



PLEASE SILENCE ALL ELECTRONIC COMMUNICATION DEVICES. THANK YOU.

NOTICE OF POSSIBLE QUORUM OF THE CITY OF BUCKEYE PLANNING AND ZONING COMMISSION OR OTHER COUNCIL APPOINTED BOARD: PLEASE NOTE THAT THERE MAY BE A QUORUM PRESENT BUT THERE WILL BE NO VOTING TAKING PLACE BY THE CITY PLANNING AND ZONING COMMISSION OR OTHER COUNCIL APPOINTED BOARD AT THIS MEETING.

**CITY OF BUCKEYE
COUNCIL WORKSHOP
JULY 6, 2021
AGENDA**

**City Council Chambers
530 East Monroe Avenue
Buckeye, AZ 85326
4:30 PM**

Accessibility for all persons with disabilities will be provided upon request. Please telephone your accommodation request (623) 349-6911, 72 hours in advance if you need a sign language interpreter or alternate materials for a visual or hearing impairment.

Voting Members will either attend in person or by telephone conference call or video presentation. Items listed may be considered in any order

IMPORTANT NOTICE REGARDING PUBLIC PARTICIPATION

This meeting will be open to the public; masks will be required when social distancing is not possible unless you have received the COVID-19 vaccine. If you would like to make a public comment, either in person or remotely, please review the information on the City's website and complete and submit the comment form found here: <https://www.buckeyeaz.gov/government/city-clerk/meeting-agendas-minutes/meetings-agendas-minutes>

1. Call to Order/Roll Call

2. Workshop Items

2.A Presentation and Discussion regarding the Subcontract among the United States Bureau of Reclamation, the Central Arizona Water Conservation District, and the City of Buckeye for 2,786 acre-feet of Central Arizona Project Non-Indian Agricultural Priority Water.

Summary: The City of Buckeye applied for a Central Arizona Project Non-Indian Agricultural Priority Water allocation in June 2013. In January 2014, the Arizona Department of Water Resources recommended that the City of Buckeye receive an annual allocation of 2,786 acre-feet per year for 100 years (2,786 acre-feet is nearly 908 million gallons). In order to receive this water, a subcontract must be executed among the United States Bureau of Reclamation, the Central Arizona Water Conservation District (CAWCD), and the City of Buckeye. The draft subcontract for this water was received by the City on April 28, 2021. This water will initially be available for delivery during calendar year 2022.

Staff Liaison: Ron Whitler, Water Resources Hydrologist, rwhitler@buckeyeaz.gov, (623) 349-6122

3. Adjournment.

**CITY OF BUCKEYE
Council Workshop Agenda
COUNCIL ACTION REPORT**

MEETING DATE: 07/06/21	AGENDA ITEM: 2.A. Presentation and Discussion regarding the Subcontract among the United States Bureau of Reclamation, the Central Arizona Water Conservation District, and the City of Buckeye for 2,786 acre-feet of Central Arizona Project Non-Indian Agricultural Priority Water.
DATE PREPARED: 06/30/21	DISTRICT NO.: All
STAFF LIAISON: Ron Whitler, Water Resources Hydrologist, rwhitler@buckeyeaz.gov, (623) 349-6122	
DEPARTMENT: Water Resources	AGENDA ITEM TYPE: Staff Reports / Discussion and Possible Direction from Council

ACTION/MOTION: (This language identifies the formal motion to be made by the Council)
Presentation and Discussion regarding the Subcontract among the United States Bureau of Reclamation, the Central Arizona Water Conservation District, and the City of Buckeye for 2,786 acre-feet of Central Arizona Project Non-Indian Agricultural Priority Water.

RELEVANT GOALS:

GOAL 4: Adequate, Well-Maintained and Well-Planned Public Infrastructure

SUMMARY

PROJECT DESCRIPTION:

The City of Buckeye applied for a Central Arizona Project Non-Indian Agricultural Priority Water (NIA Water) allocation in June 2013. In January 2014, the Arizona Department of Water Resources recommended that the City receive an annual allocation of 2,786 acre-feet per year for 100 years (2,786 acre-feet is nearly 908 million gallons).

In order to receive this water, a subcontract must be executed by the United States Bureau of Reclamation, the Central Arizona Water Conservation District, and the City of Buckeye. A draft subcontract for this water was initially received by the City on April 28, 2021. The Central Arizona Water Conservation District Board is scheduled to approve the subcontracts at their June 10, 2021 Board meeting. This would be followed by Buckeye City Council approval of the subcontract. The final step would require Superior Court validation of the subcontract. The Superior Court validation process typically takes about 60 days. If Superior Court validation is obtained in September 2021, the City may be able to meet the October 1, 2021 CAP deadline for placing a delivery order for water to be delivered in calendar year 2022.

NIA Water is a lower priority water supply than Indian CAP Water or Municipal and Industrial (M&I) CAP Water. Consequently, the availability of the NIA Water volume would be reduced before the Indian and M&I water during times of shortage. A Declaration of a Tier 1 Shortage on the Colorado

River is expected in August 2021 (because the water level in Lake Mead is expected to drop below an elevation of 1,075 feet). The Declaration of a Tier 1 Shortage will not reduce the volume of NIA Water delivered in calendar year 2022. However, if a Tier 1 Shortage or a Tier 2 shortage is declared in August of 2022, the volume of NIA Water is expected to be reduced in calendar year 2023 to 50-75% of the original volume. Deeper shortages would result in even greater reductions in the NIA Water, with the possibility of Buckeye receiving no NIA Water during any given year. If water levels continue to drop in Lake Mead, even the volumes of Indian and M&I CAP water could be reduced.

