Jaffa indicated support for staff's recommendations and voiced the opinion that proceeds from the sale of Langley Ranch will greatly exceed the cost of the proposed pipeline.

In response to a question from Chairman Whalen, Ms. Sorensen advised that if the City does not proceed with the proposed pre-settlement reclaimed water exchange agreement, the value associated with the SWRP would be significantly undermined.

Discussion ensued regarding the City's historical commitment to participate in the GRIC water claims settlement, and the fact that the delivery of CAP water to the City under the proposed agreement will reduce the City's reliance on ground water, thereby mitigating impacts associated with increased arsenic standards.

In response to a question from Committeemember Walters, Ms. Sorensen confirmed that the agreement provides for a "5/4 exchange" of reclaimed water for CAP water (for every five acre-feet of reclaimed water delivered to the GRIC, Mesa receives four acre-feet of CAP water).

Carried unanimously.

2. Adjournment.

Without objection, the Utility Committee Meeting adjourned at 3:35 p.m.

I hereby certify that the foregoing minutes are a true and correct copy of the minutes of the Utility Committee meeting of the City of Mesa, Arizona, held on the 4th day of March 2002. I further certify that the meeting was duly called and held and that a quorum was present.

BARBARA JONES, CITY CLERK

pjt