BENEFITS:

Central Arizona Project (CAP) water is a renewable water supply that can be used in place of groundwater pumping. It can also be used to recharge or replenish the aquifer in order to sustain groundwater supplies and to reduce groundwater level declines. In addition, CAP water can be recharged and recovered during the same year to reduce the Central Arizona Groundwater Replenishment (CAGR) costs on customer property tax bills. If the City obtains a Designation of Assured Water Supply in the future, this water can be used to reduce the City's CAGR replenishment obligations.

In a letter dated May 25, 2021, CAP stated that the up front acquisition cost for the NIA Water will be an estimated \$1,961.50 per acre-foot (this cost consists of \$1,296.50 per acre-foot for back-capital charges, and \$665.00 per acre-foot for debt contribution). Although the acquisition cost is expensive, this cost is for a 100-year supply. In addition, the acquisition costs currently being asked for some other water supplies (including Colorado River Water entitlements) can be up to \$10,000.00 per acre-foot.

FUTURE ACTION:

Consideration of agreements for options to beneficially use this water, including:

- Renewal of the Groundwater Savings Facility Storage Agreement with Tonopah Irrigation District
- Agreement with EPCOR to wheel and treat this water for delivery to the City of Buckeye North Airport Road Water Campus

FINANCIAL IMPACT STATEMENT:

Three costs are associated with this water supply:

1. Up-front Acquisition Costs

The up-front acquisition unit costs are \$1,961.50 per acre-foot (this cost consists of \$1,296.50 per acre-foot for back-capital charges, and \$665.00 per acre-foot for debt contribution) or a total of \$5,464,739.00 (2,786 acre-feet x \$1,961.50 per acre-foot). The acquisition costs can either be paid up-front or financed over five years through the CAWCD at 2.5% interest. If the 5-year payment option is selected, the payments will be spread evenly over the 5 years at \$408.58 per year per acre-foot or a total of \$2,042.90 per acre-foot for the allocations. The City may elect to pay off the debt early upon notice to CAWCD without any repayment penalties. Under the 5-year payment option the annual cost would be \$1,138,303.88 or a total cost of \$5,691,519.40.

2. Annual Capital Charges

The annual Capital Charges are approved by the CAWCD Board in early June of each year (June 10, 2021). The Capital is expected to be \$50.00 per acre-foot in 2022 (2,786 acre-feet x \$50 per acre-foot = \$139,300.00). The annual Capital Charge may change each year. During 2023 the capital charge is

estimated (advisory rate) to be \$56.00 per acre-foot. The first half of the Annual Capital Charges are invoiced in October of each year and the second half of the Annual Capital Charges are invoiced in April of each year.

3. Municipal and Industrial Subcontract charge

The Municipal and Industrial (M&I) Subcontract charge is only due for the water actually delivered. The M&I Subcontract rate is approved by the CAWCD Board in early June of each year (June 10, 2021). During 2022 the M&I Subcontract rate is expected to be \$192.00 per acre-foot (2,786 acre-feet x \$192.00 per acre-foot = \$534,912.00). A monthly payment of \$44,576.00 may be made for the M&I Subcontract charge.

CURRENT FISCAL YEAR TOTAL COST:

Anticipated Fiscal Year 2021/22 costs for the NIA Water are summarized below:

\$1,138,303.88 Up-front Acquisition Payment
+\$139,300.00 Annual Capital Charge
+\$534,912.00 Municipal and Industrial Subcontract Payment (delivery fee)
\$1,812,515.88 Total FY 2021/22 Costs

BUDGETED:

Yes

FISCAL YEAR:

21/22

FUND/DEPARTMENT:

Water Resources

Items related to a project or facility location must include an attached vicinity map for Council Review.

ATTACHMENTS:

[NIA Recipient Letter 5-27-21.pdf](#)



May 25, 2021

Dear NIA Priority Recipient,

We wanted to provide you with an update of the financial charges for the NIA priority reallocation that is currently in process. In anticipation of finalizing the cost/AF for NIA reallocation in 2022, our finance staff has been reviewing both the 9(d) debt calculation as well as that for back capital charges. As a result of this analysis, CAP has revised the figure previously shared in its estimates.

We are happy to inform you that the cost of the back-capital charges has decreased from earlier estimates. The revised back capital charges will be \$1,296.50/ acre-foot, which is less than the \$1,335/acre-foot that has previously been communicated. The decrease is primarily due to 2 factors, lower actual interest rates than previous estimates and a capital charge calculation error that has been corrected. The 9(d) debt contribution remains at \$665/acre-foot for a total payment of \$1,961.50 per acre-foot.

CAP will be offering the option of paying the full amount upfront or to finance the charges over 5 years at a 2.5% interest rate. If the 5-year payment option is selected, the payments will be spread evenly over the 5 years at \$408.58/year/acre-foot or a total of \$2,042.90/acre-foot for the allocation. Recipients may elect to pay off the debt early upon notice to CAWCD without any prepayment penalties.

The full amount or first payment will be billed with 30-day terms upon full execution of the subcontract and five-year payment agreement (if applicable), which we anticipate will be in late August or early September 2021.

We hope this update does not cause any issues. Please feel free to reach out if you have any questions.

Sincerely,

Chris Hall

Chris Hall
Assistant General Manager for Finance and Administration